

sopharma

MANAGEMENT REPORT for Q4 2023

“SOPHARMA” AD

January 30, 2024

Content

I.	General information about “Sopharma” AD.....	2
1.	Registration and activity of the Company.....	2
2.	Shareholder structure as of 31 December 2023	2
3.	Board of Directors	2
4.	Personnel.....	3
5.	Production activity	3
6.	Products.....	4
7.	Information about the shares and other securities issued by the Company.....	4
II.	Development of the activity	5
III.	Significant events in Q4 of 2023 and until the publication of the interim management report	13
IV.	Review of the main risks faced by the Company.....	177
V.	Information on related party transactions.....	18

I. General information about “Sopharma” AD

1. Registration and activity of the Company

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

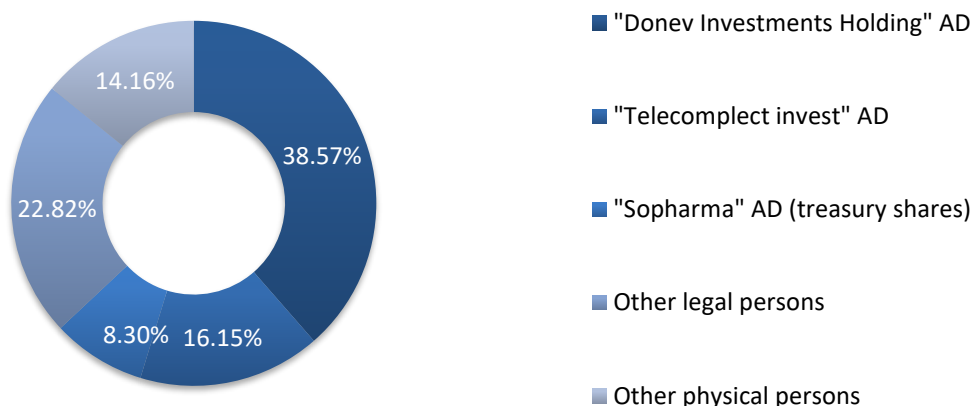
“Sopharma” AD was established in 1933. The court registration of the Company is from 15 November 1991, decision №1/1991 of Sofia City Court. “Sopharma” AD is a public company under the Law on Public Offering of Securities.

The Company conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmaceuticals, production of medical products and cosmetics, incl. - plasters, bandages, sanitary-hygiene products, herbal cosmetics, concentrates for hemodialysis and production and trade of veterinary-medicinal products and performance of laboratory services related to the examination of animal blood samples.

“Sopharma” AD provides services related to production, as well as to ancillary and supporting activities.

The Company has marketing authorizations under the Law on Pharmaceutical products in Human Medicine and respectively under the Law on Veterinary medicine activities for all products of its manufacturing portfolio.

2. Shareholder structure as of 31 December 2023



3. 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 - Bissera Lazarova, Alexandar Tchaoushev and Ivan Badinski. The Company is represented and managed by the Executive Director Ognian Donev, PhD. On the basis of a commercial management contract concluded on June 9, 2020, Simeon Donev is assigned as a

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procurator of the company.

4. Personnel

The average number of workers and employees for the period in “Sopharma” AD is 1 720 (1 760 in Q4 2022).

	31.12.2023	rel. share %
Number of workers and employees as of December 31, 2023	1 746	100%
Higher education	832	48%
College education	27	2%
Secondary education	862	49%
Primary education	25	1%
Employees under 30 years	136	8%
Employees 31 - 40 years	324	18%
Employees 41 - 50 years	484	28%
Employees 51 - 60 years	696	40%
Employees over 60 years	183	10%
Women	1 127	65%
Men	619	35%

5. Production activity

The production activities of the Company are realized and developed in the following areas:

- Substances and preparations based on plant raw materials (phytochemical production);
 - ✓ Ready-to-use formulations, incl.:
 - ✓ Solid forms as tablets, coated tablets, film-coated tablets, capsules;
 - ✓ Galenic - suppositories, drops, syrups, ointments;
 - ✓ Parenteral - injection solutions, lyophilic powder for injection.
- Medical and cosmetic products, incl.:
 - ✓ Plasters;
 - ✓ Bandages;
 - ✓ Sanitary-hygiene products;
 - ✓ Herbal cosmetics;
 - ✓ Concentrates for hemodialysis.
- Veterinary-medicinal products.

6. Products

The Company has more than 200 products in its portfolio: incl. nearly 190 medicinal products and 11 groups of medical devices. Medicinal products mainly include generics and 15 traditional products, 12 of which are plant-based. The Company's traditional products (in particular Tabex, Carsil and Tempalgin) make up a major share of its export market revenues, while the company's generic products are of major importance for domestic sales, Analgin being the leader among these products.

