

MANAGEMENT REPORT

Q1 2018

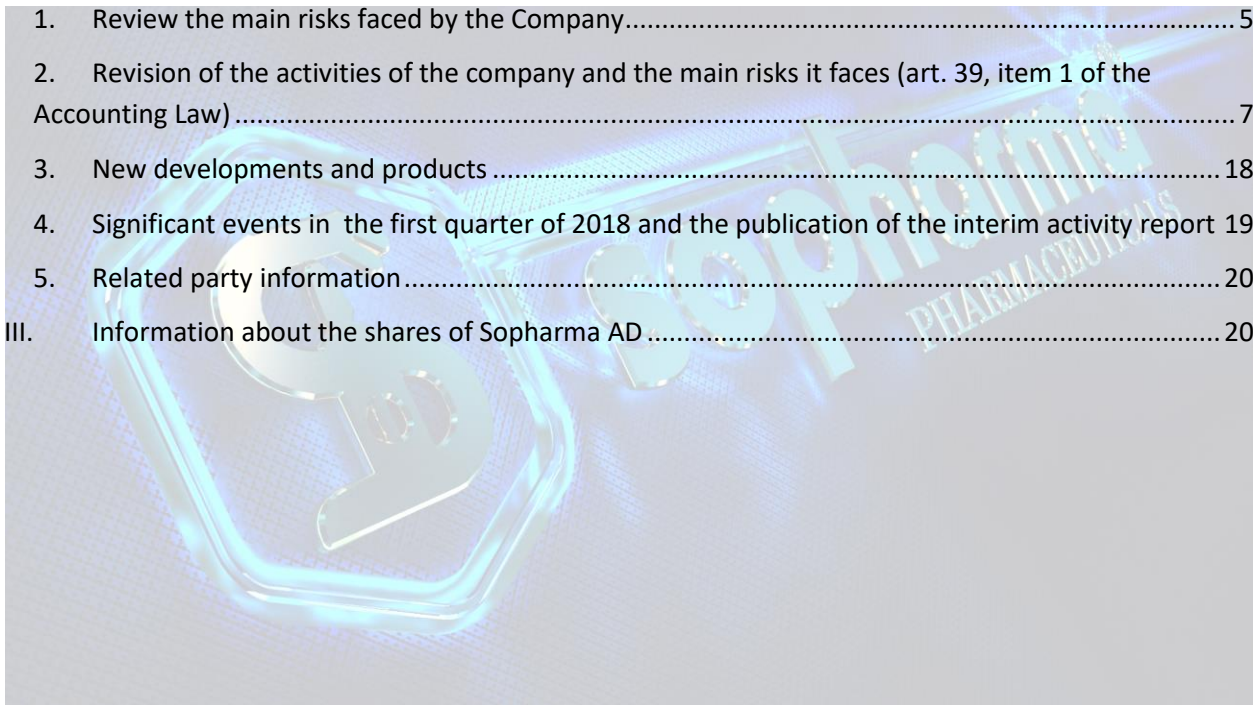


SOPHARMA AD

27 April 2018

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I. General information about Sopharma AD

1. Registration and main activities

Sopharma AD is a company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, 16, Iliensko shose str.

Sopharma AD was established in 1933. The court registration of the Company is from 15.11.1991, decision №1 / 1991 of Sofia City Court. Sopharma AD is a public company under the Public Offering of Securities Act.

The Company conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of photochemistry, chemistry and pharmacy. Sopharma AD provides services related to production, as well as to ancillary and supporting activities.

The Company has marketing authorizations under the Law on Medicines and Pharmacies in Human Medicine for all products of its manufacturing portfolio.

2. Shareholder structure as at 31 March 2018



3. Board of Directors

Sopharma AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman and members Vessela Stoeva, Ognian Palaveev, Alexander Tchaushev, Andrey Breshkov. The Company is represented and managed by the Executive Director Ognian Donev, PhD.

4. Personnel

The average number of employees in the first quarter of 2018 in Sopharma AD is 2,038 workers and employees (1,953 in 2017). The table below provides more detailed information about the company's staff.

	31.03.2018	Ref. Share %
Number of employees as at 31.03.2018	2040	100%
Higher education	870	43%
A college education	46	2%
Secondary education	1095	54%
Primary education	29	1%
Employees under 30	210	10%
Employees 31 - 40 years	417	20%
Employees 41 - 50 years	648	32%
Employees 51 - 60 years	623	31%
Employees over 60	142	7%
Women	1267	62%
Men	773	38%

The training programs offered to employees of the Company aim to develop employee competencies. The training policy is specifically aimed at providing high professional knowledge as well as in relation to the requirements for health and safety at work.

Employees are entitled to the higher additional remuneration required by applicable law on overtime, night shifts and work on Saturdays, Sundays and holidays. Employees who work under specific, harmful or dangerous conditions receive personal protective equipment and allowances.

