

to the Shareholders
SOPHARMA AD
Sofia

REPORT OF THE INDEPENDENT REGISTERED AUDITOR FOR TRANSFORMATION THROUGH MERGER AUDIT

I have verified the transformation of SOPHARMA AD (Receiving Company) by merging VETA PHARMA AD (Merging Company) into it, according to the Contract for transformation through merger dated 16.01.2024, amended by Additional Agreement No. 1 dated 08.03.2024, amended by Additional agreement No. 2 of 26.04.2024 and compliance by SOPHARMA AD with the provisions of the Commercial Law of the Republic of Bulgaria (Commercial Law), Chapter Sixteen.

Responsibility of the management of the Receiving Company

The Management of the Receiving Company is responsible for making the decision on transformation, for preparing the transformation contract, for carrying out the actions related to the transformation in accordance with the requirements of the Commercial Law and for the preparation of the financial statements that fairly present the financial position, financial performance and cash flows of the company in accordance with the National Accounting Legislation.

Responsibility of the auditor

My responsibility is limited to compiling this report and expressing an opinion regarding the verification of the transformation in accordance with the requirements of Art. 262m in connection with the provisions of Art. 262l of the Commercial Law.

Scope of audit

I conducted the audit in accordance with International Auditing Standard (IAS) 800 "Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks". I have applied this standard in the context of the "Preface to International Standards for Quality Control, Auditing, Other Assurance and Related Services", which

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sets out the application and scope of the IAS. A review of a transformation by merger consists of making investigative inquiries, principally of those responsible for making the decision to convert and those responsible for financial and accounting matters, and gathering sufficient and relevant evidence to fulfill this engagement, including:

- Contract for transformation from 16.01.2024, amended by Additional Agreement No. 1 from 08.03.2024, amended by Additional Agreement No. 2 from 26.04.2024;
- Report dated 17.01.2024 of the Board of Directors of "VETA PHARMA" AD, amended by decision according to the minutes of the meeting of the Board of Directors of "VETA PHARMA" AD, held on 13.03.2024, amended by decision according to the minutes of the meeting of the Board of Directors of "VETA PHARMA" AD, held on 29.04.2024 under Art. 262 and of the Commercial Law regarding the transformation of "VETA PHARMA" AD, through its merger into "SOPHARMA" AD;
- Justification on the fair price of the shares of "SOPHARMA" AD, with the date of preparation of the justification 15.01.2024;
- Interim individual financial report of "SOPHARMA" AD, compiled as of 30.09.2023.
- Interim consolidated financial report of "SOPHARMA" AD, compiled as of 30.09.2023.

My audit is planned and conducted in such a way that I can express an opinion on the extent to which the transformation of the Receiving Company SOPHARMA AD and the related exchange ratio is adequate and reasonable. This examination also requires an assessment of the methods used in determining the exchange ratio, the extent to which the use of these methods is appropriate and correct in the particular case, the values obtained under each method and the relative importance of each method in determining the value of the shares and the particular difficulties in valuation if there were any.

When determining the exchange ratio of one share of the Merging Company VETA PHARMA AD with one share of the Receiving Company SOPHARMA AD, the following methods for determining the fair value (net value) of the assets of SOPHARMA AD and their respective relative weights were appropriately and correctly applied :

Method	Value by method	Relative weight	Weighted value
Market peers	21.88	40%	8.7520
Net asset value	5.60	20%	1.1200
Discounted cash flows	16.77	40%	6.7080
Weighted value by valuation methods			16.5800
Average weighted value of BSE transactions for the last 6 months	6.27	80%	5.0160
Weighted value by valuation methods	16.58	20%	3.3160
Fair price per share			8.3320

Based on the calculated fair share prices of the two companies, the following exchange ratio was correctly determined:

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Fair price of VETA PHARMA AD	1.89
Fair price of SOPHARMA AD	8.33
Exchange ratio	0.2268907563

As a result of the determined exchange ratio, one share of the Merging Company VETA PHARMA AD should be replaced by 0.23 (rounded to the second digit) shares of the Receiving Company SOPHARMA AD. The share exchange ratio is set as of 15.01.2024.

As a result of the transformation:

- The merging company VETA FARMA AD is terminated without liquidation on the basis of Art. 262 et seq. of the Commercial Law;
- The Receiving Company SOPHARMA AD becomes the universal legal successor of the Merging Company;
- Due to the mathematical impossibility of exchanging the shares of each individual shareholder in the Merging Company with shares in the Receiving Company of a fully equivalent value, the difference up to this value will be compensated by additional cash payments in the corresponding amount, so that each shareholder of the Merging Company will get:

(a) such number of shares in the receiving company as is equal to the number of shares held by that shareholder in the Merging Company multiplied by the transformation factor of 0.23 and rounded down to the nearest whole number, and

(b) such amount of money which is equal to (i) the determined market value of one share of the receiving company, BGN 8.33, multiplied by (ii) the difference from rounding down to a whole number of the number of shares in the rounding process under letter (a)) above.

Each shareholder will receive a price for its shares in the Merging Company to the maximum extent in the form of shares of the receiving company and cash compensation that fully covers the residual fair value. Repayment will be made by bank transfer after the receiving company has been provided with a bank account by the relevant shareholder. Receivables will be paid to the shareholders of the Merging Company within 5 (five) years from the date they became due.

An approximate estimate of the expected cash payments is that the amount will be up to BGN 80.

I did not encounter any difficulties during the verification of the transformation of the Receiving Company SOPHARMA AD, through merger into it of the Merging Company VETA PHARMA AD, according to the Contract for transformation dated 16.01.2024, amended by Additional Agreement No. 1 dated 08.03.2024, amended with Additional Agreement No. 2 dated 26.04.2024 and compliance with the provisions of the Commercial Law, Chapter Sixteen. I did not encounter any difficulties related to the assessment of the fair value (net value) of the property of SOPHARMA AD.

Conclusion

Based on my review, I certify that, in my opinion, the exchange ratio specified in the transformation agreement is adequate and reasonable.

05/07/2024

Sofia

Nikolay Mihailov Polinchev, registered auditor

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