



SOPHARMA AD

Sopharma AD as a shareholder holding 7,318,665 shares, representing 33.34% of the capital and the votes in the General Meeting of Shareholders of Sopharma Imoti REIT

SETS OFF

TENDER OFFER

by the order of art. 149, para. 1 of the LPOS for repurchase of up to 14,632,655 shares, representing 66.66% of the capital and votes in the General Meeting of Sopharma Imoti REIT.

SOPHARMA IMOTI REIT



PART II

JUSTIFICATION OF THE OFFERED PRICE

ISIN NUMBER:	BG1100031068
EXCHANGE CODE ON "BULGARIAN STOCK EXCHANGE" AD:	SFI
TYPE OF SHARES:	ORDINARY, DEMATERIALIZED, REGISTERED, FREELY TRANSFERABLE
NOMINAL VALUE:	BGN 1 (ONE LEV)
OFFERED SHARE PRICE:	BGN 8.20




The Financial Supervision Commission is not responsible for the accuracy of the data in this tender offer

THE TENDER PROPOSAL WAS REGISTERED WITH THE FINANCIAL SUPERVISION COMMISSION ON JUNE 7, 2022.

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



Investors may inspect the original of this document, obtain a copy free of charge and obtain further information on it at the offices of:

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1. SUMMARY OF DATA

1.1. PRICE OFFERED BY TRADE OFFEROR

BGN 8.20 per share.

1.2. CALCULATED FAIR PRICE OF THE SHARES

BGN 6.23 per share.

1.3. VALUE ACCORDING TO THE VALUATION METHODS USED

Table №1	Methods		
Evaluation method		Value	Weight
	Discounted dividend model	4,66	20,0%
	Net asset value	3,42	20,0%
	Analog companies (BGREIT)	5,09	60,0%
Value per share (BGN)		4,67	100,0%

Source: "Mane Capital"

Table №2	Evaluation according to Art. 5 of Ordinance №41		
Method		Value	Weight
	Value according to valuation methods	4,67	20,0%
	Weighted average price over the last six months	6,62	80,0%
Price per share (BGN) according to art. 5			6,23

Source: "Mane Capital"

1.4. BOOK VALUE OF NON-OPERATING ASSETS

The company's assets are operational.

1.5. WEIGHTED AVERAGE MARKET PRICE FOR THE LAST 6 MONTHS

According to a report issued by the Bulgarian Stock Exchange AD, the weighted average market price over the last six months was BGN 6.616 per share.

1.6. INFORMATION ON WHETHER THE COMPANY IS ACTIVELY TRADED

Table №3	Trade data	
	Place of trade	BSE Sofia
	Six month period before date of justification	6/12/2021 - 6/6/2022
	Weighted average price per share for the period, BGN	6,616
	Total traded volume in the period (shares)	2,795,450
	Total turnover for the period (BGN)	18,494,566
	Number of trading sessions for the last 6 months	118
	Number of issued shares of the company	21,951,320%
	Number of sessions for the period with transactions of the comp	98

Source : "Bulgarian Stock Exchange" AD

1.7. BY AN EVALUATOR

No independent appraiser has been published in the last 12 months.

1.8. APPROVALS

The Financial Supervision Commission (FSC) has not approved or refused to approve the fair price of the shares and is not responsible for the accuracy and completeness of the data contained in the Justification.

1.9. VALIDITY PERIOD

The justification was made on June 6, 2022. The justification is valid until the deadline for acceptance of the tender offer.

1.10. OTHER INFORMATION

The trade offeror considers that there is no other relevant information and their price other than that provided in the justification.

2. EXPLANATION OF THE EVALUATION PERFORMED

2.1. BASIC INFORMATION

Sopharma Imoti REIT is a joint stock company with a special investment purpose and is a public company within the meaning of the LPOS. The subject of activity is investing the funds raised through the issuance of securities in real estate through the purchase of property rights and other real rights over real estate, construction and improvements in them, in order to provide them for management, lease renting, leasing, renting and / or selling them.

The capital of the company amounts to BGN 21,951,320 distributed in 21,951,320 dematerialized registered shares with a par value of BGN 1 each.

2.2. CHARACTERISTICS OF THE ASSESSED COMPANY

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

2.2.1. Assets and liabilities

Table №4 Assets

	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.03.2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
ASSETS						
Non-current assets						
Investment property	83 701	83 935	84 526	84 597	86 670	86 668
Other tangible fixed assets	15	19	21	16	17	16
Assets with the right to use	-	-	9	4	-	-
Intangible assets	-	-	2	1	14	13
	83 716	83 954	84 558	84 618	86 701	86 697
Current assets						
Trade receivables	332	330	280	484	270	274
Receivables from affiliated companies	68	64	56	-	32	23
Other current receivables and prepaid expenses	35	37	30	43	53	59
Cash and cash equivalents	111	190	714	1 726	1 643	2 472
	546	621	1 080	2 253	1 998	2 828
TOTAL ASSETS	84 262	84 575	85 638	86 871	88 699	89 525

Source: Sopharma Imoti REIT

The investment properties of the company include 64 investment properties for long-term lease (2021: 64 properties). No properties sold in the first quarter of 2022 (2021 - no properties sold either).

