

MANAGEMENT REPORT FOR THE NINE MONTHS OF 2022



SOPHARMA GROUP

29 November 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.

Sopharma Group

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 companies (“Doverie - obedinen holding” AD, 24.998% stake and “Sopharma Imoti” REIT, 35.65% stake) and in one joint venture (“Momina krepost” AD, 37.46% stake).

Company	Interest as at 30.09.2022 in %
“Sopharma Trading” AD	86.05
“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 **	86.05
“Sopharmacy 2” EOOD **	86.05
“Sopharmacy 3” EOOD **	86.05
“Sopharmacy 4” EOOD **	86.05
“Sopharmacy 5” EOOD **	86.05
“Sopharmacy 6” EOOD **	86.05
“Sopharmacy 7” EOOD **	86.05
“Sopharmacy 8” EOOD **	86.05
“Sopharmacy 9” EOOD **	86.05
“Sopharmacy 10” EOOD **	86.05
“Sopharmacy 11” EOOD **	86.05
“Sopharmacy 12” EOOD **	86.05
“Sopharmacy 13” EOOD **	86.05
“Sopharmacy 14” EOOD**	86.05
“Sopharmacy 15” EOOD**	86.05
“Sopharmacy 16” EOOD**	86.05
“Sopharmacy 17” EOOD**	86.05
“Sopharmacy 18” EOOD**	86.05
“Sanita Franchising” AD **	86.05
“Sopharmacy 19” EOOD (Valentina Vasileva – Lyulin EOOD) **	86.05
“Sopharmacy 20” EOOD (Vasilka Lilovska EOOD) **	86.05
“Sopharmacy 21” EOOD (Venera Mutashka EOOD) **	86.05
“Sopharmacy 22” EOOD (Veselka Vasileva EOOD) **	86.05
“Sopharmacy 23” EOOD (Victoria Angelova EOOD) **	86.05

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In case of divergence Bulgarian text should prevail.

Sopharma Group

"Sopharmacy 24" EOOD (Desislava Jordanova EOOD) **	86.05
"Sopharmacy 25" EOOD (Dimka Vladeva EOOD) **	86.05
"Sopharmacy 26" EOOD (Donka Chivganova EOOD) **	86.05
"Sopharmacy 27" EOOD (Ekaterina Mihaylova – Shumen 1 EOOD) **	86.05
"Sopharmacy 28" EOOD (Elka Neykova EOOD) **	86.05
"Sopharmacy 29" EOOD (Emilia Angelova EOOD) **	86.05
"Sopharmacy 30" EOOD (Juliana Kotova EOOD) **	86.05
"Sopharmacy 31" EOOD (Ivan Ivanov 1 EOOD) **	86.05
"Sopharmacy 32" EOOD (Iliana Kalushkova EOOD) **	86.05
"Sopharmacy 33" EOOD (Irina Toncheva EOOD) **	86.05
"Sopharmacy 34" EOOD (Kapka Nikolova – Military Hospital EOOD) **	86.05
"Sopharmacy 35" EOOD (Kostadin Gorchev EOOD) **	86.05
"Sopharmacy 36" EOOD (Krasimira Shunina EOOD) **	86.05
"Sopharmacy 37" EOOD (Lora Doncheva EOOD) **	86.05
"Sopharmacy 38" EOOD (Lyudmila Zlatkova EOOD) **	86.05
"Sopharmacy 39" EOOD (Lyudmila Kovacheva EOOD) **	86.05
"Sopharmacy 40" EOOD (Manik Burgazyan EOOD) **	86.05
"Sopharmacy 41" EOOD (Mariyka Jaigarova EOOD) **	86.05
"Sopharmacy 42" EOOD (Mariya Agova EOOD) **	86.05
"Sopharmacy 43" EOOD (Mariya Gancheva EOOD) **	86.05
"Sopharmacy 44" EOOD (Mariya Kenova EOOD) **	86.05
"Sopharmacy 45" EOOD (Mariya Hristova – Motopista EOOD) **	86.05
"Sopharmacy 46" EOOD (Mariyana Markova EOOD) **	86.05
"Sopharmacy 47" EOOD (Mary Ivanova EOOD) **	86.05
"Sopharmacy 48" EOOD (Nelly Stavreva EOOD) **	86.05
"Sopharmacy 49" EOOD (Preslava Becheva EOOD) **	86.05
"Sopharmacy 50" EOOD (Rayna Madzharova-St. Georgi Sofiyski EOOD) **	86.05
"Sopharmacy 51" EOOD (Rumyana Ignatova – Gancheva EOOD) **	86.05
"Sopharmacy 52" EOOD (Sashka Todorova EOOD) **	86.05
"Sopharmacy 53" EOOD (Svetla Harizanova EOOD) **	86.05
"Sopharmacy 54" EOOD (Svetlana Pirpirova EOOD) **	86.05
"Sopharmacy 55" EOOD (Ceiba-Blagoevgrad-1 EOOD) **	86.05
"Sopharmacy 56" EOOD (Silviya Veneva EOOD) **	86.05
"Sopharmacy 57" EOOD (Siyana Milanova EOOD) **	86.05
"Sopharmacy 58" EOOD (Stoyanka Radenkova EOOD) **	86.05
"Sopharmacy 59" EOOD (Avdzhieva EOOD) **	86.05
"Sopharmacy 60" EOOD (Radina Bekova EOOD) **	86.05
"Sopharmacy 61" EOOD (Rumen Raynov EOOD) **	86.05
"Sopharmacy 62" EOOD (Hani Modhi EOOD) **	86.05
"Sopharmacy 63" EAD (SCS Franchise EAD) **	86.05

