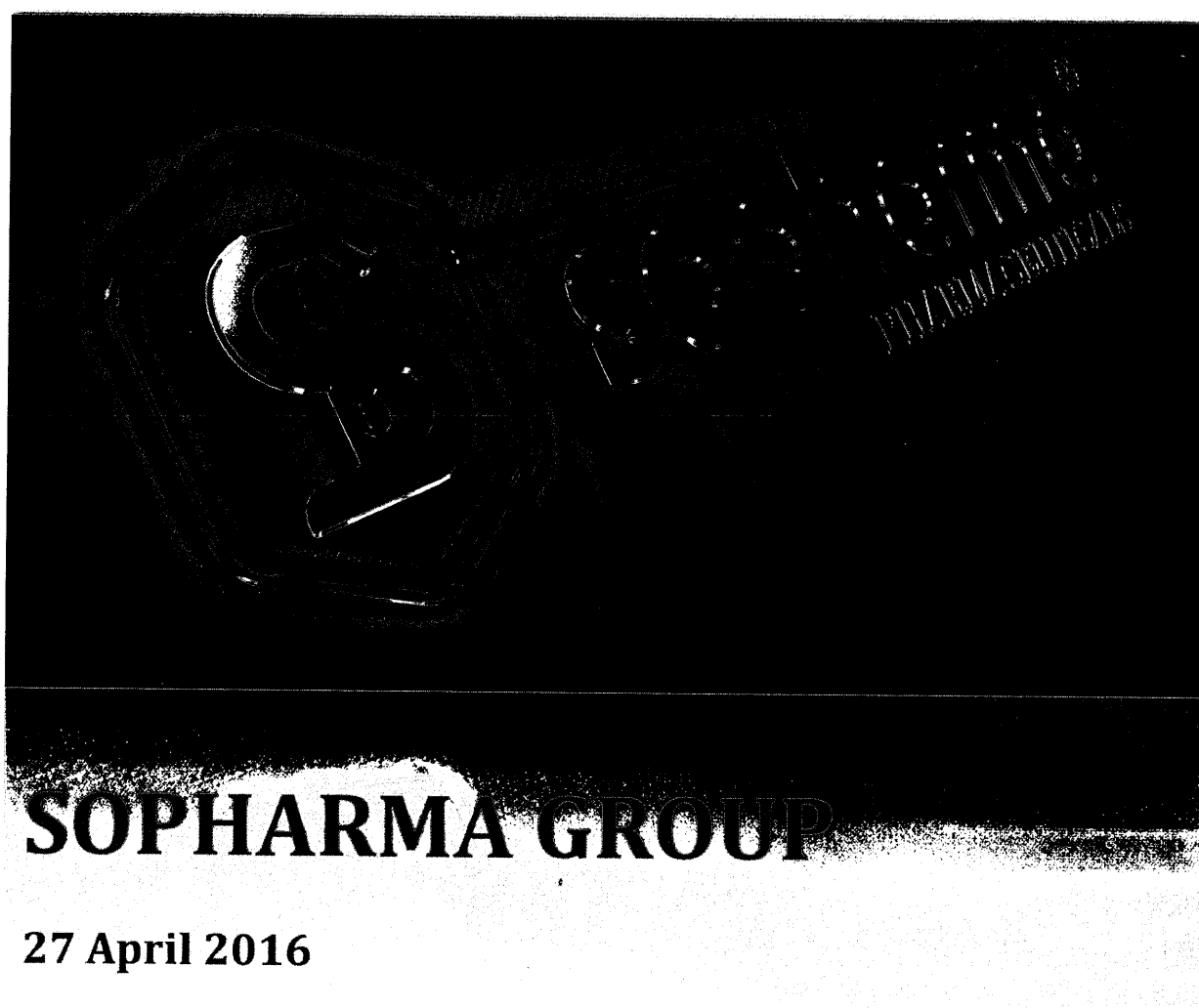


MANAGEMENT REPORT

for 2015



General information

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group operates in the following areas:

- ✚ production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is primarily done by Sopharma AD (the Company) and to a lesser extent by its production subsidiaries including Unipharm AD and Medika AD in Bulgaria, OAO Vitamins in Ukraine and Ivanchich and Sons D.O.O. in Serbia;
- ✚ distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics, which is mainly performed by Sopharma Trading in Bulgaria, Briz SIA in the Baltic region, and Brititrade SOOO in Belarus;
- ✚ production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine, which is mainly performed by Momina Krepost AD, and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

Sopharma AD is a company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, Iliensko Shose Street No 16.

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

The Company performs the production and marketing of medicinal substances and finished dosage forms; research and development, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. Sopharma AD performs services as a production function and related ancillary and service activity.

Controlled companies

Sopharma Group consists of Sopharma AD and 47 legal entities, including 37 subsidiaries, directly or indirectly controlled by the Company, 7 joint ventures, and 3 associated companies.

Company	Interest as at 31.12.2015 in %
Sopharma Trading AD, Sofia, Bulgaria	72.13
Biopharm Engineering AD, Sliven, Bulgaria	97.15
Pharmalogistica AD, Sofia, Bulgaria	78.37
Elektroncommerce EOOD, Sofia, Bulgaria	100.00
Sopharma Buildings REIT, Sofia, Bulgaria	40.75

Sopharma Group

Company	Interest as at 31.12.2015 in %
Momina Krepost AD, Veliko Tarnovo, Bulgaria*	92.78
Unipharm AD, Sofia, Bulgaria	52.06
Phyto Palauzovo AD, Kazanluk, Bulgaria**	95.00
Sopharmasi EOOD, Sofia, Bulgaria**	72.13
Sopharmasi 2 EOOD, Sofia, Bulgaria**	72.13
Sopharmasi 3 EOOD, Sofia, Bulgaria**	72.13
Pharma Online EOOD, Sofia, Bulgaria**	72.13
Medika AD, Sofia, Bulgaria	66.72
Medika-Zdrave EOOD, Sofia, Bulgaria**	66.72
Medika Balkans EOOD, Bucharest, Romania** in liquidation	66.72
PAO Vitamini, Uman, Ukraine	99.56
Sopharma Poland LLC, Warsaw, Poland in Liquidation	60.00
Ivanchich and Sinovi DOO., Belgrade, Serbia	51.00
Sopharma Warsaw Sp. z o. o, Warsaw, Poland	100.00
Sopharma Trading d.o.o. Belgrade	72.13
BRIZ ZAO, Riga, Latvia	66.13
SOOO Brititrade, Minsk, Belarus**	51.91
SOOO Tabina, Minsk, Belarus **	58.86
SOOO Brizpharm, Minsk, Belarus**	39.41
ODO Alean, Minsk, Belarus**	64.81
Sopharma Ukraine, Kiev, Ukraine	100.00
OOO Vivaton, Grodno, Belarus***	50.00
OOO Med-dent, Bobruisk, Belarus***	50.00
OOO Pharmacist Plus, Minsk, Belarus**	42.98
ODO Vestpharm, Grodno, Belarus **	62.82
OOO NPK Biotest, Grodno, Belarus **	46.29
ODO BelAgroMed, Grodno, Belarus **	50.26
B000 SpetzApharmacia, Bobruisk, Belarus***	50.00
ZAO TBS Pharma, Vilnius, Lithuania**	33.73
OOO Bellerofon, Minsk, Belarus***	50.00
TOO Sopharma Kazakhstan, Almaty, Kazakhstan	100.00
ZAO Interpharm, Vitebsk, Belarus***	50.00
OOO Ivem and K, Minsk, Belarus***	50.00
OOO Ariens, Polotzk, Belarus***	50.00
OOO Danapharm, Brest, Belarus**	48.14
OOO Galenapharm, Pinsk, Belarus**	48.14
ODO Medjel, Minsk, Belarus**	48.14
ODO Alenpharm-Plus, Belarus**	48.14
OOO Pharmateia, Minsk, Belarus***	33.73

*effective interest in percent

Management report of Sopharma Group for 2015

Sopharma Group

**indirect interest

***joint venture

Management Board

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, Alexander Tchaushev, Andrey Breshkov and Ognian Palaveev. The Company is represented and managed by the Executive Director Ognian Donev, PhD.

The total remuneration of the Board of Directors for 2015 amounts to BNG 1 154 thousand (art. 247 of the CA).

Company shares, owned by members of the Board of Directors of the Company as at 31 December 2015 are as follows:

Ognian Palaveev – 102 585 shares;
Alexandar Chaushev – 97 976 shares.