The composition of the investment properties of the company includes two main groups:

- administrative and commercial complex called Sopharma Business Towers and
- other properties (buildings or parts of buildings with adjoining building rights or ideal parts of land), the purpose of which is to hold them for a long term in order to rent, lease or lease them and / or to increase their value, as the company receives from them exclusively rental income. Investment property is presented in the financial statements at fair value. The value of the properties includes all permanently attached another type of tangible fixed assets, without which the respective property would not be able to fulfill its purpose. Investment properties are not depreciated.

Upon initial acquisition, the property is valued at acquisition cost (cost price), which includes the purchase price and all direct costs necessary to bring the property into working condition. The direct costs are: costs for site preparation, costs for initial purchase and / or construction, costs for fees of persons related to the project for the construction of the property, non-refundable fees and taxes, etc. After initial recognition, investment property is measured and reported at fair value. Valuations of the fair value of properties are made annually with the assistance of an independent appraiser.

Table №5 Equity and liabilities

	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.03.2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
EQUITY AND LIABILITIES						
EQUITY						
Share capital	20 104	20 954	21 416	21 951	21 951	21 951
Reserves	20 361	25 036	27 560	30 007	30 007	30 007
Retained earnings	10 556	11 564	12 681	16 147	21 567	23 204
TOTAL EQUITY	51 021	57 554	61 657	68 105	73 525	75 162
LIABILITIES						
Non-current liabilities						
Long-term bank loans	17 960	13 793	10 746	7 699	4 652	3 891
Long-term liabilities to personnel	24	49	52	42	35	35
Other non-current liabilities	-	-	4	-	-	-
	17 984	13 842	10 802	7 741	4 687	3 926
Current liabilities						
Short-term part of long-term bank loans	4 486	3 052	3 051	3 050	3 049	3 047
Liabilities to related companies	4 252	3 220	2 717	-	302	302
Dividend liabilities	5 479	5 613	6 067	3 559	3 610	3 610
Trade payables	128	139	144	2 839	2 372	2 179
Tax obligations	99	120	14	86	104	129
Other current liabilities	813	1 035	1 186	1 491	1 050	1 170
	15 257	13 179	13 179	11 025	10 487	10 437
TOTAL LIABILITIES	33 241	27 021	23 981	18 766	15 174	14 363
TOTAL EQUITY AND LIABILITIES	84 262	84 575	85 638	86 871	88 699	89 525

Source: Sopharma Imoti REIT

The received loan for capital investments is in EUR and is agreed at an interest rate determined on the basis of three-month EURIBOR plus a margin of 2,308 points, as of April 25, 2019 (December 31, 2021 - three-month EURIBOR plus a surcharge of 2,308 points).

The short-term part of the liability for the long-term bank loan received as of 31.12.2021 also includes a liability for interest and fees for servicing loans in the amount of BGN 2 thousand (31.03.2022: BGN 0).

2.2.2. Revenues and expenses

The concluded contracts for operating lease have a term of 3 to 10 years. All revenues of the company are generated on the territory of the Republic of Bulgaria. Most operating leases contain a condition that allows changes in rent on an annual basis according to current market conditions. In connection with the concluded

investment loan agreement, a special pledge has been established on current and future receivables under lease agreements, advance payments and income from “Sopharma Business Towers”.

Table №6 Income and costs statements

	2017	2018	2019	2020	2021	31.03.2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Rental income of investment property	9 065	9 551	9 921	9 776	9 294	2 237
Income from administrative release of properties	1 086	1 113	1 170	1 235	1 216	301
Revaluation of investment property to fair value	49	316	454	85	2 016	-
	10 200	10 980	11 545	11 096	12 526	2 538
<i>annual change, %</i>		7,65%	5,15%	-3,89%	12,89%	-
Other operating income	109	109	61	98	103	3
	10 309	11 089	11 606	11 194	12 629	2 541
Cost of materials	(225)	(106)	(71)	(66)	(50)	(7)
Costs of external services	(3 151)	(3 664)	(3 839)	(3 644)	(3 195)	(853)
Personnel costs	(112)	(182)	(124)	(108)	(138)	(25)
Depreciation and amortization costs	(14)	(5)	(10)	(11)	(10)	(2)
Other operating expenses	(195)	(70)	(29)	(55)	28	20
Total operating expenses	(3 697)	(4 027)	(4 073)	(3 884)	(3 365)	(867)
<i>annual change, %</i>		8,93%	1,14%	-4,64%	-13,36%	
Gain on operating activities	6 612	7 062	7 533	7 310	9 264	1 674
<i>annual change, %</i>		6,81%	6,67%	-2,96%	26,73%	
Financial costs	(587)	(448)	(346)	(270)	(193)	(37)
Financial income/(expense), net	(587)	(448)	(346)	(270)	(193)	(37)
Profit for the period	6 025	6 614	7 187	7 040	9 071	1 637
<i>annual change, %</i>		9,78%	8,66%	-2,05%	28,85%	
Other components of comprehensive income for the period	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6 025	6 614	7 187	7 040	9 071	1 637