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Sopharma Group

"Sopharmacy 55" EOOD (Ceiba Blagoevgrad-1 EOOD)**	86.05
"Sopharmacy 56" EOOD (Silvia Veneva EOOD)**	86.05
"Sopharmacy 57" EOOD (Siyana Milanova EOOD)**	86.05
"Sopharmacy 58" EOOD (Stoyanka Radenkova EOOD)**	86.05
"Sopharmacy 59" EOOD (Anna Avdzhieva EOOD)**	86.05
"Sopharmacy 60" EOOD (Radina Bekova EOOD)**	86.05
"Sopharmacy 61" EOOD (Rumen Raynov EOOD)**	86.05
"Sopharmacy 62" EOOD ("Hani Modhi" EOOD)**	86.05
"Sopharmacy 63 EAD (SCS Franchise EAD)**	86.05
"Sopharmacy 64" EOOD (Sanita Franchising AD) **	86.05
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	100.00
"Sopharma Trading" D.o.o. (Lekovit D.o.o.) **	86.05
"Pharmachim" EOOD	100.00

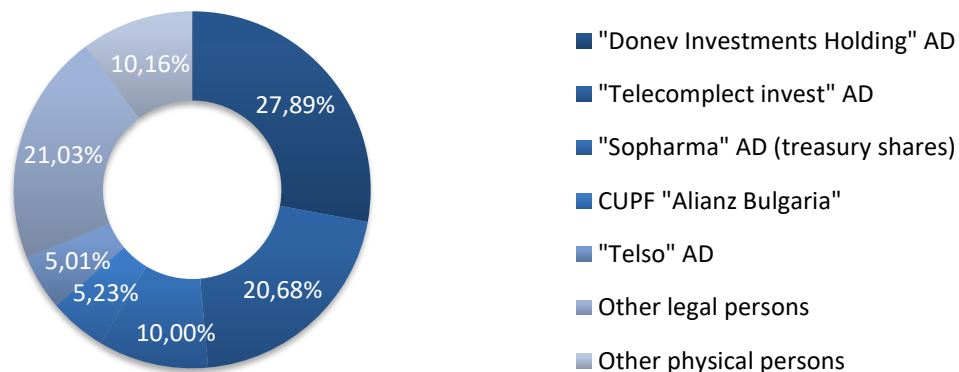
*effective interest in percent

**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 30 September 2022



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

The total number of shares issued on 30 September 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 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	1-9/2022 <i>BGN '000</i>	1-9/2021 <i>BGN '000</i>	change %
Revenues	1 218 800	1 179 329	3.3%
EBITDA	103 651	95 750	8.3%
Operating profit	65 016	55 191	17.8%
Net profit	72 256	53 497	35.1%
CAPEX*	53 598	33 441	60.3%
	30.09.2022	31.12.2021	
	<i>BGN '000</i>	<i>BGN '000</i>	
Non-current assets	671 116	633 746	5.9%
Current assets	582 394	571 232	2.0%
Owners' equity	721 747	658 868	9.5%
Non-current liabilities	141 293	122 218	15.6%
Current liabilities	390 470	423 892	-7.9%

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*acquired tangible and intangible fixed asset

Indicators	1-9/2022	1-9/2021
EBITDA/Sales revenues	8.5%	8.1%
Operating profit / Sales revenues	5.3%	4.7%
Net profit/Sales revenues	5.9%	4.5%
	30.09.2022	31.12.2021
