

MANAGEMENT REPORT

for Q3



SOPHARMA AD

2013

General information about Sopharma AD

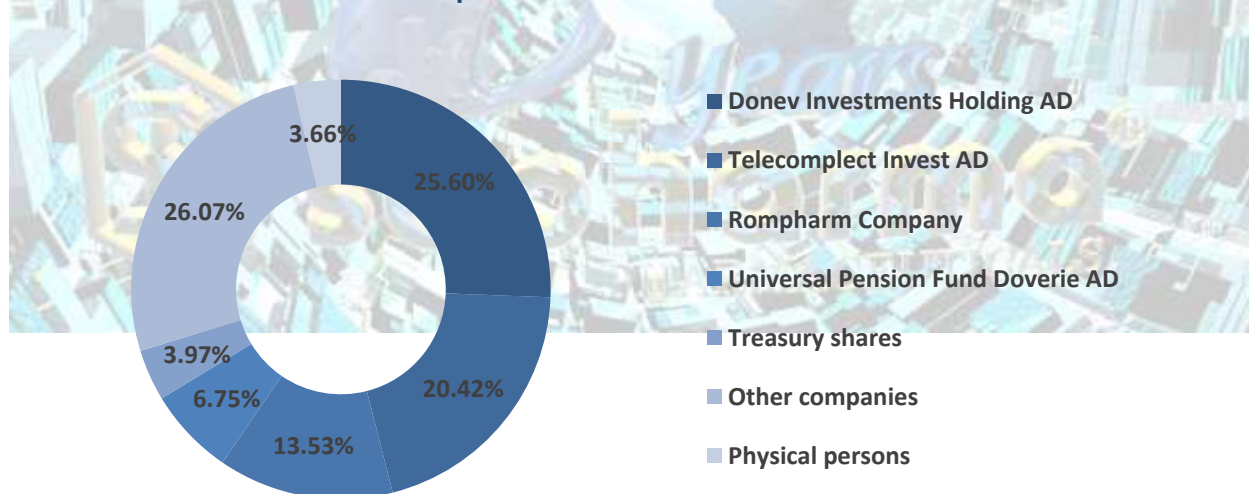
Sopharma AD is a trade company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, Iliensko shose street No 16.

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

The Company conducts 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 provides services related to production, as well as ancillary and service activities.

The Company has marketing authorizations under the Law on Medicines and Pharmacies in Human Medicine for all products of its manufacturing nomenclature.

Shareholder structure as at 30 September 2013



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, Ognian Palaveev, Alexander Tchaushev, Andrey Breshkov. The Company is represented and managed by the Executive Director Ognian Donev, PhD.

Industrial activity

Sopharma AD has ten manufacturing facilities, which are compliant with EU regulations and are located in Bulgaria. In June 2013 the Company opened a new production plant with annual capacity of 4 billion tablets in Sofia. Sopharma AD is the only Bulgarian producer of ampoules and suppositories.

The Company carries out and develops production in the following areas:

- + Substances and preparations based on vegetable raw materials (phytochemical production);
- + 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, 12 products are phyto-based. The original products of the Company (and in particular Carsil and Tempalgin) are key contributors to its revenues from export markets, while for the domestic sales the most important products are generics, among which the leading medicine 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 gynaecology.

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 phyto-based product, used in the treatment 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 product, used for stimulation of the reproductive system

Intellectual property

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

For the distinguishing of the manufactured generic products Sopharma AD relies on brand names, 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 assets, the majority being registered rights (trademarks, patents, designs) and few of which are unregistered items - mainly technologies.

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

Research and development

Sopharma AD focuses its R&D mainly on generics. The R&D projects are focused on finding and developing new formulas and compositions or physical properties (such as formulation or tablets) of the products in order to adapt them to current market needs. Strategic goal of

Sopharma AD in the future is to achieve a stable result in developing eight to ten new products annually.

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

Employees

For the nine months of 2013 the average number of employees of Sopharma AD is 1,833 (2012: 1,859). The table below shows the detailed information on the staff of the Company.

	30.09.2013	Share %
Number of employees 30.09.2013	1843	100%
Higher education	816	44%
Special education	52	3%
High school education	949	52%
Primary school education	26	1%
Up to 30 years of age	237	13%
Between 31 - 40 years of age	429	23%
Between 41 - 50 years of age	560	30%
Between 51 - 60 years of age	521	28%
Over 60 years of age	96	5%
Women	1157	63%
Men	686	37%

Training programs offered to employees of the Company, aim at increasing their competence levels. 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 third quarter 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 21 June 2013 the Annual General Meeting of Shareholders of Sopharma was held. It decided on the payment of dividends to shareholders in the amount of 0.07 BGN (gross) per share. Dividend payment started on 29 July 2013. In accordance with the Rules of the Central Depository AD, the dividend will be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts an investment intermediary – through the branches of Eurobank EFG - Bulgaria /Postbank/ in the country.

On 31 July 2013 Sopharma AD bought 1000 shares, representing 0.21% of the capital of Maritzatex AD. After the transaction the share of the Company in the capital of Maritzatex AD reached 10.12%.