Source: Sopharma Imoti REIT

2.2.3. Ratios

Table №7 Ratios

	2017	2018	2019	2020	2021	31.03.2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Main indicators of the profit and loss account						
1 Rental income of investment property	9 065	9 551	9 921	9 776	9 294	2 237
2 Income from administrative release of properties	1 086	1 113	1 170	1 235	1 216	301
3 Total revenue	10 200	10 980	11 545	11 096	12 526	2 538
4 Costs of external services	(3 151)	(3 664)	(3 839)	(3 644)	(3 195)	(853)
5 Total operating expenses	(3 697)	(4 027)	(4 073)	(3 884)	(3 365)	(867)
6 TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6 025	6 614	7 187	7 040	9 071	1 637
Main indicators from a statement of financial position						
7 Investment property	83 701	83 935	84 526	84 597	86 670	86 668
8 Current assets	546	621	1 080	2 253	1 998	2 828
9 TOTAL ASSETS	84 262	84 575	85 638	86 871	88 699	89 525
10 TOTAL EQUITY	51 021	57 554	61 657	68 105	73 525	75 162
11 Long-term bank loans	17 960	13 793	10 746	7 699	4 652	3 891
12 Current liabilities	15 257	13 179	13 179	11 025	10 487	10 437
Main indicators from a cash flow statement						
13 Net cash flows from operating activities	5 917	5 951	6 680	7 270	6 868	1 635
14 Dividends paid	(5 508)	(5 472)	(5 615)	(6 082)	(3 600)	-
Financial ratios						
15 Profitability of assets (=6/9)	7,15%	7,82%	8,39%	8,10%	10,23%	1,83%
16 Profitability of equity (=6/10)	11,81%	11,49%	11,66%	10,34%	12,34%	2,18%
17 Net profit margin (=6/3)	59,07%	60,24%	62,25%	63,45%	72,42%	64,50%
18 Liquidity ratio (=8/12)	0,04	0,05	0,08	0,20	0,19	0,27
19 Debt/Assets (=11/9)	21,31%	16,31%	12,55%	8,86%	5,24%	4,35%
20 Debt/Equity (=11/10)	35,20%	23,97%	17,43%	11,30%	6,33%	5,18%
21 Earnings per share	0,30	0,32	0,34	0,32	0,41	0,07
22 Dividends paid per share (=14/Number of shares)	0,27	0,26	0,26	0,28	0,16	0,00
23 Growth in rent income		5,36%	3,87%	-1,46%	-4,93%	-
24 Growth in administrative revenue		2,49%	5,12%	5,56%	-1,54%	-
25 Profit growth		9,78%	8,66%	-2,05%	28,85%	-

Source: Sopharma Imoti REIT, Main Capital AD

Table №8 **Market ratios**

Price	7,936
PE	19,46
PB	2,32
PS	14,01

The market ratios are as of June 6, 2022.

2.2.4. Strengths and weaknesses of the company

There are two strengths of the company: The first is “Sopharma Business Tower”, which is one of the iconic office buildings in the Capital. The second strength is the relatively low bank liabilities of the company. The main weakness is that there is a lack of sufficient diversification in the company's assets.

2.3. ECONOMIC TRENDS RELEVANT TO THE COMPANY

The Covid-19 pandemic and the measures taken had a negative impact on the commercial real estate market. Not a small part of the employees in the private sector preferred to work from their homes, which led to a drop in the demand for office space. Although the market has begun to recover slowly, the trend of working from home may continue not only because of the pandemic, but also because of changes in societal attitudes.

3. METHODS FOR DETERMINING THE VALUE OF THE SHARES

In determining the fair value of the shares by the various valuation methods of Sopharma Imoti REIT, the trade offeror was guided by the provisions of Ordinance №41. The leading consideration in choosing the weights of the various valuation methods is to obtain values that correctly reflect the value of the company.

4. RESULTS OF THE EVALUATION

4.1. MODEL OF DISCOUNTED DIVIDENDS

4.1.1. Description of the method

The discounted cash flow methodology is one of the leading methodologies for valuing companies. This method is based on the value of money over time and determines the value of an enterprise or its shares by discounting its projected future cash flows. The model of discounted dividends in accordance with Note 3 of Ordinance №41 was chosen for the valuation of Sopharma Imoti REIT due to the fact that the company is registered under the Law on Special Investment Purpose Companies and for securitization companies of 2021 and as such is obliged to distribute as dividend not less than 90% of its annual profit (Art. 29, para. 1 of the Law on Special Investment Purpose Companies).

The estimated values of future dividends are obtained after a forecast of future income and expenses of the company and its balance sheet. These forecasts are divided into two periods:

- Forecast period, which covers 2022 to 2028. During this period, the trade offeror believes that the company's revenues and expenses can be forecast with a sufficient degree of accuracy;
- The post-forecast period covers dividends that will be received after 2028. The expected dividends are based on the projected dividends for 2029 and it is assumed that they will grow at a smooth pace in the coming years.

The present value of Sopharma Imoti REIT is determined by the following formula:

$$V_0 = \sum_{i=1}^n \frac{DPS_i}{(1+r_i)^i} + \frac{P_n}{(1+r_n)^n}$$

Where:

V_0 is the value of one share of the company;

i is the index that shows the year of receipt of dividend per share for:

i is in the range $[1; t_p]$ - forecast period under Art. 11, para. 2 of Ordinance №41, where t_p the minimum is 5 years;

i is in the interval $(t_p; n]$ - period under Art. 11, para. 4;

n is the index that shows the last year of the period under Art. 11, para. 4;

DPS_i the estimated dividend per share for the year i ;

r_i the cost of equity financing per year i ;

r_n the cost of equity financing per year n ;

P_n is the terminal value, which is determined by the formula:

$$P_n = \frac{DPS_n(1 + g_{n+1})}{r_{n+1} - g_{n+1}}$$

Where:

DPS_n the estimated dividend per share for the year n ;

g_{n+1} is the constant rate of increase to infinity of dividends per share after a year n ;

r_{n+1} the cost of equity financing per year n ;

The forecasts of revenues, expenses, assets and liabilities of Sopharma Imoti REIT are made on the basis of an analysis of these indicators for the last five years. The individual financial statements for the last five years have been used for this purpose. A period of five years is long enough and covers not only extraordinary events such as COVID-19, but years before that.

