

# **REPORT**

## **Of the Board of Directors of Sopharma AD, Sofia**

### **under Art. 262i of the Commercial Law on the Transformation of**

### **Sopharma AD, Sofia, by means of the merger of Unipharm AD, Sofia**

### **into Sopharma AD, Sofia**

#### **1. INTRODUCTORY NOTES**

This Report has been prepared by the Board of Directors of Sopharma AD in accordance with the provisions of Art. 262i of the Commercial Law ("CL") of the Republic of Bulgaria in relation to the planned merger of Unipharm AD into Sopharma AD.

The report was adopted by a decision of the Board of Directors of Sopharma AD at a meeting held on 17 May 2018 and was amended and supplemented by decision of the Board of Directors of the company under minutes dated 13 June 2018

On 17 May 2017 between Sopharma AD and Unipharm AD was signed a Contract for merger ("the Contract for merger") in compliance with the requirements of Art. 262e et. seq of the Commercial Law. The Contract for merger was amended and supplemented by Additional Agreement № 1 of 13 June 2018.

The purpose of this report is to provide a detailed legal and economic justification of the Contract for merger.

#### **2. LEGAL STATUS OF THE CONTRACT FOR TRANSFORMATION**

##### **2.1. Parties:**

##### **2.1.1. Sopharma AD:**

a) legal form - joint stock company;

b) headquarters and address of management - Sofia, Nadezhda district, 16, Iliensko shose Blvd.;

c) commercial registration - entered in the Commercial Register at the Registry Agency, UIC 831902088;

c) capital - 134 797 899 (one hundred and thirty four million seven hundred and ninety seven thousand eight hundred and ninety nine), fully paid in, distributed in 134 797 899 (one hundred and thirty four million seven hundred ninety seven thousand eight hundred and ninety nine) ordinary registered dematerialized voting shares with a nominal value of BGN 1 (one) each. Sopharma AD is a public company within the meaning of Art. 110 et. seq. of the Public Offering of Securities Act (POSA) and is entered in the register under Art. 30, para. 1, item 3 of FSCA;

d) business activity - production of medicaments and chemical-pharmaceutical preparations, trade in the country and abroad, research in the field of phytochemistry, chemistry and pharmacy;

e) Management system - one-tier through the Board of Directors, consisting of: Ognian Ivanov Donev, Vesela Lyubenova Stoeva, Alexander Viktorov Chaushev, Ognian Kirilov Palaveev;

f) Representative - Ognian Ivanov Donev, Executive Director.

### **2.1.2. Unipharm AD ( Transforming Company):**

a) legal form - joint stock company;

b) headquarters and address of management - Sofia 1797, Studentski district, zh.k. Darvenitsa, 3, Traiko Stanoev Str.

c) commercial registration - entered in the Commercial Register at the Registry Agency, UIC 831537465;

c) capital - BGN 6 000 000 (six million), fully paid-in, divided into 6 000 000 (six million) ordinary registered dematerialized voting shares with a par value of BGN 1 each. Unipharm AD is a public company within the meaning of Art. 110 et seq. of the Public Offering of Securities Act and is entered in the register under Art. 30, para. 1, item 3 of FSCA;

d) business activity - production of pharmaceuticals, research and experimental activity in the field of pharmaceutical production, establishment of the quality of manufactured medicines, sales and supply activities in the country and abroad;

e) Management system - two-tier through Management Board in composition: Ognian Kirilov Palaveev, Dimitar Dimitrov Chipanov and Vladimir Lyubomirov Iliev and Supervisory Board in composition - Stoyan Vulchinov Garov, Ventsislav Simeonov Stoev, Ognian Ivanov Donev;

f) Representative - Ognian Kirilov Palaveev, Executive Director.

### **2.2. Form of transformation**

The chosen form of transformation is a merger within the meaning of Art. 262, para. 1 of the Commercial Law, as a result of which the entire property of Unipharm AD will move to Sopharma AD and the latter will become its successor. Unipharm AD will cease without liquidation.

### **2.3. Contract for merger**

The merger contract was signed between Sopharma AD and Unipharm AD on 17 May 2018, subject to the requirements regarding its content under Art. 262j, para. 2 of the Commercial Law and Art. 123, para. 1 of the Public Offering of Securities Act and the requirements regarding the form of the contract according to Art. 262e, para. 1 of the Commercial Law. The Contract for merger was amended and supplemented by Additional Agreement No 1 of 13 June 2018.