Debt/ Equity	0,74	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 39,4 million or 3.3%, reaching BGN 1 218,8 million in the nine months of 2022 compared to BGN 1 179,3 million in the nine months of 2021. Adjusted for the deconsolidation of the companies sold at the end of last year in Latvia and Belarus, sales growth was 10%. Sales of goods increased with BGN 27,4 million or 2.8%, reaching BGN 1 014,9 million in the nine months of 2022 compared to BGN 987,5 million in the nine months of 2021. After adjustment for the deconsolidation of distribution companies and pharmacy chains in Latvia and Belarus, the growth of sales of goods for the nine months of 2022 was 10%. Sales of finished products increased by BGN 12 million, or 6.3%, to BGN 203,9 million in the nine months of 2022 compared to BGN 191,9 million in the nine months of 2021.

On a consolidated basis, the growth in sales of finished products in Bulgaria for the nine months of 2022 was 8% compared to the previous period. "Sopharma" AD retains its market share and by the end of the nine months of 2022 it occupies 2.45% of the total volume of the Bulgarian pharmaceutical market in terms of value and 9.67% of sales in kind terms. The positions of the main competitors of the Company in the country are as follows: Novartis –7.04% (4.16% in kind), Roche – 5.48% (0.14% in kind), Merck Sharp Doh– 4.45% (0.14% in kind), Pfizer – 3.80% (0.66% in kind), Teva – 3.51% (9.35 % in kind), Swixx Biopharma – 3.06% (0.88% in kind), Abbvie – 3.15% (0.06% in kind), Astrazeneca – 2.98% (0.35% in kind), Bayer – 2.64% (1.91% 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 nine months of 2022, a growth in revenues from sales of finished products is reported in Russia by 7%, in the Caucasus region by 19%, in Baltic States by 14%, in Ukraine by 2%, in Belarus by 42, in Serbia by 66%, in Kazakhstan by 54%, in Uzbekistan by 40%. Sales in Poland decreased by 15%, in Vietnam by 34%, in Moldova by 1%. A 114% increase was also recorded in sales from contract and contract manufacturing, reaching BGN 5.3 million.

Other operating revenues decreased by BGN 0,5 million to BGN 9,2 million in the nine months of 2022 compared to BGN 9,6 million in nine months of 2021.

