

**SOPHARMA**  
**INDUSTRY: PHARMACEUTICALS**
**LEANER AND MORE PROFITABLE**

**COST OPTIMIZATION AND STABLE TOP LINE PERFORMANCE BEAR FRUIT FOR SOPHARMA WITH CONSIDERABLE PROFITABILITY IMPROVEMENT IN Q1'16. DISPOSAL OF SUBSIDIARY IN SERBIA TO BRING IN ADDITIONAL POSITIVE EFFECTS IN THE COMING MONTHS WITH M&A ACTIVITY ON THE RADAR**

**SECOND CONSECUTIVE QUARTER OF IMPROVEMENTS**

Sopharma booked a second consecutive quarter of better normalized bottom line performance as optimization efforts took effect. In Q1'16, the Company registered 62.3% y/y rise in net income to BGN 11.7m on stable top line and cost optimization, all considerably above our expectations. Operating profitability improved with EBITDA up 40.6% y/y to BGN 16.5m.

**TOP LINE STABLE AT LAST BUT DIFFICULTIES REMAIN**

Q1'16 top line was stable due to stronger January and February sales, both domestic and foreign. Overall revenues are up 2.4% y/y to BGN 41.5m which is the first q/q sales growth in seven quarters. Sales to Ukraine also registered first rise since Q1'14, albeit negligible. March results, however, disappointed leaving quarterly exports down 1% y/y while domestic sales added 8% y/y. Key exports momentum uncertainty came from Russia. Exports to Russia dropped 11.3% y/y to BGN 13.7m in Q1'16 and continued the negative trend in April. Accordingly, we are cautious on the top line performance as difficulties remain and keep our of 1% y/y sales growth estimate for the 12M of 2016.

**CORE OPERATIONS IN CHECK WITH LEANER STRUCTURE AND COST OPTIMIZATION**

Still, cost optimization measures and operations restructuring bear fruit with significant operating profits improvement. In Q1'16 external service costs registered 36% y/y drop on lower consulting and advertising cost related to Ukraine. Labor costs also declined considerably as the Company is working on leaner and more efficient operations.

**BUSINESS COMBINATIONS TO AFFECT THE BOTTOM LINE**

In May, Sopharma sold its 51% stake in the Serbian pharma company Ivancic and Sons with the deal expected to positively affect the income statement in Q2'16. Also, Sopharma completed a tender offer for local bandages and probiotic producer Medica (5MA BU) and confirmed interest in the privatization of the second biggest generic pharmaceutical company in Serbia – Galenika. Thus, we expect business combinations to affect performance both in terms of structure optimization and market share expansion which aim to balance ailing Ukraine and Russian exposure.

**DIVIDEND REINSTATEMENT A CASH POSITIVE SIGNAL**

Sopharma's management proposed a BGN 0.07 DPS (2.6% DY) to be approved by shareholders at the AGM in June after no distribution last year. We view the reinstatement as a cash positive signal for the Company.

**VALUATION/RISKS**

**VALUATION:** The better than expected Q1 performance makes us comfortable to keep our target of BGN 3.09 per share with a BUY recommendation. **RISKS:** We remain on the lookout for Russia and any dramatic developments in Ukraine.

**RESULTS ANALYSIS**
**BUY**
**ONE YEAR PRICE TARGET: BGN 3.09**
**CURRENT PRICE: BGN 2.70**
**EXCHANGE RATES**
**EUR/BGN (FIXED): 1.95583**
**USD/BGN: 1.74674**
**MARKET DATA**

Shares Outstanding:	<b>127.0m</b>
Share Capital:	<b>134.0m</b>
Free-float:	<b>33%</b>
Treasury Shares	<b>3.87%</b>
Market Cap.:	<b>BGN 363 m</b>
Avg. Daily Vol.:	<b>BGN 25 000</b>
52 Weeks Range:	<b>BGN 2.50 – 3.19</b>
BSE Ticker	<b>3JR</b>
Bloomberg Ticker	<b>3JR BU</b>

