

# MANAGEMENT REPORT FOR THE FIRST QUARTER OF 2022

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## SOPHARMA GROUP

30 May 2022

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## I. General information about Sopharma Group

### 1. Main activities

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products, food supplements, cosmetics and medical devices.

The Group operates in the following areas:

- production of pharmaceutical products, including medicines, mainly generics, herbal-based substances and food supplements, which is mainly done by “Sopharma” AD (the Company);
- production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products concentrated on the production site in Sandanski city;
- distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements, cosmetics and others, which is mainly performed by “Sopharma Trading” in Bulgaria and Serbia.

### 2. Registration and activity of the Company

“Sopharma” AD is a company registered in Bulgaria under the Provisions of the Commercial Law, with its registered office in Sofia, 16 Iliensko shose str.

“Sopharma” was established in 1933. The court registration of the Group is from 15 November 1991, decision №1/1991 of Sofia City Court. “Sopharma” AD is a public company under the Law on Public Offering of Securities.

The Group conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy, production of medical devices and cosmetic products, incl. - plasters, dressings, sanitary - hygiene products, herbal cosmetics, concentrates for hemodialysis. “Sopharma” AD provides services related to production, as well as to ancillary and supporting activities.

### 3. Controlled companies

Sopharma Group consists of “Sopharma” AD and the following subsidiaries, directly or indirectly controlled by the Company. Additionally, the Group has investments in two associated

## Sopharma Group

companies (“Doverie - obedinen holding” AD, 25% stake and “Sopharma Imoti” REIT, 33.15% stake) and in one joint venture (“Momina krepost” AD, 37.46% stake).

Company	Interest as at 31.03.2022 in %
“Sopharma Trading” AD	81.34
“Pharmalogistica” AD	89.39
“Elektroncommerce” EOOD	100.00
“Biopharm Engineering” AD	97.15
“Phyto Palauzovo” AD	95.00
“Veta Pharma” AD	99.98
“Sopharmacy” EOOD **	81.34
“Sopharmacy 2” EOOD **	81.34
“Sopharmacy 3” EOOD **	81.34
“Sopharmacy 4” EOOD **	81.34
“Sopharmacy 5” EOOD **	81.34
“Sopharmacy 6” EOOD **	81.34
“Sopharmacy 7” EOOD **	81.34
“Sopharmacy 8” EOOD **	81.34
“Sopharmacy 9” EOOD **	81.34
“Sopharmacy 10” EOOD **	81.34
“Sopharmacy 11” EOOD **	81.34
“Sopharmacy 12” EOOD **	81.34
“Sopharmacy 13” EOOD **	81.34
“Sopharmacy 14” EOOD**	81.34
“Sopharmacy 15” EOOD**	81.34
“Sopharmacy 16” EOOD**	81.34
“Sopharmacy 17” EOOD**	81.34
“Sopharmacy 18” EOOD**	81.34
“Sanita Franchising” AD **	81.34
“Sopharmacy 19” EOOD (Valentina Vasileva – Lyulin EOOD) **	81.34
“Sopharmacy 20” EOOD (Vasilka Lilovska EOOD) **	81.34
“Sopharmacy 21” EOOD (Venera Mutashka EOOD) **	81.34
“Sopharmacy 22” EOOD (Veselka Vasileva EOOD) **	81.34
“Sopharmacy 23” EOOD (Victoria Angelova EOOD) **	81.34
“Sopharmacy 24” EOOD (Desislava Jordanova EOOD) **	81.34
“Sopharmacy 25” EOOD (Dimka Vladeva EOOD) **	81.34
“Sopharmacy 26” EOOD (Donka Chivganova EOOD) **	81.34
“Sopharmacy 27” EOOD (Ekaterina Mihaylova – Shumen 1 EOOD) **	81.34
“Sopharmacy 28” EOOD (Elka Neykova EOOD) **	81.34

