

# PRELIMINARY MANAGEMENT REPORT 2021



## SOPHARMA GROUP

1 March 2022

## CONTENT:

I.	General information about Sopharma Group .....	3
1.	Main activities .....	3
2.	Registration and activity of the Company .....	3
3.	Controlled companies .....	3
4.	Board of directors.....	6
5.	Shareholder structure as at 31 December 2021 .....	6
6.	Information about the shares .....	6
II.	Recent developments.....	7
III.	Significant events for 2021 and until the date of the consolidated management report .....	11
IV.	Review of the main risks faced by the Group.....	13
V.	Information on related party transactions.....	15

## 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 companies (“Doverie - obedinen holding” AD, 25% stake and “Sopharma Imoti” REIT, 32.77% stake) and in one joint venture (“Momina krepost” AD, 37.46% stake).

## Sopharma Group

<b>Company</b>	<b>Interest as at 31.12.2021 in %</b>
"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
"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

## Sopharma Group

“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” EOOD (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

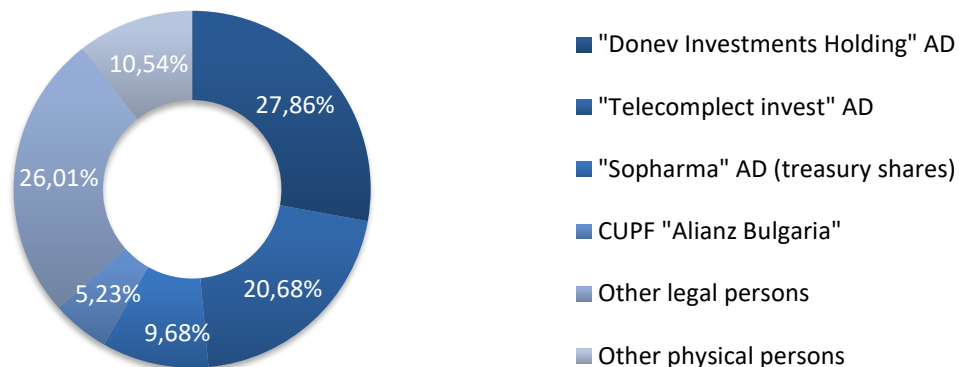
\*effective interest in percent

\*\*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 December 2021



## 6. Information about the shares

The total number of shares issued on 31 December 2021 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.

## II. Recent developments

### Key financial indicators

Indicators	1-12/2021 BGN '000	1-12/2020 BGN '000	Change %
Revenues	1 603 484	1 438 826	11.4%
EBITDA	116 542	92 433	26.1%
Operating profit	63 146	45 800	37.9%
Net profit	93 667	25 280	270.5%
CAPEX*	43 531	41 720	4.3%
	<b>31.12.2021</b>	<b>31.12.2020</b>	
	<b>BGN '000</b>	<b>BGN '000</b>	
Non-current assets	635 569	629 935	0.9%
Current assets	571 680	612 177	-6.6%
Owners' equity	660 800	566 595	16.6%
Non-current liabilities	122 240	131 066	-6.7%
Current liabilities	424 209	544 451	-22.1%

\*acquired tangible and intangible fixed asset

Indicators	1-12/2021	1-12/2020
EBITDA/Sales revenues	7.3%	6.4%
Operating profit / Sales revenues	3.9%	3.2%
Net profit/Sales revenues	8.8%	1.8%
	<b>31.12.2021</b>	<b>30.09.2021</b>
Debt/ Equity	0,83	1,00
Net debt*/ EBITDA on annual basis	2,5x	2,6x

\* 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 164,7 million or 11.4%, reaching BGN 1 603,5 million in 2021 compared to BGN 1 438,8 million in 2020. Sales of goods increased with BGN 159,5 million or 13.6%, reaching BGN 1 328,4 million in 2021 compared to BGN 1 168,9 million in the previous period. Sales of finished products increased by BGN 5,1 million, or 1.9%, to BGN 275,1 million in 2021 compared to BGN 270 million in the previous period.