The product portfolio of “Sopharma” AD is focused on the following therapeutic areas: cardiology, gastroenterology, pain management, cough and cold, immunology and dermatology, respiratory tract and asthma, neurology and psychiatry, urology and gynecology, nephrology, surgery, orthopedics and traumatology.

The most significant pharmaceutical products in terms of their contribution to the revenues are:

- Carsil - traditional plant-based product used to treat gastroenterology diseases (liver diseases);
- Tempalgin - traditional analgesic (painkiller);
- Tabex - traditional plant-based smoking cessation product;
- Tribestan - traditional plant-based product that stimulates the functions of the sexual system;
- Broncholitin - traditional plant-based product used to suppress cough;
- Analgin - generic analgesic (pain reliever);
- Nivalin - traditional plant-based product used for diseases of the peripheral nervous system;
- Methylprednisolone - generic medicine for cases of severe allergies and certain life-threatening conditions;
- Vitamin C - widely used nutritional supplement;
- Valeriana - generic non-prescription herbal medicine used to reduce stress;
- Medical devices - gauzes, compresses and dressings;
- Veterinary vaccines;

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

The total number of shares as of December 31, 2023 of “Sopharma” AD, is 172 590 578 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 November 4, 2021, the Financial Supervision Commission registered an issue of 44,932,633 dematerialized, freely transferable and registered warrants, with par 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 only in favor of the owners of warrants. Each 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. The right to exercise arises from the date on which the issue of 44 925 943 warrants is registered with Central Depository AD – January 11, 2022. The warrants are admitted to trading on the BSE main market on the Bulgarian Stock Exchange-Sofia AD as of January 25, 2022. On October 06, 2023, as a result of a capital increase through the exercise of 37,792,679 warrants from an ISIN BG9200001212 issue, the new capital of “Sopharma” AD amounting to BGN 172,590,578 was entered in the Commercial Register.

II. Development of the activity

Key financial indicators

Indicators	31.12.2023 BGN '000	31.12.2022 BGN '000	Change %
Revenues	249 151	230 832	7,9%
EBITDA	70 343	63 835	10,2%
Operating profit	49 371	44 406	11,2%
Net profit	47 867	36 581	30,9%
CAPEX*	15 779	34 751	-54,6%
	31.12.2023 BGN '000	31.12.2022 BGN '000	
Non-current assets	537 821	511 613	5,1%
Current assets	336 075	188 204	78,6%
Owners' equity	575 871	592 955	-2,9%
Non-current liabilities	65 028	32 627	99,3%
Current liabilities	232 997	74 235	213,9%

* tangible and intangible fixed assets acquired

Indicators	1-12/2023	1-12/2022
EBITDA/Revenues	28,2%	27,7%
Operating profit/Sales Revenue	19,8%	19,2%
Net profit/Sales Revenue	19,2%	15,8%
	31.12.2023	31.12.2022

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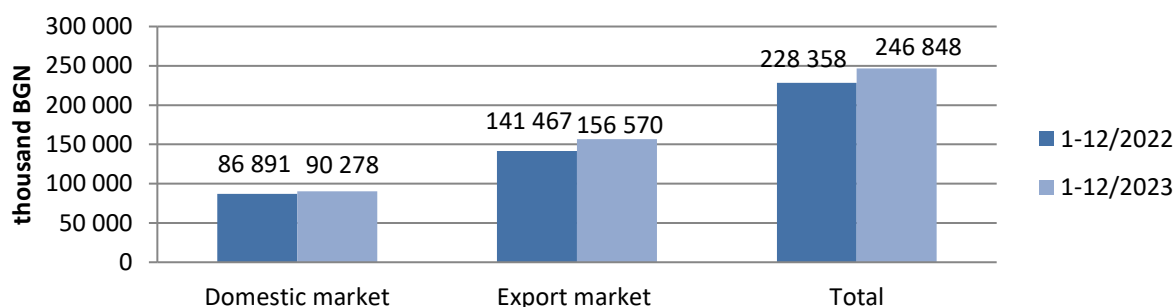
Debt/Equity	0,52	0,18
Net debt*/EBITDA on annual basis	-0,1x	0,4x

* The net debt comprises the sum of borrowings from banks and lease liabilities less cash and cash equivalents, taking into account the effects of the adoption of IFRS 16 Leases, effective from 01.01.2019

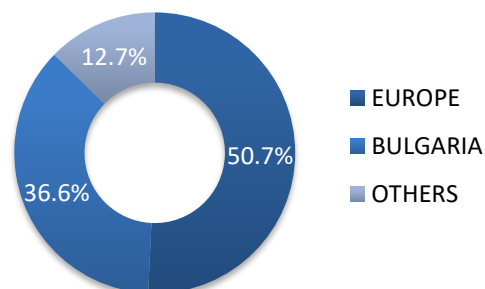
Operating revenues

Revenues from contracts with customers are from sales of manufactured medicinal products and for Q4 of 2023 increased by BGN 18,3 million, to BGN 246,8 million, compared to BGN 228,4 million in 2022. The revenue from contracts with clients takes into account the effect of the completed merger of “Biopharm Engineering” AD. It also includes revenues from assignment production and contract manufacturing, which for Q4 2023 amounted to BGN 7,8 million.