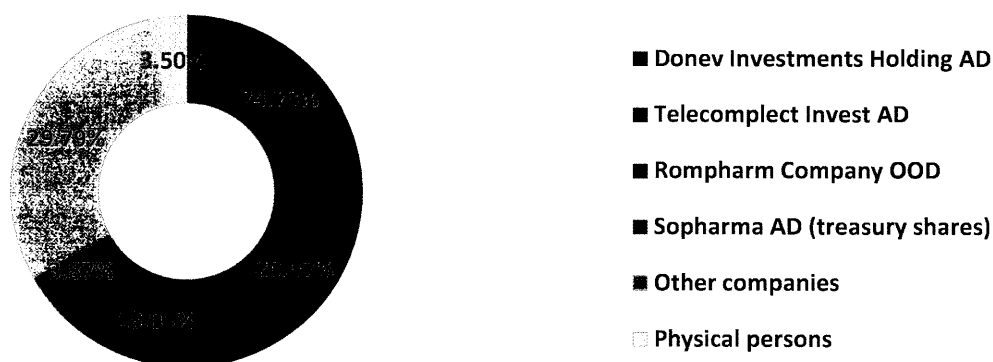
The Articles of association of Sopharma AD do not provision any restrictions on the right of the members of the Board of Directors to acquire shares or bonds of the Company.

The Investor Relations Director is Pelagia Viatcheva, tel. 8134 523, Sofia, 5 "Lachezar Stanchev" Str., Building A, Floor 11.

Members of the key management personnel of the Group include the disclosed in Note №1 Executive Director and members of the Board of Directors of the Company. Additionally, it includes the executive directors, the board of directors and the managers of subsidiaries of the Group.

Salaries and other short-term benefits to the key management personnel amounted to BGN 4,771 thousand (2015: BGN 4,508 thousand).

Shareholding structure as at 31 December 2015



Sopharma Group

Industrial activity

Sopharma AD and its production subsidiaries have 15 pharmaceutical plants in Bulgaria, compliant with EU requirements - GMP, one plant in Ukraine, certified by the local authorities with a certificate recognized in all CIS Member States, and two in Serbia. With the exception of the plant in Ukraine, all production facilities have undergone procedures for certification to the European GMP.

The production activities of the Group are carried out and developed in the following areas:

- ✚ Production of pharmaceutical products;
- ✚ Substances and preparations based on vegetable raw materials (phytochemical production);
- ✚ Veterinary vaccines;
- ✚ Infusion solutions;
- ✚ Concentrates for hemodialysis;
- ✚ Medical disposable products for human and veterinary medicine;
- ✚ Injection molded products for the industry, agriculture and households.

The Company has a portfolio of more than 210 products: mainly generics and 15 original products, of which 12 products are phyto-based. The original products of the Company (and in particular Carsil and Tempalgin) are key contributors to its revenue from export markets, while for the domestic sales the most important products are generics, of which the leading drug is Analgin.

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

The most important pharmaceutical products in terms of their contribution to revenue are:

- ✚ Carsil - original plant-based product , used to treat gastroenterological disorders (liver disease);
- ✚ Tempalgin – original analgesic (painkiller);
- ✚ Tabex – original plant-based drug used for smoking secession;
- ✚ Tribestan – original plant-based drug used for stimulation of the male reproductive system;
- ✚ Broncholytin - original plant-based product used to suppress cough;
- ✚ Analgin – generic analgesic (painkiller);
- ✚ Nivalin – original plant-based product used for diseases of the peripheral nervous system;

- Methylprednisolone - generic medicine for cases of severe allergies and certain life-threatening conditions;

Distribution

Sopharma Trading is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 22% (according to IMS). Sopharma Trading is the only distributor on the Bulgarian market of particular pharmaceutical products for several leading international pharmaceutical and other companies the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The company offers more than 10 000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of Sopharma, and holds exclusive rights for Bulgaria over brands of strategic partners such as Aboca, Colief, Jamieson, Planter's, Premax, Skincode, SVR Laboratories, US Pharmacia and Wyeth, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. Sopharma Trading cooperates with more than 400 partners and over 3 000 clients.

Intellectual property

Although oriented towards generic pharmaceuticals, Sopharma AD is known for many years for its traditional production of several unique products based on plant extracts obtained by self-developed extraction technologies. In addition to trademark, these products are protected also by patents or corporate know-how.

For the purpose of market distinguishing of the manufactured generic products, Sopharma AD relies on brand names, all of which are registered trademarks of the Company.

For all the years of its existence, Sopharma AD has been generating and protecting its intellectual property. As a result, the Company owns a large number of intellectual property, most of which - registered rights (trademarks, patents, designs) and unregistered items - mainly technology.

These assets are the result of Company's policy for product and technological improvement, and innovation in particular.

Research and development

Sopharma AD focuses its R & D mainly on generics. R & D projects are concentrated on finding and developing new formulas and composition or physical properties (such as formulation or tablets) of products in order to adapt them to current market needs. A strategic goal of Sopharma AD in the future is to achieve a stable result in the development of eight to ten new products per year.

Sopharma Group

The Company mainly submits applications for marketing authorizations of new products, including new forms of products in Bulgarian and / or export markets, and for existing products into new markets.

Employees

As at 31 December 2015 the average number of employees in the Sopharma Group is 4,258 (4,188 in 2014). The average number of employees in Sopharma AD as at 31 December 2015 is 2 010 (2093 in 2014), and in Sopharma Trading AD it is 728 (690 in 2014).

Training programs offered to employees of the company aim at increasing their competences. The training policy is specifically aimed at providing high professional knowledge and improving awareness related to health and safety issues.

Employees are entitled to higher remuneration, required by applicable law for overtime, night shifts and working weekends and during holidays. Employees who work in specific, harmful or dangerous conditions receive personal protective equipment and allowances.

Significant events in 2015

On 9 January 2015 was held an Extraordinary General Meeting of Shareholders of Sopharma AD, which approved a decision for transformation of Sopharma AD through the merger of Bulgarian Rose – Sevtopolis AD into Sopharma AD, as well as for the capital increase of Sopharma AD from 132 000 000 BGN to 134 798 527 BGN through the issuance of 2 798 527 new shares with a nominal value of 1 BGN and an emission value of 4.14 BGN, equal to the fair value of one share of Sopharma AD in relation to the merger of Bulgarian Rose – Sevtopolis AD. The entry in the Commercial Register was conducted on 26 February 2015. As at 6 March 2015 the new capital of 134 797 899 BGN was registered in the Central Depository AD. With decision 216-E/25.03.2015 of the FSC the new emission has been entered in the register of public companies and started trading on 9 April 2015 on the Premium segment of the main market of the BSE and the WSE.

On 19 January 2015 the established at the end of 2014 subsidiary of Sopharma Trading AD – Sopharmasi EOOD was registered in the Commercial Register.

During the period 26 January – 19 March 2015 were partially paid the installments of the share capital of the established at the end of 2014 subsidiary Sopharma Kazakhstan at the amount of 258 thousand BGN (132 thousand EUR). On 14 May 2015 the capital of the subsidiary Sopharma Kazakhstan, established in the end of 2014, in the amount of BGN 502 thousand (EUR 257 thousand) was fully paid.

On 28 January 2015 was held a hearing before the court in Poland in a lawsuit, filed by Sopharma AD, for recognition and enforcement of a decision of the Arbitration Court in Paris.

Sopharma Group

The defendant in the case has submitted a refusal to recognize and comply with the decision. By decision from 25 February 2015 the court in Poland has ruled that the arbitration decision is subject to enforcement. This court ruling has not entered into force because of an appeal procedure.

On 17 March 2015 was concluded an extrajudicial agreement between Sopharma AD (as guarantor under a supply contract and universal successor of Bulgarian Rose – Sevtopolis AD, terminated due to its merger into Sopharma AD) and a company supplier of the merged subsidiary. The agreement settles all disputes between the parties, including the related collateral court cases. On the same date (17 March 2015), according to the agreements between the parties, Sopharma AD has paid the company supplier of Bulgarian Rose – Sevtopolis AD the amount of 1,246 thousand BGN (673 thousand USD and 4 thousand EUR), representing the residue after a netting made between the parties. On 20 March 2015, each of the parties withdrew their appeals against court decisions on the cases and requested revocation of the collaterals imposed on them as well as repayment of guarantees given in connection with the collaterals.

