ATTACHMENT №2
TO CONTRACT FOR TRANSFORMATION
BETWEEN BULGARIAN ROSE – SEVTOPOLIS AD AND SOPHARMA AD
FROM 19 JUNE 2014

JUSTIFICATION REPORT OF THE FAIR PRICE OF THE SHARES OF BULGARIAN ROSE – SEVTOPOLIS AD

For transformation through merger of BULGARIAN ROSE - SEVTOPOLIS AD in SOPHARMA AD

THE FINANCIAL SUPERVISION COMMISSION IS NOT LIABLE FOR THE TRUTHFULNESS OF THE DATA CONTAINED IN THE JUSTIFICATION REPORT.

DATE OF THE FAIR PRICE EVALUATION: 12 JUNE 2014

JUSTIFICATION OF THE PROPOSED FAIR VALUE:

1. RESUME OF THE EVALUATION DATA

EVALUATION OF BULGARIAN ROSE – SEVTOPOLIS AD

Bulgarian Rose – Sevtopolis AD (the Company) proposes an evaluation of the fair price of one share of the Company for the purpose of the planned transformation calculated in accordance with each of the used evaluation methods:

Table 1: Used methods in the justification of the fair price of the shares of Bulgarian Rose – Sevtopolis AD:

Indicator	Price per one share in BGN	Weight	Price per one share in BGN
Share price at market closing on 11 June 2014	1.702	30%	0.511
Market analogues method	1.910	15%	0.287
Discounted cash flows method	2.032	30%	0.609
Net asset value method	2.046	25%	0.512
Final evaluation			**1.92**

This present evaluation adopts a downward rounding up to the second decimal place in the calculation of the final value of the shares of Bulgarian Rose – Sevtopolis AD.

According to the provisions of art. 5 of *Ordinance №41 for the requirements for the contents of the justification report of the share price of a public company, including the evaluation methods in the cases of transformation, joint venture contracts and tender offering* (Ordinance 41) the fair price of the actively traded shares is determined by the weighted average of the close price of the shares by using the evaluation methods under par. 2 of the same article. According to §1 from of the same Ordinance “actively traded shares” are shares, which have a minimum average daily turnover of at least 0.01% of the total number of shares of the company for the three months preceding the evaluation date. The shares of Bulgarian Rose – Sevtopolis AD are traded on the “Standard” segment of the Bulgarian Stock Exchange - Sofia AD (BSE). For the period 11 March 2014 to 11 June 2014 were traded 116,241 shares of the company with average daily volume of 1,905.59 (in 61 trade sessions). Taking into consideration the size of the capital of the company of 12,065,424 shares, the minimum required volume of traded shares for an actively traded company in the case of Bulgarian Rose – Sevtopolis AD is 1,207 shares. This means that the daily volume of traded shares of Bulgarian Rose – Sevtopolis AD is above the minimum according to Ordinance №41 and therefore the evaluation price is also based on the closing price.

Table 2: Calculated fair price of the shares of Sopharma AD:

Indicator	Price per one share in BGN	Weight	Price per one share in BGN
Share price at market closing on 11 June 2014	4.410	40%	1.764
Market analogues method	4.330	15%	0.650
Discounted cash flows method	4.292	25%	1.073
Net asset value method	3.258	20%	0.652
Final evaluation			**4.14**

Table 3: Calculated exchange ratio:

Exchange ratio	Price per one share in BGN
Fair price per share of Bulgarian Rose - Sevtopolis AD	1.92
Fair price per share of Sopharma AD	4.14
Exchange ratio of one share of Bulgarian Rose - Sevtopolis AD for shares of Sopharma AD	**0.463768**

EVALUATION DATE AND VALIDITY PERIOD

The evaluation has been conducted as at 12 June 2014 and is valid until the completion of the transformation through the registration of the change in the Commercial Register.

The Board of Directors of Bulgarian Rose – Sevtopolis AD does not believe that there is other information relevant to the evaluation of the shares apart from the information presented in this Justification report.

FORECAST EVALUATION OF THE ACQUIRING COMPANY

The evaluation of Sopharma AD in its role as acquiring company is as at 12 June 2014 and is valid until the completion of the registration of the transformation procedure with the Commercial Register.

Table 4: FORECAST EVALUATION OF THE ACQUIRING COMPANY SOPHARMA AD

Indicator	Sopharma	Bulgarian Rose - Sevtopolis
Number of shares	132,000,000	12,065,424
Fair price per share (BGN)	4.14	1.92
Value of the company (BGN)	546,480,000	23,165,614
Fair price of the acquiring company after the transformation		
Number of shares of the acquiring company after the transformation	134,798,527	
Fair value of Sopharma AD after the transformation (BGN)	558,065,902	
Fair price of one share of Sopharma AD after the transformation in BGN	**4.14**	

The Financial Supervision Commission has not approved nor has it denied approval of the fair price of the shares and is not responsible for the truthfulness and completeness of the information contained in the Justification report.

2. EXPLANATION OF THE EVALUATION

BASIC INFORMATION ABOUT BULGARIAN ROSE – SEVTOPOLIS AD

Bulgarian Rose - Sevtopolis is registered in the Commercial Register of district court Stara Zagora, reg. 1 of AD, vol. 1, p. 54, batch 27 under company № 2803/95. The Company is registered in the National Tax Register under tax №1240800132 and in the Registry Agency under UIC 123007916.

“Bulgarian Rose - Sevtopolis” AD is a public stock company with seat and address of management: Kazanlak, “23rd Pehoten shipchenski polk” № 110, tel.: +359 431 6 40 43, fax: +359 431 6 21 14, e-mail: brsevt@kz.orbitel.bg, website: www.bulgarian-rose-sevtopolis.com.

CORE BUSINESS: Production of essential oils, perfumery and cosmetics, substances, medicines, alcoholic beverages and trade with them, and any other activity not prohibited by law.

Bulgarian Rose – Sevtopolis AD has a one-tier management system, consisting of a Board of Directors with three members. As of the current date, the company is represented and managed by Engr. Boncho Sholev - Executive Director.

SUBSIDIARIES

As at 31 March 2014 the Sopharma Group (the Group) includes the mother company and its 28 subsidiaries. In addition, the Group has investments in three joint ventures and does not have investments in associated companies. The core business of the companies of the Group is the production and trade of medicinal products as well as other activities, supporting the main business.

The subsidiary of Bulgarian Rose – Sevtopolis AD as at 31 March 2014 is:

- Phyto Palauzovo AD – a business entity registered in Bulgaria by Decision № 20120924105551 from 24 September 2012 of the Registry Agency and with a seat and address of management: Kazanluk, 110, “23 Pehoten shipchenski polk” Blvd.;

At the date of this document, the Company has signed a contract for the production of medicines from the product range under the brand name of Sopharma AD. The contract is based on market principles and is a means of securing cash income and revenues from the business of the Company.

The main areas of activity of Bulgarian Rose – Sevtopolis AD are:

- pharmaceutical manufacturing and in particular the production of solid dosage forms /SDF/, which includes coated and uncoated tablets and capsules.
- phytochemical production of active pharmaceutical substances /APS/ based on herbs.

Bulgarian Rose – Sevtopolis AD has been issued a license by the BDA for the production of solid dosage forms - tablets and capsules and the production under a contract of the products of Sopharma AD - Carsil dragée, Tempalgin coated tablets, Analgin tablets, and Cinarizin tablets. Solid dosage forms are manufactured in compliance with the principles and requirements of Good Manufacturing Practice for medicinal products in accordance with Ordinance №15 from 17 May 2009. The main critical stages of these productions are divided into sectors: weighing, granulation, tableting, coating of tablets, encapsulation and basic packaging.

Bulgarian Rose – Sevtopolis AD is authorized by the BDA for the production of active phytochemical substances based on the following extracts: Dry extract Glaucium flavum Crantz (Yellow poppy); Dry extract Hypericum perforatum L (St John's wort yellow); Dry extract Tribulus terrestris L; Dry extract Silybum marianum L (white thorn), with the active substance Milk Thistle /Silymarin/; Leucojum aestivum L; Cytisus laburnum (yellow acacia) with the active substance Cytisine; Phytine Phytinum; St. John’s Wort dry extract (standardised to flavonoids, definite as quercetin) Hiperici herbae extractum siccum normatum – dry extract of St. John's wort; Wild Thyme liquid extract Serpylli herbae extractum fluidum – liquid extract of wild thyme; Marshmallow root liquid extract Althaeae radicis extractum fluidum – liquid extract of the roots of mallow; Belladonna root liquid extract Belladonnae radicis extractum fluidum – a liquid extract of the roots of belladonna; Belladonna root soft extract Belladonnae radicis extractum spissum - dense root extract of belladonna.

SWOT ANALYSIS

The competitive position of Bulgarian Rose – Sevtopolis AD in the sector – **SWOT** analysis

STRENGTHS	OPPORTUNITIES
• Company with extensive experience in pharmaceuticals and in particular in the production of finished solid dosage forms and phytochemical production; • Modern production facilities and laboratory for quality control; • Established long-term partnership with Sopharma AD, which, thanks to its longstanding relationships with leading distribution companies in the field of pharmaceuticals, as well as its established brand, provides a stable market for the finished products of the Company; • Employees with extensive professional experience and qualities;	• Expanding the range of additional services to the existing portfolio of products; • Offering of additional services to the existing products portfolio; • Development of new businesses in the field of pharmacy; • Expanding the customer base in the domestic market and the established foreign markets; • Expansion into new foreign markets;

WEAKNESSES	THREATS
• Lack of industrial property; • Strong business and economic dependence on Sopharma AD; • Relatively small production base; • The company still has assets and liabilities denominated in US dollars, exposing itself to currency risk, which can lead to losses in the event of a negative development of the exchange rate; • Business in a sector with strong competition in Bulgaria;	• Premature termination of the contract for production of medicines with Sopharma AD; • Non-renewal of the contract for production of medicines with Sopharma AD after 2015 without a proper client-substitute; • Deterioration of the financial and economic situation of Sopharma AD; • Emergence of highly competitive products in the domestic and foreign markets, which threaten the Sopharma Group's business; • Adverse changes in the law in the field of pharmaceuticals; • Increasing competition in the face of other companies; • Deterioration of the macroeconomic situation in Bulgaria as a result of adverse developments in the debt crisis in Europe;

FINANCIAL AND OPERATING RATIOS

Summarized financial information on the last two financial years, as well as updated information on the basis of the last financial statements as at 31 March 2014, prepared in accordance with applicable accounting standards (on consolidated basis):

TOTAL VALUE OF ASSETS AND LIABILITIES

Given the core business of Bulgarian Rose – Sevtopolis AD, fixed assets are mainly property, plant and equipment. Their relative decrease is in line with the lack of necessity for substantial investments. As at the first quarter of 2014 they reach 218,568 thousand BGN.

