



**PRELIMINARY  
MANAGEMENT REPORT  
2011**

**SOPHARMA AD**

**30.01.2012**

## 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" No 16.

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

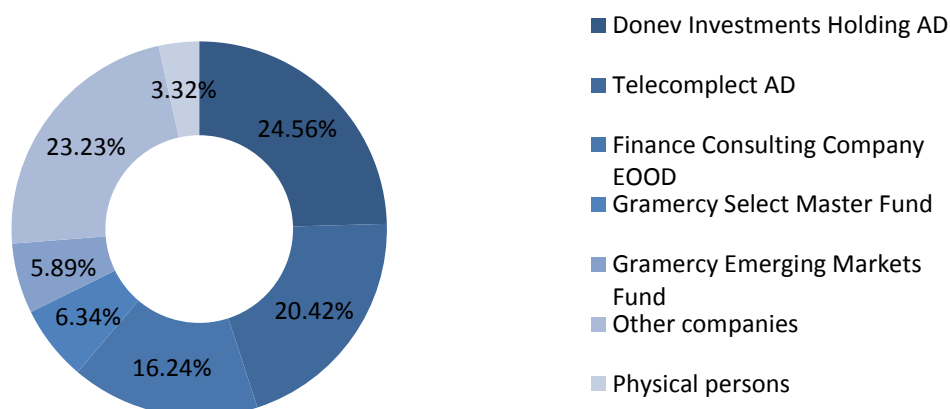
The company performs the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. Sopharma AD performs services as a production function and related ancillary and service activity.

The company holds licenses for use under PPSHMA all products from its manufacturing nomenclature.

## 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 31.12.2011



## Industrial activity

Sopharma AD manufacturing facilities are compliant with EU regulations and are located in Bulgaria. In 2012 the company expects to complete the construction of a new production plant with annual capacity of 4 billion tablets in Sofia, which is currently under construction. Sopharma AD is the only Bulgarian producer of ampoules and suppositories.

The production of the company is carried out and developed 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 is 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 (bolkouspokyavashto);
- + 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

## 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.

## Sopharma AD

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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) 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.

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 31.12.2011 the average number of employees Sopharma AD is 1848 (1775 in 2010). The table below shows the detailed information on the staff of the company.

	31.12.2011	Share %
Number of employees 31.12.2011	1841	100%
Higher education	784	42,5%
Special education	61	3,3%
High school education	979	53,2%
Others	17	1%
Up to 30 years of age	260	14%
Between 31 - 40 years of age	473	26%
Between 41 - 50 years of age	545	30%
Between 51 - 60 years of age	496	27%
Over 60 years of age	67	3%
Women	1151	63%
Men	690	37%

Training programs offered to employees of the company, aim at increasing their competence BGNels. 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 2011*

CPC allowed concentrations without conditions requested by Sopharma AD in connection with the acquisition of shares of Unipharm AD through the "Bulgarian Stock Exchange - Sofia" AD.

On 28.02.2011 Sopharma AD signed a contract for the project under OP Competitiveness of around 8 million BGN.

In April 2011 Sopharma AD launched a new project - socially oriented and named "We for the public." In four pharmacies in Sofia everyone has the opportunity to measure their blood pressure, pulse and weight, and for smokers - the volume of their lungs with breathing apparatus including a special Smoke check. Social services will be offered later in other pharmacies in the capital and throughout the country. Public projects include long-term social activities in small cities and are aimed at those most affected by the crisis in our society.

On April 18 2011, Sopharma AD held an annual meeting with investors in Sredets Hall, Sheraton Hotel.

In early May, the process of four new registrations from the company's portfolio was completed - Tribestan tablets in Turkey and in Poland - Tribestan Vita, Tribestan Plus tablets and Ambroxol syrup.