On 19 March 2015, a contract was concluded between Sopharma AD and PAO Vitamini based on which the trade receivables of Sopharma AD, amounting to EUR 12,774 million, were transformed to their equivalent in Hryvnia - UAH 316,532 million. This right of receivable, in accordance with a Decision of the Board of Directors of Sopharma AD, dated 20 March 2015, was used as an additional contribution to the increase in the share capital of Sopharma Ukraine OOD, which at the end of March after the registration of the capital increase amounts to UAH 317 531 502.

On 23 March 2015 the Board of Directors of Sopharma AD took a decision for the conducting of the procedure, required by POSA, for a tender offer under Art. 149, para. 6 of POSA for the purchasing all shares of the other shareholders Momina Krepost AD, Veliko Tarnovo, UIC 104055543 by the majority shareholder Sopharma AD. The application for the tender offer was submitted to the Financial Supervision Commission on 24 March 2015. On 28 May 2015 the Financial Supervision Commission approved the documentation. The term of the tender offer started on 2 June 2015 and lasted 28 days.

On the Annual General Meeting of Shareholders of Sopharma Buildings REIT, conducted on 14 May 2015, were taken the following decisions:

- ✎ Approval of the proposal of the Board of Directors for non-distribution of dividend for 2014;
- ✎ Appointment of the auditing company Ajour TDM OOD with seat in Sofia, 3 Murphy Str. as a registered auditor for auditing and verification of the Annual financial statements of the company for 2015 according to a proposal by the Audit Committee;

Sopharma Group

- ✎ Continuation of the term of the Audit Committee of the Company for a new period of 5 /five/ years, effective as at the date of conduction of the AGM and reelects Ivan Krlev as its chairperson;
- ✎ The AGM relieves from office Radosvet Radev as a member of the Board of Directors and appoints Irina Mincheva at this place.

In the second quarter the Group, through its subsidiary Briz SIA, increased its share in the capital of ODO Alean by 22%. On 1 July the Group, through its subsidiary Briz SIA, increased its share in the capital of ODO Alean by another 5%.

On 19 May 2015 Sopharma AD finalized the sale of 75% of the capital of its subsidiary Extab Corporation. After closing of the transaction Sopharma AD retains a 5% share in the capital of the company. As a result of the transaction, the Group disposed of its indirect participation in Extab Pharma Limited, UK - a subsidiary for 2014 and until 14 May 2015 through Extab Corporation, USA.

As at 31 December 2015 the investment in Sopharma USA has been written-off, as the company has been suspended in the USA.

On the Annual General Meeting of Shareholders of Medika AD, conducted on 21 May 2015, were taken the following decisions:

- ✎ Approval of the proposal of the Board of Directors for non-distribution of dividend for 2014;
- ✎ Appointment of the auditing company AFA OOD with seat in Sofia, 38 Oborishte Str. as a registered auditor for auditing and verification of the Annual financial statements of the Company for 2015;
- ✎ Election of a new Audit Committee of the company for a term of 3 /three/ years, effective as at the date of conduction of the AGM.

In May, in order to achieve synergy in the Sopharma Group, optimization of the management of products in the domestic market and higher efficiency of resources, the team responsible for the products produced by Sopharma AD and for the free market (OTC products) was transferred to Sopharma Trading AD. The management of both companies believes that this is a logical step in improving the performance and quality of work of the Group.

Sopharma Trading is planning a new element in its strategy of market diversification of its activities related to the structuring of the business to provide retail services to end consumers. In connection with these plans, the Board of Directors of Sopharma Trading decided to register

Sopharma Group

a company Sopharmasi 2 EOOD with principal activity of franchising and consulting services. The subsidiary may open branches and representative offices, participate in the formation of new companies in the country and abroad and/or acquire shares in already established ones.

On the Annual General Meeting of Shareholders of Momina Krepost AD, conducted on 4 June 2015 in Veliko Tarnovo, 3 Magistralna Str. were taken the following decisions:

- ✚ Approval of the annual report of the Board of Directors of the company in 2014; the Report of the Investor Relations Director in 2014; the Audit report for the audit of the annual financial statement of the company for 2014; the report of the Audit Committee for its work in 2014; approval of the audited annual financial statements of the Company for 2014;
- ✚ Approval of the decision of the Board of Directors to cover the loss for 2014 at the amount of BGN 108 thousand through the retained earnings of the company. No dividend to the shareholders shall be distributed.
- ✚ Appointment of the auditing company AFA OOD, with seat in Sofia, 38 Oborishte Str. as a registered auditor for the audit and verification of the annual financial statement of the company for 2015, according to the proposal of the Audit committee.
- ✚ Approval of the report for the application of the remuneration policy of the members of the Board of Directors of Momina Krepost AD for 2014.
- ✚ Maintaining of the current amount of the fixed remuneration of the members of the Board of Directors in 2015.

Momina Krepost AD received a notified for disclosure of shareholding in a public company by FIRST FINANCIAL BROKERAGE HOUSE OOD, which sold all shares owned - 85,000 or 5.026% of the capital of Momina Krepost AD. The transaction was registered with the Central Depository of 6 July 2015.

On the Annual General Meeting of Shareholders of Sopharma Trading AD, conducted on 19 June 2015 in Sofia, 5 Lachezar Stanchev Str., building B, floor 3 were taken the following decisions:

- ✚ Approval of the annual report of the Board of Directors of the company in 2014; the Report of the Investor Relations Director in 2014; the Audit report for the audit of the annual financial statement of the company for 2014; the report of the Audit Committee for its work in 2014; approval of the audited annual financial statements of the Company for 2014 and discharging from liability the members of the Board of Directors for their work in 2014;

- ✚ Approval of the decision by the Board of Directors for distribution of the net profit of the company for 2014: the net financial result of Sopharma Trading AD for 2014 amounting to BGN 10 639 556,00 /ten million, six hundred and thirty-nine thousand, five hundred and fifty-six leva and zero stotinki/ shall be distributed as follows: BGN 1 063 955,60 /one million, sixty-three thousand, nine hundred and fifty-five leva and sixty stotinki/ shall be allocated to the Reserve fund as 10% additional reserves, 8 884 352,43 /eight million, eight hundred and eighty-four thousand, three hundred and fifty-two leva and forty-three stotinki/ shall be distributed as divided to the shareholders, BGN 691 247,97 /six hundred and ninety-one thousand, two hundred and forty-seven leva and ninety-seven stotinki/ shall be allocated to the additional reserve of the company. The gross dividend per share amounts to BGN 0,27 (twenty-seven stotinki).
- ✚ Appointment of the auditing company AFA OOD with seat in Sofia, 38 Oborishte Str. as a registered auditor for auditing and verification of the Annual financial statements of the Company for 2015.
- ✚ Setting of the annual remuneration of each member of the Board of Directors in 2015 to BGN 24 thousand.

In June 2015 Sopharma Trading has announced plans to expand its business outside the Bulgarian market. For this purpose, by decision of the Board of Directors, Sopharma Trading AD registered the company Sopharma Trading d.o.o. Belgrade. The principal activity of the subsidiary is consulting services related to business operations. The founding capital of the Serbian branch of Sopharma Trading amounts to RSD 11 million.

On the Annual General Meeting of Shareholders of Unipharm AD, conducted on 18 June 2015 in Sofia, 3 Traiko Stanoev Str. were taken the following decisions:

- ✚ Approval of the annual report of the Board of Directors of the company in 2014; the Report of the Investor Relations Director in 2014; the Audit report for the audit of the annual financial statement of the company for 2014; the report of the Audit Committee for its work in 2014; approval of the audited annual financial statements of the Company for 2014 and discharging from liability the members of the Board of Directors for their work in 2014;
- ✚ Approval of the decision by the Board of Directors for the distribution of the net profit of the company for 2014, namely: the net profit for 2014 at the amount of BGN 1 809 689,97 /one million, eight hundred and nine thousand, six hundred and eighty-nine leva and ninety-seven stotinki/, after the allocation of 10% to the statutory reserve – BGN 180 969 /one hundred and eighty thousand, nine hundred and sixty-nine leva/, shall be distributed as follows: BGN 1 200 000 /one million, two hundred thousand leva/ - for divided for the shareholders of 0.20 BGN per share. The rest of the net profit

amounting to BGN 428 720,97 /four hundred and twenty-eight thousand, seven hundred and twenty leva and ninety-seven stotinki/ shall be allocated to the additional reserves.

- ✚ Approval of a decision for discharging from liability the members of the Managing board and the members of the Supervisory board for their work in 2014;
- ✚ Appointment of "Company for auditing and consulting" OOD for the audit and verification of the annual financial statement of the company for 2015 in accordance with the proposal of the Audit committee.
- ✚ Approval of the Report for the remuneration of the members of the Boards, approved by the Supervisory board.

