MANAGEMENT REPORT for Q2 2024

“SOPHARMA” AD

30 July 2024

Content

I. General information about “Sopharma” AD

1. Registration and activity of the Company

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

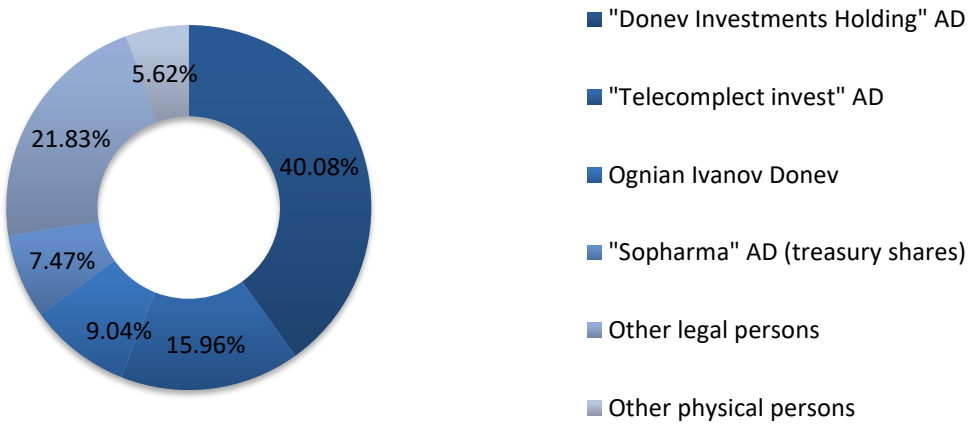
“Sopharma” AD was established in 1933. The court registration of the Company is from 15 November 1991, decision №1/1991 of Sofia City Court. “Sopharma” AD is a public company under the Law on Public Offering of Securities.

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

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

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

2. Shareholder structure as at 30 June 2024



3. Board of Directors

“Sopharma” AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD – Chairman, Vessela Stoeva – Deputy Chairman

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

4. Personnel

The average number of workers and employees for the period in "Sopharma" AD is 1 742 (1 720 in 2023).

	Number of workers and employees as at 30.06.2024	rel. share %
	1 748	100%
Higher education	862	49%
College education	27	2%
Secondary education	833	48%
Primary education	26	1%
Employees under 30 years	147	8%
Employees 31 - 40 years	304	18%
Employees 41 - 50 years	471	27%
Employees 51 - 60 years	659	38%
Employees over 60 years	167	9%
Women	1124	64%
Men	624	36%

5. Production activity

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

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

6. Products

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

The product portfolio of "Sopharma" AD 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.

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

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

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

The total number of shares as of 30 June 2024 of "Sopharma" AD, is 179 100 063with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder in proportion to the nominal value of the share.

By Decision № 804 - E of 4 November 2021, the Financial Supervision Commission registered an issue of 44,932,633 dematerialized, freely transferable and registered

warrants, with par value of BGN 0.28, issued by "Sopharma" AD under Art. 112 b, para. 11 of the LPOS. The underlying asset of the issued warrants are future ordinary, registered, dematerialized, freely transferable shares, giving the right to one vote in the General Meeting of Shareholders, which will be issued by the company only in favor of the owners of warrants. Each warrant entitles its holder to subscribe for one share of a future issue. Holders of warrants may exercise their right to subscribe for the respective number of shares from a future increase in the company's capital within 3 years at a fixed price of BGN 4,13 per share. The right to exercise arises from the date on which the issue of 44 925 943 warrants is registered with Central Depository AD – 11.01.2022. The warrants are admitted to trading on the BSE main market on the Bulgarian Stock Exchange-Sofia AD as of 25.01.2022.

