

# **MANAGEMENT REPORT**

**for the six months of 2014**



## **SOPHARMA GROUP**

**30 August 2014**

### 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 Bulgarian Rose - Sevtopolis AD and Unipharm 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 and Briz SIA in Latvia;
- 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 31 legal entities, including 28 subsidiaries, directly or indirectly controlled by the Company, and three joint ventures.

Company	Interest as at 30.06.2014 in %
Sopharma Trading AD, Sofia, Bulgaria	72.08
Bulgarian Rose Sevtopolis AD, Kazanluk, Bulgaria*	49.99
Biopharm Engineering AD, Sliven, Bulgaria	97.15
Pharmalogistica AD, Sofia, Bulgaria	76.54
Elektroncommerce EOOD, Sofia, Bulgaria	100.00

## Sopharma Group

Sopharma Buildings REIT, Sofia, Bulgaria	42.89
Momina Krepost AD, Veliko Tarnovo, Bulgaria*	53.27
Unipharm AD, Sofia, Bulgaria	51.77
Phyto Palauzovo AD, Kazanluk, Bulgaria**	47.49
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 USA Corp., Los Angeles, USA	100.00
Extab Corporation USA, Wilmington, USA	80.00
Extab Pharma Limited, Henley on Thames, Great Britain**	80.00
Briz Ltd, Riga, Latvia	66.13
Brititrade SOOO, Minsk, Belarus**	65.14
Tabina SOOO, Minsk, Belarus **	58.86
Brizpharm SOOO, Minsk, Belarus**	39.02
ZAO Interpharm, Vitebsk, Belarus**	36.97
Alean ODO, Minsk, Belarus**	46.95
Sopharma Ukraine, Kiev, Ukraine	100.00
Vivaton OOO, Grodno, Belarus***	50.00
OOO Med-dent, Bobruisk, Belarus***	50.00
OOO Pharmacist Plus, Minsk, Belarus **	33.73
Vestpharm ODO **	59.52
NPK Biotest OOO **	46.29
BelAgroMed ODO **	44.31
BOOO SpetzApharmacia, Bobruisk, Belarus***	50.00
ZAO TBS Pharma, Vilnius, Lithuania**	33.73

\*effective interest in percent

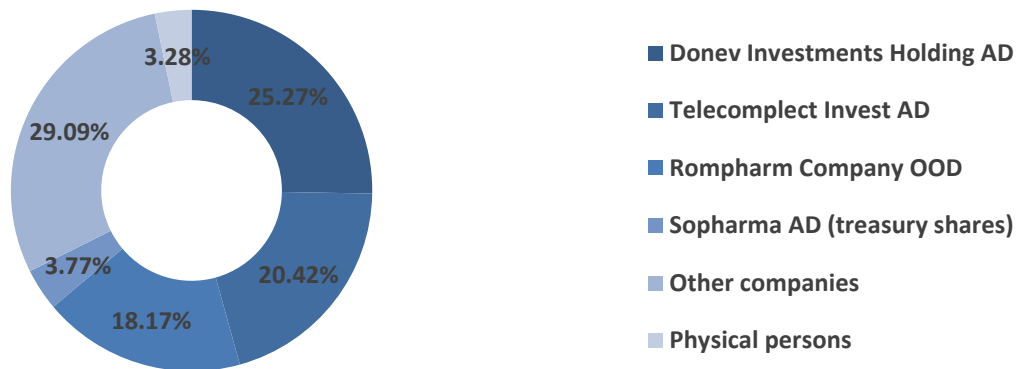
\*\*indirect interest

\*\*\*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.

## Shareholding structure of Sopharma AD as at 30 June 2014



### 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 23,88% (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 7000 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 3,870 customers.

### 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.

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 30 June 2014 the average number of employees in the Sopharma Group is 4 198 (4 122 in 2013). The average number of employees in Sopharma AD as at 30 June 2014 is 1 863 (1 793 in 2013), and in Sopharma Trading AD it is 682 (668 in 2013).

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 the six months of 2014***

On 14 January 2014 Sopharma AD made the final payment for the capital increase of Briz Ltd, Latvia. The interest in the capital of the company, held by Sopharma AD, reached 66.13% after the increase (previously 53.14%). The expansion of the presence on the market of the Republic of Belarus includes acquisition of a warehouse complex, implementation of an integrated information system, as well as acquisition of new pharmacies in the region.

In 2013 Briz Ltd. increased the total number of owned pharmacies to 91 through the acquisition of three pharmacy chains in the Republic of Belarus. Additionally, the acquisition of a company for wholesale of pharmaceutical products was completed.

On 20 January 2014 the Group has completed the purchase of 12% of the shares of BOOO SpetsApharmatsiya (via Breeze Ltd, Latvia), the status of the company changed from an associate of the Group to a joint venture.

On 28 January 2014 and on 26 February 2014 the Group has completed the purchase and sale of shares of OOO NPK Biotest-Belarus (via Breeze Ltd, Latvia), resulting in a net increase of its share by 6.91%.

On 04 February 2014 and on 27 February 2014 the Group has completed the purchase and sale of shares of ODO Vestpharm-Belarus (via Breeze Ltd, Latvia), resulting in a net increase of its share by 7.44%.

On 5 February 2014 and on 26 February 2014 the Group has completed the purchase and sale of shares of ODLO BelAgroMed-Belarus (via Breeze Ltd, Latvia), resulting in a net increase of its share by 5.31%.

