

ANNEX №1
TO THE CONTRACT FOR TRANSFORMATION
BETWEEN SOPHARMA AD AND UNIPHARM AD
14 SEPTEMBER 2017

JUSTIFICATION OF THE FAIR PRICE OF SHARES OF SOPHARMA AD

For transformation through merger of Unipharm AD in Sopharma AD

THE FINANCIAL SUPERVISORY COMMISSION IS NOT RESPONSIBLE FOR THE ACCURACY OF THE DATA CONTAINED IN THE JUSTIFICATION.

DATE OF PREPARING THE EVALUATION: 8 SEPTEMBER 2017

JUSTIFICATION OF THE PROVIDED RANGE VALUE:**1. SUMMARY OF EVALUATION DATA****EVALUATION OF SOPHARMA AD**

Sopharma AD (the Company) offers the following evaluation of the fair value of the share price of the Company for the purposes of the planned transformation and calculated according to each of the valuation methods used:

Table 1: Estimated fair price of the shares of Sopharma AD:

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

This evaluation is rounded down to the third decimal place in the calculation of the final share valuation of Sopharma AD.

According to Art. 5 of Ordinance 41 on the requirements for the content of the justification of the price of shares of a public company, including the application of valuation methods, in the cases of transformation, joint venture agreement and tender offer (Ordinance 41) the fair price of the shares traded actively shall be defined as the weighted average of the closing price and the value of the shares obtained by the applied valuation methods under para. 2. of the same Article. According to § 1 of the same Ordinance, "Shares traded actively" are shares having a minimum daily average trading volume of at least 0.01 per cent of the total number of shares of the company for the previous 3 months. Shares of Sopharma AD are traded on the "Premium" segment of the Bulgarian Stock Exchange - Sofia AD, as well as on the Warsaw Stock Exchange (WSE). According to Art. 5 of Ordinance 41 "the fair price of the shares, actively traded, ... from the trading venue with traded most of the shares ...". For the period 08.06.2017. until 07.09.2017. only 1 092 shares were traded on the WSE. For the same period, 1 215 756 shares of the Company were traded on BSE-Sofia with an average daily volume of 18 703.94 (for 65 trading sessions). In this regard, BSE-Sofia is the trading venue for the largest traded volume. Considering the share capital of the Company of 134,798,527 shares, this minimum traded volume equals an average daily trading volume of 13,799 shares. This means that the daily turnover with the shares of Sopharma AD is above the requirement of Ordinance №41, therefore the closing price is included in the calculated price.

Table 2: Estimated fair price of the shares of Unipharm AD:

Evaluation method	Price per share in BGN	Weight	Weighted Price per Share in BGN
Average cost of the discounted cash flow method	6.411	40%	2.564
Net Asset Value	3.026	60%	1.816
Fair value per share		100%	4.380

Table 3: Calculated replacement ratio:

Ratio of replacement	Price per share in BGN
Fair Price per Share of Unipharm AD	4.380
Fair price per share of Sopharma AD	4.913
Ratio of replacement of one share of Unipharm AD against shares of Sopharma AD	0.891512

DATE OF JUSTIFICATION AND VALIDITY

The justification was made on 8 September 2017 and is valid until the transformation process is completed by entering the change in the Commercial Register. The Board of directors do not consider that there is other material information about the shares other than that contained in the justification.

PROSPECTIVE EVALUATION OF THE RECEIVING COMPANY

The justification of the fair price of Sopharma AD as a receiving company is dated 08.09.2017 and is valid until the transformation process is completed by entering the change in the Commercial Register.

Table 4: Estimated evaluation of Sopharma AD as a receiving company

Indicator	Sopharma	Unipharm
Number of shares in circulation	129,148,984	6,000,000
Fair price per share (BGN)	4.913	4.380
Company Value (BGN)	634,508,958.39	26,280,000
Fair value of the acquiring company after the merger		
Number of shares of the acquiring company after the merger	129,226,247	
Fair value of Sopharma AD after the merger (BGN)	634,888,695.63	
Fair price per share of Sopharma AD after the merger (BGN)	4.913	

THE FINANCIAL SUPERVISION COMMISSION HAS NOT APPROVED OR DISCLAIMED THE APPROPRIATE PRICE OF THE SHARES AND IS NOT RESPONSIBLE FOR THE ACCURACY AND COMPLETENESS OF THE DOCUMENTS CONTAINED IN THE JUDGMENT.

2. EXPLANATION OF THE EVALUATION**MAIN INFORMATION ABOUT SOPHARMA AD**

Sopharma AD has its origins since 1933. Since 1991, under Decision No 1/1991 of the Sofia City Court on company case № 19359/1991, Sopharma AD was registered in the Commercial Register under lot № 561, vol. 11, p. 8.

In September 2000, Sopharma AD has been fully privatized, becoming a private pharmaceutical company. By adhering to the highest world quality standards, the Company achieves high efficiency in the pharmaceutical industry and succeeds not only as a leader in the Bulgarian pharmaceutical market but also as a competitive player in a regional aspect. Sopharma AD is a public limited company with headquarters and address of management: 16, Iliyansko shose Str., Tel.: +359 2 8134200, fax: +359 2 9360286, e-mail: : mail@sopharma.bg, web-site: www.sopharmagroup.bg.

SUBJECT OF ACTIVITY: manufacture of medicaments and chemico-pharmaceutical preparations, trade in the country and abroad, research in the field of phytochemistry, chemistry and pharmacy.

Sopharma AD has a one-tier form of management with a Board of Directors of five members, as follows:

- Ognian Donev - Executive director and Chairman of the Board of directors
- Vessela Stoeva - Member of the Board of directors
- Ognian Palaveev - Member of the Board of directors
- Aleksandar Tchaushev - Member of the Board of directors

- Andrey Breshkov - Member of the Board of directors

As at 30 June 2017 Sopharma Group (The Group) includes a parent company and its forty-two subsidiaries. Additionally, the Group has an investment in five joint ventures and two associates. The main activity of the companies in Sopharma Group is the production and trade of medicinal products, as well as all activities supporting the main business.

SUBSIDIARIES

As at June 30 2017 the subsidiaries in the Group are:

- Sopharma Trading AD - a trading company registered in Bulgaria by decision of Varna District Court No 3594 / 16.10.1998 and having its seat and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 12;
- Pharmalogistica AD - a commercial company registered in Bulgaria by decision of the Sofia City Court dated 12.08.2002 and with registered office and address of management - 16, "Rozhen" Str., Sofia;
- Electroncommerce EOOD - a trade company registered in Bulgaria by a decision of the Sofia City Court under company file. No 24456 of 1991 and headquarters and address of management - Sofia, 1, Samokovsko Shose Street;
- Biopharm Engineering AD - a company registered in Bulgaria by decision of the Sliven District Court No 524/1997 and with registered office and address of management - Sliven, 75, Trakia Blvd.;
- Momina Krepost AD - a company registered in Bulgaria by a decision of Veliko Tarnovo District Court No 3426/1991 and with seat and address of management - Veliko Tarnovo, 23, Magistralna Street;
- Sopharma Buildings REIT - a trading company registered in Bulgaria by Decision No. 1 of 14.08.2007 of the Sofia City Court and having its registered office and address at Sofia, Izgrev, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 20;
- Unipharm AD - a commercial company registered in Bulgaria by a decision of the Sofia City Court under company file no. No 3685 of 1994 and with registered office and address of management - Sofia, 3, Traiko Stanoev Str.;
- Fito Palauzovo AD - a commercial company registered in Bulgaria by a decision of the Registry Agency № 20120924105551 dated 24.09.2012 and having its seat and registered office in Kazanlak, 23 Pehoten Shipchenski polk Blvd.
- Sopharmacy EOOD - a trading company registered in Bulgaria by a decision of the Registry Agency № 201501191300026 dated 19.01.2015 and having its registered office and business address in Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 12;
- Sopharmacy 2 EOOD - a trading company registered in Bulgaria by decision of the Registry Agency № 20150617110324 dated 17.06.2015 and having its seat and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 12;
- Sopharmacy 3 EOOD - a trading company registered in Bulgaria by decision of the Registry Agency № 20151202165822 dated 02.12.2015 and having its seat and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 12;
- Sopharmacy 4 EOOD - a trading company registered in Bulgaria by a decision of the Registry Agency № 20160229093338 dated 29.02.2016 and having its headquarters and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 12;
- Sopharmacy 5 EOOD - a trading company registered in Bulgaria by a decision of the Registry Agency № 20160301155620 from 01.03.2016 and having its seat and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building "A", floor 12;
- Sopharmacy 6 EOOD - a trading company registered in Bulgaria by decision of the Registry Agency № 20140127170842 dated 27.01.2014 and having its seat and address of management - Sofia, Izgrev district, 5

Lachezar Stanchev Str., Sopharma Business Towers, building A, floor 12. (Until 10.07.2016 the name of the company is Pharma Online EOOD);

- Sopharmacy 7 EOOD - a trading company registered in Bulgaria by decision of the Registry Agency № 20170315161212 dated 15.03.2017 and having its seat and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, floor 12;
- Sopharmacy 8 EOOD - a trading company registered in Bulgaria by a decision of the Registry Agency № 20170627142803 dated 27.06.2017 and with headquarters and address of management - Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, floor 12;
- Medica AD - a trade company registered in Bulgaria with registration under company case No 99 of 1991 of the Blagoevgrad District Court and having its seat and address of management - Sofia, Oborishte, 82 Kniaz Alexander Dondukov Blvd .;
- Pharma AD - a company registered in Bulgaria with registration under company case No 581 of 05.04.1999 of the Veliko Tarnovo District Court and having its registered office and business address in Veliko Tarnovo, 32 Dalga Laka Str.
- Sopharma Poland ZOO, Poland, in liquidation - a commercial company registered in Poland by decision No KRS 0000178554 dated 04.11.2003 of the XX Economic Division of the Warsaw Regional Court Register and having its registered office and registered office in Poland , city of Warsaw, 58, Shashkova Street;
- Sopharma Warsaw SP. ZO, Poland - a commercial company registered in Poland by decision No DRD 0000372245 dated 17.12.2010 of the 12th Economic Department of the Warsaw State Legal Register and having its registered office and address of management - Poland, Warsaw, Ul. 8 Hallowskigego;
- • OOO Sopharma Ukraine, Ukraine - a trading company registered in Ukraine with a decision № 10691020000029051 from 07.08.2012 of the Unified State Register of Legal Persons and Individuals - Entrepreneurs and with headquarters and address of management - Ukraine, Kiev, Obolonski region, prospectus "Moskovski" № 9, corpus 4, floor 2, office 4-203;
- PAO Vitamini, Ukraine - a trading company registered in Ukraine by decision No 133 of 15 April 1994 of the Uman City Court and having its seat and registered office in Ukraine, Cherkassy District, Uman, Leninski Sparks Street 31;
- Sopharma Trading d.o.o. Belgrade, Serbia - a trading company registered in Serbia with BD 49136/2015 on 05.06.2015 by the Agency of the Economic Registers of the City of Belgrade and with headquarters and address of management - Republic of Serbia, Belgrade, Palmoticheva Str. No 13;
- SIA Briz, Latvia - a trading company registered in Latvia by Decision № 000302737 on 18.09.1991 from the Latvian Commercial Register and having its headquarters and business address in Latvia, Riga, 5, Rasas Street, LV - 1057;
- SOOO Brititrade, Belarus - a trading company registered in Belarus by Decision No. 19883 on 24.09.2004 by the Mining City Executive Committee and having its headquarters and headquarters in Belarus, Minsk, M. 118 Bogdanovich, office 303 - B;
- OOO Tabina, Belarus - a trading company registered in Belarus by Decision № 1432 / 29.12.1999 of the Mining City Executive Committee and having its seat and headquarters in Belarus, Minsk, Kuybysheva, 57, 1;
- SOOO Brispharm, Belarus - a trading company registered with the Mining City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 800007989 dated July 07, 2009 and with headquarters and headquarters in Belarus, Minsk, Esenina & quot ;, d.16, loc. 1 H;
- ODO Alean, Belarus - a trading company registered in Belarus by Decision No. 100160720 of May 29, 2001 at the Mining City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs and Headquartered in Belarus, Minsk , Tashkentskaya Street, d.16, Building 1;
- OOO Pharmacevt Olus, Belarus - a company registered in the Mining Executive Committee on 24.11.2000 / №1348 in the Unified State Register of Legal Entities and Individual Entrepreneurs under №190174236 and address of management - Belarus, Minsk, 1- Tverdi pereulok , d. 7;
- UAB TBS Pharma, Lithuania - a trading company registered in the Lithuanian Register of Legal Entities on March

1, 2013/303011389, with headquarters and address of management - Lithuania, Vilnius, 8 Vitauto Street / Libarto, No. 7, PC: 08118;

- ODO Westpharm, Belarus - a trading company registered in Belarus by Decision No. 590002202 of the Grozdenski Urban Executive Committee and having its headquarters and headquarters in Belarus, Grodno, Dombrovskogo Street, d.47, k.3;
- ODO BelAgroMed, Belarus - a trading company registered in Belarus with Decision №009126 dated 29.06.2001 by the City Executive Committee of Grodno, with headquarters and headquarters in Belarus, Grodno, 17 St.St.
- • TOO Sopharma Kazakhstan, Kazakhstan - a trading company registered in Kazakhstan by decision No 5286-1910-04-TOO dated 06.11.2014 by the Ministry of Justice, Aujeszky District, with headquarters and address of management - Kazakhstan, Almaty, Aujeszky district, mkr. Mamir - 4, home 190;
- OOO Danapharm, Belarus - a trading company registered in Belarus by decision of 09.04.2004 of the Brest Regional Executive Committee and with headquarters and address of management - Belarus, Brest, 53 Masserova Blvd.;
- OOO Galenapharm, Belarus - a trading company registered in Belarus by decision of 12.06.2013 of the Bretland Regional Executive Committee and with headquarters and headquarters in Belarus, Brescia, Pinssk, 118-97 Brescia Str.;
- OOO Medzhel, Belarus - a trading company registered in Belarus with decision No. 1044 of 14.09.2000 of the Mining City Executive Committee and with headquarters and headquarters in Belarus, Minsk, 60 Soltisa Str.
- ODO Alenpharm-plus, Belarus - a trading company registered in Belarus by a Mining City Executive Committee decision of 25.09.2008 and having its headquarters in Belarus, Minsk, Logoiski trakt, 29;
- OOO Pharmatea, Belarus - a trading company registered in Belarus by a decision of 17.10.2012 of the Mining City Executive Committee and having its headquarters in Belarus, Minsk, Bakinskaya Street 20;
- OOO Mobil Line, Belarus - a trading company registered in Belarus by decision of the Borisov Regional Executive Committee on 16.03.2010 and having its headquarters in Belarus, Minsk, Borissov, 63 Krasnoznamenaya Str.
- ODO SalusLine, Belarus - a trading company registered in Belarus by decision No 287 of 05.05.2006 of the City Council of Grodno, with headquarters in Belarus, Grodno, 6 Vinnieska Str.
- Rap Pharma International OOD, Moldova - a trade company registered in Moldova by decision No 1004601000376 of 11.02.2004 of the State Registration Chamber and having its registered office in Moldova, Chisinau, 58 Mitropolit Varlaam Str. And headquarters in Moldova, Kinshin, 9/2 Uzinelor Street.
- ZAO Interfarm, Belarus - a trading company registered in Belarus in the Unified State Register of Legal Entities and Individual Entrepreneurs under №300000556 and having its headquarters and address of management - Belarus, Vitebsk, Stroiteley Square, Bl.3 ap.2.
- On 22.02.2017 the deletion of the Medica - Health Company EOOD was registered in the Commercial Register at the Registry Agency.
- On 15.03. 2017, "Sopharmacy 7" EOOD, a subsidiary of the Group through the subsidiary "Sopharmacy" EOOD, is registered in the Commercial Register.
- On 14.04.2017, the Group acquired a controlling stake in Rap Pharma International OOD, Moldova.
- On 26.04.2017, through its subsidiary SOOO Britetrade, Belarus, the Group acquired 50% of the capital of ZAO Interpharm, Belarus, as a result of which the parent acquires control and the company is classified as a subsidiary.
- On 27.06.2017 in the Commercial Register is registered "Sopharmacy 8" EOOD, a subsidiary for the Group through the subsidiary "Sopharmacy" EOOD.
- On 16.02.2016, through its subsidiary SOOO Britetrade, Belarus, the Group acquired 50% of the share of Mobil Line OOO, Belarus, as a result of which the parent acquires control and the company is classified as a subsidiary.

On 24.03. 2016, Medica Balkans EOOD (S.R.L.), Romania - a subsidiary through Medica AD, was terminated by liquidation and was deleted from the Commercial Register.

On 09.05.2016, the Group is relieved of its participation in the subsidiary Ivanchich and the sons of D.o.o., Serbia.

On 18.11. 2016, a merger of UP Alphammed, Belarus into ODO Alenpharm-plus, Belarus, was registered by merging the assets and liabilities of the two companies. The activities of the infused company UP Alphamed, Belarus, are terminated and all its rights and obligations at the time of the merger are taken over by - ODO Alenpharm plus, Belarus.

As a result of the merger, the Group acquires a controlling stake in the capital of SalusLine ODO, Belarus, with the latter changing the classification from an associate to a subsidiary.

On 05.12.2016 the Group is relieved of its participation in the subsidiary OOO NPK Biotest, Belarus.

JOINT VENTURES

As at 30.06.2017 the joint ventures in the Group are:

- OOO Med-dent, Belarus - a trading company registered in Belarus by decision №0018240 of 11.03.2013 by the Management of the Economy of the Boburu City Executive Council, with headquarters in Belarus, Mogilev, Bobruishsk, "K. Marxa "№ 120, office 4;
- BOOO SpetsAfarmia, Belarus - a trading company registered in Belarus by decision No 22-8 dated 30.10.2000 by Mogilev Regional Executive Committee, with headquarters in Belarus, Mogilev District, Bobruisk, K . Marxa "№ 120, office 2;

OOO Bellerophon, Belarus - a company registered in Belarus with Decision №1193 of 17.07.2003, issued by the Mining City Executive Committee, with headquarters in Belarus, Minsk, 5, Stoerzewska Street, 45.

- OOO Ivem and K, Belarus - a trading company registered in Belarus by decision of 27.07.2001 of the Mining City Executive Committee and with headquarters in Belarus, Minsk, Bakinskaya Street 20;
- OOO Ariens, Belarus - a company registered in Belarus with Decision No 605 of 30.12.1996 of the Vitebsk Regional Executive Committee and with headquarters in Belarus, Polotsk, Shkolnaia Str.

ASSOCIATED COMPANIES

As at 30.06.2017 the associated companies in the Group are:

- Doverie Obedinen Holding AD - a commercial company registered in the Sofia City Court under company case № 13056 from 1996 and with registered office and address of management in Sofia 1504, 82 Knyaz Dondukov Blvd.
- OOO Zdorovei, Belarus - a trading company registered in Belarus by decision of 04.06.2014 of the Mining City Executive Committee and having its headquarters in Belarus, Minsk, Bakinskaya Street 20.

SOPHARMA GROUP MAKES ACTIVITIES IN THE FOLLOWING FIELDS:

PRODUCTION ACTIVITY:

The company and its production subsidiaries have 12 pharmaceutical plants in Bulgaria, conforming to EU requirements - GMP, a factory in Ukraine certified by local authorities, which is recognized in all CIS countries. With the exception of the plant in Ukraine, all production facilities have passed certification procedures for European GMPs.

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

- manufacture of medicines;
- substances and preparations based on plant raw materials (phytochemical production);
- veterinary vaccines;
- infusion solutions;
- concentrate for hemodialysis;

- medical devices for human and veterinary medicine;
- blast and injection molding for industry, agriculture and households.

The company has more than 210 products in its portfolio: mainly generics and 15 original products, 12 of the products are plant-based. The Company's original products (in particular, Carsil and Tempalgin) make a major contribution to its revenues from the export markets, while for the local market sales the generic products of the Company are of the greatest importance, including analgine.

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

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

- Carsil - an original plant-based product used to treat gastro-enterological diseases (liver diseases);
- Tempalgin - an original analgesic (painkiller);
- Tabex - an original plant-based anti-smoking drug;
- Tribestan - an original plant-based product that stimulates the functions of the sexual system;
- Broncholitin - an original plant-based product used to suppress cough;
- Analgin - generic analgesic (pain reliever);
- Nivalin - an original plant-based product used for diseases of the peripheral nervous system;
- Methylprednisolone - a generic medicine for cases of severe allergies and certain life-threatening conditions.

DISTRIBUTION

Sopharma Trading AD

The company is a leading distributor of pharmaceuticals and cosmetics in Bulgaria with a pharmaceutical market share of 21% (according to IMS). Sopharma Trading JSC is the only distributor on the Bulgarian market of certain pharmaceutical products of several leading international pharmaceutical and other healthcare companies 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 (including medicines, medical equipment and devices, consumables, cosmetics, vitamins and supplements) in its portfolio, including Sopharma's brands, and has the exclusive rights for Bulgaria over brands of strategic partners such as Aboca , Colief, Jamieson, Planter's, Premax, Skincode, SVR Laboratories, US Pharmacy and Wyeth, specialized services (such as software solutions for pharmacies and consultancy services) and national logistics services. Sopharma Trading cooperates with more than 400 partners and over 3,000 clients.

RESEARCH AND DEVELOPMENT ACTIVITIES

The group focuses its research and development mainly on generic products, focusing on developing new forms and composition or physical properties (such as a pharmaceutical form or tablet form) of a product in order to adapt it to current market needs. The strategic objective of Sopharma AD is to achieve in the future a stable result of the development of eight to ten generators per year. Thanks to its research and development, Sopharma AD has been known for years with the traditional production of several own products based on plant extracts, obtained by own technologies. These products are protected in addition to trademark and patent or company know-how. Over the years of its existence, Sopharma AD has generated and defended its industrial property, resulting in a large number of industrial property sites, the majority of which - registered rights (trademarks, patents, designs) and - fewer unregistered objects - mostly technology.

SUPPORT AND SERVICE ACTIVITIES

Some of the companies in the Group also carry out activities and services that are not directly related to pharmacy but are important as they contribute to the overall functioning of the Group.

STRENGTHS AND WEAKNESSES

Competitive position of Sopharma AD in the sector - SWOT analysis

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Years of experience in all areas of pharmacy - from the development of proprietary and generic drug substances to their production and distribution; • Stable market positions in Eastern Europe and the CIS; • Modern production facilities that meet the highest European standards; • Synergies caused by the inter-company operations in the Group; • Sufficient financial resources for realization of the regional expansion of the Company; • Employees with extensive long-term professional experience 	<ul style="list-style-type: none"> • Development and introduction of new products; • Expanding the range of additional services to the available portfolio of products; • Expanding the customer base on domestic and established foreign markets; • Expanding to new foreign markets; • Expansion of the Group through takeovers and mergers as a result of the economic crisis;
WEAKNESSES	THREATS
<ul style="list-style-type: none"> • Poor popularity of products outside major markets; • Part of the consolidated revenue is generated by sales to state hospitals, which determines some degree of business risk and makes the Group dependent on political decisions; • Production of predominantly generic drugs, which are characterized by low added value as opposed to the original forms; • Dependence of the Sopharma Trading Group Distribution Group, which is mainly concentrated in Bulgaria and is highly competitive; 	<ul style="list-style-type: none"> • Unfavorable change in the legislation regulating the Group's business; • Strengthening competition in the face of other companies; • Deterioration of the macroeconomic environment in Bulgaria as a result of the unfavorable development of the debt crisis in Europe; • Continue the tendency for public health spending in Bulgaria to be low compared to European standards, which would otherwise provide more predictable and stable sales to the Company.

FINANCIAL AND OPERATIVE COEFFICIENTS

Systematic financial information for the last three financial years as well as up-to-date information based on the latest financial statement as at 30.06.2017, prepared in accordance with the applicable accounting standards (on a consolidated basis):

TOTAL VALUE OF ASSETS AND LIABILITIES

Given the main scope of activity of Sopharma AD, the main share of fixed assets is represented by property, plant and equipment. Their growth is in line with the increased volume of activity, respectively of sales, reaching by the end of 2016 BGN 321 215 thousand.

The increase in the current assets in 2014-2016 is the result of an increase in the volume of activity of Sopharma AD and for the last two years the inventories and trade receivables retained a relatively stable share of 39-43% of the total assets.

As at 30.06.2017 non-current assets amounted to BGN 316,146 thousand.

Table 5: Assets of Sopharma AD

Assets in thousands of BGN	2014	2015	2016	30/06/2017
Non-current assets, incl.	390,538	401,484	416,599	415,158
Property, machinery and equipment	299,037	315,005	321,215	316,146
Intangible assets	13,270	24,127	34,601	37,497
Reputation	10,918	11,375	9,885	10,162
Investment property	10,606	10,562	9,483	9,502
Investments in associates	12,387	5,224	18,715	18,517
Investments available for sale	6,968	7,424	5,721	5,970
Long - term receivables from affiliated enterprises	33,150	20,505	10,028	10,500
Other long - term receivables	353	3,546	4,149	4,099
Deferred tax assets	3,849	3,716	2,802	2,765
Current assets, incl.	426,825	434,143	442,622	489,514
Inventories	155,910	163,129	171,791	181,263
Trade receivables	196,330	205,589	215,583	219,856
Receivables from affiliated undertakings	25,318	27,434	14,982	49,044
Other receivables and prepaid expenses	22,445	14,505	17,727	22,062
Cash and cash equivalents	26,822	23,486	22,539	17,289
Amount of the asset	817,363	835,627	859,221	904,672

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

From the table presented for the liabilities of Sopharma AD there is a decrease in the attracted interest-bearing funds, which is the result of regular repayments by the company. An increase is observed in trade liabilities, which is driven by the growth in sales where the increase in supplier work.

Similar to short-term assets in the Company's assets structure, short-term liabilities to financing institutions and trade liabilities occupy a share of about 30-35% of total liabilities. Long-term liabilities are, in turn, negligible as a share throughout the period under consideration and account for between 3% and 6% of the total liabilities, falling to 2.7% at the end of the period under review.

