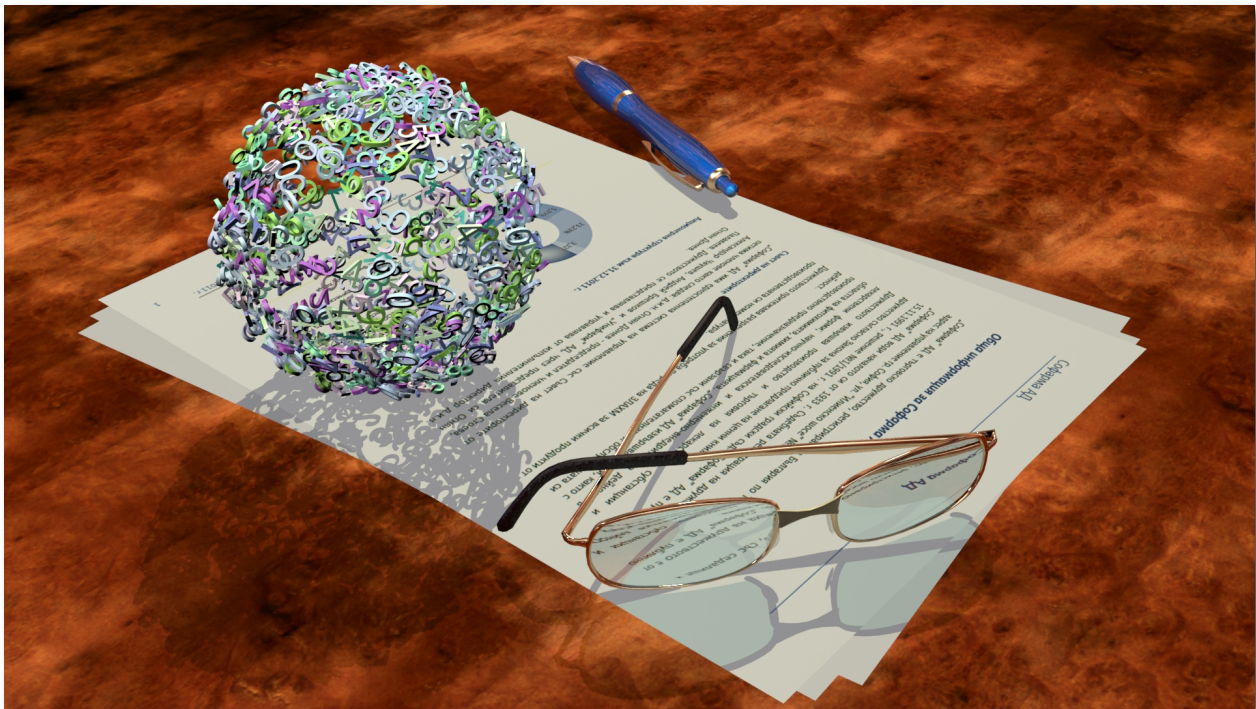


MANAGEMENT REPORT

Q1 2012




SOPHARMA GROUP



General information about the Group

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

The Group operates in the following areas:

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

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

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

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

Subsidiaries

Sopharma Group consists of Sopharma AD and 22 entities, including 21 subsidiaries, directly or indirectly controlled by the Company and a jointly controlled company (Sopharma - Zdrovit JSC, Poland, now in Liquidation).

Company	Share as at 31.03.2012 in %
Sopharma Trading AD	81.33
Bulgarian Rose Sevtopolis AD, Kazanlak, Bulgaria	52.77**
Biofarm Engineering AD, Sliven, Bulgaria	69.43
Farmalogistika AD, Sofia, Bulgaria	76.54
Elektronkomers EOOD, Sofia, Bulgaria	100.00
Sopharma Buildings REIT, Sofia, Bulgaria	42.64
Momina Krepost AD, Veliko Tarnovo, Bulgaria	51.26**
Unipharm AD, Sofia, Bulgaria	52.10**
OAO Vitaminy, Uman, Ukraine	99.56
Rostbalkanpharm ZAO, Azov, Russia	51.00
Sopharma Poland LLC, Warsaw, Poland in Liquidation	60.00
Ivanchich and Sinovi DOO., Belgrade, Serbia	51.00
Sofarma Warsaw Cn.3.o.o., Warsaw, Poland	100.00
Sopharma USA Corp., Los Angeles, USA	100.00
Extab Corporation USA, Wilmington, USA	80.00
Extab Pharma Limited, Henley on Thames, Great Britain*	80.00
BRIZ ZAO, Riga, Latvia	51.00
Brititreyd SOOO, Minsk, Belarus*	49.73
Tabina SOOO, Minsk, Belarus *	50.49
Superlats OOO, Riga, Latvia *	-
Interpharm Company ZAO, Vitebsk, Belarus	49.27
Sopharma Zdrovit JSC Warsaw, Poland in Liquidation ***	50.01

