



# PROSPECTUS

For the initial public offering of  
up to 44,932,633 warrants

## “SOPHARMA” AD

<b>TYPE OF OFFERED SECURITIES:</b>	DEMATERIALIZED, FREE-TRANSFERABLE WARRANTS
<b>NUMBER OF OFFERED SECURITIES:</b>	44,932,633
<b>ISSUE PRICE FOR 1 VARIANT:</b>	BGN 0.28 (TWENTY-EIGHT STOTINKI)

The Prospectus for initial public offering of warrants by “Sopharma” AD (“**Sopharma**”, “**the Company**”, “**the Issuer**”) contains all the information about the Issuer, which according to the specific features of the Issuer and the securities, which are subject to public offering, is necessary for the investors for accurate assessment of the economic and financial condition of the Issuer and of the rights related to the securities. It is in the interest of investors to familiarize themselves with the entire Prospectus before deciding to invest.

**THE FINANCIAL SUPERVISION COMMISSION, IN ITS CAPACITY AS THE COMPETENT AUTHORITY UNDER REGULATION (EU) 2017/1129, HAS APPROVED THIS PROSPECTUS BY DECISION № 804-E/04.11.2021**

**THE FINANCIAL SUPERVISION COMMISSION SHALL APPROVE THIS PROSPECTUS ONLY IF IT COMPLIES WITH THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY REGULATION (EU) 2017/1129. SUCH APPROVAL SHOULD NOT BE REGARDED AS AN ENDORSEMENT OF THE ISSUER SUBJECT TO THIS PROSPECTUS. THE FINANCIAL SUPERVISION COMMISSION SHALL NOT BE RESPONSIBLE FOR THE VERACITY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THE PROSPECTUS. INVESTORS MUST ASSESS THE INTEGRITY OF THE SECURITY INVESTMENT.**

The members of the Board of Directors and the Procurators of “Sopharma” AD are jointly and severally liable for the damages caused by incorrect, misleading or incomplete data in the entire Prospectus for initial public offering of warrants of “Sopharma” AD. The compilers of the financial statements of the Issuer are jointly and severally liable with the persons under the previous sentence for damages caused by incorrect, misleading or incomplete data in the financial statements, and the registered auditors of the Issuer - for the damages caused by the audited financial statements.

21 OCTOBER 2021

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**FINANCIAL CONSULTANT AND**

**ISSUE MANAGER**

**MANE CAPITAL AD**



Investors interested in the offered securities can get acquainted with the original of this document, receive a free copy of it, as well as receive additional information on it in the offices of:

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	Contact person:	Rosen Nikolov, Member of the Board of Directors of “MK Brokers” 09.00 - 17.30

This document can be found on the Company's website ([www.sopharmagroup.bg](http://www.sopharmagroup.bg)) on the page of the investment intermediary “MK Brokers” AD (<https://www.mkb.bg/>)

The Company and the authorized investment intermediary “MK Brokers” AD inform potential investors that investing in the offered securities is associated with certain risks. See item 2. *Risk factors* from this Prospectus.

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## 1. SUMMARY

SECTION A - INTRODUCTION AND WARNINGS	
<b>A.1 Name and ISIN of the security</b>	
On the basis of this document are offered for initial subscription by “Sopharma” AD derivative financial instruments – <b>warrants</b> . The warrants have ISIN code BG9200001212. CFI code: RWSTBE. FISN code: SOPHARMA/P WT SOPHARMA 1 20240901	
<b>A.2 Issuer's credentials and contact details</b>	
“Sopharma” AD is a company registered in the Commercial Register, kept by the Registry Agency, with UIC 831902088. The Company's Lei code is 97900BGGW0000048796. Contact details:	
Headquarter and management address	<b>Sofia 1220, Nadezhda district, 16 Iliensko Shose Str.</b>
Correspondence Address	<b>Sofia 1220, Nadezhda district, 16 Iliensko Shose Str.</b>
Telephone	<b>02 813 4200</b>
Email	<a href="mailto:mail@sopharma.bg">mail@sopharma.bg</a>
Website	<a href="https://www.sopharmagroup.com/">https://www.sopharmagroup.com/</a>
Investor Relations	<a href="mailto:ir@sopharma.bg">ir@sopharma.bg</a>
<b>A.3 Identity and contact details of the Emission consultant and the subsidiary</b>	
Investment intermediary, who will serve the recording of the warrants and the payment of their price – IP “MK Brokers” AD, UIC 175007052, with registered office and address of Sofia city, 8 Tsar Osvoboditel Blvd., fl. 4	
A consultant on this offer is “ <b>Mane Capital</b> ” AD, UIC 202402882 with its registered office and address of management – Sofia city 1404, Triaditsa district, 98 Gotse Delchev Blvd., en. 2, Office 11.	
<b>A.4 Identification and contact details of a competent authority that has confirmed the Prospectus</b>	
Financial Supervision Commission (“FSC”). Address: City of Sofia, 1000 Oborishte district, 16 Budapest Str.; tel.: +359 2 9404 999 internet address: <a href="http://www.fsc.bg">www.fsc.bg</a> ; e-mail: <a href="mailto:delovodstvo@fsc.bg">delovodstvo@fsc.bg</a>	
<b>A.5 Date of confirmation of prospectus</b>	
Prospectus was confirmed on 04.11.2021 by Decision 804 of FSC.	
<b>A.6 Warning</b>	
This summary of the Prospectus should be read as an introduction to the Prospectus. Any decision to invest in warrants should be based on a thorough and thorough review by potential investors of the entire Prospectus, including any documents that are part of it by reference, and any supplement to the Prospectus that can be made. Investors in warrants should keep in mind that they may lose all or part of the invested capital. Where an action is brought before a court concerning the information contained in the Prospectus, the claimant investor may, under national law, have to be eligible for the costs of the translation of the Prospectus before the legal proceedings begin. Only persons who have prepared the Summary, including its translation, shall be liable to civil liability, but only where it is misleading, inaccurate or inconsistent with the other parts of the Prospectus, when considered together with the other parts of the Prospectus, or when , considered together with the other parts of the Prospectus, it does not provide material information to help investors decide whether to invest in warrants.	
SECTION B – MAIN INFORMATION ABOUT THE ISSUER	
<b>B.1 Who is the issuer of the securities?</b>	

“Sopharma” AD is a public joint-stock company within the meaning of Art. 110, para. 1 of LPOS. The company is entered in the Commercial Register, kept by the Registry Agency, under the company name “Sopharma” AD. The issuer is a joint-stock company and also a public company within the meaning of Art. 110, para. 1 of LPOS. “Sopharma” AD operates in accordance with the requirements of the Bulgarian legislation, in particular with the provisions of the Commercial Act and LPOS, which sets specific requirements for public companies. “Sopharma” AD is a company incorporated in the Republic of Bulgaria. The company is registered in the Commercial Register, kept by the Registry Agency, with the UIC 831902088. The LEI code is 97900BGGW0000048796. Registered office and address of management – Sofia city, 16, Iliensko Shose Str.

#### Main activity

Sopharma Group is a leading Bulgarian manufacturer, exporter and local distributor of health-related products, with a strong presence in Eastern and Southeastern Europe. Sopharma offers a wide range of prescription drugs, OTC, medical devices and other health-related products. Sopharma Group operates in the following areas:

- production of pharmaceutical products, including medicines, mainly generic, plant-based substances and food additives, which is carried out mainly by “Sopharma” AD;
- production of medical devices and medical cosmetics, such as plasters, dressings and sanitary products, concentrated in a production site in the town of Sandanski;
- distribution of pharmaceuticals, medical supplies, sanitary materials, food additives and cosmetics.

#### Main shareholders and control relations:

At the date of Prospectus persons, whose voting right in the GMS of “Sopharma” AD **directly** reaches 5% of the capital of the Company, are as follows:

■ **“Donev Investments Holding” AD** directly owns 35,922,743 shares, representing **26.65%** of the capital of “Sopharma” AD, and respectively **26.65%** of the voting rights in the General Meeting of Shareholders of the Company.

■ **“Telecomplekt Invest” AD** directly owns 27,881,287 shares, representing **20.68%** of the capital of “Sopharma” AD, and respectively **20.68%** of the voting rights at the General Meeting of Shareholders of the Company.

■ **“Rompharm Company” OOD** directly owns 8,366,347 shares, representing **6.21%** of the capital of “Sopharma” AD, and respectively **6.21%** of the voting rights in the General Meeting of Shareholders of the Company.

■ **MUPF “Allianz Bulgaria”** directly owns 7,054,547 shares, representing **5.23%** of the capital of “Sopharma” AD, and respectively **5.23%** of the voting rights in the General Meeting of Shareholders of the Company.

At the date of Prospectus there are no other legal or natural persons to own directly or indirectly, and / or through related parties, participation in the capital of the Issuer, reaching 5% of the capital. As of the date of preparation of this Prospectus, there are no persons who have indirect participation in the Issuer, according to the provision of Art. 146, para. 1, item 5 of LPOS.

As of the date of the Prospectus, the Issuer has no known persons exercising control over the Issuer directly or indirectly, and / or through related parties, except for those mentioned above. The Issuer is not aware of any agreements, the effect of which may on a subsequent date lead to a change in control.

#### Information about the main managing directors of the Issuer:

“Sopharma” AD has a one-tier management system with a Board of Directors of five members as follows:

- **Ognian Donev** – Chairman of the Board of Directors and Executive Director
- **Vessela Stoeva** – Deputy Chairman
- **Bissera Lazarova** – Member
- **Alexandar Tchaushev** – Member
- **Ivan Badinski** - Member

#### Information about the issuer's statutory auditors

"Baker Tilly Klitou & Partners" OOD, UIC 131349346, specialized audit firm, member of the Institute of Certified Public Accountants in Bulgaria with Registration Number No 129, with managers Marius Clitou, Stelious Grigoriu and Spyridon Gruitz and Galina Lokmadzieva - Nedkova, with address – Sofia city 1000, 5 Stara Planina Str., fl. 5.

## B. 2 What is the main financial information about the Issuer?

Table №1 Selected financial data on a consolidated basis					
In thousand levs	2020	2019	2018	30.6.2021	30.6.2020
<b>Assets</b>	<b>1,242,112</b>	<b>1,175,272</b>	<b>1,010,603</b>	<b>1,224,794</b>	<b>1,184,686</b>
Share capital	566,595	575,772	508,529	597,170	582,667
Liabilities	675,517	599,500	502,074	627,624	602,019
<b>Revenues</b>	<b>1,438,826</b>	<b>1,281,587</b>	<b>1,179,143</b>	<b>759,044</b>	<b>678,997</b>
Operating expenses	(1,405,703)	(1,234,316)	(1,151,837)	(731,762)	(657,488)
Operating profit	45,800	59,692	39,143	33,897	26,746
<b>Net profit before tax</b>	<b>25,280</b>	<b>84,359</b>	<b>30,637</b>	<b>33,856</b>	<b>18,711</b>
Net cash flows from operating activities	(179,411)	(128,444)	(123,784)	(47,161)	(110,005)
Net cash flows from investment activities	1,495	(104,202)	(41,178)	(15,019)	16,938
Net cash flows from financial activities	175,693	235,879	166,477	57,557	86,655
Net profit per share	0.24	0.69	0.23	0.26	0.16
Dividend per share	0.04	0.12	0.05	-	-

Source: "Sopharma" AD

## B.3 What are the main risks inherent in the Issuer?

*Investing in warrants involves a certain degree of risk. Potential investors should carefully read and consider the information presented below about the main specific risks associated with the Company's activities, together with information about the risks inherent in the warrants offered, before deciding to acquire securities issued by the Company.*

*We caution potential investors that the Company's actual future operating results may differ materially from past results as a result of a number of factors, including the risk factors listed below. Any of the risks in the Prospectus may, together or individually, lead to negative effects on the issuer's business, financial position, future development, as a result of which the issuer's securities price may fall and investors may suffer a loss of part or all of their investment.*

### Key information on key risks specific to the issuer or its sector

<ul style="list-style-type: none"> <li>■ Strong competition</li> <li>■ Risks related to the health system in Bulgaria</li> <li>■ Regulatory risk in the field of health</li> <li>■ Environmental risk</li> <li>■ Dependence on key management and risk of unfair employee behaviour</li> <li>■ Uncertainty in financial performance, estimates and forecasts</li> </ul>	<ul style="list-style-type: none"> <li>■ Currency risk</li> <li>■ Price risk</li> <li>■ Liquidity risk</li> <li>■ Credit risk</li> <li>■ Force majeure events</li> <li>■ Risk of related party transactions under conditions other than market conditions</li> <li>■ Risk of accounting errors that have a material impact on the financial statements</li> </ul>
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## SECTION C – MAIN INFORMATION ABOUT THE SECURITIES

### C.1 What are the main characteristics of the securities?

**Description of the type and class of securities**

A warrant is a security that expresses the right to subscription of a certain number of securities at a predetermined or determinable issue value until the expiry of a certain period. The warrant is a derivative security that is issued on other securities – a underlying asset. The underlying asset of the warrants of this issue are future ordinary, nominal, dematerialized, freely transferable shares, giving the right to one vote in the GMS, which will be issued by the Issuer of the Warrants – “Sopharma” AD under condition, solely for the benefit of the owners of warrants. To the extent that the underlying asset is shares of the class of shares of “Sopharma” AD issued at the moment, investors in warrants from this issue should take into account the dependence of the price of the warrants and, accordingly, the value of their investment from the price of the Shares of the Company. The warrants of this issue are dematerialized, freely-transferable and nominal. All warrants of the issue give the same rights to their holders and form one class of securities. The warrants have ISIN code BG9200001212. CFI code: RWSTBE. FISN code: SOPHARMA / P WT SOPHARMA 1 20240901

The nominal and emission value of the current issue of warrants is in Bulgarian leva. The total number of warrants offered is **44,932,633**. The warrants of this issue are offered against payment of their **issue value of BGN 0.28**. All warrants entitle their holders to subscribe for shares in a future capital increase at a currently fixed **exercise value of BGN 4.13**.

The warrants from the issue give the right to subscribe for shares of the Issuer's capital increase, which may be exercised within a period of **up to 3 years**. The commencement of the term under the preceding sentence shall be the date on which the issue of warrants is registered with the “Central Depository” AD. The period shall expire on the relevant day of the third calendar year and, if that day is a non-working day, on the first following working day.

**Description of rights relating to securities**

Each Warrant of this Issue confers the following rights on the holder:

- The right to subscribe for shares from a forthcoming capital increase of “Sopharma” AD, which will be carried out in the presence of the prerequisites described below.
- Right to one vote in the meeting of warrant holders.

In the event that the holder of the warrant exercises his right to convert it into a share, he acquires the status of a shareholder, and a membership relationship between the shareholder and “Sopharma” AD arises. If the holder of the warrant was a shareholder in “Sopharma” AD prior to the exercise of the warrant, the scope of his membership shall be extended. Each share subscribed for, upon exercise of the right conferred by the warrant, confers on the holder **property and non-property rights**.

**Property rights of the shareholder:**

- Dividend right.
- Right to liquidation share.

**Non-property rights of the shareholder:**

- **Management rights** - a. Right to vote; b. Right of the shareholder to participate in the management of the Company, including the right to elect and be elected in the management bodies.

- **Controlling rights**

- **Protection rights** - a. each shareholder may file a claim against the Company before the district court at its seat for annulment of the decision of the general meeting, when it contradicts the mandatory provisions of the law or the statute (art. 74 CA); b. each shareholder may file a claim before the district court at the registered office of the Company in order to protect his right to membership and individual membership rights when they are violated by the bodies of the Company (Article 71 of the CA); c. The right to request the appointment of registered auditors by the Registry Agency, if such have not been elected by the General Meeting of Shareholders - Art. 249 of the CA.

**Additional rights** of the shareholder - a. right to subscribe for part of the new shares upon capital increase, proportional to the shares held before the increase; b. right to preferential acquisition of securities, which give the right to acquire shares of the same class as the shares of the current issue, by converting them or exercising the rights to them.

### Order of receivables in the capital structure of the Issuer in case of solvency

The offered warrants are of one class and provide equal rights to investors. Until now, the Issuer has not issued other securities giving the holder the same rights as the warrants. The Articles of Association of the Issuer, the decision of the Board of Directors of the Issuer for the issuance of warrants and this Prospectus do not contain clauses that are intended to affect the arrangement or to subordinate the security to current or future obligations of the Issuer.

In case of insolvency, the holders of the warrants shall not have the right to a claim under the procedure under Art. 722 of the Commercial Act. The order of the receivables on the ordinary shares (after exercising the rights under the warrants) in the capital structure of the Issuer in case of insolvency is according to art. 722 of the CA. Ordinary shares have the lowest priority in case of insolvency of the Issuer and their claims are satisfied only after the satisfaction of the claims of all creditors and preferred shareholders (if any).

### Restrictions on free transfer

The warrants of the present issue, as well as the shares - underlying asset of the warrants, when issued, may be freely transferred, in accordance with the Law on Financial Instruments Markets, Ordinance No. 38, the Rules of the „Bulgarian Stock Exchange“ AD and the Rules of “Central Depository”AD.

### Dividend policy

The GMS of the Issuer has not explicitly approved or undertaken to follow a policy for distribution of the Company's profit in the past. During the period covered by the presented financial historical information, the Issuer has distributed dividends in favor of the shareholders. At the regular GMS on 04.06.2021, the Board of Directors proposes not to distribute dividends to shareholders for the profit of 2020.

### C.2 Where will the securities be traded?

In case the subscription is successful and the new issue of warrants is registered in the Central Depository and is entered in the register of the FSC for trading on a regulated market, the Issuer will request admission of the issue of warrants to trading on the regulated market organized by “Bulgarian Stock Exchange” AD.

### C.3 What are the main risks inherent in securities?

*Investing in warrants involves a certain degree of risk. Potential investors should carefully read and consider the information presented below about the main specific risks associated with the Company's activities, together with information about the risks inherent in the warrants offered, before deciding to acquire securities issued by the Company.*

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>■ Main risks</li> <li>■ Non-compliance with commitments made by the Issuer</li> <li>■ Factors adversely affecting the value and market price of the warrants</li> <li>■ Market risk influencing the underlying asset for maturity</li> <li>■ Multiplying losses</li> <li>■ Liquidity risk. Possible lack of liquidity on the secondary market of warrants</li> </ul> | <ul style="list-style-type: none"> <li>■ Restrictions on the exercise of warrants</li> <li>■ Time risk during the period for exercising the warrant until the acquisition of the underlying asset</li> <li>■ Interruption and suspension of trading of the issue at the initiative of the supervisory authority, regulated market or issuer</li> <li>■ Future events that would affect the price of the underlying asset and the warrants</li> </ul> |
|---|--|

## SECTION D - OFFERING

### D.1 Under what conditions and on what timetable can I invest in these securities?

After confirmation of this Prospectus by the FSC, “Sopharma” AD publishes a notice of the public offering, the start and deadline of the offering and subscription, respectively the start and deadline of the sale, the number of the Commissions' decision approving the prospectus for the initial public offering of the warrants, the place, time and manner of acquaintance with the prospectus.

In accordance with the requirement of Art. 89t, para. 2 of LPOS “Sopharma” AD will publish the announcement on the website of the Issuer and of the Investment Intermediary „MK Brokers“ AD, at least 7 days before the initial subscription term. The latest date, between the date of publication of the announcement in the Commercial

Register and its publication on the website of the Issuer and on the website of the Investment Intermediary "MK Brokers" AD is considered to be the starting date of the public offering. The date on which warrants from the current issue can be subscribed at the earliest is the beginning of the subscription.

The rights are issued in favor of the shareholders, who have acquired shares no later than 5 days after the later date between the date of the announcement under Art. 89t, para. 2 of the LPOS on the website of the Issuer and on the website of the Investment Intermediary „MK Brokers“ AD. The starting date from which the term for transfer of rights starts to run is the first working day following the expiration of **7 calendar days** from the starting date of the public offering. The deadline for transfer is **15 calendar days** after the start date for transfer of rights. In case the term expires on a non-working day, the end date for the transfer of rights shall be considered the first following working day.

The transfer of the rights takes place on the Bulgarian Stock Exchange, main market, rights segment. The public company shall organize the subscription in a manner enabling remote subscription of shares through the central securities depository with which the securities are registered. On the second business day after the expiry of the period for the transfer of the rights, the Company shall offer, through the authorized investment intermediary "MK Brokers" AD, on a regulated market, for sale, under the conditions of an open auction, the outstanding rights within the period for the transfer of the rights.

All persons wishing to subscribe for warrants from the new issue should first acquire rights. Current shareholders acquire the rights free of charge. All other investors can purchase rights through a transaction on the main market organized by the "Bulgarian Stock Exchange" AD, a segment for rights within the term for transfer of rights or on the open auction for the unexercised rights organized by the "Bulgarian Stock Exchange" AD, after the expiration of the term for the transfer of rights.

If the shareholder of the Company wants to execute additional warrants over the rights held by them, he may purchase rights through a transaction for organization of "Bulgarian Stock Exchange" AD main market, segment for the rights within the term for transfer of rights or when organized by "Bulgarian Stock Exchange" AD open auction for the unexercised rights, after the expiration of the term for transfer of the rights. In the event that the rights holder does not wish to record warrants against all or part of the rights he holds, he may offer the unused rights for sale.

The starting date for subscription of warrants coincides with the date from which the transfer of rights begins - the first working day following the expiration of 7 calendar days from the starting date of the public offering. The beginning of the term for subscription of warrants coincides with the beginning of the term for transfer of rights. Shareholders wishing to exercise the rights issued in their favor may apply for subscription of warrants until the expiry of the period specified for the transfer of rights. Shareholders who do not wish to exercise their right to subscribe for warrants from the issue may sell their rights until the expiration of the term set for the transfer of rights.

The rights are traded on the regulated market of „Bulgarian Stock Exchange“ AD, main market, rights segment. Each shareholder may transfer his right by submitting a sale order to the investment intermediary, on whose account the rights are registered in "Central Depository" AD. Any person who has purchased rights may exercise them by submitting an application for subscription of warrants, until the expiration of the specified term for transfer of rights. Any person who has purchased rights during the auction may exercise them by submitting an application for subscription of warrants until the expiration of the specified period for subscription.

**The subscription period expires 15 working days after the expiration of the term for transfer of rights. It is not allowed to subscribe warrants before the start and after the deadline for subscription.** The terms for transfer of the rights and subscription of the warrants can be extended once by "Sopharma" AD up to 20 days, by making the respective amendments in this Prospectus. According to Art. 89l of the LPOS, "Sopharma" AD shall immediately announce to the FSC and publish on the websites of the issuer and the investment intermediary a notice of extension of the subscription period.

#### **Amount and percentage of immediate capital dilution arising from the offering**

When exercising the warrants of the current issue, there will be an immediate **anti-dilution** of the Issuer's capital, as the newly issued ordinary shares have an issue price (BGN 4.13), which is higher than the net book value of the shares before exercise.

With full exercise of the current issue of warrants, at an exercise price of BGN 4.13 per 1 new share, with a minimum subscription amount there would be anti-dilution of the capital of the current shareholders by **0.20%**, and with a maximum subscription amount there would be anti-dilution of the capital of the current shareholders by **0.35%**.

In case the current shareholders do not participate in the subscription for the present offer, and the warrants are subscribed by other persons who exercise them in new ordinary shares, this will lead to dilution of the shareholding (share in the share capital) of the existing shareholders **14.29%** at minimum subscription size and **25.00%** at maximum subscription size.

#### Issue expenses

The total approximate costs of the Issue are expected to be BGN 50,525.45 with a minimum subscription amount and BGN 50,783.56 with a maximum subscription amount. These costs include:

- BGN 10,000 fee to the FSC for confirmation of the prospectus;
- BGN 10,188 fees to the “Central Depository” AD;
- BGN 27,337.45 remuneration for “Mane Capital” AD and BGN 2,000 for “MK Brokers” AD for preparation of the issue prospectus and other consulting services related to the preparation of the issue;
- BGN 1,258.11 for admission to trading on the BSE (BGN 1,000 with a minimum subscription amount).

The expenses will be deducted from the total revenues of the Issue.

#### D.2 Why has this prospectus been drawn up?

This issue is offered publicly for subscription on the basis of a decision of the Board of Directors of “Sopharma” AD, held on 21.05.2021, based on Art. 25 of the Issuer's Articles of Association. The purpose of the forthcoming issue of warrants is to raise funds for the completion of financial commitments, to improve the balance sheet of the parent company, as well as to raise additional working capital.

Proceeds from the forthcoming issue of warrants with a minimum subscription of **22,466,317 warrants** after deduction of expenses on the issue, amounting to **BGN 50,525.45**, are expected to be **BGN 6,240,043.31**. These funds will be used as follows:

1. BGN 2,300,000 for investment on a production site in the town of Sandanski. The Company has made a firm commitment to this investment;
2. BGN 3,940,043.31 for repayment of short-term bank loans.

Proceeds from the forthcoming issue of warrants with a maximum subscription of **44,932,633 warrants** after deduction of expenses on the issue, amounting to **BGN 50,525.45**, are expected to be **BGN 12,530,353.68**. These funds will be used as follows:

1. BGN 2,300,000 for investment on a production site in the town of Sandanski. The Company has made a firm commitment to this investment;
2. BGN 3,940,043.31 for repayment of short-term bank loans;
3. BGN 6,320,310.37 for potential future acquisitions of new products or new companies (as of the date of the prospectus, the company has not made a firm commitment to such deals and is not negotiating such).

At the time of preparation of this Prospectus, the Issuer is not aware of any participation or interest, including a conflict of interest, which is significant with respect to the issue / offer. The warrants are offered in the name and at the expense of the Issuer. There are no blocking agreements.

## 2. RISK FACTORS

*Investing in warrants is associated with a certain degree of risk. Potential investors should carefully read and consider the following information on the main specific risks associated with the Company's activities, together with information on the risks specific to the offered warrants, before deciding to acquire securities issued by the Company.*

*We warn potential investors that the actual future results of the Company's operations may differ significantly from past results as a result of many factors, including the following risk factors. Each of the risks in the Prospectus may, together or separately, lead to negative effects on the business, financial condition, future development of the Issuer, as a result of which the price of the Issuer's securities may decrease and investors may suffer a loss of part or all of your investment.*

### 2.1. RISKS SPECIFIC TO THE COMPANY AND THE SECTOR IN WHICH IT OPERATES

#### 2.1.1. The issuer is exposed to strong competition

The Issuer's activity is focused on markets where there is significant competition from foreign and domestic companies. The main competitors of the Company on the Bulgarian market are Novartis, Roche, Merck Sharp doh, Actavis, Pfizer and Abbvie.

#### 2.1.2. The issuer is exposed to risks related to the healthcare system in Bulgaria

Part of the revenues of the subsidiary "Sopharma Trading" AD in Bulgaria are generated from sales of state hospitals, which predetermines a high degree of risk. Also, part of the Group's revenues, especially in Bulgaria, depend on the inclusion of the Company's drugs in the reimbursement lists.

#### 2.1.3. Regulatory risk in the field of healthcare

The group is subject to regulatory approvals. There may be a change in the legislation governing the Group's business, and this may lead to a possible increase in compliance costs or have another effect on its operations. The production facilities and processes of the Company and the companies of the Group are subject to strict requirements and approvals by the regulatory authorities, which may delay or interrupt the operations of the Group.

#### 2.1.4. Environmental risk

This risk is associated with environmental pollution. The environmental legislation of the Republic of Bulgaria requires companies to take a number of measures to prevent, control and reduce various types of environmental pollution. The company is obliged to strictly comply with all obligations and restrictions under the law related to environmental protection, including planning, monitoring and reporting, bringing and maintaining the facilities in accordance with the required standards and norms.

Regardless of the actions taken, if the Company is found responsible for causing environmental damage, it will have to pay damages and fines, which may significantly affect its financial condition and operating results, as well as damage its ability to compete for future investment projects.

#### 2.1.5. Dependence on key personnel and risk of disloyal behavior of employees

The activity of the Issuer is specific and requires knowledge and skills of the employees for the acquisition, who need specific training. The risk associated with employee dependence stems from the shortage in the labor market of certain skilled workers, including technicians. Separately, there is a risk of unfair behavior of employees, namely trained employees to terminate their employment with the Company. In this case, the company will need time to replace them.

#### 2.1.6. Uncertainty in financial indicators, estimates and forecasts

The strategy, plans, assessments and forecasts for the future development of the Issuer are based on certain assumptions about its activity and the state and trends of the markets. Despite the belief that the assumptions are reasonable, many of them are beyond the control of the Issuer.

#### **2.1.7. Currency risk**

The companies of the Group carry out their activity in active exchange with foreign suppliers and customers and therefore they are exposed to currency risk.

The Group, through the companies in Belarus, Kazakhstan and Ukraine, conducts business operations in these countries and, accordingly, has significant exposures in Belarusian rubles, Kazakh tenge and Ukrainian hryvnia. Currency risk is related to the negative movement of the exchange rate of these currencies against the Bulgarian lev in future business operations, on recognized foreign exchange assets and liabilities, and on net investments in foreign companies. The other companies abroad realize their sales mainly on the local markets, which leads to currency risk also against their currencies - Serbian dinar and Polish zloty.

To control the currency risk, a system has been introduced throughout the Import Delivery Planning Group, for sales in foreign currency, as well as procedures for daily monitoring of movements in the US dollar exchange rate and control over forthcoming payments. The exposure of the subsidiaries in Bulgaria in foreign currency is insignificant, as almost all sales are realized on the local market in Bulgarian levs.

Imports of goods are made entirely in euros. Loans denominated in foreign currency are granted mainly in euros.

#### **2.1.8. Price risk**

The company is exposed to price risk related to the price of goods, basic materials and relevant components for the products and services offered. The minimization of the price risk from negative changes in the prices of the materials and services, object of the trade operations is achieved through periodic analysis and revision of the contractual relations in order to update the prices in relation to the market changes.

#### **2.1.9. Liquidity risk**

The liquidity risk is expressed in the fact that the Company does not fall into a situation and / or condition in which it cannot unconditionally meet all its obligations, within their maturity. The management bodies of the company constantly monitor the level of cash receipts to be sufficient to repay current financial liabilities.

#### **2.1.10. Credit risk**

Credit risk is mainly the risk that the potential customers and / or commercial counterparties of the Company will not be able to pay in full and within the usual time limits the amounts due by them on trade receivables. The Company seeks to avoid counterparties that are considered to be risky.

#### **2.1.11. Risk of related party transactions under conditions other than market conditions**

The Company has carried out transactions with related parties, specified in item 5 Significant contracts, of this Prospectus. Apart from these transactions, the Company has not made other transactions with related parties.

In the future it is possible to conclude other such transactions, as well as it is possible for various reasons to conclude transactions under conditions other than market, which are not in the best interest of the Company and its creditors, including holders of securities. securities of the Issuer.

#### **2.1.12. Risk of accounting errors that have a material effect on the financial statements**

There are risks of accounting errors that could have a material effect on the Issuer's financial statements. It is possible that the identification and correction of accounting errors in the financial statements of the Company may

lead to additional costs for the company for corrections, subsequent audit and possible tax effects from the elimination of identified accounting errors in previous reporting periods.

### **2.1.13. Risk of unsuccessful implementation of the public offering of the current issue of warrants**

For the company there is a risk of unsuccessful implementation of the current issue of warrants. The management bodies of “Sopharma” AD believe that a possible unsuccessful implementation of the public offering of the current issue of warrants will not pose serious difficulties to the Company, but this failure will force the Company to rethink its investment program and seek alternative solutions.

## **2.2. RISKS RELATED TO THE FINANCIAL INSTRUMENT**

### **2.2.1. General risks**

By purchasing warrants, the investor shows by his actions that he is aware of the risks and complexity of warrants as a derivative financial instrument and that they are suitable for his investment purposes.

This Prospectus may not expose all risks and important aspects of warrants. No one should invest in financial instruments of this type if they do not understand the nature of the transaction and the risk of potential loss, and should carefully consider whether the warrants are an appropriate instrument for them.

The market for the current issue of warrants may be limited and this may adversely affect their value or the ability of the holder to sell them.

**The Issuer has not given or gives to potential investors (either directly or indirectly) any guarantee regarding the future performance of the warrants and has no obligation, nor has it assumed or will assume in the future responsibility, to ensure liquidity of the warrants or to buy them back.**

The risks to warrants may include, but are not limited to:

- sudden and large price drops.
- changes in the price or market capitalization of the underlying asset or changes in the Issuer.
- the price of warrants and their return can both increase and decrease.
- total or partial loss of the investment in the warrants.

Warrants are financial instruments that are affected by deviations in the price of the underlying asset and there is a risk that they will not be exercised. This risk is related to the nature of this type of financial instruments, the value of which, other things being equal, and if not exercised, decreases over time and at maturity warrants lose their value completely.

**Investors are likely to lose the value of all or part of their investment.**

All other things being equal, the longer the warrant is out of the money and the less time it has to mature, the greater the risk for investors to lose part or all of their investment. This risk means that in order to realize a return, the investor in warrants must correctly predict the direction, time and amount of the expected change in the price of the underlying asset. By acquiring warrants, investors risk losing their entire investment if the price of the underlying asset does not move in the direction they originally expected.

### **2.2.2. Non-fulfillment of the commitments undertaken by the Issuer**

Since the warrant is a contract between the Issuer and the warrant holder, investors may be exposed to the risk of non-fulfillment of the issuer's commitments under this contract.

In order for investors to properly assess this risk, it is necessary to carefully read all aspects of the issue and the Issuer described in this Prospectus.

In case of incorrect, misleading or incomplete data included in this Prospectus, the investors may seek liability of the members of the Board of Directors of the Issuer, according to Art. 89d, para. 3 of LPOS.

### 2.2.3. Factors that adversely affect the value and market price of warrants

The time value of warrants depends in part on the time remaining to maturity and expectations regarding the value of the underlying asset. Warrants offer opportunities for hedging and diversifying investors' portfolios, but also create additional risks in terms of their value between issuance and maturity. This value varies with the price of the underlying asset as well as other related factors described in this Prospectus.

Before warrants are purchased, exercised or sold, holders of those derivatives must carefully consider, among other things.

- the market price of the warrants;
- the value and volatility / standard deviation of historical prices / of the underlying asset;
- the time remaining until the maturity of the issue;
- the liquidity and market depth of the underlying asset;
- any costs associated with the transfer or exercise of warrants.

### 2.2.4. Market risk affecting the underlying asset to maturity

The success of an investment in warrants depends primarily on the behavior of the underlying asset to maturity. If the value of the underlying asset does not increase, investors will not make a profit from their investment. Moreover, they will realize a loss not only when the value of the underlying asset decreases, but also when the price of the underlying asset remains unchanged.

### 2.2.5. Multiplication of losses

There is a market risk with each investment. On the other hand, the financial efficiency of profit multiplication offered by the investment in warrants can lead to a multiplication of losses, expressed as a percentage of the initial investment. So theoretically, if the price of the underlying asset (share) decreases, the losses for investors in warrants will be relatively higher than if their investment is directly in shares.

### 2.2.6. Liquidity risk. Possible lack of liquidity on the secondary warrants market

The lack of liquidity means that investors will not be able to sell their warrants at a price acceptable to them. This risk can manifest itself in the absence of a sufficient number of orders to purchase warrants or the excessively low price offered by the market. It is also possible that the lack of liquidity in the trading of warrants is due to the lack of liquidity in the trading of shares of the company.

It is not possible to predict the price at which warrants will be traded on the secondary market or whether that market will be liquid or illiquid. Trading in warrants may be suspended by decision of the Board of Directors on the regulated market in case the issue ceases to meet the requirements set in the rules of "Bulgarian Stock Exchange" AD or at the request of the Issuer. In this case, information on the price of warrants can be difficult to find and the liquidity of warrants can be significantly reduced. It is possible that in case the secondary market for warrants becomes illiquid, their holders will have to exercise the warrants.

### 2.2.7. Restrictions on the exercise of warrants

Warrants may not be exercised at any time until the expiration date.

**The Board of Directors decides to increase the capital by exercising the warrants at the request of the warrants holders.**

### 2.2.8. Time risk during the period for exercising the warrant until the acquisition of the underlying asset

There is a period of time between the decision to exercise the warrant and the investor's ability to trade in the underlying asset related to the procedures required to exercise the warrants, issue the new shares and admit them to trading. There is a danger that this period will be significant, as this may in the meantime lead to a reduction in the price of the underlying asset compared to its price at the time of the decision to exercise the warrant.

### **2.2.9. Stopping and suspension of trading in the issue at the initiative of the supervisory authority, the regulated market or the Issuer**

According to the provisions of Art. 276, para. 1, items 4 and 9 of MFIA, the Deputy Chairman of the FSC may suspend trading in financial instruments or remove from trading financial instruments when it is established that an investment intermediary or regulated market, its employees, persons who under contract perform managerial functions, persons who conclude transactions on behalf of the intermediary, as well as persons holding a qualified participation, have performed or are performing activity in violation of this law, of the acts on its application, of the Rules of Procedure or other internal acts approved by the Deputy Chairman on the regulated markets of financial instruments, of decisions of the FSC or of the Deputy Chairman, as well as when the exercise of control activity by the Commission or the Deputy Chairman is endangered or the interests of investors are endangered.

According to Art. 212, para. 1, item 4 of LPOS, when it establishes that supervised persons, their employees, persons who under a contract perform managerial functions or conclude transactions at the expense of supervised persons, as well as persons holding 10% or more than 10% of the votes in the total assembly of supervised persons, have performed or are performing activity in violation of the LPOS, of the acts for its implementation, decisions of the commission or the deputy chairman, as well as when the exercise of control activity by the commission or the deputy chairman is hindered or the interests of the investors are endangered, the commission, respectively the deputy chairman, may suspend for up to 10 consecutive working days the sale or execution of transactions in certain securities.

According to Art. 20, para. 1, item 2 of the Law for application of the measures against market abuse with financial instruments for prevention and cessation of the administrative violations of the mentioned law, of Regulation (EU) № 596/2014 and of the acts for its implementation, for prevention and elimination of harmful consequences thereof, as well as in case of obstruction of the exercise of the supervisory activity by the commission or by the deputy chairman or in case of endangering the interests of the investors, the commission may suspend the trading in certain financial instruments.

### **2.2.10. Future events that would have a negative impact on the price of the underlying asset and warrants**

Future events may affect the price of the underlying asset and, accordingly, the price of the warrants. The Issuer may not predict the occurrence of such events and the movement of the price of the underlying asset in the future, nor give any guarantees for their occurrence and their possible impact on the price of the underlying asset and, accordingly, the price of warrants of the current issue.

Such events may be the distribution of dividends to the holders of ordinary shares of the Issuer, increase of the Issuer's capital with own funds, issuance of other securities, sale of blocks of ordinary shares, transformation of the Issuer, etc.:

- **Distribution of dividends** - dividends lead to a decrease in the rate of increase in the value of the underlying asset, respectively to a decrease in the fair value of the underlying asset and a corresponding decrease in the value of the warrant.
- **Increase of the capital with own funds** - upon the increase of the capital with own funds part of the reserves and the retained earnings of the Company are converted into share capital, as the number of shares of the Company increases, although the net asset value remains unchanged. In this case, the net asset value per share decreases and there is a dilution of capital.
- **Issuance of other securities** - in case of possible future issuance of new securities, which lead to dilution / anti-dilution effect on the net asset value per share of the Issuer, the new warrant exercise price is adjusted using a formula.
- **Sale of large blocks of ordinary shares of the Company** - the sale of a block (s) of ordinary shares by one of the major shareholders in the Issuer or the expectation that such a sale may take place may have a significant, including negative, effect on the price of the shares of the Company and respectively of the price of the warrants of the present issue.

- **Transformation of the Issuer** - any strategic decisions, including transformations of the company, acquisitions of other companies, sale of significant assets, etc., may have a serious effect on the operational and financial position of the Company and lead to significant changes in the price of the underlying asset and the warrants.

## 2.3.SYSTEMIC RISKS

*Systemic risks are related to the market and the macro environment in which the Company operates, therefore they cannot be managed and controlled by the management team of the Company. The systemic risks are: political risk, macroeconomic risk, government credit risk, inflation risk, currency risk, interest rate risk, tax risk and regulatory risk.*

### 2.3.1. Political risk

This is the risk arising from the political processes in the country - the risk of political destabilization, changes in the direction of government, legislation and economic policy. Political risk increases the likelihood of adverse and abrupt changes in government long-term policy, resulting in the risk of negative changes in the business environment and investment climate.

### 2.3.2. Macroeconomic risk

This is the risk of macroeconomic shocks, which can affect economic growth, household income, supply and demand, profits of economic entities and others. Trends in the macroeconomic environment affect market performance and the final results of all sectors of the economy. The following table presents statistics and forecasts of key macroeconomic indicators.

Macro indicator	2017	2018	2019	2020	Q1 2021
GDP growth (%)	3.5	3.1	3.7	-4.2	-0.5
Inflation (average annual %)	2.1	2.8	3.1	1.7	1.0
Unemployment (%)	7.1	6.1	5.9	6.7	5.2
Budget balance (%)	1.2	2.0	2.1	-3.4	0.2

*Source: BNB*

The Covid-19 pandemic finds Bulgaria in a pretty good fiscal position. This allows measures to tackle the crisis to reach 2% of GDP without catastrophic consequences for the budget balance, which remains positive in most months of 2020.

### 2.3.3. Credit risk

Credit risk is the probability of deterioration of the international credit ratings of the Republic of Bulgaria. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions for economic entities, including the Issuer.

Credit agencies give stable assessments to our country thanks to the stable fiscal policy. Bulgaria's credit ratings also depend on external debt management, for which the Ministry of Finance has focused its policy in the following areas:

- Control of the amount, dynamics and servicing of all financial obligations assumed on behalf and for the account of the state, representing an obligation for the state and covering the internal and external government debt.
- Development and implementation of the government debt management policy, the fundamental essence of which is to ensure unhindered budget financing and debt refinancing at the lowest possible price in the medium and long term and at an optimal level of risk.
- Development and implementation of the issuance policy, control over government securities transactions, issuance of permits for investment intermediation with government securities, as well as implementation of actions aimed at the development of an efficient, transparent and liquid local government debt market.

- Monitoring the servicing of all financial liabilities for which a guarantee has been issued on behalf and for the account of the state, as well as providing official information on the consolidated government debt, including government debt, municipal debt and social security funds.
- Ensuring the necessary preconditions for effective functioning of the internal debt market, as well as supporting the institutional development of the financial markets in the country as a whole, given the challenges and the exclusive priority in this area, predetermined by the need for smooth integration of the local European market.
- Identification and monitoring of possible risks that may arise in the implementation of the set strategic objectives.
- Taking adequate and timely actions to minimize and / or avoid the impact of the identified risks, as well as their potential negative effects.
- Taking adequate and timely actions to minimize and / or avoid the impact of the identified risks, as well as their potential negative effects.

