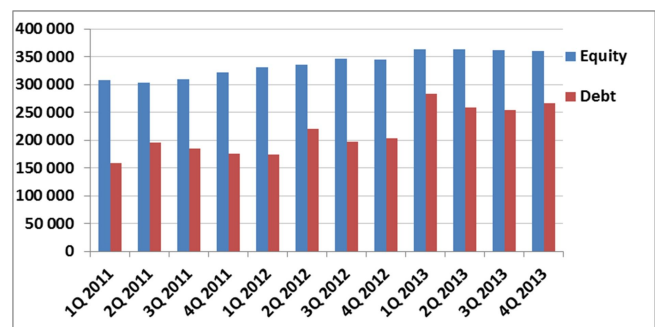
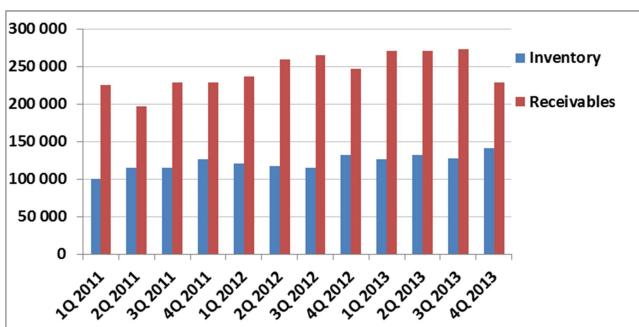
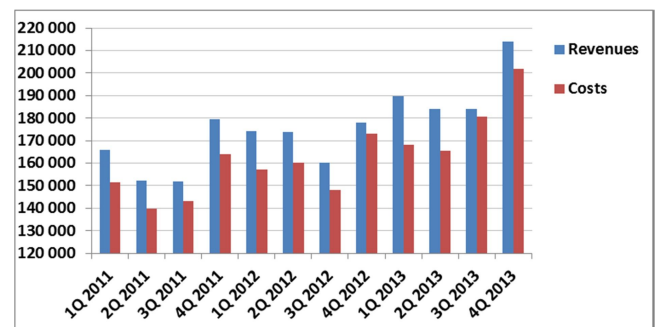
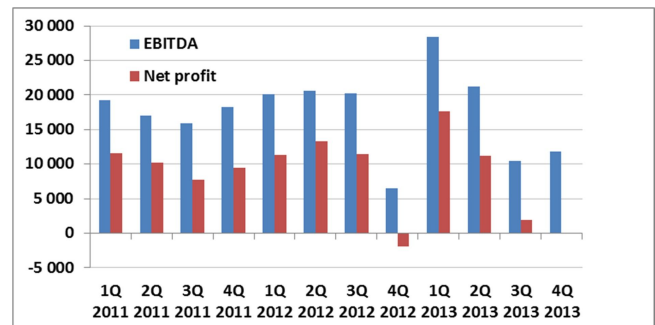


- The consolidated report of Sopharma (3JR) showed solid increase of revenues on yearly basis. The pharmaceutical group announced 20% increase of sales. The company also reported 12% growth for total 2013, mainly generated by the higher turnover in the distribution unit Sopharma Trading (SO5).
- The consolidated profit of the group in 2013 is 9% lower as compared to a year ago. Weak results during the second quarter of 2013 were due to the financial loss from investments in the subsidiary Doverie United Holding. Moreover, costs increased during the third quarter, including depreciation and interest expenses.
- The decreased profitability due to the cost pressure during the third quarter of 2013 is temporarily factor. Margins are

returning to normal levels and the profitability in the fourth quarter was better on yearly basis. The company reported better sales in January as export jumped by 9%.

- Receivables are declining to 2-year low. When comparing to assets, their level is corresponding to the average for 2008. The company reported double decrease of receivables from related companies, mainly loans to subsidiaries. Receivables from clients grew on yearly basis with slower pace than revenues.
- The level of inventories to assets remained hardly changed to the average for the last two years.
- Treasury shares were 5.675 million or 4.3% of the capital. Sopharma’s short-term debt increased last year.

| | 4Q 2013 | q-o-q | y-o-y |
|-------------------|---------|---------|--------|
| Revenues | 213 835 | 16.18% | 20.20% |
| Costs, incl. | 201 957 | 11.79% | 16.74% |
| depreciation | 6 400 | 2.20% | 22.35% |
| Interest expenses | 2 642 | 0.42% | 72.12% |
| EBITDA | 11 839 | 13.18% | 80.64% |
| EBIT | 5 439 | 29.56% | 311.1% |
| Net profit | 38 | -98.08% | - |
| Assets | 787 028 | -0.03% | 5.27% |
| Long-term assets | 309 154 | 1.36% | 6.75% |
| Inventories | 140 722 | 10.47% | 6.41% |
| Receivables | 228 597 | -16.29% | -7.31% |
| Cash | 27 155 | 18.07% | 68.59% |
| Equity | 360 096 | -0.53% | 4.61% |
| Long-term loans | 56 556 | 3.52% | -0.8% |
| Short-term loans | 209 743 | 5.43% | 42.80% |



