

MANAGEMENT REPORT

FOR THE NINE MONTHS 2013



SOPHARMA GROUP

29.11.2013

General information about the Group

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 Bulgaria, Ukraine OAO Vitamins 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 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 Law on Public Offering of Securities.

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.

Controlled companies

Sopharma Group consists of Sopharma AD and 29 entities, including 28 subsidiaries, directly or indirectly controlled by the Company, and one joint venture (Vivaton plus, Belarus).

Sopharma Group

Company	Share as at 30.09.2013 in %
Sopharma Trading AD, Sofia, Bulgaria	76.16
Bulgarian Rose Sevtopolis AD, Kazanluk, Bulgaria	49.99
Biopharm Engineering AD, Sliven, Bulgaria	97.15
Pharmalogistica AD, Sofia, Bulgaria	76.54
Elektroncommerce EOOD, Sofia, Bulgaria	100.00
Sopharma Buildings REIT, Sofia, Bulgaria	42.89
Momina Krepost AD, Veliko Tarnovo, Bulgaria	52.48
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	51.00
Brititrade SOOO, Minsk, Belarus*	50.24
Tabina SOOO, Minsk, Belarus *	45.39
Brizpharm SOOO, Minsk, Belarus**	32.64
ZAO Interpharm, Vitebsk, Belarus	28.51
Alean ODO, Minsk, Belarus	36.21
Sopharma Ukraine, Kiev, Ukraine	100.00
Vivaton OOO, Grodno, Belarus**	50.00
OOO Pharmacist Plus, Minsk, Belarus **	26.01
Vestpharm ODO **	31.62
NPK Biotest OOO **	29.07
BelAgroMed ODO **	29.07
ZAO TBS Pharma, Vilnius, Lithuania**	26.01

*effective share in percent

**indirect share

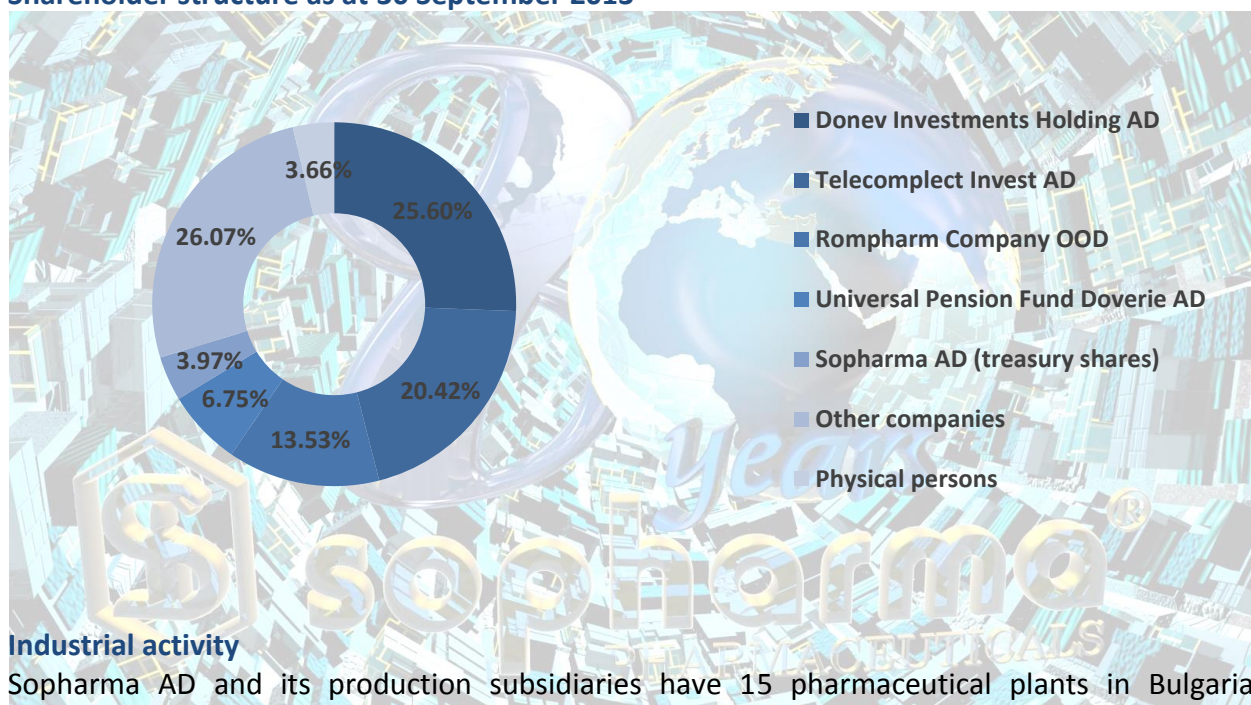
***joint stock company

As at 30 September 2013 the Group has an interest through its subsidiary Briz OOD, Latvia in the associated companies OOO Med-dent, Bobruisk, Belarus and 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.