* indirect participation

** effective share

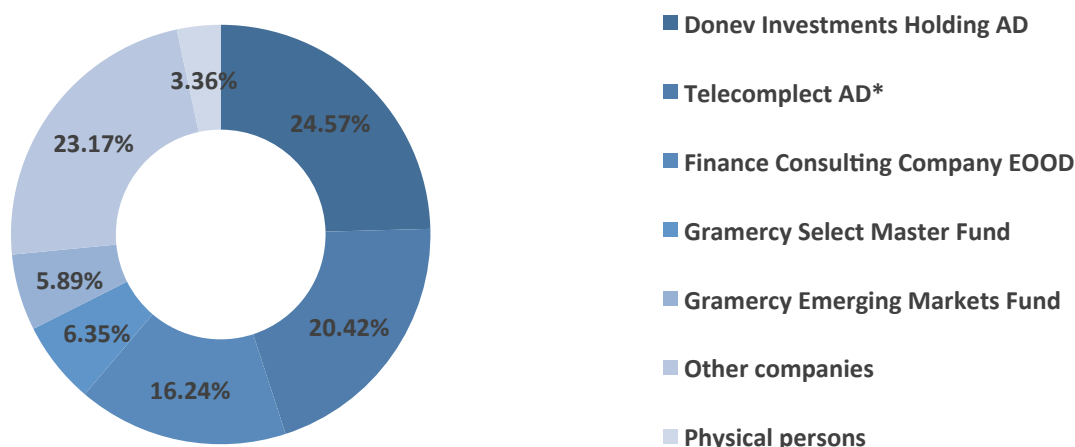
*** joint stock company

ZAO Company Interpharm was an associated company registered in Belarus until 31.12.2011.

Management Board

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

Shareholder structure as at 31.03.2012



*Telekomplekt AD is a formal owner of the shares according to the register of the Central Depository until Telekomplekt Invest AD is registered with the Central Depository as owner

Industrial activity

Sopharma AD and its production subsidiaries have 14 pharmaceutical plants in Bulgaria, compliant with EU regulations (another plant is under construction), one plant in Ukraine, certified by the local authorities with a certificate recognized in all CIS Member States, two in Serbia, one of which is certified by the local authorities (and another newly opened factory in Serbia for solid forms, compliant with EU regulations). With the exception of the plant in Ukraine, all production facilities have undergone procedures for certification to the European GMP.

The production of the company is carried out and developed in the following areas:

- + Production of pharmaceutical products;
- + Substances and preparations based on vegetable raw materials (phytochemical production);
- + Veterinary vaccines;
- + Infusion solutions;
- + Concentrates for hemodialysis;
- + Medical disposable products for human and veterinary medicine;
- + Injection molded products for the industry, agriculture and households.
- + Finished dosage forms including
- + Solid tablets, coated tablets, coated tablets, capsules;

- + Galenical - suppositories, drops, syrups, unguents;
- + Parenteral - injectables, powders for injections lyophilic

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

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

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

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

Distribution

Sopharma Trading is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 22% in 2011 (according to IMS). Sopharma Trading is the only distributor on the Bulgarian market of particular pharmaceutical products for several leading international pharmaceutical and other companies the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

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

Intellectual property

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

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

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

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

Research and development

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

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

Employees

As of 31.03.2012 the average number of employees in the Sopharma Group is 3,840 (3,889 in 2011). The average number of employees in Sopharma AD for 2011 is 1,842 (1,848 in 2011), and in Sopharma Trading AD it is 690 (699 in 2011).

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

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

Changes in Q1 2012 and as at the date of publishing this report

As of 01/31/2012, Mr. Ognian Donev exited his personal position as a shareholder of Sopharma. Mr. Donev remains the main shareholder in the Company through indirect holdings.

On 31.01.2012 the subsidiary Briz Ltd - Latvia acquired 18% of OOO Vivaton plus in Belarus. The remaining 57% will be acquired according to the contract during the period 2012 – 2013.

On 02.15.2012 the subsidiary Briz Ltd - Latvia sold its interest in its subsidiary OOO Superlats.

On 03/19/2012 the mother company opened a kindergarden for children of employees. 25 children will receive professional care in a building that is fully aligned with the requirements for childcare and has a total area of 253 m² interior. The building complies with modern European standards, and the food is prepared consistent with the age of children and requirements for proper nutrition. The investment amounted to 300,000 BGN.

As at 31.03.2012 the total number of treasury shares of Sopharma AD amounted to 2,571,066. or 1.95% of the capital.

On 10.04.2012 the Board of Directors of Sopharma decided to sell 51 % of the capital of ZAO Rostbalkanpharm, city of Azov, Rostov Region, Russian Federation.