Sales revenues



Revenues by market	1-12/2023 BGN '000	1-12/2022 BGN '000	Change %
EUROPE	125 251	117 284	6,8%
BULGARIA	90 278	86 891	3,9%
OTHERS	31 319	24 183	29,5%
TOTAL	246 848	228 358	8,1%



- European market

Sales revenues for Q4 of 2023 for European countries increased by BGN 8 million or 6.8% compared to Q4 of 2022. Sales in Russia accounted for the largest share, and for the current period they increased by 17,4%. Growth was also registered in in Moldova by 11%, in Serbia by 2.8%, in Poland with 57.5% and in Czech Republic with 113.4%. Sales decreased by 21.4% in Ukraine, in Belarus by 19%, in Lithuania by 3% and in Latvia by 10.2%.

- Bulgarian market

Sales of “Sopharma” AD on the domestic market increased by BGN 3,9 million or 3.4% in Q4 of 2023, to 90,2 million compared to BGN 86,7 million in Q4 of 2022.

According to IQVIA data, at the end of 2023 the company occupies 2.06% (seventeenth position) on the Bulgarian pharmaceutical market in value and 7.22% (second position) of sales in volume.

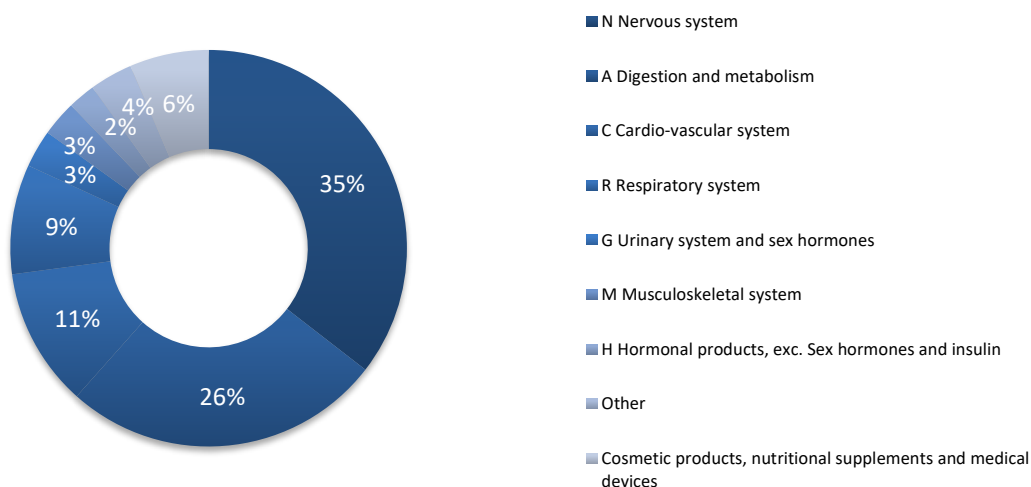
The positions of the main competitors of the company on the territory of the country are as follows: Roche - 5.29% (0.19% in volume), Merck Sharp & Dohme - 4.69% (0.14% in volume), Novartis - 6.47% (4.39% in volume), AstraZeneca – 4.03% (0.46% in volume), Pfizer - 3.85% (0.68% in volume), Abbvie - 3.56% (0.07% in volume), Swixx Biopharma - 3.40% (1.12% in volume), Teva - 3.33% (8.90% in volume), Phoenix – 2.80% (4.09% in volume).

The products with the largest share of sales in the country are Analgin, Vicetin, Fomotide, Vitamin C, Paracetamol, Methylprednisolone.

- Other markets

Revenues from other markets increased by BGN 7,1 million or 29.5% compared to Q4 in 2022 as a result of the growth of sales in the countries of the Caucasus region (Armenia with growth of 23.4%, Georgia with growth of 24% and Azerbaijan with growth of 69.7%, Uzbekistan with growth of 6.1% and In Vietnam, sales growth of 111.9% was registered, while in Kazakhstan sales decreased by 3.4%, and in Mongolia the decline is 3.7%.

