

PRELIMINARY MANAGEMENT REPORT FOR Q1



SOPHARMA GROUP

2013

30.05.2013

General information about the Group

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

The Group operates in the following areas:

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

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

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

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

Controlled companies

Sopharma Group consists of Sopharma AD and 25 entities, including 23 subsidiaries, directly or indirectly controlled by the Company, and two joint ventures (Sopharma Zdrovit, Poland, currently in liquidation and Vivaton plus, Belarus).

Company	Share as at 31.03.2013 in %
Sopharma Trading AD	76.74
Bulgarian Rose Sevtopolis AD, Kazanlak, Bulgaria	52.62
Biofarm Engineering AD, Sliven, Bulgaria	97.15
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	51.72
Unipharm AD, Sofia, Bulgaria	52.15
Phyto Palauzov AD**	50.13
OAD Vitaminy, Uman, Ukraine	99.56
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*	50.24
Tabina SOOO, Minsk, Belarus *	47.94
Brizpharm SOOO, Belarus**	32.64
ZAO Interpharm, Vitebsk, Belarus	28.51
Alean ODO, Belarus	29.07
Sopharma Ukraine EOOD	100
Vivaton OOO, Belarus**	50.00
Sopharma Zdrovit JSC Warsaw, Poland in Liquidation ***	50.01

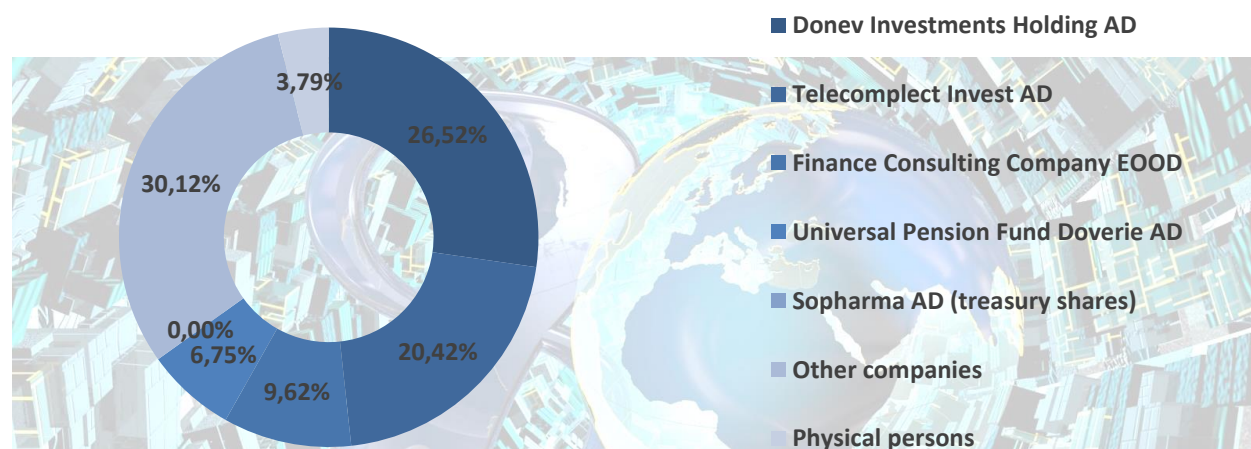
*effective share in percent
 **indirect share
 ***joint stock company

As at 31 March 2013 the GROUP has an interest through its subsidiary Briz OOD, Latvia in the associated company Vestpharm ODO, Belarus, NPK Biotest OOO, Belarus and BelArgoMedODO, Belarus.

Management Board

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

Shareholder structure as at 31 March 2013



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 haemodialysis;
- + 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 gynaecology.

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

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

Distribution

Sopharma Trading is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 22.2% (according to IMS). Sopharma Trading is the only distributor on the Bulgarian market of particular pharmaceutical products for several

leading international pharmaceutical and other companies the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

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

Intellectual property

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

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

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

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

Research and development

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

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

Employees

For the first quarter of 2013 the average number of employees in the Sopharma Group is 3,950 (3,945 in 2012). The average number of employees in Sopharma AD for the first quarter of 2013 is 1,829 (1,859 in 2012), and in Sopharma Trading AD it is 675 (688 in 2012).

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

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

Changes in the first quarter of 2013

On 23 January 2013 Sopharma AD received a notification of disclosure of shareholdings under art. 145 of POSA from Financial Consulting Company EOOD for the selling of 4,053,002 shares of Sopharma, resulting in a decrease of its interest in the capital of Sopharma to 9,62%.