On June 29, 2011 at 11:00 am in the company's headquarters in Sofia, "Iliensko Road" 16 the General Meeting of Shareholders was held. The following decisions were taken:

- ✚ 11,220,000 BGN dividend to shareholders or 0.085 BGN (eight and a half stotinki) per share

- ✚ The member of the Board of Directors Alexander Dimitrov Todorov was dismissed upon his request and Alexander Viktorov Tchaushev was elected member of the Board of Directors

- ✚ The General Meeting of Shareholders adopted amendments to the Statute of the company

On 15.09.2011, through the purchase of 22,300 new shares of the capital of Medica AD, Sopharma participation in the capital of Medica AD reached 10.06%.

On 28.09.2011 in Stara Banovci, 25 km north of Belgrade, Serbia, Sopharma AD together with its Serbian partner Ivanchich and Sons opened a new plant for solid dosage forms. This was an investment of € 8,000,000. The capacity is 5 million packages annually.

With decision № 648-F of 20 October 2011 the Financial Supervision Commission approved the prospectus for admission to trading on the Warsaw Stock Exchange of shares issued by Sopharma amounting to 132 million BGN – the total existing capital of the company registered in court, divided into

132,000,000 ordinary, dematerialized, registered, freely transferable shares with nominal value of 1 BGN each, ISIN code BG 11SOSOBT18.

Under the plan to convert Telecomplect AD in accordance with Art. 262a, para. 2 of the CA through separation by formation of Telecomplect Invest AD and TP registered into under number 164 905 from 29.07.2011, the ownership of 26,948,052 shares of the capital of Sopharma was transferred to the newly formed company. At the date of preparation of financial statements the change in the ownership of shares is not registered with the Central Depository.

On 24.11.2011 Sopharma AD received formal decision from the Warsaw Stock Exchange (№ 1422/20.11.2011) whereby the entire registered capital from 132 million shares with a nominal value of 1 / one / BGN was adopted for trade. The first day of trading of the shares is on 28/11/2011.

At an Extraordinary General Meeting of Shareholders of Sopharma AD held on 30.11.2011, at the company's headquarters the following decisions were taken:

✚ Amend the decision taken under item seven from the agenda of the regular General Meeting of Shareholders held on 29.06.2011, as follows: the amount determined for a dividend to shareholders instead of 11,220,000 / eleven million two hundred and twenty thousand / shall read: 11 082 388.48 BGN / eleven million eighty-two thousand three hundred eighty-eight BGN and 48 stotinki/. The difference between the two amounts to 137 BGN 611.52 / one hundred thirty-seven thousand six hundred and eleven BGN and 52 stotinki / be referred for additional reserves of the company. The remainder of the decision under section seven of the agenda of the regular General Meeting of Shareholders held on 29.06.2011 shall not be changed.

✚ Pursuant to Article 24, paragraph 3, letter "B" of the Statutes, the Executive Director of the company shall be paid extra remuneration amounting to 1% / one percent / of the profit realized in 2010 according to the adopted annual financial statements; pursuant to Article 28, paragraph 4, letter "D" of the Statute, the Executive Director can to allocate at its discretion, 2% / two percent / of the company's profit realized in 2010 between members of the senior management team of the company.

✚ The term for buy-back of own shares shall be extended from 2 /two / to 3 /three/ years.

As at 31.12.2011 were purchased 2,568,609 own shares or 1.946% of the capital, according to the decision of the General Meeting of Shareholders of the company on 23.06.2010.

### New developments and products

✚ New in 2011

7 products have been implemented from the list of company's new products (Siafen oral suspension, Siafen gel, Dehidrazid tablets, tablets Thaler, Thaler syrup and food additives - Bodunoff tablets, Neurelaks syrup).

✚ Expected in 2012  
By the end of 2012 we expect to have introduced 3-5 new products.

✚ Developments

Twenty nine transfer technologies were introduced. The technological documentation of 6 supplements, 6 cosmetics and medical products 5 new licenses for the production of generic medicines have been registered. Pharmaceutical development is carried out of about 26 new products for the company as: Doxazosin tablets, Methadone solution and others.

