VALUATION OF THE FAIR VALUE OF ONE SHARE OF "VETA PHARMA" AD IN CONNECTION WITH THE MERGER PROCEDURE

according to ORDINANCE № 41 of 11.06.2008 on the requirements for the content of the substantiation of the price of the shares of a public company, including the application of valuation methods, in the cases of conversion, joint venture agreement and tender offer and International Financial Reporting Standard (IFRS) 13 Fair value measurement

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Prepared the justification: Sofia International Securities AD

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Part I. Summary of assessment data

The present is carried out in accordance with

- International valuation standards (International Valuation Standards, IVS) adopted by International Valuation Standards Council in force from 31 January 2022;
- The Law on Public Offering of Securities (LPOS);
- The Commercial Law (CL); and
- The current regulations of the Financial Supervision Commission.

The form and content of the present evaluation are in accordance with the requirements of Ordinance № 41 of 11.06.2008 on the requirements for the content of the substantiation of the price of the shares of a public company, including the application of evaluation methods, in the cases of conversion, joint venture agreement and tender offer of the Commission for Financial Supervision of the Republic of Bulgaria (hereinafter referred to as Regulation 41 of the Financial Supervision Commicion for brevity).

According to the requirements of Ordinance 41 of the FCS, the exchange ratio of 1 share of the Merging Company for shares of the Acceping Company is determined by dividing the determined fair price on an individual basis for one share of the Merging Company **(BGN 7.42)** by the determined fair price of consolidated basis of one share of the Receiving Company **(BGN 7.57)**, assuming rounding accuracy (two decimal places), which amounts to a ratio of **0.98 shares of the Receiving Company for 1 share of the Merging Company.**

Item 1. Requirements for and methods of determining fair price

According to Art. 123, para. 1, item 1 of the Law on Public Offering of Securities, the contract or conversion plan under Art. 262g of the Commercial Law, in addition to the data under Art. 262g of the Commercial Law must also contain the fair price of the shares of each of the transforming companies, respectively company, as well as the exchange ratio of the shares of the transforming companies, respectively the Merging Company, against shares of the newly established companies, respectively company, or of the receiving company, determined on a date that cannot be earlier than one month before the date of the contract or the conversion plan, and according to item 2 of the same paragraph, substantiation of the price under item 1 based on generally accepted valuation methods, which methods according to Art. 123, para. 2 of the LPA are defined by an Ordinance, such as the Ordinance on Valuation Methods referred to in the LPA and tender offer, to the Financial Supervision Commicion, insofar as pursuant to Art. 1, para. 1, item 1 of the same Ordinance, it regulates the requirements for the content of the substantiation of the fair price of the shares of a public company, including the application of valuation methods, in the cases of 1. Merger of Commercial Companies with the participation of at least a Public Company.

According to Art. 262g, para. 2, item 2 of the Commercial Law, the exchange ratio of the shares or shares of the Merging Company and the Receiving Company is a mandatory part of the Merger Contract and is determined on a specific date, as this date according to para. 4 of the same article cannot be earlier than 6 months before the date of the contract or the conversion plan and later than the date of the contract or the Merger plan.

In accordance with Art. 5, para. 1 of Ordinance № 41 of the FSC, the fair price of actively traded shares is defined as the weighted average value of the weighted average price of all transactions in the last six months, preceding the date of the substantiation, from the trading venue with the largest volume of shares traded for a period of six months before the date of the substantiation, and the value of the shares obtained by the applied valuation methods under para. 3.

In accordance with Art. 5, para. 3 of Regulation № 41 of the FCS, if the Company's shares are not actively traded in the last six months before the date of the substantiation, the fair price of the shares is determined as a weighted average of the values of the shares obtained according to methods from at least two of the following groups:

1. discounted cash flow method;

2. net asset value method, and

3. methods using the market multiples of similar companies or of concluded transactions for the acquisition of similar companies or of large packages of shares of similar companies, including through tender offers.

On this basis, an approach has been taken that the assessment should be carried out in accordance with the requirements of Regulation No. 41 of the Financial Supervision Commicion, and for the purposes of the assessment, interim financial statements of the Transforming (individual) and the Receiving Company (consolidated) as of September 30, 2023 were used , so far as the both Companies had not published Audited Annual reports for the year 2023 as of the date of preparation of the assessment.

Item 2. Fair price of exchange-traded equity instruments

The evaluated Company is not a Publicly Traded Company, therefore the hypotheses of an actively traded Company cannot be fulfilled for it.

Item 3. Fair price of the shares calculated according to each of the valuation methods used and the weight of each method in determining the fair price

According to Art. 5, para. 5 of Regulation 41 of the Financial Supervison Commission, the weighing under Art. 5 para. 3 is carried out by multiplying the value of the shares, obtained from the market and/or according to the applied valuation methods, by their relative weights. The transforming companies or the companies that are parties to a joint venture agreement, respectively the trading offeror, determine weights by which they reasonably believe that a more realistic assessment of the fair price at the date of its substantiation will be determined. It is not allowed to use a weight that -lower than 20% and higher than 80%.

According to Art. 6, para. 1 of Regulation 41 of the FSC, the fair price of the shares is their liquidation value in cases where:

1. the liquidation value exceeds the fair price of the shares, determined pursuant to Art. 5, or

2. the general meeting of shareholders has adopted a decision to liquidate the company or the company is in bankruptcy proceedings under the terms of Art. 630 of the Commercial Law.

A liquidation assessment is not applicable to the assessed Company.

Point 3.1. Average weighted fair price according to valuation methods based on Ordinance No. 41 of the FSC

Evaluative method	Price per 1 Share	Weight
Market Equivalents	15.64	40%
Discounted cash flows	2.78	20%
Net value on the assets	1.51	40%
Fair Price	**7.4160**	

Source: SIS calculations

Based on the application of three valuation methods, we determine the fair price of one share at BGN 7.4160, or after rounding to the nearest number with two decimal places, BGN 4.42. Point 11 provides the reasoning for the chosen methods and their relative weight.

Point 3.2. Fair price using the discounted cash flow method

The fair price on the discounted cash flow method amounts to BGN 2.782885463 per share or after rounding to the nearest number with two decimal places, **BGN 2.78 per share.**

The determination of the fair price based on this method is presented in detail in point 13.

Point 3.3. Fair price under the net asset value method

The fair price, determined on the basis of the net assets value, amounts to BGN 1 .5119 per share or, after rounding to the nearest two decimal places, **BGN 1.51.**

The determination of the fair price based on this method is presented in detail in point 14.

Point 3.4. Fair price using market multiples of similar Companies method

The fair price, based on the method of market multiples of similar Companies, amounts to **BGN 15. 6433 per share** or after rounding to the nearest two decimal places**, BGN 15.64 per share.**

The determination of the fair price based on this method is presented in detail in point 15.

Item 4. Book value of non-operating assets as of the date of the last published financial Statement

According to data from the last audited financial report of the Company from December 31, 2022, there are no unoperating assets of the Company. As at the date of the evaluation, an audited annual financial report as of December 31, 2023 had not been published, for the purposes of the evaluation the interim unaudited financial report as of September 30, 2023 was used. According to the information received by the Company, there are no non-operating assets and September 30,2023

Item 5. Weighted average market price of the shares for the last six months; number of shares traded on the trading venue with the largest volume of shares traded for a period of six months before the date of the substantiation; weighted average price of all trades in the last six months prior to the substantiation date from the trading venue with the largest volume of shares traded in the six-month period prior to the substantiation date

Point 5.1. Weighted average market price of the stock for the last six months

The Company is not public.

Point 5.2. Number of shares traded on the trading venue with the largest volume of shares traded for the last six months

The Company is not public.

Point 5.3. Weighted average price of share transactions on the trading venue with the largest volume of shares traded for the last six months

The Company is not public.

Item 6. Information and data necessary to determine whether the company's shares are actively traded

The Company is not public and therefore its shares cannot meet the hypothesis of actively traded shares.

Point 7. A valuation of the Company prepared by independent valuator within the last 12 months before the date of the substantiation

Within the last 12 months prior to substantiation date, no valuation of the Company was prepared and announces public by an independent valuator.

Item 8. Information that the commission neither approved nor refused approval of the fair price of the shares and is not responsible for the accuracy and completeness of the data contained in the substantiation

The Financial Supervision Commission of the Republic of Bulgaria has neither approved nor refused approval of the fair price of the shares and is not responsible for the accuracy and completeness of the data contained in the substantiation.

Point 9. Date of substantiation and term of validity

This substantiation was prepared on January 15, 2024 and has a validity period of 180 days, in view of the requirements of IFRS 13 and IFRS 9.

Item 10. Estimated valuation of the shares of the Receiving Company after the Merger and other information about the prices of the shares considered important

In accordance with the requirements of Art. 21, para. 2 of Ordinance 41, and taking into consideration that the Receiving Company falls within the scope of Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, and the resulting field of application Regulation (EU) 2023/ 1803 of the Commission of September 13, 2023, the evaluators indicate that after the Merger, no significant changes are expected to occur in the consolidated financial Statements of the Host company, which is also the Receiving Company.

At the same time, the evaluators point out that the absence of a significant accounting effect at a certain point in time is not indicative of future economic effects and in this sense they draw attention to one of the most significant economic effects of the Merger – it is not necessary to provide financing from the Host Company to the Merging Company.

Detailed information regarding the performed analysis of the estimated effects of the Merger on the Host Company as the Receiving Company is presented in point 19, and from this analysis it is clear that no change in the fair price per share of the Receiving Company is expected as a result of the Merger.

Before the Merger on a consolidated basis, the fair value of the Receiving Company is estimated at BGN 1 198 045 171.94, and after the Merger it is expected to increase to BGN 1

198 052 962.94, respectively, the fair price of one share is expected to remain unchanged - BGN 7.57 per share.

The Host Company has issued warrants, which should be perceived by potential and current shareholders of the company as a substantial reason to expect a future increase in capital and a corresponding increase in the number of shares in circulation, which may have a significant effect on the book value of a share in the future . This effect cannot be estimated reliably as of the date of preparation of this estimation.

There is no other information about the prices of the shares that is essential, beyond what is stated in item 11.5.5.

Part II. Explanation of the assessment performed

Item 11. Substantiation for the methods used

The information below is provided in fulfillment of the requirements of Art. 7, para. 1-3 of Ordinance 41 of the FCS.

.*Market analogue method*

This method is one of both methods in the "market multiples", within the "transaction multiples" method. The method of transaction multipliers is mainly applicable to Mergers and acquisitions transactions, where the focus is mainly on transactions of a certain type in a certain time horizon for a given geographical region, respectively, in it comparability in terms of financial parameters (assets, revenues, profit, capital and etc.) are used only in determining the relative weight of the particular transaction in the calculations. This method does not fall within the scope of acceptable methods under FSC Regulation No. 41, therefore only the method of market analogues from this group of methods is considered.

The method of market analogues reflects to the highest degree market information, including expected development of the Company itself and alternative investments in close analogues/competitors of the Company. At the same time, there is uncertainty regarding the Company's going concern status, which limits the applicability of IFRS 13 level 2 methods. There are also certain limitations on the use of the "last 12 months" method for the purposes of determining certain financial measures (specifically, revenue and profit and coefficients derived from them).

Since the exact Company is not traded on the stock exchange, for it the method of market analogues is informative mainly in the context of a cautious price in transactions with shares of comparable Companies in the context of the considered Merger, accordingly it is taken with a weight of 40%.

Net (and adjusted net) asset value method

The net asset value method reflects historical financial information and, as such, provides the most accurate information at a particular historical point in time. To the extent that the Company will cease to exist as a separate business entity in the Merger, there will be an effective transfer of all of the Company's assets and liabilities at fair value on or about such future date.

At the same time, this method has significant limitations in that even its more modern variant (adjusted net asset value method) is based primarily on financial information and to a limited extent on legal (mainly in relation to hidden liabilities) information, but not on technical information that may have a material effect (for example, the need for future investment in relation to obsolete technology, even where the assets are not significantly depreciated). Additionally, non-financial information that is material (e.g. about sustainable development) is not reflected in the valuation, even when the market actually reflects it in the price.

Since the Company is expected to cease its de facto existence after the merger as an independent company, for it the net asset value method (specifically, its modernized variant - the adjusted net asset value method) has a significant degree of representativeness, therefore this method participates with a weight of 40%.

Discounted cash flow methods

Regarding the methods from the group of discounted cash flows, the following should be considered:

(a) in Merger or acquisition transactions, the Merging Company ceases to exist as a legal entity, and for the Acquiring company the hypothesis that past financial data is indicative of future performance is not fulfilled, insofar as a significant change in business occurs the combination and in this sense, it cannot be forecast for a future period on an individual basis. At the same time, insofar as the Merging Company and the Receiving Company as a Host Company are subject to consolidation and at the present moment, a forecast for a future period can be made on a consolidated basis for the Receiving Company while preserving comparability with past periods;

(b) when choosing a specific model from the group of discounted cash flows, it is taken into account that the Host Company has not distributed a dividend in the last 3 years, and the discounted dividend model (DDM) is not applicable;

(c) in addition to what is stated in letters (a) - (b) above, the following synthesized information regarding the FCFE and FCFF models is taken into account:

Key aspects	**Free Cash Flow to the Company (FCFF)**	**Free Cash Flow to Equity (FCFE)**	**Analysis in the context of Veta Pharma**

Cash flows coverage	Cash flows are available to all investors (equity and debt) in the Company.	Cash flows are available only for the share holders.	The deal represents an equity and cash payment to Veta Pharma's minority shareholders, and for them the FCFE provides an opportunity to benchmark against an alternative retention scenario for their investment.
Leverage	Cash flows without leverage (unlevered) because the effect of leverage is not considered	Leveraged cash flows because the leverage effect is included	Both models are equal
What does it measure	Enterprise value is calculated	Capital value is calculated	Since the fair price per share is determined, the FCFE model as a direct measure is preferable to the FCFF model.
Discount factor	Weighted average cost of financing (both debt and equity)	Equity price	Derivative factor
Main field of applicability	FCFF finds its main application as a model for determining the fair value of the company itself and has a wider field of application than FCFE.	FCFE finds its main application as a model for determining available cash flow for payments to shareholders (eg buybacks, dividends, etc.)	As a rule, FCFE is less informative when consolidated rather than individual data are used. At the same time, individual reports are used for the evaluated Company, which makes the both methods comparable.

Taking into account the above, the valuers have chosen to use an FCFE model based on an individual forecast of the TransformingCompany's development, using an alternative scenario of "development without the Merger".

Although discounted cash flow methods are a widespread practice in the US, a number of criticisms of the application of these methods in Europe should be noted.

First, with the exception of the dividend method, the other two widespread methods are based exclusively on terminology and presentation methods specific to American standards (US GAAP), which differ from the applicable standards in Europe (even in terms of form and scope, determined for public companies preparing consolidated accounts in the EU based on Regulation (EU) 2023/2822 of Commission from December 19, 2023). In particular, certain financial measures such as EBITDA (earnings before interest, taxes, depreciation, and amortization) and EBIT (earnings before interest and taxes) require that the official accounts of the company as the subject of consolidation in the consolidated accounts of a public company explicitly indicate how these values are derived from the financial statements prepared in accordance with Regulation (EU) 2023/1803 of the Commission of September 13, 2023, as not only the obtained values, but also the method of their derivation is subject to an independent audit within the framework of auditing the annual accounts of the public company. In this sense, reference to such indicators, which are not expressly derived from audited reports and expressly confirmed by an auditor, cannot be accepted as accurate or indicative.

Second, the EU is consulting with stakeholders on the 'Statement of cash flows and related issues' in its 2022-2026 work plan, and a possible replacement of the cash flow statement with audited information on liquidity and/or net debt would have - high analytical value.

Third, the IPEV methodology is widely adopted in Europe (e.g. for the purposes of InvestEurope), which provides more general conceptual principles for applying cash flow class models (specifically described in points 3.7 and 3.8), for example in point 3.7 it is explicitly indicates the possibility of using income instead of cash flows (which is closer to EU financial reporting practices), while point 3.8 describes a methodology analogous to the modeling currently used in the EU for debt instruments.

When using cash flow models, it is imperative to use a number of hypotheses, which implies the so-called "Feynman critique" (in his lectures, Richard Phillips Feynman notes that when a model infers regularities to reach a specific simple end result , the number of underlying hypotheses and assumptions is significantly greater and these assumptions are more complex than can be described in the representation of the model, and accordingly each model is only an inaccurate and approximate representation of reality). In particular, there are implicit factors such as emergence of substitute products in the future, mergers and acquisitions between competitors, the occurrence of which is highly probable, but which cannot be modeled reliably, resulting in inaccuracy of forecasts. There are also explicit factors that the model generally does not include in its scope, specifically non-financial information (ESG factors), which definitely affect the price for some market participants, and the principled exclusion of such non-financial information from the model makes it incomplete.

These positive and negative factors were taken into account in determining the final assessment, with the method being given the lowest weight (20%), as its main hypothesis is about the alternative development in case of non-implementation of the infusion.

Having taken into account the above, in accordance with the principles of IFRS and the requirements of Ordinance No. 41 of the Financial SupervisoryCommicion, the fair price per share of the company was prepared based on three valuation methods.

In view of the above mentioned information, the following weights have been adopted for each of the three methods used:

• Method of the net value of the assets - 40%, insofar as the method reflects to a significant degree the current information related to the merger transaction under consideration;

• Method of market analogues – 40%, insofar as the Company is not traded on the stock exchange, but a comparison with market analogues provides information on market expectations for similar share transactions;

• Method of discounted cash flows – 20%, as long as the method provides essential information about the possible future development in a self-development scenario. Since this method is to a significant extent a forecast based on current data for a long future period (at least 5 years), the EBA's criticism of the uncertainty of future forecasts with a horizon of more than 3 years for companies is applicable to it, as well as the risk of long-term forecasting of on the market conditions (specifically, assumptions about the entry of competitors, change in regulatory regimes, entry of substitute products for the Company's main products and other factors), accordingly, this method is present with a weight of 20%.