On 23 January 2013 Sopharma AD received a notification for disclosure of shareholdings under art. 145 of POSA from Donev Investments Holding AD for the purchasing of 2,982,666 shares of Sopharma, resulting in an increase of its share in the capital of Sopharma to 26,79%.

On 18 February 2013 Sopharma sold 1,105,000 shares in the capital of Sopharma Trading AD, resulting in a decrease in its share in the capital of the company to 76,77%.

On 25 February 2013 was completed the liquidation of the joint venture Sopharma Zdrovit - in liquidation, Poland, and it has been deleted from the National Court Register in Poland.

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%.

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New developments and products

New in Q1 2013

The Company currently implements 3 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules.

Expected in 2013

Three to five new products are expected to be introduced by the end of 2013.

Developments

Thirteen production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of 6 new products for the company.

Key financial indicators

Indicators	1-3/2013 BGN '000	1-3/2012 BGN '000	change %
Sales revenue	187 608	173 167	8.3%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	27 138	21 493	26.3%
Operating profit	21 728	16 908	28.5%
Net profit	18 610	12 126	53.5%
Capital expenditures	15 734	12 134	29.7%
	31.03.2013 BGN '000	31.12.2012 BGN '000	
Non-current assets	368 695	354 751	3.9%
Current assets	423 175	390 667	8.3%
Equity	413 076	391 353	5.6%
Non-current liabilities	74 381	70 088	6.1%
Current liabilities	304 413	283 977	7.2%

Ratios	1-3/2013	1-3/2012
EBITDA / Sales revenue	14,5%	12,4%
Operating profit/ Sales revenue	11,6%	9,8%
Net profit/ Sales revenue	9,9%	7,0%
Borrowed capital/ Equity	0,92	0,79
Net debt/ EBITDA, annualised	3,7x	3,0x

Review of risk factors

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

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

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

- ✚ The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position.
- ✚ The political environment in Bulgaria has a significant effect on the Group's operations and financial condition.
- ✚ The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition.
- ✚ Risks related to the Bulgarian legal system.

- ✚ Risks relating to exchange rates and the Bulgarian Currency Board
- ✚ Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change

Currency risk

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

A significant volume of the Group's revenue is formed mainly through the parent company from export of finished products contracted as payable in EUR. At the same time, the Group again through the parent company supplies a small part of its basic raw materials and consumables in USD. The currency risk is related to the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The companies abroad conduct sales mainly to the local markets, which leads to currency risk to their currencies as well – Ukrainian Grivna (UAH), Serbian Dinar (RSD), Russian Ruble (RUB), Latvian Lat (LVL), Belarus Ruble (BYR). The remaining part of Group companies' operations are usually denominated in Bulgarian Lev (BGN) or euro (EUR).

There is a currency risk control system implemented throughout the whole Group for the planning of imports, the sale in foreign currencies, as well as for procedures for daily monitoring of the movement of the USD exchange rate and control of pending payments. The exposition of the subsidiaries in Bulgaria to currency risk is insignificant, because almost all sales are conducted on the local market in BGN. The import of goods is fully conducted in EUR. The loans in foreign currencies are denominated mainly in EUR.

Credit risk

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

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

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

Liquidity risk

Liquidity risk is an adverse situation where the Group encounters difficulty in unconditionally meeting its obligations within their maturity, including in the case of hyperinflation and recalculation of trade estimates for companies operating in such environment.

The Group generates and maintains a significant volume of liquid funds. An internal source of liquid funds for the Group is its main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. Another significant source of risk is the net position in BYR and the hyperinflation on that market.

Risk of interest-bearing cash flows

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

- (a) 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 BGNs in case of variable component updating. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

