

MANAGEMENT REPORT

FOR 2013



General information

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group operates in the following areas:

- ✚ production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is primarily done by Sopharma AD (the Company) and to a lesser extent by its production subsidiaries including Bulgarian Rose - Sevtopolis AD and Unipharm AD in Bulgaria, OAO Vitamins in Ukraine and Ivanchich and Sons D.O.O. in Serbia;
- ✚ distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics, which is mainly performed by Sopharma Trading in Bulgaria and Briz SIA in Latvia;
- ✚ production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine, which is mainly performed by Momina Krepost AD, and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

Sopharma AD is a company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, Iliensko shose street No 16.

Sopharma AD was established in 1933 with a court registration of the company from 15.11.1991, decision No 1 / 1991 of Sofia City Court. Sopharma AD is a public company under the Public Offering of Securities Act (POSA).

The Company performs the production and marketing of medicinal substances and finished dosage forms; research and development, 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.

Controlled companies

Sopharma Group consists of Sopharma AD and 30 legal entities, including 28 subsidiaries, directly or indirectly controlled by the Company, and two joint ventures.

Company	Interest as at 31.12.2013 in %
Sopharma Trading AD, Sofia, Bulgaria	75.92
Bulgarian Rose Sevtopolis AD, Kazanluk, Bulgaria*	49.99
Biopharm Engineering AD, Sliven, Bulgaria	97.15
Pharmalogistica AD, Sofia, Bulgaria	76.54

Sopharma Group

Elektroncommerce EOOD, Sofia, Bulgaria	100.00
Sopharma Buildings REIT, Sofia, Bulgaria	42.89
Momina Krepost AD, Veliko Tarnovo, Bulgaria*	53.29
Unipharm AD, Sofia, Bulgaria	51.87
Phyto Palauzovo AD, Kazanluk, Bulgaria**	47.49
OAo Vitamini, Uman, Ukraine	99.56
Sopharma Poland LLC, Warsaw, Poland in Liquidation	60.00
Ivanchich and Sinovi DOO., Belgrade, Serbia	51.00
Sopharma Warsaw Sp. z o. o, Warsaw, Poland	100.00
Sopharma USA Corp., Los Angeles, USA	100.00
Extab Corporation USA, Wilmington, USA	80.00
Extab Pharma Limited, Henley on Thames, Great Britain**	80.00
BRIZ ZAO, Riga, Latvia	53.14
Brititrade SOOO, Minsk, Belarus**	52.34
Tabina SOOO, Minsk, Belarus **	47.29
Brizpharm SOOO, Minsk, Belarus**	31.35
ZAO Interpharm, Vitebsk, Belarus**	29.71
Alean ODO, Minsk, Belarus**	37.73
Sopharma Ukraine, Kiev, Ukraine	100.00
Vivaton OOO, Grodno, Belarus***	50.00
OOO Med-dent, Bobruisk, Belarus***	50.00
OOO Pharmacist Plus, Minsk, Belarus **	27.10
Vestpharm ODO **	43.04
NPK Biotest OOO **	30.29
BelAgroMed ODO **	30.29
ZAO TBS Pharma, Vilnius, Lithuania**	27.10

*effective interest in percent

**indirect interest

***joint venture

As at 31 December 2013 the Group has an interest through its subsidiary Briz OOD, Latvia in the associated company BOOO SpecApharmacia, Bobruisk, Belarus.

Management Board

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

Remuneration received by the members of the Board of Directors of Sopharma AD as at 31 December 2013 amounts to BGN 762 669.41 (Art.247a of CA).

Sopharma Group

Company shares, owned by members of the Board of Directors of the Company as at 31 December 2013 are as follows:

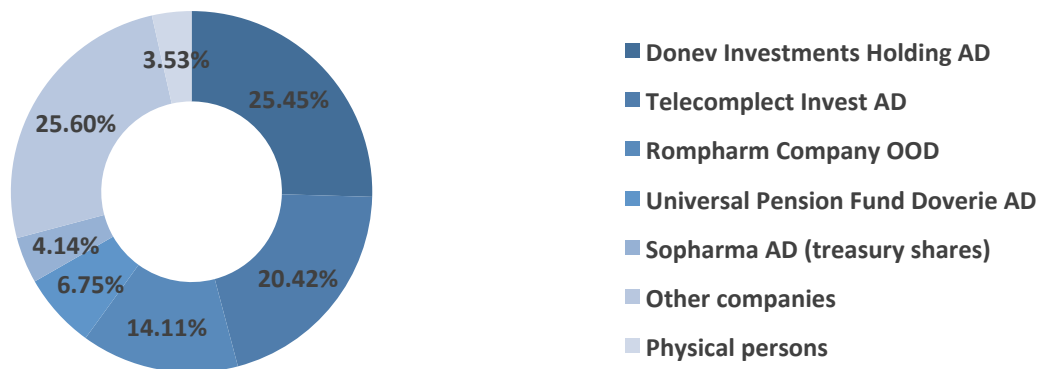
Ognian Palaveev – 54,320 shares;
Alexandar Tchaushev - 87,414 shares.

The Articles of Association of Sopharma AD do not provision any restrictions on the right of the members of the Board of Directors to acquire shares or bonds of the Company.

Investor Relations Director is Pelagia Viatcheva, tel. 8134 523, Sofia, 5 "Lachezar Stanchev" Str., Building A, Floor 11.

Members of the key management personnel of the Group include the disclosed in Note №1 Executive Director and members of the Board of Directors of the parent company. Additionally, it includes the executive directors, the board of directors and the managers of subsidiaries of the Group. Remuneration and other short-term benefits of the key management personnel of the Group amounts to BGN 4,561 thousand (2012: BGN 3,866 thousand).

Shareholding structure of Sopharma AD as at 31 December 2013



Industrial activity

Sopharma AD and its production subsidiaries have 15 pharmaceutical plants in Bulgaria, compliant with EU requirements - GMP, one plant in Ukraine, certified by the local authorities with a certificate recognized in all CIS Member States, and two in Serbia. With the exception of the plant in Ukraine, all production facilities have undergone procedures for certification to the European GMP.

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

-  Production of pharmaceutical products;

- + Substances and preparations based on vegetable raw materials (phytochemical production);
- + Veterinary vaccines;
- + Infusion solutions;
- + Concentrates for hemodialysis;
- + Medical disposable products for human and veterinary medicine;
- + Injection molded products for the industry, agriculture and households.