Shareholder structure as at 30 September 2013



Industrial activity

Sopharma AD and its production subsidiaries have 15 pharmaceutical plants in Bulgaria, compliant with EU regulations, 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 of the company is 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.
- + Finished dosage forms including
- + Solid tablets, coated tablets, coated tablets, capsules;
- + Galenical - suppositories, drops, syrups, unguents;
- + Parenteral - injectables, powders for injections lyophilic

The company has more than 210 products in its portfolio: 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 revenues 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 revenues are:

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

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 drugs, medical equipment and devices, accessories, cosmetics, vitamins and 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. These products are protected in addition to trademark and patent or corporate know-how.

For the manufactured generic products Sopharma AD relies on brand names to distinguish, all of which are registered trademarks of the company.

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.

These assets are the result of the policy of the company 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 focused 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 development of eight to ten new products per year.

The company mainly submitted applications for marketing authorizations of new products, including new forms of products in Bulgaria and / or export markets and for existing products into new markets.

Employees

For the nine months of 2013 the average number of employees in the Sopharma Group is 4 117 (3,945 in 2012). The average number of employees in Sopharma AD for the nine months of 2013 is 1,833 (1,859 in 2012), and in Sopharma Trading AD it is 659 (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.

Changes in the nine months of 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%.

The Extraordinary General Meeting of Shareholders of Sopharma AD, which was held on 28 February 2013 took the following decision: "Amendment of the conditions for acquisition of treasury shares of the Company. Draft decision: AGM shall amend the conditions for share repurchase, determined by the decision on the regular AGM, held on 23 June 2010, and amended by decisions of the Extraordinary General Meeting of Shareholders from 30 November 2011 and the EGM from 1 November 2012, as follows: the repurchase of own shares representing the company's capital, subject to the specific requirements of CA and POSA, shall be carried out at a minimal 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 share of Sopharma AD in the capital of Momina Krepost AD increased to 50.01%.

The Board of Directors of Sopharma authorizes 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, through which transaction the share 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 70 million BGN on total built-up 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 raising of Lavena AD, through which transaction the share of Sopharma AD in the capital of Lavena AD reached 5.18%.

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

On 21 June 2013 was held the Annual General Meeting of Shareholders of Sopharma. It decided on the payment of dividends to shareholders at the amount of 0.07 BGN (gross) per share. Dividend payment will start 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 was held the Annual General Meeting of Shareholders of Sopharma Trading AD. It decided on the payment of dividends to shareholders at the amount of 0.20 BGN (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 was held the Annual General Meeting of Shareholders of Sopharma Buildings AD. It decided on the payment of dividends to shareholders at a total amount of 11 209,50 BGN, determined in compliance with the requirements of art. 10, par. 3 of the Real Estate Investment Trusts Act. The gross dividend is 0.01720 BGN per share. Dividend payment has 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 was held the Annual General Meeting of Shareholders of Unipharm AD. It decided on the payment of dividends to shareholders at the amount of 0.05 BGN (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 was held the Annual General Meeting of Shareholders of Momina Krepost AD according to the announced and published agenda, adopting a decision that the profit for 2012, after subtracting 10% for the "Reserve Fund", to be transferred to the additional reserves of the company.

On 31 July 2013 Sopharma AD purchased additional 1000 shares of the capital of Maritzatex AD. As a result of this transaction the share of the Company in the capital of Maritzatex AD has 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 share 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 share of Sopharma AD in the capital of Hydroizomat AD increased to 10.02%.

On 27 November 2013 was conducted an Extraordinary General Meeting of the Shareholders of Bulgarian Rose Sevtopolis AD, 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.

New developments and products



New in the nine months of 2013

The Company has implemented 4 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules, Analgin drops.



Expected in 2013

Two to two new products are expected to be introduced by the end of 2013.