**Table №3 Credit rating of the Republic of Bulgaria**

**Credit rating of the Republic of Bulgaria**

Agency		Foreign currency			Local currency		Date
		Short-term	Long-term	Perspective	Short-term	Long-term	Perspective
Fitch	19.02.2021	F2	BBB	Positive		BBB	Positive
Standard & Poor's	28.05.2021	A-2	BBB	Stable	A-2	BBB	Stable
Moody's	9.10.2020	Baa1	Baa1	Stable	Baa1	Baa1	Stable

Source: Ministry of Finance, <http://www.minfin.bg/bg/page/69>

#### 2.3.4. Influence of the world economy

At present, the macroeconomic conditions in Bulgaria are negatively affected by the global Covid-19 pandemic. Exports of goods began to fall sharply in March 2020. In May 2020, a slow recovery in exports to EU countries began.

#### 2.3.5. Inflation risk

This is the risk of devaluation of the local currency and reduction of its purchasing power. The risk of rising inflation leads to a depreciation of the investments made or the value of the savings over time.

EU, USA anti-crisis measures expected to boost inflation in the medium term.

#### 2.3.6. Currency risk

This risk is related to the possibility of depreciation of the local currency. For Bulgaria in particular, this is a risk of premature waiver of the terms of a currency board at a fixed exchange rate of the national currency of BGN 1.95583 for 1 euro. Given the long-term national strategy for joining the Eurozone, expectations are for stable political and institutional support for maintaining the currency board until the country's accession to the European Monetary Union.

#### 2.3.7. Interest rate risk

Interest rate risk is related to the possibility of changing the prevailing interest rates in the country. This would affect the activity of the Company, insofar as other things being equal, the change in the interest rates leads to a change in the price of the financial resources used by the Issuer in the implementation of various projects. As a result of

the introduced Currency Board, as well as as a result of the introduced methodology for calculating the interest rate on the basis of the primary market of quarterly government securities, the interest rates in Bulgaria are stable.

#### **2.3.8. Tax risk**

Taxes paid by Bulgarian businesses include withholding taxes, local taxes and fees, corporate income tax, value added tax, excise duties, export and import duties and property taxes. The taxation system in Bulgaria is largely harmonized with European tax legislation, which reduces the chance of conflicting tax practices at the central and local levels. There is a risk that corporate tax and social security contributions will increase in the future in the event of a jump in the budget deficit.

Investors should also take into account that the value of the investment in warrants may be adversely affected by changes in current tax legislation concerning a tax on transactions in financial instruments. At the time of writing, no political or public consensus has been reached on the issue and no change in tax legislation is expected in the coming months. On the other hand, the investment horizon of the Issuer is long-term and there is a risk of introducing such a tax on transactions in financial instruments, which could lead to a certain outflow of investors in the securities issued by the Issuer.

#### **2.3.9. Regulatory risk**

The normative risk is the probability of unexpected changes in the legislation, which will lead to deterioration of the economic situation in the country. Although most of the Bulgarian legislation is already harmonized with the EU legislation, the implementation of the law has been criticized by Bulgaria's European partners. Judicial and administrative practice remains problematic: Bulgarian courts are unable to effectively resolve disputes related to property rights, violations of legal and contractual obligations, etc., as a result of which the systematic regulatory risk for all Bulgarian companies, including the Issuer, is relatively high.

Regardless of the problems in the Bulgarian legal system, the Bulgarian commercial legislation is part of the European one and as such is relatively modern. Introduction of new regulations in areas such as company law and public offering of securities, as well as harmonization with EU laws and regulations, are expected to reduce regulatory risk in the near future.

#### **2.3.10. Force majeure events**

Natural disasters, severe climate change and terrorist acts can have a significant negative impact on the Company's business.

## I. RESPONSIBLE PERSONS, INFORMATION ABOUT THIRD PARTIES, EXPERT REPORTS AND APPROVAL BY THE COMPETENT AUTHORITY

This Prospectus is for initial public offering of warrants issued by “Sopharma” AD with registered office and address of management - Sofia, 16 Iliensko Shosse Str.

Consultant on the present proposal, based on a decision of the Board of Directors dated 21.05.2021 is:

- **“Mane Capital” AD**, UIC 202402882 with registered office and address of management - Sofia 1404, Triaditsa district, 98 Gotse Delchev Blvd., en. 2, office 11.

This Prospectus is structured by:

- **Svetoslav Tasev** – Investment Banking Department at **“Mane Capital” AD**.

“Mane Capital” AD and Svetoslav Tasev declare that, to the best of their knowledge, the information contained in the Prospectus corresponds to the facts and that there are no omissions in the Prospectus which may affect its import. “Mane Capital” AD and Svetoslav Tasev are responsible for ensuring that the information in this prospectus complies with the requirements of Annex 1, Annex 11 and Annex 17 of Delegated Regulation (EU) 2019/980.

The issuer of the offered warrants is “Sopharma” AD, with registered office and address of management - Sofia, 16 Iliensko Shosse Str. The company has a one-tier management system, and its activity is managed by the Board of Directors. The members of the Board of Directors and Procurators of the Issuer, specified in item 3.10. *Administrative, management and senior management* of this Prospectus are jointly and severally liable for damages caused by incorrect, misleading or incomplete information in the Prospectus.

The individual financial statements of the Issuer for 2020, 2019, 2018 and for the first six months of 2021 and 2020 are prepared by:

- **Jordanka Petkova** as Chief Accountant.

The consolidated financial statements of the Issuer for 2020, 2019 and 2018 and for the first six months of 2021 and 2020 prepared by:

- **Lyudmila Bondzhova** in the capacity of Head of the Issuer's Reporting Department.

The persons under the previous sentences shall be jointly and severally liable with the members of the Board of Directors of the Issuer, in their capacity of persons under Art. 17, para. 1 of the Accounting Act, for damages caused by incorrect, misleading or incomplete data in the financial statements of the Issuer prepared by them. The persons who have audited the financial statements of the Issuer for the last three financial years, referred to below in Section II, shall be liable for the damage caused by the financial statements audited by them.

This Prospectus for public offering of warrants of “Sopharma” AD was approved on 21.10.2021 by the Board of Directors of “Sopharma” AD. Declarations by the persons responsible for the information contained in the Prospectus are provided as annexes to the document and are an integral part of it.

THE FINANCIAL SUPERVISION COMMISSION, IN ITS CAPACITY AS THE COMPETENT AUTHORITY UNDER REGULATION (EU) 2017/1129, HAS APPROVED THIS PROSPECTUS BY DECISION №804-E/04.11.2021.

THE FINANCIAL SUPERVISION COMMISSION SHALL APPROVE THIS PROSPECTUS ONLY IF IT COMPLIES WITH THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY REGULATION (EU) 2017/1129.

SUCH APPROVAL SHOULD NOT BE REGARDED AS AN ENDORSEMENT OF THE ISSUER SUBJECT TO THIS PROSPECTUS. THE FINANCIAL SUPERVISION COMMISSION SHALL NOT BE RESPONSIBLE FOR THE VERACITY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THE PROSPECTUS. INVESTORS MUST ASSESS THE INTEGRITY OF THE SECURITY INVESTMENT.

## II. LEGALLY DEFINED AUDITORS

The annual financial statements of the Issuer for **2020, 2019 and 2018** have been audited by **“Baker Tilly Klitou and Partners” OOD**, UIC 131349346, specialized audit company, member of the Institute of Certified Public

Accountants in Bulgaria with Registration Number № 129, with managers Marius Clete, Stelios Grigoriu, Spiridon Gruitz and Galina Lokmadzhieva-Nedkova, with address - Sofia 1000, 5 Stara Planina Str., 5th floor.

The annual consolidated financial statements of the Issuer for **2020, 2019 and 2018** have been audited by „**Baker Tilly Klitou and Partners**“ OOD, UIC 131349346, specialized auditing company, member of the Institute of Certified Public Accountants in Bulgaria with Registration Number № 129, with managers Marius Klitu, Krassimira Radeva, Stelios Grigoriu, Spiridon Gruitz and Galina Lokmadzhieva, with address - Sofia 1000, 5 Stara Planina Str., 5th floor.

The declaration under Art. 89d, para. 6 in conjunction with par. 3 of the LPOS was prepared by Galina Lokmadzhieva-Nedkova in her capacity as a registered auditor with Registration №0778 and address for correspondence: 5 Stara Planina Str., floor 5.

The above individuals did not leave or were not removed during the period covered by the historical financial information.

The above persons are liable for the damages caused by the financial statements audited by them.

### 3. INFORMATION ABOUT THE ISSUER

#### 3.1. HISTORY AND DEVELOPMENT

##### 3.1.1. Legal and commercial name of the Issuer

"Sopharma" AD is a joint stock company with public status within the meaning of Art. 110, para. 1 of the Law on Public Offering of Securities. The company is entered in the Commercial Register kept by the Registry Agency, with the company name "Sopharma" AD.

##### 3.1.2. Place of registration of the Issuer, its registration number and identification code of the legal entity

"Sopharma" AD is a company incorporated in the Republic of Bulgaria. The company is entered in the Commercial Register kept by the Registry Agency, with UIC 831902088 and Ley code 097900BGGW0000048796.

##### 3.1.3. Date of incorporation and duration of the issuer's existence, except where the period is indeterminate

"Sopharma" AD dates back to 1933. The court registration of the company is from 15.11.1991 with decision №1 / 1991 of the Sofia City Court. The company carries out production and trade of medicinal substances and dosage forms, research in the field of phytochemistry, chemistry and pharmacy. "Sopharma" AD provides services both for production purposes and related to its ancillary and service activities.

The existence of the company is not limited in time.

##### 3.1.4. Headquarters and legal form of the Issuer, legislation governing its activity, country of incorporation and address and telephone number of the seat of the Issuer

The legal organizational form of the Issuer is a joint stock company. "Sopharma" AD is a public company within the meaning of Art. 110, para. 1 of LPOS.

"Sopharma" AD operates in accordance with the requirements of the Bulgarian legislation, in particular with the provisions of the Commercial Law and the Law on Public Offering of Securities, which sets specific requirements for public companies.

The registered office, the address of management, the telephone, the e-mail contact address and the website of the Company are as follows:

Headquarter and management address	<b>Sofia 1220, Nadezhda district, Iliensko Shose Str. №16</b>
Correspondence Address	<b>Sofia 1220, Nadezhda district, Iliensko Shose Str. №16</b>
Telephone	<b>02 813 4200</b>
Email	<a href="mailto:mail@sopharma.bg">mail@sopharma.bg</a>
Website	<a href="https://www.sopharmagroup.com/">https://www.sopharmagroup.com/</a>
Investor Relations	<a href="mailto:ir@sopharma.bg">ir@sopharma.bg</a>

The information on the Issuer's website ([www.sopharmagroup.com](http://www.sopharmagroup.com)) is not part of the prospectus, unless this information is included by reference in the prospectus.

##### 3.1.5. Important events in the development of the business activity of the Issuer

Since the establishment of the Company in 1990 to date, changes have been made concerning the Company's legal individualization characteristics as follows:

#### Transformations

With a decision of the Sofia City Court of 17.02.1990 (case №480 of 1990) registered a subsidiary of the company "Pharmacy", Stanke Dimitrov with the name Sopharma, with headquarters in Sofia, 16 Iliensko Shosse Str. and

with subject of activity: design, research, engineering-implementation, production and trade activity in the field of fine organic synthesis of medicinal substances and intermediates, dosage forms, hygienic-prophylactic preparations, raw materials and semi-finished products for them, biotechnological products for health and export needs. The company has a statutory fund of BGN 34,061 thousand.

By a decision of the Sofia City Court of 15.11.1991 (company case №19359) a sole proprietorship with limited liability with state property Sopharma OOD was registered with registered office in Sofia, 16 Iliensko Shosse Str. And with subject of activity: project- design, research, engineering and implementation, production and trade in the field of fine organic synthesis of medicinal substances and intermediate products, dosage forms, hygiene products, raw materials and intermediate products for them, biotechnological products for healthcare and export. The capital of the company amounts to BGN 175,659 thousand.

With a Decision of the Sofia City Court of 04.04.1994 Sopharma EOOD with state property is transformed into Sole Joint Stock Company Sopharma EAD.

With a decision of the Sofia City Court of 15.04.1997 the sole joint stock company is transformed into a joint stock company. The name of the company became "Sopharma" AD.

## Mergers

The following company mergers have been registered in the Commercial Register:

**Table №4 Mergers of companies in "Sopharma" AD**

Type of conversion	Transforming company	Successor number	CR entry
Merger	Nivalinpharma EOOD	Sopharma EAD	20080411122002
Merger	Bulgarian Rose - Seuthopolis AD	Sopharma AD	20150226134200
Merger	Medika AD	Sopharma AD	2170808155501
Merger	Unipharm AD	Sopharma AD	20180913171143

Source: Commercial Register

## Changes affecting the capital of the Issuer

By decision of the Sofia City Court of 15.11.1991 the capital of Sopharma OOD was increased from BGN 34,061 thousand to BGN 175,659 thousand.

With a decision of the Sofia City Court of 14.01.1994 the capital of Sopharma EOOD was increased to BGN 928,171 thousand.

With a decision of the Sofia City Court of 25.06.1996 the capital of Sopharma EAD was increased from BGN 928,171 thousand to BGN 942,717 thousand.

With a decision of the Sofia City Court of 23.12.1999 the capital of "Sopharma" AD is denominated from BGN 942,717 thousand to BGN 942,717.

With a decision of the Sofia City Court of 09.03.2001 the capital of "Sopharma" AD was increased from BGN 942,717 to BGN 6,000 thousand, by issuing new 5,057,283 ordinary, registered, dematerialized voting shares with a nominal value of BGN 1 each.

By a decision of the Sofia City Court of 15.07.2003 the capital of "Sopharma" AD was increased with own funds from BGN 6,000 thousand to BGN 66,000 thousand by issuing 60,000,000 registered shares.

With a decision of the Sofia City Court dated 26.10.2006 the capital of "Sopharma" AD was increased with own funds from BGN 66,000 thousand to BGN 132,000 thousand by issuing 60,000,000 new registered shares.

On 26.02.2015 in the Commercial Register at the Registry Agency was entered the merger of "Bulgarian Rose - Sevtopolis" AD ("transforming company"), a subsidiary for 2014, in "Sopharma" AD within the meaning of Art. 262 and following by the Commerce Act. The transforming company was terminated without liquidation and all its property was transferred to the patrimony of „Sopharma“ AD ("host company"). The date of 01.01.2015 is accepted as the date of accounting for the merger. The share capital of „Sopharma“ AD has been increased by 2,797,899 new shares with a nominal value of BGN 1 each and an issue value of BGN 4.14, equal to the fair price of 1 share of „Sopharma“ AD, in connection with the merger of „Bulgarian Rose – Sevtopolis“ AD into „Sopharma“ AD.

As of the date of preparation of this Prospectus, no data for bankruptcy, liquidation and other significant circumstances related to the business activity of the Issuer have been disclosed, except for the above.

## 3.2. SHARE CAPITAL

### 3.2.1. Amount of share capital

The amount of capital registered at the file of the Company in the Commercial Register, kept by the Registry Agency, amounts to BGN 134,797,899, distributed in 134,797,899 ordinary, registered, dematerialized shares, with a nominal value of BGN 1 each. The shares of the Company are of one class and give the right to 1 vote in the GMS, the right to dividend and the right to liquidation share, proportional to their value. The shares of the capital of the Company are freely transferable.

All 134,797,899 shares issued by the Issuer have been paid in full.

The company has not issued shares that do not represent capital.

As of 30.06.2021 the company owns 9,011,467 own shares at the value of BGN 33,656 thousand. The treasury shares are presented in the statement of financial position at cost (acquisition price) and their value reduces the company's equity. The nominal value of each repurchased share is BGN 1.

The Company has not so far issued convertible securities, exchangeable securities or warranted securities.

At the time of preparation of this document, there are no rights or obligations to acquire authorized but unissued capital. There are no other initiatives for capital increase or issuance of securities by the Company outside the issuance of warrants, subject of this Prospectus.

There are no persons holding options on the capital of the Issuer, there are no persons to whom there is a commitment conditional or unconditional to be issued options in their favor.

## 3.3. ORGANIZATIONAL STRUCTURE

The economic group consists of the parent company and its subsidiaries. According to the definition under § 1, item 10 of the Additional Provisions of the LPOS, a "subsidiary of a public company" is a company in which the public company exercises control. Control is present when the Parent Company: a) holds, including through a subsidiary or by agreement with another person, more than 50 percent of the number of votes in the general meeting of one company or other legal entity; (b) may appoint, directly or indirectly, more than half of the members of the management or supervisory body of a legal person; or (c) may otherwise exercise decisive influence over decisions relating to the activities of a legal person.

Sopharma Group consists of "Sopharma" AD and its subsidiaries, directly or indirectly controlled by the Company. Additionally, the Group has investments in an associated company (as of 31 March 2021 the Group has one joint venture – "Momina Krepost" AD).

### 3.3.1. Subsidiaries

As of 30.06.2021 the subsidiaries in the Group are:

Companies in Bulgaria:		Connection start date	Interest %
Sopharma Trading AD	Sofia, Bulgaria	8.6.2006	76.33
Pharmalogistica AD	Sofia, Bulgaria	15.8.2002	89.39
Electroncommerce EOOD	Sofia, Bulgaria	9.8.2005	100
Biopharm Engineering AD	Sofia, Bulgaria	10.3.2006	97.15
Phyto Palauzovo AD	Kazanlak, Bulgaria	21.9.2012	95
Veta Pharma AD	Velko Tarnovo, Bulgaria	11.11.2016	99.98
Sopharmacy EOOD**	Sofia, Bulgaria	19.1.2015	76.17
Sopharmacy 2 EOOD**	Sofia, Bulgaria	5.6.2015	76.17

Sopharmacy 3 EOOD**	Sofia, Bulgaria	2.12.2015	76.17
Sopharmacy 4 EOOD**	Sofia, Bulgaria	29.2.2016	76.17
Sopharmacy 5 EOOD**	Sofia, Bulgaria	1.3.2016	76.17
Sopharmacy 6 EOOD**	Sofia, Bulgaria	3.12.2015	76.17
Sopharmacy 7 EOOD**	Sofia, Bulgaria	15.3.2017	76.17
Sopharmacy 8 EOOD**	Sofia, Bulgaria	27.6.2017	76.17
Sopharmacy 9 EOOD**	Sofia, Bulgaria	11.9.2017	76.17
Sopharmacy 10 EOOD**	Sofia, Bulgaria	11.9.2017	76.17
Sopharmacy 11 EOOD**	Sofia, Bulgaria	7.12.2017	76.17
Sopharmacy 12 EOOD**	Sofia, Bulgaria	7.12.2017	76.17
Sopharmacy 13 EOOD**	Sofia, Bulgaria	7.12.2017	76.17
Sopharmacy 14 EOOD**	Sofia, Bulgaria	7.12.2017	76.17
Sopharmacy 15 EOOD**	Sofia, Bulgaria	7.12.2017	76.17
Sopharmacy 16 EOOD**	Sofia, Bulgaria	15.5.2018	76.17
Sopharmacy 17 EOOD**	Sofia, Bulgaria	15.5.2018	76.17
Sopharmacy 18 EOOD**	Sofia, Bulgaria	28.2.2019	76.17
Sanita Franchising AD **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 19 EOOD (Valentina Vassileva – Lyulin EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 20 EOOD (Vasilka Lilovska EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 21 EOOD (Venera Mutashka EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 22 EOOD (Veselka Vassileva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 23 EOOD (Victoria Angelova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 24 EOOD (Desislava Yordanova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 25 EOOD (Dimka Vladeva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 26 EOOD (Donka Chivganova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 27 EOOD (Ekaterina Mihaylova – Shumen 1 EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 28 EOOD (Elka Neykova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 29 EOOD (Emilia Angelova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 30 EOOD (Zhuliana Kotova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 31 EOOD (Ivan Ivanov-1 EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 32 EOOD (Iliana Kalushkova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 33 EOOD (Irina Toncheva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 34 EOOD (Kapka Nikolova – Voenna Bolnica EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 35 EOOD (Kostadin Gorchev EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 36 EOOD (Krasimira Shunina EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 37 EOOD (Lora Doncheva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 38 EOOD (Lyudmila Zlatkova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 39 EOOD (Lyudmila Kovacheva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 40 EOOD (Manik Burhazyan EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 41 EOOD (Mariyka Zhaygarova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 42 EOOD (Maria Agova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 43 EOOD (Maria Gancheva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 44 EOOD (Maria Kenova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 45 EOOD (Maria Hristova – Motopista EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 46 EOOD (Mariana Markova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 47 EOOD (Mery Ivanova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 48 EOOD (Nelly Stavreva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17

Sopharmacy 49 (Preslava Becheva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 50 EOOD (Rayna Madzharova – St. Georgi Sofiyski EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 51 EOOD (Rumyana Ignatova – Gancheva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 52 EOOD (Sashka Todorova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 53 EOOD (Svetlana Harizanova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 54 EOOD (Svetlana Pirpidonova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 55 EOOD (Ceiba-Blagoevgrad-1 EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 56 EOOD (Silvia Veneva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 57 EOOD (Siyana Milanova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 58 EOOD (Stoyanka Radenkova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 59 EOOD (Ana Avdzhieva EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 60 EOOD (Radina Bekova EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 61 EOOD (Rumen Raynov EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 62 EOOD (Hani Modhi EOOD) **	Sofia, Bulgaria	1.10.2020	76.17
Sopharmacy 63 EAD (SCS Franchise EAD)	Sofia, Bulgaria	1.10.2020	76.17

\* effective percentage of interest

\*\* indirect interest

#### Companies abroad

#### Interest %

SIA Briz	Riga, Latvia	10.11.2009	100
SOOO Brititrade **	Minsk, Belarus	10.11.2009	80
PAO Vitamini	Uman, Ukraine	18.1.2008	100
Sopharma Warsaw SP. Z.O.O.	Warsaw, Poland	23.11.2010	100
Sopharma Poland Z.O.O. – in liquidation	Warsaw, Poland	16.10.2003	60
OOO Tabina **	Minsk, Belarus	8.4.2011	80.22
OOO Sopharma Ukraine	Kiev, Ukraine	7.8.2012	100
OOO Farmacevt Plus **	Minsk, Belarus	31.5.2013	63.09
TOO Sopharma Kazakhstan	Almaty, Kazakhstan	6.11.2014	100
OOO Galenapharm**	Minsk, Belarus	28.2.2015	90.6
ODO Medjel**	Minsk, Belarus	28.2.2015	82
ODO Alenpharm-plus**	Minsk, Belarus	30.6.2015	91.98
ODO SalusLine**	Grodno, Belarus	18.11.2016	77
Rap Pharma International OOD	Chisinau, Moldova	14.4.2017	80
ZAO Interpharm **	Vitebsk, Belarus	26.4.2017	90
Sopharma Trading d.o.o. (Lekovit d.o.o.)	Belgrade, Serbia	9.8.2017	76.17
OOO Zdorovei**	Minsk, Belarus	16.8.2017	70.1
BOOO SpetsAfarmacia **	Bobruisk, Belarus	16.8.2018	70
Bellerophon**	Minsk, Belarus	7.3.2019	85.8
UAB Recessus	Kaunas, Lithuania	26.9.2019	50.98
OOO Zdorovei Pharm**	Minsk, Belarus	2.3.2020	45.57
Pharmachim EOOD	Belgrade, Serbia	14.4.2020	100
SIA Briz Trading	Riga, Latvia	15.2.2021	100

\* effective percentage of interest

\*\* indirect interest

On 04.08.2020 a merger of Sopharma Trading Pharmaceuticals, Serbia was registered in Sopharma Trading DOO, Serbia, by merging the assets and liabilities of the two companies. The activity of the merged company Sopharma Trading Pharmaceuticals, Serbia is terminated and all its rights and obligations at the time of the merger are assumed by Sopharma Trading DOO, Serbia.

On 31.01.2020, a merger of SOOO Brizpharm, Belarus into OOO Bellerofon, Belarus was registered, by merging the assets and liabilities of the two companies. The activity of the merged company SOOO Brizpharm, Belarus is terminated and all its rights and obligations at the time of the merger are assumed by OOO Bellerofon, Belarus.

### 3.3.2. Joint ventures

As of the date the prospectus, the joint venture of the Group is:

- „Momina Krepost“ AD - a commercial company registered in Bulgaria with a decision of the Veliko Tarnovo District Court № 3426/1991 and with registered office and address of management - Veliko Tarnovo, 23 Magistralna Str. 37.46% participation of “Sopharma” AD. The subject of activity of the joint company is development, implementation and production of medical devices for human and veterinary medicine. The company is joint for the Group from 15.03.2021 as a result of signing a contract for joint management with "Medical Consumables" OOD.

### Associates

As of the date of prospectus the associated company in the Group is:

- „Doverie Obedinen Holding“ AD - a commercial company registered in the Sofia City Court in a company case № 13056 of 1996 and with registered office and address of management Sofia. 1756, Izgrev district, residential complex "Dianabad", blvd./ul. 5 Lachezar Stanchev Str., bl. office building A, floor 7. 24.83% participation of “Sopharma” AD. The subject of activity of the company is acquisition, management, valuation and sale of units and / or shareholdings in Bulgarian and foreign companies - legal entities.

### 3.3.3. Information on any equity of a group member that is under an option or has been agreed conditionally or unconditionally to be placed under an option

The issuer has no information about any capital that is under option or it is agreed conditionally or unconditionally to be placed under option.

## 3.4. BUSINESS OVERVIEW

Sopharma is a leading Bulgarian manufacturer, exporter and local distributor of health-related products, with a strong presence in Eastern and Southeastern Europe. Sopharma offers a wide range of prescription drugs, OTC, medical devices and other health-related products.

Sopharma operates in the following areas:

- production of pharmaceutical products, including medicines, mainly generics, plant-based substances and food additives, which is carried out mainly by “Sopharma” AD;
- production of medical devices and medicinal cosmetics, such as patches, bandage products and sanitary products, concentrated in a production site in the town of Sandanski;
- distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics.

### Strategy and objectives of “Sopharma” AD and “Sopharma Trading” AD

The strategic goal of “Sopharma” AD is in the future to achieve a stable result of developing eight to ten new products per year. In 2020 and the first half of 2021 a decline in sales and profits of the parent company “Sopharma” AD was reported. In the medium term, the Company will strive to restore sales and profits to the levels reached in 2019, and in the long term the goal is to exceed these indicators.

As part of the strategy for diversification of its activity, in 2015 “Sopharma Trading” AD started the development of its own retail pharmacy concept under the SOpharmacy brand. In 2017, the company acquired a chain of pharmacies “PharmaStore”, which as of the date of this document have already passed under the brand SOpharmacy. In October 2020, the company acquired the companies from the “SCS Franchise Group” AD, as well as “Sanita Franchising” AD. As a result of the deal, the company acquired over 150 pharmacies across the country under the Sanita, Ceiba and SCS brands. The plans envisage their transition under the SOpharmacy brand, a process that began in 2021. Again in 2015, “Sopharma Trading” AD started its regional expansion, entering the Serbian market. In the future, “Sopharma Trading” AD aims to continue strengthening its position on the Bulgarian market by expanding its pharmacy network in the country.

The future development of the subsidiary is related to the introduction of new technologies and automation of business processes. “Sopharma Trading” AD is constantly looking to implement solutions that add value and contribute to better efficiency in terms of operations. Sopharma Trading owns two of the most modern automated warehouses on the Balkan Peninsula. The goal is to continue to be a leader in the application of new technologies in the future.

### “Sopharma” AD

The company and its production subsidiaries have 10 pharmaceutical plants in Bulgaria complying with EU requirements - GMP, one plant in Ukraine certified by the local authorities, which certificate is recognized in all CIS countries.

The company has more than 200 products in its portfolio: mainly generics and 15 traditional products, 12 of which are plant-based. The Company's traditional products (in particular Tabex, Carsil and Tempalgin) make a major share to its export market income, 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 focuses 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.

**Table №5 Revenue from Sales of Production of Parent Company**

Revenue from sales of production	2020	2019	2018	30.06.2021	30.06.2020
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Europe	114,554	118,380	97,580	37,742	59,142
Bulgaria	69,368	91,642	91,879	33,680	30,799
Other	20,624	18,892	21,325	8,138	11,079
<b>Total:</b>	<b>204,546</b>	<b>228,914</b>	<b>210,784</b>	<b>79,560</b>	<b>101,020</b>
<b>Revenues from sales in Bulgaria by products:</b>					
Tablet forms	36,167	50,735	47,648	17,240	13,650
Ampoule forms	13,540	18,659	20,813	4,917	6,915
Lyophilic products	5,260	3,862	5,146	3,796	2,998
Dressings	5,899	6,261	5,885	2,706	2,885
Others	8,502	12,125	12,387	5,021	4,350
<b>Total</b>	<b>69,368</b>	<b>91,642</b>	<b>91,879</b>	<b>33,680</b>	<b>30,798</b>
<b>Revenues from sales abroad by products:</b>					
Tablet forms	105,919	108,750	91,539	35,136	53,982
Ampoule forms	10,126	10,011	12,182	5,840	6,343
Unguents	7,382	7,531	5,826	2,949	4,906
Syrops	7,376	7,511	5,566	1,175	2,902
Others	4,375	3,469	3,792	780	2,088
<b>Total</b>	<b>135,178</b>	<b>137,272</b>	<b>118,905</b>	<b>45,880</b>	<b>70,221</b>

Source: “Sopharma” AD

### Bulgarian market of “Sopharma” AD

The company retains its market share and at the end of the quarter occupies 3% of the total volume of the Bulgarian pharmaceutical market in value and 11.5% of sales in units. The positions of the main competitors of the company on the territory of the country are as follows: Novartis — 6.8% (3.5% in kind), Roche - 6.7% (0.2% in kind), Merck Sharp Doh - 4.3% (0.8% in kind), Actavis - 4% (9.6% in kind), Pfizer - 3.5% (0.6% in kind), Abbvie - 3% (0% in kind), Bayer - 3% (2% in kind), Astrazeneca - 2.9% (0.5% in kind), Sanofi-Aventis - 2.7% (2% in kind). The products with the largest share of sales in the country are Analgin, Methylprednisolone, medical devices - gauze, compresses and bandages, Antistenocardin, patches, Allergozan.

#### **“Biopharm Engineering” AD**

“Biopharm Engineering” AD has modern production facilities and is continuously expanding and modernizing its production capacities. The strategy of “Biopharm Engineering” AD is built upon the market and technological advantages of the company. The company’s production facilities are GMP (Good Manufacturing Practices) certified. It is successfully developing in the following areas:

- Manufacturing of infusion solutions;
- Manufacturing of injection solutions;
- Manufacturing of veterinary medical products.

The produced infusion solutions are marketed through “Sopharma” AD on both the Bulgarian and the international markets. Veterinary medical products are offered in Bulgaria and other European countries.

#### **PAO “Vitamini”, Ukraine**

PAO “Vitamini” manufactures and sells medicines, tablets, powders, oil solutions, syrups and tinctures. Production of medicines by PAO “Vitamini” is highly effective, with excellent quality, affordable prices and is sold successfully not only in the Ukraine, but also in other CIS countries:

- for liquid dosage forms;
- two production areas for solid dosage forms;
- production site for extraction;
- tincture production;
- production of solutions;
- production of powdered products.

#### **“Sopharma Trading” AD**

The company is a leading distributor of pharmaceutical products and cosmetics in Bulgaria, with a market share in the pharmaceutical products segment of 22% (according to IQVIA). “Sopharma Trading” AD is the exclusive distributor on the Bulgarian market of particular pharmaceutical products of several leading international pharmaceutical and other companies in the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The Company has more than 15,000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of “Sopharma” AD, and holds exclusive rights for Bulgaria over brands of strategic partners such as “Aboca”, “Colief”, “Jamieson”, “Planter’s”, “Premax”, “Skincode”, “SVR” Laboratories, “US Pharmacia” and “Wyeth”, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. “Sopharma Trading” AD cooperates with more than 400 partners and over 3,000 clients.

#### **Main markets of “Sopharma Trading” AD**

In Bulgaria, the main competitors of “Sopharma Trading” AD are “Phoenix Pharma”, “Sting” and “Pharmnet”. According to a study by IMS, the market shares of these four companies for the period January-March 2021 are: “Sopharma Trading” AD - 22.18% market share; “Phoenix Pharma” - 22.03% market share; “Sting” - 19.80%; “Pharmnet” - 17.18% market share.

“Phoenix Pharma” has four regional warehouses in Sofia, Plovdiv, Burgas and Veliko Tarnovo. Offers over 10,000 items - medicines, food supplements, cosmetics and more. Works with over 3,000 clients nationwide. “Sting” AD has five warehouses and supplies us with 2,700 pharmacies throughout the country. “Pharmnet” has four warehouses in Sofia, Varna, Plovdiv and Veliko Tarnovo.

In Serbia, the main competitors are “Phoenix”, “Vega” and “Pharmalogistics”.

#### **Table №6 Revenues of Sopharma Trading on an individual basis**

BGN'000	2020	2019	2018	2017	04-06.2021	04-06.2020
Pharmacy market	441,116	402,724	401,152	377,519	126,134	91,256
Hospital market	238,441	194,209	166,046	162,253	62,764	53,897
Equipment	16,393	14,991	13,874	7,459	2,466	2,335
Pre-distribution	181,861	164,604	139,197	124,914	35,554	42,858
<b>Total</b>	<b>877,811</b>	<b>776,528</b>	<b>720,269</b>	<b>672,145</b>	<b>226,918</b>	<b>190,346</b>

Source: "Sopharma Trading" AD

### Competitive advantages of "Sopharma" AD

The main competitive advantage of "Sopharma" AD over the other pharmaceutical companies operating on the Bulgarian market is the presence of its own network for wholesale and retail trade in the country. The main activity of the subsidiary "Sopharma Trading" AD is related to wholesale and retail trade in medicines, sanitary materials, food additives and cosmetics with a total of over 15,000 items. The company has 100% national coverage in Bulgaria and Serbia through 5 distribution centers. According to IMS "Sopharma Trading" AD has a 22.18% market share in Bulgaria.

For its part, "Sopharma Trading" AD manages to compete successfully due to the fact that it is part of a large pharmaceutical group and manages to be financed under very favorable conditions, which is an advantage when working with public hospitals. For this reason, "Sopharma Trading" AD and "Sopharma" AD report significant synergies due to the fact that they are part of the same group. This synergy allows the Group to compete successfully with other pharmaceutical companies as well as with other wholesalers and retailers of pharmaceuticals.

## 3.5. TREND INFORMATION

On March 11, 2020, the World Health Organization declared a pandemic on the spread of COVID-19, and on March 13, 2020 the National Assembly voted for a state of emergency in R.Bulgaria, as a result of which a number of restrictive measures were taken. On March 24, 2020 The Law on the State of Emergency in Bulgaria was promulgated, which adopted measures for the time of the emergency pandemic situation in various areas - labor relations and social security, taxation and annual financial closure, default and enforcement, deadlines and others. As a result of the imposed restrictions in our country and in most countries around the world, the normal functioning of a number of businesses has been disrupted sectors of the economy. Supplies of raw materials and supplies from suppliers, expeditions to clients and labor security. The activity of the Sopharma Group was also influenced. In the production, Sopharma introduces a change in the organization in order protection of the health of employees, including compliance with work schedules, limited access, intensive disinfection. The plans and orders for deliveries of raw materials and materials in order to compensate for the transport and production difficulties of suppliers. The company provides a stock of medicines and other goods of special importance to deal with the pandemic. A strict supply regime has been introduced in wholesale, limiting contacts between employees in different flows and shifts, intensified disinfection and accelerated modernization in order to prepare orders to be automated as much as possible. The international ones were renegotiated delivery schedules in view of the difficult movement of people and goods. In the trade of Retail Group employees undergo training on basic medications to deal with the disease in outpatient treatment.

The global pharmaceutical market is experiencing increased activity in the field of mergers and acquisitions and processes of vertical and horizontal activities for cooperation in industry, driven by the need for key players to optimize science and development costs and improve their competitiveness.

The generics industry will continue to play an important role in creating sustainable healthcare in Europe. It is a natural ally of governments in their efforts to optimize health care costs and increase the efficiency of health systems, especially in the area of reimbursed products and pricing policies.

Factors that pose a constant challenge for pricing and reimbursement policies are population aging, flat or negative economic growth, rapid price erosion in the generic sector. However, there is significant growth potential for generic business players, differing in different economies - stagnation to negative growth in value for developed markets; steady but still single-digit growth for Central and Eastern Europe (excluding Poland) and strong double-digit growth in some of the so-called BRICKS markets (Russia, India, Vietnam, etc.).

Additional drivers of generic growth (much more in sold packages than in value) are increased access for patients in the areas of chronic diseases versus flat costs in the same areas; reducing the prices of expired patents in INN

segments as soon as generic equivalents in these segments are available, government policies to help optimize costs through generic equivalents and create competition.

Among all these challenges, new forms of cooperation between the participants in the sector are being born and their importance will grow - co-marketing and co-development; construction contracts; licensed production, etc. generic and bioequivalent industry in the EU will continue to grow despite this aggressive and hostile environment. New initiatives to promote successful competition are already under way (revocation of third country patents to help EU generic products compete with generic companies in Canada, the US and Japan).

There are no other trends, fluctuations, requirements, commitments or events known to the Issuer that have a significant effect on the prospects of the Issuer and the issuer group companies for the current financial year.

The probable future development of the Issuer will continue to be closely related to the current main directions of its activity: production and distribution of medicinal products. „Sopharma“ AD intends to strengthen its position as a leading manufacturer of medicinal products on the market in Bulgaria. In the local market, the Group aims to provide patients with more affordable treatment through the registration of new generic products in a shorter time. In foreign markets, efforts are aimed at maintaining and increasing the Group's share of major markets (Russia, Ukraine and Poland), as well as establishing and expanding market positions in other countries (Central and Eastern Europe and the Caucasus). The group continues the policy of active partnership with established international pharmaceutical companies, with new companies, as well as expanding the product range of already established collaborations;

At the time of preparation of this prospectus there are no unusual events or exceptional factors that have negatively affected the activities of „Sopharma“ AD and the Group companies of the “Sopharma” AD.

## **3.6. RESEARCH AND DEVELOPMENT ACTIVITIES, PATENTS AND LICENSES, INDUSTRIAL, COMMERCIAL AND FINANCIAL CONTRACTS**

### **3.6.1. Intellectual property, new registrations and developments**

The Group focuses its research and development activities mainly on generic products. Research and development projects are aimed at finding and developing new forms and composition or physical properties of a product in order to adapt it to current market needs. The strategic goal of the Company is in the future to achieve a stable result of developing eight to ten new products per year. The parent company mainly submits applications for permits for the use of new products, including new forms of products, in Bulgaria and / or on the export markets, and for existing products in new markets.

#### **Intellectual Property**

Although oriented towards generic pharmaceutical products, “Sopharma” AD has been known for years for the traditional production of several unique products based on plant extracts obtained by our own technologies. These products are protected not only by trademark, but also by patent or company know-how. With regard to the generic products it produces, for their market distinctiveness “Sopharma” AD relies on brand names, all of which are registered trademarks of the Company. During all the years of its existence, “Sopharma” AD generates and protects its industrial property. As a result, the Company owns a large number of industrial property sites, most of which - registered rights (trademarks, patents, designs) and a smaller number of unregistered sites - mainly technology. These assets are the result of the Company's special policy towards product and technological innovation, and in particular towards innovation.

#### **New developments and products in 2020**

Authorizations for 5 new medicinal products have been obtained - Solifenax 5 mg film-coated tablets (Bulgaria), Ambrolitin 30 mg / 5 ml syrup (Bulgaria, Latvia, Estonia), Ketoprofen 100 mg / 2 ml solution for injection (Bulgaria), Sofazolon 40 mg powder and solvent for solution for injection (Bulgaria), Dexketoprofen 50 mg / 2 ml solution for injection (Latvia, Lithuania, Estonia).

The following new medicinal products have been introduced in the production: - Parasedol for children 120 mg / 5 ml oral suspension; Antiemethine 5 mg / ml solution for injection; Promerol 1 mg / ml solution for injection, as well as food supplement Aloe Vital oral solution 2.5 mg / 5 ml. By the end of 2021, 3 to 5 new drugs are expected to be introduced.

### New registrations in 2020

- Permissions to use for new destinations of 28 medicinal products have been received, namely:
- Pyraminol 800 mg film-coated tablets (Armenia);
- Sophalor 5 mg film-coated tablets (Azerbaijan);
- Indometacin Sopharma 100 mg suppositories (Azerbaijan);
- Deavit Neo 0.5 mg/ml oral drops, solution (Azerbaijan);
- Otofix 40 mg/g+10 mg/g ear drops, solution (Azerbaijan);
- Sophalor 0.5 mg/ml oral solution (Azerbaijan);
- Sydnopharm 2 mg tablets (Azerbaijan);
- Sophtensif 1.5 mg prolonged-release tablets (Azerbaijan);
- Methadone Sopharma 10 mg/ml oral solution (Bosnia and Herzegovina);
- Analgin Kids 500 mg/ml oral drops, solution (Georgia);
- Verapamil Sopharma 2.5 mg/ml solution for injection (Iran);
- Valeriana 30 mg film-coated tablets (Kazakhstan);
- Broncholytin 7 mg/ml syrup (Kyrgyzstan);
- Ambrolytin 15 mg/ 5 ml syrup (Kyrgyzstan);
- Felogel 1 g/100 g gel (Kyrgyzstan);
- Sophalor 0.5 mg/ml oral solution (Kyrgyzstan);
- Adrenaline Sopharma 1 mg/ml solution for injection (Malta);
- Carsil Max 110 mg capsules, hard (Mongolia);
- Deflamol unguent (Kyrgyzstan);
- Duspaverin 135 mg film-coated tablets (Kyrgyzstan);
- Troxerutin Sopharma 2 g/100 g gel (Mongolia);
- Troxerutin Sopharma 300 mg capsules, hard (Mongolia);
- Dexamethasone Medszo 4 mg/ml solution for injection (Portugal);
- Feloran 1 mg/100 g gel (Mongolia);
- Tuspan 7 mg/ml syrup (Russia);
- Felogel 1% gel (Serbia);
- Amlodipine Sopharma 5 mg tablets (Serbia);
- Sophamet 850 mg film-coated tablets (Tunisia).

In 2020, documentation for registration of 62 medicinal products was submitted to agencies for new destinations:

- Food additives: 17 nutritional supplements have been notified for Bulgaria, Armenia, Azerbaijan, the Ukraine, Kazakhstan and Kyrgyzstan.
- Medical devices: 48 medical devices are registered in Ukraine (two), Moldova (thirty) and Macedonia (sixteen).