II. Development of the activity

Key financial indicators

Indicators	30.06.2024 *BGN '000*	30.06.2024 *BGN '000*	Change %
Revenues	114 911	125 499	-8,4%
EBITDA	31 687	48 539	34,7%
Operating profit	22 275	25 428	-42,1%
Net profit	22 275	38 475	-38,6%
CAPEX*	5 698	8 283	-31,2%
	30.06.2024 *BGN '000*	30.06.2024 *BGN '000*	
Non-current assets	510 455	537 875	-5,1%
Current assets	265 337	336 682	-21,2%
Owners' equity	615 627	576 125	6,9%
Non-current liabilities	65 292	66 091	-1,2%
Current liabilities	94 873	232 341	-59,2%

* tangible and intangible fixed assets acquired

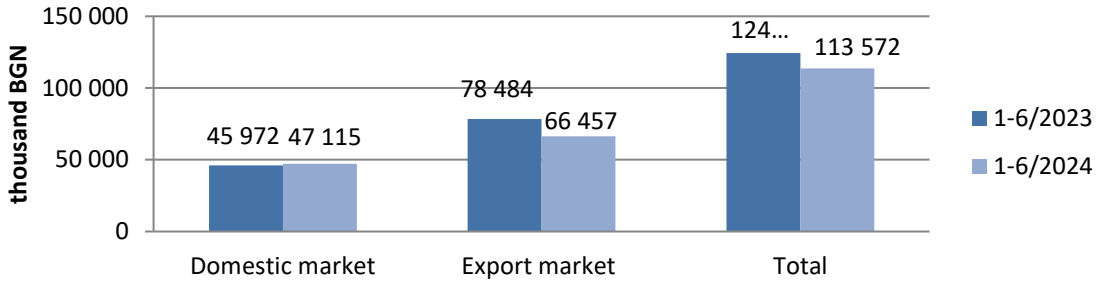
Indicators	1-6/2024	1-6/2023
EBITDA/Revenues	27,6%	38,7%
Operating profit/Sales Revenue	19,4%	30,7%
Net profit/Sales Revenue	19,0%	29,3%
	30.06.2024	31.12.2023
Debt/Equity	0,26	0,52
Net debt*/EBITDA on annual basis	1,7x	-0,1x

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

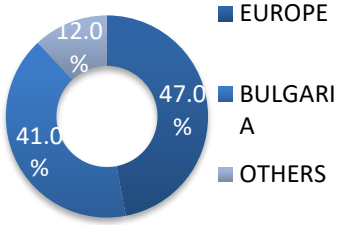
Operating revenues

Revenues from contracts with customers are from sales of manufactured medicinal products and for the first six months of 2024 decreased by BGN 10,9 million, to BGN 113,6 million, compared to BGN 124,5 million in the first six months of 2023. The revenue includes revenues from assignment production and contract manufacturing, which for the first six months of 2024 amounted to BGN 2,7 million.

Sales revenues



Revenues by market	1-6/2024 *BGN '000*	1-6/2023 *BGN '000*	Change %
EUROPE	52 826	65 328	-19,1%
BULGARIA	47 115	45 972	2,5%
OTHERS	13 631	13 156	3,6%
TOTAL	113 572	124 456	-8,7%



- European market

Sales revenues for the first six months of 2024 for European countries decreased by BGN 12,5 million or 19,1% compared to the first six months of 2023 due to the decrease in sales in Russia and Ukraine as for the current period, they decreased by 19,7% and by 17,4%. Growth was registered in other traditional markets, with sales revenue increasing in Belarus and Serbia by while sales decreased in Latvia, Poland and Moldova.

- Bulgarian market

Sales of “Sopharma” AD on the domestic market increased by BGN 1,1 million or 2,5% in the first six months of 2024, to 47,1 million compared to BGN 46 million in the first six months of 2023.

According to IQVIA data, at the end of the first six months of 2024 the company occupies 1.97% (fifteenth position) on the Bulgarian pharmaceutical market in value and 6.73% (second position) of sales in volume.