Point 11.1. Characteristics of the evaluated Company

Point 11.1.1. The specifics of the activity

The Company's activities are: production of medicinal, non-medicinal and other products, domestic and foreign trade, entrepreneurial and advertising activity, financial and legal consultations, commercial representation and mediation, import, export, re-export, foreign trade transactions with various goods, raw materials and other materials, percentage and warehouse activity. When a permition (license) is required for the performance of a certain activity, it will be carried out only after obtaining the relevant permition (license).

The main activity of the Company, according to the report, is the production of solutions for skin, alcohol-containing solutions for disinfection, non-alcohol-containing solutions for disinfection, tinctures for oral administration, powder products, nutritional supplements, and food additives intended for use in the food industry.

The company owns buildings, machineries, and equipment necessary for its activity.

Point 11.1.2. Total value of assets and liabilities on balance sheet

Historical information about the assets, liabilities and equity of the assessee company is provided below:

Balance sheet	30.09.2023	30.09.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2023/ Q3 2022
Assets	7,677	8,078	9,698	10,773	-16.7%	-10.0%	-6.5%
Equity	6,864	7,227	8,611	8,867	-16.7%	-2.9%	-6.4%
Liabilities	813	851	1,087	1,906	-21.7%	-43%	-7.2%

* values are in BGN thousand for the Company " Veta Pharma" AD

We note a declining value of assets and equity since 2020. Liabilities also show a decreasing trend since 2020, reaching BGN 813 thousand as of September 30, 2023 from BGN 1,906 thousand in 2020.

Due to the lack of significant volatility, we believe that financial ratios using assets in the denominator are representative and informative.

Point 11.1.3. Strengths and weaknesses and comparison with competitors

Strengths	***Opportunities***
• Specialized production; • Good location and infrastructural provision of the production facilities. • Low debt	• Synergy with the host company that can reduce administrative costs.
Threats	***Weaknesses***
• Political uncertainty in the region as a result of the war in Ukraine.	• Relatively low operating profitability.

Point 11.1.4. Profitability ratios

The table below reflects the historical value of key profitability ratios:

Historical Information	**Veta Pharma AD**			
	30/09/2023	**31/12/2022**	**31/12/2021**	**31/12/2020**
profitability ratio				
Profitability of operating activity	-6,.36%	-1.05%	0.51%	5.78%
Capacity to generate cash flow from asquired funds	11.32%	184.57%	114.63%	-3.73%
Return assets	-2.87%	-0.63%	0.20%	2.34%
Capacity to generate income from the assets	-2.87%	-0.30%	1.61%	2.29%
Return on equity	-3.21%	-0.70%	0.22%	2.84%
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year				

We note a relatively unfavorable development in terms of profitability, as for the intermediate period of 2023 and towards the end of 2022, the indicators are negative.

Point 11.1.5. Asset Ratio and Liquidity

The table below reflects the historical value of key liquidity ratios:

Historical Information	**Veta Pharma AD**

	30/09/2023	31/12/2022	31/12/2021	31/12/2020	
Asset ratio and liquidity					
Eeversibility of assets	0.4509	0.5962	0.3816	0.4048	
Reversibility of the working capital	1.4065	1.9303	1.6169	2.0359	
Current liquidity	7.3103	7.3325	5.5327	2.7122	
Prompt liquidity	3.9103	3.6041	4.3881	2.3022	
Absolute (instant) liquidity	0.6333	0.6396	0.4614	0.1607	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

Financial Statement	**Veta Pharma AD**				
	30/09/2023	**31/12/2022**	**31/12/2021**	**31/12/2020**	
Current assets	**2 851**	**2 889**	**2 794**	**3 393**	
Non-current assets	**4 826**	**5 189**	**6 904**	**7 380**	
Net working capital	2 461	2 495	2 289	2 142	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

* Values are in BGN thousand. For the Company "Veta Pharma" AD

There is a relatively stable level of working capital in the range of BGN 2.1-2.5 million. A relatively low turnover value of total assets (below 0.6 times) and working capital (below 2 times, except for 2020) is observed. At the same time, there is high liquidity, which is indicative of suboptimal working capital management.

Point 11.1.6. Odds per share

The table below reflects the historical value of basic ratios of a share:

Historical Informtion	**Veta Pharma AD**				
	30/09/2023	**30/09/2022**	**31/12/2021**	**31/12/2020**	
One share ratio					
Sales ratio per share	0.7624	1.0608	0.8152	0.9606	
Profit ratio per share	-0.0485	-0.0112	0.0042	0.0555	
Book value ratio per share	1.5119	1.5919	1.8967	1.9531	
Number of regular shares	4 540 000	4 540 000	4 540 000	4 540 000	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

Over the period 2020-2022, we note falling multiples per share due to falling levels of revenue, assets and profit. By the end of the third quarter of 2023, this trend does not change.

Point 11.1.7. Dividend ratios

The table below reflects the historical value of basic ratios of a share:

Historical Informtion	**Veta Pharma AD**				
	30/09/2023	**31/12/2022**	**31/12/2021**	**31/12/2020**	
Divident ratio					
Paiment ratio per divident	0.00%	-518.42%	1431.58%%	163.49%	
Profit retention ratio per divident	100.00%	618.42%	-1331.58%	-63.49%	
Divident per share	0.0000	0.0434	0.0599	0.0907	
Number of regular shares	4 540 000	4 540 000	4 540 000	4 540 000	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

The Company has distributed dividend as follows:

- For 2020 – BGN 412 363;

- For 2021 – BGN 272 400;

- For 2022 – BGN 197 490;

The Company prepares Audited financial Sbased on national accounting standards (NAS), but as part of an economic group in which the parent company is a public Company, also prepares financial statements based on international financial reporting standards (IFRS) as part of the consolidation package, used for the purposes of the parent company's consolidated audited accounts. For the Company under consideration, there are some significant differences in the application of the two standards (e.g. in the financial result). To the extent that the Company's dividend policy is based on a financial result based on NSS, the calculated dividend per share ratios based on IFRS are not indicative.

Point 11.1.8. Development ratios

The table below reflects the historical value of key development ratios:

Historical Informtion	**Veta Pharma AD**				
	30/09/2023	**30/09/2022**	**31/12/2021**	**31/12/2020**	
Development ratio					
Sales growth rate	-5.32%	30.13%	-15.13%	N/A	
Net profit growth rate	-279.35%	-366.67%	-92.46%	N/A	
Asset growth rate	-6.53%	-16.70%	-9.98%	N/A	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

We note a decline in the nine months of 2023 compared to the corresponding period of 2022. The company has a negative final financial result for the nine months of 2023 and is at a loss under IFRS for 2022.

Point 11.1.9. Leverage ratios

The table below reflects the historical value of key leverage ratios:

Historical Informtion	Veta Pharma AD				
	30/09/2023	**31/12/2022**	**31/12/2021**	**31/12/2020**	
Leverage ratio					
Finansial autonomy ratio	8.4428	8.4924	7.9218	4.6522	
Long-term debt ratio	0.0000	0.0000	0.0000	0.0000	
Total assets/equity ratio	1.1184	1.1178	1.1262	1.2150	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

We note good levels of financial autonomy for the considered period

Point 11.1.10. Market ratios

The table below reflects the historical value of major market ratios:

Historical Informtion	Veta Pharma AD				
	30/09/2023	**31/12/2022**	**31/12/2021**	**31/12/2020**	
Market ratio					
Price ratio/one share sales	1.98	1.50	2.33	2.03	
Price ratio/one shar earnings	-31.20	-142.64	453.21	35.19	
Price ratio/Book value of a share	1.00	1.00	1.00	1.00	
Book price per share	1.51	1.59	1.90	1.95	
Price determination date	30.09.2023	31.12.2022	31.12.2021	31.12.2020	
Number of ordinary shares	4 540 000	4 540 000	4 540 000	4 540 000	
Source: SIS calculations based on the Company's 2022 and 2021 IFRS, AFS Audited financial Statements. and interim reports as of 30.09.2023 and 30.09.2022. year					

As far as the Company is not subject to public trading and in this sense, the market price of the shares is not applicable, the only price per share that is based on audited information is the book price per share. In this context, the price to book value (P/B) ratio will be equal to 1

The price to earnings per share (P/E) ratio is negative as of the 2023 quarter due to the reported loss.

In this context, for the analyzed Company, leading ratios when compared with peers are the ratios price to book value (P/B) with a relative weight of 50%, and price to sales per share (P/S) with a relative weight of 50%, while the price-to-earnings-per-share (P/E) ratio is inapplicable.

Point 11.1.11. Description of the method of calculation of all ratios, the values used for their calculation and the sources of information

Financial ratios are calculated as follows:

Historical Information	**Calculation formula**
Profitability ratios	
Profitability of operational activity	Net profit or loss to operating income
Capacity to generate cash flow from borrowed funds	Cash flow from operating activities to Liabilities
Return on assets	Net Profit or loss to assets
Capacity to generate income from assets	Total comprehensive income to assets
Return on equity	Net profit or loss to equity
Asset and Liquidity Ratios	
Asset reversibility	Operating income to assets
Working capital reversibility	Operating income to the positive difference between current assets and current liabilities
Current lequidity	Current assets to current liabilities
Fast lequidity	Current assets excluding inventories to current liabilities
Absolute (indipendent) liquidity	Cash flow to current liabilities
Leverage ratios	
Financial autonomy ratio	Equity to liabilities
Long-term debt ratio	Non-current liabilities to equity
Total assets/Equity ratio	Assets to Equity
One share ratio	
Sales of one share ratio	Operating income to number of common shares outstanding
Profit of one share ratio	Net profit or loss per number of common shares outstanding
Book value of one share ratio	Equity to number of common shares outstanding
Divident ratio	
Payment of divident ratio	Distributed dividend to financial result after tax
Profit retention ratio	Retained earnings to net profit or loss
Divident of one share	Dividend distributed to number of regular shares outstanding

Development ratio	
Sales growth rate	Annual change in operating income
Net Profit sales qrowth	Annual change in the financial result after taxes
Asset growth rate	Assets annual change
Market ratios	
Price/Sales per share ratio	Market price per share to sales per share ratio
Price/Profit per share ratio	Market price per share to earnings per share ratio
Price/Book value per share ratio	Market price per share to book value ratio
Book price of chares	In this case, bookkiping price per share under IFRS
Date of price determination	The last day of the reference period. If this date is a non-working day, reference is made to the last working day immediately preceding the given date
Number of ordinary shares	Number of regular shares less than treasury shares repurchased

Point 11.1.12. Other important circumstances

Should be take into consideration that, although the analyzed Company is not public, it is subject to consolidation in the accounts of a Public Company, and that it operates in a field that is highly regulated (pharmaceutical production). The Company holds a permit (license) for production, quality control and storage of medicinal products under No. BG/MIA-0205 dated Desember 10, 2020 issued by the Executive Agency for Medicines.

11.2. The characteristics of the evaluated Company in historical terms

The Company was founded in 1999, with headquarters and management address in the city of Veliko Tarnovo, 32 "Dalga Laka" Str. The Company is registered in the TRRLNC under UIC 104111084.

The ownership structure of the Company, according to the latest audited activity report from 31/12/2022, is:

- Sopharma AD owns 99.98%;
- Individuals own 0.02%.

The Management of the Company is assigned to a Board of Directors consist of:

- Stoyan Valchinov Goranov – Chairman;
- Violeta Petrova Tzacheva – member of the BD and Executive Director; and
- Boris Anchev Borisov – member.

The Company is represented and managed by the executive director Violeta Petrova Tzacheva.

As of 31.12.2022, the Company employed 53 workers in comparison with 54 as of 31.12.2021.

11.3. The economic trends and conditions related to the Company's activity in the Republic of Bulgaria and around the world

The Company operates in the pharmaceutical sector.

Globaly pharmaceutical industry notes significant growth in recent years. For 2022, the global pharmaceutical market is estimated at USD 1.48 trillion, a slight increase from USD 1.42 trillion in the previous year.

In 2022, the USA is the largest pharmaceutical market, generating over USD 600 billion in revenue. Europe takes second place with about USD 213 billion in revenue. These two main markets, together with Japan, Canada and Australia form the so-called "developed markets" in the sector. China is among the major emerging markets in the sector, but is experiencing a slowing pace of development, while Brazil is among the fastest growing significant emerging markets.

The leading pharmaceutical companies in the world are Pfizer, Merck and Johnson & Johnson from the USA, Novartis and Roche from Switzerland, and Sanofi from France.

The pharmaceutical products generating the most significant volume of revenue are Humira, Eliquis and Revlimid. Oncology drugs are the industry's leading therapeutic drug type, followed by diabetes drugs. The fastest growing sales are of preparations for the treatment of autoimmune diseases and diabetes.

More than any other industry, the pharmaceutical sector depends on ongoing research and innovation, with pharmaceutical companies investing an average of more than 20 percent of their revenue in R&D. At the same time, the industry is also highly sensitive to the possibility of patent protection of key preparations. An example of a significant negative effect of patent expiration is the decline in Pfizer's revenue after the patent for Lipitor expired in 2012. In 2022, spending on research and innovation in the pharmaceutical industry will reach USD 244 billion, which is almost double the level ten years earlier – USD 137 billion in 2012.

A role for the successful performance of most leading pharmaceutical companies is also played by the processes of relocation of production facilities and reorganization of supply chains, which made it possible to successfully manage the companies' costs and significantly improve their efficiency. On the other hand, supply chain risks have significantly increased the susceptibility of pharmaceutical companies to processes and phenomena beyond their direct control. The key processes, opportunities and threats to the sector are analyzed in the October 2022 McKinsey & Company report:

Trends and consequences in the pharmaceutical industry	Impact Low Medium High Consequences					
Trends	Complexity	Increased risk	Capacity	Capital expenses	Industrial spending growth	Savings possibilities
Advances in technology and adoptions	Low		Low			High
Reduction of individual bargaining power	Medium	Low	Low			
Expectations concerning ESG	Medium		Low	Low		
Geopolitical factors	Low	Medium	Medium	Medium		
abor market		Medium	Medium	Medium	High	
New modalities	Low	Low	Low	Low		
New workforce expectations	Medium					
Innovative pressure	Medium	Low				
Inflation		Low			High	
Supply chain distribution violation	Medium	High				

The pharmaceutical industry in Bulgaria has a rich history and traditions. A large part of the existing large enterprises in the country are the privatized successors of the pharmaceutical plants established before 1989. Both in Europe and in Bulgaria, the pharmaceutical industry creates both highly qualified jobs and high added value, as well as innovations that move the economy forward. In addition to this, investments in research and development very often also have an effect on related sectors of the economy, such as the chemical and food industries. According to the latest data for 2022, the value of manufactured medicinal products exceeds BGN 400 million. In general, production follows a positive trend both in physical volume of production and in added value. In recent years, the production of medicinal products has kept its relative share of the processing industry as a whole at levels of around 1.2% - 1.4%. The trends in the data on the income from the activity are also similar.

The pharmaceutical market in Bulgaria after the changes in 1989 is developing dynamically and is determined by several distinct trends and factors. A system of mandatory health insurance is being developed in the country, when in 1998 the Health Insurance Act is adopted. Compulsory health insurance guarantees free access of insured persons to medical care through a package of health activities determined by type, scope and volume. The National Health Insurance Fund (NHIF) is established, the main task of which is to implement and administer compulsory health insurance in Bulgaria, in its part of managing the funds collected and paying for the health activities and medicines used (within a certain scope and volume) for the benefit of the health insured persons. The budget of the National Health Insurance Fund is the main financial plan for collecting and spending the funds of the compulsory health insurance and is separate from the state budget. The income of the NHIF is mainly collected from insurance contributions. A significant reimbursement market for medicines, which is paid for by the NHIF, is also starting to function. Many of these medications are original preparations (scientific development with a patent) for which additional lower prices or quantities can be negotiated because of the guaranteed market.

Due to the specificity of the activity, which is based on strict control over the production and storage of medicines, as well as the initially high investment to start the activity, the total number of enterprises in the sector "Production of medicinal substances and products" is relatively constant as in the last ten years minimal changes are observed.

According to the licenses issued by the Executive Medicine Agency (EMA), there are three categories of Companies in the sector – Companies with a manufacturing license, Companies with a license to manufacture and import drugs, and Companies with a license only to import medicines. In the permits of the enterprises, the exact address of the premises for the production/control/storage of medical products is indicated, as in the register of the EMA, more than 70 locations are indicated, which is an indicator of a significant territorial coverage, but at the same time there is a concentration, characteristic of most industries in Bulgaria with over 60% of the locations concentrated in the South-West region. The export of pharmaceutical products from Bulgaria amounts to about 1 billion euros. In general, exports in this product group have grown over the past decade. Just over 90% of all exported pharmaceutical products fall under the "Retail Medicines" group.

The export of pharmaceutical products is mainly aimed at the countries of the European Union (EU). At the level of trading partners, the largest markets for Bulgarian pharmaceutical products are traditionally Germany and Russia. In this sense, the effect of the military conflict between Russia and Ukraine from 2022 is expected to have a pronounced negative impact on the sector, although the last decade has seen a fundamental decrease in the relative importance of Russia as a trading partner for the sector, at the expense of, for example, a rapid increment e.g. of Romania.

Imports of pharmaceuticals have also tended to increase over the past five years, with the Retail Medicines group accounting for the largest share, followed by the Blood, Immunological, etc. commodity group. The import of pharmaceutical products in is from countries that are known for being large producers and exporters – Hungary, Germany, the Netherlands, Switzerland, Slovenia.

The production of medicinal substances and products begins with research and development. In this context, in recent decades, Bulgaria has established itself as a destination for conducting clinical trials of a number of pharmaceutical and biopharmaceutical companies. Despite its relatively small size, the country is behind the top 20 in the world in terms of market share in the sector, measured by the number of clinical trials conducted and the number of participants in them. Clinical trials are conducted in 470 clinical research centers employing more than 3,000 employees. Separately, for their needs, pharmaceutical companies in the country develop their own research activities (clinical trials, medical research, non-interventional studies), which according to the latest data amounts to about 20 million euros per year.