4.1.2. Income

Sopharma Imoti REIT has two main revenue items:

- **Investment property** rental income - this type of income is the monthly rent received per square meter of rented area;
- **Revenues from administrative maintenance of real estate** - these are revenues from administrative maintenance of real estate.

By the end of 2019, there is an increase in the rent per square meter received by Sopharma Imoti REIT. In 2020 and 2021 rents decreased. The COVID-19 pandemic had an extremely negative impact on the office space market, mainly due to the tendency of employees in many places to switch to work from home. In 2021 the decline in Sopharma Imoti REIT of the revenues per sq.m. of rent is 4.99%. After the end of the pandemic a slow and gradual recovery of office rents is expected due to two main factors:

1. Return of more and more employees to office work;
2. Inflation.

Rental growth for the period 2022-2028 is assumed to be equal to the average growth for the last four years. This period includes not only declines during the COVID-19 pandemic, but also significant increases in the previous two years.

Table №9 Estimated rents and fees for administrative services

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues													
Area (sq. m.)	63 353	63 353	63 353	63 249	63 287	63 287	63 287	63 287	63 287	63 287	63 287	63 287	63 287
Average rent per sq.m (annual, BGN)	143	151	157	155	147	148	149	150	151	152	153	155	156
Average rent per sq.m (monthly, BGN)	11,92	12,56	13,05	12,88	12,24	12,33	12,42	12,51	12,60	12,70	12,79	12,88	12,98
Annual change (%)		5,36%	3,87%	-1,30%	-4,99%	0,74%	0,74%	0,74%	0,74%	0,74%	0,74%	0,74%	0,74%
Administrative service per sq.m (annual, BGN)	17,14	17,57	18,47	19,53	19,21	19,57	19,92	20,27	20,62	20,98	21,33	21,68	22,03
Administrative service per sq.m (monthly, BGN)	1,43	1,46	1,54	1,63	1,60	1,63	1,66	1,69	1,72	1,75	1,78	1,81	1,84
Annual change (%)		2,49%	5,12%	5,73%	-1,60%	2,93%	2,93%	2,93%	2,93%	2,93%	2,93%	2,93%	2,93%

Source: Main Capital, Sopharma Imoti REIT

The growth of revenues from administrative services is also set to be equal to the average for the last four years.

4.1.3. Operating expenses

The main cost of Sopharma Imoti REIT is for external services. This cost includes property maintenance and management, third party fees, local taxes and fees and other expenses. For the last five years, the costs of external services represent over 90% of all operating costs of the company.

For the purpose of the forecasts, it is assumed that in the period 2022 - 2028 all operating costs will be a percentage of the value of investment property, which is equal to the average such percentage for the period 2017-2021.

4.1.4. Financial costs

Financial expenses include interest expenses and loan servicing fees. For the purpose of the forecast, this expenditure is expressed as a percentage of the average liabilities during the year. In 2021 this percentage is 2.09% of the average liabilities during the year. For the period 2022 - 2025, the interest rate that the company pays is expected to increase by 0.50% per year and reach 4.09% of average liabilities in 2025.

Table №10 Debts and financial expenses

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Average debt for the period (BGN thousand)	17,960	15,877	12,270	9,223	6,176	3,489	1,745	582,000	0	0	0	0
Average debt (short-term part, BGN thousand)	4,486	3,769	3,052	3,051	3,050	2,688	1,745	1,163	582	0	0	0
Total debt (BGN thousand)	22,446	19,646	15,321	12,273	9,225	6,177	3,489	1,745	582	0	0	0
Financial expenses (BGN thousand)	587	448	346	270	193	160	108	64	24	0	0	0
Financial costs (% of total average annual debt)	2,62%	2,28%	2,26%	2,20%	2,09%	2,59%	3,09%	3,59%	4,09%	0,00%	0,00%	0,00%

Source: "Maine Capital", "Sopharma Imoti" REIT

4.1.5. Annual profit

The following table shows the audited income and costs statements of Sopharma Imoti REIT for the period 2017 - 2021 and the estimated income and costs statements for the period 2022 - 2028.