Table 6: Liabilities of Sopharma AD

Liabilities in thousands of BGN	2014	2015	2016	30/06/2017
Capital relating to the owners of the parent's equity	371,329	405,891	457,490	474,024
Share capital	132,000	134,798	134,798	134,798
Emissions premiums	36,069	48,855	62,708	67,502
Cumulative gains	203,260	222,238	259,984	271,724
Non-controlling participation	60,308	51,749	33,733	28,382
Total equity	431,637	457,640	491,223	502,406
Long-term liabilities	65,030	62,492	53,842	49,467
Long-term bank loans	45,820	38,876	25,924	21,969
Deferred tax liabilities	5,728	7,952	11,752	12,204
Payables to staff upon retirement	3,786	4,199	4,539	4,653
Finance lease liabilities	2,103	1,957	2,582	2,087
Government funding	7,558	9,343	9,011	8,515
Other non-current liabilities	35	165	34	39
Short-term liabilities	320,696	315,495	314,156	352,799
Short-term bank loans	217,360	190,785	170,842	199,103
Payables under factoring contracts			20,033	20,253
Short-term part of long-term bank loans	10,772	14,784	9,478	9,053

Trade obligations	71,752	87,440	92,053	85,230
Liabilities to related parties	1,634	2,366	566	8,370
Payables to staff and social security	7,514	8,894	10,093	11,843
Tax obligations	6,023	6,368	5,949	6,170
Other current liabilities	5,641	4,858	5,142	12,777
Amount of Liabilities	817,363	835,627	859,221	904,672

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

AMOUNT OF REVENUE AND EXPENDITURE

The revenue from sales of Sopharma AD for 2016 reached nearly BGN 890 million, an increase of 1.6% compared to the previous 2015 year. The same indicator marks an increase of 10.5% in the first half of 2017 compared to the same period in 2016.

Table 7: Revenues of Sopharma AD

Consolidated revenues	2014	2015	2016	30/06/2017
Revenue from sales of goods by type				
Tablet Forms	286,188	296,705	305,214	170,785
Ampoule forms	153,311	179,330	179,055	87,105
Consumables, dressing materials and apparatus	36,250	21,133	23,833	12,590
Drops	33,760	36,063	30,069	15,126
Syrup shapes	25,339	35,902	40,051	23,617
Cosmetics	17,511	9,307	9,900	6,257
Ointments	7,916	18,549	18,379	9,870
Food supplements and herbs	3,139	3,191	7,983	10,784
Others	17,730	27,943	30,888	9,881
Total sale of goods	581,144	628,123	645,372	346,015
Revenues from sales of finished goods by type				
Tablet Forms	171,963	166,200	150,105	84,235
Ampoule forms	35,430	33,364	32,291	16,632
Syrup shapes	13,881	11,097	9,734	4,282
Ointments	8,988	8,015	6,220	4,876
Lyophilic products	11,028	9,579	7,316	3,319
Drops	4,843	1,185	1,496	704
Syringes	1,653	2,242	1,128	-
Consumables, dressing materials and apparatus	-	956	8,949	3,732
Inhaler products		3,433	2,546	1,395
Others	11,587	10,790	11,928	5,110
Total sales of finished products	259,373	246,861	231,713	124,285
Other operating income / (loss), net	5,465	-2,678	9,483	2,656
Total revenues	845,982	872,306	886,568	472,956

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

Operating costs over the period under review have increased as a result of the increase in sales, which has led to the need for more staff. The main item in them is still the book value of the goods sold.

Table 8: Expenses of Sopharma AD

Consolidated costs	2014	2015	2016	30/06/2017
Changes in stocks of production and work in progress	12,279	4,207	-994	6,123
Material expenses	-96,334	-86,396	-82,906	-45,694
Expenses for external services	-67,207	-65,661	-56,408	-28,472
Personnel expenses	-80,880	-81,501	-87,159	-48,058
Depreciation expenses	-27,802	-26,326	-28,705	-15,059
Carrying amount of sold goods	-530,842	-568,590	-571,132	-304,602
Other operating expenses	-15,172	-11,599	-14,313	-3,451
Expenses from operating activities	-805,958	-835,866	-841,617	-439,213
Financial expenses	-17,594	-21,640	-12,721	-6,484
Total expenses	-823,552	-857,506	-854,338	-445,697
Profit tax expense	-5,082	-4,975	-7,207	-4,276
Net profit for the year	24,117	22,600	54,902	29,993

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

RECEIVABLES

Table 9: Receivables of Sopharma AD

Trade and other receivables in thousands of BGN	2014	2015	2016	30/06/2017
Short - term receivables				
Receivables from customers	194,010	206,204	214,616	215,173
Impairment of uncollectible receivables	-2,382	-2,165	-2,483	-2,279
Receivables from customers, net	191,628	204,039	212,133	212,894
Provider advances made	4,875	1,712	3,577	7,089
Impairment of advances	-173	-162	-127	-127
Advance payments, net	4,702	1,550	3,450	6,962
Total trade receivables	196,330	205,589	215,583	219,856
Other receivables and prepaid expenses				
Litigation and claims	8,644	4,308	5,516	9,948
Impairment of court receivables	-4,753	-2,379	-2,518	-2,651
Judicial and adjudicated claims, net	3,891	1,929	2,998	7,297
Tax recovery	8,580	5,418	6,918	6,127
Prepaid costs	4,057	1,978	2,055	2,111
Government funding	2,604	0	0	0
Receivables from sales of NHIF	0	201	1,001	0
Loans granted to third parties	1,517	2,940	2,566	3,942
Legal guarantees provided	863	0	0	0
Receivables on deposits provided as guarantees	381	554	342	229
Receivables from investment transactions	0	0	38	35
Funds provided to investment intermediaries	125	440	101	251
Financial assets at fair value through profit	0	314	316	0
Others	427	731	1,392	2,070
Total other receivables	22,445	14,505	17,727	22,062

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

LIABILITIES

Of the long-term liabilities of Sopharma AD, with the largest share being the liabilities on bank loans, which reach almost BGN 22 million at the end of June 2017 according to the unaudited interim consolidated report of the Company.

Table 10: Liabilities of Sopharma AD

Interest and loans in thousands of BGN	2014	2015	2016	30/06/2017
Long-term liabilities	47,923	40,833	28,506	24,056
Payables on bank loans	45,820	38,876	25,924	21,969
Finance lease liabilities	2,103	1,957	2,582	2,087
Short-term liabilities	228,132	205,569	180,320	208,156
Short-term bank loans	217,360	190,785	170,842	199,103
Short-term part of long-term bank loans	10,772	14,784	9,478	9,053
Total interest-bearing loans and loans	276,055	246,402	208,826	232,212

Trade and other payables in thousands of BGN	2014	2015	2016	30/06/2017
Trade obligations	71,752	87,440	92,053	85,230
Liabilities to related parties	1,634	2,366	566	8,370
Payables to staff and social security	7,514	8,894	10,093	11,843
Tax obligations	6,023	6,368	5,949	6,170
Other current liabilities	5,641	4,858	5,142	12,777
Total trade and other payables	92,564	109,926	113,803	124,390

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

FINANCIAL COEFFICIENTS*Table 11: Financial information for Sopharma AD on a consolidated basis*

Consolidated indicators in thousands of BGN	2014	2015	2016	30/06/2017
1 Sales revenue	840,517	874,984	877,085	470,300
2 Other operating income / (loss), net	5,465	-2,678	9,483	2,656
3 Changes in stocks of production and work in progress	12,279	4,207	-994	6,123
4 Operating expenses	-818,237	-840,073	-840,623	-445,336
5 Operating profit / loss	40,024	36,440	44,951	33,743
6 Financial income	5,392	6,828	7,014	5,666
7 Financial costs	-17,594	-21,640	-12,721	-6,484
8 Profit / loss before tax expense	29,199	27,575	62,109	34,269
9 Tax costs	-5,082	-4,975	-7,207	-4,276
10 Net profit / loss	24,117	22,600	54,902	29,993
11 Dividend	8,890	0	9,070	-
12 Cash and cash equivalents	26,822	23,486	22,539	17,289
13 Inventories	155,910	163,129	171,791	181,263
14 Short-term assets	426,825	434,143	442,622	489,514
15 Total amount of assets	817,363	835,627	859,221	904,672
16 Short-term liabilities	320,696	315,495	314,156	352,799
17 Debt	276,055	246,402	208,826	232,212
18 Liabilities (borrowed funds)	385,726	377,987	367,998	402,266
19 Equity	431,637	457,640	491,223	502,406
20 Turnover capital	106,129	118,648	128,466	136,715
21 Weighted average number of shares (thousand)	126,700	126,701	126,702	129,149
Profitability ratios				
22 Profit Rate of Operating Activities (5/1)	0.05	0.04	0.05	0.07
23 Net Profit Rate (10/1)	0.03	0.03	0.06	0.06
24 Return on assets (10/15)	0.03	0.03	0.06	0.03

JUSTIFICATION OF THE FAIR PRICE OF SHARES OF SOPHARMA AD

25	Return on Equity (10/19)	0.06	0.05	0.11	0.06
Coefficients for assets and liquidity					
26	Turnover of assets (1/15)	1.03	1.05	1.02	0.52
27	Turnover of working capital (1/20)	7.92	7.37	6.83	3.44
28	Current Liquidity (14/16)	1.33	1.38	1.41	1.39
29	Rapid liquidity ((14-13) / 16)	0.84	0.86	0.86	0.87
30	Absolute (immediate) liquidity (12/16)	0.08	0.07	0.07	0.05
Odds per share					
31	Sales ratio per share (1/21)	6.63	6.91	6.92	3.64
32	Earnings per share (10/21)	0.19	0.18	0.43	0.23
33	Book Value Coefficient for one share (19/21)	3.41	3.61	3.88	3.89
Dividend odds					
34	Dividend payout ratio (11/10)	0.369	0.000	0.165	n/a
35	Retained earnings ratio	0.631	1.000	0.835	n/a
36	Dividend per share (11/21)	0.070	0.000	0.072	n/a
Development factors					
37	Growth rate of sales	10.43%	4.10%	0.24%	10.99%
38	Growth rate of gross profit	-471.30%	-65.74%	-123.63%	13.79%
39	Growth rate of assets	4.26%	2.23%	2.82%	9.62%
Leverage ratios					
40	Debt / Total assets ratio (17/15)	0.34	0.29	0.24	0.26
41	Debt / Capital ratio (17 / (17 + 19))	0.39	0.35	0.30	0.32
42	Debt / Equity ratio (17/19)	0.64	0.54	0.43	0.46
43	Total Assets / Equity (15/19)	1.89	1.83	1.75	1.80
Market factors					
44	Coefficient Price / Sales (47/31)	0.58	0.40	0.43	1.24
45	Odds Price / Profit (47/32)	20.38	15.36	6.88	19.47
46	Coefficient Price / Book Value (47/33)	1.14	0.76	0.77	1.16
47	Market price of the shares	3.880	2.740	2.980	4.522
48	Date	30/12/2014	28/12/2015	30/12/2016	30/06/2017

Source: BSE-Sofia and audited annual and unaudited interim consolidated financial statements of Sopharma AD

Table 12: Financial information for Sopharma AD on an individual basis

Individual indices in thousands of BGN		2014	2015	2016	30/06/2017
1	Sales revenue	201,456	173,803	163,827	93,307
2	Other operating income / (loss), net	4,013	3,651	4,193	2,227
3	Changes in stocks of production and work in progress	10,296	6,667	360	6,097
4	Operating expenses	-191,933	-158,984	-142,046	-76,933
5	Operating profit / loss	23,832	25,137	26,334	24,698
6	Financial income	12,997	17,922	24,158	10,322
7	Financial costs	-4,672	-6,312	-3,176	-815
8	Profit / loss before tax expense	28,905	28,180	41,689	34,205
9	Tax costs	-2,374	-2,826	-3,919	-2,563
10	Net profit / loss	26,531	25,354	37,770	31,642
11	Dividend	8,890	0	9,070	-
12	Cash and cash equivalents	2,935	3,745	4,343	1,498
13	Inventories	54,047	61,701	56,807	63,300
14	Short-term assets	190,779	171,828	162,009	222,521
15	Total amount of assets	555,995	570,609	569,108	632,274
16	Short-term liabilities	118,718	94,667	68,171	115,109
17	Debt	136,158	107,163	79,320	106,602
18	Liabilities (borrowed funds)	166,289	138,983	106,233	149,736
19	Equity	389,706	431,626	462,875	482,538
20	Turnover capital	72,061	77,161	93,838	107,412
21	Weighted average number of shares (thousand)	126,700	126,701	126,702	129,149
Profitability ratios					
22	Profit Rate of Operating Activities (5/1)	0.12	0.14	0.16	0.26
23	Net Profit Rate (10/1)	0.13	0.15	0.23	0.34
24	Return on assets (10/15)	0.05	0.04	0.07	0.05
25	Return on Equity (10/19)	0.07	0.06	0.08	0.07
Coefficients for assets and liquidity					

JUSTIFICATION OF THE FAIR PRICE OF SHARES OF SOPHARMA AD

26	Turnover of assets (1/15)	0.36	0.30	0.29	0.15
27	Turnover of working capital (1/20)	2.80	2.25	1.75	0.87
28	Current Liquidity (14/16)	1.61	1.82	2.38	1.93
29	Rapid liquidity ((14-13) / 16)	1.15	1.16	1.54	1.38
30	Absolute (immediate) liquidity (12/16)	0.02	0.04	0.06	0.01
Odds per share					
31	Sales ratio per share (1/21)	1.59	1.37	1.29	0.72
32	Earnings per share (10/21)	0.21	0.20	0.30	0.25
33	Book Value Coefficient for one share (19/21)	3.08	3.41	3.65	3.74
Dividend odds					
34	Dividend payout ratio (11/10)	0.335	0.000	0.240	n/a
35	Retained earnings ratio	0.665	1.000	0.760	n/a
36	Dividend per share (11/21)	0.070	0.000	0.072	n/a
Development factors					
37	Growth rate of sales	-6.76%	-13.73%	-5.74%	n/a
38	Growth rate of gross profit	-246.96%	-35.25%	-94.60%	n/a
39	Growth rate of assets	1.03%	2.63%	-0.26%	n/a
Leverage ratios					
40	Debt / Total assets ratio (17/15)	0.24	0.19	0.14	0.17
41	Debt / Capital ratio (17 / (17 + 19))	0.26	0.20	0.15	0.18
42	Debt / Equity ratio (17/19)	0.35	0.25	0.17	0.22
43	Total Assets / Equity (15/19)	1.43	1.32	1.23	1.31
Market factors					
44	Coefficient Price / Sales (47/31)	2.44	2.00	2.30	n/a
45	Odds Price / Profit (47/32)	18.53	13.69	10.00	n/a
46	Coefficient Price / Book Value (47/33)	1.26	0.80	0.82	n/a
47	Market price of the shares	3.880	2.740	2.980	4.522
48	Date	30/12/2014	28/12/2015	30/12/2016	30/06/2017

Source: BSE-Sofia and audited annual and unaudited interim individual financial statements of Sopharma AD

On the basis of the latest reports of Sopharma AD and Unipharm AD, as at 30.06.2017, the financial information for Sopharma AD was presented in the role of the receiving company and the expected changes in the financial indicators:

Table 13: Financial information for Sopharma AD on an individual basis

Individual indices in thousands of BGN		30.6.2015 before transformation	30.6.2015 after transformation
1	Sales revenue	93,307	103,330
2	Other operating profit / (loss), net	2,227	2,596
3	Changes in stocks of production and work in progress	6,097	5,573
4	Raw materials expenses	-31,634	-35,550
5	Costs for external services	-17,272	-18,219
6	Personnel expenses	-19,787	-22,515
7	Depreciation costs	-7,350	-8,428
8	Other operating expenses	-890	-1,047
9	Operating profit / loss	24,698	24,698
10	Financial income	10,322	10,322
11	Financial costs	-815	-818
12	Profit / loss before tax expense	34,205	35,244
13	Tax costs	-2,563	-2,563
14	Net profit / loss	31,642	32,681
15	Dividend	0	0
16	Cash and cash equivalents	1,498	3,549
17	Inventories	63,300	66,138
18	Short-term assets	222,521	232,109
19	Total amount of assets	632,274	653,268
20	Short-term liabilities	115,109	117,171
21	Debt	106,602	106,827
22	Liabilities (borrowed funds)	149,736	152,572
23	Equity	482,538	500,696
24	Turnover capital	107,412	114,938

25	Weighted average number of shares (thousand)	129,149	129,226
Profitability ratios			
26	Profit Rate of Operating Activities (9/1)	0.26	0.24
27	Net Profit Rate (14/1)	0.34	0.32
28	Return on Assets (14/19)	0.05	0.05
29	Return on equity (14/23)	0.07	0.07
Coefficients for assets and liquidity			
30	Turnover of assets (1/19)	0.15	0.16
31	Turnover of working capital (1/24)	0.87	0.90
32	Current liquidity (18/20)	1.93	1.98
33	Rapid liquidity ((18-17) / 20)	1.38	1.42
34	Absolute (immediate) liquidity (16/20)	0.01	0.03
Odds per share			
35	Sales ratio per share (1/25)	0.72	0.80
36	Earnings per share (14/25)	0.25	0.25
37	Book Value Coefficient for one share (23/25)	3.74	3.87
Dividend odds			
38	Dividend payout ratio (15/14)	0.000	0.000
39	Retained earnings ratio	1.000	1.000
40	Dividend per share (15/25)	0	0
Development factors			
41	Growth rate of sales	N/A	N/A
42	Growth rate of gross profit	N/A	N/A
43	Growth rate of assets	N/A	N/A
Leverage ratios			
44	Debt / Total assets ratio (21/19)	0.17	0.16
45	Debt / Capital ratio (21 / (21 + 23))	0.18	0.18
46	Debt / Equity ratio (21/23)	0.22	0.21
47	Total assets / Equity ratio (19/23)	1.31	1.30
Market factors			
48	Coefficient Price / Sales (X / 35)	N/A	N/A
49	Odds Price / Profit (X / 36)	N/A	N/A
50	Coefficient Price / Book Value (X / 37)	N/A	N/A
51	Market price of the shares	4.52	4.52

Table 14: Financial information for Sopharma AD on a consolidated basis

Consolidated indicators in thousands of BGN		30.6.2017 before transformation	30.6.2017 after transformation
1	Sales revenue	470,300	470,300
2	Other operating income / (loss), net	2,656	2,656
3	Changes in stocks of production and work in progress	6,123	6,123
4	Material costs	-45,694	-45,694
5	Costs for external services	-28,472	-28,472
6	Staff costs	-48,058	-48,058
7	Depreciation costs	-15,059	-15,059
8	Carrying amount of sold goods	-304,602	-304,602
9	Other operating expenses	-3,451	-3,451
10	Operating profit / loss	33,743	33,743
11	Financial income	5,666	5,666
12	Financial costs	-6,484	-6,484
13	Profit / loss before tax expense	34,269	34,269
14	Tax costs	-4,276	-4,276
15	Net profit / loss	29,993	29,993
16	Dividend	0	0
17	Cash and cash equivalents	17,289	17,289
18	Inventories	181,263	181,263
19	Short-term assets	489,514	489,514
20	Total amount of assets	904,672	904,672
21	Short-term liabilities	352,799	352,799
22	Debt	232,212	232,212
23	Liabilities (borrowed funds)	402,266	402,266

24	Equity	502,406	502,406
25	Turnover capital	136,715	136,715
26	Weighted average number of shares (thousand)	129,149	129,226
Profitability ratios			
27	Profit Rate of Operating Activity (10/1)	0.07	0.07
28	Net Profit Rate (15/1)	0.06	0.06
29	Return on assets (15/20)	0.03	0.03
30	Return on Equity (15/24)	0.06	0.06
Coefficients for assets and liquidity			
31	Turnover of assets (1/20)	0.52	0.52
32	Turnover of working capital (1/25)	3.44	3.44
33	Current Liquidity (19/21)	1.39	1.39
34	Rapid liquidity ((19-18) / 21)	0.87	0.87
35	Absolute (immediate) liquidity (17/21)	0.05	0.05
Odds per share			
36	Sales ratio per share (1/26)	3.64	3.64
37	Earnings per share (15/26)	0.23	0.23
38	Net book value of one share (24/26)	3.89	3.89
Dividend odds			
39	Dividend payout ratio (16/15)	0.000	0.000
40	Retained earnings ratio	1.000	1.000
41	Dividend per share (16/26)	0	0
Development factors			
42	Growth rate of sales	10.99%	10.99%
43	Growth rate of gross profit	NA	NA
44	Growth rate of assets	9.62%	9.62%
Leverage ratios			
45	Debt / Total assets ratio (22/20)	0.26	0.26
46	Debt / Capital ratio (22 / (22 + 24))	0.32	0.32
47	Debt / Equity ratio (22/24)	0.46	0.46
48	Total Assets / Equity (20/24)	1.80	1.80
Market factors			
49	Coefficient Price / Sales (52/36)	NA	NA
50	Odds Price / Profit (52/37)	NA	NA
51	Coefficient Price / Book Value (52/38)	NA	NA
52	Market price of the shares	4.52	4.52

Previous financial results can not be considered as necessarily indicative of future financial results of the Company and the results of interim periods can not be considered as necessarily indicative of the annual financial results.

CHARACTERISTICS OF THE ASSOCIATED COMPANY IN HISTORICAL PLAN

- 1933 Sopharma AD is a leading Bulgarian manufacturer, exporter and distributor of pharmaceuticals with strong positions in Eastern and Southeastern Europe, offering a wide range of prescription and OTC products. Sopharma was founded in 1933; The company is a successor of the Galenus factory, renamed after the nationalization of the Chemical-Pharmaceutical Plant.
- 1953 For the period 1953-2000 Sopharma AD is the leading pharmaceutical producer in Bulgaria.
- 2000 In September 2000, after successful privatization, Sopharma AD became a private company. There is a period of continuous expansion and modernization. For the two-year post-privatization period, Sopharma AD brings together six enterprises in a modern, dynamic corporate structure, including: Sopharma AD, Unipharm AD, Vramed AD, Pharmahim Holding AD, NIHFI AD, Rostbalkanfarm.
- 2003 In 2003 it was officially opened by the Pharmaceutical plant "Sopharma-Vrabevo". At its new drug factory Sopharma AD invested 20 million leva. Every step of the plant is in compliance with the European Good Manufacturing Practice (GMP) standards.
- 2004 In 2004 Sopharma AD licensed its production facilities according to the European requirements for Good Manufacturing Practice, thus securing strategic market positions after 2007. In the same year, Sopharma increased

its production capacity by joining the Unipharm Group.

- 2005 In 2005 the most modern for Bulgaria logistics center (terminal) for distribution of medicinal products, which complies with the European requirements for Good Distribution Practice.
- 2006 In 2006, Sopharma launched a new high-tech tablet factory for the production of solid pharmaceutical formulations, with a double capacity and an investment potential of over EUR 40 million. All design, construction and validation activities are subject to the European Standards for Pharmaceutical Production and agreed with the BDA. For the forthcoming construction of the new plant, Sopharma received a first-class investment certificate.
- 2007 In 2007 Sopharma AD made another step in the modernization and expansion of production facilities in tablet production in "Bulgarian Rose - Seuthopolis" AD - Kazanlak and the construction of a phyto-chemical workshop for the production of pharmaceutical substances. The official opening of the new plant for the manufacture of pharmaceutical substances took place in 2008.
- 2009 In November 2009, Sopharma's share deal was concluded in Latvian company Briz, OOO - Sopharma AD was registered as a shareholder holding 51% of the capital.
- 2010 In April 2010, new laboratories for physicochemical testing, equipped with tools allowing the development of the most advanced methods for qualifying raw materials and finished products, were opened at Sopharma AD. During the year Sopharma presented on the Bulgarian market a new drug for the treatment of high blood pressure and heart disease - Nebikard.
- In September 2010, together with Serbian partner Ivanchevich and sons, the first sod of the solid pharmaceutical plant near Belgrade was made. In September 2011, Sopharma AD was opened and about 16 million levs were invested in the construction.
- 2011 In 2011, Sopharma AD signed a contract for the realization of a project under OP Competitiveness worth almost BGN 8 million. The project concerns equipment intended for the new high-tech solid pharmaceutical plant in Sofia.
- In the same year, the subsidiary Briz SIA concluded a contract for acquisition of the Belarusian chain of pharmacies ZAO "Interfarm", with the first stage of the procedure - acquisition of 44.07%, concluded in the beginning of 2011. Also in 2011 the CPC authorized the concentration, requested by Sopharma AD in connection with the acquisition of shares from Unipharm via BSE-Sofia.
- At the end of 2011 the shares of Sopharma AD were admitted to trading on the Warsaw Stock Exchange.
- 2012 In June 2012, Sopharma AD received the prestigious International Business Partner Award of 2012 in Belgrade in connection with the opening of a second drug factory in Belgrade in 2011.
- 2013 In June 2013 the new tablet factory of Sopharma AD was opened. The investment is over 70 million leva on a total built-up area of 20,000 square meters. It is planned to produce 4 billion tablets per year, with over 100 medicinal products. On 09.12.2013 Sopharma AD received a formal confirmation from the Ministry of Economy and Energy that the project "Implementation of innovative products in the amputation production of Sopharma AD under the Operational Program" Development of the Competitiveness of the Bulgarian Economy "2007-2013 is ranked 5th in the ranking of large enterprises. The project is included in the list of project proposals approved for funding under the above procedure with a maximum grant amount of BGN 3 million. The total value of the project is over BGN 6 million excluding VAT.
- 2015 On 09.01.2015 an extraordinary General Meeting of Shareholders was held, which approved the contract for transformation by merger of Bulgarska Rose - Sevtopolis AD into Sopharma AD and a decision was taken to increase the share capital of Sopharma AD from 132 million BGN 134,798,527 through the issuance of up to 2,798,527 new shares with a nominal value of BGN 1 each and an issue value of BGN 4.14 equal to the fair price per share of Sopharma AD in connection with the merger of Bulgarian Rose-Sevtopolis AD. Entry in the Commercial Register was made on 26.02.2015.
- 2015 On 19.05.2015. Sopharma AD finalized a deal for the sale of 75% of the capital of the subsidiary Extabb Corporation. Upon completion of the deal, Sopharma AD holds a 5% stake in the company's capital. As a result of the transaction, the Group is also exempt from its indirect participation in Extabb Farma Limited, UK - Subsidiary for 2014 and until May 14, 2015. by Extabb Corporation, USA.