On 10 September 2013 Sopharma 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%.

New developments and products

New in Q3 2013

The Company has implemented 3 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules, Analgin drops.

Expected in 2013

One 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	промяна %
Sales revenues	157 622	159 047	0,9%
EBITDA	42 685	39 676	7.6%
Operating profit	34 534	33 150	4.2%
Net profit	31 470	35 192	-10.6%
CAPEX	21 550	45 697	-52.8%
	30.09.2013 BGN '000	31.12.2012 BGN '000	
Non-current assets	329 838	324 734	1.6%
Current assets	225 800	258 289	-12.6%
Owners' equity	368 513	350 940	5.0%
Non-current liabilities	55 468	57 647	-3.8%
Current liabilities	131 657	174 436	-24.5%
	1-9/2013	1-9/2012	
Ratios			
EBITDA / Sales revenues	27,1%	25,0%	
Operating profit/ Sales revenues	21,9%	20,8%	
Net profit/ Sales revenues	20,0%	22,1%	
Borrowed capital/Owners' equity	0,51	0,66	
Net debt/ EBITDA	2,9x	4,0x	

Review of risk factors

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

- ✚ The Company faces significant competition.
- ✚ Reputation of the Company may be adversely affected by untrue or misleading information available on websites containing the name "Sopharma", including www.sopharma.com, which have not been authorized by the Company.

- ✦ The Company is dependent on regulatory approvals.
- ✦ Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- ✦ Part of the Company's revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines on reimbursement lists.
- ✦ The Company's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company'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 Company is subject to operational risk which is inherent to its business activities.
- ✦ The Company 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 Company'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.
- ✦ Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in such 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 Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. The Company supplies part of

its raw and other materials in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies. The remaining part of Company operations are usually denominated in BGN and/or EUR. To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

Credit risk

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

In the years of its trade experience, the Company has implemented different schemes of distribution to reach its efficient approach of today, in conformity with the market conditions, using various ways of payment as well as relevant trade discounts. The Company works on its main markets with counterparts with history of their relations on main markets, which include over 70 licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the National Health Insurance Fund and the state hospitals also require the implementation of deferred payments policy. In this sense, regardless of credit risk concentration, it is controlled through the choice of trade counterparts, current monitoring of their liquidity and financial stability as well as direct communication with them and search of prompt measures on first indications for existing problems.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity.

The Company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the Company is its main economic activity generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. To isolate any possible liquidity risk, the Company implements a system of alternative mechanisms of acts and prognoses, the final aim being to maintain good liquidity and, respectively, ability to finance its economic activities. This is complemented by the monitoring of due dates and maturity of assets and liabilities as well as control of cash outflows.

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Company's assets by cash and loans granted, which are with fixed interest rate. On the other hand, Company'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 Company partially dependent on interest risk. This risk is covered in two ways:

- a) optimisation of the sources of credit resources for achieving relatively lower price of attracted funds; and
- b) the combined structure of interest rates on loans, which consists of two components – a permanent one and a variable one, the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favourable for the Company. The permanent 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 unfavourable change of cash flows is reduced to a minimum.

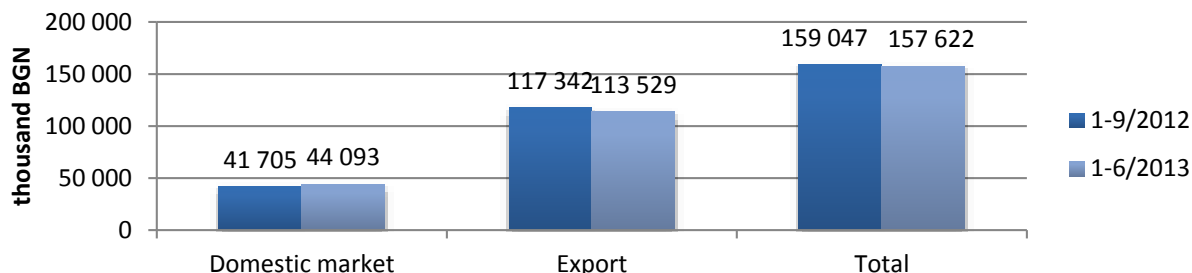
The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or percentage, 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 third quarter of 2013