On 18.04.2012 Sopharma AD received notifications of disclosure of shareholdings under Art. 145 of POSA:

Gramercy Select Master Fund, USA, Georgetown sold 8,587,285 shares, representing 6.51% of the capital of Sopharma, thereby closing its position in the capital of "Sopharma" AD, and **Gramercy Emerging Markets Fund**, USA, Georgetown sold 7,980,192 shares, representing 6.05% of the capital of Sopharma, thereby closing its position in the capital of "Sopharma" AD.

The date of registration of the two transactions with the Central Depository is 09.04.2012.

On 08.05.2012 the Board of Directors of the Company took the decision to establish the "Sopharma Ukraine OOD" company with headquarters in Kiev, Ukraine and with share capital of 1,000,000 / one million / UAH. The aim of the company is to optimize the trading business in Ukraine.

On 02.05.2012 the Board of Directors of the Company decided to convene an Annual General Meeting of Shareholders, which will take place on 19.06.2012.

The Management Board of JSC Unipharm decided to convene an Annual General Meeting, which will be held on June 20, 2012 from 16:00 in Sofia, "Trajko Stanoev" Str. № 3.

The Board of Directors of Sopharma Trading decided to convene an Annual General Meeting of Shareholders, which will be held on June 26, 2012 at the headquarters of the company.

New developments and products

New products in the first quarter 2012

2 pieces are in place for the company's new product Vitamin C ampoules of 2 ml. and 5 ml. drinking and Neurelaks tablets.

Expected in 2012

By the end of 2012 are expected to be introduced 3-5 new products.

Developments

Around 30 production processes and technologies are in a process of transfer and optimization. Around 22 new products for the company are currently under pharmaceutical.

Key financial indicators

Indicators	1-3/2012 BGN '000	1-3/2011 BGN '000	change %
Sales revenue	173 167	164 801	5,1%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	21 493	17 490	22.9%
Operating profit	16 908	13 260	27.5%
Net profit	12 126	10 859	11.7%
Capital expenditures	12 134	9 783	24. 0%
	31.03.2012 BGN '000	31.03.2012 BGN '000	
Non-current assets	301 553	294 130	2,5%
Current assets	374 615	382 458	-2,1%
Equity	377 693	365 812	3,2%
Non-current liabilities	38 886	35 102	10,8%

Current liabilities	259 589	275 674	-5,8%
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Ratios	1-3/2012	1-3/2011
EBITDA / Sales revenue	12,4%	10,6%
Operating profit/ Sales revenue	9,8%	8,0%
Net profit/ Sales revenue	7,0%	6,6%
Borrowed capital/ Equity	0,79	0,85
Net debt/ EBITDA, annualised	3,0x	2,6x

Review of risk factors

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

- + The Group faces significant competition.
- + Part of Sopharma Trading's revenues in Bulgaria are generated by sales to hospitals, which involve a higher degree of business risk.
- + Reputation of the Group may be adversely affected by untrue or misleading information available on websites (www.sopharma.com) containing the name "Sopharma" which have not been authorized by the Company.
- + The Group is dependent on regulatory approvals.
- + Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- + Part of the Group's revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines on reimbursement lists.
- + The Company's and Group Companies' production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations.
- + The Company's ability to pay dividends depends on a number of factors and there can be no assurance that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.
- + The Group is subject to operational risk which is inherent to its business activities.
- + The Group is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities.

- ✚ Litigation or other out-of-court proceedings or actions may adversely affect the Group's business, financial condition and results of operations.

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

- ✚ The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position.
- ✚ The political environment in Bulgaria has a significant effect on the Group's operations and financial condition.
- ✚ The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition.
- ✚ Risks related to the Bulgarian legal system.
- ✚ Risks relating to exchange rates and the Bulgarian Currency Board
- ✚ Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change

Currency risk

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

A significant volume of the Group's revenue is gained mainly through the parent company from export of finished products contracted as payable in USD. At the same time, the Group again through the parent company supplies part of its basic raw materials and consumables also 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 companies abroad perform sales mainly to the local markets, which leads to currency risk to their currencies as well – Ukrainian Grivna (UAH), Serbian Dinar (RSD), Russian Ruble (RUB), Latvian Lat (LVL), Belarus Ruble (BYR).

The remaining part of Group companies' operations are usually denominated in Bulgarian BGN (BGN) or euro (EUR).

Credit risk

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

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

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

Liquidity risk

Liquidity risk is an adverse situation where the Group encounters difficulty in unconditionally meeting its obligations within their maturity.

The Group generates and maintains a significant volume of liquid funds. An internal source of liquid funds for the Group is its main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. The Group's liquidity may be significantly affected by USD exchange rate fluctuations with regard to the Group's US dollar positions on the Russian market and market dynamics, if the rate deviates from the Group's forecasts. To mitigate any possible liquidity risk, the Group has implemented a system of alternative mechanisms of actions and prognoses, the final aim being to maintain good liquidity and the ability to finance its economic activities. This is supplemented by current monitoring of the maturities of assets and liabilities, control over cash outflows and ensuring their current balancing with inflows, including the renegotiation of maturities and optimization of debt structure as well as increasing and internal restructuring of self-generated funds and their investment.