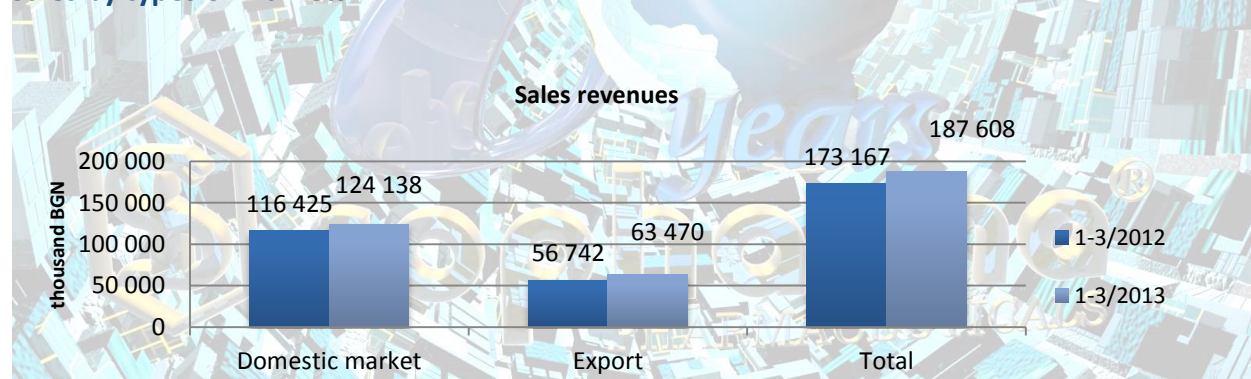
The management of the Group companies together with that of the parent company currently monitor and analyse the exposure of the respective company to the changes in interest BGNels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative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

Sales revenues

Revenues from sales of the Group have increased by 14,4 million BGN or 8,3%, reaching 187,6 million BGN in the first quarter of 2013 compared to 173,2 million BGN in the first quarter of 2012. The increase is due to an increase in sales of goods by 3,8 million BGN, reaching 109,6 million BGN in the first quarter of 2013 compared to 105,7 million BGN in the first quarter of 2012 and growth of 10,5 million BGN in sales of finished products, which reach 78 million BGN in the first quarter of 2013 compared to 67,5 million BGN in the first quarter of 2012.

Sales by types of markets



The contribution of sales in Bulgaria to the consolidated sales revenue in the first quarter of 2013 amounted to 66%, increasing by 7,7 million BGN, or 7%, to 187,6 million in the first quarter of 2013, compared to 173,2 million BGN in the first quarter of 2013.

Sopharma has a 4,3% share of the Bulgarian pharmaceutical market in terms of value and a 13% share in terms of sales. The positions of the main competitors of the company in the country are as follows: Novartis - 7% (5% in units.), Actavis - 6% (14% in units.), Roche-6% (1% in units.), Glaxosmithkline - 5% (3% in units), Sanofi-Aventis-Zentiva - 4% (3% in units.), Astra Zeneca - 4% (1 % in units), Servier - 3% (2% in units), Pfizer - 3% (2% in units). Bayer - 3% (2% in units), among

the distributors of medicines Sopharma Trading AD has a relative share of 22,2% and along with Phoenix / Libra (20,8% share) and Sting (20,8%) has a leading position in the national pharmaceutical market.

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

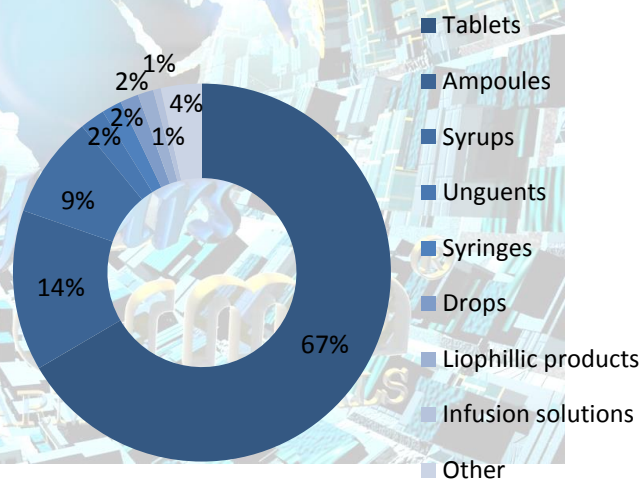
Export sales grew by 6,8 million BGN or 12%, reading 63,5 million BGN in the first quarter of 2013 compared to 56,7 million BGN in the first quarter of 2013.

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.