### Developments

Pharmaceutical development of 11 new drugs/projects is underway. 18 medicinal products/active substances have been transferred or are in the process of transfer and 30 production processes / technologies have been validated / optimized.

#### 3.6.2. Dependence on licenses, industrial, commercial or financial contracts or new production processes

The activity of the company is regulated by the Executive Agency for Medicines (BDA) in Bulgaria and the respective drug agencies in the countries on whose markets it operates. "Sopharma" AD depends on BDA for:

- authorizing the manufacture of medicinal products intended for clinical trials;
- issuance or change of a permit for retail trade in medicinal products in the pharmacies of "Sopharma Trading" AD;
- issuing a permit for wholesale trade in medicinal products;
- issuing a permit for advertising of medicinal products;
- approval of a clinical trial of medicinal products.

"Sopharma" AD depends on BDA for a number of other permits besides those mentioned in the previous paragraph. Similar permits are required from the respective state agencies on the markets where "Sopharma" AD operates.

The production facilities, the products, the commercial activity of the company, as well as other aspects of its activity are subject to licensing. The existing plants operate in full compliance with the Good Manufacturing Practices adopted in the EU.

The company is not dependent on industrial, commercial or financial contracts or new production processes.

### 3.7. REAL ESTATE, FACTORIES AND EQUIPMENT

The following tables present data on the development of the Issuer's tangible fixed assets on a consolidated and individual basis for the last three years.

**Table№7 Property, plant and equipment on a consolidated basis**

In thousand levs	2020	2019	2018	30.06.2021	30.06.2020
Property, plant and equipment					
Land	60,096	60,639	54,392	59,095	60,639
Buildings and constructions	191,427	157,582	129,185	187,338	157,582
Machinery and equipment	98,882	96,693	94,920	91,435	96,693
Facilities	13,717	13,757	12,526	13,354	13,757
Transport	11,156	11,140	7,763	10,551	11,140
Business inventory	9,779	8,266	8,948	9,565	8,266
Expenditure on acquisition and liquidation of durable material	10,209	29,807	16,365	11,824	29,807
Other	606	741	426	278	386
<b>Total</b>	<b>395,872</b>	<b>378,625</b>	<b>324,525</b>	<b>383,440</b>	<b>378,270</b>

Source: "Sopharma" AD

Property, plant and equipment are presented in the consolidated financial statements at revalued amount, less accumulated depreciation and impairment losses.

#### Initial acquisition

Upon initial acquisition, property, plant and equipment are measured at cost, which includes the purchase price, customs duties and all other direct costs necessary to bring the asset to working condition. The direct costs are mainly: costs for site preparation, costs for initial delivery and processing, installation costs, costs for fees of persons related to the project, non-refundable taxes, costs for capitalized interest on qualifying assets, etc. The property, plant and equipment of acquired subsidiaries are measured at fair value at the date of the transaction (business combination), which is assumed to be the acquisition price for the purposes of consolidation. Upon acquisition of property, plant and equipment under the terms of deferred payment, the purchase price is equivalent to the present value of the liability, discounted on the basis of the interest rate on the loan resources attracted by the Group with similar maturity and purpose. The Group has set a value threshold of BGN 500, below which the acquired assets, despite having the characteristics of a fixed asset, are written as current expense at the time of their acquisition.

#### Follow-up evaluation

The approach chosen by the Group for subsequent balance sheet valuation of property, plant and equipment is the model of the revalued amount under IAS 16 - revalued amount, reduced by the subsequently accrued depreciation and accumulated impairment losses. Revaluation of property, plant and equipment is generally performed by licensed appraisers, usually for a period of 5 years. When their fair value changes significantly at shorter intervals, the revaluation may be performed more frequently.

**Table№8 Property, plant and equipment on an individual basis**

In thousand levs	2020	2019	2018	30.6.2021	30.6.2020
Property, plant and equipment					
Land	43,583	44,343	43,627	45,061	45,061
Buildings and constructions	83,270	89,634	89,690	97,244	97,244
Machinery and equipment	67,486	69,842	72,725	75,628	75,628
Facilities	10,094	10,786	10,967	11,544	11,544
Transport	2,468	2,508	1,713	2,743	2,743
Business inventory	1,847	2,302	2,476	3,028	3,028
Expenditure on acquisition and liquidation of durable material	2,580	4,848	4,775	4,282	4,282
Other	353	391	983	52	52

<b>Total</b>	211,681	224,654	226,956	239,582	239,582
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Source: "Sopharma" AD

The land and buildings of the parent company at the date of the prospectus are as follows:

- Buildings with a carrying amount of BGN 80,392 thousand;
- Land worth BGN 43,571 thousand;

The other tangible fixed assets of the parent company at the date of the prospectus include:

- Vehicles with a carrying amount of BGN 2,368 thousand;
- Business inventory with a carrying amount of BGN 1,538 thousand;
- Biological assets (carriers) with a carrying amount of BGN 296 thousand.

### 3.8. DESCRIPTION OF POSSIBLE ENVIRONMENTAL PROBLEMS

"Sopharma" AD maintains and observes its commitments in compliance with the national legislation in the field of environmental protection. The company applies measures to:

- Separate waste collection, minimization, recovery and recycling of industrial and municipal waste;
- Providing appropriate training of staff on issues related to environmental protection and pollution prevention;
- Responsibly fulfills the imperative requirements of CMD 137 of the Council of Ministers and the Ordinance on packaging and packaging waste;
- The emissions of waste gases in the atmospheric air from the Phytochemical Plant and the Plant for Solid Dosage Forms are measured annually;
- Every month Sofiyska Voda measures emissions in wastewater at production sites A and B in Sofia.

In 2020 the separately collected waste increased by 40% compared to the previous year. Production waste is handed over to licensed recycling companies. The measured annual emissions of waste gases into the atmosphere, as well as the emissions into waste waters are in the required norms. The requirements of the Discharge Permit are fulfilled. Once a month, a report is made on the packaging imported and/or marketed by type of material for which a monthly installment is paid to "EcoBulpak" AD, with which "Sopharma" AD has concluded a contract for the recovery of packaging waste.

### 3.9. INVESTMENTS

#### 3.9.1. Description (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document

Investment properties are those properties that are held by the Group for long-term rental income and/or due to the internal increase in their value. They are presented in the consolidated statement of financial position at their fair value.

Long-term investments, representing participations in associates and joint ventures, are presented in the consolidated financial statements using the equity method - a value that includes the acquisition cost, representing the fair value of the consideration paid, including the direct costs of acquisition of the investment, adjusted with the share of the investor company in the profits or losses, and respectively the other reserves of the joint ventures and associates after the date of their acquisition.

Other long-term capital investments are non-derivative financial assets in the form of shares and stakes in the capital of other companies (minority interest) held with a long-term perspective.

**Table№9 Investments (consolidated bases)**

Investments	2020	2019	2018	30.6.2021	30.6.2020
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Warehouses	11,691	10,856	10,427	10,437	11,277
Offices	4,631	4,323	4,165	4,502	4,437
Production buildings	4,048	3,532	3,350	2,923	2,634
	<b>434</b>	<b>409</b>	<b>409</b>	<b>434</b>	<b>409</b>

Social objects

**Investments in associates and joint ventures**

Investments in associates	62,811	62,985	20,383	68,475	65,528
Investments in joint ventures	62,811	62,985	20,339	66,343	65,528
Other long - term capital investments	-	-	44	2,132	-
	14,294	10,079	8,596	16,424	13,975

The described in detail single investments in BGN below amount to over BGN 1 million, as all investments below this threshold for the period are summed up with the respective short description.

**2017:**

Consumables for the workshop "Hamasterilization"	1,335,500.02
Equipment, reconstructions, machines and others	2,859,488.54

**2018:**

Serialization machines, reconstructions, equipment and others	4,774,282.93
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**2019:**

Reconstruction, packaging lines, equipment, modernization and others	4,848,484.12
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**2020:**

Reconstruction of production buildings, reconstruction and other	2,580,003.90
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Expenses for acquisition of tangible fixed assets in 2021 until the date of the prospectus include:

- provided advances for the purchase of machinery and equipment - BGN 795 thousand;
- costs for construction of new buildings - BGN 852 thousand;
- biological assets (non-fertile) - BGN 316 thousand;
- reconstruction of buildings - BGN 69 thousand;
- others – BGN 162 thousand.

As of the date of the prospectus, the book value of machinery, equipment and facilities includes machinery and equipment purchased under financing agreements under the Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013" and the Operational Program "Energy Efficiency", as follows:

- for tablet production in the amount of BGN 6,061 thousand;
- for ampoule production in the amount of BGN 3,571 thousand;
- general exchange installations for ventilation and air conditioning in the production of medical products worth BGN 554 thousand;
- for the production of innovative eye drops type "artificial tears" worth BGN 168 thousand.

**3.9.2. Description of the main investments of the Issuer, which are in the process of implementation**

"Sopharma" AD has an investment in the process of implementation for BGN 2.3 million at the production site in the town of Sandanski. The Company will use part of the proceeds from the issue of warrants to finance this investment. If the Warranty Issue is unsuccessful then the company will finance the investment with its own funds.

**3.9.3. Information on the main future investments of the Issuer, for which its management bodies have already made firm commitments**

The only firm commitment is to the investment for BGN 2.3 million on the production site in the town of Sandanski.

### 3.10. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

#### 3.10.1. Board of Directors

“Sopharma” AD has a one-tier management system with a Board of Directors of five members as follows:

- **Ognian Donev** – Chairman of the Board of Directors and Executive Director
- **Vessela Stoeva** – Deputy Chairman
- **Bissera Lazarova** – Member
- **Alexandar Tchaushev** – Member
- **Ivan Badinski** – Member

The current mandate of the Board of Directors of „Sopharma“ AD is 5 years and expires on 04.06.2026.

The company has two procurators:

- **Ivan Badinski** - member of the Board of Directors and procurator
- **Simeon Donev** – procurator

#### 1. Ognian Ivanov Donev - Chairman of the Board of Directors and Executive Director

Ognian Donev has been a member of the Board of Directors since 17.10.2000.

##### Business address

Sofia 1756, 5 Lachezar Stanchev Str., Sopharma Business Towers, Tower A, 17th floor

##### Activities performed outside the Issuer, significant in relation to the Issuer

- Member of the Advisory Committee of CEIB
- Chairman of the International Chamber of Commerce for Bulgaria
- Member of the Board of Trustees of the Medical University of Sofia
- Vice President of the Vienna Economic Forum

##### Family ties

There is no family connection between Ognian Donev and another member of the Board of Directors of the Company.

##### Management experience and knowledge

Ognian Donev graduated from the German high school in Sofia. He studied in Hamburg and Vienna. He graduated in "International Economic Relations" at the Higher Institute of Economics in Sofia. In 1986 defended his doctorate in economics in Berlin. PhD Ognian Donev has been the executive director of “Sopharma” AD since October 2000.

##### Data on each conviction, sanctions, insolvency in the last five years prior to the preparation of the Prospectus

In the last five years, Ognian Donev has not:

- convicted of fraud.
- related to insolvency, management by a trustee in bankruptcy or liquidation as a member of an administrative, management or supervisory body or as a senior manager of a company or other entity in respect of which such a circumstance has occurred.
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies).

- deprived by a court of the right to be a member of the administrative, management or supervisory bodies of an issuer or of the performance of positions in the management or the performance of the activity of an issuer.

## **2. Vessela Lyubenova Stoeva - Deputy - Chairman of the Board of Directors**

Vessela Stoeva has been a member of the Board of Directors since 17.10.2000.

### **Business address**

Sofia 1756, 5 Lachezar Stanchev Str., Sopharma Business Towers, Tower A, 16 floor

### **Activities performed outside the Issuer, significant in relation to the Issuer**

None.

### **Family ties**

There is no family connection between Vessela Stoeva and another member of the Board of Directors of the Company.

### **Management experience and knowledge**

Mrs. Stoeva graduated from the French Language High School "G. Kirkov" Sofia in 1982, and then continued her higher education at the HIE "Karl Marx" Sofia, specialty "Finance and Credit". She graduated in 1989.

She has been in "Sopharma" AD since 2000 as an Advisor for Economic Affairs at the Ex. Director and Deputy - Chairman of the Board of Directors. Her professional experience includes work in large Bulgarian companies in various industries, including WTO "Rudmetal" and "Bulgartabac Holding" AD.

She speaks French, English and Italian

### **Data on each conviction, sanctions, insolvency in the last five years prior to the preparation of the Prospectus**

In the last five years, Vessela Stoeva has not:

- convicted of fraud.
- related to insolvency, management by a trustee in bankruptcy or liquidation as a member of an administrative, management or supervisory body or as a senior manager of a company or other entity in respect of which such a circumstance has occurred.
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies).
- deprived by a court of the right to be a member of the administrative, management or supervisory bodies of an issuer or of the performance of positions in the management or the performance of the activity of an issuer.

## **3. Bissera Lazarova - Member of the Board of Directors**

Bissera Lazarova has been a member of the Board of Directors since 14.06.2021.

### **Business address**

Sofia, 44 Galichica Str., fl. 3.

### **Activities performed outside the Issuer, significant in relation to the Issuer**

None.

### **Family ties**

There is no family connection between Bissera Lazarova and another member of the Board of Directors of the Company.

**Management experience and knowledge**

Ms. Lazarova has completed her higher economic education, specialty "International Economic Relations" at "K. Marks" University of Sofia. Sofia. Additional qualification is obtained through a number of trainings, including Business Accounting and Financial Services – Certificate III Degree – South Western Institute of TAFE – Liverpool, Australia. Ms. Lazarova's professional experience includes a number of leadership positions in the field of international trade, accounting and control, organization. From 2002 to 2021 Mrs. Lazarova worked as an assistant to the Executive Director of "Sopharma" AD. She speaks German, English and Russian.

**Data on each conviction, sanctions, insolvency in the last five years prior to the preparation of the Prospectus**

In the last five years, Bissera Lazarova has not:

- convicted of fraud.
- related to insolvency, management by a trustee in bankruptcy or liquidation as a member of an administrative, management or supervisory body or as a senior manager of a company or other entity in respect of which such a circumstance has occurred.
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies).
- deprived by a court of the right to be a member of the administrative, management or supervisory bodies of an issuer or of the performance of positions in the management or the performance of the activity of an issuer.

**4. Alexandar Victorov Tchaushev - Member of the Board of Directors**

Alexander Chaushev has been a member of the Board of Directors since 12.07.2011.

**Business address**

Sofia, 16 Iliensko Shosse Str.

**Activities performed outside the Issuer, significant in relation to the Issuer**

None

**Family ties**

There is no family connection between Alexandar Tchaushev and another member of the Board of Directors of the Company.

**Management experience and knowledge**

In 1984 he graduated from the English Language High School in Sofia, and later in 1991 he completed his higher education at the Moscow State Institute of International Relations. Mr. Chaushev was elected a member of the Board of Directors of "Sopharma" AD at the General Meeting of Shareholders of the company, which was held on 29 June 2011. Mr. Chaushev's professional experience includes membership in the management bodies of a number of successful companies. Mr. Chaushev began his career at the Ministry of Trade as an expert in 1993.

He speaks Russian, English and Spanish..

**Data on each conviction, sanctions, insolvency in the last five years prior to the preparation of the Prospectus**

In the last five years, Alexandar Tchaushev has not:

- convicted of fraud.
- related to insolvency, management by a trustee in bankruptcy or liquidation as a member of an administrative, management or supervisory body or as a senior manager of a company or other entity in respect of which such a circumstance has occurred.
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies).

- deprived by a court of the right to be a member of the administrative, management or supervisory bodies of an issuer or of the performance of positions in the management or the performance of the activity of an issuer.

#### **5. Ivan Venetskov Badinski - Member of the Board of Directors**

Ivan Badinski has been a member of the Board of Directors since 29.08.2018.

##### **Business address**

Sofia, 16 Iliensko Shosse Str.

##### **Activities performed outside the Issuer, significant in relation to the Issuer**

None

##### **Family ties**

There is no family connection between Ivan Badinski and another member of the Board of Directors of the Company.

##### **Management experience and knowledge**

He graduated Pharmacy in 1980 as a master's pharmacist. He holds a specialty "Organization and Economics of Distribution and Pharmacy Practice", acquired in 1996. In 2005 he acquired the professional qualification "Health Manager" at the Faculty of Public Health at MU-Sofia. Until 1997 he worked as a master's pharmacist in the pharmacy of the Institute for Emergency Medical Care "Pirogov", Sofia. In the period from October 1997 to October 2000 he was a member of the Board of Directors of "Sopharma" AD, and since 1998 he has been the Executive Director of the Company. He also held the position of Commercial Director. After the privatization of "Sopharma" AD in 2000 he worked in the Company as a Director of Cooperation and Licenses. Since September 2015 he has been a procurator of "Sopharma" AD.

##### **Data on each conviction, sanctions, insolvency in the last five years prior to the preparation of the Prospectus**

In the last five years, Ivan Badinski has not:

- convicted of fraud.
- related to insolvency, management by a trustee in bankruptcy or liquidation as a member of an administrative, management or supervisory body or as a senior manager of a company or other entity in respect of which such a circumstance has occurred.
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies).
- deprived by a court of the right to be a member of the administrative, management or supervisory bodies of an issuer or of the performance of positions in the management or the performance of the activity of an issuer.

#### **6. Simeon Ognianov Donev - Procurator**

Simeon Donev has been a member of the Board of Directors since 16.06.2020.

##### **Business address**

Sofia 1756, 5 Lachezar Stanchev Str., Sopharma Business Towers, Tower A, 15 floor

##### **Activities performed outside the Issuer, significant in relation to the Issuer**

None

##### **Family ties**

There is a family connection between Simeon Donev and Ognian Donev - a member of the Board of Directors of the Company. Simeon Donev is the son of Ognian Donev.

### Management experience and knowledge

Simeon Donev has more than 5 years of experience in areas such as international projects, trade, marketing and strategic planning. For more than 3 years, Mr. Simeon Donev has been managing the Business Development team at "Sopharma" AD, and for this period he has a number of successfully completed projects behind him. Simeon Donev has been a procurator of Sopharma AD since June 2020.

### Data on each conviction, sanctions, insolvency in the last five years prior to the preparation of the Prospectus

In the last five years, Simeon Donev has not:

- convicted of fraud.
- related to insolvency, management by a trustee in bankruptcy or liquidation as a member of an administrative, management or supervisory body or as a senior manager of a company or other entity in respect of which such a circumstance has occurred.
- officially publicly incriminated and/or sanctioned by legal or regulatory authorities (including certain professional bodies).
- deprived by a court of the right to be a member of the administrative, management or supervisory bodies of an issuer or of the performance of positions in the management or the performance of the activity of an issuer.

### 3.10.2 Companies and partnerships in which the members of the Board of Directors of the Issuer have been members of the administrative, management or supervisory bodies, or partners during the last five years preceding the preparation of this document, including an indication of whether the person currently holds this capacity

#### Participations in the capital of companies in the previous 5 years

##### 1. Ognian Ivanov Donev

"Donev investments holding" AD	UIC: 831915121	Sofia
"Telecomplect" AD	UIC: 831643753	Sofia
"Telecomplect Invest" AD	UIC: 201653294	Sofia
„Sopharma Building“ REIT	UIC: 175346309	Sofia
„Sopharma Imoti“ REIT	UIC: 175059266	Sofia
"Sofprint Group" AD	UIC: 175413277	Sofia
"Sofconsult Group" AD	UIC: 175413245	Sofia
"Elpharma" AD - in liquidation	UIC: 130299513	Sofia
"Sopharma" AD	UIC: 831902088	Sofia
"Energoinvestment"	UIC: 200929754	Sofia
"Zebra.BG" AD	UIC: 202936530	Sofia
"Simba Private Kindergarten " EOOD	UIC: 204683684	Sofia
"Sopharmacy 63" EAD	UIC: 175322596	Sofia
"Sofia Inform" AD	UIC: 121303553	Sofia

##### 2. Vessela Lyubenova Stoeva

" VES electroinvest systems " EOOD	UIC: 201712700	Sofia
"Eco Solar Invest" OOD	UIC: 201634905	Sofia
"Akvatiks" OOD	UIC: 203934379	Sofia
"VLS" AD	UIC: 175082980	Sofia

##### 3. Alexandar Viktorov Tchaoushev

"Alpha In" EOOD	UIC: 131156322	Sofia
"ACCA Asset Management" OOD	UIC:131156297	Sofia
"Sofservice" OOD	UIC: 131407109	Sofia

#### 4. Ivan Venetskov Badinski

He has not participated in the last 5 years.

#### 5. Bissera Nikolaeva Lazarova

"Consumpharm" OOD	UIC: 121148366	Sofia
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#### 6. Simeon Ognianov Donev

He has not participated in the last 5 years.

### Participations in the capital of companies at present

#### 1. Ognian Ivanov Donev

"Donev investments holding" AD	UIC: 831915121	Sofia
"Sofprint Group" AD	UIC: 175413277	Sofia
"Sofconsult Croup" AD	UIC: 175413245	Sofia

#### 2. Vessela Lyubenova Stoeva

"VES electroinvest systems" EOOD	UIC: 201712700	Sofia
"Eco Solar Invest" OOD	UIC: 201634905	Sofia
"Akvatiks" OOD	UIC: 203934379	Sofia
"VLS" AD	UIC: 175082980	Sofia

#### 3. Alexandar Viktorov Tchaoushev

"Alpha In" EOOD	UIC: 131156322	Sofia
"ACCA Asset Management" OOD		

#### 4. Ivan Venetskov Badinski

He has not participated in the last 5 years.

#### 5. Bissera Nikolaeva Lazarova

"Consumpharm" OOD	UIC: 121148366	Sofia
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#### 6. Simeon Ognianov Donev

"Sopharma Buildings" REIT	UIC: 175346309	Sofia
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### Participation in the management of companies in the previous 5 years

#### 1. Ognian Ivanov Donev

"Donev Investment Holding" AD	UIC: 831915121	Sofia	Member of the Board of Directors
"Telecomplex" AD	UIC: 831643753	Sofia	Chairman of the Board of Directors
"Sopharma" AD	UIC: 831902088	Sofia	Member of the Board of Directors and Executive Director
"Sopharma Trading" AD	UIC: 103267194	Sofia	Chairman of the Board of Directors

"Doverie Capital" AD	UIC: 130362127	Sofia	Member of the Supervisory Board
"Elpharma" AD	UIC: 130299513	Sofia	Member of the Board of Directors and Executive Director
"Kaliman RT" AD	UIC: 121120513	Sofia	Chairman of the Board of Directors
"Unipharm" AD	UIC: 831537465	Sofia	Chairman of the Supervisory Board
"Doverie Obedinen Holding" AD	UIC: 121575489	Sofia	Member of the Supervisory Board, Deputy Chairman
"Medica" AD	UIC: 000000993	Sofia	Member of the Board of Directors and Executive Director
"Riton P" AD	UIC: 822106398	Panagyurishte	Member of the Board of Directors

## 2. Vessela Lyubenova Stoeva

"VES electroinvest systems" EOOD	UIC: 201712700	Sofia	Manager
"Sopharma" AD	UIC: 831902088	Sofia	Deputy Chairman of the Board of Directors
"VLS" AD	UIC: 175082980	Sofia	Member of the Board of Directors
"Elpharma" AD	UIC: 130299513	Sofia	Member of the Board of Directors

## 3. Alexandar Viktorov Tchaoushev

"Monbat" AD	UIC: 111028849	Sofia	Member of the Board of Directors
"DK Domostroene" AD	UIC: 102148397	Sofia	Member of the Board of Directors
"Sopharma" AD	UIC: 831902088	Sofia	Member of the Board of Directors
"Agency for Management and Advertising in Sports" EAD	UIC: 130969084	Sofia	Member of the Board of Directors

## 4. Ivan Venetskov Badinski

"Sopharma" AD	UIC: 831902088	Sofia	Member of the Board of Directors and procurator
"Biopharm Engineering" AD	UIC: 119055339	Sliven	Member of the Supervisory Board

## 5. Bissera Nikolaeva Lazarova

"Sopharma Imoti" REIT	UIC: 175059266	Sofia
"Donev Investment Holding" AD	UIC: 831915121	Sofia
"Telso" AD	UIC: 131176385	Sofia

## Participation in the management of companies at present

### 1. Ognian Ivanov Donev

"Sopharma Trading" AD	UIC: 103267194	Sofia	Chairman of the Board of Directors
"Donev Investments Holding" AD	UIC: 831915121	Sofia	Chairman of the Supervisory Board
"Telecomplect" AD	UIC: 831643753	Sofia	Chairman of the Supervisory Board
"Doverie Capital" AD	UIC: 130362127	Sofia	Member of the Supervisory Board
Association "Alumni Association of specialty MIO"	UIC: 175861145	Sofia	Chairman of the Management Board and Representing

"National Committee in Bulgaria of the International Chamber of Commerce"	UIC: 175398487	Sofia	Member of the Management Board and Representing
"Sopharma" AD	UIC: 831902088	Sofia	Member of the Board of Directors and Executive Director
<b>2. Vessela Lyubenova Stoeva</b>			
"VLS" AD	UIC: 175082980	Sofia	Member of the Board of Directors
"VES electroinvest systems " EOOD	UIC: 201712700	Sofia	Manager
"Sopharma" AD	UIC: 831902088	Sofia	Deputy Chairman of the Board of Directors
<b>3. Alexandar Viktorov Tchaoushev</b>			
"DK Domostroene" AD	UIC: 102148397	Sofia	Member of the Board of Directors
"Sopharma" AD	UIC: 831902088	Sofia	Member of the Board of Directors
"Alpha in" EOOD	UIC: 131156322	Sofia	Manager
<b>4. Ivan Venetskov Badinski</b>			
"Sopharma" AD	UIC: 831902088	Sofia	Member of the Board of Directors and procurator
<b>5. Bissera Nikolaeva Lazarova</b>			
"Sopharma Imoti " REIT	UIC: 175059266	Sofia	Member of the Board of Directors
<b>6. Simeon Ognianov Donev</b>			
"Telecomplex" AD	UIC: 831643753	Sofia	Member of the SB
"Doverie Capital" AD	UIC: 130362127	Sofia	Member of the Management Board
"Sopharma" AD	UIC: 831902088	Sofia	Procurator

### 3.10.3. Remuneration and compensation

**Table №10 Amount of the annual remunerations accrued by the Issuer to the members of the Board of Directors and the Procurator for 2020**

	Remuneration (BGN)	Tantieme (BGN)	Under an employment contract (BGN)	Total (BGN)
Ognian Ivanov Donev	329,786	393,373		723,159
Vessela Lyubenova Stoeva	120,000		53,745	173,745
Ognian Kirilov Palaveev	120,400			120,400
Alexandar Victorov Tchaoushev	120,400			120,400
Ivan Venetskov Badinski	120,000		72,587	192,587
Procurator – Ivan Badinski	60,000			60,000
Procurator – Simeon Donev	33,409		111,610	145,019

Source: "Sopharma" AD

Pursuant to Article 24, paragraph 3, letter "A" of the Articles of Association and decision of the General Meeting of 21.06.2013 the permanent monthly remuneration of a member of the Board of Directors amounts to BGN 10,000 or BGN 120,000 per year, and the Executive Director, the permanent monthly remuneration amounts to BGN 30,000 or BGN 360,000 per year, and the same remain unchanged in 2020.

The Executive Director of the Company has been assigned an additional remuneration in the amount of 1% of the amount of profit realized in 2019 according to the adopted Annual Financial Statements for 2019 of the General Meeting of Shareholders, namely BGN 403,822, 40% of which are rescheduled by GMS for a period of 3 years.

The ratio of the permanent to the variable remuneration of the executive director in 2020 is 0.89.

As of 31.12.2020 the deferred variable remuneration of the Executive Director amounts to BGN 445,770.60 and is distributed as follows:

- BGN 166,079.36 with maturity 2021 ;
- BGN 126,400.37 with maturity 2022 ;
- BGN 153,290.87 with maturity 2023.

In 2020, none of the members of the Board of Directors and procurators of "Sopharma" AD received non-monetary benefits equal to remuneration from the Issuer and the subsidiaries of the Issuer.

The members of the Board of Directors and the procurators of the Issuer have not received any other monetary, non-monetary or deferred remuneration from the Issuer and from the subsidiaries of the Issuer other than those mentioned in this item.

#### **3.10.4. Conflicts of interest**

There are no potential conflicts of interest between the obligations of the members of the Board of Directors of the Issuer to the Issuer and their personal interests and / or other obligations.

At the time of preparation of this document, the Issuer is not aware of any agreements or arrangements between shareholders, customers, suppliers and others in accordance with which any person on the Board of Directors of the Issuer is elected as a member of the Management Board. or supervisory authorities.

There are no restrictions for disposal by the members of the Board of Directors of securities owned by them, issued by the Company.

#### **3.10.5. Management practices**

##### **Mandate**

According to the provision of art. 22, para. 1 of the Articles of Association of the Company, the mandate of the Board of Directors is 5 years. The current term of the Board of Directors of "Sopharma" AD is 5 years and expires on 4 June 2026.

The Articles of Association of the Company do not provide for restrictions on re-election of the members of the Board of Directors.

- Ognian Donev has been a member of the Board of Directors since October 17, 2000;
- Vessela Stoeva has been a member of the Board of Directors since October 17, 2000;
- Bissera Lazarova has been a member of the Board of Director since June 14, 2021;
- Alexander Tchaushev has been a member of the Board of Directors since July 12, 2011;
- Ivan Badinski has been a member of the Board of Directors since August 29, 2018;
- Simeon Donev has been a procurator since June 16, 2020.

##### **Termination benefits**

The concluded contracts for assignment of the management of the members of the Board of Directors with "Sopharma" AD do not provide for compensations upon termination of employment. The members of the Board of

Directors do not have contracts with subsidiaries of Sopharma AD providing benefits in case of termination of employment.

### Corporate management

“Sopharma” AD is a public company within the meaning of Art. 110 of the LPOS and adopts and complies with the Corporate Governance Program.

The public companies in the Sopharma Group have adopted and continue to comply with the National Code of Corporate Governance (NCGC) established in October 2007, with subsequent amendments in 2012 and 2016, approved by the Deputy Chairman of the Financial Supervision Commission. Good corporate governance is a set of balanced relationships between the Management Bodies of the Group, its shareholders and all stakeholders - employees, business partners, creditors of the company, potential and future investors and society as a whole. Along with the principles of a recommendatory nature, the public companies in the Group have established a certain set of requirements for good corporate governance practices, compliance with which is mandatory for their management bodies and which are related to:

- Protection of shareholders' rights;
- Ensuring fair treatment of all shareholders, regardless of the number of shares they hold;
- Recognizing the rights of stakeholders and promoting cooperation between companies and stakeholders;
- Ensuring timely and accurate disclosure of information on all matters relating to companies, including the financial condition, results, ownership and management of companies;
- Supporting the strategic management of the companies, the control over the activity of the management and its accountability to the company and the shareholders.

The Corporate Governance Code is applied on a "comply or explain" basis. This means that its recommendations are followed, and whether there is a deviation from them or not, the managements of public companies in the Group periodically disclose information on corporate governance with the nature and scope provided for in the NCGC, namely:

- The actions of their management are aimed at establishing the principles of good corporate governance, increasing the confidence of shareholders, investors and those interested in the management and activities of the Group.
- The managements of the public companies in the Group comply with the Corporate Governance Program, which is in compliance with the current legislation, the internationally recognized standards for good corporate governance and the National Corporate Governance Code.
- The managements of these companies in the Group approve a Policy for disclosure of information in accordance with the legal requirements and by laws.

“Sopharma” AD participates in the establishment of the Association “National Commission for Corporate Governance”.

#### 3.10.6. Audit Committee

The Audit Committee is composed of:

Vasil Naidenov - Chairman

Tsvetanka Zlateva - Member

Kristina Atanosova-Elliott – Member

They were elected in 2017 for the first time. They were re-elected in 2020 for a three-year term. In this composition, the Audit Committee performed its functions in 2020, in accordance with Art. 108 of the LFIA, the Statute of the Audit Committee adopted by the General Meeting of Shareholders and observing the other requirements of the Independent Financial Audit Act.

#### 3.10.7. Potential material impacts on corporate governance, including changes approved by management and/or a shareholders' meeting, forthcoming changes to the composition of the board and committees.

None.

### 3.11. EMPLOYED

#### 3.11.1. Number of employees

As of the date of the prospectus, the average list of staff in the Group is 5,483 employees (2020: 5,796 employees; 2019: 5,163; 2018: 5,075). The average number of employees of the parent company Sopharma AD as of the date of the prospectus is 1,797 people (2020: 1,991; 2019: 2,275; 2018: 2,137).

The companies in the Group do not employ a significant number of persons on temporary employment contracts. In the last year, the number of persons with a temporary employment contract in the parent company was 7. In the subsidiary Sopharma Trading, these persons were 18 for the last one year.

#### 3.11.2. Shareholdings and commodity options

The members of the Board of Directors do not have commodity options of the Issuer.

**Table №11** Number of shares held by the members of the Board of Directors as of the date of this document

	Number of shares	Share of capital
Ognian Ivanov Donev	3,850,063	2.86%
Vessela Lyubenova Stoeva	150	0.00%
Bissera Lazarova	-	0.00%
Alexandar Victorov Tchaushev	111,142	0.08%
Ivan Venetskov Badinski	350	0.00%
Simeon Donev	195,450	0.14%

**Source:** "Sopharma" AD

#### 3.11.3. Arrangements for the participation of the employees in the capital of the Issuer

There are no agreements for participation of employees in the capital of the Issuer.

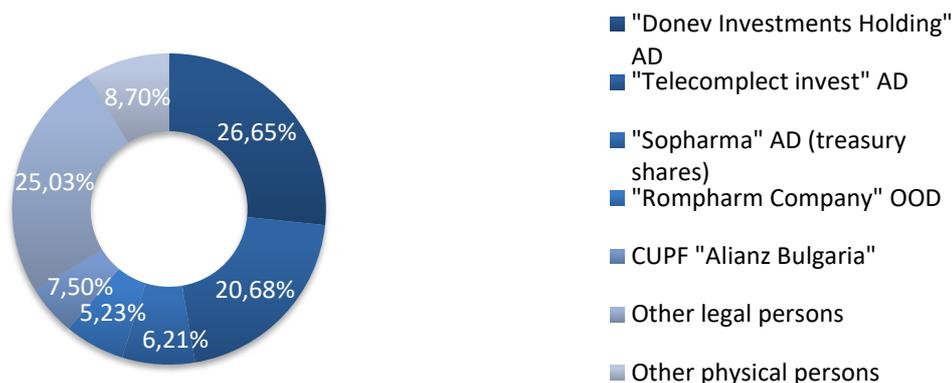
#### 3.11.4. The total amounts set aside or charged by the Issuer for the provision of pensions, other retirement benefits or other similar benefits

The issuer and its subsidiaries have not set aside or charge amounts for the provision of pensions, other retirement benefits or other similar benefits

### 3.12. MAJORITY SHAREHOLDERS

#### 3.12.1. Shareholders with more than 5% of the voting shares

Figure №1 Shareholders structure as at the date of this document



As at the date of this document persons whose voting rights in "Sopharma" AD **directly** reach 5% of the capital of the Company are as follows:

- **„Donev Investments Holding“ AD** directly owns 35,922,743 shares, representing **26.65%** of the capital of "Sopharma" AD, and respectively **26.54%** of the voting rights in the General Meeting of Shareholders of the Company.
- **„Telecomplect Invest“ AD** directly owns 27,881,287 shares, representing 20.68% of the capital of "Sopharma" AD, and respectively **20.68%** of the voting rights in the General Meeting of Shareholders of the Company
- **Rompharm Company OOD** directly owns 8,366,347 shares, representing **6.21%** of the capital of "Sopharma" AD, and respectively **6.21%** of the voting rights in the General Meeting of Shareholders of the Company.
- **MUPF Allianz Bulgaria** directly owns 7,054,547 shares, representing 5.23% of the capital of "Sopharma" AD, and respectively **5.23%** of the voting rights in the General Meeting of Shareholders of the Company.

As of the date of this document there are no other legal or natural persons to own directly or indirectly, and / or through related parties, participation in the capital of the Issuer, reaching 5% of the capital.

As of the date of preparation of this Prospectus, there are no persons who have indirect participation in the Issuer, according to the provision of Art. 146, para. 1, item 5 of LPOS.

#### 3.12.2. Persons exercising control

According to the definition of § 1, item 14 of the Additional Provisions of the Law on Public Offering of Securities, control is present when a person:

- holds, including through a subsidiary or by agreement with another person, over 50% of the number of votes in the general meeting of one company or other legal entity; or
- may appoint directly or indirectly more than half of the members of the management or supervisory body of a legal entity; or
- may otherwise exercise decisive influence over decisions in connection with the activities of a legal person.

As of the date of the Prospectus, the Issuer has no known persons exercising control over the Issuer directly or indirectly, and / or through related parties, except as indicated above.

The Issuer is not aware of any agreements, the effect of which may on a subsequent date lead to a change in control.

#### 3.12.3. Different voting rights

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The ones indicated in *item 3.12.1. Shareholders with over 5% of the voting shares* in “Sopharma” AD do not have different voting rights. Each share of the capital of the Company entitles to 1 vote in the GMS.

#### **3.12.4. Arrangements for change of control**

The Issuer is not aware of any agreements, the effect of which may lead to a change in the control of the Issuer.

#### **3.12.5. Measures in place to prevent abuse of controls**

The company does not have a majority shareholder or controlling person and has not put in place measures to abuse such controls.

## 4. OPERATIONAL AND FINANCIAL REVIEW

For the analysis of the financial condition of the Issuer are used the audited annual consolidated financial statements of the Issuer for the last three financial years - 2018, 2019 and 2020, the individual audited annual financial statements for 2018, 2019 and 2020, the individual interim unaudited reports as of 30.06.2020 and 30.06.2021 and the consolidated interim unaudited reports as at 30.06.2020 and 30.06.2021.

No disclaimer of opinion has been issued on the submitted audited historical financial information and the audit reports do not contain qualifications.

This document does not include pro forma financial information.

On 21.05.2021, the Board of Directors of the Issuer, in accordance with Art. 7, para. 5 of the Articles of Association of "Sopharma" AD, adopted a decision for issuance of warrants. Successful offering of the warrants issue would lead to a positive change in the financial position of the Issuer. Also, at its meeting held on 04.06.2021, the Board of Directors of „Sopharma Trading“ AD, in accordance with Art. 50 of the Articles of Association of „Sopharma Trading“ AD, adopted a decision to issue warrants. Successful offering of the issue of warrants would lead to a change in the financial position of the subsidiary Sopharma Trading AD. **Since the end of the last reporting financial period (30.6.2021), and for any published financial information, there has been no significant change in the financial or commercial position of the Issuer.**

All the above documents are available to investors on the issuer's websites and on x3news ([www.sopharmagroup.com](http://www.sopharmagroup.com) and [www.x3news.com](http://www.x3news.com)).

The following two tables present selected financial data for the Issuer on a consolidated and individual basis.

**Table№12 Selected financial data for the Issuer on a consolidated basis**

BGN'000	2020	2019	2018	30.6.2021	30.6.2020
<b>Assets</b>	<b>1 242 112</b>	<b>1 175 272</b>	<b>1 010 603</b>	<b>1 224 794</b>	<b>1 184 686</b>
Equity	566 595	575 772	508 529	597 170	582 667
Liabilities	675 517	599 500	502 074	627 624	602 019
<b>Revenues</b>	<b>1 438 826</b>	<b>1 281 587</b>	<b>1 179 143</b>	<b>759 044</b>	<b>678 997</b>
Operating costs	(1 405 703)	(1 234 316)	(1 151 837)	(731 762)	(657 488)
Operating profit	45 800	59 692	39 143	33 897	26 746
<b>Net profit after taxes</b>	<b>25 280</b>	<b>84 359</b>	<b>30 637</b>	<b>33 856</b>	<b>18 711</b>
Net cash flows from operating activities	(179 411)	(128 444)	(123 784)	(47 161)	(110 005)
Net cash flows from investing activities	1 495	(104 202)	(41 178)	(15 019)	16 938
Net cash flows from financing activities	175 693	235 879	166 477	57 557	86 655
Net profit per share	0,24	0,69	0,23	0,26	0,16
Divident per share	0,04	0,12	0,05	-	-

Source: "Sopharma" AD

**Table№13 Selected financial data for the Issuer on an individual basis**

BGN'000	2020	2019	2018	30.6.2021	30.6.2020
<b>Assets</b>	<b>650 338</b>	<b>678 765</b>	<b>608 226</b>	<b>637 524</b>	<b>684 370</b>
Equity	536 988	522 644	489 219	548 929	534 021
Liabilities	113 350	156 121	119 007	88 595	150 349
<b>Revenues</b>	<b>206 737</b>	<b>230 691</b>	<b>212 418</b>	<b>80 524</b>	<b>101 801</b>
Operating costs	(178 102)	(188 787)	(189 530)	(70 691)	(88 116)
Operating profit	32 823	46 038	27 798	11 588	15 645
<b>Net profit after taxes</b>	<b>28 664</b>	<b>40 382</b>	<b>33 298</b>	<b>12 023</b>	<b>20 508</b>
Net cash flows from operating activities	27 268	47 591	32 317	30 334	(13 496)
Net cash flows from investing activities	28 139	(77 448)	(13 032)	(5 557)	29 273
Net cash flows from financing activities	(55 590)	24 845	(16 078)	(25 883)	(16 619)
Net profit per share	0,23	0,32	0,26	0,10	0,16
Divident per share	0,04	0,12	0,05	-	-

Source: "Sopharma" AD

**Table №14 Main financial indicators**

	2020	2019	2018	30.6.2021	30.6.2020
Profit / Sales revenue	1.76%	6.58%	2.60%	4.46%	2.76%
EBITDA margin	6.37%	8.01%	6.07%	7.94%	7.09%
Cost of sales / inventories (on an annual basis)	3,62	3,82	3,50	3,91	4,01
Return on assets	2.04%	7.18%	3.03%	5.53%	3.16%
Return on equity	4.46%	14.65%	6.02%	11.34%	6.42%

Source: "Mane Capital" AD

The main non-financial performance indicator that the company has set for itself is to achieve a stable result in the development of eight to ten new products per year, which would have a positive effect on the financial indicators.

## 4.1. FINANCIAL INFORMATION ABOUT ASSETS AND LIABILITIES, FINANCIAL STATUS, PROFITS AND LOSSES OF THE ISSUER

### 4.1.1. Revenues, expenses, financial result

#### Consolidated results

The Group's sales revenues increased by 12.3% in 2020 and reached BGN 1,438,826 thousand. The contribution of sales in Bulgaria to the consolidated sales revenues in 2020 amounts to 66% (64% in 2019). The Group's revenues for Europe amount to 32% of the total consolidated revenues for 2020. In 2019, the revenue growth is 8.7%, and in 2018 it is 15.9%.

