

TO THE GENERAL  
MEETING OF  
SHAREHOLDERS OF  
„SOPHARMA“ AD

## AUDIT COMMITTEE REPORT

**2025**

**DEAR Shareholders,**

The Audit Committee was re-elected at the General Meeting of Shareholders of „Sopharma“ AD on June 2, 2023 for a new three-year term of office and comprises of three members:

1. Vasil Naydenov
2. Tsvetanka Zlateva    3. Kristina Atanasova-Elliot

In compliance with the legal requirements, the Audit Committee has elected as its Chairman Mr. Vasil Naydenov.

In this composition, the Audit Committee performed its functions in the reporting year 2025, in accordance with the applicable regulations, the Statute of the Audit Committee approved by the General Meeting of Shareholders and in accordance with the Committee's adopted Activities Plan for the reporting period.

The activities of the Audit Committee in fulfillment of its statutory obligations under Art.108 of the Law for Independent Financial Audit and Sustainability Assurance (LIFASA) in relation to the reporting year 2025 can be summarized as follows:

### **1. Monitoring of financial reporting processes in "SOPHARMA" AD**

Based on its observations during the reporting period, the Audit Committee forms an assurance that the Company's financial reporting is in accordance with the accounting policy adopted by the latter and the applicable IFRS accounting standards adopted by the European Commission. For the reporting financial year, the Company has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and, respectively, by the IFRS Interpretations Committee, which were relevant to its activities. Since the adoption of these standards and/or interpretations, effective for annual periods

beginning on 1 January 2025, there have been no changes in the Company's accounting policy, except in relation to the classification and disclosure of non-current liabilities subject to restrictive conditions, as well as some new ones and the expansion of already established disclosures, without this leading to other changes in the classification or the assessment of individual reporting objects, items and transactions. There is no change in the valuation methods used. A statement of consistency in the application of the accounting policies of both the Company and the Group was made to the Audit Committee and by the independent auditor.

In the context of the Common European Priorities for the Implementation of the Annual Financial Statements for 2025, outlined by the European Securities and Markets Authority in its annual public statement (ESMA32-2064178921-9254, October 14, 2025), it should be noted that the Company's financial statements contain the necessary disclosures in relation to the impact and effects of the military conflicts between Russia and Ukraine and in the Middle East, which are focused on geopolitical risks and uncertainties as a priority related to IFRS financial statements. The Company continues to consistently apply the adopted good practices for the organization of financial reporting. The activities of the Reporting Department, specializing in working with subsidiaries, continue to contribute to maintaining the high quality of the processes for reporting the financial year on a consolidated basis. A reliable environment has been created for direct and operational communication between the members of the team of the audit firm performing the independent financial audit and the responsible persons from the financial and accounting team of the Company, and a full exchange of information. The auditor confirmed to the Committee that during the audit he received all the requested documents and explanations, albeit with a delay in providing information in connection with the audit of the consolidated report, and no significant difficulties were encountered.

The financial reporting of the business activity, to the best of our knowledge, presents reliably the financial position of the Company and the Group. Evidence of this is the audit opinion of the mandatory independent financial audit expressed in the Audit Reports under Art. 59 of IFAA in relation to the annual reports, that the reports give a true and fair view of the financial position, financial results of operations and cash flows of the Company, respectively of the Group, as of December 31, 2025, in accordance with IFRS accounting standards. The information included in the annual reports of the management for the activities of Sopharma AD and the Sopharma Group corresponds to the information presented and disclosed respectively in the individual and consolidated financial statements

of the Company as of December 31, 2025. The above has also been confirmed by the independent auditor in the expressed audit opinion and the opinions under Art. 37, para. 6 of the Accounting Act, contained in the Auditors' Reports on the Audit of the Financial Statements for the year. The Committee received confirmation from the independent auditor that no errors were identified during the audit, the effect of which is material individually or in the aggregate, no cases of material misstatement and/or disclosure, material misstatements, non-compliance with laws and other regulatory provisions were identified. In the context of the above, we believe that the monitoring of the processes related to financial reporting contributes to the reliability of the financial reporting. In this regard, the Audit Committee should report that it did not receive signals of irregularities in the Company's financial reporting activities and the statutory audit of its annual financial statements.