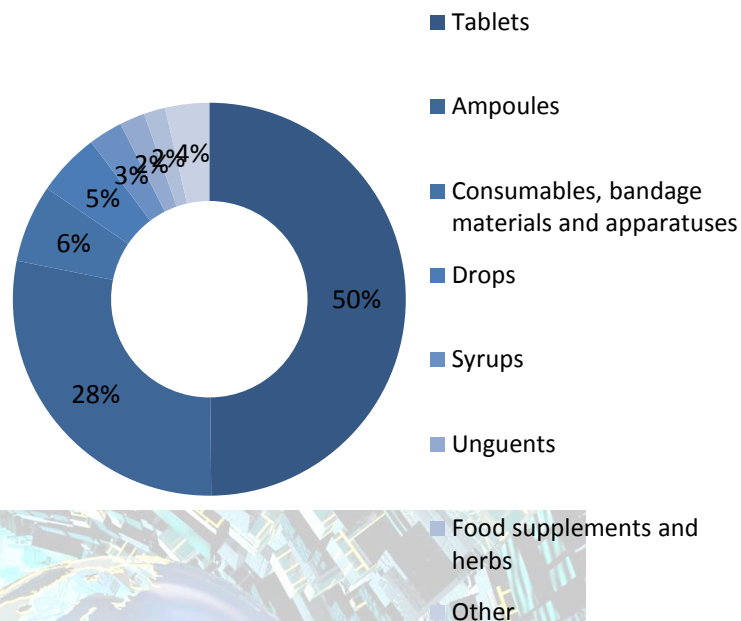
Revenues from the sale of finished products include revenue from the sale of products manufactured by the Company and the Group companies.

Revenues of finished products by type	1-3/2013 BGN '000	1-3/2012 BGN '000	change %
Tablets	51 945	47 391	10%
Ampoules	10 740	9 041	19%
Syrups	6 832	4 325	58%
Unguents	1 670	1 716	-3%
Syringes	1 336	620	115%
Drops	1 229	56	2095%
Lyophilic products	1 047	1 890	-45%
Infusion solutions	508	434	17%
Other	2 736	2 023	35%
Total	78 043	67 496	16%



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	1-3/2013	1-3/2012	change
	BGN '000	BGN '000	%
Tablets	54 611	57 018	-4%
Ampoules	31 007	22 654	37%
Consumables, bandage materials and apparatuses	7 007	6 304	11%
Drops	5 690	4 842	18%
Syrups	3 069	3 802	-19%
Unguent	2 278	2 406	-5%
Food supplements and herbs	1 925	2 440	-21%
Other	3 978	6 205	-36%
Total	109 565	105 671	4%



Other revenues from operations

Other revenues from operations	1-3/2013	1-3/2012	change	share 2012
	BGN '000	BGN '000	%	%
Services rendered	1 398	423	230%	59%
Net losses from exchange rate differences on commercial receivables and payables and current accounts	431	(441)	198%	18%
Rents	257	159	62%	11%
Services of social activities and events	123	108	14%	5%
Income from financing	97	90	8%	4%
Profit/(loss) from sale of materials	(22)	41	-154%	-1%
Profit/ (loss) from sale of long-term assets	(3)	228	101%	0%
Other	80	179	-55%	3%
Total	2 361	787	200%	100%

Other operating income increased by 1,6 million BGN reaching 2,4 million BGN in the first quarter of 2013, compared to 0,8 million in the first quarter of 2012. The most significant influence have the increase in income from services rendered, which grew by 1 million BGN and net losses from exchange rate differences on commercial receivables and payables and current accounts, which decreased by 0,9 million BGN. Profits from sale of materials and profit from sale of long-term assets decreased.

Expenses

Operating expenses	1-3/2013	1-3/2012	change	share 2012
	BGN '000	BGN '000	%	%
Changes in inventories of finished goods and work in progress	484	(1 609)	-130%	0%
Book value of goods sold	105 935	97 595	9%	63%
Materials	21 484	25 166	-15%	13%
Hired services	14 219	13 235	7%	8%
Personnel	17 276	16 310	6%	10%
Amortisation	5 410	4 585	18%	3%
Other operating expenses	3 433	1 764	95%	2%
Total	168 241	157 046	7%	100%

The operating expenses in the first quarter of 2013 increased by 11,2 million BGN or 7% from 157 million BGN in the first quarter of 2012 to 168,2 million BGN in the first quarter of 2013 due to growth in sales and therefore the carrying value of sold products in the internal market, increased hired services expenses, personnel, amortization and other operating expenses.