5. Production activity

Sopharma AD has ten manufacturing plants in line with EU requirements, which are located in Bulgaria. The company is the largest Bulgarian manufacturer of ampoules and suppositories.

The production activity of the company is realized and developed in the following main directions:

- ✚ Substances and preparations based on plant raw materials (phytochemical);
- ✚ Ready-to-use formulations, incl.
 - ✓ Solid tablets, coated tablets, film-coated tablets, capsules;

- ✓ Gallbits - suppositories, drops, syrups, ointments;
- ✓ Parenteral - injection solutions, lyophilisate powder for injection;

✚ Medical devices and cosmetics, incl.:

- ✓ Plasters;
- ✓ Bandages;
- ✓ Samitary-hygene products;
- ✓ Medicinal cosmetics.

6. Products

The company has more than 210 products in its portfolio: mainly generics and 15 original products, 12 of the products are plant-based. The Company's original products (in particular, Carsil and Tempalgin) make a major contribution to its export market income, while domestic sales are of major importance to the company's generic products, including Analgin's first drug.

The product portfolio of Sopharma AD focuses on the following therapeutic areas: cardiology, gastroenterology, pain management, cough and cold, immunology and dermatology, respiratory tract and asthma, neurology and psychiatry, urology and gynecology.

The most significant pharmaceutical products in terms of their contribution to the amount of revenue are:

- ✚ Carsil - an original plant-based product used to treat gastro-enterological diseases (liver diseases);
- ✚ Tempalgin - an original analgesic (painkiller);
- ✚ Tabex - an original plant-based drug against tobacco smoke;
- ✚ Tribestan - an original plant-based product that stimulates the functions of the sexual system;
- ✚ Broncholitin - an original plant-based product used to suppress cough;
- ✚ Analgin - generic analgesic (pain reliever);

- ✦ Nivalin - an original plant-based product used for diseases of the peripheral nervous system;
- ✦ Methylprednisolone - a generic medicine for cases of severe allergies and certain life-threatening conditions.

II. Development of the activity

1. Review the main risks faced by the Company

Risks relating to the Company's business and the industry the Company operates in

- ✦ The Company faces significant competition;
- ✦ Reputation of the Company may be adversely affected by untrue or misleading information available on websites containing the name "Sopharma", including www.sopharma.com, which have not been authorized by the Company;
- ✦ The Company is dependent on regulatory approvals;
- ✦ Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations;
- ✦ Part of the Company's revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines on reimbursement lists;
- ✦ The Company's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company's operations;
- ✦ The Company's ability to pay dividends depends on a number of factors and there can be no assurance that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year;
- ✦ The Company is subject to operational risk, which is inherent to its business activities;
- ✦ The Company is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities;
- ✦ Litigation or other out-of-court proceedings or actions may adversely affect the Company's business, financial condition and results of operations.

Risks relating to Bulgaria and other markets in which the Group operates

- ✦ The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position;
- ✦ The political environment in Bulgaria has a significant effect on the Group's operations and financial condition;

- ✚ The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition;
- ✚ Risks related to the Bulgarian legal system;
- ✚ Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in such countries;
- ✚ Risks relating to exchange rates and the Bulgarian Currency Board;
- ✚ Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. The Company supplies part of its raw and other materials in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies. The remaining part of Company operations are usually denominated in BGN and/or EUR. The Company sells some of its finished products in Russia in euro and thus eliminates the currency risk associated with the depreciation of the Russian ruble in the recent months. The accounts with subsidiaries in Ukraine are also denominated in euro. However, in connection with the instability in the country and the continued depreciation of the Ukrainian hryvnia, in order to minimize currency risk, the company conducts through its subsidiaries a currency policy, which includes the implementation of advance payments and shortening of the periods of delayed payments and immediate exchange of revenues in local currency in euros, as well as raising of the price mark-ups on products in order to compensate for possible future devaluation of the hryvnia.

To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

2. Revision of the activities of the company and the main risks it faces (art. 39, item 1 of the Accounting Law)

Key financial indicators

Indicators	1-3/2018 BGN '000	1-3/2017* BGN '000	change %
Sales revenues	48 899	50 578	-3.3%
EBITDA	16 743	17 422	-3.9%
Operating profit	12 693	13 457	-5.7%
Net profit	11 708	12 587	-7.0%
CAPEX	3 273	1 666	96.5%

	31.03.2018 BGN '000	31.12.2017 BGN '000	
Non-current assets	415 394	415 251	0.0%
Current assets	181 556	175 054	3.7%
Owners' equity	490 062	478 334	2.5%
Non-current liabilities	30 304	32 346	-6.3%
Current liabilities	76 584	79 625	-3.8%

* recalculated data as a result of the merger of Medica AD, based on consolidation of the financial statements of Sopharma AD and Medica AD