Operating expenses increased by 13.9% in 2020 and reached BGN 1,405,703 thousand. The change is due to an increase in personnel costs and depreciation as well as an increase in the carrying amount of goods sold. Staff costs increased by 5.1% due to higher salaries. In 2019 and 2018, operating expenses increased by 7.2% and 19.0%, respectively. The growth in both years is mainly due to the growth of the book value of goods sold.

In 2020, the net profit decreased to BGN 25,280,000 (70.0% decrease on an annual basis). The main contributors to this decline are the increased financial expenses as a result of foreign exchange losses, as well as the one-off effect of the profits reported in the previous period by associates. In 2019, the net profit increased by 175.4% mainly due to better operating results and lower financial expenses. In 2018, the net profit decreased by 33.1% due to lower operating profit and higher financial expenses.

The Group's sales revenues increased by BGN 80 million or 11.8%, reaching BGN 759 million in the first half of 2021 compared to BGN 679 million in the first half of 2020. Sales of goods increased by BGN 95,4 million or 17.6%, reaching to BGN 637.7 million in the current period compared to BGN 542,3 million in the previous period. Sales of finished products decreased by BGN 15.3 million or 11.2%, to BGN 121,3 million in the first half of 2021 compared to BGN 136.7 million in the first half of 2020. "Sopharma" AD retains its market share by the end of the first half of 2021 according to IQVIA Inc. occupies 3% of the total volume of the Bulgarian pharmaceutical market in value and 11.5% of sales in kind.

On a consolidated basis in Ukraine there was an increase in sales revenue in value terms by BGN 0,6 million or 2.1%. In Russia, sales of finished products decreased by BGN 13 million or 37% compared to the previous period. A decrease was also registered in sales in Kazakhstan and Poland, by BGN 1,1 million and BGN 0.1 million, respectively. Other operating income increased by BGN 1.4 million to BGN 6.6 million in the first half of 2021 compared to BGN 5,2 million in the first half of 2020, on the one hand as a result of increased revenues from services provided by BGN 1 million, and on the other hand as a result of registered increase in the profits from exchange rate differences on trade receivables and payables and current accounts in the amount of BGN 0,5 million.

Net profit increased by BGN 15.1 million or 81% to BGN 33,9 million. in the first half of 2021 compared to BGN 18.7 million in the first half of 2020. The reduced financial expenses as a result of losses from exchange rate differences have a positive impact, as well as the profits reported in the current period by associates amounting to 4.6 million and the profits from the acquisition and disposal of shares in subsidiaries in the amount of BGN 1,2 million.

#### Table №15 Consolidated statement of the Issuer's comprehensive income

Consolidated statement of comprehensive income	2020	2019	2018	30.06.2021	30.06.2020
	<i>in thousand BGN</i>				
Revenue from contracts with customers	1,438,826	1,281,587	1,179,143	759,044	678,997
Other operating income/(losses), net	12,677	12,421	11,837	6,615	5,237
Changes in inventories of finished goods and work in progress	2,124	(3,479)	8,773	3,143	5,808
Raw materials and consumables used	(89,324)	(93,234)	(91,303)	(39,093)	(48,348)
Hired services expense	(80,869)	(75,239)	(75,897)	(33,378)	(37,798)
Employee benefits expense	(133,547)	(127,087)	(119,441)	(74,341)	(65,979)
Depreciation and amortization expense	(46,633)	(44,004)	(33,135)	(26,929)	(21,765)
Carrying amount of goods sold	(1,041,687)	(878,504)	(825,571)	(557,930)	(486,250)
Other operating expenses	(15,767)	(12,769)	(15,263)	(3,234)	(3,156)
<b>Profit from operations</b>	<b>45,800</b>	<b>59,692</b>	<b>39,143</b>	<b>33,897</b>	<b>26,746</b>
Impairment of non-current assets outside the scope of IFRS 9	(5,993)	(18,949)	(186)	-	-
Finance income	5,081	10,953	4,034	4,283	2,459
Finance costs	(19,099)	(12,391)	(9,728)	(6,753)	(9,447)
<b>Finance income / (costs), net</b>	<b>(14,018)</b>	<b>(1,438)</b>	<b>(5,694)</b>	<b>(2,470)</b>	<b>(6,988)</b>
Gain from associates and joint ventures, net	5,976	44,660	2,076	4,579	2,543
Profit/(Loss) from acquisition and sale of subsidiaries	-	-	-	-	-
Gain on acquisition and disposal of subsidiaries	(323)	4,448	-	1,249	-
<b>Profit before income tax</b>	<b>31,442</b>	<b>88,413</b>	<b>35,339</b>	<b>37,255</b>	<b>22,301</b>
Income tax expense	(6,162)	(4,054)	(4,702)	(3,399)	(3,590)
<b>Net profit for the year</b>	<b>25,280</b>	<b>84,359</b>	<b>30,637</b>	<b>33,856</b>	<b>18,711</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of property, plant and equipment	(41)	196	-	(69)	-
Remeasurement of defined benefit pension plans	(214)	(32)	(79)		
Net change in the fair value of other long-term equity investments	(637)	(60)	(792)	(82)	(619)
Income tax relating to items of other comprehensive income that will not be reclassified	4	(20)	-		
	<b>(888)</b>	<b>84</b>	<b>(871)</b>	<b>(151)</b>	<b>(619)</b>
<b>Items that may be reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations	(1,469)	4,176	527		
Share of other comprehensive income of associates	(6,150)	-	527	(691)	(1,611)
	<b>(7,619)</b>	<b>4,176</b>	<b>527</b>	<b>(691)</b>	<b>(1,611)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>(8,507)</b>	<b>4,260</b>	<b>344</b>	<b>842</b>	<b>2,230</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>16,773</b>	<b>88,619</b>	<b>30,293</b>	<b>33,014</b>	<b>16,481</b>

**Net profit for the year attributable to:**

Equity holders of the parent	29,805	86,994	28,343	32,192	20,619
Non-controlling interests	(4,525)	(2,635)	2,294	1,664	(1,908)

**Total comprehensive income for the year attributable to:**

Equity holders of the parent	22,177	90,327	28,636	31,370	19,075
Non-controlling interests	(5,404)	(1,708)	1,657	1,644	(2,594)

Source: "Sopharma" AD

**Results on an individual basis**

Sales revenues in 2020 decreased by 10.4% to BGN 206,737 thousand, compared to BGN 230,691 thousand in 2019. Sales revenues for European countries decreased by 3% compared to 2019, mainly due to a decrease in sales revenues in Russia by 21%. There is also a decrease in revenues from the Balkan countries, Moldova and Poland. Revenues for Ukraine are increasing by 40%. There is also an increase in revenues from Belarus and the Baltics. "Sopharma" AD's sales on the domestic market decreased by 24% in 2020. The decrease is due to the accumulated higher levels of finished products in the main distributor at the beginning of the reporting period. The company retains its market share and at the end of the year occupies 3% of the total volume of the Bulgarian pharmaceutical market in value and 11% of sales in kind.

In 2019, sales revenues grew by 8.6%. Sales revenues for European countries increased by 21% compared to 2018, mainly due to an increase in sales revenues in Ukraine by 5% and in Russia by 32%. An increase is reported in sales in the Balkan countries, Poland, the Czech Republic, Moldova and others. The sales of "Sopharma" AD on the domestic market retain their value up to BGN 92 million. The products with the largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C, Nivalin and medical devices - gauze, compresses, bandages and plasters. The company occupies 3% of the total volume of the Bulgarian pharmaceutical market in value and 10% of sales in kind.

In 2018, sales revenues decreased by 3.0%. Sales revenues for European countries decreased by 7% compared to 2017, mainly due to a decrease in sales revenues in Russia by 11%. Sales in Poland decreased by 1%, Belarus, the Balkans and others. An increase is reported in sales to Ukraine by 11%, the Baltics by 1%, the Czech Republic and others. The sales of "Sopharma" AD on the domestic market increased by 3% to BGN 91.9 million (according to recalculated data after the merger with Medica and Unipharm). The products with the largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C, Nivalin, honey. products - gauze, compresses and bandages. The company occupies 3.4% of the total volume of the Bulgarian pharmaceutical market in value and 11.3% of sales in kind.

Operating expenses decreased by 5.7% in 2020, mainly due to lower costs for raw materials. Expenditures for external services increased by 4.2% due to the increase in expenditures for the manufacture of medicines and consulting services. Changes in inventories of finished goods and work in progress for 2020 affect the reduction of operating costs by BGN 5,376 thousand. In 2019, operating expenses decreased by 0.4%, and in 2018 increased by 5.7%. The growth in 2018 is mainly due to a jump in the costs of external services.

Net profit in 2020 decreased by 29% as a result of poorer operating results and a decline in net financial income. In 2019 the net profit grew by 21.3%, and in 2018 it decreased by 24.7%. These movements are due to the dynamics of revenues and expenditures during these two years.

**Table№16 Individual income statement of the Issuer**

Individual statement of comprehensive income	2020	2019	2018	30.06.2021	30.06.2020
	<i>in thousand BGN</i>				
<b>Revenue</b>					
Revenue	206,737	230,691	212,418	80,524	101,801
Other operating income/(losses), net	4,188	4,134	4,910	1,755	1,960
Changes in inventories of production and work in progress	5,376	(6,183)	2,016	10,547	6,665
Raw materials and consumables used	(70,114)	(75,486)	(75,752)	(30,457)	(38,574)
Hired services expense	(36,438)	(34,974)	(38,654)	(16,229)	(17,470)
Employee benefits expense	(49,804)	(49,203)	(50,147)	(24,720)	(27,287)

Depreciation and amortization expense	(18,230)	(18,347)	(17,414)	(8,796)	(9,104)
Other operating expenses	(8,892)	(4,594)	(9,579)	(1,036)	(2,346)
<b>Profit from operations</b>	<b>32,823</b>	<b>46,038</b>	<b>27,798</b>	<b>11,588</b>	<b>15,645</b>
Impairment of non-current assets outside the scope of IFRS 9	(7,373)	(15,135)	(76)	-	-
Finance income	13,400	16,966	10,520	2,373	10,961
Finance costs	(7,085)	(2,611)	(1,709)	(750)	(4,392)
<b>Finance income/(costs), net</b>	<b>6,315</b>	<b>14,355</b>	<b>8,811</b>	<b>1,623</b>	<b>6,569</b>
<b>Profit before income tax</b>	<b>31,765</b>	<b>45,258</b>	<b>36,533</b>	<b>13,211</b>	<b>22,214</b>
Income tax expense	(3,101)	(4,876)	(3,235)	(1,188)	(1,706)
<b>Net profit for the year</b>	<b>28,664</b>	<b>40,382</b>	<b>33,298</b>	<b>12,023</b>	<b>20,508</b>
<b>Other comprehensive income:</b>					
<i>Items that will not be reclassified to profit or loss:</i>					
Net change in the fair value of other long-term equity investments	(637)	(60)	(792)	(82)	(619)
Remeasurement of defined benefit pension plans liabilities/assets	(158)	16	(30)	-	-
Remeasurement of property, plant and equipment	(41)	196	341	-	-
Income tax relating to items of other comprehensive income that will not be reclassified	4	(20)	(34)	-	-
<b>Other comprehensive income for the year, net of tax</b>	<b>(832)</b>	<b>132</b>	<b>(515)</b>	<b>(82)</b>	<b>(619)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>27,832</b>	<b>40,514</b>	<b>32,783</b>	<b>11,941</b>	<b>19,889</b>

Source: "Sopharma" AD

Revenues from sales of products in the first half of 2021 decreased by BGN 21,4 million or 21% to BGN 79.6 million compared to BGN 101 million in the first half of 2020. Revenues from sales for the first half of 2021 for European countries decreased by 36% compared to the first half of 2020, mainly due to a decrease in sales revenue in Russia by 39%, Ukraine by 51% and Poland by 26%. The decline in sales in Ukraine and Poland is due to the accumulated higher levels of finished products in local distributors at the beginning of the reporting period, as in the domestic market in Ukraine the group reports an increase in value and quantity of sales compared to the previous period. In Poland, final sales also increased in quantitative terms and remained unchanged in value. Sales revenues in the Baltic States are increasing by 5%. The sales of "Sopharma" AD on the domestic market increased by BGN 2.9 million or 9% in the first half of 2021 to BGN 33.7 million compared to BGN 30.8 million in the first half of 2020. The company retains its market share and at the end of the first half of the year it accounted for 3% of the total volume of the Bulgarian pharmaceutical market in value and 11% of sales in kind. The positions of the main competitors of the company on the territory of the country are as follows: Novartis — 7.2% (3.8%), Roche - 6.5% (0.2%), Merck Sharp Doh - 4.4% (0.9%), Actavis - 3.9% (9.4% in units), Pfizer - 3.7% (0.6% in units), Abbvie - 3% (0.03% in units) The products with the largest share of sales in the country are Analgin, Methylprednisolone, Antistenocardin, Famotidine, Paracetamol, Buscolysin, Allergozan.

Operating profit in the first half of 2021 decreased by BGN 4 million or 26%, to BGN 11.6 million compared to BGN 15.6 million in the first half of 2020. Net profit in the first half of 2021 decreased by BGN 8.5 million BGN or by 41%, to BGN 12 million compared to BGN 20.5 million in the first half of 2020. The reasons are the lower operating profit of BGN 4 million as a result of the decline in revenues, as well as decrease in the net amount of financial income and expenses by BGN 5 million due to undistributed dividend from subsidiaries this year.

#### 4.1.2. Assets, liabilities, equity

##### Assets

The total assets on a **consolidated** basis of the Issuer are BGN 1,242,112 thousand as of 31.12.2020, recording an increase of 5.7% compared to 31.12.2019. Non-current assets amounting to BGN 629,935 thousand as of 31.12.2020, an increase of 0.6% compared to 31.12.2019. Current assets amount to BGN 612,177 thousand to 31.12.2020, registering an increase of 11.5% compared to 31.12.2019.

In the first half of 2021 the assets reached BGN 1,224,794 thousand. Non-current assets decreased slightly compared as of 31.12.2020.

The total assets on an **individual** basis of the Issuer amount to BGN 650,338 thousand as of 31.12.2020, marking a decrease of 4.2% compared to 31.12.2019. Non-current assets amount to BGN 435,891 thousand as of 31.12.2020, marking a decrease of 8.6% compared 31.12.2019, mainly due to a decline in the item "Long-term receivables from related companies". Current assets amount to BGN 214,447 thousand as of 31.12.2020, registering an increase of 6.3% compared to 31.12.2019. In 2019, total assets grew by 11.6%, and in 2018 by 2.9%. Long-term receivables from related companies are the main reason for the change in 2019.

In 2019, total assets increased by 11.6%, and in 2018 by 2.9%. Long-term receivables from related companies are the main reason for the change in 2019.

As of 30 June 2021 the assets decreased to BGN 637,524 thousand. Non-current assets decreased slightly compared to 31.12.2020.

**Table№17 Consolidated statement of the financial position of the Issuer**

Consolidated statement of financial position	2020	2019	2018	30.06.2021	30.06.2020
	In thousand levs	In thousand levs	In thousand levs	In thousand levs	In thousand levs
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	395,872	378,625	324,525	383,748	377,184
Intangible assets	58,272	42,829	62,195	57,117	41,468
Goodwill	13,269	15,909	23,516	13,343	15,681
Investment property	11,691	10,856	10,427	11,375	11,277
Investments in associates and joint ventures	62,811	62,985	20,383	66,257	63,532
Other long-term equity investments	14,294	10,079	8,598	15,574	12,978
Long-term receivables from related parties	59,726	91,794	23,055	60,163	92,686
Other long-term receivables	11,951	10,674	6,399	12,159	11,224
Deferred tax assets	2,049	2,421	1,590	169	1,978
	<b>629 935</b>	<b>626 172</b>	<b>480 688</b>	<b>618 967</b>	<b>593 800</b>
<b>Current assets</b>					
<b>Inventories</b>					
Trade receivables	287,569	229,873	235,763	280,824	231,248
Receivables from related parties	250,707	255,660	235,911	247,523	284,862
Receivables from related parties	6,682	7,112	9,942	8,334	7,859
Assets held for sale	-	1,462	-	-	1,462
Other short-term receivables and assets	41,926	27,480	22,717	40,536	34,241
Cash and cash equivalents	25,293	27,513	25,582	22,357	26,624
	<b>612,177</b>	<b>549,100</b>	<b>529,915</b>	<b>605 827</b>	<b>590 886</b>
<b>TOTAL ASSETS</b>	<b>1,242,112</b>	<b>1,175,272</b>	<b>1,010,603</b>	<b>1 224 794</b>	<b>1 184 686</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital	134,798	134,798	134,798	134,798	134,798
Reserves	57,701	60,977	55,661	57,464	59,577
Retained earnings	360,770	360,656	285,101	379,212	371,639
	<b>553,269</b>	<b>556,431</b>	<b>475,560</b>	<b>571,474</b>	<b>566,014</b>
<b>Non-controlling interests</b>	<b>13,326</b>	<b>19,341</b>	<b>32,969</b>	<b>13,411</b>	<b>19,219</b>
<b>TOTAL EQUITY</b>	<b>566,595</b>	<b>575,772</b>	<b>508,529</b>	<b>584,885</b>	<b>585,233</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Long-term bank loans	34,567	56,832	41,124	29,550	59,339
Deferred tax liabilities	7,937	8,196	11,781	6,645	8,093
Non-current liabilities to related parties	8,783	2,972	-	8,815	2,504
Retirement benefit obligations	7,339	6,626	6,015	7,325	6,396
Lease liabilities	49,593	25,840	2,486	48,792	25,167
Government grants	10,422	10,940	7,470	8,005	10,409
Other non-current liabilities	12,425	4,042	299	12,465	3,933
	<b>131,066</b>	<b>115,448</b>	<b>69,175</b>	<b>121,597</b>	<b>115,841</b>

<b>Current liabilities</b>					
Short-term bank loans	255,281	274,829	242,859	240,557	281,198
Current portion of long-term bank loans	31,172	16,730	14,874	28,484	17,832
Trade payables	164,919	116,407	124,476	157,248	144,531
Payables to related parties	2,367	7,668	467	3,324	8,822
Factoring agreement liabilities	36,591	24,772	21,791	24,804	13,534
Current portion of lease liabilities	17,951	10,012	1,196	16,868	10,213
Payables to personnel and for social security	17,996	15,418	14,176	18,374	16,117
Tax payables	6,590	7,217	6,675	11,185	10,693
Other current liabilities	11,584	10,999	6,385	12,189	10,261
	<b>544,451</b>	<b>484,052</b>	<b>432,899</b>	<b>513,033</b>	<b>513,201</b>
<b>TOTAL LIABILITIES</b>	<b>675,517</b>	<b>599,500</b>	<b>502,074</b>	<b>634,624</b>	<b>629,019</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,242,112</b>	<b>1,175,272</b>	<b>1,010,603</b>	<b>1,224,794</b>	<b>1,184,686</b>

Source: "Sopharma" AD

### Liabilities

**The total liabilities on a consolidated basis** of the Issuer increased to BGN 675,517 thousand as of 31.12.2020, marking an increase of 12.7% compared to 31.12.2019. Non-current liabilities amounted to BGN 131,066 thousand as of 31.12.2020, marking an increase of 13.5% compared 31.12.2019, due to an increase in lease liabilities. Current liabilities amount to BGN 544,451 thousand as of 31.12.2020, register an increase of 12.5% compared to 31.12.2019 due to an increase in trade payables partially offset by a 7.1% decrease in short-term bank loans.

Total liabilities grew by 19.4% in 2019 and 5.1% in 2018. The main reason for the growth in 2019 are the lease liabilities, and in 2018 are the short-term bank loans.

Total liabilities increased to 627,624 as of 30 June 2021, compared to 31.12.2020 due to an increase in the Issuer's non-current liabilities.

**The total liabilities on an individual basis** of the Issuer are BGN 113,350 thousand as of 31.12.2020, marking a decrease of 27.4% compared to 31.12.2019. Non-current liabilities amount to BGN 16,091 thousand as of 31.12.2020, marking a decrease of 22.1% compared to 31.12.2019 due to a decrease for long-term bank loans, which decreased from BGN 2,398 thousand as of 31.12.2019 to BGN 15 thousand as of 31.12.2020. Current liabilities amounted to 97,259 as of 31.12.2020, registering a decrease of 28.2% compared to 31.12.2019, mainly due to a decrease in short-term bank loans.

Total liabilities grew by 31.2% in 2019 and 4.7% in 2018. The significant growth in 2019 was caused by an increase in short-term bank loans. The same pen grows in 2018.

As of 30 June 2021, total liabilities decreased to BGN 88,595 thousand due to a decrease in short-term bank loans.

### Equity

**The equity on a consolidated basis** of the Issuer decreased by 1.6%, reaching BGN 566,595 thousand as of 31.12.2020. The decline is due to a decline in "non-controlling interest". In 2019 the growth is 13.2% due to the large profit growth during the year. In 2018 the growth is minimal by 1.1%

As of 30 June 2021 the equity of the parent company reaches BGN 597,170 thousand on a consolidated basis.

**The equity on an individual basis** of the Issuer marked an increase of 2.7%, reaching BGN 536,988 thousand as of 31.12.2020. The growths in 2019 and 2018 are 6.8% and 2.5%.

As of 30 June 2021 the equity of the parent company reaches BGN 548,929 thousand.

#### **4.1.3. Accounting standards**

The financial statements **have been prepared** in accordance with all International Financial Reporting Standards (IFRSs), which consist of: financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC) approved by the International Accounting Standards Board (IASB); and International Accounting Standards and the interpretations of the Standing Committee on IFRS Interpretations (SIC), approved by the International Accounting Standards Committee (IASB), which have been adopted by the Commission of the European Union. IFRS adopted by the EU is the generally accepted name of the general purpose framework - accounting base, equivalent to the framework introduced by the definition under § 1, item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards" (IAS).

#### **Table№18 Individual report on the financial position of the Parent Company**

Individual statement of financial condition	2020	2019	2018	30.6.2021	30.6.2020
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	211,681	224,654	226,956	206,719	222,434
Intangible assets	4,143	8,524	11,881	4,232	8,028
Goodwill	44,759	39,329	37,451	47,017	41,219
Investment properties	86,809	87,146	89,945	83,872	87,616
Investments in associated and joint ventures	6,062	6,062	7,962	7,751	6,062
Other long - term equity investments	11,607	9,621	7,599	13,645	10,873
Long-term receivables from related parties	59,725	91,794	23,055	60,603	57,651
Other long-term receivables	11,105	9,897	5,760	11,318	10,443
	<b>435,891</b>	<b>477,027</b>	<b>410,609</b>	<b>435,157</b>	<b>444,326</b>
<b>Current assets</b>					
Inventories	68,160	61,365	68,499	73,717	70,033
Commercial receivables	114,169	97,014	91,509	96,852	121,204
Receivables from related parties	18,382	27,212	19,431	18,219	32,343
Assets held for sale	3,903	6,044	3,270	3,916	5,782
Other short-term receivables and assets	6,057	6,144	5,937	6,993	7,565
Cash and cash equivalents	3,776	3,959	8,971	2,670	3,117
	<b>214,447</b>	<b>201,738</b>	<b>197,617</b>	<b>202,367</b>	<b>240,044</b>
<b>TOTAL ASSETS</b>	<b>650,338</b>	<b>678,765</b>	<b>608,226</b>	<b>637,524</b>	<b>684,370</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital	134,798	134,798	134,798	134,798	134,798
Treasury shares	(33,656)	(34,142)	(33,337)	(33,656)	(33,762)
Reserves	408,807	382,549	357,310	432,232	409,113
Retained earnings	27,039	39,439	30,448	15,555	23,872
	<b>536,988</b>	<b>522,644</b>	<b>489,219</b>	<b>548,929</b>	<b>534,021</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Long-term bank loans	15	2,398	9,556	10	22
Deferred tax liabilities	5,358	6,209	6,235	5,360	5,664
Government grants	4,427	4,858	5,397	4,217	4,638
Long-term liabilities to related parties"	-	1,610	-	-	1,142
Long-term payables to personnel	1,533	954	-	1,412	1,650
Lease liabilities	4,758	4,638	4,418	4,910	4,785
	<b>16,091</b>	<b>20,667</b>	<b>25,606</b>	<b>15,909</b>	<b>17,901</b>
<b>Current liabilities</b>					
Short-term bank loans	73,335	100,359	65,652	50,834	94,171
Short-term part of long-term bank loans	2,404	7,181	7,168	10	5,975
Trade payables	7,218	6,074	8,922	8,269	6,709
Payables to related parties	1,273	6,664	633	1,060	9,203
Tax payables	2,092	2,329	1,884	908	926
Payables to personnel and social security	7,507	7,266	7,119	8,824	8,769
Other current liabilities	3,430	5,581	2,023	2,781	6,695
	<b>97,259</b>	<b>135,454</b>	<b>93,401</b>	<b>72,686</b>	<b>132,448</b>

TOTAL LIABILITIES	113,350	156,121	119,007	88,595	150,349
TOTAL EQUITY AND LIABILITIES	650,338	678,765	608,226	637,524	684,370

Source: "Sopharma" AD

## 4.2. CAPITAL RESOURCES

### 4.2.1. Capital resources of the Issuer

The capital resources available to the Group are:

- **Equity** - independently generated cash flows from the operating activities of the Group companies, issuance of shares (capital increase).
- **Borrowings** - use of bank loans, leasing and grant schemes, loans from associates and issuance of bonds.

The issuer considers that the working capital is sufficient to cover its current needs.

### 4.2.2. Information on possible restrictions on the use of capital resources that have significantly affected or could significantly affect, directly or indirectly, the activity of the Issuer

There are no such restrictions.

### 4.2.3. Explanation and description of the sources of the Issuer's cash flows

This item and the following tables present data on the Issuer's cash flows on a consolidated and non-consolidated basis for the financial periods under review.

**Consolidated cash flows from operating activities** decreased in 2020, 2019 and 2018. In 2020, the net cash flows from operating activities are negative in amount of BGN 179,411 thousand. In 2019, the net cash flows from operating activities are also negative in the amount of BGN 128,444 thousand. In the first half of 2021, net cash flows remained negative, but increased compared to the same period in 2020.

**The consolidated cash flows for investing activities** for 2019 and 2018 are negative in amount to BGN 104,202 thousand and BGN 41,178 thousand, due to the acquisition of property, plant and equipment and loans to related companies. In 2020, the cash flows from investing activities were positive in the amount of BGN 1,495 thousand, mainly due to a decrease in loans to related companies and a decrease in the purchase of property, plant and equipment. In the first half of 2021, cash flows from investing activities were negative due to purchases of property, plant and equipment.

**The consolidated cash flows from financing activities** are positive in 2020 in the amount of BGN 175,693 thousand, also positive in 2019 in the amount of BGN 235,879 thousand and positive in 2018 in the amount of BGN 166,477 thousand. The positive results in recent years are due to receipts of factoring amounts. In the first half of 2021, net cash flows from financing activities decreased, but remained positive. The decline is due to the repayment of short-term bank loans.

**Table №19 Consolidated cash flows of the Issuer**

Consolidated cash flows	2020	2019	2018	30.06.2021	30.06.2020
	<i>In thousand levs</i>	<i>In thousand levs</i>	<i>In thousand levs</i>	<i>In thousand levs</i>	<i>In thousand levs</i>
<b>Cash flows from operating activities</b>					
Cash receipts from customers	1,376,047	1,215,433	1,201,720	775 978	631 981
Cash paid to suppliers	(1,341,304)	(1,143,957)	(1,142,091)	(708 413)	(639 453)
Cash paid to employees and for social security	(129,085)	(120,315)	(110,689)	(72 108)	(63 221)
Taxes paid (except income taxes)	(74,451)	(69,411)	(64,569)	(38 223)	(35 669)

Taxes refunded (except income taxes)	10,973	7,322	8,401	4 244	7 677
Income taxes paid	(7,947)	(8,673)	(8,227)	(4 440)	(4 718)
Income taxes refunded	78	135	47	8	-
Interest and bank charges paid on working capital loans	(9,195)	(7,988)	(6,219)	(3 868)	(4 951)
Foreign currency exchange gains/(losses), net	(2,271)	225	(860)	(175)	(922)
Other proceeds/(payments), net	(2,256)	(1,215)	(1,297)	(164)	(729)
<b>Net cash flows used in operating activities</b>	<b>(179,411)</b>	<b>(128,444)</b>	<b>(123,784)</b>	<b>(47 161)</b>	<b>(110 005)</b>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	(23,552)	(36,032)	(24,364)	(11 007)	(12 911)
Proceeds from sales of property, plant and equipment	1,770	918	630	193	657
Purchases of investment property	(429)	(332)	-	-	(379)
Purchases of intangible assets	(3,032)	(4,000)	(3,478)	675	-
Proceeds from sales of intangible assets	-	143	-	(2 214)	(826)
Purchases of equity investments	(5,262)	(2,170)	(2,330)	(2 004)	(4 658)
Proceeds from sales of equity investments	56	647	907	30	35
Proceeds from dividends on equity investments	325	190	97	183	-
Proceeds/(payments) on acquisition of subsidiaries, net of cash received	877	(199)	(1,287)	-	-
Proceeds from disposal of subsidiaries, net of the cash provided	71	7,530	-	-	-
Purchases of investments in associates and joint ventures	-	(192)	(227)	196	1
Proceeds from sale of investments in associates and joint ventures	1	4,799	7	(277)	(1 595)
Proceeds/(payments) on transactions with non-controlling interests, net	(4,715)	(5,680)	(2,146)	(2 660)	(1 617)
Loans granted to related parties	(4,532)	(90,660)	(30,289)	1 500	37 152
Loan repayments by related parties	37,151	24,379	22,677	(186)	(1 023)
Loans granted to third parties	(1,145)	(8,636)	(7,460)	28	578
Loan repayments by third parties	2,091	2,431	5,134	121	1 524
Interest received on loans and deposits	1,820	2,662	1,005	-	-
Other receipts/(payments), net	-	-	(54)	-	-
<b>Net cash flows from/(used in) investing activities</b>	<b>1,486</b>	<b>(104,202)</b>	<b>(41,178)</b>	<b>(15 019)</b>	<b>18 938</b>
<b>Cash flows from financing activities</b>					
Proceeds from short-term bank loans (including increases in overdrafts)	14,407	39,387	50,838	191	8 611
Repayment of short-term bank loans (including decreases in overdrafts)	(35,683)	(7,172)	(1,959)	(40 344)	(16 814)
Proceeds from long-term bank loans	13,576	35,251	6,197	12 939	13 987
Repayment of long-term bank loans	(20,241)	(17,998)	(14,977)	(12 553)	(8 465)
Loans received from related parties	-	6,000	-	-	-
Repayment of loans to related parties	-	(6,000)	-	-	-
Loans received from third parties	273	2,431	84	87	141
Repayment of loans to third parties	(365)	(2,619)	(248)	(83)	(215)
Proceeds under factoring agreement	243,935	200,845	153,574	109 479	102 822
Interest and charges paid under factoring agreement	(428)	(449)	(313)	(292)	(170)
Interest and charges paid under investment purpose loans	(1,732)	(1,412)	(1,257)	(1 308)	(697)
Lease payments	(16,790)	(13,095)	(2,205)	(10 608)	(7 419)
Proceeds from non-controlling interest for issue of shares in subsidiaries	38	655	206	-	41
Purchases of treasury shares	(463)	(805)	(861)	-	(262)
Proceeds from sales of treasury shares	805	-	11	-	548
Dividends paid	(22,643)	(3,495)	(22,613)	(12)	(6 302)
Government grants	1,004	4,355	-	61	849
<b>Net cash flows from financing activities</b>	<b>175,693</b>	<b>235,879</b>	<b>166,477</b>	<b>57 557</b>	<b>86 655</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,223)</b>	<b>3,233</b>	<b>1,515</b>	<b>(4 623)</b>	<b>(6 412)</b>
Cash and cash equivalents at 1 January	27,362	24,129	22,614	25 139	27 362

<b>Cash and cash equivalents at 31 December</b>	<b>25,139</b>	<b>27,362</b>	<b>24,129</b>	<b>20 516</b>	<b>20 950</b>
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Source: "Sopharma" AD

**Cash flows from operating activities of the parent company:** In 2020 the net cash flow from operating activities amounts to BGN 27,268 thousand. In 2019 it is BGN 47,591 thousand, and in 2018 it is BGN 32,317 thousand.

In the first half of 2021 the cash flow from operating activities increased significantly compared to In the first half of 2020 and reached BGN 30,334 thousand, mainly due to lower payments to suppliers and growth in revenues from customers.

**Cash flows from investing activities on an individual basis** are negative in 2018 and 2019, mainly due to loans granted to related companies. In 2020, the cash flow became positive in the amount of BGN 28,139 thousand. In the first half of 2021, the cash flow from investing activities decreased significantly compared to the first half of 2020.

**Cash flows from financial activities on an individual basis** are subject to various changes for the period 2018 - 2020. In 2018 the cash flow is also negative in the amount of BGN 16,078 thousand. In 2019, the result was positive in the amount of BGN 24,845 thousand due to revenues from short-term bank loans. In 2020 it was again negative in the amount of BGN 55,590 thousand. In the first half of 2021, cash flow from financing activities remained negative due to payments on short-term bank loans.

**Table №20 Cash flows of the Parent Company**

INDIVIDUAL CASH FLOW STATEMENT	2020	2019	2018	30.6.2021	30.6.2020
	<i>In thousand levs</i>				
<b>Cash flows from operating activities</b>					
Cash receipts from customers	207 344	232 058	220 302	107 478	81 174
Cash paid to suppliers	(118 969)	(122 956)	(128 291)	(47 692)	(62 922)
Cash paid to employees and for social security	(48 807)	(46 835)	(47 343)	(22 535)	(25 259)
Taxes paid (except income taxes)	(8 803)	(9 439)	(8 184)	(4 398)	(5 183)
Taxes refunded (except income taxes)	3 583	1 786	1 998	691	2 338
(Paid)/income taxes refunded, net	(4 268)	(4 570)	(4 062)	(2 255)	(2 518)
Interest and bank charges paid on working capital loans	(1 654)	(1 656)	(1 090)	(591)	(745)
Foreign currency exchange gains/(losses), net	(235)	(187)	(165)	(67)	(95)
Other proceeds/(payments), net	(923)	(610)	(848)	(297)	(286)
<b>Net cash flows used in operating activities</b>	<b>27 268</b>	<b>47 591</b>	<b>32 317</b>	<b>30 334</b>	<b>(13 496)</b>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	(7 570)	(8 817)	(10 607)	(2 591)	(4 069)
Proceeds from sales of property, plant and equipment	1 257	117	272	90	281
Purchases of intangible assets	(178)	-	(282)	(252)	(35)
Purchases of investment property	(5 417)	(193)	-	(2 881)	(1 852)
Proceeds from sales of investment properties	-	-	-	675	-
Purchase of shares in associates	-	(192)	(227)	(52)	-
Proceeds from sale of shares in associates	1	4 799	7	338	1
Purchases of equity investments	(2 708)	(2 170)	(1 744)	(2 004)	(1 906)
Proceeds from sale of capital investments	56	90	907	30	35
Purchases of shares and shares in subsidiaries	(3 485)	(11 193)	(257)	(277)	(482)
Proceeds from sale of shares and shares in subsidiaries	617	1 627	-	1 331	-
Proceeds from dividends from investments in subsidiaries	9 138	9 114	8 693	594	342
Proceeds from dividends from other long-term capital investments	302	160	96	-	-
Loans granted to related parties	(5 290)	(94 040)	(31 268)	(2 660)	(2 375)
Loan repayments by related parties	38 509	26 104	22 676	1 940	38 383
Loans granted to third parties	(978)	(8 523)	(7 442)	-	(861)
Loan repayments by third parties	1 840	2 405	5 134	20	335
Interest received on loans and deposits	2 045	3 264	1 064	103	1 476
Other receipts/(payments), net	-	-	(54)	39	-
<b>Net cash flows from/(used in) investing activities</b>	<b>28 139</b>	<b>(77 448)</b>	<b>(13 032)</b>	<b>(5 557)</b>	<b>29 273</b>

<b>Cash flows from financing activities</b>					
Proceeds from short-term bank loans (including increases in overdrafts)	28	24	33	-	28
Repayment of long-term bank loans	(7 212)	(7 207)	(7 413)	(2 408)	(3,602)
Proceeds from short-term bank loans (overdraft), net	(27 001)	34 685	12 588	(22 482)	(6,179)
Interest and fees paid on loans for investment purposes	(117)	(240)	(365)	(80)	(73)
Proceeds from sale of treasury shares	805	-	11	-	(262)
Treasury shares	(463)	(805)	(861)	-	548
Dividends paid	(19 944)	(28)	(20 000)	(6)	(6 202)
Payments under leases	(1 928)	(1 710)	(71)	(968)	(964)
Government grants	242	126	-	61	87
<b>Net cash flows from financing activities</b>	<b>(55 590)</b>	<b>24 845</b>	<b>(16 078)</b>	<b>(25 883)</b>	<b>(16 619)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(183)</b>	<b>(5 012)</b>	<b>3 207</b>	<b>(1 106)</b>	<b>(842)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>3 959</b>	<b>8 971</b>	<b>5 764</b>	<b>3 776</b>	<b>3959</b>
<b>Cash and cash equivalents at 31 December</b>	<b>3 776</b>	<b>3 959</b>	<b>8 971</b>	<b>2 670</b>	<b>3117</b>

Source: "Sopharma" AD

### 4.3. CAPITALIZATION AND DEBT

The balance sheet capitalization and indebtedness of the Issuer are presented in the following tables.

**Table№21 Balance capitalization of the Issuer on a consolidated basis**

In thousand levs	2020	2019	2018	30.6.2021	30.6.2020
<b>Equity</b>					
Share capital	134,798	134,798	134,798	134 798	134 798
Reserves	57,701	60,977	55,661	58,993	63,739
Retained earnings	360,770	360,656	285,101	390,594	368,255
<b>Total equity</b>					
Source: "Sopharma" AD	<b>553,269</b>	<b>556,431</b>	<b>475,560</b>	<b>584,385</b>	<b>566,792</b>

**Table№22 Balance capitalization of the Issuer on an individual basis**

In thousand levs	2020	2019	2018	2017	30.9.2021	30.9.2020
<b>Equity</b>						
Share capital	134,798	134,798	134,798	134,798	134,798	134,798
Treasury shares	(33,656)	(34,142)	(33,337)	(33,834)	(37,735)	(33,455)
Reserves	408,807	382,549	357,310	330,683	431,116	408,996
Retained earnings	27,039	39,439	30,448	45,831	27,204	20,466
<b>Total equity</b>	<b>536,988</b>	<b>522,644</b>	<b>489,219</b>	<b>477,478</b>	<b>555 383</b>	<b>530 805</b>

Source: "Sopharma" AD

**Table№23 Credit lines and working capital loans on a consolidated basis**

Curren- cy	Maturity	2020		2019		2018		30.06.2021	
		Long-term part	Short-term part						
		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
EUR	31.03.2026	7 179	1 710	6 447	722	-	-	6 401	1 692
BGN	30.06.2024	5 724	2 462	8 186	2 462	10 648	2 462	4 493	2 462
BGN	20.09.2026	3 167	555	4 000	-	-	-	-	-
BGN	10.07.2028	2 694	414	3 107	204	1 113	-	2 694	202
EUR	30.04.2025	2 688	789	-	-	-	-	2 285	804

USD	30.06.2023	1 950	1 327	2 865	437	1 657	131	-	-
EUR	11.03.2023	804	1 875	-	-	-	-	-	1 741
EUR	31.05.2022	452	188	640	188	825	188	-	546
BYN	31.03.2023	331	268	-	-	-	-	-	-
BGN	16.04.2023	261	205	471	207	680	209	261	105
AZN	18.05.2023	14	7	-	-	-	-	10	9
AZN	15.04.2022	1	5	8	7	-	-	-	1
EUR	30.09.2022	-	12 713	11 744	0	-	-	12 713	-
EUR	30.09.2022	-	2 151	2 150	0	-	-	151	-
BYN	26.06.2021	-	375	499	1 012	1 425	973	-	-
EUR	05.07.2020	-	-	-	118	118	235	-	-
BGN	25.08.2020	-	-	-	15	16	24	-	-
EUR	31.05.2021	-	-	-	-	13	8	-	-
RSD	25.03.2019	-	-	-	-	-	6	-	-
EUR	30.12.2019	-	-	-	-	-	17	-	-
BYN	17.03.2024	-	-	-	-	-	-	-	-
BYN	26.06.2021	-	-	-	-	-	-	-	-
USD	31.05.2027	-	-	-	-	-	-	11	-
EUR	25.06.2024	9 302	3 725	13 064	3 701	14 995	3 386	295	63
EUR	15.04.2021	-	2 389	2 386	7 160	9 539	7 157	-	-
AZN	16.03.2021	-	3	4	14	17	11	-	-
EUR	18.02.2021	-	11	11	67	78	67	-	-
EUR	25.12.2023	-	-	1 250	416	-	-	-	-
EUR	17.03.2024	-	-	-	-	-	-	56	744
EUR	27.02.2024	-	-	-	-	-	-	634	380
<b>Total</b>		<b>34 567</b>	<b>31 172</b>	<b>56 832</b>	<b>16 730</b>	<b>41 124</b>	<b>14 874</b>	<b>50 414</b>	<b>12 484</b>

Source: "Sopharma"  
AD

As of 30.09.2021 the long-term bank loans of the parent company amount to BGN 9 thousand (short-term part) and BGN 7 thousand (long-term part).

### Short - term bank loans

In favor of creditor banks to secure short-term bank loans are established special bets on machinery and equipment; raw materials and finished products; and commercial receivables. As of 30.06.2021, special pledges have been established on receivables from related parties, subject to consolidation and eliminated for the purposes of the consolidated annual financial statement report in the amount of BGN 83,608 thousand (31.12.2020: BGN 79,292 thousand) as collateral under Bank loans received from the Group and bank guarantees issued.

