

SOPHARMA AD | www.sopharma.bg



LOOKING TOWARDS GLOBAL

ANNUAL COMMUNICATION ON PROGRESS REPORT

| 2015



Statement of continued support |

Dear stakeholders,

I am pleased to confirm that Sopharma AD implements and supports all the Ten Principles of the United Nations Global Compact in the field of Human Rights, Labour, Environment and Anti-Corruption.

In this Report, we will describe our operations towards improving the integration of the Global Compact and its principles into our business strategy.

We also commit to share this information with our stakeholders through our internal communication channels.

Sincerely yours,

Ognian Donev, CEO

A handwritten signature in black ink, appearing to read 'Ognian Donev', written on a light-colored background.

Business |

SOPHARMA IS LISTED IN TOP10 LARGEST PHARMACEUTICAL COMPANIES UNDER NO. 6

"Last year Sopharma, the only company with Bulgarian majority owners in the Top 10, continued to perform well and marked sales growth of its drugs in value." **IMS Health**



Dr. Ognian Donev - Chairman of Sopharma Board of Directors: We are satisfied with the results we achieved last year on the Bulgarian market. We managed to maintain our positions and defended them. We are one of the two generic pharmaceutical companies in the Top 10 on the Bulgarian market and I would like to comment separately the two main segments of the drug market: OTC drugs and prescription drugs due to the different ways these are purchased by consumers. In OTC drug segment Sopharma continues to be a leading company with 10,6 % growth according to IMS data. Once again Analgin is the best-selling medication in volume on the Bulgarian market.

In the prescription drug segment price downturn for all generic companies has been seen in uncontrolled volume for almost half a year now. Thus lots of generic manufacturers are forced to withdraw their products from the market because often they have to sell them below their price. For the time being Sopharma refrains from undertaking such extreme measures since we are committed to be a national responsible domestic producer.

This year we launched eight new products (six new molecules and two new medication formulations) with a total of fourteen concentrations. Our market participation remains traditionally strong in the cardiovascular therapeutic area group for example, but as a big generic manufacturer we strive to be presented in most therapeutic groups, as well as to do it at a cost acceptable for both society and patients. We are expanding our portfolio with more medications for chronic diseases in which the generic drugs offer the gold treatment standard at a reasonably acceptable price for the country.

FIRST PLACE DRUGS

According to **Pharma Brand** inquiry of “**The most advisable among pharmacists OTC drugs and food supplements in 2014**” - two products of Sopharma’s Portfolio take first place in the segment: Analgin® in Analgesics for Adults and Tribestan® - in Products used in sexual disorders among Men.



The second place in the segment is held by Dimex® (Antitussives), Carsil® (Hepatoprotectors) and Deflamol® (Preparations for treatment of wounds and ulcers) also brands by Sopharma.

Vienna Economic Talks – Chisinau Meeting 2014



Dr. Ognjan Donev participated the Vienna Economic Talks – Chisinau Meeting 2014

The Vienna Economic Forum focuses on attracting long-term investments. They suggest Moldova, which has lower incomes than the other European states, but has potential and is developing, to benefit from the Vienna Economic Forum activities. The solution to rapid development resides in the attraction of investments, increase in exports and enhancement of competitiveness of the Moldovan products on the

European markets. The Economic Forum is convinced, that the markets in CEE continue to offer great potential.

ELECTION FOR VICE-PRESIDENT OF VIENNA ECONOMIC FORUM

The Chairman of the Board of Directors of Sopharma Ognian Donev was elected Vice-President of the Vienna Economic Forum

Thus, he will be one of the three Vice-Presidents supporting the President of the Organisation Mr. Erhard Busek who was Vice-Chancellor of Austria in the period of 1991-1995 and Special Co-ordinator of the Stability Pact for South-Eastern Europe in the period of 2002-2008.

The Vienna Economic Forum is an organisation dedicated to promote and support the practical achievement of investments in the region from the Adriatic to the Black Sea.