**STOCK REMAINS OVERSOLD**


Source: Bloomberg

In kBGN, excl. ratios	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Revenues	53 859	45 012	51 466	40 498	47 501	34 413	51 391	41 497
<i>Growth y/y</i>	<i>-14.57%</i>	<i>-3.00%</i>	<i>-11.92%</i>	<i>-20.78%</i>	<i>-11.80%</i>	<i>-23.55%</i>	<i>-0.15%</i>	<i>2.47%</i>
EBITDA	12 680	10 052	5 375	11 738	9 615	6 513	11 820	16 498
EBIT	8 882	6 414	656	7 951	5 863	2 929	8 394	12 985
Net profit	14 456	5 580	-2 849	7 216	18 667	2 118	-2 647	11 711
Equity	381 791	387 616	393 013	389 706	413 613	432 516	434 568	443 362
ROE (TTM)	9.01%	8.63%	7.18%	6.35%	7.28%	6.24%	6.14%	7.06%
ROA (TTM)	5.79%	5.69%	4.84%	4.33%	5.03%	4.37%	4.38%	5.14%
EBITDA	23.54%	22.33%	10.44%	28.98%	20.24%	18.93%	23.00%	39.76%
Net profit	26.84%	12.40%	-5.54%	17.82%	39.30%	6.15%	-5.15%	28.22%
EPS	0.11	0.04	-0.02	0.06	0.14	0.02	-0.02	0.09
Debt/equity	0.39	0.40	0.39	0.35	0.33	0.31	0.30	0.25
P/E (TTM)	16.15	15.78	18.04	18.11	13.04	12.88	13.44	11.68
P/B (TTM)	1.41	1.32	1.25	1.13	0.90	0.75	0.78	0.79
EV/EBITDA	13.03	13.00	15.47	14.43	13.74	13.63	11.85	10.17

**SOPHARMA'S INDIVIDUAL RESULTS REVIEW**

After seven consecutive quarters of ailing, in Q1'16 Sopharma registered first q/q sales growth and considerably profitability improvement.

**Revenue breakdown:** Key reasons for the good top line performance were rise in sales to Ukraine and strong January and February in Russia. Exports to Ukraine are already below 5% of overall company revenues, thus the first quarter rise is from a very low base compared to company's historical stand and has small impact on overall top line. Still, we consider this as a sign for some stabilization in Ukraine, which is good for Sopharma after almost two years of taking serious hits from the market.

Russian exports started the year well, but in March deteriorated considerably due to further ruble turbulence and corresponding purchasing power weakness in the country. In Q1'16, exports to Russia are down 11.3% y/y. April preliminary results reveal further deterioration. Despite a serious issue, we expect these negative developments to smooth out over the course of the year as we do not see the Russian economy performing as dismal as the last two months suggest.

In addition, Sopharma is trying to overcome the exports difficulties with better performance on its domestic market in Bulgaria. The latter is up 8% y/y in Q1'16. We expect such growth magnitude to be short-lived and end up at or below 5% over the 12M of 2016. Accordingly, we stick to our modest 1% y/y sales growth estimate for Sopharma over the course of 2016. We expect better top line performance and renewed growth as early as 2017.

At the same time, we expect bottom line performance to improve considerably in 2016.

Q1'16 already evidences this with 62.3% y/y rise in net income to BGN 11.7m and 40.5% y/y rise in EBITDA to BGN 16.5m.

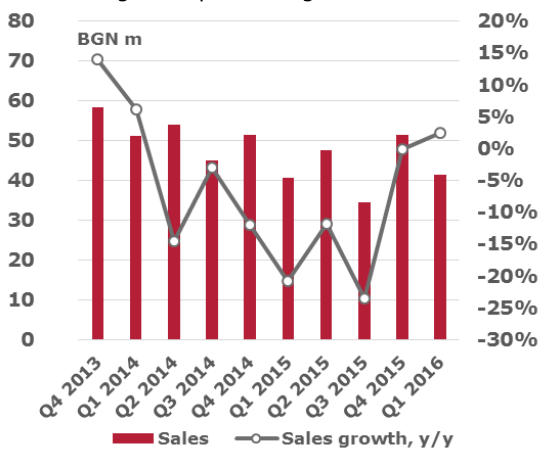
**Profitability review:** The company reduced considerably external service costs (36.7% y/y drop) on lower consulting and marketing expenses as well as labor costs (7.5% y/y drop) on personnel restructuring. We expect this cost reduction measures to have a slightly lower contribution by the end of the year, but still Sopharma's cost optimization and leaner structure efforts to be key drivers of improved profitability.