**Table №24 Short-term bank loans (overdrafts) on a consolidated basis**

Currency	Maturity	2020	2019	2018	30.06.2021	30.06.2020
EUR	30.07.2021	55 181	50 528	52 384	55 507	52 075
BGN	31.07.2021	19 987	20 009	10 002	9 993	20 000
BGN	31.07.2022	19 325	19 325	-	19 075	19 325
EUR	25.07.2021	12 025	12 406	10 742	12 047	12 341
EUR	31.07.2021	10 047	18 363	9 817	12 895	13 146

EUR	25.07.2021	9 757	9 757	9 757	9 772	9 779
BGN	01.06.2021	9 518	9 704	3 636	34	9 743
EUR	31.07.2021	8 760	8 741	5 868	8 759	8 761
EUR	26.06.2022	8 721	9 803	-	9 961	10 014
EUR	08.07.2021	8 373	8 306	7 980	8 349	6 708
EUR	31.07.2021	7 571	7 544	9 192	7 570	7 572
BGN	31.07.2021	7 000	-	-	3 000	
EUR	25.07.2021	5 859	5 858	5 863	5 867	5 868
UAH	09.02.2021	5 380	8 190	9 472	5 787	6 229
BGN	31.07.2021	4 967	4 992	-	-	4 955
BGN	31.05.2021	4 966	987	9 996	3 350	9 728
BGN	31.07.2021	4 937	19 948	12 947	3 065	16 381
EUR	04.07.2021	2 934	2 934	2 543	1 958	2 905
EUR	01.04.2021	2 347	2 347	-	-	2 347
EUR/RSD	16.12.2021	2 811	-	-	6 750	
EUR	09.12.2021	1 760	2 753	-	-	1 520
BYN	20.02.2021	216	273	257	224	191
BYN	01.01.2021	2	193	184	151	140
BGN	29.04.2021	-	942	-	-	724
BYN	27.02.2020	-	117	257	-	-
BYN	16.12.2019	-	-	265	-	-
RSD	31.01.2020	-	-	608	-	-
RSD	29.06.2020	-	-	328	-	-
BYN	26.11.2019	-	-	120	-	-
EUR	30.09.2019	-	-	6 715	-	-
EUR	26.06.2020	-	-	2 151	-	-
BGN	20.07.2019	-	-	440	-	-
EUR	08.08.2019	-	-	335	-	-
EUR	02.07.2019	-	-	425	-	-
EUR	24.12.2019	-	-	265	-	-
EUR	28.10.2019	-	-	205	-	-
BYN	30.06.2019	-	-	17	-	-
EUR	06.03.2019	-	-	978	-	-
EUR	11.03.2019	-	-	978	-	-
RSD	04.01.2022	-	-	-	-	-
RSD	25.01.2022	-	-	-	-	-
		<b>212 444</b>	<b>224 020</b>	<b>174 727</b>	<b>184 114</b>	<b>220 452</b>

Source: "Sopharma" AD

**Table №25 Short-term bank loans (overdrafts) of a parent company**

Currency	Agreed amount	Maturity	30.09.2021	31.12.2021
EUR	10 000	31.10.2021	4 359	10 047
BGN	20 000	31.05.2022	1 536	4 966
BGN	20 000	31.07.2022	335	4 937
BGN	20 000	31.07.2021	-	19 987

BGN	9 779	01.06.2022	-	9 518
BGN	5 000	31.07.2022	-	4 968
		<b>0</b>	<b>6 230</b>	<b>54 423</b>

Source: "Sopharma" AD

**Table №26 Credit lines on a consolidated basis**

Currency	Maturity	2020	2019	2018	30.06.2021	30.06.2020
BGN	31.01.2021	17,613	19,782	19,254	14 189	19 766
BYN	31.12.2021	12,572	4,808	4,753	6 099	12 559
BGN	31.07.2021	10,000	10,000	10,000	3 461	10 000
EUR	31.06.2021	1,299	6,574	-	7 308	452
BGN	20.12.2023	734	629	128	-	0
EUR	31.03.2021	619	1,810	-	649	942
EUR	04.01.2021	-	7,206	6,507	-	33
EUR	31.08.2019	-	-	15,908	-	-
BYN	08.01.2020	-	-	961	-	-
BYN	06.07.2020	-	-	791	-	-
BYN	31.03.2020	-	-	396	-	-
BYN	18.10.2021	-	-	298	-	-
BYN	08.01.2020	-	-	273	-	-
BYN	04.05.2021	-	-	168	-	-
BYN	13.02.2021	-	-	166	-	-
BYN	31.10.2020	-	-	101	-	-
BYN	08.01.2020	-	-	117	-	-
BYN	20.02.2021	-	-	8,311	-	-
		<b>42,837</b>	<b>50,809</b>	<b>68,132</b>	<b>31 706</b>	<b>43 752</b>

Source: "Sopharma" AD

**Table №27 Extended credit lines of the parent company as of 30.09.2021**

Currency	Agreed amount	Maturity	30.09.2021	31.12.2021
BGN	20 000	31.01.2021	13 935	17 613
EUR	10 000	31.08.2022	3 451	1 299
		<b>0</b>	<b>17 386</b>	<b>18 912</b>

Source: "Sopharma" AD

## Lease obligations

The liabilities under the lease agreements to third parties and related parties included in the statement of financial position are presented net of the interest due in the future and are as follows:

**Table №28 Lease liabilities**

	2020	2019	2018	30.06.2021	30.06.2020
	thousand BGN	thousand BGN	thousand BGN	thousand BGN	thousand BGN
Up to one year	17,974	12,057	1,196	16,659	12,088
Over one year	49,744	28,812	2,486	46,271	29,058
<b>Total</b>	<b>67,718</b>	<b>40,869</b>	<b>3,682</b>	<b>62,930</b>	<b>41,146</b>

Source: "Sopharma" AD

The leasing obligations of the parent company 30.09.2021 and 30.09.2021 are:

<b>BGN'000</b>	<b>30.09.2021</b>	<b>30.09.2020</b>
Up to one year	1,245	1,901
Over one year	933	1,533
<b>Total</b>	<b>2,178</b>	<b>3,434</b>

## Significant irrevocable contracts and commitments

### “Sopharma” AD

The company has received government funding under the Operational Program Development of the Competitiveness of the Bulgarian Economy 2007-2013 and the Operational Program Energy Efficiency, related to the acquisition of fixed assets, reconstruction of buildings and technological renovation and modernization of tablet production, introduction of innovative products in ampoule production, acquisition of general exchange installations for ventilation and air conditioning in the production of medical products and introduction of innovative eye drops of the “artificial tears” type. The company has undertaken for a period of 5 years after the completion of the relevant projects not to perform significant changes affecting the nature and conditions of implementation or giving undue benefits to the company, as well as changes arising from changes in ownership of the acquired assets related to funding. In case of non-fulfillment of these requirements, the provided financing is subject to reimbursement. As of the date of preparation of the report, all requirements of the contracts have been met.

### “Biopharm Engineering” AD

The company has undertaken a contract for the provision of grants for a period of 5 years after the completion of the project for the acquisition of:

(a) a line for the production of amino acid solutions for parenteral nutrition, comprising components for swelling, filling and sealing in an aseptic environment, and

b) construction of clean rooms (omega profile ceiling, partition walls, doors, blocking devices, lighting, air conditioning, etc.). The term starts from 27.04.2015 (the date on which the project is finally approved by the funding organization) and according to the contract, the project must not undergo significant changes affecting its nature, the conditions for its implementation or creating unjustified benefits for the company, as well as changes resulting from a change in the nature of ownership of an element of the infrastructure or the cessation of production activities. In case of non-compliance with these requirements, the provided funding is subject to reimbursement. As of the date of approval for issuance of the financial statements, all requirements of the contract have been met.

### “Veta Pharma” AD

The company has received government funding under the operational program "Development of the competitiveness of the Bulgarian economy" 2007 - 2013 related to increasing the efficiency of enterprises and the development of a favorable business environment. The company has undertaken for a period of 3 years after the completion of the relevant projects not to make significant changes affecting the nature and conditions of implementation or giving undue benefits to the company, as well as changes arising from changes in ownership of the acquired assets related to funding. In case of non-fulfillment of these requirements, the provided financing is subject to reimbursement. As of the date of preparation of the report, all requirements of the contracts have been met.

## Guarantees and guarantees provided

The company is a co-debtor and guarantor of received bank loans, issued bank guarantees and concluded leasing contracts of the following companies:

**Table№29 Companies of which “Sopharma” AD is a co-debtor and guarantor**

<b>Company</b>	<b>Maturity period</b>	<b>Currency</b>	<b>Amount (BGN `000)</b>	<b>Amount of guaranteed amount as at 30.06.2021 (BGN `000)</b>
Doverie Obedinen Holding AD	2027	BGN	30,000	28,767

Doverie Obedinen Holding AD	2021	EUR	9,779	9,792
Momina Krepost AD	2021-2026	BGN	5,000	4,406
Energoinvestment AD	2022	BGN	2,000	400
Minercommerce AD	2022	BGN	200	157
Pharmaplant AD	2023	EUR	460	140

Source: "Sopharma" AD

## Bank guarantees

### "Sopharma Trading" AD

As of 30.09.2021 the Parent Company is a co-debtor and guarantor of received bank loans, issued bank guarantees and concluded leasing contracts of the following companies:

**Table №30 Bank guarantees**

Company	Maturity	Currency	size as of 30.09.2021
Sopharma Trading AD	2021-2025	EUR	105,537
Sopharma Trading AD	2022-2024	BGN	38,848
Doverie obedinen holding AD	2027	BGN	27,441
Sopharma Trading Doo	2023	EUR	15,569
Doverie obedinen holding AD	2022	EUR	9,779
Sopharma Trading Pharmaceuticals Doo and Sopharma Trading	2026	EUR	7,616
PAO Vitamini and Sopharma Ukraine	2022	EUR	5,997
Momina krepost AD	2022-2026	BGN	4,308
Biopharm Engineering AD	2023-2028	BGN	3,120
Energoinvestment AD	2022	BGN	400
Pharmaplant AD	2023	EUR	116
Mineralcommerce AD	2022	BGN	68
<b>Total</b>			<b>218,799</b>

Source: "Sopharma" AD

## 4.4. FORECAST INFORMATION

The issuer does not submit forecasts for its sales and profit.

## 5. SIGNIFICANT CONTRACTS

In the last two years prior to the preparation of this document, "Sopharma" AD has been a party to significant contracts other than those concluded during its normal operation.

On 28 February 2019, a contract was signed between "Sopharma" AD and Doverie-Invest AD for a loan from "Sopharma" AD to Doverie-Invest AD in the amount of BGN 81,900,000. Doverie-Invest AD is a subsidiary of Doverie-Obedinen Holding AD. The loan is granted in several tranches. The first group of tranches was disbursed in the period 02.28.2019 – 03.06.2019 and amounts to a total of BGN 67,900,000. The purpose is to purchase 63.89% of the shares of Moldindconbank S.A. from Doverie-Invest AD. The second group of tranches were disbursed in the period 04.06.2019 - 06.06.2019 and amounted to a total of BGN 14,000,000. The purpose of the second group of tranches is the purchase of a tender offer for the remaining part of the shares of Moldindconbank S.A.

As of the date of prospectus, BGN 23,678 have been repaid from the loan principal.

As of the date of preparation of the Prospectus and for the three years preceding the preparation of this document, it is not known the existence of other significant contracts concluded outside the ordinary course of business of the Issuer's group, which may lead to an obligation or right that is essential. of the Issuer and of the companies from the group of the Issuer to meet their obligations to the holders of securities in respect of the securities to be issued.

## 6. LEGAL AND ARBITRATION PROCEEDINGS

In the period of 12 months prior to the preparation of this document, the Issuer and the companies of the Issuer Group have not been a party to completed state, legal or arbitration proceedings that may have or have had a material influence on the Issuer and the companies of the Issuer Group or on their financial condition and profitability.

As of the date of preparation of this document, the Issuer and the companies of the Issuer Group are not a party to state, legal or arbitration proceedings, which may have or have had a significant impact on the Issuer and the companies of the Issuer Group or on their financial condition and profitability.

The Issuer is not aware of the danger of initiating state, legal or arbitration proceedings, which may have a significant impact on the Issuer or its financial condition and profitability.

“Sopharma Trading” AD, a subsidiary of “Sopharma” AD, has been in the previous 12 months and is a plaintiff or defendant in various court proceedings arising from its ordinary activities, including the collection of its receivables from counterparties in enforcement proceedings and insolvency proceedings. “Sopharma Trading” AD discloses information on the court and arbitration proceedings conducted by and against it pursuant to Ordinance 2 of 17.09.2003 on the prospectuses for public offering and admission to trading on a regulated securities market and on the disclosure of information. As of the date of preparation of this document, “Sopharma Trading” AD is not a party to other court or arbitration proceedings that may have or have had a significant impact on the Issuer and / or the financial condition or profitability of the Group.

## 7. RELATED PARTY TRANSACTIONS

### 7.1. RELATED PARTY TRANSACTIONS

According to International Accounting Standard 24 Related Party Disclosures, a person is considered to be related when:

- a) directly or indirectly through one or more intermediaries the person:
- controls or is controlled or is under the general control of the enterprise (the latter includes parent companies, subsidiaries and co-enterprises);
  - has a stake in the enterprise, which enables it to exercise significant influence over the enterprise; or
  - exercises general control over the enterprise.
- b) the entity is an associate (as defined in IAS 28 Investments in Associates) of the entity;
- c) the person is a joint venture in which the company is a controlling partner;
- d) the person is a member of key management personnel of the undertaking or its parent undertaking;
- e) the person is a close family member of a individual person as referred to in points (a) or (d) above;
- f) the person is an undertaking which is controlled, jointly controlled or significantly influenced by the person referred to in point (d) or (e), or which has significant voting power in that undertaking, directly or indirectly;
- g) the person is a post-employment benefit plan for employees of the enterprise or of any enterprise that is related to the enterprise.

Under the same standard, a related party transaction occurs when there is a transfer of resources, services or obligations between related parties, whether or not a price is applied.

As of the date of the prospectus, the companies related to "Sopharma" AD and the type of their affiliation are as follows:

<i>Related parties</i>	<i>Relation type</i>	<i>Relation period</i>
"Donev Investments Holding" AD	Company shareholder with significant influence	2020 and 2021
"Telecomplect invest" AD	Company shareholder with significant influence	2020 and 2021
"Sopharma Trading" AD	Subsidiary	2020 and 2021
"Pharmalogistica" AD	Subsidiary	2020 and 2021
"Sopharma Poland" OOD – in liquidation	Subsidiary	2020 and 2021
"Electroncommerce" EOOD	Subsidiary	2020 and 2021
"Biopharm Engineering" AD	Subsidiary	2020 and 2021
"Vitamina" AD	Subsidiary	2020 and 2021
"Sopharma Buildings" REIT	Subsidiary	2020 and until 07.06.2021
"Momina Krepost" AD	Subsidiary	2020 until 09.03.2021
"Momina Krepost" AD	Joint venture	Since 10.03.2021
"Briz" OOD	Subsidiary	2019 and 2020
"Sopharma Warsaw" EOOD	Subsidiary	2019 and 2020
"Sopharma Ukraine" EOOD	Subsidiary	2020 and 2021
"Sopharma Kazakhstan" EOOD	Subsidiary	2020 and 2021
"Phyto Palauzovo" AD	Subsidiary	2020 and 2021
"Veta Pharma" AD	Subsidiary	2020 and 2021
"Rap Pharma International" OOD	Subsidiary	2020 and 2021
"Aromania" OOD	Subsidiary	until 23.12.2020
"Pharmahim" EOOD	Subsidiary	since 14.04.2020 and 2021

"Sopharma Trading Pharmaceuticals" (Sopharma Trading D.o.o, Belgrade)	Subsidiary through "Sopharma Trading" AD	2020 and 2021
Sopharma Trading D.o.o. "Lekovit" D.o.o.)	Subsidiary through "Sopharma Trading" AD	Until 03.08.2021
"Sopharmacy" EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 2 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 3 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 4 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 5 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 6 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 7 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 8 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 9 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 10 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 11 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 12 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 13 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 14 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 15 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 16 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 17 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 18 EOOD	Subsidiary through "Sopharma Trading" AD	2020 and 2021
"Sopharmacy" 19 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 20 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 21 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 22 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 23 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 24 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 25 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 26 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 27 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 28 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 29 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 30 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 31 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 32 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 33 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 34 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 35 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 36 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 37 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 38 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 39 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 40 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 41 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021

"Sopharmacy" 42 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 43 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 44 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 45 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 46 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 47 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 48 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 49 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 50 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 51 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 52 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 53 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 54 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 55 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 56 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 57 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 58 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 59 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 60 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 61 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 62 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Sopharmacy" 63 EOOD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
Sanita Franchise AD	Subsidiary through "Sopharma Trading" AD	Since 01.10.2020 and 2021
"Brititrade" COOO	Subsidiary through "Briz" OOD	2020 and 2021
OOO "Tabina"	Subsidiary through "Briz" OOD	2020 and 2021
ZAO "Interpharm"	Subsidiary through "Briz" OOD	2020 and 2021
SOOO "Brizpharm"	Subsidiary through "Briz" OOD	Until 31.01.2020
OOO "Farmacevt Plus"	Subsidiary through "Briz" OOD	2020 and 2021
BOOO "SpetzApharmacia"	Joint venture through "Briz" OOD	2020 and 2021
OOO "Bellerophon"	Joint venture through "Briz" OOD	2020 and 2021
ODO "Alenpharm Plus"	Subsidiary through "Briz" OOD	2020 and 2021
ODO "Salyus Line"	Subsidiary through "Briz" OOD	2020 and 2021
ODO "Medjel"	Subsidiary through "Briz" OOD	2020 and 2021
OOO "GalenaPharm"	Subsidiary through "Briz" OOD	2020 and 2021
OOO "Zdorovei"	Subsidiary through "Briz" OOD	2020 and 2021
UAB "Recesus"	Subsidiary through "Briz" OOD	2020 and 2021
OOO "Zdorovei Pharm"	Subsidiary through "Briz" OOD	Since 02.03.2020 and 2021
Sia "Briz Trading"	Subsidiary through "Briz" OOD	Since 15.02.2021
"Doverie Obedinen Holding" AD	Associate	2020 and 2021
Companies to DOH group	Companies controlled by an associate	2020 and 2021
"Elpharma" AD – in liquidation	Company related through key management personnel	Until 28.08.2020
"Sofprint Group" AD	Company related through key management personnel	2020 and 2021
"Sofconsult Group" AD	Company related through key management personnel	2020 and 2021
"VES electroinvest systems" EOOD	Company related through key management personnel	2020 and 2021
"Eco Solar Invest" OOD	Company related through key management personnel	2020 and 2021
"Sirius" OOD	Company related through key management personnel	2020 and 2021
„Mill village Stefanovo“ EOOD	Company related through key management personnel	2020 and 2021

"OKP Investments" OOD	Company related through key management personnel	2020 and 2021
"Alpha in" EOOD	Company related through key management personnel	2020 and 2021
"Sopharma Buildings" REIT	Associate	Since 07.06.2021 to 10.06.2021
"Sopharma Imoti" REIT	Company related through key management personnel	Since 14.06.2021

For the period covered by the historical financial information presented herein Prospectus, the Issuer has entered into transactions with related parties, described in the following table:

**Table №31 Sales of related parties on an individual basis**

In thousand levs	2020	2019	2018	As of the date of the Prospectus	30.6.2020
<b>Sales of finished products to:</b>	<b>114,701</b>	<b>132,394</b>	<b>128,828</b>	<b>66,998</b>	<b>45,253</b>
Subsidiaries	114,701	132,394	128,828	66,998	45,253
<b>Sales of services to:</b>	<b>2,776</b>	<b>2,542</b>	<b>2,198</b>	<b>1,557</b>	<b>1,224</b>
Subsidiaries	2,706	2,467	2,104	1,539	1,207
Companies related through key management personnel	63	8	16	13	13
Associates	7	8	7	5	4
Companies related through a main shareholder	-	59	51	-	-
Other	-	-	20	-	-
<b>Sales of goods and materials to:</b>	<b>1,568</b>	<b>1,472</b>	<b>1,252</b>	<b>650</b>	<b>514</b>
Companies related through key management personnel	912		1	463	346
Subsidiaries	654	645	509	187	168
Companies controlled by an associate	2	1	2	-	-
Companies related through a main shareholder		826	740	-	-
<b>Sales of tangible fixed assets for:</b>	<b>2</b>	<b>10</b>	<b>25</b>	-	-
Companies controlled by an associate	1	10	24	-	-
Companies related through key management personnel	1		1	-	-
<b>Interest on loans granted to:</b>	<b>2,823</b>	<b>3,117</b>	<b>1,421</b>	<b>1,674</b>	<b>1,247</b>
Other related parties	2,194	2,136	199	1,318	980
Subsidiaries	554	602	513	339	256
Joint-ventures	-	-	-	15	9
Associates	75	353	602	2	2
Companies related through key management personnel	-	26	107	-	-
<b>Income from dividend from:</b>	<b>9,179</b>	<b>10,593</b>	<b>8,742</b>	<b>414</b>	<b>414</b>
Subsidiaries	9,179	10,493	8,693	414	414
Companies related through a main shareholder		100	49	-	-
<b>Income from guarantees from:</b>	<b>368</b>	-	-	<b>209</b>	<b>110</b>
Subsidiaries	368	-	-	199	106
Companies controlled by an associate	-	-	-	5	3

Joint-venture	-	-	-	5	1
<b>Total</b>	<b>131,417</b>	<b>150,128</b>	<b>142,466</b>	<b>71,502</b>	<b>48,762</b>

Source: "Sopharma" AD

**Table№32 Deliveries from related parties**

In thousand levs	2020	2019	2018	As of the date of the Prospectus	30.6.2021
<b>Deliveries of inventory from:</b>	<b>10,537</b>	<b>10,405</b>	<b>9,582</b>	<b>5,800</b>	<b>4,619</b>
Companies related through key management personnel	10,420	37	13	5,740	4,570
Companies controlled by an associate	62	59	112	35	25
Subsidiaries	55	82	222	25	24
Companies related through a shareholder with significant influence	-	10,227	9,235	-	-
<b>Deliveries of services from:</b>	<b>6,736</b>	<b>13,794</b>	<b>15,341</b>	<b>3,413</b>	<b>2,669</b>
Subsidiaries	5,062	9,183	9,758	2,486	1,974
Companies controlled by an associate	1,076	896	910	529	395
Companies related through a shareholder with significant influence	368	326	341	245	192
Companies related through key management personnel	230	3,027	2,828	153	108
Companies related through main shareholder	-	362	1,504	-	-
<b>Acquired investments in:</b>	<b>3,474</b>	<b>9,659</b>	<b>-</b>	<b>278</b>	<b>277</b>
Subsidiaries	3,474	9,337	-	278	277
Companies related through a shareholder with significant influence	-	322	-	-	-
<b>Dividends accrued on:</b>	<b>7,040</b>	<b>3,205</b>	<b>6,998</b>	<b>-</b>	<b>-</b>
Companies related through a shareholder with significant influence	6,883	3,107	6,777	-	-
Key management personnel	157	98	221	-	-
Companies related through key management personnel	-	-	-	-	-
<b>Other deliveries from:</b>	<b>112</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>-</b>
Companies controlled by an associate	104	-	-	-	-
Companies related through a shareholder with significant influence	6	6	6	-	-
Subsidiaries	2	-	-	-	-
<b>Deliveries related to assets under leases from:</b>	<b>-</b>	<b>1,038</b>	<b>-</b>	<b>-</b>	<b>-</b>
Companies related through a shareholder with significant influence	-	1,038	-	-	-
<b>Deliveries for acquisition of fixed assets from:</b>	<b>-</b>	<b>20</b>	<b>2,407</b>	<b>-</b>	<b>-</b>

Companies related through key management personnel	-	20	2,280	-	-
Companies controlled by an associate			120	-	-
Subsidiaries			7	-	-
<b>Deliveries for acquisition of investment properties from:</b>	-	<b>304</b>	<b>116</b>	-	-
Companies related through key management personnel	-	251	34	-	-
Subsidiaries	-	53	4	-	-
Companies controlled by an associate	-	-	78	-	-
<b>Deliveries of fixed assets from:</b>	-	<b>96</b>	<b>73</b>	-	-
Companies related through key management personnel	-	96	72	-	-
Companies controlled by an associate	-	-	1	-	-
<b>Total</b>		<b>27,899</b>	<b>38,527</b>	<b>34,523</b>	<b>9,491</b>
				<b>7,565</b>	

Source: "Sopharma" AD

## 7.2. INFORMATION ON POTENTIAL TRANSACTIONS WITH INTERESTED PERSONS

The members of the Board of Directors of the Company would be "interested parties" in a transaction under the above paragraph (the term has the meaning within the meaning of Article 114, paragraph 6 of LPOS), if they or related persons: (a) are a party, its representative or intermediary in the transaction, or the transactions or actions are performed in their favor; or (b) hold, directly or indirectly, at least 25% of the votes in the general meeting or control a legal person which is a party, its representative or intermediary in the transaction, or in whose favor the transactions or actions are carried out; or (c) are members of the management or supervisory bodies or procurators of a legal person under (b).

For the purposes of the above paragraph, related parties are: (a) persons one of whom controls the other person or its subsidiary; (b) persons whose activities are controlled by a third party; (c) persons jointly controlling a third party; (d) spouses, relatives in the direct line without restrictions, relatives in the collateral line up to and including the third degree and relatives by marriage up to and including the third degree inclusive.

As of the date of the prospectus, the Issuer is not aware of any information about potential transactions with interested parties.

## 8. DIVIDEND POLICY

The General Meeting of Shareholders of the Issuer has not explicitly approved or undertaken to follow a certain policy for distribution of the Company's profit in the past. During the period covered by the presented financial historical information, the Issuer has distributed dividends in favor of the shareholders. At the regular GMS on 04.06.2021 a proposal was approved not to distribute dividends to shareholders from the profit for 2020.

"Sopharma" AD has paid the following dividends per share to its shareholders in the last three years: for 2020 - BGN 0.04; for 2019 - BGN 0.12; for 2018 - BGN 0.05.

## 9. JUSTIFICATION FOR THE OFFERING AND USE OF REVENUES

The purpose of the forthcoming issue of warrants is to raise funds for the completion of financial commitments, to improve the balance sheet of the parent company, as well as to raise additional working capital.

The proceeds from the forthcoming issue of warrants with a minimum subscription of **22,466,317 warrants** after deduction of expenses on the issue, amounting to **BGN 50,525.45** are expected to be **BGN 6,240,043.31**. These funds will be used as follows:

1. BGN 2,300,000 for investment on a production site in the town of Sandanski. The Company has made a firm commitment to this investment;
2. BGN 3,940,043.31 for repayment of short-term bank loans.

Proceeds from the forthcoming issue of warrants with a maximum subscription of **44,932,633 warrants** after deduction of expenses on the issue, amounting to **BGN 50,525.45**, are expected to be **BGN 12,530,353.68**. These funds will be used as follows:

4. BGN 2,300,000 for investment on a production site in the town of Sandanski. The Company has made a firm commitment to this investment;
5. BGN 3,940,043.31 for repayment of short-term bank loans;
6. 6,290,310.37 for potential future acquisitions of new products or new companies (as of the date of the prospectus, the company has not made a firm commitment to such seats and is not negotiating such).

**Table №33 Use of revenues**

Bank	Short-term part as of 30.06.2021	Contractual interest rate	Redemption with minimal subscription	Repayment at maximum recording	Maturity
<i>BGN'000</i>					
ING	12,895	1M Euribor + 1.50% (not less than 1.5%)	2,000,000	2,000,000	30.11.2021
DSK	9,993	1M Euribor + 1.3% (not less than 1,3%)	1,000,000	1,000,000	31.8.2022
Postbank	3,350	RPL + 1.3% (not less than 1.45%)	940,043	940,043	31.5.2022

Source: "Sopharma" AD

Proceeds from the issue will not be used for acquisitions of assets other than normal business activity. The company intends to use part of the proceeds to reduce part of its short-term bank loans.

The issuer believes that the proceeds from the issue will be sufficient for the implementation of the specific goals of the Company.

## 10. INFORMATION ABOUT THE OFFERED SECURITIES

The warrants of the current issue are offered against payment of their **issue value of BGN 0.28** and entitle their holders to subscribe for shares from a future capital increase of “Sopharma” AD at a **value of exercise of BGN 4.13 per share** determined at the time of subscription, and against one warrant a share of the future capital increase may be subscribed.

The issue value of the underlying asset determined at the time of writing the warrant is the price of exercising the warrant.

The term in which the right can be exercised is **3 years**, as of the registration of the issue of warrants in “Central Depository” AD. After the expiration of the term under the previous sentence, the issue matures and the unexercised rights under warrants are terminated.

### **Interest of the natural and legal persons participating in the issue / offer**

At the time of preparation of the Prospectus for public offering of warrants, the Issuer is not aware that there is any interest of physical or legal persons in the offering or any interest, including conflict of interest, which is significant in relation to the issue / offer.

### 10.1. DESCRIPTION OF TYPE AND CLASS

Based on this document, derivative financial instruments - **warrants** are offered for initial subscription by their Issuer “Sopharma” AD.

According to the legal definition of § 1, item 4 of the Additional Provisions of LPOS, the warrant is a security that expresses the right to subscribe for a certain number of securities, at a predetermined or determinable issue value, until the expiration of a certain period.

A warrant is a derivative security that is issued on other securities - an underlying asset. The underlying asset of the warrants of the current issue are future, ordinary, registered, dematerialized shares, giving the right to one vote in the GMS, which will be issued by the Issuer of warrants - “Sopharma” AD. As far as the underlying asset is shares of the class of the currently issued shares of “Sopharma” AD, the investors in warrants of this issue should take into account the dependence of the price of the warrants and respectively the value of their investment on the share price of the Company.

At the time of preparation of this Prospectus, the underlying asset of the offered warrants has not been issued. The warrants entitle the holder to subscribe for the shares from a future increase of the capital of “Sopharma” AD, which should be performed upon occurrence of certain prerequisites, described in detail in the Prospectus.

The warrants from this issue are **dematerialized, freely transferable and registered**.

**The total amount of the offered issue is up to 44,932,633 warrants.**

**All warrants of this issue give equal rights to their holders and form one class of securities.**

At the time of writing, the future warrant issue does not have an ISIN code assigned. The ISIN code is BG9200001212. CFI code: RWSTBE. FISN code: SOPHARMA/ P WT SOPHARMA 1 20240901.

## 10.2.LEGISLATION

This issue of warrants is issued by “Sopharma” AD in accordance with the legislation of the Republic of Bulgaria, in compliance with the provisions of the CA and the LPOS. After the admission of the issue to trading on the regulated market organized by the “Bulgarian Stock Exchange” AD, the requirements of the Markets in Financial Instruments Act (MFIA) and the acts on its implementation will be fully applicable to the trading of warrants.

The following regulations regulate the offering of the current issue, as well as the subsequent issuance of ordinary shares - underlying asset of this issue:

- Law on Public Offering of Securities (LPOS).
- Law on the Financial Supervision Commission (FSCA).
- The Tax and Social Security Procedure Code.
- Currency Law.
- Ordinance № 22 of 29.07.2005 on the terms and conditions for entry and deregistration of public companies, other issuers of securities and issues of securities in the FSC register.
- Ordinance № 2 of 17.09.2003 for the prospectuses for public offering and admission to trading on a regulated securities market and for the disclosure of information by public companies and other issuers of securities.
- Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71 / EC (Text with EEA relevance).
- Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format the content, verification and approval of the prospectus to be published in the public offering of securities or their admission to trading on a regulated basis market, and repealing Commission Regulation (EC) (809/2004).
- Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards regulatory technical standards on basic financial information, contained in the summary of the prospectus, the publication and classification of the prospectuses, advertisements for securities, supplements to prospectuses, as well as the portal for notifications and repealing Commission Delegated Regulation (EU) № 382/2014 and Commission Delegated Regulation (EU) 2016/301 (Text with EEA relevance).

The regulations that regulate or may affect the trading of the current issue of warrants on a regulated market, as well as the trading of the underlying asset, are the following:

- Markets in Financial Instruments Act (MFIA).
- Law on Market Abuse of Financial Instruments (MFIA).
- Money Laundering Act (MLA).
- Law on the Financial Supervision Commission (FSCA).
- Ordinance №38 on the requirements for the activity of investment intermediaries.
- Ordinance №8 on the requirements for the activity of central securities depositories, the central register of securities and other persons carrying out activities related to settlement of securities.

Rules in connection with the registration, admission and conduct of trading with the offered issue of warrants on the “Bulgarian Stock Exchange” AD are also contained in the Rules of Procedure of the “Bulgarian Stock Exchange” AD and the Rules of the “Central Depository” AD.

### 10.3. FORM

The offered warrants are registered and dematerialized. They are rights that are registered on account of the name of its holder in "Central Depository" AD.

The issuance and disposal of warrants take effect after their registration with "Central Depository" AD.

The registered office and the address of management of "Central Depository" AD are: Bulgaria, Sofia, 6 Tri Ushi Str., 4th floor, contact telephones: +359 2 939 1970 and +359 2 4001 254 - for contact with the Registers Department and +359 2 939 1992 and +359 2 4001 253 - for contact with the Settlement Department.

### 10.4. CURRENCY

The currency of the current issue of warrants is in Bulgarian levs (BGN).

### 10.5. RIGHTS

Each warrant of this issue gives the following rights to its holder:

**1. Right to subscribe for shares from the forthcoming capital increase of "Sopharma" AD, which will be performed in the presence of the prerequisites described below.**

Holders of warrants may exercise their right against payment of the issue value of shares specified in this Prospectus in the amount of BGN 4.13 per share.

The right to subscribe for shares from the capital increase of "Sopharma" AD can be exercised within 3 years. The beginning of the term under the previous sentence is considered the date on which the issue of warrants is registered in "Central Depository" AD. The term expires on the respective day of the 3rd calendar year, and if this day is absent (non-working) - on the first following present (working) day.

In order for the holder of the warrant to exercise his right, the following factual composition must be fulfilled:

**a) Decision of the holders of warrants for exercising the rights under the warrants, taken by a simple majority of the votes of the holders of warrants presented at the meeting.**

At the request of the holders of warrants representing **not less than 3%** of the issued issue or respectively having the residual (unexercised) amount of the issue, if at the moment, over 97% of the issued warrants have been exercised, the Board of Directors of "Sopharma" AD shall convene a meeting of the holders of warrants within 14 days of receiving the request. The meeting of the holders of warrants is convened by invitation, published on the website of the Company at least 5 calendar days before the date of the meeting.

The invitation to convene the General meeting of the holders of warrants and the materials for the meeting are announced to the public through the Issuer's website the media used by the Company (x3news.com, investor.bg) and are sent to the FSC, Central Depository AD and the Bulgarian Stock Exchange AD, simultaneously with the publication of the invitation on the Issuer's website. The written materials related to the agenda of the general meeting of warrant holders must be available to the latter at the address of the Company's management, no later than the publication of the invitation.

The invitation to convene the meeting contains at least information about the company and the registered office of the Company, the place, date and time of the meeting, information about the formalities to be completed in order for the holders of warrants to exercise their right to vote, including the form of authorization, the agenda of the issues proposed for discussion by the persons requesting the convening of the meeting, and the proposals for decisions made by the same persons in the request for convening the general meeting of the holders of warrants.

In case the request for convening the meeting made by the holders of warrants does not include the adoption of a decision for exercising the rights under the warrants, such shall be included in the invitation by the Board of Directors of "Sopharma" AD. The invitation should be accompanied by a statement of the movement of the price of ordinary shares issued by the Company (shares of the same class as the underlying asset of the warrants) on the regulated market organized by the "Bulgarian Stock Exchange" AD for one year preceding the date of convening the meeting, or respectively for the period from the date of the previous meeting of the holders of warrants, if such was held less than a year before the convening of this meeting of the holders of warrants.

The right to participate in the General meeting of warrant holders have the persons entered in the register kept by “Central Depository” AD, as holders of warrants, 14 days before the date of the meeting of warrant holders.

The meeting is valid and decisions can be made at it, if 1/2 of the issued and unexercised warrants are presented. In the absence of a quorum, a new meeting shall be scheduled no earlier than 7 days after the date of the first meeting, the date of which shall be indicated in the invitation to convene the meeting, and it shall be valid regardless of the warrants submitted to it.

The decision to exercise the rights under the warrants shall be adopted by a simple majority of the votes of the holders of warrants presented at the meeting.

The meeting was attended by an authorized member of the Board of Directors of “Sopharma” AD and the Investor Relations Director of the Company.

The authorized member of the Board of Directors of “Sopharma” AD is obliged to present to the holders of warrants a report on the average price for the last trading session before the date of the meeting of the Company’s shares which are of the same class as the underlying asset of the warrants on the regulated market organized by the “Bulgarian Stock Exchange” AD, as well as an opinion on whether the warrants are in cash or out of cash and the opinion of the Board of Directors of “Sopharma” AD on the proposal for making a decision on the exercise of warrants.

Minutes of the meeting are kept by the Investor Relations Director of “Sopharma” AD, which provides the minutes of the meeting of the holders of warrants to the Board of Directors of “Sopharma” AD.

If 3 months before the maturity of the issue the Board of Directors has not received a request to convene a meeting of the holders of warrants, the Board of Directors shall decide to convene a meeting of the holders of warrants, in which case a decision of the meeting of holders of warrants shall not necessary.

The Board of Directors of the Issuer announces the announcement of the forthcoming capital increase in the Commercial Register kept by the Registry Agency and publishes on the websites of the Issuer and the investment intermediary selected to service the capital increase.

**b) Decision of the Board of Directors of “Sopharma” AD for capital increase of the Company provided that the new shares are subscribed by the holders of the warrants of the current issue.**

Within 7 days after receiving the minutes of the meeting of the meeting of holders of warrants, at which the decision was made to exercise the rights under the warrants, respectively no later than 3 months before the maturity of the issue, the Board of Directors of “Sopharma” AD should decide to increase the capital of the Company by issuing a 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 of the increase are subscribed by the holders of warrants.

The minutes of the meeting of the Board of Directors, at which a decision was made to increase the capital of “Sopharma” AD, shall be submitted to the FSC, “Bulgarian Stock Exchange” AD and “Central Depository” AD by the end of the business day following the day of the meeting and when it is subject to entry in the Commercial Register - until the end of the working day following the day of learning about the entry, but not later than 7 days from the entry.

The decision of the Board of Directors of “Sopharma” AD does not create an obligation for the holders of warrants to subscribe for shares against the warrants held, but gives them the opportunity to exercise this right. Holders of warrants who have not exercised their right to subscribe for shares from the capital increase, based on the decision of the Board of Directors, may do so until the maturity of the issue under the appropriate terms and conditions. With the maturity of the issue, the unexercised rights under the warrants are terminated.

At least 7 days before the set **Initial term for exercising the warrants**, the Board of Directors of “Sopharma” AD, in accordance with the requirements of Art. 89t of the LPOS announces a notice of the capital increase, the initial and final term for exercising the warrants, by subscribing shares, as well as the other essential conditions of the offering. The Issuer shall publish the announcement under the previous sentence on the websites of the Issuer and of the investment intermediary selected to service the capital increase.

The right to participate in the increase of the capital of the Company, exercising the rights under the warrants, have the persons, who have acquired warrants no later than 7 days after the later date between the date of announcing the announcement under art. 89t of LPOS on the website of the Issuer and on the website of the servicing investment intermediary. This date is also the Start Date on which warrants can be exercised by subscribing for shares.

The decision of the Board of Directors determines a period of 15 working days in which the warrants may be exercised, as of the starting date for exercising the rights under the warrants. In case the decision of the Board of Directors to increase the capital is taken in the case where a decision of the holders of warrants under letter "a" above is not required, the term for exercising the warrants is not less than 15 working days and expires at the maturity of the issue.

The final date for transfer of warrants from the current issue is no later than 7 days after the later date between the date of publication of the notice under art. 89t of LPOS on the website of the Issuer and the servicing investment intermediary.

**c) Explicit statement by the holder of warrants that he wishes to exercise the warrants held by him by subscribing the respective number of shares from the increase of the capital of the Company.**

Holders of warrants who wish to exercise the rights under them should make an explicit statement for exercising the warrants by submitting an application for subscription of shares from the capital increase of the Issuing Company and pay the issue value of the subscribed shares. The application for subscription of shares shall be submitted to the investment intermediary, servicing the capital increase of the Issuer, directly or through another licensed investment intermediary, on whose account in "Central Depository" AD the warrants of the respective holder are registered, which in turn sends the application to the investment intermediary servicing the capital increase.

Legal entities submit the application through their legal representatives or through a person authorized by them, attaching to the written application:

- certificate for current status of the applicants - legal entities. Foreign legal entities submit documents translated and legalized in the respective order.
- identity document of the physical persons - legal representatives of the legal entity. The investment intermediary shall keep a certified copy of the submitted identity document.
- copies of BULSTAT registration and tax registration, certified by the legal representative / resp. the proxy of the legal entity.
- notarized explicit power of attorney and identity document of the proxy - when submitting an application through a proxy. The investment intermediary shall keep for his archive the power of attorney, as well as a certified copy of the presented identity document of the proxy. Foreign legal entities submit documents translated and legalized in the respective order.

Individuals submit applications in person, identifying themselves with an identity document, a copy of which is attached to the application, or through a proxy, who identifies himself with a notarized explicit power of attorney and an identity document. The investment intermediary shall keep for its archive the power of attorney, as well as a certified copy of the presented identity document.

At the request of the investment intermediary, to which the application for subscription of shares has been submitted, "Central Depository" AD blocks the respective number of warrants on a client sub-account.

The issue value of the subscribed securities should be paid to a special accumulation account, which will be additionally disclosed in the announcement published by the Board of Directors of the Company regarding the decision to increase the capital, according to item b, above.

Subscribers of shares should pay the amount corresponding to the issue value of the shares subscribed by them at the latest by the expiration of the term for subscription of shares.

The amounts on the accumulation account cannot be used by the Issuer before the successful completion of the subscription and the registration of the capital increase of "Sopharma" AD in the commercial register kept by the Registry Agency.

According to the requirement of art. 64, para. 1 of Ordinance № 38, when submitting an application for subscription of shares, the holders of warrants should present evidence to the investment intermediary that they have paid the issue value of the subscribed shares.

**d) Successful completion of the subscription and entry of the capital increase of the Company in the Commercial Register kept by the Registry Agency.**

**The subscription is considered to have been successfully completed, regardless of the number of subscribed shares.**

Within 3 days from the end of the subscription “Sopharma” AD notifies the FSC about the subscription and its results, including difficulties and disputes in the exercise of warrants and subscription of shares, after which the capital increase of “Sopharma” AD is entered in the Commercial Register.

After the completion of the subscription and the entry of the capital increase in the Commercial Register, “Central Depository” AD registers the shares from the capital increase and issues a Deed for registration of the capital increase, certifying the total number of shares after the increase and data on the shareholders acquired shares of the increase.

The shares from the capital increase are registered on client sub-accounts of the shareholders, to the account in the Central Depository of the investment intermediary, through which they are subscribed. At the request of the shareholders, they may receive depository receipts certifying the right to the shares purchased by them, through the investment intermediary with which their client sub-accounts have been opened.

According to the requirement of art. 110, para. 9 of the LPOS, the Issuer shall be obliged within 7 days from the entry of the capital increase in the Commercial Register to request entry of the new issue of shares in the register under Art. 30, para. 1, item 3 of the FSCA, after which to request its admission for trading on a regulated market.