### Key financial indicators

Indicators	31.12.2011 <i>BGN '000</i>	31.12.2010 <i>BGN '000</i>	Share %
Sales revenues	209 845	209 059	0,4%
EBITDA	52 851	61 539	-14,1%
Operating profit	44 397	53 033	-16,3%
Net profit	40 660	40 544	0,3%
CAPEX	29 447	9 876	198%
Non-current assets	278 899	254 020	9,8%
Current assets	247 568	213 249	16,1%
Owners' equity	320 854	295 959	8,4%
Non-current liabilities	24 093	32 873	-26,7%
Current liabilities	181 520	138 437	31,1%

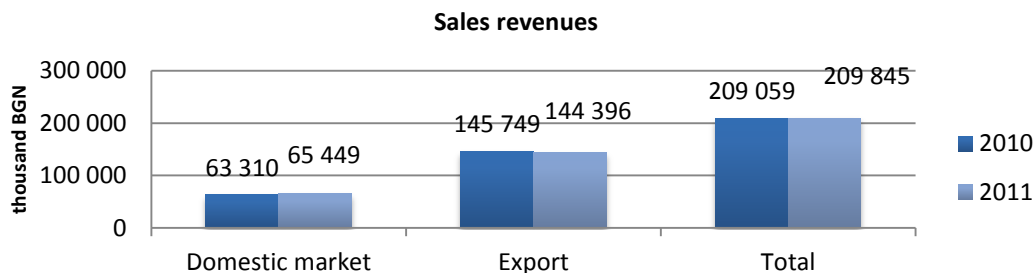
Ratios	2011	2010
EBITDA / Sales revenues	25,2%	29,4%
Operating profit/ Sales revenues	21,2%	25,4%
Net profit/ Sales revenues	19,4%	19,4%
Borrowed capital/Owners' equity	0,64	0,58
Net debt/ EBITDA	3,2x	2,4x

## Financial results for 2011

### Sales revenues

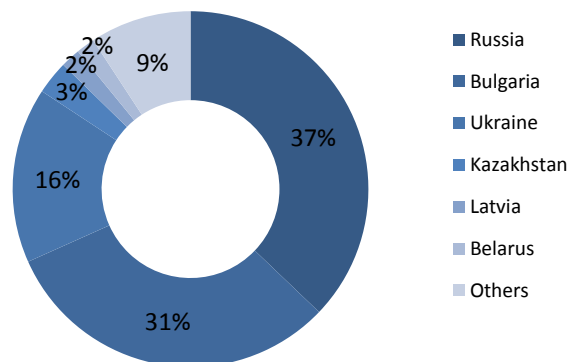
Sales revenues of production increase with 0.8 million BGN or 0,003%, reaching 209,9 million BGN as at the end of 2011, compared to 209,1 million BGN as at the end of 2010.

### Sales by types of markets



### Main markets

Revenues by market	2011	2010	Change
	BGN '000	BGN '000	
Russia	77 968	81 972	-5%
Bulgaria	65 448	63 310	3%
Ukraine	33 372	31 404	6%
Kazakhstan	6 388	5 807	10%
Latvia	3 664	3 195	15%
Belarus	3 546	3 532	0%
Others	19 459	19 839	-2%
<b>TOTAL</b>	<b>209 845</b>	<b>209 059</b>	<b>0.4%</b>



#### Bulgaria

The sales of "Sopharma" AD on the domestic market increased by 2.1 million BGN, or 3% and reached 65.5 million BGN in 2011 compared to 63.3 million BGN in 2010. The products with largest share of sales in the country are Analgin, Vicetin, Methylprednizolon, Vitamin C, Flixotide. "Sopharma" AD has a 5% share of total Bulgarian pharmacy market in value and 13% of sales in volume. The positions of the main competitors of the company in the country are as follows: Actavis - by value 8% (17% in units), Glaxosmithkline - 7% (3% in units), Novartis - 6% (6% in units), Sanofi-Aventis-Zentiva - 5% (4% in units), Roche-five percent (1% in units), Servier - 5% (3% in units), Astra Zeneca -4% (1% in units), Pfizer - 3% (2% in units), Bayer -3% (3% in units).