Sales by therapeutic group



Operating expenses

For the current period, the costs for materials increase by BGN 4,2 million compared to 2022 in the part of basic, laboratory and technical materials. A decrease was registered in the costs of heating and electricity. Personnel costs increased by BGN 13,6 million, as a result of an increase in current remuneration, and in external service costs, which increased by BGN 9,2 million, the largest change was registered in the costs of manufacturing medicines and in the costs of advertising and marketing services, which increased by BGN 1,9 million and BGN 6

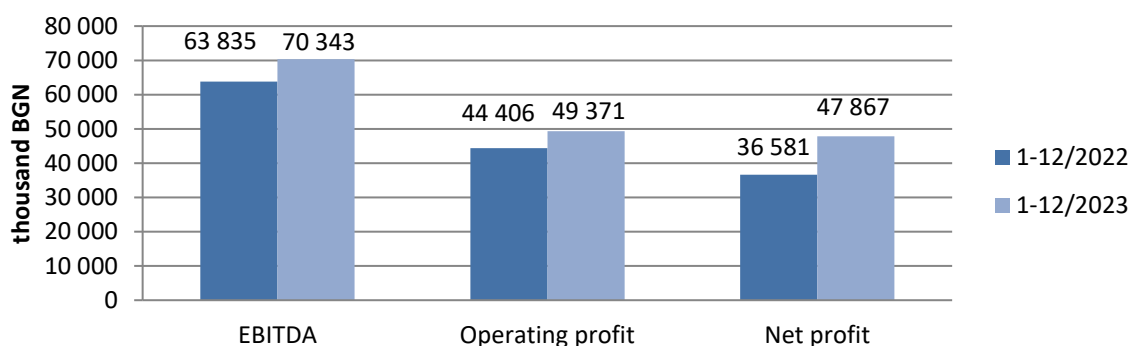
million, respectively. Other operating expenses decreased by BGN 3,3 million as a result of the net change in accrued (reversed) impairments of BGN 5,7 million.

Financial income and expenses

Financial income increased by BGN 3,1 million to BGN 7,8 million in 2023 mainly due to restored provision for guarantees in the amount of BGN 1,3 million and income from interest on deposits in the amount of BGN 1 million.

Financial expenses decreased by BGN 0,1 million to BGN 3,6 million in 2023.

Financial result of the activity



Profit before interest, taxes, depreciation and amortization (EBITDA) in 2023 increased by BGN 6,5 million or by 10,2% to BGN 70,3 million compared to BGN 63,8 million in 2022. The growth achieved during the period is due to the increase in sales on the main markets and the improved gross profit margin on the one hand, as well as a relatively stable structure of operating expenses.

Operating profit for Q4 of 2023 increased by BGN 5 million or by 11,2% to BGN 49,3 million compared to BGN 44,4 million for the same period of 2022.

Net profit for the for Q4 of 2023 increased by BGN 11,3 million or by 30.9%, to BGN 47,94 million compared to BGN 36,6 million for the same period of 2022.

Assets

Non-current assets compared to the end of 2022 increased by BGN 26,2 million, to BGN 537,8 million. The most significant increase is the change in investments in associates due to the newly acquired shares in “Sopharma Properties” REIT, “Sopharma Buildings” REIT and “Sopharma Warsaw”. Long-term receivables on affiliated enterprises decreased by BGN 4,8 million as a result of loans granted to “Doverie Invest” EAD and “Industrial Holding Doverie” AD.

Current assets increased by BGN 147,9 million to BGN 336,1 million where the most significant is the impact of the increase in the amount of cash and equivalents in the amount of BGN 100,5 million as a result of the capital increase after the exercise of warrants. An increase is recorded in material stocks by BGN 26,6 million, in receivables from related enterprises in the amount of BGN 16,7 million, in trade receivables by BGN 4,6 million and in loans granted to third parties by BGN 2,9 million

Owners' equity and liabilities

The equity of "Sopharma" AD decreased by BGN 17,1 million to BGN 575,9 million as a result of the distribution of additional reserves for dividend.

Non-current liabilities increased by BGN 32,4 million, to BGN 65 million, as a result of an increase in long-term bank loans by BGN 32,9 million.

Current liabilities increased by BGN 158,8 million, to BGN 233 million, as a result of the increase in liabilities under short-term bank loans by BGN 33 million, as well as a result of accrued liabilities to related parties and third parties for distributed dividends in the amount of BGN 142,5 million. Trade liabilities decreased by BGN 20,3 million, which is the result of the decrease in advances received for the sale of finished products, which decrease by BGN 22,5 million.