The increase in current assets in 2013 and the beginning of 2014 is a result of the increase in receivables from related parties, which increased by 65% since the beginning of 2012.

Table 5: Assets of Bulgarian Rose – Sevtopolis AD on consolidated basis

Assets	2011*	2012	2013	31.3.2014
Noncurrent assets including:		**19,341**	**18,625**	**18,568**
Property, plant and equipment		19,341	18,625	18,568
Intangible assets		0	0	0
Current assets including:		**7,708**	**8,990**	**9,368**
Inventory		2,079	2,582	1,908
Receivables from related parties		3,383	4,305	5,593
Commercial and other receivables		911	1,023	847
Cash and cash equivalents		1,335	1,080	1,020
Total assets		**27,049**	**27,615**	**27,936**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

The table of the liabilities of Bulgarian Rose – Sevtopolis AD shows a decrease of long-term bank loans and an increase of undistributed profit.

As opposed to the current assets in the structure of the Company's assets, which normally take about 30%, the short-term liabilities take a non-significant share of total liabilities of 9%. Long-term liabilities take even a smaller share throughout the period.

Table 6: Liabilities of Bulgarian Rose – Sevtopolis AD on consolidated basis

Liabilities	2011*	2012	2013	31.3.2014
Equity attributable to equity holders of the parent		**22,988**	**24,099**	**24,679**
Main share capital		12,066	12,066	12,066
Reserves		3,462	3,682	3,682
Retained earnings		7,460	8,351	8,931
Non-controlling share		**4**	**3**	**3**
Total owners' equity		**22,992**	**24,102**	**24,682**
Long-term liabilities		**1,598**	**1,035**	**995**
Long-term bank loans		519	40	0
Government financing		850	730	730
Liabilities to the personnel upon retirement		128	144	144
Deferred taxes		101	121	121
Current liabilities		**2,459**	**2,478**	**2,259**
Short-term part of long-term loans		479	479	399
Commercial and other liabilities		1,372	1,383	1,184
Government financing		120	120	120
Liabilities to the personnel upon retirement		315	314	301
Tax liabilities		173	182	255
Total liabilities		**27,049**	**27,615**	**27,936**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

AMOUNT OF REVENUES AND EXPENSES

Net sales revenue of Bulgarian Rose – Sevtopolis AD reached nearly 19 million BGN in 2013, a decrease of over 12% compared to 2012.

Table 7: Revenues of Bulgarian Rose – Sevtopolis AD on consolidated basis

Consolidated revenues	2011*	2012	2013	31.3.2014
Sales revenues				
Tablet dosage forms		18,438	14,917	4,127
Substances		3,063	3,970	1,937
Secondary product from the production of phytosubstances		13	2	0
Natural aroma products and cosmetics		2	0	0
Total revenues		**21,516**	**18,889**	**6,064**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

Operating expenses for the period decreased due to a decrease in sales, which is mostly apparent in the change of finished goods inventories (a positive value) and other operating expenses. The absolute value of interest expenses for 2013 decreased compared to the previous year due to the lower level of short-term debt.

Table 8: Expenses of Bulgarian Rose – Sevtopolis AD on consolidated basis

Consolidated expenses	2011*	2012	2013	31.3.2014
Changes in the inventories of finished and unfinished products		(103)	658	(629)
Raw materials and inputs		(13,752)	(13,684)	(3,594)
Hired services		(780)	(634)	(291)
Personnel		(2,958)	(2,932)	(731)
Amortization		(1,087)	(1,109)	(275)
Other		(653)	(230)	(15)
Financial expenses		(72)	(43)	(6)
Total expenses		(19,405)	(17,974)	(5,541)
Profit tax		(248)	(127)	0
Net profit		**2,187**	**1,111**	**580**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

RECEIVABLES

Table 9: Receivables of Bulgarian Rose – Sevtopolis AD on consolidated basis

Commercial and other receivables	2011*	2012	2013	31.3.2014
Short-term receivables				
Guarantees on litigations		577	577	577
Refundable taxes		282	281	165
Commercial receivables		4	4	4
Impairment of uncollectable commercial receivables		(2)	(2)	(2)
Commercial receivables, net		2	2	2
Prepaid expenses for future periods		40	104	43
Loans granted to third parties			50	50
Other		9	9	10
Total receivables		**911**	**1,023**	**847**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

LIABILITIES

The largest share of the long-term liabilities of Bulgarian Rose – Sevtopolis AD are government grants and liabilities to personnel upon retirement.

Table 10: Liabilities of Bulgarian Rose – Sevtopolis AD

Interest-bearing loans and credits	2011*	2012	2013	31.3.2014
Long-term liabilities		**519**	**40**	**0**
Bank loans		519	40	0
Short-term liabilities		**479**	**479**	**399**
Bank loans		479	479	399
Total		**998**	**519**	**399**

Commercial and other liabilities	2011	2012	2013	31.3.2014
Liabilities to suppliers		1,312	1,323	1,123
Other current liabilities		60	60	61
Liabilities to personnel		245	243	230
Social insurance liabilities		70	71	71
Taxes		173	182	255
Total		**1,860**	**1,879**	**1,740**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

FINANCIAL COEFFICIENTS

Table 11: Financial information about Bulgarian Rose – Sevtopolis AD on consolidated basis

	Consolidated data	2011	2012	2013	31.3.2014
1	Revenues	-	21,516	18,889	6,064
2	Cost of goods sold	-	(16,334)	(15,432)	(4,790)
3	Gross profit/loss	-	5,182	3,457	1,274
4	Other operating expenses	-	(2,675)	(2,177)	(689)
5	Operating profit/loss	-	2,507	1,280	585
6	Financial income	-	0	1	1
7	Financial expenses	-	(72)	(43)	(6)
8	Profit/loss before taxes	-	2,435	1,238	580
9	Taxes	-	(248)	(127)	0
10	Net profit/loss	-	2,187	1,111	580
11	Dividend	-	-	-	-
12	Cash and cash equivalents	-	1,335	1,080	1,020
13	Inventory	-	2,079	2,582	1,908
14	Current assets	-	7,708	8,990	9,368
15	Total assets	-	27,049	27,615	27,936
16	Current liabilities	-	2,459	2,478	2,259
17	Debt	-	998	519	399
18	Liabilities (raised capital)	-	4,057	3,513	3,254
19	Owners' equity	-	22,988	24,099	24,679
20	Working capital	-	5,249	6,512	7,109
21	Average weighted amount of shares	12,065	12,065	12,065	12,065
Profitability ratios					
22	Gross profit margin (3/1)	-	0.24	0.18	0.21
23	Operating profit margin (5/1)	-	0.12	0.07	0.10
24	Net profit margin (10/1)	-	0.10	0.06	0.10
25	Return on assets (10/15)	-	0.08	0.04	0.02
26	Return on owners' equity (10/19)	-	0.10	0.05	0.02
Liquidity ratios					
27	Asset turnover (1/15)	-	0.80	0.68	0.22
28	Working capital turnover (1/20)	-	4.10	2.90	0.85
29	Current liquidity (14/16)	-	3.13	3.63	4.15
30	Quick ratio ((14-13)/16)	-	2.29	2.59	3.30
31	Absolute liquidity (12/16)	-	0.54	0.44	0.45
Share ratios					
32	Sales per share (1/21)	-	1.78	1.57	0.50
33	Profit per share (10/21)	-	0.18	0.09	0.05
34	Accounting value of one share (19/21)	-	1.91	2.00	2.05
Dividend ratios					
35	Dividend payout (11/10)	-	-	-	-
36	Retained earnings	-	-	-	-
37	Dividend per share (11/21)	-	-	-	-
Development ratios					
38	Revenue growth	-	-	-12.21%	35.24%

39	Gross profit growth	-	-	-33.29%	77.44%
40	Asset growth	-	-	2.09%	1.16%
Leverage ratios					
41	Debt/Total assets (17/15)	-	0.04	0.02	0.01
42	Debt/Capital (17/(17+19))	-	0.04	0.02	0.02
43	Debt/Owners equity (17/19)	-	0.04	0.02	0.02
44	Total assets/Owners equity (15/19)	-	1.18	1.15	1.13
Market ratios					
45	Price/Sales (X/32)	-	0.79	1.07	3.42
46	Price/Profit (X/33)	-	7.72	18.14	35.78
47	Price/Accounting value (X/34)	-	0.73	0.84	0.84
48	**Market value**	**1.340**	**1.400**	**1.670**	**1.720**

** - The company had no basis for preparing consolidated statements for 2011*

Source: BSE - Sofia and audited annual and unaudited intermediate consolidated reports of Bulgarian Rose – Sevtopolis AD

Based on the most recent reports of Sopharma AD and Bulgarian Rose – Sevtopolis AD as at 31 March 2014 we have presented forecast for Sopharma AD in its role as an acquiring company and the expected changes in the financial indicators:

Table 13: Financial information about Sopharma AD on individual basis

	Individual data in thousand BGN	31.3.2014 before the transformation	31.3.2014 after the transformation
1	Revenues	51,124	51,124
2	Other profit/loss, net	1,207	1,263
3	Changes in the balance of products and unfinished goods	4,768	4,139
4	Materials	(16,154)	(19,748)
5	Hired services	(18,311)	(12,537)
6	Personnel expenses	(8,435)	(9,161)
7	Amortization	(4,834)	(5,109)
8	Other operating expenses	(566)	(581)
9	Operating profit/loss	8,799	9,390
10	Financial income	3,484	3,485
11	Financial expenses	(1,058)	(1,064)
12	Profit/loss before tax	11,225	11,811
13	Tax expense	(1,121)	(1,121)
14	Net profit/loss	10,104	10,690
15	Dividend	0	0
16	Cash and cash equivalents	4,275	5,245
17	Inventory	54,361	56,269
18	Short-term assets	196,328	200,121
19	Total assets	557,674	571,393
20	Short-term liabilities	119,752	122,009
21	Debt	147,311	147,710
22	Liabilities (raised capital)	175,883	173,615
23	Owners' equity	381,791	397,778
24	Working capital	76,576	78,112
25	Average weighted amount of shares	132,000	134,586
Profitability ratios			
26	Operating profit margin (9/1)	0.17	0.18
27	Net profit margin (14/1)	0.20	0.21
28	Return on assets (14/19)	0.02	0.02
29	Return on owners' equity (14/23)	0.03	0.03
Liquidity ratios			
30	Asset turnover (1/19)	0.09	0.09
31	Working capital turnover (1/24)	0.67	0.65
32	Current liquidity (18/20)	1.64	1.64

