

MANAGEMENT REPORT

2013



SOPHARMA AD

Sopharma AD

General information about Sopharma AD

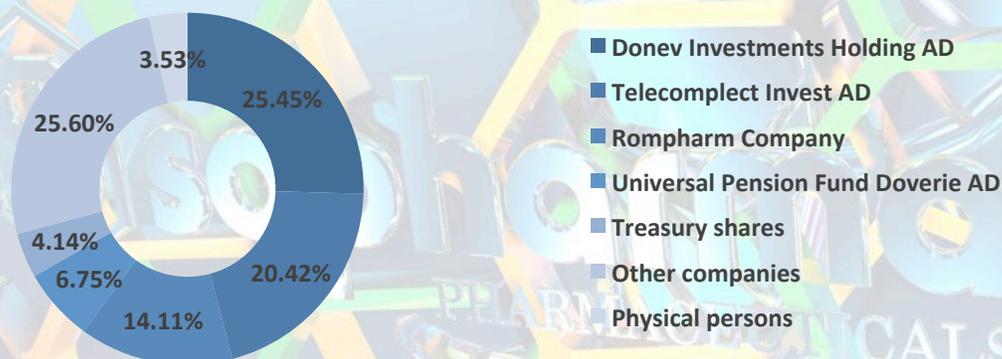
Sopharma AD is a company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, Iliensko shose street No 16.

Sopharma AD was established in 1933. 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 to 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 31 December 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 Chaushev, Andrey Breshkov. 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 for 2013 amounts to 762 669.41 BGN (Art.247a of CA).

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 Chaushev - 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.

Share in the capital of other companies amounting to more than 25% of the members of the Board of Directors:

Ognian Ivanov Donev controls or owns directly a significant share (more than 25%) of the capital of the following companies:

1. "Donev Investments Holding" AD, UIC 831915121, with address of management in Sofia, 12 "Pozitano" Str. – control through direct ownership of more than 50% of the capital of the company;
2. "Telecomplect Invest" AD, UIC 201653294, with address of management in Sofia, 9 "Slaveikov" Square – significant influence through direct ownership of more than 20% of the capital of the company;
3. "Telecomplect" AD, UIC 831643753, with address of management in Sofia, 5 "Lachezar Stanchev" Str., Building A – significant influence through direct ownership of more than 20% of the capital of the company;
4. "Sopharma Buildings" REIT, UIC 175346309, with address of management in Sofia, 5 "Lachezar Stanchev" Str. – significant influence through direct and indirect ownership of more than 20% of the capital of the company;
5. "Sopharma Properties" REIT, UIC 175059266, with address of management in Sofia, 5 "Lachezar Stanchev" Str., Building A – significant share through direct and indirect ownership of more than 20% of the capital of the company;
6. "Sofprint Group" AD, UIC 175413277 with seat and address of management: Sofia, 12 "Pozitano" Str. – control through indirect ownership of more than 50% of the capital of the company;
7. "Sofconsult Group" AD, UIC 175413245, with seat and address of management: Sofia, 12 "Pozitano" Str. – control through indirect ownership of more than 50% of the capital of the company.
8. "Sofia Inform" AD, UIC 121303553, with address of management in Sofia, 12 "Pozitano" Str. – control through indirect ownership of more than 50% of the capital of the company.
9. "Media Group Bulgaria Holding" OOD, UIC 121135162, with seat and address of management: Sofia, 47 "Tsarigradsko Shousse" Blvd. - significant influence through direct ownership of more than 40% of the capital of the company;
10. "Elpharma" AD, UIC 130299513, with seat and address of management: Sofia, 16 „Iliensko shose“ Str. - significant influence through direct ownership of more than 25% of the capital of the company;
11. "Sopharma Trading" AD, UIC 103267194, with seat and address of management: Sofia, 5 "Lachezar Stanchev" Str. – direct and indirect ownership of more than 20% of the capital of the company and participation in the management.
12. Sopharma AD, UIC 831902088, with seat and address of management: 16 Iliensko Shousse Str. – indirect ownership of more than 20% of the capital of the company in participation in the management.

Vessela Liubenova Stoeva controls or owns directly/indirectly a significant share (more than 25%) of the capital of the following companies:

1. "VES elektroinvest systems" EOOD, UIC 201712700, with seat and address of management: Sofia, 9 "P. R. Slaveykov" Square
2. "Eco Solar Invest" OOD, UIC 201634905, with seat and address of management: Sofia, 48

"Alabin" Str.

Alexandar Victorov Chaushev controls or owns directly/indirectly a significant share (more than 25%) of the capital of the following companies:

1. "Sofsarvis" OOD, UIC 131407109, with address of management in Sofia, 339, "Tsar Boris III" Blvd

Andrey Liudmilov Breshkov controls or owns directly/indirectly a significant share (more than 25%) of the capital of the following companies:

1. "Breshkov and Sons" OOD, UIC 115114555, with address of management in Plovdiv, 36 "Gladstone" Str.
2. "CFM" OOD, UIC 131304899, with address of management in Sofia, 2 "Nikolay Haitov" Str.

Ognian Kirilov Palaveev controls or owns directly/indirectly a significant share (more than 25%) of the capital of the following companies:

1. "Mill Stefanovo Village" EOOD, UIC 201045146, with address of management in Stefanovo Village, Lovech District.
2. "Sirius" OOD, UIC 110543305, with address of management in Stefanovo Village, Lovech District, 7 "Apriltsi" Str.