On 6 February 2014 the Company sold 616 015 ordinary registered shares with voting rights of the capital of Sopharma Trading AD. After this transaction, the share of Sopharma AD in the capital of Sopharma Trading AD decreased to 73.99%.

On 7 February 2014 the Company received a notification for the acquisition of 4,230,000 shares, representing 3.20 % of its capital, by Rompharm Company OOD. After the transaction the interest of Rompharm Company OOD in the capital of Sopharma AD reached 17.60%. The registration date of the transaction in the Central Depository AD, Sofia is 6 February 2014.

On 7 February 2014, Bulgarian Rose Sevtopolis received a notification for disclosure of participation per art. 145 of POSA from Rompharm Company ODD for the purchase of 1,689,440 shares, representing 14.00%. After the transaction the interest of Rompharm Company OOD in the capital of Bulgarian Rose Sevtopolis AD reached 20.22%. The registration date of the transaction in the Central Depository is 6 February 2014.

On 11 February 2014 the Company received a notification for the sale of 3,424,005 shares by UPF Doverie. After the transaction the interest of UPF Doverie in the capital of Sopharma AD decreased to 4.155 %. The registration date of the transaction in the Central Depository AD, Sofia is 6 February 2014.

On 12 February 2014, Bulgarian Rose Sevtopolis received a notification for disclosure of participation per art. 145 of POSA from UPF Doverie for the selling of 794,317 shares, representing 6.58%. After the transaction the interest of UPF Doverie in the capital of Bulgarian Rose Sevtopolis AD reached 0.00%. The registration date of the transaction in the Central Depository is 6 February 2014.

On 17 June 2014 was conducted the Annual General Meeting of Shareholders of Bulgarian Rose Sevtopolis in Kazanluk, 110 23<sup>rd</sup> Shipchenski Polk Blvd, where the following decisions were taken:

- + The AGM approves the proposal of the Board of Directors for the distribution of the net profit of the company for 2013, namely: BGN 1 134 000 /one million, one hundred thirty-four thousand leva/ shall be transferred to the additional reserve of the company. No divided for the shareholders shall be distributed.
- + The AGM appoints 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 2014.
- + The AGM continues the term of the audit committee of the company for a period of 3 /three/ years, effective as of the date of the AGM.
- + The AGM approves the annual financial statement of the company for 2013 and discharges from liability the members of the Board of Directors for their work in 2013.

On the Annual General Meeting of Shareholders of Unipharm AD, conducted on 18 June 2014 in Sofia, 3 Traiko Stanoev Str. were taken the following decisions:

- + Approval of the decision by the Board of Directors for the distribution of the net profit of the company for 2013, namely: the net profit for 2013 at the amount of BGN 728 009,58 /seven hundred twenty-eight thousand and nine leva and fifty-eight stotinki/, after the allocation of 10% to the statutory reserve – BGN 72 801 /seventy-two thousand eight hundred and one leva/, shall be distributed as follows: BGN 540 000 /five hundred forty thousand leva/ - for divided for the shareholders of 0.09 BGN per share. The rest of the net profit amounting to BGN 115 208,58 /one hundred fifteen thousand two hundred and eight leva and fifty-eight stotinki/ shall be allocated to the additional reserves. In accordance to the provisions of the Central Depository AD the dividend shall be paid out as follows: shareholders with client accounts at an investment intermediary – through the investment intermediary, for shareholders without client accounts at an investment intermediary – through the branches of DSK EAD in the country. The payment of the dividend shall commence within three months from the date of the AGM, on which the decision for the payment of the dividend was taken.
- + Appointment of “Company for auditing and consulting” OOD for the audit and verification of the annual financial statement of the company for 2014.
- + Approval of the annual financial statement of the company for 2013 and discharges from liability the members of the Board of Directors for their work in 2013.
- + The AGM discharges from liabilities the members of the Supervisory Board for their work in 2013 and approves a decision for continuation of the term of the Supervisory Board for a new period of 5 years, effective from 1 July 2014.
- + Continuation of the term of the Audit committee of the company for a period of 3 /three/ years, effective as of the date of the GMS.



On 19 June 2014 Sopharma AD and Bulgarian Rose – Sevtopolis 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 Bulgarian Rose – Sevtopolis AD shall be transferred to Sopharma AD and the latter shall become its legal successor. Bulgarian Rose – Sevtopolis shall be terminated without liquidation. Pursuant to art. 124, par. 1 of the Public Offering of Securities Act (POSA) the Contract for merger, as well as reports of the management bodies of the companies involved in the transformation of the company under art. 262i of the CA and the report of the examiner under art. 262m of the CA must be approved by the deputy chairman of the Financial Supervision Commission, managing the "Investment Supervision" division. According to the signed contract, in connection with the implementation of the merger shall be carried out a capital increase of the receiving company Sopharma AD through issuing of new shares to be distributed among the shareholders of the transferring company Bulgarian Rose - Sevtopolis AD (except the shareholder Sopharma AD).

On the Annual General Meeting of Shareholders of Momina Krepost AD, conducted on 19 June 2014 in Veliko Tarnovo, 3 Magistralna Str. were taken the following decisions:

- + The AGM approves the proposal of the Board of Directors for the distribution of the net profit of the company for 2013, namely: BGN 170 000 /one hundred seventy thousand leva/ shall be transferred to the additional reserve of the company. No dividend for the shareholders shall be distributed.
- + The AGM appoints 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 2014.
- + The AGM continues the term of the audit committee of the company for a period of 3 /three/ years, effective as of the date of the AGM.
- + The AGM approves the annual financial statement of the company for 2013 and discharges from liability the members of the Board of Directors for their work in 2013.