On the Annual General Meeting of Shareholders of Sopharma AD, conducted on 19 June 2015 in Sofia, 5 Lachezar Stanchev Str., were taken the following decisions:

- ✚ AGM approves the proposal by the Board of Directors for the distribution of the profit generated in 2014 and the undistributed profit from past periods as follows: net profit for 2014 amounts to 26 532 491.96 BGN /twenty-six million, five hundred and thirty-two thousand, four hundred and ninety-one leva and ninety-six stotinki/. The undistributed profit from past periods amounts to 2 620 712.71 /two million, six hundred and twenty thousand, seven hundred and twelve leva and seventy-one stotinki/. The total amount of the profit, subject to distribution, is 29 153 204.67 /twenty-nine million, one hundred and fifty-three thousand, two hundred and four leva and sixty-seven stotinki/. After the allocation of 10% to the statutory reserve, amounting to 2 915 320.46 BGN /two million, nine hundred and fifteen thousand, three hundred and twenty leva and forty-six stotinki/, from the remaining sum, amounting to 26 237 884.21 BGN /twenty-six million, two hundred and thirty-seven thousand, eight hundred and eighty-four leva and twenty-one stotinki/ shall be allocated to the additional reserves of the Company. No dividend shall be paid to the shareholders.
- ✚ AGM elects the audit company AFA OOD, with address of management Sofia, 38 Oborishte Str. for the audit and certification of the annual financial statements of the Company in 2015 in compliance with the proposal by the Audit Committee.
- ✚ Pursuant to art. 24, par. 3, letter B of the Articles of Association an additional fee of 1% /one percent/ of the net profit for 2014 according to the approved annual financial statements, shall be paid to the Executive Director of the Company.
- ✚ AGM approves the decision for the distribution of 2% /two percent/ of the net profit for 2014 among the members of the senior management of the Company in compliance with the requirements of art. 26a, item 12 of the Articles of Association of the Company.

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On 9 July 2015, in connection with the requirements of art. 37, par. 1 of Ordinance №13 for tender offers for the purchase and exchange of shares, Sopharma AD as a tender offeror, who has made a tender offer under art. 149, par. 6 of POSA to purchase all the shares of the other shareholders of Momina Krepost AD, informs on the following results of the tender offer:

- shareholders who have accepted the tender offer: 38 shareholders with a total number of shares: 211 991.
- as a result of the conducted tender offer and after completion of the transactions with shareholders who have accepted it, Sopharma AD holds directly 92.62% of the shares with voting right in the General Meeting of Momina Krepost AD.

On 16 July 2015 Sopharma AD bought 240 000 shares of the capital of Medica AD. After the transaction the share of Sopharma AD in the capital of Medica AD reached 36.10%.

On 28 July 2015 Sopharma AD bought 937,000 shares of the capital of Doverie United Holding AD. After the transaction the share of Sopharma AD in the capital of Doverie United Holding AD reached 14.898%.

On 3 August 2015 Sopharma AD received a notice of disclosure of shareholdings under art. 145 of the POSA from Telso AD for the sale of 397 057 shares. After the transaction the share of Telso AD in the capital of Sopharma AD fell below 5%. The date of registration of the transaction in the Central Depository AD is 31 July 2015.

On 3 August 2015 Sopharma AD received a notice of disclosure of shareholdings under art. 145 of the POSA from Telecompect Invest AD for the purchase of 108 700 shares. After the transaction the share of Telecompect Invest AD in the capital of Sopharma AD reached 20.07%. The date of registration of the transaction in the Central Depository AD is 31 July 2015.

On a meeting on 18 September 2015 The Board of Directors took a decision to start a procedure of transformation of Sopharma AD under the conditions of Chapter XVI of the Commercial Act und art. 122 and following of the Public Offering of Securities Act, which shall be executed by merging in Sopharma AD of Momina Krepost AD and chose investment intermediary Elana Trading AD as a consultant in relation to the executing of the procedure of transformation. On 30 September 2015 Sopharma AD and Momina Krepost AD signed a Contract for transformation through merger in accordance with the requirements of art. 262d and following of the Commercial Act (CA), as a result of which all assets of Momina Krepost AD shall be transferred to Sopharma AD and the latter shall become its legal successor. Momina Krepost AD shall be terminated without liquidation.

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The Board of Directors decided to appoint Ivan Badinski, MPharm, director of Cooperation and Licenses, Sopharma AD as procurator of the company. Mr. Badinski has been working in Sopharma AD since 1997. This fact was entered in the Commercial Register on 25 September 2015.

On 2 October 2015 the Group, through its subsidiary Briz SIA, increased their participation by 14% in the capital of the subsidiary OO Pharmacist Plus.

On 22 October 2015 was taken a decision for the increase of the capital of the subsidiary Sopharmasi EOOD to BGN 2,105 thousand. This fact was entered in the Trade Register with №20151111124712 on 11 November 2015.

On 22 October 2015 Sopharma AD bought 3 080 000 shares of the capital of Medica AD. After the transaction the share of Sopharma AD in the capital of Medica AD reached 66.72%.

On 2 December 2015 Sopharma Trading AD registered the subsidiary Sopharmasi 3 EOOD with main activity in retail trading of medicinal products.

Important events after the date of drawing up the annual financial statements

On 15 January 2016 Sopharma AD made a tender offering to acquire all shares of the remaining shareholders in Medica AD until 12 February 2016. The period of the offering started on 18 January, after the offering was published in two daily newspapers. The Company currently owns 6 717 544 shares, representing 66.72% of the capital and voting rights in the General Meeting of Shareholders of Medica AD. Sopharma AD offers a price of 3.50 BGN per share to the shareholders of Medica AD, which is the highest price, paid by the offeror, their related parties or by parties under art. 149, par. 2 of POSA in the last six months. The investment firm that serves the tender offer is ELANA Trading. Shareholders of Medica AD may submit a written statement of acceptance of the tender offer to any investment intermediary until 15 February. The offeror shall pay the price of the shares within 7 working days after the date of acceptance of the tender offer.

On 21 January 2016 Sopharma AD submitted to the Financial Supervision Commission an agreement for termination by mutual agreement of the contract for transformation through merger between Sopharma AD and Momina Krepost AD. The decision to end the procedure was taken in the interest of both companies in order to safeguard their good market positions.

On 16 February 2015 the Group through its subsidiary SOOO Brititrade has increased its participation in the capital of the associated company OOO Mobil Line to 80%, as a result of which the latter has acquired the status of a subsidiary.

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On 18 February 2016 the Company acquired 3,099,701 shares of Medika AD, as a result of which the share of Sopharma in the capital of Medika AD increased by 30.78% to 97.57%.

On 19 February 2016 Sopharma AD *informs* of the results of conducted tender offer:

Company, subject to the offer: Medika AD, with management address in Sofia 1504, Oborishte district, 82 Knyaz Alexander Dondukov Blvd;

Tender offeror: Sopharma AD, with address: Sofia, Nadezhda district, 16 Iliensko shose Str..

Authorized investment intermediary: Elana Trading AD, with management address: Sofia, Sredetz district, 4 Kuzman Shapkarov Str. and FSC-issued licence for investment intermediary operation based on Decision № 171-IP/08.03.2006.

Offered price per share: 3.50 BGN (three leva and fifty stotinki). Number of shareholders, who accepted the tender offer: 68 shareholders with a total amount of shares: 3 099 701 representing 30.79% of the capital of Medika AD. As a result of the conducted tender offer and after completion of the transactions with the shareholders who have accepted it, Sopharma AD will hold directly 97.50% of the shares with voting rights of Medika AD. Sopharma AD has the right within three months from the closing date of the tender offer, after receiving an approval by the FSC to make an offer to buy the shares of the remaining shareholders of Medika AD on the basis of art. 157a of POSA. Furthermore, according to art 157b of POSA every shareholder has the right to make a request to Sopharma to sell their shares with voting rights until 16 May 2016. The request must be submitted in writing and must contain information about the shareholder and their shares. The request must be submitted to the authorized investment intermediary Elana Trading AD. The price for one share of Medika AD under the offer under art. 157a and upon executing of the rights of the shareholders under art. 157b in accordance with the regulations of art. 157a, par. 3 is equal to the share price of the conducted tender offer of 3.50 BGN per share. The results of the tender offer have been published by the tender offeror in the daily newspapers Capital Daily and Sega on 18 February 2016.