*Source: Sopharma; '000 BGN

Financial Data

| Statement of Income (in '000 BGN) | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|
| Sales | 503 983 | 603 062 | 649 572 | 694 027 | 771 832 |
| Production expenses | 390 996 | 479 384 | 515 097 | 554 472 | 618 091 |
| Personnel expenses | 46 990 | 51 547 | 65 200 | 68 972 | 74 852 |
| Net income from financial activities | 1 919 | 259 | 614 | 1 518 | (7 527) |
| Other revenues and expenses | 29 | 790 | 439 | 619 | 573 |
| EBITDA | 67 945 | 73 180 | 70 328 | 72 720 | 71 935 |
| Depreciation | 17 741 | 16 329 | 18 139 | 21 995 | 23 549 |
| EBIT | 50 204 | 56 851 | 52 189 | 50 725 | 48 386 |
| Interest expense | 8 427 | 7 961 | 8 608 | 7 719 | 8 701 |
| Pretax income | 41 777 | 48 890 | 43 581 | 43 006 | 39 685 |
| Taxes | 4 473 | 5 333 | 4 964 | 4 934 | 6 021 |
| After-tax income | 37 304 | 43 557 | 38 617 | 38 072 | 33 664 |
| Minority interest | 692 | 842 | (227) | 2 764 | 2 789 |
| Net income | 36 612 | 42 715 | 38 844 | 35 308 | 30 875 |
| Earnings per share in BGN | 0.28 | 0.32 | 0.29 | 0.28 | 0.24 |

| Balance Sheet (in '000 BGN) | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total Assets | 540 158 | 625 190 | 683 362 | 745 418 | 787 028 |
| Equity subscriptions receivable | 0 | 0 | 0 | 0 | 0 |
| Fixed assets | 230 162 | 264 451 | 293 902 | 354 751 | 388 771 |
| Tangible fixed assets | 182 770 | 208 550 | 237 751 | 292 074 | 309 154 |
| Financial investments | 24 170 | 20 927 | 20 043 | 24 007 | 9 080 |
| Current assets | 309 996 | 360 739 | 389 460 | 390 667 | 398 257 |
| Inventory | 111 251 | 111 685 | 126 247 | 130 950 | 140 722 |
| Receivables | 181 226 | 202 731 | 228 973 | 242 431 | 228 597 |
| Financial assets | 0 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 16 843 | 45 069 | 32 377 | 15 767 | 27 155 |
| Total liabilities + equity | 540 158 | 625 190 | 683 362 | 745 418 | 787 028 |
| Equity | 257 543 | 298 232 | 321 690 | 345 879 | 360 096 |
| Registered capital | 131 974 | 127 357 | 120 780 | 118 406 | 113 005 |
| Capital funds | 88 958 | 128 789 | 162 066 | 189 513 | 213 427 |
| Earnings | 36 611 | 42 086 | 38 844 | 37 960 | 33 664 |
| Liabilities | 282 615 | 326 958 | 361 672 | 399 539 | 426 932 |
| Long-term payables | 7 567 | 10 256 | 10 228 | 13 244 | 18 533 |
| Long-term bank loans | 25 115 | 31 182 | 23 496 | 56 844 | 56 556 |
| Short-term bank debt | 94 995 | 114 465 | 151 798 | 203 994 | 209 743 |
| Short-term payables | 126 860 | 122 008 | 131 694 | 79 983 | 88 092 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 |
| Working capital | 88 141 | 124 266 | 105 968 | 106 690 | 100 422 |

| Cash Flow Statement (in '000 BGN) | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------|-------------|-------------|-------------|-------------|
| Net income | 36 612 | 42 715 | 38 844 | 35 308 | 30 875 |
| Depreciation | 17 741 | 16 329 | 18 139 | 21 995 | 23 549 |
| Changes in Working capital | (3 530) | 36 125 | (18 298) | 722 | (6 268) |
| Other operating cash flow items | (18 506) | (28 072) | 10 207 | (52 292) | 4 553 |
| Net cash from operating activities | 32 317 | 67 097 | 48 892 | 5 733 | 52 709 |
| Capital expenditures | (6 940) | (9 089) | (37 141) | (63 432) | (36 453) |
| Other investing cash flow items | (16 636) | (38 675) | (24 027) | 3 594 | 11 845 |
| Net cash from investing activities | (23 576) | (47 764) | (61 168) | (59 838) | (24 608) |
| Issuance/ Retirement of Stock, Net | 0 | (2 392) | (6 741) | (2 131) | (5 629) |
| Issuance/ Retirement of Debt, Net | 878 | 12 285 | 21 415 | 52 645 | (1 882) |
| Dividends paid | (1 199) | (924) | (12 790) | (11 672) | (10 942) |
| Other financing cash flow items | (1 244) | (761) | (2 767) | (1 205) | 1 740 |
| Net cash from financing activities | (1 565) | 8 208 | (883) | 37 637 | (16 713) |
| Net change in cash | 7 176 | 27 541 | (13 159) | (16 468) | 11 388 |
| Beginning-of-period cash | 9 667 | 16 843 | 44 384 | 32 235 | 15 767 |
| End-of-period cash | 16 843 | 44 384 | 31 225 | 15 767 | 27 155 |
| Cash per share | 0.13 | 0.34 | 0.24 | 0.12 | 0.21 |