Table № 11 Income and costs statements

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Rental income of investment property	9 065	9 551	9 921	9 776	9 294	9 363	9 432	9 501	9 571	9 642	9 713	9 784
Income from administrative release of properties	1 086	1 113	1 170	1 235	1 216	1 238	1 261	1 283	1 305	1 327	1 350	1 372
Revaluation of investment property to fair value	49	316	454	85	2 016	-	-	-	-	-	-	-
	10 200	10 980	11 545	11 096	12 526	10 601	10 692	10 784	10 876	10 969	11 062	11 156
annual change, %		7,65%	5,15%	-3,89%	12,89%	-15,37%	0,86%	0,86%	0,86%	0,85%	0,85%	0,85%
Other operating income	109	109	61	98	103	-	-	-	-	-	-	-
	10 309	11 089	11 606	11 194	12 629	10 601	10 692	10 784	10 876	10 969	11 062	11 156
Cost of materials	(225)	(106)	(71)	(66)	(50)	(78)	(59)	(55)	(56)	(57)	(61)	(58)
Costs of external services	(3 151)	(3 664)	(3 839)	(3 644)	(3 195)	(2 616)	(2 662)	(2 642)	(2 596)	(2 570)	(2 617)	(2 618)
Personnel costs	(112)	(182)	(124)	(108)	(138)	(99)	(102)	(95)	(96)	(99)	(98)	(98)
Depreciation and amortization costs	(14)	(5)	(10)	(11)	(10)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Other operating expenses	(195)	(70)	(29)	(55)	28	(49)	(29)	(24)	(24)	(21)	(29)	(25)
Total operating expenses	(3 697)	(4 027)	(4 073)	(3 884)	(3 365)	(2 849)	(2 859)	(2 824)	(2 779)	(2 754)	(2 813)	(2 806)
annual change, %		8,93%	1,14%	-4,64%	-13,36%	-15,34%	0,38%	-1,24%	-1,60%	-0,91%	2,15%	-0,25%
Gain on operating activities	6 612	7 062	7 533	7 310	9 264	7 752	7 833	7 960	8 097	8 215	8 249	8 351
annual change, %		6,81%	6,67%	-2,96%	26,73%	-16,32%	1,04%	1,62%	1,73%	1,46%	0,41%	1,22%
Financial costs	(587)	(448)	(346)	(270)	(193)	(160)	(108)	(63)	(24)	-	-	-
Financial income/(expense), net	(587)	(448)	(346)	(270)	(193)	(160)	(108)	(63)	(24)	-	-	-
Profit for the period	6 025	6 614	7 187	7 040	9 071	7 592	7 725	7 897	8 073	8 215	8 249	8 351
annual change, %		9,78%	8,66%	-2,05%	28,85%	-16,31%	1,75%	2,23%	2,23%	1,76%	0,41%	1,22%
Other components of comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6 025	6 614	7 187	7 040	9 071	7 592	7 725	7 897	8 073	8 215	8 249	8 351

Source: Sopharma Imoti REIT

In 2021 the company realized BGN 2,016 thousand of investment property at fair value. For previous years, this income was insignificant. For the purpose of the forecast, it is assumed that this income is one-time. The same applies to other operating income, which is insignificant for the period 2017-2021.

4.1.6. Company assets

The investment properties of the company include 64 properties for long-term rental. The main property of Sopharma Imoti REIT is Sopharma Business Towers. The building is with a total area of 53,175.79 square meters. As of March 31, 2022 the book value of the building is BGN 68,896 thousand. Other business and commercial properties in Sofia and the country have a total area of 10,110.78 sq.m. and worth BGN 17,772 thousand. The sales and respectively the dividends generated by the company are directly dependent on the size of the investment properties. The forecasts do not envisage a change in the size of investment properties.

4.1.6. Liabilities of the company

The liabilities of Sopharma Imoti REIT as of March 31, 2022 amount to BGN 14,363 thousand. Of these, long-term bank loans and short-term part of long-term bank loans amount to BGN 6,938 thousand. The bank loan in question was obtained for capital investments and is in euros. It is agreed at an interest rate determined on the basis of three-month EURIBOR plus a margin of 2,308 points, as of April 25, 2019 (December 31, 2020 - three-month EURIBOR plus a margin of 2,308 points).

Trade liabilities are current and are with Bulgarian contractors for the supply of services. The usual average credit period for repaying the company's liabilities is 30 days.

Table №12 Balance

	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
ASSETS												
Non-current assets												
Investment property	83 701	83 935	84 526	84 597	86 670	86 670	86 670	86 670	86 670	86 670	86 670	86 670
Other tangible fixed assets	15	19	21	16	17	17	17	17	17	17	17	17
Assets with the right to use	-	-	9	4	-	-	-	-	-	-	-	-
Intangible assets	-	-	2	1	14	14	14	14	14	14	14	14
TOTAL NON-CURRENT ASSETS	83 716	83 954	84 558	84 618	86 701	86 701	86 701	86 701	86 701	86 701	86 701	86 701
Current assets												
Trade receivables	332	330	280	484	270	270	270	270	270	270	270	270
Receivables from affiliated companies	68	64	56	-	32	16	16	16	16	16	16	16
Other current receivables and prepaid expenses	35	37	30	43	53	53	53	53	53	53	53	53
Cash and cash equivalents	111	190	714	1 726	1 643	52	22	467	830	1 533	2 220	2 986
TOTAL CURRENT ASSETS	546	621	1 080	2 253	1 998	391	361	806	1 169	1 872	2 559	3 325
TOTAL ASSETS	84 262	84 575	85 638	86 871	88 699	87 092	87 062	87 507	87 870	88 573	89 260	90 026
EQUITY AND LIABILITIES												
EQUITY												
Share capital	20 104	20 954	21 416	21 951	21 951	21 951	21 951	21 951	21 951	21 951	21 951	21 951
Reserves	20 361	25 036	27 560	30 007	30 007	30 007	30 007	30 007	30 007	30 007	30 007	30 007
Retained earnings	10 556	11 564	12 681	16 147	21 567	22 326	23 099	23 888	24 696	25 517	26 342	27 177
TOTAL EQUITY	51 021	57 554	61 657	68 105	73 525	74 284	75 057	75 846	76 654	77 475	78 300	79 135
LIABILITIES												
Non-current liabilities												
Long-term bank loans	17 960	13 793	10 746	7 699	4 652	2 326	1 163	-	-	-	-	-
Long-term liabilities to personnel	24	49	52	42	35	35	35	35	35	35	35	35
Other non-current liabilities	-	-	4	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	17 984	13 842	10 802	7 741	4 687	2 361	1 198	35	35	35	35	35
Current liabilities												
Short-term part of long-term bank loans	4 486	3 052	3 051	3 050	3 049	2 326	1 163	1 163	-	-	-	-
Liabilities to related companies	4 252	3 220	2 717	-	302	332	565	565	395	277	138	69
Dividend liabilities	5 479	5 613	6 067	3 559	3 610	3 610	3 610	3 610	3 610	3 610	3 610	3 610
Trade payables	128	139	144	2 839	2 372	2 846	3 700	4 440	5 328	5 328	5 328	5 328
Tax obligations	99	120	14	86	104	125	200	200	200	200	200	200
Other current liabilities	813	1 035	1 186	1 491	1 050	1 208	1 570	1 648	1 648	1 648	1 648	1 648
TOTAL CURRENT LIABILITIES	15 257	13 179	13 179	11 025	10 487	10 447	10 807	11 626	11 182	11 063	10 925	10 856
TOTAL LIABILITIES	33 241	27 021	23 981	18 766	15 174	12 808	12 005	11 661	11 217	11 098	10 960	10 891
TOTAL EQUITY AND LIABILITIES	84 262	84 575	85 638	86 871	88 699	87 092	87 062	87 507	87 870	88 573	89 260	90 026