Vision 2020 | Partners for health development

Dr. Ognian Donev, Chairman of the Board of Directors and CEO of Sopharma took part in the discussion for pharma vision 2020. The discussion was held at 20th EGA Annual Conference in Madrid under the slogan ***“Towards a healthier society? The generic medicines industry’s response”*** in June 2014.



In July 2014, in Brussels, the Executive Committee of the European Generic Association (EGA) had a meeting, at which a new Secretary of EGA Executive Committee was elected. The Executive Committee member Mr. Vladimir Afenliev, who is also Director of Business Operations, Strategic and Structure Development Department of Sopharma AD, was elected to this position.

Environment | Sopharma, as an active member of the UN Global Compact, supported the World Environment Day by its own initiative.

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КРИСТАЛИНА ГЕОРГИЕВА

Член на Европейската комисия

Брюксел

Уважаема госпожо Сагова,

Уважаема госпожо Стефанова,

Бих искала да Ви поздравя за оригиналната инициатива за отбелязване на Световния ден на околната среда, и да Ви благодаря за тениската с послания на български деца за спасяване на нашата планета.

Изключително ме радва фактът, че въпросите на изменението на климата и опазването на околната среда, не са чужди на младите българчета, и че те са все почувствителни към тази проблематика. Като комисар, отговарящ за хуманитарната помощ и реакцията при кризи, аз виждам как промените в климата са причина за все по-чести и по-мащабни бедствия, и напълно подкрепям усилията Ви.

Запазването на нашата планета и справянето с изменението на климата изисква ангажмента не само на всички политически лидери, но и на гражданите. С начина си на живот ние можем да допринесем за опазването на околната среда и да попречим на ускоряването на глобалното изменение на климата. Възпитавайки децата и младото поколение в дух на отговорност към планетата можем да дадем импулс за промяна на тяхното поведение и на това на техните родители и на обществото ни като цяло. Ето защо Вашата работа е особено ценна.

Най-сърдечно Ви желая успех и се надявам посланията на децата да бъдат чути.

С уважение,



Кристилина Георгиева

До: г-жа Ганета Сагова
г-жа Марина Стефанова

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PRODUCTION PROCESS | *GREEN TECHNOLOGIES*



| Energy-efficiency

| Energy-saving technologies

| Low environmental pollution

| Renewable sources

| European environmental standards

| Reduced energy consumption and maintenance costs

| Comfortable climate in the building

| Improved working condition

| Ecological environment thinking



DEVELOPMENT | CONSOLIDATION

A NEW HIGH-RACK WAREHOUSE IN SOFIA

In July 2014 Sopharma started the construction of a new high-rack warehouse for finished dosage forms in Sofia. The construction of the new high-rack warehouse will take one year and the total floor area will be 4555 m². The total number of pallet spaces will be 4165, and will hold 10 workrooms. The architect is Tilev Architects Ltd.



BULGARIAN ROSE-SEVTOPOLIS WAS MERGED TO SOPHARMA AD



In November the Financial Supervision Commission (FSC) approved the Agreement for the merge of Bulgarian Rose-Sevtopolis AD within Sopharma AD. In connection with this merge, the capital of Sopharma will be increased from 132 mln. leva to 134 798 527 leva by the issue of 2 798 527 new ordinary shares of 1 leva par value each.

People matters | Healthcare | Prevention | Human Rights

Healthcare and Prevention |

Protection of Bulgarian patients

As a member of BHPharma, Sopharma took part in a press conference of the Association on 27.03. on „**What are the major threats of access to medicines for patients in Bulgaria**”, in connection with the proposed changes in the Health Insurance Act. These changes refer to the business of pharmaceutical manufacturers and would lead to its hindrance, even to delisting of some medicines on Bulgarian market. As a member Sopharma supports the Association's worries that the changes proposed will have a negative effect on pharmaceutical industry in this country, which is **structure defining** for the national economy. These changes were not consulted with the industry and could cause tension in the Bulgarian healthcare system.



BGPharma discussed the key importance for the Bulgarian industry of Generic Pharma. The appeal of BHPharma is to develop and follow a policy that guarantees the Industry to be treated adequately.