We also expect lower negative effects from any Ukraine related write offs but considerable business combinations positive effects. Firstly, as early as June 2016 we expect to see positive one-offs from the sale of the 51% stake in the Serbian Ivancic and Sons. The company argued the disposal with a good offer from a buyer. Simultaneously, Sopharma confirmed interest in the privatization of the biggest generic producer in Serbia – Galenika. This confirms Sopharma's CEO Ognjan Donev aim to increase market share via M&A. However, it is too early to judge any impact of the latter as the privatization results are too uncertain.

Lastly, the Company took over the smaller bandages and probiotic producer in Bulgaria - Medica (5MA BU), which would add value to the group in 2016 forward.

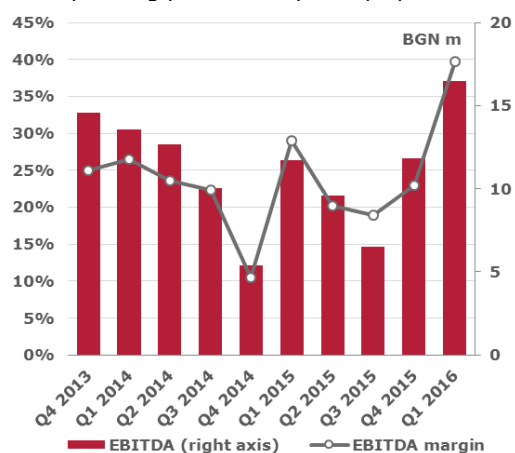
On a final note, we view the dividend payments reinstatement as another sign that leave us comfortable with Sopharma's profit and cash position and thus we reiterate our last valuation of the company.

Exhibit 2: Sales growth positive again



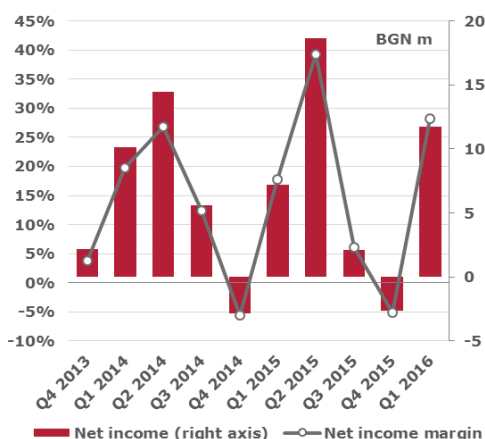
Source: Company data

Exhibit 3: Operating profits finally nicely upward trending...



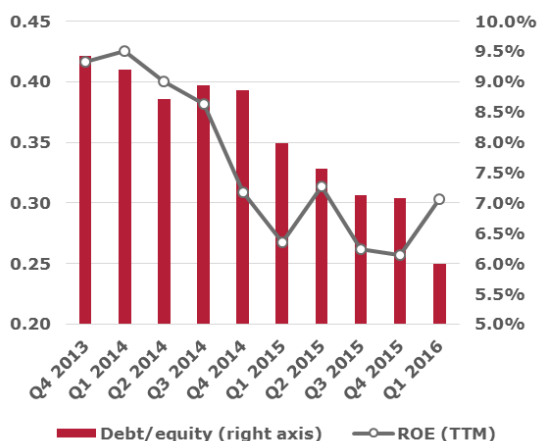
Source: Company data

Exhibit 4: ... together with net income ...