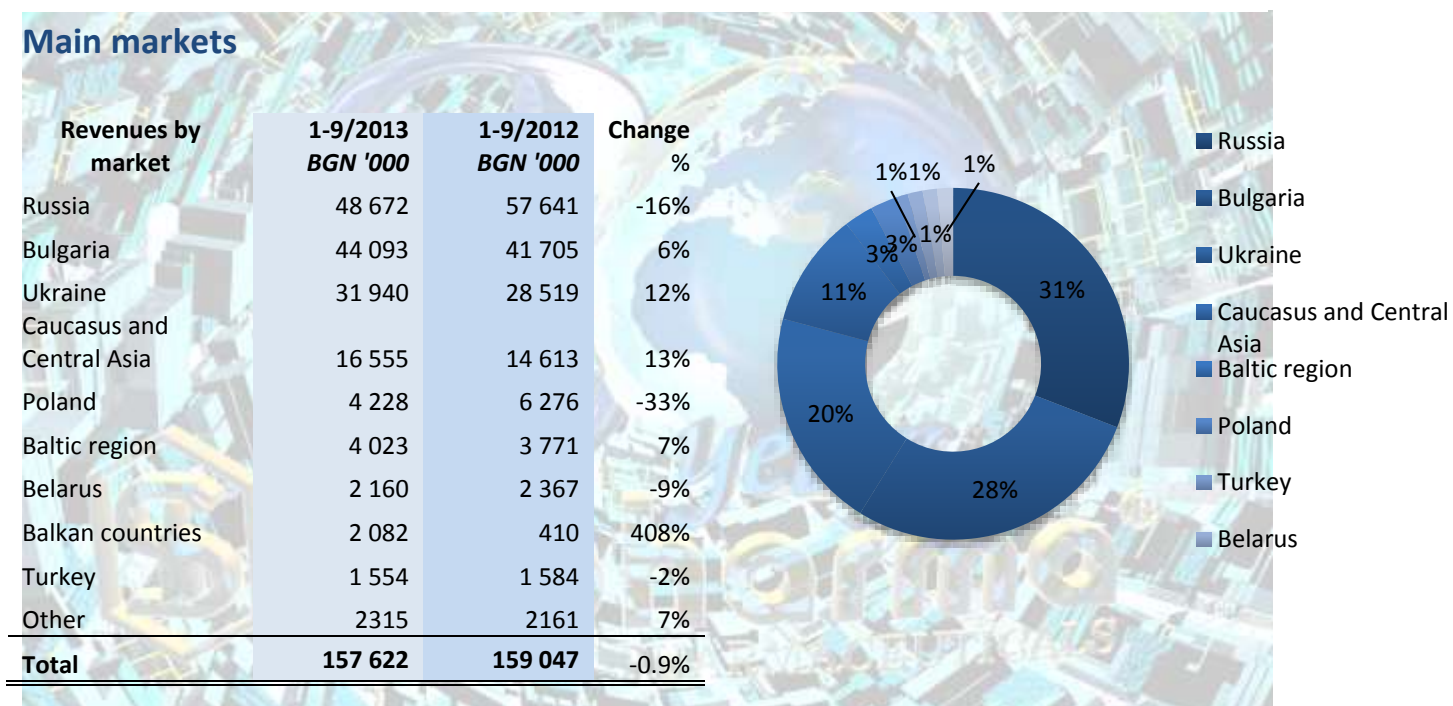
Sales revenues

Sales revenues of production decrease by 1,4 million BGN or 0.9%, reaching 157,6 million BGN as at the end of the third quarter of 2013, compared to 159 million BGN at the end of the third quarter of 2012 .

Sales revenues



Main markets



🇷🇺 Russia

The marketed production in Russia fell by 9 million BGN, or 16% to 48,6 million BGN in the three quarters of 2013 compared to 57,6 million BGN in the three quarters of 2012. The main products that are sold on the Russian market are Carsil, Tempalgin, Tabex, Sidnopharm and Broncholytin.

Bulgaria

The sales of Sopharma AD on the domestic market increased by 2.4 million BGN, or 6% and reached 44,1 million BGN at the end of the third quarter of 2013 compared to 41,7 million BGN at the end of the third quarter of 2012. The products with largest share of sales in the country are Analgin, Vicetin, Methylprednisolone, Nivalin and Vitamin C. Sopharma AD has a 4% share of the total Bulgarian pharmaceutical market in value and 13% of sales in volume. 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 - by value 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).

Ukraine

Sales in the Ukraine in the three quarters of 2013 increased by 3,4 million BGN or 12% to 31,9 million BGN for the current period from 28,5 million BGN for the same period in 2012. The main products exported to the Ukrainian market are Carsil, Tempalgin, Tribestan, Broncholytin, and Tabex.

Caucasus and Central Asia

Sales in the Caucasus and Central Asia (including Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Georgia, Azerbaijan and Armenia) rose by 1,9 million BGN or 13%, reaching 16,5 million BGN in the three quarters of 2013, compared to 14,6 million BGN in 2012. The largest share of revenues in this region have sales in Kazakhstan (48%), with an increase of 15% over the previous year, reaching 7,9 million BGN. The main products Sopharma AD exported to this region were Carsil, Broncholytin, Tempalgin, Tribestan, and Vitamin B Complex.

Poland

Sopharma AD decreased its sales in Poland by 2 million BGN from 6,2 million BGN in the three quarters of 2012 to 4,2 million BGN in the three quarters of 2013. The main products on this market are Tabex, Nivalin, Buscolisin, and Spasmalgon.

Baltic region

Sales to the Baltic region have increased by 0,2 million BGN or 7%, from 3,8 million BGN for the nine months of 2012 to 4 million BGN for the nine months of 2013. The main products are Carsil, Furosemide, Analgin and ampoules.