11.4. Characteristics of a similar Company, respectively a generally accepted standard and a comparative analysis with the evaluated Company

In accordance with IVS standard 105 Valuation methods and approaches, paragraph 30.1, and paragraph 30.6 of the same standard, an applicable comparison of assets, operating income, capital and financial result is determined for determining analogues, and in accordance with paragraph 30.12(d), it is determined that it is not appropriate to perform corrective calculations.

In accordance with paragraph 30.7(a), the appraiser prefers to use a group rather than a single analogue, and in accordance with paragraphs 30.7(b) and 30.7(c) a similar industry (in this case pharmaceutical industry) and a close period (in this case, using a TTM metric based on the period closest to the valuation date), and in accordance with paragraphs 30.7(e), 30.7(f) and 30.7(g), the use of listed Companies from Eastern Europe has been adopted.

In accordance with paragraph 100.1 of the standard, we should point out that the assessment is based to a significant extent on information received from the management of the two Companies and other experts, and in this sense, in accordance with the requirements of the standard IVS 105 paragraph 10.7, we have carried out an assessment of credibility and reliability of such information. In this context, we point out that to the extent that an assessment of potential synergy for the Receiving Company from the transaction requires significant reference to uncertain future information, and to the extent that an assessment of such synergy resulting from the acquisition of a Company with a systemically negative financial result represents a significant degree of uncertainty, we have held that such potential synergy should not be included in the valuation of both the Merging Companies and the valuation of the Host Company.

11.5. Other significant circumstances, because of it the choice of valuation methods, their weights, the assumptions made, statements and forecasts are appropriate

11.5.1. Selection of valuation model and applicable parameters by discounted cash flow method

According to Art. 8, para. 3 of Regulation 41 of the Financial Supervison Commission, when determining the value of shares according to the method of discounted cash flows, models based on the characteristics of the Company and the cash flows generated by it are used, such as:

1. model of the discounted cash flows of equity capital (FCFE) according to Annex № 1 to Ordinance 41 of the FSC;

2. model of the Company's discounted cash flows (FCFF) according to Annex № 2 to Ordinance 41 of the FSC;

3. discounted dividend model (DDM) according to Annex № 3 to Regulation 41 of the Financial Supervison Commission - provided that the public Company has paid a dividend in the previous three financial years.

With regard to DCF methods, the point 11 should be taken into account.

Selection of discount factor

Discount rates are present as an element of time choice actually already in the works of Adam Smith on the economic well-being of nations and John Ra on the psychology of time choice in relation to decision-making with consideration of benefits and costs (trade off analysis) at different moments in time . The discount rate works as a measure of how highly we value a unit of utility today compared to the same unit of utility in the future.

The formalized mathematical representation of temporal choice can be traced back to Paul Samuelson, who proposed a discounted utility (DU) model where discount rates reflect factors with intertemporal effects such as the incremental (marginal) utility of consumption and risk. Samuelson's approach is widely used primarily because of its simplified formula and its similarity to the compound interest formula.

The first significant upgrade to Samuelson's model was by Koopmans, who showed that Samuelson's model works under a set of reasonable assumptions, such as the hypothesis that individuals exhibit positive time preferences (time-increasing utility) and therefore interest rates should be positive , to properly measure incentives to postpone consumption over time.

The first major criticism of such an approach refers to behavioral economic theory, which shows a number of examples of so-called hyperbolic discounting, e.g. the possibility that an individual would prefer to receive an income of X+N units on day T+1 instead of X units on day T, where T is sufficient in the future (over a one-month horizon), but that the same individual would prefer X units of income today to X+N units income tomorrow. In this sense, individual discount rates depend on the choice of time horizon, and accordingly individuals exhibit a time-decreasing discount rate instead of a constant one, as assumed by Samuelson. There is ample evidence in modern practice for the existence of non-exponential discounting, and this assumption is a widely held principle in behavioral economics.

In the financial literature and regulatory practice, the choice of discount rate is based on either asset valuation models or factor models. The beginning of this practice can be traced back to Markowitz and the development of modern portfolio theory and its addition by Sharpe, which is the basis of the Capital Asset Pricing Model (CAPM). Based on this model, if a company uses debt financing in addition to equity, the appropriate discount factor when using equity beta instead of asset beta is the Weighted Average Cost of Capital (WACC).

To a significant extent, the CAPM is based on the hypotheses of rational economic agents and efficient markets, the so-called "Efficient Markets Hypothesis, EMH", developed by Fama. In it, risks are adequately priced and new information with an effect on prices is quickly reflected in a reassessment of future cash flows and risks. There is a range of evidence that the EMH hypothesis is incorrect, with perhaps the most serious criticism being the necessity demonstrated by Grossman and Stieglitz for this hypothesis to require information to be free.

The most significant modern upgrade to the CAPM model is the Fama and French 3-factor model, which adds two additional factors (mainly related to scale). The main criticism of such factor models remains the question of the principle by which factors are chosen to enter the model.

Within European practice, e.g. in the IFRS impairment test, when no asset-specific discount factor is available, paragraph A16 of IAS 36 gives a choice between three alternatives: CAPM-based WACC; the incremental interest rate on the company's debt; or other market rates. Analyzing these alternatives, Husman and Schmidt recommend to the IFRS Board to use only WACC, which approach is also embedded in the regulatory practice in Bulgaria. At the same time, Kval disputes this approach and presents arguments in favor of choosing the incremental interest rate. Accordingly, Husman and Schmidt, in their response to Kval's criticism, point out that IAS 36 does not require the use of the CAPM in determining the WACC.

An additional problem in determining an appropriate discount rate is related to the credit quality of the assets, e.g. the valuation of stressed assets. Obviously, credit quality has a direct effect on the value and economic benefits of an asset to its holder. At the same time, the value of an asset is not the same as an expense or liability to its creator. The expense that is reported by the originator of the liability is independent of its value to a third party in the market, and in this sense the book value of a company's liabilities does not reflect or be influenced by the degree of difficulty for the company to meet them over time. At the same time, when this liability for the company is an asset (eg a claim) for a third party, its value for this third party depends to a significant extent on the probability that the company will be able to meet this obligation, including when it represents future cash flows, they to occur both in time and in amount, within the originally agreed framework. In this sense, the company does not have the right to assess its obligations in a way that implies not meeting them or meeting them partially or not in time, while the creditor should take into account these risks (specifically, the fair value of the company's obligations for the creditors under them is always less than or equal to the fair value of the same obligations for the company itself as debtor under them). In this sense, the applied discount rate for determining the present value of the company's current and future liabilities implies the complete elimination of the probability of the Company's default on these liabilities.

In view of the above, the use of WACC as a discount factor was chosen, following the approach adopted by the FSC.

11.5.2. Applicable parameters under the net asset value method

The value of a share under the net book value of assets model is determined by dividing the value of the assets on the Company's balance sheet by the value of the current and non-current liabilities on the balance sheet and all legal claims of investors having priority over holders of ordinary shares of the number of ordinary shares in circulation (as far as the hypotheses in paragraph 130.4 of IVS 200 for a simple capital structure are met).

As a result of the planned Merger restructuring, one Company will cease to exist, it is necessary to carry out an additional analysis of economic effects reflected in other comprehensive income (OCI), and specifically to carry out an assessment of the implementation of the prerequisites for recycling through profit and loss of DVD components subject to recycling. In such a recycling, these economic effects would lead to a change in the capital of the Company and would have an impact on the determined fair value under the net asset value method. After the analysis of the data provided by the Company, we do not consider that in the planned form of restructuring, circumstances will occur that would lead to such recycling. At the same time, it should be noted that the FSC did not approve not only the Merger as such, but also the specific method of the Merger, and upon approval of another method of Merger, our conclusion about the absence of circumstances suggesting recycling of DVD through profit and loss may not be valid.

As a result of the planned Merger, the capital instruments issued by the Merging Company will be exchanged for a fixed economic benefit (transaction price) against a fixed number of capital instruments of the Receiving Company, i.e. the fixed-for-fixed principle is fulfilled. In this sense, the hypothesis that the fair value of the company is also the fair value of the capital is fulfilled.

In determining the fair value, we take into account that the book value of certain assets may not sufficiently reflect the available market information for certain classes of assets (we refer, for example, to paragraph 120.3 of IVS 200 in relation to assets that are fully depreciated by accounting , but not economically amortized), therefore, where there is a valid independent estimate of the fair value of certain assets, that value can be used instead of book value when, in the analyst's professional opinion, that estimate contains market information that has not been reflected , or has not been sufficiently reflected in the book value of an asset.

It should be reported in the context of applicable accounting standards, also the effect of occurring certain contingent or unconditional obligations resulting from the change in the existing business combination and specifically:

(a) possible effects of non-collection (partial or full) of receivables from related parties by the Merging Company;

(b) possible effects of recognition of contingent liabilities (specifically in the context of Paragraph 23 of IFRS 3 taking into account Paragraph 56 of IFRS 3) in the changed business combination; and

(c) possible effects of incurring liabilities on the transfer of liabilities from the Merger entity to the receiving entity in relation to contractual clauses.

In relation to the assessed company, taking into account the existence of a business combination and consolidation within the Host company, it is also Receiving Company, the analysis of receivables shows that regardless of whether a netting clause is applied (namely, the Host Company acquires its own liability and/or liabilities of subsidiaries to the Merging Company), then such netting does not imply, based on contractual clauses, a reduction in the amount of the claim.

Based on the information provided by the management of the transforming and receiving company and taking into account the change in the business combination, there are no indications of the occurrence of contingent liabilities in the business combination.

In connection with the possible occurrence of liabilities upon changing the business combination, we performed an analysis of:

(1) Current bank loan agreement;

(2) Contracts for State subsidy received.

The Company received Government funding under the operational program "Development of the competitiveness of the Bulgarian economy" 2007-2013 (Contract No. BG161PO003-2.1.11 worth BGN 888 thousand in 2011, Contract No. BG161PO003-2.1.13 worth BGN 320 thousand BGN in 2012, Contract No. BG161PO003-2.3.02 worth BGN 257 thousand in 2013) related to increasing the efficiency of enterprises and developing 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 rise to unjustified benefits for the Company, as well as changes resulting from a change in the nature of the ownership of the acquired assets related to the financing. In case of non-fulfilment of these requirements, the provided financing is subject to refund. As of the date of preparation of the assessment, all requirements under the contracts have been met. In 2022, according to RMS 771/November 06, 2021, the company received financing for electricity costs in the amount of BGN 114 thousand (for 2021, the corresponding amount amounts to BGN 5 thousand). As of September 30, 2023, no received energy financing has been reported, accordingly no netting of such amounts is required.

During the analysis of the bank loan agreement with United Bulgarian Bank AD, we took into account not only the contractual clauses, but also the presence of encumbrances on the company's assets as collateral for the received financing, namely a lien on an automatic sachet machine for powdered pharmaceutical products with an inventory number 204 051 and a balance sheet value of BGN 24 000, and on a machine for dosing liquid medicinal forms with inventory number 204 054 and a balance sheet value of BGN 74 000. In the event of default under the bank overdraft agreement, the creditor bank (OBB) may be satisfied by the collateral under the agreement, which would lead to a reduction in the fair value of the Company's assets by the market value of the two collaterals, or an amount of BGN 98 thousand. Having into considaration the lack of indications of possible default, incl. the zero debt on the granted loan as of September 30, 2023, we do not consider that there is a significant possibility that such a risk will materialize, accordingly we do not consider it necessary to include the amount of BGN 98 thousand as an adjustment to net assets.

No other contractual clauses were identified from which the likely occurrence of liabilities in the event of a change in business combination would arise.

11.5.3. Selection of benchmarks and applicable parameters by the method of market multiples of similar companies

The methods of market multiples of similar Companies include a group of models for determining the value of the Company's share based on the market prices of the shares of a similar Company or a group of similar Companies, as in accordance with Art. 16 of Regulation № 41, the applicable models are:

1. model of the market multiples of a similar company; or

2. model of the market multiples of a generally accepted benchmark, which are justified by the characteristics of the evaluated Company and of the similar Company or the generally accepted benchmark; or

3. model of the market multiples reached in transactions for the acquisition of similar companies or of large blocks of shares of similar companies, in the last one year.

A similar Company, respectively a generally accepted benchmark, is such a company or companies that provide a sufficiently good basis for comparison with respect to the investment and risk characteristics of the evaluated company. The use of companies traded on foreign markets is allowed. The choice of a similar company, respectively a generally accepted benchmark, is justified through a comparative analysis and assessment of investment and risk characteristics, as well as the degree of similarity with the evaluated company.

A generally accepted benchmark is defined as the average value of the market multiples of similar Companies. Adjustments (premium or discount) to the average values of the market multiples are allowed, requiring substantiation of such premium or discount.

The models of the market multiples of a similar company, respectively of a generally accepted standard, are applied by calculating the value of the shares of the evaluated company by multiplying by:

1. the net profit with a market multiplier, which represents the ratio between the market price of the shares of the similar company, respectively, according to a generally accepted benchmark, and its net profit (P/E), or

2. the accounting value (equity) with a market multiplier, which represents the ratio between the market price of the shares of the similar Company, respectively the generally accepted standard, and its accounting value (equity) (P/B), or

3. the net sales revenue with a market multiple, which represents the ratio between the market price of the shares of the similar Company, respectively the generally accepted benchmark, and its net sales revenue (P/S), or

4. the profit before interest, taxes and depreciation with a market multiplier, which represents the ratio between the total value of the similar Company, respectively, of the generally accepted standard, and its profit before interest, taxes and depreciation (EV/EBITDA).

The net profit, book value (equity), net sales revenue and profit before interest, taxes and depreciation of the similar Company, respectively of the generally accepted benchmark, and of the evaluated Company are determined on the basis of the last published financial statement. When the Company prepares consolidated financial statements, the information is presented on the basis of the consolidated financial statements.

Multipliers are calculated on the basis of market prices of the similar Company, respectively of the Companies included in the generally accepted standard, defined as the closing price or another similar indicator for the last day on which transactions were concluded in the last 3 months preceding the date of the price substantiation , from the trading venue with the largest volume of shares traded for the day.

It should be noted that according to IAS 1, and the planned revision of the standard by the IASB in consultation with European regulatory authorities, earnings before interest, taxes and depreciation is not a generally accepted management measure of performance (Management Performance Measure , according to IASB standards and the recommendations of the European Banking Authority), regardless of the recognition of this indicator as an alternative measure of performance (Alternative Performance Measure based on ESMA 's recommendations). In this sense, the use of unified measures (based on indicators that are both Management Performance Measure according to the standards of the IASB and Alternative Performance Measure based on ESMA 's recommendations), therefore P/E, P/B and P/S indicators calculated on the basis of audited financial statements, including audited MPM are considered highly reliable metrics, while EV/EBITDA based on audited financial statements and unaudited APM data EBITDA [1]are considered to be having a lower reliability (indicative) indicator.

11.5.4. Applicability of liquidation assessment according to Ordinance 41 of the FSC

Pursuant to Ordinance 41 of the FSC, the use of liquidation valuation as a method is permissible in the event of an intention to liquidate the Company or in the event that this valuation implies a higher price than other valuation models.

At the same time, a liquidation assessment is applicable when there are grounds for doubt about the going concern hypothesis, including clear indications of ongoing decapitalization, over-indebtedness or a liquidity crisis.

Regarding the analyzed Company, there is a negative financial result in the last interim period, but not in the last three financial years, accordingly there is no decapitalization, therefore we do not consider that the hypothesis of a non-performing enterprise is present and we do not consider it applicable liquidation assessment.

11.5.5. Other circumstances that are relevant to the determination of fair price or limit the applicability of the methods used to determine fair price

11.5.5.1. Sources and form of presentation of financial information.

As a Company part of an economic group for which the Host Company is a Public Company and prepares consolidated financial statements, the analyzed Company has an obligation to present its financial statements within the so-called "consolidation package" within the framework of a regulatory obligation of the Host Company to apply certain standardized rules for financial reporting, including in terms of the form and scope of the information presented, required explanations of the information used and required additional explanations from the Company's management when it uses alternative performance measures. In auditing such financial statements, an essential part of the audit engagement includes not only confirmation that the financial information reflects the true and complete state of the Company, but also confirmation that the Company complies with these requirements regarding the form and methods of providing additional explanations and presentation of alternative gauges. In the future, this audit obligation will also cover the presentation of information on sustainability (ESG). In this sense, it is common practice for all Companies in the group of the Host Company, including the analyzed Company, to prepare reports on an individual basis at least according to these standards, even if they also apply a national standard. In this sense, there may be discrepancies between the financial information published by a Company falling within the scope of consolidation within the consolidated accounts of a Public Host Company in the EU and financial information that these Companies prepare and publish on the basis of national standards when they also apply such.

At the time of assessment, the Company is not a financial institution, nor is it part of a Financial Holding Company or a mixed Holding Company, and certain capitalization and liquidity position requirements that apply under the CRD/CRR are not applicable, as well as certain requirements for financial institutions based on the recommendations for good banking practices of the Basel Committee on Banking Standards (BCBS).

11.5.5.2 Alternative calculations usage

In a number of cases, certain valuation methods require the use of financial indicators that are not directly reported by the analyzed Company, or the analyzed Company prepares its financial statements by a method that does not imply the possibility of unambiguously deriving such indicators. A typical example in this regard are the EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) indicators widely used in the academic literature, which are derived from a financial reporting standard applicable to a non-EU market and have no equivalent in the EU. As most public and non-public Companies in the EU do not publish such audited data, for analytical purposes the indicators are derived from publications from international sources, which are characterized by lower reliability insofar as (a) they are not disclosed on the basis of all available information from the Company and (b) have not been confirmed by an independent auditor, and such confirmation is presumed to be reliable.