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- 2016 On 18 November 2016, a merger of UP Alphammed, Belarus into ODA Alenfarm-plus, Belarus, was registered by merging the assets and liabilities of the two companies. The activities of the infused company UP Alfamed, Belarus, are terminated and all its rights and obligations at the time of the merger are taken over by - ODO Alenfarm plus, Belarus. As a result of the merger, the Group acquires a controlling stake in the capital of SalusLine OOD, Belarus, with the latter changing the classification from an associate to a subsidiary.
- 2017 On May 5, 2017, a merger agreement has been announced in the United States between Achieve Life's Inc., a company in which Sopharma holds 4.7 percent of the capital and Onco Gennes Pharmaceuticals Inc., according to which Onco Gennes Pharmaceuticals Inc. will acquire Achieve Life Securities Inc. through a transaction of all - stock transactions. Upon completion of the proposed merger, unit-holders of Acive LifeScience Inc would be expected to have 75% of the unincorporated shares of the combined entity, and current shareholders of Onco Gennace Pharmaceuticals Inc. will hold the remaining 25% of the outstanding shares. The agreement has been submitted to the Securities and Exchange Commission (SEC). Following its approval, the combined company will be renamed Achieve Life Inc. and will be listed on NASDAQ. As a result of the aforementioned actions, Sopharma AD will own 423,000 shares (3,525%) of the share capital of Achieve Life Sciences Inc.
- 2017 On 31.01.2017, on the grounds of Art.262d et seq. Of the Commercial Law Medica JSC, transforming company, and Sopharma AD, a receiving company, have entered into a Transformation Agreement through a merger. The merger transformation agreement regulates the way in which the transformation will be carried out through the merger of Medica AD into Sopharma AD and the resulting consequences for the transforming and the receiving company.
- 2017 On 22.02.2017 the deletion of Medica - Health EOOD was registered in the Commercial Register at the Registry Agency On March 15, 2017, Sopharmacy 7 EOOD., UIC 204501313, was entered in the Commercial Register. The Company has a capital of BGN 5,000, but the sole owner of the capital is the subsidiary of Sopharma Trading AD - "Sopharmacy" EOOD. The subject of activity of Sopharmacy 7 EOOD is retail trade of medicinal products.
- 2017 On 05.04.2017 Sopharma AD received a decision of the CPC that the acquisition by Sopharma AD of shares of the capital of Doverie Obedinen Holding AD at this stage is not subject to prior notification under Art. 24, para. 2 of the LPC. Sopharma AD will take appropriate action in reaching the established thresholds requiring a tender offer to the other shareholders of Doverie Obedinen Holding AD.
- 2017 On 04.04.2017 a contract for the sale of the Group's participation through the subsidiary SIA Briz, Latvia was concluded in the amount of 50% in the joint venture OOO Vivaton plus, Belarus. Under the terms of the contract, the transaction should be finalized within 30 days of the date of its conclusion.
- 2017 On 14 April 2017, Sopharma acquired 51% of the capital of the Moldovan distributor of medicinal products RAP Pharma International after obtaining permission from the Moldovan Commission for Protection of Competition to realize the acquisition.
- 2017 On 18.04.2017, the Group acquires an additional 50% of the shares in ZAO Interfarm, Belarus through its subsidiary SOOO Britetrade, Belarus, as a result of which it acquires control of the company.
- 2017 Sopharma Trading AD has reached agreement and agreement to acquire PharmaStore pharmacies with the intention of their subsequent joining the Sopharmacy family. The merger of SOpharmacy and PharmaStore will provide a stronger market position for the two chains so that they can meet the growing needs of Bulgarian patients for quality health services. The merger will bring a larger scale for the operations of Sopharma Trading AD in the retail segment of the pharmacy market. The acquisition is subject to prior approval by the Commission for the Protection of Competition.
- 2017 On 25 April 2017, Sopharma AD received approval from the Financial Supervision Commission of the Contract for transformation by merger and an additional agreement with it from 20.03.2017, signed on 31.01.2017 between Sopharma AD and Medica AD in accordance with the requirements of Art. 262e and ff of the Commercial Law as a result of which all the assets of Medica AD will be transferred to Sopharma AD and the latter will become its successor.
- 2017 On 15 June 2017, approval was received from the American Securities and Exchange Commission for the Intake of Achieve Life Science at OncoGenex Pharmaceuticals. On August 1, 2017 successfully completed the merger of Achieve Life Science, Inc. with OncoGenex Pharmaceuticals, as a result Achieve's shareholders become major
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shareholders in OncoGenex. OncoGenex is renamed Achieve Life Sciences (NASDAQ: ACHV).

- 2017 On July 18, 2017, Sopharma Trading AD announced that the Commission for the Protection of Competition of the Republic of Serbia allowed the company to acquire a majority stake in Lekovit - the fastest growing Serbian wholesaler of medicines for the last 3 years.

RELATED ECONOMIC TRENDS AND CONDITIONS IN THE REPUBLIC OF BULGARIA AND THE WORLD

MARKET REVIEW

The pharmaceutical industry in the country is divided into 3 sectors: drug manufacturers, distributors and retailers (pharmacies). In order to practice, all traders and manufacturers of medicinal products must be authorized by the BDA, part of the Ministry of Health. The biggest influence on the pharmaceutical market is producers and distributors.

According to IMS Health (www.imshealth.com) data for 2016, the growth in the value of the pharmaceutical market is 8.1% compared to 2015. Last year, the pharmaceutical turnover in pharmacies and hospitals in Bulgaria amounted to 3.3 billion. according to QuintilesIMS, with the state and the health insurance fund paying only about 1 billion levs, and the remaining amount is paid by the patients in cash. However, in the pharmaceutical companies' reports, growth is half - revenue in the top 15 of the sector is picked up by a modest 4%. The difference is that the order includes both local traders and producers mainly engaged in export. In the second group, trends are mixed - while the veterinary group of the Domuschievi brothers, Hüvefarma and Biovet grow, humanitarian factories have a weaker year. The explanation is that the traditional market is weak - the Russian one. However, in profits, manufacturing companies outpaced trade considerably (http://www.capital.bg/biznes/kompanii/2017/07/01/3001887_farmaciia_sredno_zdravi/).

Competition in the pharmaceutical market is very large and the market is highly fragmented. First, the Swiss concern Novartis, whose results are united with those of its generic Sandoz division, Second place in market share is the American concern Actavis. Third is the Swiss concern Roche. The vast majority of foreign producers in Bulgaria who produce products on the local market have a rather low market share in terms of quantity of medication and at the same time they have a tangible market share in terms of value as they sell original products that fall into high price segment. In quantitative terms among the leaders on the Bulgarian market are Actavis and Sopharma AD, both of which produce predominantly generic medicines that fall into the low price segment.

LOCAL AND GLOBAL TRENDS

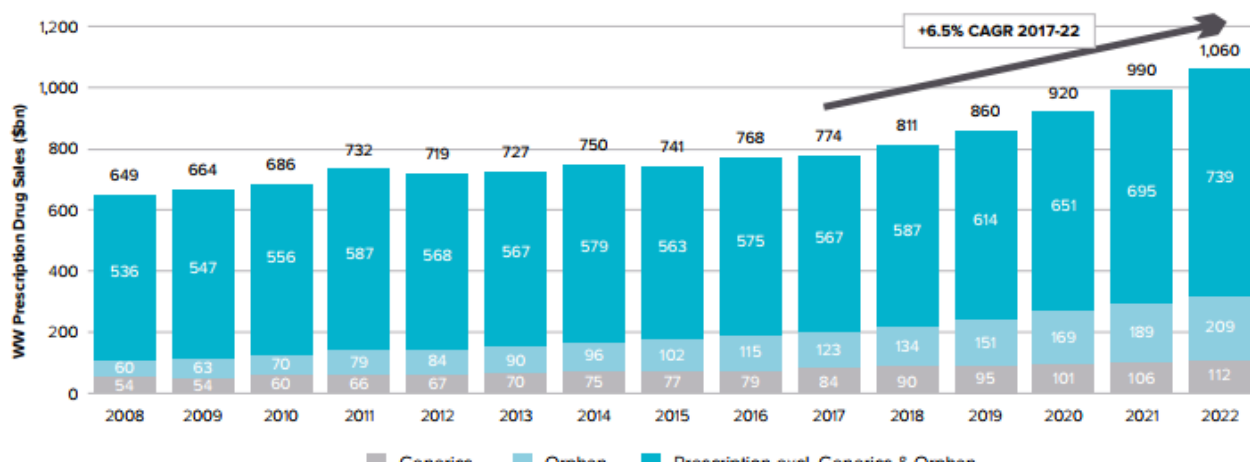
Despite reforms in the healthcare system since the 1990s, Bulgaria is still significantly behind from many European countries in terms of health practices and standards. One of the main trends in the development of healthcare spending globally is their steady and steady growth due to the rapid development of technology, the growth of volumes and prices of health services and the aging of the population.

IMS Health's projections for global health spending rises by 4% to 7% by 2020. In improving the economic conditions in our country, both nominal increases in healthcare expenditure are expected to remain in line with GDP, and further increase in this ratio in line with European standards. The following chart shows the expected growth in global drug sales by the Evaluate agency.

Figure 1: Global worldwide sales of prescription medicines for 2008-2022

Worldwide Total Prescription Drug Sales (2008-2022)

Source: Evaluate, May 2017



Source: <http://info.evaluategroup.com/rs/607-YGS-364/images/WP2017-SUM.pdf>

For its part, the Central and Eastern European (CEE) market is underdeveloped compared to Western Europe (source: <http://www.pharmaceuticalinsight.com/industry-trend-analysis-high-generic-medicine-growth-potential-central-eastern-europe-may-2017>). This is highlighted by high levels of generic drugs in line with per capita pharmaceutical consumption. For this reason, the region has a high growth potential for multinational pharmaceutical companies. Pharmaceutical legislation will evolve towards alignment with the standard available in Western Europe as governments seek ways to gain access to high-quality medicine. However, purchasing power will be a limiting factor for growth in patented drug sales. Taking into account the efforts across the region to reach healthcare across urban areas to the general population, generic drugs will attract their dominance in market share in terms of volumes realized. The general pharmaceutical market in Central and Eastern Europe is projected to increase from € 56.0 billion in 2016. to € 80.6 billion in 2021. The generic drug market in CEE is forecast to rise from 21.2 billion euros to 32.1 billion euros in the same period. Thus, generics will account for 39.9% of total drug sales in 2021, an increase from the observed in 2016. 37.8%.

LEGISLATIVE FRAMEWORK

The pharmaceutical market is one of the most regulated sectors of any healthcare system, given the market defects on the one hand and the reconciliation of the interests of patients, industry and funding institutions on the other. Although drug market regulation is taking place depending on the type of healthcare system in a given country, it can be concluded that a wide range of retention measures for pharmaceutical products are applied in all countries both by both demand and supply. Different forms of direct, in most cases indirect economic regulation of the drug market are used as well as some administrative measures.

The pharmaceutical market in Bulgaria after the changes in 1989. is developing dynamically and is determined by several pronounced trends and factors. A system of compulsory health insurance was developed in the country when, in 1998, the Health Insurance Act is adopted. Obligatory health insurance guarantees free access of insured persons to medical assistance through a package of health activities, defined by type, scope and volume. The National Health Insurance Fund (NHIF) is established, whose main task is to implement and administer the compulsory health insurance in Bulgaria in the part of managing the collected funds and paying the used health activities and medicines (in a certain range and volume) in favor of the health insured persons. The budget of the NHIF is a major financial plan for raising and spending the funds of compulsory health insurance and is separate from the state budget. The revenues of the NHIF come mainly from social security contributions. A significant reimbursement market for medicines, which is paid by the NHIF, is also in place. At present, NHIF covers totally or partially nearly 1,700 products, which in value terms represent about BGN 500 million. or a quarter of the market. Most of these drugs are original preparations (patent development), for which additional lower prices or quantities can be negotiated because of the guaranteed market. At the end of 2015. there is an optimization of the list of medicines that the Health Insurance Fund pays because there are currently many drugs in a group with a similar therapeutic effect and hence inefficient use of the funds.

CHOICE OF METHODS FOR DETERMINING THE FAIR VALUE OF THE SHARES

Pursuant to Ordinance No. 41 of the FSC on Content Requirements, the justification of the price of shares of a public company, including the application of valuation methods in the cases of transformation, joint venture and tender offer (Ordinance No 41), the fair price per share for a current Company is based on:

- The closing price for the last trading day in the last three months preceding the date of the rationale from the trading venue with the largest volume of traded shares per day
- Weighted average of the values of the shares obtained according to the following valuation methods:
 - Method of Market Makers of Analogue Companies;
 - Discounted cash flow method;
 - Net Asset Value Method.

The data used for determining the fair value of the shares of Sopharma AD are based on the last interim unaudited consolidated report of the Company as at 30.06.2017 and the estimated financial results for the period 2017-2022. The fair price per share of Sopharma AD has been received, and according to Article 5, paragraph 3 of Ordinance 41, the above mentioned methods are weighted with weights which give the most realistic assessment as at the date of its justification - 50% weight was taken of the closing price as of 07.09.2017. and by 50% the evaluation of the assessment methods mentioned above.

RESULTS OF THE ASSESSMENT OF THE DIFFERENT METHODS

METHOD OF MARKET ADMINISTRATORS

COMPANIES-ANALOGES

The Market Multiplier Method of Analogue Companies is one of the core methods of valuing a company's value and is widely used by both investors and analysts to determine its fair value. The most important step in the application of this method is the choice of analogue companies that are best suited to a comparison with the rated entity. Compliance depends on the existence of similar characteristics of the rated company and the analogue company as similarities in the scope of business, size of the companies whose markets they operate and their respective market share. Another important factor in choosing an appropriate analogue company is to be traded on a regulated market and to ensure transparency and to provide timely and reliable information about its activities.

SOPHARMA AD (BORTS CODE – SO5)



Sopharma AD is a leading Bulgarian manufacturer, exporter and distributor of pharmaceuticals with a strong presence in Eastern and South-Eastern Europe. SOPHARMA Group (the Group) includes a parent company and its forty-two (as of 30.06.2017) subsidiaries. Additionally, the Group has an investment in five joint ventures. As at the date of preparation of the condensed condensed interim financial statements, the Group has investments in two associated companies.

The Group operates in the following areas: manufacture of pharmaceutical products, incl. medicaments, mainly generic, plant-based substances and food supplements; distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, nutritional supplements; production and distribution of medical supplies. Sopharma has more than 210 products in its portfolio aimed at treating cardiological, gastroenterological, neurological, psychiatric, urological and gynecological diseases, as well as respiratory, dermatological, and non-respiratory diseases. Some of the products may be available without a prescription.

The market capitalization of Sopharma AD as of 08.09.2017. is BGN 604,417 thousand, at closing price on 07.09.2017. from BGN 4,680 per share.

For the purpose of the assessment as analogue companies of Sopharma AD Alkaloid, KRKA and Olainfarm are used. The selected companies are pharmaceutical companies based in Eastern European countries that produce both original and generic drugs. All selected companies export a large part of their production to foreign markets. The main characteristics and financial indicators of the rated company and the selected analogue companies are presented below.



Alkaloid is a Macedonian pharmaceutical company that offers medicines to treat cardiovascular, dermatological, gynecological diseases as well as diseases of the nervous system, gastrointestinal tract, blood, infectious diseases and others. The company also offers various salts, teas, chemicals, demineralized water and more. Important for Alkaloid's business are cosmetics, botanical and chemical divisions. The company has 13 subsidiaries based in Serbia, Montenegro, Kosovo, Albania, Bulgaria, Switzerland, Russia, Romania, Ukraine and

others.

The market capitalization of Alkaloid as of 08.09.2017. was BGN 160 311 thousand, at closing price on 07.09.2017. from BGN 112,000 per share.



KRKA, founded in 1954, develops, manufactures and sells medicinal products both in Slovenia and abroad. The company's portfolio includes drugs for cardiovascular diseases, diseases related to metabolism, central nervous system, infections, blood and respiratory system diseases as well as dermatological products. KRKA also offers prescription-free products for the treatment of allergies, pain, cold, headaches, muscle aches, memory and immune systems, sleep disorders, depression and others. The company also produces nutritional supplements and vitamins as well as veterinary products. KRKA invests in the development of generic drugs that sells under its own brands.

The market capitalization of KRKA as of 08.09.2017. is BGN 3 644 345 thousand, at closing price on 07.09.2017. from BGN 111,130 per share.



Olainfarm is among the largest pharmaceutical companies in the Baltic countries, offering 7 original products, 26 generic medicines and over 25 pharmaceutical ingredients. The company's products are aimed at treating neurological, cardiovascular diseases, Alzheimer's, influenza medications, and antibacterial agents. Only about 5-10% of Olainfarm's output is sold on the Latvian market, the rest is destined for export, with major export markets being Russia, Ukraine, Kazakhstan, Belarus.

The market capitalization of Olainfarm as of 08.09.2017. is BGN 280,990 thousand, at closing price on 07.09.2017. from BGN 19,949 per share.

Table 15: Main financial indicators of Sopharma AD and the selected analog-based companies based on the latest published reports for these companies as of 30.06.2017

№	Indicators - BGN thousand	Sopharma	Alkaloid	KRKA	Olainfarm
1	Sales revenue (as at 30.06.2017 for last 12 months)	931,832	275,336	2,397,196	234,494
2	Net profit (as at 30.06.2017 for last 12 months)	58,642	24,368	254,434	21,845
3	Total assets	904,672	359,038	3,843,059	299,410
4	Total capital and reserves	502,406	268,039	2,983,644	182,013
5	Short-term assets	489,514	182,747	1,814,838	130,305
6	Short-term liabilities	352,799	85,575	632,965	66,655
7	Number of shares in circulation (in thousands)	129,149	1,431	32,793	14,085
8	Market capitalization (as at 07.09.2017)	604,417	160,311	3,644,345	280,990
9	Market price per share (as at 07.09.2017 in BGN)	4.680	112.000	111.130	19.949
Coefficients					
10	Net Profit Margin (2/1)	0.06	0.09	0.11	0.09
11	Return on Equity (2/4)	0.12	0.09	0.09	0.12
12	Return on Total Assets (2/3)	0.06	0.07	0.07	0.07

13	Current liquidity (5/6)	1.39	2.14	2.87	1.95
14	Turnover of Total Assets (1/3)	1.03	0.77	0.62	0.78
15	Revenues per share (1/7)	7.22	192.36	73.10	16.65
16	Net profit per share (2/7)	0.45	17.02	7.76	1.55
17	Net profit per share (3/7)	7.00	250.84	117.19	21.26

Source: Reports of Sopharma AD as of 30.06.2017; Bloomberg

For the conversion of the financial data, the fixed exchange rate EUR / BGN is used, namely 1.95583.

Pursuant to paragraph 1, paragraph 15 of the Supplementary Provisions of Ordinance No 41, the market rates used in the market maker method of analogue companies include at least the following factors: market price / net profit (R / E), market price / book value (equity) (R / C) and market price / sales (R / S). The indicators of the analogue companies outlined in Table 16 below are based on the Bloomberg system and were taken on 07/09/2015. The R / E ratio is calculated as the market capitalization of the respective company divided by its net profit as of 30.06.2017 (8/2 of Table 15). The R / E ratio is calculated as the market capitalization of the respective company is divided by the value of its own capital as at 30.06.2017r. (8/4 from table №15). The R / S ratio is calculated as the market capitalization of the respective company divided by the value of its sales as of 30.06.2017. (8/1 of Table 15).

To find the fair value of one share of Sopharma AD on the basis of the indicators P / E, P / B, P / S, the following coefficients were calculated:

- Net profit per share of Sopharma AD at the amount of BGN 0.45 - calculated as the ratio between the profit for one year and the number of shares in circulation;
- The book value of one share of Sopharma AD at the amount of 3.89 BGN - calculated as the ratio of the equity of the company according to the last interim financial statement as of 30.06.2017 and the number of shares in circulation;
- Sales of one share of Sopharma AD at the amount of BGN 7.94 - calculated as the ratio between the sales for one year and the number of shares in circulation.

TABLE 16: ASSESSMENT OF THE BASIS OF MARKET GROWERS OF COMPANIES – ANALOGES

Company	Country	P/E	P/B	P/S
Alkaloid	Macedonia	6.58	0.60	0.58
KRKA	Slovenia	14.32	1.22	1.52
Olainfarm	Latvia	12.86	1.54	1.20
Average		11.26	1.12	1.10
Sopharma AD		EPS	BVPS	SPS
Value per share		0.45	3.89	7.22
Price per share		5.11	4.36	7.94
Price per share (average of applied methods)			5.803	

Source: Bloomberg

The valuation per share, based on the market multipliers of the analogue companies, amounts to 5.803 BGN.

METHOD OF DISCONTINUED CASH FLOWS

The discounted cash flow method is an assessment method that is based on the concept of the value of money over time and is the primary method of determining a company's value by bringing to the present the amount of cash flows that the Company is expected to generate in the future. The discount rate, in turn, reflects the risk and required rate of return on investment over the projection period.

The value of the capital of Sopharma AD by discounting the forecasted cash flows is obtained by applying the following formula:

$$V_0 = \frac{FCFF_{2017}}{(1+WACC)^{114/365}} + \frac{FCFF_{2018}}{(1+WACC)^{1+114/365}} + \dots + \frac{FCFF_{2022}+P_{2022}}{(1+WACC)^{4+114/365}}$$

where:

- V_0 - is the value of the capital
- $FCFF_{2017-2022}$ – are the estimated cash flows generated by the Company for the respective year
- $WACC$ - is the weighted average cost of the Company's capital. According to the rationale, the denominator is graded by a factor that takes into account the actual number of days of the relevant period. For a real number of days each year 365 days are accepted.
- P - is the terminal value calculated as follows:

$$P_{2021} = \frac{FCFF_{2022}*(1+g)}{(WACC-g)}$$

- g - is the steady growth rate of cash flows for the period after 2022.

INCOME

TABLE 17: INCOME OF SOPHARMA AD

Revenues in thousands of BGN	2014	2015	2016	30/06/2017
Total sales revenue	840,517	874,984	877,085	470,300
Other operating revenues	5,465	-2,678	9,483	2,656
Financial revenue	5,392	6,828	7,014	5,666
Total revenues	851,374	879,134	893,582	478,622

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

The Company's revenue projections for the period 2017-2022 are presented in three scenarios - realistic, optimistic and pessimistic. The different growth rates for each of the scenarios reflect the growth expectations of the market as a whole, the market share of the Company, as well as the opportunities to market products with a higher price and profit margin. The Company's expectations are based on the following business development assumptions:

- Historically, revenue growth at the consolidated level of the Company is mainly due to the Group's distributors' activities. In this regard, the activity of Sopharma Trading JSC, whose results are present in the consolidated ones of Sopharma AD and being the leading distributor in the country, has a significant effect on the company's future expectations of growth in sales. On the other hand, the distributor Briz, Latvia continues to expand its position in the region, acquires chain pharmacies and thus realizes a large sales growth. With the expected market growth described in the Market Review above, even if the Group's distributor's market shares remain, its consolidated sales will grow during the projected period;
- Selling products with higher price and profit margin. Sopharma Trading JSC develops its activity not only as a distributor but also as a provider of services in the sphere of healthcare. As a result of this strategy in recent years Sopharma Trading JSC entered into different markets such as pre-distribution, medical equipment, medical cosmetics, various products related to improving the quality of life and the health of the population. This resulted in a significant revenue growth over previous periods. At the same time, these new activities for the Group have the characteristics of a higher profit margin on the distribution of medicines;
- Developing new products and registering existing products for sales in new markets. In addition to routine generic development, the Group is also working on projects to promote its original products in markets such as the US, China, Japan, and so on. These projects are medium and long-term and are high-risk
- Acquisition of producers and distributors from the region. For reasons of confidentiality, the Company cannot name specific names of potential acquisitions, but it is currently monitoring the scope for such transactions.

The combination of a positive development or lack of one of the above assumptions gives the Company different expectations of growth in sales over the forecast period considered. These are reflected in the growth rate of sales in the three scenarios.

The data used in this document is based on the interim financial result of the Company as at 30.06.2017. This allows the management to predict to some extent the final financial result for 2017.

TABLE 18: FORECAST FOR THE INCOME OF SOPHARMA AD

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Growth in a pessimistic scenario</i>									
Revenue from sales of goods	581,144	628,123	645,372	660,216	686,624	720,955	762,771	811,588	823,762
Growth, %	17.8%	8.1%	2.7%	2.3%	4.0%	5.0%	5.8%	6.4%	1.5%
Revenue from sales of finished goods	259,373	246,861	231,713	237,042	246,524	258,850	273,864	291,391	295,762
Growth, %	-3.1%	-4.8%	-6.1%	2.3%	4.0%	5.0%	5.8%	6.4%	1.5%
Other operating profit from operations	5,465	-2,678	9,483	4,291	4,419	4,508	4,598	4,644	4,690
Growth %	11.7%	-	454.1%	-54.8%	3.0%	2.0%	2.0%	1.0%	1.0%
Revenue in a pessimistic scenario	845,982	872,306	886,568	901,549	937,568	984,314	1,041,232	1,107,623	1,124,214
Growth, %	10.4%	3.1%	1.6%	1.7%	4.0%	5.0%	5.8%	6.4%	1.5%
<i>Growth in a realistic scenario</i>									
Revenue from sales of goods	581,144	628,123	645,372	666,669	703,336	747,646	800,729	867,190	884,533
Growth, %	17.8%	8.1%	2.7%	3.3%	5.5%	6.3%	7.1%	8.3%	2.0%
Revenue from sales of finished goods	259,373	246,861	231,713	239,360	252,524	268,433	287,492	311,354	317,581
Growth, %	-3.1%	-4.8%	-6.1%	3.3%	5.5%	6.3%	7.1%	8.3%	2.0%
Other operating profit from operations	5,465	-2,678	9,483	5,291	5,449	5,558	5,670	5,726	5,784
Growth, %	11.7%	-	454.1%	-44.2%	3.0%	2.0%	2.0%	1.0%	1.0%
Revenue in a realistic Scenario	845,982	872,306	886,568	911,320	961,310	1,021,638	1,093,891	1,184,270	1,207,898
Growth, %	10.4%	3.1%	1.6%	2.8%	5.5%	6.3%	7.1%	8.3%	2.0%
<i>Growth in an optimistic scenario</i>									
Revenue from sales of goods	581,144	628,123	645,372	671,832	711,470	759,139	822,907	898,614	921,079
Growth, %	17.8%	8.1%	2.7%	4.1%	5.9%	6.7%	8.4%	9.2%	2.5%
Revenue from sales of finished goods	259,373	246,861	231,713	241,213	255,445	272,560	295,455	322,636	330,702
Growth, %	-3.1%	-4.8%	-6.1%	4.1%	5.9%	6.7%	8.4%	9.2%	2.5%
Other operating profit from operations	5,465	-2,678	9,483	6,291	6,479	6,609	6,741	6,809	6,877
Growth, %	11.7%	-	454.1%	-33.7%	3.0%	2.0%	2.0%	1.0%	1.0%
Revenue in an Optimistic Scenario	845,982	872,306	886,568	919,336	973,395	1,038,308	1,125,102	1,228,059	1,258,658
Growth, %	10.4%	3.1%	1.6%	3.7%	5.9%	6.7%	8.4%	9.2%	2.5%

The Company's earnings forecasts are presented in three scenarios - realistic, optimistic and pessimistic. All three scenarios show declining growth in revenue from sales of goods and finished goods as well as other operating income. At the end of the forecast period, total revenue growth equals the projected growth for the post-period, and the growth rates over the years are in line with Sopharma's management's expectations for the company's development, depending on the scenario under consideration.

