

JUSTIFICATION OF THE FAIR VALUE OF ONE SHARE OF "SOPHARMA" AD IN CONNECTION WITH THE TRANSFORMATION PROCEDURE

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

Date of preparation of the justification: 15.01.2024

Prepared the justification: Sofia International Securities

This justification was registered with the Financial Supervision Commission on 23.01.2024.

A corrected justification was registered with the Financial Supervision Commission on2024 г.

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Part I. Summary of the evaluation data

The present has been prepared in accordance with

- International Valuation Standards (IVS) adopted by the International Valuation Standards Council effective 31 January 2022;
- Law on Public Offering of Securities (LPOS);
- Commercial Law (TC); 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 justification of the price of the shares of a public company, including the application of evaluation methods, in the cases of transformation, joint venture agreement and tender offer of the Commission for Financial Supervision of the Republic of Bulgaria (hereinafter referred to as Ordinance 41 of the FSC for brevity).

Pursuant to the requirements of Regulation 41 of the FSC, the ratio of exchange of 1 share of the transferee company for shares of the transferee company was determined by dividing the determined fair value on an individual basis per share of the transferee company (**BGN 1.89**) by the determined fair value on a consolidated basis of one share of the acquiring company (**BGN 8.33**), assuming rounding accuracy (two decimal places), which amounts to a ratio of **0.23¹ shares of the acquiring company for 1 share of the company being converted.**

Item 1. Requirements for and methods of determining fair value

According to Art. 123, para. 1, item 1 of the Law on Public Offering of Securities, the contract or transformation 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 transforming 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 transformation plan, and according to item 2 of the same paragraph, justification of the price under item 1 based on generally accepted valuation methods, which methods according to Art. 123, para 2 of the LPOS are defined by an Ordinance, such as the Ordinance on Valuation Methods referred to in the LPOS and tender offer, to the Commission for Financial Supervision, insofar as pursuant to Art. 1, para 1, item 1 of the same Ordinance, it regulates the requirements for the content of the justification of the fair price of the shares of a public

¹ 0.2268907563 without rounding.

company, including the application of valuation methods, in the cases of 1. transformation 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 converting company and the receiving company is a mandatory part of the transformation 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 transformation plan and later than the date of the contract or the transformation 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 justification, from the trading venue with the largest volume of shares traded for a period of six months before the date of the justification, 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 justification, 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 adopted for the valuation to be carried out in accordance with the requirements of Regulation № 41 of the FSC, using interim financial statements of the transferee company (individual) and the transferee company (consolidated) as of 30 September 2023., as far as the date of preparation of the justification, the two companies had not published audited annual reports for the year 2023.

Item 2. Fair value of exchange-traded equity instruments

In accordance with Art. 5, para. 1 of Ordinance № 41 of the FSC, the fair price of actively traded shares is defined as a weighted average value of

- (a) the weighted average price of all transactions in the last six months preceding the date of justification from the trading venue with the largest volume of traded shares for a period of six months prior to the date of justification and

(b) the value of the shares obtained by the applied valuation methods under Art. 5, para 3 from Ordinance № 41 of the FSC (paragraph 3 provides summary information on how to determine this value

(c) taking into account the requirement of Ordinance № 41 of the FSC that the maximum weight of a method used is 80%, and the minimum weight 20% and taking into account what is stated in point 11.5, the main method for evaluating actively traded shares is the weighted average price of transactions on the main trading venue² weighting 80%:

Evaluation method	Price per 1 Share	Relative Weight
Average weighted value of BSE transactions for the last 6 months ³	BGN 6.27	80%
Value according to valuation methods under Art. 5, para. 3. from Ordinance № 41 of the FSC	BGN 16.58	20%
Fair Value	BGN 8.3320	

Using rounding to the nearest two decimal places, we get a value of BGN 8.33 .

The determined fair value in accordance with the requirements of Regulation № 41 of the FSC amounts to **BGN 8.33 per share**.

Item 3. Fair value of the shares, determined 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 Ordinance 41 of the FSC, 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 justification of the fair price at the date of its justification 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 Ordinance 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 according to Art. 5, or

² Item 11 provides a specific rationale for the selection of methods and the assignment of a specific weight to each method.

³ Item 5.3 provides detailed information for the determination of price.

2. the General meeting of shareholders has adopted a decision to liquidate the company or the company is in bankruptcy proceedings under the conditions of art. 630 of the Commercial Law.

A liquidation justification is not applicable to the assessed company.

Item 3.1. Weighted average fair value under justification methods defined in Ordinance No. 41 of the Financial Supervision Commission

Evaluation method	Price per 1 Share	Relative Weight⁴
Market Equivalents	BGN 21.88	40%
Net worth of assets	BGN 5.60	20%
Discounted cash flows (FCFF model)	BGN 16.77	40%
Discounted cash flows (FCFF model)	BGN 16.58	

Source: SIS calculations

Using rounding to the nearest two decimal places, we obtain BGN **16.58**.

Based on the application of three valuation methods, we determine the fair value of one share at **BGN 16.58**.

Item 3.2. Fair value using the discounted cash flow method Regarding methods from the group of discounted cash flows, the statement in item 11 should be explicitly taken into account.

The determined fair price according to this method is **BGN 16.77**, and the method is presented in detail in item 13.

Item 3.3. Fair value using net asset value method

The fair value, determined on the basis of the net asset value, amounts to BGN **5.60 per share**.

The method is presented in detail in item 14.

Item 3.4. Fair value by methods using market multiples of similar companies

The fair value based on the method of market multiples of similar companies amounts to **BGN 21.88**.

The method is presented in detail in item 15.

⁴ This information must be considered in the context of the analysis provided in item 11.

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

The company has not published audited consolidated financial statements as of 31.12.2023 and as of the date of the justification. For the purposes of the evaluation, the latest interim unaudited consolidated financial statements as of 30.09.2023, which was announced on the date of the evaluation, was used.

According to data from the last audited consolidated financial statement of the company as of 31.12.2022 (last audited consolidated statements published before the date of the justification) and the interim consolidated financial statements as of 30.09.2023 there are no non-operating assets of the company.

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 justification; weighted average price of all trades in the last six months before the substantiation date from the trading venue with the largest volume of shares traded for the period six months before the substantiation date

Item 5.1. Weighted average market price of the stock for the last six months on the trading venue with the largest volume of shares

The shares of "SOPHARMA" AD are admitted to trading on "Bulgarian Stock Exchange" AD and Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A). Item 5.2 provides information indicating that the trading venue with the largest volume of traded shares is the BSE.

Above is information on the trading of shares from the issue of "Sopharma" AD, ISIN code of the issue: BG11SOSOBT18, exchange code of the issue: SFA, carried out on a regulated market.

Period	14.07.2023 – 14.01.2024 (6 months prior to the justification date)
Traded volume of the issue during the period, shares	2 109 452 shares
Realised turnover of the issue in the period , BGN	BGN 13 222 056.48
Number of trading sessions in the period	125 sessions
Number of trading sessions in the period in which there were transactions in the issue	124 sessions
Number of trading sessions in the period in which there were 5 or more transactions in shares of the issue	113 sessions

Total turnover in all issues of shares on the regulated market in the period	BGN 315 605 525.91
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Source: Official references from the Bulgarian Stock Exchange AD № 233/05.03.2024

Based on these data, the average price for the last 6 months as before the valuation date is **BGN 6.27** per share, determined by dividing the realized turnover for the relevant period by the total traded volume of the company's shares, and rounded to the nearest number with two digits after the decimal point.

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

The shares of "SOPHARMA" AD are admitted to trading on "Bulgarian Stock Exchange" AD and Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A).

Based on SIS information, for the six-month period prior to the valuation date of Giełda Papierów Wartościowych w Warszawie S.A, a total of 30,475 shares of the company were traded.

According to BSE data, 2,109,452 shares of the company were traded in the six-month period before the BSE valuation date.

Based on the above, the BSE has been determined as the trading venue with the largest number of traded shares.

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

Indicator	Value for the 6-month time period
Total turnover of the company's shares at the trading venue with the largest traded volume, BGN	13 222 056.48
Traded volume, shares	2 109 452 shares
Average price, BGN per share	6.268005378

Source: Official references from the Bulgarian Stock Exchange AD, issued at the request of SIS.

* The average price for the period was determined by dividing the total turnover of the company's shares for the period by the number of traded shares for the period and the resulting value was rounded to the nearest number with two decimal places - **BGN 6.27**, as prices in the Republic of Bulgaria are denominated to **1 stotinka (BGN 0.01)**.

Based on the analysis performed, the average price for the preceding 6 months amounts to **BGN 6.27 per share**.

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

Item 6.1. Information according to Ordinance 41 of the FSC

By examining the texts of § 1, point 1 and point of the Additional provisions of Ordinance 41 of the FSC, the following was established.

With regard to the company in question, the hypothesis of Pursuant to § 1, point 1, letter a, letter aa is fulfilled, as far as the traded volume of shares for the 6-month period from 14.07.2023 to 14.01.2024 as 14.01.2024 is a non-working day, the last working day preceding the valuation date is 12.01.2024) is 2,109,452 shares, which in 125 trading sessions in the period constitutes a daily volume of 16,875,6160 shares with 158,262,242 shares of the company in circulation or the average daily volume constitutes 0.01066307% of capital, which is above the threshold of 0.01%.

With respect to the subject company, the hypothesis of Pursuant to § 1, point 1, letter a, letter bb is fulfilled, as far as the total turnover of the company's shares on the trading venue with the largest traded volume of BGN 13,222,056.48 is realized, as we calculate that the total turnover of all shares traded on the trading venue with the largest traded volume is BGN 315,605,525.91 for this period, the relative share of the company's shares in the total traded volume of shares on the trading venue is 4.18942490% , which is above the 1% threshold.

In relation to the above, the two hypotheses of subparagraph (a) are met, thereby satisfying the requirement of the subparagraph itself

With respect to the subject company, the hypothesis of § 1(1)(b)(aa) is satisfied in that transactions in the company's stock occurred in 125 trading sessions on the BSE (which is not less than half of the total 126 trading sessions included in the period), and only in 1 session there were no transactions in the company's stock , thereby satisfying the requirement that there were transactions in at least 30 sessions in the most recent quarter.

There is also a fulfillment of the hypothesis of § 1, point 1, letter b, letter bb, insofar as in 113 sessions there are more than 5 transactions with shares of the company, which exceeds the required threshold of 30 sessions.

In connection with the above, both hypotheses contained in letter b are fulfilled, which fulfills the requirement of the letter itself.

Therefore, there is a cumulative fulfillment of the requirements under letter a and letter b, and the company's shares meet the requirement for actively traded shares.

Item 6.2. Information that may limit the applicability of the actively traded stock hypothesis

There are no hypotheses that suggest the inapplicability of the hypothesis for actively traded shares.

Item 7. A valuation of the company or a significant part of the company's assets by an independent valuer prepared in the last 12 months before the date of the justification

During the last 12 months prior to the date of the justification, no valuations of material assets of the company were prepared that were valid as of the date of the justification.

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 justification

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 justification.

Item 9. Date of justification and term of validity

This justification was prepared on 15.01.2024 and is valid until 15.07.2024 (six months from the date of preparation).

Item 10. Estimated post-transformation valuation of the acquirer's shares and Other share price information considered significant

In accordance with the requirements of Art. 21, para 2 of Ordinance 41, and having taken into account that the evaluated 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 parent 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 pay attention to one of the most significant economic effects of the merger - cessation of the need to provide financing from the parent company to the converting company.

Detailed information regarding the performed analysis of the estimated effects of the merger on the parent company as the receiving company is presented in item 19, and no change in the fair price of 1 share of the receiving company is expected to occur as a result of the merger.

Before the merger on a consolidated basis, the fair value of the receiving company is estimated at BGN 1,318,324,475.86 and after the merger it is expected to increase to BGN 1,318,326,381.13, respectively, the fair price of one share is expected to remain unchanged – BGN 8.33 per share.

The company has issued warrants, which should be perceived by potential and current shareholders of the company as a substantial reason to expect a future capital increase 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 valuation⁵.

There is no other share price information that is significant, except the information stated in p. 11.5.5.

Part II. Explanation of the justification performed

Item 11. Justification for the methods used

The information below is provided in compliance with the requirements of Art. 7 para 1-3 of Ordinance 41 of the FSC.

An explicit instruction from the Financial Supervisory Service with letter RG-05-684-2 of 16.04.2024 was also taken into account, according to which a change in the weights of the methods used, regardless of established objectifying circumstances for this as a result of updating input data and/ or methods, does not fulfill the instructions given by letter RG-05-684-2 of 20.02.2024, which objectifies that the weights used are equivalent to those used in the initial justification.

Method of market analogues

⁵ Item 14 provides additional indicative information on the potential effect of exercising the warrants on the value of a share.

This method is one of two methods in the "market multiples" group, along with 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 its 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 Ordinance 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. However, to the extent that the company is valued on the basis of consolidated accounts, there is uncertainty regarding comparisons with issuers that publish individual data, which limits the applicability of IFRS 13 Level 2 methods. There are also certain limitations in the use of the 'last 12 months' method for the purpose of determining certain financial measures (specifically, revenue and profit and derived ratios).

Also, the market peers method has limited applicability to companies outside major markets (US, UK, Western Europe and Japan) as the number of potential peers is usually limited, resulting in a lower representativeness of the justification result.

These positive and negative factors are taken into account in determining the final score, with the method given a weight above the minimum allowed (20%) but significantly below the maximum allowed when applying three methods (60%, as each method has a minimum allowed weight of 20%), and specifically an average value between these two extremes, that is a little bit higher (1/3), 40%.

Net (and adjusted net) asset value method

The net asset value method reflects historical financial information and in that sense provides the most accurate information at a particular historical point in time. To the extent that the company will absorb a subsidiary that is also subject to consolidation at the current date and the subsidiary will cease to exist as a separate business entity upon the absorption, an effective transfer of all of the assets and liabilities of the subsidiary to the acquiring company at fair value will be made on or about that 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.

Because this method neither takes into account market information (unlike the analogs method) nor takes into account expected future developments (unlike the cash flow method), it is the least representative, and is accordingly given the permissible weight that is lower than 1/3, 20 %.

Methods from the group of discounted cash flows

With respect to discounted cash flow methods, the following should be reported:

(a) in a merger or acquisition transaction, the surviving company ceases to exist as a legal entity and, for the acquiring company, the assumption that past financial data are indicative of future performance is not met to the extent that there is a material change in the business combination⁶ and in this sense, it cannot be forecast for a future period on an individual basis. At the same time, insofar as the converting company and the receiving company as a parent 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;

⁶ Specifically, we refer to a lack of regulatory consensus in the application of two conflicting standards applicable to a business combination merger (meeting from 22.12.2022 between IASB, EBA, ESMA and EFRAG).

(b) in selecting a particular model from the discounted cash flow group, it is taken into account that the parent company has not distributed a dividend in the last 3 years, the discounted dividend model (DDM) is not applicable;

(c) in addition to (a) to (b) above, the following synthesised information has been taken into account in respect of the FCFE and FCFF models:

Key aspects	Free cash flow for the company (FCFF)	Free cash flow for the capital (FCFE)	Analysis in the context of Sopharma
What cash flow covers	Cash flow is available to all investors (equity and debt) in the company.	Cash flows are only available to shareholders.	The transaction is an equity and cash payment to persons who are not necessarily shareholders of Sopharma prior to the merger. The FCFE is therefore of limited applicability.
Leverage	Cash Flows unlevered as the leverage effect is not considered	Levered Cash Flows as the leverage effect is included	The two models are equivalent
What it measures	Calculates enterprise value	Calculates cost of capital	Since fair value 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)	Cost of capital	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 the available cash flow for payments to shareholders (e.g. buybacks, dividends, etc.)	FCFE is generally less informative when consolidated rather than individual data are used ⁷ .

⁶ Specifically, the parent company's equity instruments give rights over resources to the parent company itself, rather than direct rights also to all group companies within the scope of consolidation. As part of the Feature Equity Capital Instruments (FICE) project, the IASB is in the process of developing new definitions for equity instruments that further limit the applicability of consolidated information to the FCFE model (specifically with respect to the group criteria of "dependence on or independence from the company's own resources").

With the above in mind, the valuers have chosen to use an FCF model based on a consolidated development forecast of the host company (parent company).

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 Commission Regulation (EU) 2023/2822 of 19 December 2023). In particular, certain financial measures such as EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) require the official accounts of the public company to explicitly indicate how these values are derived from those prepared in accordance with Regulation (EU) 2023/1803 of the Commission of September 13, 2023 financial statements, 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, the reference to such indicators, which are not explicitly derived from audited reports and explicitly 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, it is widely accepted in Europe (e.g. for the purposes of InvestEurope) IPEV⁸ the methodology, which gives more general conceptual principles for applying models of the class of cash flows (specifically described in points 3.7 and 3.8), for example, point 3.7 explicitly indicates the possibility of using income instead of cash flows (which is closer to financial reporting practices in the EU), 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 Feynman⁷ 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

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<https://www.privateequityvaluation.com/Portals/0/Documents/Guidelines/IPEV%20Valuation%20Guidelines%20-%20December%202022.pdf>

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 are taken into account in determining the final score, with the method given a weight above the minimum allowed (20%) but significantly below the maximum allowed when applying three methods (60%, as each method has a minimum allowed weight of 20%), and a value that is slightly higher than 1/3, 40%.

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

To determine the relative weight of each method used, the evaluators also took into account the following additional information, presented in a synthesis:

Fair value cascade (see note 11.5)	Regulation No. 41 of the FSC	Sopharma's valuation approach
If the capital instruments are actively traded on an exchange market, their fair value is equal to the exchange price "close" for the day preceding the valuation date.	A weighting principle is followed. The weights of the methods are according to their applicability.	Regulation 41 specifically prescribes that fair value is determined as a weighted average between (a) the market price for the previous 6 months and (b) the weighted average valuation by other methods. Taking into account the argumentation underlying the fair value cascade, we have assumed that the average market price for the previous 6 months with the maximum permissible weight (80%) should be the leading one, and the valuation prepared on the basis of other methods should participate with the lowest permissible weight (20%)

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

- Net asset value method – 20%, insofar as the method reflects only the "current" state of the company and does not include information about prospects, competing and similar companies, etc.;
- Method of market analogues – 40%, insofar as the method enables the company to be considered in the context of its business model in comparison with companies operating in a similar sector, with similar assets and similar revenues. Since this method also gives a snapshot, it is not taken with a higher weight;
- Method of discounted cash flows – 40%, as far as the method to the highest degree incorporates the company's development prospects. 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 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), therefore, this method is not present with a higher weight.

Item 11.1. Characteristics of the assessed company

Item 11.1.1. The specifics of the activity

The company has a subject of activity: production of medicines and chemical-pharmaceutical preparations, trade in the country and abroad, research activity in the field of phytochemistry, chemistry and pharmacy.

The main activity of the company as a consolidating group of enterprises, according to the activity report, is concentrated in the pharmaceutical sector, with the exception of individual companies, whose subject of activity is also in the field of investments in securities.

In its capacity as the parent company, the assessed company holds a drug production/import permit № BG / MIA -0384 dated 28.06.2023, issued by the Medicines Executive Agency (EMA).

The subject of activity of the companies consolidated by the assessed company is as follows:

- Sopharma AD - production and trade of medicinal substances (active ingredients) and medicinal forms; scientific-research and engineering-implementation activity in the field of medicinal products;
- Sopharma Trading AD - trade in pharmaceutical products;
- Biopharm Engineering AD - production and trade of transformation solutions;
- Pharmalogistika AD - secondary packaging of pharmaceutical products and leasing of real estate;
- Electroncommerce EOOD - trade, transportation and packaging of radioactive materials and nuclear equipment for medicine, household electronics and electrical engineering;
- Phyto Palauzovo AD - production, collection, purchase, extraction and sale of herbs and medicinal plants;
- Veta Pharma AD - production of medicinal, non-medicinal and other products;
- Sopharmacy LTD - franchising, know-how, property rental, trading and more;
- Sopharmacy 2 Ltd - Sopharmacy 62 Ltd (excluding Sopharmacy 6 Ltd) - retail of pharmaceuticals;
- Sopharmacy 6 Ltd - online and offline retailing of medicinal products;
- Sopharmacy 63 EAD and Sopharmacy 64 PLC - retail of pharmaceutical products, franchising and other services;
- PAO Vitamins, Ukraine - manufacturing and trading of pharmaceutical products;

- Sopharma Ukraine LLC, Ukraine - trading of pharmaceutical products and market and public opinion research;
- OOO Sopharma, Ukraine - pharmaceutical trading and market and public opinion research;
- Sopharma Trading Ltd. - Wholesale of pharmaceutical products;
- Sopharma Poland Z.O.O., Poland, in liquidation - market and public opinion research;
- Sopharma Warsaw SP. Z.O.O., Poland - wholesale of pharmaceutical and medical goods and market and public opinion research;
- Sopharma Kazakhstan LLP, Kazakhstan - trading in pharmaceutical products;
- Pharmachim Ltd, Serbia - consulting activities

On 23.08.2023, the merger of Biopharm Engineering into Sopharma AD was entered in the Commercial Register at the Registration Agency. The merger of Biopharm Engineering AD (transforming company) into the parent company Sopharma AD (acquiring company) was implemented through the legal form of transformation regulated in the Commercial Law. As a result of the transaction, all assets of Biopharm Engineering AD are transferred to Sopharma AD, and Biopharm Engineering AD is terminated without liquidation.

On 13.10.2023, a subsidiary company was registered in Russia with 100% ownership of Sopharma AD from the capital of the newly established company.

On 10.11.2023, Sopharma AD acquired 25% of the capital of Pharmanova d.o.o., Serbia.

In connection with the existence of consolidation and of legal entities falling within the scope of consolidation, both from countries in the EU (Poland) and in countries outside the EU (Ukraine, Moldova, Serbia, Republic of North Macedonia, Russia), in the subsequent analysis it is particular attention was paid to the additional notes to the consolidated financial statement, and an analysis of the consolidation packages of the individual companies was also carried out within this analysis.

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

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

Sopharma AD							
Financial statements	31.12.2022	31.12.2021	31.12.2020	30.9.2023	%Δ 2022 / 2021	%Δ 2021 / 2020	%Δ Q3 2023/ Q3 2022
Assets	1 253 978	1 204 978	1 242 112	1 439 574	4.1%	-3.0%	14.8%
Equity	716 634	658 868	566 595	731 385	8.8%	16.3%	1.3%
Liabilities	537 344	546 110	675 517	708 189	-1.6%	-19.2%	33.2%
Current liabilities	407 346	423 892	544 451	134 798	-3.9%	-22.1%	47.3%
Source: SIS calculations, audited consolidated financial statements for 2018-2022, unaudited interim consolidated reports as of 09/30/2023. and 30.09.2022							

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

Item 11.1.3. Strengths and weaknesses and comparison with competitors

Strengths	Weaknesses
<ul style="list-style-type: none"> • Long-term experience in all spheres of pharmacy - from the development of proprietary and generic medicinal substances, to their production and distribution; • Stable market position in Eastern Europe; • Modern production base that meets the highest European standards; • Synergies generated by intercompany operations in the Group; • Sufficient financial resources to realize the regional expansion of the Company; • Employees with many years of professional experience. 	<ul style="list-style-type: none"> • Weak popularity of products outside the main markets; • Part of the consolidated income is generated from sales of public hospitals, which makes the Group dependent on political decisions; • Production of mostly generic drugs, which are characterized by low added value in contrast to the original forms; • Dependence of the Group on the distribution business of Sopharma Trading AD;
Opportunities	Threats
<ul style="list-style-type: none"> • Development and implementation of new products; • Expanding the range of additional services to the available portfolio of products; • Expansion of the customer base in the domestic and established foreign markets; • Expansion to new foreign markets; • Optimization of the business by changing the existing business combinations with the subsidiaries; 	<ul style="list-style-type: none"> • Unfavorable change in the legislation governing the Group's business; • Strengthening competition in the face of other companies; • Global crisis provoked by the economic consequences of the war in Ukraine and the Covid 19 crisis; • Continuation of the trend of public health care costs in Bulgaria being low compared to European standards, which would otherwise ensure more predictable and stable sales for the Company.

