

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 UNIFARM AD (Transforming Company) under the Contract for Transformation through merger of 14.09.2017, as amended by Supplementary Agreement No 1 of 08.11.2017 (the "Contract for the merger") and the compliance by SOPHARMA 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 Commerce Act, 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 Commerce Act.

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 14.09.2017, as amended by Supplementary Agreement No 1 of 08.11.2017;

- Report of the Board of Directors of SOPHARMA AD, Sofia under Art. 262 and of the Commercial Act concerning the transformation of SOPHARMA AD, Sofia, by the merger of UNIPHARM AD with a decision of the Board of Directors under a protocol of 14.09.2017, as amended by a decision of the Council of the Directors of the Protocol of 07.11.2017
- Protocol of the Board of Directors of "SOPHARMA" AD from 08.09.2017;
- Protocol of the Board of Directors of "SOPHARMA" AD from 14.09.2017;
- Protocol of the Board of Directors of "SOPHARMA" AD from 07.11.2017;
- Justification of the fair price of the shares of SOPHARMA AD, with the date of preparation of the assessment 08.09.2017, adopted by decision of the Board of Directors of SOPHARMA AD under a protocol dated 07.11.2017;
- Shareholders' Book of UNIPHARM AD as at 08.09.2017.
- Interim separate financial statement of "SOPHARMA" AD, compiled as at 30.06.2017;
- Interim Consolidated Financial Statement of Sopharma AD, as at 30.06.2017;

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
Closing price as at 07.09.2017.	4.680	50%	2.340
Average cost of the discounted cash flow method	7.441	15%	1.116
Net Asset Value	3.890	30%	1.167
Market multipliers of analogue companies	5.803	5%	0.290
Fair value per share		100%	4.913

As a result of the transformation:

- The transforming company UNIPHARM AD is terminated without liquidation on the basis of Article 262 and following of the Commercial Act;
- 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 Converting 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 UNIFARM AD by the accepted replacement ratio according to Article 4.5 of the merger agreement. 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 Accepting Company, the result being the amount of the due levy in BGN. This result is a cash claim of the shareholder to the Accepting Company. Based on the book of shareholders of the transforming company as of 08.09.2017. 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 145 (one hundred forty five). Thus, in view of the absolute value of the sum of all additional cash payments, the requirement of Art. 261b, para. 2 of the Commerce Act will be respected. The claims of the shareholders under Art. 261b, para. 2 of the Commerce Act 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 Converting Company, which have insufficient number of shares, are entitled to receive one share of the Accepting Company and to pay the difference up to its fair value. These shareholders should express an explicit statement (written request) to the Transforming Company or to the Accepting Company within five working days. Otherwise, it is assumed that the respective shareholder refuses to acquire this share from the Accepting Company and is entitled to a cash payment, which will be made in accordance with the provisions of Art. 5.9. of the merger agreement.

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 Commerce Act, Chapter Sixteen. and the valuation of the fair value (net worth) of the assets of SOPHARMA AD.

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.

10 November 2017
Sofia

Examiner:
Nikolay Mihaylov Polinchev, registered auditor