## **2. Monitoring the process of sustainability reporting**

With relevant amendments to § 30 of the Transitional and Final Provisions to the Amending and Supplementing the Accountancy Law (SG, No. 72 of 2024, in force from 6.07.2024, amended, No. 17 of 2025, in force from 28.02.2025, No. 115 of 2025, in force from 01.01.2026), promulgated in the SG on 30.12.2025, in force from 01.01.2026, the mandatory sustainability reporting, transposing the requirements of Directive (EU) 2022/2464 *of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, regarding the reporting of companies in relation to sustainability*, which outlined 2026, instead of 2025, as the first reporting period for the application of the new requirements for the so-called "first wave" companies to which the Company belongs. Nevertheless, the Audit Committee should express a positive assessment of the Company's methodological preparation to meet these new requirements by creating the necessary organization and establishing the relevant policies and rules for data collection, analysis and reporting, in order to ensure the credibility of future sustainability reports.

## **3. Monitoring the effectiveness of internal control and risk management systems**

Risk management is carried out on an ongoing basis by the Management of the Company and, respectively, the managements of the subsidiaries in accordance with the policy set by the Board of Directors of the Company as the parent company. The Management of the Company, being responsible for the identification, assessment and taking corrective actions to eliminate or reduce the relevant risk, has taken an approach to expand the scope of internal control by

assigning control functions to individual individuals and structures related to both financial and production and economic activities. The established internal control system operates in a manner that allows for the identification of the risks associated with the Company's activities and supports their effective management, while also ensuring the effective functioning of the reporting and disclosure systems.

**The Board of Directors has adopted basic principles for the general management of financial risk**, on the basis of which specific procedures have been developed for managing the management of individual specific risks:

**Currency** – To control the currency risk throughout the Group, a system of planning import deliveries, sales in foreign currency, as well as procedures for daily monitoring of movements in the US dollar exchange rate and control over upcoming payments has been introduced. The Company sells part of its finished products in Russia in euros and thus minimizes the currency risk associated with the depreciation of the Russian ruble. Settlements with subsidiaries in Ukraine are also denominated in euros, regardless of which, In order to minimize the currency risk in connection with the instability in the country and the depreciation of the Ukrainian hryvnia, the Company, through its subsidiaries, implements a currency policy that includes immediate conversion of proceeds in local currency into euros, as well as setting higher trade markups in order to compensate for any possible future depreciation of the hryvnia;

**Price** – To minimize this risk, the Management implements a corporate strategy aimed at optimizing production costs, validating alternative suppliers offering favorable commercial conditions, expanding the nomenclature by developing new generic products for the market and, last but not least, a flexible marketing and pricing policy. With regard to the long-term capital investments held by the Group, mainly through the Parent Company, the Management monitors and analyzes all changes in the securities market and has decided to significantly reduce operations on the stock markets and hold the purchased shares in a longer-term horizon, while continuously monitoring the financial and business indicators reported by the respective issuer;

**Interest rate** – The exposure of the Group companies to changes in interest rates is currently monitored and analyzed. Different scenarios of refinancing, renewal of existing positions and alternative financing are simulated, based on which the effect on the financial result and equity is measured in the event of a change of certain points or percentages. For each simulation, the same assumption for a change in the interest rate is applied to all major currencies, with calculations being made for significant interest-bearing positions;

**Credit** – The Group works with counterparties with a history of relationships in its main markets, partnering with over 70 Bulgarian and foreign licensed drug retailers. The Group's credit policy provides for each new client to be screened for creditworthiness before standard delivery and payment terms are offered. The Group's credit risk arises both from its core business, through trade receivables, and from its financial activities, including granting loans to related and third parties, commitments under loans and guarantees, and deposits in banks. The Group has developed policies, procedures and rules for controlling and monitoring credit risk behavior;