After admission to trading, the shares from the capital increase of “Sopharma” AD will be freely traded on the “Bulgarian Stock Exchange” AD. Each shareholder may submit an order for sale of the shares to a licensed investment intermediary, and any investor wishing to purchase shares of “Sopharma” AD - an order for purchase, in compliance with the requirements of Ordinance № 38.

The rights under the warrants, which have not been exercised until the maturity of the issue, shall be terminated due to non-exercise.

Detailed information on the procedure for exercising warrants is presented in item 12 below.

## **2. Right to one vote in the meeting of holders of warrants.**

### **a) Competence**

The meeting of the holders of warrants may take decisions for exercising the rights under the warrants, which is binding for the Board of Directors of “Sopharma” AD.

The Meeting of Warrant Holders may discuss other issues of common interest for the holders of warrants, without the decisions on them being binding on the Company or its body.

### **b) Convention**

At the request of the holders of warrants representing **not less than 3%** of the issued issue or respectively having the residual (unexercised) amount of the issue, if At the moment, over 97% of the issued warrants have been exercised, the Board of Directors of “Sopharma” AD convenes a meeting of the holders of warrants within 14 days of receiving the request. The meeting of the holders of warrants is convened by invitation, published on the website of the Company at least 5 calendar days before the date of the meeting.

The invitation to convene the General Meeting of the holders of warrants and the materials for the meeting are announced to the public through the Issuer's website used by the Company and are sent to the FSC, “Central Depository” AD and “Bulgarian Stock Exchange” AD, simultaneously with the publication of the invitation on the website of the Company. The written materials related to the agenda of the General Meeting of Warrant Holders must be made available to the latter at the address of the Company's management, no later than the publication of the invitation.

The invitation to convene the meeting contains at least information about the company and the registered office of the Company, the place, date and time of the meeting, information about the formalities to be completed in order for the holders of warrants to exercise their right to vote, including the form of authorization, the agenda of the issues proposed for discussion by the persons requesting the convening of the meeting, and the proposals for decisions made by the same persons in the request for convening the general meeting of the holders of warrants.

In case the request for convening the meeting made by the holders of warrants does not include the adoption of a decision for exercising the rights under the warrants, such shall be included in the invitation by the Board of Directors of “Sopharma” AD. The invitation shall be accompanied by a statement of price movements for one year preceding the date of convening the meeting, or for the period from the date of the previous meeting of the holders of warrants, if such was held less than a year before the convening at this meeting of the holders of warrants, of the ordinary

shares issued by the Company (shares of the same class as the underlying asset of the warrants) on the regulated market organized by the “Bulgarian Stock Exchange” AD.

### **c) Conducting the meeting of the holders of warrants and making decisions**

The right to participate in the General Meeting of Warrant Holders have the persons entered in the register kept by “Central Depository” AD as holders of warrants 14 days before the date of the Meeting of Warrant Holders.

The meeting is valid and decisions can be made at it, if 1/2 of the issued and unexercised warrants are presented. In the absence of a quorum, a new meeting shall be scheduled no earlier than 7 days after the date of the first meeting, the date of which shall be indicated in the invitation to convene the meeting, and it shall be valid regardless of the warrants submitted to it.

The decision to exercise the rights under the warrants shall be adopted by a majority of the votes of the warrants holders represented at the meeting.

The meeting was attended by an authorized member of the Board of Directors of “Sopharma” AD and the Investor Relations Director of the Company.

The authorized member of the Board of Directors of “Sopharma” AD is obliged to present to the holders of warrants a report on the average price for the last trading session before the date of the meeting, of the Company's shares which are of the same class as the underlying asset of the warrants on the regular market organized by the “Bulgarian Stock Exchange” AD, as well as an opinion on whether the warrants are in cash or out of cash and the opinion of the Board of Directors of “Sopharma” AD on the proposal for making a decision on the exercise of warrants.

Minutes of the meeting are kept by the Investor Relations Director of “Sopharma” AD, which provides the minutes of the meeting of the holders of warrants to the Board of Directors of “Sopharma” AD. The minutes shall be signed by the Investor Relations Director of “Sopharma” AD and by the Chairman and the Secretary of the meeting, if such are elected. A list of warrants present or represented at the meeting shall be attached to the minutes, indicating the number of warrants held or represented, in which warrants holders and their representatives shall certify their presence with a signature. The list is certified by the Investor Relations Director of “Sopharma” AD and by the Chairman and Secretary of the meeting, if such persons are elected.

If 3 months before the maturity of the issue the Board of Directors has not received a request to convene a meeting of the holders of warrants, the Board of Directors shall decide to convene a meeting of the holders of warrants, in which case a decision of the meeting of holders of warrants is not necessary.

In case the holder of the warrant exercises his right under it until the maturity of the issue, he acquires the status of a shareholder and a membership relationship arises between the shareholder and “Sopharma” AD. If the holder of the warrant was a shareholder in “Sopharma” AD before exercising the warrant, the scope of his membership is expanded.

Each subscribed share, in exercising the right conferred by the warrant, brings to its holder two main groups of rights - **property and non-property**:

#### **Property rights of the shareholder:**

##### **1. Right to dividend**

The right to dividend is a main property right of the shareholder, which is expressed in his right to receive part of the net profit of the Company, proportional to his participation in the capital of the same, in the presence of the prerequisites defined by law - adopted by the General Meeting of Shareholders financial report and a specific decision of the General Meeting for profit distribution. The right to receive a dividend have the persons entered in the registers of the Central Depository as shareholders of the Company on the 14th day after the date of the General Meeting, at which the annual financial report and decision for distribution of the profit are adopted. The Central Depository provides the Company with a list of shareholders as of the above date. The presence of the person in this list is a sufficient condition for him to receive a dividend, after his proper identification. The Company is obliged to ensure the payment of the dividend voted by the General Meeting within 3 months of its holding, as the costs of payment are at the expense of the Company. The persons entitled to a dividend may exercise this right until the expiration of the general 5-year limitation period, after which the right shall be extinguished and the unreceived dividends shall remain in the Company, being transferred to the Reserve Fund. The right to dividend is limited in the following areas:

- dividends are paid only if according to the audited and approved annual financial statements the net asset value, less dividends and interest payable, is not less than the amount of the Company's capital, Reserve Fund and other funds that the Company is obliged to pay to form by law or statute.
- no dividend may be distributed in an amount exceeding the profit limits for the respective year, the retained earnings from previous years, the part of the Reserve Fund and other funds of the Company exceeding the minimum set by law or the Articles of Association, reduced by uncovered losses from previous years and deductions for the Reserve Fund and other funds of the Company.
- at least 1/10 of the profit of the joint-stock company must be set aside until the funds in the Reserve Fund reach at least 1/10 of the capital of the Company.
- the right to dividend expires with a total 5-year statute of limitations.

## **2. Right to liquidation share**

The right to liquidation share is a main property right of the shareholder, expressing the right of the same to receive, proportional to his participation in the capital of the Company, a share of the residual property of the Company, upon termination of the Company, through liquidation. The exercise of the right to a liquidation share presupposes a terminated Company. This right is conditional - it arises and can be exercised only if (and insofar as) in the liquidation of the Company after the satisfaction of the claims of all creditors there is property left for distribution among the shareholders and up to the amount of this property.

Only persons who are shareholders of the Company at the time of its termination have the right to a liquidation share.

### **Non-property rights of the shareholder:**

#### **Management rights**

##### **1. Right to vote**

The right to vote is a non-property right of the shareholders, through which they participate in the management of the Company, participating in the decision-making on issues within the competence of the General Meeting of Shareholders of the Company.

The company may not issue shares with more than one vote. If the owners of the share or shares are more than one, they shall exercise the right to vote together by appointing a proxy.

In order for the right to vote for a shareholder of the Company to arise, it is necessary that he has paid in full the issue value of the share (s) and the Company, respectively the increase of its capital, is entered in the commercial register. The right to vote is exercised by persons who have acquired shares and are entered in the book of shareholders kept by the Central Depository as shareholders no later than 14 days before the date of the General Meeting. The presence of the person in the book of shareholders and his proper identification are sufficient conditions for him to exercise his right to vote. The shareholders with the right to vote participate in the General Meeting of Shareholders personally or through a representative authorized by an explicit power of attorney, according to Art. 116, para. 1 LPOS.

##### **2. Right of the shareholder to participate in the management of the Company, including the right to elect and be elected to the management bodies of the Company.**

#### **Control rights**

The shareholder's control rights include the shareholder's right to information. The right to information expresses the possibility for the shareholders to review all written materials related to the agenda of the convened general meeting, to receive these materials upon request free of charge, as well as to receive the minutes and appendices from previous general meetings, which the Company is obliged to keep. The right to information also includes the right of the shareholder to receive comprehensive answers from the members of the Management Board of the Company to questions asked during the General Meeting of Shareholders. At any time the shareholders have the right to request and receive information about the financial and economic condition of the Company from the Investor Relations Director.

#### **Protective rights**

**1. Right to appeal against the decisions of the bodies of the Company.**

- any shareholder may file a claim against the Company before the district court at its seat for annulment of the decision of the general meeting, when it contradicts the mandatory provisions of the law or the statute (art. 74 CA).
- each shareholder may file a claim with the district court at the registered office of the Company in order to protect his right to membership and individual membership rights when they are violated by the bodies of the Company (Article 71 of the CA).

**2. The right to request the appointment of registered auditors by the Registry Agency, if such have not been elected by the General Meeting of Shareholders - Art. 249 CA****3. Rights of minority shareholders (rights of shareholders holding at least 5% of the capital of the Company)**

Persons holding together or separately at least 5% of the capital of a public company, in case of inaction of its management bodies, which endangers the interests of the company, may bring before the court the company's claims against third parties. The company is also summoned as a party to the case. The persons under the previous sentence may:

- to file a claim before the district court at the registered office of the company for compensation for damages caused to the company by actions or omissions of the members of the management and control bodies and the procurators of the company.
- to request from the general meeting or from the district court the appointment of controllers to check all the accounting documentation of the company and to prepare a report on their findings.
- to request from the district court to convene a general meeting or to authorize their representative to convene a general meeting according to an agenda determined by them.
- to request the inclusion of issues and to propose decisions on issues already included in the agenda of the General Meeting under Art. 223a of the Commercial Act.

**Additional rights of the shareholder****1. Right to subscribe for part of the new shares upon increase of the capital of the Company, proportional to the shares held until the increase.**

According to the provision of art. 112, para 1 of LPOS, upon increase of the capital of the Company, the current shareholders have the right to acquire a part of the new shares, corresponding to their share in the capital before the increase. This right may not be revoked or restricted on the basis of a provision of the Articles of Association, a decision of the General Meeting or a management body of the Company.

**2. Right to preferential acquisition of securities, which give the right to acquire shares of the same class as the shares of the current issue, by converting them or exercising the rights under them.****Applicable law on tender offers**

Applicable legislation regarding the submission of tender offers for purchase of shares of the Issuer is the Bulgarian legislation and in particular LPOS, Ordinance № 13 of 22.12.2003 of the FSC for tender offer for purchase and exchange of shares and Ordinance № 41 of 11.06.2008 on the requirements to the content of the justification of the share price of a public company, including the application of valuation methods, in cases of transformation, a joint venture agreement and a tender offer.

Pursuant to the Law on Public Offering of Securities, a shareholder in a public company is obliged to register in the Financial Supervision Commission a tender offer to the other shareholders for purchase or exchange of their shares, when he himself or through related parties acquires:

- More than one third of the voting shares in a public company in which there is no shareholder holding more than 50% of the voting shares;
- More than 50% of the voting shares in the public company; or
- More than two thirds of the voting shares in the public company.

The tender offer must be registered within 14 days from the acquisition of the respective participation, unless the shareholder reduces his participation below the passed threshold or has acquired a participation of more than two

thirds of the shares as a result of capital increase with issuance of rights and before the increase held more than 50% of the capital of the issuing company. In case the shareholder does not comply with this obligation, he loses his right to vote at the general meeting of the public company until the publication of a tender offer.

The offer must contain detailed information about the shareholder, the terms and conditions of the offer, the financing of the transaction, as well as his future plans for the issuing company. The tender offer should contain a justification of the offered price, prepared in accordance with the requirements of LPOS and Ordinance № 41, as the offered price may not be lower than the highest value between:

- The fair price per share, determined on the basis of generally accepted valuation methods;
- The weighted average market price per share for the last 6 months before the registration of the tender offer; and
- The highest price per share paid by a trading offeror or its affiliates in the last 6 months prior to the registration of the offering, calculated in accordance with the requirements of applicable law. In case the bidder buys shares at a higher price than the offered price within the term of the offer, the latter is automatically increased to this higher price compared to all other shareholders.

Tender proposals are registered with the FSC and may be published by the bidder if the FSC does not issue a temporary ban within 20 working days.

The term for acceptance of the tender offer may not be shorter than 28 and longer than 70 days from the date of its publication under LPOS and Ordinance № 13, except in case of a competitive tender offer, when the expiration of the term for acceptance of the initial tender shall be extended to that of the competitive tender.

When a shareholder, as a result of a tender offer addressed to all shareholders with voting rights, acquires alone or through related parties at least 95% of the votes at the general meeting of a public company, he is entitled within three months from the deadline of the offer to repurchase the voting shares of the other shareholders (squeeze-out). The takeover bid is approved by the FSC and should be at a price equal to at least the price offered under the tender offer, when it was mandatory or voluntary and was accepted by at least 90% of the offered shareholders, or is determined by the order of LPOS in the other cases. The transfer of the shares and the payment of the price shall be made within 7 working days from the publication of the proposal in accordance with the Law on Public Offering of Securities.

In addition, each shareholder has the right to require a trader who has acquired at least 95% of the voting shares in a public company as a result of a tender offer to repurchase his voting shares within three months of the deadline of the tender offer. In this case, a trade offeror is obliged to repurchase the shares within 30 days of receiving a written request to that effect.

## 10.6. INFORMATION ON THE AVAILABILITY OF PROPOSALS FOR MANDATORY SWALLOWING, LOGIN AND OFFERS FOR PUBLIC PURCHASE OF A CONTROL PACKAGE FROM THE CAPITAL OF THE ISSUER

At the moment there are no proposals for mandatory ingestion, infusion. There are no rules for compulsory purchase and sale in respect of the shares of "Sopharma" AD.

At present, the Company has not been the subject of proposals by third parties for public purchase of a controlling stake in the share capital.

## 10.7. DECISIONS, AUTHORIZATIONS AND APPROVALS

On 21.05.2021, the Board of Directors of the Issuer, in accordance with Art. 8, para. 5 of the Articles of Association of "Sopharma" AD, adopted decision for issuance, under the conditions of initial public offering of issue warrants, total number up to **44,932,633** as each 1 (one) warrant entitles its holder to subscribe one share of a future increase in the capital of the Company, the **value of the exercise from BGN 4.13**. The term until which the warrants can be exercised is **3 years**. At the same meeting of the Board of Directors, an investment intermediary was elected, which will serviced the registration of the warrants and the payment of their price – IP "MK Brokers" AD, UIC 175007052, with registered office and address of management Sofia, 8 Tsar Osvoboditel Blvd., 4th floor.

This Prospectus for public offering of warrants of "Sopharma" AD has been approved on 21.10.2021 by the Board of Directors of "Sopharma" AD.

THE FINANCIAL SUPERVISION COMMISSION, IN ITS CAPACITY AS THE COMPETENT AUTHORITY UNDER REGULATION (EU) 2017/1129, HAS APPROVED THIS PROSPECTUS BY DECISION № 804-E/04.11.2021.

THE FINANCIAL SUPERVISION COMMISSION APPROVES THIS PROSPECTUS ONLY IF IT MEETS THE COMPLETENESS STANDARDS IMPOSED BY REGULATION (EU) 2017/1129, UNDERSTANDABILITY AND SEQUENCE.

THIS APPROVAL SHOULD NOT BE CONSIDERED AS A CONFIRMATION OF QUALITY OF SECURITIES SUBJECT TO THIS PROSPECTUS. INVESTORS MUST TO ASSESS THE INTEGRITY OF THE INVESTMENT IN THE SECURITIES.

The issuance of shares in the exercise of warrants will be subject to a separate decision of The Board of Directors of the Company under the conditions and in the order described in *item 12* below.

## 10.8. EXPECTED DATE OF THE ISSUE

The current issue of warrants is considered issued with the fact of registration of the issue in "Central Depository" AD. Expected date for the registration of the issue of warrants in "Central Depository" AD - **November 2021**.

## 10.9. TRANSFER OF WARRANTS. RESTRICTIONS ON FREE TRANSFERABILITY

The warrants of the present issue, as well as the shares - underlying asset of the warrants, when issued, may be freely transferred in accordance with the MFIA, Ordinance №38, the Rules of Procedure of the "Bulgarian Stock Exchange" AD and the Rules of "Central Depository" AD. The Central Depository registers the transactions for transfer of warrants, in the presence of the necessary financial instruments and respectively in the presence of the funds due against them (when the transfer is made by cash flow in compliance with the principle DVP - "delivery versus payment") and updates the data in the book for dematerialized securities of the Issuer. The transfer is considered to have been made from the moment of registration of the transaction in the Central Depository. According to the Rules of the Central Depository, the maximum duration of the settlement cycle is the second business day after the day of receipt of information on transactions from the regulated market (if the transaction is concluded on a regulated market) or on a date set by the parties (for transactions outside a regulated market) to be earlier than the day of establishing the uniformity of the details of the transaction notices and later than the second working day after that day. The rights of the buyer of warrants shall be certified by a certification document issued by the Central Depository or another registration document of equal legal significance.

The trading with warrants of the company on a regulated market, as well as with the shares - underlying asset of the warrants, when such are issued, will be carried out on the "Bulgarian Stock Exchange" AD through a licensed investment intermediary, a member of the Exchange. In order to buy or sell warrants on the Exchange, investors and shareholders submit the respective purchase and sale orders to the investment intermediary with which they have concluded a contract. Upon concluding the stock exchange transaction, the investment intermediary performs the necessary actions for registration of the transaction in the Central Depository and for settlement, whereby the securities are transferred from the seller's account to the buyer's account.

Pursuant to Ordinance №38, investment intermediaries have the obligation to require their clients, respectively their proxies, to declare whether the financial instruments - subject to a sale or exchange order, are blocked in the Central Depository, whether a pledge has been established or a lien has been imposed on them (Article 63, paragraph 1).

The investment intermediary shall check with the depository institution whether the financial instruments to which the sale order relates are available on the client's sub-account (except in the cases specified in the regulations where there is an exception to the general rule), whether they are blocked and whether a pledge is established or a lien has been imposed.

The investment intermediary is not entitled to execute an order if it is declared or if it finds that the financial instruments - subject of the sale order, are not available on the client's account or are blocked in a depository institution, as well as if a pledge is established or imposed on them distraint. The ban on pledged financial instruments does not apply in the following cases:

- the acquirer has been notified of the established pledge and has expressly agreed to acquire the pledged financial instruments, there is an explicit consent of the pledge creditor in the cases provided for under the Special Pledges Act.

- the pledge is established on a set within the meaning of the Special Pledges Act.

The prohibition on an order for the sale of financial instruments that are not available on the client's account shall not apply in cases where the investment intermediary otherwise ensures that the financial instruments subject to sale will be delivered on the settlement date of the client transaction, as well as in other cases determined by an ordinance.

The investment intermediary is not entitled to execute a client's order for transactions with financial instruments if this would lead to a violation of MFIA, Law against market abuse of financial instruments or other applicable regulations.

The warrants of the current issue, as well as the shares - underlying asset of the warrants, when such are issued, may also be subject to transactions concluded outside the regulated market, organized by the "Bulgarian Stock Exchange" AD. Regarding the procedure for concluding and disclosing transactions with shares of the issue, concluded outside a regulated market, the provisions of MFIA, Ordinance № 38 and the Regulations of the "Bulgarian Stock Exchange" AD are applicable.

The parties to a contract for transactions with financial instruments, previously concluded directly between the parties, respectively the persons requesting the transfer of dematerialized financial instruments in case of donation and inheritance, change of data for holders of dematerialized financial instruments, correction of erroneous data, issuance of duplicates documents, etc. such actions use the services of an investment intermediary - registration agent at the Central Depository.

## 10.10. SUBORDINATION

The offered warrants are of one class and provide equal rights to the investors who subscribe for them. Up to date, the Issuer has not issued any other securities giving its holder the same rights as the warrants.

The Articles of Association of the Issuer, the decision of the GMS of the Issuer for the issuance of warrants and this Prospectus do not contain clauses that are intended to affect the ranking or to subordinate the security to current or future obligations of the Issuer.

## 10.11. BASIC TOOL

The offered warrants are issued on a basic instrument - future issue, ordinary, dematerialized, freely transferable shares, giving the right to 1 vote in the General Meeting of Shareholders of the Issuer, with an issue value of BGN 4.13 per share. Each 1 (one) warrant entitles its holder to subscribe for one share of the future issue. The total amount of the future issue of shares is up to **44,932,633**.

The shares of the future issue will grant to their holders the same rights as the ordinary shares already issued by the Issuer.

Information on the past and future behavior of the shares of "Sopharma" AD can be obtained from the data on the trading with the same on the regulated market of financial instruments, organized by the "Bulgarian Stock Exchange" AD. Currently, the issue is traded on the Alternative Market with

**the ISIN code of the issue is BG11SOSOBT18**

In case of forecasts regarding the price of the future issue of shares - basic instrument of the offered warrants, the percentage of dilution of the share price should be taken into account, in connection with the increase of the capital of the Company.

## 10.12. TAXATION

a) With regard to the supply and trading on the regulated market organized by the "Bulgarian Stock Exchange" AD of the present issue of warrants, the provisions of the tax legislation in force in the Republic of Bulgaria shall apply. The offered warrants can bring income to the holder in the form of a positive difference between the sale price and the acquisition price.

b) The income from the shares - underlying asset of the offered warrants can be in the form of a positive difference between the sale price and the acquisition price (capital gain) or in the form of distributed dividends or paid liquidation shares.

The statement below is a brief, general and non-exhaustive presentation of the legislation of the Republic of Bulgaria in the field of taxation and cannot be considered as a tax council or consultation on which to rely. To determine the taxes due by an investor, it is necessary to fully familiarize with the tax legislation and take into account the characteristics of the investor and the income received, including consideration of the possibility of income received from disposal of securities issued by the Company or income distributed in connection with such securities to be subject to taxation in accordance with the legislation of another country.

#### 10.12.1. Income taxes on holders of warrants

##### a) Local individuals

The income of the holders of warrants - local individuals is taxed under the Personal Income Tax Act (PITA).

In this case the Issuer has no obligation to withhold tax at source.

Local physical person within the meaning of Art. 4 of the Personal Income Tax Act is a person: 1) who has a permanent address in Bulgaria or 2) who resides on the territory of Bulgaria for more than 183 days during each 12-month period, or 3) who is sent abroad by the Bulgarian state, its authorities and / or organizations, from Bulgarian enterprises, and members of his family, or 4) whose center of vital interests is located in Bulgaria.

The income received by local individuals in the form of a positive difference between the sale price and the purchase price of the warrants is subject to taxation under the Personal Income Tax Act, and the relevant recipient of the income must declare it within the relevant statutory deadlines.

It should be borne in mind that according to the provision of art. 13, para. 1, item 3 of the Personal Income Tax Act, the income from disposal of financial instruments within the meaning of § 1, item 11 of the additional provisions of the Personal Income Tax Act shall not be taxable. However, the cited text of the additional provisions does not include the income from the disposal of a regulated market with warrants and other derivative financial instruments (an exception is allowed only for the rights issued in connection with a decision to increase capital), although they are financial instruments within the meaning of the Markets in Financial Instruments Act. In view of the above, the said provision cannot be applied to the income received from the disposal of warrants from the current issue on a regulated market.

##### b) Local legal entities

The taxation of the incomes of the holders of warrants - local legal entities is regulated in the Corporate Income Tax Act (CITA). The income realized on the sale of warrants, in the form of the difference between the sale and purchase price of the warrant, is included in the taxable base, on the basis of which the tax base for determining corporate tax is formed. The determination of the taxable profit on the basis of the accounting financial result, the determination, declaration and payment of the due corporate tax are regulated in CITA. According to Art. 20 CITA, the corporate tax rate is 10%.

It should be borne in mind that, according to the provision of Art. 44 CITA, in determining the tax financial result, the accounting financial result decreases with the profit, respectively increases with the loss from disposal of financial instruments within the meaning of § 1, item 21 of the additional provisions of CITA, defined as positive or negative the difference between the sale price and the documented acquisition price of these financial instruments. However, warrants and other derivative financial instruments are excluded from the definition of disposal of financial instruments within the meaning of CITA (except for the rights issued in connection with the capital increase of a public Company, which are included in the scope of § 1, p. 21). Given the above, the provision of Art. 44 CITA does not apply in the cases of disposal of warrants from the current issue on a regulated market.

According to Art. 160, para. 1 and Art. 253, para. 1 of the Social Insurance Code, the revenues of the funds for additional mandatory and additional voluntary pension insurance (including the realized capital gain from the sale of warrants) are not subject to corporate tax under the CITA. Accordingly, the income from investing the assets of the pension funds, distributed among the individual accounts of the insured persons, is not taxed under the Personal Income Tax Act.

According to Art. 174 CITA, the revenues of the collective investment schemes, which are admitted for public offering in the Republic of Bulgaria, and the licensed closed-end investment companies by the order of the Law on Public Offering of Securities are not subject to corporate tax.

**c) Foreign individuals**

Income from the positive differences in the sale of warrants realized by investors - foreign individuals, is taxed under the Personal Income Tax Act with a final tax of 10%.

The final income tax on positive differences in the sale of warrants is withheld, paid and declared by the person - recipient of the income, without the commitment of the Issuer.

The terms and procedure for withholding, payment and declaration of the final income tax of foreign individuals are regulated in the Personal Income Tax Act.

**d) Foreign legal entities**

Income from positive differences from the sale of warrants realized by investors - foreign legal entities is taxed under the CITA with withholding tax in the amount of 10%. The tax at source, for income from positive differences in the sale of warrants is withheld, paid and declared by the person - recipient of the income, without the commitment of the Issuer. The terms and procedure for withholding, paying and declaring the tax at the source of income of foreign legal entities are regulated in CITA.

It should be borne in mind that according to the provision of art. 196 CITA, the income from disposal of financial instruments within the meaning of § 1, item 21 of the additional provisions of CITA shall not be taxed at source. However, the definition contained in the cited text of the additional provisions does not include the income from the disposal of a regulated market with warrants and other derivative financial instruments (excluding rights), although they are financial instruments within the meaning of the MFIA. Given the above, the provision of Art. 196 of CITA does not apply to the income from disposing of warrants from the current issue.

**10.12.2. Income taxes on shareholders - underlying asset of the offered warrants**

The income from the shares can be in the form of a positive difference between the sale price and the acquisition price (capital gain) or in the form of distributed dividends or paid liquidation shares.

**Taxation of capital gains****a) Local legal entities**

According to Art. 44 of CITA when determining the tax financial result, the accounting financial result is reduced by the profit from disposal of financial instruments within the meaning of § 1, item 21 of the additional provisions of the same law, defined as a positive difference between the sale price and the documented acquisition price. of these financial instruments.

Pursuant to § 1, item 21, letter "a" of the additional provisions of CITA, disposal of financial instruments for the purposes of Art. 44 are the transactions with shares and rights (securities giving the right to subscribe for a certain number of shares in connection with a decision to increase the capital performed on a regulated market in the sense of art. 152 of the Markets in Financial Instruments Act. Therefore, the income realized from transactions with shares concluded on the regulated market, organized by the "Bulgarian Stock Exchange" AD, is not subject to corporate tax.

Loss on equity transactions realized on a regulated market in financial instruments is not recognized as an expense for tax purposes.

Profits from the disposal of financial instruments outside a regulated market are taxed in accordance with the general procedure.

**b) Foreign legal entities**

According to Art. 196 CITA are not subject to withholding tax income from the disposal of financial instruments within the meaning of § 1, item 21 of the additional provisions of the same law.

Pursuant to § 1, item 21, letter a of the additional provisions of CITA Disposal of financial instruments for the purposes of Art. 44 are the transactions with shares and rights, performed on a regulated market in the sense of art. 152 of the MFIA; Valuate the rights for a statement on the dictum of the book, giving the right to register for a certain share of shares in addition to the decision for an increase in capital;

Therefore, the income from transactions with the shares - subject of the present offer, concluded on the regulated market, organized by the "Bulgarian Stock Exchange" AD, is not subject to withholding tax.

**c) Local individuals**

According to Art. 13, para. 1, item 3 of the Personal Income Tax Act, in connection with §1, item 11 of the Additional Provisions of the Personal Income Tax Act, the income from disposal of financial instruments within the meaning of § 1, item 11 of the additional provisions shall not be taxable; According to § 1, item 11, letter a of the additional provisions of the same law Disposal of financial instruments for the purposes of Art. 13, para. 1, item 3 are the transactions with shares of collective investment schemes, shares and rights, performed on a regulated market within the meaning of Art. 73 of the Markets in Financial Instruments Act; rights for the purposes of sentence one are the securities giving the right to subscribe for a certain number of shares in connection with a decision to increase the capital;

Therefore, the income of local individuals from transactions with shares concluded on the regulated market organized by “Bulgarian Stock Exchange” AD is not taxed.

Profits from the disposal of financial instruments outside a regulated market are subject to withholding tax of 10%.

#### **d) Foreign individuals**

According to Art. 37, para. 1, item 12 of the Personal Income Tax Act, the income of foreign physical persons from sale, exchange and other remunerative transfer of shares, units, compensatory instruments, investment vouchers and other financial assets shall be taxed with final tax.

According to Art. 37, para. 7 of the Personal Income Tax Act, the income under the previous sentence shall not be subject to final tax when it is exempt from taxation under the Personal Income Tax Act and is accrued) paid for the benefit of foreign natural persons established for tax purposes in a Member State of the European Union and another country - Member of the European Economic Area (EEA). Therefore, the income from transactions with shares made on a regulated market of financial instruments within the meaning of Art. 152 of MFIA are not subject to withholding tax when they are charged in favor of a foreign natural person established for tax purposes in an EU or EEA Member State.

Where the person is resident in a country outside the EU or the EEA, a withholding tax of 10% is withheld. The tax is declared and paid by the person - recipient of the income, without any commitment on the part of the Issuer.

#### **Taxation of income from dividends and liquidation shares**

##### **a) Local legal entities**

According to Art. 27, para. 1, item 1 of CITA are not recognized for tax purposes income as a result of distribution of dividends by local legal entities. Therefore, dividend income distributed to local legal entities is exempt from corporate tax.

According to Art. 194, para. 1 of CITA, dividends and liquidation shares distributed (personalized) by local legal entities in favor of local legal entities that are not traders, including municipalities are taxed at source. This tax is final and deducted by local legal entities distributing dividends or liquidation shares. Therefore, dividend income distributed in favor of persons under the previous sentence is subject to withholding tax of 5%.

“Sopharma” AD, as a payer of the income from distributed dividends and paid liquidation shares on the shares of this issue, will withhold the final tax, according to the statutory requirements.

##### **b) Foreign legal entities:**

According to Art. 194, para. 1 of CITA when local legal entities distribute dividends in favor of foreign legal entities, except in cases when the dividends are distributed in favor of a mutual fund, a foreign legal entity that is a local person for tax purposes of a Member State of the European Union, or to another state party to the Agreement on the European Economic Area or realized by a foreign legal entity through a place of business in the country, withholding tax is deducted, which is final.

Therefore, dividend income distributed in favor of a foreign legal entity (if the person is not a resident for tax purposes of a Member State of the European Union or of another state party to the Agreement on the European Economic Area and that the dividends are not are realized by a foreign legal entity through a place of business in the country), is subject to withholding tax in the amount of 5%. This tax is final and is deducted by local legal entities distributing dividends or liquidation shares - in this case “Sopharma” AD.

“Sopharma” AD, as a payer of the income from distributed dividends and paid liquidation shares on the shares - subject of the present offer, will deduct the final tax, according to the normatively established requirements.

##### **c) Local and foreign individuals**

According to Art. 38, para. 1 of the Personal Income Tax Act, income from dividends and liquidation shares in favor of local and foreign individuals from a source in Bulgaria is taxed with a final tax.

The final tax on dividend income is determined on the gross amount determined by the decision on dividend distribution.

The final tax on dividend income in the form of hidden profit distribution is determined on the gross amount of accrued expenses.

The final income tax on liquidation shares is determined on the positive difference between the value of the liquidation share and the documented acquisition price of shares in the company / cooperative.

Income from dividends and liquidation shares distributed in favor of local and foreign individuals is subject to a final tax of 5%, which is withheld and paid by the Issuer of the shares - payer of the income.

“Sopharma” AD, as a payer of the income from distributed dividends and paid liquidation shares on the shares - subject of the present offer will deduct the final tax, according to the normatively established requirements.

### **Double taxation agreements**

In the cases when between the Republic of Bulgaria and the respective foreign country, whose local person has earned income in Bulgaria, there is an Agreement for avoidance of double taxation (AADT), its provisions shall be applied with priority over the Bulgarian domestic legislation. The procedure for application of the AADT is regulated in detail in Chapter XVI, Section III of the Tax and Social Insurance Procedure Code (TSPC). The foreign person should certify to the revenue authority the existence of grounds for application of the AADT. The foreign person certifies that: 1) is a resident of the other state within the meaning of the respective AADT; 2) is the holder of the income from a source in the Republic of Bulgaria; 3) does not have a place of business or a certain base on the territory of the Republic of Bulgaria, with which the respective income is actually related; 4) the special requirements for application of the AADT or its separate provisions in respect of persons determined in the AADT itself are fulfilled, when such special requirements are contained in the respective AADT.

The circumstances specified in the TSSPC shall be certified by official documents, including extracts from public registers and declarations. Where this is not possible, other written evidence is admissible. Documents certifying the type, amount and grounds for receiving the income shall be submitted.

In case of income from dividends from shares issued by a public company, the decision of the general meeting of the company may be attached as evidence; dividend paid coupon; extract from the book of shareholders, certified by the company; temporary certificate; registered certificate for dematerialized shares; extract from the book of dematerialized shares or other document certifying the type and amount of income, as well as the amount of the participation of the foreign person.

In case of income from liquidation share - a document proving the amount of the investment, final liquidation balance after satisfaction of the creditors and a document determining the distribution of the liquidation share, and in case of distribution of the liquidation share in kind - decision of the partners or shareholders and documents based on which determined the market price of the liquidation share;

In case of income from transfer of shares and tradable rights to shares, when they are not exempt from taxation by law - a document for transfer of rights and a document proving the sale price and the acquisition price.

The foreign person submits the request for application of the AADT and the documents attached to it according to art. 139 of the TSSPC. The provisions of the AADT shall apply only if the opinion of the revenue authority on the submitted request confirms the existence of grounds for that. Otherwise, the provisions of the relevant substantive tax law apply, ie. Bulgarian tax legislation. In case of an opinion for lack of grounds for application of the AADT, the foreign person has the right to appeal. The appeal is carried out according to the procedure for appeal of the revision acts, as the appeal is submitted through the territorial directorate, in which the request is submitted.

When a payer accrues to a foreign person income from a source in the country with a total amount of up to BGN 500,000 per year, the above circumstances shall be certified to the payer of the income. In this case, a request for application of the AADT is not submitted to the revenue authority. In this case, when the total amount of the realized incomes exceeds BGN 500,000 within the tax year, the grounds for application of the AADT with regard to the total amount of the incomes shall be certified by the order indicated above.

### **Legal regime for the import and export of capital**

The Currency Act and the bylaws on its implementation regulate the legal regime regarding transactions and payments between local and foreign persons, cross-border transfers and payments and the import and export of

Bulgarian leva and foreign currency. With Ordinance №Н-1 from 01.02.2012 for the transportation across the border of the country of money, precious metals, precious stones and products with and from them and keeping customs registers under Art. 10a of the Currency Act, the provisions of Regulation (EC) 1889/2005 have been introduced of the European Parliament and of the Council as regards the export and import of cash. In accordance with the Ordinance, local and foreign individuals may import or export cash up to EUR 10,000 or their equivalent in another currency freely, without written declaration to the customs authorities. The transfer of funds in the amount of EUR 10,000 or more or their equivalent in BGN or another currency across the border to or from a third country is subject to declaration to the customs authorities.

The transfer of funds in the amount of EUR 10,000 or more or their equivalent in BGN or another currency across the border to or from a Member State of the European Union shall be declared upon request by the customs authorities.

The customs authorities allow the transfer of funds in the amount of BGN 30,000 or more or their equivalent in another currency across the country's border to a third country upon presentation by the persons of a certificate from the competent territorial directorate of the National Revenue Agency for lack of public debt or a document certifying that the person is not entered in the register of the National Revenue Agency.

When transferring funds to a third country in the amount of BGN 30,000 or more or their equivalent in another currency, the foreign natural persons declare to the customs authorities only the type and amount of the transferred funds, when their value does not exceed the previously declared funds.

When a person orders a cross-border transfer or payment to a third party in the amount of BGN 30,000 or more or their equivalent in another currency, representing income subject to taxation under Art. 37 and 38 of the Personal Income Tax Act or by the order of art. 194 and 195 of the Corporate Income Tax Act, it must submit to the bank a declaration on the amount of withheld tax, respectively on the application of an agreement for avoidance of double taxation with the respective state.

## 11. TERMS AND CONDITIONS OF THE OFFER

When issuing warrants by a public company, on the grounds of Art. 112, para. 2 of the LPOS, rights within the meaning of § 1, item 3 of the Additional Provisions of the LPOS must be issued.

One right is issued against 1 (one) share held by the shareholders of the Issuer, and against every 3 (three) rights, the shareholders or third parties, who have acquired rights within the term for transfer of the rights or during the organized public auction, have right to subscribe for **1 (one) warrant** from the current issue, at an issue value of BGN 0.28 (three rights give the right to acquire one warrant).

Any person holding rights may record warrants equal to the number of rights he holds divided by **3 (three)**.

**Only whole warrants can be recorded in the current offer.**

A person who has less than three rights may take one of the following two actions:

- to purchase the respective number (one or two) rights until reaching a minimum number of three rights, which give him the right to acquire one warrant. The purchase of additional warrants is made through a transaction on the main market, rights segment organized by “Bulgarian Stock Exchange” AD and / or at the open auction for the unsubscribed rights following the secondary trading;
- to offer the rights, which are insufficient in number to acquire one warrant, for sale, or to wait for them to be offered on the market at the open auction organized by “BSE”.

Against each 1 (one) subscribed warrant, upon occurrence of the conditions provided in this document and by decision of the Board of Directors of the Issuer, the holders of warrants may subscribe an ordinary, registered, dematerialized share of the Issuer's capital with an issue value of BGN 4.13, giving the right to 1 vote in the GMS of the Issuer.

### 11.1. ISSUE AMOUNT

The total number of warrants offered is up to **44,932,633**. The subscription is considered successfully completed if **at least 22,466,317** of the offered warrants are subscribed. Otherwise, the contributions made against the subscribed warrants shall be returned to the persons who made them, together with the interest accrued by the bank. (see p.11.8.).

### 11.2. ISSUE MATURITY PERIOD

The warrants from the current issue are issued with an exercise period until the expiration of 3 years (three calendar years), starting from the date of registration of the issue in “Central Depository” AD.

### 11.3. DIFFERENT VOTING RIGHTS

All warrants of this issue grant equal rights to their holders and form the same class of financial instruments.

### 11.4. SETTLEMENT

The issue value of the subscribed warrants should be paid to a special accumulation account, which will be additionally announced in the announcement published by the Board of Directors of the Issuer regarding the public offering, according to Art. 89t of LPOS.

The persons subscribing the warrants must pay into the account under the previous sentence the amount corresponding to the issue value of the warrants recorded by them at the latest by the expiration of the term for subscription of the warrants.

**The amounts on the accumulation account cannot be used by the Issuer before the successful completion of the subscription and the registration of the issue in “Central Depository” AD.**

In case the subscription is unsuccessful, including in case the issue is not registered in “Central Depository” AD, the Issuer notifies the FSC by the expiration of seven days after its deadline. On the day of the notification under the previous sentence, according to art. 89m, al. 3 of LPOS, when the subscription is completed unsuccessfully, without fulfilling the conditions set out in the prospectus, or the capital increase is not entered in the commercial register, within one month from the notification under Art. 89l, para. 3, the collected amounts shall be returned to the persons, who have subscribed securities, together with the interest accrued by the bank under para. 1.

After the successful completion of the subscription, the issue is registered in “Central Depository” AD. The registration is certified by an act for registration of the issue issued by “Central Depository” AD.

Within 14 days after registration of the issue under the previous sentence, “Central Depository” AD shall issue certification documents (depository receipts) to the holders of warrants on their personal accounts (not as clients of an investment intermediary). The receipts will be handed over to the holders of warrants or to the persons authorized by them with an explicit notarized power of attorney, indefinitely, at the address of management of the Issuer, by a person appointed by the Board of Directors. When the newly issued warrants are on client sub-accounts with an investment intermediary, the issuance of depository receipts is carried out through the latter, at the request of the warrant holder, in accordance with the Rules of the “Central Depository” AD.

## 11.5. APPLICATION PERIOD AND APPLICATION PROCEDURE

After confirmation of this Prospectus by the FSC, “Sopharma” AD publishes a notice of the public offering, the initial and final deadline for subscription of warrants, the registration number of the confirmation issued by the FSC of the Prospectus for initial public offering of warrants, place, time and manner of acquaintance with the Prospectus.

In accordance with the requirement of Art. 89t, para. 2 of LPOS Sopharma AD will announce the announcement on the website of the Issuer and of the Investment Intermediary “MK Brokers” AD, at least 7 (seven) days before the initial subscription term. The date of publication of the announcement on the Issuer's website and on the website of “MK Brokers” AD is considered to be the starting date of the public offering. The date on which warrants from the current issue can be subscribed at the earliest is the beginning of the subscription.

The rights are issued in favor of the shareholders who have acquired shares no later than 5 working days after the date of publication of the notice under Art. 89t, para. 1 of LPOS on the website of The issuer is also on the website of „MK Brokers“ AD.

The starting date from which the term for transfer of rights starts to run is the first working day following the expiration of **7 calendar days** from the starting date of the public offering.

The deadline for the transfer of rights is **15 calendar days** after the start date for the transfer of rights. In case the term expires on a non-working day, according to the rules of the Law on Obligations and Contracts, the final date for transfer of rights is considered to be the first following working day.

The transfer of the rights is performed on the “Bulgarian Stock Exchange” AD, main market, rights segment.

The public company organizes the subscription in a way that allows for remote subscription of shares through the central depository of securities, where the securities are registered.