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“Sopharmacy 29” EOOD (Emilia Angelova EOOD) **	81.34
“Sopharmacy 30” EOOD (Juliana Kotova EOOD) **	81.34
“Sopharmacy 31” EOOD (Ivan Ivanov 1 EOOD) **	81.34
“Sopharmacy 32” EOOD (Iliana Kalushkova EOOD) **	81.34
“Sopharmacy 33” EOOD (Irina Toncheva EOOD) **	81.34
“Sopharmacy 34” EOOD (Kapka Nikolova – Military Hospital EOOD) **	81.34
“Sopharmacy 35” EOOD (Kostadin Gorchev EOOD) **	81.34
“Sopharmacy 36” EOOD (Krasimira Shunina EOOD) **	81.34
“Sopharmacy 37” EOOD (Lora Doncheva EOOD) **	81.34
“Sopharmacy 38” EOOD (Lyudmila Zlatkova EOOD) **	81.34
“Sopharmacy 39” EOOD (Lyudmila Kovacheva EOOD) **	81.34
“Sopharmacy 40” EOOD (Manik Burgazyan EOOD) **	81.34
“Sopharmacy 41” EOOD (Mariyka Jaigarova EOOD) **	81.34
“Sopharmacy 42” EOOD (Mariya Agova EOOD) **	81.34
“Sopharmacy 43” EOOD (Mariya Gancheva EOOD) **	81.34
“Sopharmacy 44” EOOD (Mariya Kenova EOOD) **	81.34
“Sopharmacy 45” EOOD (Mariya Hristova – Motopista EOOD) **	81.34
“Sopharmacy 46” EOOD (Mariyana Markova EOOD) **	81.34
“Sopharmacy 47” EOOD (Mary Ivanova EOOD) **	81.34
“Sopharmacy 48” EOOD (Nelly Stavreva EOOD) **	81.34
“Sopharmacy 49” EOOD (Preslava Becheva EOOD) **	81.34
“Sopharmacy 50” EOOD (Rayna Madzharova-St. Georgi Sofiyiski EOOD) **	81.34
“Sopharmacy 51” EOOD (Rumyana Ignatova – Gancheva EOOD) **	81.34
“Sopharmacy 52” EOOD (Sashka Todorova EOOD) **	81.34
“Sopharmacy 53” EOOD (Svetla Harizanova EOOD) **	81.34
“Sopharmacy 54” EOOD (Svetlana Pirpirova EOOD) **	81.34
“Sopharmacy 55” EOOD (Ceiba-Blagoevgrad-1 EOOD) **	81.34
“Sopharmacy 56” EOOD (Silviya Veneva EOOD) **	81.34
“Sopharmacy 57” EOOD (Siyana Milanova EOOD) **	81.34
“Sopharmacy 58” EOOD (Stoyanka Radenkova EOOD) **	81.34
“Sopharmacy 59” EOOD (Avdzhieva EOOD) **	81.34
“Sopharmacy 60” EOOD (Radina Bekova EOOD) **	81.34
“Sopharmacy 61” EOOD (Rumen Raynov EOOD) **	81.34
“Sopharmacy 62” EOOD (Hani Modhi EOOD) **	81.34
“Sopharmacy 63” EAD (SCS Franchise EAD) **	81.34
“Sopharmacy 55” EOOD (Ceiba Blagoevgrad-1 EOOD)**	81.34
“Sopharmacy 56” EOOD (Silvia Veneva EOOD)**	81.34
“Sopharmacy 57” EOOD (Siyana Milanova EOOD)**	81.34
“Sopharmacy 58” EOOD (Stoyanka Radenkova EOOD)**	81.34
“Sopharmacy 59” EOOD (Anna Avdzhieva EOOD)**	81.34

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"Sopharmacy 60" EOOD (Radina Bekova EOOD)**	81.34
"Sopharmacy 61" EOOD (Rumen Raynov EOOD)**	81.34
"Sopharmacy 62" EOOD ("Hani Modhi" EOOD)**	81.34
"Sopharmacy 63 EAD (SCS Franchise EAD)**	81.34
"Sopharmacy 64" EOOD (Sanita Franchising AD) **	81.34
PAO "Vitamini"	100.00
"Sopharma" Warsaw Sp. z. o. o	100.00
"Sopharma" Poland Sp. z. o. o - in liquidation	60.00
OOO "Sopharma" Ukraine	100.00
TOO "Sopharma" Kazakhstan	100.00
"Rap Pharma International" OOD	80.00
"Sopharma Trading" D.o.o. (Lekovit D.o.o.) **	81.34
"Pharmachim" EOOD	100.00