On 21 April 2016 the Board of Directors of Sopharma decided to convene a General Meeting of Shareholders to be held on 17 June 2016 at 11:00 AM in Sofia, 5 Lachezar Stanchev Str., Sopharma Business Towers, Tower B, floor 3.

With resolution №60638 /23.03.2016 of the Ministry of Justice of Romania Medika Balkans EOOD, a subsidiary of Medika AD, has been removed from the commercial register in Romania as of 24 March 2016.

The Management board of Medika AD convenes a General Meeting of Shareholders on 8 June 2016 at 11:00 am in Sofia, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 9.

Sopharma Group

New developments and products

✚ New products with marketing authorizations for the period January – December 2015

Marketing authorizations for five new products have been issued – Paracodol suspension, Tuspan syrup, Desloratidin solution, Finotem drops, and Vederal drops.

✚ Expected in 2016

Three to five new products are expected to be introduced by the end of 2016.

✚ Developments

Over twenty-five production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of over 20 new products for the Company.

Planned development

- ✚ On the local market the Company aims to make treatment more accessible to patients through the faster development and registration of generic products.
- ✚ With regard to foreign markets, the efforts are focused on retaining and increasing the share of the Company on the main markets (Russia, Ukraine and Poland) as well as establishing and extending presence in other countries (USA, Central and East European countries, and the Caucasian region).
- ✚ The Company continues the policy of active partnership with recognized international pharmaceutical companies, with new companies as well as broadening the product range of already established collaborations.

Key financial indicators

Indicators	1-12/2015	1-12/2014	change %
	BGN '000	BGN '000	
Sales revenue	874 984	840 517	4,1%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	62 766	67 826	-7,5%
Operating profit	36 440	40 024	-9,0%
Net profit	22 600	24 117	-6,3%
Capital expenditures	33 284	29 706	12,0%

	31.12.2015	31.12.2014	
	BGN '000	BGN '000	
Non-current assets	401 484	390 538	2,8%
Current assets	434 143	426 825	1,7%
Equity	457 640	431 637	6,0%
Non-current liabilities	62 492	65 030	-3,9%
Current liabilities	315 495	320 696	-1,6%

Ratios	1-12/2015	1-12/2014
EBITDA / Sales revenue	7,2%	8,1%
Operating profit/ Sales revenue	4,2%	4,8%
Net profit/ Sales revenue	2,6%	2,9%
Borrowed capital/ Equity	0,83	0,89
Net debt/ EBITDA, annualized	3,6x	3,7x

Review of risk factors

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

- ✚ The Group faces significant competition.
- ✚ Part of Sopharma Trading's revenue in Bulgaria is generated by sales to hospitals, which involve a higher degree of business risk.
- ✚ Reputation of the Group may be adversely affected by untrue or misleading information, including such available on website www.sopharma.com, which has not been authorized by the Company.
- ✚ The Group is dependent on regulatory approvals.
- ✚ Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- ✚ Part of the Group's revenue, in particular in Bulgaria, depends on the inclusion of the Company's medicines on reimbursement lists.
- ✚ The production facilities and processes of the Company and the Group companies are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations.
- ✚ 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 in any given year.

- ✚ The Group is subject to operational risk which is inherent to its business activities.
- ✚ The Group 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 Group's business, financial position and performance.

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

- ✚ The macroeconomic environment, particularly in Bulgaria, Russia, Belarus 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 position.
- ✚ The political environment in the Group's export markets, especially in Russia, Belarus and Ukraine, has a significant effect on the Group's operations and financial position.
- ✚ Risks related to the Bulgarian legal system.
- ✚ The development in the legislation of some of the countries in which the Company sells its products, in particular Russia, Belarus and Ukraine, could adversely affect the Group's operations in these 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 Group companies perform their operations with active exchange with foreign suppliers and clients and therefore, they are exposed to currency risk.

Through its subsidiaries in Belarus and Ukraine the Group operates on these markets and has substantial expositions in Belarusian Ruble and Ukrainian Hryvnia. The currency risk is related to the adverse floating of the exchange rate of these currencies 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 companies abroad conduct sales mainly to the local markets, which leads to currency risk to their currencies as well – Serbian Dinar, Polish Zloty, and Latvian Lat.

There is a currency risk control system implemented throughout the whole Group for the planning of imports, the sale in foreign currencies, as well as procedures for daily monitoring of USD exchange rate movements and control over pending payments. The exposure of the

subsidiaries in Bulgaria to currency risk is insignificant, because almost all sales are conducted on the local market in BGN. The import of goods is entirely performed in EUR. The loans in foreign currencies are denominated mainly in EUR.

Credit risk

Credit risk is the risk that any of the Group's clients will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. The latter are presented in the statement of financial position at net value after deduction of impairments related to doubtful and bad debts. Such impairments are made where and when events have existed identifying loss due to uncollectability as per the previous experience.

The Group has developed policy and procedures to assess the creditworthiness of its counterparts and to assign credit rating and credit limits to clients by group.

The financial resources of the Group as well as the settlement operations are concentrated in different first-class banks. When distributing the cash flows among them, the management of the parent company and the subsidiaries take into consideration a variety of factors, as the amount of capital, reliability, liquidity, the credit potential and rating of the bank etc.

Liquidity risk

Liquidity risk is an adverse situation where the Group encounters difficulty in unconditionally meeting its obligations within their maturity, including in the case of hyperinflation and recalculation of trade estimates for companies operating in such environment.

The Group generates and maintains a significant volume of liquid funds. An internal source of liquid funds for the Group is the main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. Another significant source of risk is the net position in BYR and the hyperinflation on that market.

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Group's assets as cash, bank deposits and fixed interest rate loans granted. On the other hand, the Group's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Group partially dependent on interest risk. This risk is covered in two ways:

- (a) optimization of sources and structure of credit resources for achieving relatively lower price of attracted funds; and
- (b) combined structure of interest rates on loans comprising two components – a fixed one and a variable one, the correlation between which, as well as their

absolute value, can be achieved and maintained in a proportion favorable for the Group companies. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavorable change of cash flows is reduced to a minimum.

The management of the Group companies together with that of the parent company currently monitor and analyze the exposure of the respective company to the changes in interest levels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or %age, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Financial results in 2015

Sales revenue

Revenue from sales of the Group increased by BGN 34,5 million or 4%, reaching BGN 875 million in 2015 compared to BGN 840,5 million in 2014. The increase is due to an increase in sales of goods by BGN 47 million or 8%, reaching BGN 628,1 million in 2015 compared to BGN 581,1 million in 2014. Sales of finished products decreased by 12,5 million BGN, or 5%, to BGN 246,9 million in 2015 compared to BGN 259,4 million in 2014.

Distribution of sales revenues by geographic region



The contribution of sales in Bulgaria to the consolidated sales revenue in 2015 amounted to 71%, increasing by 6% compared to 2014. Sopharma has a 4% share of the Bulgarian pharmaceutical market in terms of value and a 14% share in terms of sold quantity (units). 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), GlaxoSmithKline – 6% (3% in units), Actavis – 4.8% (12% in units), Sanofi-Aventis – 4.3% (3% in units), Astra Zeneca – 3.3% (0.9% in units), Bayer – 2% (1.9% in units).

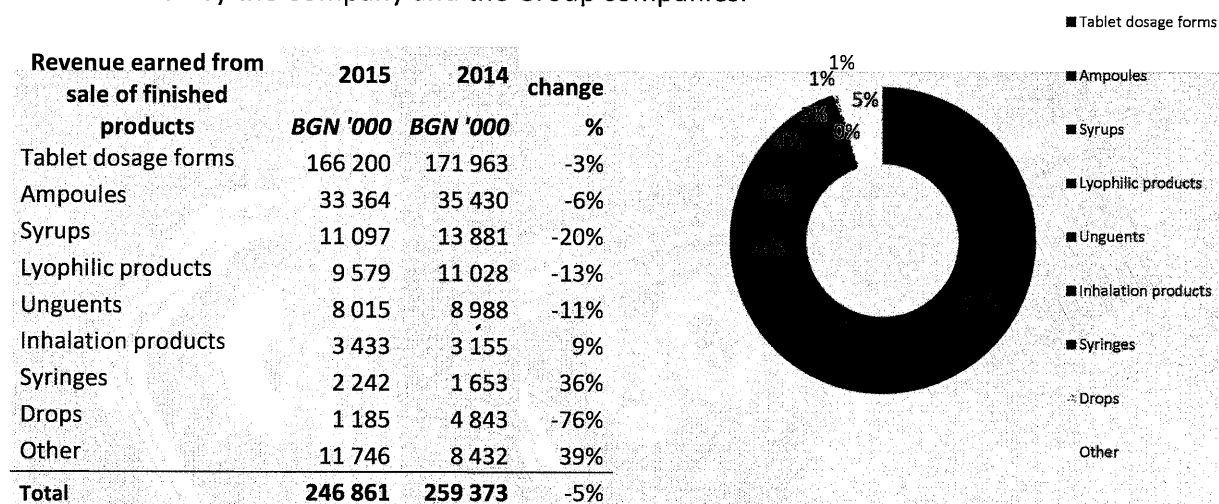
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The Group's income from sales in Europe amounts to 27% of the total consolidated sales in 2015 and marks an increase of 0,3% compared to 2014.