Item 11.1.4. Profitability ratios

The table below reflects the historical value of key profitability ratios

Historical information	Sopharma AD			
	31.12.2022	31.12.2021	31.12.2020	30.9.2023
Profitability ratios				
Operational profitability	4.55%	5,67%	1,74%	5,83%
Capacity to generate cash flow from borrowed funds	20.49%	-13,91%	-26,56%	-13.30%
Return on assets	6.09%	7,61%	2,04%	7.50%
Capacity to generate income from assets	5.62%	8,61%	1,35%	7.51%
Return on capital	10.65%	13,92%	4,46%	14.75%

Source: SIS calculations audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2022 and unaudited proforma consolidated FS as 31.12.2022

Item 11.1.5. Asset and Liquidity Ratios

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

Historical information	Sopharma AD			
	31/12/2022	31/12/2021	31/12/2020	30/09/2023
Asset and Liquidity Ratios				
Asset turnover	1.3366	1.342	1.1686	1.2855
Working capital turnover	10.1490	10.9756	21.432	9.0015
Current ratio	1.4054	1.3476	1.1244	1.2680
Quick ratio	1.3567	1.2586	1.0779	1.2377
Absolute (immediate) liquidity	0.6839	0.6038	0.5282	0.5416

Source: SIS calculations audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2022 and unaudited proforma consolidated FS as 31.12.2022

Statement of financial position	Sopharma AD						
	31.12.2022	31.12.2021	31.12.2020	30.09.2023	Δ 2022 / 2021	Δ 2021 / 2020	Δ Q3 2022 / Q3 2022
Current Assets	572 491	571 232	612 177	729 491	0.2%	-6,7%	25,30%
Current Liabilities	407 346	423 892	544 451	575 297	-3,9%	-22,1%	47,3%
Net working capital	165 145	147 340	67 726	154 194	12.08%	117.55%	-19.7%

Source: SIS calculations, audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2023 and unaudited proforma consolidated FS as at 30.09.2022

There is an increase in working capital in the period after 2020. The rest of the ratios have also increased over the years, with liquidity levels increasing thanks to low leverage. Working capital turnover falls for 2021 due to the relatively larger increase in current assets relative to current liabilities, which is a consequence of the decreasing leverage mentioned above. Short-term bank liabilities fall 27.2% in 2022 (down 60.1% for Q3 2023 versus Q3 2022), the short-

term part of long-term liabilities increases 3.1% for 2022 (but falls 20.8 % for the third quarter of 2023 compared to the third quarter of 2022), and trade payables increased by 22.4%.

Item 11.1.6. Odds per share

The table below reflects the historical value of fundamental ratios of a share, with a comparison between the approach using total shares according to the data of the TRRULNC as of the relevant date and the approach using shares outstanding as of the valuation date (which information is further presented in two lines, for clarity):

Historical information	Sopharma AD			
	31.12.2022	31.12.2021	31/12/2020	30.9.2023
Market ratios				
Price/Sales per share	12.4339	11.9968	10.7680	10.7227
Price/Profit per share	0.5663	0.6803	0.1875	0.6252
Price/Book value per share	5.3164	4.8878	4.2033	4.2377
Price/ Sales per share based on shares in circulation as of 15.01.2024	10.5904	10.2181	9.1715	8.7701
Price/Profit per share based on shares in circulation as of 15.01.2024	0.4823	0.5794	0.1597	0.5114
Price/ Book value based on shares in circulation as of 15.01.2024	4.5281	4.1631	3.5801	4.6213
Market price of shares	4.46	4.46	3.20	7.18
Market price determination date	29.12.2022	30.12.2021	30.12.2020	29.09.2023
Number of shares in circulation as at 15.01.2024	158 262 242	158 262 242	158 262 242	158 262 242
Number of ordinary shares	134 797 899	134 797 899	134 797 899	172 590 578
Source: SIS calculations, audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2023 and unaudited proforma consolidated FS as at 30.09.2022				

Item 11.1.7. Dividend ratios

The table below reflects the historical value of fundamental ratios of one share:

Historical information	Sopharma AD			
	31/12/2022	31/12/2021	31/12/2020	30/09/2023
Dividend ratios				
Dividend payout ratio	0,00%	0,00%	0,00%	0,00%
Earnings Retention Ratio	100,00%	100,00%	100,00%	100,00%
Dividend per share	0,0000	0,0000	0,0000	0,0000
Source: SIS calculations audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2022 and unaudited proforma consolidated FS as 31.12.2022				

As no group dividend is distributed on a consolidated basis, and the company pays a dividend to its shareholders based on individual financial results, information is provided below on the dividends paid by the company to its shareholders.

The distribution of dividends occurred as follows:

2023 - 2 dividend distributions were made - on 27.07.2023 in the amount of BGN 0.60 per share, and on 24.11.2023 a decision was made to distribute a gross dividend in the amount of BGN 0.90 per share, payable on 22.01.2024.

2022 – no dividend was distributed

2021 – no dividend was distributed

2020 – 2 dividend distributions were made - on 17.06.2020 in the amount of BGN 0.07 per share and on 07.10.2020 in the amount of BGN 0.04 per share.

2019 – 1 distribution of dividend was carried out - on 20.12.2019 in the amount of BGN 0.05 per share.

2018 – 2 dividend distributions were made - 27.06.2018 in the amount of BGN 0.11 per share and on 26.09.2018 in the amount of BGN 0.05 per share.

In the analysis of this data, it is not possible to determine a usual frequency or amount of dividend distributed for the entire historical period - 2018 – 2023

In the analysis of this data, it is not possible to determine a usual frequency or amount of dividend distributed for the entire historical period - 2018 – 2023

On this basis, the recalculated dividend payout ratios (on an individual basis) to the financial statements of the company on a consolidated basis can be summarized **pro-forma** as follows:

Historical information							
	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018	30/09/2023	30.9.2022
Dividend ratios							
Dividend payout ratio	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Earnings Retention Ratio	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Dividend per share	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Source: SIS calculations, audited consolidated AFS for 2018 - 2021, interim unaudited as at 30.09.2023 and 31.12.2022							

Item 11.1.8. Development ratios

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

Historical information	Sopharma AD			
	31/12/2022	31/12/2021	31/12/2020	30/09/2023
Development ratios				
Sales growth rate	3.64%	3.64%	11.41%	13.03%
Net profit growth rate	-16.76%	16.76%	262.75%	12.00%
Asset growth rate	4.07%	4.07%	-2.99%	14.84%

Source: : SIS calculations audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2022 and unaudited proforma consolidated FS as 31.12.2022

We note a constant growth in sales for the period 2020 r. until the end of the third quarter of 2023 r. Sales growth slowed down in 2020 and 2021 due to logistical problems caused by the covid pandemic and temporary difficulties in deliveries to domestic and foreign markets.

Item 11.1.9. Leverage ratios

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

Historical information	Sopharma AD			
	31/12/2022	31/12/2021	31/12/2020	30/09/2023
Leverage ratios				
Coefficient of financial autonomy	1.3337	1.2065	0.8388	1.0001
Long-term debt ratio	0.1814	0.1855	0.2313	0.1996
Ratio Total assets/Equity	1.7498	1.8289	2.1922	1.9999

Source: : SIS calculations audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2022 and unaudited proforma consolidated FS as 31.12.2022

We note a significant increase in the financial autonomy of the company, as well as in indebtedness in 2022. The large difference in financial autonomy for 2021 is due to the increase in equity by 16.3% mainly due to an increase in retained earnings, as well as a decrease in liabilities of the company by 19.2%, due to the significant reduction of current liabilities by 22.1%.

Item 11.1.10. Market odds

The table below reflects the historical value of the main market coefficients, and by way of derogation from the information in point 11.1.6, data is shown for both approaches - shares issued on the given date according to data from TRRYULNC and shares in circulation as of the valuation date:

Historical information	Sopharma AD			
	31.12.2022	31.12.2021	31/12/2020	30.9.2023
Market ratios				
Price/Sales per share	0.36	0.37	0.30	0.67
Price/Profit per share	7.88	6.56	17.06	11.48
Price/Book value per share	0.84	0.91	0.76	25204,00
Price/Sales per share based on shares in circulation as of 15.01.2024	0.42	0.44	0.35	0.82
Price/Profit per share based on shares in circulation as of 15.01.2024	7.88	6.56	17.06	11.48
Price/ Book value based on shares	0.98	1.07	0.89	1.55
Market price of shares	4.46	4.46	3.20	7.18
Market price determination date	29.12.2022	30.12.2021	30.12.2020	29.09.2023
Number of shares in circulation as at 15.01.2024	158 262 242	158 262 242	158 262 242	158 262 242
Number of ordinary shares	134 797 899	134 797 899	134 797 899	172 590 578
Source: SIS calculations, audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2023 and unaudited proforma consolidated FS as at 30.09.2022				

The price to earnings per share (P/E) ratio has a large difference for 2020 compared to the following years, which is due to the significant decline in earnings for 2020.

For the avoidance of doubt, market ratios determined on the basis of shares outstanding as of the valuation date are used for valuation purposes, but are recalculated in terms of price-to-earnings-per-share (P/E) and price-to-sales-per-share (P /S) using 12-month data (TTM).

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

The financial ratios are calculated as follows ⁹:

⁹ It should be noted that for the purposes of calculating accounting ratios per share, a basis of "issued shares" and not "shares in circulation" is used, as long as the repurchased own shares are not invalidated. Because of this fact, the accounting market ratios shown above differ from those used in the market analogs method.

Attachment 2 to the Transformation through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

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 turnover	Operating income to assets
Tradability of working capital	Operating income to the positive difference between current assets and current liabilities
Current liquidity	Current assets to current liabilities
Quick liquidity	Current assets excluding inventories to current liabilities
Absolute (instant) liquidity	Cash to current liabilities
Leverage ratios	
Coefficient of financial autonomy	Equity to Liabilities
Long-term debt ratio	Non-current liabilities to equity
Ratio Total assets/Equity	Assets to Equity
Odds per share	
Ratio Sales per share	Operating income per number of common shares
Ratio Earnings per share	Net profit or loss per number of common shares
Ratio Book value of one share	Equity to number of common shares
Ratio Sales per share (based on shares in circulation 15.01.2024)	Operating income to number of common shares outstanding
Ratio Earnings per share (based on shares outstanding 15.01.2024)	Net profit or loss per number of common shares outstanding
Ratio Book value of one share (based on shares in circulation 15.01.2024)	Equity to number of common shares outstanding
Dividend ratios	
Dividend payout ratio	Distributed dividend to financial result after tax
Profit Retention Ratio	Retained earnings to net profit or loss
Dividend per share	Dividend distributed to number of common shares outstanding
Development ratios	
Sales growth rate	Annual change in operating income
Net profit growth rate	Annual change in the financial result after taxes
Asset growth rate	Annual change in assets
Market odds	
Price/Sales ratio per share	Market price per share to sales per share ratio
Price/Earnings per share ratio	Market price per share to earnings per share ratio
Ratio Price/Book value per share	Market price per share to book value ratio
Ratio Price/Sales per share based on outstanding shares as of 15.01.2024	Market price per share to sales per share ratio
Price/Earnings per share ratio based on outstanding shares as of 15.01.2024	Market price per share to earnings per share ratio
Ratio Price/Book value per share based on outstanding shares as of 15.01.2024	Market price per share to book value ratio
Market price of shares (of BSE AD)	Last stock price per share on the report date
Market price determination date	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 shares in circulation as of 15.01.2024	Issued shares less treasury shares repurchased
Number of ordinary shares (according to TRRYULNC)	Number of common shares with voting rights

This document is a translation of the original text in Bulgarian, in case of divergence the Bulgarian original is prevailing.

For the avoidance of doubt, for the purposes of all calculations, consolidated financial data is used in the form and scope provided by the current European public company regulations.

Item 11.1.12. Other material circumstances

It should be taken into account that the analyzed company is public and is a parent company that consolidates a significant number of subsidiaries, some of which are in non-EU countries, as well as that a significant part of the subsidiaries operate in a highly regulated field (production and drug distribution).

On 06.10.2023, the capital increase of the parent company was entered in the Commercial Register by issuing 44,625,943 ordinary, registered, non-cash, voting shares, with a nominal value of BGN 1 each and an issue value of BGN 4.13 per share, subject to the increase shares being subscribed by the warrant holders. 37,792,679 warrants were exercised, against which 37,792,679 new shares were issued. The new shares from the company's capital increase were admitted to trading on the Bulgarian Stock Exchange on 18.10.2023.

On 24.11.2023, an extraordinary General Meeting of Sopharma AD was held, at which a decision was made under Art. 30, paragraphs 5 - 7 of the Articles of Association of Sopharma AD to distribute the profit and pay an interim dividend based on the six-month financial report in amount of BGN 0.90 per share.

11.2. The characteristics of the evaluated company in historical terms

"Sopharma" AD is a commercial company registered in Bulgaria with its headquarters and management address in the city of Sofia, 16 Iliensko Shose Street. The company's court registration dates from 15.11.1991, decision № 1.1991 of the Sofia City Court. The Sopharma group includes the parent company and its seventy-eight subsidiaries. Additionally, the Group has investments in two associates and one joint venture.

As of the valuation date, the Group's subsidiaries are:

- Sopharma Trading AD – a business entity registered in Bulgaria by Decision № 3594/16.10.1998 of Varna District Court, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Pharmalogistica AD – a business entity registered in Bulgaria by Decision of Sofia City Court dated 12 August 2002, with a seat and management address: Sofia, 16, Rozhen Blvd.;
- Electroncommerce EOOD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File № 24456 of 1991, with a seat and management address: Sofia, 1, Samokovsko Shousse St.;

- Phyto Palauzovo AD – a business entity registered in Bulgaria by Decision № 20120924105551/24.09.2012 of the Registry Agency, with a seat and management address: Kazanluk, 110, 23rd Pehoten Shipchenski Polk Blvd.;
- Sopharmacy EOOD – a business entity registered in Bulgaria by Decision № 201501191300026/19.01.2015 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 2 EOOD – a business entity registered in Bulgaria by Decision № 20150617110324/17.06.2015 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 3 EOOD – a business entity registered in Bulgaria by Decision № 20151202165822/02.12.2015 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 4 EOOD – a business entity registered in Bulgaria by Decision № 20160229093338/29.02.2016 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 5 EOOD – a business entity registered in Bulgaria by Decision № 20160301155620/01.03.2016 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 6 EOOD – a business entity registered in Bulgaria by Decision № 20140127170842/27.01.2014 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 7 EOOD – a business entity registered in Bulgaria by Decision № 20170315161212/15.03.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 8 EOOD – a business entity registered in Bulgaria by Decision № 20170627142803/27.06.2017 of the Registry Agency, with a seat and management

address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12';

- Sopharmacy 9 EOOD – a business entity registered in Bulgaria by Decision № 20170911100706/11.09.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 10 EOOD – a business entity registered in Bulgaria by Decision № 20170911101412/11.09.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 11 EOOD – a business entity registered in Bulgaria by Decision № 20170302125338 /02.03.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 12 EOOD – a business entity registered in Bulgaria by Decision № 20170306085236/06.03.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 13 EOOD – a business entity registered in Bulgaria by Decision № 20170306080850/06.03.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 14 EOOD – a business entity registered in Bulgaria by Decision № 20170306081205/06.03.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 15 EOOD – a business entity registered in Bulgaria by Decision № 20170302134305/02.03.2017 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 16 EOOD – a business entity registered in Bulgaria by Decision № 20180515105543/15.05.2018 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;

- Sopharmacy 17 EOOD – a business entity registered in Bulgaria by Decision № 20180515105543/15.05.2018 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 18 EOOD – a business entity registered in Bulgaria by Decision № 20190228133836/28.02.2019 of the Registry Agency, with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Veta Pharma AD - търговско дружество, регистрирано в България с регистрация по фирмено дело № 581 от 05.04.1999 г. на Великотърновския окръжен съд и със седалище и адрес на управление - гр. Велико Търново, ул. "Дълга лъка" № 32;
- Sopharmacy 19 EOOD (until 27 January 2021 it was called Valentina Vasileva – Lyulin EOOD) a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090226110235 dated 26.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 20 EOOD (until 16 February 2021 it was called Vasilka Lilovska EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090518182226 dated 18.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 21 EOOD (until 4 February 2021 it was called Venera Mutashka EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519084124 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 22 EOOD (until 17 February 2021 it was called Veselka Vassileva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090320091825 dated 20.03.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 23 EOOD (until 17 February 2021 it was called Victoria Angelova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090604184353 dated 04.06.2009; with a seat and management address: Sofia,

Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;

- Sopharmacy 24 EOOD (until 4 February 2021 it was called Desislava Yordanova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090604170149 dated 04.06.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 25 EOOD (until 4 February it was called Dimka Vladeva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, No 20090519080611 dated 19.05.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 26 EOOD (until 4 February 2021 it was called Donka Chivganova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090226120647 dated 26.02.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 27 EOOD (until 18 February 2021 it was called Ekaterina Mihaylova Shumen 1 EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090604181926 dated 04.06.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 28 EOOD (until 27 January 2021 it was called Elka Neykova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227145039 dated 27.02.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 29 EOOD (until 17 February 2021 it was called Emilia Angelova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090605085738 dated 05.06.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 30 EOOD (until 27 January 2021 it was called Zhuliana Kotova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227160338 dated 27.02.2009; with a seat and management address: Sofia,

Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;

- Sopharmacy 31 EOOD (until 27 January 2021 it was called Ivan Ivanov 1 EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20080630143914 dated 30.06.2008; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 32 EOOD (until 2 February 2021 it was called Iliana Kalushkova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20080630143914 dated 30.06.2008; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 33 EOOD (until 4 February 2021 it was called Irina Toncheva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090226112827 dated 26.02.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 34 EOOD (until 17 February 2021 it was called Kapka Nikolova – Voenna Bolnitsa EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090226165512 dated 26.02.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 35 EOOD (until 16 February it was called Kostadin Gorchev EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090513180047 dated 13.05.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 36 EOOD (until 4 February it was called Krasimira Shunina EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519083827 dated 19.05.2009; with a seat and management address: Sofia, Izhev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 37 EOOD (until 4 February 2021 it was called Lora Doncheva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, №

20090226102708 dated 26.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;

- Sopharmacy 38 EOOD (until 4 February 2021 it was called Lyudmila Zlatkova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519090345 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 39 EOOD (until 16 February 2021 it was called Lyudmila Kovacheva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227150054 dated 27.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 40 EOOD (until 2 February 2021 it was called Manik Burgazyan EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20081220153409 dated 20.12.2008; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 41 EOOD (until 27 January 2021 it was called Mariyks Zhaygarova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519080839 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 42 EOOD (until 17 February 2021 it was called Maria Agova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090518183127 dated 18.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 43 EOOD (until 4 February 2021 it was called Maria Gancheva EOOD); a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090226105948 dated 26.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;

- Sopharmacy 44 EOOD (until 4 february 2021 it was called Maria Kenova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090605134931 dated 05.06.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 45 EOOD (until 4 February 2021 it was called Maria Hristova – Motopista EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519091916 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 46 EOOD (until 17 February 2021 it was called Mariyana Markova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519083054 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 47 EOOD (until 17 February it was called Mary Ivanova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227154137 dated 27.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 48 EOOD (until 2 February it was called Nelly Stavreva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227155742 dated 27.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 49 EOOD (until 4 February 2021 it was called Preslava Becheva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090518162442 dated 18.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 50 EOOD (until 27 January 2021 it was called Rayna Madzharova – St. Geori Sofiyski EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227152516 dated 27.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;

- Sopharmacy 51 EOOD (until 27 January 2021 it was called Romyana Ignatova - Gancheva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227153607 dated 27.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 52 EOOD (until 17 February 2021 it was called Sashka Todorova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090518174837 dated 18.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 53 EOOD (until 7 February 2021 it was called Svetla Harizanova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090226101122 dated 26.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 54 EOOD (until 17 february 2021 it was called Svetlana Pirpirova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519085825 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 55 EOOD (until 27 January 2021 it was called Ceiba Blagoevgrad 1 EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090414165833 dated 14.04.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 56 EOOD (until 17 February 2021 it was called Silvia Veneva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090519071228 dated 19.05.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 57 EOOD (until 18 February 2021 it was called Siyana Milanova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090604164039 dated 04.06.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;

- Sopharmacy 58 EOOD (until 27 January 2021 it was called Stoyanka Radenkova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090227160132 dated 27.02.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 59 EOOD (until 8 February 2021 it was called Ana Advzhieva EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090114162615 dated 14.01.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 60 EOOD (until 2 February 2021 it was called Radina Bekova EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20080422121447 dated 22.04.2008; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 61 EOOD (until 2 February 2021 it was called Rumen Raynov EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20090114170550 dated 14.01.2009; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 62 EOOD (until 2 February 2021 it was called Hani Modhi EOOD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20080512090050 dated 12.05.2008; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 63 EOOD (until 2 February 2021 it was called CSC Franchise EAD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 2008041018022 dated 10.04.2008; with a seat and management address: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 13;
- Sopharmacy 64 EOOD (until 6 July 2021 it was called Sanita Franchising AD), a business entity registered in Bulgaria by Decision of the Registry Agency, № 20080411103252 dated 11.04.2008; with a seat and management address: Sofia, 1220, Nadezhda Residential Area, 16, Rozhen Blvd;

- Sopharma Poland Z.O.O., Poland, in liquidation – a business entity registered in Poland by Decision № KRS 0000178554/04.11.2003 of XX Economic Division of Warsaw Regional Court Register, with a seat and management address: Poland, Warsaw, 58, Shashkova St.;
- Sopharma Warsaw SP. Z.O.O., Poland – a business entity registered in Poland by Decision № DSR 0000372245 of 17 December 2010 by XII Economic Division of the State Court Register of Warsaw, with a seat and management address: Poland, Warsaw, 8, Halubinskiego St.;
- OOO Sopharma Ukraine, Ukraine – a business entity registered in Ukraine by Decision № 10691020000029051/07.08.2012 in the Unified State Register of Legal Entities and Physical Entities-Entrepreneurs, with a seat and management address: Ukraine, Kiev, Oblonski Region, prospect Moskovskii № 9, unit 4, floor 2, office 4-203;
- PAO Vitamini, Ukraine – a business entity registered in Ukraine by Decision № 133/15.04.1994 of Uman City Court, with a seat and management address: Ukraine, Cherkasy Province, Uman, 31, Leninski Iskri St.;
- Sopharma Trading, Serbia – a business entity registered in Serbia by Decision № 07829531/ 05.02.1992 of the Business Registers Agency – Serbia, Belgrade, 48b Zorana Djindjica Boulevard;
- TOO Sopharma Kazakhstan, Kazakhstan – a business entity registered in Kazakhstan by Decision № 5286-1910-04-TOO/06.11.2014 of the Ministry of Justice, Auezov District, with seat and management address: Kazakshran, Almaty, Auezov District, Mamir-4, home 190;
- Pharmachim EOOD, Serbia – business entity registered in Serbia with BD 27219.2020 dated 14.04.2020 by the Business Registry Agency of Belgrade, with seat and management address: Republic of Serbia, Belgrade, 6, Vladimira Popovicha St.

On 23.08.2023, the merger of Biopharm Engineering into Sopharma AD was entered in the Commercial Register at the Registration Agency. The merger of Biopharm Engineering AD (transforming company) into the parent company Sopharma AD (acquiring company) was implemented through the legal form of transformation regulated in the Commercial Law. As a result of the transaction, all assets of Biopharm Engineering AD are transferred to Sopharma AD, and Biopharm Engineering AD is terminated without liquidation.

As of the valuation date, the Group's joint venture is:

- Momina Krepost AD – a business entity registered in Bulgaria by Decision № 3426/1991 of Veliko Tarnovo District Court, with a seat and management address: Veliko Tarnovo, 23, Magistralna St.

As of the valuation date, the Group's associates venture are:

- Doverie United Holding AD - a commercial company registered in Sofia City Court under company file № 13056 of 1996 and with its registered office and management address in Sofia, Bulgaria. 1504 Sofia Blvd. "Knyaz Dondukov" № 82.
- Sopharma Property REIT - a commercial company registered with the Sofia City Court by Decision № 1/24.03.2006 and with its registered office and registered address in Sofia, Bulgaria. Sofia 1756, ul. "Lachezar Stanchev" № 5.
- Sopharma Buildings REIT – a commercial company registered with the Sofia City Court by Decision № 1/14.08.2007 and with its registered office and management address in Sofia, Bulgaria. Sofia 1756, ul. "Lachezar Stanchev" № 5.

The ownership structure of the company of "Sopharma" AD as of the date of the valuation :

Shareholder	number of voting shares	Equity share, %
Donev Investments Holding AD	66 570 976	38.572
Telecomplect Invest AD	27 881 287	16.155
OGNIAN IVANOV DONEV	14 441 613	8.367
"SOPHARMA" AD (treasury shares)	14 328 336	8.302
Minority shareholders, each holding less than 5% of the capital	49 368 366	28.604
TOTAL	172 590 578	100.000

Source: Central Depository AD, No. 14-2024-799

The management of the company is assigned to a Board of Directors composed of:

- PhD Ognian Donev - Chairperson
- Vesela Stoeva – Deputy Chairperson
- Bissera Lazarova - Member
- Aleksandar Tchaoushev - Member
- Ivan Badinski - Member

The parent company is represented and managed by the executive director PhD Ognian Donev. Based on an agreement from June 9, 2020, the company's procurator is Simeon Donev.