Cash flows

	1-12/2023 BGN '000	1-12/2022 BGN '000
Net cash flows from operating activities, normalized*	(2 606)	88 153
Purchases of property, plant and equipment, intangible assets, net	(837)	(12 988)
Payments under lease contracts	(2 793)	(2 193)
Free cash flow (normalized)	(6 236)	72 972

The free cash flow (normalized with the payments under lease contracts and dividends), generated in Q4 of 2023 is BGN 6,2 million outflow compared to BGN 73 million inflow in 2022. The registered net cash outflow from operating activities in the current period is the result of advance payments received from customers in 2022 related to realized sales of output in 2023.

New developments and products

During the reporting period October - December 2023 in the Division "Development and Regulatory Compliance" the following activities were performed:

✓ **New medicinal products**

During the reporting period, Authorizations for use were received for three new medicinal products:

- Glycerax Pico oral drops solution (Bulgaria);
- Suxamethonium Sopharma 10 mg/mL solution for injection (Bulgaria);
- Suxamethonium Sopharma 20 mg/mL solution for injection (Bulgaria).

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

New registrations of medicinal products:

- Documentation for registration of 27 medicinal products has been submitted:
- Paracetamol 500 mg tb. (Belarus);
- Paracetamol Sopharma 500 mg tb. (Moldova)
- Tempalgin (paracetamol) 500 mg tb.;
- Carsil 90 mg caps. – (Belarus);

- Molsidomin 8 mg SR tb. (Russia);
- Aminophylline sfi (Lithuania);
- Digoxin Sveikuva sfi (Lithuania);
- Felogel 2.32% gel (Lithuania);
- Carsil 22.5 mg film-coated tb. (Azerbaijan);
- Carsil 22.5 mg film-coated tb. (Tadzhikistan);
- Carsil 22.5 mg film-coated tb. (Georgia) MRP;
- Carsil 22.5 mg film-coated tb. – (Moldova);
- Tribestan 250 mg film-coated tb.;
- Digoxin Sveikuva 0.25 mg/ml sfi (Lithuania);
- Pethidine hydrochloride Sveikuva 50 mg/ml sfi (Lithuania);
- Amrex 30 mg/5 ml syrup (Lithuania) MRP
- Ambrolytin 30 mg tb. (Lithuania) MRP
- Ambrolytin 30 mg tb. (Kirgizstan);
- Sodium picosulfate oral drops solution (Ukraine);
- Carsil 22,5 mg film-coated tb. (Turkmenistan);
- Videral 0,5 mg/ml oral drops, solution (Czech Republic);
- Deavit Neo 0.5 mg/ml oral drop, solution (Kirgizstan);
- Felogel 5 % gel (Kirgizstan);
- Felogel 2.32 % gel (Kirgizstan);
- Tempalgin 500 mg/20 mg film-coated tb. (Armenia) New manufacturing site;

✓ **Licensing**

- Sophamet XR 500 mg; 750 mg; 1000 mg SR tb. (Bulgaria);
- Trachihelp 5 mg/1,5 mg lozenges (Ukraine);

✓ **Medicinal products have been registered for 43 new directions**

- Verapamil sfi (DCP – Denmark; Sweden; Norway; Finland)
- Carsil 110 mg caps. (Georgia);
- Isocor 2,5 mg/ml sfi (Malaysia);
- Cinnarizine 25 mg tb. (Vietnam);
- Carsil 22.5 mg film-coated tb. (Ukraine)
- Carsil Forte 90 mg caps. (Kirgizstan);
- Pethidine Macure sfi (DCP – Finland; Norway; Sweden; Denmark);
- Carsil Max 110 mg caps. (Peru);
- Syafen 100 mg/5 mL oral susp. (Georgia) MRP;
- Furosemide Sopharma 40 mg tb. (Georgia) MRP;
- Zondaron 2 mg/mL sfi (Georgia) MRP;
- Digoxin Sopharma 0.25 mg/mL sfi (Georgia) MRP;
- Valeriana 30 mg tb. (Georgia) MRP;
- Ambrolytin 30 mg tb., (Georgia);

- Valeriana Max 200 mg fct, (Georgia);
- Valeriana 30 mg film-coated tb. (Georgia);
- Feloran Forte 5 % gel (Georgia);
- Alergosan (Desloratadin) oral solution (Peru);
- Carsil 22.5 mg film-coated tb. (Ukraine);
- Tempofen DUO film-coated tb. (Ukraine);
- Tempaforte 500 mg effervescent powder;
- Tempaforte 1000 mg effervescent powder (Azerbaijan);
- Tamoxifen Sopharma 10 mg tb. (Georgia) MRP;
- Carsil 35 mg coated tablets (Russia) EAEU;
- Carsil Max 110 mg caps. (Russia) EAEU;
- Dexketoprofen Sopharma 50 mg/ 2 ml solution for inj/inf (Ukraine);
- Carsil 22.5 mg film-coated tb. (Tajikistan);
- Persen tb. (Georgia);
- Persen tb. (Belarus);
- Troxerutin 300 mg caps. (Vietnam);
- Talert 1mg/ml syrup (Vietnam);
- Diclofenac diethylamine Sopharma 23,2 mg/g gel (Lithuania);
- Carsil 22,5 mg film-coated tb. (Moldova);