Ognian Ivanov Donev participates in the managing/controlling body in the following companies:

1. "Elpharma" AD, UIC 130299513, with seat and address of management: Sofia, 16 „Iliensko shose“ Str. – member of the Board of Directors and Executive Director.
2. "Sopharma Trading" AD, UIC 103267194, with address of management in Sofia, 5 "Lachezar Stanchev" Str. – Chairman of the Board of Directors.
3. "Donev Investments Holding" AD, UIC 831915121, with address of management in Sofia, 12 "Pozitano" Str. – Chairman of the Supervisory Board.
4. "Unipharm" AD, UIC 831537465, with address of management in Sofia, 3 "Trajko Stanoev" Str. – Chairman of the Supervisory Board.
5. "Kaliman - RT" AD, UIC 121120513, with address of management in Sofia, 16 „Iliensko shose“ Str. – Chairman of the Board of Directors.
6. "Telecomplect" AD, UIC 831643753, with address management in Sofia, 5 "Lachezar Stanchev" Str., Building A – Chairman of the Supervisory Board.
7. "Doverie United Holding" AD, UIC 121575489, with address of management in Sofia, 82 "Knyaz Dondukov" Blvd – Member of the Supervisory Board, Vice-President.
8. "Doverie Capital" AD, UIC 130362127, with address of management in Sofia, 82 "Knyaz Dondukov" Blvd – Member of the Supervisory Board.
9. "Medica" AD, UIC 000000993, with address of management in Sofia, 82 "Knyaz Dondukov" Blvd – Member of the Board of Directors.
10. "Riton P" AD, UIC 822106398, with address of management in Panagyurishte, 30 "Krastio Geshanov" Str. – Member of the Board of Directors.
11. "Momina Krepost" AD, UIK 104055543, with address of management in Veliko Tarnovo, 23 "Magistralna" Str. – Member of the Board of Directors.
12. "Alumni Association of International Economic Relations", UIC 175861145 – Chairman of the Management Board.

13. "Bulgarian Chamber of Commerce", UIC 000703066 – member of the management board.
14. Association "Confederation of Employers and Industrialists in Bulgaria – CEIB the voice of the Bulgarian business", UIC 130439965 – Chairman.
15. Sopharma AD, UIC 831902088, with seat and address of management: 16 Iliensko Shousse Str. – member of the Board of Directors and Executive Director.

Vessela Liubenova Stoeva participates in the management/supervisory body for the following companies:

1. "Elpharma" AD, UIC 130299513, with seat and address of management: Sofia, 16 „Iliensko shose“ Str. - member of the Board of Directors;
2. "VLS" AD, UIC 175082980, with address of management in Sofia, 48 "Alabin" Str. - member of the Board of Directors;
3. "VES elektroinvest systems" EOOD, UIC 201712700, with seat and address of management: Sofia, 9 "P. R. Slaveykov" Square - Manager.
4. Sopharma AD, UIC 831902088, with seat and address of management: 16 Iliensko Shousse Str. – Deputy Chairperson of the Board of Directors.

Alexandar Victorov Chaushev participates in the management/supervisory body of the following companies:

1. "Monbat" AD, UIC 111028849, with registered office in Sofia, Lozenets area, 4 "Golo Bardo" Str. – member of the Supervisory Board;
2. "DK-Domostroene" AD, UIC 102148397, with registered office in Burgas, PO Box 8000, Pobeda area – member of the Board of Directors;
3. "Agency management and advertising in sport 'EAD, UIC 130969084, with registered office in Sofia, Vazrazhdane," Todor Alexandrov "№ 42 – Member of the Board of Directors.
4. Sopharma AD, UIC 831902088, with seat and address of management: 16 Iliensko Shousse Str. – member of the Board of Directors.

Andrey Liudmilov Breshkov participate in the management/supervisory body for the following companies:

1. "Simol" EAD, UIC 101795403, with address of management in Blagoevgrad, 3 "Georgy Izmirliiev" Square – Chairman of the Board of Directors
2. "Vizaton" OOD, UIC 202235166, with seat and address of management: Sofia, Sredets, 225A "Tsar Boris III" Blvd – Chairman of the Board;
3. ZAD "Energy", UIC 831040933, with seat and address of management: Sofia, 33 "Knyaz Dondukov" Blvd - member of the Board of Directors.
4. Sopharma AD, UIC 831902088, with seat and address of management: 16 Iliensko Shousse Str. – member of the Board of Directors.

Ognyan Kirilov Palaveev participates in the management/supervisory body of the following companies:

1. "Sirius" OOD, UIC 110543305, with address of management in Stefanovo Village, Lovech District, 7 "Apriltsi" Str. – member of the Management Board;
2. Sopharma AD, UIC 831902088, with seat and address of management: 16 Iliensko Shousse Str. – member of the Board of Directors.

There were no contracts under Art. 240b of CA in 2013.

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

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 high-tech plant for solid forms with annual capacity of 4 billion tablets in Sofia. Sopharma AD is the largest 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);
- + Tempalgin - original analgesic (painkiller);
- + Tabex – original plant-based drug used for smoking secession
- + Tribestan – original plant-based product, used for stimulation of the reproductive system
- + Broncholytin - original plant-based product used to suppress cough;
- + Analgin - generic analgesic (painkiller);
- + Nivalin – original phyto-based product, used in the treatment of the peripheral nervous system;

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- ✚ Methylprednisolone - generic drugs for cases of severe allergies and certain life-threatening conditions;

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 2013 the average number of employees of Sopharma AD is 1,793 (2012: 1,859). The table below shows the detailed information on the staff of the Company.

	31.12.2013	Share %
Number of employees 31.12.2013	1795	100%
Higher education	811	45%
Special education	50	3%
High school education	914	51%
Primary school education	20	1%
Up to 30 years of age	237	13%

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Between 31 - 40 years of age	417	23%
Between 41 - 50 years of age	557	31%
Between 51 - 60 years of age	501	28%
Over 60 years of age	83	5%
Women	1109	62%
Men	686	38%

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.

Major trading counterparts

The main clients of the Company with relative share in sales revenue exceeding 10% for 2013 are Delta Sales with a relative share of 29%, Sopharma Trading AD – 28% and OAO Vitamini – 21%.

- ✚ Delta Sales Corporation with a seat in Sofia, 20-22 “Zlaten Rog” Str. and principal activities: foreign trade of medicines. The relations are regulated through a contract for sale.
- ✚ Sopharma Trading AD with a seat in Sofia, Nadezhda Region, 16 “Rozhen” Str., with principal activities: wholesale and retail trading of medicines and sanitary and hygiene products. Sopharma Trading AD is a subsidiary of Sopharma AD performing the functions of a "pre-wholesaler" in the process of its finished products realization;
- ✚ OAO Vitamini is a trading company, registered in Ukraine, with a seat and address of management: Ukraine, Cherkas Area, Uman, 31 “Leninski Iskri” Str., with principal activities: production of pharmaceutical products and medicines, wholesale and retail trade of pharmaceutical products, other types of wholesale trade and intermediary services in consumer goods trading. OAO Vitamini is a subsidiary of Sopharma AD.