The Audit Committee supports the work of the Board of Directors, has the role of persons charged with general management, who monitor and supervise the internal control system, risk management and the company's financial reporting system.

The composition of the Audit Committee is as follows:

- Vasil Naidenov - Chairperson
- Tsvetanka Zlateva - Member
- Kristina Atanasova - Elliot - Member

As of the date of this report, the average number of personnel in the Group is 4,741 employees.

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.

The global pharmaceutical industry has significantly shown growth in recent years. For 2022, the global pharmaceutical market is estimated at US\$ 1.48 trillion, which is a slight increase in compared to US\$ 1.42 trillion from the previous year.

In 2022, the US is the largest pharmaceutical market, generating over \$600 billion in revenue. Europe takes second place with about \$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 world's leading pharmaceutical companies are Pfizer, Merck, and Johnson & Johnson of the United States, Novartis and Roche of Switzerland, and Sanofi of France.

The pharmaceutical products that form the most significant volume of revenue are Humira, Eliquis and Revlimid. Oncology drugs are the leading therapeutic drug type in the industry, followed by medicines for diabetes. 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 over 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 truly negative effect of patent expiration is the decline in Pfizer's revenue after the Lipitor patent expired in 2012. In 2022, spending on research and innovation in the pharmaceutical industry will reach \$244 billion, which is almost double the \$137 billion created ten years earlier dollars 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 greatly 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&Company¹⁰ report:

Trends and consequences in the pharmaceutical industry	Impact: Low Average 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	Average	Low	Low			
Expectations concerning ESG	Average		Low	Low		
Geopolitical factors	Low	Average	Average	Average		
Labor market		Average	Average	Average	High	
New modalities	Low	Low	Low	Low		
New workforce expectations	Average					
Innovative pressure	Average	Low				
Inflation		Low			High	
Supply chain distribution violation	Average	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 2021, 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 Medicines Executive 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 drugs. In the permits of the enterprises, the exact address of the premises for the production/control/storage of medicinal products is indicated, as in the register of the IAL, 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 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 has been determined to determine peers, as 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 TTM metric based on September 30, 2023), 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.

The valuation of the company is carried out in the hypothesis of paragraph 20.6 (f) of "capital value", determined in accordance with paragraph 50.1 of the same standard with an applicable market approach, and in the context of paragraph 50.2 the validity of the hypothesis of letter (a) is determined and the hypothesis of letter (c).

In accordance with paragraph 100.1 of the standard, we should point out that the justification 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 standard IVS 105 paragraph 10.7, we have performed justification of the credibility and reliability of such information. In this context, we point out that to the extent that an justification of potential synergy for the receiving company from the transaction requires significant reference to uncertain future information, and to the extent that an justification of such synergy resulting from a takeover of a company with a systemically negative financial result represents a significant degree of uncertainty, we we have held that such potential synergy should not be included in the valuation of both the merging company and the receiving company.

11.5. Other significant circumstances, due to which 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 Supervisory Service, 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 (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 Ordinance 41 of the FSC - 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 choice¹⁰ 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 Samuelson¹¹, 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 Koopmans¹², 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 tomorrow¹³. In this sense, individual discount rates depend on the choice of time horizon¹⁴ 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 discounting¹⁵ and this assumption is a widely held principle in behavioral economics.

¹⁰ Frederick, S., Loewenstein, G., & O'Donoghue, T. 2002, Time discounting and time preference: A critical review, *Journal of Economic Literature*, 40 (2).

¹¹ Samuelson, P. 1937, A Note on measurement of utility, *Review of Economic Studies*, 4 (2).

¹² Koopmans, T. C. 1960, Stationary ordinal utility, and impatience, *Econometrica*, 28 (2).

¹³ Solnick, J., Kannenberg, C., Eckerman, D., & Waller, M. 1980, An experimental analysis of impulsivity and impulse control in humans, *Learning and Motivation*, 11 (1); Millar, A., and Navarick, D. 1984, Self-control and choice in humans: Effects of video game playing as a positive reinforcer, *Learning and Motivation*, 15; Green, L., Fry, A., & Myerson, J. 1994, Discounting of delayed rewards: A life-span comparison, *Psychological Science*, 5 (1).

¹⁴ Loewenstein, G., and Prelec, D. 1992, Anomalies in intertemporal choice: Evidence and an interpretation, *Quarterly Journal of Economics*, 107 (2)

¹⁵ Laibson, D. 1997, Golden eggs and hyperbolic discounting, *Quarterly Journal of Economics*, 112 (2).

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 Markowitz¹⁶ and the development of modern portfolio theory and its addition by Sharpe¹⁷, което е в основата на модела за оценка на капиталови активи (Capital Asset Pricing Model, CAPM). 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 Fama¹⁸. In it, risks are adequately priced and new information with an effect on prices is quickly reflected in a rejustification 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 Stiglitz¹⁹ 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)²⁰. The main criticism of such factor models remains the question of the principle by which factors are chosen to enter the model²¹.

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 Schmidt²² recommend to the IFRS Board to use only WACC, which approach is also embedded in the regulatory practice in Bulgaria. At the same time, Kval²³ disputes this approach and presents arguments in favor of choosing the incremental interest rate. Accordingly, Husman and Schmidt, in their response to Kval's criticism²⁴ point out that IAS 36 does not require the use of the CAPM in determining the WACC.

¹⁶ Markowitz, H. 1952, Portfolio selection, *Journal of Finance*, 7 (1)

¹⁷ Sharpe, W. F. 1964, Capital asset prices: A theory of market equilibrium under conditions of risk, *Journal of Finance*, 19 (3).

¹⁸ Fama, E. F. 1970, Efficient capital markets: A review of theory and empirical work, *Journal of Finance*, 25 (2)

¹⁹ Grossman, S. J., and Stiglitz, J. E. 1980, On the impossibility of informationally efficient markets, *The American Economic Review*, 70 (3)

²⁰ Fama, E.F. and French, K. R. 1993, Common risk factors in the returns on stock and bonds, *Journal of Financial Economics*, 33 (1)

²¹ Cochrane, J. 2011, Presidential address: Discount rates, *Journal of Finance*, 66 (4).

²² Husmann, S., and Schmidt, M. 2008, The discount rate: A note on IAS 36, *Accounting in Europe*, 5 (1)

²³ Kvaal, E. 2010, The discount rate of IAS 36 – a comment, *Accounting in Europe*, 7 (1)

²⁴ Husmann, S., and Schmidt, M. 2011, The discount rate of IAS 36 – A reply to Kvaal, *Accounting in Europe*, 8 (1)

An additional issue in determining an appropriate discount rate is related to the credit quality of the assets, e.g. the valuation of stressed assets. Clearly, 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 (to the extent that the hypotheses in paragraph 130.4 of IVS 200 for a simple capital structure are met).

To the extent that, 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 a justification of the implementation of the prerequisites for recycling through profit and loss of the DVD components subject to recycling. In such a recycling, these economic effects would result in a change in the capital of the receiving 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 taken into account that the FSC did not approve not only the transformation as such, but also the specific method of transformation, and upon approval of another method of transformation, our conclusion

about the absence of circumstances suggesting recycling of DVD through profit and loss may be not valid.

As a result of the planned transformation, 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.

Account must also be taken in the effect of certain contingent liabilities or contingent liabilities arising as a result of 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 transferring company;
- (b) possible effects of recognition of contingent liabilities in the changed business combination;
- (c) possible effects of liabilities arising when liabilities are transferred from the Transferring company to the Accepting company in connection with contractual clauses.

Regarding the evaluated company, taking into account the existence of a business combination and consolidation within this company as a parent company, which is also a host company, it is necessary to carry out an additional analysis (this is presented in point 14).

Във връзка с възможно възникване на пасиви при промяна на бизнес комбинацията, ние осъществихме анализ на:

- (1) Current bank credit agreements with respect to transformation clauses;
- (2) Contracts for state aid received within the receiving company's group with respect to parent company transformation clauses;
- (3) Intra-group financing agreements with respect to parent company transformation clauses

In the analysis of these contracts, we did not find any clauses that, in our opinion, would give rise to contingent liabilities for the business combination.

In preparing our opinion, we proceed from the hypothesis that there will be no material changes in the contractual clauses of the reviewed contracts between the date of our review and the date of implementation of the changed business combination.

- (4) No other contractual clauses were identified from which the probable occurrence of liabilities in the event of a change in the business combination would arise.

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

Market multiplier methods of similar companies according to Article 16 of Regulation 41 of the FSC include the following models:

1. peer company market multiples model; or
2. a 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 justification 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 average market multiples are allowed, requiring justification 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 multiple, which is the ratio between the market price of the shares of the similar company, respectively on a generally accepted benchmark, and its net earnings (P/E), or
2. the book value (equity) with a market multiplier, which is the ratio between the market price of the shares of the similar company, respectively the generally accepted benchmark, and its book value (equity) (P/B), or

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

4. earnings before interest, taxes, depreciation and amortization with a market multiple, which is the ratio between the total value of the similar company, respectively, on the generally accepted benchmark, and its earnings before interest, taxes, depreciation and amortization (EV/EBITDA).

11.5.4. Applicability of liquidation justification according to IFRS 13 and 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, according to the clarifications on the application of IFRS 13 by the IASB, a liquidation justification is applicable when there are grounds for doubt about the going concern hypothesis, including clear indications of continued decapitalization, over-indebtedness or liquidity crisis..

Regarding the analyzed company, there are no prerequisites for preparing a liquidation justification.

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.

Public companies in the EU that are a parent company or have an obligation to prepare consolidated financial statements have a regulatory obligation to apply certain standardized financial reporting rules, including in terms of the form and scope of the information presented, required explanations of the information used and requirements additional explanations by 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 confirming that the financial information reflects the true and complete state of the company, but also confirming 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 sustainability (ESG) information. For consolidation purposes, subsidiaries should prepare a consolidation package of financial information according to these standards. In this sense, it is common practice for all companies in the group 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 parent 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 justification, the assessee is not a financial institution, nor is it part of a financial holding company or a mixed holding company, and it is not subject to certain capitalization and liquidity position requirements that apply under the CRD/CRR, 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 Use of alternative calculations

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 in 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 given company and additional non-public data (e.g. 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 Service does not allow the use of such sources, there is an information risk when preparing the present justification.

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. Regulation No. assets). These standards specify a cascade that is applied to determine the "fair value" of a financial instrument. In the case of shares of an actively traded company, appraisers would determine the fair value of the shares of Sopharma AD as the "closing" price on the last business day preceding the date of valuation on the main market for that financial instrument, or if for the person, to to which the valuation is addressed does not have access to that underlying market, that price in the most liquid market for the given financial instrument, to which the valuation addressee has access. This fair value is BGN 5.92.

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 Supervisory Service sets out in detail the methodology for carrying out such an justification of fair price. Taking into account the above, a distinction must be made between "fair price" as defined in this justification and "fair value", as the fair price of the analyzed company's shares determined in this justification is not, does not purport 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 justification date

Insofar as the justification is carried out on a specific date, it cannot take into account a significant future fact, namely the increase in the capital of the assessed company from 172,590,578 to 179,100,063 entered in the TRRULNC with entry 20240305153305 on 05.03.2024 at 15:33:05 hours of 6,509,485 warrants.

Item 12. Fair Value Measurement of Actively Traded Shares

According to Art. 3 of Ordinance 41 of the FSC, the fair price per share of a company is the value determined based on the price of the shares from the trading venue with the largest volume of shares traded and/or on generally accepted valuation methods in accordance with the requirements of the Ordinance.

The shares of "SOPHARMA" AD are admitted to trading on the "Bulgarian Stock Exchange" AD and the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A).

Information on BSE trading over the past 6 months is provided below

Period	6 prior the date of the valuation
Traded volume of the issue in the period, shares	2 109 452 shares
Realized turnover with the issue in the period (BGN)	BGN 13 222 056.48
Number of trading sessions in the period	125 sessions
Number of trading sessions during the period in which there were transactions with the issue	124 sessions
Number of trading sessions in the period in which there were 5 or more transactions in shares of the issue	113 sessions
Total realized turnover with all issues of shares on the regulated market in the period	BGN 315 605 525.91

Having taken into account the fact that for the considered period 30,475 shares of the company were traded on the Warsaw Stock Exchange, and 2,109,452 shares of the company on the BSE, we define it as the main market BSE.

We refer to the information presented in point 5.1 and point 6.1, which proves the fulfillment of the hypothesis of actively traded shares.

The average price for the period is BGN 6.268005378, determined by dividing the realized turnover for the period of BGN 13,222,056.48 by the number of 2,109,452 shares traded during the period on the main market for these shares, BSE, and therefore we determine a fair price of actively traded shares from BGN 6.27.

Two additional facts should be noted. In 2023, 2 dividend distributions were carried out - by decision of the Board of Directors dated 02.06.2023, a dividend was distributed on 27.07.2023 in the amount of BGN 0.60 per share, and on 24.11.2023 a decision was made to distribute of a gross dividend in the amount of BGN 0.90 per share, payable on 22.01.2024. Since the persons who were shareholders 14 calendar days after the date of the AGM, on which the decision to pay the dividend was made, are entitled to a dividend, it will be considered that on the starting date of the six-month period, the entitlement period (16.06.2023) with regard to the first dividend has already expired, but the persons who were shareholders in the period 25.11.2023 (the date following the decision of OSA) until 06.12.2023 took into account in the price the possibility of receiving a dividend in the amount of BGN 0.90 per share from the persons who are shareholders as of 06.12.2023. It should also be taken into account that on 29.09.2023 the first exercise of warrants issued by the company was completed, 37,792,679 warrants were exercised, with an issue price of BGN 0.28 each, and 37,792,679 shares were acquired at a price of BGN 4.13 per share. The price of one share in a warrant exercise procedure is determined by adding the issue value of the instrument giving the right to acquire at such a price to the acquisition price of one share (BGN 4.13) (the issue value of one warrant of BGN 0.28) and therefore there is an acquisition on 29.09.2023 of 37,792,679 shares at a price of BGN 4.41. This capital increase was entered in the TRRYULNC on 06.10.2023 at 15:48:57.

Item 13. Valuation using the discounted cash flow method

According to Art. 5, para. 3 of Ordinance 41 of the FSC, if the company's shares are not actively traded in the last six months before the date of the justification, 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-Schneider²⁵ and Lindemann–Weierstrauss²⁶, 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

²⁵ <https://mathworld.wolfram.com/GelfondsTheorem.html>

²⁶ https://books.google.bg/books?id=jhIEAQAAMAAJ&pg=PA1067&redir_esc=y#v=onepage&q&f=false

a theoretical point of view, these models lead to the so-called "tabulation dilemma", discussed in detail by William Morton Keihan²⁷, 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 754-2019²⁸ standard.

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 the 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.

Paragraph 1(7) of the Additional Provisions of Regulation № 41 of the FSC adopts only one of the five widely used FCF models²⁹, конкретно:

$$FCFF_i = EBIT_i * (1 - TR_i) + D_i - CAPEX_i - \Delta WC_i, \text{ where}$$

EBIT – consolidated financial result before interest and taxes;

TR – effective tax rate on a consolidated basis;

D – depreciation;

CAPEX – long-term investments;

WC – working capital.

The EBIT*(1-TR) component is referenced in § 1, item 7 of the Supplementary Provisions of the FSC Regulation № 41 as "earnings before interest after taxes" and the CAPEX component as "investments in non-current assets".

²⁷ <https://people.eecs.berkeley.edu/~wkahan/LOG10HAF.TXT>

²⁸ <https://754r.ucbtest.org/background/>, приета през 2019 ревизия на версията от 2008 на IEEE 754 стандарта от 1985 - <https://ieeexplore.ieee.org/document/30711>

²⁹ Вж. напр. статията на Адам Хайес, Ph.D., CFA, притежаващ FINRA лицензи серии 7, 55 и 63 в Investopedia (<https://www.investopedia.com/terms/f/freecashflowfirm.asp>).

In Annex 2 to Art. 3(2) of Regulation № 41 of the FSC, the formula adopted for determining the value of the company based on FCFF is: $V_0 = \sum_{i=1}^n \frac{FCFF_i}{(1+WACC_i)^i} + \frac{P_n}{(1+WACC_n)^n}$, where P_n measures the so-called "terminal value" and V_0 is the "total capital value".

For the terminal value in Appendix No. 2 to Art. 8, para. 3, item 2 of Ordinance No. 41 of the FSC adopted the formula

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

$$V_0 = \sum_{i=1}^n \frac{FCFF_i}{(1+WACC_i)^i} + \frac{FCFF_n(1+g_{n+1})}{(WACC_{n+1}-g_{n+1}) * (1+WACC_n)^n}, \text{ where}$$

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

$WACC_i$ is the weighted average cost of financing determined according to the formula

$$WACC_i = \frac{MVE_i}{MVE_i + MVD_i} * C_e + \frac{MVD_i}{MVE_i + MVD_i} * C_d * (1 - TR_i), \text{ where}$$

MVE_i is the fair value of equity in the relevant year,

MVD_i is the fair value of debt in the relevant year,

C_e is the cost of equity financing,

C_d is the cost of debt financing.

It is acceptable to use the so-called Gordon hypothesis that the time value of $WACC$ and TR is constant, and then the model can be simplified to

$$V_0 = \sum_{i=1}^n \frac{FCFF_i}{(1+WACC_0)^i} + \frac{FCFF_n(1+g_{n+1})}{(WACC_0-g_{n+1}) * (1+WACC_0)^n} \text{ and respectively}$$

$$WACC_0 = \frac{MVE_0}{MVE_0 + MVD_0} * C_e + \frac{MVD_0}{MVE_0 + MVD_0} * C_d * (1 - TR_0)$$

This formula is subject to modification³⁰ to account for the fact that companies raise interest-bearing debt (e.g., bank loans and leases) and non-interest-bearing debt (e.g., trade payables). This requires that the MVD_0 component be disaggregated into two separate components -

³⁰ The disaggregation of debt into interest-bearing and non-interest-bearing instruments has been adopted by the IASB in the framework of the Financial Instruments with Capital Characteristics (FICE) project and is expected to underpin the IFRS-based analogue models of FCFE and FCFF (under development by the University of Milan on assignment from the European Commission).

interest-bearing debt IBD , which is associated with a certain cost of funding, and non-interest-bearing debt $NIBD$, which is associated with a zero cost, and we modify in this sense:

$WACC_0 = \frac{MVE_0}{TA_0} * C_e + \frac{IBD_0}{TA_0} * C_d * (1 - TR_0) + \frac{NIBD_0}{TA_0} * 0$, where TA_0 are the total assets³¹ of the company at fair value, which simplifies to

$$WACC_0 = \frac{MVE_0}{TA_0} * C_e + \frac{IBD_0}{TA_0} * C_d * (1 - TR_0)$$

Accordingly, the cost of debt, C_d is defined as $C_d = \frac{IE_0}{IBD_0}$, where IE_0 is the sum of interest costs on a 12-month TTM basis at the valuation date.

After substitution we get:

$$WACC_0 = \frac{MVE_0}{TA_0} * C_e + \frac{IBD_0}{TA_0} * \frac{IE_0}{IBD_0} * (1 - TR_0).$$

To avoid misunderstanding:

MVE_0 =The value of capital determined in accordance with IFRS at the valuation date

TA_0 =The value of assets determined in accordance with IFRS at the valuation date

IBD_0 =Liabilities representing bank debt, lease obligations and factoring with recourse

IE_0 =Amount of interest expenses for a 12-month period (TTM)

$TR_0 = \sum \frac{TFR_j * TR_j}{TFR_j}$, is the effective tax rate, where TFR_j is the taxable financial result within the consolidated financial reports in tax jurisdiction j , and TR_j is the corresponding applicable tax rate in that tax jurisdiction.

It should be noted that within the framework of the consolidated financial statements of the assessed company, it is very difficult to predict precisely the future structure of the taxable result, especially with a view to opening a new company in a new tax destination. In this sense, taking into account that the main activity of the group is in the Republic of Bulgaria, and the assessed company itself, as a parent company, is also a Bulgarian tax subject, for the purposes of the justification, an approach was taken to approximate the effective tax rate as equal to the tax rate in Republic of Bulgaria as of the date of the justification.

When applying the above formula, it should be taken into account that it is possible that certain interest-bearing liabilities, on which interest payments were made, were fully repaid on the date of the analysis, respectively, that interest-bearing liabilities arose on the date of

³¹ To the extent that assets at fair value equal the sum of debts (liabilities) at fair value and equity.

the analysis, on which they are still no interest payment has occurred. This would lead to significant distortions in the calculations related to the cost of debt, and accordingly it is possible that the cost of debt financing so determined differs materially from that calculated under the alternative method of weighted cost of debt under active contracts³², according to which method at any given time , t:

$$C_{d,t} = \sum_{i=1}^n \frac{CL_{i,t} * EIR_{i,t}}{CL_{i,t}}, \text{ където}$$

$CL_{i,t}$ is the contractual amount under the ith contractual liability, which is due at time t;

$EIR_{i,t}$ is the effective contractual interest rate or rate of appreciation on the ith interest-bearing liability determined at time t.

A major advantage of using this method is that it allows the financial due diligence process to account for the fact that trade payables may be linked to deferred payment, where there is a premium compared to standard commercial terms for spot payment. Having characteristics similar to the application of an effective interest rate. In this sense, substitute commercial financing essentially represents a replacement of the increase in the price of commercial payment with interest payments of commercial financing³³. It should be noted that the International Accounting Standards Board under the Trade Payables and Receivables and Trade Payables and Receivables project is considering the need for additional disclosures within the financial statements that would allow analysts to have access to such summary information.

At the same time, this method requires access to detailed information at any time for each interest-bearing liability, including its effective interest rate, data on repayment and utilization plans, data on commercial terms, as well as data on contingent liabilities that can be transformed in unconditional interest-bearing liabilities under certain conditions, which information cannot normally be derived from the financial statements, and is normally not publicly available. Taking into account this fact, the use of this alternative method for determining the weighted cost of debt is excluded for the purposes of this analysis.

Based on data from the consolidated financial statements of Sopharma:

Financial expenses Amount,	thousand BGN
Financial expenses as of 30.09.2022	6,860
Financial expenses as at 31.12.2022	9,417

³² This model is mainly used in financial due diligence, as it allows the justification of the effects of replacement financing, respectively, a change in the structure of liabilities and synergy effects.

³³ Which is the basis of the pricing analysis of trade finance, factoring and forfeiting..

Financial expenses as at 30.09.2023	9,589
TTM Financial expenses 30.09.2023	12,146

As at 30.09.2023, according to the consolidated financial statements of Sopharma:

Interest-bearing debt Amount,	thousand BGN
Long-term bank borrowings (note 27 to the consolidated statement as at 30.09.2023)	37,766
Short-term bank loans (note 33 to the consolidated statement as at 30.09.2023)	278,589
Leases (note 30 to the consolidated statement at 30.09.2022)	72,855
Factoring with recourse (note 37 to the consolidated statement at 30.09.2023)	2,867
Interest-bearing liabilities	390,446

On this basis $C_d = \frac{12,146}{390,446} = 3.110801494\%$.

There are a number of circumstances that affect the future cost of financing of the companies in the analyzed company's group, which is why the derived cost of debt is not necessarily representative of the future cost of financing, the main ones being indicated below:

- The presence of inflationary pressure and macroeconomic uncertainty caused by the lack of a stable ruling majority in the Republic of Bulgaria and the existence of a military conflict in which one of the participating countries shares a maritime border with the Republic of Bulgaria. These factors are likely to increase the cost of financing in the future.
- The financial condition of the companies in the group, as well as the future threats to their main markets. Improvements in corporate financial health are likely to help keep leveraged spreads relatively low, while the loss of significant markets (particularly countries in military conflict) is likely to push spreads higher.
- The financial condition of lending institutions, as far as BNB data shows, there is increasing pressure on the banking system, which is likely to lead to an increase in bad debts and this will lead to an increase in the price of new financing, regardless of the high credit quality of the company- mother in the group.
- Expected decrease in reference interest rates. Since the banking system in Bulgaria is mainly financed by attracted deposits, and not by the interbank market, to a certain extent this factor has a softening end effect, but in the long term it is always reflected.

- in Bulgaria it is mainly financed through attracted deposits, and not from the interbank market, to a certain extent this factor has a softening end effect, but in the long term it is always reflected.
- Increased risk in factoring with recourse (in connection with increasing the risk of the obligee, and therefore increasing the likelihood of a recourse claim).

It is not possible to accurately predict the future cost of financing with a sufficient degree of reliability. Considering that the analyzed group of companies has a high credit quality historically, it is reasonable to assume that it will be able to continue to attract financing under conditions typical of large corporate clients, which usually have a significantly lower spread from the prevailing market conditions.