Source: Company data

Exhibit 5: and ROE, all clean of one-offs



Source: Company data

**INDIVIDUAL FINANCIAL DATA**

<b>Income Statement ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>
<b>Sales</b>	<b>209 847</b>	<b>210 291</b>	<b>216 054</b>	<b>201 461</b>	<b>173 960</b>	<b>175 700</b>
Other operating income	3 823	4 143	3 079	3 973	4 153	4 361
Change in Inventories	4 341	1 113	-7 006	14 039	2 448	1 757
Cost of Material	-57 460	-59 002	-54 932	-73 920	-61 660	-61 495
Cost of External Services	-68 972	-65 710	-59 659	-56 396	-41 400	-40 411
Cost of Labor	-34 051	-34 859	-32 328	-37 605	-35 782	-35 140
Other Operating Expenses	-5 104	-6 219	-8 059	-9 902	-5 529	-5 271
Total Operating Expenses	-161 246	-164 677	-161 984	-163 784	-141 923	-140 560
<b>EBITDA</b>	<b>52 424</b>	<b>49 757</b>	<b>57 149</b>	<b>41 650</b>	<b>36 190</b>	<b>39 501</b>
Depreciation and amortization	-8 454	-8 941	-11 716	-16 989	-14 860	-12 299
<b>EBIT</b>	<b>43 970</b>	<b>40 816</b>	<b>45 433</b>	<b>24 661</b>	<b>21 330</b>	<b>27 202</b>
Impairment on non-current assets	-875	-975	-193	-3 252	-8 992	-5 271
Financial revenues	11 443	11 757	9 987	13 001	17 921	8 785
Financial costs	-9 444	-6 451	-17 338	-4 690	-4 190	-4 041
Financial income (loss)	1 999	5 306	-7 351	8 311	13 731	4 744
<b>EBT</b>	<b>45 094</b>	<b>45 147</b>	<b>37 889</b>	<b>29 720</b>	<b>26 069</b>	<b>26 674</b>
Income taxes	-4 409	-4 262	-4 349	-2 429	-3 800	-2 635
<b>Net Income</b>	<b>40 685</b>	<b>40 885</b>	<b>33 540</b>	<b>27 291</b>	<b>22 269</b>	<b>24 039</b>

<b>Balance Sheet ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>
Inventories	50,916	54,482	51,249	54,047	57 292	59 738
Receivables from related parties	135,104	167,113	103,350	99,505	80 063	77 308
Trade Receivables	29,383	22,539	22,155	23,268	21 457	24 598
Other receivables	10,333	11,560	7,241	11,024	6 520	7 028
Cash & Cash Equivalents	18,038	2,595	8,198	2,935	3 911	7 396
<b>Current Assets</b>	<b>243,774</b>	<b>258,289</b>	<b>192,193</b>	<b>190,779</b>	<b>169 243</b>	<b>176 068</b>
Property, Plant & Equipment	135,048	186,861	198,158	192,728	210 620	212 597
Intangibles	3,386	3,973	3,661	2,442	2 303	2 635
Investment property	19,170	19,391	22,555	22,368	22 160	22 841
Investments in subsidiaries	88,462	92,932	101,207	110,083	133 810	154 616
Investments available for sale	16,792	19,472	6,862	4,439	5 425	7 028
Receivables from related parties	16,069	1,183	25,649	33,150	20 505	24 598
Other receivables	272	922	17	6	3 258	351
<b>Non-Current Assets</b>	<b>279,199</b>	<b>324,734</b>	<b>358,109</b>	<b>365,216</b>	<b>398 081</b>	<b>424 666</b>
<b>Total Assets</b>	<b>522,973</b>	<b>583,023</b>	<b>550,302</b>	<b>555,995</b>	<b>567 324</b>	<b>600 734</b>
Share Capital	132,000	132,000	132,000	132,000	134 798	134 797
Treasury Stock	(10,036)	(12,156)	(18,105)	(17,203)	(17 597)	(17 203)
Reserves	157,913	189,928	220,935	246,243	284 143	299 112
Retained Earnings	40,791	41,060	36,022	28,666	27 113	51 638
<b>Shareholders' Equity</b>	<b>320,668</b>	<b>350,832</b>	<b>370,852</b>	<b>389,706</b>	<b>428 457</b>	<b>468 344</b>
Short-term Bank Loans	112,008	152,778	98,878	90,761	68 961	65 009
Current Portion of LT Bank Loans	40,735	5,888	3,822	7,391	7 380	7 028
Liabilities to Related Parties	16,544	3,782	7,836	7,929	1 609	5 007
Account Payables	5,236	7,090	4,973	6,553	8 051	5 095
Tax Liabilities	262	208	1,243	902	1 821	878
Liabilities to Employees & Soc. Sec.	2,748	3,684	3,736	4,213	4 618	2 987
Other Current Liabilities	598	1,006	975	969	1 502	7 028
<b>Current Liabilities</b>	<b>178,131</b>	<b>174,436</b>	<b>121,463</b>	<b>118,718</b>	<b>93 942</b>	<b>93 033</b>
Long Term Bank Loans	18,737	51,779	48,723	37,972	30 819	29 869
Deferred Taxes	3,864	3,815	3,826	3,988	5 161	4 392
Liabilities to Employees on Retirement	1,269	1,479	1,855	2,219	2 571	1 230
Financial Leases	304	682	49	34	3	351
Other Long Term Liabilities	0	0	3,534	3,358	6 371	3 514
<b>Non-Current Liabilities</b>	<b>24,174</b>	<b>57,755</b>	<b>57,987</b>	<b>47,571</b>	<b>44 925</b>	<b>39 357</b>
<b>Total Liabilities</b>	<b>202,305</b>	<b>232,191</b>	<b>179,450</b>	<b>166,289</b>	<b>138 867</b>	<b>132 390</b>
<b>Shareholders' Equity &amp; Liabilities</b>	<b>522,973</b>	<b>583,023</b>	<b>549,136</b>	<b>555,995</b>	<b>567 324</b>	<b>600 734</b>