Developments

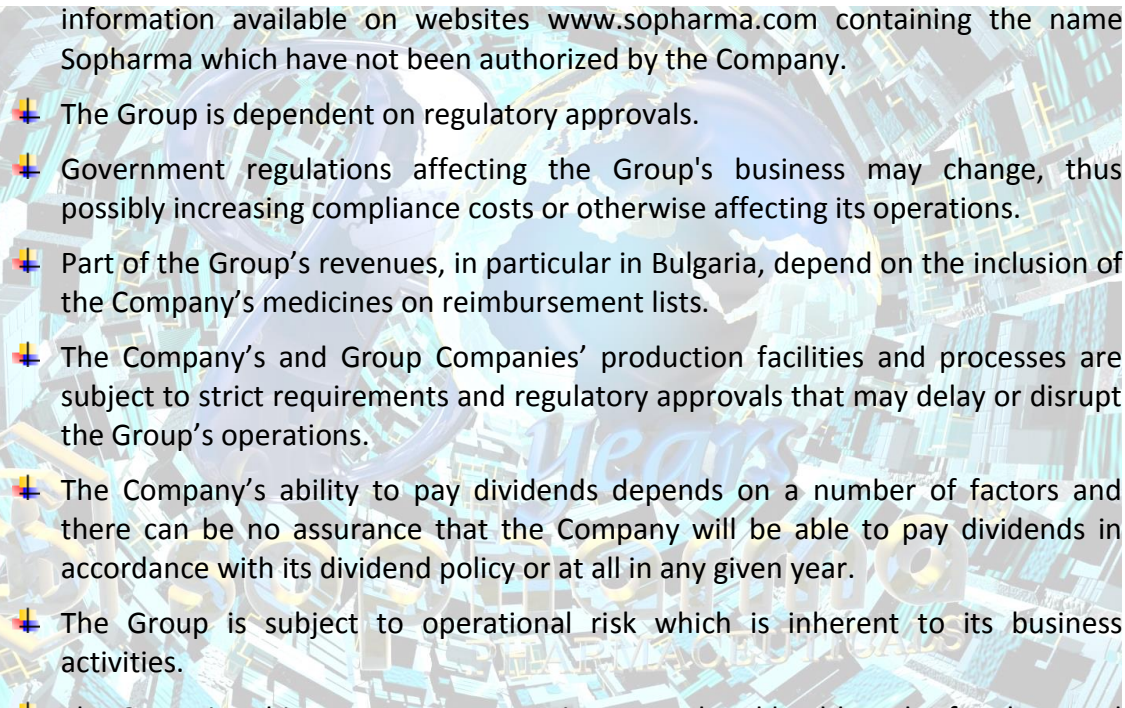
Twenty production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of 9 new products for the company.

Key financial indicators

Indicators	1-9/2013 BGN '000	1-9/2012 BGN '000	change %
Sales revenue	553 792	505 339	9.6%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	60 256	57 309	5.1%
Operating profit	43 107	43 104	0%
Net profit	32 745	38 448	-14.8%
Capital expenditures	31 809	54 722	-41.9%
	30.06.2013 BGN '000	31.12.2012 BGN '000	
Non-current assets	362 443	354 751	2.2%
Current assets	424 831	390 667	8.7%
Equity	415 279	391 353	6.1%
Non-current liabilities	71 902	70 088	2.6%
Current liabilities	300 093	283 977	5.7%
	Ratios	1-9/2013	1-9/2012
EBITDA / Sales revenue	10,9%	11,3%	
Operating profit/ Sales revenue	7,8%	8,5%	
Net profit/ Sales revenue	5,9%	7,6%	
Borrowed capital/ Equity	0,90	0,90	
Net debt/ EBITDA, annualized	3,6x	3,2x	

Review of risk factors

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

- 
- + The Group faces significant competition.
 - + Part of Sopharma Trading's revenues in Bulgaria are 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 available on websites www.sopharma.com containing the name Sopharma which have 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 revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines on reimbursement lists.
 - + The Company's and Group Companies' production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations.
 - + The 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 at all 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 condition and results of operations.

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

- + The macroeconomic environment, particularly in Bulgaria, Russia 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 condition.

- ✚ The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition.
- ✚ Risks related to the Bulgarian legal system.
- ✚ 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 is formed mainly through the parent company 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 Grivna (UAH), Serbian Dinar (RSD), Russian Ruble (RUB), Latvian Lat (LVL), Belarus Ruble (BYR). The remaining part of Group companies' operations are 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 for procedures for daily monitoring of the movement of the USD exchange rate and control of pending payments. The exposition 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 fully conducted 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 audit.

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 its 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 resources 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.

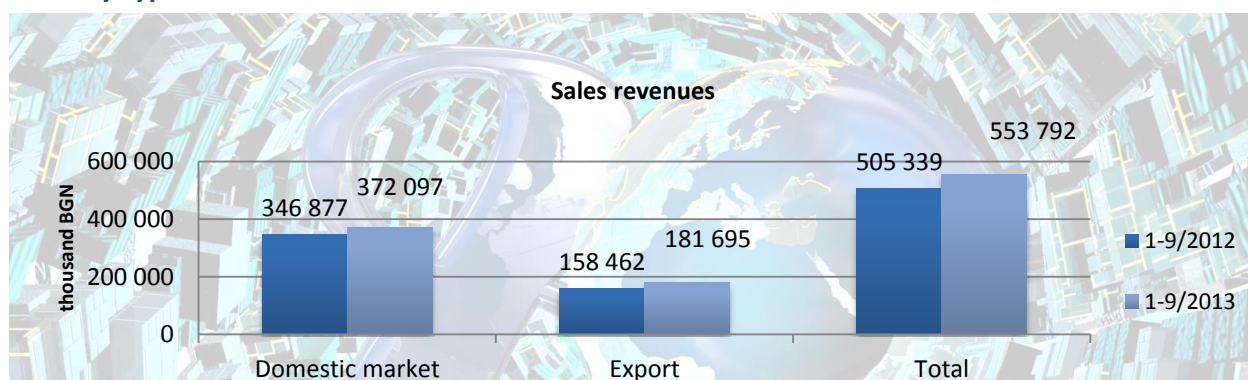
The management of the Group companies together with that of the parent company currently monitor and analyze the exposure of the respective company to the changes in interest levels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative 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 the nine months of 2013