On a consolidated basis, the growth in sales of finished products in Bulgaria for 2021 was 9.4% compared to the previous period. According to IQVIA at the end of the year on the Bulgarian pharmaceutical market “Sopharma” AD occupies the first position with 10.49% share of sales in volume and the eighth position with 2.84% share of total sales of finished products in value. The positions of the main competitors of the Company in the country are as follows: Novartis – 7% (3.8% in units), Roche – 5.8% (0.1% in units), Merck Sharp Doh – 4% (0.1% in units), Teva – 3.9% (9.8% in units), Pfizer – 3.7% (0.7% in units), Abbvie – 3.3% (0.06% in units).

On a consolidated basis, for 2021, revenue from sales of finished products in Ukraine increased by 7.1% compared to the previous period. There was an increase with 25.5% in sales of finished products in the Baltic states, Serbia by 47.8%, Uzbekistan by 27.8%, on the markets in the Caucasus region Belarus and Moldova with 3% and others. In Russia, sales of finished products decreased by 7.4% compared to the previous period. A decrease was also registered in sales of finished products in Kazakhstan by 4.4%, in Poland by 0.5%, in Vietnam by 19.1% and others.

*Other operating revenues* increased by BGN 0,4 million to BGN 13,1 million in 2021 compared to BGN 12,7 million in the previous period.

### *Operating expenses*

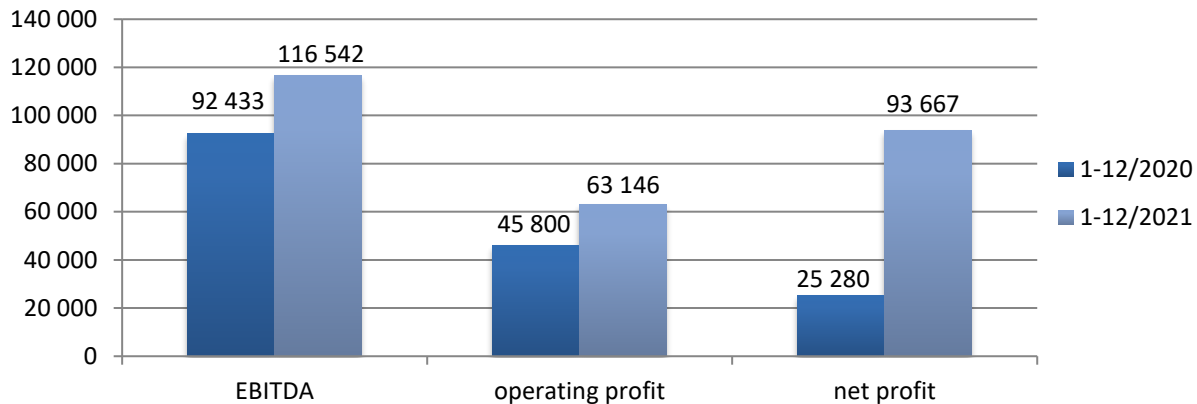
For the current period more significant changes are reported in personnel expenses, which increased by BGN 16,4 million and depreciation and amortization expenses, which increased by BGN 6,8 million. The main reason is the acquisition of new pharmacy companies at the end of the last year. The external service expenses decreased by BGN 5,3 million. The most significant change is in manufacturing expenses, which decreased by BGN 1,8 million. There was also a decrease in other expenses by BGN 1,7 million.

### *Financial income and expenses*

*Financial income and expenses* in 2021 net registered a loss of BGN 5,1 million, which is a decrease of the loss by BGN 8,9 million compared to the same period of the last year. This change is primarily the result of the net foreign exchange loss registered last year on foreign currency loans and lease agreements of BGN 5,5 million, which is mainly due to the depreciation of the Belarusian ruble and its effect on debt exposure in euros and dollars of the Group companies in Belarus. In the current period, the net profit from exchange rate differences on foreign currency loans and lease agreements amounts to BGN 1,5 million. Interest expenses on loans received also decreased by BGN 2,2 million.



## Financial result



*Earnings before interest, taxes and depreciation (EBITDA)* increased by BGN 24,1 million or by 26%, while in 2021 it amounted to BGN 116,5 million compared to BGN 92,4 million in 2020. The increased profit margin of the sold goods by 1.7% to 13.9% compared to 2020 has a positive impact, largely due to the acquired new pharmacies in the Group at the end of last year.

*Profit from operating activities* increased by BGN 17,3 million or by 38%, to BGN 63,1 million in 2021 compared to BGN 45,8 million in 2020.