11.5.5.3 Completeness of information and freely available sources of information

A guiding principle when using information sources is to fulfill two criteria at the same time:

(a) the information is publicly available free of charge; and

(b) the information is comprehensive, which excludes the possibility of data distortion (bias).

Whenever possible, assessors apply both criteria cumulatively.

The different publicly available free information sources often use different methods to calculate key financial ratios and update the data with a frequency lower than the publications of the Company itself for which they prepare data. In this sense, the use of a paid source of information that aggregates and processes all publicly available information about a Company and additional non-public data (eg Bloomberg Terminal, LSE Group information products) are the only way to guarantee the completeness, credibility, reliability and up-to-dateness of the information. To the extent that Regulation No. 41 of the Financial Supervisory Commission does not allow usage of such sources, there is an information risk when preparing the present assessment.

11.5.5.4 Difference between fair value and fair price

Financial reporting practices applied within the EU are based on the fair value principle, which has been transposed to a significant extent in international valuation standards and certain normative acts of national regulators (e.g. Ordinance No. 23 of the FSC on the terms and conditions for the assessment of client assets). These standards specify a cascade that is applied to determine the "fair value" of a financial instrument.

At the same time, the legal framework in Bulgaria proposed the use of a different method for determining a fair price, which does not follow the logic of, and does not sufficiently transpose the principles of fair value, as Regulation No. 41 of the Financial Supervision Commission sets out in detail the methodology for carrying out such an assessment of fair price.

Taking into consideration the above mentioned, a distinction must be made between "fair price" as defined in this justiication and "fair value", as the fair price of the analyzed company's shares determined in this assessment is not, does not claim to be , should not be perceived as or be represented as the fair value of the shares of the analyzed Company.

11.5.5.5 Information after the assessment date

As far as the assessment is carried out on a specific date, it cannot take into account an essential fact, namely what was entered in the TRRULNC with entry 20240305153305 on March 05, 2024. at 15:33:05 h an increase in the capital of the Receiving Company, which is also the Host Company, from 172 590 578 to 179 100 063 by issuing 6 509 485 warrants.

Item 12. Fair Price assesment of Actively Traded Shares

As long as the Company is not public, no fair price valuation can be done on actively traded shares.

Item 13. Valuation using the discounted cash flow method

According to Art. 5, para. 3 of Regulation 41 of the FSC, if the Company's shares are not actively traded in the last six months before the date of the substantiation, the fair price of the shares is determined as a weighted average of the values of the shares obtained according to methods from at least two of the following groups:

1. discounted cash flow method;

2. net asset value method, and

3. methods using the market multiples of similar Companies or of concluded transactions for the acquisition of similar Companies or of large packages of shares of similar Companies, including through tender offers.

Computer models are used in the calculations. This requires the analysis to take into account the inevitability of a calculation error, or "acceptable degree of inaccuracy" in the use of calculation algorithms. Using the Gelfond-Schneider and Lindemann–Weierstrass theorems, it can be shown that a significant fraction of elementary functions lead to a result that is a transcendental function (a number with an infinite number of symbols), and therefore, from a theoretical point of view, these models lead to the so-called "tabular representation dilemma", discussed in detail by William Morton Keyhan, regarding the "expenditure" of computing time to represent with sufficient precision (number of characters) in a computer calculation. In practice, this has necessitated the use of the IEEE 754-2019 standard.

https://mathworld.wolfram.com/GelfondsTheorem.html
[1] https://books.google.bg/books?id=jhlEAQAAMAAJ&pg=PA1067&redir_esc=y#v=onepage&q&f=false
[1] https://people.eecs.berkeley.edu/~wkahan/LOG10HAF.TXT
[1] https://754r.ucbtest.org/background/ , approved in 2019 version revision of 2008 - IEEE 754 standart of 1985 - https://ieeexplore.ieee.org/document/30711

16 of the simplest practical rounding methods are discussed for example at https://www.clivemaxfield.com/diycalculator/popup-m-round.shtml.

For the purposes of the analysis, in order to provide an audit trail, we have chosen a degree of precision in calculations corresponding to the standard "double floating point" (IEEE 754-2019) in computer calculation algorithms, and accordingly a rounding method "to the nearest number" using precision of the result to the second digit, corresponding to the widely accepted representation of prices with an accuracy of 0.01 currency units (cent, eurocent, penny, etc.).

For the avoidance of doubt, this choice is based entirely on the subjective judgment of the analyst, and should not be perceived or represented as "established" or "good practice" approved by a national regulator.

In § 1, item 6 of the Additional Provisions Regulation No. 41 of the FSC, only one of the four widely used FCFE models is adopted, specifically:

$$FCFE_i = EBIT_i * (1 - TR_i) + D_i - CAPEX_i - \Delta WC_i + \Delta Debt_i, \textit{ where}$$

EBIT – financial result before interest and taxes;

TR – effective tax rate;

D – depreciation;

CAPEX – long-term investments;

WC – working capital;

$Debt$ – debt.

The EBIT*(1-TR) component is referred to in § 1, item 6 of the Supplementary Provisions Ordinance No. 41 of the FSC as "the profit before interest after taxes", and the CAPEX component as "investments in non-current assets".

In Appendix No. 1 to Art. 8, para. 3, item 1 of Regulation No. 41 of the FSC, the adopted formula for determining the value of the company based on FCFF e

$V_0 = \sum_{i=1}^{n} \frac{FCFF_i}{(1+r_i)^i} + \frac{P_n}{(1+r_n)^n}$, where P_n measures the so-called "terminal value", and V_0 is

„ Equity value ".

https://corporatefinanceinstitute.com/resources/valuation/free-cash-flow-to-equity-fcfe, Calculations of FCFE on the basis NI, EBIT, CFO and EBITDA.

For the terminal value in Appendix No. 1 to Art. 8, para. 3, item 1 of Ordinance No. 41 FSC of the adopted formula

$P_n = \frac{FCFE_n(1+g_{n+1})}{(r_{n+1}-g_{n+1})}$, or substituting in the above formula

$V_0 = \sum_{i=1}^{n} \frac{FCFE_i}{(1+r_i)^i} + \frac{FCFE_n(1+g_{n+1})}{(r_{n+1}-g_{n+1})*(1+r_n)^n}$, where

g_{n+1} is the growth rate of FCFE after the last year in the forecast,

r_i is the cost of equity financing.

In § 1, item 5 of the additional regulations the Ordinanse No.41 of the Financial Supervision Commission, two allowed methods for determining r_i as the perceptions in the present analysis approach is indicated in letter b:

$r = R_f + R_p$, where R_f is the risk-free rate of return and, R_p is the risk premium.

Following the European Banking Authority's approach to defining a benchmark for a financial instrument that carries "zero risk" and can therefore be defined as risk-free, we can use the main characteristics associated with a "risk premium" and determine when this premium would be zero, and thus the instrument is not associated with a non-zero level of risk by any characteristic:

Key aspects of risk, arranged by importance	**Explanation**	**Lowest risk, based on the considered criteria**

I.	Probability from non-payment	Usually measured through the obligor's credit rating. The lower the credit rating of a given issuer, the higher the risk of non-payment (default) and, accordingly, the higher the required profitability on a given instrument.	AAA rating or equivalent according to the rating agency.
II.	Terms	The longer the term on a given instrument, the higher the cumulative probability of non-payment on it, respectively, the higher the required profitability on it.	Overnight, as the shortest practically used term for financial instruments. At the same time, the prevailing practice is that the analyzed liquidity intervals cover as the shortest term "0 to 7 days" for commercial banks and "less than 1 year" for most other issuers, and in this sense it can be accepted as the longest horizon with zero premium for urgency up to 1 year. This is also confirmed by the research of most rating agencies.
III.	Seniority (priority)	The higher the priority of a given instrument (that is, the sooner it is paid according to the legal framework), the smaller the potential losses, and the lower the required profitability.	A so-called "super-senior" instrument, payments on which are made before any other payment.
IV.	Security	Security instruments offer an alternative source of repayment beyond the ordinary course of business of the issuer, with the highest quality secured being cash in the same currency as the currency of the instrument they are secured.	Security that fully covers all cash outflows under the given instrument and all fees, commissions and other costs associated with such outflows, with the establishment, maintenance and eventual exercise of the security. In the case of cash security in the same currency, this is usually a coverage of 105% (based on the practice of leading international banks).
V.	Governing Law and Jurisdiction	The applicable law plays an important role in eliminating uncertainty from a possible change of the legal framework, accordingly the competent court is important in terms of the possibility or impossibility	The established practice is for the best applicable law to accept British law, respectively as the competent court - the London Court of International Arbitration (LCIA).

		of the issuer exerting pressure in the event of a legal dispute	
VI.	Moratorium, force majeure	In principle, excluding extraordinary events such as a Government moratorium on payments or the occurrence of force majeure such as events that allow a change in the initially agreed cash flows assumes a lower required profitability, as it brings higher certainty.	Explicit contractual exclusion of force majeure clauses (it should be noted that in a number of legislations such an exclusion is not allowed).
VII.	Market characteristics (liquidity, business cycle)	Instruments issued in conditions of low liquidity on international markets (global liquidity crisis) or a phase of the business cycle characterized by inflationary pressure (global inflationary crisis) are characterized by a higher required profitability.	Instruments issued in conditions of low levels of inflation and over-liquidity both in international markets and in the market where the instruments themselves were issued.
VIII.	Liquidity of the issue currency	The less currency liquidity in which the given financial instrument is issued, the higher required profitability on it.	An instrument emitted in USD or EUR as the main convertible currencies.

In this sense, a "zero-risk instrument" or "risk-free instrument" would be a debt instrument denominated in Euro, issued by an issuer with a rating not lower than AAA, with a maturity of not more than 12 months, super-senior in relation to of all other instruments issued by the given issuer (that is, any other current or future instrument issued by the same issuer is subordinated in relation to the instrument in question), collateralized 105% or more by cash in Euros, issued under UK law at LCIA Court, contractually excluding possibility of renegotiation, restructuring, total or partial default in case of force majeure, issued under super-liquidity and low inflation conditions.

As of the assessment date, there are no such instruments issued on the public market in circulation. In this sense, the risk-free return cannot be measured as the return on instruments with zero risk.

This determines usage of alternative definitions, the most widely used of which are listed below:

Measurement	**EURIBOR / LIBOR**	**Goverment funds profitabilies of sovereign rating AAA**	**An alternative approach to AAA-rated sovereign Жovernment bonds**

Justification	A reference base above which risk premiums are priced for debt instruments with floating profitability, constituting a market worth more than 1 trillion USD. After the revision in the way of formation of these percentages, the method of value determination is based entirely on market principles.	A benchmark for comparing premiums on most fixed income instruments. The approach is explicitly accepted as the only possible one for the purposes of Regulation No. 41 of the Financial Supervision Commission. The IASB in its opinion of February 27, 2024 also adopts this approach.	In this approach, the Profitability on Government securities is adjusted by taking into account the probability of non-payment "over the life cycle" for the analyzed period within the estimated cash flows. The approach makes it possible to overcome one of the two main disadvantages of using Profitability on Government securities, specifically the risk of default increasing over time on papers with a maximum credit rating.
Main disadvantages	In the practical guidelines for the interpretation of Ordinance No. 41, the FSC expressly rejects this approach. A possible alternative, which is currently being analyzed by European regulators, is the so-called "natural interest rate.	The sovereign debt market is typically much more constrained and less liquidity, than the floating rate debt market. The main shortcomings of this approach (depth in terms of balance between demand and yield, liquidity) can be deduced from the ECB's Financial Stability Review, November 2023, p. 21-22.	The method is still under development and has not yet been accepted by a national or international regulator. The approach does not currently address the second criticism of using government securities Profitability, specifically the impact of liquidity and market depth. At the moment, the approach is not an acceptable alternative under Ordinance No. 41 of the FSC.

To the extent that this assessment is expressly prepared on the basis of Regulation No. 41 of the FSC, the valuators may not use any other analytical approach, regardless of its validity, other than the interpretation adopted by the FSC. In the same context, the adopted benchmark is 10-years German Governmental securities, as these are DGS with a limit at least equal to the forecast horizon, issued by a country with a rating of Aaa, and with the lowest profitability at the assessment date among the 10-years Government securities issued by the Countries with the highest credit rating in the European union and Republic of Bulgaria (as a Country with an exchange rate fixed to the EUR). For doubt avoidance, the valuators neither confirm nor deny the applicability of the other two alternative approaches to choosing a risk-free rate.

Based on $R_f = Y^{10Y}_{DE\ bonds,14.01.2023}$, where $Y^{10Y}_{DE\ bonds,14.01.2024}$ is the Profitability of 10-years unsecured German Government bonds at the end of the day January 14, 2024 (quote "closes"), като as the day immediately preceding the valuation date, or January 14, 2024 is a non-working day, then such quote "closes" for the last working day immediately preceding the valuation date, in this case it is January 12, 2024 (Friday).

We measure external risk and its associated risk premium as two components: Government ("external risk of the Environment") and corporate ("internal risk of the Company") risks for the evaluated Company, defining for external risk:

$R_{p,ext} = CDS_{BG} - CDS_{DE}$, the credit spread between CDS of Bulgaria and Germany (used as a benchmark for a risk-free sovereign in relation to the Country's credit rating).

Accordingly, we measure insider risk and its associated risk premium as

$R_{p,int} = ROE_o - Y^{10Y}_{DE\ bonds,14.01.2024}$, as a capital premium above the risk-free rate of Profitability.

Based on the above, we determine

$$r = Y^{10Y}_{DE\ bonds,14.01.2024} + CDS_{BG} - CDS_{DE} + ROE_o - Y^{10Y}_{DE\ bonds,14.01.2024}$$

And we simplify to:

Country	Bulgaria
Moody's sovereign rating	Baa1
S&P sovereign rating	BBB
CDS spread	1.47%
Excess CDS spread (over US CDS)	0.89%
Country Default Spread (based on ratir	1.74%
Country Risk Premium (Rating)	2.34%
Equity Risk Premium (Rating)	6.94%
Country Risk Premium (CDS)	1.19%
Equity Risk Premium (CDS)	5.79%

Source:

https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fpages.stern.nyu.edu%2F~adamodar%2Fpc%2Fdatasets%2Fctryprem.xlsx&wdOrigin=BROWSELINK

Respectively:

Country	Germany
Moody's sovereign rating	Aaa
S&P sovereign rating	AAA
CDS spread	0.29%
Excess CDS spread (over US CDS)	0.00%
Country Default Spread (based on ratir	0.00%
Country Risk Premium (Rating)	0.00%
Equity Risk Premium (Rating)	4.60%
Country Risk Premium (CDS)	0.00%
Equity Risk Premium (CDS)	4.60%

Source:

https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fpages.stern.nyu.edu%2F~adamodar%2Fpc%2Fdatasets%2Fctryprem.xlsx&wdOrigin=BROWSELINK

Using of a market-based measure of sovereign issuer risk (CDS) instead of a rating is argued in addition to the market principle and the arguments set out in "Aswath Damodaran, Country Risk: Determinants, Measures and Implications – The 2023 Edition."

Based on data from Veta Pharma's financial Statements, we determine

Profit afte taxes	The amoubt of BGN thousand
NPAT 30.09.2022	92
NPAT 31.12.2022	-38
NPAT 30.09.2023	(165)
TTM NPAT 30.09.2023	(-295)

In financial Statements as of September 30, 2023, the value of the Capital amounts to BGN 7,337 thousand, respectively

$ROE_{TTM,30.09.2023} = \frac{-295}{7,337}$= -4.0207169143%, and to the extent that the cost of financing Equity cannot be negative, we assume that the lowest allowable return on Equity is at least equal to the Capital risk premium for Bulgaria of 6.94%, based on Professor Damodaran's data as stated above, and we determine

Incoming parameters	Cost

ROE (accepted as equal to the Capital premium for Bulgaria)	6.940%
Country Risk Premium (CDS) of Bulgaria (Prof. Damodaran datas)	1.19%
Country Rick Premium (CDS) of Germany (Prof. Damodaran datas)	0%
Equal financing price	8.130%

Regarding the growth rate after the terminal year, the latest long-term forecast for Bulgaria by the Ministry of Finance has been taken into consideration, as follows:

BASIC MACROECONOMIC INDICATORS	REPORTING DATA		FORECAST			
	2021	**2022**	**2023**	**2024**	**2025**	**2026**
International Environment						
World economy real growth,%	6.3	3.5	3.0	2.9	3.2	3.2
European economy – EU (%)	6.0	3.4	0.8	1.4	2.1	2.0
Exange rate (USD/EUR)	1.18	1.05	1.07	1.06	1.06	1.06
Petrol price "Brent"(USD/barel)	70.4	99.8	84.4	84.5	79.1	75.6
Price of raw materials (USD/%)	32.7	7.1	-6.6	-1.9	-1.2	-0.7
EURIBOR 3m (%)	-0.5	0.3	3.4	3.7	3.1	2.6
GDP						
BVP (miln.BGN)	138.979	167.809	191.182	205.849	217.811	231.357
BVP (real growth,%)	7.7	3.9	1.8	3.2	3.0	3.0
Consumption	6.5	4.2	4.1	3.5	3.3	3.6
Gross fixed capital	-8.3	6.5	0.6	9.6	7.9	4.9
Goods and services export	11.2	11.6	0.5	4.0	4.1	3.9
Goods and services import	10.7	15.0	-1.9	6.0	5.8	5.0
Labor market and prices						
Employment (CHC,%)	0.2	-0.3	1.2	0.6	0.4	0.3
Unemployment rate (HPC.%)	5.3	4.3	4.2	4.0	4.0	3.9
Compensations per employee (%)	11.3	14.2	14.3	11.2	8.1	7.3
Deflator BVP (%)	7.1	16.2	11.9	4.3	2.7	3.1
Mid-year inflation(%)	2.8	13.0	9.1	4.8	2.8	2.2
Balance of payment						
Current account (% from BVP)	-1.7	-1.4	1.7	0.0	-0.8	-1.0
Market balance (% of BVP)	-4.1	-5.9	-3.1	-4.8	-5.9	-6.1

Direct foreign investments	2.9	3.6	3.8	3.9	3.8	3.8	
Cash flow sector							
MZ (%)	10.7	13.2	9.8	9.2	8.9	8.9	
Receivables from companies (%)	6.1	11.9	8.3	7.0	7.3	7.8	
Receivables from households (%)	13.4	14.6	11.9	9.6	8.5	8.0	

Sourse:NSI,BNB,IMF,Euostat etc.