Belarus

Sales in Belarus in the nine months of 2013 amount to 2,2 million BGN, compared to 2,4 million BGN in the nine months of 2012. The main products sold on this market are Tempalgin, Carsil, Tribestan, Tabex, Broncholytin,.

Balkan countries

Sales in the Balkan countries in the nine months of 2013 amount to 2,1 million BGN compared to 0,4 million BGN in the nine months of 2012. The main products, sold on these markets are sterilized water, Furosemide, Paracetamol, Tribestan, and Tabex.

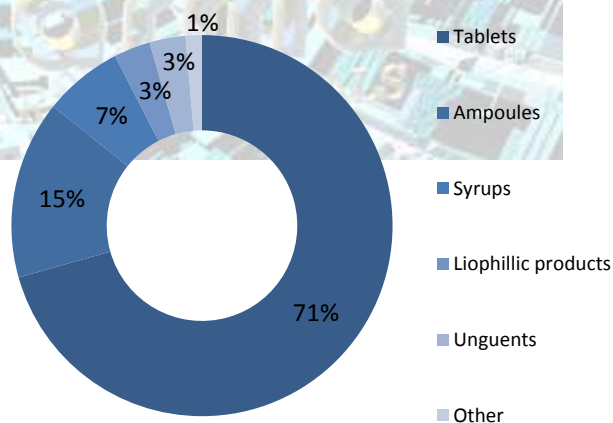
Turkey

In Turkey, sales remained at 1.6 million BGN for both comparable periods. The main product sold on this market is Methylprednisolone.

Sales by type of formulation

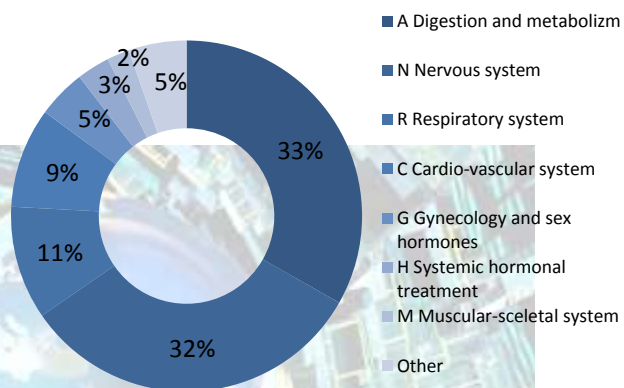
The highest share in the volume of sales have tablet formulations, followed by ampoules, syrups, unguents, and lyophilic products.

Revenues by type of formulation	1-9/2013	1-9/2012	Change %
	BGN '000	BGN '000	
Tablets	111 303	121 044	-8%
Ampoules	23 838	21 442	11%
Syrups	10 591	7 121	49%
Unguents	4 886	4 532	8%
Lyophilic products	4 811	3 542	36%
Other	2 193	1 366	61%
Total	157 622	159 047	-0.9%



Sales by therapeutic group

Revenues by therapeutic group	1-9/2013 BGN '000	1-9/2012 BGN '000	Change %
A Digestion and metabolism	52 360	46 495	13%
N Nervous system	50 715	67 204	-25%
R Respiratory system	16 473	11 043	49%
C Cardio-vascular system	14 548	17 027	-15%
G Gynaecology and sex hormones	7 063	4 555	55%
H Systemic hormonal treatment	4 784	3 594	33%
M Muscular-skeletal system	3 271	3 160	4%
Other	8 408	5 969	41%
Total	157 622	159 047	-0.9%



Other operating revenues

Other operating revenues	1-9/2013 BGN '000	1-9/2012 BGN '000	Change %	Share 2013 %
Income from services	2 044	1 970	4%	87%
Income from sale of products	512	18	2744%	22%
Income from sale of materials	168	307	-45%	7%
Net loss from exchange rate differences	(466)	(235)	98%	-20%
Other	91	986	-91%	4%
Total	2 349	3 046	-23%	100%

Other operating income decreased by 0,7 million BGN from 3 million BGN in the nine months of 2012 to 2,3 million BGN in the nine months of 2013. Main contributors to the decrease are sales of building rights with 0,4 million BGN, net loss from exchange rate differences on commercial receivables, liabilities and current accounts, gain from sales of materials, and gain from sales of long-term tangible assets. Income from services and gain from sales of goods have an effect in the opposite direction.

Operating expenses	1-9/2013	1-9/2012	Change	Share2012
	BGN '000	BGN '000	%	%
Changes in the finished goods and work-in-progress inventory	4 449	-1 745	355%	4%
Materials	40 193	45 148	-11%	32%
External services	43 275	49 409	-12%	34%
Personnel	25 259	26 159	-3%	20%
Amortization	8 151	6 526	25%	6%
Other operating expenses	4 110	3 446	19%	3%
Total	125 437	128 943	-3%	100%

The operating expenses decreased by 3,5 million BGN, or 3%, from 128,9 million BGN in the nine months of 2012 to 125,4 million BGN in the nine months of 2013, which is due to decrease in the cost of materials, hired services and personnel.