Expenses on materials	1-3/2013	1-3/2012	change	share 2012
	BGN '000	BGN '000	%	%
Basic materials	15 258	18 506	-18%	71%
Heat power	1 768	2 076	-15%	8%
Electric energy	1 345	1 079	25%	6%
Spare parts, laboratory and technical materials	1 276	1 644	-22%	6%
Fuels and lubricating materials	866	897	-3%	4%
Water	243	262	-7%	1%
Other	728	702	4%	3%
Total	21 484	25 166	-15%	100%

Cost of materials (13% share) decreased by 3,7 million BGN or 15% to 21,5 million BGN in the first quarter of 2013 compared to 25,2 million BGN in the first quarter of 2012. The cost of basic materials fell by 3,2 million BGN, or 18%, the most significant impact is defined as the cost of substances and packaging materials which decreased accordingly by 1,8 million BGN and 0,7 million BGN. The cost of heat, spare parts, laboratory and technical materials decreased. The cost of electricity increased by 0,3 million BGN.

	1-3/2013	1-3/2012	change	share 2012
	BGN '000	BGN '000	%	%
Hired services expenses				
Advertising	3 684	3 132	18%	26%
Rentals and insurance	1 783	1 421	25%	13%
Forwarding and transportation services	1 030	1 122	-8%	7%
Consulting services	957	582	64%	7%
Manufacture	838	2 297	-64%	6%
Buildings and equipment maintenance	565	852	-34%	4%
Bank, state and regulatory taxes	556	582	-4%	4%
Subscription fees	347	416	-17%	2%
Security	306	234	31%	2%
Services under civil contracts with physical persons	305	410	-26%	2%
Registration of medicines	255	134	90%	2%
Local taxes and charges	228	298	-23%	2%
Communications	199	238	-16%	1%
Car repairs and maintenance	194	193	1%	1%
Other	2 972	1 324	124%	21%
Total	14 219	13 235	7%	100%

Hired services have a 8% share of operating expenses and increased by 1 million BGN or 7%, reaching 14,2 million BGN in the first quarter of 2013 compared to 13,2 million BGN in the first quarter of 2012. The most significant influence toward increasing comes from advertising with 0,5 million BGN, rents with 0,4 million BGN and other expenses with 1,6 million BGN. The most significant influence towards decreasing comes from manufacture, which fell by 1,5 million BGN.

	1-3/2013	1-3/2012	change	share 2012
	BGN '000	BGN '000	%	%
Personnel costs				
Current wages and salaries	13 147	12 417	6%	76%
Social security/health insurance contributions	2 711	2 647	2%	16%
Social benefits and payments	803	631	27%	5%
Other	615	615	0%	4%
Total	17 276	16 310	6%	100%

Personnel costs (with an 10% share) grew by 1 million, or 6%, reaching 17,3 million in the first quarter of 2013 compared to 16,3 million BGN in the first quarter of 2012. The general growth of these costs is mostly due to the increase of salaries of the personnel and social security contributions.

Other operating expenses	1-3/2013 BGN '000	1-3/2012 BGN '000	change %	share 2012 %
Entertainment allowances	432	487	-11%	13%
Accrued/(recovered) impairment of current assets	393	274	43%	11%
Business trips	325	280	16%	9%
Scrap of finished goods and semi-finished products	265	4	6525%	8%
Scrap and loss of finished products	149	160		4%
Donations	107	97	10%	3%
Trainings	70	92	-24%	2%
Payments to the budget	66	38	74%	2%
Other	1 626	332	390%	47%
Total	3 433	1 764	95%	100%

Other operating expenses (with a share of 2%) increased by 1,6 million BGN or 95% from 1,8 million BGN in the first quarter of 2012 to 3,4 million BGN as at the end of the first quarter of 2013. Costs in section "Other" have a major influence with an increase of 1,3 million BGN. There is an increase in the allowance for impairment of current assets, net of 0,1 million BGN and in scrap of finished goods and semi-finished products with 0,3 million BGN.

Depreciation costs (with a share of 3 %) decreased by 0,8 million BGN or 18% from 4,6 million BGN in the first quarter of 2012 to 5,4 million BGN in the first quarter of 2013.