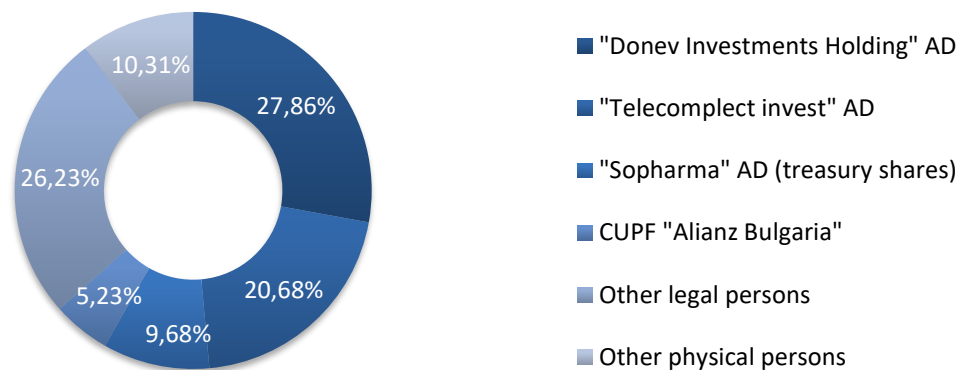
\*effective interest in percent

\*\*indirect interest

### 4. Board of directors

"Sopharma" AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD – Chairman, Vessela Stoeva – Deputy Chairman and members – Alexander Tchaoushev, Bissera Lazarova and Ivan Badinski. The company has two procurators - Simeon Donev and Ivan Badinski. The company is represented and managed by the Executive Director Ognian Donev, PhD.

### 5. Shareholder structure as at 31 March 2022



### 6. Information about the shares and other securities issued by the Company

The total number of shares issued on 31 March 2022 by "Sopharma" AD is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and

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indivisible, according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder in proportion to the nominal value of the share.

By Decision № 804 - E of 4 November 2021 the Financial Supervision Commission entered an issue in the amount of 44,932,633 dematerialized, freely transferable and registered warrants, with an issue value of BGN 0.28, issued by “Sopharma” AD under Art. 112 b, para. 11 of the LPOS. The underlying asset of the issued warrants are future ordinary, registered, dematerialized, freely transferable shares, giving the right to one vote in the General Meeting of Shareholders, which will be issued by the company on condition only in favor of the owners of warrants. Each subscribed warrant entitles its holder to subscribe for one share of a future issue. Holders of warrants may exercise their right to subscribe for the respective number of shares from a future increase in the company's capital within 3 years at a fixed price of BGN 4,13 per share.

## II. Recent developments

### Key financial indicators

Indicators	1-3/2022 BGN '000	1-3/2021 BGN '000	Change %
Revenues	397 570	378 857	4.9%
EBITDA	34 638	33 404	3.7%
Operating profit	21 827	19 924	9.6%
Net profit	22 560	19 448	16.0%
CAPEX*	9 442	11 128	-15.2%
	<b>31.03.2022</b>	<b>31.12.2021</b>	
	<b>BGN '000</b>	<b>BGN '000</b>	
Non-current assets	634 281	633 746	0.1%
Current assets	564 467	571 232	-1.2%
Owners' equity	665 656	658 868	1.0%
Non-current liabilities	127 152	122 218	4.0%
Current liabilities	392 178	423 892	-7.5%

\*acquired tangible and intangible fixed asset

Indicators	1-3/2022	1-3/2021
EBITDA/Sales revenues	8.7%	8.8%
Operating profit / Sales revenues	5.5%	5.3%
Net profit/Sales revenues	5.7%	5.1%
	<b>31.03.2022</b>	<b>31.12.2021</b>
Debt/ Equity	0,76	0,83
Net debt*/ EBITDA on annual basis	2,3x	2,5x

\* net debt includes bank loans and leasing and factoring liabilities less cash, taking into account the effects of the adoption of IFRS 16 Leasing, effective from 1 January 2019.