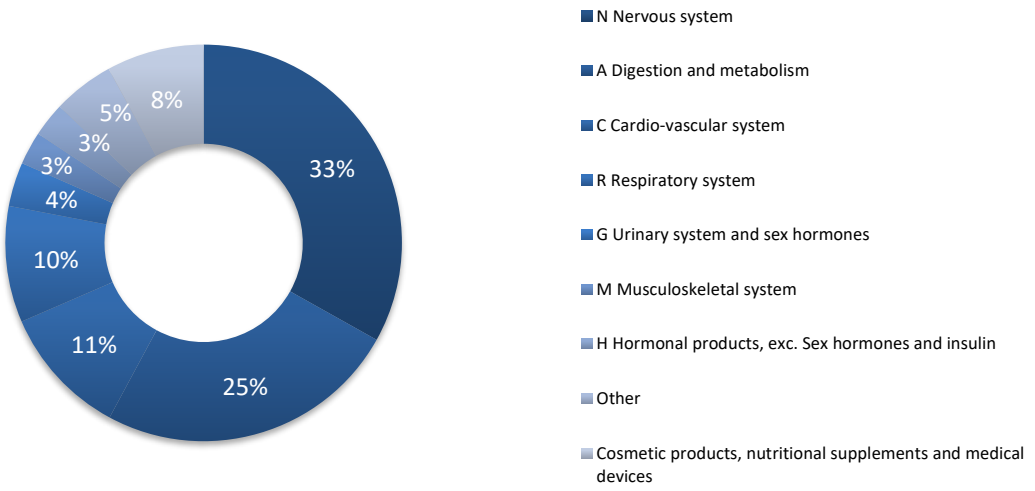
The positions of the main competitors of the company on the territory of the country are as follows: Merck Sharp & Dohme - 5,20% (0,10% in volume),Roche - 5.05% (0.22% in

volume), AstraZeneca - 4.80% (0.51% in volume), Swixx Biopharma - 4,40% (1,55% in volume), Novartis - 4,01% (1,19% in volume), Abbvie - 3,80% (0,08% in volume), Pfizer - 3,77% (0,70% in volume), Teva - 3,08% (8,21% in volume) , Johnson & Johnson – 2,90% (0,82% in volume), Stada – 2,64% (4,18% in volume),. The products with the largest share of sales in the country are Analgin, Vicetin, Fomotidine, Vitamin C, Paracetamol, Methylprednisolone.

- Other markets

Revenues from other markets increased by BGN 0,5 million or 3.6% compared to the the first six months of 2023 as a result of the growth of sales in the countries of Armenia, Georgia, Kazakhstan and The USA, while the sales decreased in Azerbaidjan, Vietnam and Mongolia.

Sales by therapeutic group



Operating expenses

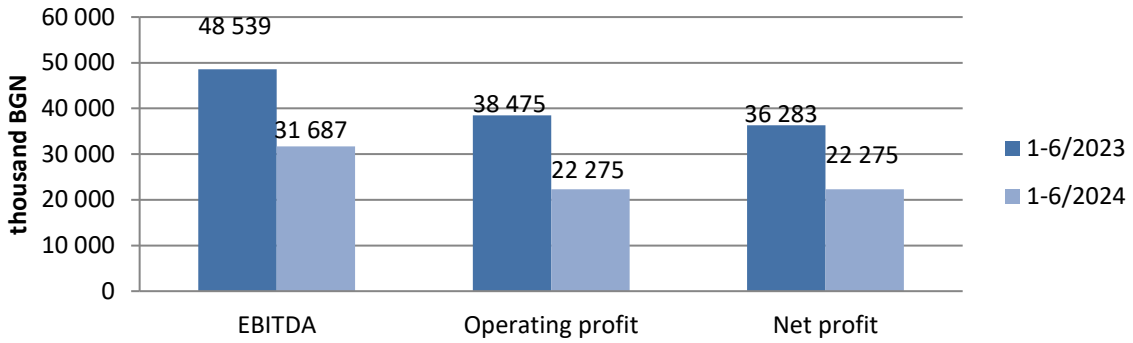
For the current period, the costs for materials increase by BGN 1,7 million compared to the the first six months of 2023 in the part of basic, laboratory and technical materials. A decrease was registered in the costs of heating and electricity. Personnel costs increased by BGN 5,4 million, as a result of an increase in current remuneration, and in external service costs, which increased by BGN 5,4 million, the largest change was registered in the costs of manufacturing medicines and in the costs of advertising and marketing services, which increased by BGN 3,3 million and the cost of consulting services increased by BGN 2, million. Other operating expenses increased by BGN 2,6 million.