Operating expenses

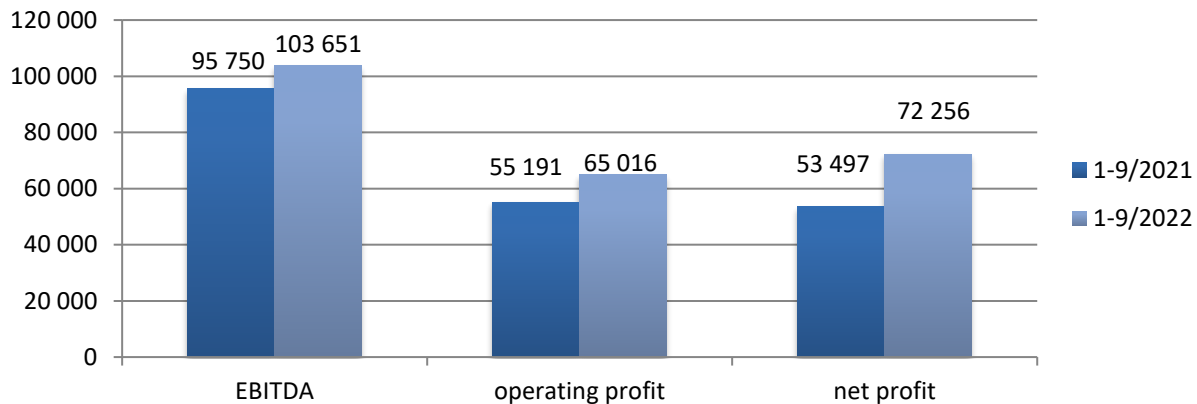
For the current period the expenses of materials increased by BGN 15 million to BGN 72,5 million, as the most significant change was registered in the expenses of substances, which increased by BGN 3,9 million, as well as in the expenses for electricity and heat, increasing by BGN 1,9 million and BGN 1,2 million, respectively. Personnel expenses decreased by BGN 2,7 million to BGN 108,5 million as a result of the decrease in the average number of personnel in the Group (4,735 workers and employees compared to 5,507 for 2021), mainly as a result of the sale of the companies in Latvia and Belarus at the end of 2021. The external service expenses decreased by BGN 0,7 million to BGN 50,1 million with the most significant change in construction costs, which decreased by BGN 1 million, which increase by BGN 0,7 million and in the production costs, which decrease by BGN 0,6 million.

Financial income and expenses

Financial income and expenses in the nine months of 2022 net registered a loss of BGN 4 million, which is a increased of the loss by BGN 0,7 million compared to the same period of the last year. Financial income decreased by BGN 3,5 million, interest income from overdue receivables decreased by BGN 1 million and net foreign exchange gains on foreign currency loans and leases decreased by BGN 2,3 million. Financial expenses decreased by a total of BGN 2,8 million, while interest expenses on loans received for the current period decreased by BGN 3,3 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, as well as the ongoing trend in the current year of reducing bank debt through the generated positive free cash flow in the Group.

An increase of BGN 1,3 million was recorded in the costs for the impairment of receivables from granted commercial loans

Financial result



Earnings before interest, taxes and depreciation (EBITDA) increased by BGN 7,9 million or by 8%, while in the nine months of 2022 it amounted to BGN 103,7 million compared to BGN 60,8 million in the nine months of 2021. After adjustment due to the deconsolidation of the companies sold at the end of 2021 in Latvia and Belarus, the growth amounted to 26%. The main factors for this adjusted growth are the increase in sales in both main business segments by a total of 10% with insignificant changes in the gross profit margin, as well as the good management of operating expenses (sales, marketing, logistics and administrative expenses), whose increase is below 3% despite severe inflationary pressure.

Profit from operating activities increased by BGN 9,8 million or by 18%, to BGN 65 million in the nine months of 2022 compared to BGN 55,2 million in the nine months of 2021.

Net profit increased by BGN 18,8 million or 35% to BGN 72,3 million in the nine months of 2022 compared to BGN 53,5 million in the nine months of 2021. In addition to the effect of operating activities, the reduced financial expenses, as well as the increase during the current period from associates in the amount of BGN 10 million.