On the 2th working day after the expiration of the term for transfer of the rights, the Company offers through the authorized investment intermediary “MK Brokers” AD, on a regulated market for sale under the conditions of open auction the unexercised rights, within the term for transfer of the rights.

All persons wishing to subscribe for warrants from the new issue of “Sopharma” AD should first acquire rights.

Current shareholders acquire the rights free of charge. All other investors can purchase rights through a transaction on the main market organized by the “Bulgarian Stock Exchange” AD, a segment for rights within the term for transfer of rights or on the open auction for the unexercised rights organized by the “Bulgarian Stock Exchange” AD, after the expiration of the term for the transfer of rights.

If the shareholders of the Company want to subscribe additional warrants over their rights, they can purchase rights through a transaction on the main market organized by the “Bulgarian Stock Exchange” AD, a segment for rights within the term for transfer of rights or organized by the Bulgarian Stock Exchange “AD open auction for the unexercised rights, after the expiration of the term for transfer of the rights.

In case that the rights holder does not wish to subscribe for warrants from this offer against all or part of the rights he holds, he may offer the unused rights to sell.

The starting date for subscription of warrants coincides with the date from which the transfer of rights begins - the first working day following the expiration of 7 calendar days from the starting date of the public offering. The beginning of the term for subscription of warrants coincides with the beginning of the term for transfer of rights.

Shareholders wishing to exercise the rights issued in their favor may apply for subscription of warrants until the expiry of the period specified for the transfer of rights.

Shareholders who do not wish to exercise their right to subscribe for warrants of the proposed issue may sell the rights issued in their favor until the expiration of the term set for the transfer of rights.

The rights are traded on the regulated market of the "Bulgarian Stock Exchange" AD, main market, rights segment. Each shareholder may transfer his right by submitting a sale order to the investment intermediary, on whose account the rights are registered in "Central Depository" AD.

Any person who has purchased rights within the term for transfer of rights may exercise them by submitting an application for subscription of warrants, until the expiration of the term for transfer of rights.

Any person who has purchased rights during the auction may exercise them by submitting an application for subscription of warrants, until the expiration of the specified term for subscription of warrants.

**The term for subscription of warrants expires 15 working days after the expiration of the term for transfer of rights.**

The registration of the warrants is done every working day from 09:00 to 17:30 at:

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Investment firm	<b>„MK Brokers” AD</b>
Correspondence Address	<b>Sofia , 8 Blvd. Tsar Osvoboditel, fl. 4</b>
Telephone	<b>+35924942269</b>
Telephone dilling	<b>+35924942269</b>
Email	<a href="mailto:office@mkb.bg">office@mkb.bg</a>
Website	<a href="https://www.mkb.bg/kontakti">https://www.mkb.bg/kontakti</a>

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**It is not allowed to record warrants before the initial and after the deadline for recording warrants.**

The terms for transfer of the rights and subscription of the warrants can be extended once by "Sopharma" AD up to 20 days, by making the respective amendments in this Prospectus.

According to Art. 89I of the LPOS, "Sopharma" AD immediately announces in the FSC and publishes on the websites of the issuer and the investment intermediary, a notice for extension of the subscription period.

## 11.6. REGISTRATION PROCEDURE

The subscription of warrants is done by the rights holders submitting applications according to a sample to "MK Brokers" AD or to the investment intermediaries, members of "Central Depository" AD, where the client accounts for the rights held by them are kept an application for subscription of warrants shall be made in compliance with the requirements for submitting an order for transactions with financial instruments, established in Ordinance № 38.

Legal entities submit the application through their legal representatives or through a person authorized by them, attaching to the written application:

- certificate of current status of the applicants - legal entities. Foreign legal entities submit documents translated and legalized in the respective order
- identity document of the natural persons - legal representatives of the legal entity. The investment intermediary shall keep a certified copy of the submitted identity document.
- copies of BULSTAT registration and tax registration, certified by the legal representative) resp. the proxy of the legal entity.
- notarized explicit power of attorney and identity document of the proxy - when submitting an application through a proxy. The investment intermediary keeps for his archive the power of attorney, as well as a certified copy of the presented identity document.

Individuals submit the applications in person, identifying themselves with an identity document, a copy of which is attached to the application or through a proxy, who identifies himself with a notarized explicit power of attorney and an identity document. The investment intermediary keeps for his archive the power of attorney, as well as a certified copy of the presented identity document.

Applications are submitted every working day in the office of the authorized investment intermediary, from 09:00 to 18:00.

Upon submission of the application to an investment intermediary, where the client's accounts are kept for the rights owned by the clients, the same shall immediately notify "MK Brokers" AD of the received application.

As a result of the information submitted by the investment intermediary servicing the issue and by the investment intermediary to which the application for subscription of warrants from the current issue has been submitted, the Central Depository blocks the respective number of rights to the client sub-account of their holder.

## **11.7. CIRCUMSTANCES UNDER WHICH THE OFFER MAY BE CANCELED / SUSPENDED**

The FSC, respectively the Deputy Chairman, may suspend the public offering for no more than 10 consecutive working days for each individual case, as well as prohibit the public offering if there are sufficient grounds to believe that the provisions of the LPOS or its implementing acts have been violated.

In the period between the issuance of a confirmation of the Prospectus and the deadline for public offering or commencement of trading on a regulated market, the Company shall no later than the end of the next business day after the occurrence, respectively knowledge of a material new circumstance, significant error or inaccuracy the information contained in the Prospectus, which may affect the valuation of the offered securities, to prepare an addendum to the Prospectus and submit it to the FSC.

The FSC may refuse to approve the amendment to the Prospectus if the requirements of the LPOS and its implementing acts are not met. In this case the Commission may permanently suspend the public offering by the order of art. 212a of LPOS.

Any significant new factor, material error or material inaccuracy in relation to the information included in the Prospectus that may affect the valuation of warrants and that occurs or is observed between the approval of the Prospectus and the expiration of the offer period or the time when trading begins on the regulated market, depending on what happens later, should be listed in addition to the Prospectus without undue delay. The FSC may refuse to approve the amendment to the Prospectus if the requirements of the LPOS and its implementing acts are not met. In this case, the Commission may permanently suspend the Proposal under Art. 212a of LPOS.

According to Art. 212a<sup>1</sup>, para. 1, item 3 of the LPOS, the FSC has the right to prohibit the public offering or admission of securities to trading on a regulated market when it finds that there is a violation of the relevant provisions of Regulation (EU) 2017/1129, Chapter Six and / or the acts implementing them, or if there are sufficient grounds to believe that their provisions will be violated.

When establishing violations of MFIA, the acts on its implementation, the applicable acts of the European Union or other internal acts approved by the Commission at the trading venues, decisions of the FSC or the Deputy Chairman, as well as when the exercise of control is impeded activity of the Commission or the interests of investors are endangered, the FSC, respectively the Deputy Chairman, may suspend trading in certain financial instruments or exclude from trading on a regulated market or from another trading system financial instruments.

The public offering may be suspended, including after the commencement of trading, by the Financial Supervision Commission under Art. 20, para. 3, item 3 of the Law on Application of Measures against Market Abuse of Financial Instruments (MFIA). The public offering may be suspended or the financial instrument may be removed from trading after the commencement of trading by the "Bulgarian Stock Exchange" AD pursuant to Art. 181 of MFIA.

In order to prevent and stop the administrative violations under MFIA, the applicable EU acts, to prevent and eliminate the harmful consequences thereof, as well as to prevent the exercise of control activities by the FSC or to endanger the interests of investors, the Deputy Chairman may suspend trading in certain financial instruments.

## 11.8. SUBSCRIPTION REDUCTION AND REFUNDS

**The number of warrants offered is not subject of change.**

If all warrants from this issue are subscribed before the subscription deadline, “Sopharma” AD notifies the Financial Supervision Commission within 3 (three) working days (Art. 112b, para 12 of LPOS) and takes the necessary actions for registration of the new issue warrants in “Central Depository” AD, in the register of the FSC and submits an application for admission of the issue for trading to the “Bulgarian Stock Exchange” AD.

**If at least 22,466,317 of the offered warrants are subscribed by the subscription deadline, the subscription is considered to have been successfully completed.**

Subscription by issuing rights excludes the possibility to subscribe for more than the offered warrants and for competition between applications.

In case no warrants up to the minimum amount of 22,466,317 of the offered warrants are subscribed by the subscription deadline, the subscription will be considered unsuccessful. In this case, the Issuer notifies the FSC of the result of the subscription by the expiration of seven days after its deadline. On the day of the notification under the previous sentence, according to Art. 89m, al. 3 of LPOS within one month from the notification under Art. 89l, para. 3, the collected amounts shall be returned to the persons, who have subscribed securities, together with the interest accrued by the bank under para. 1. The issuer or the offeror publishes on its website, when the securities are offered by him, an invitation to the persons who have subscribed for securities, in which he announces the terms and conditions for return of the collected amounts and sends it to the investment intermediaries participating in the offer. The investment intermediaries participating in the offer shall publish it on their websites immediately after receiving the invitation.

## 11.9. MINIMUM AND MAXIMUM AMOUNT FOR WHICH THEY CAN APPLY

The maximum amount of the issue is 44,932,633 warrants and net income of BGN 12,530,353.68. The minimum number of warrants that must be subscribed for the issue to be considered successful is 22,466,317 warrants and a net income of BGN 6,240,043.31.

Each person may subscribe at least one warrant if he holds at least three rights and at most such number of warrants equal to his rights divided by three.

## 11.10. WITHDRAWAL OF THE ENROLLMENT REQUEST

Pursuant to §1, item 11 of the Additional Provisions of the Law on Public Offering of Securities, the subscription is an unconditional and irrevocable statement of intent for the acquisition of securities in the process of issuance and for payment of their issue value. The investor cannot withdraw his application for subscription of warrants.

The investor has the right to refuse the securities by the order and under the conditions of art. 23 of Regulation (EU) 2017/1129 only in the presence of significant changes in the Prospectus. The refusal in this case is made with a written declaration submitted to the investment intermediary with which the securities have been subscribed.

## 11.11. PAYMENT AND DELIVERY

The issue value of the subscribed securities should be paid to a special accumulation account, which will be additionally disclosed in the announcement published by the Board of Directors of the Issuer regarding the public offering.

The persons who have applied for subscription of warrants shall, no later than the expiration of the term for subscription of warrants, deposit the amount corresponding to the issue value of the warrants requested for subscription to the bank account specified in the previous sentence.

The accumulation account must be credited with the installment against the subscribed warrants no later than the expiration of the last day of the subscription. The payment order or the import note must indicate the name of the person recording the warrants, his PIN, UIC (for Bulgarian legal entities) and the number of the subscribed warrants.

Certificate of payment is the payment document (payment order or import note) which the investor receives from the servicing bank, through which he orders the payment or pays the amount due against the subscribed warrants.

**The funds raised on the special account cannot be used before the end of the subscription and registration of the issue in “Central Depository” AD.**

After the successful completion of the subscription, the issue of warrants is registered in “Central Depository” AD. The registration is certified by an act for registration of the issue issued by “Central Depository” AD.

Depository receipts for the newly issued warrants are issued by the investment intermediary, through which the new warrants are subscribed upon request of the investor and in accordance with the procedure provided for in the Regulations of “Central Depository” AD.

## 11.12. ANNOUNCEMENT OF THE RESULTS OF THE PROPOSAL

The Issuer shall notify the FSC of the result of the initial public offering of the warrants of this issue, within three working days from the end of the Subscription, including difficulties, disputes and the like in the trading of rights and subscription of warrants. Upon successful completion of a public offering, the FSC shall enter the issued issue of securities in the register under Art. 30, para. 1, item 3 of the FSCA.

Within 7 days from the end of the Offering, “Sopharma” AD will send a notification to the FSC and the “Bulgarian Stock Exchange” AD regarding the result thereof, containing information about the closing date; the total number of subscribed warrants; the amount received against the subscribed warrants; the amount of commissions and other costs of the Offering, including the fees paid. The Issuer will attach the documents required by law to the notification. Within the same period, the specified circumstances will be announced through publications on the website of “Sopharma” AD.

Within 14 days from the completion of the initial public offering of warrants, the Company will submit to the FSC the following documents: a certificate from the Central Depository for registration of the issue and a bank certificate certifying the payments made on the subscribed warrants. (Art. 24, para 2 of Ordinance № 2 of 17.09.2003).

## 11.13. PROCEDURE FOR EXERCISING THE LAW BEFORE OTHERS, TRANSFERRED RIGHTS, TREATMENT OF UNEXERCISED RIGHTS

The current shareholders of “Sopharma” AD have the right to acquire with an advantage part of the issued warrants, corresponding to their share in the capital.

Persons who have purchased rights within the term for transfer of rights, as well as during the organized public auction, may exercise them and write warrants against them. Each person may subscribe at least one warrant if he holds at least three rights and at most such number of warrants equal to his rights divided by three.

The possibility to subscribe for more than the offered warrants from the number of owned rights and for competition between the applications is excluded.

In case a person who has purchased rights at the auction does not exercise them and / or a person who has subscribed for warrants does not pay their issue value, under the above conditions, the warrants remain unsubscribed and no other rights holder can subscribe for them.

## 11.14. PLACEMENT AND ADMISSION TO TRADE

### 11.14.1 Categories of investors

The warrants of this issue are offered on equal terms to all categories of investors, defined in § 1 of the Additional Provisions of the Law on Public Offering of Securities, as follows:

**a) non-professional investors** - a person who, at his own expense, puts at risk cash or other property rights through the acquisition, holding and transfer of securities, without having the necessary qualifications or experience to do so;

**b) institutional investors** - a bank that does not act as an investment intermediary, investment company, mutual fund, insurance company, pension fund or other company whose subject of activity requires acquisition, holding and transfer of securities;

When subscribing for the warrants from the issue, the current shareholders of “Sopharma” AD have priority. They have the right to subscribe such part of the issued warrants, which corresponds to their participation in the capital of the Company, before the capital increase. In order to ensure the advantage of the shareholders, rights are issued, in the sense of § 1, item 3 of the Additional Provisions of LPOS.

#### 11.14.2 Declaration by the majority shareholder

The Issuer does not know whether the shareholders holding more than 5% of the capital of the Company intend to participate in the Subscription.

The Issuer does not know whether the members of the Board of Directors of the Company intend to subscribe for warrants from the current issue, as well as whether any person intends to subscribe over 5% of the offered warrants.

#### 11.14.3 Announcement of the preliminary distribution

There will be no pre-allocation of parts of the issue in the current proposal.

#### 11.14.4 Supply tranches

Based on the received subscription orders, the authorized investment intermediary prepares a list containing the names of the investors, respectively of the investment intermediaries through which the orders were submitted and the number of offered warrants, distributed to each of them.

#### 11.14.5. The clause for return of amounts already received on dividends

This Offer does not provide conditions under which a clause may be used to return amounts already received on dividends.

#### 11.14.6. The method of allocation in tranches in case of exceeding the subscription

The issuance of rights in this offer excludes the possibility to subscribe for more than the proposed warrants (exceeding the subscription), therefore there are no allocation methods to be used in case of exceeding the Subscription.

#### 11.14.7. Preferential treatment

When subscribing to the warrants from the issue, the current shareholders of “Sopharma” AD have priority. They have the right to subscribe such part of the issued warrants, which corresponds to their participation in the capital of the Issuer, before the capital increase. In order to ensure the advantage of the shareholders, rights are issued in the sense of § 1, item 3 of the Additional Provisions of the Law on Public Offering of Securities.

The subscription of warrants is done by the rights holders submitting Sample Applications to “MK Brokers” AD or to the investment intermediaries, members of “Central Depository” AD, where the client accounts for their rights are kept. The submission of an Application for subscription of warrants is made in compliance with the requirements for submission of an order for transactions with financial instruments, established in Ordinance № 38 on the requirements for the activity of investment intermediaries. All applications for subscription of warrants are treated equally, regardless of which investment intermediary they are submitted to.

#### 11.14.8. Minimum set aside for targeted distribution to individuals

The warrants of the current issue are offered on equal terms to all categories of investors and there is no minimum amount set aside, warrants of the issue intended for subscription by a certain category of investors.

#### 11.14.9. Terms and date of completion of the offer

If by the deadline of the subscription not all offered warrants are subscribed, but at least 22,466,317 of the offered warrants have been subscribed and paid, the Subscription is considered successfully completed and the issue is registered in "Central Depository" AD, FSC and for trading on "Bulgarian Stock Exchange" AD.

The subscription ends after the expiration of the term for subscription of warrants - 15 working days after the expiration of the term for transfer of the rights. In case the deadline for subscription of warrants expires on a non-working day, the deadline for subscription of warrants is considered to be the first following working day.

If all offered warrants are subscribed and paid before the subscription deadline, "Sopharma" AD announces its termination, notifies the FSC within 3 working days and takes the necessary actions to register the issue with "Central Depository" AD, the FSC and for trading on the "Bulgarian Stock Exchange" AD.

"Sopharma" AD will notify the FSC within 3 working days from the completion of the subscription for its holding and its results, including difficulties, disputes and the like in the trading of rights and subscription of warrants.

Within 7 days from the end of the Offering, "Sopharma" AD will send a notification to the FSC and the "Bulgarian Stock Exchange" AD regarding the result thereof, containing information about the closing date; the total number of subscribed warrants; the amount received against the subscribed warrants; the amount of commissions and other costs of the Offering, including the fees paid. The Issuer will attach the documents required by law to the notification. Within the same term, the mentioned circumstances will be announced through publication on the internet address of "Sopharma" AD.

**In case no warrants up to the minimum amount of 22,466,317 of the offered warrants are subscribed by the subscription deadline, the subscription will end unsuccessfully.**

In this case "Sopharma" AD notifies the FSC of the result of the subscription by the expiration of seven days after its deadline. On the day of the notification under the previous sentence, according to art. 89c, para. 7 of the LPOS, the Issuer notifies the bank of the subscription result, publishes on its website and on the website of "MK Brokers" AD and declares for publication in the Commercial Register an invitation to the persons who have signed warrants, in which it announces the terms and conditions for return of the collected amounts. The collected amounts shall be returned to the persons who have subscribed for warrants within one month from the announcement, together with the interest accrued by the bank, if any.

#### 11.14.10. Composite Signatures

Compound subscriptions are not allowed in this Offer.

#### 11.14.11. Process for notifying candidates of the distribution

The Issuer shall notify the FSC of the result of the initial public offering of the warrants of this issue, within three working days from the end of the Subscription, including difficulties, disputes and the like in the trading of rights and subscription of warrants. Upon successful completion of a public offering, the FSC shall enter the issued issue of securities in the register under Art. 30, para. 1, item 3 of the FSCA.

Within 7 days from the end of the Offering "Sopharma" AD will send a notification to the FSC and the BSE regarding the result thereof, containing information about the closing date; the total number of subscribed warrants; the amount received against the subscribed warrants; the amount of commissions and other costs of the Offering, including the fees paid. The Issuer will attach the documents required by the Law to the notification. Within the same period, the specified circumstances will be announced on the website of "Sopharma" AD.

Within 14 days from the end of the initial public offering of warrants, the Company will submit to the FSC the following documents: a certificate from the Central Depository for registration of the issue and a bank certificate certifying the payments made on the subscribed warrants (Art. 24, para 2 of Ordinance). № 2 dated 17.09.2003).

The newly issued issue of warrants is registered in “Central Depository” AD. The registration is certified by an Act for registration of the issue issued by “Central Depository” AD, certifying the total number of warrants after and data on the shareholders who have acquired warrants.

Newly issued warrants are registered on client sub-accounts, in the name of their holders, to the account of the investment intermediary, through which they are recorded.

At the request of the holders of warrants, they may receive Depository receipts certifying the right to the warrants subscribed by them, through the investment intermediary, to whose account their client sub-accounts have been opened in the Central Depository.

“Sopharma” AD will request entry of the warrants in the Register under Art. 30, para. 1, item 3 of the FSCA, after which to request their admission to trading on a Regulated Market.

“MK Brokers” AD sends to each of the investors who have submitted Orders directly to him, a confirmation, indicating the exact number of warrants received by each respective investor, as well as the amount due against them for payment of the full amount of their issue value.

When the investors' applications are sent to other investment intermediaries, “MK Brokers” AD sends to each investment intermediary through which applications have been submitted, by e-mail, to the e-mail address indicated by the respective investment intermediary, a notification in which contains information on the number of warrants received by each of the investors in the distribution of the offered warrants, as well as the amount due by each investor, the amount to pay the full amount of their issue value, including the total amount of warrants due, which follows to be paid by all investors. Investors who have submitted applications through an investment intermediary receive the information under the previous sentence through this investment intermediary.

Trading in warrants will start after notifying investors of the distribution of warrants, respectively trading in warrants will be possible only after entering the issue in the register kept by the FSC for trading on a regulated securities market and subsequent registration of warrants in the Central Depository. Transactions with warrants will be able to be concluded on the “Bulgarian Stock Exchange” AD only after the registration of the warrants for trading on the “Bulgarian Stock Exchange” AD.

After admission to trading, the warrants will be traded on the Main Market, Structured Products Segment of the “Bulgarian Stock Exchange” AD. Each holder of warrants may submit an order for the sale of warrants to a licensed investment intermediary, and any investor wishing to purchase warrants - a purchase order, subject to the requirements of Ordinance № 38 on the requirements for the activities of investment intermediaries.

#### 11.14.12. Subscription exceeding the subscription amount, „green shoe” option

There is no provision for recording warrants exceeding the size of the predefined parameters of the Subscription and there is no "green shoe" option for exceeding the Subscription.

### 11.15. PLACEMENT AND ACCEPTANCE

The authorized investment intermediary to service the public offering of the current issue of warrants is “MK Brokers” AD, which has not undertaken to place or undertake the issue. Warrants can be saved at:

Investment firm	<b>„MK Brokers” AD</b>
Correspondence Address	<b>Sofia , 8 Blvd. Tsar Osvoboditel, fl. 4</b>
Telephone	<b>+35924942269</b>
Telephone dilling	<b>+35924942269</b>
Email	<a href="mailto:office@mkb.bg">office@mkb.bg</a>
Website	<a href="https://www.mkb.bg/kontakti">https://www.mkb.bg/kontakti</a>

There are no agreements between the Issuer and another entity to take over or place the issue of warrants.

The current issue of warrants is not undertaken or guaranteed by third parties and there is no specific plan for the distribution or distribution of securities between different investment intermediaries.

The depository institution in which the issue of warrants will be registered is “Central Depository” AD.

### **11.16. ADMISSION TO TRADE. MARKET**

After the completion of the initial public offering of the warrants, the FSC shall enter the issued issue in the register under Art. 30, para. 1, item 3 of the FSCA, after which the Issuer and the authorized investment intermediary will submit an application for registration of the issue of warrants for trading on the "Bulgarian Stock Exchange" AD. The issue of warrants is allowed for trading on the Main Market, "Structured Products Segment" with an order / decision / of the Trading Director of the "Bulgarian Stock Exchange" AD. Within one working day of the decision, the "Bulgarian Stock Exchange" AD notifies the issuer and publishes a notice with information about the issue, identification codes and rules for its trading. The date of admission is not later than the first working day following the expiration of 5 (five) working days from the date of the decision of the Director of Trade.

A natural or legal person which wants to buy or sell warrants from this issue should enter into a contract with an investment intermediary licensed by the FSC and submit a purchase order, respectively for the sale of warrants, in compliance with the requirements of MFIA and Ordinance №38 for the requirements to the activity of the investment intermediaries.

### **11.17. TRADING IN THE ISSUE OF THE ISSUER'S INSTRUMENTS**

Until now, the Issuer has not issued securities giving the same rights as the warrants of the current issue. At present, securities with the issuer "Sopharma" AD of the same class as the warrants offered with this Prospectus are not offered and are not admitted to trading on a regulated market.

After successful completion of the subscription, the Issuer will request admission to trading of the current issue of warrants only on the regulated market organized by "Bulgarian Stock Exchange" AD.

### **11.18. LIQUIDITY COMMITMENT**

At present, there are no entities that have undertaken to ensure the liquidity of the issue of warrants.

### **11.19. STABILIZATION**

The Issuer has not given an option to exceed the amount of the Offer and no price stabilization actions are envisaged in connection with the Offer.

### **11.20. OTHER SUBSCRIPTIONS OR PRIVATE PLACEMENTS**

At present, other financial instruments with Issuer "Sopharma" AD (of the same class as the offered warrants or of another class) are not offered, through initial public or private offering.

The Company does not plan in the near future initial public or private offering of financial instruments of the same class as the offered warrants or of another class. In case a decision is made for such an offer, "Sopharma" AD will announce the decision in accordance with the regulations.

Currently, the existing issue of ordinary shares issued by "Sopharma" AD is traded on the "Bulgarian Stock" AD with ISIN code BG11SOSOBT18.

### **11.21. SELLING HOLDERS**

The Issuer is not aware of the intentions of current shareholders to exercise or not exercise the rights issued in their favor, in the current offer and to offer a number of rights for sale, within the term for transfer of rights.

## 12. PROCEDURE FOR EXERCISING WARRANTIES/RIGHT TO SUBSCRIBE TO THE BASIC INSTRUMENT/

Holders of warrants may exercise their right against payment of the issue value of shares specified in this Prospectus in the amount of BGN 4.13 per share.

The right to subscribe for shares from the capital increase of "Sopharma" AD can be exercised within 3 years. The beginning of the term under the previous sentence is considered to be the date on which the issue of warrants is registered in "Central Depository" AD. The term expires on the respective day of the 3rd calendar year, and if this day is absent (non-working) - on the first following present (working) day.

In order for the holder of the warrant to exercise his right, the following factual composition must be fulfilled:

**a) Decision of the holders of warrants to exercise the rights under the warrants, taken by a majority of the votes of the holders of warrants presented at the meeting.**

At the request of the holders of warrants representing **not less than 3%** of the issued issue or respectively having the residual (unexercised) amount of the issue, if At the moment, more than 97% of the issued warrants have been exercised, the Board of Directors of "Sopharma" AD convenes a meeting of the warrants holders within 14 days of receiving the request. The meeting of the holders of warrants is convened by invitation, published on the website of the Company at least 5 calendar days before the date of the meeting.

The invitation to convene the General Meeting of the holders of warrants and the materials for the meeting are announced to the public through the Issuer's website, the media used by the Company and are sent to the FSC, "Central Depository" AD and "Bulgarian Stock Exchange" AD. Written materials related to the agenda of the General Meeting of Warrant Holders must be made available at the address of the Company, no later than the publication of the invitation.

The invitation to convene the meeting contains at least information about the company and the registered office of the Company, the place, date and time of the meeting, information about the formalities to be completed in order for the holders of warrants to exercise their right to vote, including the form of authorization, the agenda of the issues proposed for discussion by the persons requesting the convening of the meeting, and the proposals for decisions made by the same persons in the request for convening the general meeting of the holders of warrants. In case the request for convening the meeting made by the holders of warrants does not include the adoption of a decision for exercising the rights under the warrants, such shall be included in the invitation by the Board of Directors of "Sopharma" AD. The invitation shall be accompanied by a statement of the movement for a period preceding the date of convening the meeting, or for the period from the date of the previous meeting of the holders of warrants, if such was held less than a year before the convening of this meeting. meeting of the holders of warrants, at the price of the ordinary shares issued by the Company (shares of the same class as the underlying asset of the warrants) on the regulated market, organized by the "Bulgarian Stock Exchange" AD.

The right to participate in the General Meeting of Warrant Holders have the persons entered in the register kept by "Central Depository" AD as holders of warrants 14 days before the date of the Meeting of Warrant Holders.

The meeting is valid and decisions can be made at it, if 1/2 of the issued and unexercised warrants are presented. In the absence of a quorum, a new meeting shall be scheduled no earlier than 7 days after the date of the first meeting, the date for which shall be indicated in the invitation to convene the meeting, and it shall be valid regardless of the capital presented to it.

The decision to exercise the rights under the warrants shall be adopted by a majority of the votes of the warrants holders represented at the meeting.

The meeting was attended by an authorized member of the Board of Directors of "Sopharma" AD and the Investor Relations Director of the Company.

The authorized member of the Board of Directors of "Sopharma" AD is obliged to present to the holders of warrants a report on the average price, for the last trading session before the date of the meeting, of the Company's shares of the same class as the base asset of the warrants. market organized by the "Bulgarian Stock Exchange" AD, as well as an opinion on whether the warrants are in cash or out of cash and the opinion of the Board of Directors of "Sopharma" AD on the proposal for making a decision on the exercise of warrants.

Minutes of the meeting are kept by the Investor Relations Director of "Sopharma" AD, which provides the minutes of the meeting of the meeting of the holders of warrants to the Board of Directors of "Sopharma" AD.

If 3 months before the maturity of the issue the Board of Directors has not received a request to convene a meeting of the holders of warrants, the Board of Directors shall decide to convene a meeting of the holders of warrants, in which case a decision of the meeting of holders of warrants shall not necessary.

The Board of Directors of the Issuer announces a notice of the forthcoming capital increase in the Commercial Register kept by the Registry Agency and publishes on the websites of the Issuer and the investment intermediary selected to service the capital increase.

**b) Decision of the Board of Directors of “Sopharma” AD to increase the capital of the Company provided that the new shares are subscribed by the holders of the warrants of this issue.**

Within 7 days after receiving the minutes of the meeting of the meeting of warrants holders, at which the decision was made to exercise the rights under the warrants, respectively no later than 3 months before the maturity of the issue, the Board of Directors of “Sopharma” AD should decide to increase the capital of the Company by issuing a number of ordinary, registered, dematerialized shares, with voting rights, corresponding to the number of warrants not exercised at the time of the decision, with a nominal value of BGN 1 each and an issue value of BGN 4.13 per share, provided that the shares of the increase are subscribed by the holders of warrants.

The minutes of the meeting of the Board of Directors, at which a decision was made to increase the capital of “Sopharma” AD, shall be submitted to the FSC, “Bulgarian Stock Exchange” AD and “Central Depository” AD by the end of the business day following the day of the meeting, when it is subject to entry in the Commercial Register - until the end of the working day following the day of learning about the entry, but not later than 7 days from the entry.

The decision of the Board of Directors of “Sopharma” AD does not create an obligation for the holders of warrants to subscribe for shares against the warrants held, but gives them the opportunity to exercise this right. Holders of warrants who have not exercised their right to subscribe for shares from the capital increase, based on the decision of the Board of Directors, may do so until the maturity of the issue under the appropriate terms and conditions. With the maturity of the issue, the unexercised rights under the warrants are terminated.

At least 7 days before the set **Initial term for exercising the warrants**, the Board of Directors of “Sopharma” AD, in accordance with the requirements of Art. 89t, para. 2 of LPOS announces a notice of the capital increase, the initial and final term for exercising the warrants, by subscribing shares, as well as the other essential conditions of the offering. The Issuer shall publish the announcement under the previous sentence in the Commercial Register and on the websites of the Issuer and of the investment intermediary selected to service the capital increase.

The right to participate in the increase of the capital of the Company, exercising the rights under the warrants, have the persons, who have acquired warrants no later than 7 days after the later date between the date of announcing the announcement under art. 89t, para. 2 of LPOS in the Commercial Register and its publication on the website of the Issuer and on the website of the servicing investment intermediary. This date is also the Start Date on which warrants can be exercised by subscribing for shares.

The decision of the Board of Directors determines a period of 15 working days in which the warrants may be exercised, starting from the starting date for exercising the rights under the warrants. In the event that the decision of the Board of Directors to increase the capital is taken in the event that no decision is required of the holders of warrants under letter "a" above, the term for exercising the warrants is not less than 15 working days and expires at the maturity of the issue.

The final date for transfer of warrants from the current issue is no later than 7 days after the later date between the date of publication of the notice under Art. 89t, para. 2 of LPOS in the Commercial Register and its publication on the website of the Issuer and the servicing investment intermediary.

**c) Explicit statement by the holder of warrants that he wishes to exercise the warrants held by him by subscribing the respective number of shares from the increase of the capital of the Company.**

Holders of warrants who wish to exercise the rights under them should make an explicit statement for exercising the warrants by submitting an application for subscription of shares from the capital increase of the Issuing Company and pay the issue value of the subscribed shares. The application for subscription of shares shall be submitted to the investment intermediary servicing the capital increase of the Issuer, directly or through another licensed investment intermediary, on whose account in “Central Depository” AD the warrants of the respective holder are registered, which in turn sends the application to the investment holder intermediary servicing the capital increase.

Legal entities submit the application through their legal representatives or through a person authorized by them, attaching to the written application:

- certificate for current status of the applicants - legal entities. Foreign legal entities submit documents translated and legalized in the respective order.
- identity document of the natural persons - legal representatives of the legal entity. The investment intermediary shall keep a certified copy of the submitted identity document.
- copies of BULSTAT registration and tax registration, certified by the legal representative / resp. the proxy of the legal entity.
- notarized explicit power of attorney and identity document of the proxy - when submitting an application through a proxy. The investment intermediary shall keep for his archive the power of attorney, as well as a certified copy of the presented identity document of the proxy. Foreign legal entities submit documents translated and legalized in the respective order.

Individuals submit applications in person, identifying themselves with an identity document, a copy of which is attached to the application, or through a proxy, who identifies himself with a notarized explicit power of attorney and an identity document. The investment intermediary keeps for his archive the power of attorney, as well as a certified copy of the presented identity document.

At the request of the investment intermediary, to which the application for subscription of shares has been submitted, "Central Depository" AD blocks the respective number of warrants on a client sub-account.

The issue value of the subscribed securities should be paid to a special accumulation account, which will be additionally disclosed in the announcement published by the Board of Directors of the Company regarding the decision to increase the capital, according to item b, above.

Subscribers of shares should pay the amount corresponding to the issue value of the shares subscribed by them at the latest by the expiration of the term for subscription of the shares.

The amounts on the accumulation account cannot be used by the Issuer before the successful completion of the subscription and the registration of the capital increase of "Sopharma" AD in the commercial register kept by the Registry Agency.

According to the requirement of art. 64 of Ordinance №38 on the requirements for the activity of investment intermediaries, when submitting an application for subscription of shares, the holders of warrants should submit evidence to the investment intermediary with the funds necessary for payment under the transaction - subject of the order, when submitting the order, except if the customer certifies that he will fulfill his obligation to pay.

#### **d) Successful completion of the subscription and entry of the capital increase of the Company in the Commercial Register kept by the Registry Agency.**

The subscription is considered to have been successfully completed, regardless of the number of subscribed shares.

Within 3 days from the end of the subscription "Sopharma" AD notifies the FSC about the subscription and its results, including difficulties and disputes in the exercise of warrants and subscription of shares, after which the capital increase of "Sopharma" AD is entered in the Commercial Register.

After the completion of the subscription and the entry of the capital increase in the Commercial Register, "Central Depository" AD registers the shares from the capital increase and issues a Deed for registration of the capital increase, certifying the total number of shares after the increase and data on the shareholders acquired shares of the increase.

The shares from the capital increase are registered on client sub-accounts of the shareholders, to the account in the Central Depository of the investment intermediary, through which they are subscribed. At the request of the shareholders, they may receive depository receipts certifying the right to the shares purchased by them, through the investment intermediary with which their client sub-accounts have been opened.

The issuer is obliged within 2 working days from the entry of the capital increase in the Commercial Register to request entry of the new issue of shares in the register under Art. 30, para. 1, item 3 of the FSCA, after which to request its admission for trading on a regulated market. According to the requirement of Art. 110, para. 9 of LPOS.

After admission to trading, the shares from the capital increase of "Sopharma" AD will be freely traded on the "Bulgarian Stock Exchange" AD. Each shareholder may submit an order for sale of the shares to a licensed investment intermediary, and any investor wishing to purchase shares of "Sopharma" AD - an order for purchase, in compliance with the requirements of Ordinance № 38.

The rights under the warrants, which have not been exercised until the maturity of the issue, shall be terminated due to non-exercise.

## 13. PRICING

### 13.1. PRICE

The parameters of the issue warrants, **incl. issue value of one warrant in the amount of BGN 0.28 and exercise price in the amount of BGN 4.13** are determined by a decision of the Board of Directors of the Issuer dated 21.05.2021. The price of a warrant was examined using the modified Black-Scholes method for determining the indicative theoretical value of the options premium. The Black-Scholes method is applicable in this case due to the similarity between the two types of financial instruments (options and warrants) with the underlying asset of ordinary shares.

One of the characteristic features of warrants is that they have no investment value because they are not interest, dividends or voting rights in the governing bodies of the company. Therefore, the fair market value (SDR) of a warrant can only be attributed to its ability to be converted into ordinary shares.

As a result, the PCA consists of two components: the built-in (intrinsic) value of the warrant and the time value, which are in dynamic equilibrium:

**Embedded value:** The difference between the market value of the underlying asset and the exercise price of the warrant is called the embedded value of the warrant. Only warrants that are in the money have a built-in value.

**Time value:** In addition to the value of the underlying asset, there are various factors that affect the value of the warrant. Together, these factors are called time values. The main components of the time value are the time remaining to maturity, volatility, dividends and interest rates. At maturity, the value of a warrant that is in cash will in principle be equal to the difference between the underlying asset and the exercise price of the warrant, ie. the time value of the warrant will be zero.

The price of the warrant is equal to the Embedded value plus the time value:

***Warrant price = Embedded value + Time value***

Before subscribing for warrants and paying their issue value, investors who are not current shareholders of the Issuer should purchase the respective number of rights on the regulated market, organized by BSE-Sofia AD, within the term for transfer of the rights or the organized public auction. All costs related to the purchase of the rights, including the fees and commissions due in this regard to the investment intermediary through which the purchase is made, to "BULGARIAN STOCK EXCHANGE" AD and "Central Depository" AD, bank fees and commissions due, shall be borne by the investors.

The following costs in connection with the subscription of the warrants from the current issue are also at the expense of the investors:

- fees and commissions due to the investment intermediary through which the warrants are recorded.
- fees due to "Central Depository" AD.
- fees due to "Bulgarian Stock Exchange" AD.
- bank fees and remittance fees.

### 13.2. THE BLACK-SCHOOLS FORMULA FOR DETERMINING THE ATP OF THE WARRANT

The similarity between options and warrants with underlying asset common stock gives us reason to calculate the PCA of warrants using the Black-Scholes formula used to determine the price of call options.

$$W = Se^{-rt}N(d_1) - Xe^{-rt}N(d_2)$$

Where:

$$S = P \left( \frac{W}{n + w} \right)$$

$$d_1 = \frac{\text{Ln}\left(\frac{S}{X}\right) + \left(r + \frac{\sigma^2}{2}\right) t}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

W	price of one warrant
P	market price of one share
w	number of warrants issued
n	number of ordinary shares outstanding
X	warrant exercise price multiplied by the coefficient $\left(\frac{w}{n+w}\right)$
N(x)	the probability that the warrant is in cash on the day of exercise
t	maturity in years
r	the annual return on risk-free assets (government securities)
$\sigma$	the volatility (standard deviation) of the return on an annual basis of the underlying asset ordinary shares
Ln	natural logarithm
e <sup>x</sup>	exponential function

As already noted, in many respects the differences between warrants and call options are almost indistinguishable. However, there are two significant differences that require modification of the Black-Scholes formula:

1. The issuer of the warrants is the company. When they are exercised, the company receives the exercise price, against which additional shares are issued, which leads to an increase in the number of ordinary shares, respectively to the dilution of capital.
2. The life of warrants is measured in years, not months as in options. For such a long period of time, the deviation in the rate of return on the underlying asset is expected to change significantly.

After adjusting the formula to the above two circumstances, the SPS of the warrant is obtained as follows:

$$W = \left(\frac{n}{n/g + w}\right) \left[ \left( P - \sum_i e^{-rt_i} D_i + \frac{w}{n} W \right) N(d_1) - e^{-rt} X N(d_2) \right]$$

where

$$d_1 = \frac{\text{Ln}\left(\frac{P - \sum_i e^{-rt_i} D_i + (w/n)W}{X}\right) + rt}{\sigma\sqrt{t}} + \frac{\sigma\sqrt{t}}{2},$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

W	price of one warrant
---	----------------------

P	market price of one share
X	warrant exercise price
D	divident
n	number of ordinary shares outstanding
w	number of warrants issued
g	number of shares that can be purchased with each warrant
r	the annual return on risk-free assets (government securities)
t	maturity in years,
$\sigma$	standard deviation of the return of $P + (w/n) W$ per unit time

$N(d)$  = function of the normal distribution expressed in  $d$ ,

= the time until the payment of the  $i$  - th dividend,

= the amount in BGN of the  $i$  - th dividend.

In summary, it can be said that the Black-Scholes formula can be used to determine the value of a warrant by integrating the following three modifications:

1. The price per share in the original formula shall be replaced by  $S + (w/n) W$  (shares and warrants),
2. The volatility of a share shall be replaced by the standard deviation for total capital or  $S + (w/n) W$

3. The whole formula is multiplied by  $\left( \frac{n}{n/g + w} \right)$ , where  $g$  is the number of shares that can be purchased with one warrant

### 13.3. EXERCISE PRICE

The exercise price in the amount of BGN 4.13 was determined by a decision of the General Meeting of Shareholders of the Issuer dated 21.05.2021. Several factors are taken into account when determining the exercise price:

#### The price of the underlying asset

The difference between the market value of the underlying asset and the exercise price of the warrant is called the embedded value of the warrant. Only warrants that are in the money have a built-in value. When the price of the underlying asset is higher than the price for exercising the right, then the warrant is "in cash" and the holder of the warrant would theoretically have an interest in exercising it and making a profit from the difference. Accordingly, in order for the issuance of a warrant to make sense, the exercise price must be higher than the market price of the underlying asset.

The offered warrants are issued on a basic instrument - future issue, ordinary, dematerialized, freely transferable shares, entitling to 1 vote in the General Meeting of Shareholders of the Issuer.

As of the date of preparation of the Prospectus, the market price per share (the price of the last transaction with shares of the Issuer before the date of the Prospectus) of "Sopharma" AD **was BGN 4.00.**

The set exercise price of BGN 4.13 is higher than the market price per share of BGN 4.00, ie the warrant has a time value.

### 13.4. COMPARATIVE STATISTICS - CONCLUSIONS

The means of comparative statistics are used to study how the change of the main variables involved in the Black-Scholes model affects the SPS of a call option, respectively of a warrant. The obtained results are summarized below:

1. An increase in the current market price of the underlying asset always leads to an increase in the SPS of the warrant.
2. An increase in the exercise price always leads to a decrease in the warrant of the warrant.
3. The extension of the term leads to an increase in the SPS of the warrant.
4. The increase in the volatility of the underlying asset leads to an increase in the warrants of the warrant.
5. An increase in the rate of risk-free return leads to an increase in the ATP of the warrant, and this increase usually leads to a higher rate of increase in the value of the underlying asset.
6. Dividends lead to a decrease in the rate of increase in the value of the underlying asset, respectively to a decrease in the SPS of the warrant.