Risk of interest-bearing cash flows

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

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

The management of the Group companies together with that of the parent company currently monitor and analyse the exposure of the respective company to the changes in interest BGNels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or %age, on the financial result and equity is calculated. For each

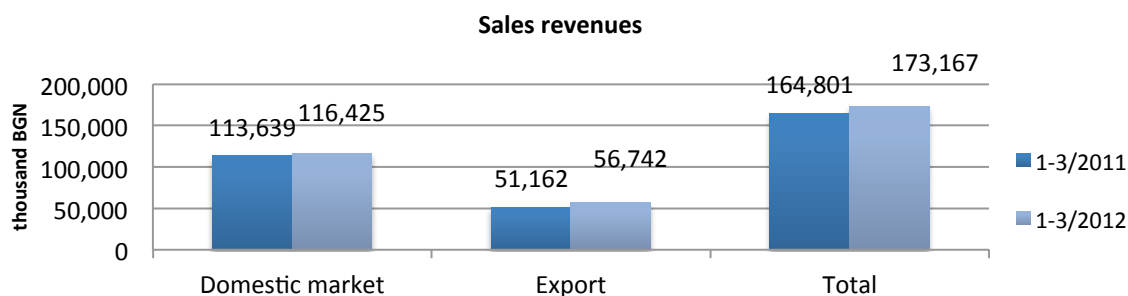
simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Financial results for Q1 2012

Sales revenues

Revenues from sales of the Group have increased by 8.4 million BGN or 5.1 %, reaching 173.2 million BGN in the first quarter of 2012 compared to 164.8 million BGN in the same period 2011. The increase is due to an increase in sales of goods by 1.2 million BGN, reaching 105.7 million BGN in the first quarter 2012 compared to 104.4 million BGN in the first quarter of 2011 . and growth of 7.1 million BGN in sales of finished products, which reach 67.5 million BGN in the first quarter of 2012 compared to 60.4 million BGN in the same period in 2011 .

Sales by types of markets



The contribution of sales in Bulgaria to the consolidated sales revenue in the first quarter of 2012 amounted to 67%, increasing by 2.8 million BGN, or 2.5 %, to 116.4 million in the current quarter, compared to 113.6 million BGN in the first quarter of 2011

Sopharma occupies 5% of the the Bulgarian pharmaceutical market in value and 13% in terms of sales. The positions of the main competitors of the company in the country are as follows: Novartis - 7% (5% in units.), Actavis - by Title 7% (14% in units.), Roche-six % (1% in units.), Glaxosmithkline - 5% (2% in units),, Sanofi-Aventis-Zentiva - 5% (3% in units.), Servier - 4% (2% in units), Astra Zeneca -3% (1 % in units), Pfizer - 3% (2% in units), Bayer -3% (2% in units). Among the distributors of drugs Sopharma Trading has a share of 22%, along with Phoenix / Libra (20.6% share) and Sting (21,8%) have leading positions in the national pharmaceutical market.

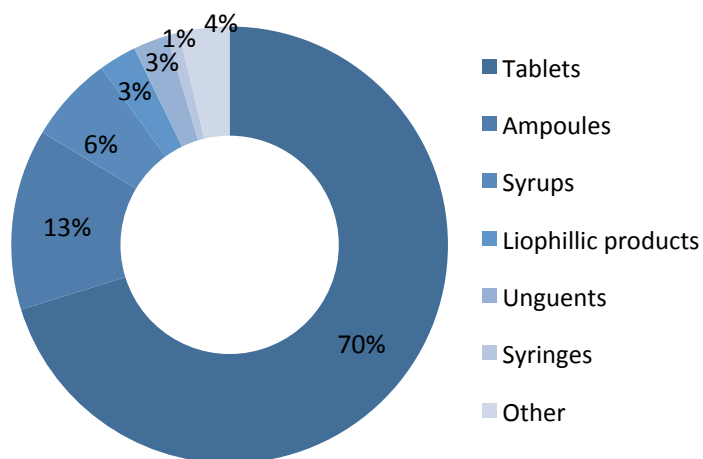
The Group products with the highest proportion of sales in the country are Analgin, Vicetin, Methylprednisolone, Vitamin C..