On the grounds of Art. 124, para. 1 of the Public Offering of Securities Act, the Contract for merger as well as the reports of the management bodies of the companies involved in the transformation under Art. 262i of the Commercial Law and the reports of the examinations under Art. 262m of the Commercial Law are subject to the approval of the Deputy Chairperson of the Financial Supervision Commission (FSC) in charge of the “Investment Activity Supervision Division”.

### **2.4. Acquired as a result of the merger by the shareholders of Unipharm AD shares from the capital of Sopharma AD.**

As a result of the merger, all shareholders of the transforming company Unipharm AD, with the exception of the receiving company Sopharma AD, which is also a shareholder in the transforming company, will acquire shares from the capital of Sopharma AD and become shareholders in it. The capital of the receiving company will not be increased for the purposes of the merger, and the shareholders of the transforming company will acquire already issued shares in the capital of the receiving company. Against each of its shares of Unipharm AD, each shareholder of the company on the grounds of Art. 261b, para. 1 of the Commercial Law will acquire 0.957502 shares of the capital of Sopharma AD.

#### **2.4.1. Additional cash payments under Art. 261b, para. 2 of the Commercial Law.**

Due to the mathematical impossibility of replacing the shares of each individual shareholder in the transforming company by shares in the receiving company with a totally equivalent value, the difference to that amount would be offset by additional cash payments in the corresponding amount. The amount of the cash payment to each shareholder is determined by multiplying the number of shares held by him in the transforming company by the accepted replacement ratio (paragraph 3.1 of this Report). The resulting integer is the number of shares in the receiving company that the respective shareholder receives. The difference above this integer is multiplied by the fair value of one share of the capital of the receiving company, the result being the amount of the due levy in BGN. This result is a cash claim of the shareholder to the receiving company and is paid as provided in paragraph 2.4.3 below.

#### **2.4.2. Shareholders holding one share in the capital of the transforming company.**

The shareholders of the Transforming Company, which as a result of the calculations should receive less than one share in the Receiving Company, are entitled to receive one share in the Receiving Company by bringing the difference to the full amount of the fair value of one share in the Receiving Company. The difference is calculated by multiplying the number of shares held by the respective shareholder in the Transforming Company by the estimated fair price per share of the

Transforming Company. The resulting figure is deducted from the fair value of one share of the capital of the Receiving Company.

#### **2.4.3. Time limits for payment of cash payments.**

The receivables of the shareholders described in items 2.4.1 above, become due from the date of entry into force of the merger (entry of the merger into the Commercial Register). The repayment will be made in cash to the cashier of the receiving company at 16, Iliensko Shose Blvd., Sofia, Nadezhda district. The receivables will be paid to the shareholders of the transforming company within 5 (five) years from the date on which they became due.

#### **2.5. Conditions regarding the allocation and transfer of the shares by the Receiving Company. Right to leave**

The shareholders of Unipharm AD acquire existing shares in the capital of Sopharma AD against the shares held by them as agreed in the merger agreement. There are no other conditions for the distribution and the transfer of the shares of the receiving company Sopharma AD to the existing shareholders of Unipharm AD, except those provided for by the current Bulgarian law.

The shareholders of Unipharm AD have the right to acquire shares from Sopharma AD at the date of the general meeting of the shareholders of Unipharm AD at which the decision under Art. 262o of the Commercial Law for approval of the merger.

Central Depository AD, in its capacity as depositary under Art. 264h, para. 5 of the Commercial Law, transfers the already issued shares from the Receiving Company to shareholders' accounts. Pursuant to Art. 127 of the Public Offering of Securities Act, the transfer takes effect from the moment of its registration with Central Depository AD. Pursuant to Art. 136, para. 2 of the Public Offering of Securities Act "Central Depository" AD keeps the book of the shareholders of the receiving company.

