

CORE BUSINESS

The Sopharma Group (the Group) is a leading, Sopharma AD delighted the children of its employees vertically-integrated Bulgarian manufacturer, exporter and distributor of pharmaceutical products with a strong presence in Eastern, South-East Europe, the Baltic States, Ukraine, Russia and other countries in the region. The Group offers a wide range of prescription and OTC pharmaceutical products, health care services and other health related products.

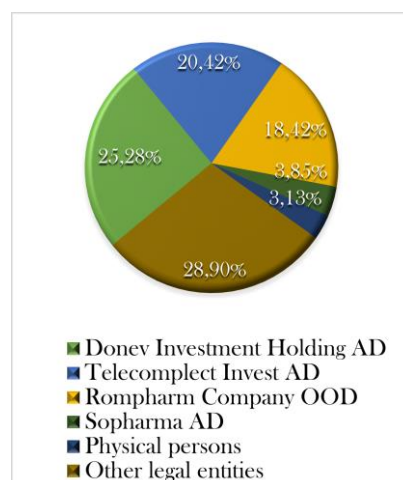
The Group operates in the following business areas:

- production of pharmaceuticals, including medicines, mainly generics, and phyto-based substances, nutrition and food supplements (“Production of Pharmaceuticals”), which is primarily carried out by the Company and, to a lesser extent, by its production Subsidiaries, including Bulgarian Rose Sevtopolis and Unipharm in Bulgaria, Vitaminy in Ukraine and Ivancic i Sinovi in Serbia;
- distribution of pharmaceutical products, medical consumables, sanitary materials, vitamins, food additives and cosmetics (“Distribution of Pharmaceuticals”), which is primarily carried out by Sopharma Trading in Bulgaria and Briz in Latvia; and
- production and distribution of non-pharmaceutical products, mainly medical devices, such as syringes and other disposable materials for medical use (“Production of Medical Devices”), which is mainly carried out by Momina Krepost.

General information about Sopharma AD

The company performs the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. Sopharma AD performs services as a production function and related ancillary and service activity.

Shareholder structure



The largest share of the capital of the company is held by legal entities - mostly financial services companies, as well as pension funds. The shares of the company are registered and freely transferable. As at the end of Q of 2014 the company has approximately 35% free float.

Management Board

Sopharma AD has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman, Vessela Stoeva - Deputy-Chairman and members Alexander Tchaushev, Andrey Breshkov and Ognian Palaveev. The company is represented and managed by the Executive Director Ognian Donev, PhD.

Products

The company has more than 210 products in its portfolio: mainly generics and 15 original products, 12 products are phyto based. The original products of the Company (and in particular Carsil and Tempalgin) are key contributors to its revenues from export markets, while for the domestic sales the most important products are generics, among which is the leading medicine Analgin.

Intellectual property

Although oriented towards generic pharmaceuticals, Sopharma AD is known for many years with its traditional production of several unique products based on plant extracts obtained by self-developed extraction technologies. These products are protected in addition to trademark and patent or corporate know-how.

In all the years of its existence, Sopharma AD generates and protects its intellectual property. As a result, the company owns a large number of intellectual property, most of which - registered rights (trademarks, patents, designs) and unregistered items - mainly technology.

R&D

Sopharma AD focuses its R & D mainly on generics. R & D projects are focused on finding and developing new formulas and composition or physical properties (such as formulation or tablets) products in order to adapt them to current market needs. Strategic goal of Sopharma AD in the future is to achieve a stable result development of eight to ten new products per year.

Earnings

Year over year sales revenue of the Group increased by 32.7 million EUR or 11.5%, reaching 315.8 million EUR in Q3 2014 compared to 283.1 million EUR in Q3 2013.

Consolidated domestic sales grew by 16.5% on YoY basis, while exports increased by 1.5%. The contribution of sales in Bulgaria to the consolidated sales revenue in Q3 2014 amounted to 67.2%, reaching 221.6 million EUR compared to 190.3 million EUR in Q3 2013.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 1.4 million EUR or 4.4%, amounting to 29.4 million EUR as at the end of the period, compared to 30.8 million EUR a year earlier.

Operating profit of the Group decreased by 3.5 million EUR or 15.8%, to 18.6 million EUR in Q3 2014 compared to 22 million EUR in Q3 2013.

Consolidated net profit for the period ending 30 September 2014 decreased by 4.9 million EUR, or 29.1%, reaching 11.9 million EUR compared to 16.7 million EUR in Q3 2013.