Sales revenues

Revenues from sales of the Group have increased by 48 million BGN or 9,6%, reaching 553,8 million BGN in the nine months of 2013 compared to 505,3 million BGN in nine months of 2012. The increase is due to an increase in sales of goods by 48,1 million BGN, reaching 361,3 million BGN in the current period of 2013 compared to 313,2 million BGN in the nine months of 2012 and growth of 0,3 million BGN in sales of finished products, which reach 192,5 million BGN in the nine months of 2013 compared to 192,2 million BGN in the nine months of 2012.

Sales by types of markets



The contribution of sales in Bulgaria to the consolidated sales revenue in the nine months of 2013 amounted to 67%, increasing by 25,2 million BGN, or 7%, to 372,1, compared to 346,9 million BGN in the nine months of 2012.

Sopharma has a 4% share of the Bulgarian pharmaceutical market in terms of value and a 13% share in terms of sales. The positions of the main competitors of the company in the country are as follows: Novartis - 7% (5% in units.), Roche-6,6% (1% in units.), Actavis - 5,7% (14,8% in units.), GlaxoSmithKline - 5,4% (2% in units), Sanofi-Aventis-Zentiva - 4,4% (3,5% in units.), Astra Zeneca - 3,7% (1 % in units), Pfizer - 3,4% (1,4% in units), Servier - 3,4% (1,9% in units), Bayer - 2,9% (2% in units), among the distributors of medicines Sopharma Trading AD has a relative share of 22% and along with Phoenix / Libra (20% share) and Sting (22%) has a leading position in the national pharmaceutical market.

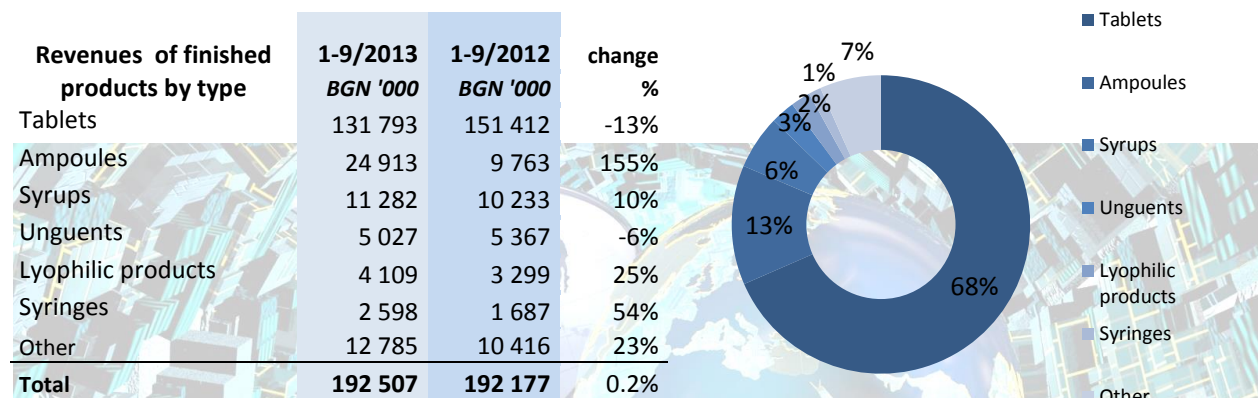
The Group products with the highest share in sales in the country are Analgin, Vicetin, Methylprednisolone, Nivalin, and Vitamin C.

Export sales grew by 23,2 million BGN or 14,7%, reaching 181,7 million BGN in the nine months of 2013 compared to 158,5 million BGN in the nine months of 2012.