Within seven days from the entry of the merger in the Commercial Register, the Board of Directors of Sopharma AD shall file with the Central Depository AD an application for the transfer of the already issued shares (own shares) to the Receiving Company on the accounts of the Shareholders of the Transforming Company to which applies the decisions of the General Meetings of the Shareholders of the Transforming Company and of the Receiving Company for approval of the merger, a copy of the entry of the Entry into the Commercial Register, a list of the shareholders of the Transforming company receiving shares of the Receiving Company as a result of the merger, indicating the number of shares for each individual shareholder as well as other documents required under the Central Depository AD Regulations.

Central Depository AD, based on the submitted application and a list of the shareholders of the Transforming Company, makes a distribution of own shares to the Receiving Company in favor of the shareholders of the Transforming Company who receive shares from the Receiving Company as a result of the merger. The shares are distributed on personal accounts of the shareholders of the transforming company. Central Depository AD issues an act of registration of the transfers made.

The shares of Sopharma AD are dematerialized and therefore physical shares will not be transferred. Central Depository AD issues an act of registration of the transfers of own shares to the Receiving Company in favor of the shareholders of the Transforming Company receiving shares of the Receiving Company as a result of the merger and therefore Sopharma AD does not intend to request the issuance of certification documents for individual transfers. Each shareholder may request to

obtain a certificate for the shares held by him through an investment intermediary - member of the Central Depository AD.

Any shareholder of the Transforming Company (Unipharm AD) who has voted against the decision to convert through a merger may leave the Receiving Company. The termination of the participation shall be effected by notary certified notification to the Beneficiary within three months from the date of entry of the Entry in the Commercial Register. The shareholder left has the right to obtain the equivalence of the shares held by him before the conversion of the price specified in the Contract for merger. Within 30 days from the date of notification of termination of participation under Art. 263c of the Commercial Law the Receiving Company is obliged to buy the shares of the abandoned shareholders. The Leased Shareholder may file a claim for monetary clearance within three months of the notification under Art. 263c, para. 1 of the Commercial Law. The shares of the abandoned shareholder shall be assumed by the Receiving Company and the rules for acquiring own shares shall apply to them except Art. 187a, para. 4 of the Commercial Law

**2.6. The moment at which the participation in the receiving company gives entitlement to a share of the profits, as well as all the particulars relating to this right.**

Pursuant to the provisions of Art. 263g, para. 1 of the Commercial Law, the shareholders of Unipharm AD shall exercise their rights as shareholders in Sopharma AD, including the right to participate in the distribution of profits as from the date of the entry of the merger into the Trade register kept by the Registry Agency.

**2.7. The moment at which the actions of the transforming company are deemed to be carried out at the expense of the receiving company for the purposes of accounting.**

According to Art. 262g, para. 2, point 7 and Art. 263g, para. 2 of the Commercial Law, the companies involved in the transformation have agreed that the date from which the actions of the transforming company are deemed to have been carried out for the account of the receiving company for accounting purposes will be 01 January 2018.

**2.8. Rights that the acquiring company grants to shareholders with special rights and to holders of non-equity securities.**

Sopharma AD and Unipharm AD do not have shareholders with special rights, as well as holders of securities, which are not shares and therefore no special rights are granted to the shareholders of any of the companies involved in the transformation.

**2.9. Advantages granted to the members of the management and supervisory bodies of the companies involved in the transformation or the verifiers under Art. 262l of iure Commercial Law.**

The members of the management and supervisory bodies of the companies involved in the transformation, as well as the verifiers under Art. 262l of the Commercial Law have not been granted any advantages.

**2.10. Details of the Appointed Examiner**

The Board of Directors of Sopharma AD has appointed Nikolay Polinchev with Diploma № 0684, issued by the Institute of Certified Public Accountants, as an examiner within the meaning of Article 262l of the Commercial Law, to verify the merger and prepare a report for the inspection.

**2.11. Details of the authorized depository**

Depository within the meaning of Art. 262h of the Commercial Law is "Central Depository" AD, entered in the Commercial Register at the Registry Agency, UIC 121142712, with headquarters and address of management in Sofia, Triaditza District, 6 Tri Ushi Str., Fl. 4.

### **2.12. Regulatory Authorizations**

The Contract for merger, this report, as well as the reports of the auditors under Art. 262m of the Commercial Law are approved by the Deputy Chairperson of the Financial Supervision Commission in charge of the Investment Activity Supervision Division.