Revenue by group of products

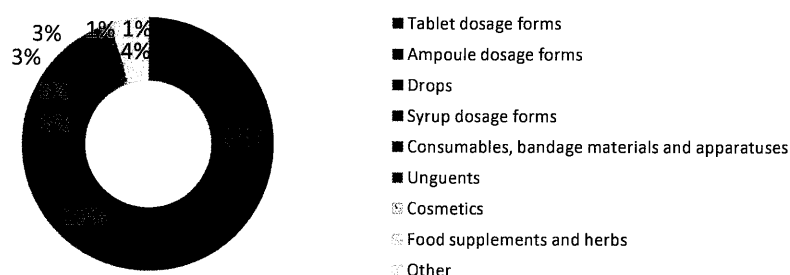
Reported revenue of the Group includes the following items: revenue from the sale of finished products and revenue from the sale of goods.

Revenues from the sale of finished products include revenue from the sale of products manufactured by the Company and the Group companies.



Revenue from the sale of goods include revenue from the sale of goods to third parties, which are distributed primarily by Sopharma Trading AD and SIA Briz.

Revenue earned from sale of goods	2015 BGN '000	2014 BGN '000	Change %
Tablet dosage forms	296 705	286 188	4%
Ampoule dosage forms	179 330	153 311	17%
Drops	36 063	33 760	7%
Syrup dosage forms	35 902	25 339	42%
Consumables, bandage materials and apparatuses	21 133	36 250	-42%
Unguents	18 549	17 511	6%
Cosmetics	9 307	7 916	18%
Food supplements and herbs	3 191	3 139	2%
Other	27 943	17 730	58%
Total	628 123	581 144	8%



Other operating income and losses

Other revenues from operations	2015	2014	change	relative share 2015
	BGN '000	BGN '000	%	%
Services rendered	7 160	10 549	-32%	-267%
Government financing	1 037	749	38%	-39%
Rents	942	798	18%	-35%
Services for social activities and events	795	761	4%	-30%
Income from forfeits	204	389	-48%	-8%
Net losses from exchange rate differences under trade receivables and payables and current accounts	(14 257)	(8 686)	64%	532%
Other	1 441	905	59%	-54%
Total other operating income and losses	(2 678)	5 465	149%	100%

Other operating income and losses decreased by BGN 8,2 million, reaching a loss of BGN 2,7 million in 2015, compared to a gain of BGN 5,5 million in 2014 due to an increase in net losses from exchange rate differences under trade receivables and payables and current accounts by BGN 5,6 million and a decrease in services rendered by BGN 3,4 million. There is an increase in government financing by BGN 0,3 million, as well as in rents by BGN 0,1 million and other by BGN 0,5 million

Operating expenses

Operating expenses	2015	2014	change	relative share of expenses for 2015
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	(4 207)	(12 279)	-66%	-1%
Materials	86 396	96 334	-10%	10%
Hired services	65 661	67 207	-2%	8%
Personnel	81 501	80 880	1%	10%
Depreciation and amortization	26 326	27 802	-5%	3%
Carrying amount of goods sold	568 590	530 842	7%	68%
Other operating expenses	11 599	15 172	-24%	1%
Total	835 866	805 958	4%	100%

The operating expenses in 2015 increased by BGN 29,9 million or 4% from BGN 806 million in 2014 to BGN 835,9 million in 2015. The change is due to growth in sales and therefore the carrying amount of goods sold, the increase in personnel expenses and hired services expenses, and changes in inventories of finished goods and work in progress.

Expenses on materials	2015	2014	change	relative share of expenses for 2014
	BGN '000	BGN '000	%	%
Basic materials	63 379	70 225	-10%	73%
Electricity	5 273	5 370	-2%	6%
Spare parts, laboratory and technical materials	5 051	7 387	-32%	6%
Heating	3 775	4 472	-16%	4%
Fuels and lubricating materials	2 595	3 574	-27%	3%
Other	6 323	5 306	19%	7%
Total	86 396	96 334	-10%	100%

Cost of materials (10% share) decreased by BGN 9,9 million or 10% to BGN 86,4 million in 2015 compared to BGN 96,3 million in 2014. The cost of basic materials decreased by BGN 6,8 million, or 10%, with the most significant impact coming from the cost of substances, aluminum folio, and packaging materials, which decreased respectively by BGN 4,7 million, BGN 2,8 million and BGN 0,9 million. There is a decrease in the cost of heating, spare parts, laboratory and technical materials and fuels and lubricating materials.

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	2015	2014	change	relative share of expenses for 2015
Hired services expense	BGN '000	BGN '000	%	%
Advertising and marketing services	20 350	18 952	7%	31%
Rents	7 102	6 307	13%	11%
Consulting services	6 541	9 561	-32%	10%
Forwarding and transportation services	5 492	5 293	4%	8%
Buildings and equipment maintenance	4 771	4 042	18%	7%
Local taxes and fees	2 523	1 734	46%	4%
Clinical trials and registration services	2 350	2 265	4%	4%
Subscription fees	2 177	1 812	20%	3%
Production of medicines	1 961	3 688	-47%	3%
Security	1 510	1 253	21%	2%
Bank and regulatory charges	1 498	1 577	-5%	2%
Services under civil contracts	1 431	1 478	-3%	2%
Insurance	1 249	1 243	0%	2%
Communications	998	1 022	-2%	2%
Car repairs	865	896	-3%	1%
Medical services	820	753	9%	1%
Other	4 023	5 331	-25%	6%
Total	65 661	67 207	-2%	100%

Hired services have an 8% share of operating expenses and decreased by BGN 1,5 million or 2%, reaching BGN 65,7 million in 2015 compared to BGN 67,2 million in 2014. A decrease comes from production of medicines by BGN 1,7 million, consulting services by BGN 3 million, and other expenses by BGN 1 million. There is an increase in advertising and marketing services by BGN 1,4 million, rents by BGN 0,8 million, as well as in subscription fees, buildings and equipment maintenance, local taxes and fees, and other.

	2015	2014	change	relative share of expenses for 2015
Personnel costs	BGN '000	BGN '000	%	%
Current wages and salaries	62 544	61 084	2%	77%
Social security/health insurance contributions	12 850	12 828	0%	16%
Social benefits and payments	3 715	3 807	-2%	5%
Performance-based bonuses	792	979	-19%	1%
Other	1 600	2 182	-27%	2%
Total	81 501	80 880	0.8%	100%

Personnel costs (with a 10% share) grew by BGN 0,6 million, or 0,8%, reaching BGN 81,5 million in 2015 compared to BGN 80,9 million in 2014. The general growth of these costs is due to both

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the increase of salaries of the personnel, as well as to the growth of the number of employees in the Group as a result of the consolidation of new companies.

Other operating expenses	2015	2014	change	relative share of expenses for 2015
	BGN '000	BGN '000	%	%
Entertainment event allowances	2 986	3 506	-15%	26%
Written-off receivables	2 852	470	507%	25%
Business trips	1 678	1 905	-12%	14%
Scrapping and loss of goods	1 056	817	29%	9%
Trainings	881	454	94%	8%
Donations	784	394	99%	7%
Scrapping of long-term assets	331	418	-21%	3%
Unrecognized tax credit for VAT	208	2 446	-91%	2%
Charged/(reversed) impairment of current assets, net (Note 9)	(32)	3 336	-101%	0%
Other	855	1 426	-40%	7%
Total	11 599	15 172	-24%	100%

Other operating expenses (with a share of 1%) decreased by BGN 3,6 million or 24% from BGN 15,2 million in 2014 to BGN 11,6 million in 2015. Entertainment event allowances decreased by BGN 0,5 million, business trip expenses – by BGN 0,3 million, unrecognized tax credit for VAT – by BGN 2,2 million, accrued impairment of current assets – by BGN 3,4 million, and other expenses – by BGN 0,6 million. There is an increase in the scrapping and loss of goods by BGN 0,2 million, donations by BGN 0,4 million, trainings by BGN 0,4 million, and written-off receivables by BGN 2,4 million.