Principles are necessary to unite all – political forces, industry and patients to work in one direction. When this happens and experts have been found to create a financial framework for this strategy, then we can witness the stabilisation and improvement of the healthcare sector in our country.

Pharmaceutical industry provides employment for almost 15 000 Bulgarians. Few are the European countries where pharmaceutical industry ensures such percentage of Gross Domestic Product as in Bulgaria. At the same time, the very nature of pharmaceutical manufacture involves continuous investments. Thanks to generic medicines, the price of 7 therapeutic area groups of medicines in our country alone decreased by 23%. Nevertheless, the average additional payment for treatment of patients in

Bulgaria is about 66%, which is among the highest ones in the EU. This is an indication of the need for adequate policy in the field of health care in accordance with the EU healthcare policy.

First Annual Conference Innovations and Good Practices in the Health Sector

... took place in September 2014.

Restructuring and perspectives ahead of the Bulgarian pharmaceutical industry and the experience of the biggest Bulgarian pharmaceutical company was presented by Dr. Ognian Donev, Member of the Board of Directors and CEO of Sopharma.

SOCIAL DISEASE RESPONSIBILITY

Smoking Cessation and Erectile Dysfunction Health Care |

Clinical study according to global standards proved: A Bulgarian medicinal product is effective against erectile dysfunction

Erectile dysfunction is a common condition in males all over the world. It has a strong negative effect on the quality of life of patients and their partners. The high incidence of this condition is associated, to a great extent, with ageing, but also with the coexistence of other serious diseases. The way of life, including obesity, smoking, alcohol abuse and sedentary lifestyle also has influence on erectile dysfunction.

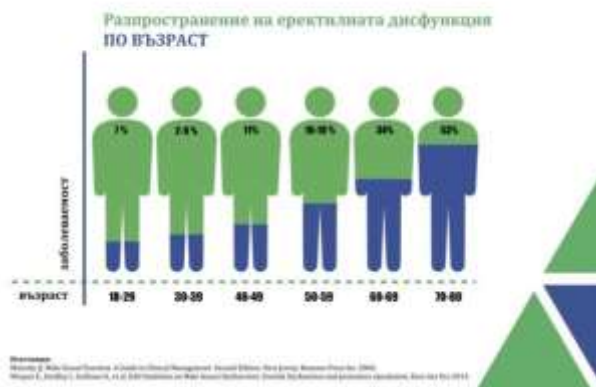
The Bulgarian medicinal product containing extract of the Tribulus Terrestris herb is effective for treatment of impotence. This was demonstrated by a 16-week clinical study among Bulgarian males, conducted according to the highest global standards for investigation of erectile dysfunction.

This study is the largest representative trial in this country of an over-the-counter medicinal product in erectile dysfunction. It was accomplished at 10 leading endocrinology and urology clinics in Sofia, Pleven, Ruse, Varna and Lovech using the International Index of Erectile Function (IIEF) questionnaire that is considered to be a gold standard for assessment of impotence worldwide.

The study conducted has a high demonstrative level with regard to its design - randomised, double-blind and placebo-controlled. It involved 180 males with erectile dysfunction, and/or low libido. It meets completely the Good Clinical Practice /GCP/ for trials, as well as the standards for manufacture and distribution of medicinal products - GMP and GDP.

/ Tribestan® is original brand of Sopharma used for complex treatment of low libido, impotence, male infertility, in lipid metabolic disorders, for total cholesterol and low-density lipoprotein reduction. It is also

used for relief of marked neurovegetative and neuropsychic manifestations in women with climacteric and postcastration syndrome (a condition after surgical removal of ovaries).



ANOTHER ORIGINAL BRAND OF SOPHARMA - TABEX® – EX-SMOKER®

Smoking accounts for more avoidable public health damage than anything else, including obesity.



The path to giving up the vice is paved with smoking cessation aids, such as nicotine gums and patches and the drug varenicline (Chantix). But there's another treatment that works at least as well – Tabex® (cytisine). Though it's been in use since the 1960s, many American doctors have never heard of it. It costs a fraction of what Pfizer's Chantix does, and it's even cheaper than patches and gums. The treatment is cytisine (Tabex), a plant-based drug that blocks nicotine receptors in the brain much like Chantix does. The drug has been used to treat more than 20 million people.