** tangible and intangible fixed assets acquired

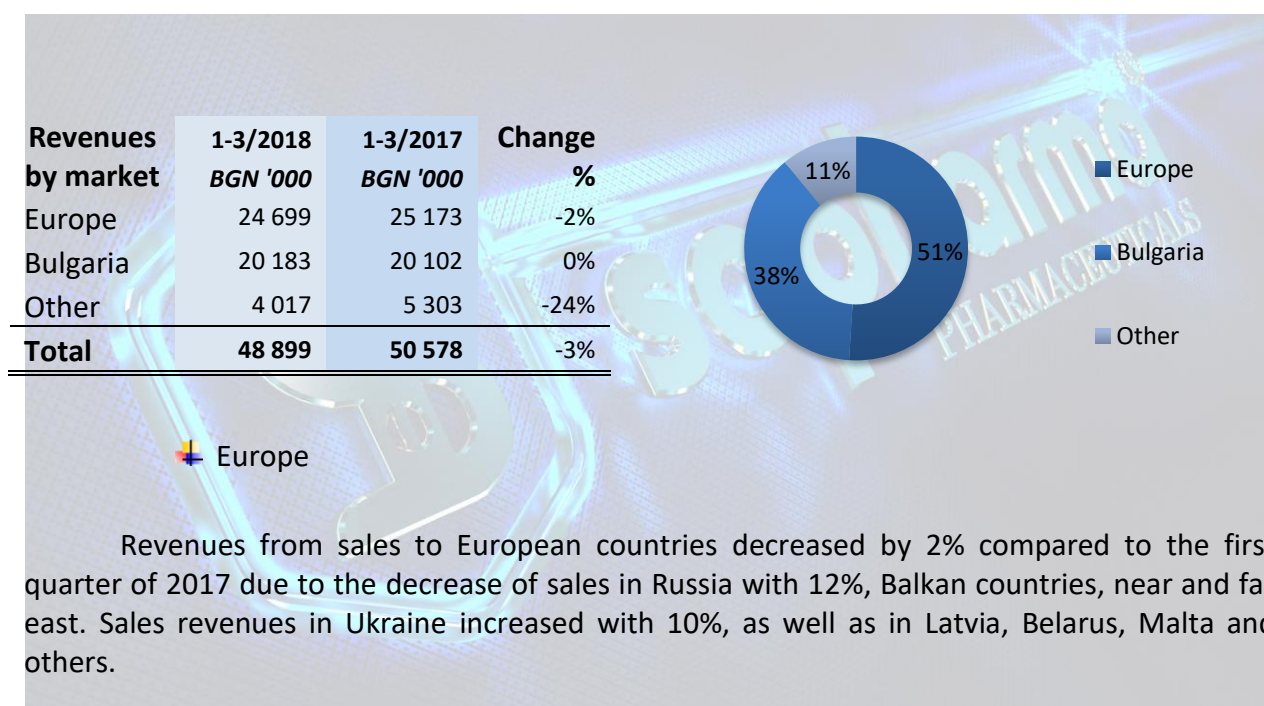
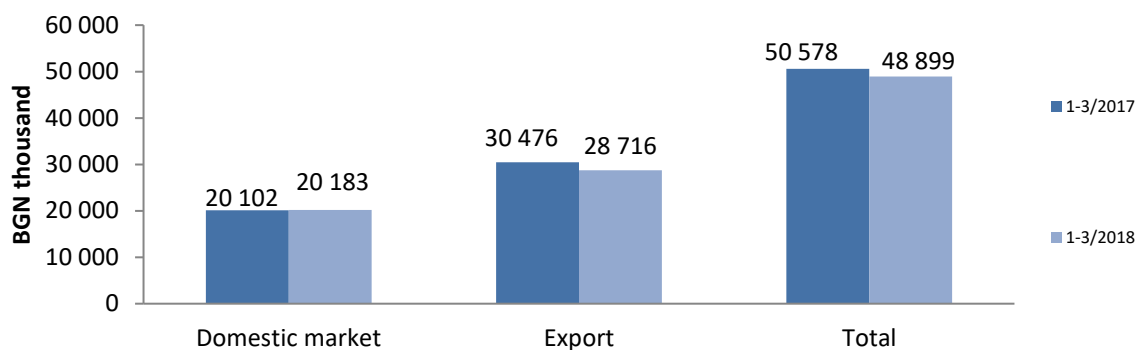
Ratios	1-3/2018	1-3/2017*
EBITDA / Sales revenues	34,2%	34,4%
Operating profit/ Sales revenues	26,0%	26,6%
Net profit/ Sales revenues	23,9%	24,9%
Borrowed capital/Owners' equity	0,22	0,23
Net debt/ EBITDA	1,20x	1,69x

* recalculated data as a result of the merger of Medica AD, based on consolidation of the financial statements of Sopharma AD and Medica AD

** calculated on the basis of consolidated financial statements as at 31 December 2016

Sales revenues of production for the first quarter of 2018 decrease by BGN 1,7 million or 3%, to BGN 48,9 compared to BGN 50,6 million in the first quarter of 2017.