Financial income and expenses

Financial income increased by BGN 0,1 million to BGN 3,7 million in the first six months of 2024.

Financial expenses increased by BGN 1 million to BGN 2,3 million in the first six months of 2024, as a result of the growth of interest costs on loans received.

Financial result of the activity



Profit before interest, taxes, depreciation and amortization (EBITDA) in the first six-months of 2024 decreased by BGN 16,9 million or by 34.7% to BGN 31,7 million compared to BGN 48,5 million for the first six months of 2023.

Operating profit for the first six months of 2024 decreased by BGN 16,2 million or by 42.1% to BGN 22,3 million compared to BGN 38,5 million for the same period of 2023.

Net profit for the for the first six months of 2024 decreased by BGN 14 million or by 38.6%, to BGN 22,3 million compared to BGN 36,3 million for the same period of 2023.

Assets

Non-current assets compared to the end of 2023 decreased by BGN 27,4 million, to BGN 510,5 million. The most significant increase is the change in investments in associates due to the newly acquired shares in "Achieve Life Sciences", Inc., USA amounting BGN 8,7 million. Long-term receivables on affiliated enterprises decreased by BGN 32,7 million as a result of loans granted to "Doverie Invest" EAD and "Industrial Holding Doverie" AD.

Current assets decreased by BGN 71,3 million to BGN 256,3 million where the most significant is the impact of the decrease in cash and cash equivalents amounting to BGN 100,6 million as a result of the dividend paid. An increase was recorded in inventories by BGN 15,4 million, for claims on related companies of BGN 8,9 million and in trade receivables by BGN 1,9 million.

Owners' equity and liabilities

The equity of "Sopharma" AD increased by BGN 39,5 million to BGN 615,6 million as a result of the increase in retained earnings and reserves.

Non-current liabilities decreased by BGN 0,8 million, to BGN 65,3 million, as a result of a decrease in long-term bank loans by BGN 0,7 million.

Current liabilities decreased by BGN 137,5 million, to BGN 94,9 million, as a result of the paid dividend payment obligations. Short-term bank loans liabilities and trade liabilities decreased by BGN 5.4 million and BGN 10.5 million, respectively.

Cash flows

	1-6/2024 BGN '000	1-6/2023 BGN '000
Net cash flows from operating activities, normalized*	(8 173	(14 373)
Purchases of property, plant and equipment, intangible assets, net	(6 772)	(5 303)
Payments under lease contracts	(1 463))	(1 496)
Free cash flow (normalized)	(16 408)	(21 172)

The free cash flow (normalized with the payments under lease contracts), generated for the first six months of 2024 is BGN 16,4 million outflow compared to BGN 21,2 million inflow for the first six months of 2023.

New developments and products

During the reporting period June 2024 in the Division "Development and Regulatory Compliance" the following activities were performed:

- New medicinal products

  During the reporting period, 4 medicinal products have been authorized:
  - Sophamet XR 500 mg prolonged-release tablets (Bulgaria);
  - Sophamet XR 750 mg prolonged-release tablets (Bulgaria);
  - Sophamet XR 1000 mg prolonged-release tablets (Bulgaria);
  - Ketorolac-Sopharma 30 mg/ml solution for injection (Ukraine).