Materials expenses	1-9/2013	1-9/2012	Change	Share 2013
	BGN '000	BGN '000	%	%
Main materials	29 893	34 789	-14%	74%
Spare parts, laboratory items and technical materials	3 506	3 701	-5%	9%
Electricity	2 607	2 012	30%	6%
Heat	2 256	2 495	-10%	6%
Fuels and lubricants	945	1 030	-8%	2%
Water	545	560	-3%	1%
Work cloths	441	558	-21%	1%
Scraping of materials	0	3	-100%	0%
Total	40 193	45 148	-11%	100%

Cost of materials (32% share) decreased by 11% or 4,9 million BGN from 45,1 million BGN in the nine months of 2012 to 40,2 million BGN in the nine months of 2013. Costs for basic materials decreased by 4,9 million BGN, in the segments substances, packaging materials, auxiliary, liquid, and hard chemicals, and ampules. There was a decrease in the cost of heat, spare parts, laboratory and technical materials, fuel and lubricants, water and working cloths.

	1-9/2013	1-9/2012	Change	Share 2013
	BGN '000	BGN '000	%	%
Hired services expenses				
Manufacturing	18 764	24 272	-23%	43%
Consultancy fees	6 391	3 294	94%	15%
Advertising	5 668	7 062	-20%	13%
Transportation	2 356	2 476	-5%	5%
Rents	1 745	1 523	15%	4%
Logistics	1 303	1 674	-22%	3%
Maintenance of buildings and equipment	727	1 513	-52%	2%
Security	672	617	9%	2%
State and regulatory taxes and local taxes	611	1 054	-42%	1%
Registration services and clinical trials	606	568	7%	1%
Insurance	543	814	-33%	1%
Civil contracts	547	693	-21%	1%
Local taxes and fees	500	542	-8%	1%
Subscription fees	481	592	-19%	1%
Medical services	478	373	28%	1%
Other	1 883	2 342	-20%	4%
Other	43 275	49 409	-12%	100%

Hired services have a 34% share of operating expenses and decreased by 6 million BGN or 12%, reaching 43 million BGN in the third quarter of 2013 compared to 49 million BGN in the third quarter of 2012. The most significant impact have the decrease in manufacturing cost by 5,5 million BGN, advertising cost by 1,4 million BGN and the cost for maintenance of buildings and equipment by 0,8 million BGN. There is an increase in consultancy services by 3,1 million BGN, rents by 0,2 million BGN and others.

	1-9/2013	1-9/2012	Change	Share 2013
	BGN '000	BGN '000	%	%
Personnel expenses				
Salaries	18 545	18 802	-1%	73%
Social insurance	3 116	3 720	-16%	12%
Social benefits and payments	1 539	1 391	11%	6%
Performance-based bonuses	1 235	1 224	1%	5%
Other	824	1 022	-19%	3%
Total	25 259	26 159	-3%	100%

Personnel costs (a share of 20%) decreased by 0,9 million BGN, or 3% from 26,2 million BGN in the three quarters of 2012 to 25,3 million BGN in the three quarters of 2013. Social security contributions decreased by 0,6 million BGN and social benefits and current accruals increased by 0,01 million BGN.

Other expenses	1-9/2013 BGN '000	1-9/2012 BGN '000	Change %	Share 2013 %
Entertainment expenses	1 437	1 338	7%	35%
Other taxes and payments to the budget	636	87	631%	15%
Accrued depreciation	710	773	-8%	17%
Business trips	476	640	-26%	12%
Scrap and losses of inventories	263	37	611%	6%
Other (see FS notes)	588	571	3%	14%
Total	4 110	3 446	19%	100%

Other operating expenses (with a share of 3%) increased by 0,7 million or 19% from 3,4 million BGN in the nine months of 2012 to 4,1 million BGN in the nine months of 2013, which is mostly due to an increase in other taxes and payments to the budget by 0,6 million BGN, scrap and losses of inventories by 0,2 million BGN and other expenses by 0,1 million BGN. Awards on litigations and business trips costs decreased.

Costs of amortization recorded an increase of 25% from 6,5 million BGN in the third quarter of 2012 to 8,2 million BGN for the same period of 2013.