**Capital** – The provision and structure of capital is currently monitored based on the debt ratio. The strategy of the Management of the Parent Company is to maintain a ratio within 25-40% at the group level;

**Liquidity** – In order to isolate the possible general liquidity risk, the Group works with a system of alternative mechanisms for action and forecasts, the final effect of which is the maintenance of good liquidity, respectively the ability to finance the business activity. This is complemented by ongoing monitoring of the maturities of assets and liabilities, control over the outgoing cash flows and ensuring their current balancing against the incoming ones, including renegotiation of maturities and optimization of the debt structure, increase and internal restructuring of self-generated funds and their investment.

Based on the communication with the Company's Management on issues of monitoring and risk management, the Audit Committee can conclude that an adequate policy is applied in terms of risk refinement and preventive action, and efforts are made to constantly maintain its relevance. The commitment to the continued expansion of formalized control procedures and activities and in particular to the constant development and improvement of the internal control system of financial reporting and accountability in the Group is also confirmed in the Corporate Governance Statements under Art. 40 of the Accountancy Act and Art. 100n, para. 8 of the Law for Public Offering of Securities to the Annual Financial Statements for 2025.

#### **4. Efficient dialogue with the Management of "Sopharma" AD and monitoring of the internal audit work in the Company**

Pursuant to Art. 12, item 11 of the Statute of the Audit Committee, the Committee's opinion was engaged regarding the letter-contract for the assignment of an audit engagement to perform a mandatory independent financial audit of the annual individual and consolidated financial statements for the year ending December 31, 2025, of Sopharma AD, prior to its conclusion. with the registered auditor "BAKER TILLY CLITO & PARTNERS" EOOD, elected by the General

Meeting of the Company. The Committee gave a positive opinion on the engagement letter, after a careful review of the audit performance program to obtain assurance that it has the potential to ensure the timely exchange of information between the Company and the auditor, as well as the full and precise implementation of the audit procedures, while providing sufficient time for converting the financial statements into the European Single Electronic Format (ESEF) within the statutory deadlines for their disclosure.

During the reporting period, the Audit Committee continued to contribute to maintaining the good conditions created by the Company's Management and responsible employees, to achieve an environment that ensures transparency and full independence of the auditor in the process of performing the statutory financial audit. During the overall implementation of the engagement on the financial statements for 2025, the registered auditor maintained effective communication with the Audit Committee in relation to the progress of the audit at the individual stages. At a special meeting, the results of the interim audit, the significant risks of misstatement identified by the auditor and the planned audit procedures to address them, the key audit matters, as well as all other issues for communication with those charged with governance were discussed. The valuation of trade receivables, receivables from related parties and loans granted to third parties was raised as a key audit matter both at individual and consolidated levels, defining the risk of their inaccurate valuation as fundamental, since the application of IFRS 9 requires the use of models with significant judgments and assumptions. In this regard, the auditor has performed a number of audit procedures to ensure the accuracy of the application of the requirements of the specified IFRS in the financial statements of the Company, including a review and assessment of the adequacy of the adopted methodology for identification of credit losses and calculation of impairment, assessment and testing of the operating effectiveness of key controls in the process of monitoring and determining the amount of impairment for credit losses, including the quality of disclosures in the annual reports in this regard. Monitoring the long-term effect of the implementation of new standards in the accounting policy of the Company and the Group, while applying an individual approach based on knowledge of their business processes, to best address the identified risks of incorrect reporting, undoubtedly creates additional guarantees for the reliability of financial reporting. In view of the significant value of the Company's investments in subsidiaries and associates, as well as the specific factors relevant to some of these enterprises, including the peculiarities of the economic and political environment in the specific country in which they operate, the assessment of investments in subsidiaries and associates is quite reasonably defined as the second key audit

matter at the individual level . In this regard, it is worth noting that the timely and in-depth discussion with the Audit Committee of the identified key audit matters and significant risks of misstatement allowed the Committee to conduct a full monitoring of the focus of the audit procedures to eliminate the risks and obtain sufficient audit evidence to form an audit opinion on the financial statements. The above reinforces the role of the Committee in the process of ensuring the reliability of the financial statements, which is the focus of the statutory audit.