EXPENSES

TABLE 19: EXPENSES OF SOPHARMA AD

Consolidated costs	2014	2015	2016	30/06/2017
Changes in stocks of production and work in progress	12,279	4,207	-994	6,123
Material expenses	-96,334	-86,396	-82,906	-45,694
Expenses for external services	-67,207	-65,661	-56,408	-28,472
Personnel expenses	-80,880	-81,501	-87,159	-48,058
Depreciation expenses	-27,802	-26,326	-28,705	-15,059
Carrying amount of sold goods	-530,842	-568,590	-571,132	-304,602
Other operating expenses	-15,172	-11,599	-14,313	-3,451
Expenses from operating activities	-805,958	-835,866	-841,617	-439,213
Financial expenses	-17,594	-21,640	-12,721	-6,484
Total expenses	-823,552	-857,506	-854,338	-445,697
Profit tax expense	-5,082	-4,975	-7,207	-4,276
Net profit for the year	24,117	22,600	54,902	29,993

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

At the end of June 2017, Sopharma AD's operating expenses increased compared to the same period in 2016 as a result of the impact of increased sales, additional investments resulting in additional depreciation costs, recruited additional employees, etc., despite the excess of materials and external services costs.

The same can be noticed for the entire historical period due to the available growth in the Company's sales.

За периода 2017-2022 г. разходите на Дружеството са прогнозирани на база исторически отчетените такива, а именно:

The cost of materials and the cost of external services is based on the average of the last three years of their share of total sales. Thus, their level is close to that historically achieved in the past three years and varies according to the sales achieved in the three scenarios.

Staff costs are recognized as fixed costs, depending on macroeconomic factors. It is assumed that the increase and / or reduction of revenue over the projection period will not require an increase or decrease in the workforce.

In view of this assumption, the main factors influencing personnel costs are the increase in average gross salary and unemployment. The unemployment rate for the second quarter of 2017 was 6.3%, slightly over 11.4% in the second quarter of 2014. (Source: http://www.nsi.bg/sites/default/files/files/pressreleases/LFS2017q2_GA7ZYQB.pdf). The average gross salary increased to BGN 1,027 in June 2017, compared to BGN 806 in June 2014. (Source: <http://www.nsi.bg/bg/content/3928/%D0%BD%D0%B0%D1%86%D0%B8%D0%BE%D0%BD%D0%B0%D0%BB%D0%BD%D0%BE-%D0%BD%D0%B8%D0%B2%D0%BE>). The trend for both macroeconomic factors shows that the Company must increase personnel costs over the projected period to remain competitive on the labor market. Labor costs are projected to increase in all three scenarios, but under the pessimistic scenario, it is assumed that the Company will be able to optimize costs by reducing the number of employees, given the reduced production. Staff costs under the optimistic scenario are projected to increase more aggressively than realistic, given the need to recruit new employees. The growth in 2021-2022, is equal to the long-term growth for the relevant scenarios.

For the other operating costs and the pessimistic scenario, the highest percentage of total sales achieved during the historical period is set. For the realistic and optimistic scenario, the second highest rate is set (differing only by 0.2% of the pessimistic). Changes in production and unfinished production inventories have taken a similar approach, using the percentages achieved for the share of total sales and betting them in the different scenarios.

For the book value of the assets sold, the average percentage of their total sales over the past three years has been used. This percentage is set in the three scenarios and the value of this article varies with the sales achieved.

TABLE 20: PROSPECTION FOR THE EXPENSES OF SOPHARMA AD

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>									
Material costs	-96,334	-86,396	-82,906	-92,087	-95,766	-	-106,355	-113,136	-114,831
% of sales	11.4%	9.9%	9.4%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%
Costs for external services	-67,207	-65,661	-56,408	-65,615	-71,823	-75,404	-79,764	-84,850	-86,121
% of sales	7.9%	7.5%	6.4%	7.3%	7.7%	7.7%	7.7%	7.7%	7.7%
Personnel costs	-80,880	-81,501	-87,159	-91,517	-86,941	-86,941	-86,941	-88,245	-89,569
growth, %	8.2%	0.8%	6.9%	5.0%	-5.0%	0.0%	0.0%	1.5%	1.5%
Other operating expenses	-15,172	-11,599	-14,313	-16,169	-16,815	-17,653	-18,674	-19,864	-20,162
% of sales	1.8%	1.3%	1.6%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Changes in stocks of production and work in progress	12,279	4,207	-994	-1,011	-1,051	-1,104	-1,167	-1,242	-1,260
% of sales	-1.5%	-0.5%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Carrying amount of sold goods	-	-	-	-	-	-	-667,609	-710,177	-720,815
% of sales	62.7%	65.2%	64.4%	64.1%	64.1%	64.1%	64.1%	64.1%	64.1%
Activity costs	-	-	-	-	-	-	-960,510	-	-
	778,156	809,540	812,912	844,446	873,538	912,756		1,017,514	1,032,757
<i>Realistic scenario</i>									
Raw materials expenses	-96,334	-86,396	-82,906	-93,085	-98,191	-	-111,733	-120,965	-123,378
% of sales	11.4%	9.9%	9.4%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%
Costs for external services	-67,207	-65,661	-56,408	-66,326	-69,964	-74,355	-79,614	-86,191	-87,911
% of sales	7.9%	7.5%	6.4%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Personnel costs	-80,880	-81,501	-87,159	-91,517	-96,093	-	-105,942	-108,061	-110,222
growth, %	8.2%	0.8%	6.9%	5.0%	5.0%	5.0%	5.0%	2.0%	2.0%
Other operating expenses	-15,172	-11,599	-14,313	-14,391	-15,181	-16,134	-17,275	-18,702	-19,075
% of sales	1.8%	1.3%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Changes in stocks of production and work in progress	12,279	4,207	-994	4,395	4,636	4,927	5,276	5,712	5,826
% of sales	-1.5%	-0.5%	0.1%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Carrying amount of sold goods	-	-	-	-	-	-	-701,372	-759,321	-774,470
% of sales	62.7%	65.2%	64.4%	64.1%	64.1%	64.1%	64.1%	64.1%	64.1%
Activity costs	-	-	-	-	-	-	-	-	-
	778,156	809,540	812,912	845,237	891,158	945,858	1,010,660	1,087,528	1,109,231
<i>Optimistic scenario</i>									
Raw materials expenses	-96,334	-86,396	-82,906	-93,904	-99,425	-	-120,547	-131,578	-134,856
% of sales	11.4%	9.9%	9.4%	10.2%	10.2%	10.7%	10.7%	10.7%	10.7%
Costs for external services	-67,207	-65,661	-56,408	-66,909	-70,844	-74,239	-80,445	-87,806	-89,994
% of sales	7.9%	7.5%	6.4%	7.3%	7.3%	7.2%	7.2%	7.2%	7.2%
Personnel costs	-80,880	-81,501	-87,159	-91,517	-97,923	-	-104,895	-107,518	-110,206
growth, %	8.2%	0.8%	6.9%	5.0%	7.0%	4.0%	3.0%	2.5%	2.5%
Other operating expenses	-15,172	-11,599	-14,313	-14,842	-15,715	-16,763	-18,164	-19,826	-20,320
% of sales	1.8%	1.3%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Changes in stocks of production and work in progress	12,279	4,207	-994	9,193	9,734	10,383	11,251	12,281	12,587
% of sales	-1.5%	-0.5%	0.1%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Carrying amount of sold	-	-	-	-	-	-	-721,384	-787,397	-807,016

goods	530,842	568,590	571,132	589,453	624,113	665,734			
% of sales	62.7%	65.2%	64.4%	64.1%	64.1%	64.1%	64.1%	64.1%	64.1%
Activity costs	-	-	-	-	-	-	-	-	-
	778,156	809,540	812,912	847,431	898,287	959,440	1,034,184	1,121,844	1,149,806

In addition, estimated costs are also calculated on the basis of the following assumptions:

- As of the date of the valuation, Sopharma AD is a co-debtor of bank loans and guarantor to banks, including by issuing a promissory note, to third parties as follows:

TABLE 21: CONDITIONAL OBLIGATIONS OF SOPHARMA AD

Liabe company	Obligation by:	Agreed amount in thousands of BGN
Sopharma AD	Lawsuits	2,022
Sopharma Properties REIT	Guarantees	25,456
Mineralcommerce AD	Guarantees	645
Sopharma Trading AD	Bank guarantees	12,372
Unipharm AD	Bank guarantees	123
Electroncommerce EOOD	Bank guarantees	32
Sopharma Trading AD	Assets underwriting	5,573
Sopharma Trading AD	Significant irrevocable contracts and commitments	82
TOTAL		46,305

Source: Sopharma AD

At present, as for the history of the Company, there is not even one case in which Sopharma AD should have assumed the role of co-debtor or guarantor due to the impossibility for the liable person to repay the amount due to him. However, due to the nature of the pessimistic option, such an event was allowed. For the purpose of calculating the possible negative effect of such an event, a percentage of 20% of the total value of the contingent liabilities is set in 2018. Until 2017, is in the second half of the year Sopharma AD does not expect a negative development until the end of the year and the company will have to realize negative cash flows in connection with the assumed contingent liabilities. Also, due to the uncertainty about the magnitude of these obligations in the future, no such negative flows are allowed after 2018.

As in its history so far, Sopharma AD does not expect the materialization of similar costs, which is why they have not been reflected in the realistic and optimistic version.

INVESTMENTS

The Group's future investment projections are based on several key factors. First of all, the company has already modernized its main production capacities, and in the future the expected capital costs associated with fixed tangible assets will be related to annual asset depreciation, their amount will not differ significantly from the annual depreciation costs. This forecast is also made in order to prevent the company from decapitalizing in the long run.

In the preparation of the forecasted capital expenditures for the period 2017 - 2021, the fact that Sopharma expects recovery in sales growth over the next two years and acceleration by the end of the forecast period is also taken into account. These expectations are based on both the forecasts for recovery of the Group's core markets and the expectations for expansion and expansion of its positions in existing or new markets. Specific projections are based on the ratio of investments to sales, as the three scenarios are set to the same ratio. The size of the investment varies due to different sales.

TABLE 22: INVESTMENTS OF SOPHARMA AD

Consolidated Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>									
Amount of investments	26,828	45,886	28,280	28,850	31,877	36,420	22,907	24,368	22,484
% of sales	3.2%	5.2%	4.4%	3.2%	3.4%	3.7%	2.2%	2.2%	2.0%
<i>Realistic scenario</i>									
Amount of investments	26,828	45,886	28,280	29,162	32,685	37,801	24,066	26,054	24,158
% of sales	3.2%	5.2%	4.4%	3.2%	3.4%	3.7%	2.2%	2.2%	2.0%
<i>Optimistic scenario</i>									
Amount of investments	26,828	45,886	28,280	29,419	33,095	38,417	24,752	27,017	25,173
% of sales	3.2%	5.2%	4.4%	3.2%	3.4%	3.7%	2.2%	2.2%	2.0%

NET WORKING CAPITAL

Net working capital (NFC) is a financial indicator related to the liquidity of the Company. Together with fixed assets, such as machinery and equipment, working capital is considered to be part of the operating capital and is calculated as short-term assets being deducted from short-term liabilities.

The calculation of the NFC of Sopharma AD is based on the forecast balance, which is in line with future estimates of revenues and expenditures and is again presented in three scenarios - optimistic, realistic and pessimistic. For the purposes of this assessment, the NCA is calculated as the difference between non-monetary short-term assets and non-interest payables. Key indicators in calculating net working capital are: receivables, payables and floatability of inventories in days.

TABLE 23: CHANGES IN THE CURRENT NET TOTAL CAPITAL OF SOPHARMA AD

Indicator	2014	2015	2016	30/06/2017
Current assets (excluding cash)	400,003	410,657	420,083	472,225
Current liabilities (excluding interest payables)	92,564	109,926	113,803	124,390
Non-cash working capital	307,439	300,731	306,280	347,835
Change in non-cash working capital	16,878	-6,708	5,549	48,266

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

The substantial difference between the three scenarios is in the different assumptions about the payability of receivables in days. Turnover is predicted on the basis of the historical performance of the Company, which has been adjusted according to the nature of the projected scenario. The historical ratios for the recoverability of receivables are shown in the following table:

TABLE 24: RECOVERY OF RECEIPTS IN HISTORICAL PERIOD DAYS

Return on receivables (in days)	2014	2015	2016
1 Income	845,982	872,306	886,568
2 Operating costs excluding wages and depreciation	-697,276	-728,039	-725,753
3 Inventories	155,910	163,129	171,791
4 Total receivables	244,093	247,528	248,292
5 Obligations	92,564	109,926	133,836
6 Turnover of receivables in days (365/(1/4))	105	104	102

7	Inventories (365/(1/3))	67	68	71
8	Obligations to suppliers (365/(2/5))	48	55	67

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

The recoverability of the receivables for the respective year is calculated as the income from sales for the respective year divided the amount of receivables. The coefficient obtained is the coefficient of turnover. 365 (number of days in one year) is divided by the coefficient of turnover in order to obtain the return of receivables in days. Analogous calculations are made to obtain the remaining data on the turnover of inventories. Turnover of liabilities to suppliers is calculated by analogous calculations using the amount of costs (excluding depreciation and personnel costs to the extent that they are not liabilities to suppliers) and the amount of non-interest bearing liabilities.

The forecast for the turnover rates of working capital in days for the period 2015-2020, taking into account the historical indicators and the nature of the scenarios, is presented in the following table:

TABLE 25: PROSPECTIVE TREATMENT OF TURNOVER CAPITAL IN DAYS

Turnover of receivables (in days)	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>						
Turnover of receivables in days	114	114	114	114	112	112
Inventories	65	65	65	65	64	64
Obligations to suppliers	57	57	57	57	56	56
<i>Realistic scenario</i>						
Turnover of receivables in days	104	104	104	104	102	102
Inventories	55	55	55	55	54	54
Obligations to suppliers	58	58	58	58	57	57
<i>Optimistic scenario</i>						
Turnover of receivables in days	99	99	99	99	97	97
Inventories	50	50	50	50	49	49
Obligations to suppliers	60	60	60	60	59	59

The change in non-cash working capital is based on a calculation of each of its indicators. The calculation of current assets (excluding cash) for that year is made as the sum of sales for that year and the corresponding scenario is multiplied by the rate of return of receivables for the same period and the same scenario, and the work divided by 365 (number of days in one year). To this result is added similar accounts for the turnover of inventories, the index for the respective period and the scenario is multiplied by the income from sales and the work is divided into 365. Such calculations are made for the calculation of the current liabilities (excluding interest payments). An example for each scenario for 2017-2.

TABLE 26: EXAMPLE OF THE METHOD OF CALCULATING CHANGES IN NON-TARGET RETURN VALUE

Indicator in thousands of BGN	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>						
1 Sales revenue	901,549	937,568	984,314	1,041,232	1,107,623	1,124,214
2 Expenses (excluding depreciation and personnel)	752,929	786,597	-825,815	-873,569	-929,269	-943,188
3 Turnover of receivables in days	114	114	114	114	112	112
4 Inventories	65	65	65	65	64	64
5 Obligations to suppliers	57	57	57	57	56	56
6 Current assets (excluding cash) $((1*3+1*4)/365)$	441,076	458,698	481,568	509,415	534,087	542,087

7	Current liabilities (excluding interest payables) ((2*5)/365)	117,327	122,574	128,685	136,126	142,573	144,708
8	Non-cash working capital (6-7)	323,748	336,124	352,883	373,289	391,514	397,378
9	Change in non-cash working capital		12,376	16,759	20,406	18,225	5,865
<i>Realistic scenario</i>							
10	Sales revenue	911,320	961,310	1,021,638	1,093,891	1,184,270	1,207,898
11	Expenses (excluding depreciation and personnel)	753,720	795,065	-844,960	-904,718	-979,467	-999,009
12	Turnover of receivables in days	104	104	104	104	102	102
13	Inventories	55	55	55	55	54	54
14	Obligations to suppliers	58	58	58	58	57	57
15	Current assets (excluding cash) ((10*12+10*13)/365)	395,921	417,639	443,848	475,238	506,154	516,252
16	Current liabilities (excluding interest payables) ((11*14)/365)	119,515	126,071	133,983	143,459	152,958	156,010
17	Non-cash working capital (15-16)	276,405	291,567	309,865	331,780	353,196	360,243
18	Change in non-cash working capital		15,162	18,298	21,914	21,416	7,047
<i>Optimistic scenario</i>							
19	Sales revenue	919,336	973,395	1,038,308	1,125,102	1,228,059	1,258,658
20	Expenses (excluding depreciation and personnel)	755,914	800,363	-857,600	-929,289	1,014,327	1,039,600
21	Turnover of receivables in days	99	99	99	99	97	97
22	Inventories	50	50	50	50	49	49
23	Obligations to suppliers	60	60	60	60	59	59
24	Current assets (excluding cash) ((19*21+19*22)/365)	374,216	396,221	422,644	457,973	491,224	503,463
25	Current liabilities (excluding interest payables) ((20*23)/365)	124,006	131,297	140,687	152,447	163,960	168,045
26	Non-cash working capital (24-25)	250,211	264,924	281,957	305,526	327,264	335,418
27	Change in non-cash working capital		14,713	17,033	23,570	21,738	8,154

Source: Tables 20, 25 and 27

The forecasted change in the non-cash working capital of Sopharma AD in each of the three scenarios is presented in the following tables:

TABLE 27: AMENDMENT OF THE NON-CAPITAL RETURN CAPITAL OF SOPHARMA AD

Indicator in thousands of BGN	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>						
Current assets (excluding cash)	441,076	458,698	481,568	509,415	534,087	542,087
Current liabilities (excluding interest payables)	117,327	122,574	128,685	136,126	142,573	144,708
Non-cash working capital	323,748	336,124	352,883	373,289	391,514	397,378
Change in non-cash working capital	37,501	12,376	16,759	20,406	18,225	5,865
<i>Realistic scenario</i>						
Current assets (excluding cash)	395,921	417,639	443,848	475,238	506,154	516,252
Current liabilities (excluding interest payables)	119,515	126,071	133,983	143,459	152,958	156,010
Non-cash working capital	276,405	291,567	309,865	331,780	353,196	360,243
Change in non-cash working capital	-9,842	15,162	18,298	21,914	21,416	7,047
<i>Optimistic scenario</i>						
Current assets (excluding cash)	374,216	396,221	422,644	457,973	491,224	503,463
Current liabilities (excluding interest payables)	124,006	131,297	140,687	152,447	163,960	168,045
Non-cash working capital	250,211	264,924	281,957	305,526	327,264	335,418
Change in non-cash working capital	-36,036	14,713	17,033	23,570	21,738	8,154

DISCONTINENCE LEVEL

The discount rate is the rate at which future cash flows are discounted to their present value and is the primary variable of that process. In essence, it reflects the return that the particular investor requires to undertake an investment at a certain level of risk.

Another approach in determining the discount rate is the rate of return where the capital that the particular investment requires is invested in another venture at a similar level of risk (ie, the alternative cost of capital). For example, if the required capital for a project invested elsewhere can yield a return of 10%, this percentage may be used as the discount rate for the calculation of the Net Present Value, which will allow a direct comparison between the two projects.

A discount rate equivalent to the weighted average cost of capital (CBA) is used when the Company's discounted cash flow model is used to calculate the cost of capital. Equally different, a company's JCC increases when its beta and the required rate of return on equity are rising, this increase leading to a lower company rating and a higher rate of risk.

TABLE 28: CAPITAL STRUCTURE OF SOPHARMA AD IN HISTORICAL PLAN (IN THOUSAND BGN)

Consolidated Indicators	2013	2014	2015	2016	30/06/2016	30/06/2017
Equity	414,272	431,637	457,640	491,223	456,369	502,406
Debt	274,100	276,055	246,402	208,826	212,850	232,212
Total	688,372	707,692	704,042	700,049	669,219	734,618
% Equity	60.18%	60.99%	65.00%	70.17%	68.19%	68.39%
% Debt	39.82%	39.01%	35.00%	29.83%	31.81%	31.61%

Source: Audited annual and unaudited interim consolidated financial statements of Sopharma AD

The management of Sopharma AD does not envisage a significant increase in the current debt levels of the company but rather the current liabilities under their repayment schedules. For the weight of the capital cost and the price of the debt the values of the same as at 30.06.2017 were used.

The methodology for determining the cost of capital is based on the methods of Prof. Damodaran, author of numerous studies on the problems of company valuation. On his web site: <http://pages.stern.nyu.edu/~adamodar/>, Prof. Damodaran publishes up-to-date data on the risk premium for the so- "Developed" and also "emerging" markets. These ratings are used by a wide range of investors and analysts around the world, including the World Bank and the International Monetary Fund.

The weighted average cost of capital is calculated on the basis of the following formula:

$$WACC = WE * R + WD * CD * (1 - T)$$

Where:

WACC – weighted average cost of capital

WE – the relative weight of equity financing

R – cost of equity

WD – the relative weight of attracted funds

CD – cost of borrowed capital

T – tax rate for the company

The average cost of capital is determined as the cost of financing with own funds and the cost of funded capital is multiplied by their relative weights, which are calculated for each year in each of the three scenarios.

For its part, the cost of equity is calculated on the basis of the following formula:

$$R = R_f + \beta \cdot R_m + R_b$$

Where:

R_f – risk-free rate of return

β – "Beta" of Sopharma AD

R_m – risky premium for a "developed" stock market

R_b – country risk premium

For the purposes of these calculations, data were used as of September 08, 2017.

For the risk-free rate of return (R_f), the yield of 10-year German securities GDBR10 Index by Bloomberg) was 0.307% as at 08.09.2017.

Sopharma AD was registered as a public company in 2001, ie. Historically, the company's shares have been traded for almost 15 years. The shares of Sopharma AD are registered for trading in "Premium" segment of "Bulgarian Stock Exchange - Sofia" AD and belong to its main index SOFIX. The shares of Sopharma AD are considered as one of the most liquid instruments on the floor of the local stock exchange.

Information about "Beta" of Sopharma AD can be obtained from the Bloomberg system. The marketing beta stated there is 0.83.

As far as the market "beta" reflects the historical risk of Sopharma's shares against the market, and the Company's assessment is based on discounted future cash flows, this analysis uses the adjusted beta. Historically, the coefficient β tends to 1. For this reason, the correction coefficients aim to equalize the current coefficient β of a company to historical dependencies. In this respect, the current analysis uses weights of $\alpha_0 = 33.3$ (3)% and $\alpha_1 = 66.6$ (6)% proposed by Bloomberg and widely used by the investor community.

Corrected beta is calculated using the following formula:

$$\kappa\beta = \alpha_0 + \alpha_1\beta$$

Where:

$\kappa\beta$ – adjusted β

β – Market Beta of Sopharma AD

$\alpha_0 + \alpha_1 = 1$ – correction factors.

According to the above formula, the corrected beta of Sopharma AD is 0.89.

For the calculation of the total risk premium for Sopharma AD, we should start with the risk premium that is required for the "developed" stock market and add a risk premium for the country risk. The risk premium for developed markets amounts to 5.13%, according to the monthly data published on Prof. Damodaran's web site in July 2017 (<http://pages.stern.nyu.edu/~adamodar/>), with the risk premium used as an average cash flow yield for a 10-year period. It is selected because it covers a long period of time - 10 years and is not affected by short-term changes in the input variables and corresponds to the long-term assessment of the Company.

The country risk premium is determined by the adjusted return on Baa2 (as is Bulgaria's Moody's rating) and the risk-free rate of return. The current data, again in the same source by Prof. Damodaran in July 2017, shows that this spread is 203 basis points. (2.03%), which is formed by the difference in yield on foreign government securities with AAA rating and the Bulgarian government securities as per maturity. Professor Damodar, in this regard, sets a country risk premium of 230 basis points. (2.30%).

In order to finalize the calculation of the required rate of return on the part of the shareholders, we should summarize the information available so far:

TABLE 29: DATA ABOUT THE REQUIRED CAPITAL RETURN NORM

Indicator (in%)	Result
Current yield of 10-year German government securities	0.31%
Market beta	0.830
Corrected beta	0.890
Risk premium for a developed stock market	5.13%
Country risk premium	2.30%
Required rate of return	7.17%

For the purpose of determining the cost of financing with borrowed capital of Sopharma AD a BNB publication is used, according to which the average interest rate on loans in EUR for the non-financial corporations sector as of August 2017. is 4.14% (all loans with different maturities with the exception of overdraft loans included). This statistic best reflects the market reality in Bulgaria and therefore 4.14% can be considered as a realistic market price of funded capital.

TABLE 30: RELATED EQUITY CAPITAL TO DEBT

Indicator in thousands of BGN	30/06/2017	Share of total capital
Total debt	232,212	31.61%
Equity	502,406	68.39%

SOURCE: CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF SOPHARMA AD

According to the formula for calculating the weighted average cost of capital:

$$WACC = WE \cdot R + WD \cdot CD \cdot (1 - T)$$

replacing the above-calculated values of the individual components:

$$WACC = 68.39\% \times 7.17\% + 31.61\% \times 4.14\% \times (1 - 10\%) = 6.08\%$$

reached 6.13% as the weighted average price of the capital of Sopharma AD.

The growth of the Company after the end-of-period (during the after-forecast period) is a key indicator against which the discounted cash flow method is particularly sensitive. It is decisive for the post - forecast period when it is predicted that there will be no significant changes in the scale and profitability of the business activity and therefore it is projected that the net cash flows will remain constant or will grow at a sustained rate – g.

As a starting point for determining the growth of the Company in the post-forecast period, the long-term forecast for growth of the economy in the country in which the company operates is taken. According to economic theory, no company can grow indefinitely at a rate higher than that of the economy of the country in which it operates. For this reason, the value of g should be close to the values with which Bulgarian GDP can be expected to grow in the long run.

Given the three scenarios we have set different rates of growth, namely:

Realistic: 2.0% - Bulgaria as part of the European Union is dependent on its economic development and state. Therefore, in the long run, it is assumed that the Bulgarian economy will converge to the average growth rates of the Member States. For normal growth rates of EU economies in the long run, values are estimated at around 1-2%, according to various surveys and organizations. Therefore, in the period after the end of the year, the revenues of Sopharma AD are expected to increase by an average of 2.0% per year.

Optimistic: 2.5% - The optimistic scenario predicts growth of 2.5%, or 0.5% more than the realistic scenario. This percentage should reflect not only the better-than-expected development of the Bulgarian economy, but in particular the long-term development of the pharmaceutical industry with higher rates above the average level of the economy.

Pessimistic: 1.5% - The pessimistic scenario applies the same logic as the optimistic scenario, but it is based on the assumption that the Bulgarian economy will develop at a slower pace than predicted in the realistic scenario, and that the pharmaceutical industry will lag behind the pace of the other industries. Therefore, this scenario is set to rise by 1.5% or 0.5% less than the realistic scenario.

FINAL RESULT

By the method of the discounted cash flows of the company, we receive the fair value of the Company's activity as of September 08, The discount period is also determined by this date and takes into account the days between 08.09.2017. and 31.12.2022, with the first period ending 31.12.2017. and the number of days between the assessment date and the end of 2017. is divided to 365. The fair value of the company is derived from the deduction of net liabilities (total debt minus cash and cash equivalents) reported on the basis of the last interim consolidated report of Sopharma AD as at 30.06.2017.