*Net profit* increased by BGN 68,4 million or 271% to BGN 93,7 million in 2021 compared to BGN 25,3 million in the nine months of 2020. In addition to the effect of operating activities, the reduced financial expenses as a result of exchange rate losses, as well as the profits reported during the current period from associates in the amount of BGN 12,5 million and the gains from acquisitions and disposals have a more significant positive impact of shares in subsidiaries in the amount of BGN 37,8 million, which are a consequence of the sale of the shares in Briz Latvia and all Belarusian companies.

## Assets

*Non-current assets* decreased by BGN 5,6 million. The decrease is registered as a result due to the written-off book value of assets on disposal of investment in subsidiaries. The acquired tangible and intangible fixed assets for the period amounted to BGN 43,5 million. Investments in associates and joint ventures increased by BGN 64,9 million as a result of the additionally acquired shares and the reclassification of “Sopharma Imoti” REIT as an associated and “Momina Krepost” AD as a joint venture on the one hand, as well as from the reported share in the current profit and the increased share in the associated company “Doverie-obedinen holding” AD.

*Current assets* increased to BGN 40,5 million, mainly due to the decrease of trade receivables with BGN 22,4 million and the decrease of inventories with BGN 31,4 million, while cash increased by BGN 12,4 million.

## *Owners' equity and liabilities*

The equity of Sopharma Group increased by BGN 94,2 million compared to 31.12.2020 as a result of the reported net current profit and other capital components (warrants).

The liabilities decreased by BGN 129,1 million compared to the end of 2020. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 94,7 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 107,3 million to BGN 292,9 million. The trade liabilities decreased by BGN 21 million compared to the end of the last year. The decrease in liabilities is a result of both the generated free cash flow and the release of shares in subsidiaries in Latvia and Belarus and, respectively, the non-consolidation of liabilities in these companies.

## *Cash Flows*

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Net cash flows from operating activities	(75 962)	(179 411)
Proceeds of amounts by factoring after interest and fees	193 337	243 507
Purchases of property, plant and equipment, intangible assets, net	(26 055)	(24 814)
Payments under lease agreements	(20 477)	(16 790)
<b>Free cash flow (normalized)</b>	<b>70 843</b>	<b>22 492</b>

The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated for 2021, amounts to BGN 70,8 million inflow compared to BGN 22,5 million outflow in 2020.

## *New developments and products for the period October – December 2021*

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

#### New registrations of medicinal products

- Documentation for registration of **2** medicinal products has been submitted:
  - *Carsil Max 110 mg capsules (Tajikistan).*

License:

- *Nexopral 20 mg gastro-resistant tablets (Bulgaria).*

#### Re-registrations / changes

- Renewed Marketing Authorizations for 2 medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for 12 medicinal products.
- 113 changes for medicinal products approved by agencies.
- 137 changes for medicinal products submitted to agencies.

### Food additives

- 5 food supplements have been notified - 2 for Serbia; 2 for Ukraine and 1 for Bulgaria.

### **Developments**

- Pharmaceutical development of 6 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.

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

- 5 medicinal products have been transferred / are in the process of transfer.
- 3 production processes / technologies are validated / optimized.

## **III. Significant events for 2021 and until the date of the consolidated management report**

- On 10 March 2021 the Company sold 396,600 of its shares in the capital of “Momina krepost” AD, as a result of which the share of ownership of “Sopharma” AD became 37.46%. On

15 March 2021 an agreement was concluded between “Sopharma” AD and “Medical Consumables” OOD for a common policy in the management of Momina krepost” AD through joint exercise of voting rights.

- At the Extraordinary General Meeting of Shareholders of “Sopharma” AD, held on 2 April 2021, the amendments to the Articles of Association of the Company proposed by the Board of Directors were adopted by a majority of 85.93% of the presented capital

- At its meeting the Board of Directors adopted a decision for issuance, under the conditions of initial public offering, of warrants as follows:

Exercise value: BGN 4.13

Issuance price of one warrant: BGN 0.28

Number of warrants: 44,932,633

Minimum success threshold of the issue: 22,466,317

Term in which the right can be exercised: 3 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 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 1750070052, with registered office in Sofia and management address, 8, “Tsar Osvoboditel” Blvd.

- At the Regular General Meeting of Shareholders of “Sopharma” AD, held on 4 June 2021, the decisions proposed by the Board of Directors on the relevant items of the agenda were adopted.