Taking into account the above, we assume that it is likely to keep the cost of leveraged debt financing in the forecast horizon 2024-2029, with two main components acting in the opposite direction and leading to rebalancing:

- Decrease in reference interest rates (according to the forecast of the Ministry of Finance by about 80 basis points for 2026 compared to 2023);
- An increase in the credit spread taking into account macroeconomic and geopolitical factors, but taking into account the specifics of the analyzed group, which implies a minimal increase in spreads in the range of 25 to 75 basis points.

The cost of capital shall be determined in accordance with § 1, item 5, letter b of the Additional Provisions of Regulation № 41 as follows:

$C_e = R_f + R_p$, 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, ranked by importance	Explanation	Lowest risk, based on the criterion considered
I. Likelihood of 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 yield on a given instrument.	AAA rating or equivalent according to the rating agency

<p>II. Urgency</p>	<p>The longer the term on a given instrument, the higher the cumulative probability of non-payment on it, correspondingly, the higher the required yield on it.</p>	<p>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.</p>
<p>III. Seniority (priority)</p>	<p>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 yield.</p>	<p>A so-called "super-senior" instrument, payments on which are made before any other payment.</p>
<p>IV. Collateral</p>	<p>Collateralized instruments offer an alternative source of repayment beyond the ordinary course of business of the issuer, with the highest quality collateral being cash in the same currency as the currency of the instrument they are collateralizing.</p>	<p>Collateral 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 collateral. In the case of cash collateral in the same currency, this is usually a coverage of 105% (based on the practice of leading international banks).</p>
<p>V. Applicable law and competent court</p>	<p>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 of the issuer exerting pressure in the event of a legal dispute.</p>	<p>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).</p>
<p>VI. Moratorium, force majeure</p>	<p>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</p>	<p>Explicit contractual exclusion of force majeure clauses (it should be noted that in a number of legislations such an exclusion is not permissible).</p>

		implies a lower required yield, as it brings higher certainty.	
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 yield.	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 liquid the currency in which the given financial instrument is issued, the higher the required yield on it.	An instrument denominated in US dollars or euros 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 on 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 at 105% or more by cash in euro, issued under UK law with an LCIA competent court, contractually excluding the possibility of renegotiation, restructuring, total or partial non-payment in case of force majeure, issued in conditions of super-liquidity and low inflation.

As of the justification 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 necessitates the use of alternative definitions, the most widely used of which are listed below:

Meter	EURIBOR / LIBOR	Rated sovereign government bond yields AAA	An alternative approach ³⁴ on government bonds of a sovereign with a rating AAA
Justification	A reference base above which risk premiums are priced for debt instruments with floating yields,	A benchmark for comparing premiums on most fixed income instruments. The approach is explicitly accepted as the only	In this approach, the yield on government securities is adjusted by taking into account the probability of non-payment "over the life

³⁴ Specifically, the yield on unsecured government securities for the life cycle is determined in accordance with the approach of the European Banking Authority according to the formula $(1+y_{(Aaa)}^t) * (1 - \text{PD}_{(ttc,Aaa)}^t) + (1 - \text{LGD}_{(ttc,AAA)}^t) * (\text{PD}_{(ttc,Aaa)}^t - 1)$, where $\text{PD}_{(ttc,Aaa)}^t$ is the lifetime default probability for period t of an issuer with a rating of Aaa, $y_{(Aaa)}^t$ is the yield on government securities with maturity t and credit rating Aaa, respectively $\text{LGD}_{(ttc,AAA)}^t$ is the historically derived loss in case of default based on statistical data for the entire life cycle for period t of an Aaa-rated debt issuer.

	constituting a market worth more than 1 trillion. dollar. After the revision in the way of formation of these percentages, the method of determining their value is based entirely on market principles ³⁵ .	acceptable one for the purposes of Regulation No. 41 of the Financial Supervision Authority. The IASB in its opinion of 27 February 2024 also adopts this approach ³⁶ .	cycle ³⁷ for the analyzed period within the estimated cash flows. The approach makes it possible to overcome one of the two main disadvantages of using yield on government securities, specifically the risk of default increasing over time on papers with a maximum credit rating.
Main cons	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 rate of interest" ³⁸ .	The sovereign debt market is typically much more constrained and less liquid 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, pp. 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 yields, 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.

Insofar as the present justification is prepared expressly on the basis of Regulation No. 41 of the FSC, assessors may not use any other analytical approach, regardless of its validity, except the interpretation adopted by the FSC. In the same context, the adopted benchmark is 10-year German government securities, insofar as these are government securities with a maturity at least equal to the forecast horizon, issued by a country with a rating of Aaa, and with the lowest yield at the justification date among the 10-year government securities issued by the countries with the highest credit rating in the euro area and the Republic of Bulgaria (as a country with an exchange rate fixed to the euro). For the avoidance of doubt, the appraisers neither affirm nor deny the applicability of the other two alternative approaches to choosing a risk-free rate.

On this basis $R_f = Y_{DE\ bonds,14.01.2024}^{10Y}$, where $Y_{DE\ bonds,14.01.2024}^{10Y}$ is the yield on 10-year unsecured German government securities at the end of the day 14.01.2024 (quote "closes"),

³⁵ Вж. https://www.fsb.org/wp-content/uploads/r_140722.pdf стр. 9, т. 3, където IBOR се посочват като широко разпространен дисконтов фактор за регулаторни оценки базирани на CAPM. Съответно като една от основните цели на IBOR реформата Европейските регулатори посочват превръщането на IBOR в „максимално близък до безрисков измерител“ (<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2527s%2520Final%2520Endorsement%2520Advice%2520on%2520IBOR%2520Reform%2520-%2520Phase%25202%2520-%2520Letter%2520to%2520the%2520EC.pdf>).

³⁶ Конкретно в точка 6 от становището си по бъдещата ревизия на MCC 37 се посочва „Бордът е приел под условие, че дружествата могат да оценят бъдещите си разходи с използване на дисконтов процент, отразяващ бъдещата стойност на парите — представляван от безрисков процент—който не следва да бъде коригиран за риск от неизпълнение. На практика, такъв процент може да се определи чрез реферирание към наблюдаем пазарен заместител за безрисков процент, напр. доходност по ДЦК.“

³⁷ For example, table 1, p. 9 from <https://www.z-riskengine.com/media/y/rpdy2z/point-in-time-versus-through-the-cycle-ratings.pdf>

³⁸ Напр. https://www.bportugal.pt/sites/default/files/anexos/papers/re202307_en.pdf

as the day immediately preceding the valuation date, or insofar as 14.01.2024 is a non-working day, such quote "closes" for the last business day immediately preceding the justification date, in this case it is 12.01.2024 (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:

$R_{p,ext} = CDS_{BG} - CDS_{DE}$, that is, the credit spread between the 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

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

Based on the above, we determine

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

And we simplify to:

$$C_e = CDS_{BG} - CDS_{DE} + ROE_o$$

For the purpose of determining CDS values, we use Professor Damodaran's database:

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 rating)	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>

Accordingly:

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 rating)	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%2Fadamodar%2Fpc%2Fdatasets%2Fctryprem.xlsx&wdOrigin=BROWSELINK>

The use 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 the data from Sopharma's consolidated financial statements, we determine

Печалба след данъци (NPAT)	Стойност, хил. лева
NPAT 30.09.2022 г.	72,256
NPAT 31.12.2022 г.	76,333
NPAT 30.09.2023 г.	80,929
TTM NPAT 30.09.2023 г.	85,006

In the consolidated financial statements as of 30.09.2023, the value of the capital amounts to BGN 731,385 thousand, respectively

$$ROE_{TTM,30.09.2023} = \frac{85,006}{731,385} = 11.62260642\% \text{ and determine}^{39}$$

³⁹ Strictly speaking, a significant part of the listed factors regarding the cost of debt financing are also reflected in CDS, and in this sense, a long-term increase in the indicated values is likely both for Bulgaria (to a higher degree) and for Germany (to a lesser degree), which is likely to lead to a widening of the spread between the two values and an increase in the cost of equity financing, other things being equal, in the 2023-2029 horizon. At the same time, such growth is likely to remain below 0.25%, which does not require taking it into account at the moment.

Входни параметри	Стойност
ROE	11.6226%
Country Risk Premium (CDS) на България (данни на проф. Дамодаран)	1.19%
Country Risk Premium (CDS) на Германия (данни на проф. Дамодаран)	0%
Цена на финансиране със собствен капитал	12.8126%

We substitute in $WACC_0 = \frac{MVE_0}{TA_0} * C_e + \frac{IBD_0}{TA_0} * C_d * (1 - TR_0)$, as follows:

$$MVE_0 = BGN 731,385,000$$

$$TA_0 = BGN 1,439,574,000$$

$$IBD_0 = BGN 390,446,000$$

$$TR_0 = 10\%$$

$$C_e = 12.8126\%$$

$$C_d = 3.1108\%$$

$$WACC_0 = \frac{731385000}{1439574000} * 12.8126\% + \frac{390446000}{1439574000} * 3.1108\% * (1 - 10\%) = 7.26977912361\%$$

Using rounding to the fourth decimal place, we get

$$WACC_0 = 7.2698\%$$

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

AUTUMN MACROECONOMIC FORECAST						
MAIN ECONOMIC INDICATORS	ACTUAL DATA*		FORECAST			
	2021	2022	2023	2024	2025	2026
International Environment						
World real GDP [%]	6.3	3.5	3.0	2.9	3.2	3.2
EU 28 real GDP [%]	6.0	3.4	0.8	1.4	2.1	2.0
USD/EUR exchange rate	1.18	1.05	1.07	1.06	1.06	1.06
Crude oil, Brent [USD/bbl]	70.4	99.8	84.4	84.5	79.1	75.6
Non-energy commodity prices [in 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
Gross Domestic Product						
Nominal GDP[mln BGN]	138 979	167 809	191 182	205 849	217 811	231 357
Real GDP 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 formation	-8.3	6.5	0.6	9.6	7.9	4.9
Export of goods and services	11.2	11.6	0.5	4.0	4.1	3.9
Import of goods and services	10.7	15.0	-1.9	6.0	5.8	5.0
Labour Market and Prices						
Employment growth [SNA, %]	0.2	-0.3	1.2	0.6	0.4	0.3
Unemployment rate [LFS, %]	5.3	4.3	4.2	4.0	4.0	3.9
Compensation per employed [%]	11.3	14.2	14.3	11.2	8.1	7.3
Deflator of GDP	7.1	16.2	11.9	4.3	2.7	3.1
Average annual inflation [HICPs,%]	2.8	13.0	9.1	4.8	2.8	2.2
Balance of payment						
Current account [%of GDP]	-1.7	-1.4	1.7	0.0	-0.8	-1.0
Trade balance [% of GDP]	-4.1	-5.9	-3.1	-4.8	-5.9	-6.1
Direct foreign investments [% of GDP]	2.9	3.6	3.8	3.9	3.8	3.8
Monetary sector						
M3 [%]	10.7	13.2	9.8	9.6	9.2	8.9
Receivables from companies [%]	6.1	11.1	8.3	7.0	7.3	7.8
Receivables from households [%]	13.4	14.6	11.9	9.6	8.5	8.0
Source: NSI, BNB, MVF ,Eurostat, SB, ECB, IAP						
Note: When preparing the forecast, statistical data published until 11.10.2023 was used, with the exception of GDP and employment data, which are as of 19.10.2023						

.Source: 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 account, on the one hand, the existence of a regulatory regime, which does not allow the price of medicinal products in Bulgaria to significantly overtake that in Europe, and on the other hand, the strong market positions of Sopharma, we expect sustainable growth to be realized after the terminal year , which is ahead of Bulgaria's GDP growth by about 0.5% -

1%. In view of the above circumstances, an assumption of constant terminal growth has been made $g_{n+1} = 4\%$ ⁴⁰

The company has prepared a long-term consolidated forecast for its development, together with basic assumptions for this development, presented in million BGN:

		Sopharma Consolidated Forecast						
		in mln. Euro		Forecast by Sopharma			SIS Forecast	
		Budget	Forecast	Forecast	Forecast	Forecast	Revised	
Forecast base		2023	2024	2025	2026	2027	2028	2029
Revenue	Forecast for the two income categories	1768,3	1856,7	1949,5	2047,0	2149,3	2256,8	2369,6
Other operating income/(losses), net	Historical values, the forecast increase is mainly associated with inflation	8,0	8	8	8	8	8	8
EBITDA	Resulting row	137,8	138,5	145,0	151,9	159,0	166,6	174,5
Tax	Resulting row with effective tax rate 13%	-14,4	-11,1	-11,7	-12,4	-13,0	-13,7	-14,5
Change NWC	Resulting row	-184,0	-17,9	-18,6	-19,5	-20,5	-21,5	0,0
Net CapEx	Investment plans of the Group	-13,0	-33,4	-35,1	-36,8	-38,7	-40,6	-42,7
Unlevered FCF (FCFF)	Resulting row	-73,7	76,0	79,6	83,1	86,8	90,7	117,4
Sales Finished products	Historical values, the forecast increase is mainly associated with inflation	339,3	356,3	374,1	392,8	412,5	433,1	454,7
Sales FP growth %		19.5%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Sales Goods		1428,9	1500,4	1575,4	1654,2	1736,9	1823,7	1914,9
Sales Goods growth %		102.6%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Total Revenue growth %		108.0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
COGS	Historical value of costs as % of income	1260,7	1323,8	1390,0	1459,5	1532,5	1609,1	1689,5
COGS %		88.2%	88,2%	88,2%	88,2%	88,2%	88,2%	88,2%
OPEX	Historical value of costs as % of income with inflation into account	377,7	402,4	422,5	443,7	465,9	489,2	513,6
OPEX %		21.4%	21,7%	21,7%	21,7%	21,7%	21,7%	21,7%
COGS plus OPEX w/o Depreciation	Resulting row	1638,5	1726,2	1812,5	1903,2	1998,3	2098,2	2203,1
COGS plus OPEX %		92,7%	93,0%	93,0%	93,0%	93,0%	93,0%	93,0%
EBITDA	Resulting row	137,8	138,5	145,0	151,9	159,0	166,6	174,5
EBITDA margin %	Resulting row	7,8%	7,5%	7,4%	7,4%	7,4%	7,4%	7,4%
EBITDA growth %	Resulting row	3%	86%	5%	5%	5%	5%	5%
Depreciation and amortizations	Based on the investment plans and the amortisation scheme	26,8	27,3	27,7	28,2	28,8	29,3	29,9
NWC	Resulting row	111,0	111,2	117,3	123,6	130,3	137,3	144,6
Inventory	Directly related to the production process and the purchases necessary to ensure the forecasted sales	152,3	313,9	329,6	346,0	363,3	381,5	381,5
Account receivables	Based on historical information on receivables as a percentage of sales (so-called credit sales)	151,9	311,9	327,5	343,9	361,1	379,2	379,2
Current Assets w/o Cash	Resulting row	304,2	625,8	657,1	690,0	724,4	760,7	760,7
Account payables	Resulting row	34%	34%	34%	34%	34%	34%	32%
Current Liabilities w/o Debt and Leasing due to IRFS 16	Determined based on the deferred payment policy to suppliers and expected costs to suppliers	240,7	253,6	266,3	279,6	293,6	308,2	308,2
Net Working Capital	Resulting row	240,7	253,6	266,3	279,6	293,6	308,2	308,2
DIOH	Resulting row	14%	14%	14%	14%	14%	14%	13%
DSO	Resulting row	63,5	372,2	390,8	410,4	430,9	452,4	452,4
DPO	Resulting row	4%	20%	20%	20%	20%	20%	19%
	Resulting row	184	18	19	20	21	22	0
	Resulting row	66	66	66	66	66	66	66
	Resulting row	61	61	61	61	61	61	61
	Resulting row	54	54	54	54	54	54	54

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

⁴⁰ For the avoidance of doubt, there are a number of factors that could lead to a significant decline (e.g. a deepening of the military conflict in Ukraine and its spread to other countries in the region, resulting in the termination of access to certain markets) or a significant increase (e.g. medium-term inflation above 10% per year in the Eurozone, which will also exert significant pressure on drug prices).

First, the preliminary data for the year 2023 is based on the consolidated budget of the group and the result as of 30.09.2023.

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 - direct of about 1% and induced of about 0.5% above the "usual" level of growth from 2021-2022 of 3.5%);
- Maintaining cost of sales at around 88.2%;
- A slight increase in operating expenses as a percentage of sales to 21.7% and their subsequent retention at this level, which reflects the need to update certain expenses in connection with inflationary pressure, which pressure is expected to significantly weaken in the future (in accordance with the forecast of the Ministry of finance);
- As a result of these forecasts, a relatively constant level of the EBITDA indicator as a percentage of sales is expected - in the range of 7.7% - 7.9%, which is in line with the historical range of 7.3% - 8.5%;
- Current trade payables are modeled as a constant percentage (14%) of sales, which corresponds to the usual commercial terms of supply;
- Inventory and receivables are also modeled as a constant percentage (34%) 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.

Taking into account the requirements of Ordinance No. 41, and based on the above, the FCFF was prepared as follows:

Revised (Ordinance 41 of the FSC)		Preliminary data	Forecast					
		31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029
EBIT	Profit before interest and tax	111.0	111.2	117.3	123.6	130.3	137.3	144.6
TR	Effective tax rate	13%	10%	13%	13%	13%	13%	10%
EBIT * (1-TR)	Resulting row	96.6	100.1	105.5	111.2	117.2	123.5	130.2
D	Amortization	26.8	27.3	27.7	28.2	28.8	29.3	29.9
CAPEX	Investments	13.0	33.4	35.1	36.8	38.7	40.6	42.7
WC	Working capital	354.3	372.2	390.8	410.4	430.9	452.4	452.4
Δ WC	Change in the working capital	184.0	17.9	18.6	19.5	20.5	21.5	0.0

FCFF = EBIT*(1-TR)+D-CAPEX-Δ WC	Free cashflow, Ordinance 41	-73.7	76.0	79.6	83.1	86.8	90.7	117.4
DF = (1+WACC)^(RD/365)	Applicable discount factor, taking into account the actual number of days (RD) at the end of each relevant period relative to the valuation date		1.07002	1.14781	1.23125	1.32076	1.41705	1.52007
RD	Actual number of days elapsed at the end of the period from the valuation date		352	717	1082	1447	1813	2178
Discounted FCFF	FCFF/ DF		71.0	69.3	67.5	65.7	64.0	77.2
WACC	formula	7.2698%						
Date of the justification		15.1.2024						

* The data are in millions of BGN, unless otherwise indicated

On this basis, the amount of discounted cash flows for the period 2024-2029 is BGN 414.9 million.

Accordingly, for the terminal value we determine:

$$P_{2029} = \frac{FCFF_{2029}(1 + g_{2030})}{(WACC_{2030} - g_{2030})}$$

We substitute as follows:

$$FCFF_{2029} = \text{BGN } 117.4 \text{ million}$$

$$WACC_{2030} = WACC = 7.2698\%$$

$$g_{2030} = 4\%$$

And we get:

$$P_{2030} = \frac{117.4 * (1 + 4\%)}{7.2698\% - 4\%} = \text{BGN } 3,734.5 \text{ million.}$$

Accordingly discounted value for P_n e $\frac{P_{2029}}{(1+WACC)^{(31.12.2029-15.01.2024+1)/365}} = \frac{3,734.5}{(1+7.2698\%)^{2,178/365}} =$
BGN 2,456.8 million

Accordingly, $V_0 = 2,456.8 + 414.9 = \text{BGN } 2,871.7 \text{ million}$

On this basis, we determine the value of the capital according to the formula⁴¹:

$EV = V_0 - \text{Net Value of Debt}$, where *Net Value of Debt*⁴² is the net value of the debt determined by deducting the amount of cash and cash equivalents from all interest-bearing liabilities of the company:

$\text{Net Value of Debt} = \text{IBD} - \text{Cash}$, *Cash* is the value of cash and cash equivalents. We define:

$$\begin{aligned} \text{Net Value of Debt} &= \text{BGN } 390,446 \text{ thousand} - \text{BGN } 17,427 \text{ thousand} \\ &= \text{BGN } 373 \text{ million} \end{aligned}$$

Since warrants were exercised after 09/30/2023 and before the valuation date, this action has two significant effects that must be accounted for:

- First, the number of shares in circulation should take into account the 37,792,679 new shares issued against exercised warrants;
- Second, the cash receipts received as a result of the exercise of warrants (the issue value of the shares subscribed against the warrants) of BGN 156,083,764.27.

This necessitates a correction of the value of *Net Value of Debt* with the amount BGN 156.1 million (additional cash) to BGN 216.9 million.

In this sense, we calculate:

$$EV = V_0 - \text{Net Value of Debt} = \text{BGN } 2,654.8 \text{ million.}$$

⁴¹ The methodology of CFA Institute is used for the calculation (<https://www.cfainstitute.org/en/membership/professional-development/refresher-readings/free-cash-flow-valuation>)

⁴² At the round tables held in November–December 2023 regarding the need to revise IFRS 7 by the International Accounting Standards Board with the participation of the European Regulatory Authorities, the issue of the lack of a definition of "Net Debt" (Net Debt) as in accounting and regulatory standards, and the need for more detailed information in the financial statements of companies (including proposals were made by the banking community to replace the result line "change in cash" with "change in net debt" and a corresponding revision of the financial statement of cash flow).

Considering the number of shares outstanding, (158,262,242 as of the valuation date), we determine⁴³:

$$\begin{aligned} \text{Fair value per share} &= \frac{\text{Capital value in BGN}}{\text{Shares outstanding}} = \frac{2,654,800,000}{158,262,242} \\ &= \text{BGN } 16.7746897 \text{ million} \end{aligned}$$

Using rounding to the nearest two decimal places, the resulting value is rounded to BGN 16.77 .

We determine a fair value per share using the discounted cash flow model of BGN **16.77 per share**.

Item 14. Valuation using the net asset value method

It should be noted that when a company has issued instruments implying mandatory transformation into capital (convertible debt instruments with an exercised right or obligation to convert), which transformation has not occurred at the time of justification, and/or has assumed an obligation to increase capital (e.g. by issuing warrants⁴⁴, which determines a future capital increase under the fixed-for-fixed rule by issuing a fixed number of shares at a fixed price to the warrant holders), then according to the recommendations of the IASB on capital reporting after approving the corresponding changes in IFRS 1⁴⁵ the company will have to disclose as MPM in relation to the capital the expected proceeds from such an issue, the expected maximum capital in the fulfillment of capital commitments (in the case of the assessed company, in the re-placement of repurchased own shares and in the issue of capital provided for by the strength of the issue of warrants), as well as minimum capital (if there is a commitment for buyback).

In this sense, when carrying out the justification of the net value of the assets, we define the shares in circulation as the registered shares (in TRRULNC), reduced by the repurchased own shares (according to data from the CD), giving for information (as far as the holder of a warrant has the right, but not the obligation, to subscribe for shares at a fixed price) the maximum

⁴³ It should be taken into account that warrants issued by the company, which have not been exercised as of the valuation date, can be exercised within the forecast period, which, on the one hand, would lead to the effect of increasing the cash flow for the year of exercise of the warrants (and be reflected as an increase in the numerator of the fair value formula and have a positive effect on the fair value), but on the other hand it would also be reflected in an increase in the average value of the expected shares outstanding to the extent that shares are acquired against the warrants (and be reflected as an increase in reflected as an increase in the denominator of the fair value formula and have a negative effect on fair value). To the extent that the exercise or non-exercise of the warrants is the exclusive right of their holders, and the assessed company cannot reliably influence or predict the actions of third parties (external factors beyond the control of the company), according to existing practice, the potential cash flow from a possible full or partial exercise of warrants, was not taken into account when determining the fair value using the cash flow method.

⁴⁴ Доколкото варантите представляват дериватив, емитиран от самото дружество, носещ еквивалентни правни характеристики с опция за придобилото ги лице.

⁴⁵ In the process of preliminary regulatory consultation, it is expected to enter into force no later than 01.01.2025.

number of shares in circulation upon exercise of the right by the warrant holders (and accordingly the effect of the proceeds from the subscription of shares at the corresponding fixed price when issuing shares based on of the warrants). For the avoidance of doubt, this presentation of additional information is not required by virtue of Ordinance № 41 of the FSC, but constitutes a mandatory disclosure when performing financial due diligence of a company upon a change in business combination, and in this sense, its disclosure complies with good practices.

Below is presented information from the company's unaudited consolidated financial statements as of 30.09.2023, which is essential in the preparation of a valuation using the net asset value method.