33	Quick ratio ((18-17)/20)	1.19	1.18
34	Absolute liquidity (16/20)	0.04	0.04
One share ratios			
35	Sales per share (1/25)	0.39	0.38
36	Profit per share (14/25)	0.08	0.08
37	Accounting value of one share (23/25)	2.89	2.96
Dividend ratios			
38	Dividend payout (15/14)	0.000	0.000
39	Retained earnings	1.000	1.000
40	Dividend per share (15/25)	0	0
Development ratios			
41	Revenue growth	6.13%	6.13%
42	Gross profit growth	N/A	N/A
43	Asset growth	1.55%	2.46%
Leverage ratios			
44	Debt/Total assets (21/19)	0.26	0.26
45	Debt/Capital (21/(21+23))	0.28	0.27
46	Debt/Owners equity (21/23)	0.39	0.37
47	Total assets/Owners equity (19/23)	1.46	1.44
Market ratios			
48	Price/Sales (X/35)	N/A	N/A
49	Price/Profit (X/36)	N/A	N/A
50	Price/Accounting value (X/37)	N/A	N/A
51	**Market value**	**4.550**	**4.550**

Table 14: Financial information about Sopharma AD on consolidated basis

	Consolidated indicators in thousand BGN	31.3.2014 before the transformation	31.3.2014 after the transformation
1	Revenues	214,292	214,292
2	Other profit/loss, net	3,133	3,133
3	Changes in the balance of finished and unfinished products	(311)	(311)
4	Materials	(23,733)	(23,733)
5	Hired services	(18,181)	(18,181)
6	Personnel expenses	(19,326)	(19,326)
7	Amortization	(7,612)	(7,612)
8	Cost of sales	(126,283)	(126,283)
9	Other operating expenses	(957)	(957)
10	Operating profit/loss	21,022	21,022
11	Financial income	1,123	1,123
12	Financial expenses	(7,060)	(7,060)
13	Profit/loss before tax	15,052	15,052
14	Tax expense	(2,121)	(2,121)
15	Net profit/loss	12,931	12,931
16	Dividend	0	0
17	Cash and cash equivalents	26,606	26,606
18	Inventory	140,484	140,484
19	Short-term assets	415,085	415,085
20	Total assets	799,158	799,158
21	Short-term liabilities	297,596	297,596
22	Debt	272,539	272,539
23	Liabilities (raised capital)	369,103	369,103
24	Owners' equity	430,055	430,055
25	Working capital	117,489	117,489
26	Weighted average number of shares (thousand)	132,000	134,586
Profitability ratios			
27	Operating profit margin (10/1)	0.10	0.10
28	Net profit margin (15/1)	0.06	0.06
29	Return on assets (15/20)	0.02	0.02

30	Return on owners' equity (15/24)	0.03	0.03
Liquidity ratios			
31	Asset turnover (1/20)	0.27	0.27
32	Working capital turnover (1/25)	1.82	1.82
33	Current liquidity (19/21)	1.39	1.39
34	Quick ratio ((19-18)/21)	0.92	0.92
35	Absolute liquidity (17/21)	0.09	0.09
One share ratios			
36	Sales per share (1/26)	1.62	1.59
37	Profit per share (15/26)	0.10	0.10
38	Accounting value of one share (24/26)	3.26	3.20
Dividend ratios			
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 ratios			
42	Revenue growth	14.22%	14.22%
43	Gross profit growth	NA	NA
44	Asset growth	2.09%	2.09%
Leverage ratios			
45	Debt/Total assets ratio (22/20)	0.34	0.34
46	Debt/Capital ratio (22/(22+24))	0.39	0.39
47	Debt/Owners equity ratio (22/24)	0.63	0.63
48	Total assets/Owners equity ratio (20/24)	1.86	1.86
Market ratios			
49	Price/Sales (X/36)	NA	NA
50	Price/Profit (X/37)	NA	NA
51	Price/Accounting value (X/38)	NA	NA
52	**Market value**	**4.55**	**4.55**

Previous financial results cannot be regarded as necessarily indicative of future financial results of the company and the results of the interim periods cannot be regarded as necessarily indicative of annual financial results.

HISTORICAL MILESTONES OF THE EVALUATED COMPANY

Bulgarian Rose – Sevtopolis AD is a company specializing in the manufacture and sale of dosage forms and substances, cosmetics, natural aroma products.

Bulgarian Rose – Sevtopolis AD is the only licensed pharmaceutical company in Bulgaria that produces medicinal substances based on plant raw materials.

The company is the universal successor of the state company Bulgarian Rose, Sofia – Regional Management Bulgarian Rose Kazanlak, established on 6 April 1948 in order to stabilize and develop the production, marketing and export of rose-based products. In 1973 on the land of the current company were built and commissioned two main workshops: distillation and extraction, as well as an administrative building and a laboratory for analysis.

During the same period in 1973 - 1977 started the production of essential oils of oil-bearing rose, lavender and other plants.

In 1981 - 1991 was implemented into production the phytoextract Silymarin and in particular rose, lavender, tobacco and others. In the same period began the development of a new production line – cosmetics.

A workshop for extraction of active pharmaceutical plant substances was built and commissioned on 27 October 1981 on 1.150 m2 built-up area. It employs 61 workers and specialists. The production of active substances in the workshop is carried out by extraction of the active ingredients of pre-grinded plant materials and their subsequent concentration and purification.

In 1988 was built and commissioned a new plant for the production of medicines, thus using the produced plant extracts /Silymarin/ in the production of medicines.

By decision №3912/1991 of Stara Zagora District Court was registered a limited liability company Bulgarian Rose – Sevtopolis, Kazanlak. By decision №3808/23.11.1995 of Stara Zagora District Court was registered the transformation of

Bulgarian Rose – Sevtopolis from sole limited company into sole stock company. Since May 1998. Bulgarian Rose – Sevtopolis is a stock company. By decision №3010 from 31.H.2005 on company file №2803/95 Stara Zagora District Court entered a name change from Bulgarian Rose – Sevtopolis EAD to Bulgarian Rose – Sevtopolis AD, Kazanlak. By decision №981 of 07 March 2003 Stara Zagora District Court entered in the commercial register Bulgarian Rose – Sevtopolis AD as a public company. The Company is registered in the Commercial Register of district court Stara Zagora, reg. 1 of AD, volume 1, p.54, batch 27, under company file №2803/95, registered in NFC under the tax id 1240800132 and UIC 123007916. The Company is not restricted by time or other termination condition.

Bulgarian Rose – Sevtopolis AD has been issued by the BDA a license for the production of solid dosage forms - tablets and capsules and produces under contract the products of Sopharma AD - Carsil dragée, Tempalgin coated tablets, Analgin tablets, Cinarizin tablets. Solid dosage forms are manufactured in compliance with the principles and requirements of Good Manufacturing Practice for medicinal products in accordance with Ordinance №15 of 17May 2009. Their production takes place year-round, alternating the type of product produced according to the market needs. Replacement of one type of product to another is conducted after thorough cleaning (after validation of the cleaning process) and in the presence of approved procedures for monitoring the cleaning of premises and equipment with validated methods.

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

MARKET REVIEW

The pharmaceutical industry in the country is divided into three sectors: pharmaceutical manufacturers, distributors and retailers (pharmacies). To operate, all traders and manufacturers of medicinal products must obtain permission from the Bulgarian Drug Agency (BDA), part of the Ministry of Health. With greatest influence on the pharmaceutical market are manufacturers and distributors.

According to IMS Health (www.imshealth.com) in the first quarter of 2014 the growth in value of the pharmaceutical market is 6.9% compared to the same period in 2013. In January and February sales of medicines in pharmacies continued to increase, but in March decreased. The reason for this growth is the flu epidemic that led to increased purchases of antivirals, antibiotics, vitamins and medications to treat complications. Total first quarter 2014 sales increase by 5% compared to last year. Meanwhile, purchases of medicines by hospitals increased by 18%. The main reason for this growth are cancer medicines. Every year in Bulgaria are discovered on average 34 thousand new patients and about 250 thousand patients in total are treated. Anti-cancer medicines began getting covered by the health insurance fund three years ago and are the reason for the continuous growth of hospital medicines. However, purchases of medicines from hospitals remain at relatively low levels, namely 370 million BGN, half of them for cancer therapies. Meanwhile, sales in pharmacies are about 2.2 billion BGN. In 2013 the market for medicines also increased by 6.3% to 2.343 billion BGN compared to 2.206 billion BGN in 2012. Therefore it can be accepted that the pharmaceutical market overcame the reported slowdown during the global financial and economic crisis that led to its slowest growth in its duration by 5.2%, which was recorded in 2012.

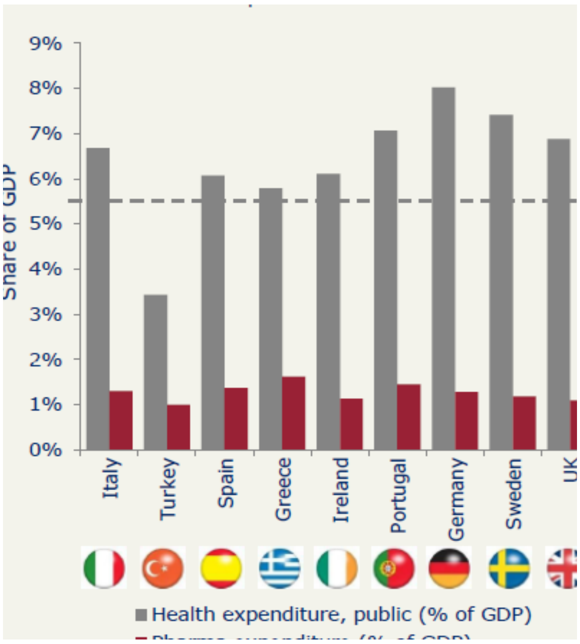
Competition in the pharmaceutical market is very strong and the market is highly fragmented. First by market share in value in 2013 is the Swiss conglomerate Novartis, the results of which are combined with those of its generic division Sandoz. Second in market share is the American corporation Actavis. Third is the Swiss concern Roche. The majority of foreign manufacturers, operating on the Bulgarian market, have a rather low market share in terms of quantity, while having a substantial market share in terms of value, as they sell original products, which fall in the high price segment. In quantitative terms among the leaders on the Bulgarian market are Actavis and Sopharma AD, with both companies producing mainly generics which fall in the low price segment.

LOCAL AND GLOBAL TRENDS

Despite all reforms in the health system after the nineties, Bulgaria is still considerably behind compared to many European countries in terms of health practices and standards. One of the main trends in health care costs in the world is their constant and steady growth due to the rapid development of technology, the increase in volume and prices of health services and an aging population.