### **2.13. Statement of the merger for entry in the Commercial Register**

In the event that the General Meetings of Sopharma AD and Unipharm AD take a decision approving the Contract for merger, the Board of Directors of Sopharma AD shall declare the merger to be entered in the Commercial Register at the Registry Agency.

## **3. ECONOMIC SUMMARY OF THE INFLUENCE**

### **3.1. REPLACEMENT RATIO**

Under the so-called conversion method, namely through the merger, the receiving company (Sopharma AD) becomes a universal successor of the transforming company (Unipharm AD), which is terminated without liquidation. As a result of the transformation, the current proportion of existing shareholders will change.

In view of the requirement of Art. 261b of the Commercial Law, in forming the exchange ratio of shares of Unipharm AD for shares of Sopharma AD, after the merger observe the principle of equivalence that the acquired shares after conversion is equivalent to the fair value of shares held before the transformation shares the Transforming Company.

A. According to the prepared justification for the fair price per share of Unipharm AD as of 30 April 2018 (Annex 2 to the Contract for merger), the fair price of Unipharm AD as of 30 April 2018 amounts to BGN 26 226 000. In this regard, the fair price per share of Unipharm AD as of the same date amounts to BGN 4,371.

B. According to the prepared justification for the fair price per share of Sopharma AD as of 30 April 2018 (Annex 1 to the Contract for merger), the fair price of Sopharma AD as of 30 April 2018 amounts to BGN 574 116 885. In this regard, the fair price per share of Sopharma AD as of the same date amounts to BGN 4.565.

C. The replacement ratio is calculated as the fair price per share of Unipharm AD divided by the fair price per share of Sopharma AD. Thus, the replacement ratio is equal to 0.957502.

D. At the date of the Contract for merger, Sopharma AD owns 5 926 229 (five million nine hundred twenty six thousand two hundred and twenty-nine) shares of the capital of Unipharm AD. Considering the total number of shares of Unipharm AD, namely 6 000 000 (six million), we also receive the

number of shares in the capital of the transforming company owned by shareholders other than Sopharma AD. That number is 73 771 (seventy three thousand seven hundred and seventy-one). The fair value of Sopharma AD after the merger will be obtained by adding to its fair value before the merger the share of the shares of Unipharm AD, which are not owned by Sopharma AD, multiplied by the fair price per share of Unipharm AD. Thus, after the merger, Sopharma AD should acquire a fair value of BGN 574 439 308.

Table 1:

Indicator	Sopharma	Unipharm
Number of shares in circulation	125 764 919	6 000 000
Fair price per share (BGN)	4.565	4.371
Company value (BGN)	574 116 855	26 226 000
Fair price of the Receiving Company after merger		
Number of shares of the Receiving Company after merger	125 835 555	
Fair value of Sopharma AD after merger (BGN)	574 439 308	
<b>Fair price per share of Sopharma AD after merger (BGN)</b>	<b>4.565</b>	

E. The number of own shares of Sopharma AD to be transferred to the remaining shareholders in Unipharm AD will be obtained by multiplying the shares of Unipharm AD owned by these shareholders, namely 73 771 (seventy three thousand seven hundred and seventy-one) shares, based on the calculated exchange ratio.

- shares of Unipharm AD held by other shareholders, namely 73 771 (seventy three thousand seven hundred and seventy-one) shares;
- exchange ratio - 0.957502;
- number of own shares of Sopharma AD required for the remaining shareholders in Unipharm AD: up to 70 636 shares;

F. On the basis of the calculated replacement ratio, the distribution is made between the individual shareholders in Unipharm AD, depending on their percentage participation in the company prior to the merger.

Applying the exchange ratio to the shareholder structure gives the exact number of shares that each individual shareholder of Unipharm AD will receive from the own shares of Sopharma AD. Each individual shareholder of Unipharm AD will receive as shares in Sopharma AD only the whole number obtained from the application of the exchange rate. Due to the mathematical impossibility of replacing the shares of each shareholder in the transforming company with Sopharma's own shares with the equivalent value, the difference to this value will be compensated by additional cash payments in the respective amount.

According to the calculations made, the sum of shares received as a whole from the application of the exchange ratio to the shareholder structure of Unipharm AD gives the number of shares owned by Sopharma AD to be distributed to the remaining shareholders in Unipharm AD. The balance, if any, for each individual shareholder of Unipharm AD will be paid as a cash payment to the appropriate amount. This amount for each individual shareholder will be obtained by multiplying the

difference over the whole number received for the respective shareholder after the application of the exchange ratio by the fair value of one share of Sopharma AD (prior to the merger).

