Investor Newsletter

Q4 2012

CORE BUSINESS

The Sopharma Group is a leading, vertically-integrated Bulgarian manufacturer, exporter and domestic distributor of pharmaceutical products with a strong presence in Eastern and South-East Europe, offering a wide range of prescription and OTC pharmaceutical products.

The Group operates in the following business areas:

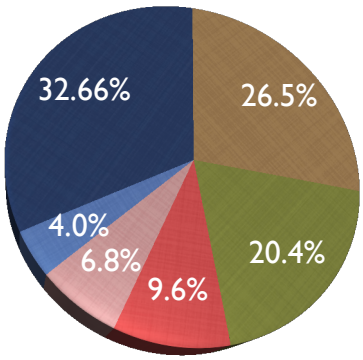
- production of pharmaceuticals, including medicines, mainly generics, and phyto-based substances, nutrition and food supplements ("Production of Pharmaceuticals"), which is primarily carried out by the Company and, to a lesser extent, by its production Subsidiaries, including Bulgarian Rose Sevtopolis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

General information about Sopharma AD

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

Shareholder structure

The largest share of the capital of the company is held by legal entities - mostly financial services companies, as well as pension funds. The shares of the company are registered and freely transferable. As of today the company has more than 36% free float.



Management Board

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

Products

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

Intellectual property

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

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

Research and development

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

Developments in Q4 2012

Earnings

Year over year sales revenue of the Group has increased by 19.1 million EUR or 5.8%, reaching 248.8 million EUR in 2012 compared to 329.6 million BGN in 2011.

Consolidated domestic sales grew by 2.4% on YoY basis, while exports increased by 14.3%. The contribution of sales in Bulgaria to the consolidated sales revenue in 2012 amounted to 69%, reaching 241.2 million EUR compared to 235.6 million EUR in 2011.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 1 million EUR or 3%, amounting to 34.6 million EUR in 2012, compared to 33.6 million EUR in 2011.

Operating profit of the Group increased by 1.2 million EUR or 5.1%, to 24.7 million EUR in 2012 compared to 23.5 million EUR in 2011.

Consolidated net profit profit for 2012 decreased by 2.3 million EUR, or 11.2%, reaching 18.3 million EUR in 2012 compared to 20.6 million EUR in 2011. The individual net profit for 2012 increased by 0.1 million EUR from 2.8 million EUR in 2011 to 20.9 million EUR in 2012.

Sopharma has a 5% share of the Bulgarian pharmaceutical market in terms of value and a 13% share in terms of sales.

Expenses

The operating expenses of the Group in 2012 increased by 19.4 million EUR or 6% from 307 million EUR in 2011 to 326.5 million EUR in 2012 due to growth in sales and therefore the carrying value of sold products in the internal market, increased cost of materials, personnel, depreciation and other operating expenses.

CONSOLIDATED (mln €)	Q4 2012	Q4 2011	Change
Sales Revenue	348.8	329.6	5.8%
EBITDA	34.6	33.6	3.0%
Operating Profit	24.7	23.5	5.1%
Net Profit	18.3	20.6	-11.2%
ROE	10.2%	12.1%	-1.9%
ROA	4.8%	5.5%	-0.7%
Current Ratio	1.39	1.39	0
Quick Ratio	0.93	0.93	0
Net Debt/EBITDA	3.8	2.8	1

UNCONSOLIDATED (mln €)	Q4 2012	Q4 2011	Change
Sales Revenue	107.5	107.3	0.2%
EBITDA	25.5	26.8	-4.9%
Operating Profit	20.9	22.5	-7.1%
Net Profit	20.9	20.8	0.5%
ROE	12.1%	13.4%	-1.3%
ROA	7.4%	8.6%	-1.2%
Current Ratio	1.46	1.37	0.09
Quick Ratio	1.17	1.08	0.09
Net Debt/EBITDA	4.2	2.9	1.3

STOCK DATA	Current	Previous	Change
Price (March 4, 2012)	1.14 EUR		
52 week high / low / %	1.48	1.03	-30.41%
Shares Outstanding	128,428,832		
Market Capitalization	150 Million EUR		
Dividend	.043 EUR per share		

Two social projects of Sopharma AD with nominations for responsible business awards

The tenth issue of the Annual Responsible Business Awards of the Bulgarian Business Leaders Forum collected a record-breaking number of nominees. Among them were also the successfully implemented sustainable projects of Sopharma AD - "Corporate Social Centre" and "We for the Society" - "Health Days". They competed in the categories "Investor in Human Capital and Labour Conditions" and "Cause-related Marketing".

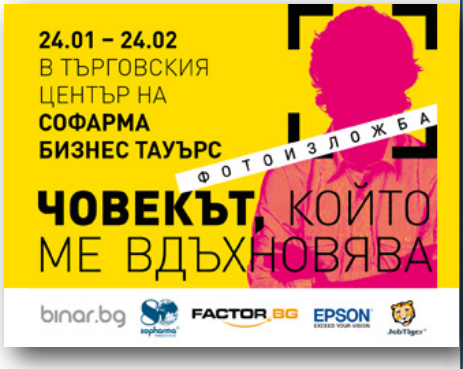
Sopharma co-organized the annual Winter Adventure for children „Slide the Winter" on the children's on-line portal Az-deteto.bg

The event was attended by over 50 children and their parents. The small participants demonstrated high sports spirit and desire to win.

They received many presents and awards and left happy and smiling. The nice weather contributed further to the good mood of participants, guests and organizers.

Sopharma - Partner of the Bulgarian National Radio in the Project "The Man Who Inspires Me"

From January 24th to February 24th Sopharma Business Towers will host the exhibition of the Advertising and Publishing House of BNR, presenting 78 of the most interesting photos in the competition "The Man Who Inspires Me". The initiative is part of the festive events of the national media intended to mark its 78 anniversary.

"We received interesting photo stories about kind and noble individuals", summarized the Director of BNR's Advertising and Publishing House, Mrs Radomira Mihova, "At the opening of the exhibition each of them will receive their original photo printed on high-quality paper Hahnemuehle as a keepsake. Also the 78th best photo-graphers will have their unique works in A3 format with a virtual passepartout and a frame. I am happy to mention that in spite of the deepening demographic crisis, the children are the focus of the project as they are inexhaustible source of inspiration for their parents, teachers and relatives. This campaign transformed in a sort of documentary photo collage of love, kindness, generosity and noble-mindedness in their various faces and forms."

Two participants in the photo contest received a color photo printer Epson L800 and a professional photo camera at the opening of the exposition on January 24th. ■