The following tables present the detailed forecasts and calculations for each of the three scenarios:

TABLE 31: PESIMISTIC SCENARIO

Indicator in thousands of BGN	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Sales	897,258	933,148	979,806	1,036,634	1,102,979	1,119,524
Other operating income / (loss), net	4,291	4,419	4,508	4,598	4,644	4,690
Total operating income	901,549	937,568	984,314	1,041,232	1,107,623	1,124,214
<i>Sales growth</i>	<i>1.69%</i>	<i>4.00%</i>	<i>4.99%</i>	<i>5.78%</i>	<i>6.38%</i>	<i>1.50%</i>
Activity costs	-844,446	-873,538	-912,756	-960,510	-1,017,514	-1,032,757
Other expenses (related to contingent liabilities)		-9,261				
Profit before depreciation, interest and taxes	52,812	50,350	67,049	76,125	85,465	86,766
<i>Margin of profit before depreciation, interest and taxes</i>	<i>5.89%</i>	<i>5.40%</i>	<i>6.84%</i>	<i>7.34%</i>	<i>7.75%</i>	<i>7.75%</i>
Depreciation	-26,611	-26,611	-26,611	-26,611	-26,611	-26,611
Operating profit	26,201	23,739	40,438	49,514	58,854	60,155
<i>Operating profit margin</i>	<i>2.92%</i>	<i>2.54%</i>	<i>4.13%</i>	<i>4.78%</i>	<i>5.34%</i>	<i>5.37%</i>
Interest expenses	0	0	0	0	0	0
Tax profit	-2,620	-2,374	-4,044	-4,951	-5,885	-6,016
Net profit	23,581	21,365	36,395	44,562	52,969	54,140
depreciation	26,611	26,611	26,611	26,611	26,611	26,611
capital costs	28,850	31,877	36,420	22,907	24,368	22,484
change in net working capital	37,501	12,376	16,759	20,406	18,225	5,865
Net cash flows	-16,159	3,723	9,827	27,860	36,986	52,402
Discount rate	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%
Discontinuous factor	0.98	0.93	0.87	0.82	0.78	0.73
Sales growth after 2022	1.50%					
Terminal value, 2022						1,160,502
Discontinued cash flows	-15,864	3,445	8,573	22,907	28,667	38,286
Present value of discounted cash flows	86,013					
Current value of the terminal value	847,876					
Net debt as at 30.06.2017. (total debt - cash)	214,923					
Fair value of the Company	718,966					

Number of shares (number)	129,148,984
Value per share (BGN)	5.567

TABLE 32: REALISTIC SCENARIO

Indicator in thousands of BGN	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Sales	906,029	955,860	1,016,080	1,088,221	1,178,544	1,202,114
Other operating income / (loss), net	5,291	5,449	5,558	5,670	5,726	5,784
Total operating income	911,320	961,310	1,021,638	1,093,891	1,184,270	1,207,898
<i>Sales growth</i>	<i>2.79%</i>	<i>5.49%</i>	<i>6.28%</i>	<i>7.07%</i>	<i>8.26%</i>	<i>2.00%</i>
Activity costs	-845,237	-891,158	-945,858	-1,010,660	-1,087,528	-1,109,231
Profit before depreciation, interest and taxes	60,792	64,703	70,222	77,561	91,015	92,883
<i>Margin of profit before depreciation, interest and taxes</i>	<i>6.71%</i>	<i>6.77%</i>	<i>6.91%</i>	<i>7.13%</i>	<i>7.72%</i>	<i>7.73%</i>
Depreciation	-27,611	-27,611	-27,611	-27,611	-27,611	-27,611
Operating profit	33,181	37,092	42,611	49,950	63,404	65,272
<i>Operating profit margin</i>	<i>3.66%</i>	<i>3.88%</i>	<i>4.19%</i>	<i>4.59%</i>	<i>5.38%</i>	<i>5.43%</i>
Interest expenses	0	0	0	0	0	0
Tax profit	-3,318	-3,709	-4,261	-4,995	-6,340	-6,527
Net profit	29,863	33,383	38,350	44,955	57,064	58,745
depreciation	27,611	27,611	27,611	27,611	27,611	27,611
capital costs	29,162	32,685	37,801	24,066	26,054	24,158
change in net working capital	-9,842	15,162	18,298	21,914	21,416	7,047
Net cash flows	38,154	13,147	9,863	26,586	37,205	55,151
Discount rate	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%
Discontinuous factor	0.98	0.93	0.87	0.82	0.78	0.73
Sales growth after 2021	2.00%					
Terminal value, 2021						1,377,694
Discontinued cash flows	37,456	12,166	8,604	21,859	28,836	40,294
Present value of discounted cash flows	149,215					
Current value of the terminal value	1,006,559					
Net debt as at 30.06.2017. (total debt - cash)	214,923					
Fair value of the Company	940,851					
Number of shares (number)	129,148,984					
Value per share (BGN)	7.285					

TABLE 33: OPTIMISTIC SCENARIO

Indicator in thousands of BGN	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Sales	913,045	966,915	1,031,698	1,118,361	1,221,250	1,251,782
Other operating income / (loss), net	6,291	6,479	6,609	6,741	6,809	6,877
Total operating income	919,336	973,395	1,038,308	1,125,102	1,228,059	1,258,658
<i>Sales growth</i>	<i>3.70%</i>	<i>5.88%</i>	<i>6.67%</i>	<i>8.36%</i>	<i>9.15%</i>	<i>2.49%</i>
Activity costs	-847,431	-898,287	-959,440	-1,034,184	-1,121,844	-1,149,806
Profit before depreciation, interest and taxes	65,614	68,629	72,259	84,177	99,406	101,976
<i>Margin of profit before depreciation, interest and taxes</i>	<i>7.19%</i>	<i>7.10%</i>	<i>7.00%</i>	<i>7.53%</i>	<i>8.14%</i>	<i>8.15%</i>
Depreciation	-28,611	-28,611	-28,611	-28,611	-28,611	-28,611
Operating profit	37,003	40,018	43,648	55,566	70,795	73,365
<i>Operating profit margin</i>	<i>4.05%</i>	<i>4.14%</i>	<i>4.23%</i>	<i>4.97%</i>	<i>5.80%</i>	<i>5.86%</i>
Interest expenses						
Tax profit	-3,700	-4,002	-4,365	-5,557	-7,080	-7,336
Net profit	33,303	36,016	39,283	50,010	63,716	66,028
depreciation	28,611	28,611	28,611	28,611	28,611	28,611
capital costs	29,419	33,095	38,417	24,752	27,017	25,173
change in net working capital	-36,036	14,713	17,033	23,570	21,738	8,154
Net cash flows	68,531	16,819	12,443	30,299	43,572	61,312
Discount rate	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%
Discontinuous factor	0.98	0.93	0.87	0.82	0.78	0.73
Sales growth after 2021	2.50%					
Terminal value, 2021						1,753,861
Discontinued cash flows	67,279	15,564	10,855	24,912	33,771	44,795
Present value of discounted cash flows	197,176					
Current value of the terminal value	1,281,391					
Net debt as at 30.06.2017. (total debt - cash)	214,923					
Fair value of the Company	1,263,643					
Number of shares (number)	129,148,984					
Value per share (BGN)	9.784					

The weights that the individual scenarios occupy in the total discounted cash flow method reflect the views of the management of Sopharma AD on the realisticality of the individual scenarios.

TABLE 34: FAIR PRICE BASED ON METHOD OF DISCONTINUED CASH FLOWS

Scenario	Weight	Value per share in BGN
Pessimistic scenario	20%	5.567
Realistic scenario	60%	7.285
Optimistic scenario	20%	9.784
Average cost per share based on the discounted cash flow method		7.441

METHOD OF NET ASSET VALUE

The value of the shares under the Net Asset Value method is determined by dividing the value of the assets on the company's balance sheet by the value of current and non-current liabilities on the balance sheet and all legal claims of investors prioritized to holders of ordinary shares, the number of ordinary shares outstanding.

The value of the assets and liabilities of the company is determined on the basis of the information from the last consolidated interim financial report of Sopharma AD as of 30.06.2017. The Company has no securities issued to give priority to investors in front of the holders of ordinary shares.

The result of the calculations based on the interim consolidated financial statement of Sopharma AD as at 30.06.2017 is BGN 3,890 per share of the company:

TABLE 35: A PRECISE PRICE BASED ON A NET VALUE METHOD OF ASSETS

Indicators - as at 30.06.2017	amount (in thousands of BGN)
Value of assets	904,672
Total short-term liabilities	352,799
Total long-term liabilities	49,467
Net Asset Value (1-2-3)	502,406
Number of shares in circulation (thousands of units)	129,149
Net asset value per share (BGN)	3.890

JUSTIFICATION OF THE WEIGHT OF THE EVALUATION METHODS

The weights used in the fair value measurement of the shares of Sopharma AD are those that most closely correspond to the company's business and its size. The weights of each of the valuation methods present a very well-founded basis for comparison of the investment and risk characteristics of Sopharma AD. The relative weights are as follows:

- The closing price method of Sopharma AD, according to Article 5, paragraph 1 of Ordinance №41, has been assigned a weight of 50%. Weight reflects the fact that the closing price sufficiently integrates investors' views about their value and growth potential. Additionally, the weight was paid on the basis of the liquidation of the shares of the Company. It belongs to the "Premium" segment of BSE-Sofia and to the main index of the local stock exchange "SOFIX". In this regard, the Company is considered to be one of the pillars of local securities trading and its shares enjoy wide interest and trust from professional and non-professional investors.
- The discounted cash flow method has a weight of 15% because of its ability to take into account the forecasts for the future development of the Company, its cash-generating capacities and their present value by discounting them with the discounted rate of discounting. In the conditions of strong competition and a slow global recovery from the crisis, it is difficult to perform sufficiently precise short and medium-term forecasting. For this reason, the discounted cash flow method, which would, in principle, receive a higher weight in the final estimate, is comparatively low in this assessment;
- The Net Asset Value method is included with a weight of 30%. This method reflects current assets and liabilities of the Company and may not fully appreciate the Company's development potential. In the event that investors believe that the Company has significant growth opportunities in the future, they will be willing to pay for its

shares a value that exceeds that determined by this method. Nevertheless, the method of net asset value under difficult forecasting conditions, in a fuller light, reflects the value of the Company, from which it receives a relatively high weight in the present valuation of the theoretically awarded one.

- 5% weight is also determined by the method of the market multipliers of the analogue companies. The use of this method would be best suited to an assessment if there is a significant overlap in indicators such as: type of company activity, size, markets on which they operate, branded products, etc., and if tradable on a regulated market. The disadvantage of this method is that its application is often correlated by the valuer, as in most cases the selected analogue companies are rather similar than identical to the rated company.

FAIR VALUE OF SHARES OF SOPHARMA AD BASED ON METHODS OF EVALUATION

As stated, Sopharma AD meets the requirements of paragraph 1 of the additional provisions of Ordinance No 41 and the Company's shares can not be defined as actively tradable. For the period 08.06.2017. until 07.09.2017. the BSE-Sofia traded 1 215 756 shares of the Company with an average daily volume of 18 703.94 (for 65 trading sessions). Considering the share capital of the Company of 134,798,527 shares, this minimum traded volume equals an average daily trading volume of 13,799 shares.

This evaluation is rounded down to the third decimal place in the calculation of the final share valuation of Sopharma AD.

Table 1: Fair price of the shares of Sopharma AD on the different valuation methods

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

BASED ON THE ABOVE EVALUATION, SOPHARMA AD, FOR THE PURPOSES OF THE TRANSFORMATION, OFFERS A PRECISE VALUE OF THE PRICE FOR A SINGLE SHARE OF THE COMPANY OF BGN 4,913. FOR ONE SHARE.

FOR SOPHARMA AD:

**OGNIAN DONEV
EXECUTIVE DIRECTOR**

FOR THE EVALUATION OF THE INVESTMENT INTERMEDIARY "ELANA TRADING" AD:

**RADOSLAVA MASLARSKA
CHAIRMAN OF THE BOARD OF DIRECTORS**

**MOMCHIL TIKOV
EXECUTIVE DIRECTOR**

ANNEX №2
TO THE CONTRACT FOR TRANSFORMATION
BETWEEN UNIPHARM AD AND SOPHARMA AD
14 SEPTEMBER 2017

JUSTIFICATION OF THE FAIR PRICE OF SHARES OF
UNIPHARM AD

For transformation through merger of Unipharm AD in Sopharma AD

**THE FINANCIAL SUPERVISORY COMMISSION IS NOT RESPONSIBLE FOR THE ACCURACY OF THE DATA
CONTAINED IN THE JUSTIFICATION.**

DATE OF PREPARING THE EVALUATION: 08.09.2017г.

JUSTIFICATION OF THE PROVIDED RANGE VALUE:**1. SUMMARY OF EVALUATION DATA****EVALUATION OF UNIPHARM AD**

Unipharm AD (the Company) offers the fair value measurement of the share price of the Company for the purposes of the planned conversion and calculated according to each of the valuation methods used:

Table 1: Methods used to justify the fair value of the shares of Unipharm AD:

Evaluation method	Price per share in BGN	Weight	Weighted Price per Share in BGN
Average cost of the discounted cash flow method	6,411	40%	2,564
Net Asset Value	3,026	60%	1,816
Fair value per share		100%	4,380

This estimate is rounded down to the third decimal place in the calculation of the final share valuation of Unipharm AD.

According to Art. 5 of Ordinance 41 on the requirements for the content of the justification of the price of shares of a public company, including the application of valuation methods, in the cases of transformation, joint venture agreement and tender offering (Ordinance 41), the fair price of the shares traded actively shall be defined as the weighted average of the closing price and the value of the shares obtained by the applied valuation methods under para. 2. of the same Article. Pursuant to § 1 of the same Ordinance, "Shares traded actively" are shares having a minimum daily average trading volume of at least 0.01 per cent of the total number of shares of the company for the previous 3 months. The shares of Unipharm AD are traded on the "Standard" segment of the Bulgarian Stock Exchange - Sofia AD. For the period 08.06.2017 to 07.09.2017 2,928 shares of the Company were traded with an average daily volume of 45.05 (for 65 trading sessions). Considering the share capital of the Company of 6 000 000 shares, this minimum traded volume equals the average daily trading volume of 600 shares. This means that the daily turnover of the Unipharm AD shares is below the requirement of Ordinance №41, therefore the calculated price is not based on the closing price.

Table 2: Estimated fair value of the shares of Sopharma AD

Evaluation method	Price per share in BGN	Weight	Weighted price per share in BGN
Closing price as of 07.09.2017.	4,680	50%	2,340
Average cost of the discounted cash flow method	7,441	15%	1,116
Net Asset Value	3,890	30%	1,167
Market multipliers of analogue companies	5,803	5%	0,290
Fair value per share		100%	4,913

Table 3: Calculated replacement ratio:

Ratio of replacement	Price per share in BGN
Fair Price per Share of Unipharm AD	4,380
Fair price per share of Sopharma AD	4,913
Ratio of replacement of one share of Unipharm AD against shares of Sopharma AD	0,891512

DATE OF JUSTIFICATION AND VALIDITY

The justification was made on 08 September 2017 and has a validity period until the conversion procedure is completed by entering the change in the Commercial Register.

PROSPECTIVE EVALUATION OF THE RECEIVING COMPANY

The reason for the fair price of Sopharma AD as a receiving company is as of 08.09.2017 and is valid until the transformation process is completed by entering the change in the Commercial Register.

Table 4: Estimated evaluation of Sopharma AD as a receiving company

Indicator	Sopharma	Unipharm
Number of shares in circulation	129 148 984	6 000 000
Fair cost per share (BGN)	4,913	4,380
Company Value (BGN)	634 508 958	26 280 000
Fair value of the acquiring company after the merger		
Number of shares of the acquiring company after the merger	129 226 247	
Fair value of Sopharma AD after the merger (BGN)	634 888 696	
Fair price per share of Sopharma AD after the merger (BGN)	4,913	

THE FINANCIAL SUPERVISION COMMISSION HAS NOT APPROVED, DISCLAIMS THE APPROPRIATE PRICE OF THE SHARES AND IS NOT RESPONSIBLE FOR THE ACCURACY AND COMPLETENESS OF THE DATA CONTAINED IN THE JUSTIFICATION.

OTHER ESSENTIAL INFORMATION

Two events should be noted in this respect:

I. Tender offer by Sopharma AD to the shareholders of Unipharm AD pursuant to Art. 149, para. 6 of the Public Offering of Securities Act:

On 19.05.2017, Sopharma AD, as the holder of directly 4,672,750 shares, representing 77.88% of the capital and of the votes in the general meeting of Unipharm AD, announced a tender offer under Art. 149, para. 6 of the LPOS to the other shareholders in Unipharm AD for the purchase of their shares. The proposed price per share was BGN 4.35, which is the highest price per share of Unipharm AD, paid by a trading offeror, by the persons related to it or by the persons under Art. 149, para. 2 of POSA for the last 6 months preceding the tender offer. The deadline for acceptance of the tender offer expired on 19.06.2017.

As a result of the offered offering, Sopharma AD acquired **1 125 021 shares** of Unipharm AD and the share of ownership of Sopharma AD increased by 18.75% to **96.63%** of the voting shares in Unipharm AD.

II. Purchase of shares by the shareholders of Unipharm AD pursuant to Art. 157b of POSA:

The three-month period under Art. 157b of the Public Offering of Securities Act after the conclusion of the tender offer in which any shareholder who has not participated in the tender offer has the right to request from Sopharma AD to acquire its voting shares in Unipharm AD expired on 19.09.2017. After the date of the Transformation Concession Contract dated 14 September 2017. According to the right given by Art. 157b of POSA, 17 shareholders with a total of **125,530 shares** of Unipharm AD have applied for redemption. The purchase was made at a price equal to the price in the offered tender, ie. BGN 4.35 per share.

For the sake of clarity, it should be noted that as of September 14, 2017 (the date of the Transformation Agreement through the merger), as a result of the closing of the tender offer and of the shares bought up to date according to Art. 157b of the Public Offering of Securities Act, Sopharma AD acquired a total of **1 240 552 shares** of Unipharm AD, with the direct participation of the shareholder in Unipharm AD being **5 913 302** or **98.56%** of the voting shares. This shareholding was taken into account when concluding the Transformation Agreement through merger and when preparing this justification.

After the expiry of the three-month period under Art. 157b of POSA, the total number of shares acquired or redeemed is **1 250 551** shares and the direct participation of Sopharma AD in Unipharm AD is now **5 923 301** or **98.72%** of the voting shares in Unipharm, AD.

Apart from the above, the Board of Directors of Unipharm AD does not consider that there is any other material information about the shares other than that contained in the justification.

2. EXPLANATION OF THE EVALUATION

MAIN INFORMATION ABOUT UNIPHARM AD

Unipharm AD, UIC 831537465, with headquarters and business address Sofia district (capital), Municipality of Sofia, 1797, Studentski district, Sofia. Trayko Stanoev Str. № 3, with main activity: production of medicines, research and experimental activity in the field of drug production, establishment of the quality of manufactured pharmaceuticals, sales and supply activities in the country and abroad. The Company has the following contact details: address, identical to the management address, tel.: 9712086, 9700310, fax: 9712086, E-mail: office@unipharm.bg, Website: www.unipharm.bg.

The capital of Unipharm AD is BGN 6,000,000 divided into 6,000,000 ordinary, registered, dematerialized, freely transferable shares, each with a par value of BGN 1 representing one class of ordinary shares. Unipharm AD has not issued different classes of shares.

STRENGTHS AND WEAKNESSES

Competitive position of Unipharm AD in the sector - **SWOT** analysis

STRENGTHS	OPTIONS
GOOD PRODUCT STRUCTURE	INCREASE IN EXPORT TO THE FORMER PRESIDENCY REPORTS
COMPATIBILITY OF THE COMPANY AND ITS PRODUCTS	SURVING NEW MARKETS
REALIZATION OF PRODUCTION IN AN INTERNATIONAL PLAN	REDUCTION OF ENERGY SOURCES PRICES
LOW LEVEL OF DUTY	
WEAKNESSES	THREATS
OLD TECHNOLOGICAL EQUIPMENT	INCREASING THE AGE OF MANAGEMENT PERSONNEL
COMPARATIVE LOW LEVEL OF PERFORMANCE	STRONGLY COMPETITIVE MARKET
LEAVES THE POSSIBILITY OF OPTIMIZING CURRENCY, FROM WHICH THE MARKET SHARE OF PRODUCTION IS INCREASED	STRONG MARKET CONJUNCTION AS A RESULT OF THE GLOBAL FINANCIAL CRISIS
	REGIONAL LACK OF QUALIFIED PROFESSIONALS FOR PRIVATE POSITIONS IN THE STRUCTURE OF THE COMPANY

FINANCIAL AND OPERATING COEFFICIENTS

Systematic financial information for the last three financial years as well as up-to-date information based on the latest financial statement as at 30.06.2017, prepared in accordance with the applicable accounting standards (on a consolidated basis):

TOTAL VALUE OF ASSETS AND LIABILITIES

Considering the main scope of activity of Unipharm AD, the fixed assets consist mainly of property, plant and equipment. Their decrease for the period under review is due to depreciation charges.

For 2014-2016. inventories and trade receivables retained a relatively stable share of 25-26% of the total assets. As of 30.06.2017. their share has risen to 28.5% of total assets.

Table 5: Assets of Unipharm AD

Assets in BGN '000	2014	2015	2016	30.6.2017
Non-current assets, incl.	12,647	11,799	11,370	11,406
Property, machinery and equipment	11,330	10,534	10,599	10,387
Intangible assets	214	125	79	67
Investments available for sale	994	1,029	582	842
Deferred tax assets	109	111	110	110
Current assets, incl.	8,672	8,738	8,503	9,588
Inventories	2,942	2,950	2,707	2,838
Receivables from affiliated undertakings	2,707	2,436	2,272	3,150
Trade and other receivables	1,212	1,489	1,643	1,549
Cash and cash equivalents	1,811	1,863	1,881	2,051
Amount of the asset	21,319	20,537	19,873	20,994

Source: Audited annual and unaudited interim financial statements of Unipharm AD

From the presented table on the liabilities of Unipharm AD there is a decrease in the equity that results from the moderate profit levels realized during the period under review and the payment of dividends to the shareholders.

Non-current liabilities decrease as a result of amortization of Deferred Income from Financing. Current liabilities decrease as a result of the payment of the Liabilities to financial institutions.

Table 6: Liabilities of Unipharm AD

Liabilities in thousands of BGN	2014	2015	2016	30.6.2017
Equity	18 037	17 726	17 098	18 158
Major share capital	6 000	6 000	6 000	6 000
Reserves	10 088	10 698	10 937	10 980
Revaluation reserve	319	104	128	388
Reserve from actuarial gains / (losses)	-179	-214	-249	-249
Cumulative gains	1 809	1 138	282	1 039
Non-current liabilities	1 653	1 283	949	774
Debt provisions	415	399	414	414
Long-term payables to staff	0	5	5	5
Deferred income from financing	1 238	879	530	355
Current obligations	1 629	1 528	1 826	2 062
Liabilities to financial institutions	84	70	71	225
Liabilities to related parties	71	40	4	1
Trade and other obligations	309	371	559	644
Payables to staff and social security	633	623	606	613
Tax obligations	125	65	237	230
Deferred income from financing	407	359	349	349
Amount of Liabilities	21 319	20 537	19 873	20 994

Source: Audited annual and unaudited interim financial statements of Unipharm AD

AMOUNT OF REVENUE AND EXPENSES

Sales revenue of Unipharm AD decreased during the period 2014-2016. from BGN 19.4 million to BGN 18.01 million.

For the half of 2016. The Company realized revenues of BGN 10.4 million compared to BGN 9.1 million in the same period of 2014.

Table 7: Revenue of Unipharm AD

Revenues in thousands of BGN	2014	2015	2016	30.6.2017
Revenue from the sale of output	18 334	18 235	17 185	9 930
Revenue from sales of services	325	287	199	93
Other operating income from operations	700	1 150	685	369
Total operating income	19 359	19 672	18 069	10 392

Source: Audited annual and unaudited interim financial statements of Unipharm AD

Sales growth has seen an increase, mainly in materials and personnel costs, coupled with a reduction in the cost of external services.

Table 8: Expenses of Unipharm AD

Costs in thousands of BGN	2014	2015	2016	30.6.2017
Sales costs	-17 306	-18 402	-17 813	-9 350
Material costs	-7 626	-8 100	-7 638	-3 916
Costs for external services	-1 956	-2 384	-1 838	-947
Staff costs	-5 531	-5 462	-5 698	-2 728
Depreciation costs	-1 946	-1 948	-1 951	-1 078
Other operating costs	-307	-318	-340	-157
Change in production stocks	60	-190	-348	-524
Financial costs	-45	-3	54	-3
Total costs	-17 351	-18 405	-17 759	-9 353
Profit before tax	2 008	1 267	310	1 039
Tax costs	-199	-129	-28	0
Net profit for the year	1 809	1 138	282	1 039
Other Components of comprehensive income				
Actuarial gains / (losses) on defined benefit plans	-21	-39	-11	0
Income Tax Refers to Other Comprehensive Income	2	4	-24	0
Gains / losses on revaluation of available-for-sale financial assets to fair value	-1	-215	24	260
Other comprehensive income for the year, net of tax	-20	-250	-11	260
Total comprehensive income for the year	1 789	888	271	1 299

Source: Audited annual and unaudited interim financial statements of Unipharm AD

RECEIVABLES

Receivables from customers and associates account for a large part of the Company's short-term receivables. In 2013 - 2016, there was an increase in customer receivables due to the increase in sales over the period.

Table 9: Receivables of Unipharm AD

Trade and other receivables in thousands of BGN	2014	2015	2016	30.6.2017
Short - term receivables				
Receivables from customers	874	1 181	1 466	1 331
Receivables from affiliated undertakings	2 707	2 436	2 272	3 150
Tax recovery	101	152	66	116
Prepaid costs	72	67	79	53
Guarantees provided	35	60	0	28
Advances provided	13	12	16	8
Others	117	17	16	13
Total receivables	3 919	3 925	3 915	4 699

Source: Audited annual and unaudited interim financial statements of Unipharm AD

OBLIGATIONS

Of the long-term liabilities of Unipharm AD, with the largest share of the deferred income from financing and the provisions for liabilities. Short-term positions include trade and other payables, and payables to staff and social security.