Source: Sopharma Imoti REIT, Main Capital AD

This evaluation is based on the assumption that the company's debts will remain at the same level.

4.1.7. Discount rate

To discount the company's dividends, the cost of equity financing (r) was used, which is the sum of the risk-free rate of return (R_f) and the risk premium (RP):

$$r = R_f + RP$$

The risk-free rate of return (R_f) is the weighted average yield of 1.33% achieved on May 9, 2022 on 3.5-year Bulgarian government securities denominated in Bulgarian lev (<https://www.minfin.bg/bg/news/11793>). The use of the return on Bulgarian government bonds as a risk-free rate of return is appropriate due to Bulgaria's rather low government debt levels compared to those of most other European countries. All rating agencies define Bulgaria's credit rating as "investment grade". To be in this category, the rating must be at least BBB3 according to Moody's or BBB- according to S&P and Fitch.

Table №13 Credit rating of Bulgaria

Кредитен рейтинг на Република България							
Агенция	Дата	Чуждестранна валута			Местна валута		
		Краткосрочен	Дългосрочен	Перспектива	Краткосрочен	Дългосрочен	Перспектива
Fitch	21.01.2022	F2	BBB	Положителна	F2	BBB	Положителна
Standard & Poor's	31.11.2021	A-2	BBB	Стабилна	A-2	BBB	Стабилна
Moody's	9.10.2020	Baa1	Baa1	Стабилна	Baa1	Baa1	Стабилна

Източник: Министерство на финансите, <http://www.minfin.bg/bg/page/69>

A more objective criteria for investment risk of government securities than the subjective assessment of rating agencies is the level of government debt. It can be seen from a comparative analysis of the levels of public debt in the EU according to Eurostat from April 22, 2022, that Bulgaria is among the countries with the lowest level of government indebtedness. The ratio of gross public debt to GDP of Bulgaria is 25.1%, and the average level of EU countries is 88.1% (<https://ec.europa.eu/eurostat/documents/2995521/14497745/2-22042022-BP-EN.pdf/90896015-2ac1-081a-2eef-ad8d5f2c0da1>).

To determine the risk premium for a developed market, data from Prof. Damodaran referred to below. (<http://www.stern.nyu.edu/~adamodar/pc/implprem/ERPbymonth.xlsx>). The current number as of June 1, 2022 is 5.17%. The developed market risk premium used is calculated based on the S&P 500 Index values and the value of dividends paid and shares repurchased by companies in the index over the past 12 months (TTM), as well as the analysts' consensus average forecast of earnings growth for companies in the index over the next five years.

The risk premium for Bulgarian equities is obtained by adding the risk premium for Bulgaria to the developed market premium (5.17%). According to the latest data from the website of prof. Damodaran from 5 January 2022 this premium is 1.58% (<https://pages.stern.nyu.edu/~adamodar/pc/datasets/>). The premium for Bulgaria is calculated on the basis of the adjusted difference in yields of assets rated Baa1, which is Bulgaria's rating according to Moody's, and the rate of return on AAA-rated assets. The total risk premium for shares in Bulgaria is 6.75%. The discount factor is equal to the Bulgarian equity premium (6.75%) plus the risk-free rate of return (1.33%).

4.1.8. Long-term dividend growth

An increase rate of 1% was used to discount the company's dividends. This is the average projected growth of Bulgaria's GDP for the period 2030-2060 according to the OECD (<https://static.poder360.com.br/2021/10/relato%CC%81rio-oecd-projec%CC%A7o%CC%83es-2060-19-out-2021.pdf>) from October 2022.