### Operating revenues

Sales revenues of the Group increased with BGN 18,7 million or 4.9%, reaching BGN 397,6 million in the first quarter of 2022 compared to BGN 378,9 million in the first quarter of 2021. Sales of goods increased with BGN 16,9 million or 5.3%, reaching BGN 338,4 million in the first quarter of 2022 compared to BGN 321,5 million in the previous period. Sales of finished products



increased by BGN 1,8 million, or 3.2%, to BGN 59,2 million in the first quarter of 2022 compared to BGN 57,4 million in the previous period.

On a consolidated basis, the growth in sales of finished products in Bulgaria for the first quarter of 2022 was 19% compared to the previous period. The company retains its market share and at the end of the first quarter of 2022 has a 2.74% share of the total Bulgarian pharmaceutical market in value and 10.08% of sales in volume. The positions of the main competitors of the Company in the country are as follows: Novartis –7.288% (3.81% in kind), Roche – 4.94% (0.16% in kind), Merck Sharp Doh– 3.81% (0.14% in kind), Pfizer – 3.56% (0.75% in kind), Teva – 3.56% (8.53 % in kind), Astrazeneca – 3.24% (0.49% in kind), Abbvie – 2.88% (0.06% in kind), Swixx Biopharma – 2.82% (0.98% in kind). The products with the largest share of sales in the country are Analgin, Sophazolon, Vicetin, Fomotidine, Vitamin C, Paracetamol, Bromhexine, Methylprednisolone.

On a consolidated basis for the first quarter of 2022, revenue from sales of finished products in Ukraine increased by 26% compared to the previous period. In Russia, sales of finished products decreased by 44% compared to the previous period which is a result of the disrupted rhythm of supplies after the outbreak of the conflict in Ukraine. In the other main markets of the Group there is an increase in sales of finished products in Kazakhstan, Serbia, Georgia, Uzbekistan and others, while sales in Poland, Vietnam, Belarus and Latvia are declining.

*Other operating revenues* decreased by BGN 1,8 million to BGN 2,1 million in the first quarter of 2022 compared to BGN 3,9 million in the previous period.

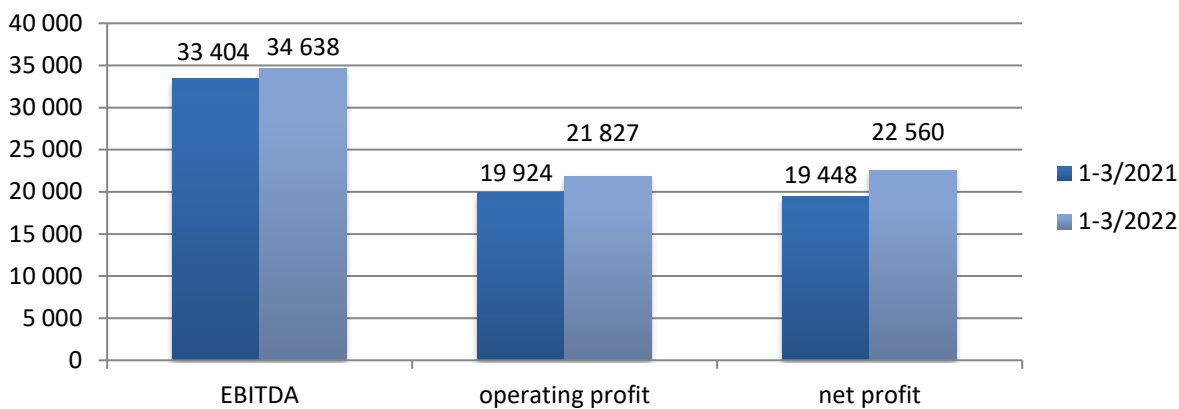
### *Operating expenses*

For the current period the expenses of materials increased by BGN 4,2 million to BGN 23,6 million, as the most significant change was registered in the expenses of substances, which increased by BGN 2,8 million, as well as in the expenses for electricity and heat, increasing by BGN 0,8 million and BGN 1,4 million, respectively. Personnel expenses decreased by BGN 1,9 million to BGN 34,8 million due to the decrease in the average number of staff in the Group (4,790 employees compared to 5,507 in 2021). The external service expenses decreased by BGN 1,4 million to BGN 14,8 million with the most significant change in construction costs, which decreased by BGN 1 million.