Table 10: Obligations of Unipharm AD

Interest and loans in BGN'000	2014	2015	2016	30.6.2017
Long-term liabilities	1 653	1 283	949	774
Debt provisions	415	399	414	414
Long-term payables to staff	0	5	5	5
Deferred income from financing	1 238	879	530	355
Short-term liabilities	1 629	1 528	1 826	2 062
Liabilities to financial institutions	84	70	71	225
Liabilities to related parties	71	40	4	1
Trade and other obligations	309	371	559	644
Payables to staff and social security	633	623	606	613
Tax obligations	125	65	237	230
Deferred income from financing	407	359	349	349
Total interest-bearing loans and loans	3 282	2 811	2 775	2 836

Source: Audited annual and unaudited interim financial statements of Unipharm AD

FINANCIAL COEFFICIENTS

Table 11: Financial information for Unipharm AD

Indicator	2014	2015	2016	30.6.2017
Data from the Income Statement (in BGN'000)				
1 Sales revenue	18 659	18 522	17 384	10 023
2 Gross profit	1 660	438	-89	830
3 Other operating revenues	700	1 150	685	369
4 Changes in inventories of production and finished production	60	-190	-348	-524
5 Activity costs	-17 059	-17 894	-17 125	-8 669
6 Other operating expenses	-307	-318	-340	-524
7 Operating profit / loss	2 053	1 270	256	675
8 Financial income / expenses net	-45	-3	54	-3
9 Profit / loss before tax expense	2 008	1 267	310	1 039
10 Tax costs	-199	-129	-28	0
11 Net profit / loss	1 809	1 138	282	1 039
12 Dividend	1 200	900	-	-
Data from the Accounting Balance Sheet (in BGN'000)				
13 Cash and cash equivalents	1811	1863	1881	2051
14 Inventories	2 942	2 950	2 707	2 838
15 Short-term assets	8 672	8 738	8 503	9 588
16 Total amount of assets	21 319	20 537	19 873	20 994
17 Short-term liabilities	1 629	1 528	1 826	2 062
18 Debt	84	70	71	225
19 Liabilities (borrowed funds)	3 282	2 811	2 775	2 836
20 Equity	18 037	17 726	17 098	18 158
21 Turnover capital	7 043	7 210	6 677	7 526
22 Weighted average number of shares (thousand)	6 000	6 000	6 000	6 000

Coefficient for profitability					
23	Gross Profit Rate (2/1)	0,0890	0,0236	-0,0051	0,0828
24	Profit Rate of Operating Activities (7/1)	0,1100	0,0686	0,0147	0,0673
25	Net Profit Rate (11/1)	0,0970	0,0614	0,0162	0,1037
26	Return on assets (11/16)	0,0849	0,0554	0,0142	0,0495
27	Return on Equity (11/20)	0,1003	0,0642	0,0165	0,0572
Coefficients for assets and liquidity					
28	Turnover of assets (1/16)	0,8752	0,9019	0,8748	0,4774
29	Turnover of working capital (1/21)	2,6493	2,5689	2,6036	1,3318
30	Current Liquidity (15/17)	5,3235	5,7186	4,6566	4,6499
31	Rapid liquidity ((15-14) / 17)	3,5175	3,7880	3,1742	3,2735
32	Absolute (immediate) liquidity (13/17)	1,1117	1,2192	1,0301	0,9947
Coefficient for leverage					
33	Debt / Total assets ratio (18/16)	0,0039	0,0034	0,0036	0,0107
34	Debt / Capital ratio (18 / (18 + 20))	0,0046	0,0039	0,0041	0,0122
35	Debt / Equity (18/20)	0,0047	0,0039	0,0042	0,0124
36	Total assets / Equity ratio (16/20)	1,1820	1,1586	1,1623	1,1562
Coefficient per share					
37	Sales ratio per share (1/22)	3,1098	3,0870	2,8973	1,6705
38	Earnings per share (11/22)	0,3015	0,1897	0,0470	0,1732
39	Book Value Coefficient for one share (20/22)	3,0062	2,9543	2,8497	3,0263
Coefficient for dividend					
40	Dividend payout ratio (12/11)	0,6633	0,7909	-	-
41	Retained earnings ratio	0,3367	0,2091	1,0000	1,0000
42	Dividend per share (12/22)	0,2000	0,1500	0,0000	0,0000
Coefficient for development					
43	Growth rate of sales	0,1257	-0,0073	-0,0614	0,1473
44	Growth rate of gross profit	0,7869	-0,7361	-1,2032	6,9048
45	Growth rate of assets	0,0352	-0,0367	-0,0323	0,0059
Market coefficient					
46	Coefficient Price / Sales (X / 37)	1,0290	1,2702	1,3292	2,5741
47	Odds Price / Profit (X / 38)	10,6136	20,6731	81,9362	24,8316
48	Coefficient Price / Book Value (X / 39)	1,0645	1,3272	1,3514	1,4209
X	Market price of the shares (closing price in BGN)	3,200	3,921	3,851	4,300
	at the date of the last transaction	15.12.2014	14.12.2015	19.12.2016	26.6.2017

Source: BSE-Sofia and audited annual and unaudited interim financial reports of Unipharm AD

Based on the latest reports of Sopharma AD and Unipharm AD as at 30.06.2017. presented financial forecasts for Sopharma AD in the role of the receiving company and expected changes in the financial indicators:

Table 13: Financial information for Sopharma AD on an individual basis

Individual indices in thousands of BGN		30.6.2015 before transformation	30.6.2015 after transformation
1	Sales revenue	93 307	103 330
2	Other operating income / (loss), net	2 227	2 596
3	Changes in stocks of production and work in progress	6 097	5 573
4	Raw materials expenses	-31 634	-35 550
5	Costs for external services	-17 272	-18 219
6	Staff costs	-19 787	-22 515
7	Depreciation costs	-7 350	-8 428
8	Other operating expenses	-890	-1 047
9	Operating profit / loss	24 698	24 698
10	Financial income	10 322	10 322
11	Financial costs	-815	-818
12	Profit / loss before tax expense	34 205	35 244
13	Tax costs	-2 563	-2 563

14	Net profit / loss	31 642	32 681
15	Dividend	0	0
16	Cash and cash equivalents	1 498	3 549
17	Inventories	63 300	66 138
18	Short-term assets	222 521	232 109
19	Total amount of assets	632 274	653 268
20	Short-term liabilities	115 109	117 171
21	Debt	106 602	106 827
22	Liabilities (borrowed funds)	149 736	152 572
23	Equity	482 538	500 696
24	Turnover capital	107 412	114 938
25	Weighted average number of shares (thousand)	129 149	129 226
Profitability coefficients			
26	Profit Rate of Operating Activities (9/1)	0,26	0,24
27	Net Profit Rate (14/1)	0,34	0,32
28	Return on Assets (14/19)	0,05	0,05
29	Return on equity (14/23)	0,07	0,07
Coefficients for assets and liquidity			
30	Turnover of assets (1/19)	0,15	0,16
31	Turnover of working capital (1/24)	0,87	0,90
32	Current liquidity (18/20)	1,93	1,98
33	Rapid liquidity ((18-17) / 20)	1,38	1,42
34	Absolute (immediate) liquidity (16/20)	0,01	0,03
Coefficients per share			
35	Sales ratio per share (1/25)	0,72	0,80
36	Earnings per share (14/25)	0,25	0,25
37	Book Value Coefficient for one share (23/25)	3,74	3,87
Coefficients for dividend			
38	Dividend payout ratio (15/14)	0,000	0,000
39	Retained earnings ratio	1,000	1,000
40	Dividend per share (15/25)	0	0
Coefficients for development			
41	Growth rate of sales	N/A	N/A
42	Growth rate of gross profit	N/A	N/A
43	Growth rate of assets	N/A	N/A
Coefficients for leverage			
44	Debt / Total assets ratio (21/19)	0,17	0,16
45	Debt / Capital ratio (21 / (21 + 23))	0,18	0,18
46	Debt / Equity ratio (21/23)	0,22	0,21
47	Total assets / Equity ratio (19/23)	1,31	1,30
Market coefficients			
48	Coefficient Price / Sales (X / 35)	N/A	N/A
49	Odds Price / Profit (X / 36)	N/A	N/A
50	Coefficient Price / Book Value (X / 37)	N/A	N/A
51	Market price of the shares	4,52	4,52

Table 14: Financial information for Sopharma AD on a consolidated basis

Individual indices in thousands of BGN		30.6.2017 before transformation	30.6.2017 after transformation
1	Sales revenue	470 300	470 300
2	Other operating income / (loss), net	2 656	2 656
3	Changes in stocks of production and work in progress	6 123	6 123
4	Material costs	-45 694	-45 694
5	Costs for external services	-28 472	-28 472
6	Staff costs	-48 058	-48 058
7	Depreciation costs	-15 059	-15 059
8	Carrying amount of sold goods	-304 602	-304 602
9	Other operating expenses	-3 451	-3 451
10	Operating profit / loss	33 743	33 743
11	Financial income	5 666	5 666
12	Financial costs	-6 484	-6 484
13	Profit / loss before tax expense	34 269	34 269
14	Tax costs	-4 276	-4 276
15	Net profit / loss	29 993	29 993

16	Dividend	0	0
17	Cash and cash equivalents	17 289	17 289
18	Inventories	181 263	181 263
19	Short-term assets	467 452	467 452
20	Total amount of assets	829 830	829 830
21	Short-term liabilities	352 799	352 799
22	Debt	232 212	232 212
23	Liabilities (borrowed funds)	402 266	402 266
24	Equity	502 406	502 406
25	Turnover capital	114 653	114 653
26	Weighted average number of shares (thousand)	129 149	129 226
Profitability coefficients			
27	Profit Rate of Operating Activity (10/1)	0,07	0,07
28	Net Profit Rate (15/1)	0,06	0,06
29	Return on assets (15/20)	0,04	0,04
30	Return on Equity (15/24)	0,06	0,06
Coefficients for assets and liquidity			
31	Turnover of assets (1/20)	0,57	0,57
32	Turnover of working capital (1/25)	4,10	4,10
33	Current Liquidity (19/21)	1,32	1,32
34	Rapid liquidity ((19-18) / 21)	0,81	0,81
35	Absolute (immediate) liquidity (17/21)	0,05	0,05
Coefficients per share			
36	Sales ratio per share (1/26)	3,64	3,64
37	Earnings per share (15/26)	0,23	0,23
38	Net book value of one share (24/26)	3,89	3,89
Coefficients for dividend			
39	Dividend payout ratio (16/15)	0,000	0,000
40	Retained earnings ratio	1,000	1,000
41	Dividend per share (16/26)	0	0
Coefficients for development			
42	Growth rate of sales	10,99%	10,99%
43	Growth rate of gross profit	NA	NA
44	Growth rate of assets	7,59%	7,59%
Coefficients for leverage			
45	Debt / Total assets ratio (22/20)	0,28	0,28
46	Debt / Capital ratio (22 / (22 + 24))	0,32	0,32
47	Debt / Equity ratio (22/24)	0,46	0,46
48	Total Assets / Equity (20/24)	1,65	1,65
Market coefficients			
49	Coefficient Price / Sales (52/36)	NA	NA
50	Odds Price / Profit (52/37)	NA	NA
51	Coefficient Price / Book Value (52/38)	NA	NA
52	Market price of the shares	4,52	4,52

PREVIOUS FINANCIAL RESULTS CAN NOT BE CONSIDERED AS INDIRECTLY INDICATIVE FOR THE FUTURE FINANCIAL RESULTS OF THE COMPANY AND THE INTERIM PERIOD RESULTS CAN NOT BE CONSIDERED AS INDIRECTLY INDICATIVE FOR THE ANNUAL FINANCIAL RESULTS

CHARACTERISTICS OF THE ASSOCIATED COMPANY IN HISTORICAL PLAN

Unipharm AD is a manufacturer of medicinal products meeting the high standards of Good Manufacturing Practice.

The main mission of Unipharm AD is the production of human care products.

The scope of activity of Unipharm AD is the production of medicines, scientific research and experimental activity in the field of drug production, establishment of the quality of manufactured medicines, sales and supply activities in the country and abroad.

The company strives to meet the requirements of the market and focuses its efforts on opening new market niches to meet the growing needs of consumers. The company invests in manufacturing and science-based activities mainly in the field of generic products.

Unipharm manufactures its own products as well as products under a contract for its main partner Sopharma AD, the latter

accounting for almost one third of the total production for 2015. Two thirds of the products of a contracting entity are realized in foreign markets such as Russia, Ukraine, the Baltic, Caucasus, Central Asia, etc..

The company's products are mainly sold on the Bulgarian market, but also in countries like Russia, Ukraine, Georgia, Tunisia, etc.

The production of the Company is concentrated in three main directions:

Solid dosage forms

The main place in the production of the company are tablet forms, used in diseases of the cardiovascular, digestive, nervous and respiratory systems.

Concentrates for hemodialysis

The company is a major solution manufacturer in Bulgaria.

In 2013, Unipharm released new concentrates for hemodialysis. The new hemodialysis concentrate product list covers all groups of hemodialysis concentrates: acetate, wide range of certified acidic concentrate for bicarbonate hemodialysis 1:35 and 1:45 dilutions, an expanded group of alkaline concentrates for bicarbonate hemodialysis with innovative bicarbonate solution 8.4% (to reduce cardiovascular and soft tissue calcifications) - in solutions, and dry sodium bicarbonate in the two known forms "cart" and "bag".

Liquid dosage forms

The company produces its own products under a contract. Both medicines and medical products are produced in the form of nasal, oral and ointment solutions, creams and gels.

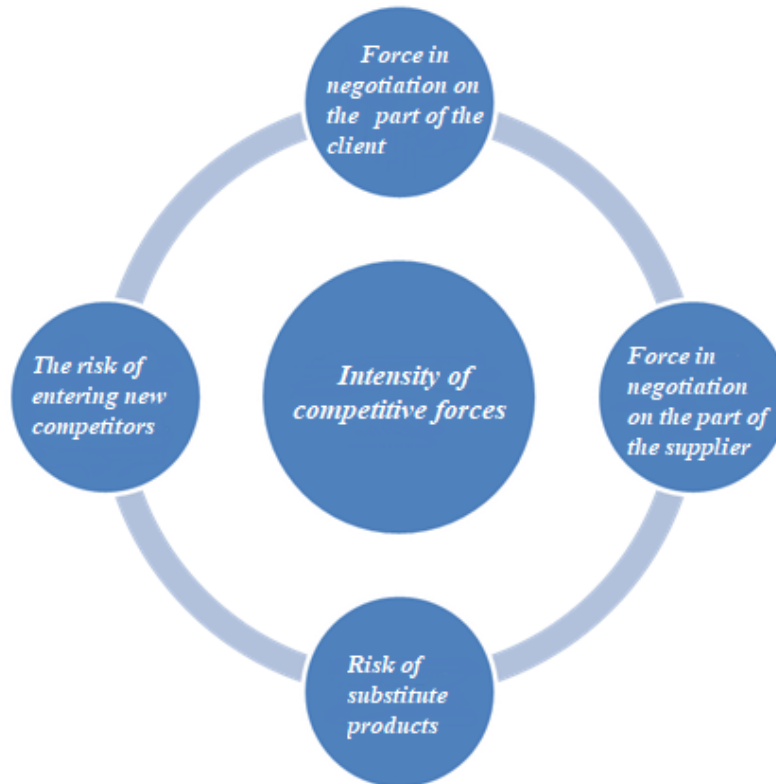
For 2016, the company generated revenues from sales of medicines exceeding BGN 17.3 million, with sales volume of tablet forms accounting for 86%, concentrates for hemodialysis - 8.9% and liquid pharmaceutical forms - 5.1%

RELATED ECONOMIC TRENDS AND CONDITIONS IN THE REPUBLIC OF BULGARIA AND THE WORLD

Unipharm AD operates mainly in the solid and liquid pharmaceutical industry. The market in Bulgaria related to this industry is relatively small, especially compared to the European, which is estimated at 116.6 billion dollars, and it is predicted that by 2016 there will be an average annual growth of 4.3%, with an estimated value of \$ 143.7 billion.

The production and sale of tablet forms accounted for about 85% of the total sales of Unipharm AD during the period under review. The solid dosage form includes tablet formulations for use in diseases of the cardiovascular, digestive, nervous and respiratory systems. In addition, Unipharm AD manufactures hemodialysis concentrates, which account for up to 10% of sales during the period considered. The main Bulgarian competitors of Unipharm are Sopharma, Romfarm Company and Teva (Balkanpharma Dupnitsa). The other products offered on the Bulgarian market are imported.

Due to the lack of detailed official information on the medical supplies market, this analysis will use Porter's analysis of the five competitive forces. It includes:



COMPETITIVE INTENSITY

The intensity of competitive forces can be addressed by two aspects - manufacturers and distributors. From the producers' point of view, the main players have concentrated in different directions, thus not competing directly. On the Bulgarian market Unipharm PLC produces mainly for Sopharma AD and 2/3 of the company's revenues come mainly from exports to the former Soviet republics as a result of the long-standing positions of the company on these markets. For the reasons outlined above, it can be concluded that the level of competition between the producers in Bulgaria is low.

From the point of view of distributors, the market is highly competitive due to the large number of companies that import mainly from Europe and China. With the advent of the Internet, the number of online medical supplies stores is growing, making the level of competition among distributors in Bulgaria high.

POWER OF NEGOTIATION BY THE CUSTOMER

With the entry of the Internet, customers have the opportunity to explore the market at the same time both in terms of price and quality. They have the option of choosing to order from multiple distributors from which they could negotiate lower ordering volumes that customers would achieve individually.

Awareness increases the impact of the customer when negotiating the price. With the onset of the global economic and financial crisis, purchasers' purchasing power has fallen, and there is a shift towards more attractive pricing, resulting in increased demand for lower-quality Chinese products. As a result of the above, there is a competition between producers and distributors and, respectively, the reduction of their influence in determining the price. Certain key customers would also have a greater impact on the negotiations.

Another approach to customers is to merge them into a bulk order order, which gives them greater influence when negotiating the cost of consumables.

Since there is no unlimited number of substitutes for the products concerned, this limits to some extent the influence of the customer when negotiating a price.

FORCE OF NEGOTIATION BY THE SUPPLIER

Material providers are usually large companies, which gives them the advantage of negotiating a price. In most cases, manufacturers will limit their exposure to a single supplier to diversify raw materials and less dependence on one company. Where this is not the case, suppliers are in a position to influence the price.

DANGER OF PRODUCTS-SUBSTITUTES

There are no substitutes for healthcare products, thus the threat of substitutes on this market is low.

DANGER OF COMPETITION

Research is extremely important, and since it is unlikely to invest in equipment or consumables for something that offers little improvement over products already on the market, the risk of new players entering appears small. In addition, newcomers must adapt to constant technological upgrades to compete successfully with others. A certain danger of entering new competitors would be observed if a Western firm opted for Bulgaria to open a plant but for the time being such plans are not disclosed in the information space.

Stringent regulation of the market with regard to product name requirements, advertising and marketing schemes, quality requirements, record keeping, etc., makes it more difficult for new manufacturers to start up. Increasing state regulation could increase the cost of alignment, which in turn would reduce revenue.

CHOICE OF METHODS FOR DETERMINING THE FAIR VALUE OF THE SHARES

Pursuant to Ordinance No. 41 of the FSC on content requirements, the justification of the price of shares of a public company, including the application of valuation methods in the cases of transformation, joint venture and tender offer (Ordinance No 41), the fair price per share for a current Company is based on:

- A weighted average of the stock values obtained according to the following valuation methods:
 - Method of market multipliers of analogue companies;
 - Discounted cash flow method;
 - Net asset value method.

The data used to determine the fair value of the shares of Unipharm AD are based on the last interim unaudited financial report of the Company as at 30.06.2017 and the estimated financial results for the period 2017-2021. The fair price per share of Unipharm AD has been received and according to Article 5, paragraph 3 of Ordinance 41, the above mentioned methods are weighted with weights which give the most realistic estimate as at the date of its justification.

RESULTS OF THE ASSESSMENT OF THE DIFFERENT METHODS

METHOD OF MARKET ADMINISTRATORS

COMPANIES-ANALOGES

The Market multiplier method of analogue companies is one of the core methods of valuing a company's value and is widely used by both investors and analysts to determine its fair value. The most important step in the application of this method is the choice of analogue companies that are best suited to a comparison with the rated entity. Compliance depends on the existence of similar characteristics of the rated company and the analogue company as similarities in the scope of business, size of the companies whose markets they operate and their respective market share. Another important factor in selecting an appropriate analogue company is to be traded on a regulated market and to ensure transparency and to provide timely and reliable information on its activities.

The production of the Company is concentrated in three main directions:

Solid dosage forms - The main place in the production of the company is tablet forms, used in diseases of the cardiovascular, digestive, nervous and respiratory systems.

Concentrates for hemodialysis - The company is a major solution manufacturer in Bulgaria.

Liquid dosage forms - The company produces its own products under a contract. Both medicines and medical products are produced in the form of nasal, oral and ointment solutions, creams and gels.

An appropriate analogue company of Unipharm AD traded on the Bulgarian Stock Exchange - Sofia AD is Sopharma AD (medicines). As Sopharma AD consolidates Unipharm AD, the use of the parent company (consolidated) is not appropriate for the assessment of the subsidiary as long as the results of the subsidiary are reflected in the parent company's assessment. In the choice of analogue companies, companies that are traded on foreign capital markets in Eastern Europe - Pharmstandard JSC (Russia, medicines), Alkaloid AD (Macedonia, medicines) and Olaines Kimiski-Farmaceutisk (OlainFarm) (Latvia, medicines).

Characteristics of the rated entity:

Unipharm AD (BSE Code - 59X):

The range of activity of Unipharm AD is the production of medicines, scientific research and experimental activities in the field of drug production, quality of manufactured pharmaceuticals, sales and supply activities in the country and abroad.

The company strives to meet the requirements of the market and focuses its efforts on opening new market niches to meet the growing needs of consumers. The company invests in manufacturing and science-based activities mainly in the field of generic products.

Unipharm manufactures both own and contract products for its main partner Sopharma AD, the latter accounting for over a quarter of total production for 2016. Two thirds of the client's products are sold in foreign markets such as Russia, Ukraine, the Baltic, the Caucasus, Central Asia and others.

The company's products are mainly sold on the Bulgarian market, but also in countries like Russia, Ukraine, Georgia, Tunisia and others.

The market capitalization of Unipharm AD as at 08.09.2017. was BGN 25.80 million, at closing price on 28.06.2017. (last trade day) of BGN 4,00 per share.

Analogues companies

Public companies that are used as analogues in the valuation of Unipharm AD are Alkaloid AD (Macedonia) and OlainFarm (Latvia).

ALKALOID AD (BLOOMBERG CODE – ALK MS)

Alkaloid is a Macedonian pharmaceutical company that offers medicines to treat cardiovascular, dermatological, gynecological diseases as well as diseases of the nervous system, gastrointestinal tract, blood, infectious diseases and others. The company also offers various salts, teas, chemicals, demineralized water and more. Important for Alkaloid's business are cosmetics, botanical and chemical divisions. The company has 13 subsidiaries based in Serbia, Montenegro, Kosovo, Albania, Bulgaria, Switzerland, Russia, Romania, Ukraine and others.

The market capitalization of Alkaloid as of 08.09.2017. was BGN 160 311 thousand, at closing price on 07.09.2017. from BGN 112,000 per share.

OLAINFARM (BLOOMBERG CODE – OLF1R LR)

Olainfarm is among the largest pharmaceutical companies in the Baltic countries, offering 7 original products, 26 generic medicines and over 25 pharmaceutical ingredients. The company's products are aimed at treating neurological, cardiovascular diseases, Alzheimer's, influenza medications, and antibacterial agents. Only about 5-10% of Olainfarm's output is sold on the Latvian market, the rest is destined for export, with major export markets being Russia, Ukraine, Kazakhstan, Belarus.

The market capitalization of Olainfarm as of 08.09.2017. is BGN 280,990 thousand, at closing price on 07.09.2017. of BGN 19,949 per share.

Table 11: Main Financial Indicators of Unipharm AD and the selected analog-based companies based on the latest published reports

Indicator in BGN'000		59X	ALK MS	OLF1R LR
1	Indicator in thousands of BGN	18 671	275 336	234 494
2	Sales revenue (as of June 30, 2017 for the last 12 months)	1 057	24 368	21 845
3	Net profit (as of 30.06.2017 for the last 12 months)	20 994	359 038	299 410
4	Total assets	18 158	268 039	182 013
5	Total capital and reserves	9 588	182 747	130 305
6	Short-term assets	2 062	85 575	66 655
7	Short-term liabilities	6 000	1 431	14 085
8	Number of shares in circulation (in thousands)	25 800	160 311	280 990
9	Market capitalization (as of 07.09.2017)	4,300	112,000	19,949
Coefficients				
12	Net Profit Margin (2/1)	0,06	0,09	0,09
13	Return on Equity (2/4)	0,06	0,09	0,12
14	Return on Total Assets (2/3)	0,05	0,07	0,07
15	Current liquidity (5/6)	4,65	2,14	1,95
16	Turnover of Total Assets (1/3)	0,89	0,77	0,78
17	Revenues per share (1/7)	3,11	192,36	16,65
18	Net profit per share (2/7)	0,18	17,02	1,55
19	Total Assets per Share (3/7)	3,50	250,84	21,26

Source: Reports of Unipharm AD as of 30.06.2017; "BLOOMBERG"

Pursuant to paragraph 1, p.15 of the Supplementary Provisions of Ordinance No 41, the market rates used in the market maker method of analogue companies include at least the following factors: market price / net profit (P / E), market price / book value (equity) (P / B) and market price / sales (P / S). The indicators of the analogue companies outlined in Table 16 below are based on the Bloomberg system and were taken on 07/09/2015. The P / E ratio is calculated as the market capitalization of the respective company divided by its net profit as of 30.06.2017 (8/2 of Table 11). The R / C ratio is calculated as the market capitalization of the respective company is divided by the value of its equity as of 30.06.2017. (8/4 of Table 11). The R / S ratio is calculated as the market capitalization of the respective company divided by the value of its sales as of 30.06.2017. (8/1 of Table 11)

For the positioning of the coefficients and the end values by the method of the BDMA in the tables using this method rounding is used. The same values per share are indicated to the third decimal place and are rounded according to the generally accepted mathematical rules for rounding. When performing the calculations, the real values without rounding are used to achieve a correct result.

TABLE 12: ASSESSMENT OF THE BASIS OF MARKET AGGREGATES OF ANALYSIS COMPANIES

Company	Country	P/E	P/S	P/B
ALKALOID AD	MACEDONIA	6,579	0,582	0,598
OLAINES KIMISKI-FARMACEITISK	LATVIA	12,863	1,198	1,544
Average		9,721	0,890	1,071
		Net Profit	Sales	Equity
Unipharm AD (in BGN'000)		1 057	18 671	18 158
Odds for Unipharm PLC per share		EPS	SPS	BVPS
		0,176	3,112	3,026
Price per share (BGN)		1,713	2,770	3,241
Final cost per share (average of all odds) (in BGN)		-	2,575	-

Source: „Bloomberg”

In order to find the fair value of one share of Unipharm AD based on the indicators P / B, P / S and P / E, the following coefficients were calculated:

- Net profit per share of Unipharm AD at the amount of BGN 0.176 - calculated as the ratio between the profit for one year and the number of shares in circulation.;
- Accounting value of one share of Unipharm AD at the amount of BGN 3,026 - calculated as the ratio between the company's equity value according to the last interim financial report as of 30.06.2017 and the number of shares in circulation;
- Sales of one share to Unipharm AD at the amount of BGN 3,122 - calculated as the ratio between the sales for 1 year and the number of shares in circulation.