Financial income and expenses

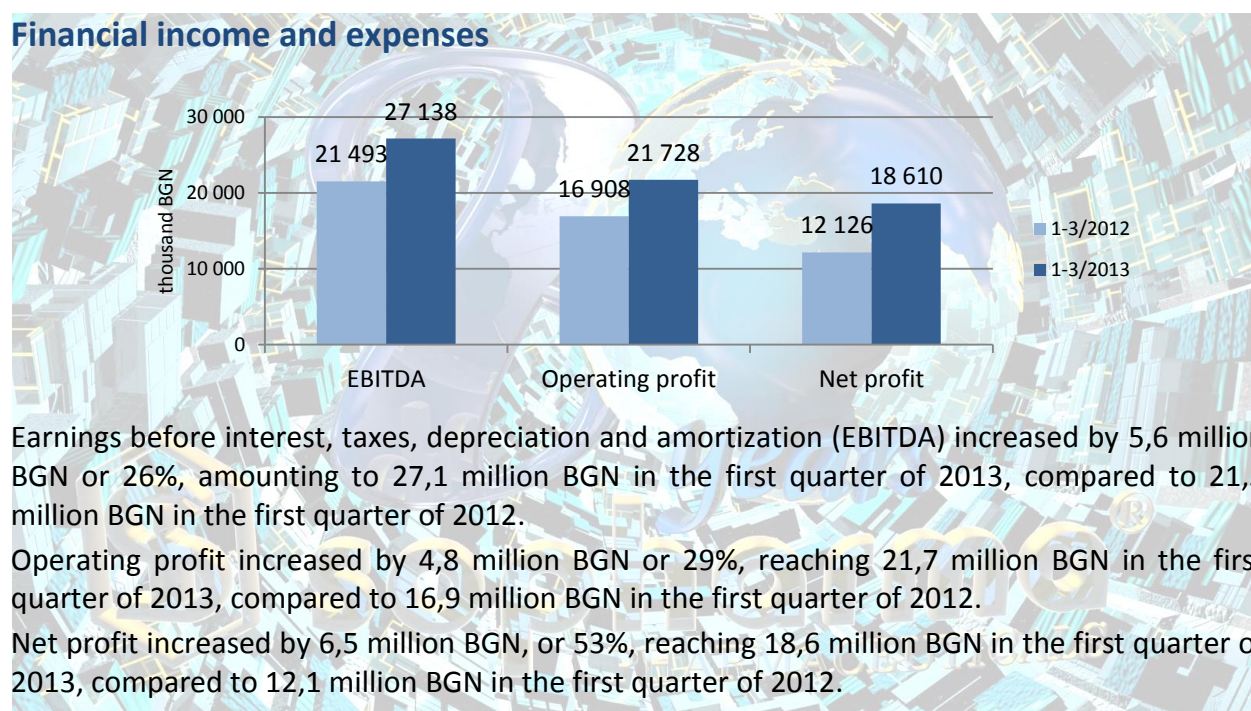
Financial income	1-3/2013 BGN '000	1-3/2012 BGN '000	change %	share 2012 %
Income from interest on loans granted	952	1 054	-10%	51%
Income from interest on overdue payments	658	110	498%	35%
Net gain on exchange rate differences on loans	176	0		9%
Interest on special contracts	50	0		3%
Income from interest on deposits	16	21	-24%	1%
Income from shares	6	0		0%
Total	1 858	1 185	57%	100%
Financial expenses			change	share 2012
Interest expenses on loans	1 713	1 615	6%	81%
Net loss from exchange rate differences on loans	173	119	45%	6%
Bank fees on loans and guarantees	114	175	-35%	9%
Financial leasing interest	38	81	-53%	4%
Expenses on transactions with securities	13	7	86%	0%
Total	2 051	1 997	3%	100%

Financial income increased by 0,7 million BGN or 57%, to 1,9 million BGN in the first quarter of 2013 compared to 1,2 million BGN in the first quarter of 2012. This is due to an increase in income from interest on overdue payments by 0,5 million BGN and in net profit from exchange rate differences on loans by 0,2 million BGN. Income from interest on loans granted decreased.

Financial expenses increased by 0,05 million BGN or 3% from 2 million BGN in the first quarter of 2012 to 2,05 million BGN in the first quarter of 2013.

Net financial income (expenses) decreased by 0,6 million BGN, reaching (0,2) million BGN in the first quarter of 2013 compared to (0.8) million BGN in the first quarter of 2012.