On the Annual General Meeting of Shareholders of Sopharma AD, conducted on 20 June 2014 in Sofia, 5 Lachezar Stanchev Str., were taken the following decisions:

- + Approval of the proposal of the Board of Directors for the distribution of the net profit for 2013 and the undistributed profit from past periods as follows: net profit for 2013 amounts to BGN 33 660 187.31 /thirty-three million, six hundred and sixty thousand, one hundred and eighty-seven leva and thirty-one stotinki/. The undistributed profit from past periods amounts to BGN 1 383 460.18 /one million, three hundred and eighty-three thousand, four hundred and sixty leva and eighteen stotinki/. The total amount of the profit, subject to distribution, is BGN 35 043 647.49 /thirty-five million, forty-three thousand, six hundred and forty-seven leva and forty-nine stotinki/. After the allocation of 10% to the statutory reserve, amounting to BGN 3 504 364.75 /three million, five hundred and four thousand, three hundred and sixty-four leva and seventy-five stotinki/, from the remaining sum, amounting to BGN 31 539 282.74 /thirty-one million, five hundred and thirty-nine thousand, two hundred and eighty-two leva and seventy-four

stotinki/ shall be paid a gross dividend of BGN 0.07 /seven stotinki/ per share with dividend right. After the exact amount of the dividend has been determined, based on a list of shareholders, provided by the Central Depository AD, entitled to receive a dividend as per art.115c of POSA, the remainder of the net profit shall be allocated to the additional reserves of the Company. In accordance with the Regulations of the Central Depository, the dividend shall be paid out as follows: for shareholders with client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary – through the branches of Eurobank EFG - Bulgaria AD /Postbank/ in the country. Payment of the dividend will commence within three months from the date of the AGM, on which the payment of the dividend was approved;

- + 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 2014, according to a proposal by the Audit Committee.
- + Approval of decision for continuation of the term of the Audit Committee of the Company for a period of 3 /three/ years as of the date of the AGM.

On the Annual General Meeting of Shareholders of Sopharma Trading AD, conducted on 20 June 2014 in Sofia, 5 Lachezar Stanchev Str., were taken the following decisions:

- + The net financial result of Sopharma Trading AD for 2013 amounting to BGN 9 488 933,36 /nine million four hundred eighty-eight thousand nine hundred thirty-three leva and thirty-six stotinki/ shall be distributed as follows: BGN 948 893,34 /nine hundred forty-eight thousand eight hundred ninety-three leva and thirty-four stotinki/ shall be allocated to the Reserve fund as 10% additional reserves, BGN 971 887,95 /nine hundred seventy-one thousand eight hundred eighty-seven leva and ninety-five stotinki/ shall be allocated to the additional reserve of the company, BGN 7 568 152,07 /seven million five hundred sixty-eight thousand one hundred fifty-two leva and seven stotinki/ shall be distributed as divided to the shareholders at a gross amount of BGN 0,23 /twenty-three stotinki/ per share with dividend right.

In accordance with the Regulations of the Central Depository the dividend shall be paid out as follows: for shareholders with client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary – through the branches of SG Expressbank AD. Payment of the dividend will commence within three months from the date of the AGM, on which the payment of the dividend was approved;

- + 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 2014.
- + Approval of the annual financial statement of the company for 2013 and discharges from liability the members of the Board of Directors for their work in 2013.

## New developments and products

### New with marketing authorizations in the six months of 2014

The Company received marketing authorizations for 4 new products in its portfolio – Otofix drops, Softensif tablets with delayed release, Promerol injection solution, Fentoril injection solution.

### Expected in 2014

Three to five new products are expected to be introduced by the end of 2014.

### Developments

Fifteen 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.

## Key financial indicators

Indicators	1-6/2014 BGN '000	1-6/2013 BGN '000	change %
Sales revenue	414 827	370 563	11,9%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	45 781	50 619	-9,6%
Operating profit	31 231	39 732	-21,4%
Net profit	19 643	30 634	-35,9%
Capital expenditures	14 748	25 119	-41,3%

	30.06.2014	31.12.2013	
	BGN '000	BGN '000	
Non-current assets	387 285	384 502	0,7%
Current assets	420 183	398 286	5,5%
Equity	426 026	412 775	3,2%
Non-current liabilities	69 195	72 245	-4,2%
Current liabilities	312 247	297 768	4,9%

Ratios	1-6/2014	1-6/2013
EBITDA / Sales revenue	11,0%	13,7%
Operating profit/ Sales revenue	7,5%	10,7%
Net profit/ Sales revenue	4,7%	8,3%
Borrowed capital/ Equity	0,90	0,90
Net debt/ EBITDA, annualized	3,8x	3,3x

## 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](http://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.

Starting from the end of 2013, including at the date of issue of these consolidated condensed interim financial statements, Ukraine continues to be in a process of political crisis. As a result the exchange rate of the Ukrainian Hryvnia to the Bulgarian Lev has dropped by more than 40%, the interest rates have increased by 3% for the period until August 2014 compared to the rates at the end of 2013, and an inflation of about 15% is expected for the year by the Ukrainian National Bank. The purchasing power of the population shows is in a downturn. This situation continues to have an effect on the pharmaceutical market but the products of the Group are in a comparatively favorable position by being in the moderate price segment (the refrain from purchase of medicinal products refers mostly to the high price segment).