High Expenses for tobacco dependence

treatment! | Tabex® (cytisine) – the accessible treatment

1 month of varenicline = \$300 | 1 month of nicotine patches = \$80 | **25-day course of cytisine = \$25**

According to a study published in December in the *New England Journal of Medicine*, it is at least as effective as nicotine replacement in helping smokers quit and avoid relapses.

“Quitting smoking is the single best thing you can do to improve your health and extend your life.”

| Dr. Norman Edelman, a senior medical advisor at the American Lung Association

Most of the world’s smokers live in developing countries and can’t access high-cost smoking cessation aids. According to World Health Organization data, smoking rates are highest in Pacific Island and Eastern European nations. In Latvia, one-third of all adults smoke. Even in developed countries, the high cost of nicotine replacements can hurt consumers’ pocketbooks and government coffers.

A Look Back |

“Most of the research [on cytosine - Tabex] has been undertaken in countries that are non-English speaking and the studies are published in journals that aren’t in English. So the Western world just ignores them.”

| Natalie Walker, Ph.D., National Institute for Health Innovation, New Zealand

The studies that were used to develop dosing recommendations, for instance, are not publicly available.

Four European Union countries have approved the drug, while 12 countries outside the union have, according to Walker. The Food and Drug Administration has not approved it for use in the United States.

Tabex® Ex-smoker® mobile application is on run

Take extra care of your health – **quit smoking assistance** – learn, compete, quit quickly and win.



Every smoker needs support to quit...

Another Health Campaign

Mobile Application “Zdravi” and its campaigns

Zdravi (Healthy) is a mobile application that gives everyday advice for healthy lifestyle and health prevention. It has its group of health-supporters in the social media. After the free mobile application “Zdravi” Sopharma is launching the “Healthy” campaign with a portable Interactive installation designed especially for the project with mechanics made of plywood with Arduino based Software. The campaign is dedicated to promote easy to follow practices for healthy living by measuring health indicators, such as pulse, and providing easy to implement advice according to the health indicators measured, upon performing the advice, the installation drops the participator a present. The installation can be placed at different places where the people passing could interact with.



The First Herbal Garden in a Sofia School

Healthy, the Bulgarian mobile application dedicated to a healthy lifestyle, made a gift to the sixth graders



From October 9 the lessons in Natural History and Biology are going to be illustrated with herbs and spices in Zahari Stoyanov 104th Primary School in Sofia. The students from 6th-A class have planted on their own variety of plants and participated willingly in the design of the garden. Besides the well-known Oregano, Thyme and Rosemary, the children have planted also Stevia - a plant known as a natural substitute for sugar - and learned that the exotic Goji Berry bush can also be cultivated in our country.

For the following years, all children in the school, together with their teacher in Biology Ms. Veneta Dimova, are going to take care of the herb garden. The project for illustrating knowledge with open classes in the garden is fulfilled with the support of Mr. Kapka Velinova, School Principal. A series of studies have shown that school gardening programs improve children's nutrition habits and boost their performance in class.

The school herbal garden is part of the Causes campaign of Healthy mobile application. For several months every user following the advice of Healthy has been able to donate virtual points for carrying out charitable causes of their choice. Upon interest and requests from other schools, Healthy will gradually expand the project for herbal gardens.

The idea of Sopharma, the initiator of the mobile application, is to promote knowledge toward building a healthy lifestyle and responsible behavior, both to ourselves and the nature, from earliest age. The project is fulfilled in cooperation with Credo Bonum Foundation. This project is part of the sustainable expansion of social projects and the healthy lifestyle is indispensable part of it as one of the responsible choices everyone has to make.



HEALTHY LIFESTYLE – HEALTHY BLOOD PRESSURE

Arterial hyper tension is a serious medical, social and economic problem worldwide. It is often responsible for cardio-vascular complications, stroke, myocardial infraction, heart and renal failure.