Sales revenues



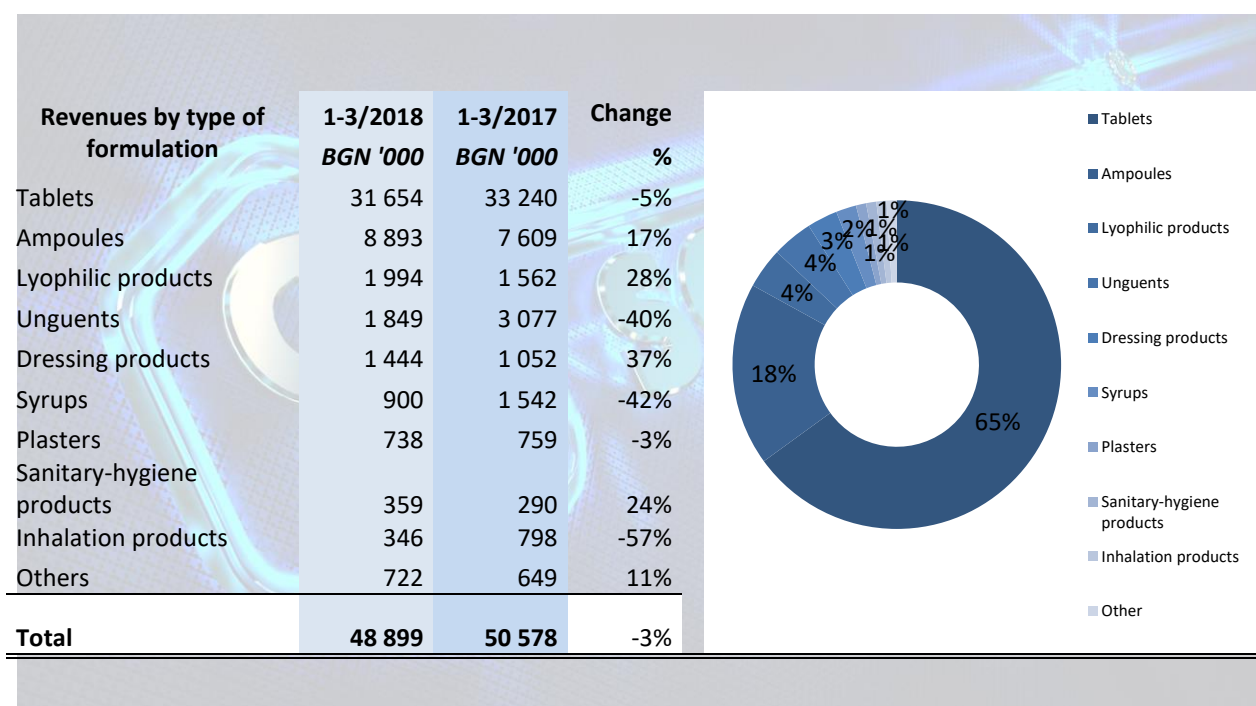
The sales of Sopharma AD on the domestic market remain within the range of BGN 20,1 million, (according to recalculated data after merger of Medica AD). The products with largest share of sales in the country are Analgin, Methylprednisolone, Vicetin, Vitamin C and Nivalin, medical devices - gauzes, compresses. Sopharma AD has a 3,4% share of the total Bulgarian pharmaceutical market in value and 11% of sales in volume. The positions of the main competitors of the Company in the country are as follows: Novartis – 7% (4% in units), Roche – 6% (0,3% in units), Actavis – 5% (10% in units), GlaxoSmithKline – 4% (3% in units), Abbvie – 4% (0% in units), Pfizer – 3% (1% in units), Sanofi-Aventis – 3% (3% in units), Astra Zeneca – 3% (1% in units), , Bayer – 3% (2% in units).

Other markets

Revenues from other markets decrease with 24% compared to the first quarter of 2017. These mainly include revenues from sales in the Caucasus and Central Asia, which decrease with 18% compared to the previous year.