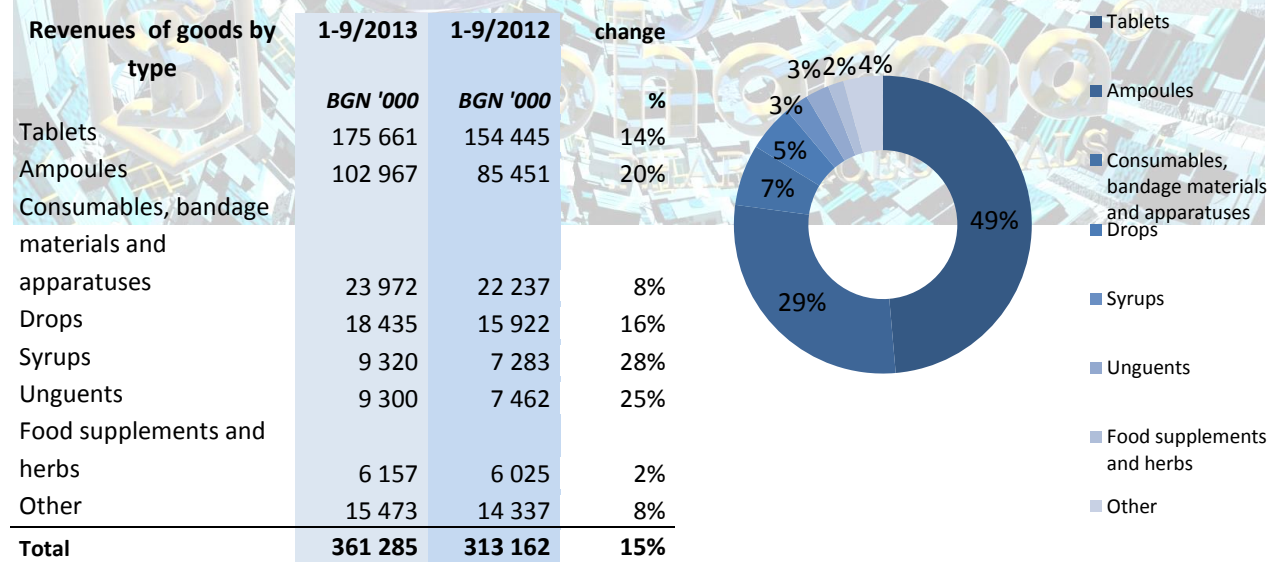
Revenue by groups of products

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.



Revenues 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.



Other revenues from operations

Other revenues from operations	1-9/2013	1-9/2012	change	share 2012
	BGN '000	BGN '000	%	%
Profit/ (loss) from sale of long-term assets	791	571	39%	21%
Income from advertising	717	925	-22%	19%
Services rendered	713	630	13%	19%
Rents	679	508	34%	18%
Services of social activities and events	523	451	16%	14%
Income from financing	358	270	33%	9%
Profit/(loss) from sale of materials	31	(73)	142%	1%
Net losses from exchange rate differences on commercial receivables and payables and current accounts	(713)	(852)	-16%	-19%
Other	751	827	-9%	20%
Total	3 850	3 257	18%	100%

Other operating income increased by 0,6 million BGN reaching 3,9 million BGN in the nine months of 2013, compared to 3,3 million in the nine months of 2012. The most significant influence have the increase in profit from sale of long-term assets by 0,2 million BGN and income from rents by 0,2 million BGN. There is a decrease in income from advertising by 0,2 million BGN and other income by 0,1 million BGN.

Expenses

Operating expenses	1-9/2013	1-9/2012	change	share 2012
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	3 321	(3 601)	192%	1%
Book value of goods sold	324 787	293 772	11%	63%
Materials	63 123	66 050	-4%	12%
Hired services	41 226	38 940	6%	8%
Personnel	56 190	50 310	12%	11%
Amortization	17 149	14 205	21%	3%
Other operating expenses	8 739	5 816	50%	2%
Total	514 535	465 492	11%	100%

The operating expenses in the nine months of 2013 increased by 49 million BGN or 11% from 465,5 million BGN in the nine months of 2012 to 514,5 million BGN in the same period of 2013. The change is due to growth in sales and therefore the carrying value of sold products in the

internal market, increased external services, personnel, amortization and other operating expenses.

	1-9/2013	1-9/2012	change	share 2012
	BGN '000	BGN '000	%	%
Expenses on materials				
Basic materials	47 325	48 749	-3%	75%
Electricity	4 199	3 549	18%	7%
Spare parts, laboratory and technical materials	3 342	4 657	-28%	5%
Heating	3 033	3 538	-14%	5%
Fuels and lubricating materials	2 752	2 605	6%	4%
Water	657	685	-4%	1%
Other	1 815	2 267	-20%	3%
Total	63 123	66 050	-4%	100%

Cost of materials (12% share) decreased by 2,9 million BGN or 4% to 63,1 million BGN in the nine months of 2013 compared to 66 million BGN in the nine months of 2012. The cost of basic materials fell by 1,4 million BGN, or 3%, the most significant impact is defined as the cost of chemicals and packaging materials which decreased accordingly by 0,3 million BGN and 2,8 million BGN. The cost of heat, spare parts, laboratory and technical materials decreased. The cost of electricity increased by 0,6 million BGN.