#### Russia

The realized production in Russia fell by 2 million BGN, or 5% to 77.9 million BGN in 2011 compared to 81.9 million BGN in 2010. Key factors for the decline are the pre-registration of products on the Russian



market and exhaustion of travel permits for transportation of goods to Russia at the end of 2011, which prevented export to the country. The main products that are sold on the Russian market are Sedal M, Carsil, Tempalgin, Tabex and Broncholytin.

### Ukraine

Sales in the Ukraine in 2011 have increased by 6%, reaching 33.4 million BGN, compared with 31.4 million BGN in 2010. The main products exported to the Ukrainian market are Carsil, Tempalgin, Tribestan, Tabex and Broncholytin.

### Caucasus and Central Asia

Sales in the Caucasus and Central Asia (including Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Georgia, Azerbaijan and Armenia) rose by 2.4 million BGN or 18%, reaching 15.9 million BGN for 2011, compared to 13.5 million BGN in 2010. The largest share of revenues in this region have sales in Kazakhstan (40%), as there is an increase of 10% over the previous year, reaching 6.4 million BGN. The main products "Sopharma" AD exported to this region were Tempalgin, Carsil, Tribestan, Broncholytin, Tabex.

### Baltic

In sales to the Baltics has increased by 0.9 million BGN or 16%, from 4.9 million BGN in 2010 to 5.8 million BGN in 2011. This is mostly due to the increase of sales in Latvia, reaching 3.7 million BGN in 2011 and realized production in Lithuania, where revenues amounted to 1.9 million BGN.

### Belarus

Sales in Belarus in 2011 amounted to 3.5 million BGN, keeping the level of the previous year. The main products realized on this market are Carsil, Tabex, Tempalgin, Sindofarm, Clenbuterol.

### Turkey

In Turkey, sales decreased by 0.5 million BGN or 13%, from 3.5 million BGN in 2010 to 3 million BGN in 2011, main product, which is implemented in this market is the life saving hospital Methylprednisolone.

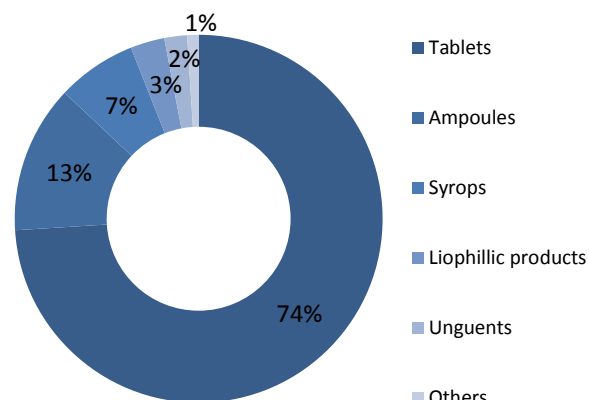
### Poland

"Sopharma" AD declined its sales in Poland from 2.2 million BGN or 56%, from 3.9 million BGN in 2010 to 1.7 million in 2011. The decrease is a result of a dispute with the previous major distributor on the local market.

## Sales by type of formulation

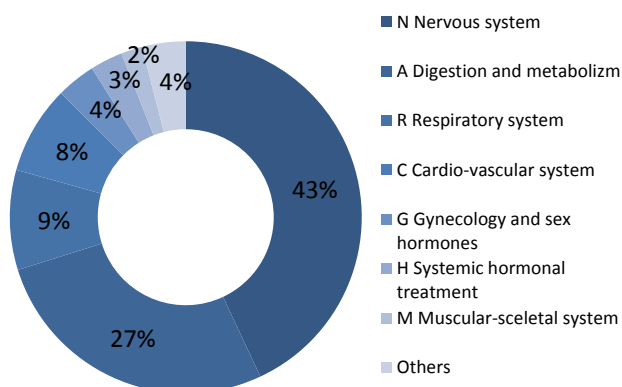
The highest share in the volume of sales are tablet formulations, followed by in ampoules, syrups, lyophilic products and unguents.