Source: Company IFRS Financial Statements Audited; Elana Trading Estimates

**QUARTERLY FINANCIAL DATA**

<b>Income Statement ('000 BGN)</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>
<b>Sales</b>	<b>53 859</b>	<b>45 012</b>	<b>51 466</b>	<b>40 498</b>	<b>47 501</b>	<b>34 413</b>	<b>51 391</b>	<b>41 497</b>
Other operating income	1 065	1 207	494	521	1 298	1 097	735	923
Change in Inventories	2 392	2 745	4 224	5 672	-807	2 634	-832	7 029
Cost of Material	-14 791	-13 431	-29 544	-15 574	-15 455	-13 503	-17 087	-16 452
Cost of External Services	-19 104	-16 610	-2 371	-11 116	-10 746	-9 462	-9 951	-7 036
Cost of Labor	-9 603	-8 003	-11 564	-9 539	-10 104	-7 891	-7 797	-8 820
Other Operating Expenses	-1 138	-868	-7 330	1 276	-2 072	-775	-4 639	-643
Total Operating Expenses	-46 042	-39 805	-51 304	-33 068	-42 936	-32 581	-43 732	-25 922
<b>EBITDA</b>	<b>12 680</b>	<b>10 052</b>	<b>5 375</b>	<b>11 738</b>	<b>9 615</b>	<b>6 513</b>	<b>11 820</b>	<b>16 498</b>
Depreciation and amortization	-3 798	-3 638	-4 719	-3 787	-3 752	-3 584	-3 426	-3 513
<b>EBIT</b>	<b>8 882</b>	<b>6 414</b>	<b>656</b>	<b>7 951</b>	<b>5 863</b>	<b>2 929</b>	<b>8 394</b>	<b>12 985</b>
Impairment on non-current assets	0	0	-3 252	0	0	0	-8 567	0
Financial revenues	7 497	1 000	1 020	861	14 576	1 775	710	591
Financial costs	-1 190	-1 190	-1 252	-828	-959	-1 059	-3 466	-702
Financial income (loss)	6 307	-190	-232	33	13 617	716	-2 756	-111
<b>EBT</b>	<b>15 099</b>	<b>6 224</b>	<b>-2 828</b>	<b>7 984</b>	<b>19 480</b>	<b>3 645</b>	<b>-2 929</b>	<b>12 874</b>
Income taxes	-643	-644	-21	-768	-813	-1 527	282	-1 163
<b>Net Income</b>	<b>14 456</b>	<b>5 580</b>	<b>-2 849</b>	<b>7 216</b>	<b>18 667</b>	<b>2 118</b>	<b>-2 647</b>	<b>11 711</b>