Based on the above and as a result of its overall communication with the independent auditor, the Audit Committee can conclude that the work on the financial audit of the reporting period was carried out in a committed, comprehensive and in accordance with regulatory requirements. The good practice of precise audit planning continues to be applied, which achieves control over the results and prevention of errors. The contribution of the latter to the reliability of the financial reporting in the audited entity is undeniable.

In fulfillment of its obligation under Art. 108, para. 1, item 4 of the LIFASA, the Audit Committee established that as a result of the last planned inspection carried out in 2025, the Commission for Public Oversight of Registered Auditors has again assessed the quality of the professional activities of the audit firm "BAKER TILLY KLITOU & PARTNERS" EOOD with a rating of "A", finding that "during the period from 01.01.2024 to 31.12.2024, the professional activities of the audit firm are in accordance with the essential aspects of the requirements of the auditing standards and with the legal requirements, and there is no need for immediate improvements in the audit practice." The assessment given with an overlapping finding by the Commission and as a result of a previously conducted unscheduled full inspection to ensure the quality of the professional activity of the audit firm "BAKER TILLY CLITOU & PARTNERS" EOOD, the report on the results of which was adopted on 04.04.2023, as can be seen from the decisions publicly announced on the Commission's website, is identical. The results announced by the Commission from the previously conducted scheduled inspections of the auditor are also similar, as in 2021 a finding was made that for the inspected period "from 01.01.2020 to 31.12.2020 the professional activity of the registered auditor is in accordance with the essential aspects of the requirements of the auditing standards and with the legal requirements" and the audit firm was given an "A" rating, and in 2019 it was noted that for the audited period "from 01.07.2017 to 30.06.2018 the professional activity of the audit firm was in accordance with all material aspects of the requirements for the quality of the audit services performed when applying the procedures set out in the professional standards". The results of the earlier inspection in 2015 are similar. Additionally, at the conclusion of a thematic

inspection carried out on the quality of the performance of an engagement for a statutory financial audit of the annual financial statements of a public company for 2018, the Commission stated that "the audit firm has performed the engagement in accordance with all material aspects of the requirements for the quality of the audit services performed when applying the procedures set out in the professional standards, fundamental ethical principles, legal and other regulatory provisions". It was not established that subsequent results regarding inspections and/or investigations, respectively findings under Art. 26, par. 6 of Regulation (EU) No 537/2014, of the Commission in relation to "BAKER TILLY CLITO AND PARTNERS" EOOD have been published.

**5. A review of the independence of the registered auditor** „Baker Tilly Klitou and Partners“ EOOD in accordance with the requirements of chapters six and seven of the LIFASA and art. 6 of Regulation (EU) No. 537/2014. The independent auditor provided the Audit Committee with declarations of independence of the audit firm, as well as of the members of the audit team, from the audited entity, in accordance with the requirements of the LIFASA. No other auditors and external experts were used in the audit of the individual report. No external experts were used in the audit of the consolidated report; the work of the auditors performing the audit of the subsidiaries of the Company was used. In view of the latter, the auditor reported to the Audit Committee that he requested and received from the auditors of the subsidiaries confirmation of their independence from the companies of the Group. The auditor confirmed his independence in accordance with the applicable regulatory requirements and in the Additional Reports to the Audit Committee, incl. the implementation of the procedures under Art. 53 and Art. 67 of the LIFASA for the preparation of the financial audit and assessment of threats to independence, as well as a review of the quality control of the engagement, pursuant to Art. 68 of the LIFASA and Art. 8 of Regulation (EU) No. 537/2014, prior to the issuance of the audit opinion and the reports under Art. 60 of the LIFASA. The auditor reported on the established internal organization of work in accordance with Art. 55 of the LIFASA. The auditor also confirmed that no violations of the LIFASA and Regulation (EU) No. 537/2014 were identified. There are no data on complaints received in connection with the audit performed. The Audit Committee has not received any signals of omissions and irregularities in the performance of the duties of the independent auditor.