Healthcare around the world has one of the highest shares in both the amount of public spending and as a share of GDP for the EU countries. Costs in the Health sector in 2013 are set to amount 3.353 billion BGN, or 4.1% of GDP. In comparison, the share of public spending on health in the countries of Central and Western Europe is in the higher limits namely:

Chart 1: Share of health spending as a percentage of gross domestic product (GDP)



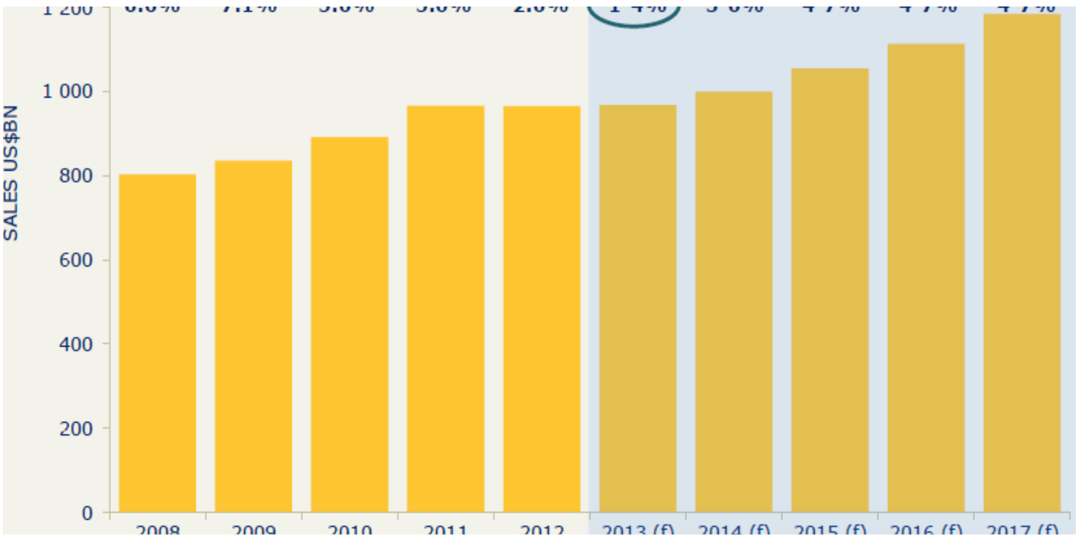
As Seen from the graph, Bulgaria would be below the minimum limit of 5.5%, which is exceeded by all countries of Central and Western Europe. This is due to both the low level of development of our health insurance system and the lower well-being of our economy, which requires greater cost sharing by the patients.

Internationally US share of global consumption will drop from 41% in 2006 to 31% in 2016. For the same period the share of Europe will decrease to 13%. At the same time several emerging markets including India, China, Russia, Mexico and Brazil will increase their share of total consumption to 30% in 2016 from only 12% in 2005.

Source: IMS Health

IMS Health forecasts global rise in healthcare costs by 2017 of 4%-7%. With improved economic conditions in our country both a nominal increase in healthcare costs should be expected while maintaining the same percentage of GDP, as well as further increase of this percentage in line with European standards. The next graph shows the expected growth in sales of medicines globally.

Figure 2: Global sales (in billions of dollars) and increase until 2017



Source: IMS Health

Figure 3: Estimated sales and share in Eastern Europe

	Sales bn 2017 ($)	Share 2017	CAGR 2013-20
sia	27.3	43%	8-11%
nd	8.2	13%	1-4%
aine	5.1	8%	7-10%
ania	4.4	7%	3-6%
gary	3.1	5%	1-4%
h Rep	2.9	5%	(-2)-1%
ak Rep	1.8	3%	2-5%
aria	1.3	2%	2-5%
cs	1.4	2%	3-6%
ia	1.0	2%	3-6%
tia	0.8	1%	(-2)-1%
enia	0.6	1%	(-2)-1%
CIS	4.5	7%	7-10%
Balkans	0.6	1%	4-7%
Adriatic's	0.5	1%	4-7%

The most significant growth in Eastern European countries is expected in Russia and Ukraine, the first traditionally held a significant share of total sales. Bulgaria ranks seventh in proportion with an expected market size of $1.3 billion.

GENERICS

In the following years the consumption of generics will increase its share at the expense of original products. This trend is due to the increasing consumption of generic medicines in developing markets as well as the expiration of many patents in the next few years, mostly in developed countries.

Again, according to information prepared by IMS Health, trends in generic medicines include a slowly reduction of branded generics due to pressure from customers for prices reductions, improved standards in the production and presence of a few dominant players and business models in line with the global consolidation.

Source: IMS Health

LEGISLATIVE FRAMEWORK

The pharmaceutical market is one of the most regulated sectors in the health care system, considering market failures, on the one hand and combining the interests of patients, industry and financial institutions on the other. Although the regulation of the market of medicines is carried out depending on the type of health care system in a given country, it can be concluded that all countries apply a wide range of measures to contain the cost of pharmaceutical products from both the demand and the supply sides. Various forms of direct, in most cases economically indirect tools are used to regulate the pharmaceutical market, as well as some administrative measures.

The pharmaceutical market in Bulgaria after the changes in 1989 developed dynamically and was characterized by several clear trends and factors. The country is developing a system of mandatory health insurance when in 1998 the Health Insurance Act was adopted. Mandatory health insurance guarantees free access of insured persons to medical care through a certain type, scope and amount of health services. There is an established National Health Insurance Fund (NHIF), the main task of which is to implement and administer the mandatory health insurance in Bulgaria in the part of the management of the collected funds and the payment of the used health services and medicines (within a certain range and volume) in favor of the insured persons. The NHIF's budget is the main financial plan for raising and spending of funds for mandatory health insurance and is separated from the national budget. NHIF's revenues are raised mostly through health insurance contributions. Currently NHIF covers fully or partially almost 1700 product, which in nominal terms represents around 500 million BGN or one quarter of the market. Many of these medicines are original products (scientific development with patent), for which may be negotiated additional lower prices or quantities because of the guaranteed market. At the end of 2012 the list of medicines that the health fund pays will be optimized, because currently there is an accumulation of many medicines in a Group with a similar therapeutic effect and therefore there is ineffective use of resources.

CHOICE OF METHODS FOR DETERMINING THE FAIR VALUE OF SHARES

According to Ordinance №41 of FSC for the 41 for the requirements for the contents of the justification report of the share price of a public company, including the evaluation methods in the cases of transformation, joint venture contracts and tender offering (Ordinance №41), the fair value of a share of a public company is based on:

- The closing price on the last day on which transactions have taken place in the last three months preceding the date of the evaluation on the market place with the highest traded volume of shares on that day;

- Weighted average of the values of the shares received by the following valuation methods:
  - Method of market multiples of analogous companies;
  - Method of Discounted cash flows;
  - Net asset value.

The data used in determining the fair value of the shares of Bulgarian Rose – Sevtopolis AD is based on the latest interim unaudited consolidated financial statements of the company as at 31 March 2014, and projected financial performance for the period 2014-2019. The fair value per share of Bulgarian Rose – Sevtopolis AD is obtained by, as prescribed by art. 5, par, 3 of Ordinance 41, weighting the above methods with weights that give the most realistic estimate as at the date of the evaluation.

EVALUATION RESULTS BY THE DIFFERENT METHODS

METHOD OF MARKET MULTIPLES OF ANALOGOUS COMPANIES

ANALOGOUS COMPANIES

The method of market multiples of analogous companies is one of the main methods for assessing the value of a company and is widely used by both investors and analysts to determine fair value. The most important step in the implementation of this method is the choice of analogous companies that are most appropriate for comparison with the evaluated company. Compliance depends on similar characteristics of the evaluated company and the analogous company such as similarities in the business, their size, the markets they operate on and their respective market share. Another important factor when choosing the right analogous company is that the company must be traded on a regulated market and ensure transparency and provide timely and reliable information about its business.

BULGARIAN ROSE – SEVTOPOLIS AD (TICKER SYMBOL – 4BJ)

Bulgarian Rose – Sevtopolis AD is the only licensed pharmaceutical company in Bulgaria that produces medicinal substances based on plant raw materials. The Company has been authorized by the BDA for the production of solid dosage forms - tablets and capsules and produces under contract the products of Sopharma AD - Carsil dragée, Tempalgin coated tablets, Analgin tablets, and Cinarizin tablets.

For the purpose of the evaluation as analogous companies to Bulgarian Rose – Sevtopolis AD are used Alkaloid, Krka, Grindex and Olainfarm. The selected companies are pharmaceutical companies based in Eastern Europe, producing both original and generic medications. All selected companies export most of its production to foreign markets. Below are presented the main characteristics and financial indicators of the evaluated company and the selected analogous companies.

Alkaloid is Macedonian pharmaceutical company which produces medicines for the treatment of cardiovascular, dermatological, gynecological disorders, and disorders of the nervous system, gastrointestinal tract, blood and other infectious diseases. The company also offers various salts, teas, chemicals, demineralized water, etc. Important part of the business of Alkaloid are its cosmetic, botanical and chemical divisions. The company has 13 subsidiaries based in Serbia, Montenegro, Kosovo, Albania, Bulgaria, Switzerland, Russia, Romania, Ukraine and others.

The Krka Company, founded in 1954, develops, manufactures and markets medicinal products in Slovenia and abroad. The portfolio includes medicines for cardiovascular diseases, metabolic diseases, central nervous system infections, blood diseases, and respiratory and dermatological products. Krka offers products, which do not require a prescription - for treating allergies, pain, common cold, headache, muscle aches, for enhancing memory and the immune system, for sleep disorders, depression and other. The company also manufactures supplements and vitamins and veterinary products. KRKA invests in the development of generic medicines sold under its own brands.

Grindex is the leading pharmaceutical company in the Baltic countries. The company develops, produces and sells both original and generic pharmaceutical products and active substances. The company specializes in the production of cardiovascular and anti-cancer medicines. It also offers more than 100 medicines that can be sold without a prescription. Grindex has four subsidiaries - in Latvia, Estonia and Russia, as well as representative offices in 11 countries. Over 90% of the company's production is exported. The main export markets are the Baltic countries, Russia, CIS, Germany, Holland, Japan, and USA.

Olainfarm is one of the largest pharmaceutical companies in the Baltic countries, offering seven original products, 26 generic medicines, and over 25 pharmaceutical ingredients. The company's products are directed at the treatment of neurological, cardiovascular disease, Alzheimer's disease, influenza agents, and antibacterial agents. Only 5-10% of the production of Olainfarm is sold on the Latvian market. The rest is exported, with the main export markets being Russia, Ukraine, Kazakhstan, and Belarus.

Table 15: Key financial indicators of Bulgarian Rose – Sevtopolis AD and the selected analogous companies based on recent published reports on these companies as at 31 December 2013.

