

**TO
FINANCIAL SUPERVISION COMMISSION**

TO "DONEV INVESTMENTS HOLDING" AD

TO the Employees of "Sopharma" AD

OPINION

From Board of Directors of "Sopharma" AD

Regarding: Registered with the Financial Supervision Commission (FSC) corrected draft of a tender offer by "DONEV INVESTMENTS HOLDING" AD - a shareholder directly holding 37 600 000 ordinary, dematerialized shares with voting rights, representing 27.89% of the capital and votes in "SOPHARMA" AD, on the basis of Art. 149b of the Law on the Public Offering of Securities for the purchase of shares from the remaining shareholders of "SOPHARMA" AD.

DEAR LADIES AND GENTLEMEN,

On 13.01.2023, we received a corrected draft tender offer from "DONEV INVESTMENTS HOLDING" AD , a shareholder directly holding 37 600 000 ordinary, dematerialised shares with voting rights, representing 27.89% of the capital and votes in the General Meeting of Shareholders of "SOPHARMA" AD , pursuant to Art. 149b of the Law on Public Offering of Securities for the purchase of shares from the remaining shareholders of "SOPHARMA" AD

In accordance with the requirement of Art. 151, para. 5 of the LPOS and within the statutory deadline, we submit this reasoned opinion on the proposed transaction.

I. Terms of the proposed transaction

The proposed price is BGN 4.50 per share and is higher than the weighted average market price of the shares for the last 6 months, prior to the registration of the Tender Offer, which amounted to BGN 4.485.

Any shareholder - addressee of the offer may accept it within the period specified therein by submitting an application for acceptance in the form. The price of the purchased shares shall be paid by the trading offeror, through IP "Кагол" AD within 7 working days after the expiry of the deadline for acceptance of the offer, according to the instructions for the method of payment by the shareholder who accepted the offer.

It is the opinion of the Board that the Tender Offer complies with regulatory requirements and is fair to the offeree shareholders. We believe that the proposed price is in compliance with the requirements of the LPOS and its implementing regulations.

II. Information on the existence of agreements on the exercise of voting rights on the shares of "Sopharma" AD

We do not have information about the existence of agreements on the exercise of the right to vote on the shares of "Sopharma" AD

III. Data on the number of "Sopharma" AD shares owned by the members of the Board of Directors and whether they intend to accept the offer.

The number of shares of "Sopharma" AD held by the members of the Board of Directors is as follows:

- **Ognian Ivanov Donev** - holds *directly 6 608 350* ordinary, registered, dematerialised shares representing 4.90 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD and through related parties Rositsa Dimcheva Doneva (spouse) - **135 000** ordinary, registered, dematerialised shares representing 0.10 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD, **Ivan Ognianov Donev (son)** - 393 399 ordinary, registered, dematerialized shares representing 0.29 per cent of the capital and of the votes in the General Meeting of “SOPHARMA” AD and **Simeon Ognianov Donev (son)** - 195 450 ordinary, registered, dematerialized shares representing 0.15 per cent of the capital and of the votes in the General Meeting of “SOPHARMA” AD;
- **Vessela Lyubenova Stoeva** – holds *directly 150* ordinary, registered, dematerialized shares representing 0.0001 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD and through related persons Ventsislav Simeonov Stoev (husband) - **585 769** ordinary, registered, dematerialized shares representing 0.43 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD;
- **Aleksandar Victorov Tchaoushev** - holds *directly 262 442* ordinary, registered, dematerialised shares representing 0.19 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD;
- **Ivan Venetskov Badinski** - holds *directly 1 550* ordinary, registered, dematerialised shares representing 0.001 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD and through related persons Venetsiya Ivanova Badinska (daughter) **3755** ordinary, registered, dematerialised shares representing 0.0028 per cent of the capital and votes in the General Meeting of “SOPHARMA” AD;
- **Bissera Nikolaeva Lazarova** – does not hold any shares of the capital and votes in the General Meeting of Shareholders of “SOPHARMA” AD.

The members of the Board do not intend to accept the Tender Offer.