Suppliers with a relative share exceeding 10% of the supplied services and materials for 2013 are Bulgarian Rose Sevtopolis AD with a relative share of 11.5% and Telecomplex AD with a relative share of 10.8%.

- ✚ “Bulgarian Rose Sevtopolis” AD with a seat and address of management in Kazanluk, 110 “23 Pehoten shipchenski polk” Blvd is a subsidiary of Sopharma AD.
- ✚ "Telecomplex" AD with a seat and address of management in Sofia, 69-73 "Totleben" Blvd is related to Sopharma AD as a company – main shareholder;

Information regarding the execution of the Program for the Implementation of the Internationally Recognized Good Corporate Governance Standards

The Board of Directors of Sopharma AD complies with and implements the Code of Corporate Governance. The Company periodically discloses information about corporate governance in accordance

with the "comply or explain" principle. In the event of non-compliance with the recommendations of the Code the Company provides an explanation.

The actions of the Management of Sopharma AD are directed towards affirming the principles for good corporate governance, increasing the trust of shareholders, investors and persons interested in the management and business of the Company.

The Board of Directors of Sopharma AD adheres to the Good Corporate Governance Program, which is in line with the effective legal regulation, the internationally recognized good corporate governance standards and the Bulgarian National Code for Corporate Governance.

The Board of Directors approves disclosure policies in accordance with the legal requirements and organizational acts. The system for information disclosure guarantees equality of the addressees (shareholders, stakeholders, investors) and prevents misuse of inside information.

The corporate governance guarantees that the system for information disclosure provides complete, timely, accurate and understandable information that allows objective and informed decisions and evaluations.

The Board of Directors of Sopharma AD prepared a Remuneration policy for the members of the Board of Directors, approved by the Annual General Meeting of Shareholders on 21 June 2013. The Remuneration policy has been prepared in accordance with Ordinance №48 from 20 March 2013 of the Financial Supervision Commission and with the Public Offering of Securities Act. The size and structure of the remuneration are approved by the AGM of the Company.

The Company maintains an English version of the corporate website with identical content.

The processes and procedures for conducting of General Meetings of Shareholders guarantee equal treatment of all shareholders – including minority and foreign ones, and protect their interests.

The materials related with the General Meeting of Shareholders are at the disposal of the shareholders as from the day of the invitation announcement in the Commercial Register, on the website of the Company: www.sopharma.bg, and upon request, are provided at no cost to the shareholders.

Shareholders with a voting right can exercise their voting right at the General Meeting personally or through a representative, as well as through correspondence or electronically.

The corporate management takes actions to promote participation of the shareholders in the Annual General Meeting of Shareholders, incl. by providing options for distant attendance through technical means (incl. Internet) in the cases, when this is possible and necessary and does not unnecessarily raise the cost of voting.

The Board of Directors believes that prerequisites have been established for sufficient transparency in the relations with investors, financial media and capital market analysts.

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%.

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%.

Sopharma AD

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.

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%.

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 9 December 2013 the 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 SopharmaAD" 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 3,000,000 BGN. The total cost of the project is 6,063,073 BGN 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 sweating 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.

No major contracts or contracts with a substantial influence on the business of the Company have been concluded during the reporting period.

Transactions between the Company and related parties during the reporting period are presented in the "Related Party Transactions" annex to the annual financial statements. The Company has no transactions outside the ordinary course of its business, and ones which deviate from the market conditions.

During the reporting period there are no unusual events or indicators for the Company.

Information regarding transactions, not listed in the balance sheet is presented in the "Contingencies and commitments" annex to the annual financial statements.

Important events after the date of the preparation of the financial statement

On 14 January 2014 Sopharma AD made a final payment for the capital increase of Briz, which would allow it to expand its presence in the markets of the three Baltic States and Belarus. The share held by Sopharma AD in the capital of the company after the increase reached 66.13% (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 2013 Briz 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.

On 6 February 2014 Sopharma AD 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 with 1.87%.

On 7 February 2014 Sopharma AD received a notification for participation disclosure under art. 145 from POSA from Rompharm Company OOD for the acquisition of 4 230 000 shares, representing 3.20 % of its capital.

On 11 February 2014 Sopharma AD received a notification for participation disclosure under art. 145 from POSA from UPF Doverie for the selling of 3 424 005 shares. After the transaction the share of UPF Doverie in the capital of Sopharma AD decreased with 2.59%. The registration date of the transaction in the Central Depository AD, Sofia is 6 February 2014.

New developments and products

✚ New in 2013

The Company has 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

Around 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.

Planned 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	1-12/2012	change %
	BGN '000	BGN '000	
Sales revenues	216 054	210 291	2,7%
EBITDA	57 283	49 757	15,1%
Operating profit	45 567	40 816	11,6%
Net profit	33 661	40 885	-17,7%
CAPEX	24 785	63 060	-60,70%
	31.12.2013	31.12.2012	
	BGN '000	BGN '000	
Non-current assets	358 109	324 734	10,3%
Current assets	191 027	258 289	-26,0%
Owners' equity	369 686	350 832	5,4%
Non-current liabilities	57 987	57 755	0,4%
Current liabilities	121 463	174 436	-30,4%

Ratios	2013	2012
EBITDA / Sales revenues	26,5%	23,7%
Operating profit/ Sales revenues	21,1%	19,4%
Net profit/ Sales revenues	15,6%	19,4%
Borrowed capital/Owners' equity	0,49	0,66
Net debt/ EBITDA	2,5x	4,2x

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.

