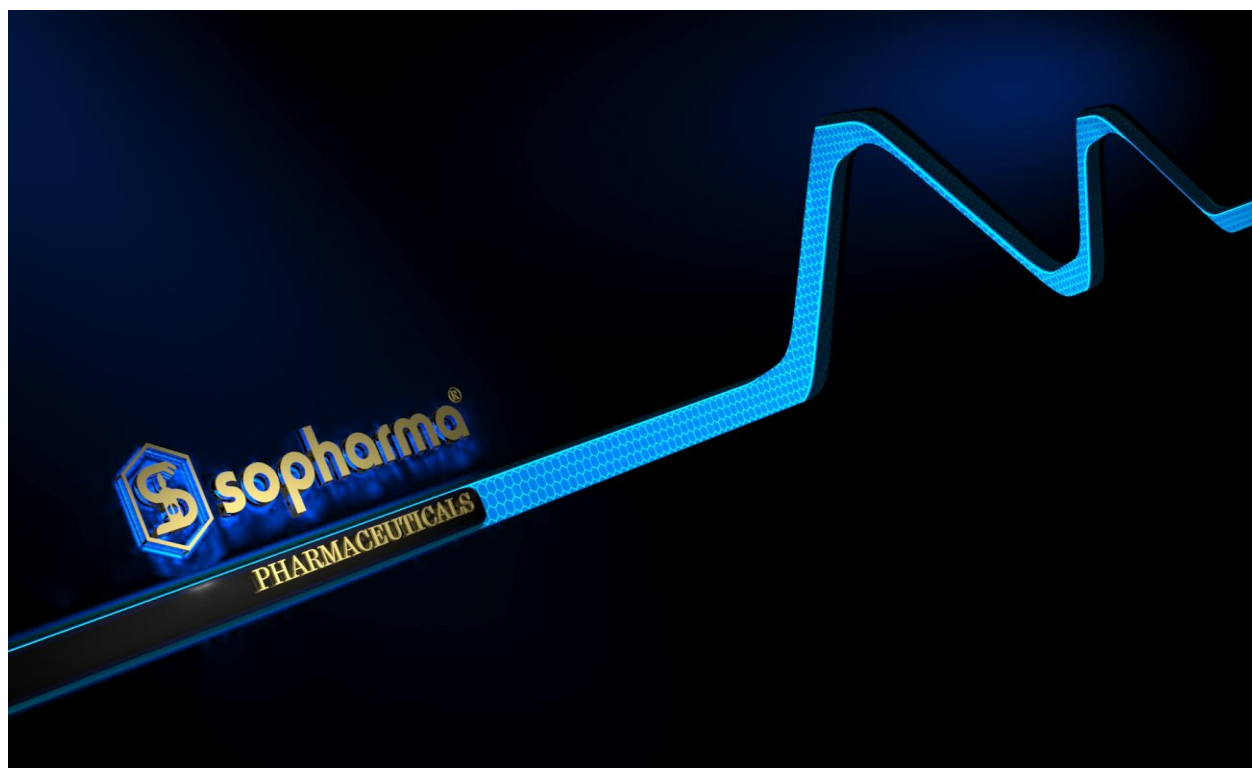


MANAGEMENT REPORT FOR THE NINE MONTHS OF 2022



SOPHARMA GROUP

1 March 2023

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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 companies (“Doverie - obedinen holding” AD, 24.998% stake and “Sopharma Imoti” REIT, 41.05% stake) and in one joint venture (“Molina krepost” AD, 37.46% stake).