Assets

Non-current at the end of the nine months of 2022 increased by BGN 37,4 million compared to the end of last year. The acquired tangible and intangible fixed assets for the period amounted to BGN 53,6 million, of which those related to leasing contracts amount to BGN 33 million. The parent company invested BGN 4.1 million in the ninth month of 2022 in the construction of new production facilities for the processing of technical cytosine, which are

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pending inspection and certification by MEA. Substantial technological improvements and modernization of phytochemical production were also carried out, as a result of which an increase in production capacity was achieved. Investments in associates and joint ventures increased by BGN 27,2 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 in the nine months of 2022 increased by BGN 11,2 million compared to the end of last year, which is mainly due to the increase in trade receivables by BGN 20,4 million and tangible inventories by BGN 17 million. Cash and cash equivalents decreased by BGN 19,8 million.

Owners' equity and liabilities

The equity of Sopharma Group increased by BGN 62,9 million compared to 31.12.2021 as a result of the reported net current profit.

The liabilities decreased by BGN 14,3 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 24,2 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 4,3 million to BGN 288,6 million. The trade liabilities increased by BGN 8,7 million compared to the end of the last year.

Cash Flows

	30.09.2022	30.09.2021
	BGN '000	BGN '000
Net cash flows from operating activities	36 656	(70 441)
Proceeds of amounts by factoring after interest and fees	25 744	169 109
Purchases of property, plant and equipment, intangible assets, net	(13 778)	(18 686)
Payments under lease agreements	(12 086)	(15 957)
Free cash flow (normalized)	36 536	64 025

The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated for the nine months of 2022, amounts to BGN 36,5 million inflow compared to BGN 64 million inflow in the nine months of 2021.

New developments and products for the period July - September 2022

During the reporting period **July - September 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:

- Nexopral 20 mg gastro-resistant tablets (Bulgaria);
- Felogel Max 23,2mg/g gel (Poland).

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

New registrations of medicinal products

- Documentation for registration of **3** medicinal products has been submitted:
 - Dexamethasone Sopharma 4mg/ml sol.for inj. (Lithuania);
 - Dexketoprofen Sopharma 50mg/2ml sol.for inj – (Ukraina);
 - Ketorolac 30mg/ml sol.for inj. – (Ukraina).

Re-registrations / changes

- Renewed Marketing Authorizations for **5** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **29** medicinal products.
- **41** changes for medicinal products submitted to agencies.
- **38** changes for medicinal products approved by agencies.

➤ **Developments**

- Pharmaceutical development of **6** new medicinal products/projects:
 - Citisinicline 3,0 mg tablets – Project with the company Achieve;
 - Keterolac 10 mg/ml tablets;
 - Dexketoprophenum 25 mg tablets;
 - Betagamma caps.;
 - Valeriana 30 mg tb.;
 - Xylmetazoline/Dexpanthenol nasal spray.
- Development of **3** nutritional supplements is underway
 - Valeriana/Melatonin 150 mg/3 mg tb.;
 - Valeriana/Melatonin 50 mg/1 mg tb.;
 - Mint/Hawthorn/Valeriana/mg tb.

- **Transfer and validation of technological processes**
 - 6 production processes/technologies are validated/optimized.

- **Prepared documentation for qualification/production**
 - Documentation for qualification of raw materials for production - **26**;
 - Production regulations - **17**;
 - Documentation for qualification of finished forms - **62**.

III. Significant events for the nine months 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.

- At the Regular General Meeting of the shareholders of "Sopharma" AD, held on 3 June 2022, the decisions proposed by the Board of Directors on the relevant items of the agenda were adopted.
- On 7 July 2022, at its meeting, the Board of Directors adopted a decision to issue warrants under the conditions of an initial public offering, as follows:

Exercise price: BGN 6.10

Issuance price of one warrant: BGN 0.48

Number of warrants: 26 959 580

Minimum success threshold of the issue: 13 479 790

Term in which the right can be exercised: 5 years

The remaining parameters of the issue will be described in a Prospectus for Public Offering of warrants, which should be adopted by the Board of Directors with a subsequent decision and should receive the relevant approval from the Bulgarian Financial Supervision Commission.