Financial income and expenses



Assets

	31.03.2013	31.12.2012	change	share
	BGN '000	BGN '000	%	2012
Non-current assets				
Property, plant and equipment	302 826	292 074	4%	82%
Intangible assets	26 644	26 380	1%	7%
Investment property	7 105	7 110	0%	2%
Investments in associated companies	1 726	582	197%	0%
Available-for-sale investments	24 606	23 425	5%	7%
Long-term receivables from related parties	1 177	1 183	-1%	0%
Other non-current assets	1 924	1 460	32%	1%
Differed taxes	2 687	2 537	6%	1%
	368 695	354 751	4%	47%
Current assets				
Inventories	126 712	130 950	-3%	30%
Trade receivables	188 442	160 558	17%	45%
Receivables from related parties	62 748	60 871	3%	15%
Other receivables and prepayments	20 478	22 521	-9%	5%
Cash and cash equivalents	24 795	15 767	57%	6%
	423 175	390 667	8%	53%
TOTAL ASSETS	791 870	745 418	6%	100%

Total assets increased by 46,5 million BGN, or 6%, reaching 791,9 million BGN, compared to 745,4 million BGN as at 31 December 2012 as a result of the increase in both current and non-current assets.

Non-current assets increased by 13,9 million BGN, or 4%, mainly due to the increase in property, plant and equipment by 10,8 million BGN. The main role in this increase have the investments in building the new solid-forms factory, with invested funds amounting to 10,1 million BGN in the first quarter of 2013. Additional funds were invested for the acquisition of laboratory and production equipment.

Intangible assets increased by 0,3 million BGN, with the most significant expense being the implementation of an integrated information system.

Investments in associated companies increased by 1,1 million BGN, compared to 31 December 2012 as a result of acquired shares by Briz in Belarusian companies for trade with pharmaceutical products. The available-for-sale investments increased by 1,2 million BGN in relation to the inclusion of new minority shares.

Current assets increased by 32,5 million BGN or 8%, reaching 423,2 million BGN as at 31 March 2013 compared to 390,7 million BGN as at 31 December 2012.

Inventories comprise 30% of current assets and decreased by 4,2 million BGN compared to 31 December 2012, mainly in the portion of goods by 4,9 million BGN, semi-finished products by 0,7 million BGN and finished products by 0,6 million BGN. Materials increased by 1,7 million BGN and unfinished products – by 0,2 million BGN.

Trade receivables, which have a relative share of 45% of current assets, increased by 27,9 million BGN, most significantly in the portion of receivables from customers (25,1 million BGN) and advance payments, which increased by 2,8 million.

Receivables from related parties have a relative share of 15% in current assets and increased by 1,9 million BGN. The most significant contribution to this increase have receivables on commercial loans granted with 4,3 million BGN.

Other receivables and prepaid expenses comprise 5% of current assets and decreased by 2 million BGN, as a result of a decrease in awards on litigations by 2 million BGN.

Cash and cash equivalents increased by 9 million BGN compared to 31 December 2012. As at the end of the current period there are deposits amounting to 1,8 million BGN.

Liabilities and owner's equity

	31.03.2013	31.12.2012	change	share
	BGN '000	BGN '000		2012
OWNERS' EQUITY				
Share capital	132 000	132 000	0%	32%
Reserves	36 084	35 979	0%	9%
Retained earnings	195 586	177 900	10%	47%
	363 670	345 879	5%	88%
NON-CONTROLLING INTEREST	49 406	45 474	9%	12%
TOTAL OWNERS' EQUITY	413 076	391 353	6%	100%

	31.03.2013	31.12.2012	change	share
	BGN '000	BGN '000	%	2012
LIABILITIES				
Non-current liabilities				
Long-term bank loans	60 466	56 844	6%	16%
Liabilities on deferred taxes	6 915	5 792	19%	2%
Liabilities to the personnel upon retirement	2 397	2 331	3%	1%
Financial leasing liabilities	2 081	2 509	-17%	1%
Other non-current liabilities	2 522	2 612	-3%	1%
	74 381	70 088	6%	20%
Current liabilities				
Short-term loans from banks and third parties	222 509	203 994	9%	59%
Short-term part of long-term bank loans	11 421	9 559	19%	3%
Commercial liabilities	53 738	55 242	-3%	14%
Liabilities to related parties	2 221	1 560	42%	1%
Liabilities to the personnel and for social insurance	7 050	6 624	6%	2%
Liabilities for taxes	4 091	2 408	70%	1%
Other current liabilities	3 383	4 590	-26%	1%
	304 413	283 977	7%	80%
TOTAL LIABILITIES	378 794	354 065	7%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	791 870	745 418	6.2%	

The owner's equity of the Sopharma Group increased by 21,7 million BGN compared to 31 December 2012 mainly through the achieved net profit for the current period. Equity relating to equity holders of the Company comprise 46% of total equity and liabilities, with a certain improvement of the financial autonomy of the Group.