№	Indicators - thousand BGN	Sevto	Alkaloid	KRKA	Grindex	Olainfarm
1	**Sales revenue**	18,889	224,678	2,348,613	231,690	147,033
2	**Profit before tax**	1,238	36,046	393,789	31,862	32,649
3	**Total assets**	27,615	301,083	3,442,034	295,340	139,312
4	**Total capital and reserves**	24,099	239,671	2,606,363	234,567	100,379
5	**Short-term assets**	8,990	153,661	1,537,145	144,861	83,547
6	**Short-term liabilities**	2,478	58,815	583,696	39,973	32,709
7	**Outstanding shares (in thousand)**	12,065	1,420	35,400	9,590	14,090
8	**Market capitalization (as at 12 June 2014)**	20,994	202,316	4766,944	132,410	200,473
9	**Market price of one share (as at 12 June 2014 in BGN)**	1.74	141.60	134.95	13.53	14.24
10	**Net profit**	1,111	19,011	338,038	21,514	24,937
	Ratios					
11	**Profit margin before tax (2/1)**	0.07	0.16	0.17	0.14	0.22
12	**Return on equity (2/4)**	0.05	0.15	0.15	0.14	0.33
13	**Return on assets (2/3)**	0.04	0.12	0.11	0.11	0.23
14	**Current liquidity (5/6)**	3.63	2.61	2.63	3.62	2.55
15	**Asset turnover (1/3)**	0.68	0.75	0.68	0.78	1.06
16	**Earnings per share (1/7)**	1.57	158.22	66.35	24.16	10.44
17	**Profit before tax per share (2/7)**	0.10	25.38	11.12	3.32	2.32
18	**Total assets per share (3/7)**	2.29	212.03	97.23	30.80	9.89

Source: Bloomberg

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

Under the provisions of par. 1, item 15 of the Additional Provisions of Ordinance №41, the market coefficients used in the method of market multiples of analogous companies include at least the following coefficients: market price/earnings (P/E), market price/book value (equity) (P/B) and market price/sales (P/S). Performance of analogous companies shown in Table №16 below are taken from the Bloomberg system on 12 June 2014. The index P/E is calculated as the market capitalization of the particular company, divided by its net profit as at 31 December 2013 (8/10 from Table №15). The index P/B is calculated as the market capitalization of the particular company, divided by the value of its equity at 31 December 2013 (8/4 from Table №15). The index P/S is calculated as the market capitalization of the particular company, divided by the value of its sales as at 31 December 2013 (8/1 from Table №15). Due to rounding in the calculations and the used foreign exchange rates, the Bloomberg system shows some deviation in the final values of the indicators. The evaluation uses the data published in the Bloomberg system on 12 June 2014 and no direct calculation of the data in Table №15 above has been made.

For finding the fair value of a share of Bulgarian Rose – Sevtopolis AD based on the indicators P/E, P/B, P/S, the following coefficients have been calculated:

- Net profit per share of Bulgarian Rose – Sevtopolis AD in the amount of 0.129 BGN - calculated as the ratio between the profit for one year and the number of outstanding shares. Several approaches may be applied as basis for the calculation of profit for one year: using the company's profit according to the latest annual financial statements; calculating the profit for the past 12 months based on the last published report of the company; using sources of information and analysis on the estimated profit of the company for the next 12 months. In order to obtain more current and realistic assessment of the value of the shares of Bulgarian Rose – Sevtopolis AD, reflecting the data published in the last financial statements of the company, the calculation of the profit for one year takes the last 12 months of operations by adding the consolidated results after 31 March 2013 to those of the last interim consolidated financial statements as at 31 March 2014;
- The book value per share of Bulgarian Rose – Sevtopolis AD in the amount of 2.046 BGN - calculated as the ratio between the value of the company's equity according to the latest interim consolidated financial statements as at 31 March 2014 and the number of shares outstanding;
- Sales per share of Bulgarian Rose – Sevtopolis AD in the amount of 1.697 BGN - calculated as the ratio of sales for one year and the number of outstanding shares. The calculation of sales for one year can also be approached in several ways: using the annual sales of the company according to the latest annual financial statements; calculating the sales for the last 12 months based on the last published report of the company; using sources of information and analysis on the estimated sales of the company for the next 12 months. The calculation of the annual sales in this evaluation takes the last 12 months of operations by adding the consolidated results after 31 March 2013 to those of the last interim consolidated financial statements as at 31 March 2014.

TABLE 16: EVALUATION BASED ON THE MARKET MULTIPLES OF ANALOGOUS COMPANIES

company	Country	P/E	P/B	P/S
Alkaloid	Macedonia	10.54	0.84	0.90
KRKA	Slovenia	13.75	1.78	1.90
Grindex	Latvia	5.06	0.61	0.60
Olainfarm	Latvia	7.90	1.74	1.30
Average		**9.31**	**1.24**	**1.18**
Bulgarian Rose – Sevtopolis AD		**EPS**	**BVPS**	**SPS**
Value per one share		0.13	2.05	1.70
Price for one share		**1.20**	**2.54**	**1.99**
Price for one share (Average of applies methods)			**4.33**	

Source: Bloomberg

The value per share on the basis of market multiples of analogous companies amounts to **1.91 BGN.**

DISCOUNTED CASH FLOWS EVALUATION METHOD

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

The value of the capital of Bulgarian Rose – Sevtopolis AD by discounting the projected cash flows is obtained by applying the following formula:

$$V_0 = \frac{FCFF_{2014}}{(1+WACC)^{n/365}} + \frac{FCFF_{2015}}{(1+WACC)^{1\ n/365}} + \dots + \frac{FCFF_{2019}+P_{2019}}{(1+WACC)^{5\ n/365}}$$

where:

- V_0 – is the capital value;
- $FCFF_{2014-2019}$ – are the projected cash flows, generated by the company for the particular year;
- WACC – is the average weighted price of the capital of the company;
- P – is the terminal value, calculated in the following way:

$$P_{2019} = \frac{FCFF_{2019}*(1+g)}{(WACC-g)}$$

- g – is the continues growth of cash flows for the period after 2019;
- n – the actual number of days of the respective period; The accepted number for the actual number of days for a year is 365.

EARNINGS

TABLE 17: REVENUE OF BULGARIAN ROSE – SEVTOPOLIS AD

Revenue in thousand BGN	**2011***	**2012**	**2013**	**31.3.2014**
Total sales revenue		21,516	18,889	6,064
Other operating revenue		324	322	56
Financial revenue		0	1	1
Total revenue		**21,840**	**19,212**	**6,121**

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

The estimated earnings of the company for the period 2014-2019 are presented in three scenarios - a realistic, optimistic and pessimistic. The different rate of growth for each scenario reflects the expectations for market growth as a whole, the market share of the company, as well as the possibility of selling products with a higher price and profit margin. Expectations of the company are based on the following assumptions for the development of the business:

- Preservation of the contractual relationship with Sopharma AD, which provides selling of 100% of the production of the Company. Taking into account the expectations of the Company for 2014 and the signed contract on 14 January 2014 with Sopharma AD for the production of medicinal products and active substances with a total value of orders by the contracting authority Sopharma AD to the contractor Bulgarian Rose – Sevtopolis AD of up to 30 million BGN annually until 2019. As the transactions between the two companies are subject to voting by the General Meeting of Shareholders in accordance with the provisions of art. 114, with the voted threshold of 30 million BGN annually the two companies insure that despite the lower expected trading volumes, in the event of an accidental or sustained increase in trading no interruption of the operations of Bulgarian Rose – Sevtopolis AD for preparation, scheduling and conducting of a GMS will be necessary. A potential halt would result in significant losses for the Company and would hamper normal operations, payment of wages, obligations etc. Therefore we do not assume reaching 30 million BGN of sales throughout the forecast period. The pessimistic scenario assumes increased sales without reaching the threshold of 30 million BGN. The optimistic scenario assumes reaching the threshold at the end of the forecast period, but only the optimistic scenario assumes exceeded this value from 2016 onwards to the end of the period;
- The optimistic scenario assumes improvement of the business of “Sopharma” AD, and thus the Company's sales in Ukraine and Russia. The pessimistic scenario assumes further deterioration of these sources of sales;
- Operations of the Company and in particular the production depend on the preparation of a production program, which includes the production products planned for sale. The occurrence of unexpected orders by “Sopharma” AD raises the utilized capacity and reduces the cost of production. The optimistic scenario assumes a higher level of unexpected orders, while the pessimistic plan respectively assumes a lower level of these;

The data used in this document is based on the interim consolidated financial results of the company as at 31 March 2014. This allows the management to predict to a large extent the final financial result for 2014.

TABLE 18: FORECAST ABOUT THE REVENUE OF BULGARIAN ROSE – SEVTOPOLIS AD

Pessimistic scenario thousand BGN	2014	2015	2016	2017	2018	2019
Sales revenues	24,034	25,235	26,119	26,772	27,307	27,580
Other	314	330	342	350	357	361
Total operating revenue	**24,348**	**25,565**	**26,460**	**27,122**	**27,664**	**27,941**
Annual growth rate	*26.74%*	*5.00%*	*3.50%*	*2.50%*	*2.00%*	*1.00%*

Realistic scenario thousand BGN	2014	2015	2016	2017	2018	2019
Sales revenues	24,777	27,144	28,690	29,321	30,201	30,805
Other	324	302	211	447	460	469
Total operating revenue	**25,101**	**27,446**	**28,901**	**29,768**	**30,661**	**31,274**
Annual growth rate	*30.66%*	*9.34%*	*5.30%*	*3.00%*	*3.00%*	*2.00%*

Optimistic scenario thousand BGN	2014	2015	2016	2017	2018	2019
Sales revenues	25,520	28,455	30,589	32,119	33,725	34,736
Other	334	372	400	420	441	454
Total operating revenue	**25,854**	**28,827**	**30,989**	**32,539**	**34,166**	**35,191**
Annual growth rate	*34.58%*	*11.50%*	*7.50%*	*5.00%*	*5.00%*	*3.00%*

EXPENSES

TABLE 19: EXPENSES OF BULGARIAN ROSE – SEVTOPOLIS AD

Consolidated expenses in thousand BGN	2011*	2012	2013	31.3.2014
Changes in inventories of finished and unfinished products		(103)	658	(629)
Raw materials and inputs		(13,752)	(13,684)	(3,594)
Hired services		(780)	(634)	(291)
Personnel expenses		(2,958)	(2,932)	(731)
Amortization		(1,087)	(1,109)	(275)
Other operating expenses		(653)	(230)	(15)

** - The company had no basis for preparing consolidated statements for 2011*

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

At the end of 2013 the operating expenses of Bulgarian Rose – Sevtopolis AD decrease compared to 2012 due to decreased sales, which result in a positive change in inventories of finished and unfinished products. Additionally, raw materials and inputs, hired services and other operating expenses decrease.