Depreciation and amortization expense (with a share of 3%) decreased by BGN 1,5 million or 5% from BGN 27,8 million in 2014 to BGN 26,3 million in 2015.

Finance income and costs

	2015	2014	change	relative share of income for 2015
	BGN '000	BGN '000	%	%
Finance income				
Interest income on overdue commercial receivables	3 801	2 484	53%	56%
Interest income on granted loans	2 766	2 723	2%	41%
Net gain from operations with investments in securities	161	47	242%	24%
Interest income on bank deposits	94	79	19%	1%
Income from equity investments (dividends)	6	59	-90%	0%
Total	6 828	5 392	26%	100%

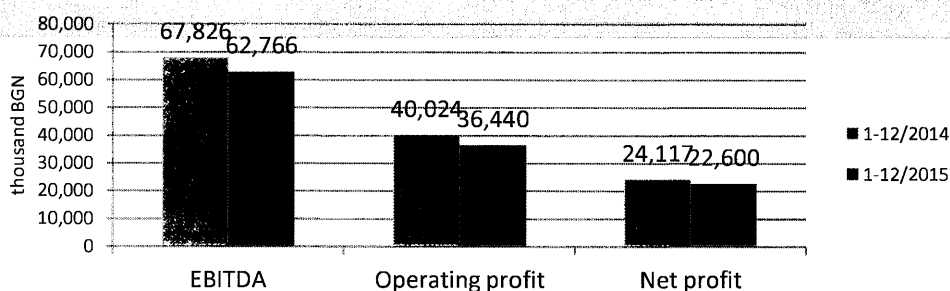
			change	relative share of costs for 2015
Finance costs				
Interest expenses on loans	8 868	8 800	1%	41%
Impairment of funds in foreign banks under special supervision	6 438	-		0%
Net loss on exchange rate differences on loans in foreign currencies	4 637	7 646	-39%	21%
Bank fees on loans and guarantees	834	720	16%	4%
Impairment of available-for-sale investments	454	88	416%	2%
Interest expense on finance lease	409	340	20%	2%
Total	21 640	17 594	23%	100%

Finance income increased by BGN 1,4 million to BGN 6,8 million in 2015 compared to BGN 5,4 million in 2014 mainly due to an increase in net gain from operations with investments in securities by BGN 0,1 million, as well as an increase in interest income on overdue commercial receivables by BGN 1,3 million.

Finance costs increased by BGN 4 million from BGN 17,6 million in 2014 to BGN 21,6 million in 2015. The highest increase is in impairment of funds in foreign banks under special supervision by BGN 6,4 million. There is a decrease in net loss on exchange rate differences on loans in foreign currencies with BGN 3 million.

Net financial gain (cost) decreased by BGN 2,6 million reaching BGN (14,8) million as at 31 December 2015 compared to BGN (12,2) million as at 31 December 2014.

Financial performance



Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by BGN 5,1 million or 7%, amounting to BGN 62,8 million as at 31 December 2015, compared to BGN 67.8 million as at 31 December 2015.

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Operating profit decreased by BGN 3,6 million or 9%, to BGN 36,4 million as at 31 December 2015, compared to BGN 40 million as at 31 December 2015.

Net profit decreased by BGN 1,5 million, or 6%, reaching BGN 22,6 million as at 31 December 2015, compared to BGN 24,1 million as at 31 December 2014.

Assets

	31.12.2015	31.12.2014	change	relative share 2015
	BGN '000	BGN '000	%	%
Non-current assets				
Property, plant and equipment	315 005	299 037	5%	78%
Intangible assets	24 127	13 270	82%	6%
Goodwill	11 375	10 918	4%	3%
Investment property	10 562	10 606	0%	3%
Investments in associated companies and joint ventures	5 224	12 387	-58%	1%
Available-for-sale investments	7 424	6 968	7%	2%
Long-term receivables from related parties	20 505	33 150	-38%	5%
Other long-term receivables	3 546	353	905%	1%
Deferred taxes	3 716	3 849	-3%	1%
	401 484	390 538	3%	48%
Current assets				
Inventories	163 129	155 910	5%	38%
Trade receivables	205 589	196 330	5%	47%
Receivables from related parties	27 434	25 318	8%	6%
Other short-term receivables and assets	14 505	22 445	-35%	3%
Cash and cash equivalents	23 486	26 822	-12%	5%
	434 143	426 825	1.7%	52%
TOTAL ASSETS	835 627	817 363	2%	100%

Total assets increased by BGN 18,3 million, or 2%, reaching BGN 835,6 million as at 31 December 2015, compared to BGN 817,4 million as at 31 December 2014 as a result of the increase in both current and non-current assets.

Non-current assets increased by BGN 10,9 million, or 3%, mainly due to the increase in property, plant and equipment by BGN 16 million, intangible assets by BGN 10,9 million, other long-term receivables by BGN 3,2 million and available-for-sale investments by BGN 0,5 million.

Property, plant and equipment increased by BGN 16 million mainly in land and buildings by BGN 7,5 million, transit assets by BGN 5,1 million, and machines and equipment by BGN 4,8 million.

Intangible assets increased by BGN 10,9 in intellectual property rights, transit assets and other non-tangible assets respectively by BGN 7,8 million, BGN 2,4 million, and BGN 1,4 million.

Investments in associated companies and joint ventures decreased by BGN 7,2 million compared to 31 December 2014. The available-for-sale investments increased by BGN 0,5 million.

Long-term receivables from related parties decreased by BGN 12,6 million or 38% to BGN 20,5 million.

Long-term loans to related parties are to companies related by key management personnel:

- ✚ Contracted amount EUR 16 177 thousand; interest rate - 5%; maturity – 1 December 2018; balance at 31 December 2015 - BGN 13 074 thousand;
- ✚ Mutual size EUR 3 272 thousand; interest rate - 5%; maturity – 1 December 2018; balance at 31 December 2014 – BGN 7 139 thousand;

The increase in other long-term receivables comes from receivables from transactions with securities in connection with the sale of shares of the Extab Corporation USA.

Current assets increased by BGN 7,3 million or 2%, reaching BGN 434,1 million as at 31 December 2015 compared to BGN 426,8 million as at 31 December 2014.

Inventories comprise 38% of current assets and increased by BGN 7,2 million compared to 31 December 2014 in the portion of finished products by BGN 1,7 million, materials by BGN 4,5 million, and semi-finished products by BGN 1,5 million. Goods decreased by BGN 0,3 million.

Commercial receivables, which have a relative share of 47% of current assets, increased by BGN 9,3 million, in the portion of receivables from clients, net by BGN 12,4 million. Advance payments, net decreased by BGN 3,2 million.

Receivables from related parties have a relative share of 6% in current assets and increased by BGN 2,1 million mainly in the sale of products and materials by BGN 2,8 million, while provided commercial loans decreased BGN 0,7 million.

Current commercial loans granted to related companies are to companies related through key management personnel:

- ✚ Contractual amount: EUR 12 577 thousand; interest rate – 4,50%; maturity – 31 December 2016; balance at 31 December 2015 – BGN 8 310 thousand;

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- ✚ Contractual amount: EUR 7 845 thousand; interest rate – 4,50%; maturity – 31 December 2016; balance at 31 December 2015 – BGN 7 982 thousand;
- ✚ Contractual amount: BGN 6 000 thousand; interest rate – 5,50%; maturity – 22 July 2016; balance at 31 December 2015 – BGN 4 636 thousand.
- ✚ Contractual amount: BGN 1 300 thousand; interest rate – 5,50%; maturity – 31 December 2016; balance at 31 December 2015 – BGN 503 thousand.
- ✚ Contractual amount: BGN 190 thousand; interest rate – 5,50%; maturity – 31 December 2016; balance at 31 December 2015 – BGN 114 thousand.

Other short-term receivables and assets comprise 3% of current assets and decreased by BGN 7,9 million, as a result of a decrease in court and awarded receivables, net by BGN 2 million, advance payments by BGN 2,1 million, refundable taxes by BGN 3,2 million, and government financing by BGN 2,6 million. Cash and cash equivalents decreased by BGN 3,3 million compared to 31 December 2014. As at the end of the current period there are deposits amounting to BGN 4,3 million.