## Financial income and expenses

*Financial income and expenses* in the first quarter of 2022 net registered a loss of BGN 0,8 million, which is a decrease of the loss by BGN 0,3 million compared to the same period of the last year. Financial income decreased by BGN 1,1 million, interest income from overdue receivables decreased by BGN 0,4 million and net foreign exchange gains on foreign currency loans and leases decreased by BGN 0,6 million. Financial expenses decreased by a total of BGN 1,5 million, while interest expenses on loans received for the current period decreased by BGN 1,3 million as a result of a decrease in the Group's bank exposure due to the sale of shares in the Baltic States and Belarusian companies at the end of last year.

## Financial result



*Earnings before interest, taxes and depreciation (EBITDA)* increased by BGN 1,2 million or by 4%, while in the first quarter of 2022 it amounted to BGN 34,6 million compared to BGN 33,4 million in the first quarter of 2021.

*Profit from operating activities* increased by BGN 1,9 million or by 10%, to BGN 21,8 million in the first quarter of 2022 compared to BGN 19,9 million in the first quarter of 2021.

*Net profit* increased by BGN 3,1 million or 16% to BGN 22,6 million in the first quarter of 2022 compared to BGN 19,4 million in the first quarter of 2021. In addition to the effect of operating activities, the reduced financial expenses, as well as the profits reported during the current period from associates in the amount of BGN 4 million.

## Assets

*Non-current assets* increased by BGN 0,5 million. A decrease is registered as a result due to the written-off book value of assets on disposal of investment in subsidiaries. The acquired

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tangible and intangible fixed assets for the period amounted to BGN 9,4 million. Investments in associates and joint ventures increased by BGN 3,4 million as a result mainly of the reported share in current profit and the increased share in the associate "Doverie-obedinen holding" AD.

*Current assets* decreased to BGN 6,8 million, mainly due to the decrease in cash and cash equivalents by BGN 17,3 million, while trade receivables increased by BGN 14 million. Inventories remain the same compared to the end of the previous year.

### *Owners' equity and liabilities*

*The equity* of Sopharma Group increased by BGN 20,6 million compared to 31.12.2021 as a result of the reported net current profit.

*The liabilities* decreased by BGN 31,7 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 35,2 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 16,9 million to BGN 276 million. The trade liabilities increased by BGN 3,1 million compared to the end of the last year.

### *Cash Flows*

	31.03.2022 BGN '000	31.03.2021 BGN '000
Net cash flows from operating activities	16 049	(18 113)
Proceeds of amounts by factoring after interest and fees	6 500	48 244
Purchases of property, plant and equipment, intangible assets, net	(4 045)	(6 208)
Payments under lease agreements	(4 504)	(5 723)
<b>Free cash flow (normalized)</b>	<b>14 000</b>	<b>18 200</b>

The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated for the first quarter of 2022, amounts to BGN 14 million inflow compared to BGN 18,2 million inflow in the first quarter of 2021.

### *New developments and products for the period January - March 2022*

During the reporting period January - March 2022 in the Division "Development and Regulatory Compliance" the following activities were performed:

#### **New medicines**

During the reporting period, a marketing authorization was obtained for **2** new medicinal products:

- *Diclofenac Diethylamine 23.2 mg/g gel (DCP - Denmark, Sweden, Norway, Finland).*  
Licensing
- Paracedol Duo 200 mg/ 500 mg fct (Bulgaria).

### **New registrations and re-registrations / changes**

#### New registrations of medicinal products

- Documentation for registration of **2** medicinal products has been submitted:
  - *Pethidin 50 mg/ml solution for injection (DCP - Denmark, Sweden, Norway, Finland);*
  - *Aminophyllin Sveikuva 24 mg/ml solution for injection (Lithuania).*

#### Re-registrations / changes

- Renewed Marketing Authorizations for **18** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **19** medicinal products.
- **147** changes for medicinal products approved by agencies.
- **95** changes for medicinal products submitted to agencies.

#### Food additives

- **1** food supplements have been notified for Bulgaria.