Revenue by groups of products

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

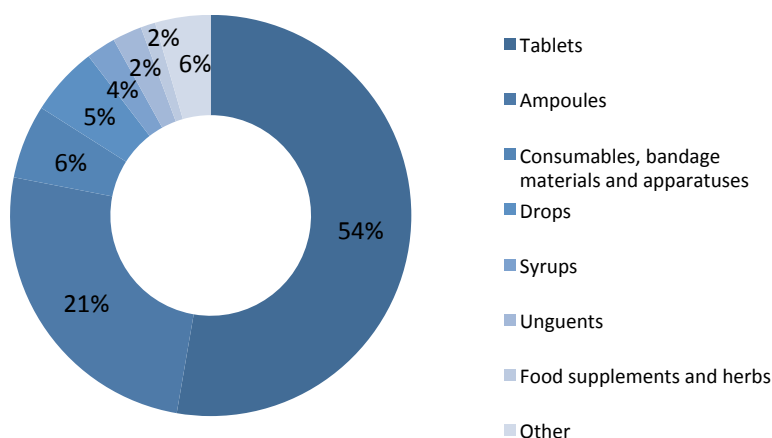
Revenues from the sale of finished products include revenue from the sale of products manufactured by the Company and the Group companies.

Revenues of finished products by type	1-3/2012 BGN '000	1-3/2011 BGN '000	change %
Tablets	47 391	42 118	13%
Ampoules	9 041	7 843	15%
Syrups	4 325	3 750	15%
Liophilic products	1 890	1 467	29%
Unguents	1 716	1 759	-2%
Syringes	620	517	20%
Infusion solutions	434	425	2%
Suppositories	268	310	-14%
Blow-molded articles	171	162	6%
Drops	56	692	-92%
Other	1 584	1 336	19%
Total	67 496	60 379	12%



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

Revenues of goods by type	1-3/2012 BGN '000	1-3/2011 BGN '000	change %
Tablets	57 018	56 554	0.8%
Ampoules	22 654	18 905	20%
Consumables, bandage materials and apparatuses	6 304	11 639	-46%
Drops	4 842	6 239	-22%
Syrups	3 802	3 012	26%
Food supplements and herbs	2 440	1 350	81%
Unguents	2 406	2 198	9%
Other	6 205	4 525	37%
Total	105 671	104 422	1%



Other revenues from operations

Other revenues from operations	1-3/2012 BGN '000	1-3/2011 BGN '000	change %	share 1-3/2012 %
Services rendered	423	285	48%	54%

Profit/ (loss) from sale of long-term assets	228	17	1241%	29%
Rents	159	128	24%	20%
Services of social activities and events	108	115	-6%	14%
Income from financing	90	20	350%	11%
Profit/ (loss) from sale of materials	41	(18)	-328%	5%
Net profit/ (loss) from exchange rate differences on commercial receivables and payables and current accounts	(441)	(269)	64%	-56%
Other	179	86	108%	23%
Total	787	364	116%	100%

Other operating income increased by 0.4 million BGN or 116% compared to first quarter of 2011 reaching 0.8 million BGN in the first quarter 2012, the most significant influence on the increase have profit from the sale of fixed assets and income from services rendered. Net exchange losses on trade receivables, payables and current accounts lead to a decrease of other income of 0.2 million.

Expenses

Operating expenses	1-3/2012	1-3/2011	change	share 1-3/2012
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	(1 609)	785	-305%	-1%
Book value of goods sold	97 595	95 792	2%	62%
Materials	25 166	21 314	18%	16%
Hired services	13 235	12 601	5%	8%
Personnel	16 310	15 236	7%	10%
Amortisation	4 585	4 230	8%	3%
Other operating expenses	1 764	1 947	-9%	1%
Total	157 046	151 905	3%	100%

The operating expenses in the first quarter of 2012 increased by 5.1 million BGN or 3% of the 151.9 million BGN in the first quarter of 2011 to 157 million BGN in the first quarter of 2012 due to growth in sales and therefore the carrying value of sold products in the internal market, increased cost of materials, personnel, external services and depreciation.

	1-3/2012	1-3/2011	change	share 1-3/2012
Expenses on materials	BGN '000	BGN '000	%	%
Basic materials	18 506	15 718	18%	74%
Spare parts, laboratory and technical materials	1 644	1 229	34%	7%
Heat power	2 076	1 425	46%	8%
Electric energy	1 079	1 006	7%	4%
Fuels and lubricating materials	897	1 007	-11%	4%
Water	262	269	-3%	1%
Office materials	162	133	22%	1%
Labour safety measures	155	144	8%	1%
Advertising materials	69	167	-59%	0%
Depreciation of materials	19	2	850%	0%
Other	297	214	39%	1%
Total	25 166	21 314	18%	100%

Cost of material (16% share) increased by 18% or 3.8 million from 21.3 million BGN in the first quarter 2011 to 25.2 million BGN to the first quarter of 2012. The cost of basic materials rose by 2.8 million BGN, or 18%, the most significant impact is defined as the cost of AI which increased by 1.2 million BGN. The cost of heat, spare parts, laboratory and technical materials and electricity contribute the most to this increase. This increase in cost of materials is mainly due to increased volume of output, which reflects changes in stocks of finished goods at the end of the period.