In the current situation in Ukraine for the operations of the Group is essential the existence of a local company-distributor (OOO Sopharma Ukraine), which reduces the risk of uncollectible receivables from third parties as commercial policy of the subsidiary is primarily oriented towards the sale goods to other distributors after payment of their previous liabilities. The applied prices and trading terms aim at minimizing the negative impact of the crisis, while maintaining the market presence and positions of the Group. Currently, the difficulties are mainly related to sales in the eastern areas, which are difficult to conduct for the distributors and are in much smaller amounts. They account for about 20% of the total sales of the Group in Ukraine.

- ✚ 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.

The Group through its subsidiaries in Belarus and Ukraine conducts business operations in these countries and respectively has a substantial exposition in Belarusian Ruble (BYR) and Ukrainian Hryvnia (UAH). 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 rest of the companies abroad conduct sales mainly to the local markets, which leads to currency risk to their currencies - Serbian Dinar (RSD), Polish Zloty (PLN), Lithuanian Litas (LTL).

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.

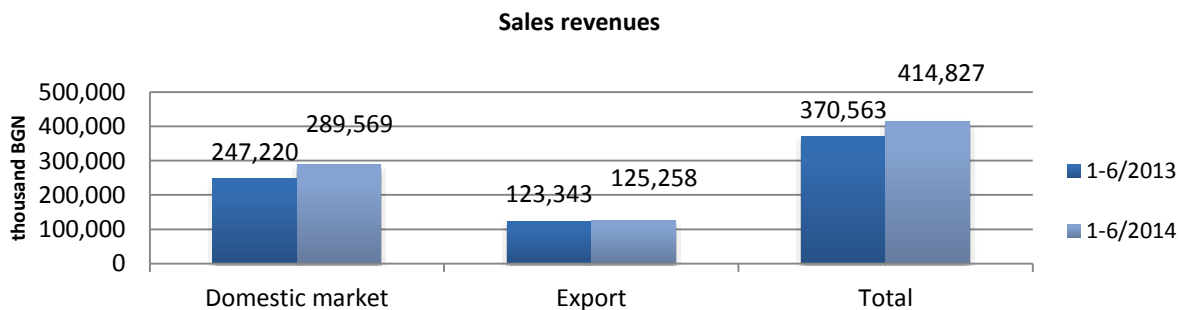
The management of the Group companies together with that of the parent company currently monitor and analyze the exposure of the respective company to the changes in interest levels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative 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 the six months of 2014*

### Sales revenue

Revenue from sales of the Group increased by BGN 44,2 million or 12%, reaching BGN 414,8 million in the six months of 2014 compared to BGN 370.6 million in the six months of 2013. The increase is due to an increase in sales of goods by BGN 47,2 million, reaching BGN 280,3 million in the six months of 2014 compared to BGN 233,1 million in the six months of 2013. Sales of

finished products, which mark a decline by reaching BGN 134,5 million in the six months of 2014 compared to BGN 137,4 million in the six months of 2013.



The contribution of sales in Bulgaria to the consolidated sales revenue in the six months of 2014 amounted to 67%, increasing by 17% to BGN 289,6 million, compared to BGN 247,2 million in the same period of 2013.

Sopharma has a 4% share of the Bulgarian pharmaceutical market in terms of value and a 13% share in terms of sold quantity (units). The positions of the main competitors of the Company in the country are as follows: Novartis – 6.5% (4.5% in units), Roche – 6% (0.5 % in units), GlaxoSmithKline – 5.4% (2.6% in units), Actavis – 5.3% (14% in units), Sanofi-Aventis-Zentiva – 4.3% (3.4% in units), Astra Zeneca – 3.6% (1 % in units), Pfizer – 3.4% (1.4% in units), Servier – 3.1% (1.8% in units), Bayer – 2.7% (1.7% in units). Income from exports increased by BGN 1,9 million or 2% reaching BGN 125,2 million in the six months of 2014 compared to BGN 123,3 million in the six months of 2013.

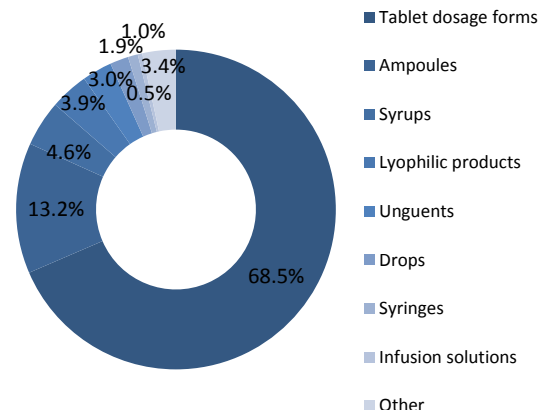
### Revenue by group of products

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.