The parent company Sopharma AD recorded decreases in sales revenue by 4.8%, EBITDA by 15% compared to the same period a year earlier. Operating profit fell by 30.5%, while net profit fell by 4.2% on YoY basis.

As at the end of Q3 2014 Sopharma AD has a 4% share of the Bulgarian pharmaceutical market in terms of value and a 13% share in terms of sales.

Expenses

The operating expenses of the Group in the third quarters of 2014 increased by 30.8 million EUR or 11.7% from 263.1 million EUR in Q3 2013 to 293.9 million EUR in Q3 2014 due to growth in sales and therefore the carrying value of sold products in the internal market, increased cost of materials, personnel, depreciation and other operating expenses.

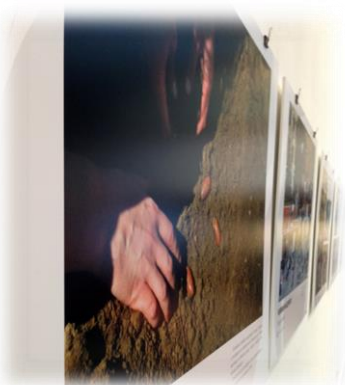
Consolidated (mln. €)	Q3 2014	Q3 2013	Change
Sales Revenue	315,8	283,1	11,54%
EBITDA	29,4	30,8	-4,41%
Operating Profit	18,6	22,0	-15,78%
Net Profit	11,9	16,7	-29,06%
ROE	5,10%	8,40%	-3,30%
ROA	2,30%	3,90%	-1,60%
Quick Ratio	1,03	0,95	8,00%
Net Debt/EBITDA	1,34	1,42	-8,00%

Unconsolidated (mln. €)	Q3 2014	Q3 2013	Change
Sales Revenue	76,7	80,6	-4,84%
EBITDA	18,5	21,8	-15,02%
Operating Profit	12,3	17,7	-30,49%
Net Profit	15,4	16,1	-4,23%
ROE	8,5%	10,4%	-1,90%
ROA	5,7%	6,3%	-0,60%
Quick Ratio	1,62	1,72	-0,1
Net Debt/EBITDA	1,19	1,3	-0,11

STOCK DATA (1 JAN - 30 SEP)			
Min / Max / Avg	€1.99	€2.35	€2.18
Shares Outstanding	126,913,802		
Market Capitalization	272.5 Million €		
EPS	0.13 €		

Charity Seen through the Lens Photography Contest

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



Together 2014 annual awards

On July 3, 2014, Together 2014 annual awards for the best fund-raising campaign were delivered. In his speech at the awards ceremony, the Chairman of the Committee, Mr. Konstantin Penchev, Ombudsman of the Republic of Bulgaria, declared the urgency for voting on a voluntary service act.

The Bulgarian Donors' Forum with a group of volunteers from the Refugees Support Club won the award in the Best Non-governmental Organization Campaign category for the Help the Refugees campaign. This humanitarian campaign was conducted with the assistance of Sopharma. The aim of this joint work was to provide the most essential articles for 2500 refugees, 500 of whom children, in temporary camps during the winter at the end of 2013.

Colorful Double-Decker Bus Will Inform about Cultural Events in Sofia

Share Sofia - the motto of Sofia's bid in the competition for European Capital of Culture - is amongst authors' inspirations for this innovative Dada Cultural Bar project. Their idea is to use this attractive, colorful and bizarre looking double-decker bus to attract both citizens of Sofia and visitors from the country and abroad to share with them information about different cultural events in the city.

Sopharma is co-founder of the Cultural Innovation Fund on the occasion of Sofia's bid for European Capital of Culture.



The book Illustrated Pharmacology, dedicated to the Prof. Dr. Dimitar Paskov's anniversary, came out

The book Illustrated Pharmacology for students at the Medical University and Colleges came off the press with the assistance of Sopharma. The author of the book is Prof. Dr. Nadka Boyadzhieva, whose teacher the famous Professor Dr. Paskov was. The author dedicated the book to his birthday anniversary. The Professor-inventor is known for his development of the Bulgarian medicine Nivalin, manufactured to this day, too, by Sopharma. This anniversary is a special one, since it follows the 80 year jubilee anniversary of Sopharma. Congratulations for the author whose unflagging work and

knowledge are passed on to future and present specialists. ■