In calculating the share price by this method, each of the P / B, P / S and P / E multipliers has been assigned the same weight in the final mark, namely 33.33%. Thus, the coefficients obtained, give an estimate of one share of Unipharm AD, based on the market multiples of the analog-company companies, amounting to **BGN 2,575**.

THE USED ANALYSIS COMPANIES ARE PHARMACEUTICAL COMPANIES OPERATED IN EASTERN EUROPE. THEREFORE, ESSENTIAL NON-CONFORMITY IN RESPECT OF LOADS AND MAIN OPERATIONAL AND FINANCIAL INDICATORS AS PRODUCTION CAPACITY, REVENUE, ASSETS, LIABILITIES, OWN CAPITAL, SUBSIDIARIES AND MARKET CAPITALIZATION ARE OBSERVED. THEREFORE, THE METHOD OF MARKET GROWERS OF ANALYSIS COMPANIES IS NOT USED IN DETERMINING THE FAIR PRICE OF SHARES OF UNIPHARM AD.

METHOD OF DISCONTINUED CASH FLOWS

The discounted cash flow method is an assessment method that is based on the concept of the value of money over time and is the primary method of determining the value of a company by bringing to the present moment the amount of cash flows that the Company is expected to generate in the future. The discount rate, in turn, reflects the risk and the required rate of return on the investment over the projection period.

The value of the capital of Unipharm AD by discounting the estimated cash flows was obtained by applying the following formula:

$$V_0 = \frac{FCFF_{2017}}{(1+WACC)^{114/365}} + \frac{FCFF_{2018}}{(1+WACC)^{1+114/365}} + \dots + \frac{FCFF_{2022}+P_{2022}}{(1+WACC)^{4+114/365}}$$

where:

- V_0 - is the value of the capital
- $FCFF_{2017-2022}$ – are the estimated cash flows generated by the Company for that year
- $WACC$ - is the weighted average cost of the Company's capital. According to the justification, the denominator is graded by a factor that takes into account the actual number of days of the relevant period. For a real number of days each year 365 days are accepted.
- P - is the terminal value calculated as follows:

$$P_{2021} = \frac{FCFF_{2022} \cdot (1+g)}{(WACC-g)}$$
- g - is the steady growth rate of cash flows for the period after 2022

REVENUES

Table 17: Revenues of Unipharm AD

Revenues in thousands of BGN	2014	2015	2016	30.6.2017
Revenue from the sale of output	18 334	18 235	17 185	9 930
Revenue from sales of services	325	287	199	93
Other operating income from operations	700	1 150	685	369
Total operating income	19 359	19 672	18 069	10 392

Source: Audited annual and unaudited interim financial statements of Unipharm AD

For the period of the forecast period, both management - Sopharma AD and Unipharm AD will seek to overcome the consequences of the financial crisis and the crisis in Ukraine. Coinciding with expectations of weak local market growth over the next few years, the decline in the company's core export markets led to moderate growth over the period 2017-2022. Growth during this period will be at the expense of expected worsening of operating margins resulting from a decline in consumption and depreciation of local currencies on the export markets of the company.

The estimates used in this assessment are based on the company's financial information for the period 2014-2016.

Predicted moderate sales growth vs. 2016 (with the exception of the pessimistic scenario) is due to expectations of a slow recovery in sales to the former Soviet republics and the low growth of the local market.

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Growth with an pessimistic scenario</i>									
Revenue from the sale of output	18 334	18 235	17 185	15 381	14 396	14 396	14 540	14 642	14 730
growth, %	12,1%	-0,5%	-5,8%	-10,5%	-6,4%	0,0%	1,0%	0,7%	0,6%
Revenue from sales of services	325	287	199	209	219	230	242	254	267
growth, %	47,1%	-11,7%	-30,7%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Other operating income from operations	700	1 150	685	500	500	500	500	500	500
growth, %	3,9%	64,3%	-40,4%	-27,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Income from a pessimistic scenario	19 359	19 672	18 069	16 090	15 116	15 127	15 282	15 396	15 496
growth, %	12,2%	1,6%	-8,1%	-11,0%	-6,1%	0,1%	1,0%	0,7%	0,7%
<i>Growth with an realistic scenario</i>									
Revenue from the sale of output	18 334	18 235	17 185	17 615	18 319	19 235	19 601	19 757	19 916
growth, %	12,1%	-0,5%	-5,8%	2,5%	4,0%	5,0%	1,9%	0,8%	0,8%
Revenue from sales of services	325	287	199	219	241	265	291	320	353
growth, %	47,1%	-11,7%	-30,7%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Other operating income from operations	700	1 150	685	500	500	500	500	500	500
growth, %	3,9%	64,3%	-40,4%	-27,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Income from a realistic scenario	19 359	19 672	18 069	18 334	19 060	20 000	20 392	20 578	20 768
growth, %	12,2%	1,6%	-8,1%	1,5%	4,0%	4,9%	2,0%	0,9%	0,9%
<i>Growth with an optimistic scenario</i>									
Revenue from the sale of output	18 334	18 235	17 185	17 890	19 249	21 232	22 506	23 158	23 830
growth, %	12,1%	-0,5%	-5,8%	4,1%	7,6%	10,3%	6,0%	2,9%	2,9%
Revenue from sales of services	325	287	199	219	241	265	291	320	353
growth, %	47,1%	-11,7%	-30,7%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Other operating income from operations	700	1 150	685	500	500	500	500	500	501
growth, %	3,9%	64,3%	-40,4%	-27,0%	0,0%	0,0%	0,0%	0,0%	0,2%
Income from a optimistic scenario	19 359	19 672	18 069	18 608	19 990	21 997	23 297	23 979	24 684
growth, %	12,2%	1,6%	-8,1%	3,0%	7,4%	10,0%	5,9%	2,9%	2,9%

Table 18: Unipharm AD revenue forecast

The implementation of medicines in the domestic market is a relatively constant magnitude. The efforts of the Company are aimed at changing the technological processes through moderate investments with own funds, which modernizes the production base, improves the quality and increases the productivity of the labor.

A real increase in the sale of medical devices can be achieved by restoring the share of exports. Following the contraction in the Ugandan market, exports over the next two years are expected to continue to shrink. However, the demand for Unipharm AD products in the former Soviet republics is expected to recover in the medium term, b.c. Unipharm products are in the low price segment and the drastic fall in living standards in these countries would lead to greater demand for such products, but at lower profit margins for the company.

The Company's earnings forecasts are presented in three scenarios - *realistic, optimistic and pessimistic*. The different growth rates for each of the scenarios reflect the expectations of a decline in export earnings and a low growth in the local market and the maintenance of the market share of the Company followed by moderate growth until the end of the period.

For the period **2017-2019**, in the realistic scenario, there is an increasing growth in **Revenues from sales of production**, and at the end of the period the sales of production will reach the levels of 2014-2015. In the last 3 years of the forecast

period - 2020-2022. revenue growth is expected to normalize slightly below the long-term growth projected for the scenario.

The *pessimistic scenario* during the period 2017-2019 it is predicted to maintain the rate of decline in production revenue, and this decline was mastered in 2019. In 2020-2022 the growth of sales from production normalizes just below the long-term growth.

The *optimistic scenario* during the period 2017-2019 it is predicted gradual increase in production revenue is projected, with a two-digit growth of 10.3% in 2019. In 2020-2022 the growth of sales from production normalizes to just below the long-term growth.

Revenues from sales of services are non-operational and non-volatile, as only revenues from security services and maintenance are constant at the amount of BGN 151 thousand in 2014, 2015 and 2016. In the three scenarios, revenues from sales of services are forecast at the amount of BGN 219 thousand, with an increase of 10.0% in the rest of the period (5.0% in the pessimistic scenario)..

The other operating income from the activity is non-operating and volatile, with pledges amounting to BGN 500,000 per year without growth over the projection period - mainly income from social activities and income from financing..

EXPENSES

Table 19: Expenses of Unipharm AD

Costs in thousands of BGN	2014	2015	2016	30.6.2017
Sales costs	-17 306	-18 402	-17 813	-9 350
Material costs	-7 626	-8 100	-7 638	-3 916
Costs for external services	-1 956	-2 384	-1 838	-947
Staff costs	-5 531	-5 462	-5 698	-2 728
Depreciation costs	-1 946	-1 948	-1 951	-1 078
Other operating costs	-307	-318	-340	-157
Change in production stocks	60	-190	-348	-524
Financial costs	-45	-3	54	-3
Total costs	-17 351	-18 405	-17 759	-9 353
Profit before tax	2 008	1 267	310	1 039
Tax costs	-199	-129	-28	0
Net profit for the year	1 809	1 138	282	1 039
Other Components of Comprehensive Income				
Actuarial gains / (losses) on defined benefit plans	-21	-39	-11	0
Income Tax Refers to Other Comprehensive Income	2	4	-24	0
Gains / losses on revaluation of available-for-sale financial assets to fair value	-1	-215	24	260
Other comprehensive income for the year, net of tax	-20	-250	-11	260
Total comprehensive income for the year	1 789	888	271	1 299

Source: Audited annual and unaudited interim financial statements of Unipharm AD

Unipharm AD realized a positive **net result** for the period 2013-2016, this trend remaining in the forecast period.

The cost of the Company is projected on the basis of the historically reported operating expenses during the historical period 2014-2016.

The expenses of inventory changes due to their volatility is not included in the estimated operating expenses.

Material expenses are variable costs and are projected as a percentage of revenue based on the historical performance for the 2014-2016 period. Under the pessimistic and realistic scenario, the cost of materials is an average of the historical achievements for the period 2013-2016. from 41.3%. Under the optimistic scenario, the cost of materials is an average

percentage of the historical achievements for the period 2013-2016. after the middle of the period, an increase in the percentage due to a rise in the cost of raw materials as a result of the accelerated recovery of the world economy is allowed.

Expenses for external services are variable costs and are projected as a percentage of revenue based on the historical performance over the period 2013-2016. Under the pessimistic scenario, it is assumed that the company will be able to optimize the cost of outsourcing services and is therefore set to drop from 10.1% to 9.4% over the projection horizon, which is the highest and the lowest in the historical period. Under the realistic scenario, the cost of external services is an average of the historical achievements for the 2014-2016 period. from 10.8%. Under the optimistic scenario, the cost of external services is the average for the period 2013-2016, after 2018. it is possible to increase the percentage as a result of a more aggressive marketing policy of the Company, reaching the levels of 2015. from 12.1%.

Other operating expenses are variable costs and are projected as a percentage of revenue based on historical performance for 2016. from 1.9% in all scenarios.

Staff expenses are recognized as fixed costs, depending on macroeconomic factors. It is assumed that with the projected increase and / or decrease in revenue over the projection period, it will be unnecessary to increase or decrease the workforce.

In view of this assumption, the main factors influencing personnel costs are the increase in average gross salary and unemployment. The unemployment rate for the second quarter of 2017 was 6.3%, slightly over 11.4% in the second quarter of 2014. (Source: http://www.nsi.bg/sites/default/files/files/pressreleases/LFS2017q2_GA7ZYQB.pdf). The average gross salary increased to BGN 1,027 in June 2017. compared to BGN 806 in June 2014. (Source: <http://www.nsi.bg/bg/content/3928/%D0%BD%D0%B0%D1%86%D0%B8%D0%BE%D0%BD%D0%B0%D0%BB%D0%BD%D0%BE-%D0%BD%D0%B8%D0%B2%D0%BE>). The trend for both macroeconomic factors shows that the Company must increase personnel costs over the projected period to remain competitive on the labor market. Labor costs are projected to increase in all three scenarios, but in the pessimistic scenario, it is assumed that the Company will be able to optimize costs by reducing the number of employees, given the reduced production. Staff costs under the optimistic scenario are projected to increase more aggressively than realistic, given the need to recruit new employees. The growth in 2021-2022. is equal to the long-term growth for the relevant scenarios.

Depreciation expenses are projected to decrease during the projected period of the realistic scenario from BGN 1,951 thousand in 2017. to BGN 1 551 thousand in 2022 due to the lack of capital expenditures after 2018. Depreciation costs in the optimistic and pessimistic scenarios differ by BGN 100 thousand, respectively, and less compared to the realistic scenario over the projection period, given the different capital expenditures incurred in 2017 and 2018 in the relevant scenarios.

During the projection period, no **interest expenses** are foreseen given the negative net debt of the company and zero interest on current accounts. Under the optimistic scenario, Financial Income amounts to BGN 54 thousand over the entire forecast period, equal to the financial revenues for 2016 years.

Table 20: Operating income and expenses and depreciation costs of Unipharm AD for 2017-2022

Indicator in BGN'000	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>						
Revenue	16 090	15 116	15 127	15 282	15 396	15 496
Activity costs	-14 562	-13 643	-13 649	-13 731	-13 876	-14 015
Depreciation costs	-1 851	-1 851	-1 751	-1 651	-1 551	-1 451
<i>Realistic scenario</i>						
Revenue	18 334	19 060	20 000	20 392	20 578	20 768
Activity costs	-15 886	-16 578	-17 400	-17 941	-18 180	-18 424
Depreciation costs	-1 951	-1 951	-1 851	-1 751	-1 651	-1 551
<i>Optimistic scenario</i>						
Revenue	18 608	19 990	21 997	23 297	23 979	24 684
Activity costs	-15 971	-17 132	-19 088	-20 023	-20 580	-21 153
Depreciation costs	-2 051	-2 051	-1 951	-1 851	-1 751	-1 651

Table 21: Estimated expenses of Unipharm AD

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pessimistic scenario									
Material costs	-7 626	-8 100	-7 638	-6 651	-6 248	-6 253	-6 317	-6 364	-6 406
% of sales	39,4%	41,2%	42,3%	41,3%	41,3%	41,3%	41,3%	41,3%	41,3%
Costs for external services	-1 956	-2 384	-1 838	-1 626	-1 427	-1 428	-1 442	-1 453	-1 463
% of sales	10,1%	12,1%	10,2%	10,1%	9,4%	9,4%	9,4%	9,4%	9,4%
Staff costs	-5 531	-5 462	-5 698	-5 983	-5 684	-5 684	-5 684	-5 769	-5 856
growth,%	1,4%	-1,2%	4,3%	5,0%	-5,0%	0,0%	0,0%	1,5%	1,5%
Other operating costs	-307	-318	-340	-303	-284	-285	-288	-290	-292
% of sales	1,6%	1,6%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Change in production stocks	60	-190	-348	0	0	0	0	0	0
Activity costs	-15 360	-16 454	-15 862	-14 562	-13 643	-13 649	-13 731	-13 876	-14 015
Realistic scenario									
Material costs	-7 626	-8 100	-7 638	-7 579	-7 879	-8 267	-8 430	-8 506	-8 585
% of sales	39,4%	41,2%	42,3%	41,3%	41,3%	41,3%	41,3%	41,3%	41,3%
Costs for external services	-1 956	-2 384	-1 838	-1 980	-2 058	-2 160	-2 202	-2 222	-2 243
% of sales	10,1%	12,1%	10,2%	10,8%	10,8%	10,8%	10,8%	10,8%	10,8%
Staff costs	-5 531	-5 462	-5 698	-5 983	-6 282	-6 596	-6 926	-7 064	-7 206
growth,%	1,4%	-1,2%	4,3%	5,0%	5,0%	5,0%	5,0%	2,0%	2,0%
Other operating costs	-307	-318	-340	-345	-359	-376	-384	-387	-391
% of sales	1,6%	1,6%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Change in production stocks	60	-190	-348	0	0	0	0	0	0
Activity costs	-15 360	-16 454	-15 862	-15 886	-16 578	-17 400	-17 941	-18 180	-18 424
Optimistic scenario									
Material costs	-7 626	-8 100	-7 638	-7 692	-8 263	-9 351	-9 904	-10 193	-10 493
% of sales	39,4%	41,2%	42,3%	41,3%	41,3%	42,5%	42,5%	42,5%	42,5%
Costs for external services	-1 956	-2 384	-1 838	-1 946	-2 091	-2 666	-2 823	-2 906	-2 991
% of sales	10,1%	12,1%	10,2%	10,5%	10,5%	12,1%	12,1%	12,1%	12,1%
Staff costs	-5 531	-5 462	-5 698	-5 983	-6 402	-6 658	-6 858	-7 029	-7 205
growth,%	1,4%	-1,2%	4,3%	5,0%	7,0%	4,0%	3,0%	2,5%	2,5%
Other operating costs	-307	-318	-340	-350	-376	-414	-438	-451	-464
% of sales	1,6%	1,6%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Change in production stocks	60	-190	-348	0	0	0	0	0	0
Activity costs	-15 360	-16 454	-15 862	-15 971	-17 132	-19 088	-20 023	-20 580	-21 153

At the discretion of the company's management, the company's production base needs capital investment to maintain its sales levels. For the period 2013-2016. the company has made capital expenditures amounting to BGN 6.5 million, and for 2017, it is envisaged that the capital expenditures will be in the range of BGN 2.5-5.0 million under different scenarios. In this respect, capital expenditure is projected on a real investment basis, with the pessimistic scenario covering the slightest performance, while the realistic and optimistic scenario implies partial and full implementation. The capital expenditure set for 2018. are in the range of BGN 1.5-3.0 million under the different scenarios under the same assumptions. Additional capital costs in 2017 and 2018 years. in the completion of the modernization program of the company will be sufficient to maintain sales in the forecast period. Detailed information on estimated capital costs is presented in the following table:

Table 22: Capital expenses of Unipharm AD for the period 2017-2022.

Indicator in BGN'000	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>						
Buildings	300	200	200	200	200	200
Improvement of the building stock and warehouses for finished products					300	200
Car wash to maintain the cleanliness of official cars					0	0
Machinery, equipment, equipment	1 700	1 100	1 100	1 100	1 100	1 100
Serialization systems	1 000	450				
Banderol machines	0	50				
Construction of a steam plant	200	50				
Replacement of basic production machines	500	550				
Vehicles	300	100	100	100	100	100
Trucks for the transport of concentrates for hemodialysis					200	100
Gasifiers - forklifts	100					
Farm inventory	200	100	0	0	0	0
Total investments	2 500	1 500	1 400	1 400	1 400	1 400
<i>Realistic scenario</i>						
Buildings	500	300	0	0	0	0
Improvement of the building stock and warehouses for finished products					300	300
Car wash to maintain the cleanliness of official cars					200	0
Machinery, equipment, equipment	2 500	1 400	0	0	0	0
Serialization systems	1 000	550				
Banderol machines	300	100				
Construction of a steam plant	200	100				
Replacement of basic production machines	1 000	650				
Vehicles	500	150	0	0	0	0
Trucks for the transport of concentrates for hemodialysis					400	150
Gasifiers - forklifts	100					
Farm inventory	500	150	0	0	0	0
Total investments	4 000	2 000	0	0	0	0
<i>Optimistic scenario</i>						
Buildings	800	600	0	0	0	0
Improvement of the building stock and warehouses for finished products					600	500
Car wash to maintain the cleanliness of official cars					200	100
Machinery, equipment, equipment	3 000	2 000	0	0	0	0
Serialization systems	1 000	900				
Banderol machines	300	100				
Construction of a steam plant	200	100				
Replacement of basic production machines	1 500	900				
Vehicles	500	200	0	0	0	0
Trucks for the transport of concentrates for hemodialysis					400	150
Gasifiers - forklifts	100	50				
Farm inventory	700	200	0	0	0	0
Total investments	5 000	3 000	0	0	0	0

NET REDUCED(WORKING) CAPITAL

Net working capital (NFC) is a financial indicator related to the liquidity of the Company. Together with fixed assets, such as machinery and equipment, working capital is considered to be part of the operating capital and is calculated as short-term assets being deducted from short-term liabilities.

The calculation of the NFC of Unipharm AD is in line with the future income and cost estimates and is again presented in three scenarios - optimistic, realistic and pessimistic. For the purposes of this assessment, the NCA is calculated as the difference between non-monetary short-term assets and non-interest payables. Key indicators in calculating net working capital are: receivables, payables and floatability of inventories in days.

Table 23: Changes in non-monetary net working capital of Unipharm AD

Indicator in BGN'000	2014	2015	2016	30.6.2017
Current assets (excluding cash)	6.861	6.875	6.622	7.537
Current liabilities (excluding interest payables)	1.545	1.458	1.755	1.837
Non-cash working capital	5.316	5.417	4.867	5.700
Change in non-cash working capital	685	101	-550	163

Източник: Одитирани годишни и неодитирани междинни финансови отчети на „Унифарм“ АД

The substantial difference between the three scenarios is in the different assumptions about the payability of receivables in days. Turnover is predicted on the basis of the historical performance of the Company, which has been adjusted according to the nature of the projected scenario. Historical rates of return on receivables are shown in the following table:

Table 24: Turnover(return) of claims in days for the historical period

Return on receivables (in days)	2014	2015	2016
1 Revenue	19 359	19 672	18 069
2 Operating costs excluding wages and depreciation	-9 829	-10 992	-10 164
3 Inventories	2 942	2 950	2 707
4 Total receivables	3 919	3 925	3 915
5 Obligations	1 545	1 458	1 755
6 Return on receivables in days (365 / (1/4))	74	73	79
7 Inventories (365 / (1/3))	55	55	55
8 Payables to suppliers (365 / (2/5))	57	48	63

The recoverability of the receivables for the respective year is calculated as the income from sales for the respective year divided the amount of receivables. The coefficient obtained is the coefficient of turnover. 365 (number of days in one year) is divided by the coefficient of turnover in order to obtain the return of receivables in days. Analogous calculations are made to obtain the remaining data on the turnover of inventories. Turnover of payables to suppliers is calculated by analogous calculations using the amount of costs (excluding depreciation and staff costs to the extent that they are not liabilities to suppliers) and the amount of non-interest bearing liabilities.

The forecast for the working capital turnover in days, for the period 2017-2022, according to the historical indicators and the nature of the scenarios, is presented in the following table:

Table 25: Estimated Return(turnover) on Receivables in Days

Turnover of receivables (in days)	2017	2018	2019	2020	2021	2022
Pessimistic scenario						
Turnover of receivables in days	83	83	83	83	86	92
Inventories	65	65	65	65	68	71
Obligations to suppliers	56	56	56	56	56	56
Realistic scenario						
Turnover of receivables in days	73	73	73	73	76	82
Inventories	55	55	55	55	58	61
Obligations to suppliers	57	57	57	57	57	57
Optimistic scenario						
Turnover of receivables in days	68	68	68	68	71	77
Inventories	50	50	50	50	53	56
Obligations to suppliers	59	59	59	59	59	59

The estimated change in non-cash working capital of Unipharm AD (in absolute and relative terms) in each of the three scenarios is presented in the following tables.

The change in non-cash working capital is based on a calculation of each of its indicators. The calculation of current assets (excluding cash) for that year is made as the sum of sales for that year and the corresponding scenario is multiplied by the rate of return of receivables for the same period and the same scenario, and the work divided by 365 (number of days in one year). To this result is added similar accounts for the turnover of inventories, the index for the respective period and the scenario is multiplied by the income from sales and the work is divided into 365. Such calculations are made for the calculation of the current liabilities (excluding interest payments). An example of each of the scenarios for 2017-2022 is given in the following table for illustration of calculations:

Table 26: Example of how to calculate the change in non-cash working capital

Indicator in thousands of BGN	2017	2018	2019	2020	2021	2022
Pessimistic scenario						
1 Sales revenue	16 090	15 116	15 127	15 282	15 396	15 496
2 Expenses (excluding depreciation and personnel)	-8 579	-7 959	-7 965	-8 047	-8 107	-8 160
3 Turnover of receivables in days	83	83	83	83	86	92
4 Inventories	65	65	65	65	68	71
5 Obligations to suppliers	56	56	56	56	56	56
6 Current assets (excluding cash) $((1 * 3 + 1 * 4) / 365)$	6 516	6 122	6 126	6 189	6 496	6 920
7 Current liabilities (excluding interest payables) $((2 * 5) / 365)$	1 325	1 229	1 230	1 243	1 252	1 260
8 Non-cash working capital (6-7)	5 191	4 893	4 896	4 947	5 244	5 660
9 Change in non-cash working capital		-299	4	50	297	416

Realistic scenario							
10	Sales revenue	18 334	19 060	20 000	20 392	20 578	20 768
11	Expenses (excluding depreciation and personnel)	-9 903	-10 296	-10 803	-11 015	-11 116	-11 218
12	Turnover of receivables in days	73	73	73	73	76	82
13	Inventories	55	55	55	55	58	61
14	Obligations to suppliers	57	57	57	57	57	57
15	Current assets (excluding cash) $((1 * 3 + 1 * 4) / 365)$	6 421	6 675	7 004	7 141	7 555	8 137
16	Current liabilities (excluding interest payables) $((2 * 5) / 365)$	1 556	1 618	1 698	1 731	1 747	1 763
17	Non-cash working capital (6-7)	4 864	5 057	5 306	5 410	5 808	6 374
18	Change in non-cash working capital		193	249	104	397	566
Optimistic scenario							
19	Sales revenue	18 608	19 990	21 997	23 297	23 979	24 684
20	Expenses (excluding depreciation and personnel)	-9 988	-10 730	-12 430	-13 165	-13 551	-13 949
21	Turnover of receivables in days	68	68	68	68	71	77
22	Inventories	50	50	50	50	53	56
23	Obligations to suppliers	59	59	59	59	59	59
24	Current assets (excluding cash) $((1 * 3 + 1 * 4) / 365)$	6 007	6 453	7 101	7 521	8 146	8 994
25	Current liabilities (excluding interest payables) $((2 * 5) / 365)$	1 624	1 745	2 022	2 141	2 204	2 269
26	Non-cash working capital (6-7)	4 383	4 708	5 079	5 379	5 942	6 726
27	Change in non-cash working capital		325	371	300	563	783

Source: Tables 20, 25 and 27

Table 27: Change in non-cash working capital of Unipharm AD

Indicator in BGN'000	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Pessimistic scenario</i>									
Current assets (excluding cash)	6 861	6 875	6 622	6 516	6 122	6 126	6 189	6 496	6 920
Current liabilities (excluding interest payables)	1 545	1 458	1 755	1 325	1 229	1 230	1 243	1 252	1 260
Non-cash working capital	5 316	5 417	4 867	5 191	4 893	4 896	4 947	5 244	5 660
Change in non-cash working capital	685	101	-550	324	-299	4	50	297	416
<i>Realistic scenario</i>									
Current assets (excluding cash)	6 861	6 875	6 622	6 421	6 675	7 004	7 141	7 555	8 137
Current liabilities (excluding interest payables)	1 545	1 458	1 755	1 556	1 618	1 698	1 731	1 747	1 763
Non-cash working capital	5 316	5 417	4 867	4 864	5 057	5 306	5 410	5 808	6 374
Change in non-cash working capital	685	101	-550	-3	193	249	104	397	566
<i>Optimistic scenario</i>									
Current assets (excluding cash)	6 861	6 875	6 622	6 007	6 453	7 101	7 521	8 146	8 994
Current liabilities (excluding interest payables)	1 545	1 458	1 755	1 624	1 745	2 022	2 141	2 204	2 269
Non-cash working capital	5 316	5 417	4 867	4 383	4 708	5 079	5 379	5 942	6 726
Change in non-cash working capital	685	101	-550	-484	325	371	300	563	783

DISCONTINENCE LEVEL(RATE)

The discount rate is the rate at which future cash flows are discounted to their present value and is the primary variable of that process. In essence, it reflects the return that the particular investor requires to undertake an investment at a certain level of risk.