- On 3 August 2021 in accordance with Art. 25 of the Articles of Association of the Company, at its meeting the Board of Directors approves a prospectus for initial public offering of warrants with an issue price of BGN 0.28 and a total number of 44,932,633 warrants. The prospectus was submitted to the Financial Supervision Commission.

- On 30 December 2021 the subscription for the public offering of the issue of warrants to the Company was successfully completed.

The results of the public offering are as follows:

- Closing date of the public offering – 23 December 2021.

- Total number of issued rights – 134 797 899 /one hundred and thirty-four million seven hundred ninety-seven thousand eight hundred ninety-nine/.
- Total number of warrants offered for subscription – BGN 44 932 633 /forty four million nine hundred and thirty two thousand six hundred and thirty three/.
- Total number of warrants subscribed and paid – BGN 44 925 943 /forty four million nine hundred and twenty-five thousand nine hundred and forty-three/.
- Amount received in the account opened at “Raiffeisenbank” (Bulgaria) EAD for the subscribed and paid warrants – BGN 12 579 264.04 /twelve million five hundred and seventy-nine thousand two hundred and sixty-four leva and four stotinki/.
- Amount of all expenses for the public offering – BGN 50 825.45 /fifty thousand eight hundred and twenty-five leva and 45 stotinki/.
- During the subscription, the Company and the servicing intermediary did not have any difficulties, disputes and the like in the trading of the rights and the subscription of the warrants, excluding overpaid amounts of BGN 6 137.32 /six thousand one hundred and thirty-seven leva and thirty-two stotinki/ which are due to duplicated payments and will be refunded to the respective persons after the accumulation account has been unblocked.

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

##### COVID-19

On 11 March 2020 the World Health Organization declared a Coronavirus Pandemic, as a result, the Government of the Republic of Bulgaria announced various measures to prevent the spread of the disease. Measures implemented include working from home, a temporary lockdown of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers, with the exception of food retailers, grocery stores and pharmacies.

The management of “Sopharma” AD has carefully analyzed the potential effects of the pandemic and the constraints imposed by the government, observing a decrease in economic activity and liquidity in the country's economy, which also affects the Company's activities.

The effects on the Company's activities as a result of the events include: a decrease in revenues, emergency expenses, delay in the implementation of projects, planned investments, etc.

The management continues to take actions aimed at limiting the negative consequences of the pandemic- related events, which include:

- Ensuring continuous operation in compliance with measures to limit the spread of COVID-19, including - strict access control and measurement of the temperature of employees and visitors, the prohibition of clustering of people and the distribution of workplaces in

the production in an appropriate way, which ensures the absence of close contact between employees, the separation of traffic flows in buildings and spaces between them, etc.;

- Negotiations with suppliers to keep the rhythm of raw materials and supplies flowing, as well as meeting the enterprise's needs for specific raw materials dictated by the demand for specific medicine products and medical supplies needed to deal with the pandemic;
- Providing information to customers on the way of working in order to maintain delivery schedules;
- Negotiations with the partner financial institutions of the Company and the provision of adequate information to them, so that additional financing may be provided timely on a need basis or for some of the Group's entities, to postpone loan payments, if it's necessary to secure cash flows and others.

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

- The Company faces significant competition.
- The Company is dependent on regulatory approvals.
- Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- Part of the Company's revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines in reimbursement lists.
- The Company's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company's operations.
- The Company'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 Company is subject to operational risk, which is inherent to its business activities.
- The Company 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 Company's business, financial position and results of operations.

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

- The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Company's operations;
- The political environment in Bulgaria and in the export markets, especially Russia and the Ukraine, has a significant effect on the Company's operations and financial position;
- Risks related to the Bulgarian legal system;
- Developing legal frameworks in some countries in which the Company sells its products, in particular Russia and Ukraine, may negatively impact the Company'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 Company 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 Belarus and Ukraine, the group carries out business operations in these countries and, accordingly, has substantial exposures in Belarusian rubles and Ukrainian hryvnia. 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

*Related party*

*Relation type*

*Relation period*

15

This is a translation from Bulgarian of the Preliminary management report of Sopharma Group for 2021.

In case of divergence Bulgarian text should prevail.