Sourse: Ministry of Finance

As can be seen from this forecast, the expectations are for stabilization of GDP growth at levels of around 3-3.2% per year, with actual convergence towards the growth of the world economy and overtaking by around 1% the growth of the European economy.

Taking into consideration, on the one hand, the existence of a regulatory mode, which does not allow the price of medical products in Bulgaria to significantly overtake that in Europe, and on the other hand, the good market positions of "Veta Pharma" AD, our expectations are that sustainable growth will be realized after the terminal year, which is close to the growth of the deflated GDP of Bulgaria. In view of the above circumstances, an assumption is made for a constant terminal growth $g_{n+1} = 4\%$.[2]

The main hypotheses underlying the preparation of the forecast are stated below.

First, the predictions for the year 2023 are based on the result as of September 30, 2023.

Second, the forecasts for the period 2024-2029 are based on the following assumptions:

• Growth of about 5% of revenues (taking into account the expected effect of inflation);

• Maintaining the cost of sales at the levels of 2023;

• Current commercial liabilities are modeled as a constant percentage of sales, which corresponds to the usual commercial terms of supply;

• Inventories and receivables are also modeled as a constant percentage of sales, which corresponds to the usual trade terms of deliveries (for inventories) and sales (for receivables);

• As a result, net working capital amounts to a relatively constant value as a percentage of sales.

• It should be noted that according to the requirements of Ordinance No. 41 in the terminal year (2029) a hypothesis of zero change in working capital is applicable, which hypothesis has been transposed.

SIS forecasting BGN thousand	Foreseen	Forcast	Forcast	Forcast	Forcast	Forcast	Forcast
	2023	2024	2025	2026	2027	2028	2029
Clients contracts Income	3 240	3 305	3 371	3 438	3 507	3577	3 649
Other operational Incomes	372	379	387	395	403	411	419
Operational Incomes	3 612	3 684	3 758	3 833	3 910	3 988	4 068
Changes in finished goods and work in progress inventories	37	37	37	37,	37	37	38
Expenses for materials	- 1 564	-1 596	-1 628	-1 660	-1 693	-1 727	-1 762
As a % of sales	-43.31%	-43.31%	-43.31%	-43.31%	-43.31%	-43.31%	-43.31%
Expenses for external servises	-544	-555	-566	-577	-589	-601	-613
As a % of sales	-15.06%	-15.06%	*-15.06%*	*-15.06%*	*-15.06%*	*-15.06%*	*-15.06%*
Expenses for personnel	-1 103	-1 103	-1 103	-1 103	-1 103	-1 103	-1 103
Depreciation and impairment charges	-504	-504	-504	-504	-504	-504	-504
Other operational expenses	-27	-27	-27	-27	-27	-27	-27
Operational expenses	-3 705	-3 747	-3 791	-3 834	-3 879	-3 925	-3 970
EBITDA	411	441	471	503	535	567	601
Amortization	-504	-504	-504	-504	-504	-504	-504
EBIT	-93	-63	-33	-1	31	63	97
Income from financing	0	0	0	0	0	0	0
Impairment of financial assets	0	0	0	0	0	0	0
Financial Income	0	0	0	0	0	0	0
Finan expenses	-6	-6	-6	-6	-6	-6	-6
Profit befor taxes	-99	-69	-39	-7	25	57	91
Taxes	10	7	4	1	-2	-6	-9
Net Profit	-89	-62	-35	-7	22	51	82
Interest bearing debt	0	0	0	0	0	0	0
Repayment of interest-bearing debt	0	0	0	0	0	0	0
Debt net changes	0	0	0	0	0	0	0
Net capital investment costs	-15	-15	-15	-15	-15	-15	-15
Non-cash current assets	1 445	1 474	1 503	1 533	1 564	1 595	1 595
Current assets as % Income	40.01%	40.01%	40.00%	39.99%	40.00%	40.00%	39.21%
Current liabilities	556	562	569	575	582	589	589
Current liabilities as % from Expenses	15.01%	15.00%	15.01%	15.00%	15.00%	15.01%	14.84%

Sorce: Forecast of SIS, considered with the Company

Based on this forecast, we determine the Equity cash flows as follows:

Forecast BGN thousand	Budget 2023	Forecast 31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029
EBIT	-93%	-63	-33	-1	31	63	97
TR (tax rate)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT*(1-TR)	-84%	-57	-29	-1	28	57	88
Amortization	504	504	504	504	504	504	504
CAPEX (Capital investments)	15	15	15	15	15	15	15
WC (working capital)	889	912	934	958	982	1006	100622
24Changes in WC	-137	23	22	24	24	24	0
Change in net interest-bearing debt	0	0	0	0	0	0	0
FCFF = EBIT*(1-TR)+D-CAPEX-Δ WC+^ Debt	542.0	409.1	437.7	463.8	492.6	521.9	576.6
Days from the assessements date		352	717	1082	1447	1813	**2178**
Discount FCFF	542.0	379.5	375.5	368.0	361.4	354.0	361.8
Discount norm	8.13000%						
Assessement date	15.01.2024						

The amount of discounted Cash flows for the period is BGN 2,200.1 thousand.

In terms of terminal value, we calculate:

$$P_{2029} = \frac{FCFE_{2029}(1+g_{2030})}{(r_{2030}-g_{2030})} = \frac{576.6*(1+4\%)}{8.13\%-4\%} = 14{,}520.8 \text{ BGN thousand.}$$

The discounted terminal value is determined:

$$\frac{P_{2029}}{(1+r_{2029})^{(31.12.2029-15.01.2024+1)/365}} = \frac{14{,}520.8}{(1+8.13\%)^{2178/365}} = 9{,}108.2\ BGN\ thousand.$$

Accordingly, the sum of the discounted cash flows and the discounted terminal value determine V_0=2,200.1+9,108.2=11,308.3 BGN thousand.

$EV = V_0 - Net\ Value\ of\ Debt$, където $Net\ Value\ of\ Debt$ [3] is net debt value determined by deducting the amount of cash flows equivalents from the Company's interest-bearing liabilities:

$Net\ Value\ of\ Debt = IBD - Cash,\ where\ IBD$ are the interest-bearing liabilities and $Cash$ is the value of cash and cash equivalents. Taking into consideration that as of September 30, 2023 the Company has no interest-bearing liabilities, we determine:

$$Net\ Value\ of\ Debt = 0\ -\ 1{,}326\ BGN\ thousand = -1{,}326\ BGN\ thousand.$$ [4]

In this case, we calculate:

EV = 11,308.3 + 1,326 = 12,634.3 BGN thousand

Taking into consideration that the Company has issued and is in circulation 4,540,000 shares, we determine price per share (12,634.3 BGN thousand divided by 4,540,000 shares) of 2.782885463 BGN.

When using rounding to the nearest number with two decimal places, the resulting value is rounded up to BGN 2.78.

We determine a fair price per share based on the discounted cash flow model of **BGN 2.78 per share.**

Item 14. Net assets valuation method

For the Merging Company, the hypothesis of Art. 15, para. 1 of Ordinance 41 of the FSC, "the value of the share according to the model of the net book value of the assets is determined, as the value of the assets on the Company's Balance sheet, less the value of current and non-current liabilities on the Balance sheet and all legal claims of investors having priority over the regular shares holders, divided by the number of regular outstanding shares."

Outside of stated in point 11.5.2, there are no other material circumstances that are relevant in determining the adjusted net value of the assets.

Based on the financial data as of September 30, 2023 of the company, and taking into account the fact that there are no investors with priority over holders of ordinary shares, we determine:

Indicator into 30.09.2023	BGN thousand
Total assets	7,677
Total liabilities	813
Net value on the assets	6,864
Adjustments for accounting for contingent liabilities and liabilities in liabilities for changes in business combination[5]	0
Adjustments on recycling of other comprehensive income through profit and loss (in connection with Merger)	0
Number of outstanding shares	4,540,000
Net value on the assets per share (BGN)	**1.5118942731**

Source: SIS calculations

съществена промяна.

We determine fair value using the net asset value method of BGN **1.51 per share.**

Item 15. Market multiples of similar Companies valuation method

The following steps were taken in selecting comparable Companies.

First, it was noted that in connection with the scale of the Companies in the USA and Western Europe, as well as the significant differences in their Capital markets comparing Bulgaria, the choice of a global benchmark including Western Europe and the USA is not appropriate.

Second, the applicability of European standards was assessed limited geographically to a similar market (Eastern Europe, in which market the Companies of the group operate), as data were displayed for Companies operating in the pharmaceutical sector, and the presence of a sufficient number of Companies was analysed for which up-to-date information is available on a sufficient number of financial indicators to assess the degree of compliance with the analized Company. As a result of this analysis, 35 Companies were identified, against which an eligibility analysis can be performed.

When determining whether with a value 4 times lower than the reference Company for the lower limit of each filter, and a value 4 times higher for the upper limit, than the reference Company.a given Company can be accepted as an analogue, 4 cumulative filters were used. Companies that fall within the reference limits for at least 3 of the four filters are considered close equivalents. 3 Companies were identified that met these criteria.

Third, the possibility of implementing a national benchmark was assessed. An analysis of the Companies operating in the sector was carried out as follows:

Pharmaceutical companies in Bulgaria	Main activity	Public status	Subject to the analysis
Sopharma AD	Production and import	Yes	Acquiring company
Phoenix Pharma AD	Production and import	No	No
Biovet AD	Production	No	No
Balkanpharma - Dupnitza AD	Production and import	No	No
Alvogen Pharma Trading Europe EOOD	Production and import	No	No
Air Liquid Bulgaria EOOD	Production	No	No
Balkanpharma – Razgrad AD	Production and import	No	No
Balkanpharma – Troyan AD	Production and import	No	No
Kendy OOD	Production	No	No
Chaikapharma - the high quality medicines AD	Production and import	Yes	Potentional analogue
Bul Bio EOOD	Production	No	No
Nobel Pharma EOOD	Production and import	No	No
Ecopharm EOOD	Production and import	No	No
Vetprom AD	Production	No	No
Messer Bulgaria EOOD	Production and import	No	No
G & Pharmaceuticals OOD	Production and import	No	No
Fortex Nutraceuticals OOD	Production	No	No
Adipharm EAD	Production and import	No	No
Himax Pharma EOOD	Production	No	No
Linde Gas Bulgaria EOOD	Production	No	No
MS Pharma AD	Production and import	No	No

Sol Bulgaria EAD	Production	No	No
SIAD Bulgaria EOOD	Production	No	No
Scorpion Shipping OOD	Production	No	No
Kupro-94 OOD	Production	No	No
Monrol Bulgaria EOOD	Production and import	No	No
Pricetag AD	Production	No	No
Pharmacons AD	Production and import	No	No
Pharma AD			
Veta Pharma AD	Production	No	Merging company
Milve Pharmaceutical factoies	Production	No	No
TC Globaltest OOD	Production and import	No	No
Galen-Pharma OOD	Production	No	No
Inbiotech OOD	Production	No	No
OTC Pharma	Production and import	No	No
Addisan Pharma EOOD	Production	No	No
Meditrial Internationals EOOD	Production and import	No	No
Interpharma Services EOOD	Production and import	No	No
BESTA Pharmaceuticals EOOD	Production	No	No
Dicrassin Bulgaria OOD	Production	No	No
KeVaRo Group EOOD	Production and import	No	No
PharmaGratis OOD	Production and import	No	No
Bona Health International EOOD	Production and import	No	No

Source: SIS data

Considering that only national Company is a potential analogue has significantly lower sales and assets than the analyzed Company, we do not consider that it should be included in the group of analogues.

Regarding the Company Medicofarma Biotech SA, we receive the information from two different sources. Regarding the financial data:

Fiscal year is January-December. All values PLN Thousands.	2023	2021	2019	2018		5-year trend
Sales/Revenue	750.8	3,336.6	3,184.6	4,969.3	-	
Sales Growth	-77.50%	4.78%	-35.92%	0.00%	-	
Cost of Goods Sold (COGS) incl. D&A	3,206.9	2,541.6	3,559.5	4,920.7	-	
COGS excluding D&A	1,218.3	1,590.5	3,475.1	4,850.8	-	
Depreciation & Amortization Expense	1,988.7	951.1	84.5	69.9	-	
Depreciation	-	-	-	29.5	-	
Amortization of Intangibles	-	-	-	40.4	-	
COGS Growth	26.18%	-28.60%	-27.66%	0.00%	-	
Gross Income	(2,456.1)	795.0	(375.0)	48.6	-	
Gross Income Growth	-408.93%	312.03%	-872.23%	0.00%	-	
Gross Profit Margin	-327.13%	-	-	-	-	
SG&A Expense	8.9	1.7	4.0	4.9	-	
Other SG&A	8.9	1.7	4.0	4.9	-	
SGA Growth	412.47%	-57.15%	-16.95%	0.00%	-	
Other Operating Expense	76.0	10.8	1.8	7.2	-	
EBIT	(2,541.0)	782.5	(380.9)	36.5	-	
Unusual Expense	-	-	-	34.0	-	

Unusual Expense	-	-	-	34.0	-
Non Operating Income/Expense	48.0	112.5	-	11.9	-
Non-Operating Interest Income	-	-	10.4	22.9	-
Interest Expense	179.0	41.9	6.2	0.9	-
Interest Expense Growth	326.88%	572.91%	630.48%	0.00%	-
Gross Interest Expense	179.0	41.9	6.2	0.9	-
Pretax Income	(2,672.0)	(214.2)	(334.9)	36.5	-
Pretax Income Growth	-1147.31%	36.03%	-1018.16%	0.00%	-
Pretax Margin	-355.88%	-	-	-	-
Income Tax	-	8.5	-	(12.6)	-
Income Tax - Current Domestic	-	-	-	(12.6)	-
Consolidated Net Income	(2,672.0)	(222.8)	(334.9)	49.1	-
Net Income	(2,672.0)	(222.8)	(334.9)	49.1	-
Net Income Growth	-1099.49%	33.48%	-781.85%	0.00%	-
Net Margin	-355.88%	-	-	-	-

Sorce: https://www.wsj.com/market-data/quotes/PL/XWAR/MDB/financials/annual/income-statement

Respectively:

QUARTERLY ANNUAL

Assets

Fiscal year is January-December. All values PLN Thousands.	2023	2021	2019	2018		5-year trend
Cash & Short Term Investments	2.8	78.5	148.4	353.5	-	
Cash Only	-	-	-	353.5	-	
Cash & Short Term Investments Growth	-96.43%	-47.06%	-58.03%	0.00%	-	
Cash & ST Investments / Total Assets	0.02%	0.47%	11.16%	21.68%	-	
Total Accounts Receivable	409.3	1,277.1	84.5	657.4	-	
Accounts Receivables, Net	-	-	-	74.4	-	
Accounts Receivables, Gross	-	-	-	74.4	-	
Other Receivables	-	-	-	583.0	-	
Accounts Receivable Growth	-67.95%	1411.58%	-87.15%	0.00%	-	
Accounts Receivable Turnover	1.83	2.61	37.69	7.56	-	
Inventories	2.3	555.9	344.2	332.4	-	
Finished Goods	-	449.6	-	332.4	-	
Progress Payments & Other	2.3	106.3	-	0.0	-	
Other Current Assets	2,134.4	10.3	2.7	2.5	-	
Prepaid Expenses	2,134.4	10.3	2.7	2.5	-	

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Buildings	-	-	-	256.3	-
Machinery & Equipment	-	-	-	494.7	-
Transportation Equipment	-	-	-	72.4	-
Other Property, Plant & Equipment	-	-	-	17.8	-
Accumulated Depreciation	-	-	-	783.5	-
Buildings	-	-	-	208.4	-
Machinery & Equipment	-	-	-	485.0	-
Transportation Equipment	-	-	-	72.4	-
Other Property, Plant & Equipment	-	-	-	17.8	-
Total Investments and Advances	-	-	56.0	56.0	-
Other Long-Term Investments	-	-	56.0	56.0	-
Long-Term Note Receivable	-	-	550.0	-	-
Intangible Assets	1,073.8	1,984.1	94.4	148.3	-
Net Other Intangibles	-	-	-	148.3	-
Other Assets	-	-	22.5	-	-
Deferred Charges	-	-	22.5	-	-
Total Assets	15,722.4	16,607.5	1,329.8	1,630.3	-
Assets - Total - Growth	-5.33%	1148.90%	-18.43%	0.00%	-

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Provision for Risks & Charges	-	-	18.5	-	-
Deferred Taxes	-	-	-	(20.5)	-
Deferred Taxes - Credit	-	-	-	2.0	-
Deferred Taxes - Debit	-	-	-	22.5	-
Other Liabilities	383.9	479.9	213.2	0.6	-
Other Liabilities (excl. Deferred Income)	383.9	479.9	213.2	-	-
Deferred Income	-	-	-	0.6	-
Total Liabilities	5,780.1	2,411.3	641.4	607.1	-
Total Liabilities / Total Assets	36.76%	14.52%	48.23%	37.24%	-
Common Equity (Total)	9,942.3	14,196.2	688.4	1,023.2	-
Common Stock Par/Carry Value	6,797.8	6,797.8	679.8	679.8	-
Additional Paid-In Capital/Capital Surplus	8,946.9	8,946.9	-	-	-
Retained Earnings	(5,802.4)	(1,548.6)	(399.9)	(65.0)	-
Other Appropriated Reserves	-	-	417.4	417.4	-
Treasury Stock	-	-	(8.9)	(8.9)	-
Common Equity / Total Assets	63.24%	85.48%	51.77%	62.76%	-
Total Shareholders' Equity	9,942.3	14,196.2	688.4	1,023.2	-
Total Shareholders' Equity / Total Assets	63.24%	85.48%	51.77%	62.76%	-

Source: https://www.wsj.com/market-data/quotes/PL/XWAR/MDB/financials/annual/balance-sheet

And regarding the price, as you can see the last transactions before the valuation date are as of January 12, 2024 and the closing price is PLN 1.03 per share.