For the period 2014-2019, the Company's expenses are estimated based on historical reported profit margins of the business and in particular the operating profit margin, i.e. profit margin before interest and taxes. Historical data on the operating profit is shown in the following table:

TABLE 20: OPERATING PROFIT MARGIN OF BULGARIAN ROSE – SEVTOPOLIS AD

	Consolidated indicators	2011*	2012	2013	31.3.2014
1	Sales revenue	-	21,516	18,889	6,064
2	Cost of sales	-	(16,334)	(15,432)	(4,790)
3	Gross profit/loss (1-2)	-	5,182	3,457	1,274

4	Other operating expenses	-	(2,675)	(2,177)	(689)
5	Operating profit/loss (3-4)	-	2,507	1,280	585
6	Operating profit margin (5/1)	-	11.7%	6.8%	9.6%

Source: Audited annual and unaudited intermediate consolidated financial statements of Bulgarian Rose – Sevtopolis AD

** - The Company has not prepared consolidated statements in 2011.*

Evident form the annual results, the operating profit margin varies from around 7% to close to 12%. The Company predicts preservation of the historical indicators and therefore has based the costs off the pessimistic variant, leading to a margin of up to 8% in 2014 and 2015 with a gradual decrease over the projection period. In view of the realized margin for the first quarter of 2014 of nearly 10%, the company predicts over 9% in the realistic scenario and a margin, which gradually reaches and exceeds 11% in the optimistic scenario.

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

- The pessimistic scenario assumes negative development of the international markets in Russia and Ukraine. The optimistic scenario assumes the opposite;
- The pessimistic scenario assumes higher costs for cleaning and resetting due to irregular and unexpected orders, while the optimistic scenario assumes lower costs due to fewer unexpected orders and matching of emergency orders with available finished products;

Expenses are estimated based on the expectation that these margins will vary in a close range depending on the forecast scenarios.

TABLE 21: PROJECTED EXPENSES OF BULGARIAN ROSE – SEVTOPOLIS AD

Pessimistic scenario thousand BGN	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Materials	(16,847)	(17,706)	(18,363)	(18,859)	(19,274)	(19,466)
Operating and other expenses	(4,426)	(4,656)	(4,829)	(4,959)	(5,068)	(5,119)
Amortization	(1,124)	(1,183)	(1,226)	(1,259)	(1,287)	(1,300)
Operating profit	**1,951**	**2,021**	**2,042**	**2,045**	**2,035**	**2,056**
Operating margin	*8.01%*	*7.90%*	*7.72%*	*7.54%*	*7.36%*	*7.36%*

Realistic scenario thousand BGN	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Materials	(17,102)	(19,452)	(20,480)	(21,197)	(21,896)	(22,378)
Operating and other expenses	(4,489)	(4,076)	(4,000)	(4,107)	(4,216)	(4,294)
Amortization	(1,249)	(1,355)	(1,481)	(1,437)	(1,393)	(1,366)
Operating profit	**2,261**	**2,563**	**2,940**	**3,027**	**3,155**	**3,237**
Operating margin	*9.01%*	*9.34%*	*10.17%*	*10.17%*	*10.29%*	*10.35%*

Optimistic scenario thousand BGN	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Materials	(17,166)	(19,123)	(20,462)	(21,087)	(22,120)	(22,783)
Operating and other expenses	(4,514)	(5,029)	(5,381)	(5,645)	(5,926)	(6,103)
Amortization	(1,319)	(1,473)	(1,584)	(1,661)	(1,744)	(1,796)
Operating profit	**2,854**	**3,202**	**3,563**	**4,146**	**4,376**	**4,508**
Operating margin	*11.04%*	*11.11%*	*11.50%*	*12.74%*	*12.81%*	*12.81%*

NET WORKING CAPITAL

Net working capital (NWC) is a financial indicator related to the liquidity of the company. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital and is calculated by current assets minus short-term liabilities.

The calculation of the NWC of Bulgarian Rose – Sevtopolis AD is in line with future estimates of income and expenses and again presented in three scenarios - optimistic, realistic and pessimistic. For the purposes of this assessment, the NWC is calculated as the difference between non-cash current assets and non-interest liabilities. Key indicators in calculating net working capital are: receivables, liabilities and inventory turnover in days. As far as the Company has the obligation to prepare consolidated statements from 2012, the available historical data is not sufficient to calculate statistics for the change in working capital for the period. For this reason and due to the fact that at the time of this evaluation the subsidiary of Bulgarian Rose - Sevtopolis AD has a very low share of the consolidated results, the presented statistics bellow of the change in NOC is on individual basis.

Table 22: Changes in the Net working capital of Bulgarian Rose – Sevtopolis AD

Indicator	2011	2012	2013
Current assets (cash excluded)	4,139	6,368	7,905
Current liabilities (interest-bearing liabilities excluded)	1,417	1,979	1,998
Non-cash working capital	2,722	4,389	5,907
Change in non-cash working capital	1,216	1,667	1,518

Source: Audited annual and unaudited interim individual financial statements of Bulgarian Rose – Sevtopolis AD

The essential difference between the three scenarios is different assumptions about the receivables turnover in days. Turnover is estimated based on the historical performance of the company, which are adjusted depending on the nature of the scenario. Historical indicators for receivables turnover are shown in the following table:

TABLE 23: RECEIVABLES TURNOVER IN DAYS FOR THE HISTORIC PERIOD

	Receivables turnover (in days)	2011*	2012	2013
1	Total sales revenue		21,840	19,211
2	Expenses (personnel and amortization cost excluded)		15,185	14,548
3	Total receivables		4,294	5,328
4	Inventory		2,079	2,582
5	Non-interest-bearing liabilities		1,980	1,999
6	Receivables turnover in days (365/(1/3))		72	101
7	Inventory (365/(1/4))		35	49
8	Payables to suppliers (365/(2/5))		48	50

* - *The company had no basis for preparing consolidated statements for 2011*

Receivables turnover for the year is calculated as sales revenue for the year divided by the receivables. The resulting ratio is the turnover ratio. 365 (number of days in a year) is divided by the turnover ratio to obtain the receivables turnover in days. Similar calculations are performed to obtain the remaining data for inventories turnover. Payables turnover to suppliers was calculated by similar calculations using the sum of the costs (personnel and amortization cost excluded as far as they are not obligations to suppliers) and the amount of non-interest-bearing liabilities.

Forecast for the indicators of working capital turnover in days for the period 2014-2019, consistent with historical performance and the nature of the scenarios is presented in the following table:

TABLE 24: FORECAST FOR THE RECEIVABLES TURNOVER IN DAYS

Receivables turnover (in days)	2013	2014	2015	2016	2017	2018	2019
Pessimistic scenario							
Receivables turnover in days	101	108	112	115	118	120	122
Inventory	49	58	55	56	58	58	58
Liabilities to suppliers	50	48	47	46	45	45	45
Realistic scenario							
Receivables turnover in days	101	102	102	103	103	105	105
Inventory	49	50	51	51	52	53	54
Liabilities to suppliers	50	47	46	46	45	45	44
Optimistic scenario							
Receivables turnover in days	101	102	103	103	104	105	105
Inventory	49	52	55	56	58	58	58
Liabilities to suppliers	50	48	45	43	43	42	42

Projected change in the Non-cash working capital of "Bulgarian Rose - Sevtopolis" AD (in absolute and relative terms) in each of the three scenarios are presented in the following tables:

Change in non-cash working capital is based on the calculation of each of its metrics. The calculation of current assets (cash excluded) for the year has been conducted in the following way: the sum of sales for a particular year and the particular scenario has been multiplied by the ratio of receivables turnover for the same period and the same scenario and the product has been divided by 365 (the number of days in one year). To this result have been added similar calculations for the inventories turnover, where the indicator for the relevant period and scenario has been multiplied by the sales revenue and the product has been divided by 365. Similar calculations were made for the calculation of current liabilities (interest-bearing liabilities excluded). An example of each scenario for 2014 and 2015 is given in the following table to illustrate the calculations:

TABLE 25: EXAMPLE FOR THE METHOD OF CALCULATION OF THE CHANGE IN NON-CASH WORKING CAPITAL

	Indicator in thousand BGN	2014	2015
	Pessimistic scenario		
1	Sales revenue	24,348	25,565
2	Expenses (personnel and amortization cost excluded)	17,353	18,076
3	Receivables turnover in days	108	112
4	Inventory	58	55
5	Liabilities to suppliers	48	47
6	Current assets (cash excluded) ((1*3+1*4)/365)	11,073	11,697
7	Current liabilities (interest-bearing liabilities excluded) ((2*5)/365)	2,282	2,328
8	Non-cash working capital (6-7)	8,791	9,369
9	Change in non-cash working capital	2,884	578
	Realistic scenario		
10	Sales revenue	25,101	27,446
11	Expenses (personnel and amortization cost excluded)	17,671	19,242
12	Receivables turnover in days	102	102
13	Inventory	50	51
14	Liabilities to suppliers	47	46
15	Current assets (cash excluded) ((10*12+10*13)/365)	10,453	11,505
16	Current liabilities (interest-bearing liabilities excluded) ((11*14)/365)	2,275	2,425
17	Non-cash working capital (15-16)	8,178	9,080
18	Change in non-cash working capital	2,271	902
	Optimistic scenario		
19	Sales revenue	25,854	28,827
20	Expenses (personnel and amortization cost excluded)	17,761	19,866
21	Receivables turnover in days	102	103
22	Inventory	52	55

23	Liabilities to suppliers	48	45
24	Current assets (cash excluded) ((19*21+19*22)/365)	10,908	12,479
25	Current liabilities (interest-bearing liabilities excluded) ((20*23)/365)	2,336	2,449
26	Non-cash working capital (24-25)	8,573	10,029
27	Change in non-cash working capital	2,666	1,457

Source: Tables19, 21 and 24

TABLE 26: CHANGE IN THE NON-CASH WORKING CAPITAL OF BULGARIAN ROSE – SEVTOPOLIS AD

Indicator in thousand BGN	2013	2014	2015	2016	2017	2018	2019
Pessimistic scenario							
Current assets (cash excluded)	7,910	11,073	11,697	12,396	13,078	13,491	13,779
Current liabilities (interest-bearing liabilities excluded)	1,999	2,282	2,328	2,354	2,363	2,411	2,429
Non-cash working capital	5,907	8,791	9,369	10,042	10,715	11,080	11,350
Change in non-cash working capital	1,518	2,884	578	673	672	366	270
Realistic scenario							
Current assets (cash excluded)	7,910	10,453	11,505	12,194	12,641	13,272	13,623
Current liabilities (interest-bearing liabilities excluded)	1,999	2,275	2,425	2,516	2,547	2,629	2,626
Non-cash working capital	5,907	8,178	9,080	9,677	10,094	10,643	10,997
Change in non-cash working capital	1,518	2271	902	598	417	549	354
Optimistic scenario							
Current assets (cash excluded)	7,910	10,908	12,479	13,499	14,442	15,258	15,715
Current liabilities (interest-bearing liabilities excluded)	1,999	2,336	2,449	2,513	2,601	2,676	2,762
Non-cash working capital	5,907	8,573	10,029	10,987	11,840	12,581	12,953
Change in non-cash working capital	1,518	2,666	1,457	957	854	741	372

DISCOUNT RATE

The discount rate represents the rate that future cash flows are discounted by to their present value and is a major variable in the process. In essence, it reflects the return that this investor requires to take an investment at a given level of risk.