Financial income and expenses

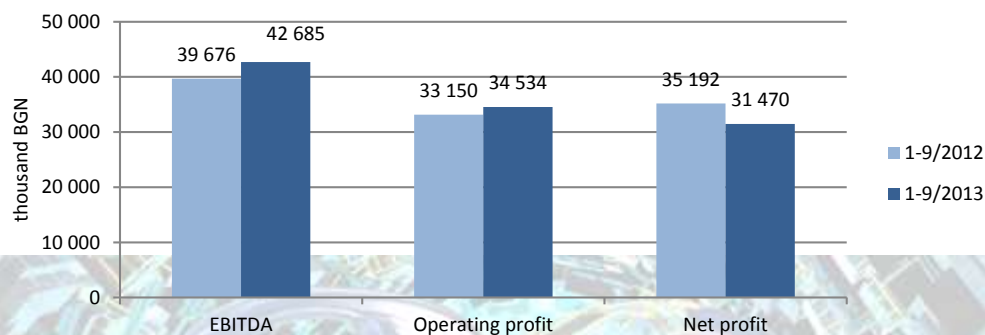
Financial income	1-9/2013	1-9/2012	Change	Share 2013
	BGN '000	BGN '000	%	%
Income from participations	5 889	5 461	7.8%	66%
Income from interest on loans granted	3 054	3 961	-22.9%	34%
Net gain from exchange rate differences on loans	-	339	-100.0%	0%
Net gain from operations with securities	-	185		
Income from interest on deposits	-	3	-100.0%	0%
Total	8 943	9 949	-10%	100%
Financial expenses				
Net loss on from operations with securities	4 527	-		0%
Expenses for interest on loans received	4 047	4 073	-1%	90%
Bank fees for loans and guarantees	251	237	6%	5%
Impairment of available-for-sale investments	197	-		0%
Net loss from exchange rate differences on loans	60	-		
Financial leasing expenses	44	206	-79%	5%
Total	9 126	4 516	102%	100%

Financial income decreased by 1 million BGN, or 10%, to 8,9 million BGN in the third quarter of 2013 compared to 9,9 million BGN in the third quarter of 2012. Income from participations increased by 0,4 million BGN. Income from interest on loans granted decreased by 0,9 million BGN, net gain from exchange rate differences on loans by 0,3 million BGN and net gain from operations with securities by 0,2 million BGN.

Financial expenses increased by 4,6 million BGN from 4.5 million BGN in the nine months of 2012 to 9,1 million BGN in the nine months of 2013. This increase is mainly due to the net loss from operations with securities by 4,5 million BGN as a result to the sale of shares of Doverie United Holding AD.

Net financial income (expense) decreased by 5,6 million BGN, reaching (0,2) million BGN by the end of the third quarter of 2013, compared to 5,4 million BGN at the end of the third quarter of 2012.

Operating result



Profit before interest, taxes, depreciation and amortization (EBITDA) grew by 3 million BGN or 7,6%, amounting to 42,7 million BGN as at 30 September 2013, compared to 39,7 million BGN as at 30 September 2012.

The operating profit increased by 1,4 million BGN or 4,2%, reaching 34,5 million BGN as at 30 September 2013, compared to 33,2 million BGN as at 30 September 2012.

Net income decreased by 3,7 million BGN or 10,6% to 31,5 million BGN as at 30 September 2012 compared to 35,2 million BGN as at 30 September 2012.

Assets

	30.09.2013	31.12.2012	Change	Share 2013
	BGN '000	BGN '000	%	%
Non-current assets				
Property, plant and equipment	199 523	186 861	7%	60%
Intangible assets	3 614	3 973	-9%	1%
Investment property	19 391	19 391	0%	6%
Investments in subsidiaries	93 628	92 932	1%	28%
Available-for-sale investments	13 230	19 472	-32%	4%
Long-term receivables from related parties	435	1 183	-63%	0%
Other long-term receivables	17	922	-98%	0%
	329 838	324 734	2%	59%
Current assets				
Inventories	54 131	54 482	-1%	24%
Receivables from related parties	128 663	167 113	-23%	57%
Commercial receivables	26 950	22 539	20%	12%
Other receivables and prepaid expenses	12 233	11 560	6%	5%
Cash and cash equivalents	3 823	2 595	47%	2%
	225 800	258 289	-13%	41%
TOTAL ASSETS	555 638	583 023	-5%	100%

Total assets decreased by 27,4 million BGN or 5%, reaching 555,6 million BGN compared to 583 million BGN as at 31 December 2012 as a consequence of a decrease of current assets.

Non-current assets increased by 5,1 million BGN, or 2%, due to the increase in property, plant and equipment by 12,7 million BGN and in investments in subsidiaries by 0,7 million BGN. Available-for-sale investments decreased by 6,2 million BGN, long-term receivables from related parties – by 0,7 million BGN, other long-term receivables – by 0,9 million BGN and intangible assets – by 0,4 million BGN compared to 31 December 2012.

	30.09.2013	31.12.2012	Change	Share 2013
Property, plant and equipment	BGN '000	BGN '000	%	%
Land and buildings	105 807	63 259	67%	53%
Machines and equipment	80 496	33 500	140%	40%
Other	9 886	11 485	-14%	5%
In process of acquisition	3 334	78 617	-96%	2%
Total	199 523	186 861	7%	100%

Property, plant and equipment has most substantially increased in the proportion of land and buildings by 42,5 million BGN and property, plant and equipment by 47 million BGN. The assets in process of acquisition decreased by 75,3 million BGN. These changes are primarily due to the newly opened plant for solid dosage forms. Intangible assets fell in the part of software and intellectual property.

Investments in subsidiaries increased by 0,7 million BGN and the available-for-sale investments – by 6,2 million BGN, due to the sale of shares of the capital of Doverie United Holding AD.

Long-term loans to related parties decreases by 0,7 million BGN.

Current assets decreased by 32,5 million BGN or 13%, reaching 225,8 million BGN as at 30 September 2013 compared to 258,3 million BGN as at 31 December 2012.