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

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

The most important pharmaceutical products in terms of their contribution to revenue are:

- + Carsil - original plant-based product , used to treat gastroenterological disorders (liver disease);
- + Tempalgin – original analgesic (painkiller);
- + Tabex – original plant-based drug used for smoking secession;
- + Tribestan – original plant-based drug used for stimulation of the male reproductive system;
- + Broncholytin - original plant-based product used to suppress cough;
- + Analgin – generic analgesic (painkiller);
- + Nivalin – original plant-based product used for diseases of the peripheral nervous system;
- + Methylprednisolone - generic medicine for cases of severe allergies and certain life-threatening conditions;

Distribution

Sopharma Trading is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 22% (according to IMS). Sopharma Trading is the only distributor on the Bulgarian market of particular pharmaceutical products for several leading international pharmaceutical and other companies the field of healthcare such as

Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The company offers more than 7000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of Sopharma, and holds exclusive rights for Bulgaria over brands of strategic partners such as Aboca, Colief, Jamieson, Planter's, Premax, Skincode, SVR Laboratories, US Pharmacia and Wyeth, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. Sopharma Trading cooperates with more than 400 partners and 3,870 customers.

Intellectual property

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

For the purpose of market distinguishing of the manufactured generic products, Sopharma AD relies on brand names, all of which are registered trademarks of the Company.

For all the years of its existence, Sopharma AD has been generating and protecting 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.

These assets are the result of Company's policy for product and technological improvement, and innovation in particular.

Research and development

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

The Company mainly submits applications for marketing authorizations of new products, including new forms of products in Bulgarian and / or export markets, and for existing products into new markets.

Employees

For 2013 the average number of employees in the Sopharma Group is 4 122 (3,945 in 2012). The average number of employees in Sopharma AD for 2013 is 1,793 (1,859 in 2012), and in Sopharma Trading AD it is 666 (688 in 2012).

Training programs offered to employees of the company aim at increasing their competences. The training policy is specifically aimed at providing high professional knowledge and improving awareness related to health and safety issues.

Employees are entitled to higher remuneration, required by applicable law for overtime, night shifts and working weekends and during holidays. Employees who work in specific, harmful or dangerous conditions receive personal protective equipment and allowances.

Significant events in 2013

On 23 January 2013 Sopharma AD received a notification of disclosure of shareholdings under art. 145 of POSA from Financial Consulting Company EOOD for the selling of 4,053,002 shares of Sopharma, resulting in a decrease of its interest in the capital of Sopharma to 9.62%.

On 23 January 2013 Sopharma AD received a notification for disclosure of shareholdings under art. 145 of POSA from Donev Investments Holding AD for the purchasing of 2,982,666 shares of Sopharma, resulting in an increase of its share in the capital of Sopharma to 26.79%.

On 18 February 2013 Sopharma sold 1,105,000 shares in the capital of Sopharma Trading AD, resulting in a decrease in its share in the capital of the company to 76.77%.

On 28 February 2013 an Extraordinary General Meeting of Shareholders (GMS) of Sopharma AD was held, which took the following decision: "Amendment of the conditions for acquisition of treasury shares of the Company. Draft decision: GMS shall amend the conditions for share repurchase, determined by decision of the regular GMS, held on 23 June 2010, and amended by decisions of the Extraordinary General Meeting of Shareholders of 30 November 2011 and the Extraordinary GMS of 1 November 2012, as follows: the repurchase of own shares of Company's capital, subject to the specific requirements of CA and POSA, shall be carried out at a minimum repurchase price not lower than the nominal value of one share of the capital of the Company."

On 21 March 2013 Sopharma AD acquired additional 770 shares of the capital of Momina Krepost AD. After this transaction the interest of Sopharma AD in the capital of Momina Krepost AD increased to 50.01%.

The Board of Directors of Sopharma authorized the Executive Director to launch negotiations for the sale of all shares representing 85% of the capital of the subsidiary Extab Corporation in order to acquire resources for the development of the original products of Sopharma on new markets.

On 4 June 2013, Sopharma AD sold 156,000 shares of the capital of Doverie United Holding AD, and through this transaction the interest of the Company in the capital of the Holding fell to 9.90%.

On 13 June 2013 Sopharma AD opened its new tablet plant. The total investment is BGN 70 million on total floorage area of 20,000 square meters. There are plans for the production of 4 billion tablets annually in the plant, with a range including over 100 pharmaceutical products.

On 18 June 2013 Sopharma AD bought 4,039 shares of the capital increase of Lavena AD, whereby the interest of Sopharma AD in the capital of Lavena AD reached 5.18%.

On 20 June 2013 the Annual General Meeting of Shareholders of Bulgarian Rose Sevtopolis AD was held in line with the announced and published agenda, adopting a decision that the profit for 2012, after subtracting 10% for the "Reserve Fund", shall be transferred to the additional reserves of the Company.

On 21 June 2013 the Annual General Meeting of Shareholders of Sopharma was held. It decided on the payment of dividends to shareholders at the amount of BGN 0.07 (gross) per share. Dividend payment started on 29 July 2013. In accordance with the Regulations of the Central Depository AD, the dividend shall be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary – through the branches of Eurobank EFG - Bulgaria /Postbank/ in the country.

On 21 June 2013 the Annual General Meeting of Shareholders of Sopharma Trading AD was held. It decided on the payment of dividends to shareholders at the amount of BGN 0.20 (gross) per share. Dividend payment will start on 1 September 2013. The dividend for 2012 will be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary – through the branches of SG Expressbank AD.

On 21 June 2013 the Annual General Meeting of Shareholders of Sopharma Buildings AD was held. It decided on the payment of dividends to shareholders at a total amount of BGN 11,209.50 , determined in compliance with the requirements of art. 10, par. 3 of the Real Estate Investment Trusts Act. The gross dividend is BGN 0.01720 per share. Dividend payment started on 18 September 2013. In accordance with the Regulations of the Central Depository AD, the dividend shall be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts at an investment intermediary – through the branches of Raiffeisenbank EAD.

On 25 June 2013 the Annual General Meeting of Shareholders of Unipharm AD was held. It decided on the payment of dividends to shareholders at the amount of BGN 0.05 (gross) per share. The dividend for 2012 will be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders with personal accounts at the Central Depository – through the branches of DSK EAD.

On 27 June 2013 the Annual General Meeting of Shareholders of Momina Krepost AD was held in line with the announced and published agenda, adopting a decision that the profit for 2012, after subtracting 10% for the "Reserve Fund", shall be transferred to the additional reserves of the company.

On 31 July 2013 Sopharma AD purchased additional 1,000 shares of the capital of Maritzatex AD. As a result of this transaction the interest of the Company in the capital of Maritzatex AD reached 10.12%.

On 10 September 2013 Sopharma AD received a notification for the acquisition of 11,885,951 shares, representing 9% of its capital, by Rompharm Company OOD. After the transaction the interest of Rompharm Company OOD in the capital of Sopharma AD reached 13.53%.

On 13 November 2013 the Company bought 1,000 shares from the capital of Hydroizomat AD. After this transaction, the interest of Sopharma AD in the capital of Hydroizomat AD increased to 10.02%.