Company	Interest as at 31.12.2022 in %
"Sopharma Trading" AD	87.25
"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 **	87.25
"Sopharmacy 2" EOOD **	87.25
"Sopharmacy 3" EOOD **	87.25
"Sopharmacy 4" EOOD **	87.25
"Sopharmacy 5" EOOD **	87.25
"Sopharmacy 6" EOOD **	87.25
"Sopharmacy 7" EOOD **	87.25
"Sopharmacy 8" EOOD **	87.25
"Sopharmacy 9" EOOD **	87.25
"Sopharmacy 10" EOOD **	87.25
"Sopharmacy 11" EOOD **	87.25
"Sopharmacy 12" EOOD **	87.25
"Sopharmacy 13" EOOD **	87.25
"Sopharmacy 14" EOOD**	87.25
"Sopharmacy 15" EOOD**	87.25
"Sopharmacy 16" EOOD**	87.25
"Sopharmacy 17" EOOD**	87.25
"Sopharmacy 18" EOOD**	87.25
"Sanita Franchising" AD **	87.25
"Sopharmacy 19" EOOD (Valentina Vasileva – Lyulin EOOD) **	87.25
"Sopharmacy 20" EOOD (Vasilka Lilovska EOOD) **	87.25
"Sopharmacy 21" EOOD (Venera Mutashka EOOD) **	87.25
"Sopharmacy 22" EOOD (Veselka Vasileva EOOD) **	87.25
"Sopharmacy 23" EOOD (Victoria Angelova EOOD) **	87.25
"Sopharmacy 24" EOOD (Desislava Jordanova EOOD) **	87.25
"Sopharmacy 25" EOOD (Dimka Vladeva EOOD) **	87.25
"Sopharmacy 26" EOOD (Donka Chivganova EOOD) **	87.25
"Sopharmacy 27" EOOD (Ekaterina Mihaylova – Shumen 1 EOOD) **	87.25
"Sopharmacy 28" EOOD (Elka Neykova EOOD) **	87.25
"Sopharmacy 29" EOOD (Emilia Angelova EOOD) **	87.25
"Sopharmacy 30" EOOD (Juliana Kotova EOOD) **	87.25
"Sopharmacy 31" EOOD (Ivan Ivanov 1 EOOD) **	87.25
"Sopharmacy 32" EOOD (Iliana Kalushkova EOOD) **	87.25

Sopharma Group

"Sopharmacy 33" EOOD (Irina Toncheva EOOD) **	87.25
"Sopharmacy 34" EOOD (Kapka Nikolova – Military Hospital EOOD) **	87.25
"Sopharmacy 35" EOOD (Kostadin Gorchev EOOD) **	87.25
"Sopharmacy 36" EOOD (Krasimira Shunina EOOD) **	87.25
"Sopharmacy 37" EOOD (Lora Doncheva EOOD) **	87.25
"Sopharmacy 38" EOOD (Lyudmila Zlatkova EOOD) **	87.25
"Sopharmacy 39" EOOD (Lyudmila Kovacheva EOOD) **	87.25
"Sopharmacy 40" EOOD (Manik Burgazyan EOOD) **	87.25
"Sopharmacy 41" EOOD (Mariyka Jaigarova EOOD) **	87.25
"Sopharmacy 42" EOOD (Mariya Agova EOOD) **	87.25
"Sopharmacy 43" EOOD (Mariya Gancheva EOOD) **	87.25
"Sopharmacy 44" EOOD (Mariya Kenova EOOD) **	87.25
"Sopharmacy 45" EOOD (Mariya Hristova – Motopista EOOD) **	87.25
"Sopharmacy 46" EOOD (Mariyana Markova EOOD) **	87.25
"Sopharmacy 47" EOOD (Mary Ivanova EOOD) **	87.25
"Sopharmacy 48" EOOD (Nelly Stavreva EOOD) **	87.25
"Sopharmacy 49" EOOD (Preslava Becheva EOOD) **	87.25
"Sopharmacy 50" EOOD (Rayna Madzharova-St. Georgi Sofiyski EOOD) **	87.25
"Sopharmacy 51" EOOD (Rumyana Ignatova – Gancheva EOOD) **	87.25
"Sopharmacy 52" EOOD (Sashka Todorova EOOD) **	87.25
"Sopharmacy 53" EOOD (Svetla Harizanova EOOD) **	87.25
"Sopharmacy 54" EOOD (Svetlana Pirpirova EOOD) **	87.25
"Sopharmacy 55" EOOD (Ceiba-Blagoevgrad-1 EOOD) **	87.25
"Sopharmacy 56" EOOD (Silviya Veneva EOOD) **	87.25
"Sopharmacy 57" EOOD (Siyana Milanova EOOD) **	87.25
"Sopharmacy 58" EOOD (Stoyanka Radenkova EOOD) **	87.25
"Sopharmacy 59" EOOD (Avdzhieva EOOD) **	87.25
"Sopharmacy 60" EOOD (Radina Bekova EOOD) **	87.25
"Sopharmacy 61" EOOD (Rumen Raynov EOOD) **	87.25
"Sopharmacy 62" EOOD (Hani Modhi EOOD) **	87.25
"Sopharmacy 63" EAD (SCS Franchise EAD) **	87.25
"Sopharmacy 55" EOOD (Ceiba Blagoevgrad-1 EOOD)**	87.25
"Sopharmacy 56" EOOD (Silvia Veneva EOOD)**	87.25
"Sopharmacy 57" EOOD (Siyana Milanova EOOD)**	87.25
"Sopharmacy 58" EOOD (Stoyanka Radenkova EOOD)**	87.25
"Sopharmacy 59" EOOD (Anna Avdzhieva EOOD)**	87.25
"Sopharmacy 60" EOOD (Radina Bekova EOOD)**	87.25
"Sopharmacy 61" EOOD (Rumen Raynov EOOD)**	87.25
"Sopharmacy 62" EOOD ("Hani Modhi" EOOD)**	87.25
"Sopharmacy 63 EAD (SCS Franchise EAD)**	87.25
"Sopharmacy 64" EOOD (Sanita Franchising AD) **	100.00