Non-current liabilities increased by 4,3 million BGN or 6%, from 70,1 million BGN at the end of 2012 to 74,4 million BGN at the end of the first quarter of 2013 mainly due to the increase in long-term bank loans by 3,6 million BGN, which is due to the appropriation of funds from an investment loan for the construction of a new solid forms factory.

Deferred taxes liabilities increased by 1,1 million BGN and financial lease liabilities and other non-current liabilities decreased.

Current liabilities increased by 20,4 million BGN or 7% compared to 2012, mainly due to short-term bank loans, which increased by 18,5 million BGN. There is an increase in tax liabilities by 1,7 million BGN, payables to related parties by 0,7 million BGN and liabilities to the personnel and for social security by 0,4 million BGN. The opposite effect have commercial liabilities, which decreased by 1,5 million BGN compared to 31 December 2012, mainly due to a decrease in payables to suppliers by 0,6 million BGN and prepayments from clients, which decreased by 1

million BGN. The Group's total liabilities on bank loans increased by 24 million BGN compared to the end of 2012.

Cash flow

	31.03.2013 BGN '000	31.12.2012 BGN '000
Net cash flow from operations	3 150	(4 659)
Net cash flow from investment activities	(16 945)	(11 589)
Net cash flow from financial operations	22 760	915
Net increase/(decrease) of cash and cash equivalents	9 028	(16 141)
Cash and cash equivalents on January 1	15 767	32 235
Cash and cash equivalents on 31 December	24 795	16 094

Net cash flow from operations as at 31 March 2013 amounts to 3,2 million BGN, from investment activities (16,9) million BGN and from financial operations 22,8 million BGN. As a result of these activities the cash and cash equivalents mark a net increase by 9 million BGN and as at 31 March 2013 amount to 24,8 million BGN, compared to 15,8 million BGN as at the end of 2012.

Financial ratios

	31.03.2013	31.12.2012
ROE ¹	12,1%	12.4%
ROA ²	5.6%	6.0%
Asset turnover ³	0.95	1.00
Current liquidity ⁴	1.39	1.44
Quick ratio ⁵	0.97	0.98
Cash/current liabilities ⁶	0.08	0.6
Owners' equity/liabilities ⁷	1.09	1.27

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

Information about the shares of Sopharma AD

The total number of shares issued by Sopharma as at 31 March 2013 is 132 million with a nominal value of 1 BGN per share. All issued shares are dematerialized, common and indivisible, under the Articles of Association. All issued shares are of one class. Each share gives equal rights to its holder, in proportion to its nominal value. Sopharma's shares are traded on the official market of the BSE - Sofia and the official market of the Warsaw Stock Exchange. The shares are part of the indices SOFIX, BG40 and BGTR30 on the BSE - Sofia.

The Company's shares are included in the indices Dow Jones STOXX EU Enlarged, Total Market Index 0.11% weight, with a weight of 5% in the Erste Bank Bulgaria Basket, the certificate of Raiffeisenbank - Raiffeisen Osteuropa Fonds and the certificate ABN AMRO SOFIX - Open-end-certificate and the new blue-chip index Dow Jones STOXX Balkan 50 Equal Weighted Index.

Sopharma AD is one of the three Bulgarian companies included in a new index for Central and Eastern Europe (CEE) that WSE started to calculate on 30 May. The index is called WIG-CEE and is the third after the WIG-Poland and WIG-Ukraine, which is based on the origin of the companies by country. WIG-CEE is calculated based on total return and includes income from dividends and subscription rights to shares.

Important information for the shares of Sopharma AD

	31.03.2013	31.12.2012
Total number of issued shares	132 000 000	132 000 000
Number of shares outstanding at the end of the period	127 969 149	129 063 380
Earnings per share in BGN ¹	0,32	0,30
Price per share at the end of the period in BGN	2,373	2,738
Price/Earnings ratio (P/E)	7,42	9,13
Book value per share in BGN ²	2,84	2,576
Price/Book value ratio (P/B)	0,84	1,06
Income from sale of one share in BGN ³	5,49	5.06
Price of one share / Income from sale of one share (P/S)	0,43	0,54
Market capitalization in BGN	313 236 000	595 584 000

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

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

³ Income from sales in the last four months / number of outstanding shares as at the end of the period.

Trade with shared of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 01.01-31.03.2013