	1-3/2012	1-3/2011	change	share 1-3/2012
Hired services expenses	BGN '000	BGN '000	%	%
Advertising	3 132	2 928	7%	24%
Toll processing	2 297	2 482	-7%	17%
Rentals and insurance	1 421	604	135%	11%
Forwarding and transportation services	1 122	1 058	6%	8%
Buildings and equipment maintenance	852	489	74%	6%
Consulting services	582	398	46%	4%
Bank and regulatory taxes	582	522	11%	4%
Subscription fees	416	289	44%	3%
Services under civil contracts with physical persons	410	290	41%	3%
Registration of medicines	389	215	81%	3%
Local taxes and charges	298	254	17%	2%
Communications	238	236	1%	2%
Other	1 496	2 836	-47%	11%
Total	13 235	12 601	5%	100%

Hired services occupy 8% share of operating expenses and increased by 0.6 million BGN or 5%, reaching 13.2 million BGN for the first quarter 2012 compared to 12.6 million BGN in the quarter of 2011. The most significant influence comes from ad spending, which rose by 0.2 million, rent, insurance (increasing by 0.8 million), maintenance of buildings and equipment - 0.4 million and others.

	1-3/2012	1-3/2011	change	share 1-3/2012
	BGN '000	BGN '000	%	%
Personnel costs				
Current wages and salaries	12 417	11 459	8%	76%
Social security/health insurance contributions	2 647	2 361	12%	16%
Social benefits and payments	631	499	26%	4%
Other	615	917	-33%	4%
Total	16 310	15 236	7%	100%

Personnel costs (with 10 % share) grew by 1.1 million, or 7%, reaching 16.3 million in the first quarter 2012 compared to 15.2 million BGN in the quarter of 2011. Total growth of these costs is due to the increase of salaries and the additional incentive of company staff in the form of food vouchers under a contract with a licensed operator. A significant contribution comes from additional acquisitions.

	1-3/2012	1-3/2011	change	share 1-3/2012
	BGN '000	BGN '000	%	%
Other operating expenses				
Entertainment allowances	487	391	25%	27.6%
Scrap and loss of finished products, goods, work in progress and other assets	362	173	109%	20.5%
Business trips	280	235	19%	15.9%
Accrued (recovered) impairment of current assets	274	691	-60%	15.5%
Donations	97	111	-13%	5.5%
Trainings	92	53	74%	5.2%
Payments to the budget	38	24	58%	2.2%
Other	134	269	-50%	7.6%
Total	1 764	1 947	-9%	100.0%

Other operating expenses (with a share of 1%) reduced by 0.2 million or 9% of the 41.9 million BGN in the first quarter of 2011 to 1.7 million BGN. The decrease was mainly due to the accrued depreciation of current assets net of 0.4 million BGN.

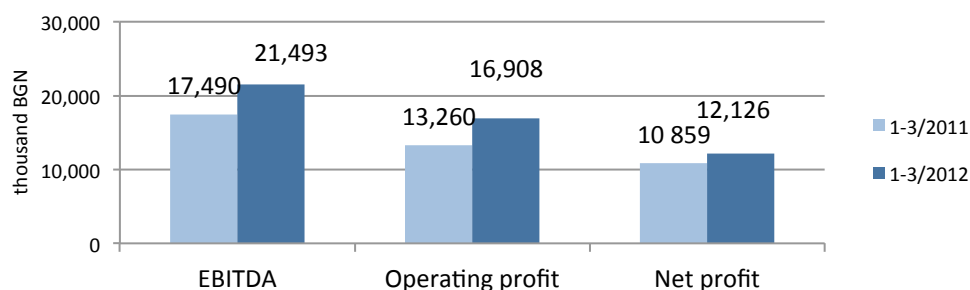
Depreciation expenses (with a share of 3 %) increased by 0.4 million BGN or 8% from 4.2 million BGN quarter of 2011 to 4.6 million BGN to the first quarter of 2012 due to the increased amount of depreciable assets after the acquisition of new companies in the group.

	1-3/2012	1-3/2011	change	share 1-3/2012
	BGN '000	BGN '000	%	%
Financial income				
Income from interest on loans granted	1 054	1 123	-6.1%	89%
Income from interest on overdue payments	110	206	-46.6%	9%
Income from interest on deposits	21	24	-13%	2%
Income from private equity		101	-100%	0%
Interest on special contracts		58	-100%	0%
Total	1 185	1 512	-22%	100%
			change	share 1-3/2012
Financial expenses				
Interest expenses on loans	1 615	1 948	-17%	80%
Bank fees on loans and guarantees	175	194	-10%	8%
Net loss from exchange rate differences on loans	119	235	-49%	10%
Financial leasing interest	81	57	42%	2%
Investment operations expenses	7	7	0%	0%
Total	1 997	2 441	-18%	100%

Financial income is reduced by 0.3 million BGN or 22%, reaching 1.2 million BGN to the first quarter of 2012 compared to 1.5 million BGN quarter of 2011 decreased financial costs 0.4 million BGN or 18%, from 2.4 in first quarter 2011 to 2 million BGN in the first quarter 2012 This decrease is mainly due to the reduction of interest expense on borrowings with 0 , 3 million BGN.