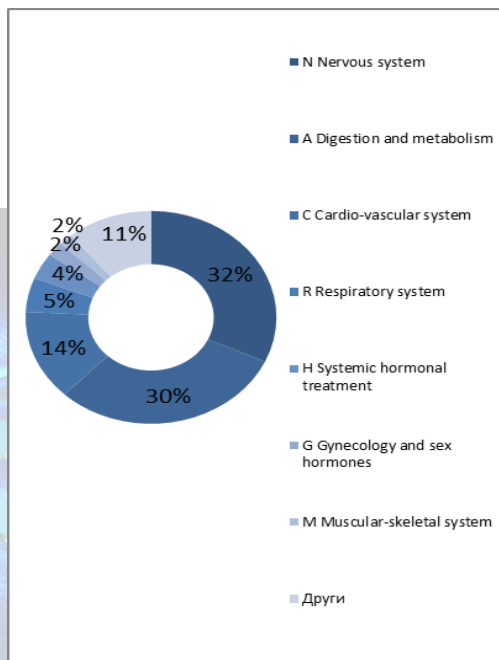
Sales by type of formulation

The types of formulation with the highest share in the volume of sales are tablet forms, followed by ampoules, unguents, syrups, lyophilic products and others.



Sales by therapeutic group

Revenues by therapeutic group	1-3/2018	1-3/2017	Change
	BGN '000	BGN '000	%
N Nervous system	15 564	15 960	-2%
A Digestion and metabolism	14 800	13 574	9%
C Cardio-vascular system	6 709	6 864	-2%
R Respiratory system	2 536	3 456	-27%
H Systemic hormonal treatment	1 964	1 563	26%
G Gynecology and sex hormones	1 071	1 689	-37%
M Muscular-skeletal system	853	1 189	-28%
Other	5 402	6 284	-14%
Total	48 899	50 578	-3%



Other operating revenues

Other operating revenues	1-3/2018	1-3/2017	Change	Share
	BGN '000	BGN '000	%	2017
			%	%
Income from services rendered	732	756	%	%
Income from financing under European programs	127	127	-3%	82%
Income from sale of materials	44	34	0%	14%
Income from sale of goods	32	46	29%	5%
Income from sale of goods	31		-30%	4%
Income from sale of LTA	(99)	(64)		3%
Net exchange loss on trade receivables and payables and current accounts	21	33	55%	-11%
Other (see Notes to the FS)	888	932	-36%	2%
Total other operating revenues	1-3/2018	1-3/2017	-5%	100%

Other operating income decreased by BGN 0.04 million in the first quarter of 2018 compared to the first quarter of 2017 mainly in the part of income from the provision of services and an increase in net exchange loss on trade receivables and payables and current accounts.

Operating expenses

Operating expenses	1-3/2018	1-3/2017	Change	Share
	BGN '000	BGN '000	%	2017
			%	%
Changes in the finished goods and work-in-progress inventory	(5 014)	(4 470)	12%	-14%
Materials	17 471	18 612	-6%	47%
External services	9 598	8 925	8%	26%
Personnel	10 374	10 321	1%	28%
Amortization	4 050	3 965	2%	11%
Other operating expenses	615	700	-12%	2%
Total	37 094	38 053	-3%	100%

Operating expenses decreased by BGN 1 million or 3% from BGN 38,1 million in the first quarter of 2017 to BGN 37,1 million in the first quarter of 2018, which is connected to a decrease in sales since the beginning of 2018 and a reduction in the cost of raw materials.

Cost of materials (47% share) decreased by BGN 1,1 million or 6% from BGN 18,6 million in the first quarter of 2017 to BGN 17,5 million in the same period of 2018 and the

biggest impact has the decrease in main materials with BGN 1,5 million and in particular the substances, herbs, ampoules, aluminum and PVC foil.

Expenditure on external services accounted for 26% relative share of operating expenses and increased by BGN 0,7 million or 7% to BGN 9,6 million in the first quarter of 2018 compared to BGN 8,9 million in the first quarter of 2017. The most significant impact is the increase in the cost of advertising and marketing by BGN 1.3 million. The cost of making medicines by BGN 0.6 million and others is decreasing.

Personnel costs (with a relative share of 28% of operating costs) increased by BGN 0,1 million or by 1% from BGN 10,3 million in the first quarter of 2017 to BGN 10,4 million in Q1 2018.

Other operating costs (with a relative share of 2% of operating costs) decrease with BGN 0,1 million in Q1 2018 compared to the same period of 2017, mainly in the part of missions, scrap of finished products and work in progress and representative events.

Depreciation costs (with a relative share of 11% of operating expenses) registered an increase of BGN 0,1 million or by 4% from BGN 4 million in the first quarter of 2017 to BGN 4,1 million in the first quarter of 2018.

Changes in inventories of finished goods and work in progress have an impact on the decrease in operating expenses by BGN 0,5 million.