	1-9/2013	1-9/2012	change	share 2012
	BGN '000	BGN '000	%	%
Hired services expenses				
Advertising	11 923	10 854	10%	29%
Rentals and insurance	5 160	4 137	25%	13%
Forwarding and transportation services	3 348	3 742	-11%	8%
Consulting services	3 069	2 413	27%	7%
Manufacture	2 435	4 088	-40%	6%
Buildings and equipment maintenance	2 948	2 727	8%	7%
Bank, state and regulatory taxes	1 370	1 590	-14%	3%
Service fees	1 703	430	296%	4%
Subscription fees	1 193	1 235	-3%	3%
Security	919	737	25%	2%
Services under civil contracts with physical persons	957	1 189	-20%	2%
Registration of medicines	918	643	43%	2%
Local taxes and charges	995	759	31%	2%
Communications	717	733	-2%	2%
Car repairs and maintenance	633	508	25%	2%
Other	2 938	3 155	-7%	7%
Total	41 226	38 940	6%	93%

Hired services have an 8% share of operating expenses and increased by 2,3 million BGN or 6%, reaching 41,2 million BGN in the nine months of 2013 compared to 38,9 million BGN in the nine months of 2012. The most significant increase comes from advertising by 1,1 million BGN and rents and insurances with 1 million BGN, as well as services and consultancy fees, which increase respectively by 1,3 million BGN and 0,7 million BGN. The most significant decrease have manufacturing costs by 1,6 million BGN and the shipping and logistics services by 0,4 million BGN.

	1-9/2013	1-9/2012	change	share 2013
	BGN '000	BGN '000	%	%
Personnel costs				
Current wages and salaries	43 426	38 006	14%	77%
Social security/health insurance contributions	7 694	7 550	2%	14%
Social benefits and payments	2 655	2 404	10%	5%
Profit-based bonuses	1 235	1 224	1%	2%
Other	1 180	1 126	5%	2%
Total	56 190	50 310	12%	100%

Personnel costs (with an 11% share) grew by 5,9 million, or 12%, reaching 56,2 million in the nine months of 2013 compared to 50,3 million BGN in the nine months of 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.

	1-9/2013	1-9/2012	change	share 2013
	BGN '000	BGN '000	%	%
Other operating expenses				
Entertainment allowances	1 906	1 680	13%	22%
Accrued/(recovered) impairment of current assets	1 638	679	141%	19%
Business trips	1 240	1 193	4%	14%
Scrap and loss of goods	1 136	904	26%	13%
Payments to the budget	647	283	129%	7%
Donations	383	338	13%	4%
Scrap of finished goods and semi-finished products	359	44	716%	4%
Trainings	326	233	40%	4%
Other	1 104	462	139%	13%
Total	8 739	5 816	50%	100%

Other operating expenses (with a share of 2%) increased by 2,9 million BGN or 50% from 5,8 million BGN in the nine months of 2012 to 8,7 million BGN in the nine months of 2013. The most significant part in the increase have payments to the budget with a growth of 0,4 million BGN, allowance for impairment of current assets, net by 0,9 million BGN. There is also an increase in

entertainment allowances, scrap and loss of goods, donations, scrap of finished goods and semi-finished products and other operating expenses.

Amortization costs (with a share of 3 %) increased by 2,9 million BGN or 21% from 14,2 million BGN in the nine months of 2012 to 17,1 million BGN in the nine months of 2013.

Financial income and expenses

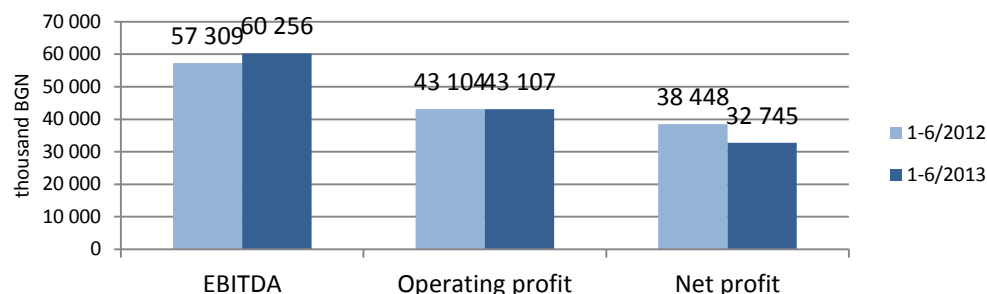
Financial income	1-9/2013	1-9/2012	change	share 2013
	BGN '000	BGN '000	%	%
Income from interest on granted loans	3 795	3 073	23%	58%
Income from interest on overdue payments	1 473	746	97%	22%
Income from operations with investments	892	171	422%	14%
Income from shares	200	172	16%	3%
Interest on special contracts	164	17	865%	2%
Income from interest on deposits	46	55	-16%	1%
Net gain on exchange rate differences on loans		372	-100%	0%
Total	6 570	4 606	43%	100%
Financial expenses			change	share 2013
Interest expenses on loans	5 791	5 429	7%	89%
Expenses from operations with investments	5 721	2		0%
Net profit from exchange rate differences on loans	644	0		0%
Bank fees on loans and guarantees	535	431	24%	7%
Financial leasing interest	268	246	9%	4%
Impairment of available-for-sale investments	197			0%
Total	13 156	6 108	115%	100%