In Bulgaria, the patients with hypertension are 2 million. Every sixth person with hypertension is not aware of the condition, and every third one ignores the high levels of their blood pressure. The age limit decreases more and more, and adolescents with hypertension in Bulgaria are about 5%.

On May 17th, the World Hypertension Day in Kailaka park, Pleven , Sopharma organized blood pressure measuring for free with the help of special devices which detect atrial fibrillation and warn for risk of stroke. Over 220 people checked their health indicators, and in 16 of them a health problem was found. Similar campaigns for free measurement of health indicators are a tradition for Sopharma's project "We for the Society" launched in April 2011. For this campaign, Sopharma AD provided devices for blood pressure measurement and a present for everyone, a patient's diary book. The measurement was held with the help of prof. Sn.Tisheva, Head of Cardiological Clinicat UMBAL "Georgy Stransky" and with the active participation of students from the Medical University - Pleven.



We continued to contribute to Tulip Foundation in their mission to encourage social responsibility in Bulgarian society and their goal to enhance co-operation among civil society, the corporate sector, national and local authorities to improve the quality of life and developmental opportunities for the people of Bulgaria.

SMALL STEPS IN GLOBAL FUTURE |

Project of the Year



SOPHARMA has joined the project ***I'm proud of my parents work 2014*** which gathers more and more supporters not only from active members of the Global Compact Bulgaria, but companies that share same values and want to show their respect to labor. The project aims to show the children that labour is a value and each person is necessary to society, no matter what profession they have. The focus is on the values—of work, endeavour and learning on the territory of our work places, to show our children real work environment, meet them with professionals, show them the work of their parents and remind them that any man should continue to learn during his whole life if he wants to be successful.



Sopharma AD welcomed children of its employees under the project of United Nations Global Compact Network Bulgaria *I'm proud of my parents work*



First Children Career Fair |



In December the first children career fair in the country took place. It marked the successful final of *I'm proud of my parents work 2014*. At the stand of Sopharma, the guests could see how "elephant tooth paste" was made and could win a present in return for a hug by the "Healthy" machine. All companies participating in the project presented the main professions related to their business, various workshops, presentations and entertainments. The event took place at the Museum of Sofia.



Supporting young students |

The annual student case study competition called **F.I.R.M.A. (Focus, Innovation, Realisation, Motivation, Ambition)**, organised by the Business Club of St. Kliment Ohridski University of Sofia, introduces the students to real work situations in partnership with different successful companies partners of Sopharma AD. The winners will be given the opportunity for training at Sopharma.



The presentation of the project Стаж@bg (Internship at Bg) – a students' tournament for transfer of knowledge and innovations, took place on November 4th at Sopharma Business Towers. This is an entirely new program of United Nations Global Compact Network Bulgaria initiated by its members based on Sopharma's initiative. The program provides student training for Bulgarian students who study at universities abroad.

The students will work on real cases issued by Bulgarian companies. During the training they will have the chance to share ideas with company employees and to put their knowledge into practice which will serve as motivation to look for work in Bulgaria after they graduate.



Charity | Donation

Sopharma AD, jointly with *St. Ivan Rilski* Charitable Association, donated first aid kits with essential medicines to the International Organization for Migration.

Another aid kits with essential medicines were donated to mayors and organizers of youth centres in the county of Veliko Tarnovo, including the village of Velchevo and the village of Novo Selo, and one was given to serve the needs of a pensioners club and others were given to pensioners clubs in Sofia.



Sopharma and BDF (Bulgarian Donation Fund) Joint Action for supporting people with respect to tragic events after natural disaster that occurred in the Bulgarian towns Varna and Dobrich. The BDF has organized a fund raising campaign and is working with active volunteers on the spot. Sopharma AD donates medicines and consumables to be distributed by the BDF local coordinators depending on people's needs.

Charity Seen through the Lens Photography Contest |

For a third year in row Sopharma is a partner of the competition organizers - the Bulgarian Charities Aid Foundation and the Bulgarian Donation Forum.