On 27 November 2013 an Extraordinary General Meeting of the Shareholders of Bulgarian Rose Sevtopolis AD was held, which took the following decisions: 1) EGM approves the Report, prepared by the Board of Directors of the Company, regarding the appropriateness and conditions of the contracts, for which art. 114, par. 1 of POSA is applicable and in which the company is a party and 2) EGM authorizes the Board of Directors of the company to enter into a contract with Sopharma AD, Sofia, for which art. 114, par. 1 of POSA is applicable, namely: a contract for the manufacturing of medicinal products and active substances, signed between Sopharma AD and Bulgarian Rose Sevtopolis AD with a contract period of 5 /five/ years and in compliance with item 4 "Contract conditions and term" from the Report, prepared by the Board of Directors.

On 9 December 2013 Sopharma AD received an official confirmation from the Ministry of Economy and Energy that the project "Implementation of innovative products in the ampoule production of Sopharma AD" under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013 has been ranked at 5th place in the large companies ranking. The project is included in the list of proposals approved for funding under the above procedure, with a maximum grant of BGN 3,000,000. The total cost of the project is BGN 6,063,073 excl. VAT. The project is aimed at the acquisition and commissioning of: 1) a line for automatic grading of ampoules consisting of a machine for visual inspection and a module for

100% quality control and control of the hermeticity through a high-voltage arc and 2) a line for interior and exterior wash, dry sterilization (depyrogenation), filling and sealing of ampoules through gassing with nitrogen. The total duration of the project will be 18 months. The grant contract was signed on 21 December 2013.

Significant events after the date of preparation of the annual financial statements

Sopharma AD invested in the capital increase of its subsidiary Briz Ltd. (Riga, Latvia) in order to expand its presence in the markets of the three Baltic States and Belarus. On 14 January 2014 Sopharma AD made the final payment for the capital increase of Briz Ltd.. The interest in the capital of the company, held by Sopharma AD, reached 66.13% after the increase (previously 53.14%). The expansion of the presence on the market of the Republic of Belarus includes acquisition of a warehouse complex, implementation of an integrated information system, as well as acquisition of new pharmacies in the region.

In 2013 Briz Ltd. increased the total number of owned pharmacies to 91 through the acquisition of three pharmacy chains in the Republic of Belarus. Additionally, the acquisition of a company for wholesale of pharmaceutical products was completed.

As a result of all these activities, the consolidated revenue of Briz Ltd. from the beginning of 2013 almost doubled compared to revenue for the same period of 2012 and amounted to over 33 million EUR.

On 20 January 2014 the Group has completed the purchase of 12% of the shares of BOOO SpetsApharmatsiya (via Breeze Ltd, Latvia), the status of the company changed from an associate of the Group to a joint venture.

On 28 January 2014, and on 26 February 2014 the Group has completed the purchase and sale of shares of OOO NPK Biotest-Belarus (via Breeze Ltd, Latvia), resulting in a net increase of its share by 6.91%.

On 04 February 2014, and on 27 February 2014 the Group has completed the purchase and sale of shares of ODO Vestpharm-Belarus (via Breeze Ltd, Latvia), resulting in a net increase of its share by 7.44%.

On 5 February 2014 and on 26 February 2014 the Group has completed the purchase and sale of shares of ODLO BelAgroMed-Belarus (via Breeze Ltd, Latvia), resulting in a net increase of its share by 5.31%.

On 6 February 2014 the Company sold 616,015 ordinary registered shares with voting rights of the capital of Sopharma Trading AD. After this transaction, the share of Sopharma AD in the capital of Sopharma Trading AD decreased to 73.99%.

On 7 February 2014 the Company received a notification for the acquisition of 4,230,000 shares, representing 3.20 % of its capital, by Rompharm Company OOD. After the transaction the interest of Rompharm Company OOD in the capital of Sopharma AD reached 17.60%. The registration date of the transaction in the Central Depository AD, Sofia is 6 February 2014.

On 7 February 2014, Bulgarian Rose Sevtopolis received a notification for disclosure of participation per art. 145 of POSA from Rompharm Company ODD for the purchase of 1,689,440 shares, representing 14.00%. After the transaction the interest of Rompharm Company OOD in the capital of Bulgarian Rose Sevtopolis AD reached 20.22%. The registration date of the transaction in the Central Depository is 6 February 2014.

On 11 February 2014 the Company received a notification for the sale of 3,424,005 shares by UPF Doverie. After the transaction the interest of UPF Doverie in the capital of Sopharma AD decreased to 4.155 %. The registration date of the transaction in the Central Depository AD, Sofia is 6 February 2014.

On 12 February 2014, Bulgarian Rose Sevtopolis received a notification for disclosure of participation per art. 145 of POSA from UPF Doverie for the selling of 794,317 shares, representing 6.58%. After the transaction the interest of UPF Doverie in the capital of Bulgarian Rose Sevtopolis AD reached 0.00%. The registration date of the transaction in the Central Depository is 6 February 2014.

New developments and products

New in 2013

The Company implemented 5 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules, Analgin drops, Feloran forte 5% gel.


Expected in 2014

Three to five new products are expected to be introduced by the end of 2014.

Developments

Thirty production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of over 10 new products for the company.

Future development

-  Sopharma AD will continue its development as a company producing high-quality medicines that comply with international standards.

- Through upgrading scales, aggressive marketing policy and competitive prices, the Company aims at expanding the market share of its products on the national market.
- With regard to foreign markets, the efforts are focused on retaining and increasing the share of the Company on the main markets (Russia, Ukraine and Poland) as well as establishing and extending of its market position in other countries (USA, Central and East European countries, and the Caucasian region).
- Continuing the policy of active partnership with recognized international pharmaceutical companies, with new companies as well as broadening the product range of already established collaborations.

Key financial indicators

Indicators	1-12/2013 BGN '000	1-12/2012 BGN '000	change %
Sales revenue	762 689	688 579	10,8%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	79 054	67 463	17,2%
Operating profit	52 835	45 468	16,2%
Net profit	32 638	37 960	-14,0%
Capital expenditures	42 168	78 541	-46,3%
	31.12.2013 BGN '000	31.12.2012 BGN '000	
Non-current assets	384 502	354 751	8,4%
Current assets	398 286	390 667	2,0%
Equity	412 775	391 070	5,6%
Non-current liabilities	72 245	70 371	2,7%
Current liabilities	297 768	283 977	4,9%

Ratios	1-12/2013	1-12/2012
EBITDA / Sales revenue	10,4%	9,8%
Operating profit/ Sales revenue	6,9%	6,6%
Net profit/ Sales revenue	4,3%	5,5%
Borrowed capital/ Equity	0,90	0,91
Net debt/ EBITDA, annualized	3,1x	3,8x

Review of risk factors

Risks relating to Group's business and the industry the Group operates in

- + The Group faces significant competition.
- + Part of Sopharma Trading's revenue in Bulgaria is generated by sales to hospitals, which involve a higher degree of business risk.
- + Reputation of the Group may be adversely affected by untrue or misleading information, including such available on website www.sopharma.com, which has not been authorized by the Company.
- + The Group is dependent on regulatory approvals.
- + Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- + Part of the Group's revenue, in particular in Bulgaria, depends on the inclusion of the Company's medicines on reimbursement lists.
- + The production facilities and processes of the Company and the Group companies are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations.
- + Company's ability to pay dividends depends on a number of factors and there can be no assurance that the Company will be able to pay dividends in accordance with its dividend policy or in any given year.
- + The Group is subject to operational risk which is inherent to its business activities.
- + The Group is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities.
- + Litigation or other out-of-court proceedings or actions may adversely affect the Group's business, financial position and performance.