4.1.9. Share price according to the method of discounted dividends

The estimated valuation of the company by the method of discounted dividends is based on the following two main assumptions:

- Investment property will remain 63,249 square meters in the future;
- Annual growth of rents per square meter for the period 2022-2028 of 0.74%;
- The growth rate of dividends after 2028 will be equal to the forecasted growth of Bulgarian GDP according to the OECD forecast. The forecast is for an average annual growth for the period 2028-2060 of 0.44%.

Table № 14 Valuation of the value of a share of Sopharma Imoti REIT

DDM	2022	2023	2024	2025	2026	2027	2028
Risk-free rate of return	1,33%	1,33%	1,33%	1,33%	1,33%	1,33%	1,33%
Risk premium (Damodaran)	6,75%	6,75%	6,75%	6,75%	6,75%	6,75%	6,75%
Cost of financing with equity	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%
Expected dividend date	6/28/2022	6/28/2023	6/28/2024	6/28/2025	6/28/2026	6/28/2027	6/28/2028
Years to receive the dividend	0,06	1,06	2,06	3,06	4,06	5,06	6,06
Expected future dividends (BGN thousand)	6,833	6,952	7,107	7,266	7,394	7,425	7,515
Present value of expected dividends (BGN thousand)	6,800	6,402	6,056	5,728	5,393	5,010	4,693
Total present value of the dividend (2022-2028; BGN thousands)	40,082						
Dividend growth rate (2028+)	1,00%						
Present value of all dividends after 2028 (BGN thousand)	62,120						
Total value of the company (thousands BGN)	102,202						
Number of shares	21 951 320						
Value per share (BGN)	4,66						

Source: "Mane Capital"

According to the evaluation made by the method of discounted dividends the fair value per share of the company is BGN **4.66**.

4.2. NET ASSET VALUE

The value of the share according to 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 current and non-current liabilities on the balance sheet and all legal receivables of investors having priority over ordinary shareholders. the number of ordinary shares outstanding.

The value of the company's assets and liabilities is determined on the basis of information from the last published balance sheet. If the company prepares consolidated financial statements, the information under sentence one must first be presented on the basis of the consolidated balance sheet.

Table № 15 Net asset value (March 31, 2022)

Amount of assets	89 525
Amount of long-term liabilities	3 926
Amount of short-term liabilities	10 437
Net asset value	75 162
Number of shares	21 951 320
Net worth per share	3,42

Source: "Sopharma Imoti" REIT

4.3. MARKET MULTIPLIERS OF SIMILAR COMPANIES

"Sopharma Imoti" REIT is a company established under the law on companies with a special investment purpose and on securitization companies. According to Art. 5, para. 1 of the SIDDC Act, a special purpose vehicle may raise funds by issuing securities; the purchase of real estate and real property rights, the construction and improvement of real estate for the purpose of making it available for management, the rental, leasing or lease and the sale or purchase of receivables. The special purpose vehicle may not carry out other activities outside those referred to in par. 1 and directly related to their implementation, unless permitted by this Act. Several such companies are listed on the Bulgarian Stock Exchange.

For the purpose of this assessment, the market multiples of companies in the BGREIT index will be used. The BGREIT index is compiled by the BSE-Sofia to give investors an idea of the market movements of a representative basket of special purpose vehicles (SPVs). BGREIT includes seven of the most significant such companies on our exchange, including Real Estate Fund Bulgaria REIT, CCB Real Estate Fund REIT, Balkan & Sea Properties REIT, Super Borovets Property Fund REIT and Intercapital Properties Development REIT.

The use of companies from the index is appropriate from the point of view that many of the special companies have low liquidity, small company size, low free float or other features that make them unsuitable analogues of Sopharma Property REIT for the purpose of the valuation. BGREIT, on the other hand, is a professional product that gives as good as possible, but not ideal, a representative selection of Bulgarian companies that are similar to Sopharma Property REIT. Six of the seven companies that make up the BGREIT index were used for the purpose of the assessment. "Advance Terrafund REIT is excluded from the benchmarking due to its focus on investments in agricultural land.

The market multiplier to be used for the comparison is price/equity (P/B). This multiplier is most appropriate for benchmarking companies that invest in real estate because it indicates the market price of equity.

Table №16 Market multipliers

	P/S
Bulgaria Real Estate Fund	0,73
Balkan and Sea Properties REIT	2,73
CCB Real Estate Fund REIT	1,18
Intercapital Property Development	0,96
Roy Property Fund REIT	1,99
Super Borovets Property Fund REIT	1,33
<i>Average ratio of analogue companies</i>	1,49
Sopharma Imoti REIT	2,37

Source: "Mane Capital"

The use of other market multipliers (price/earnings, price/sales) is not appropriate due to the high volatility of sales and earnings. Equity is a much more stable quantity that rarely undergoes sudden changes during the year.

Table №17 Data for the calculation of market multipliers

	Closing price	Number of shares	Capitalization	Equity	P/S
Bulgaria Real Estate Fund	2,30	34 641 925	79 676, 43	108 801	0,73
Balkan and Sea Properties REIT	20,80	6 925 156	144 043.24	52 822	2,73
CCB Real Estate Fund REIT	48,60	1 077 193	52 352	44 415	1,18
Intercapital Property Development	0,99	27 766 476	27 349.98	28 541	0,96
Roy Property Fund REIT	7,85	6 162 500	48 376	24 292	1,99
Super Borovets Property Fund REIT	2,86	23 379 995	64 529	48 342	1,33

The share price is as of June 6, 2022 (or for the previous date on which there is a transaction), and the equity of all companies is as of the most recent financial statement as of March 31, 2022.