The consultant and investment intermediary selected by the Board of Directors in connection with the issuance of the warrants are respectively: Main Capital AD, UIC 202402882, with registered office in Sofia, and management address Sofia 1404, Triaditsa District, zh.k. "Gotse Delchev", bl. 22, entrance 2 and MK Brokers AD, UIC 175007052, with registered office in Sofia and management address, 8, "Tsar Osvoboditel" Blvd.

- On 26 August 2022, according to the requirements of Art. 100t of the LPOS, "Sopharma" AD notified that as a result of the tender offer sent to the shareholders of "Sopharma Imoti" REIT, "Sopharma" AD will directly own 7,788,145 shares of the capital of "Sopharma Imoti" REIT, representing 35.48% of the capital of "Sopharma Imoti" REIT. The commercial offer was accepted by 24 shareholders, owning a total of 469,480 shares of Sopharma Imoti REIT.
- On 11 November 2022, the Group divested itself of its participation in the subsidiary "RAP Pharma International" OOD, Moldova

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	-	Until 14 June 2021
„Mill village Stefanovo“ EOOD	Company related through key management personnel	-	Until 14 June 2021
"OKP Investments" OOD	Company related through key management personnel	-	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

	1 January – 30 September 2022 BGN '000	1 January – 30 September 2021 BGN '000
Supplies from related parties:		
Supply of inventories from:		
Companies related through key management personnel	7,779	6,544
Joint ventures	283	38
Associates	81	-
Companies controlled by an associate	32	36
	8,175	6,618
Supply of services from:		
Companies controlled by an associate	833	846
Associates	375	-
Companies shareholders with significant influence	294	291
Companies related through key management personnel	198	184
Joint ventures	2	3
	1,702	1,324
Deliveries of tangible fixed assets from:		
Companies controlled by an associate	1,015	380
	1,015	380
Other deliveries from:		
Companies controlled by an associate	155	-
	155	-
Interest expenses:		
Companies shareholders with significant influence	-	130
	-	130
Total deliveries	11,047	8,452
Sales to related parties		
Sales of inventories to:		
Companies controlled by an associate	1,116	625
Companies related through key management personnel	862	549
	1,978	1,174
Sales of services to:		
Companies controlled by an associate	202	217
Companies related through key management personnel	168	181

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In case of divergence Bulgarian text should prevail.

Associates	6	6
	<u>376</u>	<u>404</u>
Guarantee fees and guarantees of:		
Joint ventures	7	10
Companies controlled by associates	-	5
	<u>7</u>	<u>15</u>
Interest on loans granted:		
Companies controlled by associates	1,417	1,463
Joint ventures		
Associates	34	17
	-	2
	<u>1,451</u>	<u>1,482</u>
Other revenues		
Companies controlled by an associate company	<u>12</u>	-
	<u>12</u>	-
	<u>3,824</u>	<u>3,075</u>

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 30 September in connection with lease agreements with related parties are as follows:

	30.9.2022	31.12.2021
	BGN '000	BGN '000
Recognized lease obligations on January 1	4,314	174
Increases	18,784	4,373
Payments of lease obligations for the period	(1,762)	(233)
Written off lease liabilities	(585)	-
Leasing liabilities as of 30 September/ 31 December	<u><u>20,751</u></u>	<u><u>4,314</u></u>

The assets "right of use" as of 30 September in connection with lease agreements with related parties are as follows:

30.9.2022	31.12.2021
BGN '000	BGN '000

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Sopharma Group

Asset "right of use" as of January 1	4,315	172
Increases	18,711	4,427
Depreciation accrued	(1,761)	(284)
Write-off book value of assets right of use	(571)	-
Assets "right of use" as of 30 September/31 December	20,694	4,315

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

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 2,825 thousand (2021: BGN 4,147 thousand), including:

- current remuneration – BGN 2,501 thousand (2021: 3,628 thousand);
- bonuses – 324 thousand (2021: 519 thousand);

29 November 2022
Sofia