Risks relating to Bulgaria and other markets in which the Group operates

- + The macroeconomic environment, particularly in Bulgaria, Russia, Belarus and Ukraine, has a significant effect on the Group's operations and position.
- + The political environment in Bulgaria has a significant effect on the Group's operations and financial position.
- + The political environment in the Group's export markets, especially in Russia, Belarus and Ukraine, has a significant effect on the Group's operations and financial position.
- + Risks related to the Bulgarian legal system.
- + The development in the legislation of some of the countries in which the Company sells its products, in particular Russia, Belarus and Ukraine, could adversely affect the Group's operations in these countries.

- ✚ Risks relating to exchange rates and the Bulgarian Currency Board.
- ✚ Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Group companies perform their operations with active exchange with foreign suppliers and clients and therefore, they are exposed to currency risk.

A significant volume of the Group's revenue, generally earned through the parent company, is formed from export of finished products contracted as payable in EUR. At the same time, the Group again through the parent company supplies a small part of its basic raw materials and consumables in USD. The currency risk is related to the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The companies abroad conduct sales mainly to the local markets, which leads to currency risk to their currencies as well – Ukrainian Hryvnia (UAH), Serbian Dinar (RSD), Russian Ruble (RUB), Latvian Lat (LVL), Belarus Ruble (BYR). The remaining part of Group companies' operations is usually denominated in Bulgarian Lev (BGN) or euro (EUR).

There is a currency risk control system implemented throughout the whole Group for the planning of imports, the sale in foreign currencies, as well as procedures for daily monitoring of USD exchange rate movements and control over pending payments. The exposure of the subsidiaries in Bulgaria to currency risk is insignificant, because almost all sales are conducted on the local market in BGN. The import of goods is entirely performed in EUR. The loans in foreign currencies are denominated mainly in EUR.

Credit risk

Credit risk is the risk that any of the Group's clients will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. The latter are presented in the statement of financial position at net value after deduction of impairments related to doubtful and bad debts. Such impairments are made where and when events have existed identifying loss due to uncollectability as per the previous experience.

The Group has developed policy and procedures to assess the creditworthiness of its counterparts and to assign credit rating and credit limits to clients by group.

The financial resources of the Group as well as the settlement operations are concentrated in different first-class banks. When distributing the cash flows among them, the management of the parent company and the subsidiaries take into consideration a variety of factors, as the amount of capital, reliability, liquidity, the credit potential and rating of the bank etc.

Liquidity risk

Liquidity risk is an adverse situation where the Group encounters difficulty in unconditionally meeting its obligations within their maturity, including in the case of hyperinflation and recalculation of trade estimates for companies operating in such environment.

The Group generates and maintains a significant volume of liquid funds. An internal source of liquid funds for the Group is the main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. Another significant source of risk is the net position in BYR and the hyperinflation on that market.

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Group's assets as cash, bank deposits and fixed interest rate loans granted. On the other hand, the Group's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Group partially dependent on interest risk. This risk is covered in two ways:

- (a) optimization of sources and structure of credit resources for achieving relatively lower price of attracted funds; and
- (b) combined structure of interest rates on loans comprising two components – a fixed one and a variable one, the correlation between which, as well as their absolute value, can be achieved and maintained in a proportion favorable for the Group companies. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavorable change of cash flows is reduced to a minimum.

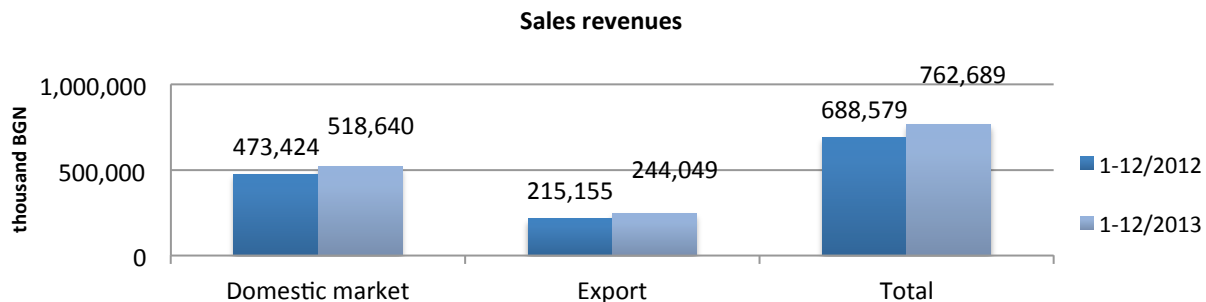
The management of the Group companies together with that of the parent company currently monitor and analyze the exposure of the respective company to the changes in interest levels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or %age, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Financial results in 2013

Sales revenue

Revenue from sales of the Group increased by BGN 74,1 million or 11%, reaching BGN 762,7 million in 2013 compared to BGN 688.6 million in 2012. The increase is due to an increase in

sales of goods by BGN 72,7 million, reaching BGN 495 million in 2013 compared to BGN 422.3 million in 2012 and growth of BGN 1,4 million in sales of finished products, which reach BGN 267.7 million in 2013 compared to BGN 266.3 million in 2012.



The contribution of sales in Bulgaria to the consolidated sales revenue in 2013 amounted to 68%, increasing with 9.63%, to BGN 518,6 million, compared to BGN 473.4 million in 2012.

Sopharma has a 4% share of the Bulgarian pharmaceutical market in terms of value and a 13% share in terms of sold quantity (units). The positions of the main competitors of the Company in the country are as follows: Novartis – 6.7% (4.6% in units), Actavis – 5.9% (14,5% in units), GlaxoSmithKline – 5.7% (2.6% in units), Roche – 5.6% (1% in units), Sanofi-Aventis-Zentiva – 4.4% (3.5% in units), Astra Zeneca – 3.5% (1 % in units), Servier – 3.4% (1.9% in units), Pfizer – 3.3% (1.4% in units), Bayer – 2.9% (2% in units).

The Group products with the highest share in sales in the country include Analgin, Vicetin, Methylprednisolone, Nivalin, and Vitamin C.