### 13.5. INFLUENCE OF THE WARRANTY ON THE VALUE OF THE BASIC ASSET

The warrants of the current issue are offered against payment of their issue value of BGN 0.28 and entitle their holders to subscribe for shares from a future increase in the Issuer's capital at a certain, at the time of subscribing the warrant, issue value of BGN 4.13 per share. The issue price is based on the vision of the management body of the Issuer for the development of the Company in the context of the economic situation and the expected prospects and trends until the maturity of the warrants.

The issue value of the underlying asset determined at the time of writing the warrant is the price of exercising the warrant.

The intrinsic value of the warrant expresses the investor's expectation for growth in the price of the underlying asset, above the exercise price of the warrant. The ratio between the value of the warrant (the issue value at which the warrant is recorded), the exercise price of the warrant and the price of the underlying asset allows for a profit, in favor of the investor in warrants.

When exercising the warrant, the profit is the difference between the price of the underlying asset upon exercise and the sum of the price for exercising the warrant and the issue value paid upon subscription of the warrant.

Depending on the ratio between the price of the warrant and the price for exercising the right, the warrant may be:

- **In the money** - when the price of the underlying asset is higher than the exercise price.
- **At the money** - when the price of the underlying asset is the same as the exercise price.
- **Out of the money** - when the current price of the underlying asset is lower than the exercise price.

The underlying asset of the warrants under this issue are shares from an forthcoming capital increase of "Sopharma" AD, which will be carried out in the presence of the prerequisites described in this Prospectus. Given the above, at the time of the decision to exercise the rights under the warrants, the underlying asset has no market price. The price of the underlying asset will be formed after the admission of the issue of shares to trading on a regulated market. In order to be able to forecast the price of the underlying asset before this moment, the market price of the shares of the same class already issued by "Sopharma" AD is taken into account, taking into account the percentage of dilution of the value of the shares upon issuance of the underlying asset.

### 13.6. DILUTION

Dilution of the capital is the decrease in the profit per ordinary share and its book value as a result of conversion into shares of issued bonds and warrants or exercise of issued options, as well as as a result of issuance of ordinary shares at a price lower than the book value per share.

According to the Bulgarian legislation when issuing warrants, the Issuer is obliged to offer to the current shareholders according to their right to acquire part of the warrants, corresponding to their share in the capital. Nevertheless, the current shareholders may choose not to participate in the public offering and not to subscribe for warrants from the current issue, as a result of which the exercise of warrants in shares from the capital of "Sopharma" AD could lead to dilution of their current participation in the Company.

The main assumptions for the book value of the Issuer's equity as of 30.06.2021 are: the nominal value of 1 (one) share is BGN 1.00, the book value of 1 share, before the issuance of the new issue of warrants, is **BGN 4.07**, the total number of ordinary shares is 134,797,899.

The proposed issue of warrants is **44,932,633** with an issue value of **BGN 0.28** per warrant, as net proceeds from the issue of **BGN 6,240,043.31** for minimum subscription and **BGN 12,530,353.68** at maximum subscription, with respectively issue costs for both variants **BGN 50,783.56**.

**The conversion ratio of warrant/share**, according to which the warrants of the current issue can be exercised in ordinary shares, is **1:1**, which in case all warrants are subscribed and exercised, will lead to issuance of **22,466,317** new ordinary shares at a minimum size and **44,932,633** at maximum size. **The exercise price of 1 (one) new ordinary share is BGN 4.13.**

When exercising the warrants from the current issue on the basis of the data as of the date of preparation of the Prospectus there will be an immediate **anti-dilution of the Issuer's capital** as the newly issued ordinary shares have an issue price (BGN 4.13), which is higher than the net the carrying amount of the shares before exercise, as at the minimum amount of recording and at the maximum recording size.

**Table№34 Dilution effect of issuing warrants**

Dilution effect	Minimal size	Maximal size
<b>Book value</b>		
Net income for the issue (BGN'000.)	6,240.04	12,530.35
Total number of shares (BGN'000)	134,798	134,798
Nominal value of one share	1.00	1.00
Book value (BGN'000), before issuing the warrants	548,929.00	548,929.00
Book value of 1 share (BGN), before issuing the warrants	4.07	4.07
Book value (BGN'000), after issuing the warrants	548,929.00	548,929.00
<b>Book value of 1 share, after issuing the warrants</b>	<b>4.07</b>	<b>4.07</b>
<b>Effect form potential conversion of the issue of warrants</b>		
Total number of warrants (BGN'000)	22,466	44,933
Issue price of 1 warrant	0.280	0.280
Total value of the issue (BGN'000)	6,290.57	12,581.14
Exercise ratio (new shares / warrant)	1.00x	1.00x
Total number of ordinary shares (BGN '000)	22,466	44,933
Nominal value of one new share (BGN)	1.00	1.00
Issue price of 1 new ordinary share (BGN)	4.13	4.13
Capital increase (BGN'000)	92,785.89	185,571.77
<b>After the capital increase (in result of exercising the warrants)</b>		
New total number of shares (BGN'000)	157,264	179,731
Nominal value per share (BGN)	1.00	1.00
Equity after the capital increase (BGN'000)	641,714.89	734,500.77
<b>Book value of 1 share after the increase (BGN)</b>	<b>4.08</b>	<b>4.09</b>
<b>Anti-dilution / (dilution) of the value of 1 share</b>	<b>0.20%</b>	<b>0.35%</b>

Source: Mane Capital AD

The calculations in the table above regarding the anti-dilution of the Issuer's capital are made assuming that all warrants are exercised in ordinary shares on the basis of the data as of the date of preparation of the Prospectus.

The table above shows that in full exercise of the current issue of warrants, at the indicated exercise price of BGN 4.13 for 1 new ordinary share, at a minimum subscription amount would have anti-dilution of the capital of the current shareholders with 0.20%, and at the maximum subscription amount there would be anti-dilution of the capital of current shareholders by 0.35%, or the net book value of one share after full conversion will increase **by 0.20% (minimum size) and 0.35% (maximum size).**

**Table№35 Dilution effect on the share of current shareholders as a result of issuing warrants**

Dilution effect on the share of current shareholders in result of exercising the warrants issue	Minimal size	Maximal size
Total number of ordinary shares before the issue ('000)	134,798	134,798
Number of subscribed warrants ('000)	22,466	44,933
Exercise ratio (new shares / warrant)	1.00x	1.00x
Number of new ordinary shares in result of exercising the warrants ('000)	22,466	44,933
Number of ordinary shares after exercising the warrants ('000)	157,264	179,731
<b>Anti-dilution / (dilution) of the share of the existing shareholders (%)</b>	<b>-14.29%</b>	<b>-25.00%</b>

*Source: Mane Capital AD*

As a result of the issuance of the current issue of warrants, it is possible that the share of the existing shareholders will be diluted. In case the current shareholders do not participate in the subscription for the present offer, and the warrants are subscribed by other persons who exercise them in new ordinary shares, this will lead to dilution of the shareholding (share in the share capital) of the existing shareholders. in the amount of up to 14.29% with a minimum subscription amount and 25.00% and a maximum subscription amount.

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The company may issue additional ordinary shares in case of subsequent capital increases. According to the Bulgarian legislation the Issuer is obliged to offer these ordinary shares to the current shareholders, corresponding to their share in the capital before the increase. However, current shareholders may choose not to participate in future issues of ordinary shares.

Holders of warrants will not be entitled to participate with an advantage in future increases if:

- have not exercised their warrants and acquired new shares by paying the respective issue price; or
- do not hold separate, non-issue warrants, ordinary shares, entitling them to participate in future capital increases.

There are no issues of shares to the members of the Board of Directors or related persons in the last 5 years or options with which they have the right to acquire shares in the future.

The members of the Board of Directors are not entitled to acquire securities from the forthcoming issue under conditions of the public offering other than the announced issue value per share.

#### **Future capital increase in the exercise of part or all of the issue of warrants**

In connection with the exercise of the rights under the issue of warrants, the capital of the company may be increased with new shares. Holders of warrants have the right to exercise the rights under them by subscribing new shares, at an issue price of BGN 4.13 per share specified in the Prospectus.

The capital increase as a result of the exercise of the warrants will lead to a Dilution of the capital, compared to the current shareholders in case that at the moment immediately preceding the exercise of the warrants, the net asset value per share is higher than the issue value of newly issued shares.

The dilution of capital (D) is calculated by the following formula:

$$D = \frac{NAVPS_1 - NAVPS_0}{NAVPS_0},$$

where:

D = Dilution

$$NAVPS_0 = \frac{NAV_0}{O}$$

$$NAVPS_1 = \frac{NAV_0 + (N \times IP)}{O + N}$$

where,

NAVPS0 Net asset value per share before the increase

NAVPS1 Net asset value per share after the increase

NAV0 Total assets - Total liabilities before capital increase

O Number of shares before the capital increase

N Number of new shares issued

IP Issue price of the new shares

At the time of preparation of this Prospectus, the value of dilution of the Issuer's capital, as a result of increase of the Company's capital due to exercising warrants from the proposed issue, cannot be determined precisely, as its calculation takes into account the net value of the Issuer's assets, immediately before the capital increase. The net asset value of the Company may change until the time the warrants are exercised as a result of various events related to its normal business activities and could not be foreseen at the present time.

Dilution for current shareholders will occur if, at the time before the exercise of the warrants, the net asset value per share is higher than the issue value of the newly issued shares.

Any willing owner of shares in the Issuer may retain its current share of the capital of the Company with equal treatment of all shareholders.

## 13.7. RETURN

Depending on the ratio between the price of the warrant and the price for exercising the right, the warrant may be:

- **In the money** - when the price of the underlying asset is higher than the exercise price.
- **At the money** - when the price of the base book is the same as the price for exercising the right.
- **Out of the money** - when the current price of the underlying security is lower than the exercise price.

The price of the warrant depends strongly on the price of the underlying asset, consisting of two elements:

### Embedded value

The difference between the market value of the underlying asset and the exercise price of the warrant is called the embedded value of the warrant. Only warrants that are in the money have a built-in value.

### Time value

In addition to the value of the underlying asset, there are various factors that affect the value of the warrant. Together, these factors are called time values. The main components of the time value are the time remaining to

maturity, volatility, dividends and interest rates. At maturity, the value of a warrant that is in cash will in principle be equal to the difference between the underlying asset and the exercise price of the warrant, ie. the time value of the warrant will be zero.

The price of the warrant is equal to the Embedded value plus the time value:

Warrant price = Embedded value + Time value

According to its strategy, the investor can realize two types of returns:

#### **Return on trading with warrants**

The warrants of the current issue will be traded on a regulated market and price and will be formed by various factors, including the supply and demand of these securities. When selling on the secondary market the warrants it owns, the investor will realize a positive or negative return depending on whether the sale price is higher or lower than the issue value of the warrants. In order to accurately calculate the return on investment, it is necessary to take into account the transaction costs associated with the purchase and sale of the relevant securities, as they are deducted from the gross profit/loss realized on the sale of warrants.

#### **Return on the exercise of warrants**

Depending on the movement of the price of the underlying asset, the owner of warrants may decide to exercise it or not by subscribing shares from the new issue of shares, paying the issue price of BGN 4.13 per share.

When exercising the warrant, the profit is the difference between the price of the underlying asset and the sum of the exercise price of the warrant and the issue value paid upon subscription of the warrant.

Theoretically, the holder of the warrant would have an interest in exercising it when he is in the money.

The maximum profit and thus the return in theory is unlimited, due to the fact that the price of the underlying asset can grow indefinitely. The maximum loss is equal to the issue price of the warrant, because if it is out of the money, it will not be exercised and the investor will lose the value paid for the purchase of the warrant.

### **13.8. MARKET FAILURES OR SETTLEMENT FAILURES AFFECTING THE BASE INSTRUMENT**

Admission to trading on a regulated market will be requested for the current issue of warrants. Investing in instruments admitted to trading on a regulated market carries the risk of market failures or settlement failures.

There is a risk that the continuity of trade on the regulated market will be affected due to technical (internal) or macroeconomic, political and other factors that have and/or may affect the activity of the Exchange (external factors, environmental factors). In this case, the conclusion of the concluded transactions with the warrants and shares admitted to trading may be thwarted within the settlement period.

Part VI of the Rules of "BSE" AD, Risk Management Rules contains rules for determining, assessing and managing the risks related to trading. Guarantee Fund operates at "BSE" AD, which is a risk management tool in connection with the completion of stock exchange transactions.

Significant changes in the financial and macroeconomic environment, including financial and economic crises, can lead to significant and lasting fluctuations in the price and liquidity of traded instruments on regulated markets, including traded warrants and their underlying assets. In order to manage the risk of large fluctuations in the trading price, Part IV of the "Bulgarian Stock Exchange" AD Rules - Trading Rules contains rules for interruptions due to price volatility.

### **13.9. RULES FOR MAKING CORRECTIONS**

**Adjustment in the price of exercising the warrant in case of future increase of the Issuer's capital, which is not a result of exercising the rights under the warrants.**

In case the Issuer issues new ordinary shares and/or preference shares until the maturity of the current issue, which lead to dilution of the Issuer's capital, ie. at the moment preceding the respective capital increase, the net asset value per share is higher than the issue value of the newly issued shares, the exercise price of the warrant will be reduced, and the new exercise price (NIP) is calculated according to the following formula:

$$\text{NIP} = \frac{\text{O} \times \text{P} + \text{N} \times \text{IP}}{\text{O} + \text{N}}$$

where:

- NIP New exercise price
- O Number of shares before the capital increase
- P Old exercise price (BGN 4.13 per share)
- N Number of new shares issued
- IP Issue price of the new shares

The same formula is used in the case in which the increase of the Issuer's capital leads to an increase in the net asset value. In case the Issuer issues new ordinary shares and/or preferred shares until the maturity of the current issue, which lead to anti-dilution of the Issuer's capital, ie. at the moment preceding the respective capital increase, the net asset value per share is lower than the issue value of the newly issued shares, this will lead to an increase in the net asset value, and accordingly the price of the warrant will be increased, protecting the interests to investors other than holders of warrants.

Prior to the maturity of the warrants, there may be more than one capital increase, each of which will lead to an additional adjustment in the exercise price.

In case of approval of this Prospectus by the FSC, the Issuer will provide information on adjustments in the price of exercising the warrants under Chapter Six a of the LPOS - Disclosure of information.

### 13.10. ISSUER EXPENSES

The table below shows the main costs of the Issuer, directly related to the current issue of warrants, and it includes the remuneration of the investment intermediary for the issue. All costs listed below are at the expense of the Issuer.

**Table№36 Expenses of the Issuer on the issue of ordinary shares**

Approximate cost *	Minimum amount (BGN)	Maximum amount (BGN)
FSC fee for confirmation of the prospectus	5,423.08	10,000.00
Fees to "Central Depository" AD	10,188.00	10,188.00
Admission to trading on the BSE	1,000.00	1,258.11
Remuneration for "Mane Capital" AD and "MK Brokers" AD	29,337.45	29,337.45
<b>Estimated total costs:</b>	<b>50,525.45</b>	<b>50,783.56</b>
<b>Approximate total costs of the warrant:</b>	<b>0.00</b>	<b>0.00</b>

\* The indicated costs are indicative.

The remunerations indicated in the table of 29,337.45 for „Mane Capital“ AD and “MK Brokers” AD are for the preparation of a prospectus, consulting and other services related to the offering of the issue warrants. The remuneration of “Mane Capital” AD is expected to be BGN 27,337.45, and the remuneration for “MK Brokers” AD is BGN 2,000.

The expected net proceeds from the current issue of ordinary shares (after deducting the issue costs presented in the table below), provided that all **44,932,633** warrants are subscribed at an issue price of **BGN 0.28** per warrant are **BGN 12,530,353.68**.

**Table№37 Proceeds from the issue of warrants**

Proceeds from the issue of warrants	Minimum amount (BGN)	Maximum amount (BGN)
Existing shares	134 797 899,0	134 797 899,0
Number of rights (number)	134 797 899,0	134 797 899,0
Number of warrants issued (number)	22 466 317,0	44 932 633,0
Issue price for 1 warrant (BGN)	0,280	0,280
Gross income of the issue warrants (BGN)	6 290 568,76	12 581 137,24
<b>Estimated receipts from the issue of warrants (BGN)</b>	<b>6 240 043.31</b>	<b>12,530,353.68</b>
<b>Estimated receipts per warrant (BGN)</b>	<b>0.287</b>	<b>0.279</b>

Source: "Mane Capital" AD

**Net income for 1 warrant = BGN 0.279 / warrant**

## 14. GENERAL INFORMATION

### 14.1. ARTICLES OF ASSOCIATION

The information in this section is presented on the basis of the current Articles of Association of the Company and in accordance with the applicable legislation. The Articles of Association can be found in the Commercial Register. The date of announcement is 12.04.2021 and has the entry number 20210412150242.

#### 14.1.1. Subject of activity and goals of the Issuer

According to Art. 5 of the Articles of Association of the Company, the subject of activity of “Sopharma” AD is the following: *production of medicines and chemical-pharmaceutical preparations, trade activity in the country and abroad, research activity in the field of phytochemistry, chemistry and pharmacy.*

The Articles of Association of the Company do not contain information for the purposes of “Sopharma” AD.

#### 14.1.2. Provisions in the Articles of Association in connection with the Board of Directors

The activity of the company is managed by the Board of Directors. It consists of three to nine people. The Board of Directors is elected by the General Meeting of Shareholders for a term of 5 years.

Members of the management and control bodies of a public company may not be persons who have been convicted of an intentional crime of a general nature committed in the Republic of Bulgaria or in another country, unless they have been rehabilitated in accordance with Art. 116a<sup>1</sup>, para. 1 of LPOS. At least one third of the members of the Board of Directors of the company must be independent persons within the meaning of Art. 116a<sup>1</sup>, para. 2 of LPOS.

The members of the Board of Directors have the same rights and obligations, regardless of the internal distribution of functions between them, as well as the provisions entrusting the management of the executive members. The members of the Board of Directors are entitled to remuneration, which is determined by the rules adopted by the General Meeting of Shareholders. The Board of Directors shall meet at least once every three months.

The Board of Directors shall take decisions if at least half of its members are present in person or represented by another member of the Board. A member present may not represent more than one absent member. The Board of Directors may also take decisions in absentia if all its members have stated their consent to the decisions in writing.

The Board of Directors adopts the decisions by a simple majority, except as expressly provided in the CA and the Articles of Association of the company. The decisions of the Board of Directors, which require a majority of 2/3 are described in Art. 26a of the Articles of Association.

#### 14.1.3. Rights, preferences and restrictions relating to each class of existing shares. Actions needed to change the rights of shareholders

The company has issued only one class of shares. All shares of the company are ordinary, registered, dematerialized, with the right to one vote at the General Meeting of Shareholders, the right to dividend and the right to liquidation share, proportional to the nominal value of the share.

Each ordinary share gives its holder the following basic rights: the right to vote at the general meeting of shareholders, the right to dividend, the right to liquidation share. Each shareholder has the right: to acquire with preference part of the new shares issued upon capital increase; to get acquainted with the written materials related to the agenda of the General Meeting; to authorize another person to exercise his rights towards the company with an explicit written power of attorney with a minimum content, defined in the current legislation; to be elected to the governing bodies of the company; all other rights granted by the Bulgarian legislation.

The issuance and disposal of the shares has effect from the registration in “Central Depository” AD and is carried out in accordance with the current legislation. Shareholders of the Company are the persons who are registered in the book of shareholders of the Company, kept by “Central Depository” AD.

The Articles of Association of the Company do not contain specific provisions regarding actions necessary to change the rights of the shareholders, other than those provided for in the current legislation.

#### 14.1.4. General meeting of the shareholders

The General Meeting includes all shareholders with voting rights. They participate in the General Meeting in person or through an authorized representative. Several shareholders may authorize a common representative. To participate in the General Meeting, the shareholders must identify themselves with the document provided by law.

The right to vote in the general meeting of the company arises with the full payment of the issue value of each share and after entering the increase of its capital in the commercial register. The right to vote is exercised by the persons entered in the registers of the Central Depository as shareholders 14 days before the date of the General Meeting.

According to Art. 14 of the Articles of Association of the Company, the General Meeting of Shareholders:

- amends and supplements the Articles of Association of the Company;
- increases and decreases the Company capital;
- transforms and terminates the Company;
- determines the number, elects and dismisses members of the Board of Directors and determines their remuneration;
- appoints and dismisses chartered accountant;
- approves the annual financial statement after certification by the appointed chartered public accountant;
- appoints the liquidators upon termination of the Company except in case of insolvency;
- releases from liability the members of the Board of Directors after acceptance of the report on their activity;
- decides on the issuance of bonds;
- decides on the distribution of profits;
- authorizes the Board of Directors to conclude transactions within the scope of Art. 114, para 1 of LPOS;
- decides other issues provided in its competence by law or the Articles of Association.

The General Meeting of Shareholders is convened by the Board of Directors on its initiative or at the request of shareholders holding at least 5% of the capital of the Company. Shareholders holding at least 5% of the capital of the Company have the right to request from the district court to convene a general meeting or authorize their representative to convene a general meeting on an agenda determined by them. The General Meeting of Shareholders is convened by the order of art. 222 and Art. 223 of the Commercial Law and Art. 115 and Art. 118 of the LPOS.

The meeting is legal and can take decisions if more than half of the shareholders with voting rights or their representatives are present, unless the law provides for another quorum. In the absence of a quorum, a new meeting is scheduled no earlier than 14 days and it is legal regardless of the represented capital.

#### 14.1.5. Provisions in the Articles of Association or in other acts of the Issuer, which may lead to delay, postponement or prevention of a change in the control of the Issuer

There are no provisions in the Articles of Association that could lead to delay, postponement or prevention of a change in the control of the Company. The activity of the Company is not subject to other internal rules, which contain similar provisions.

#### 14.1.6. Provisions in the Articles of Association or in other acts of the Issuer, which manage the threshold of ownership above which the shareholder ownership must be disclosed

The Articles of Association of the Company do not contain other provisions to determine the threshold of ownership above which the shareholder ownership must be disclosed. Such provisions are not contained in other internal rules of the Company.

The disclosure obligation laid down in Art. 145 of the LPOS is applicable given the public status of the Issuer. According to the cited provision, any shareholder who acquires or transfers directly and/or under the conditions of Art. 146 of the LPOS right to vote in the general meeting of a public company is obliged to notify the commission and the Company when as a result of the acquisition or transfer of its voting right reaches, exceeds or falls below 5% or a number multiple of 5% of the number of the votes in the general meeting of the Company.

#### 14.1.7. DESCRIPTION OF THE CONDITIONS IMPOSED BY THE ARTICLES OF ASSOCIATION OR OTHER ACTS OF THE ISSUER MANAGING CHANGES IN CAPITAL WHERE SUCH CONDITIONS ARE STRICTER THAN REQUIRED BY LAW

The Articles of Association of the company do not contain provisions providing for increase and decrease of the capital of the company under conditions other than those applicable under the current legislation.

### 14.2. CONSULTANTS

The consultant on this offer, based on a contract for the provision of consulting services with the Issuer is "Mane Capital" AD, UIC 202402882 with registered office and address of management - Sofia 1404, Triaditsa district, residential complex Gotse Delchev, №98 ,ent. 2, office 11.

The consultant "Mane Capital" AD acts as a compiler of the prospectus and an advisor to the company regarding the parameters of the offer.

The investment firm chosen to service the subscription is "MK Brokers" AD, UIC 1750070052, with registered office in Sofia and address of management, 8 Tsar Osvoboditel Blvd.

This Document has been prepared on behalf of the Issuer. The persons responsible for the preparation of the Document are indicated in item *I. RESPONSIBLE PERSONS, THIRD PARTY INFORMATION, EXPERT REPORTS AND APPROVAL BY THE COMPETENT AUTHORITY*.

### 14.3. AUDITED INFORMATION

The annual financial statements of the Issuer for 2018, 2019 and 2020 have been audited by the persons specified in item *I. RESPONSIBLE PERSONS, THIRD PARTY INFORMATION, EXPERT REPORTS AND APPROVAL BY THE COMPETENT AUTHORITY* of this Prospectus. The prospectus does not contain any other audited information.

### 14.4. REPORTS, STATEMENTS AND THIRD PARTY INFORMATION

This document does not contain statements or reports of experts other than those responsible for the preparation of the Prospectus.

The Prospectus uses publicly available information from third parties - the Bulgarian National Bank and the Ministry of Finance. Information from IQVIA was also used.

The information used by third parties is accurately reproduced and as far as the Issuer is aware and can verify from the information published by these parties, no facts have been omitted that would make the reproduced information inaccurate or misleading.

### 14.5. PROVISION OF INFORMATION BY THE ISSUER

In case of approval by the FSC of this Prospectus, successful completion of the subscription and admission of the issue of warrants to trading on the regulated market organized by „BSE-Sofia“ AD, the Issuer has an obligation to disclose regulated information regarding the issued issue of warrants. , pursuant to Chapter Six "a" of the LPOS - Disclosure of information.

Regulated information shall be disclosed to the public in a way that ensures that the widest possible range of persons is reached at the same time and in a way that does not discriminate against them. The issuer is obliged to publish the information on its website.

In the period between the issuance of the FSC Prospectus confirmation and the deadline for the public offering of warrants, the Issuer shall follow no later than the expiration of the next business day after the occurrence, respectively knowledge of a material new circumstance, significant error or inaccuracy. this Prospectus information that may affect the evaluation of the offered warrants, to prepare an addendum to the Prospectus and submit it to the FSC.

The issuer shall publish a notice for the supplement and shall make the supplement available to the public by the order of art. 89t of LPOS.

An investor who has subscribed for warrants from this issue before publishing the supplement to the Prospectus may withdraw from the subscribed warrants within two working days from the publication of the notice for the supplement, without being responsible for it, unless it was in bad faith. The refusal under sentence one shall be made with a written declaration to the investment intermediary, through which the warrants have been recorded.

#### **14.6. DOCUMENTS SHOWN**

During the period of validity of this Prospectus, investors may review the Issuer's Articles of Association, this Prospectus, as well as the historical financial information of the Issuer for the last three years specified in the Prospectus, at the following address: Sofia 1756, ul. Lachezar Stanchev №5, Sopharma Business Towers, Tower A, floor 11, Investor Relations Office, as well as on the Issuer's website - [www.sopharmagroup.com](http://www.sopharmagroup.com)

#### **14.7. INTEREST OF THE INDIVIDUALS AND LEGAL ENTITIES PARTICIPATING IN THE ISSUE**

The Issuer is not aware of any interests and / or conflicts of interest that are material to the issue.

#### **14.8. ABBREVIATIONS USED**

- LPOS - Law on Public Offering of Securities
- MFIA - Law on Markets in Financial Instruments
- LFIA - Law against market abuse of financial instruments
- CA - Commercial Act
- FSC - Financial Supervision Commission of the Republic of Bulgaria
- FSCA - Financial Supervision Commission Act
- CD – “Central Depository” AD
- BSE - Bulgarian Stock Exchange AD
- SG - state gazette
- BD - Board of Directors of “Sopharma” AD
- GMS - General Meeting of Shareholders of “Sopharma” AD

#### **14.9. INFORMATION ABOUT THE PARTICIPATIONS**

Information relating to entities in which the issuer holds a portion of equity that is likely to have a material effect on the measurement of its own assets and liabilities, financial position or profit or loss is set out in paragraph 3.3 *Organizational structure of this Prospectus*.

#### **14.10. FORMAT**

For the purposes of presenting financial and other data in the Prospectus, an international format has been used for listing, numbering, date marking, ordering, etc. Including, the decimal point "." is used as a decimal sign, and the comma "," is used to denote thousands.

#### **14.11. DESCRIPTION OF THE REGULATORY ENVIRONMENT IN WHICH THE ISSUER OPERATES**

The activity of “Sopharma” AD and its subsidiaries is regulated by a number of acts, laws and regulations of the EU, the Bulgarian legislation, and in relation to the subsidiary Sopharma Trading Ltd., Belgrade - the legislation of the Republic of Serbia.

As companies established and operating in the Republic of Bulgaria, the General Rules of the Bulgarian legislation, as well as the acts of the European Union shall apply to the Issuer and its subsidiaries established in the Republic of Bulgaria.

The subsidiary “Sopharma Trading” AD operates on the traditionally highly regulated wholesale and retail market of medicinal products and medical devices and in this sense a number of specific regulations for the healthcare sector are applied.

In addition, Sopharma Trading OOO, Belgrade operates on the Serbian market and is subject to the regulations of the Republic of Serbia. As far as these acts do not regulate the activity of the Issuer directly, a special list is not included in this Prospectus. Like the acts regulating the activity of the Issuer, the acts regulating the activity of the company in the Republic of Serbia include acts generally applicable to all companies in the country, but also specific acts regulating the activity of the company as a wholesaler of medicinal products and medical devices. The acts of the European Union have no direct effect on the company in the Republic of Serbia.

The issuer realizes significant sales to clients from the public sector and these sales are indirectly dependent on the local and supranational regulation of the activities in the health sector, incl. and from the regulations governing the structure and competence of public enterprises (medical establishments), their budgets and state and supranational policies in relation to their activities. The main regulatory risks for the Group are related to changes in regulations in the healthcare sector and the unsatisfactory pace of modernization of legislation in this sector, including to meet the opportunities for digitalization of services in the sector.

In the regulatory environment in which the Issuer and its subsidiaries operate, no changes are currently expected that may have an actual impact on their activities.

As of the date of this Prospectus, no specific planned changes in the general state and supranational economic, tax and monetary policies are known, which are expected to be implemented with a high degree of certainty and which would significantly affect the activities of the Issuer and its subsidiaries.

The companies from the group of “Sopharma” AD are exposed to the influence of the respective state, economic, tax and monetary policy, and the political course. More information on this is provided in item 2 Risk factors of this Prospectus. The Issuer is not aware of any other factors that may significantly affect its activities.

## **SPECIAL LEGISLATION (for the pharmaceutical sector)**

### **ACTS OF THE EUROPEAN UNION**

1. Regulation (EC) № 1901/2006 of the European Parliament and of the Council of 12 December 2006 on medicinal products for pediatric use and amending Regulation (EEC) № 1768/92, Directive 2001/20 / EC, Directive 2001/83/EC and Regulation (EC) №726/2004
2. Regulation (EC) №726/2004 of the European Parliament and of the Council of 31 March 2004 laying down Community procedures for the authorization and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency
3. Regulation (EC) №1394/2007 of the European Parliament and of the Council of 13 November 2007 on advanced therapy medicinal products and amending Directive 2001/83/EC and Regulation (EC) №726/2004
4. Regulation (EU) №2017/745 of the European Parliament and of the Council of 5 April 2017 on medical devices, amending Directive 2001/83 / EC, Regulation (EC) №178/2002 and Regulation (EC) №1223/EC Repealing Council Directives 90/385/EEC and 93/42/EEC
5. Regulation (EC) №178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing a European Food Safety Authority and laying down procedures on food safety

6. Commission Regulation (EU) №432/2012 of 16 May 2012 establishing the list of authorized health claims for foods other than those relating to the reduction of disease risk and to the development and health of children
7. Regulation (EC) №107/2008 of the European Parliament and of the Council of 15 January 2008 amending Regulation (EC) №1924/2006 on nutrition and health claims made on foods, as regards the implementing powers conferred on the Commission
8. Regulation (EC) №109/2008 of the European Parliament and of the Council of 15 January 2008 amending Regulation (EC) №1924/2006 on nutrition and health claims made on foods
9. Regulation (EC) №1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products
10. Directive 2011/62 of the European Parliament and of the Council of 8 July 2011 amending Directive 2001/83 / EC on the Community code relating to medicinal products for human use as regards the prevention of the entry of falsified medicinal products into the legal chain of delivery
11. Directive 2001/83 / EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use
12. Directive 2012/26/EU of the European Parliament and of the Council of 25 October 2012 amending Directive 2001/83/EC as regards pharmacovigilance

#### NATIONAL LEGISLATION

1. Law on Medicinal Products in Human Medicine (SG No. 31 / 13.04.2007.)
2. Law on Medical Devices (SG No. 46 / 12.06.2007)
3. Law on Medical Establishments (SG No. 62 / 09.07.1999)
4. Food Act (SG, issue 52 / 09.06.2020)
5. Health Act (SG, issue 70 of 10.08.2004)
6. Law on Control over Narcotic Substances and Precursors (SG, issue 30 / 02.04.1999)
7. Law on Waste Management (SG, issue 53 / 13.07.2012)
8. Ordinance № 1 of 25 January 2012 on the requirements for the advertising of medicinal products (SG, issue 10 / 03.02.2012)
9. Ordinance № 28 of 09.12.2008 on the structure, procedure and organization of the work of pharmacies and the nomenclature of medicinal products (SG, issue 109 / 23.12.2008)
10. Ordinance № 39 of 13.09.2007 on the principles and requirements for the Good Distribution Practice (SG, issue 77 / 25.09.2007)
11. Ordinance № 10 of 2009 on the conditions, procedure, mechanism and criteria for payment by the National Health Insurance Fund of medicinal products, medical devices and dietary foods for special medical purposes, negotiation of discounts and reimbursement of excess funds when applying a mechanism guaranteeing predictability and sustainability of the NHIF budget (SG, issue 24 / 31.03.2009)
12. Ordinance № 15 of 17.04.2009 on the conditions for issuing a permit, for production / import and the principles and requirements for good manufacturing practice of all types of medicinal products, medicinal products for clinical trials and active substances (SG, issue 38 of 22.05.2009)

13. Ordinance on the conditions, rules and procedure for regulation and registration of the prices of medicinal products (SG No. 40 / 30.04.2013)
14. Ordinance № 2 of 05.02.2008 on the requirements for the collection, confirmation and provision of information on adverse drug reactions and on the content and form of the emergency reports for notifications for adverse drug reactions and periodic safety reports (SG, issue 24). from 04.03.2008))
15. Ordinance № 4 of 04.03.2009 on the terms and conditions for prescribing and dispensing medicinal products (SG, issue 21 / 20.03.2009)
16. Ordinance № 1 of 26.01.2016 on food hygiene (SG, issue 10 / 05.02.2016)
17. Ordinance № 1 of 05.01.2018 on the conditions and procedure for carrying out disinfections, disinsections and deratizations (SG, issue 7 / 19.01.2018)
18. Ordinance № 9 of 23.04.2008 on the terms and conditions for blocking and withdrawal of medicinal products that have shown non-compliance with the requirements for quality, safety and efficacy (SG, issue 45 / 13.05.2008)
19. Ordinance № 1 of 09.02.2015 on the requirements to the activities for collection and treatment of waste on the territory of the medical and health establishments (SG, issue 13 / 17.02.2015)
20. Ordinance № 4 of 31.05.2019 on the specialized electronic system for tracking and analysis of medicinal products (SG, issue 46 / 11.06.2019)
21. Ordinance № 2 of 23.07.2014 on waste classification (SG No. 66 / 18.08.2014).
22. Ordinance № 3 of 10.01.2001 on the destruction of legally produced, acquired and stored narcotic substances and medicinal products containing narcotic substances that have become unfit for use (SG No. 6 / 19.01.2001)
23. Ordinance № 4 of 3.02.2015 on the requirements for the use of food additives (SG No. 12 / 13.02.2015)
24. Ordinance № 4 of 16.05.2018 on the terms and conditions for destruction of medicinal products.
25. Ordinance № 5 of 6.07.2011 on the terms and conditions for obtaining a permit for storage and sale of medicinal products by doctors and dentists and their supply with medicinal products (SG No. 54 / 15.07.2011) .
26. Ordinance № 7 of 26.01.2001 on the terms and conditions for issuing permits for import and export of narcotic substances (SG No. 11 / 06.02.2001)
27. Ordinance № 7 of 5 August 2008 for the conditions and the order for taking samples and specimens from the medical devices for testing (SG, issue 72 / 15.08.2008)
28. Ordinance № 7 of 26.01.2001 on the terms and conditions for issuing permits for import and export of narcotic substances (SG No. 11 / 06.02.2001)
27. Ordinance № 7 of 5 August 2008 for the conditions and the order for taking samples and specimens from the medical devices for testing (SG, issue 72 / 15.08.2008)
29. Ordinance № 21 of 12.10.2000 on the requirements for documentation and reporting in the performance of activities with narcotic substances and medicinal products containing narcotic substances (SG No. 86 / 20.10.2000)

30. Ordinance № 22 of 14.10.2008 on the conditions and procedure for blocking, withdrawal and / or destruction of medical devices (SG No. 97 / 11.11.2008)
31. Ordinance № 31 of 12.02.2007 on determining the rules for Good Clinical Practice (SG No. 67 / 17.08.2007)
32. Ordinance № 47 of 28.12.2004 on the requirements for food supplements (SG) No. 5 / 14.01.2005)
33. Ordinance № 64 of 16.05.2006 on the conditions and procedure for submitting information on pharmacovigilance (SG No. 47 / 09.06.2006)
34. Ordinance on the essential requirements and the procedures for assessment of the conformity with the essential requirements of the medical devices under Art. 2, para. 1, item 3 of the Medical Devices Act (SG, issue 65 / 10.08.2007).
35. Ordinance № 25 of 10.11.2008 on the conditions and the order for putting into operation of medical devices without the presence of the conditions under Art. 8 of the Medical Devices Act (SG, issue 99 of 18.11.2008)
36. Ordinance on the essential requirements and the procedures for assessment of the conformity with the essential requirements of the in vitro diagnostic medical devices (SG No. 65 / 10.08.2007)
37. Ordinance on the essential requirements and the procedures for assessment of the conformity with the essential requirements of active implantable medical devices (SG No. 65 / 10.08.2007)
38. Ordinance № 14 of 28.07.2014 for determining detailed rules for presentation of the information under Art. 19, para. 4 of Regulation (EC) № 1223/2009 on cosmetic products, requirements for the effectiveness of sunscreen cosmetics and chemical methods for checking the composition of cosmetic products (SG, issue 68 / 15.08.2014)
39. Ordinance № 27 of 15.06.2007 on the requirements to the data and documentation for authorization for use and registration of medicinal products

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## DECLARATION BY THE DRAFTER OF THIS DOCUMENT

The undersigned, being the drafter of this document, declares that to the best of his knowledge and belief, and having taken all reasonable care and diligence to ascertain the same, the information contained in the relevant parts of this document is true and complete as to the facts and contains no omission likely to affect its import.

**Prepared by:**

*/Signature/*

---

**Svetoslav Tassev**

**"Investment banking"**

**"Mane Capital" AD**

## DECLARATION BY MANE CAPITAL AD

The undersigned, as the representative of “Mane Capital” AD declare that to the best of his knowledge and belief, and having taken all reasonable care and exercised all reasonable diligence to ascertain the same, the information contained in the relevant parts of this document is true and complete, being a true statement of the facts and contains no omission likely to affect its import.

**For Mane Capital AD:**

*/Signature/*

---

**Ilian Scarlatov,  
CEO  
“Mane Capital” AD**

## DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PROCURATORS OF THE ISSUER

By signing below, Ognian Donev, Member of the Board of Directors and Executive Director of the Issuer, Vessela Stoeva, Deputy Chairman of the Board of Directors, Bissera Lazarova, Alexander Tchaushev and Ivan Badinski, members of the Board of Directors of the Issuer and Simeon Donev, procurator of the Issuer, declare that as far as we know the information contained in this Prospectus is true, complete and not misleading.

### Declarators

for the Issuer – “Sopharma” AD:

*/Signature/*

**Ognian Donev**  
Chairman of the Board  
of Directors

*/Signature/*

**Vessela Stoeva**  
Deputy Chairman of the  
Board of Directors

*/Signature/*

**Simeon Donev**  
Procurator

*/Signature/*

**Bissera Lazarova**  
Member of the Board of  
Directors

*/Signature/*

**Alexander Tchaushev**  
Member of the Board of  
Directors

*/Signature/*

**Ivan Badinski**  
Member of the Board of  
Directors and Procurator

## DECLARATION BY THE ISSUER'S CHIEF ACCOUNTANT

By signing below, Jordanka Petkova in her capacity as Chief Accountant of the Issuer and compiler of the individual financial statements of the Issuer for 2020, 2019, 2018 and for the first six months of 2021 and 2020 I declare that as far as my It is known that the information contained in the financial statements referred to in this Prospectus, as well as reproduced in the Prospectus itself, is true, complete and not misleading.

**Declarant:**

*/Signature/*

---

**Jordanka Petkova**

Chief Accountant

**DECLARATION BY HEAD OF  
DEPARTMENT  
"REPORTING" OF THE  
ISSUER**

By signing below, Lyudmila Bondzhova in her capacity as Head of the Issuer's Reporting Department and compiler of the Issuer's consolidated financial statements for 2020, 2019, 2018 and for the first six months of 2021 and 2020 I declare that, to the best of my knowledge, the information contained in the financial statements set out in this Prospectus, as well as that reproduced in the Prospectus itself, is true, complete and not misleading.

**Declarant:**

*/Signature/*

---

**Lyudmila Bondzhova**

Chief Accountant of  
Sopharma AD

## DECLARATION

from  
The issuer

The undersigned, in his capacity as a representative of the Issuer - "Sopharma" AD, declares that the Prospectus meets the requirements of the law.

**For the Issuer - "Sopharma" AD:**

*/Signature/*

**Ognian Donev**  
Executive Director  
**"Sopharma" AD**

**DECLARATION FROM “BAKER TILLY KLITOU AND PARTNERS” OOD**

To Mr. Ognian Donev  
Executive Director  
“Sopharma” AD  
5 Lachezar Stanchev Str., Sopharma Business Towers  
Sofia, 1756

**LETTER-DECLARATION****To the Report on the facts dated October 21, 2021 in connection with Article 89d, para. 6 of the Law on Public Offering of Securities**

Dear Mr. Donev,

In connection with Article 89d, para. 6 of the Law on Public Offering of Securities (LPOS), we have issued a Report on the actual findings dated October 21, 2021 ("Report") on the Prospectus for the initial public offering of securities and admission to trading on a regulated warrant market, approved by the Board of directors of “Sopharma” AD ("Company") on October 21, 2021. The statement of factual findings relates to the information used in the prospectus from the audited individual and consolidated financial statements of the company for the years ended December 31, 2020, December 31, 2019 and December 31, 2018.

This letter-declaration is issued only for the purposes set out above and for your information in connection with the requirements of Art. 89e, para. 6 of the LPOS, and should not be used for any other purpose.

The purposes and use of this statement letter are identical to the purposes of the Report.

On behalf of the auditing company №129 “Baker Tilly Klitou and Partners” OOD.

*/Signature/*

Galina Lokmadzhieva-Nedkova  
Manager  
Registered auditor  
“Baker Tilly Klitou and Partners” OOD

Date: 02.11.2021  
Sofia