Pursuant to Section 5, paragraphs 5.3-5.7 of the merger agreement, the shareholders who hold an insufficient number of shares in the capital of Unipharm AD are provided with the possibility to receive one share of the capital of Sopharma AD, pay the difference to the fair value of one share of the capital of the receiving company under the conditions, respectively, to obtain a monetary equation and not to receive shares from the receiving company (see also 2.4 of this Report).

On the basis of the Shareholders' book of the Transforming Company as at 30 April 2018 the expectations of the parties to the merger agreement are the number of the shares of the receiving company (Sopharma AD), which should be distributed to the other shareholders of the transforming company (Unipharm AD) to be in the amount of 70 636 (seventy thousand six hundred and thirty-six) and the total amount of the additional cash payments to the shareholders of the transforming company under Art. 261b of the Commercial Law to be in the amount of BGN 150 (one hundred and fifty leva). In view of the absolute value of the sum of all additional cash payments, the requirement of Art. 261b, para. 2 of the Commercial Law is respected. The Board of Directors of the transforming company intends to request from the Board of Directors of Bulgarian Stock Exchange - Sofia AD temporary suspension of the trading of the shares of the transforming company until the completion of the merger proceedings or the non-approval of the merger by the General Meeting of Shareholders of one of the parties to the Contract for merger.

### **3.2. ECONOMICAL ANALYSIS**

The main activity of Sopharma AD is the production of medicines and chemico-pharmaceutical preparations, trade in the country and abroad, research in the field of phytochemistry, chemistry and pharmacy.

The Group's production activities are carried out and developed in the following main directions:

- manufacture of medicines;
- substances and preparations based on plant raw materials (phytochemical production);
- veterinary vaccines;
- infusion solutions;
- concentrate for hemodialysis;
- medical devices and consumables for human and veterinary medicine;
- blast and injection molding for industry, agriculture and households;
- food additives.

The company has more than 210 products in its portfolio: mainly generics and 15 original products, 12 of which are plant-based. The Company's original products (in particular, Carsil and Temploglin) make a major contribution to its revenues from the export markets, while for the local market sales the generic products of the Company are of the greatest importance, including analgine. The production is mainly performed by Sopharma AD and to a lesser extent by its production subsidiaries, including Unipharm AD in Bulgaria and OAO Vitamins in Ukraine.

On the other hand, the object of activity of Unipharm AD is: production of pharmaceuticals, research and experimental activity in the field of drug production, establishment of the quality of manufactured pharmaceuticals, supply-supply and trade activities in the country and abroad.

The main fields of activity of Unipharm AD are:

- Solid dosage forms: The main place in the production of the company is tablet forms, used in diseases of the cardiovascular, digestive, nervous and respiratory systems.
- Concentrates for hemodialysis: The company is a major solution manufacturer in Bulgaria.
- Liquid dosage forms: The company produces its own products under a contract. Both medicines and medical products are produced in the form of nasal, oral and ointment solutions, creams and gels.

The Law on Medicinal Products in Human Medicine contains provisions governing procedures for changing authorizations issued under this Act in the event of different circumstances, one of which is the change of the commercial registration. Upon successful the procedure for transformation through merger of Unipharm AD into Sopharma AD and registration of the change in the Commercial Register "Sopharma" AD as a successor, including the rights issued in the name of the merging companies permits in accordance with the provisions of LMPHM, shall conduct a procedure under Art. 156, para 1, item 7 of this law for changing the holder of the issued permits due to a change in the commercial registration. The procedure is conducted before the regulatory body - BDA, subject to the provisions of LMPHM.

#### *Economic benefits of transformation*

As a result of the transformation through merger of Unipharm AD into Sopharma AD, synergies and economies of scale will be realized, consisting of:

- Optimization of production processes;
- Reduced administrative costs;
- Reducing the cost of borrowed funds;
- Optimization of the structure of Sopharma Group;
- Improving coordination and efficiency in procurement and supply within the Group;
- Improving the management of inventories.