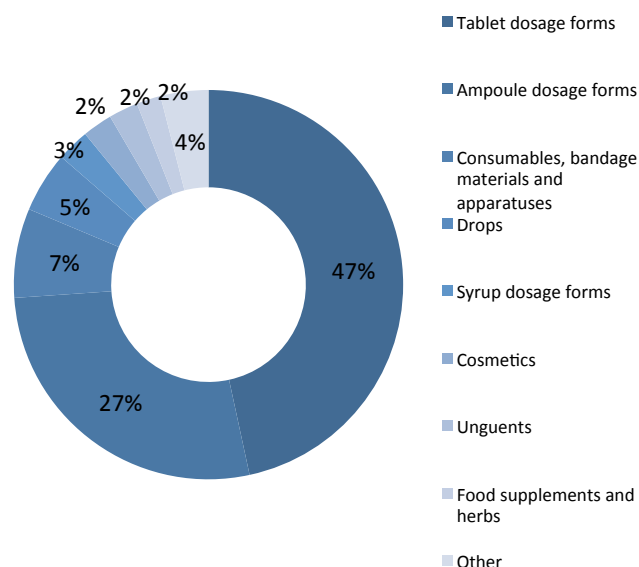
Export sales grew by BGN 86,1 million or 40%, reaching BGN 301,3 million in 2013 compared to BGN 215.2 million in 2012.

Revenue by group of products

Reported revenue of the Group includes the following items: revenue from the sale of finished products and revenue from the sale of goods.

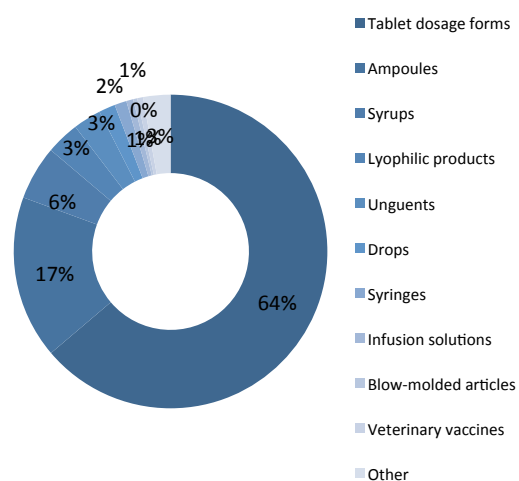
Revenues from the sale of finished products include revenue from the sale of products manufactured by the Company and the Group companies.

Revenue earned from sale of goods by type	1-12 / 2013	1-12 / 2012	change
	BGN '000	BGN '000	%
Tablet dosage forms	230 743	204 399	13%
Ampoule dosage forms	135 152	115 617	17%
Consumables, bandage materials and apparatuses	36 717	27 678	33%
Drops	24 957	20 478	22%
Syrup dosage forms	13 389	10 220	31%
Cosmetics	12 318	7 662	61%
Unguent	12 076	10 077	20%
Food supplements and herbs	10 032	8 916	13%
Other	19 651	17 270	14%
Total	495 035	422 317	17%



Revenue from the sale of goods include revenue from the sale of goods to third parties, which are distributed primarily by Sopharma Trading AD and Briz Ltd..

Revenue earned from sale of finished products by type	1-12/2013	1-12/2012	change
	BGN '000	BGN '000	%
Tablet dosage forms	170 741	185 081	-8%
Ampoules	44 979	33 434	35%
Syrups	14 951	15 163	-1%
Lyophilic products	9 198	5 164	78%
Unguent	7 725	8 138	-5%
Drops	4 552	5 007	-9%
Syringes	3 319	2 375	40%
Infusion solutions	1 922	1 763	9%
Blow-molded articles	1 136	1 033	10%
Veterinary vaccines	1 596	876	82%
Other	7 535	8 228	-8%
Total	267 654	266 262	0.5%



Other operating income

Other revenues from operations

Services rendered
Rents
Government financing

1-12/2013	1-12/2012	change	relative share 2013
BGN '000	BGN '000	%	%
5 333	2 394	123%	109%
776	735	6%	16%
573	563	2%	12%

Services of social activities and events	168	598	-72%	3%
Written-off liabilities	144	12	1100%	3%
Income from penalties	131	705	-81%	3%
Gain/(loss) on sale of non-current assets	23	(88)	126%	0%
Received insurance indemnities	6	43	-86%	0%
Net losses from exchange rate differences under trade receivables and payables and current accounts	(2 775)	(3 683)	-25%	-57%
Loss from sale of materials	(268)	(171)	57%	-5%
(Loss)/Gain from change in the fair value of investment properties	(31)	116	-127%	-1%
Income from sale of building rights	-	416	-100%	0%
Other	831	688	21%	17%
Total	4 911	2 328	111%	-9%

Other operating income increased by BGN 2.6 million reaching BGN 4.9 million in 2013, compared to BGN 2.3 million in 2012. The most significant influence is result of the increase in services rendered by BGN 2.9 million and the decrease in loss on exchange rate differences on trade receivables and payables and current accounts by BGN 0.9 million. There is a decrease in penalties income by BGN 0.6 million, income from sale of building rights by BGN 0.4 million and services of social activities and events by BGN 0.4 million.

Operating expenses

Operating expenses	1-12/2013	1-12/2012	change	relative share of expenses for 2013
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	3 173	(2 678)	218%	0%
Carrying amount of goods sold	450 112	400 535	12%	63%
Materials	87 166	89 575	-3%	12%
Hired services	59 305	55 492	7%	8%
Personnel	74 659	68 972	8%	10%
Depreciation and amortization	26 219	21 995	19%	4%
Other operating expenses	14 131	11 548	22%	2%
Total	714 765	645 439	11%	100%

The operating expenses in 2013 increased by BGN 69.3 million or 11% from BGN 645.4 million in 2012 to BGN 714.7 million in 2013. The change is due to growth in sales and therefore the carrying amount of goods sold to the internal market, the increase in hired services, personnel, depreciation and amortization and other operating expenses.

	1-12/2013	1-12/2012	change	relative share of expenses for 2013
	BGN '000	BGN '000	%	%
Expenses on materials				
Basic materials	62 401	64 725	-4%	72%
Spare parts, laboratory and technical materials	6 427	6 985	-8%	7%
Electricity	5 606	4 866	15%	6%
Heating	4 367	4 994	-13%	5%
Fuels and lubricating materials	3 931	3 737	5%	5%
Water	889	947	-6%	1%
Other	3 545	3 321	7%	4%
Total	87 166	89 575	-3%	100%

Cost of materials (12% share) decreased by BGN 2,4 million or 3% to BGN 87.2 million in 2013 compared to BGN 89.6 million in 2012. The cost of basic materials fell by BGN 2.3 million, or 4%, the most significant impact is defined as the cost of chemicals, substances and packaging materials which decreased respectively by BGN 0.5 million and BGN 0.6 million and BGN 2.5 million. The cost of heat, spare parts, laboratory and technical materials and water decreased. The cost of electric energy increased by BGN 0.7 million.