Financial income increased by 2 million BGN or 43%, to 6,6 million BGN in the nine months of 2013 compared to 4,6 million BGN in the nine months of 2012. This is due to an increase in income from operations with investments by 0,7 million BGN, income from interest on overdue payments by 0,7 million BGN and income from interest on granted loans by 0,7 million BGN.

Financial expenses increased by 7 million BGN or 115% from 6,1 million BGN in the nine months of 2012 to 13,1 million BGN in the nine months of 2013. The most significant influence have expenses from operations with investments with 5,7 million BGN mainly as a result of sold interest in Doverie United Holding AD.

Net financial income (expenses) decreased by 5,1 million BGN, reaching (6,6) million BGN in the nine months of 2013 compared to (1,5) million BGN in the nine months of 2012.

Financial income and expenses



Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 3 million BGN or 5%, amounting to 60,3 million BGN as at 31 September 2013, compared to 57,3 million BGN as at 30 September 2012.

Operating profit remains at 43,1 million BGN, compared to the nine months of 2012.

Net profit decreased by 5,7 million BGN, or 17%, reaching 32,7 million BGN as at 30 September 2013, compared to 38,4 million BGN in the nine months of 2012.

Assets

	30.06.2013	31.12.2012	change	share
	BGN '000	BGN '000	%	2013
Non-current assets				
Property, plant and equipment	304 999	292 074	4%	84%
Intangible assets	29 233	26 380	11%	8%
Investment property	7 103	7 110	0%	2%
Investments in associated companies	1 397	582	140%	0%
Available-for-sale investments	14 979	23 425	-36%	4%
Long-term receivables from related parties	435	1 183	-63%	0%
Other non-current assets	488	1 460	-67%	0%
Differed taxes	3 809	2 537	50%	1%
	362 443	354 751	2%	46%

Current assets				
Inventories	127 389	130 950	-3%	30%
Trade receivables	192 772	160 558	20%	45%
Receivables from related parties	59 728	60 871	-2%	14%
Other receivables and prepayments	21 942	22 521	-3%	5%
Cash and cash equivalents	23 000	15 767	46%	5%
	424 831	390 667	9%	54%
TOTAL ASSETS	787 274	745 418	5.6%	100%

Total assets increased by 41,9 million BGN, or 6%, reaching 787,3 million BGN, compared to 745,4 million BGN as at 31 December 2012 as a result of the increase in both current and non-current assets.

Non-current assets increased by 7,7 million BGN, or 2%, mainly due to the increase in property, plant and equipment by 12,9 million BGN. The main role in this increase have the investments in building the new solid-forms factory. Additional funds were invested for the acquisition of laboratory and production equipment.

Intangible assets increased by 2,8 million BGN, 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 0,8 million BGN, 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 8,4 million BGN in relation to the sale of shares of the capital of Doverie United Holding AD and Krimgas OAO.

Current assets increased by 34,2 million BGN or 9%, reaching 424,8 million BGN as at 30 September 2013 compared to 390,7 million BGN as at 31 December 2012.

Inventories comprise 30% of current assets and decreased by a net amount of 3,6 million BGN compared to 31 December 2012, mainly in the portion of finished products by 18,2 million BGN and semi-finished products by 1. Million BGN. There is an increase in goods by 8 million BGN, unfinished products by 1,8 million BGN materials by 5,9 million BGN. Commercial loans, which have a relative share of 45% of current assets, increased by 32,2 million BGN, most significantly in the portion of receivables from customers (23,9 million BGN).

Receivables from related parties have a relative share of 14% in current assets and decreased by

1,1 million BGN. The most significant contribution to this decrease have receivables from sale of products and materials with 2,5 million BGN. Other receivables and prepaid expenses comprise 5% of current assets and decreased by 0,6 million BGN, as a result of a decrease in awards on litigations by 4,5 million BGN.

Cash and cash equivalents increased by 7,2 million BGN compared to 31 December 2012. As at the end of the current period there are deposits amounting to 3,7 million BGN.