The expectation of the Board of Directors of Sopharma AD is that the transformation does not have a significant effect on the receiving company. Sopharma AD has full resource availability and readiness to take over the business of the transforming company. This security is delivered through the use of one of the leading electronic systems of pharmacovigilance - Argus Safety - in financial security thanks to financial health, the positive results achieved and favorable relations with credit institutions, and in the provision of employment personnel where possible changes in the labor structure are mainly related to the retirement of some employees and the resulting need to fill vacancies.

The Board of Directors of Sopharma AD does not identify the necessity of changing the labor structure of Unipharm AD as well as of the receiving company itself, which is dictated by the

transformation process. The training programs, which will continue to be offered to employees of the Sopharma Group, aim to develop the competencies of the employees. Training policy is specifically geared to providing high professional knowledge in different areas of business, as well as in relation to health and safety requirements.

The following table presents information about the structure of revenues and expenses of Unipharm AD and Sopharma AD according to the companies' financial statements as well as the effects resulting from the transformation of the two companies:

Table 2:

Consolidated indicators in thousands of BGN	31.12.2017 before transformation	31.12.2017 after transformation
1 Sales revenue	1 017 105	1 017 105
2 Other operating income / (loss), net	6 684	6 684
3 Changes in stocks of production and work in progress	8 741	8 741
4 Material costs	-90 153	-90 153
5 Costs for external services	-63 546	-63 546
6 Staff costs	-101 424	-101 424
7 Depreciation costs	-30 108	-30 108
8 Carrying amount of sold goods	-679 951	-679 951
9 Other operating expenses	-11 512	-11 512
10 Operating profit / loss	55 836	55 836
11 Financial income	8 369	8 369
12 Financial costs	-11 631	-11 631
13 Profit / loss before tax expense	52 350	52 350
14 Tax costs	-6 578	-6 578
15 Net profit / loss	45 772	45 772
16 Dividend	0	0
17 Cash and cash equivalents	33 328	33 328
18 Inventories	218 109	218 109
19 Short-term assets	512 364	512 364
20 Total amount of assets	980 733	980 733
21 Short-term liabilities	397 562	397 562
22 Debt	261 119	261 119
23 Liabilities (borrowed funds)	477 623	477 623
24 Equity	503 110	503 110
25 Turnover capital	114 802	114 802
26 Weighted average number of shares (thousand)	125 765	125 756
<b>Profitability ratios</b>		
27 Profit Rate of Operating Activity (10/1)	0.05	0.05
28 Net Profit Rate (15/1)	0.05	0.05
29 Return on assets (15/20)	0.05	0.05
30 Return on Equity (15/24)	0.09	0.09
<b>Coefficients for assets and liquidity</b>		
31 Turnover of assets (1/20)	1.04	1.04
32 Turnover of working capital (1/25)	8.86	8.86
33 Current Liquidity (19/21)	1.29	1.29
34 Rapid liquidity ((19-18) / 21)	0.74	0.74
35 Absolute (immediate) liquidity (17/21)	0.08	0.08
<b>Odds per share</b>		
36 Sales ratio per share (1/26)	8.09	8.09
37 Earnings per share (15/26)	0.36	0.36
38 Net book value of one share (24/26)	4.00	4.00
<b>Dividend odds</b>		
39 Dividend payout ratio (16/15)	0.000	0.000
40 Retained earnings ratio	1.000	1.000

41	Dividend per share (16/26)	0	0
<b>Development factors</b>			
42	Growth rate of sales	15.96%	15.96%
43	Growth rate of gross profit	NA	NA
44	Growth rate of assets	14.14%	14.14%
<b>Leverage ratios</b>			
45	Debt / Total assets ratio (22/20)	0.27	0.27
46	Debt / Capital ratio (22 / (22 + 24))	0.34	0.34
47	Debt / Equity ratio (22/24)	0.52	0.52
48	Total Assets / Equity (20/24)	1.95	1.95
<b>Market factors</b>			
49	Coefficient Price / Sales (52/36)	0.53	0.53
50	Odds Price / Profit (52/37)	11.77	11.77
51	Coefficient Price / Book Value (52/38)	1.07	1.07
52	Market price of the shares	<b>4.28</b>	<b>4.28</b>

Table 3:

Individual indices in thousands of BGN		30.3.2018 before transformation	30.3.2018 after transformation
1	Sales revenue	48 899	54 422
2	Other operating income / (loss), net	888	975
3	Changes in stocks of production and work in progress	5 014	6 060
4	Raw materials expenses	-17 471	-20 581
5	Costs for external services	-9 598	-10 551
6	Staff costs	-10 374	-11 759
7	Depreciation costs	-4 050	-4 480
8	Other operating expenses	-615	-685
9	Operating profit / loss	12 693	12 693
10	Financial income	415	415
11	Financial costs	-369	-369
12	Profit / loss before tax expense	12 739	13 447
13	Tax costs	-1 031	-1 031
14	Net profit / loss	11 708	12 416
15	Dividend	0	0
16	Cash and cash equivalents	2 044	4 287
17	Inventories	70 999	75 084
18	Short-term assets	181 556	193 917
19	Total amount of assets	596 950	619 560
20	Short-term liabilities	76 584	79 174
21	Debt	71 068	71 078
22	Liabilities (borrowed funds)	106 888	110 428
23	Equity	490 062	509 132
24	Turnover capital	104 972	114 743
25	Weighted average number of shares (thousand)	125 765	125 765
<b>Profitability ratios</b>			
26	Profit Rate of Operating Activities (9/1)	0.26	0.23
27	Net Profit Rate (14/1)	0.24	0.23
28	Return on Assets (14/19)	0.02	0.02

29	Return on equity (14/23)	0.02	0.02
<b>Coefficients for assets and liquidity</b>			
30	urnover of assets (1/19)	0.08	0.09
31	Turnover of working capital (1/24)	0.47	0.47
32	Current liquidity (18/20)	2.37	2.45
33	Rapid liquidity ((18-17) / 20)	1.44	1.50
34	Absolute (immediate) liquidity (16/20)	0.03	0.05
<b>Odds per share</b>			
35	Sales ratio per share (1/25)	0.39	0.43
36	Earnings per share (14/25)	0.09	0.10
37	Book Value Coefficient for one share (23/25)	3.90	4.05
<b>Dividend odds</b>			
38	Dividend payout ratio (15/14)	0.000	0.000
39	Retained earnings ratio	1.000	1.000
40	Dividend per share (15/25)	0	0
<b>Development factors</b>			
41	Growth rate of sales	N/A	N/A
42	Growth rate of gross profit	N/A	N/A
43	Growth rate of assets	N/A	N/A
<b>Leverage ratios</b>			
44	Debt / Total assets ratio (21/19)	0.12	0.11
45	Debt / Capital ratio (21 / (21 + 23))	0.13	0.12
46	Debt / Equity ratio (21/23)	0.15	0.14
47	Total assets / Equity ratio (19/23)	1.22	1.22
<b>Market factors</b>			
48	Coefficient Price / Sales (X / 35)	N/A	N/A
49	Odds Price / Profit (X / 36)	N/A	N/A
50	Coefficient Price / Book Value (X / 37)	N/A	N/A
51	Market price of the shares	<b>4.13</b>	<b>4.13</b>

### 3.3. RISKS FOR THE SHAREHOLDERS OF SOPHARMA AD

In the so-called transformation process, namely by merger, the Receiving Company (Sopharma AD) becomes a universal successor of the Transforming Company (Unipharm AD), which is terminated without liquidation. The shareholders of the Transforming Company become shareholders in the acquiring company according to the defined exchange ratio.

Insofar as no increase in the capital of the receiving company will be made for the purposes of the merger, and the shareholders of the transforming company will receive already issued shares of Sopharma AD, therefore no dilution of the shareholding of the shareholders of Sopharma AD. The Board of Directors is of the opinion that there are no material risks to the shareholders of the acquiring company either during the implementation or the failure to carry out the planned merger.

### 3.4. DETAILS OF DIFFICULTIES ENCOUNTERED IN THE ASSESSMENT

In the preparation of the justification of the fair price of the shares of Sopharma AD there were no significant difficulties.

**Board of Directors of Sopharma AD:**

**1. Ognian Ivanov Donev: .....**

**2. Vssela Lyubenova Stoeva, represented by Ognian Ivanov Donev : .....**

**3. Ognian Kirilov Palaveev: .....**

**4. Alexandar Viktorov Tchaouchev: .....**