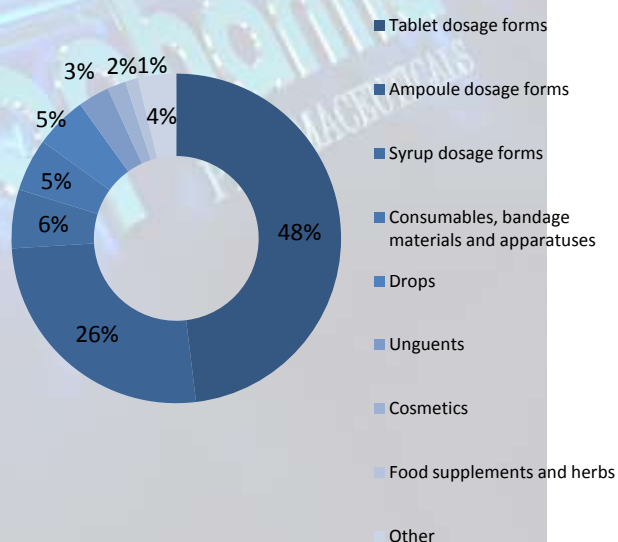


Revenue from sale of finished products by type	1-6/2014 BGN '000	1-6/2013 BGN '000	change %
Tablet dosage forms	92 183	96 800	-5%
Ampoules	17 746	16 388	8%
Syrups	6 251	9 890	-37%
Lyophilic products	5 225	3 374	55%
Unguents	4 068	3 275	24%
Drops	2 511	1 258	100%
Syringes	1 346	1 652	-19%
Infusion solutions	614	929	-34%
Other	4 560	3 881	17%
<b>Total</b>	<b>134 504</b>	<b>137 447</b>	<b>-2%</b>



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 Briz Ltd.

Revenue from sale of goods by type	1-6/2014 BGN '000	1-6/2013 BGN '000	change %
Tablet dosage forms	134 787	113 529	19%
Ampoule dosage forms	72 731	65 918	10%
Syrup dosage forms	16 176	9 571	69%
Consumables, bandage materials and apparatuses	14 544	12 230	19%
Drops	14 303	12 345	16%
Unguents	8 598	8 474	1%
Cosmetics	5 143	2 361	118%
Food supplements and herbs	3 523	2 517	40%
Other	10 518	6 171	70%
<b>Total</b>	<b>280 323</b>	<b>233 116</b>	<b>20%</b>



## Other operating income

Other revenues from operations	1-6/2014	1-6/2013	change	relative share
	BGN '000	BGN '000	%	2014
Services rendered	1 294	1 808	-28%	352%
Advertising	906	27	3256%	246%
Rents	353	523	-33%	96%
Income from penalties	248	-		67%
Government financing	275	208	32%	75%
Services of social activities and events	344	295	17%	93%
Gain/(loss) on sale of non-current assets	44	(3)	1567%	12%
Gain from sale of materials	74	207	-64%	20%
Net gain from exchange rate differences under trade receivables and payables and current accounts	(3 692)	(539)	585%	-1003%
Other	522	522	0%	142%
<b>Total</b>	<b>368</b>	<b>3 048</b>	<b>-88%</b>	<b>100%</b>

Other operating income decreased by BGN 2,7 million reaching BGN 0,4 million in the six months of 2014, compared to BGN 3,1 million in the six months of 2013. The most significant influence have net losses from exchange rate differences under trade receivables and payables and current accounts with BGN 3,1 million and the decrease in services rendered by BGN 0,5 million. There is an increase in income from advertising by BGN 0,9 million and penalties income by BGN 0,3 million.

## Operating expenses

Operating expenses	1-6/2014	1-6/2013	change	relative share of expenses for
	BGN '000	BGN '000	%	2014
Changes in inventories of finished goods and work in progress	(5 011)	(2 094)	-139%	-1%
Carrying amount of goods sold	250 745	214 750	17%	65%
Materials	47 227	41 344	14%	12%
Hired services	32 731	25 516	28%	9%
Personnel	40 548	38 151	6%	11%
Depreciation and amortization	14 550	10 887	34%	4%
Other operating expenses	3 174	5 325	-40%	1%
<b>Total</b>	<b>383 964</b>	<b>333 879</b>	<b>15%</b>	<b>100%</b>

The operating expenses in the six months of 2014 increased by BGN 50,1 million or 15% from BGN 333,9 million in the six months of 2013 to BGN 384 million in the six months of 2014. The

change is due to growth in sales and therefore the carrying amount of goods sold to the internal market, the increase in materials, hired services, personnel, and depreciation and amortization.

	1-6/2014	1-6/2013	change	relative share of expenses for 2014
<b>Expenses on materials</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
Basic materials	34 608	30 432	14%	73%
Spare parts, laboratory and technical materials	3 737	2 385	57%	8%
Electricity	2 519	2 569	-2%	5%
Heating	2 396	2 308	4%	5%
Fuels and lubricating materials	1 851	1 716	8%	4%
Water	473	491	-4%	1%
Other	1 643	1 443	14%	3%
<b>Total</b>	<b>47 227</b>	<b>41 344</b>	<b>14%</b>	<b>100%</b>

*Cost of materials* (14% share) increased by BGN 5,9 million or 14% to BGN 47,2 million in the six months of 2014 compared to BGN 41,3 million in the six months of 2013. The cost of basic materials grew by BGN 4,2 million, or 14%, the most significant impact is defined as the cost of packaging materials and solid and liquid chemicals, which increased respectively by BGN 2,7 million, BGN 1,9 million. The cost of spare parts and laboratory and technical materials also increase by BGN 1,4 million. The cost of electricity and water decreased.

