

To the Shareholders
Of Sopharma AD
Sofia

**REPORT OF THE INDEPENDENT REGISTERED AUDITOR
ABOUT
VERIFICATION OF TRANSFORMATION**

I have audited the transformation of Sopharma AD (Receiving Company) through the merger of Unipharm AD (Transforming Company) under the Contract for transformation through merger of 17 May 2018, as amended by Additional agreement № 1 of 13 June 2018 and the 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 transforming company

The management of the Receiving Company is responsible for making a resolution for transformation, drafting the transformation contract, carrying out the transformation actions required by the Commercial Law, and preparing the financial statements that fairly present the financial position, financial performance and the company's cash flows in accordance with the National Accounting Act.

Responsibility of the examiner

My responsibility is to compile this report and express an opinion on the verification of the transformation according to the requirements of Art. 262m in relation to the provisions of Art. 262 I of the Commercial Law.

Scope of the verification

I conducted the audit in accordance with International Standard on Auditing (ISA) 800 "Audit reports for special purpose commitments". This Standard has been applied in the context of the "Preface to International Standards on Quality Control, Auditing, Safety and Services Related to Content", which sets out the scope and scope of ISAs. Verification of conversion by merger consists of inquiring inquiries, mainly to the persons responsible for the decision to transform and the persons responsible for financial and accounting matters, as well as the collection of sufficient and relevant evidence for the fulfillment of this commitment, including:

- Transformation Contract of 17 May 2018, as amended by Additional Agreement № 1 of 13 June 2018;
- Adjusted Report of the Board of Directors of Sopharma AD as at 13 June 2018, Sofia under Art. 262i of the Commercial Law concerning the transformation of Sopharma

AD, Sofia, by the merger of Unipharm AD with a decision of the Board of Directors under minutes of 13 June 2018.

- Justification of the fair price of the shares of SOPHARMA AD, with the date of preparation of the assessment 30 April 2018, approved by decision of the Board of Directors of Sopharma AD under minutes dated 13 June 2018;
- Annual Individual Financial Statement of Sopharma AD, prepared as at 31 December 2017;
- Annual Consolidated Financial Statement of Sopharma AD, prepared as at 31 December 2017;

My audit is planned and conducted in such a way that I can express my opinion as to the adequacy and reasonableness of the transformation of the Receiving Company Sopharma AD and the related replacement ratio. This verification also requires an assessment of the methods used to determine the replacement ratio, to what extent the use of these methods is appropriate and correct in the specific case, the values obtained in each method and the relative importance of each method in determining the value of the shares and the particular difficulty in the valuation if there were any.

In the determination of the ratio of one share to the Converting Company Unipharm AD with one share of the Receiving Company Sopharma AD the following methods for determining the fair value of the assets of Sopharma AD and their relative weights:

Evaluation method	Price per share in BGN	Weight	Weighted Price per Share in BGN
Average cost for the last 6 months as at 27 April 2018	4.2670	50%	2.133
Average cost of the discounted cash flow method	6.1640	20%	1.232
Net Asset Value	4.0000	30%	1.200
Fair value per share		100%	4.565

On the ground of calculated fair price per share of the companies, the average replacement ratio has been correctly defined

Fair price of Unipharm AD	BGN 4.371
Fair price of Sopharma AD	BGN 4.565
Exchange ratio	0.957502

As a result of the defined exchange ratio one share of the Transforming Company Unipharm AD would replace with 0.957502 share of the Receiving Company Sopharma AD. The exchange ratio of shares is defined as at 30 April 2017

As a result of the transformation:

- The Transforming Company Unipharm AD is terminated without liquidation on the basis of Art. 262 and following of the Commercial Law;
- The Receiving Company Sopharma AD becomes the universal successor of the Transforming Company;
- Due to the mathematical impossibility of replacing the shares of each individual shareholder in the Transforming Company with existing equities with a totally equivalent value, the difference to that value will be compensated by additional cash payments to the respective 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 Unipharm AD by the accepted replacement ratio according to Article 4.5 of Contract of transformation from 17 May 2018 replaced with Additional agreement from 13 June 2018. The resulting integer is the number of existing shares 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. Based on the book of shareholders of the transforming company as of 30 April 2018. the expectations of the parties to this Agreement are that the total amount of cash payments to shareholders will be in the range of BGN 150 (one hundred and fifty). Thus, 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 will be respected. The claims of the shareholders under Art. 261b, para. 2 of the Commercial Law become due from the Effective Date of the Entry. The repayment will be made in cash at the receiving company's cash desk 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. The shareholders of the Receiving Company, which have insufficient number of shares, are entitled to receive one share of the Receiving Company and to pay the difference up to its fair value. .

I did not encounter any difficulties in carrying out the verification of the transformation of the Receiving Company Sopharma AD through the merger of the Transforming Company Unipharm AD under the merger agreement and the observance of the provisions of the Commercial Law, Chapter Sixteen. I did not encounter difficulties related to the valuation of the fair value (net worth) of the assets of Sopharma AD.

Paying attention

In item 1 of Additional agreement №1 from 13 June 2018 to Contract for transformation on 17 May 2018, last sentence, has been made a technical error. Its incorrectly stated that net asset value of Sopharma AD is BGN 574 439 308. The correct amount would be BGN 574 116 855. The error does not affect the other calculations specified in the report.

Conclusion

On the basis of my verification, I certify that, in my opinion, the exchange ratio set out in the transformation contract is adequate and reasonable.

14 June 2018
Sofia

Examiner:
Nikolay Polinchev, registered auditor