Financial income and expenses

Financial income	1-3/2018	1-3/2017	Change	Share 2018
	BGN '000	BGN '000	%	%
Interest income on loans granted	393	342	15%	95%
Net gains on securities and equity investments	22	-	-	5%
Recovered impairment of receivables on commercial loans granted	-	651	-100%	0%
Total	415	993	-58%	100%

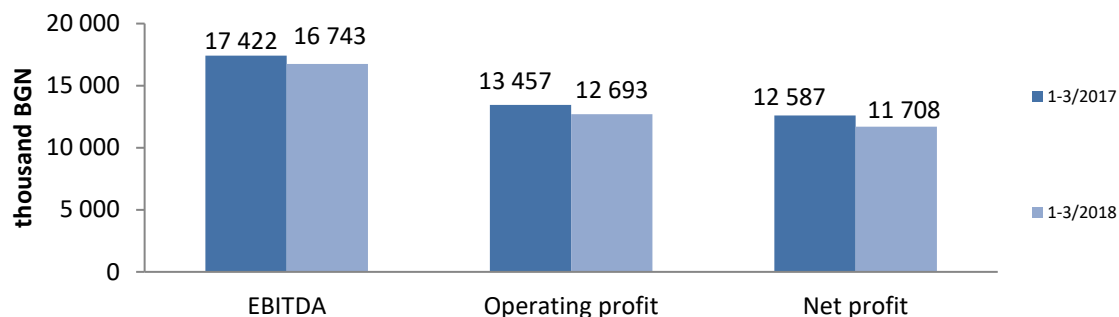
Financial expenses			Change	Share 2018
Expenses for interest on loans received	244	274	-11%	66%
Net loss from exchange rate differences for receivables from sale of a subsidiary	87	0	-	0%
Bank fees for loans and guarantees	36	47	-23%	11%
Derivatives effects	2	97	-98%	23%
Total	369	418	-12%	100%

Financial revenues decrease by BGN 0,6 million or 58%, to BGN 0,4 million in the first quarter of 2018 compared to BGN 1 million in the first quarter of 2017. The reason is the decrease of the of the recovered impairment of receivables from commercial loans granted.

Financial expenses decrease by BGN 0,05 million or by 12% to BGN 0,4 million in first quarter of 2018 compared the same period of 2017. This is mainly due to a decrease in interest expense on borrowings and the reduction of derivative effects.

Net financial revenues (costs) decrease by BGN 0,5 million reaching BGN 0,1 million in the first quarter of 2018 compared to BGN 0,6 million in the first quarter of 2017.

Financial result of the activity



Profit before interest, taxes and depreciation (EBITDA) in the first quarter of 2018 decreased with BGN 0,7 million or 3,9% reaching BGN 16,7 million compared to BGN 17,4 million in the first quarter of 2017.

Operating profit decreased by BGN 0,8 million or by 5,7%, to BGN 12,7 million in the first quarter of 2018 compared to BGN 13,5 million in the first quarter of 2017.

Net profit decreased by BGN 0,9 million or 7%, to BGN 11,7 million in the first quarter of 2018 compared to BGN 12,6 million in the first quarter 2017.

Assets

Total assets increased by BGN 24.3 million or by 4% to BGN 594.2 million, compared to BGN 569.9 million as at 31.12.2016.

	31.03.2018	31.12.2017	Change	Share
	BGN '000	BGN '000	%	2018
				%
Non-current assets				
Property, plant and equipment	222 183	223 097	0%	53%
Intangible assets	6 553	6 471	1%	2%
Investment property	24 799	24 799	0%	6%
Investments in subsidiaries	120 168	120 145	0%	29%
Investments in associated companies	7 804	7 740	1%	2%
Available-for-sale investments	7 312	7 206	1%	2%
Long-term receivables from related parties	22 416	21 583	4%	5%
Other long-term receivables	4 159	4 210	-1%	1%
	415 394	415 251	0.0%	70%

Current assets				
Inventories	70 999	66 433	7%	39%
Receivables from related parties	81 693	74 920	9%	45%
Commercial receivables	19 635	22 527	-13%	11%
Loans granted to third parties	2 784	3 201	-13%	2%
Other receivables and prepaid expenses	4 401	4 757	-7%	2%
Cash and cash equivalents	2 044	3 216	-36%	1%
	181 556	175 054	4%	30%
TOTAL ASSETS	596 950	590 305	1%	100%

Total assets increased by BGN 6,7 million or by 1% to BGN 597 million, compared to BGN 590,3 million as at 31.12.2017.

Non-current assets increased by BGN 0,1 million, or 0,03%, mainly due to an increase in the available for sale investments with BGN 0,1 million and the increase of long-term receivables from related companies by BGN 0.8 million. The property, plant and equipment decrease by BGN 0,9 million, mainly in the part of machinery and equipment by BGN 0,3 million, as well as the intangible assets in process of acquisition by BGN 0,8 million.

Intangible assets increased by BGN 0,1 million, mainly in the area of intellectual property rights.

Current assets increased by BGN 6,5 million or 4% to BGN 181,6 million as at 31.03.2018 compared to 175,1 million as at 31.12.2017. Inventories increase by BGN 4,6 million or 7% compared to 31.12.2017 mainly due to an increase in stocks of finished goods BGN 2,7 million and inventory of semi-finished products with BGN 2,2 million and decrease in stocks of materials by BGN 1 million. Receivables from related parties increased by BGN 6,8 million in the part of receivables from sales of products and materials by BGN 6 million. Trade receivables decreased by BGN 2.9 million.