In the structure of the company's operating income on a consolidated basis as of 30.09.2022, the main share is occupied by the income from contracts with customers (1,374,982 thousand BGN or 98.73% of the total operating income) as well as other income/losses from the activity and the change in the stocks of production and work in progress have significantly lower values (13,000 thousand BGN and 4,706 thousand BGN, respectively, implying a relative share in operating income of 0.93% and 0.34%, respectively). According to note № 4 to the financial statements, the main part of the other income/losses from the activity are services provided (8,230 thousand BGN or 63.31%), in which the share of fees from the NHIF, which can be assumed to be available, is determined by - high risk, is 16.55% (BGN 1,362 thousand). As far as the total effect of the income from fees from the NHIF in the operating income is 0.1%, it can be assumed that the dependence on these incomes is low and there is no significant exposure to the potential risk of losing part of these incomes. The share of government funding in other income/losses from the activity amounts to 9.75% (BGN 1,268 thousand) or 0.09% of the total operating income. To the extent that these revenues are subject to increased risk and are usually considered "extraordinary", our view is that the effect of accounting for these revenues should be netted out in determining sustainable financial results for the current year, and accordingly in determining fair value, and in this sense, **the entire amount of BGN 1,268 thousand as a "correction of state funding" was deducted when determining the net value of the assets.**

A similar logic is applicable in relation to loss from exchange differences on trade receivables and payables and current payment accounts in the amount of BGN 612 thousand, which do not represent sustainable income or expense. **The entire amount of BGN 612,000 as "adjustment of expenses from exchange rate differences" is included in an increase (as far as it concerns extraordinary expenses) when determining the net value of the assets.**

Regarding impairment of assets, to the extent that we do not have the necessary historical information for a 10-year period in terms of maturity structure and collectability for each of the companies included in the consolidation, we consider that there is a significant change, as in 2023 there was a negative depreciation (reintegration) of BGN 1,807 thousand, while in

2022 there was a positive depreciation of BGN 6,033 thousand. At the same time, to the extent that these data have not been audited, we cannot provide a definitive opinion on whether the amount of this impairment is sufficient to fully reflect the expected credit loss and, in this sense, we have accepted the conclusion of the company's management on this matter.

Interest income on overdue trade receivables in the amount of BGN 233,000 is recognized in the financial income, which has an incidental nature, insofar as it arises as a result of breached contractual conditions and, in this sense, does not constitute sustainable income. **The entire amount of BGN 233,000 as "adjustment of interest income on overdue trade receivables" was deducted when determining the net value of the assets.**

Financial expenses include a net loss from exchange rate differences on loans in foreign currency and lease contracts in the amount of BGN 75 thousand, which amount, by derogation from profits from exchange rate differences on trade receivables and payables and current payment accounts, is not a sustainable expense and in this meaning should be netted out when determining the net asset value. **The entire amount of BGN 75,000 as "correction of financial loss from exchange rate differences" was included in the increase when determining the net value of the assets.**

We draw attention to the following information:

	1 January - 30 September 2023	1 January - 30 September 2022
	BGN'000	BGN'000
Earnings from associates, net	18,482	17,908
Loss from joint ventures, net	(177)	(100)
	18,305	17,808
	1 January - 30 September 2023	1 January - 30 September 2022
	BGN'000	BGN'000
<u>Earnings from associates</u> include:		
Group's share of current profit of associates	18,482	17,908
Total	18,482	17,908

	1 януари - 30 септември 2023	1 януари - 30 септември 2022
	BGN'000	BGN'000
<u>Loss from joint ventures</u> include:		
Share of the Group in the current loss of joint ventures	(166)	(92)
Effects of trades within the Group	(11)	(8)
Total	(177)	(100)

As can be seen from this information, there is an effect of transactions with companies in the group that should be netted out in determining the fair value, **as the amount of BGN 11,000 was recorded as consolidation effects in an increase in the net value of assets.**

According to the information provided by the company, as of 30.09.2023, there are encumbrances on the Group's long-term tangible assets in connection with loans received as follows:

- Land and buildings with a book value of BGN 21,241 thousand, respectively and BGN 30,868 thousand (31.12.2022; BGN 27,459 thousand and BGN 58,194 thousand);
- Pledges of equipment, means of transport and inventory – BGN 23,575 thousand (31.12.2022: BGN 30,045 thousand).
- Pledges of facilities with book value – none (31.12.2022 – BGN 131 thousand);

As of 30.09.2023, there are established encumbrances in connection with loans received from the Group on software products with a book value of BGN 2,503 thousand (31.12.2022- BGN 2,856 thousand)

We note that in case of non-service of loans received from companies in the group, these assets may be acquired by the creditor to repay the obligations, which would lead to a material negative effect on the net asset value. At the same time, based on the information received by the company, we do not consider that there is, or there is a significant probability of, early demandability arising on the loans used by the companies in the group, accordingly we do not consider it likely that rights over the collateral will be exercised by creditors. In this sense, we have assumed that no adjustment to the net asset value in connection with credit events is necessary. **This conclusion of ours is based on information obtained primarily from group companies, which information has been verified solely on the basis of loan agreements, and we have not conducted independent interviews with individual lenders for confirmation**

due to legal restrictions on bank secrecy. In this sense, we are not responsible for the accuracy or validity of the conclusion made regarding the effect of credit events.

We draw attention to information about other long-term capital investments include participations (shares) in the following companies:

	Country	30.9.2023	Share	31.12.2022	Share
		BGN '000	%	BGN '000	%
Traded securities					
Lavena AD	Bulgaria	2,042	13.21	3,788	13.22
Chimimport AD	Bulgaria	141	0.08	367	0.19
MFG Invest AD	Bulgaria	150	0.46	169	0.46
Achieve Life Sciences Inc - USA	Bulgaria	16	0.01	8	0.01
Bulgarian Stock Exchange AD	Bulgaria	-	-	202	0.34
Sopharma Buildings REIT	Bulgaria	-	-	111	10.25
		2,349		4,645	
Non-traded securities					
Balkanfarma Razgrad AD	Bulgaria	70	0.33	70	-
Imventure I KDA	Bulgaria	50	1.36	50	1.36
Other		13	-	13	-
		133		133	
Total		2,482		4,778	

As of 30.09.2023, long-term capital investments in the amount of BGN 13 thousand, representing small minority participations of the Group in the capital of a total of four companies, are presented as "other".

The fair price per share as of 30.09.2023 and as of 31.12.2022 by company is as follows:

<i>Capital investments</i>	<i>Number of shares</i>	<i>Fair value per share</i>	<i>30.9.2023</i>	<i>Number of shares</i>	<i>Fair value per share</i>	<i>31.12.2022</i>
			<i>BGN '000</i>			<i>BGN '000</i>
Lavena AD	1,310,115	1.56	2,042	1,311,183	2.89	3,788
Chimimport AD	201,426	1.56	141	463,476	0.79	367
MFG Invest AD	50,000	3.00	150	50,000	3.38	169
Achieve Life Sciences Inc - USA	1,796	4.70	16	1,796	4.70	8
Central Cooperative bank AD	-	-	-	1	1.64	-
Bulgarian Stock Exchange AD	-	-	-	22,300	9.04	202
Sopharma Buildings REIT	-	-	-	66,627	1.67	111
Total			2,349			4,645

To the extent that the company holds non-traded securities, the value of which is determined on the basis of valuation methods in accordance with IFRS 13, there is a sufficient degree of reliability of the valuation carried out by the company, and to the extent that we have ascertained that the company correctly and fully applies IFRS 13 in relation to these own investments, we do not consider it necessary to adjust the company's determined fair value of these investments. At the same time, it should be taken into account that the liquidity of non-traded financial instruments is significantly lower, which is why it is possible that these assets cannot be realized in the future, or cannot be realized in a short period of time at a value close to their fair value value.

Long-term receivables from related enterprises as of September 30 are::

	<i>30.9.2023</i>	<i>31.12.2022</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Long-term loans granted to related parties	47,343	63,355
<i>Impairment of credit losses</i>	(157)	(157)

Attachment 2 to the Transformation through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

Long-term loans granted to related parties, net	47,186	63,198
Receivables under assignment contacts	3,851	3,757
Deposits provided under lease contracts	580	580
<i>Impairment for credit losses</i>	(64)	(64)
Deposits granted under lease contracts, net	516	516
Total	51,553	67,471

The long-term loans are granted to companies controlled by an associated company.

The movement of the adjustment for the impairment of receivables from related enterprises for granted long-term loans is as follows:

	30.9.2023	31.12.2022
	BGN '000	BGN '000
Balance at 1 January	157	97
Increase in the allowance for credit losses recognised in profit or loss for the year	-	60
Balance at 30 September/ 31 December	157	157

The terms and conditions of the long-term loans granted to related parties are as follows:

Currency	Contracted amount	Maturity	Interest %	30.9.2023		31.12.2022	
				BGN'000	BGN'000	BGN'000	BGN'000
	'000				including interest		including interest
BGN	83,400	31.12.2025	3.00%	40,556	140	51,147	731

BGN	10,000	31.12.2024	4.36%	6,630	69	10,040	40
BGN	2,000	31.12.2024	3.09%	-	-	2,011	11
				47,186	209	63,198	782

The long-term loans granted to related enterprises are for the purpose of assisting in the financing of activities under common strategic objectives. They are secured by pledges of securities (shares) and promissory notes.

According to the information provided by the company, we believe that the reported fair value of long-term receivables from related enterprises follows not only accounting principles, but also sufficiently reflects economic information, and in this sense, no adjustments are necessary when determining the net asset value in this attitude.

Within the framework of our analysis, according to the information provided regarding the receivables, including information on the maturity structure, we consider that the company takes into account the time factor (receivables decay analysis) to the necessary extent when determining the expected credit losses and, accordingly, the necessary impairments for credit losses. At the same time, our analysis has been performed on a PIT (point-in-time) model to the extent that we do not have sufficient historical information (for a period of at least 10 years when analyzing consolidated data for non-financial enterprises).

The company's cash structure on a consolidated basis is:

	30.9.2023	31.12.2022
	BGN'000	BGN'000
Cash at current bank accounts	10,973	12,318
Cash in hand	3,782	3,304
Short-term deposits	2,584	4,155
Short-term blocked funds	80	74
Cash and cash equivalents presented in the consolidated statement of cash flows	17,419	19,851
Blocked cash under court cases and issued bank guarantees	8	4
Cash and cash equivalents presented in the consolidated statement of financial position	17,427	19,855

As of 30 September 2023, the short-term blocked funds are in the amount of BGN 80 thousand (31.12.2022: BGN 74 thousand) and mainly represent blocked funds under performance guarantees. **Taking into account this fact, our opinion is that only funds blocked by court claims and by issued bank guarantees are subject to a significant risk, and when determining the net value of the assets, an adjustment of BGN 8,000 was adopted for "blocked funds by court claims".**

In the performed analysis of the liabilities to financial institutions, we did not establish the presence of clauses that would imply the scaling of the costs of servicing bank liabilities or clauses that, in the case of the planned change of the business combination, would imply mandatory early repayment. Such clauses were also not identified in respect of liabilities to associates.

As of 30 September 2023, the government funding received was from the following Group companies:

	30.9.2023	31.12.2022
	BGN'000	BGN'000
Long-term part of government funding	5,076	6,155
Short-term part of government financing (Article № 40)	603	747
Total	5,679	6,902

As of September 30, the government funding received was from the following Group companies:

	30.9.2023	31.12.2022
	BGN'000	BGN'000
Sopharma AD	5,514	4,007
Veta Pharma AD	165	179
Biopharm Engineering AD	-	2,716

Total	5,679	6,902
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Government funding is under European operational programs and is mainly related to the acquisition of machinery and equipment. The short-term part of the financing in the amount of BGN 603 thousand. (31.12.2022: BGN 747 thousand) will be recognized as current income in the next 12 months from the date of the interim consolidated statement of financial position and is presented as "other current liabilities".

It is our opinion that to the extent that the planned change in business combination does not result in a change in control, scope of activity or intended use of the government funding received. At the same time, we believe that receiving subsequent energy subsidies after the merger of Veta Pharma AD into Sopharma AD is unlikely. Since such an amount (114 thousand BGN) was received for 2022, but not for 2023 as of the date of the justification, this does not require the application of a correction.

The following significant information, disclosed in note to the consolidated financial statements, was taken into account when determining the probability of the occurrence of new contingent liabilities or liabilities for the business combination:

Sureties and guarantees provided

"Sopharma" AD

The company has provided the following guarantees in favor of banks for loans received from associated companies:

In favour of Doverie Obedinen Holding AD	30.09.2023	31.12.2022
	BGN '000	BGN '000
Buildings	7,579	7,867
Land	6,624	6,624
Total	14,203	14,491

The company is a co-debtor under received bank loans, bank guarantees issued and leases, and is a guarantor to banks and suppliers, of the following companies:

Maturity	Currency	Contracted amount	Guaranteed amount
		<i>Original</i>	30.09.2023

			Currency	BGN'000	BGN'000
Doverie Obedinen Holding AD	2027 г.	BGN	30,000	30,000	17,500
Energoinvestment AD	2024 г.	BGN	2000	2000	1,600
Total					19,100

Bank guarantees

Sopharma Trading AD

The bank guarantees issued in favour of the company as at 30 September 2023 amount to BGN 17,337 thousand (31 December 2022: BGN 14,716 thousand) are to secure payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medicinal products to hospitals under concluded contracts, customs office guarantees and tender participation and collateral under rental of retail sites (pharmacies).

The bank guarantees have been issued by:

	30.09.2023	31.12.2022
	BGN '000	BGN '000
DSK AD	7,828	7,508
KBC Bank Bulgaria EAD	5,135	4,870
ING Bank N.V.	4,374	2,338
	17,337	14,716

As at 30.09.2023 Sopharma Trading AD granted bank guarantees at the amount of BGN 1,737 thousand (31 December 2022: BGN 2,152 thousand) as collateral under rental agreements for retail sites (pharmacies) parties to which are its subsidiaries.

Sopharma Trading d.o.o., Serbia

As at 30 September 2023 the bank guarantees issued in favour of the company amount to BGN 14,108 thousand (31 December 2022: BGN 12,247 thousand) are to secure payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medicinal products to hospitals under concluded contracts, customs office guarantees and tender participation.

The bank guarantees have been issued by:

	30.09.2023	31.12.2022
	BGN '000	BGN '000
Raiffeisen AD Belgrade	11,205	8,315
Eurobank AD Belgrade	1,952	1,350
Intesa Bank AD Belgrade	951	357
OTP Bank Serbia AD Belgrade (SG Expressbank AD Belgrade)	-	2,225
	14,108	12,247

Insurance of performance guarantees

Sopharma Trading AD

As at 30 September 2023, the Group has concluded contracts for instance of performance securities for participation in tenders for supply of medicinal products and consumables for hospitals and the Ministry of Health, at the amount of BGN 9,231 thousand(31.12.2022 : BGN 4,813 thousand)

Assets held under safe custody

Sopharma Trading AD

According to concluded pre-distribution contracts, the Company has received goods for safe custody amounting to BGN 5,951 thousand as at 30 September 2023.(31.12.2022: BGN 4,318 thousand)

Significant irrevocable agreements and commitments

Sopharma AD

The Company received three government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 and Operational Programme "Energy Efficiency" (Note 32 and Note 40), related to the acquisition of non-current assets, reconstruction of buildings and technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production item and implementation of "artificial tears" innovative eye drops.

The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Veta Pharma AD

The company received three government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 (Notes 32 and 40) related to enhancing the efficiency of companies and developing a favourable business environment (Note 15). The company has undertaken a commitment within 3 years after completion of the respective projects to not undergo significant changes concerning the essence and conditions of performance or resulting in undue benefits for the company, as well as changes resulting from a change in the ownership of the assets acquired in relation to the funding. Upon failure to meet these requirements, the funding is subject to recovery. As at the date of preparation of the statements, all contractual conditions have been met.

As at 30 September 2022, the registered share capital of Sopharma AD amounts to BGN 172,590,578 distributed in 172,590,578 shares of nominal value BGN 1 each. The shares of Sopharma AD are ordinary, non-cash, with right of dividend and liquidation share and are registered for trade in the Bulgarian Stock Exchange – Sofia AD and Warsaw Stock Exchange. The treasury shares are 13,478,336, therefore, the common shares outstanding are 159,112,242.

Pursuant to Art. 25 of the Statute of Sopharma AD dated 21 May 2021, the Board of Directors approved parameters and made a decision for issuing initial public offering of warrants. By means of Decision No 804 – E dated 4 November 2011, the Financial Supervision Commission registered an issue of 44 932 633 dematerialised, freely transferrable and registered warrants, with issue value BGN 0.28, issued by Sopharma AD pursuant to Art. 112b, Para 1 of POSA. The underlying asset of the issued warrants are future ordinary, registered, freely transferrable voting right shares, each holding one vote in the General Meeting of Shareholders, which will be issued by the Company conditionally, only in favour of warrant holders. Each registered warrant entitles the holder thereof to register one share from the future issue. The warrants' holders may exercise their right to register the respective number of shares in future increase of the Company's capital within a 3-month period, at a fixed price of BGN 4.13 per share. The exercise right arises from the date on which the warrant issue was registered with Central Depository AD – 16 November 2021.

The warrants were admitted to trade on the main BSE market of Bulgarian Stock Exchange – Sofia AD, as from 17 November 2021.

With the decision of the General Meeting of Warrant Holders (GMS) dated 02.06.2023 and the decision of the Board of Directors of "Sopharma" JSC dated 05.06.2023 and on the basis of Art. 195 and Art. 196 of the Commercial Law (CL), art. 113, para. 2, item 2 of the LPOS and Art. 25 of the Company's Articles of Association) a capital increase procedure was launched by issuing up to 44,925,943 ordinary registered non-transferable shares, provided that the shares from the increase are subscribed by the holders of warrants, issue ISIN BG9200001212, in accordance with the order and the conditions described in the Prospectus for the Public offering of warrants, confirmed by the Decision of the Financial Supervision Commission No. 804-E/04.11.2021. The capital of "Sopharma" AD is increased on the basis of Art. 195 of the Commercial Law by exercising the rights of the holders of warrants issued by "Sopharma" AD, ISIN BG9200001212, by registering shares from a capital increase by issuing up to 44,925,943 ordinary, registered, non-existent shares, with voting rights, with nominal value BGN 1

each and issue value BGN 4,13 per share, with the shares from the increase being subscribed only by warrant holders. The procedure for exercising warrants began on 07.09.2023 and ended on 29.09.2023 with the expiration of the stipulated deadline, with a total of 260 requests to subscribe for the shares from the increase by exercising warrants submitted by 249 persons. of which 23 legal entities and 226 individuals. A total of 37,792,679 (BGN thirty-seven million seven hundred and ninety-two six hundred and seventy-nine) number of warrants were exercised and, accordingly, 37,792,679 (BGN thirty-seven million seven hundred ninety-two six hundred and seventy-nine) number of shares from the capital increase in "SOFIA INTERNATIONAL SECURITIES" AD during the warrant exercise procedure. The issue value of the subscribed shares is in the total amount of BGN 156,083,764.27 (BGN one hundred fifty-six million eighty-three thousand seven hundred sixty-four and 27 stotinki).

Taking into account the above, in addition to a correction in the number of shares in circulation, an additional correction is also necessary to correctly account for a significant increase in cash as a result of the exercise of the warrants, in the amount of BGN 156,084 thousand.

Based on the above, we determine:

Net asset value adjustments	thousand BGN
Correction of state funding	-1,268
Adjustment of income from exchange rate differences	+612
Adjustment of interest income on overdue trade receivables	-233
Adjustment of financial loss from exchange rate differences	+75
Consolidation effects	+11
Blocked funds due to legal claims	-8
Adjustment for cash on exercise of the warrants	+156,084
Total adjustments	+155,273

Source: SIS calculations

Based on the above, as of the valuation date, the company has unexercised 7,133,264 warrants, representing an irrevocable commitment to issue 7,133,264 new shares by 16.11.2024.

Taking into account the fact that there are no investors with priority over holders of ordinary shares, we determine as follows:

Valuation based on existing capital instruments:

Indicator as of 30.09.2023.	thousand BGN
Total assets	1,439,574
Total liabilities	708,189
Net Asset Value (Balance Sheet)	731,385
Adjustments	155,273
Net Asset Value (after adjustments)	886,658
Number of shares outstanding	158,262,242
Net asset value per share (BGN)	5.602460756

Source: SIS calculations

We determine a fair value using the net asset value method of **5.60 per share**.

The following comparative information is provided in accordance with ESMA's recommendations to ensure investor awareness. This information reflects the net effect of the exercise of the warrants issued by the company, not taking into account the time effect on the fair value, as there is no certainty about the exact moment of issuance of the new capital instruments. *This information is not part of the justification and is provided for informational (illustrative) purposes only:*

Valuation based on commitment to issue instruments:

Pro-forma as of 30.09.2023	BGN thousand
Total assets	1,439,574
Total liabilities	708,189
Net Asset Value (Balance Sheet)	731,385
Adjustments	155,273
Net Asset Value (after adjustments)	886,658
Proceeds from exercising the warrants (7,133,264 new shares at BGN 4.13 each ⁴⁶)	29,460
Net Asset Value (upon full exercise of warrants)	916,118
Number of shares outstanding before warrants are exercised	158,262,242
Number of shares outstanding after full exercise of the warrants	165,395,506
Net asset value per share (BGN) upon full exercise of the warrants⁴⁷	5.538953398

Source: SIS calculations

Item 15. Valuation using the market multiples method of similar companies

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 with that of Bulgaria, the choice of a global benchmark including Western Europe and the USA is not appropriate.

Secondly, the applicability of European benchmarks, limited geographically to a similar market (Eastern Europe, in which the companies of the group operate) was assessed, by extracting data for companies operating in the pharmaceutical sector, and analyzing the presence of a

⁴⁶ For the avoidance of doubt, the exercise price of the warrants as equity derivatives meets the criteria for an indirect method of estimating the value of the shares themselves and may be used in determining the fair value of a share when the assumption of actively traded shares is not met. This value does not fall within the scope of admissible justification methods under Regulation No. 41 of the Financial Supervisory Service

sufficient number of companies for which that up-to-date information on a sufficient number of financial indicators is available to assess the degree of compliance with the analyzed company. As a result of this analysis, 35 companies were identified for which an eligibility analysis could be carried out.

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

Third, the feasibility 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
Candy OOD	Production	No	No
Chaikapharma high quality medicines AD	Production and import	Yes	Peer company
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	Production	No	No
Veta Pharma AD	Production	No	Merging company
IC Globaltest OOD	Production	No	No
Pharmaceutical factories Milve AD	Production and import	No	No
Galen-Pharma OOF	Production	No	No
Inbiotech OOD	Production	No	No
OTC Pharma AD	Production and import	No	No

Adisan Pharma EOOD	Production	No	No
MeditrialInternationals EOOD	Production and import	No	No
Interpharma Services EOOD	Production and import	No	No
Besta Pharmaceuticals EOOD	Production	No	No
Dikrasin 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 calculations

Considering that the only national company that 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.

Group's analogues include 4 companies – 1 from Romania, 2 from Turkey, 1 from the Republic of North Macedonia.