Information about the main characteristics of the internal control system applied by the Company in the process of financial statements preparation

According to the Bulgarian legislation, the management is required to prepare a report on the activities as well as financial statements for each financial year, which should give a true and fair view of the Company's financial position and performance as at end of the period, and for the cash flows in accordance with the applicable accounting framework. The responsibility of the Management also includes the application of internal control system for preventing, revealing and elimination of errors and misstatement resultant from the operation of the accounting system. In this respect, the Management observes the following main principles in its activities:

- + adherence to a specific management and accounting policy disclosed in the financial statements;
- + execution of all operations in accordance with the legal and regulatory provisions;
- + reflection of all events and operations in a timely manner, at their accurate amount in the appropriate accounts and for the corresponding reporting period so as to allow the preparation of financial statements in line with the relevant accounting framework;
- + adherence to the principle of prudence in the valuation of assets, liabilities, income and expenses;
- + identification and elimination of fraud and errors;
- + completeness and accuracy of accounting information;
- + preparation of reliable financial information; compliance with international financial reporting standards and adherence to the going concern principle.

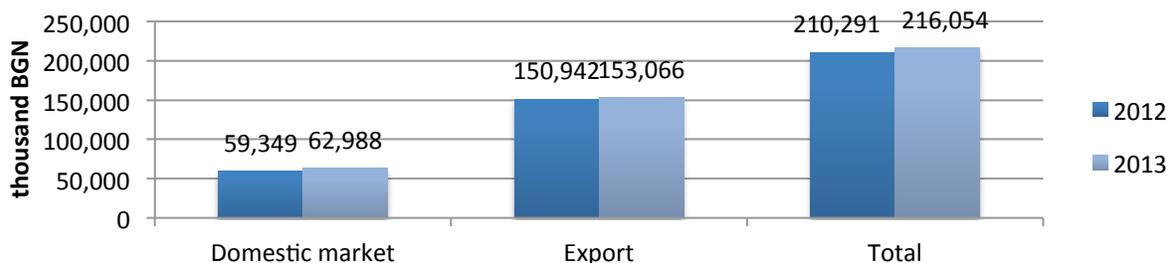
No changes occurred in the main principles of governance of Sopharma AD and its economic group during the reporting period.

Financial results in 2013

Sales revenues

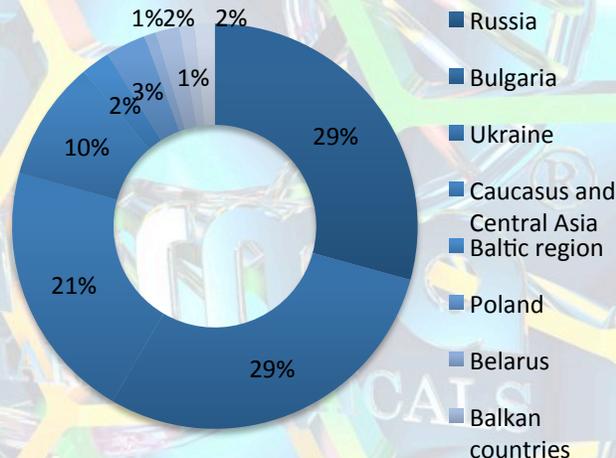
Sales revenues of production increase by 5,8 million BGN or 3%, reaching 216,1 million BGN as at the end of 2013, compared to 210,3 million BGN at the end of 2012.

Sales revenues



Main markets

Revenues by market	2013 BGN '000	2012 BGN '000	Change %
Russia	63 237	69 868	-9%
Bulgaria	62 988	59 349	6%
Ukraine	44 966	38 120	18%
Caucasus and Central Asia	20 680	17 670	17%
Baltic region	6 954	5 515	26%
Poland	5 019	8 274	-39%
Belarus	4 070	4 459	-9%
Balkan countries	2 607	1 294	101%
Turkey	1 994	2 745	-27%
Other	3 539	2 997	18%
Total	216 054	210 291	3%



Russia

The marketed production in Russia fell by 6,6 million BGN, or 9% to 63,2 million BGN in 2013 compared to 69,8 million BGN in 2012. The main products that are sold on the Russian market are Carsil, Tempalgin, Tabex, Troxerutin, and Sidnopharm.

Sopharma AD

Bulgaria

The sales of Sopharma AD on the domestic market increased by 3,6 million BGN, or 6% and reached 62,9 million BGN at the end of 2013 compared to 59,3 million BGN at the end 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 – 6.7% (4.6% in units), Actavis - by value 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).

Ukraine

Sales in the Ukraine in 2013 increased by 6,8 million BGN or 18% to 44,9 million BGN in 2013 from 38,1 million BGN in 2012. The main products exported to the Ukrainian market are Carsil, Tribestan, Tempalgin, Spazmalgon, 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 3 million BGN or 17%, reaching 20,7 million BGN in 2013, compared to 17,7 million BGN in 2012. The largest share of revenues in this region have sales in Kazakhstan (42%), with an increase of 7% over the previous year, reaching 8,7 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 3,3 million BGN from 8,3 million BGN in 2012 to 5 million BGN in 2013. The main products on this market are Tabex, Nivalin, Buscolisin, and Spazmalgon.

Baltic region

Sales to the Baltic region have increased by 1,4 million BGN or 26%, from 5,5 million BGN in 2012 to 6,9 million BGN in 2013. The main products are Carsil, Analgin, Tabex, and ampoules.

Belarus

Sales in Belarus in 2013 amount to 4,1 million BGN, compared to 4,4 million BGN in 2012. The main products sold on this market are Carsil, Tempalgin, Alergozan, Sidnopharm, and Tabex.

Balkan countries

Sales in the Balkan countries in 2013 amount to 2,6 million BGN compared to 1,3 million BGN in 2012. The main products, sold on these markets are sterilized water, Furosemide, Sidnopharm, Tribestan, and Paracetamol.

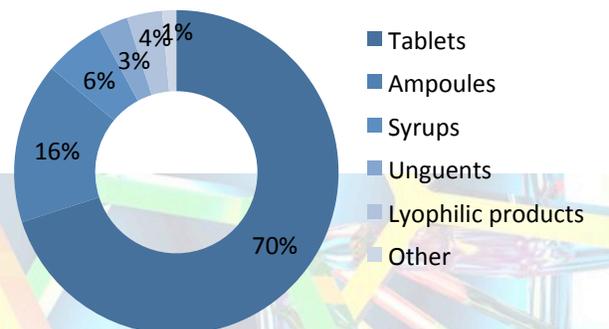
Turkey

In Turkey, sales decreased by 0,7 million BGN from 2,7 million BGN in 2012 to 2 million BGN in 2013. The main product sold on this market is Methylprednisolone.