Table №18 Valuation by the market multipliers method

	P/E
Average ratio of analogue companies	1,49
Sopharma Imoti REIT multiples	2,32
Net asset value per share of Sopharma Imoti REIT as at 31/03/22	3,42
Calculated value per share based on a multiplier of analogues	5,09

Source: "Mane Capital", BSE-Sofia

It is evident from the above table that the average P/B market multiple of the companies in the index is lower than that of Sopharma Imoti REIT. If the shares of Sopharma Imoti REIT were traded at the same multiplier, their price would be BGN 5.09 per share.

5. WEIGHTS OF THE EVALUATION METHODS

The weights of the evaluation methods used are as follows:

- Model of discounted dividends - 20%;
- Net value of assets - 20%;
- Analog companies from BGREIT - 60%.

The biggest weight is given to the evaluation from the market multipliers of analogous companies. This is the most objective evaluation because it evaluates the company on the basis of the evaluations given to other similar companies that are part of BGREIT. In addition, this model gives the highest valuation to the shares of Sopharma Imoti REIT, which is favorable for minority shareholders who would be interested in participating in this tender offer.

The discounted dividend model is less reliable because it relies on a number of assumptions that may not materialize. The net asset value model is based on book values, which are not always a mirror of the actual market values of the company's assets.

6. VALUE OF ONE SHARE ACCORDING TO THE VALUATION METHODS

The received value of one share of Sopharma Imoti REIT is:

Table № 19 **Value per share**

Evaluation method	Value	Weight
Discounted dividend model	4,66	20,0%
Net asset value	3,42	20,0%
Analog companies (BGREIT)	5,09	60,0%
Value per share (BGN)	4,67	100,0%

Source: "Mane Capital"

7 . WEIGHTED AVERAGE MARKET PRICE

According to Art. 5 of Ordinance № 41 of the FSC, the fair price of shares actively traded is determined as a weighted average of the weighted average price of all transactions in the last six months preceding the date of the Rationale and the value of shares obtained by the applied valuation methods.

According to paragraph 1, item 1 of the Additional Provisions of Ordinance №41, “actively traded shares” are shares that simultaneously meet the following two conditions:

(a) for the previous six months before the date of justification:

- (aa) have a minimum average daily trading volume of at least 0.01% of the total number of shares of the company from the trading venue with the largest volume of shares traded for the period, or
- bb) form not less than 1% of the total turnover of all shares traded on the trading venue with the largest volume of shares traded for the period;

(b) for the previous six months before the date of justification of the trading venue with the largest volume of shares traded for the period:

- (aa) transactions in shares of the company have been concluded in at least half of all trading sessions included in the period, with transactions in at least thirty trading sessions during the last three months before the date of justification, or
- (bb) the number of transactions within one trading session in not less than thirty trading sessions included in the six-month period, which are not necessarily consecutive, shall be not less than five.

Table № 20 Stock trading

Place of trade	BSE-Sofia
Six-month period prior to date of substantiation	6/12/2021-6/6/2022
Three-month period prior to date of substantiation	6/03/2021-6/6/2022
Number of trading sessions for the last 6 months	118
Weighted average price per share for the period, BGN	6.616
Total volume of shares traded for the period	2 795 450
Average daily volume of shares traded for the period	23 690
Number of issued shares of the company	21 951 320
Number of shares required for active trading	0.01%
Number of shares required for active trading	2,195
Total turnover of BSE-Sofia for the last 6 months	594 210 201
Percentage of the company's turnover on the BSE	3,69%
Number of sessions for the period with transactions of the company	98
Number of sessions for the quarter with transactions of the company	48

The shares of the company meet condition a), sub-point aa). The required number of shares for active trading for the last six months is 2,195. The company has an average daily volume of 23,690 shares for the period. Average daily volume is calculated by dividing the total volume traded for the period (2,795,450 shares) by the number of trading sessions for the period (118). The shares also correspond to a), sub-item bb).

From condition b) the shares meet sub-item aa), because there are transactions with shares of the company in 50 sessions for the last 3 months.

8. VALUE OF THE SHARES ACCORDING TO ART. 5 OF ORDINANCE №41

The evaluation received according to Art. 5 of Ordinance №41 is:

Table № 21 Value of shares

Method	Value	Weight
Value according to valuation methods	4,67	20,0%
Weighted average price over the last six months	6,62	80,0%
Price per share (BGN) according to art. 5		6,23
<i>Source: "Main Capital"</i>		

The weights of the two methods are selected in order to give the highest possible price according to Art. 5 of Ordinance №41.

The Financial Supervision Commission is not responsible for the accuracy of the data contained in the proposal.

The proposer, the authorized investment intermediary "MK BROKERS" AD and "Main Capital" AD are jointly and severally liable for damages caused by false, misleading or incomplete data in the proposal.

The proposer, the authorized investment intermediary "MK BROKERS" AD and "Main Capital" AD declare that the tender offer complies with the requirements of the law.

For Sopharma AD :

/Signature/

Ognian Donev

Executive Director

Sopharma AD

For Main Capital AD :

/Signature/

Ilian Scarlatov

Executive Director

Main Capital AD

For MK Brokers AD

/Signature/

Ivan Valchev, Tsanko Kolovski

Executive Directors

MK Brokers