| Financial and Performance Indicators | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Valuation Ratios | | | | | |
| Price/Earnings (P/E) | 14.28 | 12.02 | 10.81 | 7.62 | 16.02 |
| Book Value (BV) | 1.95 | 2.26 | 2.44 | 2.70 | 2.85 |
| Price/Book (P/B) | 2.03 | 1.72 | 1.30 | 0.78 | 1.37 |
| Sales Per Share | 3.82 | 4.57 | 4.92 | 5.42 | 6.11 |
| Price/Sales (P/S) | 1.04 | 0.85 | 0.65 | 0.39 | 0.64 |
| Price/Cash per share | 9.62 | 8.69 | 7.37 | 4.70 | 9.09 |
| EV (in BGN) | 625 987 | 613 926 | 562 677 | 514 178 | 733 705 |
| EV/Sales | 1.24 | 1.02 | 0.87 | 0.74 | 0.95 |
| EV/EBITDA | 9.21 | 8.39 | 8.00 | 7.07 | 10.20 |
| EV/EBIT | 12.47 | 10.80 | 10.78 | 10.14 | 15.16 |
| Liquidity | | | | | |
| Current ratio | 1.40 | 1.53 | 1.37 | 1.38 | 1.34 |
| Quick ratio | 0.90 | 1.05 | 0.93 | 0.91 | 0.86 |
| Debt Management | | | | | |
| Debt to total assets | 0.52 | 0.52 | 0.53 | 0.54 | 0.54 |
| Interest coverage | 5.96 | 7.14 | 6.06 | 6.57 | 5.56 |
| LT Debt/Equity | 0.13 | 0.14 | 0.10 | 0.20 | 0.21 |
| Total Debt/Equity | 1.10 | 1.10 | 1.12 | 1.16 | 1.19 |
| Asset Management | | | | | |
| Inventory turnover | 4.53 | 5.40 | 5.15 | 5.30 | 5.48 |
| Days sales outstanding | 129 | 121 | 127 | 126 | 107 |
| Fixed asset turnover | 2.19 | 2.28 | 2.21 | 1.96 | 1.99 |
| Total asset turnover | 0.93 | 0.96 | 0.95 | 0.93 | 0.98 |
| Profitability | | | | | |
| Profit margin on sales | 7.3% | 7.1% | 6.0% | 5.1% | 4.0% |
| EBITDA margin | 13.5% | 12.1% | 10.8% | 10.5% | 9.3% |
| Basic earning power | 9.3% | 9.1% | 7.6% | 6.8% | 6.1% |
| Return on assets | 6.8% | 6.8% | 5.7% | 4.7% | 3.9% |
| Return on equity | 14.2% | 14.3% | 12.1% | 10.2% | 8.6% |
| Return on investments | 12.6% | 12.6% | 10.9% | 8.5% | 7.1% |
| Dividend Information | | | | | |
| Dividend Yield | - | 2.19% | 2.20% | 3.33% | - |
| Dividend per share | - | 0.09 | 0.07 | 0.07 | - |
| Number of shares: | | | | | |
| | 132 000 000 | 132 000 000 | 132 000 000 | 128 146 265 | 126 324 658 |
| Price in BGN - period end: | 3.96 | 3.89 | 3.18 | 2.10 | 3.92 |
| Market cap in BGN - period end: | 522 720 000 | 513 348 000 | 419 760 000 | 269 107 157 | 494 561 036 |

Disclaimer

Analyst Certification: The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

Financial Interest: ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

Regulatory Authority: Financial Supervisory Commission, *Shar Planina* Street 33, 1303 Sofia, Bulgaria

Information Disclosure: All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

Risks for Investors: Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety.

The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

Valuation Methods: Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

Recommendations: Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

| | |
|-------------|---|
| BUY | More than 5% higher as compared to SOFIX and BG40 performance |
| HOLD | Market performance, +/-5% as compared to SOFIX and BG40 |
| SELL | More than 5% lower as compared to SOFIX and BG40 performance |

Frequency of Recommendations: No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

Copyrights: The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

For more information, please contact:

Research analyst
Tsvetoslav Tsachev

Phone:
+359 2 810 00 23

E-mail:
tsachev@elana.net

Internet:
www.elana.net