PAO "Vitamini"	100.00
"Sopharma" Warsaw Sp. z. o. o	60.00
"Sopharma" Poland Sp. z. o. o - in liquidation	100.00
OOO "Sopharma" Ukraine	100.00
TOO "Sopharma" Kazakhstan	100.00
"Sopharma Trading" D.o.o. (Lekovit D.o.o.) **	100.00
"Pharmachim" EOOD	87.25

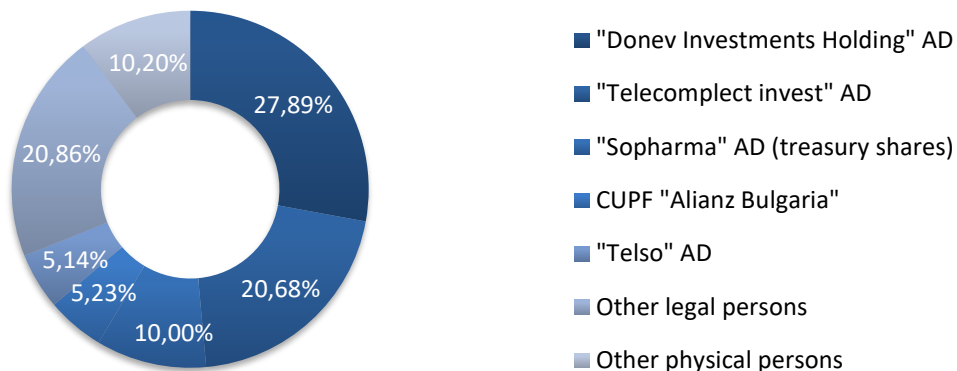
*effective interest in percent

**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 2022



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

The total number of shares issued on 31 December 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	1-12/2022 BGN '000	1-12/2021 BGN '000	change %
Revenues	1 662 992	1 603 310	3.7%
EBITDA	141 635	116 706	21.4%
Operating profit	89 567	63 519	41.0%
Net profit	77 874	91 703	-15.1%
CAPEX*	84 975	43 536	95.2%
	31.12.2022 BGN '000	31.12.2021 BGN '000	
Non-current assets	677 422	633 746	6.9%
Current assets	578 377	571 232	1.3%
Owners' equity	718 130	658 868	9.0%
Non-current liabilities	141 107	122 218	15.5%
Current liabilities	396 562	423 892	6.9%

*acquired tangible and intangible fixed asset

Indicators

1-12/2022	1-12/2021
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EBITDA/Sales revenues	8.5%	7.3%
Operating profit / Sales revenues	5.4%	4.0%
Net profit/Sales revenues	4.7%	5.7%
	31.12.2022	31.12.2021
Debt/ Equity	0,75	0,83
Net debt*/ EBITDA on annual basis	1,9x	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 59,7 million or 3.7%, reaching BGN 1 663 million in 2022 compared to BGN 1 603,3 million in 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 50,7 million or 3.8%, reaching BGN 1 379,1 million in 2022 compared to BGN 1 328,4 million in 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 11%. Sales of finished products increased by BGN 9 million, or 3.3%, to BGN 283,9 million in 2022 compared to BGN 274,9 million in 2021.