Net financial income (expenses) reduced by 0.1 million BGN, reaching (0.8) million BGN to the first quarter of 2012 compared to (0.9) million BGN to the quarter of 2011 .

Financial income and expenses



Profit before interest, taxes, depreciation and amortization (EBITDA) increased by 4 million BGN or 23%, the first tromesechie of 2012 it amounted to 21.5 million BGN, compared with 17.5 million BGN for the first quarter of 2011.

Operating profit increased by 3.6 million BGN or 28%, to 16.9 million BGN in the first quarter of 2012 compared to 13.3 million BGN in the first quarter of 2011.

Net profit for the first quarter of 2012 increased by 1.2 million BGN, or 12%, reaching 12.1 million in the first quarter of 2012 compared to 10.9 million BGN in the first quarter 2011.

Assets

	30.03.2012	31.12.2011	change	share
	BGN '000	BGN '000	%	1-3/2012
				%
Non-curents assets				
Property, plant and equipment	242 278	236 338	3%	80%
Intangible assets	28 763	27 979	3%	10%
Investment property	6 553	6 555	0%	2%
Available-for-sale investments	20 245	19 972	1%	7%
Loans granted to related parties	736	729	1%	0%
Differed taxes	2 150	1 709		1%
Other non-current assets	828	848	-2%	0%
	301 553	294 130	3%	45%
Curents assets				
Inventories	120 174	126 022	-5%	32%
Receivables from related parties	64 388	63 113	2%	17%
Trade receivables	148 071	136 756	8%	40%
Other receivables and prepayments	25 888	24 332	6%	7%
Cash and cash equivalents	16 094	32 235	-50%	4%
	374 615	382 458	-2%	55%
TOTAL ASSETS	676 168	676 588	-0,1%	100%

Total assets decreased by 0.4 million BGN, or 0.1 %, reaching 676.2 million BGN, compared to 676.6 at 31.12.2011 as a result of the increase in non-current and a decrease in current assets.

Non-current assets increased by 7.4 million BGN, or 3%, mainly due to the increase in property, plant and equipment by 5.9 million BGN and the growth of intangible assets by 0.8 million BGN. The most significant impact on this process have assets in process of acquisition which increased by 9.8 million BGN mostly as a result of the investment in the new solid forms factory, which for the first quarter of 2012 is EUR 6.7 million BGN, while the total funds invested since the beginning of the project amount to 33.7 million BGN. Additional funds were spent on advances for acquisition of laboratory and production equipment.

Intangible assets also grow from 0.8 million BGN, the most significant investment is the implementation of an integrated information system, which should be completed in 2012

Investments available and for sale increased by 0.3 million BGN, deferred tax changed with 0.4 million BGN compared to 31.12.2011.

Current assets decreased by 7.8 million BGN or 2%, reaching 374.6 million BGN in the first quarter of 2012 compared to 382.4 million BGN as at December 31, 2011.

Inventories occupy 32% of current assets and decrease by 5.8 million BGN compared to December 31, 2011, mainly in the portion of goods (3.9 million), materials (2.9 million BGN), finished goods (by 1.4 million BGN) and semi-products (0.1 million)).

Trade receivables have a share of 40% of current assets and increase by 11.3 million BGN, most significantly in the proportion of receivables from customers (7.9 million BGN) and advance payments, which increase by 3, 4 million.

Receivables from related parties have a 17% share of current assets and increase 1, 3 million BGN mostly due to an increase in commercial loans, which increased 0, 9 million BGN.

Other receivables and prepaid expenses occupy 7% of current assets and increase by 1.5 million BGN.

Cash and cash equivalents decreased by 16.1 million BGN to 31.12.2011, by the end of the period the cash in deposits amount to 3.3 million BGN.