Liabilities and owner's equity

	30.09.2013 BGN '000	31.12.2012 BGN '000	change %	share 2013 %
OWNERS' EQUITY				
Share capital	132 000	132 000	0%	32%
Reserves	34 404	35 979	-4%	8%
Retained earnings	195 621	177 900	10%	47%
	362 025	345 879	5%	87%
NON-CONTROLLING INTEREST	53 254	45 474	17%	13%
TOTAL OWNERS' EQUITY	415 279	391 353	6%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	54 633	56 844	-4%	15%
Liabilities on deferred taxes	7 093	5 792	22%	2%
Liabilities to the personnel upon retirement	2 498	2 331	7%	1%
Financial leasing liabilities	1 706	2 509	-32%	0%
Government grants	5 927	2 567	131%	2%
Other non-current liabilities	45	45	0%	0%
	71 902	70 088	3%	19%
Current liabilities				
Short-term loans from banks and third parties	198 944	203 994	-2%	53%
Short-term part of long-term bank loans	22 230	9 559	133%	6%
Commercial liabilities	57 818	55 242	5%	16%
Liabilities to related parties	1 172	1 560	-25%	0%
Liabilities to the personnel and for social insurance	8 427	6 624	27%	2%
Liabilities for taxes	3 794	2 408	58%	1%
Other current liabilities	7 708	4 590	68%	2%
	300 093	283 977	6%	81%
TOTAL LIABILITIES	371 995	354 065	5%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	787 274	745 418	5.6%	

The owner's equity of the Sopharma Group increased by 23,9 million BGN compared to 31 December 2012 mainly through the achieved net profit for the current period. Equity relating to equity holders of the Company comprise 46% of total equity and liabilities, with a certain improvement of the financial autonomy of the Group.

Non-current liabilities increased by 1,8 million BGN or 3%, from 70,1 million BGN at the end of 2012 to 71,9 million BGN at the end of the nine months of 2013 mainly due to the increase in government grants by 3,4 million BGN, which is due to the appropriation of funds from an participation of Group companies in OP Competitiveness.

Deferred taxes liabilities increased by 1,3 million BGN. There is a decrease in financial lease liabilities by 0,8 million BGN and long-term bank loans by 2,2 million BGN.

Current liabilities increased by 16,1 million BGN or 6% compared to 2012, mainly due to short-term part of long-term bank loans, which increased by 12,7 million BGN. There is an increase in tax liabilities by 1,4 million BGN, liabilities to the personnel and for social security by 1,8 million BGN, other current liabilities by 3,1 million BGN and commercial liabilities by 2,6 million BGN. The Group's total liabilities on bank loans and leases increased by 4,6 million BGN compared to the end of 2012, while net debt, after subtracting of cash and cash equivalents, decreases by 2,6 million BGN.

Cash flow

	30.09.2013 BGN '000	30.09.2012 BGN '000
Net cash flow from operations	30 448	(9 296)
Net cash flow from investment activities	(18 179)	(45 057)
Net cash flow from financial operations	(4 794)	43 855
Net increase/(decrease) of cash and cash equivalents	7 233	(10 736)
Cash and cash equivalents on January 1	15 767	32 235
Cash and cash equivalents on 30 September	23 000	21 499

Net cash flow from operations as at 30 September 2013 amounts to 30,4 million BGN, from investment activities (18,1) million BGN and from financial operations (4,8) million BGN. As a result of these activities the cash and cash equivalents mark a net increase of 7,2 million BGN and as at 30 September 2013 amount to 23 million BGN, compared to 15,8 million BGN as at the end of 2012.

Financial ratios

	30.09.2013	30.09.2012
ROE ¹	8,4%	13,7%
ROA ²	3,9%	6,4%
Asset turnover ³	0,95	0,98
Current liquidity ⁴	1,42	1,40
Quick ratio ⁵	0,99	1,00
Cash/current liabilities ⁶	0,08	0,08
Owners' equity/liabilities ⁷	1,12	1,11

¹ Net profit belonging to the equity holders of the Company, annualized / arithmetic mean of the equity 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 Revenues 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 as at 30 September 2013 is 132 million with a nominal value of 1 BGN per share. All issued shares are 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. Sopharma's shares are traded on the official market of the BSE - Sofia and the official market of the Warsaw Stock Exchange. The shares are part of the indices SOFIX, BG40 and BGTR30 on the BSE - Sofia.

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 on 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 income from dividends and subscription rights to shares.

Important information for the shares of Sopharma AD

	30.09.2013	30.09.2012
Total number of issued shares	132 000 000	132 000 000
Number of shares outstanding at the end of the period	126 513 728	128 428 791
Earnings per share in BGN ¹	0,24	0,348
Price per share at the end of the period in BGN	3,292	2,400
Price/Earnings ratio (P/E)	13,72	6,90
Book value per share in BGN ²	2,86	2,69
Price/Book value ratio (P/B)	1,15	0,892
Income from sale of one share in BGN ³	5,83	5,323
Price of one share / Income from sale of one share (P/S)	0,56	0,451
Market capitalization in BGN	434 544 000	316 800 000

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 with shared of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 1 January – 30 September 2013



Signature:

Ognian Donev, PhD
Executive Director, Sopharma AD