#### Cosmetic products

- **2** Cosmetic products are registered in Saudi Arabia.

### **Developments**

- Pharmaceutical development of **9** new medicinal products / projects:
  - Citisinicline 3,0 mg tablets – Project with the company Achieve;
  - Suxamethonium 10 mg/ml solution for injection;
  - Suxamethonium 20 mg/ml solution for injection;
  - Keterolac 30 mg/ml solution for injection; 1 ml;
  - Sodium picosulfate 7,5 mg/ml oral drops;
  - Dexketoprophenum 25 mg tablets;
  - Betagamma caps.;

- Buscolizin 10 mg tablets;
- Antistenocardin 25 mg tb.

### **Transfer and validation of technological processes**

- 4 production processes / technologies are validated / optimized.

### **Prepared documentation for qualification / production**

- Documentation for qualification of raw materials for production - **23**;
- Production regulations - **31**;
- Documentation for qualification of finished forms - **84**.

## **III. Significant events for the first quarter of 2022 and until the date of the consolidated management report**

On February 24, 2022, Russian military forces started hostile invasion in Ukraine. Subsequently, a number of countries imposed sanctions on certain individuals and legal entities in Russia. The war in Ukraine and related economic sanctions and other measures taken by governments around the world have had a significant impact on both local and global economies.

Two of the subsidiaries in the Group are based and operate in Ukraine. As of the date of preparation of the separate financial statements the assets of these subsidiaries companies are not physically affected by military activities, but it may be necessary in the future to reconsider the value of these investments depending on the development of the war and its impact on the activities of companies.

## **IV. Review of the main risks faced by the Group**

### *Risks related to the Company's business and the industry the Company operates in*

- The Group faces significant competition.
- Part of the revenues of Sopharma Trading AD in Bulgaria are generated from sales of state hospitals, which predetermines a high degree of business risk;
- The Group is dependent on regulatory approvals.

- Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- Part of the Group's revenues in particular in Bulgaria, depend on the inclusion of the Group's medicines in reimbursement lists.
- The Group's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations.
- The Group's ability to pay dividends depends on a number of factors and there can be no guarantee that the Company will be able to pay dividends in accordance with its dividend policy.
- The Group is subject to operational risk, which is inherent to its business activities.
- The Group is subject to multiple laws and regulations on environmental protection and health and safety work conditions and is exposed to potential environmental liabilities.
- Litigations or other out-of-court proceedings or actions may adversely affect the Group's business, financial position and results of operations.

### *Risks related to Bulgaria and other markets in which the Group operates*

- The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations;
- The political environment in Bulgaria and in the export markets, especially Russia and the Ukraine, has a significant effect on the Group's operations and financial position;
- Risks related to the Bulgarian legal system;
- Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in these countries;
- Risks relating to exchange rates and the Currency Board in Bulgaria;
- The interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

### *Currency risk*

The Group companies perform their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

Through the companies in Ukraine and Kazakhstan, the group carries out business operations in these countries and, accordingly, has exposures in Ukrainian hryvnia and Kazakhstani tenge. The currency risk is related to the negative movement of the exchange rates of these currencies against the Bulgarian lev in the future business operations, the recognized assets and liabilities in foreign currency and the net investments in foreign companies. The rest of the companies abroad sell mainly on local markets, leading to currency risk and against their currencies - the Serbian dinar and the Polish zloty.

In order to control the currency risk, a system of planning of import deliveries, for foreign currency sales, as well as procedures for daily monitoring of movements in the dollar exchange rate and control of forthcoming payments, is introduced. The exposure of subsidiaries in Bulgaria in foreign currency is insignificant, as almost all sales are made on the local market in Bulgarian leva. Imports of goods are fully realized in euro. Borrowings denominated in foreign currency are mainly denominated in euro.