Cash and cash equivalents decrease with BGN 1,2 million and as at 31.03.2018 amount to BGN 2 million compared to BGN 3,2 million as at 31.12.2017.

Liabilities and owners' equity

	31.03.2018	31.12.2017	Change	Share
	BGN '000	BGN '000	%	2018
OWNERS' EQUITY				
Share capital	134 798	134 798	0%	28%
Treasury shares	(33 839)	(33 834)	0%	-7%
Reserves	330 493	330 683	0%	67%
Retained earnings	58 610	46 687	26%	12%
TOTAL OWNERS' EQUITY	490 062	478 334	2%	100%
	31.03.2018	31.12.2017	Change	Share
	BGN '000	BGN '000	%	2018
LIABILITIES				
Non-current liabilities				
Long-term bank loans	14 916	16 691	-11%	14%
Liabilities on deferred taxes	6 444	6 553	-2%	6%
Government grants	5 351	5 478	-2%	5%
Long-term liabilities to the personnel	3 593	3 624	-1%	3%
	30 304	32 346	-6%	28%
Current liabilities				
Short-term bank loans	48 838	53 088	-8%	46%
Short-term part of long-term bank loans	7 314	7 392	-1%	7%
Commercial liabilities	8 244	7 569	9%	8%
Liabilities to related parties	2 329	1 752	33%	2%
Liabilities for taxes	1 982	1 429	39%	2%
Liabilities to the personnel and for social insurance	6 649	7 172	-7%	6%
Other current liabilities	1 228	1 223	0%	1%
	76 584	79 625	-4%	72%
TOTAL LIABILITIES	106 888	111 971	-5%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	596 950	590 305	1%	

Owners' equity increased by BGN 11,7 million or by 2% to BGN 490,1 million as at 31.03.2018 compared to BGN 478,4 million as at 31.12.2017, mainly as a result of the retained earnings with BGN 11,7 million.

Sopharma AD

Non-current liabilities decreased by BGN 2 million or 6% to BGN 30,3 million at the end of March 2018 compared to BGN 32,3 million at the end of 2017 mainly due to a decrease of long-term bank loans by BGN 1.8 million.

Current liabilities decreased by BGN 3 million to BGN 76,6 million at the end of the first quarter of 2018 compared to BGN 79,6 million at the end of 2017. Short-term bank loans decreased by BGN 4,3 million and the liabilities to personnel and social insurance by BGN 0,5 million. Commercial liabilities increased by BGN 0,7 million, the liabilities to related parties increased by BGN 0,6 million and tax liabilities of BGN 0,6 million.

Total bank loans exposure to the Company as at 31 March 2018 decreased with BGN 6 million compared to 31.12.2017.

Cash flow

	1-3/2018	1-3/2017
	BGN '000	BGN '000
Net cash flow from/(used in) operations	8 548	11 952
Net cash flow used in investment activities	(3 531)	(3 279)
Net cash flow (used in)/from financial operations	(6 189)	(8 887)
Net increase/(decrease) of cash and cash equivalents	(1 172)	(214)
Cash and cash equivalents on 1 January	3 216	9 275
Cash and cash equivalents on 31 March	2 044	9 061

Net cash flows in Q1 2018 generated from operations are BGN 8,5 million inflow, from investment activities are BGN 3,5 million outflow and from financial operations BGN 6,2 million outflow. As a result of these activities the cash and cash equivalents decrease net with BGN 1,2 million as at 31.03.2018 and amount to BGN 2 million compared to BGN 3,2 million as at 01.01.2018.

Ratios

	31.03.2018	31.03.2017	Change
ROE ¹	8,6%	8,3%	0,3%
ROA ²	6,9%	6,6%	0,3%
Asset turnover ³	0,34	0,29	0,05
Current liquidity ⁴	2,37	2,56	-0,19
Quick ratio ⁵	1,44	1,66	-0,22
Cash/current liabilities ⁶	0,03	0,04	-0,01
Owners' equity/liabilities ⁷	4,58	4,65	-0,07

¹ Net profit per annum / average equity for the last five quarters

² Net profit on an annual basis / average value of total assets for the last five quarters

³ Revenues from sales on an annual basis / arithmetic mean of total assets for the last five quarters

⁴ Current assets / current liabilities

⁵ Receivables + Cash / Current liabilities

⁶ Cash / Current liabilities

⁷ Equity / Liabilities

3. New developments and products

+ New Products for the period January - March 2018

Authorization to use the medicinal product Tuspan syrup (in Poland) was obtained.

+ Implemented new products in the production cycle

For the period January – March 2018 there are no new medicines introduced.