	1-12/2013	1-12/2012	change	relative share of expenses for 2013
	BGN '000	BGN '000	%	%
Hired services expense				
Advertising	17 662	16 698	6%	30%
Consulting services	7 729	4 969	56%	13%
Rentals and insurance	7 128	5 841	22%	12%
Forwarding and transportation services	3 506	4 287	-18%	6%
Buildings and equipment maintenance	3 063	3 712	-17%	5%
Manufacture	2 970	4 773	-38%	5%
Bank and regulatory charges	1 748	1 638	7%	3%
Subscription fees	1 555	1 497	4%	3%
Services under civil contracts with physical persons	1 518	1 794	-15%	3%
Local taxes and fees	1 402	1 171	20%	2%
Services related to the registration of medicines	1 282	1 241	3%	2%
Security	1 277	1 118	14%	2%
Communications	953	1 102	-14%	2%
Car repairs	835	724	15%	1%
Medical equipment	733	609	20%	1%
Other	5 944	4 318	38%	10%
Total	59 305	55 492	7%	100%

Hired services have an 8% share of operating expenses and increased by BGN 3.8 million or 7%, reaching BGN 59.3 million in 2013 compared to BGN 55.5 million in 2012. The most significant increase comes from advertising by BGN 1 million and rents and insurances with BGN 1.3 million, as well as consulting services by BGN 2,7 million. The most significant decrease is noted in manufacture by BGN 1.8 million, buildings and equipment maintenance by BGN 0.6 million and forwarding and transportation services by BGN 0.8 million.

	1-12/2013	1-12/2012	change	relative share of expenses for 2013
	BGN '000	BGN '000	%	%
Personnel costs				
Current wages and salaries	56 257	51 966	8%	75%
Social security/health insurance contributions	11 572	10 785	7%	15%
Social benefits and payments	3 808	3 631	5%	5%
Profit-based bonuses	1 105	1 288	-14%	1%
Other	1 917	1 302	47%	3%
Total	74 659	68 972	8%	100%

Personnel costs (with an 11% share) grew by BGN 5.7 million, or 8%, reaching BGN 74.7 million in 2013 compared to BGN 69 million in 2012. The general growth of these costs is due to both the increase of salaries of the personnel, as well as to the growth of the number of employees in the Group as a result of the consolidation of new companies.

	1-12/2013	1-12/2012	change	relative share of expenses for 2013
	BGN '000	BGN '000	%	%
Other operating expenses				
Charged/(reversed) impairment of current assets	3 794	3 080	23%	27%
Entertainment event allowances	3 296	2 778	19%	23%
Business trips	1 596	1 741	-8%	11%
Scrapping and loss of goods	1 215	1 115	9%	9%
Tax and tax interest payments	776	225	245%	5%
Scrapping and loss of finished goods and semi-finished products	649	189	243%	5%
Written-off receivables	623	146	327%	4%
Donations	541	519	4%	4%
Trainings	382	318	20%	3%
Other	1 259	1 437	-12%	9%
Total	14 131	11 548	22%	100%

Other operating expenses (with a share of 2%) increased by BGN 2.6 million or 22% from BGN 11.5 million in 2012 to BGN 14,1 million in 2013. The most significant part in the increase results from tax and tax interest payments with a growth of BGN 0.6 million and allowance for impairment of current assets, net by BGN 0.7 million. There is also an increase in entertainment allowances, scrapping and loss of goods, scrapping of finished goods and semi-finished products, written-off receivables and other operating expenses.

Depreciation and amortization expense (with a share of 4 %) increased by BGN 4.2 million or 19% from BGN 22 million in 2012 to BGN 26.2 million in 2013. Impact on this increase has accrued depreciation of tangible fixed assets amounting to BGN 2.3 million.

Finance income and costs

	1-12/2013	1-12/2012	change	relative share of income for 2013
	BGN '000	BGN '000	%	%
Finance income				
Interest income on granted loans	3 700	4 109	-10%	56%
Interest income on overdue payments	2 452	1 246	97%	37%
Income from equity investments	393	184	114%	6%
Interest income on bank deposits	8	71	-89%	0%
Net gain on exchange rate differences on loans	-	433	-100%	0%
Total	6 553	6 043	8%	100%
			change	relative share of costs for 2013
Finance costs				
Interest expenses on loans	8 429	7 338	15%	37%
Impairment of available-for-sale investments	6 769	1 071	532%	30%
Expenses on operations with investments in securities	5 068	31	16 248%	23%
Net gain on exchange rate differences on loans	1 197	0	-	5%
Bank fees on loans and guarantees	684	520	32%	3%
Interest expense on finance lease	367	381	-4%	2%
Total	22 514	9 341	141%	100%

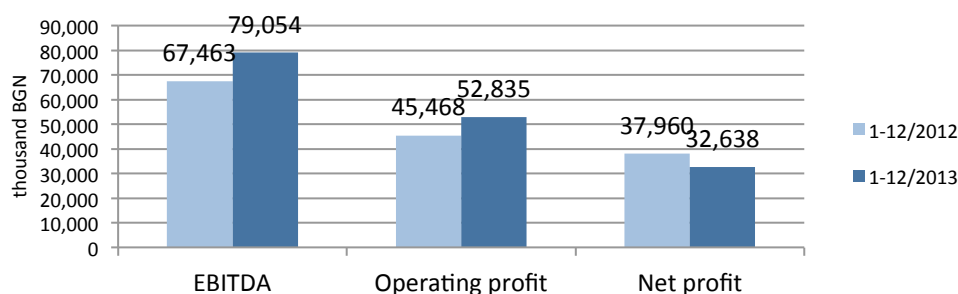
Finance income increased by BGN 0,5 million or 8%, to BGN 6.5 million in 2013 compared to BGN 6 million in 2012. This is due to an increase in income from interest participations by BGN 0.2 million and interest income on overdue payments by BGN 1.2 million.

Finance costs increased by BGN 13.2 million or 141% from BGN 9.3 million in 2012 to BGN 22.5 million in 2013. The most significant influence is due to expenses from operations with securities with BGN 5 million mainly as a result of sold interest in Doverie United Holding AD, as

well as the impairment of available-for-sale investments (mainly the interest in Doverie United Holding AD) by BGN 6.7 million.

Net financial costs increased by BGN 12,7 million, reaching BGN (16) million in 2013 compared to BGN (3.3) million in 2012.

Financial performance



Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by BGN 11.6 million or 17%, amounting to BGN 79.1 million as at 31 December 2013, compared to BGN 67.5 million as at 31 December 2012.

Operating profit increased by BGN 7.4 million or 16%, to BGN 52.8 million as at 31 December 2013, compared to BGN 45.5 million as at 31 December 2012.