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0.83 - 2.00
(02/28/24 - 07/21/23)

Feb 27 Feb 28 Feb 29 Mar 1 Mar 4

ADVANCED CHARTING COMPARE

Open 0.95 Prior Close 0.95 (03/04/24)
1 Day MDB 5.26% DJIA -0.25% Russell 2K -0.10% Health Care/Life Sciences 2.66%

OVERVIEW PROFILE FINANCIALS RESEARCH & RATINGS ADVANCED CHARTING

01/01/2023 to 02/29/2024 GO

DOWNLOAD A SPREADSHEET

DATE	OPEN	HIGH	LOW	CLOSE	VOLUME
02/05/24	1.02	1.03	0.99	1.03	2,940
02/02/24	1.02	1.02	0.98	1.02	5,795
02/01/24	1.02	1.02	1.02	1.02	760
01/31/24	1.03	1.03	0.97	1.02	506
01/29/24	1.03	1.03	1.03	1.03	830
01/26/24	1.02	1.03	0.98	1.03	4,858
01/25/24	1.03	1.03	0.98	1.02	8,220
01/24/24	1.03	1.03	0.99	1.03	3,154
01/23/24	0.99	1.05	0.99	1.05	15,697
01/22/24	0.99	0.99	0.99	0.99	1,629
01/19/24	1.00	1.00	0.95	0.99	4,678
01/18/24	1.02	1.02	0.95	1.00	7,930
01/17/24	1.05	1.05	0.96	1.02	8,887
01/16/24	1.03	1.06	1.00	1.04	3,231
01/15/24	1.06	1.06	0.99	1.03	7,650
01/12/24	1.00	1.08	0.99	1.03	30,323
01/11/24	1.07	1.07	0.99	1.07	9,735
01/09/24	1.08	1.08	1.08	1.08	202
01/08/24	1.07	1.08	1.02	1.08	2,292
01/05/24	1.11	1.11	1.02	1.07	64,649
01/04/24	1.13	1.13	1.05	1.10	13,048

Prev 1 2 3 Next

Source: https://www.wsj.com/market-data/quotes/PL/XWAR/MDB/historical-prices

Regarding financial ratios, we use an alternative source:

Investing.com | Search Stocks, Currencies | Sign In | Sign Up

Overview | Profile | Chart | News & Analysis | Technical | Financials | Community | Historical | Related Indices

Financial Summary | Income Statement | Balance Sheet | Cash Flow | Ratios | Earnings

MDBP Ratios

Quarterly | TTM | FISCAL YEAR | 5 YEARS

Title	Company	Industry
Valuation Ratios		
Price to Cash Flow / Share	13,381.55	
P/E Excl Extra	-24.17	
P/E Excl Extra High	-	
P/E Excl Extra Low	-	
P/E Incl Extra	-	
Dividend Yield	-	
P/E Ratio	-24.17	5.66
Price to Sales	86.01	250.31
Price to Free Cash Flow	-58.63	-80.6
Profitability		
Free Operating Cash Flow/Revenue	-	
Gross margin	-21.84%	-291.14
Operating margin	-332.07%	-2,440.47
Pretax margin	-355.88%	-2,317.27
Net Profit margin	-355.88%	-2,441.92
Per Share Data		
EPS Basic Excl Extra	-0.04	
Free Cash Flow / Share	-0.02	
EBITD / Share	-0.01	
EPS Incl Extra	-0.04	
Revenue/Share	0.01	6.43
Cash Flow/Share	0	-2.32
Management Effectiveness		
Return on Equity	-0.53%	-23.7
Return on Assets	-0.34%	-17.7
Return on Investment	-0.45%	-14.47

Source: https://in.investing.com/equities/inbook-sa-ratios?period_type=ttm

Based on this, we determine the following key data for the Company:

Medicofarma Biotech SA	**National currency**	**BGN**
Market	Poland	
Final data to	31.12.2023	
Assets	15 722 400	7 048 792

Capital	9 942 300	4 457 411
EBITDA TTM	-2 541 000	-1 139 201
Incomes TTM	750 800	336 605
Price close last before the valuation date	1.03	0.46
P/B	**-**	
P/E	**-24.17**	
P/S	**86.01**	
Currency exchange 15.01.2024	2.23051 PLN per 1 BGN	

Regarding the Company Read-Gene SA, there is no public information about interim financial Statements, but there are published reports of the Company as of December 31, 2023, which we use in the analysis:

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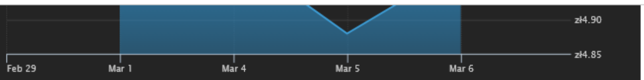
4.86 - 4.98

52 Week Range
2.58 - 7.80
(05/31/23 - 12/11/23)



ADVANCED CHARTING   COMPARE

Open 4.86 Prior Close 4.88 (03/05/24)
1 Day RDG 2.05% DJIA -1.04% Russell 2K -0.99% Health Care/Life Sciences -1.11%

OVERVIEW PROFILE FINANCIALS RESEARCH & RATINGS ADVANCED CHARTING

QUARTERLY ANNUAL

Fiscal year is January-December. All values PLN Thousands.	2023	2022	2021	2020	2019	5-year trend
Sales/Revenue	10,050.5	7,241.4	6,454.0	6,053.8	6,353.0	
Sales Growth	38.79%	12.20%	6.61%	-4.71%	-	
Cost of Goods Sold (COGS) incl. D&A	11,382.5	6,878.9	6,567.1	5,668.1	8,723.1	
COGS excluding D&A	10,904.4	6,422.9	6,006.9	5,017.0	7,217.7	
Depreciation & Amortization Expense	478.1	456.0	560.1	651.1	1,505.4	
Depreciation	-	-	-	-	434.5	
Amortization of Intangibles	-	-	-	-	1,070.9	
COGS Growth	65.47%	4.75%	15.86%	-35.02%	-	
Gross Income	(1,332.1)	362.5	(113.1)	385.7	(2,370.1)	
Gross Income Growth	-467.49%	420.59%	-129.31%	116.27%	-	
Gross Profit Margin	-13.25%	-	-	-	-	

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Net Income Growth	-965.98%	462.82%	-89.15%	195.92%	-
Net Margin	-18.37%	-	-	-	-
Net Income After Extraordinaries	(1,846.5)	213.2	37.9	349.2	118.0
Net Income Available to Common	(1,846.5)	213.2	37.9	349.2	118.0
EPS (Basic)	(0.16)	0.02	0.00	0.03	0.01
EPS (Basic) Growth	-965.19%	465.63%	-89.19%	196.00%	-
Basic Shares Outstanding	-	11,790.0	11,790.0	11,790.0	11,790.0
EPS (Diluted)	-	0.02	0.00	0.03	0.01
EPS (Diluted) Growth	0.00%	462.82%	-89.15%	195.92%	-
Diluted Shares Outstanding	-	11,790.0	11,790.0	11,790.0	11,790.0
EBITDA	(1,008.4)	697.0	340.7	948.6	(966.0)
EBITDA Growth	-244.69%	104.60%	-64.09%	198.19%	-
EBITDA Margin	-10.03%	-	-	-	-
EBIT	(1,486.6)	241.0	-	297.5	(2,471.4)

Source: https://www.wsj.com/market-data/quotes/PL/XWAR/RDG/financials/annual/income-statement

Respectively

Buildings	-	7,683.8	5,170.8	5,552.9	7,206.8
Land & Improvements	-	-	-	592.6	592.6
Machinery & Equipment	-	3,861.1	344.2	298.9	3,384.4
Construction in Progress	-	13.6	12.2	477.1	477.1
Leases	-	592.6	592.6	-	-
Other Property, Plant & Equipment	-	446.2	155.0	367.7	521.0
Accumulated Depreciation	-	6,612.9	-	-	4,758.7
Buildings	-	2,705.1	-	-	1,299.7
Machinery & Equipment	-	3,562.8	-	-	3,283.2
Other Property, Plant & Equipment	-	345.0	-	-	175.8
ıg-Term Note Receivable	-	-	-	-	0.2
ıngible Assets	133.1	315.3	497.6	694.5	875.0
Net Other Intangibles	-	315.3	497.6	694.5	875.0
al Assets	14,534.6	15,647.4	15,395.8	16,197.7	16,253.9
Assets - Total - Growth	-7.11%	1.63%	-4.95%	-0.35%	-
Asset Turnover	0.67	-	-	-	-
Return On Average Assets	-12.24%	-	-	-	-

Liabilities & Shareholders' Equity

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Long-Term Debt excl. Capitalized Leases	-	4,848.3	4,862.3	4,264.0	-
Non-Convertible Debt	-	4,848.3	4,862.3	4,264.0	-
Deferred Taxes	(198.8)	(198.8)	-	-	(429.4)
Deferred Taxes - Debit	198.8	198.8	-	-	429.4
Other Liabilities	6,264.4	4,400.2	4,194.6	5,678.5	5,307.6
Other Liabilities (excl. Deferred Income)	6,264.4	4,400.2	4,194.6	1,075.3	5,307.5
Deferred Income	-	-	-	4,603.2	-
Total Liabilities	10,999.6	10,137.1	9,976.1	12,137.2	12,113.2
Total Liabilities / Total Assets	75.68%	64.78%	64.80%	74.93%	74.53%
Common Equity (Total)	3,535.1	5,510.4	5,419.8	4,060.4	4,140.6
Common Stock Par/Carry Value	589.5	589.5	589.5	589.5	589.5
Retained Earnings	(2,472.9)	(497.7)	(588.3)	(1,721.2)	(1,641.1)
Other Appropriated Reserves	5,418.5	5,418.5	5,418.5	5,192.2	5,192.2
Common Equity / Total Assets	24.32%	35.22%	35.20%	25.07%	25.47%
Total Shareholders' Equity	3,535.1	5,510.4	5,419.8	4,060.4	4,140.6
Total Shareholders' Equity / Total Assets	24.32%	35.22%	35.20%	25.07%	25.47%
Total Equity	3,535.1	5,510.4	5,419.8	4,060.4	4,140.6
Liabilities & Shareholders' Equity	14,534.6	15,647.4	15,395.8	16,197.7	16,253.9

Source: https://www.wsj.com/market-data/quotes/PL/XWAR/RDG/financials/annual/balance-sheet

Regarding key financial ratios, we use an alternative source:

Stocks > Read-Gene SA

Read-Gene SA RDG

Morningstar Rating Unlock

Stock • XWAR • Rating as of Mar 1, 2024

Summary | Chart | News | Price vs Fair Value | Sustainability | Trailing Returns | Financials | Valuation | Operating Performance | Dividends | Owners

Valuation

Calendar	2018	2019	2020	2021	2022	2023	Current	5-Yr	Index
Price/Sales	1.31	0.93	4.70	5.01	5.48	11.08	9.55	—	0.79
Price/Earnings	—	—	29.12	—	76.28	—	—	—	10.01
Price/Cash Flow	5.94	—	—	37.97	16.63	—	—	—	3.92
Price/Book	3.21	4.37	7.60	7.90	5.91	27.03	23.30	—	1.18
Price/Forward Earnings	—	—	—	—	—	—	—	—	—
PEG Ratio	—	—	0.10	—	0.90	—	—	—	—
Earnings Yield %	-10.79	-0.62	3.43	-0.37	1.31	-2.20	-2.56	—	—
Enterprise Value (Mil)	2.89	3.63	24.54	26.46	23.31	62.88	53.45	—	—
Enterprise Value/EBIT	—	14.97	21.82	186.24	49.48	—	—	—	—
Enterprise Value/EBITDA	—	14.97	21.82	31.15	24.22	—	—	—	—

Less Valuation Data

Key Statistics

Overview | Growth | Operating and Efficiency | Financial Health | Cash Flow

Valuation

Price/Book	Price/Cash Flow	Price/Sales	Price/Earnings
22.73	—	9.32	—

As of Mar 04, 2024

Growth (3-Year Annualized)

Revenue %	Operating Income %	Net Income %	Diluted EPS %
4.39	31.82	21.80	44.45

As of Dec 31, 2022 | Restated Data

Financial Health

Quick Ratio*	Current Ratio*	Interest Coverage	Debt/Equity*
1.63	1.64	-6.36	— (0.0745)

As of Sep 30, 2023 | * Restated Data

Profitability

Return on Assets %	Return on Equity %	Invested Capital %	Net Margin %
-11.27 (-5.67)	-39.24 (-8.31)	-34.33	-24.41 (-24.72)

As of Sep 30, 2023

Source: https://www.morningstar.com/stocks/xwar/rdg/valuation

Regarding the last price before valuation date, the last transactions in the Company's shares before the valuation date are from January 12, 2024, with the closing price being PLN 6.15 per share:

OVERVIEW PROFILE FINANCIALS RESEARCH & RATINGS ADVANCED CHARTING

12/06/2023 to 03/05/2024 GO

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DATE	OPEN	HIGH	LOW	CLOSE	VOLUME
02/05/24	6.00	6.05	5.80	5.95	317
02/02/24	5.90	5.95	5.80	5.95	702
02/01/24	5.75	6.00	5.35	5.90	6,782
01/31/24	5.95	6.00	5.80	6.00	305
01/30/24	5.95	5.95	5.95	5.95	2
01/29/24	5.95	5.95	5.95	5.95	102
01/26/24	6.00	6.00	5.50	5.95	4,944
01/25/24	5.90	6.10	5.75	6.00	3,591
01/24/24	6.10	6.15	5.80	5.90	1,675
01/23/24	6.05	6.15	5.90	5.90	2,097
01/22/24	6.00	6.20	6.00	6.20	1,000
01/19/24	6.20	6.20	6.00	6.15	1,052
01/18/24	6.15	6.20	6.00	6.20	582
01/17/24	6.20	6.20	5.95	6.15	651
01/16/24	6.15	6.15	6.15	6.15	110
01/15/24	6.15	6.15	6.00	6.15	1,635
01/12/24	6.10	6.20	5.95	6.15	1,803
01/11/24	6.20	6.20	5.95	6.10	5,728
01/10/24	5.95	6.05	5.85	6.05	2,366
01/09/24	5.80	5.95	5.80	5.85	678
01/08/24	6.00	6.05	5.70	5.90	2,013

Prev 1 2 3 4 Next

Source: https://www.wsj.com/market-data/quotes/PL/XWAR/RDG/historical-prices

Based on this:

Read-Gene SA	National currency	BGN
Market	Poland	
Final data to	31.12.2023	
Assets	14 534 600	6 516 268
Capital	3 535 100	1 584 884
EBITDA TTM	-1 008 400	-452 094
Incomes TTM	10 050 500	4 505 920
Price close last before the valuation date	6.15	2.76
P/B	**23.30**	
P/E	**-**	
P/S	**11.08**	
Currency exchange 15.01.2024	2.23051 PLN per 1 BGN	

Regarding the Company Sintofarm SA, according to the Romanian Stock Exchange, the last published interim reports are as of June 30, 2023:

Symbol: **SINT**
Company Name: **SINTOFARM SA BUCURESTI**
Fiscal / Unique Code: **647**

Indicator	- RON -
Fixed assets - Total	3,534,526.00
Current assets - Total	8,867,003.00
Debtors - due within one year	3,736,072.00
Current assets/Net current liabilities	5,875,186.00
Total assets less current liabilities	10,222,455.00
Debtors - due after more than one year	-
Revenues in advance	-
Subscribed paid up capital	9,651,910.00
Shareholders equity - Total	10,222,455.00
Total receivables	5,846,087.00
Total liabilities	3,736,072.00
Net turnover	5,513,170.00
Operating income - Total	5,449,117.00
Operating expenses - Total	5,284,237.00
Operating result	164,880.00
Financial income - Total	12,471.00
Financial expenses - Total	133,677.00
Financial result	-121,206.00
Current result	164,880.00
Extraordinary income	-
Extraordinary expenses	-
Extraordinary result	-
Total revenues	5,461,588.00
Total expenses	5,417,914.00
Gross result	43,674.00
Net result	43,674.00
Result per share	-
Back payments - Total	-
Back payments for suppliers - Total	-
Back payments of liabilities to the social insurance budget	-
Taxes which are not paid to the State budget upon payment date	-
Average number of employees (only full time employees)	48

Note: Financial reports are based on Ministry of Finance regulations.

Source: https://www.bvb.ro/RapoarteFinanciare/C_rf_fs.aspx?s=SINT&d=06/30/2023

Total assets are shown as the sum of current and non-current assets, i.e. 12,401,529 RON

Accordingly, for the six months of 2022, the data are:

Financial information - 30.06.2022

Symbol: **SINT**
Company name: **SINTOFARM SA BUCURESTI**
Fiscal Code / VAT number: **647**

Indicator	-RON-
Non-current assets - Total	4.033.132,00
Current assets - Total	8.237.336,00
Debts to be paid within a period of one year - Total	3.683.616,00
Current assets, i.e. net current liabilities	5.025.039,00
Total assets minus current liabilities	10.004.075,00
Debts to be paid over a period of more than one year - Total	-
Advance income	-
Paid-up subscribed capital	9.651.910,00
Total equity	10.004.075,00
Receivables - Total	5.253.479,00
Payables - Total	3.683.616,00
Net turnover	4.688.483,00
Operating income - Total	5.013.461,00
Operating expenses - Total	4.926.986,00
Operating result	86.475,00
Financial income	4.803,00
Financial expenses	123.442,00
Financial result	-118.639,00
Current result	86.475,00
Extraordinary income	-
Extraordinary expenses	-
Extraordinary result	-
Total revenue	5.018.264,00
Total expenses	5.050.428,00
Gross result	-32.164,00
Net result	-32.164,00
Result / action	-
Overdue payments - Total	205.715,00
Outstanding suppliers - Total	-
Outstanding obligations to the social security budget	131.437,00
Taxes and fees not paid on time to the state budget	74.278,00
Average number of employees (permanent employees only)	46

Note: Financial reports comply with regulations issued by the Ministry of Public Finance.