Liabilities and owners equity

	30.03.2012	31.12.2011	change	share 1-3/2012
	BGN '000	BGN '000		
OWNERS' EQUITY			%	%
Share capital	132 000	132 000	0%	35%
Reserves	33 397	33 534	0%	9%
Retained earnings	165 774	154 465	7%	44%
	331 171	319 999	3%	88%
NON-CONTROLLING INTEREST	46 522	45 813	2%	12%
TOTAL OWNERS' EQUITY	377 693	365 812	3%	100%

	31.03.2012	31.12.2011	change	share 1-3/2012
	BGN '000	BGN '000	%	%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	24 179	23 280	4%	8%
Liabilities on deferred taxes	7 803	6 531	19%	3%
Liabilities to the personnel upon retirement	2 430	2 389	2%	1%
Financial leasing liabilities	1 507	1 534	-2%	1%
Other non-current liabilities	2 967	1 368	117%	1%
	38 886	35 102	11%	13%
Current liabilities				
Short-term loans from banks and third parties	149 781	151 765	-1%	50%
Short-term part of long-term bank loans	43 401	42 650	2%	15%
Commercial liabilities	50 126	66 134	-24%	17%
Liabilities to related parties	4 433	3 360	32%	1%
Liabilities to the personnel and for social insurance	5 962	5 487	9%	2%
Liabilities for taxes	3 138	3 046	3%	1%
Other current liabilities	2 748	3 232	-15%	1%
	259 589	275 674	-6%	87%
TOTAL LIABILITIES	298 475	310 776	-4%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	676 168	676 588	-0.1%	

Equity of Sopharma Group increased by 11.9 million BGN compared to 31/12/2011 mainly due to the realized net profit for the current period. Equity relating to equity holders of the Company hold 49% of total equity and liabilities and show improvement of the financial autonomy of the group.

Non-current liabilities increased by 3.8 million BGN or 11%, from 35.1 million BGN at the end of 2011 to 38.9 million BGN at the end of Q1 2012 mainly due to the increase in liabilities for deferred taxes by 1.3 million BGN, other non-current liabilities by 1.6 million BGN and long-term bank loans 0, 9 million.

Current liabilities decreased by 16 million BGN or 6% from the end of 2011, the main reason is the reduction of trade payables mainly due to a reduction in liabilities to service providers with 14 million BGN. Total obligations of the Group for bank loans declined by 0.3 million BGN. Payables to related parties increases due to increased debt associated with construction of the new tablet factory of 1.1 million current BGN. Other liabilities decreased by 0.5 million BGN in consequence of the change of the obligation to pay dividends (Extraordinary GM decision 2011).

Cash flow

	31.03.2012	31. 03.2011
	BGN '000	BGN '000
Net cash flow from operations	(4 659)	24 432

Net cash flow from investment activities	(11 589)	(35 811)
Net cash flow used in financial operations	915	(9 734)
Net increase/(decrease) of cash and cash equivalents	(16 141)	(21 113)
Cash and cash equivalents on January 1	32 238	45 069
Cash and cash equivalents on March 31	16 094	23 956

Financial ratios

	31.03.2012	31.03.2011
ROE ¹	12.4%	14.1%
ROA ²	6.0%	6.8%
Asset turnover ³	1.00	1.08
Current liquidity ⁴	1.44	1.39
Quick ratio ⁵	0.98	0.93
Cash/current liabilities ⁶	0.6	0.12
Owners' equity/liabilities ⁷	1.27	1.18

¹ Net profit belonging to the equity holders of the Company, annualised / arithmetic mean of the equity for the last five quarters

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

³ Revenues from sales, annualised / arithmetic mean of total assets for the last five quarters

⁴ Current assets / current liabilities

⁵ Receivables+cash/current liabilities

⁶ Cash/current liabilities

⁷ Equity/Liabilities

Information on shares of Sopharma AD

The total number of outstanding shares at 03.31.2012 of Sopharma is 132 million with a nominal value of 1 BGN per share. All issued shares are dematerialized, registered and freely

transferable according to the provisions of the Articles of Association. All issued shares are of the same class. Each share gives equal rights to its holder, in proportion to its nominal value.

Sopharma's shares are traded on the official market of the BSE - Sofia and the official market of the WSE. Shares participate in the formation of indices SOFIX, BG40 and BGTR30 of BSE - Sofia. Shares of the Company are included in the indices Dow Jones STOXX EU Enlarged Total Market Index by weight 0.11%, with the greatest weight (40%) in the Erste Bank Bulgaria Basket, CECE MID on the Vienna Stock Exchange, the certificate of Raiffeisenbank - Raiffeisen Osteuropa Fonds and the certificate ABN AMRO SOFIX - Open-end-certificate in the new blue-chip index Dow Jones STOXX Balkan 50 Equal Weighted Index.

Important information for the shares of Sopharma AD

	31.03.2012	31.03.2011
Total number of issued shares	132 000 000	132 000 000
Number of shares outstanding at the end of the period	129 063 380	130 581 727
Earnings per share in BGN ¹	0,30	0,30
Price per share at the end of the period in BGN	2,738	4,512
Price/Earnings ratio (P/E)	9,13	15,04
Book value per share in BGN ²	2,576	2,361
Price/Book value ratio (P/B)	1,063	1,911
Market capitalization in BGN	361 416 000	595 584 000

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

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

Trade with shares of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 01.01-31.03.2012



Signature:

Ognian Donev, PhD
Executive Director, Sopharma AD