Another approach in determining the discount rate is the rate of return where the capital that the particular investment requires is invested in another venture at a similar level of risk (i.e., the alternative cost of capital). For example, if the capital required for a project invested elsewhere can yield a return of 10%, this percentage may be used as a discount rate when calculating the Net Present Value, which will allow a direct comparison between the two projects.

A discount rate equivalent to the weighted average cost of capital (CBA) is used when the Company's discounted cash flow model is used to calculate the cost of capital. Equally different, a company's JCC increases when its beta and the required rate of return on equity increase, with this increase leading to a lower company rating and a higher rate of risk.

Table 28: Unipharm AD capital structure historically (BGN'000)

Indicator (in thousands of BGN)	2014	2015	2016	30.6.2016	30.6.2017
Equity	18 037	17 726	17 098	17 072	18 158
Interest-bearing debt	84	70	71	124	225
Total	18 121	17 796	17 169	17 196	18 383
Share of equity	99,54%	99,61%	99,59%	99,28%	98,78%
Share of debt	0,46%	0,39%	0,41%	0,72%	1,22%

ИЗТОЧНИК: ФИНАНСОВИ ОТЧЕТИ НА „УНИФАРМ“ АД

The management of Unipharm AD does not envisage raising the current debt levels of Unipharm AD but rather only to cover the current liabilities according to their repayment plans and, if possible, to reduce them. For the weight of the capital cost and the price of the debt the values of the same as at 30.06.2017 were used.

The methodology for determining the cost of capital is based on the methods of Prof. Damodaran, author of numerous studies on the problems of company valuation. On his website: <http://pages.stern.nyu.edu/~adamodar/>, Prof. Damodaran publishes up-to-date data on the risk premium for the so- "Developed" and also "emerging" markets. These ratings are used by a wide range of investors and analysts around the world, including the World Bank and the International Monetary Fund.

The weighted average cost of capital is calculated on the basis of the following formula:

$$WACC = WE \cdot R + WD \cdot CD \cdot (1 - T)$$

Where:

WACC – weighted average cost of capital

WE – the relative weight of equity financing

R – cost of equity

WD – the relative weight of attracted funds

CD – cost of borrowed capital

T – tax rate for the company

The average cost of capital is determined as the cost of financing with own funds and the cost of funded capital is multiplied by their relative weights, which are calculated for each year in each of the three scenarios.

For its part, the cost of equity is calculated on the basis of the following formula:

$$R = R_f + \beta \cdot R_m + R_b$$

Where:

R_f – risk-free rate of return

β – Corrected "beta" of Unipharm AD

R_m – risky premium for a "developed" stock market

Rb – country risk premium

For the purposes of these calculations, data were used as of 08 September 2017.

For the risk-free rate of return (Rf), the yield of 10-year German securities GDBR10 Index from Bloomberg) was 0.307% as of 08.09.2017.

"Unipharm" AD has a long history as a public company, so we believe that the use of market "beta" is justified. The market beta of the Company is 0.574, on a daily basis for the past 5 years (source BLOOMBERG).

As far as the market "beta" reflects the historical risk of UNIPHARM AD shares versus the market, and the Company's assessment is based on discounted future cash flows, this analysis uses the adjusted beta. Historically, the coefficient β tends to 1. For this reason, the correction coefficients aim to equalize the current coefficient β of a company to historical dependencies. In this respect, the current analysis uses weights of $\alpha_0 = 33.3$ (3)% and $\alpha_1 = 66.6$ (6)% proposed by Bloomberg and widely used by the investor community.

The adjusted beta is calculated using the following formula:

$$\kappa\beta = \alpha_0 + \alpha_1\beta$$

Where:

$\kappa\beta$ – adjusted β

β – Market "beta" of Unipharm AD

$\alpha_0 + \alpha_1 = 1$ – correction factors.

According to the above formula, the corrected beta of Unipharm AD is 0.716.

For the calculation of the total risk premium for Unipharm PLC, we should start with the risk premium required for the "developed" stock market and add a risk premium for country risk. The risk premium for developed markets amounted to 5.13%, according to the monthly data published on Prof. Damodaran's website as of July 2017 (<http://pages.stern.nyu.edu/~adamodar/>), as the risk premium used is calculated as the average cash flow yield for a 10-year period. It is selected because it covers a long period of time - 10 years and is not affected by short-term changes in the input variables and corresponds to the long-term assessment of the Company.

The **country risk** premium is determined by the adjusted return on Baa2 (as is Bulgaria's Moody's rating) and the risk-free rate of return. The current data, again in the same source by Prof. Damodaran in July 2017, shows that this spread is 203 basis points. (2.03%), which is formed by the difference in yield on foreign government securities with AAA rating and the Bulgarian government securities as per maturity. Professor Damodar, in this regard, sets a country risk premium of 230 basis points. (2.30%).

In order to finalize the calculation of the required rate of return on the part of the shareholders, we should summarize the information available so far:

Table 29: Data on the required return on equity

Indicator (in%)	Резултат
Current yield of 10-year German government securities	0,31%
Market beta	0,570
Corrected beta	0,710
Risk premium for a developed stock market	5,13%
Country risk premium	2,30%
Required rate of return	6,25%

For the purpose of determining the cost of financing with borrowed capital of UNIPHARM AD, a BNB publication, according to which the average interest rate on loans in EUR for the non-financial corporations sector as of August 2017, is 4.14% (all loans with different maturities with the exception of overdraft loans included). This statistic best reflects the market reality in Bulgaria and therefore 4.14% can be considered as a realistic market price of attracted funds.

The weights of financing with own and attracted capital of Unipharm AD are determined on the basis of the last published consolidated financial statement of the Company as at 30.06.2017.

Table 30: Equity to debt ratio

Indicator in thousands of BGN	30.6.2017	Share of total capital
Total debt	225	1,22%
Equity	18 158	98,78%

SOURCE: INTERIM FINANCIAL STATEMENTS OF UNIPHARM AD

The formula for calculating the weighted average cost of capital:

$$WACC = WE \cdot R + WD \cdot CD \cdot (1 - T)$$

replacing the above-calculated values of the individual components:

$$WACC = 98.78\% \times 6.52\% + 1.22\% \times 4.14\% \times (1 - 10\%) = 6.22\%$$

up to 8.13% as the weighted average cost of Unipharm's capital.

The growth of the Company after the end-of-period (during the after-forecast period) is a key indicator against which the discounted cash flow method is particularly sensitive. It is decisive for the post-forecast period when it is expected that there will be no significant changes in the scale and profitability of the business activity and therefore it is projected that net cash flows will remain constant or will grow at a steady rate.

As a starting point for determining the growth of the Company in the post-forecast period, the long-term forecast for growth of the economy in the country in which the company operates is taken. According to economic theory, no company can grow indefinitely at a rate higher than that of the economy of the country in which it operates. For this reason, the indicated value of g should be close to the values that can be expected to grow Bulgarian GDP in the long run.

Given the three scenarios we have set different rates of growth, as follows:

Realistic: 2.0% - Bulgaria as part of the European Union is dependent on its economic development and state. Therefore, in the long run, it is assumed that the Bulgarian economy will converge to the average growth rates of the Member States. For normal growth rates of EU economies in the long run, values are estimated at around 1-2%, according to various surveys and organizations. Therefore, in the period after the end of the year, Unipharm AD revenues are expected to grow by an average of 2.0% per year.

Optimistic: 2.5% - The optimistic scenario predicts growth of 2.5%, or 0.5% more than the realistic scenario. This percentage should reflect not only the better-than-expected development of the Bulgarian economy, but in particular the long-term development of the pharmaceutical industry with higher rates above the average level of the economy.

Pessimistic: 1.5% - The pessimistic scenario applies the same logic as the optimistic scenario, but it is based on the assumption that the Bulgarian economy will develop at a slower pace than predicted in the realistic scenario, and that the pharmaceutical industry will lag behind the pace of the other industries. Therefore, in this scenario, growth is 1.5% or 0.5% less than the realistic scenario.

FINAL RESULT

By the method of the discounted cash flows of the company, we receive the fair value of the Company's activity as of September 08, In applying the method, the "working company" principle has been adopted.

The discount period is also determined on the basis of the valuation date and takes into account the days between 08.09.2017. and 31.12.2022, the first period ending on 31.12.2017, and the number of days between the valuation date and the end of 2017 is divided into 365. The fair value of the company is derived by deducting net liabilities (total debt minus cash and cash equivalents) reported on the basis of the last report of Unipharm AD as at 30.06.2017

The following tables present the detailed estimates and calculations for each of the three scenarios:

Table 31: Pessimistic scenario

Indicator in BGN'000	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Sales	16 090	15 116	15 127	15 282	15 396	15 496
Sales growth	-10,96%	-6,05%	0,07%	1,03%	0,75%	0,65%
Activity costs	-14 562	-13 643	-13 649	-13 731	-13 876	-14 015
Profit before depreciation, interest and taxes	1 527	1 472	1 478	1 551	1 520	1 481
Margin of profit before depreciation, interest and taxes	9,49%	9,74%	9,77%	10,15%	9,87%	9,56%
Depreciation	-1 851	-1 851	-1 751	-1 651	-1 551	-1 451
Operating profit	-324	-379	-273	-100	-31	30
Operating profit margin	-2,01%	-2,50%	-1,81%	-0,65%	-0,20%	0,19%
Interest expenses	0	0	0	0	0	0
Tax profit	0	0	0	0	0	-3
Net profit	-324	-379	-273	-100	-31	27
+ depreciation	1 851	1 851	1 751	1 651	1 551	1 451
-capital costs	2 500	1 500				
-change in net working capital	324	-299	4	50	297	416
Net cash flows	-1 297	271	1 474	1 501	1 223	1 062
Discount rate	6,22%	6,22%	6,22%	6,22%	6,22%	6,22%
Discontinuous factor	0,98	0,92	0,87	0,82	0,77	0,73
Sales growth after 2022	1,50%					
Terminal value, 2022						22 838
Discontinued cash flows	-1 273	251	1 282	1 229	942	770
Present value of discounted cash flows	3 201					
Current value of the terminal value	16 573					
Net debt as of 30.06.2017. (total debt - cash)	-1 826					
Fair value of the Company	21 600					
Number of shares (number)	6 000 000					
Value per share (BGN)	3,600					

Table 32: Realistic Scenario

Indicator in BGN'000	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Sales	18 334	19 060	20 000	20 392	20 578	20 768
Sales growth	1,46%	3,96%	4,93%	1,96%	0,91%	0,92%
Activity costs	-15 886	-16 578	-17 400	-17 941	-18 180	-18 424

Profit before depreciation, interest and taxes	2 447	2 482	2 600	2 451	2 398	2 344
Margin of profit before depreciation, interest and taxes	13,35%	13,02%	13,00%	12,02%	11,65%	11,29%
Depreciation	-1 951	-1 951	-1 851	-1 751	-1 651	-1 551
Operating profit	496	531	749	700	747	793
Operating profit margin	2,71%	2,79%	3,75%	3,43%	3,63%	3,82%
Interest expenses	0	0	0	0	0	0
Tax profit	-50	-53	-75	-70	-75	-79
Net profit	447	478	674	630	672	714
+ depreciation	1 951	1 951	1 851	1 751	1 651	1 551
-capital costs	4 000	2 000				
-change in net working capital	-3	193	249	104	397	566
Net cash flows	-1 599	236	2 276	2 277	1 926	1 699
Discount rate	6,22%	6,22%	6,22%	6,22%	6,22%	6,22%
Discontinuous factor	0,98	0,92	0,87	0,82	0,77	0,73
Sales growth after 2021	2,00%					
Terminal value, 2021						41 079
Discontinued cash flows	-1 570	218	1 980	1 864	1 484	1 233
Present value of discounted cash flows	5 210					
Current value of the terminal value	29 811					
Net debt as at 31.12.2016. (total debt - cash)	-1 826					
Fair value of the Company	36 846					
Number of shares (number)	6 000 000					
Value per share (BGN)	6,141					

Table 33: Optimistic scenario

Indicator in BGN'000	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Sales	18 608	19 990	21 997	23 297	23 979	24 684
Sales growth	2,99%	7,42%	10,04%	5,91%	2,93%	2,94%
Activity costs	-15 971	-17 132	-19 088	-20 023	-20 580	-21 153
Profit before depreciation, interest and taxes	2 637	2 858	2 908	3 274	3 399	3 530
Margin of profit before depreciation, interest and taxes	14,17%	14,30%	13,22%	14,05%	14,18%	14,30%
Depreciation	-2 051	-2 051	-1 951	-1 851	-1 751	-1 651
Operating profit	586	807	957	1 423	1 648	1 879
Operating profit margin	3,15%	4,04%	4,35%	6,11%	6,87%	7,61%
Interest expenses	54	54	54	54	54	54
Tax profit	-64	-86	-101	-148	-170	-193

Net profit	576	775	910	1 330	1 532	1 740
+ depreciation	2 051	2 051	1 951	1 851	1 751	1 651
-capital costs	5 000	3 000				
-change in net working capital	-484	325	371	300	563	783
Net cash flows	-1 888	-499	2 490	2 880	2 720	2 608
Discount rate	6,22%	6,22%	6,22%	6,22%	6,22%	6,22%
Discontinuous factor	0,98	0,92	0,87	0,82	0,77	0,73
Sales growth after 2021	2,50%					
Terminal value, 2021						71 877
Discontinued cash flows	-1 853	-461	2 166	2 358	2 097	1 892
Present value of discounted cash flows	6 198					
Current value of the terminal value	52 160					
Net debt as at 31.12.2016. (total debt - cash)	-1 826					
Fair value of the Company	60 185					
Number of shares (number)	6 000 000					
Value per share (BGN)	10,031					

The realistic scenario should receive the highest weight in determining the final estimate using the discounted cash flow method as it reflects to the greatest extent the real possibilities for the development of the Company's activities and the results achieved during the projected period. When calculating the final result by this method, the realistic scenario gained a 60% weight priority, while the other two versions divide the remaining 40%.

Table 34: Fair value based on the discounted cash flow method

Scenario	Weight	Value per share in BGN
Pessimistic scenario	20%	3,600
Realistic scenario	60%	6,141
Optimistic scenario	20%	10,031
Average cost per share based on the discounted cash flow method		6,411

METHOD OF NET ASSET VALUE

The value of the shares under the Net Asset Value method is determined by dividing the value of the assets on the company's balance sheet by the value of current and non-current liabilities on the balance sheet and all legal claims of investors prioritized to holders of ordinary shares, the number of ordinary shares outstanding.

The value of the assets and liabilities of the company is determined on the basis of the information from the last interim financial report of Unipharm AD as of 30.06.2017. The Company has no issued securities, which give priority to investors in front of the holders of ordinary shares.

The result of the calculations based on the interim financial statement of Unipharm AD as at 30.06.2017 is BGN 3,026 per share of the Company.

Table 35: Fair value based on the net asset value method

Indicator (in thousands of BGN)	Amount in BGN'000
1. Total assets	20 994
2. Short-term liabilities	2 062
3. Long-term liabilities	774
Net Asset Value (1-2-3)	18 158
Number of shares in circulation	6 000 000
Net asset value per share (in BGN)	3,026

SUMMARY OF THE WEIGHT OF THE EVALUATION METHODS

The weights used in the fair value measurement of the shares of Unipharm AD are those that most closely correspond to the company's business and its size. The weights of each of the valuation methods represent a very well-founded basis for comparison of the investment and risk characteristics of Unipharm AD. Due to the disappearance of the market analogue method, this estimate is based solely on discounted cash flow methods and net book value of assets. The relative weights are as follows:

- The discounted cash flow method has a weight of 40% because of its ability to take into account the forecasts for the Company's future development, cash-generating capabilities and their present value by discounting them to the discounted rate of discounting. At the same time, this method has the weakness of based on a number of expert assumptions and estimates, which may influence accurate short- and medium-term forecasting. Such assumptions may diverge from the actual performance of the rated entity in the future, which results in some uncertainty. For this reason, the current rating gives it a lower weight than the next method
- The Net asset value method is included with a weight of 60%. This method reflects current assets and liabilities of the Company and gives a clear idea of their value at the valuation date. This method may not fully appreciate the Company's development potential and for this reason this measurement uses it in combination with the discounted cash flow method. In the event that investors believe that the Company has significant growth opportunities in the future, they will be willing to pay for its shares a value that exceeds the amount determined by that method.

FAIR VALUE OF THE UNIPHARM JSC SHARES ON THE BASIS OF THE ASSESSMENT METHODS

As stated, "Unipharm" AD does not meet the requirements of paragraph 1, item 1 of the additional provisions of Ordinance No 41 and the shares of the Company cannot be defined as actively tradable. The shares of UNIPHARM AD are traded on the "Standard" segment of the Bulgarian Stock Exchange - Sofia AD. For the period 08.06.2017 to 07.09.2017 2,928 shares of the Company were traded with an average daily volume of 45.05 (for 65 trading sessions). Considering the share capital of the Company of 6 000 000 shares and with a daily limit in Ordinance №41 of 0.01%, this requires the trading of 600 shares daily. The daily turnover of the shares of Unipharm AD is subject to Ordinance No. 41, therefore the calculated fair price does not include the closing price.

This estimate is rounded down to the third decimal place in the calculation of the final share valuation of UNIPHARM AD.

Table 1: Fair value of the shares of Unipharm AD on the different valuation methods

Evaluation method	Price per share in BGN	Weight	Weighted Price per Share in BGN
Average cost of the discounted cash flow method	6,411	40%	2,564
Net Asset Value	3,026	60%	1,816
Fair value per share		100%	4,380

BASED ON THE FOLLOWING ASSESSMENT, UNIPHARM AD, FOR THE PURPOSES OF THE TRANSFORMATION, PROVIDES A FAIR VALUE OF THE PRICE FOR A SINGLE SHARE OF THE COMPANY OF BGN 4,380. FOR ONE SHARE.

FOR UNIPHARM AD:

OGNIAN PALAVEEV

EXECUTIVE DIRECTOR

FOR THE EVALUATION OF THE INVESTMENT INTERMEDIARY "ELANA TRADING" AD:

RADOSLAVA MASLARSKA

PRESIDENT OF THE BOARD

MOMCHIL TIKOV

EXECUTIVE DIRECTOR

**DESCRIPTION OF THE REAL PROPERTY, OWNING OF UNIPHARM AD
(TRANSFORMING COMPANY), WHICH GOES TO SOPHARMA AD (RECEIVING
COMPANY) AS A RESULT OF MERGERING**

REAL ESTATE:

- I. **Regulated plot of land**, according to the inventory book № 201001, described in the Notarial deed for the ownership of real estate, with an area of 10 300 (ten thousand three hundred) square meters, consisting of sketch of property № 3619 (three thousand six hundred and nineteen), applied in cadastral sheets №550 (five hundred and fifty) and № 575 (five hundred and seventy five) on the cadastral plan of the city of Sofia, the area "Southern Urban Territory - II (second part)", with neighbors on a sketch: plot III (third), assigned to LIFE, parcel I (first), assigned to the Oncology Institute, Stanoev "and co-ordinates of the coordinate system" 1970 "coordinates:

point 1 (one): X north - 4599175.82, Y east -8501765.90;
point 2 (two): X north - 4599173.81, Y east - 8501760.79;
point 3 (three): X north -4599179.73, Y east -8501764.07;
point 4 (four): X north - 4599199.08, Y east - 8501755.57;
point 5 (five): X north-4599206.51, Y east-8501770.49;
point 6 (six): X north - 4599237.38, Y east - 8501755.06;
point 7 (seven): X north-4599230.63, Y east-8501741.37;
point 8 (eight): X north - 4599256.81, Y east - 8501729.84;
point 9 (nine): X north - 4599238.04, Y east - 8501686.92;
point 10 (ten): X north - 4599244.56, Y east - 8501684.02;
point 11 (eleven): X north - 4599255.39, Y east - 8501678.85;
point 12 (twelve): X north-4599261.46, west east-8501691.24;
point 13 (thirteen): X north - 4599272.83, Y east - 8501686.18;
point 14 (fourteen): X north - 4599286.03, Y east - 8501716.29;
point 15 (fifteen): X north - 4599302.67, Y east - 8501709.24;
point 16 (sixteen): X north - 4599306.35, west east - 8501717.63;
point 18 (eighteen): X north - 4599291.60, Y east - 8501658.69;
point 19 (nineteen): X north - 4599289.82, Y east - 8501653.24;
point 20 (twenty) X north - 4599288.07, Y east - 8501653.80;
point 21 (twenty one): X north - 4599275.43, Y east - 8501649.89;
point 22 (twenty-two): X north - 4599267.29, Y east - 8501653.49;
point 23 (twenty-three): X north - 4599267.14, Y east - 8501652.48;
point 24 (twenty-four): X north - 4599242.90, Y east - 8501655.29;
point 25 (twenty-five): X north - 4599145.50, Y east - 8501680.70;

point 26 (twenty six): X north - 4599148.67, Y east - 8501693.62;
point 27 (twenty-seven): Hsever-4599156.47, East-8501691.34;
point 28 (twenty-eight): X north - 4599166.12, Y east - 8501720.89;
point 29 (twenty nine): X north - 4599163.67, Y east - 8501721.81;
point 30 (thirty): X north - 4599177.40, Y east - 8501759.59.

Together with the built in the property:

1. **PRODUCTION WORKSHOP** at 3 (three) floors described under item 1 in the Notarial Deed of Ownership of Real Estate, No 44, Volume I, Reg. No. 4108, Case 306/2000 consisting of 15 (fifteen) rooms and 4 (four) halls with a built-up area of 1 600 (one thousand six hundred) square meters;
2. **BUILDING**, at 3 (three) floors, described under item 2 in the Notarial deed for property of real estate, № 44, volume № I, registration № 4108, case 306/2000, consisting of: on the first floor - from corridor , bathroom with toilet, storage room for chemicals, microscope room, dressing room and two laboratories; on the second floor - two washbasins, two toilets, a cabinet, a chemical store, two laboratories; on the third floor - two washrooms, two toilets, two offices, five chemical stores, an office, two laboratories with a floor area of 324 (three hundred twenty four) square meters.

Included by inventory book:

- **GALENKA BUILDING**, under inventory book № 2;
- **ADMINISTRATIVE BUILDING**, under inventory book № 3;
- **BUILDING KHD**, according to inventory book № 5;
- **SHED - METAL CONSTRUCTION**, according to inventory book № 22;
- **LABORATORY**, under inventory book № 1165;
- **RMC**, under inventory book № 1344;
- **DOMESTIC ROOMS**, under inventory book № 2104;
- **SUBSCRIBE STATION**, according to inventory book № 2105;
- **SECONDARY PACK**, under inventory book No 2107;
- **TRANSPORTATION ELEVATOR**, under inventory book № 2108;
- **LAUNDRY ROOM**, according to inventory book № 2109;
- **STOCK - RAW MATERIALS AND MATERIALS**, according to inventory book № 2110;
- **WAREHOUSE - READY PRODUCTION**, under inventory book № 2111;
- **STORAGE OF RAW MATERIALS - 2**, inventory book № 2245;
- **WAREHOUSE - PACKAGING MATERIALS**, according to inventory book № 2246;
- **ADM. ARCHIV**, under inventory book № 3162;
- **CODED PACKAGING WAREHOUSE**, under inventory book No 2B;

Other buildings existing on the terrain, by inventory:

- **BUILDING IVK**, according to inventory book № 4;
- **GARAGE CELL - 16 pcs**, according to inventory book № 11;
- **METAL WAREHOUSE**, according to inventory book № 25;
- **SHED OF METAL WAREHOUSES**, inventory book № 3251;
- **AUTOSERVICE**, inventory book № 1253;
- **PORTAL WITH PORTIER ROOM**, according to inventory book № 1257;
- **TRAFFOS**, under inventory book № 1266;
- **RAILWAY WORKER**, under inventory book № 1462;
- **GARAGE CELL**, according to inventory book № 2247;
- **GARAGE CELL**, according to inventory book № 2248;
- **GARAGE CELL**, according to inventory book № 2249;
- **GARAGE CELL**, according to inventory book № 2250;
- **GARAGE CELL**, according to inventory book № 2251;
- **GARAGE CELL**, according to inventory book № 2252;
- **GARAGE CELL**, according to inventory book № 2253;
- **GARAGE CELL**, according to inventory book № 2254;
- **GARAGE CELL**, according to inventory book № 2255;
- **CAR WASH**, under inventory book № 2256;
- **HOUSE - PUMP TO DRAW WELL**, by inventory book № 2387;

Other site inventory items:

- **FENCE**, under inventory book № 40;
- **YARD - PARKING**, according to inventory book № 1254;
- **PARKING 2**, inventory book № 1254A;
- **METAL WAREHOUSE**, under inventory book № 2974;
- **VERTICAL PLANNING**, under inventory book № 3223;
- **SHED - PARKING**, under inventory book № 3294;
- **KOZIRKA**, according to inventory book № 3295;
- **BESSEDKA**, according to inventory book № 3390;
- **VERTICAL PLANNING - SGP.3**, inventory book № 3457;
- **HOUSE TO ADMIN. BUILDING**, under inventory book № 3524;
- **METAL CONSTRUCTION - chimney**, according to inventory book № 3564;
- **METAL FENCE**, according to inventory book № 40A;
- **METAL WAREHOUSE KHD / NEW TO GARAGE /**, according to inventory book № 3629;

Holiday base Kiten:

- **BUNGALOW - 8 pieces**, in inventory book № 27A;
- **BUNGALOW**, inventory book № 2950;
- **BUNGALOW**, inventory book № 2951;

II. LOCAL PROPERTY according to the inventory book № 201002, described in the Notary deed for the ownership of real estate, located in the land of Elin Pelin, EKATTE 27303, Sofia district, in the area "AZMATSITE" with an area of 11,522 decares / eleven decares and five hundred twenty-two square meters), comprising property № 000242 / two hundred and forty-two / on the plan of the land, at boundaries and neighbors: property № 000226 - Elin Pelin station territory, property № 000615 - levels of a mound. of Neno Angelov Ivanov, property № 000614 - levels of a mound. of Hristo Aleksov Krastev and property № 000660 - levels of Milka Ivanova Nikolova.

For the Transforming Company:_____

For the Receiving Company:_____