On a consolidated basis, the growth in sales of finished products in Bulgaria for 2022 was 4% compared to the previous period. "Sopharma" AD retains its market share and according to IQVIA data, by the end of 2022 it occupies 2.48% (tenth position) of the total volume of the Bulgarian pharmaceutical market in terms of value and 9.46% (first position) of sales in kind terms. The positions of the main competitors of the Company in the country are as follows: Novartis – 6.86% (4.03% in kind), Roche – 5.35% (0.14% in kind), Merck Sharp & Dohme– 4.37% (0.15% in kind), Pfizer – 3.72% (0.65% in kind), Teva – 3.55% (9.19 % in kind), Astrazeneca – 3.11% (0.36% in kind), Abbvie – 3.05% (0.06 in kind), Swixx Biopharma – 2.95% (0.92 in kind), Bayer – 2.61% (1.82% 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 2022, sales revenue in Russia increases by 11%, in Moldova by 61%, in Serbia by 73%, in Latvia by 13%, in Belarus by 9%, in Mongolia by 113%. Growth was also registered in the countries of the Caucasus region (Georgia with 61%, Azerbaijan with 26% and Armenia with 10%) and Central Asia (Uzbekistan with 7% and Kazakhstan with 50%). In Vietnam, sales revenue fell by 13%, in Ukraine by 7%, in Poland by 5%.

Contract and contract manufacturing sales also registered a 31% growth, reaching BGN 6 million.

Other operating revenues decreased by BGN 0,18 million to BGN 13,7 million in 2022 compared to BGN 13,8 million in 2021.

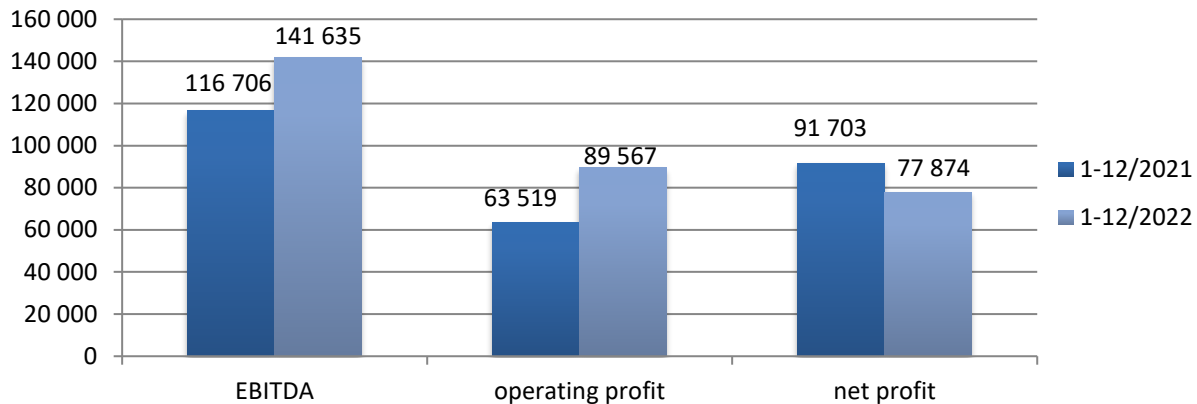
Operating expenses

For the current period the expenses of materials increased by BGN 15,9 million to BGN 99 million, as the most significant change was registered in the expenses of substances, which increased by BGN 4,8 million, as well as in the expenses for electricity and heat, increasing by BGN 1,5 million and BGN 3 million, respectively. Personnel expenses decreased by BGN 2,4 million to BGN 147,6 million as a result of the decrease in the average number of personnel in the Group (4,764 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 6 million to BGN 69,9 million with the most significant change in construction costs, which decreased by BGN 7,4 million, which increase by BGN 0,7 million and in the production costs, which decrease by BGN 0,5 million.

Financial income and expenses

Financial income and expenses in 2022 net registered a loss of BGN 5,7 million, which is a increased of the loss by BGN 0,5 million compared to the same period of the last year. Financial income decreased by BGN 3,4 million, interest income from overdue receivables decreased by BGN 1,3 million and net foreign exchange gains on foreign currency loans and leases decreased by BGN 1,5 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 3,5 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 1,4 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 24,9 million or by 21%, while in 2022 it amounted to BGN 141,6 million compared to BGN 116,7 million in 2021. After adjustment due to the deconsolidation of the companies sold at the end of 2021 in Latvia and Belarus, the growth amounted to 25%. 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 26 million or by 41%, to BGN 89,6 million in 2022 compared to BGN 63,5 million in 2021.

Net profit decreased by BGN 13,8 million or 15% to BGN 77,9 million in 2022 compared to BGN 91,7 million in 2021. The most significant contribution to its reduction is the profit registered in the previous reporting period from the acquisition and disposal of subsidiaries in the amount of BGN 36,1 million, as well as the impairment charges of non-current assets in the amount of BGN 20,8 million in 2022. 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 10,4 million.