Awards for participants in the photography competition "Charity Seen through the Lens" and the exhibition of nominated photographs at Credo Bonum Gallery.



Humanity |

Sopharma employees have responded to the call for support of the asylum seeking refugees in Bulgaria



Engage Sports |

Vitosha Trail Race Prize support.

On May 24 a Sopharma team took part in 2014 Salomon Vitosha Trail Race (#SVT14). 230 enthusiasts from 6 countries took up the challenge to participate in the competition. According to race regulations the runners competed in three distances of varying lengths and difficulties. Sopharma team performed quite well: Boyko Zlatanov scored 15:04 and won the first prize in the Veteran Group (Men, 4 km). Mountain

running is a specific sport that offers the runners a unique combination of having close contact with nature and achieving harmony between body and spirit.



Free speech | Free media

Traditionally Sopharma supports *MediaMixx - the unique media festival* in Bulgaria. In 2014 it has his 20th anniversary edition. The festival brought together representatives from major Bulgarian media, journalists, media and PR experts and bloggers. The congress was full of topics and discussions on freedom of speech, the image of 'the other' in the news coverage as well as influence and involvement of the media in the election campaigns. Furthermore, comments were made on the future of the media after the digital revolution and speculations were made on media futurism.



Another campaign support - PR Prize 2014 and the Eight PR Festival in Bulgaria were accomplished with the assistance of Sopharma.



Human Rights |

Sopharma's support of Tenth World Meeting of Bulgarian Media 'Patriotism in the Global World'.



**ДЕСЕТА
СВЕТОВНА СРЕЩА
НА БЪЛГАРСКИТЕ МЕДИИ**
19 – 23 октомври 2014
София – Босилеград – Цариград



“Reliable information is an inalienable human right.” Were the words used by President Rosen Plevneliev to open the Tenth World Meeting of Bulgarian Media, more than 150 members worldwide.

Art as Healing |

Auguste Rodin's exhibition in Bulgaria was accomplished with Sopharma's support.

„Metamorphoses“ representing 80 sculptures of Auguste Rodin and 20 of his drawings from the collections at the Rodin Museum in Paris, was exhibited for the first time in Bulgaria.



Sponsorship | Royal Concertgebouw Orchestra in Bulgaria.

The Concert will be held in Bulgarian National Palace of Culture on 8 of May 2015 with the kind support of Sopharma. The famous violist Vesko Panteleev Eschkenazy and Royal Concertgebouw Orchestra will put off a first class concert.

THINK Social |



Sopharma AD in 2015: social commitment with many aspects |

Providing information about health care, prevention of socially significant diseases, providing care for disadvantaged people, public engagement of employees – these are Sopharma's priorities in the work for social benefit.

Social and health care for the elderly– not only medical treatment but care and attention as well. The endless waiting and queues in front of the GP's cabinet, sometimes to only measure the blood pressure, is hard for a pensioner. To provide the feeling of actual care and support, we realize social projects in several pension clubs in Sofia, where we provide measuring of various health parameters such as blood pressure, carbon monoxide in the lungs, the volume of inhaled air, as well as a recommendation for a visit to the general practitioner, if necessary. The psychological support is also present in our prevention program, a specialist-psychologist with many years of practice is taking care of that. The project started in the pension club in Lulin and was supported by the Bulgarian Association of Pensioners (BAP), since it gave the pensioners the opportunity to share and solve actual problems that worsen their health and inner comfort.

Our online presence with advices on physical and mental health *#здраву/zdravi* and a positive look at life *#силен ден (strong day)* and *#силен ден в общуването (communication is power)* created social commitment and focused the attention on health, as well as gained a lot of friends in social networks. We are going to expand this very soon with a new information campaign for prevention of socially significant diseases and a new mobile application. A new challenge for us is also the joint project with Darik radio *#sopharmabike* to promote healthy lifestyle in urban environment. Charity and empathy to a friend in need are combined in the expansion of the sustainable project “Help from a friend” which is now in its fifth year with the voluntary participation of Sopharma employees in the form of charity bazaars.