- New ASMF

  Valeriana extract/Maltodextrin ASMF for manufacturer Sopharma-Kazanlak - approved for Valeriana 30 mg tb. and Valeriana 200 mg TB – Bulgaria

- New registrations of medicinal products
  - Documentation for the registration of 26 medicinal products has been submitted:
  - Manitol 10% solution for infusion MAN transfer from "Biopharm Engineering" - Bulgaria
  - Manitol 15% solution for infusion MAN transfer from Biopharm Engineering - Bulgaria
  - Ringer solution for infusion MAN transfer from "Biopharm Engineering" - Bulgaria
  - NaCl 0.9% solution for infusion MAN transfer from Biopharm Engineering - Bulgaria
  - Metronidazole 500mg/100ml solution for infusion MAN transfer from "Biopharm Engineering" - Bulgaria

- Glucose 5% + NaCl 0.9% solution for infusion MAN transfer from "Biopharm Engineering" - Bulgaria
- Glucose 5% solution for infusion MAN transfer from "Biopharm Engineering" - Bulgaria
- Paracetamol Siromed 500 mg tb. – Lithuania
- Vitamin C Zentiva 100 mg/ml solution for injection/infusion – Poland
- Tempaforte 500 mg/ml solution for injection – Peru
- Dexamethasone Sopharma 4 mg/ml solution for injection – Albania
- Analgin 500 mg/ml solution for injection - Albania
- Norepinephrine Sopharma 1 mg/ml concentrate for solution for infusion - Albania
- Zondaron 2 mg/ml solution for injection/infusion - Albania
- Paracetamol Sopharma 500 mg tb. – Albania
- Atropine 1 mg/ml sfi – Albania
- Ambrolytin 30 mg tb. - Vietnam
- Ambrolytin 30 mg tb. – Kazakhstan (EAEU)
- Ambrolytin 30 mg/5 ml syrup – Vietnam

- **Licensing**
- Sophtica 60 mg film-coated tablet. – Bulgaria
- Sophtica 90mg film-coated tablet. – Bulgaria
- Telmitan Duo 80 mg/5 mg tb. – Bulgaria
- Telmitan Duo 80 mg/10 mg tb. – Bulgaria
- Syafen oral powder - Bulgaria
- Urimax 0.4 mg caps. – Bulgaria
- Nebivolol Sopharma 5 mg tb. – Bulgaria

- **Medicinal products have been registered for 12 new directions:**
- Aminophylline Sveikuva 24 mg/ml solution for injection/infusion Lithuania
- Amolytin 30 mg tb. – Lithuania
- Vitamin D3 Sopharma oral drops, solution - Czech Republic
- Carsil 22.5 mg film-coated tb – Georgia (MRP)
- Ambrolytin 30 mg/ 5 ml syrup – Georgia (MRP)
- Vipalgin 500 mg/ml solution for injection - Colombia
- Papaverine 20 mg/ml solution for injection - Iran for 1 year temporary import
- Digoxin Sopharma 0.25 mg/ml – Lithuania
- Otofix drops – Ukraine
- Paracetamol Sopharma 500 mg tb. - Moldova
- Vipalgin 500 mg tb. – Colombia
- Tonzirin lozenges – Ukraine
- Sophalor 0.5 mg/ml oral solution – EAEU – (reference country Kazakhstan)

- **Re-registrations/changes**
- Renewed Authorizations for use for 14 medicinal products.

- Submitted documentation for the renewal of Use Authorizations for 18 medicinal products to agencies.
- Submitted 291 changes for medicinal products to agencies;
- Agency approved 202 changes for medicinal products.
- Food additives
- 16 food supplements have been notified - 10 for Bulgaria; 3 for Georgia; 1 for Ukraine; 1 for Azerbaijan; 1 for Kazakhstan.
- 11 food supplements have been submitted for notification – 8 for Bulgaria; 3 for Georgia.