<b>Balance Sheet ('000 BGN)</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>
Inventories	54 930	56 751	54 047	62 966	61 816	65 998	57 292	66 894
Receivables from related parties	121 849	118 214	99 505	74 653	93 946	83 364	80 063	76 041
Trade Receivables	26 823	26 559	23 268	20 300	27 339	27 955	21 457	16 058
Other receivables	6 936	10 587	11 024	11 617	6 999	6 234	6 520	7 489
Cash & Cash Equivalents	2 597	2 316	2 935	3 697	3 343	2 843	3 911	9 954
<b>Current Assets</b>	<b>213 135</b>	<b>214 427</b>	<b>190 779</b>	<b>173 233</b>	<b>193 443</b>	<b>186 394</b>	<b>169 243</b>	<b>176 436</b>
Property, Plant & Equipment	194 087	192 926	192 728	208 947	211 606	209 654	210 620	210 969
Intangibles	3 183	2 968	2 442	3 076	2 912	2 516	2 303	2 420
Investment property	22 555	22 555	22 368	22 368	22 365	22 365	22 160	22 160
Investments in subsidiaries & assoc.	105 554	105 462	110 083	130 032	130 313	131 866	133 810	144 001
Investments available for sale	7 608	7 797	4 439	4 477	4 636	5 924	5 425	5 609
Receivables from related parties	31 938	32 773	33 150	33 547	26 937	32 283	20 505	12 001
Other receivables	8	8	6	5	5	3 038	3 258	3 114
<b>Non-Current Assets</b>	<b>364 933</b>	<b>364 489</b>	<b>365 216</b>	<b>402 452</b>	<b>398 774</b>	<b>407 646</b>	<b>398 081</b>	<b>400 274</b>
<b>Total Assets</b>	<b>578 068</b>	<b>578 916</b>	<b>555 995</b>	<b>575 685</b>	<b>592 217</b>	<b>594 040</b>	<b>567 324</b>	<b>576 710</b>
Share Capital	132 000	132 000	132 000	134 798	134 798	134 798	134 798	134 798
Treasury Stock	-16 621	-17 060	-17 203	-17 378	-17 398	-17 597	-17 597	-17 603
Reserves	246 675	246 841	246 243	255 065	284 209	284 678	284 143	284 042
Retained Earnings	25 562	31 232	28 666	41 128	30 907	32 689	27 113	42 125
<b>Shareholders' Equity</b>	<b>387 616</b>	<b>393 013</b>	<b>389 706</b>	<b>413 613</b>	<b>432 516</b>	<b>434 568</b>	<b>428 457</b>	<b>443 362</b>
Short-term Bank Loans	104 841	107 315	90 761	92 357	90 659	92 229	68 961	69 047
Current Portion of LT Bank Loans	3 765	3 765	7 391	7 330	7 329	7 363	7 380	7 153
Liabilities to Related Parties	11 295	7 789	7 929	3 108	2 990	3 078	1 609	1 834
Account Payables	4 943	5 129	6 553	5 821	6 131	5 322	8 051	5 584
Tax Liabilities	431	781	902	578	464	1 077	1 821	355
Liabilities to Employees & Soc. Sec.	5 304	4 715	4 213	5 016	5 835	4 990	4 618	5 310
Other Current Liabilities	5 168	3 187	969	1 269	1 430	1 328	1 502	1 489
<b>Current Liabilities</b>	<b>135 747</b>	<b>132 681</b>	<b>118 718</b>	<b>115 479</b>	<b>114 838</b>	<b>115 387</b>	<b>93 942</b>	<b>90 772</b>
Long Term Bank Loans	45 130	43 333	37 972	36 175	34 379	32 582	30 819	29 200
Deferred Taxes	4 049	4 347	3 988	4 021	4 046	5 100	5 161	4 639
Liabilities to Employees on Retirement	2 034	2 099	2 219	2 469	2 602	2 701	2 571	2 491
Financial Leases	48	44	34	25	18	9	3	0
Other Long Term Liabilities	3 444	3 399	3 358	3 903	3 818	3 743	6 371	6 246
<b>Non-Current Liabilities</b>	<b>54 705</b>	<b>53 222</b>	<b>47 571</b>	<b>46 593</b>	<b>44 863</b>	<b>44 135</b>	<b>44 925</b>	<b>42 576</b>
<b>Total Liabilities</b>	<b>190 452</b>	<b>185 903</b>	<b>166 289</b>	<b>162 072</b>	<b>159 701</b>	<b>159 522</b>	<b>138 867</b>	<b>133 348</b>
<b>Shareholders' Equity &amp; Liabilities</b>	<b>578 068</b>	<b>578 916</b>	<b>555 995</b>	<b>575 685</b>	<b>592 217</b>	<b>594 090</b>	<b>567 324</b>	<b>576 710</b>

Source: Company IFRS Financial Statements

**SOPHARMA Overview**

**COMPANY PROFILE**

Sopharma is one of the biggest Bulgarian groups of companies. It is a leading producer, exporter and distributor of pharmaceutical products with a strong presence in Eastern and South-Eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group is vertically integrated and includes both production and distribution. It operates 15 pharmaceutical factories in Bulgaria, all in compliance with GMP (Good Manufacturing Practices), one in Ukraine, and two in Serbia. It is also the owner of the leading healthcare product distributor in Bulgaria – Sopharma Trading (SO5 BU) and the majority shareholder in a leading distributor and owner of a large pharmacy chain in the Baltics and Belarus – Briz, Latvia.