## Sopharma Group

“Telecomplect invest” AD	Company shareholder with significant influence	2021	2020
“Donev Investments Holding” AD	Company shareholder with significant influence	2021	2020
“Momina krepost” AD	Joint venture	Since 10 March 2021	-
“Sopharma Imoti” REIT	Associate	Since 8 December 2021	
“Doverie-obedinen holding” AD	Associate	2021	2020
Subsidiaries form DOH Group	Companies controlled by an associate	2021	2020
“Sofprint Group” AD	Company related through key management personnel	2021	2020
“Elpharma” AD – in liquidation	Company related through key management personnel	-	Until 28.08.2020
“Sofconsult Group” AD	Company related through key management personnel	2021	2020
“VES electroinvest systems” EOOD	Company related through key management personnel	2021	2020
“Eco Solar Invest” OOD	Company related through key management personnel	2021	2020
“Sirius” OOD	Company related through key management personnel	Until 14 June 2021	2020
„Mill village Stefanovo“ EOOD	Company related through key management personnel	Until 14 June 2021	2020
“OKP Investments” OOD	Company related through key management personnel	Until 14 June 2021	2020
“Alpha in” EOOD	Company related through key management personnel	2021	2020
“Consumpharm” OOD	Company related through key management personnel	Since 14 June 2021	-

**Supplies from related parties:**

**Supply of inventories from:**

	<b>2021</b>	<b>2020</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Companies related through key management personnel	8,936	10,420
Companies controlled by an associate	81	62
Joint ventures	13	-
	<b>9,030</b>	<b>10,482</b>

**Supply of services from:**

Companies controlled by an associate	968	1,087
Shareholding companies with significant influence	395	370
Companies related through key management personnel	274	271
Joint ventures	126	-
	<b>1,763</b>	<b>1,728</b>

16

This is a translation from Bulgarian of the Preliminary management report of Sopharma Group for 2021.

In case of divergence Bulgarian text should prevail.



**Deliveries of tangible fixed assets from:**

Companies controlled by an associate	463	99
Companies related through shareholders with significant influence	17	-
Companies related through key management personnel	-	152
	<b>480</b>	<b>251</b>

**Other deliveries from:**

Companies controlled by an associate	234	327
	<b>234</b>	<b>327</b>

**Interest expenses:**

Shareholding companies with significant influence	130	-
	<b>130</b>	<b>-</b>

**Dividends accrued on:**

Shareholding companies with significant influence	-	6,884
Key management personnel	-	514
Companies controlled by an associate	-	471
Companies related through key management personnel	-	3
Associates	-	2
	-	<b>7,874</b>
	<b>11,637</b>	<b>20,662</b>

**Sales to related parties**

**Sales of inventories to:**

Companies controlled by an associate	943	542
Companies related through key management personnel	701	912
Associates	-	2
	<b>1,644</b>	<b>1,456</b>

**Sales of services to:**

Companies controlled by an associate	285	253
Companies related through key management personnel	229	318
Associates	7	8
	<b>521</b>	<b>579</b>

**Sales of fixed assets for:**

Companies controlled by an associate	-	1
Companies related through key management personnel	-	1
	-	<b>2</b>

**Guarantee fees and guarantees of:**

Joint ventures	14	-
Companies controlled by an associate	6	-
	<b>20</b>	<b>-</b>

**Interest on loans granted:**

Companies controlled by associates	1,918	2,194
Joint ventures	26	-
Associates	2	75
	<b>1,946</b>	<b>2,269</b>
	<b>4,131</b>	<b>4,306</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 December in connection with lease agreements with related parties are as follows:

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Recognized lease obligations on January 1	174	-
Increases	4,336	180
Accrued interest	37	1
Payments of lease obligations for the period	(233)	(7)
<b>Leasing liabilities as of 31 December</b>	<b>4,314</b>	<b>174</b>

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

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Asset "right of use" as of January 1	172	-
Increases	4,427	180
Depreciation accrued	(284)	(8)
<b>Assets "right of use" as of 31 December</b>	<b>4,315</b>	<b>172</b>

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 20, 24, 29, 36.

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.

Salaries and other short-term benefits of key managing personnel are current and amount to BGN 6,614 thousand (2020: BGN 5,771 thousand) are as follows:

- current – BGN 6,095 thousand (2020 r.: BGN 5,166 thousand);
- tantieme – BGN 519 thousand (2020 r.: BGN 605 thousand).

1 March 2022  
Sofia