	30.09.2013	31.12.2012	change	Share 2013
Inventories	BGN '000	BGN '000	%	%
Materials	29 330	24 800	18%	54%
Finished products	18 251	22 973	-21%	34%
Work in progress	4 255	3 162	35%	8%
Semi-finished products	2 147	3 182	-33%	4%
Goods	148	365	-59%	0%
Total	54 131	54 482	-1%	100%

Inventories decreased by 0,4 million BGN compared to 31 December 2012, mainly in the part of finished products, semi-finished products and goods respectively by 4,5 million BGN, 1 million

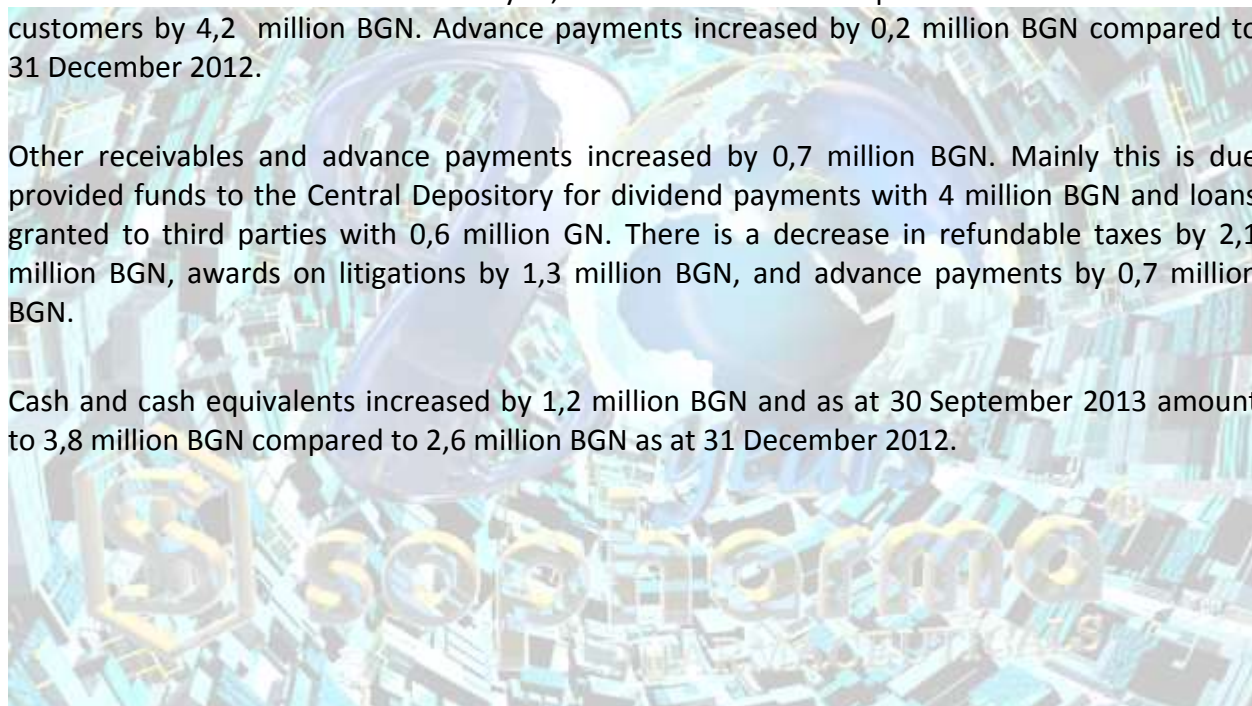
BGN and 0,2 million BGN. Materials increased by 4,5 million BGN, as well as unfinished products by 1,1 million BGN.

Receivables from related parties decreased by 38,4 million BGN. This is a result of a decrease of income from sale of finished products and materials by 40,4 million BGN, which is partially compensated by an increase in provided commercial loans by 1,7 million BGN, advance payments by 0,2 million BGN and receivables from dividends by 0,05 million BGN.

Commercial receivables increased by 4,4 million BGN in the portion of receivables from customers by 4,2 million BGN. Advance payments increased by 0,2 million BGN compared to 31 December 2012.

Other receivables and advance payments increased by 0,7 million BGN. Mainly this is due provided funds to the Central Depository for dividend payments with 4 million BGN and loans granted to third parties with 0,6 million GN. There is a decrease in refundable taxes by 2,1 million BGN, awards on litigations by 1,3 million BGN, and advance payments by 0,7 million BGN.

Cash and cash equivalents increased by 1,2 million BGN and as at 30 September 2013 amount to 3,8 million BGN compared to 2,6 million BGN as at 31 December 2012.