Equity and liabilities

EQUITY	31.12.2015	31.12.2014	change	relative share of equity for 2015
	BGN '000	BGN '000		
Equity attributable to owners of the parent			%	%
Share capital	134 798	132 000	2%	29%
Reserves	48 855	36 069	35%	11%
Retained earnings	222 238	203 260	9%	49%
	405 891	371 329	9%	89%
NON-CONTROLLING INTEREST	51 749	60 308	-14%	11%
TOTAL EQUITY	457 640	431 637	6%	100%

	31.12.2015	31.12.2014	change	relative share of total liabilities for 2015
	BGN '000	BGN '000	%	%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	38 876	45 820	-15%	10%
Deferred tax liabilities	7 952	5 728	39%	2%
Long-term liabilities to personnel	4 199	3 786	11%	1%
Finance lease liabilities	1 957	2 103	-7%	1%
Government grants	9 343	7 558	24%	2%
Other non-current liabilities	165	35	371%	0%
	62 492	65 030	-2%	17%
Current liabilities				
Short-term bank loans	190 785	217 360	-12%	50%
Current portion of long-term bank loans	14 784	10 772	37%	4%
Trade payables	87 440	71 752	22%	23%
Payables to related parties	2 366	1 634	45%	1%
Payables to the personnel and for social security	8 894	7 514	18%	2%
Tax payables	6 368	6 023	6%	2%
Other current liabilities	4 858	5 641	-14%	1%
	315 495	320 696	-2%	83%
TOTAL LIABILITIES	377 987	385 726	-4%	100%
TOTAL EQUITY AND LIABILITIES	835 627	817 363	2.2%	

The equity of Sopharma Group increased by BGN 26 million compared to 31 December 2014 mainly due to the achieved net profit for the current period and reserves. Equity attributable to owners of the parent comprise 49% of total equity and liabilities, with certain improvement of the financial autonomy of the Group.

Non-current liabilities increased by BGN 2,5 million or 4%, from BGN 65 million at the end of 2014 to BGN 62,5 million at the end of 2015 mainly due to a decrease in long-term bank loans by BGN 7 million. There is an increase in deferred taxes liabilities by BGN 2,2 million and government financing by BGN 1,8 million.

Current liabilities decreased by BGN 5,2 million or 2% compared to 2014, mainly due to a decrease in short-term bank loans by BGN 26,6 million and other current liabilities by BGN 0,8 million. There is an increase in commercial payables by BGN 15,7 million, payables to personnel and for social security by BGN 1,4 million, the short-term part of long-term bank loans by BGN 4 million, liabilities to related parties by BGN 0,7 million and tax payables by BGN 0,3 million.

Sopharma Group

The Group's total liabilities under bank loans and leases decreased by BGN 29,6 million compared to the end of 2014. The net debt, after subtracting of cash and cash equivalents, decreased by BGN 26,3 million.

Cash flows

	31.12.2015 BGN '000	31.12.2014 BGN '000
Net cash flows from operating activities	67 310	37 653
Net cash flows used in investing activities	(32 899)	(27 426)
Net cash flows (used in)/from financing activities	(36 596)	(11 535)
Net increase/(decrease) in cash and cash equivalents	(2 185)	(1 308)
Cash and cash equivalents at 1 January	25 299	26 607
Cash and cash equivalents at 31 December	23 114	25 299

Net cash flows generated from operating activities as at 31 December 2015 amount to BGN 67,3 million, those from investing activities – BGN (32,9) million and from financing activities – BGN (36,6) million. As a result of these activities the cash and cash equivalents decrease by BGN 2,2 million and as at 31 December 2015 amount to BGN 23,1 million compared to BGN 25,3 million as at 1 January 2014.

Financial ratios

	31.12.2015	31.12.2014
ROE ¹	5,3%	5,5%
ROA ²	2,5%	2,5%
Asset turnover ³	1,04	1,05
Current ratio ⁴	1,38	1,33
Quick ratio ⁵	0,86	0,84
Cash ratio ⁶	0,07	0,08
Solvency ratio ⁷	1,21	1,12

¹ Net profit belonging to the equity holders of the Company, annualized / arithmetic mean of the equity less minority interests for the last five quarters

² Net profit belonging to the equity holders of the Company, annualized / arithmetic mean of total assets for the last five quarters

³ Revenue from sales, annualized / 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

Information about the shares of Sopharma AD

The total number of shares issued by Sopharma AD as at 31 December 2015 is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, common and indivisible, under the Articles of Association. All issued shares are of one class. Each share gives equal rights to its holder, in proportion to its nominal value. The shares of Sopharma AD are traded on the official market of Bulgarian Stock Exchange - Sofia AD and the official market of the Warsaw Stock Exchange. The shares are part of the indices SOFIX, BGBX40 and BGTR30 on the BSE – Sofia AD.

The Company's shares are included in the indices Dow Jones STOXX EU Enlarged, Total Market Index 0.11% weight, with a weight of 5% in the Erste Bank Bulgaria Basket, the certificate of Raiffeisenbank - Raiffeisen Osteuropa Fonds and the new blue-chip index Dow Jones STOXX Balkan 50 Equal Weighted Index.

Sopharma AD is one of the three Bulgarian companies included in an index for Central and Eastern Europe (CEE) that WSE started to calculate as of 30 May 2012. The index is called WIG-CEE and is the third after the WIG-Poland and WIG-Ukraine, which is based on the origin of the companies by country. WIG-CEE is calculated based on total return and includes also dividend income and subscription rights to shares.

Key indicators of the shares of Sopharma AD

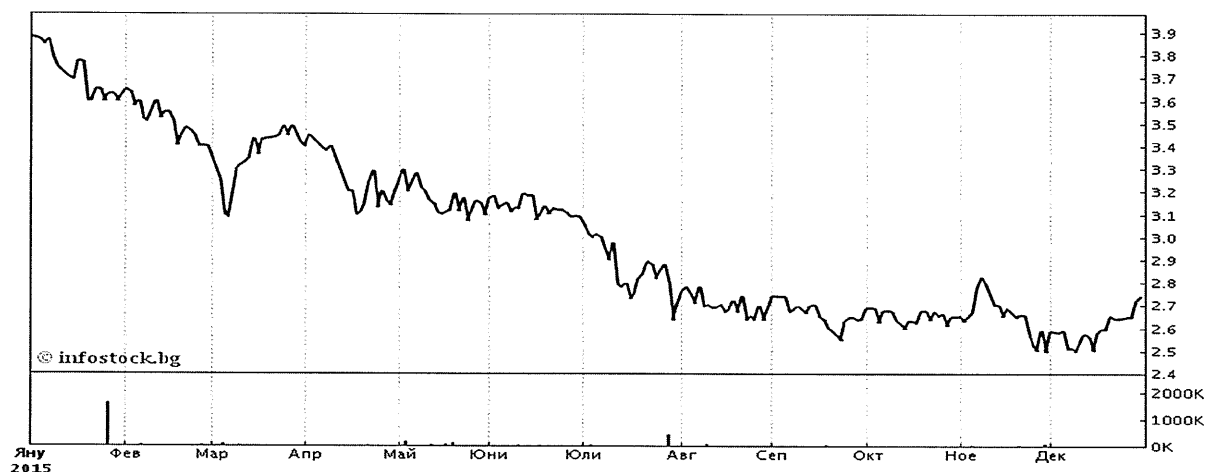
	31.12.2015	31.12.2014
Total number of issued shares	134 797 899	132 000 000
Average weighted number of outstanding shares for the last four quarters	129 155 015	126 700 075
Number of shares outstanding at the end of the period	129 316 754	126 670 847
Earnings per share in BGN ¹	0,17	0,16
Price per share at the end of the period in BGN	2,72	3,880
Price/Earnings ratio (P/E)	16,00	24,73
Book value per share in BGN ²	3,14	2,93
Price/Book value ratio (P/B)	0,87	1,32
Income from sale of one share in BGN ³	6,77	6,64
Price of one share / Income from sale of one share (P/S)	0,40	0,58
Market capitalization in BGN based on the number of issues shares	366 650 285	512 160 000

¹ Net profit of the company for the last four quarters/average weighted number of outstanding shares for the same period

² Common equity of the company/number of shares outstanding at the end of the period

³ Income from sales in the last four quarters/number of outstanding shares as at the end of the period.

Trade in shares of Sopharma AD on the Bulgarian Stock Exchange – Sofia AD for the period 1 January – 31 December 2015



Signature:

Ognian Donev, PhD
Executive Director, Sopharma AD