By the end of 2018, it is expected that 2 to 5 new products will be introduced.

New registrations

Permissions for use for new destinations of 12 medicinal products have been received - Deavit Neo 0.5 mg/ml oral drops, 10 ml; Allergosan 10 mg/g cream; Digoxin Sopharma 0.25 mg/ml solution for injection; Atropine Sopharma 1 mg/ml solution for injection; Felogel Forte 5% gel; Syafen 100 mg/5 ml oral suspension; Phenobarbital Sopharma 100 mg/ ml solution for injection; Sopharol 0.5 mg/ml oral solution; Analgin 500 mg tablets; Lidocaine Sopharma 10

mg/ml solution for injection; Lidocaine Sopharma 20 mg/ml solution for injection; Clenbuterol Sopharma 0.02 mg tablets.

Documents has been submitted for the registration of 10 medicinal products to agencies of new destinations.

Re-registrations / changes

Agency submissions for re-registrations / changes to 23 medicinal products.

Submission of documents for the renewal of the Marketing Authorizations for 22 Medicinal Products to Agencies.

Submissions to agencies 220 changes for medicinal products.

+ Developments

There is a pharmaceutical development of 6 new medicinal products. Translated and validated / optimized are 8 production processes and technologies.

4. Significant events in the first quarter of 2018 and the publication of the interim activity report

+ On 30 January 2018, Sopharma AD received a notification for disclosure of shareholding under Art. 145 of the Public Offering of Securities Act from ZUPF Allianz Bulgaria for the sale of 250 000 shares representing 0.19% with which the share participation of ZUPF Allianz Bulgaria in the capital of Sopharma AD reached 4.99%.

+ An Extraordinary General Meeting of Shareholders of Sopharma AD took place on 23 February 2018, where the following decisions were taken:

1. The GMS took a decision for the transformation through merger of Unipharm AD into Sopharma AD. As a result of the merger, the entire property of Unipharm AD will be transferred to Sopharma AD under the terms of a general succession;
2. The Transformation Agreement was approved for the transformation through the merger of Unipharm AD in Sopharma AD, concluded on 14.09.2017 and of Additional Agreement No 1 of 08.11.2017 to it;
3. The Report of the Board of Directors of Sopharma AD to the shareholders of the company regarding the merger of Unipharm AD into Sopharma AD was approved;
4. The GMS approved the Auditor's Report under Art. 262m of the Commercial Act on the transformation through merger of Unipharm AD into Sopharma AD;

5. The GMS adopted amendments to the Articles of Association of the Company which allow the payment of an interim dividend on the basis of a 6-month financial statement pursuant to the Public Offering of Securities Act;
6. The GMS has adopted a resolution for the buyback of its own shares, on the grounds of Art.187b of the Commerce Act and Art.111, para 5 of POSA under the following conditions: Up to 10% of the total number of shares issued by the Company but not more than 3% each calendar year; term of the treasury shares buyback - no longer than 5 (five) years; minimum buyback price - not less than the nominal value per share of the company's capital; maximum redemption price - BGN 5.50 per share;

5. Related party information

Related party disclosures are disclosed in the notes to the interim financial statements.

III. Information about the shares of Sopharma AD

The total number of shares issued by Sopharma, issued on 31.03.2018, is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, in accordance with the Articles of Association of the Company. All issued shares are of one class. Each share entitles one vote to the General Meeting of Shareholders, a right to dividend and a liquidation share proportional to the nominal value of the share.

The shares of the Company are traded on the Bulgarian Stock Exchange - Sofia AD, the Main Market (BSE), the PREMIUM Shares Market and on the official market of the Warsaw Stock Exchange. The shares participate in the formation of the SOFIX, BGBX40 and BGTR30 indices of BSE - Sofia AD. The company's shares are included in the Dow Jones STOXX EU Enlarged Total Market Index with a weight of 0.11%, with a weight of 5% in Erste Bank Bulgaria Basket, in Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate and in the Dow blue-chip index Jones STOXX Balkan 50 Equal Weighted Index. Sopharma AD is one of the three Bulgarian companies included in the Central and Eastern European (CEE) index. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the country's country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

Key indicators of the shares of Sopharma AD

	31.03.2018	31.03.2017
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	128 208 551	129 284 722
Number of shares outstanding at the end of the period	125 763 733	129 135 485
Earnings per share in BGN	0,323	0,294
Price per share at the end of the period in BGN	4,13	3,90
Price/Earnings ratio (P/E)	12,79	13,27
Book value per share in BGN	3,90	3,68
Price/Book value ratio (P/B)	1,06	1,06
Sales per share in BGN	1,618	1,308
Price per share / Sales per share(P/S)	2,55	2,98
Market capitalization in BGN	556 715 323	525 711 806

Trade with shares of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 01 January 2018 – 31 March 2018



Ognian Donev, PhD

/Executive Director/