	1-6/2014	1-6/2013	change	relative share of expenses for 2014
	BGN '000	BGN '000	%	%
<b>Hired services expense</b>				
Advertising	9 801	5 693	72%	30%
Rentals and insurance	3 789	3 756	1%	12%
Consulting services	2 465	2 640	-7%	8%
Manufacturing of medicines	2 286	1 370	67%	7%
Forwarding and transportation services	2 127	2 619	-19%	6%
Buildings and equipment maintenance	1 768	1 272	39%	5%
Expense taxes	1 730	344	403%	5%
Services fees	1 352	925	46%	4%
Services related to the registration of medicines	1 261	571	121%	4%
Local taxes and fees	881	562	57%	3%
Subscription fees	829	661	25%	3%
Security	573	631	-9%	2%
Services under civil contracts with physical persons	525	803	-35%	2%
Communications	503	393	28%	2%
Car repairs	468	481	-3%	1%
Other	2 373	2 795	-15%	7%
<b>Total</b>	<b>32 731</b>	<b>25 516</b>	<b>28%</b>	<b>100%</b>

*Hired services* have a 9% share of operating expenses and increased by BGN 7,2 million or 28%, reaching BGN 32,7 million in the six months of 2014 compared to BGN 25,5 million in the six months of 2013. The most significant increase comes from advertising by BGN 4,1 million, expense taxes by BGN 1,4 million, manufacturing of medicines by BGN 0,9 million, and services related to the registration of medicines by BGN 0,7 million.

	1-6/2014	1-6/2013	change	relative share of expenses for 2014
	BGN '000	BGN '000	%	%
<b>Personnel costs</b>				
Current wages and salaries	30 595	28 904	6%	75%
Social security contributions	6 234	4 977	25%	15%
Social benefits and payments	1 708	1 775	-4%	4%
Performance-based bonuses	834	1 235	-32%	2%
Other accruals	1 177	1 260	-7%	3%
<b>Total</b>	<b>40 548</b>	<b>38 151</b>	<b>6%</b>	<b>100%</b>



*Personnel costs* (with an 11% share) grew by BGN 2,4 million, or 6%, reaching BGN 40,6 million in the six months of 2014 compared to BGN 38,2 million in the six months of 2013. The general growth of these costs is due to both 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	1-6/2014	1-6/2013	change	relative share of
	BGN '000	BGN '000		expenses for 2014
			%	%
Entertainment events	1 477	1 131	31%	47%
Business trips	931	701	33%	29%
Training	248	154	61%	8%
Donations	158	160	-1%	5%
Scrapping and shortages of goods	113	707	-84%	4%
Scrapping of finished products and work in progress	97	324	-70%	3%
Payments to the budget for taxes and interest on taxes	58	670	-91%	2%
Charged/(reversed) impairment of current assets, net	(523)	993	-153%	-16%
Other	615	485	27%	19%
<b>Total</b>	<b>3 174</b>	<b>5 325</b>	<b>-40%</b>	<b>100%</b>

*Other operating expenses* (with a share of 1%) decreased by BGN 2,1 million or 40% from BGN 5,3 million in the six months of 2013 to BGN 3,2 million in the six months of 2014. The most significant part in the increase results from recovered impairment of current assets, net with BGN 1,5 million, payments to the budget for taxes and interest on taxes with BGN 0,6 million, the decrease in scrapping and shortages of goods with BGN 0,6 million and the decrease in scrapping of finished products and work in progress with BGN 0,2 million. Entertainment allowances increased by BGN 0,3 million, business trips by BGN 0,2 million and trainings by BGN 0,09 million.

*Depreciation and amortization expense* (with a share of 4 %) increased by BGN 3,7 million or 34% from BGN 10,9 million in the six months of 2013 to BGN 14.6 million in the six months of 2014.

## Finance income and costs

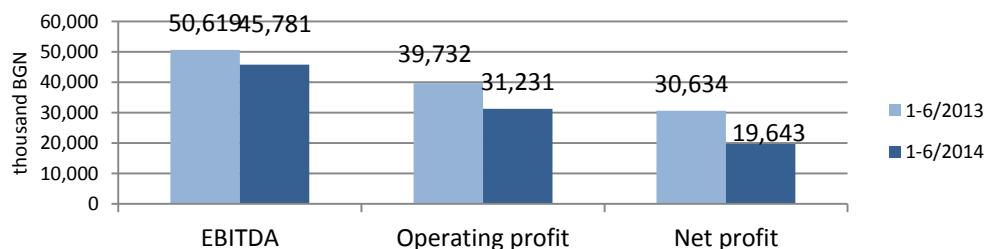
	1-6/2014	1-6/2013	change	relative share of income for 2014
	BGN '000	BGN '000	%	%
<b>Finance income</b>				
Interest income on loans granted	1 270	2 345	-46%	51%
Interest income on overdue receivables	1 039	1 176	-12%	42%
Income from shares	77	204	-62%	3%
Interest on receivables from special contracts	67	102	-34%	3%
Interest income from deposits	26	91	-71%	1%
Income from investment transactions	24	969	-98%	1%
<b>Total</b>	<b>2 503</b>	<b>4 887</b>	<b>-49%</b>	<b>100%</b>
<b>Finance costs</b>				
Net loss from exchange rate differences on loans	5 216	95	5391%	52%
Interest expense on received loans	4 310	3 227	34%	43%
Bank fees and charges on loans and guarantees	314	369	-15%	3%
Investment operations expenses	164	201	-18%	2%
Interest expense on finance lease	34	5 582	-99%	0%
Impairment of available-for-sale investments	4	-		0%
<b>Total</b>	<b>10 042</b>	<b>9 474</b>	<b>6%</b>	<b>100%</b>

*Finance income* decreased by BGN 2,4 million or 49%, to BGN 2,5 million in the six months of 2014 compared to BGN 4,9 million in the six months of 2013. The decrease is mainly in interest income on granted loans by BGN 1,1 million and income from investment operations by BGN 0,9 million, as well as a decrease in interest income on overdue payments by BGN 0,1 million and income from shares by BGN 0,1 million.