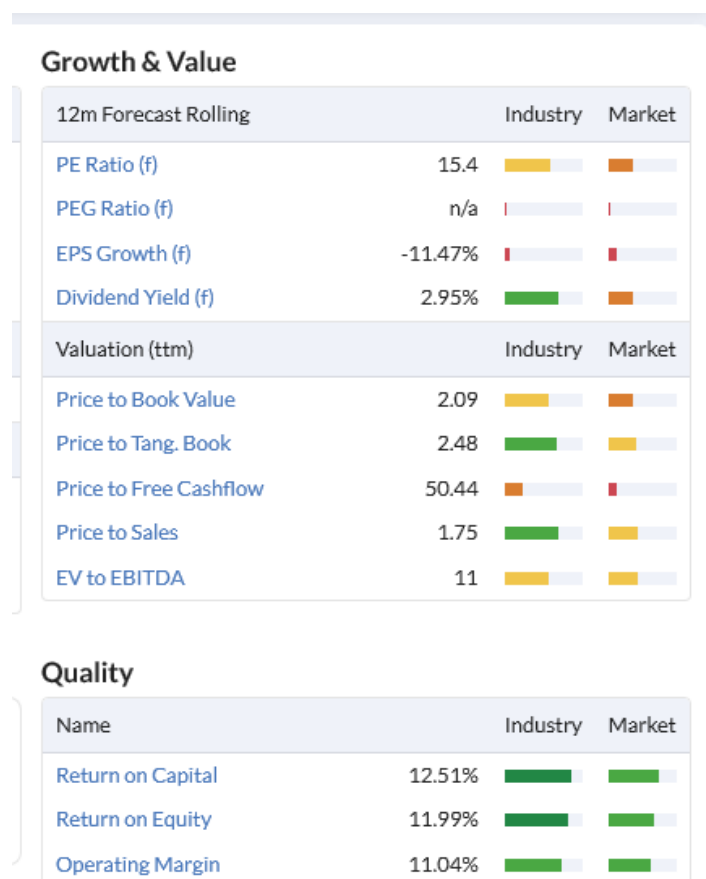
Regarding Alkaloid AD, the following key financial data can be retrieved for the company from the Macedonian Stock Exchange:

Issuer					
Alkaloid AD Skopje		FIN.DATA	FIN.RATIOS	BUSINESS	MANAGEMENT
Year	2023	2022	2021		
Total Revenue from operation Activities	16,512,978	14,289,051	12,794,180		
Operating profit	1,822,830	1,669,971	1,479,180		
Net profit	1,576,905	1,463,426	1,304,988		
Equity	13,791,033	12,507,915	11,662,585		
Total liabilities	6,162,876	5,081,341	4,216,036		
Total assets	19,953,909	17,589,256	15,878,621		
Market capitalization	25,985,570	24,558,124	26,394,393		

* data in 000 MKD
Methodology

Source: <https://www.mse.mk/en/issuer/alkaloid-ad-skopje>

The following key financial ratios can be derived for the company:



Source: <https://www.stockopedia.com/share-prices/alkaloid-ad-skopje-MKE:ALK/>

Regarding the P/E ratio, as far as it is given above not on a historical basis, but on a forecast basis, we use data from the Macedonian Stock Exchange:

FIN.DATA	FIN.RATIOS	BUSINESS	MANAGEMENT	
Year		2023	2022	2021
Return on sales		11.04%	11.69%	11.56%
Net earnings per share (EPS)		1,101.69	1,022.41	911.72
Return on assets		7.90%	8.32%	8.22%
Return on equity		11.43%	11.70%	11.19%
Price to earnings		16.48	16.78	20.23

Source: <https://www.mse.mk/en/issuer/alkaloid-ad-skopje>

And in terms of price, as seen from the website of the Macedonian Stock Exchange, the last transactions in the company's shares before the valuation date are from January 12, 2024, with a total of 63 shares traded at an average price of 18,350.00 Macedonian dinars

Historical Data

Date	Last trade price	Max	Min	Avg. Price	%chg.	Volume	Turnover in BEST in denars	Total turnover in denars
1/15/2024	18,350.00	18,449.00	18,301.00	18,391.13	-0.05	330	6,069,072	6,069,072
1/12/2024	18,350.00	18,448.00	18,350.00	18,400.60	0.01	63	1,159,238	1,159,238
1/11/2024	18,399.00	18,400.00	18,399.00	18,399.45	0.00	128	2,355,130	2,355,130
1/10/2024	18,399.00	18,400.00	18,399.00	18,399.33	-0.09	97	1,784,735	1,784,735
1/9/2024	18,450.00	18,450.00	18,400.00	18,415.77	0.09	222	4,088,300	4,088,300
1/5/2024	18,450.00	18,450.00	18,301.00	18,399.39	0.00	148	2,723,110	2,723,110
1/4/2024	18,399.00	18,400.00	18,399.00	18,399.08	0.44	127	2,336,683	2,336,683
1/3/2024	18,300.00	18,400.00	18,290.00	18,318.52	0.19	81	1,483,800	1,483,800
1/2/2024	18,151.00	18,300.00	18,151.00	18,283.19	0.71	27	493,646	493,646

Source: <https://www.mse.mk/en/issuer/alkaloid-ad-skopje>

Based on the above, we derive:

Alkaloid AD	Currency	BGN
Market	Macedonia	
data as at	31.12.2023	
Assets	19 953 909 000	634 222 764
Capital	13 791 033 000	438 339 529
EBITDA TTM	1 822 830 000	57 937 534
Revenues TTM	16 512 978 000	524 854 882
Closing price at the valuation date(BGN)	18 350.60	584.85
P/B	2.09	
P/E	16.48	
P/S	1.75	
Currency rate 15.01.2024	31.46198801 Macedonian dinars per BGN 1	

Source: SIS calculations

Regarding the company ANTIBIOTICE S.A., the following data can be extracted from the English version of the management report for the third quarter of 2023, published on the website of the

Romanian Stock Exchange:

ANTIBIOTICE S.A.
STATEMENT OF THE COMPREHENSIVE INCOME
FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023
 (all amounts are expressed in LEI ("RON"), unless otherwise specified)

	Note	The period ended on September 30, 2023	The period ended on September 30, 2022
		(unaudited and unreviewed)	(unaudited and unreviewed)
Revenues from contracts with clients, of which:		463,431,386	362,569,433
<i>Revenues from the sale of finished products</i>	3	377,657,218	296,689,211
<i>Revenues from the sale of products made on other manufacturing sites</i>	3	84,929,147	65,009,079
<i>Revenues from the provision of services</i>	3	845,021	871,143
Other operating revenues	4	730,720	1,934,162
Revenues from subsidies	4	203,180	229,500
Changes in stocks of finished products and production in progress		(4,912,797)	(582,668)
Income from assets projects		9,558,951	9,406,293
Expenses on raw materials, used consumables and products made on other manufacturing sites	6	(153,572,348)	(126,306,038)
Employee benefit expenses	8	(102,947,675)	(87,650,524)
Transportation costs	9	(3,237,709)	(3,076,506)
Utility expenses	9	(18,309,432)	(13,425,135)
Net depreciation and adjustments for the depreciation of fixed assets	7	(20,526,823)	(16,235,997)
Net adjustments for depreciation of current assets	7	(6,535,688)	(25,347,610)
Net refunded commissions	7	(7,117,881)	1,489,596
Sponsorships, donations		(760,215)	(253,538)
Other expenses	9	(63,448,424)	(68,016,234)
Operational result		92,555,245	34,734,733
Net exchange rate differences	4	(766,743)	891,564
Net interest expenses	4	(3,178,198)	(2,960,382)
Other financial expenses	4	77,403	(132,387)
The financial result		(3,867,538)	(2,201,205)
Pre-tax profit		88,687,707	32,533,528
Income tax expense	5	11,954,174	3,046,332
The profit of the financial year		76,733,533	29,487,196
Total overall result		76,733,533	29,487,196
Earnings per share		0.1143	0.0439

Approved by the Management Board on November 14, 2023.

General Director,
Ioan NANI, Economist

Financial Director,
Paula Luminita COMAN, Economist

Source: https://bvb.ro/infocont/infocont23/ATB_20231115083253_2023-Q3-Report.pdf

ANTIBIOTICE S.A.
STATEMENT OF THE COMPREHENSIVE INCOME
FOR THE 9-MONTH PERIOD ENDING ON SEPTEMBER 30, 2023
 (all amounts are expressed in LEI ("RON"), unless otherwise specified)

	Note	Period ended on September 30, 2023 (unaudited and unreviewed)	Period ended on December 31, 2022 (revised)
Assets			
Fixed assets			
Tangible fixed assets	10	518,153,415	496,810,361
Intangible fixed assets	11	44,947,148	35,795,943
Total fixed assets		563,100,563	532,606,304
Current assets			
Stocks	12	150,595,072	134,133,715
Trade and similar receivables	13	247,704,673	196,402,918
Expenses registered in advance		4,451,789	3,243,331
Cash and short-term deposits	18	3,165,891	1,727,454
Total current assets		405,917,425	335,507,418
Total assets		969,017,988	868,113,722
Equity and liabilities			
Equity			
Subscribed capital	14	67,133,804	67,133,804
Revaluation reserves	14	109,250,961	111,164,239
Legal reserves and other reserves		308,266,127	305,594,766
Retained earnings		243,269,213	167,314,793
Total equity		727,920,105	651,207,602
Long-term liabilities			
Loans and bank debts	17	39,434,909	46,973,501
Subsidies for investments - non-current portion	19	1,654,142	1,857,322
Deferred tax liabilities	16	31,513,333	32,733,496
Total long-term debt		72,602,384	81,564,319
Current liabilities			
Trade and similar debts	16	111,650,472	86,067,391
Bank loans	17	38,204,806	34,008,116
Debts from taxes and current charges	16	4,536,716	8,280,670
Subsidies for investments - current portion	19	306,289	306,289
Provisions	15	13,797,216	6,679,335
Total current liabilities		168,495,499	135,341,801
Total liabilities		241,097,883	216,906,120
Total equity and liabilities		969,017,988	868,113,722

Approved by the Management Board on: November 14, 2023

General Director,
Ioan NANI, Economist

Financial Director,
Paula Luminita COMAN, Economist

The attached notes are an integral part of the financial statements.

Source: https://bvb.ro/infocont/infocont23/ATB_20231115083253_2023-Q3-Report.pdf

Accordingly, the following data can be extracted from the English version of the management report as of the third quarter of 2022:

ANTIBIOTICE SA
STATEMENT OF THE COMPREHENSIVE INCOME
on September 30, 2022
(all amounts are expressed in LEI, if not mentioned otherwise)

	NOTE	30.09.22 (unaudited)	30.09.21 (unaudited)
Sales revenues	3	361,698,289	245,743,259
Other operating revenues	4	17,005,634	37,503,957
Revenues relative to costs of product stocks		(582,668)	(9,885,310)
Capitalized income generated by the entity's activity		9,406,293	7,283,524
Expenditure on raw materials	5	(79,200,210)	(46,578,409)
Expenditure on products manufactured on other manufacturing sites	5	(35,594,083)	(40,239,999)
Expenditure on consumables	5	(11,511,745)	(8,969,171)
Staff-related expenditure	6	(87,650,524)	(81,638,167)
Expenditure on amortization and depreciation		(16,006,496)	(17,908,369)
Other operating expenses	7	(121,938,192)	(63,850,690)
Operating profit		35,626,298	21,460,625
Financial income	8	1,043	3,425
Financial expenses	8	(3,093,813)	(2,779,657)
Pre-tax profit		32,533,528	18,684,393
Current and deferred income tax expenses	9	(3,046,332)	(455,208)
Net profit		29,487,196	18,229,185
Total comprehensive result		29,487,196	18,229,185
Earnings per share	10	0.043923	0.027154

Source: https://bvb.ro/infocont/infocont22/ATB_20221111083603_Q3-2022-Report.pdf

Accordingly, we derive the annual results for 2022 from the English version of the 2022 audited financial statement:

ANTIBIOTICE S.A.
STATEMENT OF THE COMPREHENSIVE INCOME
 (all amounts are expressed in LEI, if not mentioned otherwise)

STATEMENT OF THE COMPREHENSIVE INCOME	Note	December 31, 2022	December 31, 2021
Sales revenues	4	482.666.811	366.209.065
Other operating revenues	5	26.874.232	37.378.976
Revenues relative to costs of product stocks		11.689.110	711.939
Capitalized income generated by the entity's activity		13.779.091	10.547.830
Expenses with raw materials and consumables	6	(177.117.257)	(147.681.728)
Staff-related expenses	7	(129.620.059)	(114.906.311)
Expenditure on amortization and depreciation		(21.966.575)	(24.124.432)
Other operating expenses	8	(160.602.482)	(94.100.711)
Operating profit		45.702.871	34.034.628
Financial income	9	1.437	3.557
Financial expenses	9	(3.801.078)	(3.735.569)
Pre-tax profit		41.903.230	30.302.616
Expenses with current profit tax and deferred tax and other taxes	10	(3.389.803)	(363.212)
Net profit		38.513.427	29.939.404
Other elements of the overall result		-	-
Total rezultat global Total comprehensive result		38.513.427	29.939.404
Earnings per share	11	0,0574	0,0446

Source: <https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=ATB>

On this basis, we determine:

Sales(TTM, 30.09.2023)=Sales(30.09.2023)+Sales(31.12.2022)-Sales(30.09.2022) = 463,431,386 + 482,666,841 - 362,569,433 = 583,528,794 lei

Operating profit(TTM, 30.09.2023)=Operating profit(30.09.2023)+Operating profit(31.12.2022)-Operating profit(30.09.2022) = 92,555,245+ 45,702,871 - 20,526,823 = 117,731,293 lei

Accordingly, the key financial ratios are:

Growth & Value

12m Forecast Rolling		Industry	Market
PE Ratio (f)	n/a		
PEG Ratio (f)	n/a		
EPS Growth (f)	n/a		
Dividend Yield (f)	n/a		
Valuation (ttm)		Industry	Market
Price to Book Value	1.56		
Price to Tang. Book	1.66		
Price to Free Cashflow	97.69		
Price to Sales	1.94		
EV to EBITDA	8.86		

Quality

Name		Industry	Market
Return on Capital	12.82%		
Return on Equity	12.61%		
Operating Margin	17.56%		

Source: <https://www.stockopedia.com/share-prices/antibiotice-sa-BSE:ATB/>

Regarding the P/E ratio, as far as the data in the above table are forecast and not historical, we use data from the Romanian Stock Exchange for it, and the abbreviation PER used corresponds to the P/E

Indicators	
Market cap.	1,117,777,836.60
PER	14.45

Source: <https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=ATB>

Regarding the last price before the valuation date, as can be seen from the website of the Romanian Stock Exchange, the last transactions before 15.01.2024 were on 12.01.2024, when 393,303 shares of

the company were traded, at an average price of 1.53 Romanian lei and a closing price from 1.53

Trading history

Date	Market	Trades	Volume	Value	Open price	Low price	High price	Avg. price	Last price	Var. (%)
1/19/2024	REGS	110	61,465	100,338.76	1.6250	1.6000	1.6450	1.6350	1.6450	1.2300 ▲
1/18/2024	REGS	133	102,112	166,116.56	1.6400	1.6150	1.6400	1.6250	1.6250	-0.3100 ▼
1/17/2024	REGS	242	321,977	526,882.27	1.6150	1.6150	1.6600	1.6350	1.6300	0.9300 ▲
1/16/2024	REGS	216	233,228	370,042.95	1.5700	1.5700	1.6150	1.5850	1.6150	2.8700 ▲
1/15/2024	REGS	158	145,974	227,124.49	1.5350	1.5350	1.5750	1.5550	1.5700	2.6100 ▲
1/12/2024	REGS	321	393,903	602,027.37	1.4850	1.4850	1.5550	1.5300	1.5300	3.3800 ▲
1/11/2024	REGS	207	441,020	641,550.40	1.4200	1.4200	1.4850	1.4550	1.4800	4.2300 ▲
1/10/2024	REGS	105	109,908	154,721.06	1.3950	1.3950	1.4200	1.4100	1.4200	1.0700 ▲
1/9/2024	REGS	91	66,557	93,295.76	1.4050	1.3900	1.4100	1.4000	1.4050	0.3600 ▲
1/8/2024	REGS	83	64,109	89,670.57	1.4000	1.3900	1.4000	1.4000	1.4000	0.7200 ▲

Showing 31 to 40 of 124 entries

Trading history in the last 6 month

Source: <https://bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=ATB>

On this basis, we determine:

Antibiotice SA	Currency	BGN
Market	Romania	
data as at	30.9.2023	
Assets	969 017 988	381 005 138
Equity	727 920 105	286 208 619
EBITDA (Operating profit) TTM	117 731 293	46 290 397
Revenues TTM	583 528 794	229 435 853
Closing price before the valuation date	1.53	0.60
P/B	1.56	
P/E	14.45	
P/S	1.94	
Currency rate 15.01.2024	2.54332 Romanian lei per BGN 1	

Source: SIS calculations

Regarding the company Deva Holding A.S., the following data can be retrieved from Yahoo Finance:

Income Statement All numbers in thousands

Breakdown	TTM	9/29/2023	6/29/2023	3/30/2023	12/30/2022
> Total Revenue	7,640,023	2,316,039	1,897,454	2,003,348	1,423,182
Cost of Revenue	3,301,848	991,126	808,316	838,237	664,170
Gross Profit	4,338,174	1,324,913	1,089,138	1,165,111	759,012
> Operating Expense	1,733,823	506,392	461,046	420,286	346,100
Operating Income	2,604,351	818,521	628,093	744,825	412,912
> Net Non Operating Interest Inc...	-855,252	-288,352	-209,362	-210,712	-146,827
Pretax Income	2,557,297	642,474	888,672	628,165	397,986
Tax Provision	249,129	58,494	-14,406	183,329	21,712
> Net Income Common Stockhold...	2,308,168	583,980	903,077	444,836	376,274
Diluted NI Available to Com Stockh...	2,308,168	583,980	903,077	444,836	376,274
Basic EPS	4.81	2.92	0.05	2.22	-
Diluted EPS	4.81	2.92	0.05	2.22	-
Basic Average Shares	20,001,929	199,993	200,019	200,019	-
Diluted Average Shares	20,001,929	199,993	200,019	200,019	-
Total Operating Income as Reported	2,993,832	964,869	724,549	794,290	510,125
Rent Expense Supplemental	4,239	1,177	536,593	1,449	1,076
Total Expenses	5,035,671	1,497,518	1,269,361	1,258,522	1,010,270
Net Income from Continuing & Dis...	2,308,168	583,980	903,077	444,836	376,274
Normalized Income	2,102,324	623,234	781,238	405,295	376,156
Interest Income	109,445	47,500	31,249	6,788	24,399
Interest Expense	827,540	272,535	203,498	191,506	160,493
Net Interest Income	-855,252	-288,352	-209,362	-210,712	-146,827
EBIT	3,384,836	915,009	1,092,170	819,671	558,478
EBITDA	3,551,777	969,173	1,139,747	849,850	593,498
Reconciled Cost of Revenue	3,301,848	991,126	808,316	838,237	664,170
Reconciled Depreciation	166,941	54,165	47,577	30,179	35,020
Net Income from Continuing Oper...	2,308,168	583,980	903,077	444,836	376,274
Total Unusual Items Excluding Goo...	228,061	-43,186	162,452	55,837	124.73
Total Unusual Items	228,061	-43,186	162,452	55,837	124.73
Normalized EBITDA	3,323,716	1,012,359	977,295	794,013	593,374
Tax Rate for Calcs	0	0	0	0	0
Tax Effect of Unusual Items	22,217	-3,932	40,613	16,296	6.8046

Source: <https://finance.yahoo.com/quote/DEVA.IS/financials>

Attachment 2 to the Transformation through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

Show: [Income Statement](#) | **Balance Sheet** | [Cash Flow](#)

Balance Sheet

All numbers in thousands

Breakdown	9/29/2023	6/29/2023	3/30/2023	12/30/2022
> Total Assets	12,928,932	11,100,679	9,854,565	8,624,301
> Total Liabilities Net Minority Int...	7,135,115	5,910,936	5,446,472	4,687,477
> Total Equity Gross Minority Inte...	5,793,817	5,189,743	4,408,093	3,936,824
Total Capitalization	5,962,606	5,307,618	4,659,167	4,176,268
Common Stock Equity	5,793,817	5,189,743	4,408,093	3,936,824
Capital Lease Obligations	507,290	452,448	312,431	275,798
Net Tangible Assets	4,841,241	4,414,267	3,743,992	3,359,525
Working Capital	2,693,997	2,264,897	1,881,916	1,441,472
Invested Capital	10,582,635	9,161,475	8,158,183	7,059,855
Tangible Book Value	4,841,241	4,414,267	3,743,992	3,359,525
Total Debt	5,296,108	4,424,181	4,062,520	3,398,829
Net Debt	3,356,309	3,220,314	3,020,868	2,521,787
Share Issued	200,019	200,019	200,019	200,019
Ordinary Shares Number	200,019	200,019	200,019	200,019

Source: <https://finance.yahoo.com/quote/DEVA.IS/financials>

Accordingly, the key financial ratios are:

Valuation Measures⁴

Market Cap (intraday)	15.85B
Enterprise Value	18.05B
Trailing P/E	16.48
Forward P/E	N/A
PEG Ratio (5 yr expected)	N/A
Price/Sales (ttm)	207.48
Price/Book (mrq)	2.74
Enterprise Value/Revenue	2.36
Enterprise Value/EBITDA	5.08

Financial Highlights

Fiscal Year

Fiscal Year Ends	Dec 31, 2022
Most Recent Quarter (mrq)	Sep 30, 2023

Profitability

Profit Margin	30.21%
Operating Margin (ttm)	35.34%

Management Effectiveness

Return on Assets (ttm)	15.90%
Return on Equity (ttm)	49.38%

Income Statement

Revenue (ttm)	7.64B
Revenue Per Share (ttm)	38.20
Quarterly Revenue Growth (yoy)	101.30%
Gross Profit (ttm)	N/A
EBITDA	2.71B
Net Income Avi to Common (ttm)	2.31B
Diluted EPS (ttm)	4.81
Quarterly Earnings Growth (yoy)	79.80%

Source: <https://finance.yahoo.com/quote/DEVA.IS/financials>

Regarding the price before the valuation date, the last transactions in the company's shares are from 12.01.2024, with a closing price of 79.35 Turkish lira per share.

Attachment 2 to the Transofmration through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

Time Period: Jan 01, 2023 - Jan 15, 2024 ▾ Show: Historical Prices ▾ Frequency: Daily ▾

Currency in TRY

Date	Open	High	Low	Close*	Adj Close**
Jan 12, 2024	78.95	79.95	77.60	79.35	79.35
Jan 11, 2024	81.95	81.95	78.85	79.35	79.35
Jan 10, 2024	78.15	80.50	77.65	80.20	80.20
Jan 09, 2024	80.50	80.85	78.10	78.55	78.55
Jan 08, 2024	81.35	81.70	80.00	80.35	80.35
Jan 05, 2024	79.05	80.20	78.00	80.20	80.20
Jan 04, 2024	76.85	79.45	76.00	79.20	79.20
Jan 03, 2024	78.60	78.75	76.75	77.50	77.50
Jan 02, 2024	76.00	78.80	75.10	78.60	78.60
Dec 29, 2023	74.95	76.90	74.10	75.55	75.55
Dec 28, 2023	72.60	74.90	72.60	74.10	74.10
Dec 27, 2023	71.10	73.45	70.05	72.55	72.55
Dec 26, 2023	71.40	72.45	70.05	71.10	71.10
Dec 25, 2023	74.30	74.30	70.55	71.00	71.00
Dec 22, 2023	75.65	76.55	74.15	74.20	74.20
Dec 21, 2023	75.60	76.70	74.75	75.50	75.50
Dec 20, 2023	76.30	82.95	75.00	75.15	75.15
Dec 19, 2023	78.75	78.80	75.20	76.15	76.15
Dec 18, 2023	80.20	81.90	77.80	78.80	78.80
Dec 15, 2023	76.35	77.70	75.65	77.70	77.70
Dec 14, 2023	73.65	77.00	73.10	76.50	76.50
Dec 13, 2023	75.30	75.75	73.05	73.05	73.05
Dec 12, 2023	74.40	75.45	72.80	75.30	75.30
Dec 11, 2023	76.65	77.90	74.35	74.50	74.50

Source: <https://finance.yahoo.com/quote/DEVA.IS/financials>

On this basis, we derive:

Deva Holding A.S.	Currency	BGN
Market	Turkey	
data as at	30.9.2023	
Assets	12 928 932 000	767 555 315
Equity	5 793 817 000	343 963 062
EBITDA (Operating profit) TTM	3 551 777 000	210 859 282

Revenues TTM	7 640 023 000	453 567 260
Closing price before the valuation date	79.35	4.71
P/B	2.74	
P/E	16.48	
P/S	207.48	
Currency 15.01.2024	16.8443 turkish lira per BGN 1	

Source: SIS calculations

Regarding the company EIS Eczacibasi Ilac, Sinai ve Finansal Yatirimlar Sanayi ve Ticaret A.S., according to data from Yahoo Finance, the main financial information for the company is:

how: [Income Statement](#) | [Balance Sheet](#) | [Cash Flow](#)

[Annual](#) | [C](#)

Income Statement

All numbers in thousands

[Ex](#)