Assets

Non-current at the end of 2022 increased by BGN 43,7 million compared to the end of last year. The acquired tangible and intangible fixed assets for the period amounted to BGN 85 million, of which those related to leasing contracts amount to BGN 55,9 million. The parent company invested BGN 4,1 million in 2022 in the construction of new production facilities for the processing of technical cytosine, which are 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 35,4 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 at the end of 2022 increased by BGN 7,1 million compared to the end of last year, which is mainly due to the increase in material stocks by BGN 23,1 million. Cash and cash equivalents decreased by BGN 17,9 million.

Owners' equity and liabilities

The equity of Sopharma Group increased by BGN 59,3 million compared to 31.12.2021 as a result of the reported net current profit.

The liabilities decreased by BGN 8,4 million compared to the end of 2021. Total liabilities on bank loans, leasing and factoring of the Group decreased by BGN 17,4 million, as the net debt after deduction of cash and cash equivalents decreased with BGN 29,6 million to BGN 263,3 million. The trade liabilities increased by BGN 33,1 million compared to the end of the last year, as a result of the BGN 22,3 million increase in advances received from customers.

Cash Flows

	31.12.2022	31.12.2021
	BGN '000	BGN '000
Net cash flows from operating activities	109 599	(75 963)
Proceeds of amounts by factoring after interest and fees	30 950	193 905
Purchases of property, plant and equipment, intangible assets, net	(21 297)	(24 103)
Payments under lease agreements	(16 032)	(20 447)
Free cash flow (normalized)	103 220	73 392

The free cash flow (normalized with the revenues from factoring and payments under leasing contracts), generated in 2022, amounts to BGN 103,2 million inflow compared to BGN 73,4 million inflow in 2021.

New developments and products for the period July - September 2022

During the reporting period **October - December 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 **1** new medicinal products:

- Tempaforte effervescent powder for oral solution – (Belarus).

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

New registrations of medicinal products

- Documentation for registration of **3** medicinal products has been submitted:
 - Otofix ear drops. (Ukraine);
 - Carsil 110 mg caps. – (Georgia);
 - Analgin max 1000 mg eff powder in sachet – (Georgia).

Re-registrations / changes

- Renewed Marketing Authorizations for **11** medicinal products.
- Submission of documentation for the renewal of the Marketing Authorizations for **14** medicinal products.
- **52** changes for medicinal products submitted to agencies.
- **61** changes for medicinal products approved by agencies.

Nutritional supplements

- **3** Nutritional supplements submitted for notification.

Cosmetic products

- **2** Cosmetic products have been submitted.

➤ **Developments**

- Pharmaceutical development of **4** new medicinal products/projects:
 - Citisinicline 3,0 mg tablets – Project with the company Achieve;
 - Dexketoprophenum 25 mg tablets;
 - Paracetamol 500 mg tab;
 - Sodium picosulfate oral drops;
- 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**

- 8 production processes/technologies are validated/optimized.

➤ **Prepared documentation for qualification/production**

- Documentation for qualification of raw materials for production - **21**;
- Production regulations - **19**;
- Documentation for qualification of finished forms - **26**.

III. Significant events in 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 August 26, 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 October 26, 2022, the Board of Directors of "Sopharma" AD adopted a decision to initiate a procedure for the merger of the subsidiary "Biopharm-Engineering" AD, UIC: 119055339 in "Sopharma" AD under the conditions and in accordance with Chapter XVI of the Commercial Law and Art. 122 of the Law on the Public Offering of Securities. At the start of the procedure Sopharma AD owns 97.15% in the capital of the company.
- On 11 November 2022, the Group divested itself of its participation in the subsidiary "RAP Pharma International"OOD, Moldova.
- On January 20, 2023, according to the requirements of Art. 154, para. 1 of the Law on Public Offering of Securities, "Donev Investments Holding" AD, EIK 831915121, with registered office and address of management Sofia region (capital), Stolichna municipality, city of Sofia, p.c. 1000, Vazrazhdane District, Positano St. No. 12, represented by Ivan Ognyanov Donev, in his capacity as executive director, notifies that on 19 January 2023 the Financial Supervision Commission took a decision not to issue a final prohibition on the publication of a tender offering registered with the Financial Supervision Commission by "Donev Investments Holding" AD - a shareholder directly owning 37 600 000 ordinary, dematerialized shares with voting rights, representing 27.89% of the capital and votes in the General Meeting of Shareholders of "Sopharma" AD, pursuant to Art. 149b of the Law on the Public Offering of Securities for the purchase of shares from the remaining shareholders of "Sopharma" AD