*Finance costs* increased by BGN 0,6 million from BGN 9,4 million in the six months of 2013 to BGN 10 million in the six months of 2014. The most significant influence is due to net loss from exchange rate differences on loans with BGN 5,1 million. This is a result of revaluation of a bank loan at the amount of BGN 7 million of Vitamini, Ukraine due to devaluing of the Ukrainian currency at the beginning of the year. Interest expense on loans received increased by BGN 1,1 million of 34%. Expenses on investments in shares decrease by BGN 5,5 million.

*Net financial costs* increased by BGN 2,9 million, reaching BGN (7,5) million as at 30 June 2014 compared to BGN (4,6) million as at 30 June 2013.

## Financial performance



*Earnings before interest, taxes, depreciation and amortization (EBITDA)* decreased by BGN 4,8 million or 10%, amounting to BGN 45,8 million as at 30 June 2014, compared to BGN 50,6 million as at 30 June 2013 .

*Operating profit* decreased by BGN 8,5 million or 21%, to BGN 31,2 million as at 30 June 2014, compared to BGN 39,7 million as at 30 June 2013.

*Net profit* decreased by BGN 11 million, or 36%, reaching BGN 19,6 million as at 30 June 2014, compared to BGN 30,6 million as at 30 June 2013.

## Assets

	30.06.2014	31.12.2013	change	relative share 2014
	BGN '000	BGN '000	%	%
<b>Non-current assets</b>				
Property, plant and equipment	301 349	306 781	-2%	78%
Intangible assets	14 582	15 848	-8%	4%
Goodwill	11 563	12 890	-10%	3%
Investment property	10 631	10 526	1%	3%
Investments in associated companies and joint ventures	1 967	1 002	96%	1%
Available-for-sale investments	9 947	8 187	21%	3%
Long-term receivables from related parties	31 938	25 656	24%	8%
Other long-term receivables	1 335	585	128%	0%
Deferred taxes	3 973	3 027	31%	1%
	<b>387 285</b>	<b>384 502</b>	1%	48%
<b>Current assets</b>				
Inventories	143 908	139 596	3%	34%
Trade receivables	212 641	191 132	11%	51%
Receivables from related parties	29 109	28 763	1%	7%
Other receivables and prepayments	18 085	11 639	55%	4%
Cash and cash equivalents	16 440	27 156	-39%	4%
	<b>420 183</b>	<b>398 286</b>	5%	52%
<b>TOTAL ASSETS</b>	<b>807 468</b>	<b>782 788</b>	3%	100%

*Total assets* increased by BGN 24,7 million, or 3%, reaching BGN 807,5 million, compared to BGN 782,8 million as at 31 December 2013 as a result of an increase in both non-current and current assets.

*Non-current assets* increased by BGN 2,8 million or 1%, mainly due to the increase in long-term receivables from related parties by BGN 6,3 million and in available-for-sale investments by BGN 1,8 million. Assets in property, plant and equipment decrease by BGN 5,4 million mainly in the part of machines, facilities and equipment by BGN 4,9 million. Assets in the process of acquisition increase by BGN 2,7 million.

Intangible assets decreased by BGN 1,3 million, mostly due to a decrease in goodwill by BGN 1,3 million as a result of effects of currency and hyperinflationary recalculations.

Investments in associated companies and joint ventures increased by BGN 0,9 million compared to 31 December 2013 as a result of acquired shares by Briz in Belarusian companies for trade with pharmaceutical products.

The available-for-sale investments increased by BGN 1,8 million.

Long-term receivables from related parties increased by BGN 6,3 million or 24% to BGN 31,9 million.

*Current assets* increased by BGN 21,9 million or 6%, reaching BGN 420,2 million as at 30 June 2014 compared to BGN 398,3 million as at 31 December 2013.

Inventories comprise 34% of current assets and increased by BGN 4,3 million compared to 31 December 2013, mainly in the portion of goods by BGN 1,1 million, finished products by BGN 3,9 million and semi-finished products by BGN 1 million. There is a decrease in materials by BGN 1,2 million, and unfinished products by BGN 0,5 million.

Commercial receivables, which have a relative share of 51% of current assets, increased by BGN 21,5 million, both in the portion of receivables from customers by BGN 15,3 million and in advance payments with BGN 6,2 million.

Receivables from related parties have a relative share of 7% in current assets and increased by BGN 0,3 million. The most significant contribution to this increase have receivables from the sale of products and materials with BGN 0.6 million.

Other receivables and prepayments comprise 4% of current assets and increased by BGN 6,4 million, as a result of an increase in awards from litigations, net by BGN 4,9 million, recovered taxes by BGN 1,4 million and other receivables by BGN 0,5 million.



Cash and cash equivalents decreased by BGN 10,7 million compared to 31 December 2013. As at the end of the current period there are deposits amounting to BGN 2,8 million.