Breakdown	TTM	9/29/2023	6/29/2023	3/30/2023	12/30/2022
> Total Revenue	4,355,615	1,235,281	1,060,787	1,362,953	696,595
Cost of Revenue	2,462,456	698,792	697,785	625,925	439,954
Gross Profit	1,893,159	536,489	363,001	737,028	256,641
> Operating Expense	1,194,871	357,358	283,661	339,650	197,888
Operating Income	698,288	179,131	79,340	397,378	58,753
> Net Non Operating Interest Inc...	-287,412	-54,749	-183,541	-69,254	4,744
Pretax Income	4,487,451	140,788	133,966	267,742	3,944,957
Tax Provision	752,806	474,461	-69,534	75,295	272,584
> Net Income Common Stockhold...	3,734,047	-333,741	203,433	192,272	3,672,085
Diluted NI Available to Com Stock...	3,734,047	-333,741	203,433	192,272	3,672,085
Basic EPS	5.45	-0.49	0.30	0.28	-
Diluted EPS	5.45	-0.49	0.30	0.28	-
Basic Average Shares	685,260	685,260	685,260	685,260	-
Diluted Average Shares	685,260	685,260	685,260	685,260	-
Total Operating Income as Reported	1,141,162	259,288	383,049	390,350	108,475
Rent Expense Supplemental	38,869	17,210	7,776	3,368	5,455
Total Expenses	3,657,327	1,056,150	981,446	965,575	637,842
Net Income from Continuing & Dis...	3,734,047	-333,741	203,433	192,272	3,672,085
Normalized Income	2,933,087	-327,087	189,700	203,954	2,771,940
Interest Income	171,992	50,573	54,887	28,636	37,896
Interest Expense	445,135	103,453	229,854	89,714	27,541
Net Interest Income	-287,412	-54,749	-183,541	-69,254	4,744
EBIT	4,932,586	244,241	363,820	357,456	3,972,498
EBITDA	5,198,108	321,517	436,293	428,733	4,016,994
Reconciled Cost of Revenue	2,462,456	698,792	697,785	625,925	439,954
Reconciled Denreciation	265.522	77.276	72.473	71.277	44.496

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Source: <https://finance.yahoo.com/quote/ECILC.IS/>

Show: [Income Statement](#) | [Balance Sheet](#) | [Cash Flow](#)

Balance Sheet

All numbers in thousands

Breakdown	9/29/2023	6/29/2023	3/30/2023	12/30/2022
> Total Assets	25,224,242	24,354,032	23,682,378	23,231,857
> Total Liabilities Net Minority Int...	6,660,589	5,465,218	4,776,707	4,478,189
> Total Equity Gross Minority Inte...	18,563,653	18,888,814	18,905,671	18,753,668
Total Capitalization	20,466,775	20,692,408	20,469,123	20,218,729
Common Stock Equity	18,561,736	18,886,810	18,903,734	18,751,906
Capital Lease Obligations	82,897	91,694	49,473	58,011
Net Tangible Assets	17,761,350	18,073,291	18,087,318	17,923,819
Working Capital	1,908,050	1,849,662	1,777,805	1,342,689
Invested Capital	21,294,800	21,528,024	20,982,161	20,650,670
Tangible Book Value	17,761,350	18,073,291	18,087,318	17,923,819
Total Debt	2,815,961	2,732,908	2,127,900	1,956,775
Net Debt	1,120,835	1,220,558	1,631,003	1,342,596
Share Issued	685,260	685,260	685,260	685,260
Ordinary Shares Number	685,260	685,260	685,260	685,260
Treasury Shares Number	0	-	-	-

Source: <https://finance.yahoo.com/quote/ECILC.IS/>

The key financial ratios of the company are:

Valuation Measures⁴

Market Cap (intraday)	37.35B
Enterprise Value	38.36B
Trailing P/E	10.00
Forward P/E	N/A
PEG Ratio (5 yr expected)	N/A
Price/Sales (ttm)	8.57
Price/Book (mrq)	2.01
Enterprise Value/Revenue	8.81
Enterprise Value/EBITDA	7.38

Financial Highlights

Fiscal Year

Fiscal Year Ends	Dec 31, 2022
Most Recent Quarter (mrq)	Sep 30, 2023

Profitability

Profit Margin	85.73%
Operating Margin (ttm)	14.74%

Management Effectiveness

Return on Assets (ttm)	2.45%
Return on Equity (ttm)	28.40%

Income Statement

Revenue (ttm)	4.36B
Revenue Per Share (ttm)	6.36
Quarterly Revenue Growth (yoy)	184.90%
Gross Profit (ttm)	N/A
EBITDA	883.77M
Net Income Attributable to Common (ttm)	3.73B
Diluted EPS (ttm)	5.45
Quarterly Earnings Growth (yoy)	N/A

Источник: <https://finance.yahoo.com/quote/ECILC.IS/>

Accordingly, in relation to the last price before the valuation date, this is the price as of 12.01.2024, with the closing price being 44.30 Turkish lira per share.

Time Period: Jan 01, 2024 - Jan 15, 2024 ▾ Show: Historical Prices ▾ Frequency: Daily ▾

Currency in TRY

Date	Open	High	Low	Close*	Adj Close**
Jan 12, 2024	44.02	44.86	42.94	44.30	44.30
Jan 11, 2024	45.30	45.78	43.78	44.12	44.12
Jan 10, 2024	44.30	45.42	43.50	45.24	45.24
Jan 09, 2024	45.56	45.58	43.78	44.20	44.20
Jan 08, 2024	44.36	46.34	44.24	45.64	45.64
Jan 05, 2024	42.64	44.44	42.26	44.40	44.40
Jan 04, 2024	42.00	42.42	41.24	42.42	42.42
Jan 03, 2024	44.34	44.34	42.00	42.00	42.00
Jan 02, 2024	44.38	44.72	43.64	44.50	44.50

*Close price adjusted for splits. **Adjusted close price adjusted for splits and dividend and/or capital gain distributions.

Source: <https://finance.yahoo.com/quote/ECILC.IS/>

On this basis, we derive:

EIS Eczacibasi Ilac	Currency	BGN
Market	Turkey	
data as at	30.9.2023	
Assets	25 224 242 000	1 497 494 227
Equity	18 563 653 000	1 102 073 283
EBITDA (Operating profit) TTM	5 198 108 000	308 597 448
Revenues TTM	4 355 615 000	258 580 944
Closing price before valuation date	44.30	2.63
P/B	2.01	
P/E	10.00	
P/S	8.57	
Currency rate 15.01.2024	16.8443 turkish lira per BGN 1	

Source: SIS calculations

To determine the transformation exchange rates, we use the BNB fixing for the valuation date, 15.01.2024, as follows:

Attachment 2 to the Transofmration through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

Foreign Exchange Rates of the Bulgarian lev and Price of Gold valid for 15.01.2024

Currency	Code	Per unit of currency/gold	Levs (BGN)	Reverse rate for 1 BGN
Australian Dollar	AUD	1	1.18903	0.841022
Brazilian Real	BRL	10	3.6672	2.72688
Canadian Dollar	CAD	1	1.33095	0.751343
Swiss Franc	CHF	1	2.09157	0.47811
Chinese Yuan Renminbi	CNY	10	2.49058	4.01513
Czech Koruna	CZK	100	7.91385	12.6361
Danish Krone	DKK	10	2.62211	3.81372
British Pound	GBP	1	2.27224	0.440094
Hong Kong Dollar	HKD	10	2.28487	4.37662
Hungarian Forint	HUF	1000	5.15126	194.127
Indonesian Rupiah	IDR	10000	1.14835	8708.15
New Israel Shekel	ILS	10	4.76172	2.10008
Indian Rupee	INR	100	2.15642	46.3732
Icelandic Krona	ISK	100	1.3065	76.5404
Japanese Yen	JPY	100	1.22492	81.638
South Korean Won	KRW	1000	1.35169	739.815
Mexican Peso	MXN	10	1.05778	9.45376
Malaysian Ringgit	MYR	10	3.82686	2.61311
Norwegian Krone	NOK	10	1.72868	5.78476
New Zealand Dollar	NZD	1	1.1063	0.903914
Philippine Peso	PHP	100	3.20245	31.2261
Polish Zloty	PLN	10	4.48328	2.23051
Romanian Leu	RON	10	3.93187	2.54332
Russian Rouble	RUB			
Swedish Krona	SEK	10	1.7342	5.76635
Singaporean Dollar	SGD	1	1.33952	0.746536
Thai Baht	THB	100	5.11034	19.5682
Turkish Lira	TRY	100	5.93674	16.8443
US Dollar	USD	1	1.78696	0.55961
South African Rand	ZAR	100	9.57285	10.4462
Gold price (per troy ounce)	XAU	1	3663.66	

Note: Exchange rates are calculated pursuant to Art. 12 of the Currency Law and are used for purposes as provided for by law.

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>

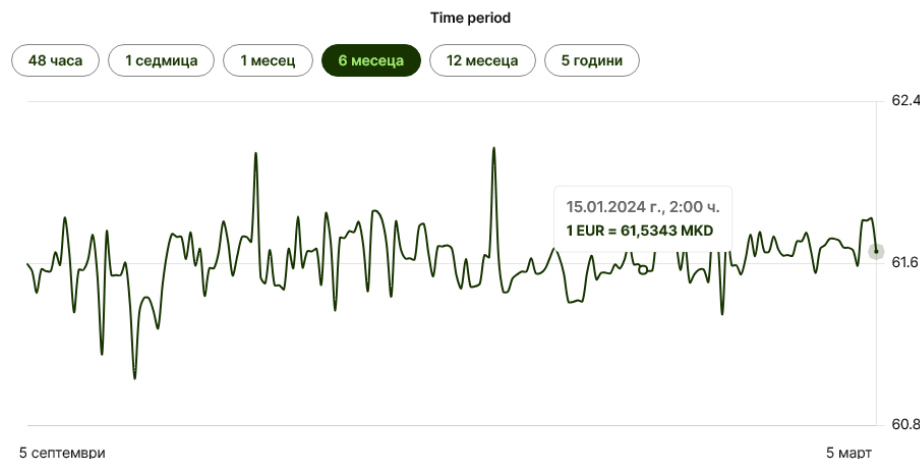
Since there is no data on Macedonian dinars in the BNB's fixings, we use data on the exchange rate of Macedonian dinars to the euro:

Графика на конвертиране за MKD към EUR

1 MKD = 0,01623 EUR

Отпреди една минута 1 EUR = 61,6264 MKD

— Среден пазарен курс



Source: <https://wise.com/bg/currency-converter/mkd-to-eur-rate>

Using the fixing of the BNB for the euro, we determine 1 euro = 1.95583 BGN = 61.5343 Macedonian dinars and from here we derive 1 BGN = 31.46198801 Macedonian dinars.

We can summarize the data for the peer companies:

Comparison with market analogues	ALKALOID AD SKOPJE	ANTIBIOTICE SA	DEVA HOLDING AS	EIS ECZACIBASI ILAC VE SINAI	Median for analogs
Stock Exchange Code of the Company	ALK MS Equity	ATB RO Equity	DEVA TI Equity	ECILC TI Equity	
Market	Macedonia	Romania	Turkey	Turkey	
Assets in BGN as of 30.09.2023	634 222 764	381 005 138	767 555 315	1 497 494 227	700 889 040
Equity in BGN as of 30.09.2023	438 339 529	286 208 619	343 963 062	1 102 073 283	391 151 295
EBITDA BGN, TTM 30.09.2023	57 937 534	46 290 397	210 859 282	308 597 448	134 398 408
Income BGN, 30.09.2023	524 854 882	229 435 853	453 567 260	258 580 944	356 074 102
Closing Price on Valuation Date (Original Currency)	18350,00	1,53	79,35	44,30	61,83
Closing price as of the valuation date (BGN)	583,24	0,60	4,71	2,63	3,67
Price to book value (P/B) ratio, as of the valuation date	2,09	1,56	2,74	2,01	2,05
Price to sales per share (P/S) ratio, as of the valuation date	1,75	1,94	207,48	8,57	5,26
Price-to-earnings-per-share (P/E) ratio, as of the valuation date	16,48	14,45	16,48	10,00	15,47

Source: SIS calculations

Accordingly, comparing the median with the data for the analyzed company:

Peer comparison	Peer median	SOPHARMA AD SOFIA
Stock Exchange Code		SFA BU Equity
Market		Bulgaria
Assetst in EUR	700,889,040	1,439,574,000
Capital in EUR	391,151,295	731,385,000

EBITDA in EUR	134,398,408	102,969,000
Revenues in EUR	356,074,102	1,836,069,000
Closing price at the valuation date(original currency)	61.83	5.92
Closing price at the valuation date(BGN)	3.67	5.92
Price-to-book ratio (P/B), as at the valuation date	2.05	1.28
Price-to-sales ratio (P/S), as at the valuation date	5.26	0.33
Price-to-earnings ratio (P/E), as at the valuation date	15.47	11.02

Source: SIS calculations

It is significant that all four analogue companies are in countries neighboring Bulgaria, which further increases the degree of comparability. The average size (on a median basis) of the assets of these companies amounted to BGN 701 million compared to BGN 1,440 million on a consolidated basis for the analyzed company, and the average earnings before depreciation and interest, EBITDA, (on a median basis) on a TTM basis of 134 million BGN compared to BGN 103 million on a consolidated basis for the analyzed company, which confirms a sufficient degree of comparability.

The use of the median as a method for 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 1947⁴⁸.

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.

As far as the published data of the peers and 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 the performance of 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 account:

(a) firstly, in relation to companies using the European accounting standards, this method is indirect, insofar as these companies do not report data on an "individual quarter" basis, but on a "year-to-date" basis, which is why data for the third quarter, for example, are received as

⁴⁸ <https://projecteuclid.org/journals/annals-of-mathematical-statistics/volume-18/issue-4/On-Small-Sample-Estimation/10.1214/aoms/1177730349.full>

the difference between the data as of 30.09 and the data as of 30.06 for the respective year; (b) secondly, 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 adjustments that are recognized on an annual basis, but are attributable to one or more previous quarters within the financial year, without these adjustments 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 Sopharma AD	Value in BGN
Capital as of 30.09.2023	731 385 000
Number of shares outstanding	158 262 242
Total value of the share	4,62
Stock price as of 14.01.2024	5,92
Price to book value (P/B) ratio, as of the valuation date	1,28
Income as of 30.09.2023	1 387 982 000
Income as of 31.12.2022	1 676 058 000
Income as of 30.09.2022	1 227 971 000
TTM revenues as of 30.09.2023	1 836 069 000
Earnings per share (EPS)	11,60
Stock price as of 14.01.2024	5,92
Price to sales per share (P/S) ratio, as of the valuation date	0,51
Profit as of 30.09.2023	80 104 000
Profit as of 31.12.2022	87 104 000
Profit as of 30.09.2022	65 016 000
TTM profit as of 30.09.2023	102 192 000
Earnings per share (EPS)	0,65
Stock price as of 14.01.2024	5,92
Price-to-earnings-per-share (P/E) ratio, as of the valuation date	9,10

Source: Company financial statements and SIS calculations

We consider the above coefficients to be indicative, due to the following:

	Median of analogues	Value of the indicator for Sopharma	Relative weight in the final valuation by the market data method	Justification 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.	2.05	1.28	35%	Taking into account the inadmissibility of changing the weights of the coefficients compared to the initial assessment, regardless of subsequently established circumstances that may objectify the need for such an update, the weights of the three coefficients from the initial assessment have been preserved.
Price to sales per share (P/S) ratio, as of the valuation date.	5.26	0.51	25%	
Price-to-earnings-per-share (P/E) ratio, as of the valuation date.	15.47	11.02	40%	

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Due to the limited number of companies in the sector, it is not possible to identify a company that, as a market analogue, simultaneously fulfills all the main criteria for a close analogue (similar sales, similar size of assets, similar structure of financing with equity and liabilities, similar indicators of liquidity and profitability, similar geographical profile). This necessitates the use of a median among similar companies to form a synthetic benchmark that most fully reflects market information for similar listed companies in the sector.

For valuation purposes, the three ratios (P/B, P/S, P/E) have been used and given equal weightage as per the explanation provided above.

Taking into account the above, we determine a fair price per share of "Sopharma" AD based on the method of market analogues as follows:

PEER MARKET PRICE VALUATION	
Price-to-book ratio based on peer valuation	2.0500
Accounting value of the company subject to valuation for the last accounting period, BGN	4.6213
Price according to P/B in BGN	9.4738
Relative weight in the final price	35.0000%
Price-to-sales ratio per share based on peer valuation method	5.2550
Sales per share of the company subject to valuation for the last 12 months, BGN	11.6014
Price according to P/S in BGN	60.9655
Relative weight in the final price	25.0000%
Price-to-earnings ratio per share based on peer valuation method	15.4650
Earnings per share of the company subject to valuation for the last 12 months, BGN	0.5371
Price according to P/E in BGN	8.3066

Relative weight in the final price	40.0000%
Conclusion of the market price according to the peer valuation method, BGN	21.8798

Source: SIS calculations

The resulting value of **21.8798** is rounded to the nearest two decimal places, **21.88**.

We determine a fair price according to the method of market analogues of BGN 21.88 per share.

Part III. Systematized financial information

The information below is presented in relation to Article 7(1)(a) of the Act on the Market in 1 to 3 of Regulation 41 of the FSC

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

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

Below are presented data for the analyzed company, based on IFRS for the last three financial years and the most recent interim reporting period:

Attachment 2 to the Transofmration through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

Profit and loss and other comprehensive income	Sopharma AD									
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	30.9.2023	30.9.2022	%Δ 2022 / 2021	%Δ 2021 / 2020	Δ Q3 2022 / Q3 2021
Operating income	1 676 058	1 617 140	1 451 503	1 294 008	1 023 789	1 387 982	1 227 971	3,60%	11,40%	13,00%
Revenue from contracts with customers	1 663 016	1 603 310	1 438 826	1 281 587	1 017 105	1 374 982	1 218 800	3,70%	11,40%	12,80%
Other operating income, net	13 042	13 830	12 677	12 421	6 684	13 000	9 171	-5,70%	9,10%	41,80%
Operating expenses	-1 588 177	-1 553 621	-1 405 703	-1 234 316	-967 953	-1 307 878	-1 162 955	2,20%	10,50%	12,50%
Change in inventories of work-in-progress and work-in-progress	9 713	-8 721	2 124	-3 479	8 741	4 706	9 601	-211,40%	-510,60%	-51,00%
Material costs	-99 129	-83 122	-89 324	-93 234	-90 153	-76 967	-72 488	19,30%	-6,90%	6,20%
External costs	-70 126	-75 927	-80 869	-75 239	-63 546	-60 305	-50 097	-7,60%	-6,10%	20,40%
personnel costs	-147 829	-150 061	-133 547	-127 087	-101 424	-124 593	-108 540	-1,50%	12,40%	14,80%
Depreciation and impairment costs	-52 099	-53 187	-46 633	-44 004	-30 108	-42 181	-38 635	-2,00%	14,10%	9,20%
Book value of goods sold	-1 214 333	-1 166 508	-1 041 687	-878 504	-679 951	-1 004 649	-891 664	4,10%	12,00%	12,70%
other costs	-14 374	-16 095	-15 767	-12 769	-11 512	-3 889	-11 132	-10,70%	2,10%	-65,10%
Operating profit or loss	87 881	63 519	45 800	59 692	55 836	80 104	65 016	38,40%	38,70%	23,20%
Investments income	0	0	0	0	0	0	0	N/A	N/A	N/A
Profit or loss before financing and profit tax	87 881	63 519	45 800	59 692	55 836	80 104	65 016	38,40%	38,70%	23,20%
Current assets depreciation	-20 783	-10 476	-5 993	-18 949	-18 949	-671	-1 726	98,40%	74,80%	N/A
Financial income	3 304	6 632	5 081	10 953	8 369	2 581	2 864	-50,20%	30,50%	-9,90%
Financial costs	-9 417	-11 797	-19 099	-12 391	-11 631	-9 589	-6 860	-20,20%	-38,20%	39,80%
Profit from associates and joint ventures, net	22 635	12 092	5 976	44 660	447	18 305	17 808	87,20%	102,30%	2,80%
Profit from sale of subsidiary	1 456	37 604	-323	4 448	0	0	0	-96,10%	-11742,10%	N/A
Profit or loss before tax	85 076	97 574	31 442	88 413	52 350	89 675	78 828	-12,80%	210,30%	13,80%
Tax liabilities	-8 743	-5 871	-6 162	-4 054	-6 578	-8 746	-6 572	48,90%	-4,70%	33,10%
Net profit or loss	76 333	91 703	25 280	84 359	45 772	80 929	72 256	-16,80%	262,70%	12,00%
Subsequent revaluation of property, plant and equipment	-991	10 616	-41	196	-42	32	0	-109,30%	-25992,70%	N/A
Subsequent valuations of defines benefit pension plans	1 498	-25	-214	-32	-597	-14	0	-6092,00%	-88,30%	N/A
Net change of fair value of other long-term capital investments	-1 047	-355	-637	-60	0	168	-1 167	194,90%	-44,30%	-114,40%
Income tax related to components of other comprehensive income that will not be reclassified	99	-1 150	4	-20	4	-3	0	-108,60%	-28850,00%	N/A
Currency exchange differences from recalculation activities abroad	-4 637	-799	-1 469	4 176	-899		-3 260	480,40%	-45,60%	-100,00%
Shares of other comprehensive income belonging to associates	-790	3 708	-6 150	0			5 300	-121,30%	-160,30%	-100,00%
Other comprehensive income net of tax	-5868	11995	-8507	4260	-1534	183	873	-148,90%	-241,00%	-79,00%
Total comprehensive income for the period	70 465	103 698	16 773	88 619	44 238	81 112	73 129	-32,00%	518,20%	10,90%
Distributed dividend	0	0	0	0	0	0	0	N/A	N/A	N/A

Taking into account the legal requirement that as a public parent company preparing consolidated financial statements the analyzed company prepares its statements in accordance with European standards for their form and content, certain concepts in the sense of Ordinance No. 41 of the FSC are presented with their closest analogue from the financial statements of the company.

Item 16.1. Net sales revenue

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

Statement of profit or loss and other comprehensive income	Sopharma AD									
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	30.09.2023	30.9.2022	Δ 2022 / 2021	Δ 2021 / 2020	Δ Q3 2022 / Q3 2021
Operating income	1 676 058	1 617 140	1 451 503	1 294 008	1 023 789	1 387 982	1 227 971	3.6%	11.4%	13,00%
- Revenue from contracts with customers	1 663 016	1 603 310	1 438 826	1 281 587	1 017 105	1 374 982	1 218 800	3.7%	11.4%	12.8%
- Other operating income(loss), net	13 042	13 830	12 677	12 421	6 684	13 000	9 171	-5.7%	9.1%	41.8%

* values are in BGN thousand for the company "Sopharma" AD

We note a growth in operating income of 11.4% in 2021 compared to 2020 and in 2022 of 3.6% compared to 2021, and subsequently again a more significant growth in the first 9 months of 2023 of 13% compared to the same period for the previous year.

Item 16.2. Cost of sales

Profit/ loss and other comprehensive income	Sopharma AD						□ وو ٢ل □ وو ٢ل	□ وو ٢ل □ وو ٢ل
	31/12/2022	31/12/2021	31/12/2020	30/09/2023	30/09/2022	%Δ2022 / 2021		
Operating expenses	-1 588 177	-1 553 621	-1 405 703	-1 307 878	-1 162 955	2.2%	□ يو ٢ل □	□ يو ٢ل □
Change in inventories of work-in-progress and work-in-progress	9 713	-8 721	2 124	4 706	9 601	-211.4%	-510.6%	□ يو ٢ل □
Material expenses	-99 129	-83 122	-89 324	-76 967	-72 488	19.3%	-6.9%	□ يو ٢ل □
Expenses on use of external services	-70 126	-75 927	-80 869	-60 305	-50 097	-7.6%	-6.1%	20.4%
Personnel expenses	-147 829	-150 061	-133 547	-124 593	-108 540	-1.5%	12.4%	14.8%
Depreciation expenses	-52 099	-53 187	-46 633	-42 181	-38 635	-2.0%	14.1%	9.2%
Book value of goods sold	-1 212 333	-1 166 508	-1 041 687	-1 004 649	-891 664	4.1%	12.0%	12.7%
Other expenses for the activity	-14 374	-16 095	-15 767	-3 889	-11 132	-10.7%	2.1%	-65.1%

Source: SIS calculations, audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2023 and unaudited proforma consolidated FS as at 30.09.2022

* values are in BGN thousand for the company "Sopharma" AD

Item 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/ loss and other comprehensive income	Sopharma AD						%Δ 2022 / 2021	%Δ 2021 / 2020	%Δ 2020 / 2019
	31/12/2022	31/12/2021	31/12/2020	30/09/2023	30/09/2022				
Operating revenues	1 676 058	1 617 140	1 451 503	1 387 982	1 227 971	3.6%	11.4%	13,00%	
Operating costs	-1 588 177	-1 553 621	-1 405 703	-1 307 878	-1 162 955	2.2%	10.5%	12.5%	
Operating profit/loss	87 881	63 519	45 800	80 104	65 016	38.4%	38.7%	23.2%	

Source: SIS calculations, audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2023 and unaudited proforma consolidated FS as at 31.12.2022

* values are in BGN thousand for the company "Sopharma" AD

We note an increase in operating profit from 2020 to 2022 by more than 38% per year reaching BGN 87,881 thousand. In the first 9 months of 2023, however, the profit growth is falling, but despite everything it is with a significant growth of 23.2% to reach BGN 80,104 thousand

Item 16.4. Administrative and selling expenses

Information is presented in point 16.2.