✓ **Licensing**

- Analgin Max 1000 mg effervescent powder (Georgia);
- Sitagliptin/Metformin APC 50 mg/500 mg modified release tablets (Bulgaria);
- Sitagliptin/Metformin APC 50 mg/1000 mg modified release tablets (Bulgaria);
- Sitagliptin/Metformin APC 100 mg/1000 mg modified release tablets (Bulgaria);

✓ **Re-registrations/changes**

- Renewed Marketing Authorizations for 50 medicinal products;
- Submitted dossier for renewal of Marketing Authorizations for 71 medicinal products to agencies;
- 329 changes for medicinal products submitted to agencies;
- 279 changes approved by agencies for medicinal products.

✓ **Dietary supplements**

- 14 food additives have been notified - 1 for Belarus; 3 for Poland; 5 for Bulgaria; 1 for Ukraine; 2 for Georgia; 1 for Azerbaijan and 1 for Kazakhstan;
- 22 food additives have been submitted for notification - 3 for Belarus; 2 for Ukraine; 3 for Poland; 4 for Azerbaijan; 3 for Kazakhstan; 7 for Bulgaria;

✓ **Medical devices**

- 7 Medical devices have been uploaded to the system of Bulgarian Drug Agency - Bulgaria;

✓ **Developments**

Pharmaceutical development of 12 new medicinal products is being carried out/projects:

- Cytisine 3.0 mg TB – Project with Achieve
- Dexketoprofen 25 mg TB.;
- Xylmetazoline/Dexpanthenol nasal spray;
- Paracetamol 500 mg tab.;
- Molsidomin 4 mg tab.;
- Ketorolac 10 mg tab.;
- Glauvent 40 mg film-coated tablet;
- Vitamin C 200 mg/mL injection p-r;
- Butamirate Citrate oral drops;
- Simethicone oral drops;
- Ibuprofen 200; 400 and 600 mg tb.;
- Ibuprofen 100 and 200 mg/5 ml oral suspension;

✓ **API – 4**

- Valeriana extract/ Maltodextrin;
- Glaucine hydrobromide;
- Dry extract of milk thistle fruits;
- Dry extract of Granny's teeth;

✓ **Development of 11 food additives is carried out:**

- Valeriana/Melatonin oral spray;
- Melatonin oral spray;
- Propolis nasal spray for children;
- Propolis nasal spray for adults;
- Propolis throat spray for children;
- Propolis throat spray for adults;
- Syrup (with bee products and extracts) for children;
- Syrup (with bee products and extracts) for adults;
- Valeriana Son 50/1 mg tb.;
- Valeriana Son 150/3 mg tb.;
- Vitamin C 100 mg tab.;

✓ **Transfer and validation of technological processes**

- 4 new medicinal products were transferred - Glycerax Pico oral drops, p-r; Felloran 2.32% gel; Duzofarm 200 mg tab.;
- 42 production processes/technologies have been validated/optimized.

✓ **Prepared documentation for quality/production**

- Documentation for quality of raw materials for production – 145;
- Production regulations – 163;
- Documentation for quality of finished forms – 267.

III. Significant events in 2023 and until the publication of the interim management report

- 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 January 19, 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 Tender Offer is available to each of the shareholders of "Sopharma" AD on an electronic page on the Internet as follows: <https://www.sopharmagroup.com/bg/investitori/novini-za-investitori>, as well as on the electronic page of the authorized investment intermediary IP "Karol" AD: www.karollbroker.bg.

- On January 23, 2023, the Company entered into a contract for transformation by merger of 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 be transferred 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 has been submitted for approval to the Financial Supervision Commission. By letter No. RG – 05 – 684 – 1 dated February 24, 2023, the Financial Supervision Commission requested additional information and data, as well as corrected documents in connection with the requested merger.

