

Current report №86/ 2022
Dated November 28, 2022

NOTIFICATION

“Sopharma” AD (the Company) announces that on November 28, 2022, "Sopharma" AD received a tender offer registered with the Commission for Financial Supervision from "DONEV INVESTMENTS HOLDING" AD - a shareholder, directly owning 37,600,000 ordinary, dematerialized shares with voting rights, representing 27.89% of the capital and votes in the GMS of "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.

The material terms of the tender offering are:

Information on the trading offeror:

The Offeror is “DONEV INVESTMENTS HOLDING” AD, a company established and operating as a joint stock company under Bulgarian law, with its registered office and registered address in Sofia, 1000, Vazrazhdane district, 12, Positano Str.; phone: +359 (2) 9880016; electronic address (e-mail) ivandonev@dih.bg; electronic web-site: none. "DONEV INVESTMENTS HOLDING” AD is entered in the Commercial Register and the Register of Non-Profit Legal Entities maintained by the Registry Agency ("Commercial Register") with UIC 831915121.

The main activities of Offeror are as follows: participation in the capital of other commercial companies; acquisition and management of investments in other companies; acquisition of financial assets for the purpose of trading, raising of funds by issuing securities and subsequent investment of the funds raised, investment management and investment operations, consultancy services, translation activities and all activities in the territory of the country or abroad not prohibited by law.

The name of the Offeror is "DONEV INVESTMENTS HOLDING" AD. The company was incorporated under the name "Sofia" AD, and subsequently on 14.05.2008, the current name of the company - "DONEV INVESTMENTS HOLDING" AD - was entered in the Commercial Register at the Registration Agency.

As of the date of registration of the Tender Offer, "DONEV INVESTMENTS HOLDING" AD has capital in the amount of BGN 25 000 000, which is fully paid.

The Legal Entity Identifier code is 529900M68G247LNXVB33.

"DONEV INVESTMENTS HOLDING” AD is managed by a Board of Directors (BoD) composed of:

- PhD Ognian Ivanov DONEV, business address Sofia, 1000, Vazrazhdane district, 12, Positano Str. - Chairman of the Board of Directors;
- Ivan Ognianov Donev, business address Sofia, 1000, Vazrazhdane district, 12, Positano Str.- Member of the Board of Directors and Executive Director;
- Rositsa Dimcheva DONEVA, business address Sofia, 1000, Vazrazhdane district, 12, Positano Str.- Member of the Board of Directors.

In accordance with its Articles of Association, “DONEV INVESTMENTS HOLDING” AD is represented by its Executive Director - Ivan Ognianov Donev.

Shareholders holding directly and/or through related parties more than 5 per cent of the votes in the General Meeting of the Offeror are as follows:

PhD Ognian Ivanov Donev - shareholder, directly holding 24 846 300 shares or 99.385% of the capital and votes in the GMS of “DONEV INVESTMENTS HOLDING” AD.

The business address of Mr. Ognian Ivanov Donev is Sofia, 1000, Vazrazhdane district, 12, Positano Str.- Chairman of the Board of Directors;

PhD Ognian Ivanov Donev exercises control over “DONEV INVESTMENTS HOLDING” AD within the meaning of §1c, item 1 of the Additional Provisions of the Commercial Act and §1, item 14 of the Additional Provisions of the Law on Public Offering of Securities, as he directly holds more than 50 percent of the votes in the General Meeting of Shareholders of “DONEV INVESTMENTS HOLDING” AD.

Number of voting shares that the offeror does not own

“DONEV INVESTMENTS HOLDING” AD does not own (directly, through related parties or indirectly under Article 149, paragraph 2 of LPOS) 89 865 700 ordinary, dematerialised, registered, freely transferable shares with ISIN BG11SOSOBT18, representing 66.67% of the capital and of the votes at the General Meeting of Shareholders of “SOPHARMA” AD. In accordance with a resolution of the Board of Directors of the Offeror dated 28.10.2022, the Offeror intends to increase its stake in the Company's capital by acquiring directly and through related parties more than 1/3, i. e. up to 41.49% of the votes in the General Meeting of Shareholders of the Company, by way of purchase under the Tender Offering pursuant to Art. 149b of the LPOS, addressed to all other shareholders of “SOPHARMA” AD for up to 11 000 000 ordinary, dematerialised, registered, freely transferable shares, with ISIN BG11SOSOBT18, representing 8.16% of the capital and votes in the General Meeting of Shareholders of “SOPHARMA” AD.

The strategic plans of the Offeror for “Sopharma” AD

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

- increase sales of its existing portfolio and adding new products in therapeutic groups in which the Company has strategic interest. To this end, the company is actively exploring various acquisition opportunities that would complement and diversify its portfolio;
- 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;
- the continued operation of production in full compliance with EU Good Manufacturing Practices;

- 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 SOPharmacy brand. In 2017, the company acquired a chain of pharmacies "PharmaStor", which subsequently went under the SOPharmacy 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 SOPharmacy 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;
- implement new technologies to support the automation of business processes in the SOPHARMA GROUP (the "Group");
- deepen operational synergies between Group companies, both within segments and between interrelated segments such as pharmaceutical manufacturing and distribution;
- 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;
- 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 Proposal is not expected to have an impact on the employees of “SOPHARMA” AD (including the employees of its subsidiaries) and “DONEV INVESTMENTS HOLDING” AD for a period of three years following the closing of the transaction. No change of the place of business of “SOPHARMA” AD (including its subsidiaries) and “DONEV INVESTMENTS HOLDING” AD is envisaged.

Offer price per share

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 the investment intermediary Karoll 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.

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

Ognian Donev