For the analyzed company, there is an increase in operating expenses for 2021 compared to 2020 of 10.5%, followed by a weaker increase of 2.2% in 2022 compared to the full financial year 2021. In the first nine months of 2023, the growth is 12.5% compared to the same period of the previous year.

Item 16.5. Operating profit/loss

Information is provided in point 16.3.

We note an operating profit that increases by 38.7% in 2021, and in 2022 it achieves almost the same significant growth of 38.4%. In the first 9 months of 2023, operating profit grew by 23.2%.

Item 16.6. Financial income and expenses

Profit/ loss and other comprehensive income	Sopharma AD							
	31/12/2022	31/12/2021	31/12/2020	30/09/2023	30/09/2022	%Δ 2022 / 2021	%Δ 2021 / 2020	%Δ 2020 / 2019
Investments income	0	0	0	0	0	N/A	N/A	N/A
Profit or loss before financing and profit tax	87 881	63 519	45 800	80 104	65 016	38,40%	38,70%	23,20%
Current assets depreciation	-20 783	-10 476	-5 993	-1 726		98,40%	74,80%	N/A
Financial income	3 304	6 632	5 081	2 581	2 864	-50,20%	30,50%	-9,90%
Financial costs	-9 417	-11 797	-19 099	-9 589	-6 860	-20,20%	-38,20%	39,80%
Profit from associates and joint ventures, net	22 635	12 092	5 976	18 305	17 808	87,20%	102,30%	2,80%
Profit from sale of daughter companies	1 456	37 604	-323		0	-96,10%	-11742.1%	N/A

* values are in BGN thousand for the company "Sopharma" AD

Item 16.7. Profit/loss (before tax expense)

Profit/ loss and other comprehensive income	Sopharma AD							
	31/12/2022	31/12/2021	31/12/2020	30/09/2023	30/09/2022	%Δ 2022 / 2021	%Δ 2021 / 2020	%Δ 2020 / 2019
Profit or loss before tax	85 076	97 574	31 442	89 675	78 828	-12,80%	210,30%	13,80%
Tax	-8 743	-5 871	-6 162	-8 746	-6 572	48,90%	-4,70%	33,10%
Net profit or loss	76 333	91 703	25 280	80 929	72 256	-16,80%	262,70%	12,00%
Subsequent revaluation of property, plant and equipment	-991	10 616	-41	32	0	-109,30%	-25992,70%	N/A
Subsequent valuations of defined benefit pension plans	1 498	-25	-214	-14	0	-6092,00%	-88,30%	N/A
Net change of fair value of other long-term capital investments	-1 047	-355	-637	168	-1 167	194,90%	-44,30%	-114,40%
Income tax related to components of the comprehensive income that will not be reclassified	99	-1 150	4	-3	0	-108,60%	-28850,00%	N/A
Currency exchange differences from recalculation activities abroad	-4 637	-799	-1 469		-3 260	480,40%	-45,60%	-100,00%
Share of other comprehensive income belonging to associated	-790	3 708	-6 150		5 300	-121,30%	-160,30%	-100,00%
Other comprehensive income net of tax	-5868	11995	-8507	183	873	-148,90%	-241,00%	-79,00%
Total comprehensive income for the period	70 465	103 698	16 773	81 112	73 129	-32,00%	518,20%	10,90%

* values are in BGN thousand for the company "Sopharma" AD

We note an increase in profit before tax expenses of 210.3% in 2021 compared to 2020 and a decrease of 12.8% in 2022 compared to the full financial year 2021. The company realized a positive result in 2023, with profit for the nine months growing with 13.8% on an annual basis.

Item 16.8. Net profit/loss

Information is provided in point 16.7.

The net profit increased significantly in 2021 by 262.7% reaching BGN 91,703 thousand, with the big jump due to the low value for 2020. In 2022, the net profit fell to BGN 76,333 thousand, which is a decrease of 16.8%. For the nine months of 2023, the net profit grew by 12% compared to the same period the previous year, reaching BGN 80,929 thousand.

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

The assessed company reflects other comprehensive income in accordance with European standards, and as of 31.12.2021 the main changes are differences in subsequent revaluations of property, machinery and equipment in the amount of BGN 10,616,000, income tax related to components of other comprehensive income, which will not be reclassified in the amount of BGN 1,150,000 and a share of the other comprehensive income of associated companies in the amount of BGN 3,708,000. The significant changes in the international markets also led to more significant exchange rate differences from the recalculation of foreign activities in 2022.

Item 17. Data from the statement of financial position

Below are data for the analyzed company, for the last five financial years and the last interim reporting period:

Attachment 2 to the Transofmration through merger Agreement between "Sopharma" AD and "Veta Pharma" AD

Balance Sheet	Sopharma AD						
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	30.9.2023	30.9.2022
	Assets	1 253 978	1 204 978	1 242 112	1 175 272	980 733	1 439 574
Current assets	572 491	571 232	612 177	549 100	512 364	729 491	582 394
Inventories	278 583	255 949	287 569	229 873	218 109	311 599	272 917
Commercial receivables	224 442	227 832	250 707	255 660	235 193	272 688	248 256
Related parties receivables	12 909	14 479	6 682	7 112	4 694	14 952	13 031
Assets available and for sale		0	0	1 462	0		0
Other short-term receivables and assets	36 702	35 250	41 926	27 480	21 040	112 825	30 315
Cash and cash equivalents	19 855	37 722	25 293	27 513	33 328	17 427	17 875
Non-current assets	681 487	633 746	629 935	626 172	468 369	710 083	671 116
Property, plant and equipment	376 407	362 393	395 872	378 625	317 620	363 220	376 356
Intangible assets	48 151	54 421	58 272	42 829	63 449	45 350	49 616
Reputation	3 522	13 420	13 269	15 909	23 147	3 533	13 267
Investment properties	10 568	9 446	11 691	10 856	9 811	10 752	9 446
Investments in associates	162 844	127 320	62 811	62 985	19 536	223 598	154 486
Other long-term capital investments	4 778	5 778	14 294	10 079	7 982	2 482	4 498
Long-term receivables from related parties	67 471	49 696	59 726	91 794	20 599	51 553	51 318
Other long-term receivables	5 694	10 222	11 951	10 674	4 883	7 723	10 958
Defferred tax assets	2 052	1 050	2 049	2 421	1 342	1 872	1 171
Owner's equity	716 634	658 868	566 595	575 772	503 110	731 385	721 747
Main owner's equity	134 798	134 798	134 798	134 798	134 798	134 798	134 798
Reserves	47 503	55 031	57 701	60 977	53 576	48 322	56 156
Warrants reseve	12 488	12 512	0	0		12 479	12 488
Undistributed profit	509 869	444 634	360 770	360 656	281 509	520 824	506 885
Uncontrolling participation	11 976	11 893	13 326	19 341	33 227	14 962	11 420
Liabilities	537 344	546 110	675 517	599 500	477 623	708 189	531 763
Current liabilities	407 346	423 892	544 451	484 052	397 562	575 297	390 470
Short-term bank loans	158 355	217 392	255 281	274 829	194 165	278 589	173 956
Short-term part of long-term bank loans	9 758	9 467	31 172	16 730	14 478	7 315	9 232
Commercial liabilities	175 567	143 480	164 919	116 407	135 168	154 254	152 163
Related parties liabilities	4 904	3 700	2 367	7 668	757	53 513	4 871
Factoring liabilities	1 875	6 370	36 591	24 772	19 403		2 867
Short-term leasing liabilities	12 874	11 583	17 951	10 012	0	12 998	12 208
Liabilities to personnel ans social security	21 780	17 888	17 996	15 418	12 895	21 307	19 258
Tax liabilities	8 436	7 039	6 590	7 217	7 375	8 396	7 228
Other current liabilities	13 797	6 973	11 584	10 999	13 321	38 925	8 687
Non-current liabilities	129 998	122 218	131 066	115 448	80 061	132 892	141 293
Long-term bank loans	27 759	42 907	34 567	56 832	50 526	37 766	47 537
Defferred tax liabilities	6 397	8 472	7 937	8 196	13 704	5 392	5 917
Long-term part of leasing from related parties	24 494	10 210	8 783	2 972	0	17 540	25 767
Long-term liabilities to personnel	6 541	7 622	7 339	6 626	5 458	6 745	8 045
Leasing liabilities	52 058	38 589	49 593	25 840	1 950	53 778	39 896
Government financing	6 155	6 783	10 422	10 940	8 250	5 076	6 505
Other non-current liabilities	6 594	7 635	12 425	4 042	173	6 595	7 626
Capital and liabilities	1 253 978	1 204 978	1 242 112	1 175 272	980 733	1 439 574	1 253 510
Difference	0	0	0	0	0	0	0
<i>Net working capital</i>	<i>165 145</i>	<i>147 340</i>	<i>67 726</i>	<i>65 048</i>	<i>114 802</i>	<i>154 194</i>	<i>191 924</i>

* values are in BGN thousand for the company "Sopharma" AD

There is an increase in assets for 2020 over 2019 of 5.7%, followed by a decline in 2021 over 2020 of 3.9% and an increase of 4.1% in 2022. In the first nine months of 2023, assets increased by 14.8%.

The main assets of the company continue to be inventories, trade receivables and property, machinery and equipment, representing a relative share of 78.6% of assets as of 31.12.2018, 73.5% as of 31.12.2019, 75.2% as of 31.12.2020, 70.2% as of 12/31/2021, 70.1% as of 12/31/2022 and 65.9% as of the first nine months of 2023.

Item 17.1. Cash and cash equivalents

Sopharma AD								
	31.12.2022	31.12.2021	31.12.2020	30.9.2023	30.9.2022	%Δ 2022 / 2021	%Δ 2021 / 2020	%Δ Q3 2023/ Q3 2022
Cash and cash equivalents	19 855	37 722	25 293	17 427	17 875	-47.4%	49.1%	-2.5%
Source: : SIS calculations audited consolidated AFS for 2018 - 2021, interim unaudited FS as at 30.09.2022 and unaudited proforma consolidated FS as 30.09.2022								

* values are in BGN thousand for the company "Sopharma" AD

The cash of the company varies considerably during the periods as a part of the current assets, but increased to BGN 37.7 million as of 31.12.2021, which represents an increase of 49.1% compared to 31.12.2020. Subsequently, in 2022, they did not decrease by 47.4% to BGN 19.9 million. At the end of the nine months of 2023, they are at the level at which they were at the end of the same period the previous year, marking a slight drop of 2.5%, reaching BGN 17.4 million.

Item 17.2. Net working capital

Statement of financial position	Sopharma AD								
	31.12.2022	31.12.2021	31.12.2020	31.09.2023	30.9.2022	Δ 2022 / 2021	Δ 2021 / 2020	Δ Q3 2023 / Q3 2022	
Current assets	572 491	571 232	612 177	729 491	582 394	0.2%	-6.7%	25.3%	
Inventories	278 583	255 949	287 569	311 599	272 917	8.8%	11.0%	14.2%	
Trade receivables	224 442	227 832	250 707	272 688	248 256	-1.5%	-9.1%	9.8%	
Receivables from related parties	12 909	14 479	6 682	14 952	13 031	-10.8%	116.7%	14.7%	
Assets available for sale		0	0		0	N/A	N/A	N/A	
Other short-term receivables and prepaid expenses	36 702	35 250	41 926	112 825	30 315	4.1%	-15.9%	272.2%	
Cash and cash equivalents	19 855	37 722	25 293	17 427	17 875	-47.4%	49.1%	-2.5%	
Liabilities	537 344	546 110	675 517	708 189	531 763	-1.6%	-19.2%	33.2%	
Current liabilities	407 346	423 892	544 451	575 297	390 470	-3.9%	-22.1%	47.3%	
Short-term bank loans	158 355	217 892	255 281	278 589	173 956	-27.2%	-14.8%	60.1%	
Short-term part of long-term bank loans	9 758	9 467	31 172	7 315	9 323	3.1%	-69.6%	-20.8%	
Trade obligations	175 567	143 480	164 919	154 254	152 163	22.4%	-13.0%	1.4%	
Liabilities to related parties	4 904	3 700	2 367	53 513	4 871	32.5%	56.3%	998.6%	
Obligations under factoring contracts	1 875	6 370	36 591	-	2 867	-70.6%	-82.6%	N/A	
Short-term part of lease liabilities	12 874	11 583	17 951	12 998	12 208	11.1%	-35.5%	6.5%	
Obligations to personnel on retirement	21 780	17 888	17 996	21 307	19 258	21.8%	-0.6%	10.6%	
Tax liabilities	8 436	7 039	6 590	8 396	7 228	19.8%	6.8%	16.2%	
Other current liabilities	13 797	6 973	11 584	38 925	8 687	97.9%	-39.8%	348.1%	
Net working capital	165 145	147 340	67 726	154 194	191 924	12.08%	117.55%	-19.7%	

* values are in BGN thousand for the company "Sopharma" AD

Net working capital increased significantly by 117.55% in 2021 due to a large reduction in current liabilities. In 2022, net working capital increases by 12.08%. In the first nine months of 2023, however, it decreased by 19.7% due to the 47.3% increase in current liabilities due to the increase from bank loans, liabilities to related enterprises and other current liabilities.

Item 17.3. Total Asset Value

Statement of financial position	Sopharma AD							
	31/12/2022	31/12/2021	31/12/2020	31/09/2023	30/09/2022	Δ 2022 / 2021	Δ 2021 / 2020	Δ Q3 2023 / Q3 2022
Assets	1 253 978	1 204 978	1 242 112	1 439 574	1 253 510	4.1%	-3.0%	14.8%
Current assets	572 491	571 232	612 177	729 491	582 394	0.2%	-6.7%	25.3%
Non-currents assets	681 487	633 746	629 935	710 083	671 116	7.5%	0.6%	5.8%

* values are in BGN thousand for the company "Sopharma" AD

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

Item 17.4. Total value of liabilities

Statement of financial position	Sopharma AD							
	31/12/2022	31/12/2021	31/12/2020	30/09/2023	30/09/2022	Δ 2022 / 2021	Δ 2021 / 2020	Δ Q3 2023 / Q3 2022
Liabilities	537 344	546 110	675 517	708 189	531 763	-1.6%	-19.2%	33.2%
Current liabilities	407 346	423 892	544 451	575 297	390 470	-3.9%	-22.1%	47.3%
Non-current liabilities	129 998	122 218	131 066	132 892	141 293	6.4%	-6.8%	-5.9%

* values are in BGN thousand for the company "Sopharma" AD

The company maintains a relatively constant ratio of current liabilities to non-current liabilities over the years.

Item 17.5. Total equity value

Statement of financial position	Sopharma AD							
	31/12/2022	31/12/2021	31/12/2020	30/09/2023	30/09/2022	Δ 2022 / 2021	Δ 2021 / 2020	Δ Q3 2023 / Q3 2022
Owner's equity	716 634	658 868	566 595	731 385	721 747	8.8%	16.3%	1.3%
Main owner's equity	134 798	134 798	134 798	134 798	134 798	0.0%	0	0.0%
Reserves	47 503	55 031	57 701	48 322	56 156	-13.7%	-4.6%	-14.0%
Warrants reserve	12 488	12 512	0	12 479	12 488	-0.2%	N/A	(0.00)
Undistributed profit	509 869	444 634	360 770	520 824	506 885	14.7%	23.2%	2.7%
Uncontrolling participation	11 976	11 893	13 326	14 962	11 420	0.7%	-10.8%	31.00%

* values are in BGN thousand for the company "Sopharma" AD

The trend is for a stable growth of equity over the years.

Item 17.6. Remarks regarding conformity of the presented information

No remarks to be made.

Item 18. Financial coefficients under Art. 7, para. 2, letters "d" - "k" of Ordinance 41 of the Financial Supervisory Service and method of their calculation

The table below presents the information required under Ordinance 41 in historical aspect.

For the purpose of completeness, the financial information provided covers audited individual data for 2019, 2020, 2021, 2022 and unaudited interim data for the first nine months of 2023 and 2022.

According to IFRS, we should explicitly state that all ratios, Alternative Performance Measures according to ESMA guidelines and Management Performance Measures according to IASB guidelines, are estimates within the meaning of IFRS, and these data are subject to official disclosure only after they have been subject to independent audit, together with the financial statements for the period to which they relate.

Nevertheless, the ratios below are calculated based on prevailing definitions thereof

Historical information	Sopharma AD			
	31/12/2022	31/12/2021	31/12/2020	30/9/2023
Profitability ratios				
Operational profitability	4.55%	5.67%	1.74%	5.83%
Capacity to generate cash flow from borrowed funds	20.49%	-13.91%	-26.56%	-13.30%
Return on assets	6.09%	7.61%	2.04%	7.50%
Capacity to generate income from assets	5.62%	8.61%	1.35%	7.51%
Return on capital	10.65%	13.92%	4.46%	14.75%
Historical information				
	31/12/2022	31/12/2021	31/12/2020	30/9/2023
Asset and Liquidity Ratios				
Asset turnover	1.3366	1.342	1.1686	1.2855
Working capital turnover	10.1490	10.9756	21.432	9.0015
Current ratio	1.4054	1.3476	1.1244	1.2680
Quick ratio	1.3567	1.2586	1.0779	1.2377
Absolute (immediate) liquidity	0.6839	0.6038	0.5282	0.5416
Historical information				
	31/12/2022	31/12/2021	31/12/2020	30/09/2022
Leverage ratios				
Coefficient of financial autonomy	1.3337	1.2065	0.8388	1.0328
Long-term debt ratio	0.1814	0.1855	0.2313	0.1817
Ratio Total assets/Equity	1.7498	1.8289	2.1922	1.9683
Historical information				
	31/12/2022	31/12/2021	31/12/2020	30/9/2023
Ratios per share				
Sales per share	12.4339	11.9968	10.768	12.1463
Profit per share	0.5663	0.6803	0.1875	0.6252
Book value per share	5.3164	4.8878	4.2033	4.2377
Historical information				
	31/12/2022	31/12/2021	31/12/2020	30/9/2023
Dividend ratios				
Dividend payout ratio	0.00%	0.00%	0.00%	0.00%
Earnings Retention Ratio	100.00%	100.00%	100.00%	100.00%
Dividend per share	0.0000	0.0000	0.0000	0.0000
Historical information				
	31/12/2022	31/12/2021	31/12/2020	30/9/2023
Development ratios				
Sales growth rate	3.64%	11.41%	12.17%	13.03%
Net profit growth rate	-16.76%	262.75%	-70.03%	12.00%
Asset growth rate	4.07%	-2.99%	5.69%	14.84%

Historical information				
	31/12/2022	31/12/2021	31/12/2020	30/9/2023
Market ratios				
Price/Sales per share	0.48	0.49	0.55	0.55
Price/Profit per share	10.45	8.70	31.57	9.47
Price/book value per share	1.11	1.21	1.41	1.40
Market value as at 23.01.2023	5.92	5.92	5.92	5.92
Capital (registered at the Commercial register)	134,797,899	134,797,899	134,797,899	172,590,578

Item 19. Projected financial information after the transformation. Other data from the financial statements or financial ratios that are considered material

In accordance with the requirements of Art. 23, para. 1, item 5 of Ordinance 41 of the FSC, the host company states that:

(a) as of 30.09.2023, the converting company is subject to consolidation with the parent company, which is also the receiving company under the transformation;

(b) the initial accounting date for the merger is 01.01.2024;

Below is information on the effects of the transformation:

Projected financial information (post-merger pro-forma for the receiving company on a consolidated basis):

Forecast information according to Art. 23, para. 5, letter a	1.1.2024 (effective accounting date of the merger)
Income statement data	million BGN
Net sales revenue	1 851
Cost of sales	-1 340
Gross profit/loss	511
Administrative and selling expenses	-404
Profit/loss from the business	107
Financial income	3
Financial costs	-13
Profit/Loss (before tax expense)	120
Net profit/loss	108
Data from the accounting balance sheet	million BGN
Cash and cash equivalents	17
Net working capital	154
Total Asset Value	1 440
Total value of liabilities	708
Total equity value	731
Financial ratios	ratio
Profitability ratios	
Profitability of operational activity	5,83%
Capacity to generate cash flow from borrowed funds	-13,30%
Return on assets	7,50%
Capacity to generate income from assets	7,51%
Return on equity	14,75%
Asset and Liquidity Ratios	
Asset turnover	1,29
Tradability of working capital	9,00
Current liquidity	1,27
Quick liquidity	1,24
Absolute (instant) liquidity	0,54
Leverage ratios	
Coefficient of financial autonomy	1,03
Long-term debt ratio	0,18
Ratio Total assets/Equity	1,97
Ratios per share	
Ratio Sales per share	10,72
Ratio Earnings per share	0,63
Ratio Book value of one share	4,24
Dividend ratios	
Dividend payout ratio	0,00%
Profit retention ratio	100,00%
Dividend per share	0,00
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/Earnings per share ratio	11,48
Ratio Price/Book value per share	1,69
<i>Source: SIS preliminary calculations based on consolidated host company data</i>	

Stakeholders should note the following two key facts:

(a) the above information will be changed as a result of the publication of audited financial statements of the receiving and merging company;

(b) at the effective date of the merger, an initial financial statement is prepared, which is subject to confirmation by the independent auditor of the receiving company.

In this sense, the above information should not be perceived as, nor purport to be, nor should it be represented as representative of the final data in the initial financial statements after the date of the transformation, prepared on a consolidated basis based on European financial reporting standards.

Estimated estimate of the expected changes in equity after the merger of the receiving company:

Proforma before merger	Host company	Converting company
Number of shares in circulation before merger	158 262 242	4 540 000
Fair value of 1 share before merger (in BGN)*	8,33	1,89
Value of the Company (in BGN)	1 318 324 171,94	8 580 600,00
Proforma after merger	Host company	Converting company
Number of shares in the converting company that are not held by the receiving company	Not applicable	1 050
Fair value corresponding to shares in the converting company that do not belong to the receiving company (in BGN)**	7 791,00	The company is dissolved as a result of the merger
Positive adjustments (liabilities written off, additional assets recognized) on the merger***	0,00	
Negative adjustments (newly recognized liabilities, written off assets) on the merger***	0,00	
Reduction in cash due to cash payment of part of the merger price to minority shareholders of the merging company	-79,23	
Fair value of the receiving company after the merger (in BGN)	1 318 326 381,13	
Number of shares of the acquiring company paid in the transformation of minority shareholders of the converting company	232	
Number of shares outstanding after the merger	158 262 474,00	
Fair price of 1 share after merger (in BGN)	8,33	
<i>* based on a fair value justification</i>		
<i>** determined by multiplying the fair value of 1 share of the converting company by the number of shares in the converting company that are owned by persons other than the acquiring company</i>		

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

Source: Unaudited data from the parent company and subsidiaries of the group as of 30.09.2023, with recalculation upon completion of the merger of Veta Pharma AD into Sopharma AD. The above calculations take into account the following key circumstances:

- (a) firstly, 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) secondly, no unrecognized 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 identified that would become due in advance upon transformation;
- (e) fifth, a cash portion of the acquisition price will be paid, which will reduce the parent's cash, with an equivalent effect on a consolidated basis. This effect is roughly estimated;
- (f) part of the repurchased treasury shares of the receiving company will be paid as part of the merger price, as a result of which they will return to business turnover, and this will have an effect on the number of shares in circulation. This effect is estimated approximately;

The expectation of both companies is that before the date of finalization of the merger, they will have published audited financial statements for the year 2023, 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 account the above, before the merger on a consolidated basis, the fair value of the receiving company is estimated at BGN 1,318,324,475.86, and after the merger it is expected to increase to BGN 1,318,326,381.13, respectively, the fair price of one share is expected to remain unchanged - BGN 8.33 per share .

There is no other information about share prices that is substantial.

No other data or ratios are considered significant.

Part IV. Sources of the information used in the justification

The financial information for comparable companies is based on data from Bloomberg terminal, and for the analyzed company it is based on audited annual financial statements and interim financial statements provided by the company's management and disclosed in TRRULNC.

The price information is based on data from the Bloomberg terminal and data from the BSE.

The calculations used to calculate the fair value of one share of the evaluated company were provided by Sofia International Securities. The International Financial Reporting Standards (IFRS) published by the IASB were also used, and in particular IFRS 9 Financial Instruments relating to fair value measurement of equity instruments, as well as IFRS 13 Fair Value Measurement, regarding the requirements for preparing a valuation at fair value within the European Union and EU member states. International Accounting Standards can be found at <https://www.ifrs.org/>

ORDINANCE № 41 of 11.06.2008 on the requirements for the content of the justification of the price of the shares of a public company, including the application of valuation methods, in the cases of transformation, joint venture agreement and tender offer.

PREPARED THE JUSTIFICATION:

SOFIA INTERNATIONAL SECURITIES

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

/signature/

/ Martin Radosvetov Petrov /

/signature/

/ Svetozar Svetozarov Abrashev /