Source: bvb.ro/RapoarteFinanciare/C_rf_fs.aspx?s=SINT&d=06/30/2022

Annual data for 2022:

Financial information - 31.12.2022

Symbol: **SINT**
Company name: **SINTOFARM SA BUCURESTI**
Fiscal Code / VAT number: **647**

Indicator	-RON-
Non-current assets - Total	3.766.782,00
Current assets - Total	8.905.102,00
Debts to be paid within a period of one year - Total	3.877.430,00
Current assets, i.e. net current liabilities	5.669.988,00
Total assets minus current liabilities	10.178.781,00
Debts to be paid over a period of more than one year - Total	-
Advance income	-
Paid-up subscribed capital	9.651.910,00
Total equity	10.178.781,00
Receivables - Total	5.973.195,00
Payables - Total	3.877.430,00
Net turnover	10.448.288,00
Operating income - Total	10.996.328,00
Operating expenses - Total	10.076.490,00
Operating result	919.838,00
Financial income	20.271,00
Financial expenses	247.031,00
Financial result	-226.760,00
Current result	693.078,00
Extraordinary income	-
Extraordinary expenses	-
Extraordinary result	-
Total revenue	11.016.599,00
Total expenses	10.323.521,00
Gross result	693.078,00
Net result	693.078,00
Result / action	-
Overdue payments - Total	202.194,00
Outstanding suppliers - Total	-
Outstanding obligations to the social security budget	116.968,00
Taxes and fees not paid on time to the state budget	85.226,00
Average number of employees (permanent employees only)	47

Note: Financial reports comply with regulations issued by the Ministry of Public Finance.

Source: bvb.ro/RapoarteFinanciare/C_rf_fs.aspx?s=SINT&d=12/31/2022

$Less\ Incomes\ from\ here(30.6.2023, \mathrm{TTM}) = Incomes(30.6.2023) + Incomes(31.12.2022) - Incomes(30.6.2022) = 5{,}449{,}117 + 10{,}996{,}328 - 5{,}013{,}461 = 11{,}431{,}984$ RON

Respectively

$Operational\ result\ (30.6.2023, \mathrm{TTM}) = Operational\ result\ \ (30.6.2023) + Operational\ result\ \ (31.12.2022) - Operational\ result\ \ (30.6.2022) = 164{,}880 + 919{,}838 - 86{,}475 = 998{,}243$ RON.

Respectively, in terms of financial ratios, again according to data from the Romanian Stock Exchange:

Indicators

Market cap. (2/8/2024)	21,427,240.20
PER	27.87
P/BV	2.10
EPS	0.20
DIVY	0.00
Dividend (2006)	0.000000

More information

Indicators based on individual financial statements and EOD market data

Issue info

Total no. of shares	3,860,764
Nominal value	2.5000
Share Capital	9,651,910.00
Start trading date	2/20/1997
Prospectus / Memorandum	

Source:

https://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=SINT

Regarding the last price before the valuation date, again according to data from the Romanian Stock Exchange, the last transactions with shares of the Company before the valuation date are from November 14, 2023 at a closing price of 4.50 RON per share:

Trading history

Copy CSV Excel PDF

Date	Market	Trades	Volume	Value	Open price	Low price	High price	Avg. price	Last price	Var. (%)
2/8/2024	XRS1	1	50	277.50	5.5500	5.5500	5.5500	5.5500	5.5500	-0.8900
1/17/2024	XRS1	1	10	56.00	5.6000	5.6000	5.6000	5.6000	5.6000	29.6300
11/14/2023	XRS1	1	40	172.80	4.3200	4.3200	4.3200	4.3200	4.3200	-21.4500
11/13/2023	XRS1	1	40	220.00	5.5000	5.5000	5.5000	5.5000	5.5000	22.2200
10/17/2023	XRS1	2	50	223.00	4.4000	4.4000	4.5000	4.4600	4.5000	28.5700
10/12/2023	XRS1	1	39	136.50	3.5000	3.5000	3.5000	3.5000	3.5000	-28.5700

Trading history in the last 6 month

Source:

https://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=SINT

We can conclude for the Company:

Read-Gene SA	**National currency**	**BGN**
Market	Romania	
Final data to	30.06.2023	

Assets	12 401 529	4 876 118
Capital	10 222 455	4 019 335
EBITDA TTM	998 243	392 496
Incomes TTM	11 431 984	4 494 906
Price close last before the valuation date	4.50	1.77
P/B	**2.10**	
P/E	**27.87**	
P/S	**-**	
Currency exchange 15.01.2024	2.23051 RON per 1 BGN	

To determine the conversion exchange rates, we use the BNB fixing for the valuation date, January 15, 2024, as follows:

Курсове на българския лев към отделни чуждестранни валути и цена на златото, валидни за 15.01.2024

Наименование	Код	За единица валута/ злато	Лева (BGN)	Обратен курс: за един лев
Австралийски долар	AUD	1	1.18903	0.841022
Бразилски реал	BRL	10	3.6672	2.72688
Канадски долар	CAD	1	1.33095	0.751343
Швейцарски франк	CHF	1	2.09157	0.47811
Китайски ренминби юан	CNY	10	2.49058	4.01513
Чешка крона	CZK	100	7.91385	12.6361
Датска крона	DKK	10	2.62211	3.81372
Британска лира	GBP	1	2.27224	0.440094
Хонконгски долар	HKD	10	2.28487	4.37662
Унгарски форинт	HUF	1000	5.15126	194.127
Индонезийска рупия	IDR	10000	1.14835	8708.15
Израелски шекел	ILS	10	4.76172	2.10008
Индийска рупия	INR	100	2.15642	46.3732
Исландска крона	ISK	100	1.3065	76.5404
Японска йена	JPY	100	1.22492	81.638
Южнокорейски вон	KRW	1000	1.35169	739.815
Мексиканско песо	MXN	10	1.05778	9.45376
Малайзийски рингит	MYR	10	3.82686	2.61311
Норвежка крона	NOK	10	1.72868	5.78476
Новозеландски долар	NZD	1	1.1063	0.903914
Филипинско песо	PHP	100	3.20245	31.2261
Полска злота	PLN	10	4.48328	2.23051
Румънска лея	RON	10	3.93187	2.54332
Руска рубла	RUB			
Шведска крона	SEK	10	1.7342	5.76635
Сингапурски долар	SGD	1	1.33952	0.746536
Тайландски бат	THB	100	5.11034	19.5682
Турска лира	TRY	100	5.93674	16.8443
Щатски долар	USD	1	1.78696	0.55961
Южноафрикански ранд	ZAR	100	9.57285	10.4462
Злато (в трой унции)	XAU	1	3663.66	

Забележка: Валутните курсове се определят на основание чл. 12 от Валутния закон и се използват за целите, предвидени по закон.

Source:
https://www.bnb.bg/Statistics/StExternalSector/StExchangeRates/StERForeignCurrencies/index.htm?downloadOper=&group1=first&firstDays=15&firstMonths=01&firstYear=2024&search=true&showChart=false&showChartButton=false

The group of analogues includes 3 Companies – 2 from Poland and 1 from Romania, respectively. The average size (on a median basis) of the assets of these Companies amounts to BGN 6,516 thousand compared to BGN 7,677 thousand for the analyzed Company, and their average revenues (on a median basis) on a TTM basis to BGN 4,494 thousand compared to BGN 3,466 thousand for the analyzed Company:

Comparison with market analogues	Medicofarma Biotech SA	Read-Gene SA	Sintofarm SA	**Median for analogs**	Veta Pharma AD
Market	Полша	Полша	Румъния		**не се търгува**
Latest data on	12/31/2023	12/31/2023	6/30/2023	-	**9/30/2023**
Assets in BGN as of the last period	7,048,792	6,516,268	4,876,118	6,516,268	7,677,000
Capital in BGN as of the last period	4,457,411	1,584,884	4,019,335	4,019,335	6,864,000
EBITDA in BGN as of the last period, TTM	-1,139,201	-452,094	392,496	-452,094	210,000
Revenues in BGN as of the last period, TTM	336,605	4,505,920	4,494,906	4,494,906	3,466,000
Closing price on the valuation date in original currency	**1.03**	**6.15**	**4.50**	**N/A**	**не се търгува**
Closing price on the valuation date in BGN	**0.46**	**2.76**	**1.77**	**1.77**	**не се търгува**
Price to book value (P/B) ratio, as of the valuation date	-	**23.30**	**2.10**	**12.7000**	**1.0000**
Price to sales per share (P/S) ratio, as of the valuation date	**-24.17**	-	**27.87**	**1.8500**	**1.9804**
Price-to-earnings-per-share (P/E) ratio, as of the valuation date	**86.01**	**11.08**	-	**48.5450**	**-23.2678**

Source: SIS calculations

As far as the published data for one of the analogues and for the evaluated Company are for an intermediate period, for the purposes of calculating certain ratios, it is necessary to estimate annual financial flows (operating income, profit), which necessitates an additional analysis. The approved approach by national regulators and public sources of financial information (e.g. Bloomberg) is the use in these cases of the so-called Last Twelve Months Method (Last Twelve Months, LTM or alternatively called Trailing Twelve Months, TTM). When using this method, the following should be taken into consideration:

(a) first, in relation to Companies using the European Accounting Standards, this method is indirect, as far as these Companies do not report data on an "individual quarter" basis, but on a "year-to-date" basis, that is why data for the third quarter, for example, are received as the difference between the data of September 30 and the data as of June 30 for the respective year;

(b) second, when using annual and partial period data, it should be noted that annual data are subject to independent financial audit, whereas interim period data are normally not subject to independent financial audit. Due to this fact, it is possible for the annual audit to make certain corrections that are recognized on an annual basis, but are attributable to one or more previous quarters within the financial year, without these corrections being properly reflected in the unaudited interim accounts.

The table below shows the calculation of the relevant ratios on a TTM basis for the analyzed Company:

Interim calculations for Veta Pharma AD	Amount in BGN
Capital to 30.09.2023	6 864 000
Number of shares outstanding	4 540 000
Book value of the share	1.51
Last price (equal to book value)	1.51
Price to book value (P/B) ratio, as of the valuation date	1.0000
Income to 30.09.2023	2 596 000
Income to 31.12.2022	3 612 000
Income to 30.09.2022	2 742 000
TTM Income to 30.09.2023	3 466 000
Income per share (TTM)	0.7634
Last price (equal to book value)	1.51
Price to sales per share (P/S) ratio, as of the valuation date	1.9804
Profit to 30.09.2023	-165 000
Profit to 31.12.2022	-38 000
Profit to 30.09.2022	92 000
TTM Profit to 30.09.2023	-295 000
Incomes per share (TTM)	-0.0650
Last price (equal to book value)	1.51
Price-to-earnings-per-share (P/E) ratio, as of the valuation date	-23.2678
EBITDA to 30.09.2023	196 000
EBITDA to 31.12.2022	469 000
EBITDA to 30.09.2022	455 000
EBITDA to 30.09.2023 based on TTM	210 000

Sources: Financial Statement of the Company and SIS calculations

Usage of median as a method of determining the most representative average value among a group of values was introduced by Francis Galton, and subsequently Johann Gauss and Pierre-Simon Laplace showed that this method minimized statistical error and the occurrence of "colored" noise ("bias").) in data evaluation, and the method gained wide application in the field of statistical analysis based on the work of George Brown in 1947.

The median is a value determined so that the number of observed values below it is exactly equal to the number of observed values above it.

We consider the above ratios to be relatively indicative, due to the following:

Selection of weights in the analysis of market analogues	Median for analogs	Value of the indicator for the Company	Relative weight in the final valuation by the market data method	Substantiation of the relative weight in the final assessment, based on (a) standard deviation of observed values, (b) degree of comparability of synthetic indicator with real market data for the evaluated Company
Price to book value (P/B) ratio, as of the valuation date.	12.7000	1.0000	20%	As far as the P/B ratio difference is more than 10 times, while the P/S difference is within 10%, the P/S ratio enters with a weight of 80%, respectively P/B participates with a weight of 20%.
Price to sales per share (P/S) ratio, as of the valuation date.	1.8500	1.9804	80%	
Price-to-earnings-per-share (P/E) ratio, as of the valuation date.	48.5450	-23.2678	0% (not applicable)	It is not applicable because of the negative value of the coefficient for the evaluated Company

Source: SIS calculations and BFB and Blumberg Terminal data

For the purposes of the assessment, the two positive main ratios (P/B, P/S) were used and the negative one (P/E) was excluded, with a weight assigned to them according to their representativeness for the specific Company.

Taking into consideration the above, we determine a fair price per share of Veta Pharma AD based on the method of market analogues as follows:

(a) first, the median of the applicable multiple (P/B, P/S, P/E) based on the Company analogues data;

(b) second, a base value of the "value per share" indicator of the relevant class for the evaluated Company is determined (based on data per date when it relates to Financial Statement or based on TTM valuation, when it relates to data from the Statement of comprehensive Income when it relates to data from the Statement of comprehensive Income.

(в) third, multiply the values obtained based on the procedures described in letters (a) and (b) above, to determine a market equivalent value per share for the assessed Company; and

(d) the three estimates obtained in the procedure described in letter (c) are multiplied by weighting factors determined by the analyst in a way that reflects to the maximum extent their relevance to the evaluated Company.

Computer models are used in the calculations. This requires the analysis to take into account the unavoidable calculation error, or "acceptable degree of inaccuracy" in the use of calculation algorithms. Using the Gelfond-Schneider and Lindemann–Weierstross theorems, it can be shown that a significant number of elementary functions lead to a result that is a transcendental function (a number with an infinite number of symbols), and therefore from a theoretical point of view these models lead to the so-called "tabulation dilemma", discussed in detail by William Morton Keihan, in terms of the "expenditure" of computing time to represent with sufficient precision (number of characters) in a computer calculation. In practice, this has necessitated the use of the IEEE 754-2019 standard.

16 of the simplest practical rounding methods are discussed for example at https://www.clivemaxfield.com/diycalculator/popup-m-round.shtml.

For analising purposes, in order to provide an audit way, we have chosen a degree of precision in calculations corresponding to the standard "double floating point" (IEEE 754-2019) in computer calculation algorithms, and accordingly a rounding method "to the nearest number" using precision of the result to the second digit, corresponding to the widely accepted representation of prices with an accuracy of 0.01 currency units (cent, eurocent, penny, etc.).

For the avoidance of doubt, this choice is based entirely on the subjective judgment of the analyst, and should not be perceived or represented as "established" or "good practice" approved by a national regulator.

Applying the process described in this way, we obtain:

DETERMINATION OF MARKET PRICE ACCORDING TO METHOD OF ANALOGIES	
Price to book value (P/B) ratio based on market analogues method	12.7000
Balance sheet value per share of the evaluated Company for the last reporting period, BGN.	1.5119
Price per share based on the P/B ratio, BGN.	**19.2011**
Relative weight in the final grade	80%
Price to sales per share (P/S) ratio based on market analogues method	1.8500
Sales of a share to the Company being evaluated for the last 12 months, BGN.	0.7634
Price per share based on the P/S ratio, BGN	**1.4124**
Relative weight in the final grade	20%

Price-to-earnings-per-share (P/E) ratio based on market peers	48.5450
Income per share of the evaluated Company for the last 12 months, BGN.	-0.0650
Price per share based on P/E ratio, BGN.	**-3.1544**
Relative weight in the final grade	0%
Conclusion on market price based on the method of market analogues, BGN	**15.6433**

Source: SIS calculations

Rounding to the nearest two decimal places, the resulting amount 15.6433 is rounded to 15.64.

We determine a fair price according to the method of market analogues of BGN 15.64 per share.

Part III. Systematized financial information

The information below is provided in accordance with the requirements of Art. 7, para. 1-3 of Ordinance 41 of the FCS.

Past financial results cannot be considered necessarily indicative of the Company's future financial results, and the results of interim periods cannot be considered necessarily indicative of annual financial results.

Item 16. Data from the statement of profit and loss and other comprehensive income

Below are presented data for the analyzing Company for the last three financial years and the most recent interim reporting period:

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD				
	30.09.2023	30.09.2022	31.12.2022	31.12.2021	31.12.2020
Operating income	2596	2742	3612	3701	4361
Incomes from the Client's contracts	2446	2456	3240	3457	4099
Othe operating Income	150	286	372	244	262
Operating costs	-2778	-2666	-3647	-3673	-4068

Changes in Inventories of finished goods and unfinished production	-56	45	37	2	188
Material costs	-1074	-1152	-1506	-1432	-1880
External services costs	-378	-355	-544	-543	-615
Personnel costs	-874	-808	-1103	-980	-1032
Depreciation and Amortization costs	-378	-379	-504	-680	-691
Other costs of the activity	-18	-17	-27	-40	-38
Operating Profit or Loss	-182	76	-35	28	293
Financing Income					
Profit or Loss before financing and Profit tax	-182	76	-35	28	293
Depreciation of financial assets					
Financial Incomes				1	1
Financial costs	-3	-4	-6	-7	-15
Profit or Loss before taxes	-185	72	-41	22	279
Taxes	20	20	3	-3	-27
Net Profit or Loss	-165	92	-38	19	252
Components that will not be reclassified to Profit or Loss			20	137	-5
Total comprehensive Income for the year	-165	92	-18	156	247
Distributed divident	0	0	197	272	412

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

Point 16.1. Net sales revenue

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD							
	30.09.2023	30.09.2022	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2022/ Q3 2021
Operating income	2596	2742	3612	3701	4361	30.1%	-15.1%	-5.3%
Incomes from the Client's contracts	2446	2456	3240	3457	4099	25.0%	-15.7%	-0.4%
Othe operating Income	150	286	372	244	262	N/A	52.5%	-47.6%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

We note a decline in operating income of 15.7% in 2021 compared to 2020, followed by growth in 2022 of 30.1% compared to 2021, and subsequently a decline of 5.3% in the first 9 months of 2023.