### V. Information on related party transactions

<i>Related party</i>	<i>Relation type</i>	<i>Relation period</i>	
"Telecomplect invest" AD	Company shareholder with significant influence	2022	2021
"Donev Investments Holding" AD	Company shareholder with significant influence	2022	2021
"Momina krepost" AD	Joint venture	2022	Since 10 March 2021
"Sopharma Imoti" REIT	Associate	2022	Since 8 December 2021
"Doverie-obedinen holding" AD	Associate	2022	2021
Subsidiaries form DOH Group	Companies controlled by an associate	2022	2021
"Sofprint Group" AD	Company related through key management personnel	2022	2021
"Sofconsult Group" AD	Company related through key management personnel	2022	2021
"VES electroinvest systems" EOOD	Company related through key management personnel	2022	2021
"Eco Solar Invest" OOD	Company related through key management personnel	2022	2021

“Sirius” OOD	Company related through key management personnel	2022	Until 14 June 2021
„Mill village Stefanovo“ EOOD	Company related through key management personnel	2022	Until 14 June 2021
“OKP Investments” OOD	Company related through key management personnel	2022	Until 14 June 2021
“Alpha in” EOOD	Company related through key management personnel	2022	2021
“Consumpharm” OOD	Company related through key management personnel	2022	Until 14 June 2021

	<b>1 January – 31 March 2022 BGN ‘000</b>	<b>1 January – 31 March 2021 BGN ‘000</b>
<b>Supplies from related parties:</b>		
<b>Supply of inventories from:</b>		
Companies related through key management personnel	2,580	2,424
Companies controlled by an associate	68	15
Joint ventures	63	-
Associates	27	-
	<b>2,738</b>	<b>2,439</b>
<b>Supply of services from:</b>		
Companies controlled by an associate	260	273
Shareholding companies with significant influence	97	91
Associates	73	-
Companies related through key management personnel	63	50
	<b>493</b>	<b>414</b>
<b>Deliveries of tangible fixed assets from:</b>		
Companies controlled by an associate	-	103
	-	<b>103</b>
<b>Other deliveries from:</b>		
Companies controlled by an associate	50	223
	<b>50</b>	<b>223</b>
<b>Total deliveries</b>	<b>3,281</b>	<b>3,179</b>
<b>Sales to related parties</b>		
<b>Sales of inventories to:</b>		
Companies controlled by an associate	413	304
Companies related through key management personnel	307	194
	<b>720</b>	<b>498</b>



**Sales of services to:**

Companies controlled by an associate	67	67
Companies related through key management personnel	51	64
Associates	2	2
	<b>120</b>	<b>133</b>

**Guarantee fees and guarantees of:**

Joint ventures	4	-
	<b>4</b>	<b>-</b>

**Interest on loans granted:**

Companies controlled by associates	464	484
Joint ventures	11	1
	<b>475</b>	<b>485</b>
	<b>1,319</b>	<b>1,116</b>

**Leasing contracts**

During the reporting period, the company recognized assets, liabilities, expenses, payments in connection with **lease agreements with related parties**, as follows:

**The lease obligations** as of 31 March in connection with lease agreements with related parties are as follows:

	<b>31.03.2022</b>	<b>31.12.2021</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Recognized lease obligations on January 1	<b>4,314</b>	<b>174</b>
Increases	1,557	4,373
Payments of lease obligations for the period	(566)	(233)
<b>Leasing liabilities as of 31 March/ 31 December</b>	<b>5,305</b>	<b>4,314</b>

**The assets "right of use"** as of 31 March in connection with lease agreements with related parties are as follows:

	<b>31.03.2022</b>	<b>31.12.2021</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Asset "right of use" as of January 1	<b>4,315</b>	<b>172</b>
Increases	1,518	4,427
Depreciation accrued	(590)	(284)

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This is a translation from Bulgarian of the Management report of Sopharma Group for the first quarter of 2022.

In case of divergence Bulgarian text should prevail.

Assets "right of use" as of 31 March/ 31 December

5,243

4,315

The new right-of-use assets and lease obligations arising during the period are under lease agreements with an associate.

The accounts with related parties are presented in Note 19, 23, 28, 35.

The composition of the Group's key management personnel includes the Executive Director disclosed in Note 1.1 and members of the Board of Directors of the Parent Company.

The remuneration and other income of the key management personnel and the executive directors, the members of the Board of Directors and the managers of the subsidiaries of the Group amount to BGN 958 thousand (2021: BGN 1,467 thousand).

30 May 2022

Sofia