Sales by type of formulation

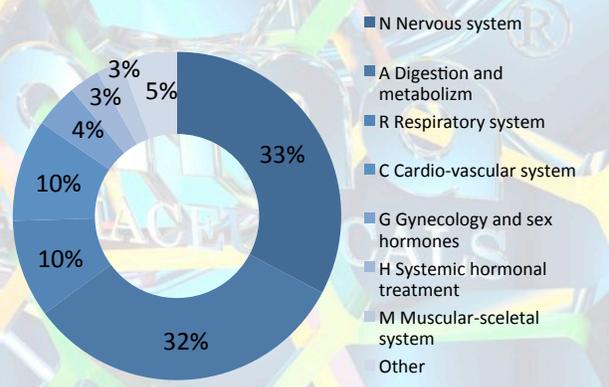
The highest share in the volume of sales have tablet formulations, followed by ampoules, syrups, lyophilic products, and unguents,

Revenues by type of formulation	2013 BGN '000	2012 BGN '000	Change %
Tablets	151 262	153 559	-1%
Ampoules	34 685	30 109	15%
Syrups	13 143	12 129	8%
Unguents	7 559	7 289	4%
Lyophilic products	6 371	5 467	17%
Other	3 034	1 738	75%
Total	216 054	210 291	3%



Sales by therapeutic group

Revenues by therapeutic group	2013 BGN '000	2012 BGN '000	Change %
N Nervous system	70 737	82	-14%
A Digestion and metabolism	69 439	60	15%
R Respiratory system	20 848	23	-13%
C Cardio-vascular system	21 744	18	18%
G Gynaecology and sex hormones	9 381	6 493	44%
H Systemic hormonal treatment	6 484	5 546	17%
M Muscular-skeletal system	5 547	4 235	31%
Other	11 873	8 776	35%
Total	216 054	210 291	3%



Other operating revenues

2013 BGN '000	2012 BGN '000	Change %	Share 2013 %
216 054	210 291	3%	100%

Sopharma AD

Income from services	2 814	2 637	7%	91%
Income from sale of products	674	601	12%	22%
Income from sale of materials	172	330	-48%	6%
Net loss from exchange rate differences	(538)	(333)	62%	-17%
Other	(43)	908	-105%	-1%
Total	3 079	4 143	-26%	100%

Other operating income decreased by 1,1 million BGN from 4,1 million BGN in 2012 to 3 million BGN in 2013. Main contributors to the decrease are sales of building rights with 0,4 million BGN, income from forfeits with 0,7 million BGN, net loss from exchange rate differences on commercial receivables, liabilities and current accounts, gain from sales of materials, and other income. Income from services, gain from sales of long-term tangible assets and gain from sales of goods have an effect in the opposite direction.

Operating expenses

Operating expenses	2013	2012	Change	Share2012
	BGN '000	BGN '000	%	%
Changes in the finished goods and work-in-progress inventory	6 872	-1 113	717%	4%
Materials	54 932	59 002	-7%	32%
External services	59 659	65 710	-9%	34%
Personnel	32 328	34 859	-7%	19%
Amortization	11 716	8 941	31%	7%
Other operating expenses	8 059	6 219	30%	5%
Total	173 566	173 618	0%	100%

The operating expenses remained at the same level of 173,6 million BGN compared to 2012, which is due to a decrease in finished products inventories, raw material cost, external services expenses, personnel cost and an increase in amortization cost and other operating expenses.

	2013	2012	Change	Share
	BGN '000	BGN '000	%	2013
Materials expenses				
Main materials	40 118	44 212	-9%	73%
Spare parts, laboratory items and technical materials	5 290	5 542	-5%	10%
Electricity	3 496	2 750	27%	6%
Heat	3 235	3 560	-9%	6%
Fuels and lubricants	1 254	1 366	-8%	2%
Water	733	770	-5%	1%
Work cloths	593	707	-16%	1%
Impairment of materials	203	73	178%	0%
Scraping and loss of materials	10	22	-55%	0%
Total	54 932	59 002	-7%	100%

Cost of materials (32% share) decreased by 7% or 4 million BGN from 59 million BGN in 2012 to 55 million BGN in 2013. Costs for basic materials decreased by 4,1 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.

	2013	2012	Change	Share
	BGN '000	BGN '000	%	2013
Hired services expenses				
Manufacturing	25 337	30 702	-17%	42%
Consultancy fees	9 522	5 909	61%	16%
Advertising	7 559	9 695	-22%	13%
Rents	2 454	2 175	13%	4%
Transportation	2 264	2 025	12%	4%
Logistics	1 907	2 283	-16%	3%
Maintenance of buildings and equipment	1 433	2 212	-35%	2%
Security	904	855	6%	2%
Registration services and clinical trials	852	1 220	-30%	1%
Civil contracts	775	1 077	-28%	1%
State and regulatory taxes and local taxes	809	811	0%	1%
Insurance	475	574	-17%	1%
Subscription fees	721	758	-5%	1%
Local taxes and fees	667	693	-4%	1%
Expenditure tax	534	523	2%	1%
Medical services	659	501	32%	1%
Other	2 787	3 697	-25%	5%
Other	59 659	65 710	-9%	100%

Hired services have a 34% share of operating expenses and decreased by 6,1 million BGN or 9%, reaching 59,6 million BGN in 2013 compared to 65,7 million BGN in 2012. The most significant impact have the decrease in manufacturing cost by 5,4 million BGN, advertising cost by 2,1 million BGN and the cost for maintenance of buildings and equipment by 0,8 million BGN. There is an increase in consultancy services by 3,6 million BGN, rents by 0,3 million BGN and others.