Another approach for determining the discount rate is the rate of return when the capital required by the particular investment is invested in another venture with a similar level of risk (i.e. the opportunity cost of capital). For example, if the capital required for a project can bring a return of 10% if invested elsewhere, then this rate can be used as a discount rate in the calculation of the Net present value, which will allow a direct comparison between the two projects.

Discount rate equal to the weighted average cost of capital (WACC) is used when for the calculation of the cost of capital is applied the model of the Discounted cash flows of the company. Other things being equal, a company's WACC increases when its beta and the required rate of return on equity increase, with the increase leading to a lower valuation of the company and a higher rate of risk.

TABLE 27: HISTORICAL CAPITAL STRUCTURE OF BULGARIAN ROSE – SEVTOPOLIS AD (THOUSAND BGN)

Consolidated indicators	2011	2012	2013
Equity		22,988	24,099
Debt		998	519
Total		23,986	24,618
% Equity		95.84%	97.89%
% Debt		4.16%	2.11%

Individual indicators	2011	2012	2013
Equity	20,800	22,997	24,130
Debt	1,477	998	519
Total	22,277	23,995	24,649
% Equity	93.37%	95.84%	97.89%
% Debt	6.63%	4.16%	2.11%

Source: Individual and consolidated financial statements of Bulgarian Rose – Sevtopolis AD

The management of Bulgarian Rose – Sevtopolis AD does not assume an increase in the current debt levels of the company, but rather that current liabilities will be served in accordance with their repayment schedules. The current investment intentions as well as the need for working capital in 2014 and subsequent years allow equity finance. In this regard, the estimates for the period 2014-2019 are for debt repayment and operations with the available free resources.

The methodology for determining the cost of capital is based on the methods of prof. Damodaran, author of numerous studies on the problems of assessing companies. On his website: http://pages.stern.nyu.edu/~adamodar/, prof. Damodaran publishes updated data for the risk premium on so-called “developed” and also “developing” markets. These estimates 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 based on the following formula:

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

Where:

WACC – weighted average cost of capital

WE – relative weight of equity financing

R – cost of equity

WD – relative weight of debt financing

CD – cost of borrowed capital

T – tax rate for the company

The weighted average cost of capital is defined by multiplying the cost of equity and debt financing by their relative weights, which are calculated for each year in each of the three scenarios.

In turn, the cost of equity is calculated based on the following formula:

R= Rf + β*Rm+Rb

Where:

Rf – risk-free rate of return

β – „beta” of Bulgarian Rose – Sevtopolis AD

Rm – risk premium for a “developed” market for shares

Rb – country risk premium

The present calculations are based on data as at 12 June 2014. For the risk-free rate of return (Rf) has been used the yield on 10-year German government bonds (DE0001102358 maturing on 15 May 2024) – 1.374405%.

Bulgarian Rose – Sevtopolis AD was registered as a public company in January 2002, i.e. historically the company's shares have been traded for more than 11 years. Despite its long history as a public company as at the date of this evaluation the Company's shares are not actively traded in accordance with the requirements of Ordinance №41. In addition, the calculated value of “beta” through a regression analysis of Bloomberg of the growth of the share price compared to the growth of SOFIX is -0.01 – a value that could not serve in the calculation by the formula above. In addition, the p-value indicator used to measure the significance of the estimated "beta" is 0.693 (calculated from Bloomberg). The value on the p-value indicator should not be greater than 0.05, so that the result can be considered relevant and significant. Given the estimated p-value by Bloomberg we can conclude that the estimated "beta" is statistically insignificant, i.e. it cannot be said that it is different from 0. Therefore, the regression analysis is not an appropriate method for determining the real market "beta" that defines the market risk of Bulgarian Rose – Sevtopolis AD taking into account the historical trading of its shares. Instead of the calculation by Bloomberg or another similar calculation, we use the average "beta" for the industry in which Bulgarian Rose – Sevtopolis AD operates, adjusted by the level of financial leverage of the Company, using the debt/equity ratio. For this purpose, the so-called "beta without debt" (unlevered beta) is first calculated, which takes into account the market risk of a company with zero debt. For this purpose, the average industry beta is adjusted by the average industry debt/equity ratio and the average tax rate by the following formula:

βu = βa/(1+(1-t)*(a*D/E))

where:

βu – beta without debt

βa – average industry beta

t – average industry tax rate

a*D/E – average industry debt/equity radio

Information on "beta without debt" may be obtained from the website of prof. Damodaran. Its value for the pharmaceutical industry if 0.97 as at January 2014. (*For more information see: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html*

The formula for "beta with debt" takes into account the impact of the company's debt. Thus, the "beta without debt", which only takes into account the business risk is updated by the debt/equity ratio of Bulgarian Rose – Sevtopolis AD to receive the beta of the company itself. The formula for "beta with debt" is as follows:

βl = βu*(1+(1-t)*(t*D/E))

where:

βl – beta with debt of Bulgarian Rose – Sevtopolis AD

βu – „beta without debt "

t – tax rate for the company

t*D/E – debt/equity ratio of the company as at 31 March 2014г.

For the calculation of the "beta with debt" of Bulgarian Rose – Sevtopolis AD the following data has been used:

- "beta without debt" – 0.97;
- debt/equity ratio – 1.62% (defined as total debt/total equity capital ratio based on the latest interim financial statement of Bulgarian Rose – Sevtopolis AD as at 31 March 2014);
- a tax rate of 10%.

Based on this, the calculated "beta with debt" of Bulgarian Rose – Sevtopolis AD amount to 0.98.

The calculation of the total risk premium for the shares of Bulgarian Rose – Sevtopolis AD begins with the addition of risk premium required for a "developed" market and a country risk premium. Historically, the risk premium for developed markets is estimated at 5%, according to data published on the website of prof. Damodaran. Country risk premium is determined by the adjusted difference in profitability of assets rated Baa2 (which is Bulgaria's rating by Moody's) and the risk-free rate of return. According to prof. Damodaran government bonds rated Baa2 are traded at a premium of 285 basis points over securities rated AAA. To obtain a country risk premium for a market for shares, this premium should be adjusted by the volatility coefficient of the particular market for shares. According to prof. Damodaran this coefficient has a historical average of 1.5. After adjustment, the country risk premium amounts to 427.5 basis points (4.275%).

To finalize the calculation of the rate of return required by shareholders, we should summarize the information available so far:

TABLE 28: DATA ON THE REQUIREMENTS OF THE RATE OF RETURN ON EQUITY

Indicator	Result
Current yield on 10-year German government bonds	**1.37%**
Beta	**0.98**
Risk premium for a developed market of shares	**5.000%**
Country risk premium	**4.275%**
Required rate of return	**10.570%**

To determine the cost of debt financing of Bulgarian Rose – Sevtopolis AD we have used a publication by BNB, according to which the average interest rate on loans in BGN for non-financial companies as of March 2014 is 7.85% (this includes all loans with different maturities except overdraft loans). This statistic best reflects the market reality in Bulgaria and therefore 7.85% can be considered a realistic market price for debt financing.

The weights of equity and debt financing of Bulgarian Rose – Sevtopolis AD are determined based on the last published consolidated financial statements of the Company - as at 31 March 2014.

TABLE 29: DEBT/EQUITY RATIO

Indicator in thousand BGN	31.3.2014	Share of total capital
Equity	24,682	98.41%
Total borrowed capital	399	1.59%
Total capital	**25,081**	**100.00%**

SOURCE: CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF BULGARIAN ROSE – SEVTOPOLIS AD

The company has long-term bank loans amounting to 0 BGN and current portion of long-term bank loans amounting to 399 thousand BGN. Thus the total amount of debt capital of the company is 399 thousand BGN. Equity of the company amounts to 24,682 thousand BGN. Weighing of each type of capital against the total capital of the company shows that the relative weight of equity financing is 98.41% and the relative weight of debt financing is 1.59%.

The formula for calculating the weighted average cost of capital is:

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

Substituting the above calculated values of the different components in it:

WACC = 98.41% x 10.570% + 1.59% x 7.850% x (1-10%) = 10.496%

results in 10.496% as an average weighted price of capital of Bulgarian Rose – Sevtopolis AD.

The growth of the company after the final period (in the post-projection period) is a key indicator to which the price of a discounted cash flow is particularly sensitive. It is determinant for the post-projection period, providing that there will be no significant changes in the scale and profitability of the business and therefore we forecast that the net cash flows will remain constant or increase steadily – g.

For a starting point for determining the growth of the company in the post-projection period is taken the long-term forecast for economic growth in the country in which the company operates. According to economic theory, any company cannot grow indefinitely at a rate higher than that of the economy in which it operates. Therefore, the value of g should be close to the values with which the Bulgarian GDP can be expected to grow in the long run.

Given the three scenarios we see different growth rates, namely:

Realistic: 2% - Bulgaria as part of the European Union depends on its economic development and condition. So in the long run it is assumed that Bulgaria's economy will converge to the average growth rates of the Member States. Normal growth rates of the economies of the EU in the long run are around 2% according to various studies and organizations. Therefore, in the period after the final year the earnings of Bulgarian Rose – Sevtopolis AD are expected to grow by an average of 2% annually.

Optimistic: 3% - The optimistic scenario forecasts a growth of 3% or 1% above than the realistic scenario. This rate should reflect not only better than expected development of the Bulgarian economy, but in particular the development of the pharmaceutical industry in the long run with higher rates above the average of the economy.

Pessimistic: 1% - In the pessimistic scenario the same logic is applied as in the optimistic scenario, but it is assumed that the Bulgarian economy will grow at a slower pace than expected in the realistic scenario, and that the pharmaceutical industry will fall behind the pace of other industries. Therefore, this scenario is based on growth of 1% or 1% less than realistic scenario.

FINAL RESULT

Using the Discounted cash flows of the Company we receive the fair value of the Company's business as at 12 June 2014. The period of discounting is also determined according to this date and considers the days between 12 June 2014 and 31 December 2019. The final date of the first period is 31 December 2014 and the number of days between the date of evaluation and the end of 2014 is divided by 365. The fair value of the Company is obtained by deducting the net liabilities (total debt minus cash and cash equivalents), recorded on the basis of the latest interim consolidated statement of Bulgarian Rose – Sevtopolis AD as at 31 March 2014.