## Equity and liabilities

<b>EQUITY</b>	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>change</b>	<b>relative share of equity for 2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>		
<b>Equity attributable to owners of the parent</b>			<b>%</b>	<b>%</b>
Share capital	132 000	132 000	0%	31%
Reserves	35 535	32 013	11%	8%
Retained earnings	200 603	194 585	3%	47%
	<b>368 138</b>	<b>358 598</b>	3%	86%
<b>NON-CONTROLLING INTEREST</b>	57 888	54 177	7%	14%
<b>TOTAL EQUITY</b>	<b>426 026</b>	<b>412 775</b>	3%	100%
	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>change</b>	<b>relative share of total liabilities for 2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term bank loans	51 371	55 992	-8%	13%
Deferred tax liabilities	6 929	4 647	49%	2%
Long-term liabilities to personnel	3 426	3 557	-4%	1%
Finance lease liabilities	1 840	2 382	-23%	0%
Government grants	5 547	5 612	-1%	1%
Other non-current liabilities	82	55	49%	0%
	<b>69 195</b>	<b>72 245</b>	-4%	18%
<b>Current liabilities</b>				
Short-term bank loans	216 278	208 643	4%	57%
Current portion of long-term bank loans	6 440	7 083	-9%	2%
Trade payables	57 464	61 712	-7%	15%
Payables to related parties	6 604	3 828	73%	2%
Payables to the personnel and for social security	8 695	6 757	29%	2%
Tax payables	4 836	4 410	10%	1%
Other current liabilities	11 930	5 335	124%	3%
	<b>312 247</b>	<b>297 768</b>	5%	82%
<b>TOTAL LIABILITIES</b>	<b>381 442</b>	<b>370 013</b>	3%	100%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>807 468</b>	<b>782 788</b>	3.2%	

The equity of the Sopharma Group increased by BGN 13,3 million compared to 31 December 2013 mainly due to the achieved net profit for the current period. Equity attributable to owners of the parent comprise 46% of total equity and liabilities, with certain improvement of the financial autonomy of the Group.

Non-current liabilities decreased by BGN 3 million or 4%, from BGN 72,2 million at the end of 2013 to BGN 69,2 million at the end of the six months of 2014 mainly due to a decrease in long-term bank loans.

Deferred tax liabilities increased by BGN 4,6 million. There is a decrease in finance lease liabilities by BGN 0.5 million and long-term liabilities to personnel by BGN 0.1 million.

Current liabilities increased by BGN 14,5 million or 5% compared to 2013, mainly in the portion of short-term bank loans by BGN 7,6 million and other current liabilities by BGN 6,6 million. There is an increase in payables to related parties by BGN 2,8 million and payables to personnel and for social security by BGN 1,9 million.

The Group's total liabilities on bank loans and leases increased by BGN 1,8 million compared to the end of 2013, while net debt, after subtracting cash and cash equivalents, increased by BGN 12,5 million.

### Cash flows

	30.06.2014 BGN '000	31.03.2013 BGN '000
Net cash flows from operating activities	6 263	17 776
Net cash flows used in investing activities	(18 260)	(14 124)
Net cash flows (used in)/from financing activities	1 276	12 770
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(10 721)</b>	<b>16 373</b>
Cash and cash equivalents at 1 January	26 633	15 767
Cash and cash equivalents at 30 June	15 908	32 140

Net cash flows generated from operating activities as at 30 June 2014 amount to BGN 6.3 million, those from investing activities – BGN (18,3) million and from financing activities – BGN 1,3 million. As a result of these activities the cash and cash equivalents mark a net decrease of BGN 10,7 million and as at 30 June 2014 amounting to BGN 15,9 million compared to BGN 26,6 million as at 1 January 2014.

## Financial ratios

	30.06.2014	31.03.2013
ROE <sup>1</sup>	5,1%	11,3%
ROA <sup>2</sup>	2,3%	5,2%
Asset turnover <sup>3</sup>	1,01	0,94
Current ratio <sup>4</sup>	1,35	1,40
Quick ratio <sup>5</sup>	0,88	0,98
Cash ratio <sup>6</sup>	0,05	0,10
Solvency ratio <sup>7</sup>	1,12	1,08

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

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

<sup>3</sup> Revenue from sales, annualized / arithmetic mean of total assets for the last five quarters

<sup>4</sup> Current assets / current liabilities

<sup>5</sup> Receivables + cash/current liabilities

<sup>6</sup> Cash/current liabilities

<sup>7</sup> Equity/Liabilities

## Information about the shares of Sopharma AD

The total number of shares issued by Sopharma AD as at 30 June 2014 is 132 million 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 certificate ABN AMRO SOFIX - Open-end-certificate 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.

## Important information for the shares of Sopharma AD

	30.06.2014	30.06.2013
Total number of issued shares	132 000 000	132 000 000
Number of shares outstanding at the end of the period	126 804 322	127 348 752
Earnings per share in BGN <sup>1</sup>	0,15	0,31
Price per share at the end of the period in BGN	4,318	3,115
Price/Earnings ratio (P/E)	29,58	10,05
Book value per share in BGN <sup>2</sup>	2,90	2,85
Price/Book value ratio (P/B)	1,48	1,09
Income from sale of one share in BGN <sup>3</sup>	6,36	5,60
Price of one share / Income from sale of one share (P/S)	0,68	0,56
Market capitalization in BGN	569 976 000	411 180 000

<sup>1</sup> Net profit of the company for the last four quarters excluding earnings from non-controlling interest/ average outstanding number of shares

<sup>2</sup> Common equity of the company as per the last financial report excluding non-controlling interest / number of shares outstanding at the end of the period

<sup>3</sup> Income from sales in the last four months / 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 – 30 June 2014



Ognian Donev, PhD  
Executive Director, Sopharma AD