Point 16.2. Cost of sales

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD							
	30.09.2023	30.09.2022	31.12.2022	31.12.2021	31.12.2020	^2022/	^2021/	^Q3 2022/

						2021	2020	Q3 2021
Operating costs	**-2778**	**- 2666**	**-3647**	**-3673**	**-4068**	**32.4%**	**-9.7%**	**4.2%**
Changes in Inventories of finished goods and unfinished production	-56	45	37	2	188	2366.7%	-98.9%	-224.4%
Material costs	-1074	-1152	-1506	-1432	-1880			
External services costs	-378	-355	-544	-543	-615	33.6%	-11.7%	6.5%
Personnel costs	-874	-808	-1103	-980	-1032	50.1%	-5.0%	8.2%
Depreciation and Amortization costs	-378	-379	-504	-680	-691	-1.2%	-1.6%	-0.3%
Other costs of the activity	-18	-17	-27	-40	-38	-10.0%	5.3%	5.9%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

Clause 16.3. Gross Profit/Loss

The table below presents the dynamics of the company's operating profit for 2020, 2021 and 2022 and the first 9 months of 2023:

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD							
	30.09.2023	30.09.2022	31.12.2022	31.12.2021	31.12.2020	^2022/2021	^2021/2020	^Q3 2022/ Q3 2021
Operating income	2596	2742	3612	3701	4361	30.1%	-15.1%	-5.3%
Operating costs	-2778	- 2666	-3647	-3673	-4068	32.4%	-9.7%	4.2%
Operating Profit or Loss	-182	76	-35	28	293	-266.7%	-90.4%	-339.5%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

We note a decrease in operating Profit by 90.4% in 2021 compared to 2020 and an operating Loss in 2022. In the first 9 months of 2023, an operating Loss was again registered compared to an operating Profit for the same period of 2022.

Point 16.4. Administrative and selling expenses

The Information is presented in point 16.2.

For the analyzed Company, there is a decrease in operating costs for 2021 compared to 2020 of 9.7%, followed by a significant increase of 32.4% in 2022 compared to the full financial year 2021. For the nine months of 2023 there is a slight increase compared to the same period of 2022 of 4.2%.

Clause 16.5. Profit/Loss from the activity

The Information is presented in point 16.3.

We note an operating loss for 2022 in the amount of BGN 35 thousand, followed by an operating loss of BGN 182 thousand for the nine months of 2023.

Clause 16.6. Financial Income and Expenses

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD						
	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2022/ Q3 2021
Financial Income			1	1	-100%	0.0%	N/A
Financial Expenses	-3	-6	-7	-15	14.3%	-53.3%	N/A

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

Clause 16.7. Profit/Loss (before tax expense)

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD						
	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2022/ Q3 2021
Profit or Loss before taxes	-185	-41	22	279	-348.5%	-92.1%	-356.9%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

** The values are in BGN thousands of the Company "Veta Pharma" AD

We note a negative development, with the Profit before taxes from BGN 279 thousand for 2020 falling to BGN 22 thousand in 2021, after which a loss of BGN 41 thousand was realized in 2022, increasing to BGN 185 thousand in the nine months of 2023.

Point 1 6.8. Net Profit/Loss

The Information is presented in point 16.7.

We note a negative development, with the Profit after taxes of BGN 252 thousand for 2020 falling to BGN 19 thousand in 2021, after which a Loss of BGN 38 thousand was realized in 2022, increasing to BGN 165 thousand in the nine months of 2023.

Clause 16.9. Remarks on the information presented according to Ordinance 41 of the FSC

As presented in paragraph 16.8, there are components of other comprehensive Income that are not expected to be recycled through Profit or Loss. The effect of these components in 2021 is significant:

Profit or Loss Statement and other Comprehensive Income	Veta Pharma AD						
	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2022/ Q3 2021
Profit or Loss before taxes	-185	-41	22	279	-348.5%	-92.1%	-356.9%
Taxes	20	3	-3	-27	-233.3%	-88.9%	
Net Profit or Loss	-165	-38	19	252	-366.7%	-92.5%	-279.3%
Components that will not be reclassified to Profit or Loss		20	137	-5			
Total comprehensive Income for the year	-165	-18	156	247	-115.4%	-36.8%	-279.3%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

Item 17. Data from the statement of financial position

The analyzed Company data are presented bellow, for the last three financial years and the last interim reporting period:

Balance sheet	Veta Pharma AD			
	30.09.2023	31.12.2022	31.12.2021	31.12.2020
Assets	**7677**	**8078**	**9698**	**10773**
Current assets	**2851**	**2889**	**2794**	**3393**
Raw materials	247	252	233	201
Production and goods	255	311	274	273
Receivables from customers and suppliers	809	1	3	23
Receivables from group Companies	213	222	155	235
Other receivables	1	634	1551	2148
Cash flow and equivalent	1326	1469	578	513
Non-current assets	**4826**	**5189**	**6904**	**7380**
Lands and buildings	1561	1641	1748	1855
Machinery and equipment	250	311	389	396
Facilities and other	871	928	1012	1060
Intangible assets	2144	2309	3745	4069
Postponed taxes			10	
Equity	**6864**	**7227**	**8611**	**8867**
Fixed Capital	4540	4540	4540	4540
Reserves	451	429	398	199
Current Profit/Loss				
Accumulated Profit/Loss	1873	2258	3673	4128
Liabilities	**813**	**851**	**1087**	**1906**

Current Liabilities	**390**	**394**	**505**	**1251**
Liabilities to financial Institutions				734
Liabilities to suppliers	281	225	270	243
Liabilities to group Companies		56	48	80
Personnel liabilities	81	87	89	79
Tax liabilities	8	6	12	19
Other liabilities	20	20	86	96
Non-current liabilities	**423**	**457**	**582**	**655**
Postpone tax liabilities	216	236		406
Personnel long-term liabilities	62	62		48
Government funding	145	159		201
Capital and liabilities	**7677**	**8078**	**9698**	**10773**

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

There is a decline in assets for 2021 vs. 2020 of 10%, followed by a decline in 2022 vs. 2021 of 16.7% and a further decline in 2023.

Point 17.1. Cash and cash equivalents

	Veta Pharma AD						
Balance sheet	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2023/ Q3 2022
Cash flows and equivalent	1326	1469	578	513	154.2%	12.7%	23.7%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

The Company's funds increased by 12.7% in 2021 compared to 2020, reaching BGN 578 thousand, and further grew significantly in 2022 compared to 2021, marking a jump of 154.2%, reaching BGN 1,469 thousand. By the end of the nine months of 2023. there is a slight drop from the levels at the end of the year, reaching BGN 1,326 thousand.

Point 17.2. Net Working Capital

	Veta Pharma AD						
Balance sheet	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2023/ Q3 2022
Current assets	2851	2889	2794	3393	3.4%	-17.7%	-1.3%
Current liabilities	390	394	505	1251	-22.0%	-59.6%	-14.1%
Net working Capital	2461	2495	2289	2142	9.0%	6.86%	1.1%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

Point 17.3. Total Asset Value

	Veta Pharma AD						
Balance sheet	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2023/ Q3 2022
Assets	7677	8078	9698	10773	-16.7%	-10.0%	-6.5%
Current Assets	2851	2889	2794	3393	3.4%	-17.7%	-1.3%
Non-current Assets	4826	5189	6904	7380	-24.8%	-6.4%	-9.4%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

We note a smoothly decreasing value of assets, as well as a relatively stable structural ratio between current and non-current assets over time.

Point 17.4. Total value of liabilities

	Veta Pharma AD						
Balance sheet	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2023/ Q3 2022
Current assets	813	851	1087	1906	-21.7%	-43.0%	-7.2%
Current liabilities	390	394	505	1251	-22.0%	-59.6%	-14.1%
Net working Capital	423	457	582	644	-21.5%	-11.1%	0.2%

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

Clause 17.5. Total Equity value

	Veta Pharma AD						
Balance sheet	30.09.2023	31.12.2022	31.12.2021	31.12.2020	^2022/ 2021	^2021/ 2020	^Q3 2023/ Q3 2022
Equity	6864	7227	8611	8867	-16.1%	-2.9%	-6.4%
Total Capital	4540	4540	4540	4540	0.0%	0.0%	-
Reserves	451	429	398	199	7.8%	100.0%	0.05
Current Profit/Loss					N/A	N/A	N/A
Accumulated Profit/Loss	1873	2258	3673	4128	-38.5%	-11.0%	(0.21)

Sources: IFRS, AFR of the Company for 2022 and 2021 and interim Reports to 30.09.23 and 30.09.2022

* The values are in BGN thousands of the Company "Veta Pharma" AD

The trend in equity value follows that of assets.

Point 17.6. Notes on the information presented

There are no Valuators comments .

Point 18. Financial ratios under Art. 7, para. 2, letters "d" - "k" of Ordinance 41 of the Financial Supervisory Commicion and calculation method

The table below presents the required information under Regulation 41 and comparable historical financial information.

With the completeness purpose, the financial information provided covers audited individual data for 2019, 2020, 2021 and 2022 and unaudited interim data for 2023.

Nevertheless, the ratios below are calculated based on the obtain definitions and should be considered only as components of the argument regarding the relevance of the determined fair price, without being considered as audited financial information:

Historical information	Calculation formula
Profitability ratio	
Profitability of the operational activity	Net profit or loss into earnings from operational activity
Cash flow generating capacity	Cash flow of operational activity to layability
Return on assets	Net profit or loss into assets
Capacity to generate income from	Total comprehensive income to assets
return on equity	Net profit or loss into equity
Assets and liquidity ratio	
Assets reversibility	Operational incomes to assets
Working capital reversibility	Operational incomes to the positive difference between current assets and
Current liquidity	Current activities to current liabilities
Prompt liquidity	Current assets without tangible reserves to current liability
Absolute(instant) liquidity	Cash flow to current liability
Leverage ratio	
Finansial autonomy ratio	Equity to liability
Long-term ratio	Non-current liabilities to equity
Total ratio/assets/equal	Equity to assets
One share ratio	
One share sales ratio	Operational incomes to the number of regular outstanding shares
One share earning ratio	Net profit or loss to the number of Equity to the number of the regular outstanding shares
Ratio book value for one share	Equity to number of regular outstanding shares
Divident ratio	
Divident payment ratio	Distributed dividend to financial result after tax
Profit retention ratio	Undistributed earning as a dividend to net profit or loss
Divident per share	Distributed dividend to the number of regular outstanding shares

Development ratio	
Sales growth rate	Annual changes of operational incomes
Net profite growth rate	Annual changes of the finansial result after tax payment
Assets growth rate	Annual changes of the assets
Market ratio	
Price ratio/sales per share	Market price per share to a share sale ratio
Price ratio/earning per share	Market price per share to a share profit ratio
Price ratio/book value	Market price per share to a share book value ratio
Market price per share	Last stock exchange price per shareto to the statement date
Number of regular shares	Number of regular shares, reduced with buyback treasury shares

Point 19. Forecasted financial information after the Merger. Other data from the financial Statements or financial ratios considered important

In accordance with the requirements of Art. 23, para. 1, item 5 of Ordinance 41 of the FSC, the Asquiring Company indicates that:

(a) as of September 30, 2023, the Company is subject to consolidation with the Host Company, which is also the Asquiring Company under the Merger;

(b) the initial accounting date for the Merger is January 01, 2024;

Merger effects are presented bellow:

Forecasted financial information (post-merger pro-forma for the Asquiring Company on a consolidated basis):

Forecasted information according to Art. 23, para. 5, letter a	***January 1, 2024 (effective accounting date of the Merger)***
Income Statement data	**BGN mln.**
Net sales Income	1 851
Cost of sales	-1 340
Gross Profit / Loss	511
Administrative and selling expenses	-404
Profit / Loss from Activity	107
Financial Income	3
Financial Loss	-13
Profit / Loss (before tax expenses)	120
Net Profit / Loss	108
Balance sheet	**BGN mln.**
Cash and cash equivalents	17
Net working Capital	154
Total asset cost	1 440
Total liabilities cost	708
Total equity	731

Finacial ratios	ratio
Profitability ratios	
Operational activity Profitability	5.83%
Generate cash flow from borrowed funds capacity	-13.30%
Return on assets	7.50%
Generate income from assets capacity	7.51%
Return on Equity	14.75%
Assets and liquidity ratio	
Return on assets	1.29
Return on working Capital	9.00
Current liquidity	1.27
Fast lequidity	1.24
Total (Independent) lequidity	0.54
Leverage ratios	
Financial autonomy ratio	1.03
Long-term debt ratio	0.18
Total assets/Equity ratio	1.97
One share ratio	
Sales per share ratio	10.72 лева
Profit per share ratio	0.63 лева
Book value per shate ratio	4.24 лева
Divident ratio	
Divident payment ratio	0.00%
Profit retention ratio	100.00%
Divident per share	0.00 лева
Development ratios	
Sales growth rate	13%
Net profit growth rate	12%
Asset growth rate	14.80%
Market ratios	
Price/Sales ratio per share	0.67
Price/Profit ratio per share	11.48
Price/Book value per share	1.69
Sources: Preliminary SIS calculations based on consolidated data for the Asquiring Company	

Stakeholders should note the following two key facts:

(a) the information above will be changed as a result of the publication of audited financial Statements of the Asquiring and Merging Company;

(b) at the Merging effective date, an initial financial Statement is prepared, which is subject to confirmation by the independent auditor of the Receiving Company. In this sense, the information above does not pretent to be represented as representative of the final data in the initial financial Statements after the Merging date, prepared on a consolidated basis based on European financial reporting standards.

Estimated expected changes in equity after the Merger of the Acceping Company:

Pro-forma before the Mereger	**Receiving Company**	**Merging Company**
Number of outstanding shares before the Merger	158 262. 242	4 540 000
Fair price per share befor the merger	**7.57**	**7.42**
Company cost	1 198 045 171.94	33 686 800.00
Pro-forma after the Merger	**Receiving Company**	**Merging Company**
Number of shares of the Merging Company that are not owned by the Receiving Company	not applicable	1050
Fair value corresponding to shares in the Merging Company that do not belong to the Receiving Company (in BGN)**	7 791.00	The Company is dissolved as a result of a Merger
Positive adjustment, (written off liabilities recognized additional assets) on the Merger***	0.00	
Negative adjustments (newly recognized liabilities written off assets) on the Merger***	0.00	
Reduction of cash availability, as a result of partly cash payment of the merger price to minority shareholders of the Merging Company	0.00	
Fair value of the Receiving Company after the Merger (in BGN)	**1 198 045 171.94**	
Number of shares of the Acquiring Company paid in the Merger of minority shareholders of the Merging Company	1 029	
Number of outstanding shares after the Merger	158 263 271.00	
Fair price per share after the Merger (in BGN)	**7.57**	

* based on the fair value assessment

** determined by multiplying the fair value of one share of the Merging Company by the number of shares in the Merging Company that are owned by diferent persons from the Acquiring Company

***based on a preliminary assessment of Sofia International Securities. The exact value is determined at the time of the Merger accounting bookkeeping, after confirmation by an independent auditor

Source: Unaudited data from the Host Company and subsidiaries of the group as of September 30, 2023, with recalculation upon completion of the Merger of Veta Pharma AD into Sopharma AD

The calculations above indicate the following key circumstances:

(a) first, on consolidation, the Acquiring Company's entry into the assets and liabilities of the Merging Company would give rise to effects only in respect of receivables and payables between the two Companies which will be settled (with netting) in the Merger process;

(b) second, no unaccounted liabilities have been identified that should have been recognized on the Merger;

(c) no assets have been identified that are not assessed at fair value, accordingly no effects of revaluation of assets at fair value are expected upon the Merger;

(d) fourth, no receivables or liabilities have been established that would become due in advance upon the Merger;

(e) fifth, a portion of the acquisition price will be paid in cash, which will reduce the cash of the Host Company, with an equivalent effect on a consolidated basis. This effect is roughly estimated;.

f) part of the repurchased treasury shares from the Asquiring Company will be paid as part of the Merger price, as a result of it they will return to business turnover, and this will have an effect on the number of shares in circulation. This effect is estimated to be approx.

The expectation of both Companies is that before the Merger date finalization, the financial Statemnt for 2023 will be published, respectively, when preparing initial financial statements at the effective date of the Merger, the input information will be based exclusively on these audited data, which may differ significantly from the preliminary calculations made by the SIS. In this sense, the above capital effects should not be considered as final or indicative of the final Capital effects.

Taking into consideration the above mentioned, before the Merger on a consolidated basis, the fair value of the Asquiringing Company is estimated at BGN 1 198 045 171.94, and after the Merger it is expected to increase to BGN 1 198 052 962.94, respectively, the fair price of one share is remaining unchanged - BGN 7.57 per share.

There is no other important information about share prices.

No other data or ratios are considered important.

Part IV. Sources of the information used in the substantiation

Financial information for comparable Companies is based on data from publicly available free sources, and for the analyzed Company it is based on audited annual financial Statements and interim financial Statements prepared under IFRS for the purposes of consolidation at the Host Company level, provided by the Management of the Company.

Sources of pricing information are expressly indicated.

ORDINANCE No. 41 from June 11, 2008 on the content requirements of the assessment price of the shares to the Public Company, including the application of valuation methods, in the Mereger cases, joint venture agreement and tender offer.

PREPARED THE SUBSTANTIATION:

SOFIA INTERNATIONAL SECURITIES AD

THE SIGNATURES BELOW DECLARE THAT THE EVALUATION COMPLIES WITH THE REQUIREMENTS OF THE LAW

____

/Martin Radosvetov Petrov/

____

/Svetozar Svetozarov Abrashev/