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

TABLE 30: PESSIMISTIC SCENARIO

Thousand BGN	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Sales revenues	24,034	25,235	26,119	26,772	27,307	27,580
Other income	314	330	342	350	357	361
Total operating revenue	**24,348**	**25,565**	**26,460**	**27,122**	**27,664**	**27,941**
Annual growth rate	*26.74%*	*5.00%*	*3.50%*	*2.50%*	*2.00%*	*1.00%*
Materials	(16,847)	(17,706)	(18,363)	(18,859)	(19,274)	(19,466)
Operating and other expenses	(4,426)	(4,656)	(4,829)	(4,959)	(5,068)	(5,119)
Amortization	(1,124)	(1,183)	(1,226)	(1,259)	(1,287)	(1,300)
Operating profit	**1,951**	**2,021**	**2,042**	**2,045**	**2,035**	**2,056**
Operating margin	*8.01%*	*7.90%*	*7.72%*	*7.54%*	*7.36%*	*7.36%*
Tax rate	10%	10%	10%	10%	10%	10%
Operating profit after taxes	1,756	1,819	1,838	1,840	1,832	1,850
Amortization	1,124	1,183	1,226	1,259	1,287	1,300
Investments	1,668	1 251	1 254	1 279	1 304	1 330
Change in working capital	2 884	578	673	672	366	270
Net free cash flow	**-1672**	**1172**	**1138**	**1149**	**1449**	**1,550**
Discount rate	10.51%	10.51%	10.51%	10.51%	10.51%	10.51%
Discount factor	0.95	0.86	0.77	0.70	0.63	0.57
Present value of free cash flows	**-1582**	**1003**	**881**	**805**	**919**	**889**
Terminal value						**16,455**
Sum of present values of free cash flows	2,916					
Present value of terminal value	9,442					
Fair value of the company	**12,357**					
Net debt as at 31 March 2014	(621)					
Fair value of equity of the company	**12,978**					
Number of shares	12,065,424					
Value per share in BGN	**1.076**					

TABLE 31: REALISTIC SCENARIO

Thousand BGN	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Sales revenues	24,777	27,144	28,690	29,321	30,201	30,805
Other income	324	302	211	447	460	469
Total operating revenue	**25,101**	**27,446**	**28,901**	**29,768**	**30,661**	**31,274**
Annual growth rate	*30.66%*	*9.34%*	*5.30%*	*3.00%*	*3.00%*	*2.00%*
Materials	(17,102)	(19,452)	(20,480)	(21,197)	(21,896)	(22,378)
Operating and other expenses	(4,489)	(4,076)	(4,000)	(4,107)	(4,216)	(4,294)
Amortization	(1,249)	(1,355)	(1,481)	(1,437)	(1,393)	(1,366)
Operating profit	**2,261**	**2,563**	**2,940**	**3,027**	**3,155**	**3,237**
Operating margin	*9.01%*	*9.34%*	*10.17%*	*10.17%*	*10.29%*	*10.35%*
Tax rate	10%	10%	10%	10%	10%	10%
Operating profit after taxes	2,035	2,307	2,646	2,724	2,840	2,913
Amortization	1,249	1,355	1,481	1,437	1,393	1,366
Investments	1,668	1 418	1 421	1 449	1 478	1 508
Change in working capital	2 271	902	598	417	549	354
Net free cash flow	**(,654)**	**1,342**	**2,109**	**2,295**	**2,206**	**2,417**
Discount rate	10.51%	10.51%	10.51%	10.51%	10.51%	10.51%
Discount factor	0.95	0.86	0.77	0.70	0.63	0.57
Present value of free cash flows	**(,619)**	**1,149**	**1,633**	**1,608**	**1,399**	**1387**
Terminal value						**28,959**
Sum of present values of free cash flows	6,557					
Present value of terminal value	16,617					
Fair value of the company	**23,174**					
Net debt as at 31 March 2014	(621)					
Fair value of equity of the company	**23,795**					
Number of shares	12,065,424					
Value per share in BGN	**1.972**					

TABLE 32: OPTIMISTIC SCENARIO

Thousand BGN	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Sales revenues	25,520	28,455	30,589	32,119	33,725	34,736
Other income	334	372	400	420	441	454
Total operating revenue	**25,854**	**28,827**	**30,989**	**32,539**	**34,166**	**35,191**
Annual growth rate	*34.58%*	*11.50%*	*7.50%*	*5.00%*	*5.00%*	*3.00%*
Materials	(17,166)	(19,123)	(20,462)	(21,087)	(22,120)	(22,783)
Operating and other expenses	(4,514)	(5,029)	(5,381)	(5,645)	(5,926)	(6,103)
Amortization	(1,319)	(1,473)	(1,584)	(1,661)	(1,744)	(1,796)
Operating profit	**2,854**	**3,202**	**3,563**	**4,146**	**4,376**	**4,508**
Operating margin	*11.04%*	*11.11%*	*11.50%*	*12.74%*	*12.81%*	*12.81%*
Tax rate	10%	10%	10%	10%	10%	10%
Operating profit after taxes	2,569	2,882	3,206	3,732	3,938	4,057
Amortization	1,319	1,473	1,584	1,661	1,744	1,796
Investments	1,668	1 671	1 675	1 708	1 742	1 777
Change in working capital	2 666	1 457	957	854	741	372
Net free cash flow	**-446**	**1,227**	**2,158**	**2,831**	**3,199**	**3,704**
Discount rate	10.51%	10.51%	10.51%	10.51%	10.51%	10.51%
Discount factor	0.95	0.86	0.77	0.70	0.63	0.57
Present value of free cash flows	**-422**	**1050**	**1,671**	**1,984**	**2,029**	**2126**
Terminal value						**50,777**
Sum of present values of free cash flows	8,438					
Present value of terminal value	29,136					

Fair value of the company	**37,574**
Net debt as at 31 March 2014	(621)
Fair value of equity of the company	**38,195**
Number of shares	12,065,424
Value per share in BGN	**3.166**

TABLE 33: FAIR VALUE BASED ON THE METHOD OF DISCOUNTED CASH FLOWS

Scenario	Price per share BGN	Weight	Price per share in BGN
Pessimistic scenario	1.076	20%	0.215
Realistic scenario	1.972	60%	1.183
Optimistic scenario	3.166	20%	0.633
Average			**2.032**

NET ASSET VALUE EVALUATION METHOD

The value of the shares by the Net asset value method is determined by taking the value of the assets on the balance sheet of the company, subtracting from it the value of current and non-current liabilities on the balance sheet and all lawful claims of investors holding priority over holders of ordinary shares and dividing the result by the number of ordinary shares outstanding.

The value of the assets and liabilities of the company is determined on the basis of the latest consolidated financial statements of Bulgarian Rose – Sevtopolis AD as at 31 March 2014. The company has no issued securities giving priority to investors over owners of ordinary shares. The result of the calculations based on the interim consolidated financial statements of Bulgarian Rose – Sevtopolis AD as at 31 March 2014 is 3.258 BGN per share of the Company:

Table 34: Fair price by the method of Net asset value

Indicator as at 31 March 2014	Amount in thousand BGN
Assets	27,936
Total short-term liabilities	2,259
Total long-term liabilities	995
Net asset value (1-2-3)	**24,682**
Number of shares (thousand)	12,065
Net asset value per share (BGN)	**2.046**

JUSTIFICATION OF THE WEIGHTS OF THE VALUATION METHODS

The weights used in estimating the fair value of the shares of Bulgarian Rose – Sevtopolis AD are those that most closely match the core business of the company and its size. The weights of each of the valuation methods represent a very well founded basis for comparison of the investment and the risk characteristics of Bulgarian Rose – Sevtopolis AD. The relative weights are as follows:

- The method of the closing price of Bulgarian Rose – Sevtopolis AD under art. 5, par. 1 of Ordinance №41 has a weight of 30%. The weight reflects the fact that the closing price sufficiently integrates the views of investors about their value and growth potential. Furthermore, the weight is made based on the fact that trading with the shares of the Company is not characterized by constant volumes and there are days, on which there is no trading with the shares of the Company. Active trading as defined by Ordinance №41 is a result of a few days of increased trading volumes;
- The Discounted cash flows method has a weight of 30% due to its best suitability to incorporate the outlook of the company, its ability to generate cash and calculating its present value by discounting it with the adopted discount rate. In times of local financial crisis and global recovery from such it is difficult to carry out a sufficiently precise short-term and medium-term forecast. Therefore the Discounted cash flows method, which normally would receive a higher weight in the final evaluation, received a relatively low weight in the present evaluation;
- The evaluation by the method of the Net asset value is included with a weight of 25%. This method reflects the current assets and liabilities of the company and may not assess the full development potential of the company. If

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 one determined by this method. Nevertheless, under conditions of difficult forecasting the net asset value method reflects more fully the value of the company and therefore receives a relatively high weight in this assessment compared to the one, which would have theoretically been assigned to it.

- The method of market multiples of analogous companies receives a 15% weight. The usage of this method would be most appropriate for evaluating when there is a substantial overlap in indicators such as: type of business of the companies, size, markets in which they operate, products, trademarks owned, etc., as well as if they are traded on a regulated market. The disadvantage of this method is that its implementation is often associated with corrections by the evaluator, as in most cases the selected analogous companies are rather similar than identical to the evaluated company.

FAIR VALUE OF THE SHARES OF BULGARIAN ROSE – SEVTOPOLIS AD BASED ON THE EVALUATION METHODS

As stated Bulgarian Rose – Sevtopolis AD meets the requirements of par. 1, item 1 of the additional provisions of Ordinance №41 and the shares of the company can be defined as actively traded. The total volume of shares traded in the last three months – from 11 March 2014 until 11 June 2014 was 116,241 shares and the average weighted daily volume is 1 905.59 (in 61 trading sessions). The shareholders' equity of Bulgarian Rose – Sevtopolis AD is divided into 12,065,424 million shares and taking the requirement for the daily volume of Ordinance №41 of 0.01% results in a requirement for a trading volume of at least 1,207 shares per day. This means that the daily turnover of shares of Bulgarian Rose – Sevtopolis AD is above the requirement of Ordinance №41, so the calculated value is based on the closing price as well.

This present evaluation adopts a downward rounding up to the second decimal place in the calculation of the final value of the shares of Bulgarian Rose – Sevtopolis AD.

Table 1: Fair price of the shares of Bulgarian Rose – Sevtopolis AD by the different evaluation methods

Indicator	Price per one share in BGN	Weight	Price per one share in BGN
Share price at market closing on 11 June 2014	1.702	30%	0.511
Market analogues method	1.910	15%	0.287
Discounted cash flows method	2.032	30%	0.609
Net asset value method	2.046	25%	0.512
Final evaluation			**1.92**

BASED ON THE ABOVE EVALUATION, BULGARIAN ROSE – SEVTOPOLIS AD, FOR THE PURPOSE OF THE TRANSFORMATION OFFERS A FAIR VALUE OF THE PRICE OF ONE SHARE OF THE COMPANY OF 1.92 BGN PER SHARE.

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