Number of voting shares that the offeror does not own

"DONEV INVESTMENTS HOLDING" AD does not own (directly, through related parties or indirectly pursuant to Art. 149, para. 2 of the Civil Code) 89,865,700 ordinary, non-cash, registered, freely transferable shares with ISIN BG11SOSOB18, representing 66.67% of the capital and from the votes in the General Meeting of the shareholders of "SOPHARMA" AD. In accordance with the decision taken by the Offeror's Board of Directors dated October 28, 2022, the Offeror intends to increase its share in the Company's capital by acquiring directly and through related parties more than 1/3, namely - up to 41.49% of the votes in the General Meeting of the Company's shareholders, by purchasing according to the order of the Commercial Offer under Art. 149b of the LPOS, addressed to all other shareholders of "SOPHARMA" AD of up to 11,000,000 ordinary, bearer, registered, freely transferable shares, with ISIN BG11SOSOB18, representing 8.16% of the capital and votes in the General Meeting of Shareholders of "SOPHARMA" AD.

Offer price per share

The proposed price of the tender offer is BGN 4.50 per share and is higher than the average weighted market price of the shares for the last 6 months, before the registration of the Tender Offer, which is BGN 4.485.

The result of the tender offer, which ended on 17 February 2023, is as follows:

Shareholders who accepted the tender offer: 31 shareholders with a total number of shares: 9,902,092. As a result of the completed tender offer and after the completion of the transactions, "DONEV INVESTMENTS HOLDING" AD will directly own 47,502,092 shares, representing 35.24% of the shares with the right to vote in the general meeting of "Sopharma" AD and in total - directly and through related persons 54,834,291 shares, representing 40.68% of the shares with the right to vote in the general meeting of "Sopharma" AD.

- On January 23, 2023, the Company entered into an agreement for transformation by merger of the subsidiary company "Biopharm Engineering" AD in accordance with the provisions of Article 262 of the Commercial Law, as a result of which all the property of the transforming company ("Biopharm Engineering" AD) will transfer to the receiving company ("Sopharma" AD), which will become its legal successor. The transforming company ("Biopharm Engineering" AD) will be terminated without liquidation. The contract was submitted for approval to the Financial Supervision Commission on 27.01.2023.

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
"Molina krepot" 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

Supplies from related parties:

Supply of inventories from:

	2022 BGN '000	2021 BGN '000
Companies related through key management personnel	10,577	8,936
Joint ventures	298	-
Associates	116	22
Companies controlled by an associate	43	81
	11,034	9,039

Supply of services from:

Companies controlled by an associate	1,106	969
Companies shareholders with significant influence	433	383
Associates	419	126
Companies related through key management personnel	267	269
Joint ventures	3	-
	2,228	1,747

Deliveries of tangible fixed assets from:

Companies controlled by an associate	1,558	463
Companies shareholders with significant influence	-	17
	1,558	480

Other deliveries from:

Companies controlled by an associate	261	235
	261	235

Interest expenses:

Companies shareholders with significant influence	-	170
	-	170
Total deliveries	15,081	11,671
Sales to related parties		
Sales of inventories to:		
Companies controlled by an associate	1,389	943
Companies related through key management personnel	1,109	700
	2,498	1,643
Sales of services to:		
Companies controlled by an associate	269	285
Companies related through key management personnel	218	229
Associates	7	7
	494	521
Guarantee fees and guarantees of:		
Joint ventures	7	14
Companies controlled by associates	-	6
	7	20
Interest on loans granted:		
Companies controlled by associates	1,934	1,918
Joint ventures		
Associates	46	26
	11	2
	1,991	1,946
Other revenues		
Companies controlled by an associate company	12	-
	12	-
	5,002	4,130

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:

31.12.2022	31.12.2021
BGN '000	BGN '000

Recognized lease obligations on January 1	4,314	174
Increases	19,306	4,373
Payments of lease obligations for the period	(2,481)	(233)
Written off lease liabilities	(523)	-
Leasing liabilities as of 31 December	20,616	4,314

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

	31.12.2022	31.12.2021
	BGN '000	BGN '000
Asset "right of use" as of January 1	4,315	172
Increases	19,262	4,427
Depreciation accrued	(2,481)	(284)
Write-off book value of assets right of use	(572)	-
Assets "right of use" as of 31 December	20,524	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 3,131 thousand (2021: BGN 6,614 thousand), including:

- current remuneration – BGN 2,807 thousand (2021: 6,095 thousand);
- bonuses – 324 thousand (2021: 519 thousand);

1 March 2023
Sofia