- On February 20, 2023, on the basis of Art. 157 of LPOS and Art. 37, para. 1 of Ordinance No. 13 for a tender offer for the purchase and exchange of shares (Ordinance No. 13) "DONEV INVESTMENTS HOLDING" AD - an offeror who made a tender offer, on the basis of Art. 149b of the Law on the Public Offering of Securities for the Purchase of Shares from the Remaining Shareholders of "Sopharma" AD, notified the result of the tender offer, which ended on February 17, 2023, 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 June 2, 2023, the Regular General Meeting of Shareholders of "Sopharma" AD accepted the proposal of the Board of Directors to distribute a gross dividend to the shareholders in the amount of BGN 0.60 /sixty stotinki/ per share.
- On June 2, 2023, the General Meeting of the holders of warrants from the issue with ISIN code BG9200001212 adopted a decision to exercise the rights to subscribe for shares from a future increase in the capital of "Sopharma" AD, by issuing 44,925,943 number of ordinary, registered, non-existent shares, with voting rights, with a nominal value of BGN 1 each and an issue value of BGN 4.13 per share, provided that the shares from the increase are subscribed by warrant holders.
- On June 5, 2023, announces that at its meeting the Board of Directors of the Company resolved to increase the capital on the condition that the shares from the increase are subscribed by the warrant holders, based on a resolution legally adopted at the General Meeting of Warrantholders (GMW) on June 2, 2023. The expected timetable for implementing the increase is as follows:

Date of disclosure of the announcement under Article 89t, para (2) of the Securities Act on the website www.x3news.com, on the websites of Sopharma AD and the authorised investment intermediary "Sofia International Securities" AD August 24, 2023. Commencement date for the exercise of the warrants September 1, 2023.

Closing date for payment and subscription of shares is September 26, 2023.

Registration of the issue of new shares and capital increase in the Commercial Register *

October 2, 2023.

Registration of the new shares in investors' accounts with the Central Depository

October 10, 2023.

Registering the capital increase in the FSC register under art. 30 from the Law on the Financial Supervision Commission October 17 or 19, 2023.

Commencement of trading in the new shares on the BSE October 30, 2023.

- On June 14, 2023, according to the decision of the Board of Directors of May 12, 2023, "Sopharma" AD, as the seller, concluded a contract for the transfer of the right of ownership of real estate with the address Sofia, "Studentski" district, "St. Kliment Ohridski" No. 3, with an area of 17,688 sq.m. with "Sopharma Buildings" REIT, UIC 175346309. The sale price agreed by the parties on the transaction is BGN 6,337,350 excluding VAT.

With decision No. 652-PD dated June 22, 2023, the Financial Supervision Commission approved the Agreement for the transformation by merger of "Biopharm Engineering" AD (transforming company) into "Sopharma" AD (acquiring company) from January 1, 2023.

- On July 14, 2023, according to the requirements of art. 100t of LPOS, "Sopharma" AD notifies the Bulgarian Stock Exchange and the Warsaw Stock Exchange that in implementation of a decision of the Board of Directors after a detailed analysis and negotiations, "Sopharma" AD signed a contract for the phased acquisition of the Serbian pharmaceutical manufacturer Pharmanova within two years. The deal is subject to approval by the Serbian Competition Commission and will start with the acquisition of 25% of the Company, followed by the acquisition of 50% after one year and 25% after two years, respectively.
- On August 8, 2023, with number 20230823133229 in the Commercial Register, the transformation through the merger of Biopharm Engineering AD into Sopharma AD was entered, whereby Biopharm Engineering AD was deleted without liquidation. The activity of Biopharm Engineering AD passes entirely to Sopharma AD, and the entire property of the merging company passes to Sopharma AD, which becomes its universal legal successor.
- On October 2, 2023 according to the requirements of art. 100t of the Public Offering of Securities Act, Sopharma AD announced that in pursuance of a decision of the General Assembly of Warrant Holders (GSPV) dated June 2 2023 and a decision of the Board of Directors of Sopharma AD dated June 5, 2023 and on the grounds of Art. 195 and Sec. 196 of the Commerce Act (CA), art. 113, para. 2, item 2 of the Public Offering of Securities Act and art. 25 of the Statute of the company) a procedure for capital increase was launched by issuing up to 44 925 943 ordinary registered dematerialized freely transferable shares with a nominal value of BGN 1 each and issue value of BGN 4.13 per share, subject to the fact that the shares of the increase are subscribed by the holders of warrants, ISIN BG9200001212 issue, in accordance with the terms and conditions described in the Prospectus for Public Offering of Warrants, confirmed by FSC Decision No 804-E / 04.11.2021. The deadline for exercising warrants set by the Board of Directors in accordance with the requirements of the Public Offering of Securities Act and the