	2013	2012	Change	Share
	BGN '000	BGN '000	%	2013
Personnel expenses				
Salaries	23 925	25 368	-6%	74%
Social insurance	4 267	5 122	-17%	13%
Social benefits and payments	2 179	2 268	-4%	7%
Performance-based bonuses	1 105	1 224	-10%	3%
Other	852	877	-3%	3%
Total	32 328	34 859	-7%	100%

Personnel costs (a share of 19%) decreased by 2,6 million BGN, or 7% from 34,9 million BGN in 2012 to 32,3 million BGN in 2013. Current salaries decreased by 1,4 million BGN, social security contributions – by 0,8 million BGN and social benefits and current accruals – by 0,1 million BGN.

	2013	2012	Change	Share
	BGN '000	BGN '000	%	2013
Other expenses				
Entertainment expenses	2 560	2 154	19%	32%
Accrued impairment of receivables, net	1 646	798	106%	20%
Accrued impairment of finished good and unfinished products	933	546	71%	12%
Other taxes and payments to the budget	776	186	317%	10%
Business trips	696	938	-26%	9%
Scrapping of finished good and unfinished products	437	159	175%	5%
Other (see FS notes)	1 011	1 438	-30%	13%
Total	8 059	6 219	30%	100%

Other operating expenses (with a share of 5%) increased by 1,8 million or 30% from 6,2 million BGN in 2012 to 8,1 million BGN in 2013, which is mostly due to an increase in entertainment allowances by 0,4 million BGN, other taxes and payments to the budget by 0,6 million BGN, scrap and losses of inventories by 0,3 million BGN, accrued impairment of finished goods and unfinished products by 0,4 million BGN, accrued impairment of receivables by 0,3 million BGN. Accrued impairment of commercial loans granted, business trips costs and other expenses decreased.

Costs of amortization increased of 31% from 8,9 million BGN in 2012 to 11,7 million BGN in 2013.

Financial income and expenses

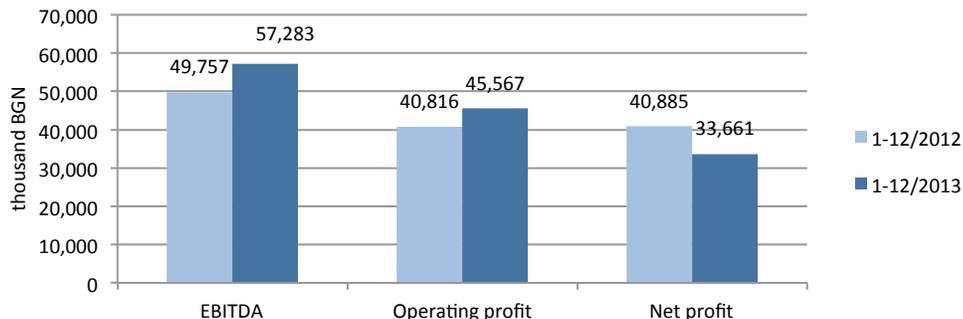
Financial income	2013	2012	Change	Share 2013
	BGN '000	BGN '000	%	%
Income from participations	5 889	6 108	-3.6%	59%
Income from interest on loans granted	3 989	5 034	-20.8%	40%
Income from liquidation shares in subsidiareis	109			1%
Net gain from exchange rate differences on loans	-	451		0%
Gain from contribution of fixed assets to a subsidiary	-	120		0%
Net gain from operations with securities	-	41		0%
Income from interest on deposits	-	3		0%
Total	9 987	11 757	-15%	100%
Financial expenses				
Impairment of available-for-sale investments	6 746	469	1338%	39%
Expenses for interest on loans received	5 676	5 472	4%	33%
Net loss on from operations with securities	4 510	-		26%
Bank fees for loans and guarantees	289	246	17%	2%
Net loss from exchange rate differences on loans	68	-		0%
Financial leasing expenses	49	264	-81%	0%
Total	17 338	6 451	169%	100%

Financial income decreased by 1,8 million BGN, or 15%, to 10 million BGN in 2013 compared to 11,7 million BGN in 2012. This is a result of a decrease in income from participations by 0,2 million BGN, as well as income from interest on loans granted by 1 million BGN.

Financial expenses increased by 10,9 million BGN from 6,4 million BGN in 2012 to 17,3 million BGN in 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 and impairment of available-for-sale (mainly the shares in Doverie United Holding AD) by 6,3 million BGN.

Net financial income (expense) decreased by 12,6 million BGN, reaching (7,3) million BGN in 2013, compared to 5,3 million BGN in 2012.

Operating result



Profit before interest, taxes, depreciation and amortization (EBITDA) grew by 7,5 million BGN or 15,1%, amounting to 57,3 million BGN as at 31 December 2013, compared to 49,8 million BGN as at 31 December 2012.

The operating profit increased by 4,8 million BGN or 11,6%, reaching 45,6 million BGN as at 31 December 2013, compared to 40,8 million BGN as at 31 December 2012.

Net income decreased by 7,2 million BGN or 17,7% to 33,7 million BGN as at 31 December 2013 compared to 40,9 million BGN as at 31 December 2012.

Assets

Non-current assets	31.12.2013	31.12.2012	Change	Share 2013
	BGN '000	BGN '000		
Property, plant and equipment	198 158	186 861	6%	55%
Intangible assets	3 661	3 973	-8%	1%
Investment property	22 555	19 391	16%	6%
Investments in subsidiaries	101 207	92 932	9%	28%
Available-for-sale investments	6 862	19 472	-65%	2%
Long-term receivables from related parties	25 649	1 183	2068%	7%
Other long-term receivables	17	922	-98%	0%
	358 109	324 734	10%	65%

Current assets				
Inventories	50 083	54 482	-8%	26%
Receivables from related parties	103 350	167 113	-38%	54%
Commercial receivables	22 155	22 539	-2%	12%
Other receivables and prepaid expenses	7 241	11 560	-37%	4%
Cash and cash equivalents	8 198	2 595	216%	4%
	191 027	258 289	-26%	35%
TOTAL ASSETS	549 136	583 023	-6%	100%

Total assets decreased by 33,9 million BGN or 6%, reaching 549.1 million BGN compared to 583 million BGN as at 31 December 2012.