Sopharma’s products portfolio consists of more than 210 products, mainly generics. It includes 15 original products, of which 12 are phyto-based. The original products, in particular Carsil and Tempalgin, are key contributors to the revenues from export markets. The most important products for domestic sales are generic pharmaceuticals with the leading painkiller drug Analgin.

**FUNDAMENTAL STORY**

Sopharma is a key player on the domestic pharmaceutical market: 2nd largest domestic pharma producer with 13% market share in unites sold. Second in volumes and 6<sup>th</sup> in value in Bulgaria.

Its main advantages are the compliance with EU standards and industry developments. In the last 5 years it underwent a large scale investment program in new facilities and modernization. Thus increased capacity to answer rising demand.

Generic products are likely to gain even larger market share as the Bulgarian government is more and more focused on cost-containment measures.

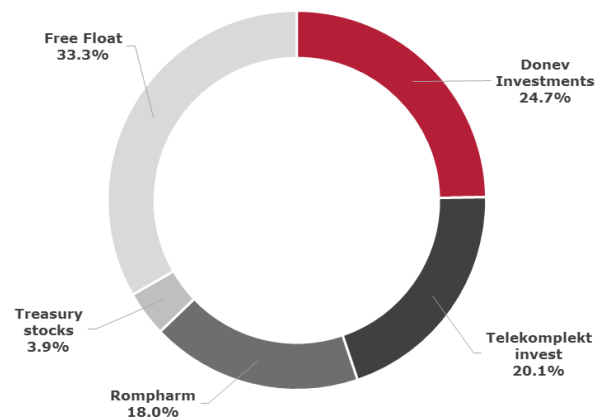
Original products are expected to add significantly to bottom line. Highest achievers are Tabex, Tribestan and Carsil. In order to answer the increasing demand from aging population, the Group has focused on therapeutic areas such as cardiology, gastroenterology, pain relief, neurology and psychiatry, and urology.

Key top line contributor in Bulgaria is the Group’s distribution arm – Sopharma Trading (SO5). It’s a market leader with 23% market share by offering a wide range of medical products and turnkey hospital solutions.

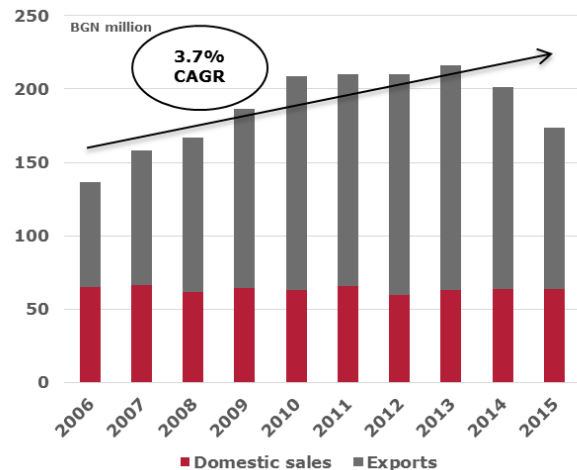
**STRENGTHS & OPPORTUNITIES**

- Excellent corporate governance
- Well diversified portfolio
- Wide distribution network covering the whole domestic market
- Strong domestic position
- Strong balance sheet and ease of access to EU financing

**SHAREHOLDERS’ STRUCTURE**



**INDIVIDUAL SALES GROWTH**



**WEAKNESSES & THREATS**

- Heavy exposure to Russia & Ukraine
- Strong rivalry among domestic players
- Weak financial performance of the Bulgarian healthcare institutions and hospitals due to state budget dependence and poor management

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<b>BUY</b>	Target price is more than 10% above current quotes
<b>HOLD</b>	Target price in +/-10% range of the current quotes
<b>SELL</b>	Target price is more than 10% below the current quotes

**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.

Q4 2015 Recommendation Review			Market Maker Services
Recommendation	#	Share	
BUY	9	47%	SKK BU
HOLD	7	37%	
SELL	0	0%	
Under review	3	16%	

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