The Audit Committee believes, based on the documents presented, that the registered auditor has maintained its independence from the audited entity throughout the entire period of the audit of the Company's financial statements for 2025. It has also been established, as of the date of this report, that "BAKER



TILLY CLITO AND PARTNERS" EOOD fulfills its obligation to publish on its website a Transparency Report pursuant to Article 62 of the Law on Financial Markets and Investments, which includes legally required information.

In accordance with the requirements of Art. 60 of the Law on Financial Instruments and the provisions of Art. 11 of Regulation (EU) No. 537/2014, the independent auditor provided the Audit Committee with a Report to the Audit Committee of Sopharma AD dated 27.03.2026, concerning the audit of the individual financial statements of the Company for 2025, and a Report to the Audit Committee of Sopharma AD dated 27.04.2026, concerning the audit of the consolidated financial statements of the Sopharma Group for 2025.

During the reporting period, the Audit Committee was not addressed with requests and respectively provided approvals under Art. 64, para. 3 of the LIFASA, respectively the registered auditor and the members of the network to which it belongs did not provide the Company with additional services under Art. 64 of the LIFASA, outside the framework of the statutory independent financial audit for the reporting period, which fully complies with the requirements for auditor independence under Art. 64 of the LIFASA and Art. 5 of Regulation (EU) No. 537/2014. The registered auditor and the members of the network to which it belongs have not provided prohibited services outside the audit under Art. 64 of LIFASA (resp. Art. 5 of Regulation (EU) No. 537/2014), which is confirmed in the Audit Reports pursuant to Art. 10, par. 2, b. "e" of Regulation (EU) No. 537/2014.

During the reporting period, the registered auditor submitted three requests to the Audit Committee for the provision of permitted non-audit services to Sopharma AD under Art. 64 of the LIFASA, constituting agreed-upon procedures under the International Standard for Related Services (ISRS) 4400 (revised) Engagements for agreed-upon procedures, in accordance with the requirements of Art. 89e, para. 3 of the Law for Public Offering of Securities (LPOS) and issuing declarations under Art. 89e, para. 6 in conjunction with para. 3 of the LPOS in connection with the preparation by Sopharma AD of prospectuses for the initial public offering of three separate warrant issues with different exercise periods. The Audit Committee examined each of the requests in detail and, after making a reasoned assessment of compliance with the provisions of the Law on Auditing and Auditing, Regulation (EU) No. 537/2014 and the Policy of the Audit Committee of Sopharma AD for approval of non-audit services adopted by the Audit Committee, granted the relevant approvals under Art. 64, para. 3 of the Law on Auditing and Auditing for the performance of the described services by BAKER TILLY KLITOU & PARTNERS EOOD. Based on the analysis of the

requests and the applicable regulatory framework, the Audit Committee concluded that the provision of the services - subject of the requests - would not create a threat and/or fear of a threat to the independence and/or objectivity of the registered auditor, given which it is not necessary to apply safeguards in this regard. The conclusions thus drawn were based, inter alia, on the consideration that the issuance of declarations under Art. 89e, para. 6 in conjunction with para. 3 of the LPOS has been established by the legislator as a mandatory element of the prospectuses for public offering of securities of public companies and respectively as a mandatory, stipulated by law, commitment of the specific auditor who audited the historical financial information, on which agreed-upon procedures are carried out for this purpose and Reports on the agreed-upon procedures are issued in accordance with the specified IASB 4400 (revised), respectively the same declarations are issued, which in this specific case with regard to the historical financial information of the Company for the reporting years 2024, 2023 and 2022 is precisely the registered auditor "BAKER TILLY CLITO AND PARTNERS" EOOD. For the granted approvals, in accordance with Art. 108, para. 1, item 7 of the LIFASA, the Audit Committee duly notified the Commission for Public Oversight of Registered Auditors and the Board of Directors of "Sopharma" AD.