Non-current assets increased by 33,4 million BGN, or 10%, due to the increase in property, plant and equipment by 11,3 million BGN, long-term receivables from related parties by 24,5 million BGN, investments in subsidiaries by 8,3 million BGN, and investment properties by 3,2 million BGN. Available-for-sale investments decreased by 12,6 million BGN, other long-term receivables – by 0,9 million BGN and intangible assets – by 0,3 million BGN, compared to 31 December 2012.

Property, plant and equipment	31.12.2013	31.12.2012	Change	Share
	BGN '000	BGN '000		2013
			%	%
Land and buildings	106 621	63 259	69%	54%
Machines and equipment	80 237	33 500	140%	40%
Other	10 317	11 485	-10%	5%
In process of acquisition	983	78 617	-99%	0%
Total	198 158	186 861	6%	100%

Property, plant and equipment has most substantially increased in the proportion of land and buildings by 43,4 million BGN and property, plant and equipment by 46,7 million BGN. The assets in process of acquisition decreased by 77,6 million BGN. These changes are primarily due to the newly opened plant for solid dosage forms. Intangible assets fell in the part of assets in the process of acquisition and increased in intellectual property rights.

Investments in subsidiaries increased by 8,3 million BGN in relation to a payment for a capital increase in Briz, Latvia. The available-for-sale investments decreased by 12,6 million BGN, due to the sale and impairment of shares of the capital of Doverie United Holding AD.

Long-term loans to related parties increases by 24,5 million BGN, which represent transformed short-term loans.

Long-term loans to related parties as at 31 December 2013 are to companies under common control through key management personnel:

- ✚ Contracted amount: 1,278 thousand EUR, interest rate — 5% , maturity — 1 December 2015, balance as at 31 December 2013 — 2,660 thousand BGN;
- ✚ Contracted amount: 10,637 thousand EUR, interest rate — 5% , maturity — 1 December 2015, balance as at 31 December 2013 — 25,554 thousand BGN;

Information on shareholdings and key investments in the country and abroad of Sopharma is presented in the notes to the financial statements - "Investments in subsidiaries" and "Available-for-sale Investments".

Current assets decreased by 67,3 million BGN or 26%, reaching 191 million BGN as at 31 December 2013 compared to 258,3 million BGN as at 31 December 2012.

Inventories	31.12.2013	31.12.2012	change	Share 2013
	BGN '000	BGN '000		
Materials	28 045	24 800	13%	56%
Finished products	16 606	22 973	-28%	33%
Work in progress	2 835	3 162	-10%	6%
Semi-finished products	2 392	3 182	-25%	5%
Goods	205	365	-44%	0%
Total	50 083	54 482	-8%	100%

Inventories decreased by 4,4 million BGN compared to 31 December 2012, mainly in the part of finished products, semi-finished products, unfinished products and goods respectively by 6,4 million BGN, 0,8 million BGN, 0,3 million BGN and 0,2 million BGN. Materials increased by 3,2 million BGN in the basic materials part.

Receivables from related parties decreased by 63,8 million BGN. This is a result of both a decrease of income from sale of finished products and materials by 36 million BGN, as well as the transformation in long-term granted loans.

Current commercial loans granted to related companies:

To companies under common indirect control:

- ✚ Contractual amount: 7 661 thousand EUR; interest rate – 4,5%; maturity – 31 December 2014; balance at 31 December 2013 – 7 447 thousand BGN;

To companies under common control through key management personnel:

- ✚ Contractual amount: 10 455 thousand EUR; interest rate – 4,50%; maturity – 31 December 2014; balance at 31 December 2013 – 11 346 thousand BGN;

- ✚ Contractual amount: 27 050 thousand BGN, interest rate – 8,08%; maturity – 31 August 2014; balance at 31 December 2013 – 5 662 thousand BGN;
- ✚ Contractual amount: 190 thousand BGN; interest rate – 8,08%; maturity – 31 December 2014; balance at 31 December 2013 – 167 thousand BGN.
- ✚ Contractual amount: 1 300 thousand BGN; interest rate – 8,08%; maturity – 31 December 2014; balance at 31 December 2013 – 551 thousand BGN.

To subsidiaries:

- ✚ Contractual amount: 600 thousand BGN; interest rate – 7,00%; maturity – 31 December 2014; balance at 31 December 2013 – 402 thousand BGN;
- ✚ Contractual amount: 25 thousand USD; interest rate – 3,5%; maturity – 31 December 2014; balance at 31 December 2013 – 39 thousand BGN;
- ✚ Contractual amount: 20 thousand USD; interest rate – 3,5%; maturity – 31 December 2014; balance at 31 December 2013 – 32 thousand BGN;
- ✚ Contractual amount: 205 thousand USD; interest rate – 3,5%; maturity – 31 December 2014; balance at 31 December 2013 – 303 thousand BGN;
- ✚ Contractual amount: 2 770 thousand EUR; interest rate – 6,1%; maturity – 20 January 2014; balance at 31 December 2013 – 6 381 thousand BGN;
- ✚ Contractual amount: 2 000 thousand EUR; interest rate – 8,08%; maturity – 30 October 2014; balance at 31 December 2013 – 2 026 thousand BGN.

Commercial receivables decreased by 0,4 million BGN, in the portion of advance payments – by 0,8 million BGN. Receivables from customers increased by 0,4 million BGN compared to 31 December 2012.

Other receivables and advance payments decreased by 4,3 million BGN. Mainly this is due to a decrease in tax recovery by 2,8 million BGN, awards on litigations – by 1,8 million BGN.

Cash and cash equivalents increased by 5,6 million BGN and as at 31 December 2013 amount to 8,2 million BGN, compared to 2,6 million BGN as at 31 December 2012.