Net profit decreased by BGN 5.3 million, or 14%, reaching BGN 32.6 million as at 31 December 2013, compared to BGN 38 million as at 31 December 2012.

Assets

	31.12.2013	31.12.2012	change	relative share
	BGN '000	BGN '000	%	2013
Non-current assets				
Property, plant and equipment	306 781	292 074	5%	80%
Intangible assets	28 738	26 380	9%	7%
Investment property	10 526	7 110	48%	3%
Investments in associated companies	1 002	582	72%	0%
Available-for-sale investments	8 187	23 425	-65%	2%
Long-term receivables from related parties	25 656	1 183	2069%	7%
Other long-term receivables	585	1 460	-60%	0%

Deferred taxes	3 027	2 537	19%	1%
	384 502	354 751	8%	49%
Current assets				
Inventories	139 596	130 950	7%	35%
Trade receivables	191 132	160 558	19%	48%
Receivables from related parties	28 763	60 871	-53%	7%
Other receivables and prepayments	11 639	22 521	-48%	3%
Cash and cash equivalents	27 156	15 767	72%	7%
	398 286	390 667	2%	51%
TOTAL ASSETS	782 788	745 418	5%	100%

Total assets increased by BGN 37.4 million, or 5%, reaching BGN 782,8 million, compared to BGN 745.4 million as at 31 December 2012 as a result of the increase in both current and non-current assets.

Non-current assets increased by BGN 29.7 million, or 8%, mainly due to the increase in property, plant and equipment by BGN 14.7 million. This increase is mainly due to the investments in building the new solid-forms factory. Additional funds were invested in the acquisition of laboratory and production equipment.

Intangible assets increased by BGN 2.4 million, with the most significant expense being for the acquisition of intellectual property rights and the implementation of an integrated information system.

Investments in associated companies increased by BGN 0.4 million compared to 31 December 2012 as a result of acquired shares by Briz in Belarusian companies for trade with pharmaceutical products.

The available-for-sale investments decreased by BGN 15.2 million in relation to the sale of shares in the capital of Doverie United Holding AD and Krimgas OAO.

Long-term receivables from related parties increased by BGN 24.5 million, which is mostly due to short-term loans being transformed into long-term loans.

Provided long-term loans to related parties are from companies related through key management personnel:

- ✚ Contracted amount: EUR 10,637 thousand; interest rate: 5%, maturity: 1 December 2015; balance as at 31 December 2013: BGN 22,554 thousand;
- ✚ Contracted amount: EUR 1,278 thousand; interest rate: 5%, maturity: 1 December 2015; balance as at 31 December 2013: BGN 2,660 thousand;

- ✚ Contracted amount: BYR 84,500 thousand; interest rate: 8.08%, maturity: 30 September 2022; balance as at 31 December 2013: BGN 7 thousand;

Current assets increased by BGN 7.6 million or 2%, reaching BGN 398.3 million as at 31 December 2013 compared to BGN 390.7 million as at 31 December 2012.

Inventories comprise 35% of current assets and increased by BGN 8.6 million compared to 31 December 2012, mainly in the portion of goods by BGN 9.7 million and materials by BGN 4.7 million. There is a decrease in finished products by BGN 5 million and semi-finished products by BGN 0.8 million.

Commercial receivables, which have a relative share of 48% of current assets, increased by BGN 30.6 million, most significantly in the portion of receivables from customers (BGN 32.3 million).

Receivables from related parties have a relative share of 7% in current assets and decreased by BGN 32.1 million. The most significant contribution to this decrease have commercial loans with BGN 31.2 million, a large part of which are transformed into long-term loans.

Granted current commercial loans to related parties:

To companies under common indirect control:

- ✚ Contracted amount: EUR 7.661 thousand; interest rate: 4.5%, maturity: 31 December 2014; balance as at 31 December 2013: BGN 7.477 thousand;
- ✚ Contracted amount: BGN 120 thousand; interest rate: 8.08%, maturity: 10 February 2014; balance as at 31 December 2013: BGN 156 thousand;

To companies related through key management personnel:

- ✚ Contracted amount: EUR 10,455 thousand; interest rate: 4.5%, maturity: 31 December 2014; balance as at 31 December 2013: BGN 11,346 thousand;
- ✚ Contracted amount: BGN 27,050 thousand; interest rate: 8.08%, maturity: 31 August 2014; balance as at 31 December 2013: BGN 5,662 thousand;
- ✚ Contracted amount: BGN 190 thousand; interest rate: 8.08%, maturity: 31 December 2014; balance as at 31 December 2013: BGN 167 thousand;
- ✚ Contracted amount: BGN 1,300 thousand; interest rate: 8.08%, maturity: 31 December 2014; balance as at 31 December 2013: BGN 551 thousand;

Other receivables and prepayments comprise 3% of current assets and decreased by BGN 10.9 million, as a result of a decrease in court and awarded receivables by BGN 9.5 million.

Cash and cash equivalents increased by BGN 11.4 million compared to 31 December 2012. As at the end of the current period there are deposits amounting to BGN 3.9 million.

Equity and liabilities

EQUITY	31.12.2013	31.12.2012	change	relative share of equity for 2013
	BGN '000	BGN '000		
Equity attributable to owners of the parent			%	%
Share capital	132 000	132 000	0%	32%
Reserves	32 013	35 979	-11%	8%
Retained earnings	194 585	177 617	10%	47%
	358 598	345 596	4%	87%
NON-CONTROLLING INTEREST	54 177	45 474	19%	13%
TOTAL EQUITY	412 775	391 070	6%	100%
	31.12.2013	31.12.2012	change	relative share of total liabilities for 2013
	BGN '000	BGN '000	%	%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	55 992	56 844	-1%	15%
Deferred tax liabilities	4 647	5 792	-20%	1%
Long-term liabilities to personnel	3 557	2 614	36%	1%
Finance lease liabilities	2 382	2 509	-5%	1%
Government grants	5 612	2 567	119%	2%
Other non-current liabilities	55	45	22%	0%
	72 245	70 371	3%	20%
Current liabilities				
Short-term bank loans	208 643	203 994	2%	56%
Current portion of long-term bank loans	7 083	9 559	-26%	2%
Trade payables	61 712	55 242	12%	17%
Payables to related parties	3 828	1 560	145%	1%
Payables to the personnel and for social security	6 757	6 624	2%	2%
Tax payables	4 410	2 408	83%	1%
Other current liabilities	5 335	4 590	16%	1%
	297 768	283 977	5%	80%

TOTAL LIABILITIES	370 013	354 348	4%	100%
TOTAL EQUITY AND LIABILITIES	782 788	745 418	5.0%	

The equity of Sopharma Group increased by BGN 21.7 million compared to 31 December 2012 mainly due to the achieved net profit for the current period. Equity attributable to owners of the parent comprise 46% of total equity and liabilities, with certain improvement of the financial autonomy of the Group.