- Developments
- Pharmaceutical development of 17 new medicinal products/projects is being carried out:
- Cytisine 3.0 mg TB – Project with company Achieve
- Dexketoprofen 25 mg tb.;
- Xylmetazoline/Dexpanthenol nasal spray;
- Molsidomin 4 mg tb.;
- Ketorolac 10 mg tab.;
- Vitamin C 200 mg/mL injection p-r;
- Butamirate Citrate oral drops;
- Ibuprofen 200; 400 and 600 mg tb.;
- Ibuprofen 100 and 200 mg/5 ml oral suspension;
- Ibuprofen/Paracetamol 200/500 mg tab.;
- Ibuprofen/Pseudoephedrine 200/30 mg film-coated tablets;
- Artichoke/Silymarin capsule. (FS);
- Milgama tb. – Project with the KRKA company;
- Metamizole sodium/Pitofenin/Fenpiverine bromide 500/5/0.1 mg tb.;
- Metamizole sodium 500 and 1000 mg oblong tab.;
- Buscolysin 20 mg tb.;
- Famotidine 20 and 40 mg orodispersible tablets;

API-4
- Valeriana extract/ Maltodextrin;
- Glaucine hydrobromide;
- Dry extract of milk thistle fruits;
- Dry extract of Granny's teeth.

- Transfer and validation of technological processes
- 7 new medicinal products were transferred - Cytisinicline 3 mg TB. (composition with L-Cysteine); Molsidomin 4 mg tab.; Sulfamethoxazole 400 mg and Trimethoprim 80 mg solution for injection - 5 ml; Ibuprofen 600 mg tab.; Xylmetazoline/Dexpanthenol spray (2 concentrations); Ketorolac 50 mg/ 2 ml inj.
- 8 production processes/technologies have been validated/optimized.

- Prepared documentation for quality/production
  - Documentation for quality of raw materials for production – 58;
  - Production regulations – 54;
  - Documentation for qualification of finished forms – 134.

III. Significant events in the first six-months of 2024 and until the publication of the interim management report

- On 15.01.2024, the Board of Directors of "Sopharma" AD adopted a decision to initiate a procedure for the merger of the subsidiary "Veta Pharma" AD, VAT: 104111084 into "Sopharma" AD under the conditions and in accordance with Chapter XVI of the Commercial law and Art. 122 of the Law on Public Offering of Securities. At the time of the start of the procedure, Sopharma AD owns 99.98% of the company's capital.
- On 22.01.2024, the Company started the payment of the dividend for the 6 months of 2023 in the gross amount of 90 stotinki per share voted at the Extraordinary General Meeting of Shareholders held on 24.11.2023. The right to receive a dividend has the persons entered in the register of "Central Depository" AD as shareholders on the 14th day after the day of the General Meeting, at which the decision to distribute the dividend to the shareholders was made, namely 08.12.2023. In accordance with the Regulations of "Central Depository" AD, the dividend will be paid as follows: for shareholders with client accounts with investment intermediaries - through the relevant investment intermediary; for shareholders with personal accounts in "Central Depository" AD - through the branches of "Eurobank Bulgaria" AD /Post Bank/ in the country.
- On 27.02.2024, "Sopharma" AD notified that in implementation of the decision of the General Meeting of Warrant Holders (AGM) dated 26.01.2024 and the decision of the Board of Directors of "SOPHARMA" AD dated 26.01.2024. and on the basis of Art. 195 and Art. 196 of the Commercial Law (TC), art. 113, para. 2, item 2 of the Commercial Law and Art. 25 of the Company's Articles of Association) a capital increase procedure was launched by issuing up to 7,133,264 ordinary registered non-transferable shares with a nominal value of BGN 1 each and an issue value of BGN 4.13 per share, provided that the shares from the increase are subscribed by the holders of warrants, issue ISIN BG9200001212, in accordance with the terms and conditions described in the Prospectus for public offering of warrants, confirmed by Decision of the Financial Supervisory Service No. 804-E/04.11.2021. The term for the exercise of warrants determined by the Board of Directors in accordance with the requirements of the Law on the Public Offering of Securities and the Prospectus for the Public Offering of Warrants, confirmed by the Decision of the FSC No. 804-E/04.11.2021, started on 02.02.2024 year and ended on 23.02.2024. During this period, a total of 36 requests were received for the subscription of the shares from the increase by exercising warrants, submitted by 36 persons, of which 3 legal persons and 33 physical persons. A total of 6,510,985 (six million five hundred and ten thousand nine hundred and