Liabilities and owners' equity

	30.09.2013	31.12.2012	Change	Share 2013
	BGN '000	BGN '000	%	%
OWNERS' EQUITY				
Share capital	132 000	132 000	0%	36%
Treasury stock	-17 353	-12 156	43%	-5%
Reserves	222 355	189 928	17%	60%
Retained earnings	31 511	41 168	-23%	9%
TOTAL OWNERS' EQUITY	368 513	350 940	5%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	46 507	51 779	-10%	25%
Liabilities on deferred taxes	3 573	3 815	-6%	2%
Liabilities to the personnel upon retirement	1 688	1 371	23%	1%
Financial leasing liabilities	62	682	-91%	0%
Other non-current liabilities	3 638			2%
Total non-current liabilities	55 468	57 647	-4%	30%
Current liabilities				
Short-term bank loans	101 074	152 778	-34%	54%
Short-term part of long-term bank loans	7 709	5 888	31%	4%
Commercial liabilities	6 186	7 090	-13%	3%
Liabilities to related parties	6 064	3 782	60%	3%
Liabilities for taxes	383	208	84%	0%
Liabilities to the personnel and for social insurance	5 269	3 684	43%	3%
Other current liabilities	4 972	1 006	394%	3%
Total current liabilities	131 657	174 436	-25%	70%
TOTAL LIABILITIES	187 125	232 083	-19%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	555 638	583 023	-5%	

Equity increased by 17,6 million BGN compared to 31 December 2012 as a result of increased reserves by 32,4 million BGN. At the end of the third quarter of 2013 the treasury stock amounts to 5 241 606. During the reporting period no new issue of securities was conducted.

Non-current liabilities decreased by 2,2 million BGN, from 57,6 million BGN at the end of the third quarter of 2012 to 55,4 million BGN at the end of the third quarter of 2013 mainly due to a decrease of long-term bank loans by 5,3 million BGN, as well as deferred taxes and finance lease liabilities. Other non-current liabilities increased by 3,7 million BGN due to received unconditional financial aid under Operational programme - 2007-2013 - Development of the Competitiveness of the Bulgarian Economy.

Current liabilities decreased by 42,8 million BGN compared to 31 December 2012. This is mainly due to a decrease in short-term bank loans and commercial liabilities by 51,7 million BGN and 0,9 million BGN accordingly. Liabilities to related parties, liabilities to personell and for social insurance, other current liabilities and the short-term part of long-term bank loans and tax liabilities increased.

The total exposition to bank loans of the Company as at 30 September 2013 decreased by 55 million BGN compared to 31 December 2012.

Commercial liabilities decreased due to liabilities to suppliers, which decreased by 1,6 million BGN compared to 31 December 2012.

Liabilities to related parties increased by 2,3 million BGN, mainly due to liabilities for services.

Liabilities to personnel and for social security increased by 1,6 million.

Other current liabilities increased in the segment liabilities for dividends.

Cash flow

	30.09.2013	30.09.2012
	BGN '000	BGN '000
Net cash flow from operations	71 514	(12 733)
Net cash flow from investment activities	(7 302)	(26 372)
Net cash flow used in financial operations	(62 984)	27 766
Net increase/(decrease) of cash and cash equivalents	1 228	(11 339)
Cash and cash equivalents on 1 January	2 595	18 038
Cash and cash equivalents on 30 September	3 823	6 699

Net cash flows as at 30 September 2013 generated from operating activities amounted to 71,5 million BGN, net cash from investing activities (7,3) million BGN and financing activities (63) million BGN. As a result of these activities cash and cash equivalents mark a net increase by 1,2 million BGN and as at 30 September 2013 amount to 3,8 million BGN compared to 2,6 million as at 1 January 2013.

Ratios

	30.09.2013	30.09.2012
ROE	10.4%	12.1%
ROA	6.3%	7.4%
Asset turnover	0.36	0.40
Current liquidity	1.72	1.46
Quick ratio	1.30	1.17
Cash/current liabilities	0.03	0.04
Owners' equity/liabilities	1.97	1.46

Information about the shares of Sopharma AD

The total number of outstanding shares at 30 September 2013 of Sopharma AD is 132 million with a nominal value of 1 BGN per share. All issued shares are registered, dematerialized, registered and indivisible. All issued shares are of one class. Each share gives equal rights to its owner, proportionate to the nominal share value. Shares of Sopharma AD are listed on the official market of the Bulgarian Stock Exchange - Sofia and the official market of the Warsaw

Stock Exchange. Shares participate in the formation of the indices SOFIX, BG40 and BGTR30 of the Bulgarian Stock Exchange - 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), which the Warsaw Stock Exchange started to calculate on 30 May 2012. The name of the index is WIG-CEE and it is the third one after WIG-Poland and WIG-Ukraine, which is based on the origin of companies by country. WIG-CEE is calculated based on total return and includes income from dividends and subscription rights.

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
Average outstanding number of shares	127 918 327	129 164 126
Number of shares outstanding at the end of the period	126 758 394	128 794 345
Earnings per share in BGN	0,291	0,307
Price per share at the end of the period in BGN	3,292	2,40
Price/Earnings ratio (P/E)	11,31	7,82
Book value per share in BGN	2,907	2,682
Price/Book value ratio (P/B)	1,13	0,89
Sales per share in BGN	1,703	1,656
Price per share / Sales per share(P/S)	1,933	1,449
Market capitalization in BGN	434 544 000	316 800 000

Trade with shared of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 01 January 2013 – 30 September 2013