Prospectus for Public Offering of Warrants, confirmed by FSC Decision No 804-E / 04.11.2021, started on September 7 2023 and ended on September 29 2023. For this period, a total of 260 applications for subscription of the shares from the increase through the exercise of warrants submitted by 249 persons, including 23 legal entities and 226 individuals, were received. A total of 37 792 679 (thirty-seven million seven hundred and ninety-two leva six hundred and seventy-nine) warrants were exercised and respectively 37 792 679 (thirty-seven million seven hundred and ninety-two leva six hundred and seventy-nine) were subscribed from the capital increase through Sofia International Securities AD. The persons who have acquired warrants had the right to participate in the capital increase of Sopharma AD by exercising the rights under the warrants at the latest 5 working days after the later date between the date of disclosure of this notice under Art. 89t, para. 2 of the LPOSA on the website of X3news.com Information Agency, on the website of Sopharma AD and on the investment intermediary selected to serve the capital increase. The issue price of the subscribed shares amounts to a total of BGN 156 083 764.27 (one hundred and fifty-six million eighty-three thousand seven hundred and sixty-four leva and 27 stotinki). During the conduct of the subscription, including during the exercise of the warrants and the subscription of the shares, the Company has encountered no difficulties, disputes or the like. The subscription is considered successful.

- On October 6, 2023 according to the requirements of art. 100t of the Public Offering of Securities Act, Sopharma AD informed that as a result of the conditional capital increase by exercising warrants from an ISIN BG9200001212 issue in the Commercial Register, with number 20231006154857, the new capital of Sopharma AD amounting to BGN 172 590 578 was entered.
- On October 16, 2023 according to the requirements of art. 100 of the Public Offering of Securities Act, Sopharma AD informed that in fulfillment of the objectives for optimization of the activity on foreign markets, the functions of the representation of Sopharma AD in Russia will be assumed by the newly established subsidiary "Sopharma Rus" EOOD.
- On November 24, 2023, an extraordinary General Meeting of the Company was held, at which the proposal of the Board of Directors to distribute a gross dividend to the shareholders in the amount of BGN 0.90 /sixty stotinki/ per share was proposed.
- On January 10, 2024, a liquidation procedure of "Fito Palauzovo" AD was entered in the Commercial Register.
- On January 22, 2024, the dividend payment has started. The dividend payment from the profit for 2023, is in the amount of BGN 141.9 million.
- On January 23, 2024, the Company submitted documents for approval to the Financial Supervision Commission in connection with the merger of "Veta Pharma" AD, which is a subsidiary of "Sopharma" AD.
- On January 26, 2024, a General Meeting of the holders of warrants with ISIN BG9200001212 was held, at which a decision was made to exercise the rights under them by subscribing shares from a future increase in the capital of "Sopharma" AD, by issuing up to 7,133,264 number of ordinary, registered, dematerialized shares, with voting rights, with a nominal value of BGN 1 each and an issue value of BGN 4.13 per share, provided that the shares from the increase are subscribed by the warrant holders.

The holders of warrants made a request to the Board of Directors to decide on a capital increase under the condition that it be carried out on the basis of the Company's Articles of Association, art. 195 of the Commercial Law and, accordingly, Art. 113, para. 2, item 2 of the Law on Public Offering of Securities, in which the warrant holders can exercise their rights under item 2 of the agenda, and under the terms and conditions according to the Prospectus for the public offering of warrants, confirmed by the Decision of the Financial Supervision Commission No. 804 – E/04.11.2021. The capital increase was launched with the publication of an announcement under art. 89t of the Law on Public Offering of Securities on January 26, 2024.

IV. Review of the main risks faced by the Company

Risks related to the Company's business and the industry the Company operates

- 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, depends 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 Company performs its activities in active exchange with foreign suppliers and customers. Therefore, it is exposed to currency risk, mainly in respect of USD. The Company supplies part of its main raw materials in USD. The currency risk is related to the negative movement of the USD exchange rate against the BGN in the future business operations, the recognized foreign currency assets and liabilities and the net investments in foreign companies. The rest of the Company's operations are usually denominated in BGN and / or in EUR. The Company sells some of its finished products in Russia in EUR and thus eliminates the currency risk associated with the depreciation of the Russian ruble. In EUR are also dominated the balances with the subsidiaries in Ukraine. However, in order to minimize currency risk, the Company conducts through its subsidiaries a monetary policy that includes advance payments and the reduction of deferred payment terms and immediate currency conversion of foreign currency earnings to EUR, as well as applying higher trade mark-ups to offset possible future impairment of the hryvnia.

In order to control the foreign currency risk in the Company, a system of planning import deliveries, foreign currency sales, as well as procedures for daily monitoring of movements in the dollar exchange rate and control of forthcoming payments, is introduced.

V. Information on related party transactions

Related party transactions are disclosed in the explanatory notes to the separate financial statements for Q4 of 2023.

Sofia,
January 30, 2024