Liabilities and owners' equity

	31.12.2013	31.12.2012	Change	Share
	BGN '000	BGN '000	%	2013
OWNERS' EQUITY				
Share capital	132 000	132 000	0%	36%
Treasury stock	(18 105)	(12 156)	49%	-5%
Reserves	220 935	189 928	16%	60%
Retained earnings	34 856	41 060	-15%	9%
TOTAL OWNERS' EQUITY	369 686	350 832	5%	100%
	31.12.2013	31.12.2012	Change	Share
	BGN '000	BGN '000	%	2013
LIABILITIES				
Non-current liabilities				
Long-term bank loans	48 723	51 779	-6%	27%
Liabilities on deferred taxes	3 826	3 815	0%	2%
Liabilities to the personnel upon retirement	1 855	1 479	25%	1%
Financial leasing liabilities	49	682	-93%	0%
Other non-current liabilities	3 534			2%
	57 987	57 755	0%	32%
Current liabilities				
Short-term bank loans	98 878	152 778	-35%	55%
Short-term part of long-term bank loans	3 822	5 888	-35%	2%
Liabilities to related parties	7 836	3 782	107%	4%
Commercial liabilities	4 973	7 090	-30%	3%
Liabilities for taxes	1 243	208	498%	1%
Liabilities to the personnel and for social insurance	3 736	3 684	1%	2%
Other current liabilities	975	1 006	-3%	1%
	121 463	174 436	-30%	68%
TOTAL LIABILITIES	179 450	232 191	-23%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	549 136	583 023	-6%	

Equity increased by 18,9 million BGN compared to 31 December 2012 as a result of increased reserves by 31 million BGN. At the end of 2013 the treasury stock amounts to 5 460 676. During the reporting period no new issue of securities was conducted.

Non-current liabilities increased by 0,2 million BGN, from 57,8 million BGN at the end of 2012 to 58 million BGN at the end of 2013 mainly due to a decrease of long-term bank loans by 3,1 million BGN, as well as finance lease liabilities. Other non-current liabilities increased by 3,5 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 53 million BGN compared to 31 December 2012. This is mainly due to a decrease in short-term bank loans, the short-term part of long-term bank loans and commercial liabilities by 53,9 million BGN, 2,1 million BGN and 2,1 million BGN accordingly. Liabilities to related parties, liabilities to personell and for social security, tax liabilities increased.

The total exposition to bank loans of the Company as at 31 December 2013 decreased by 59 million BGN compared to 31 December 2012.

Commercial liabilities decreased due to liabilities to suppliers, which decreased by 2,3 million BGN compared to 31 December 2012.

Liabilities to related parties increased by 4 million BGN, mainly due to liabilities for services.

Liabilities to personnel and for social security increased by 0,05 million BGN.

Other current liabilities decreased in the segment financial lease liabilities.

Cash flow

	31.12.2013	31.12.2012
	BGN '000	BGN '000
Net cash flow from/(used in) operations	91 443	(5 933)
Net cash flow used for investment activities	(13 890)	(36 118)
Net cash flow used in/from financial operations	(72 477)	26 608
Net increase/(decrease) of cash and cash equivalents	5 076	(15 443)
Cash and cash equivalents on 1 January	2 595	18 038
Cash and cash equivalents on 31 December	7 671	2 595

Net cash flows as at 31 December 2013 generated from operating activities amounted to 91,4 million BGN, net cash from investing activities (13,9) million BGN and financing activities (72,5) million BGN. As a result of these activities cash and cash equivalents mark a net increase by 5,1 million BGN and as at 31 December 2013 amount to 7,7 million BGN compared to 2,6 million as at 1 January 2013.

Ratios

	31.12.2013	31.12.2012
ROE	9,3%	12,2%
ROA	5,8%	7,4%
Asset turnover	0,37	0,38
Current liquidity	1,57	1,48
Quick ratio	1,16	1,17
Cash/current liabilities	0,07	0,01
Owners' equity/liabilities	2,06	1,51

Information about the shares of Sopharma AD

The total number of outstanding shares at 31 December 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, BGBX40 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.

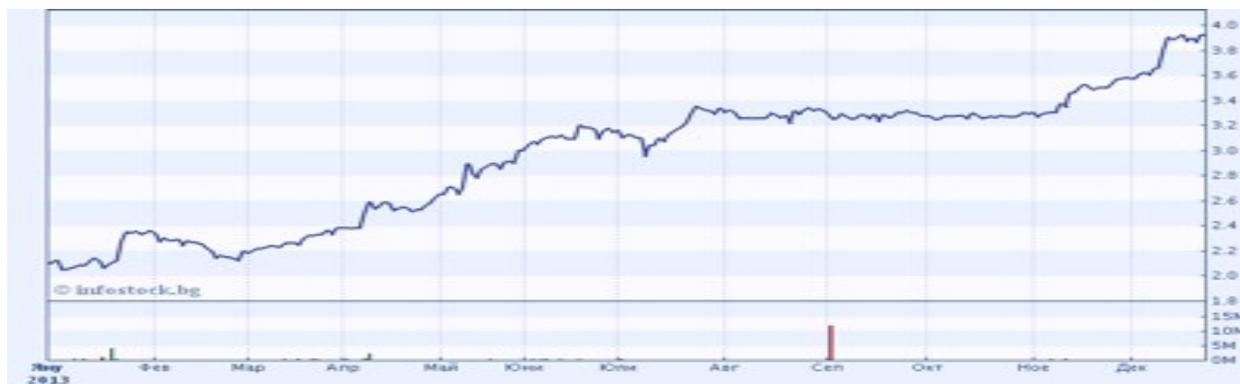
Key indicators of the shares of Sopharma AD

	31.12.2013	31.12.2012
Total number of issued shares	132 000 000	132 000 000
Average-weighted number of outstanding shares for the last four quarters	127 422 985	128 924 868
Number of shares outstanding at the end of the period	126 539 324	128 513 769
Earnings per share in BGN	0,264	0,317
Price per share at the end of the period in BGN	3,914	2,139
Price/Earnings ratio (P/E)	14,83	6,75

Sopharma AD

Book value per share in BGN	2,922	2,729
Price/Book value ratio (P/B)	1,34	0,78
Sales per share in BGN	1,707	1,637
Price per share / Sales per share(P/S)	2,293	1,307
Market capitalization in BGN	516 648 000	282 348 000

Trade with shared of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 01 January 2013 – 31 December 2013



Ognian Donev, PhD
/Executive Director/