eighty five) warrants were exercised. 6,509,485 (six million five hundred and nine thousand four hundred and eighty five) shares were registered against them - with 1,500 shares less - because a request submitted by an individual has not been paid to the collection account of "SOPHARMA" AD within the previously established period. The right to participate in the capital increase of "SOPHARMA" AD, by exercising the rights under the warrants, was granted to the persons who acquired warrants no later than 5 working days after the later date between the date of publication of the announcement under Art. 89t, para. 2 of the Law on the Public Offering of Securities (IPO) on the website of Information Agency "X3news.com", on the website of "SOPHARMA" AD and the investment intermediary chosen to serve the capital increase. The issue value of the subscribed shares is in the total amount of BGN 26,884,173.05.

- On 28.06.2024, on the Annual General Meeting of Shareholders of Sopharma AD was approved the proposal of the Board of Directors to distribute a gross dividend to the shareholders in the amount of BGN 0.09 /nine cents/ per share.
- As of 16.07.2024, loans in the total amount of BGN 25.4 million were repaid by Sopharma AD companies.
- With decision No. 391-PD dated 11.06.2024, the Financial Supervision Commission approved the Agreement for transformation by merger of "Veta Pharma" AD (transforming company) into "Sopharma" AD (acquiring company) from 01.01.2024.
- On 29.07.2024, the company acquired an additional 50% of the capital of the Serbian pharmaceutical manufacturer Pharmanova.
- On August 9, 2024, an Extraordinary General Meeting of the company will be held with the following agenda:
  - Taking a decision to convert by merging "Veta Pharma" AD into "Sopharma" AD;
  - Approval of the Agreement for transformation by merger of "Veta Pharma" AD into "Sopharma" AD, concluded on 16.01.2024, of Supplementary Agreement No. 1 of 08.03.2024 and of Supplementary Agreement No. 2 of 26.04.2024;
  - Approval of the Report of the Board of Directors of "Sopharma" AD under Art. 262 and of the Articles of Association to the shareholders of the company regarding the transformation by merging "Veta Pharma" AD into "Sopharma" AD;
  - Approval of the report of the inspector under Art. 262 m of the Commercial Code regarding the transformation by merger of "Veta Pharma" AD into "Sopharma" AD;
  - Miscellaneous;

IV. Review of the main risks faced by the Company

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

- The Company faces significant competition.
- The Company is dependent on regulatory approvals.
- Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.

- Part of the Company's revenues, in particular in Bulgaria, depends on the inclusion of the Company's medicines in reimbursement lists.
- The Company's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company's operations.
- The Company's ability to pay dividends depends on a number of factors and there can be no guarantee that the Company will be able to pay dividends in accordance with its dividend policy.
- The Company is subject to operational risk, which is inherent to its business activities.
- The Company is subject to multiple laws and regulations on environmental protection and health and safety work conditions and is exposed to potential environmental liabilities.
- Litigations or other out-of-court proceedings or actions may adversely affect the Company's business, financial position and results of operations.

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

- The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Company's operations;
- The political environment in Bulgaria and in the export markets, especially Russia and the Ukraine, has a significant effect on the Company's operations and financial position;
- Risks related to the Bulgarian legal system;
- Developing legal frameworks in some countries in which the Company sells its products, in particular Russia and Ukraine, may negatively impact the Company's operations in these countries;
- Risks relating to exchange rates and the Currency Board in Bulgaria;
- The interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Company may change.

Currency risk

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

currency conversion of foreign currency earnings to EUR, as well as applying higher trade mark-ups to offset possible future impairment of the hryvnia.

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

V. Information on related party transactions

Related party transactions are disclosed in the explanatory notes to the separate financial statements for the first nine months.