IV. The Offeror's strategic plans for “Sopharma” AD and their potential impact on employees and place of business

According to the information presented in the Tender Offer, the Offeror's strategic plan for “Sopharma” AD (the Company) includes the following key points:

- increase sales under its existing portfolio as well as by adding new products in categories in which the Company has a strategic interest. To this end, the company is actively exploring various opportunities to acquire products that would complement and diversify its own portfolio;
- to achieve a phased transformation of its production processes and facilities by optimising the Company's production capacity through the purchase and modernisation of new machinery and equipment and the transfer of production activities and technologies. In addition, a strategy has been developed and is in the process of being implemented to optimize the planning, procurement, production, distribution processes through active supply chain management. This would also allow new business segments to develop, such as potentially contract manufacturing;
- continued operation of production in full compliance with EU Good Manufacturing Practices;
- to diversify its distribution business, which is carried out through its subsidiary “SOPHARMA TRADING” AD. In 2015, “SOPHARMA TRADING” AD launched the development of its own retail pharmacy concept under the SOPHARMA brand. In 2017, the company acquired a chain of pharmacies "PharmaStor", which subsequently went under the SOPHARMA brand. In October 2020, the Company acquired the companies of the SCS Franchise Group AD as well as “Sanita Franchising” AD. As a result of the transaction “SOPHARMA TRADING” AD acquired over 150 pharmacies across the country under the Sanita, Seiba and SCS brands. The plans foresee their transition under the SOPHARMA brand, a process that began in 2021. In the future, “SOPHARMA TRADING” AD aims to continue to strengthen its position on the Bulgarian market by expanding its pharmacy network in the country;
- to implement new technologies to support the automation of business processes in the SOPHARMA GROUP (the “Group”);
- between Group companies, both within segments and between interrelated segments such as pharmaceutical manufacturing and distribution;

- to develop its staff through training to enhance their qualifications and competencies and to maintain and sustain its reputation as an employer of choice with career development opportunities in the Group's segments, as well as to work closely with specialist higher education institutions and offer career start-up opportunities to staff;
- to implement a diversity policy within the Group in order to create a work environment free from prejudice, cultivate an atmosphere of respect and mutual trust, nurture a corporate culture with mutual respect and value for each individual. Managers and employees shall conduct their business professionally, impartially, with dignity and integrity, avoiding conflicts of interest;
- implement a green policy to reduce the carbon footprint of the Group's companies through the use of renewable energy.

The implementation of the strategy depends on the impact and development of the following main risk factors, typical for the profile of "SOPHARMA" AD and the businesses in which the Group companies operate:

- non-systemic risks specific to the Group - risks from the impact of epidemics and pandemics; risks arising from dependence on the development of the world economy and trade; risk of political instability in traditional markets and regions, military action and/or sanctions; fraud and abuse risks; risks related to the regulatory framework governing the pharmaceutical business and environmental protection; risks related to attracting and retaining experienced and skilled staff; credit, liquidity, currency and interest rate risk. Each of these risks affects the Group's segments to varying degrees;
- systemic risks related to the market and macro environment in which the companies operate. These risks cannot be managed and controlled by the Group.

The opinion of the Board of Directors is that the proposed transaction will not lead to significant changes in the Company's strategy and operations, and the Proposal is not expected to have an impact on the employees of "SOPHARMA" AD (including the employees of the subsidiaries) and "DONEV INVESTMENTS HOLDING" AD for a period of three years after the conclusion of the transaction. There is no change in the place of business of "SOPHARMA" AD (including the subsidiaries) and "DONEV INVESTMENTS HOLDING" AD.

The Financial Supervision Commission (FSC) has not taken a position on the submitted corrected draft tender offer.

13.01.2023

Board of Directors of "Sopharma" AD:

Ognian Ivanov Donev /Signature/

Vessela Lyubenova Stoeva /Signature/

Aleksandar Victorov Tchaoushev /Signature/

Ivan Venetskov Badinski /Signature/

Bissera Nikolaeva Lazarova /Signature/