The auditor confirmed to the Audit Committee the performance of an assessment under Art. 66, para. 2 and 3 of the LIFASA and Art. 4 of Regulation (EU) No. 537/2014, as a result of which it was found that the remuneration received did not exceed the thresholds specified in these provisions. In view of the latter, during the reporting period the auditor did not identify any threats to his independence, did not communicate under Art. 66 of the LIFASA with the Audit Committee, or the latter did not provide relevant approvals under Para. 3 of the same provision.

## **6. Recommendation for electing a registered auditor for statutory independent financial audit of the Annual Individual and Consolidated Financial Statements of „Sopharma“ AD for 2026.**

In view of the above-mentioned consistently positive assessments of the Commission for Public Oversight of Registered Auditors for the activities of the audit firm "BAKER TILLY CLITO & PARTNERS" EOOD and the positive findings of the Audit Committee for the work of the registered auditor during the previous reporting periods, determined by the competence demonstrated by the audit team, the precise approach applied to the organization of the audit, maintaining open and regular communication with the Committee and the enviable ease in implementing regulatory changes in auditing practice, **the Audit**

**Committee**, in compliance with the requirements of Art. 65 of the Law on Auditing and Auditing of the Republic of Bulgaria and Art. 17, para. 1 and 2 of Regulation (EU) No 537/2014, on the basis of Art. 16, para. 2, para. 2 and para. 3, para. 1 of Regulation (EU) No 537/2014, **recommends The General Meeting of Shareholders of Sopharma AD to renew the audit engagement of the auditing company "BAKER TILLY KLITOU & PARTNERS" EOOD**, Sofia, 5 Stara Planina Str., 5th floor, with UIC 131349346, included in the Register of Registered Auditors under Art. 20 of the Law on the Audit of Pharmaceuticals and Medical Devices with registration number 129, for carrying out the statutory financial audit of the annual individual and consolidated financial statements of Sopharma AD **for 2026**. This recommendation of the Audit Committee has not been influenced by a third party. The Audit Committee has not been subject to a clause of the type referred to in Art. 16, par. 6 of Regulation (EU) No 537/2014.

In view of the fact that the recommendation concerns the renewal of an audit engagement and is made in compliance with Art. 65 of the Law on Auditing and Auditing and Art. 17, paragraphs 1 and 2 of Regulation (EU) No. 537/2014 on the maximum permissible duration of audit engagements, on the basis of Art. 16, paragraph 2, paragraph 2 and paragraph 3, paragraph 1 of Regulation (EU) No. 537/2014, for the purposes of and before the provision of the same, the selection procedure under Art. 16, paragraph 3 of Regulation (EU) No. 537/2014 should not be applied, respectively, its justification and provision of options for choice, with the expression of a duly justified preference for one of them, is not required. Given the fact that the reporting year 2025 was the ninth year during which the mandatory independent financial audit of the Company's financial statements was assigned to the recommended auditor, the recommendation is in accordance with the requirements of Article 65 of the Law on Auditing and Financial Reporting regarding the maximum permissible duration of audit engagements.

The recommendation is presented to the attention of the Board of Directors of Sopharma AD on the basis of Art. 16, par. 2, para. 1 of Regulation (EU) No. 537/2014 and should be included in the proposal to the General Meeting of Shareholders of the Company for the appointment of a registered auditor under the engagement for a mandatory independent financial audit of the financial statements of the Company for 2026, in accordance with the requirements of Art. 16, par. 5, para. 1 of Regulation (EU) No. 537/2014.

The report was adopted at a meeting of the Audit Committee held on May 11, 2026.

CHAIRMAN:

/signature/  
/Vasil Naydenov/

AND MEMBERS:

/signature/  
/Tsvetanka Zlateva/

/signature/  
/Kristina Atanasova-Elliot/