Non-current liabilities increased by BGN 1.8 million or 3%, from BGN 70.4 million at the end of 2012 to BGN 72,2 million at the end of 2013 mainly due to the increase in government grants by BGN 3 million, which is result of funds drawn by Group companies participating in OP Competitiveness.

Deferred tax liabilities decreased by BGN 1.1 million. There is a decrease in finance lease liabilities by BGN 0.1 million and long-term bank loans by BGN 0.8 million.

Current liabilities increased by BGN 13.8 million or 5% compared to 2012, mainly in the portion of trade payables, which increased by BGN 6.5 million. There is an increase in tax liabilities by BGN 2 million, payables to personnel and for social security by BGN 0.1 million, payables to related parties by BGN 2.3 million. The Group's total liabilities under bank loans and leases increased by BGN 0.9 million compared to the end of 2012, while net debt, after subtracting of cash and cash equivalents, decreased by BGN 10 million.

Cash flows

	31.12.2013	31.12.2012
	BGN '000	BGN '000
Net cash flows from operating activities	52 497	5 733
Net cash flows used in investing activities	(24 937)	(59 838)
Net cash flows (used in)/from financing activities	(16 214)	38 212
Effect from recalculations in economies with hyperinflation	(484)	(575)
Net increase/(decrease) in cash and cash equivalents	10 862	(16 468)
Cash and cash equivalents at 1 January	15 767	32 235
Cash and cash equivalents at 31 December	26 629	15 767

Net cash flows generated from operating activities as at 31 December 2013 amount to BGN 52,5 million, those from investing activities – BGN (24,9) million and from financing activities – BGN (16,2) million. As a result of these activities the cash and cash equivalents mark a net increase of BGN 10,9 million and as at 31 December 2013 amounting to BGN 26,6 million compared to BGN 15.8 million as at the end of 2012.

Financial ratios

	31.12.2013	31.12.2012
ROE ¹	8,2%	10,5%
ROA ²	3,7%	4,9%
Asset turnover ³	0,98	0,96
Current ratio ⁴	1,34	1,38
Quick ratio ⁵	0,87	0,91
Cash ratio ⁶	0,09	0,06
Solvency ratio ⁷	1,12	1,10

¹ Net profit belonging to the equity holders of the Company, annualized / arithmetic mean of the equity less minority interests for the last five quarters

² Net profit belonging to the equity holders of the Company, annualized / arithmetic mean of total assets for the last five quarters

³ Revenue from sales, annualized / arithmetic mean of total assets for the last five quarters

⁴ Current assets / current liabilities

⁵ Receivables+cash/current liabilities

⁶ Cash/current liabilities

⁷ Equity/Liabilities

Information about the shares of Sopharma AD

The total number of shares issued by Sopharma AD as at 31 December 2013 is 132 million with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, common and indivisible, under the Articles of Association. All issued shares are of one class. Each share gives equal rights to its holder, in proportion to its nominal value. The shares of Sopharma AD are traded on the official market of Bulgarian Stock Exchange - Sofia AD and the official market of the Warsaw Stock Exchange. The shares are part of the indices SOFIX, BGBX40 and BGTR30 on the BSE – Sofia AD.

The Company's shares are included in the indices Dow Jones STOXX EU Enlarged, Total Market Index 0.11% weight, with a weight of 5% in the Erste Bank Bulgaria Basket, the certificate of Raiffeisenbank - Raiffeisen Osteuropa Fonds and the certificate ABN AMRO SOFIX - Open-end-certificate and the new blue-chip index Dow Jones STOXX Balkan 50 Equal Weighted Index.

Sopharma AD is one of the three Bulgarian companies included in a new index for Central and Eastern Europe (CEE) that WSE started to calculate as of 30 May 2012. The index is called WIG-CEE and is the third after the WIG-Poland and WIG-Ukraine, which is based on the origin of the companies by country. WIG-CEE is calculated based on total return and includes also dividend income and subscription rights to shares.

Important information for the shares of Sopharma AD

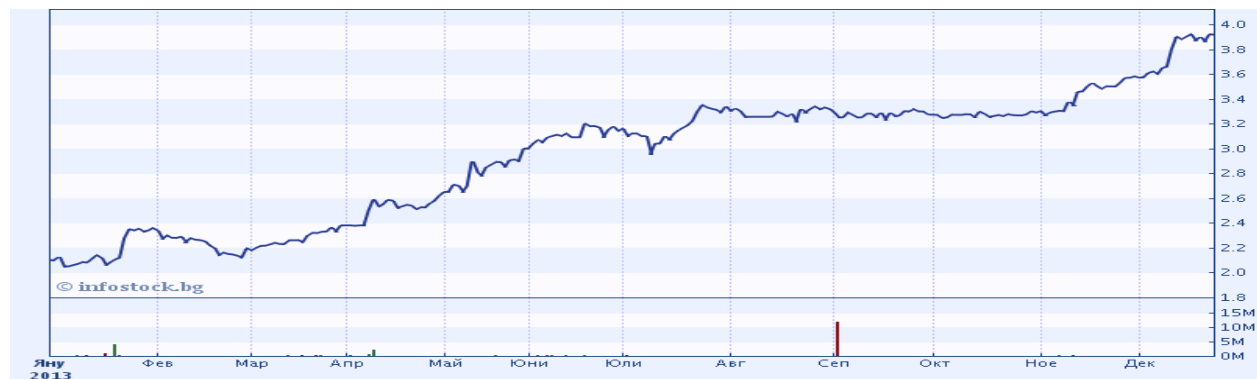
	31.12.2013	31.12.2012
Total number of issued shares	132 000 000	132 000 000
Number of shares outstanding at the end of the period	126 324 658	128 146 265
Average weighted number of outstanding shares for the period	127 148 634	128 557 606
Earnings per share in BGN ¹	0,23	0,27
Price per share at the end of the period in BGN	3,914	2,139
Price/Earnings ratio (P/E)	17,02	7,92
Book value per share in BGN ²	2,84	2,70
Price/Book value ratio (P/B)	1,38	0,79
Income from sale of one share in BGN ³	6,04	5,37
Price of one share / Income from sale of one share (P/S)	0,65	0,40
Market capitalization in BGN based on the number of issues shares	516 648 000	282 348 000

¹ Net profit of the company for the last four quarters excluding earnings from non-controlling interest/ average outstanding number of shares

² Common equity of the company as per the last financial report excluding non-controlling interest / number of shares outstanding at the end of the period

³ Income from sales in the last four months / number of outstanding shares as at the end of the period.

Trade in shares of Sopharma AD on the Bulgarian Stock Exchange – Sofia AD for the period 1 January – 31 December 2013



Signature:

Ognian Donev, PhD
Executive Director, Sopharma AD