Revenues by type of formulation	2011	2010	Change
	BGN '000	BGN '000	
Tablets	155 088	151 335	2%
Ampoules	27 811	29 004	-4%
Syrups	13 923	13 554	3%
Liophilic products	6 262	7 147	-12%
Unguents	4 984	6 252	-20%
Suppositories	746	1 029	-28%
Drops	869	733	19%
Infusion solutions	158		
Other	4	5	-20%
<b>Total</b>	<b>209 845</b>	<b>209 059</b>	<b>0.4%</b>



## Sales by therapeutic group

Revenues by therapeutic group	2011	2010	Change
	BGN '000	BGN '000	
N Nervous system	90 346	82 807	9%
A Digestion and metabolism	56 969	61 712	-8%
R Respiratory system	19 283	18 546	4%
C Cardio-vascular system	17 056	19 824	-14%
G Gynecology and sex hormones	7 544	5 219	45%
H Systemic hormonal treatment	6 279	7 134	-12%
M Muscular-skeletal system	4 112	5 110	-20%
Others	8 256	8 707	-5%
<b>Total</b>	<b>209 845</b>	<b>209 059</b>	<b>0.4%</b>



## Other operating revenues

Other operating revenues	2011	2010	Change	Share 2011
	BGN '000	BGN '000		
Income from services	2 631	2 525	4%	69%
Income from sale of products	651	680	-4%	17%
Income from sale of materials	398	241	65%	11%
Loss from revaluation of investment property to fair value	(365)	(353)	3%	-10%
Income from forfeit	782			21%
Net loss from exchange rate differences	(559)	(89)	528%	-15%
Net income from sale of long-term assets	18	(150)	-112%	0%
Other	230	246	-7%	6%
<b>Other operating income</b>	<b>3 786</b>	<b>3 100</b>	<b>22%</b>	<b>100%</b>

Other operating income increased by 0.7 million BGN or 22%, reaching 3.8 million BGN in 2011 compared to 3.1 million BGN in 2010, most significantly influenced by the proceeds from forfeits, which amounted to 0.8 million BGN. In addition there was a reduction in net exchange losses on trade receivables, payables and current accounts.

The company reports increase in profits from the sale of materials (0.2 million BGN), gain on sale of fixed assets (0.2 million BGN) and revenue from the provision of services (0.1 million BGN ).

### Operating expenses

Operating expenses	2011 BGN '000	2010 BGN '000	change %	share 2011 %
Changes in the finished goods and work in progress inventory	(4 341)	2 393		-3%
Materials	56 910	51 527	10%	34%
External services	68 863	63 243	9%	41%
Personnel	33 953	29 165	16%	20%
Amorthization	8 454	8 506	-1%	5%
Other operating expenses	5 395	4 292	26%	3%
<b>Total operating expenses</b>	<b>169 234</b>	<b>159 126</b>	<b>6%</b>	<b>100%</b>

*The operating expenses* increased by 10.1 million BGN, or 6%, from 159.1 million BGN in 2010 to 161.2 million BGN in 2011, which is conditioned by the increase in the cost of materials, external services and personnel. Changes in inventories of finished goods and work in progress is mostly due to unrealized export finished products to the Russian market at the end of the year, partially offset by a decrease in the BGN 4.3 million total cost.

Materials expenses	2011 BGN '000	2010 BGN '000	Change %	share 2011 %
Main materials	44 246	41 106	8%	78%
Spare parts, laboratory items and technical materials	4 386	3 371	30%	8%
Heat	3 106	2 712	15%	5%
Electricity	2 399	1 983	21%	4%
Fuels and lubricants	1 233	1 004	23%	2%
Water	719	701	3%	1%
Safety	586	522	12%	1%
Other	235	128	84%	0%
<b>Total</b>	<b>56 910</b>	<b>51 527</b>	<b>10%</b>	<b>100%</b>

*Cost of materials* (34% share) increased by 10% or 5.4 million from 51.5 million BGN in 2010 to 56.9 million BGN at the end of 2011. Costs for basic materials increased by 3.1 million BGN, or 8%, the most significant effect is reported in chemical costs, which increased by 1.8 million BGN. There was an increase in the cost of heat, spare parts, laboratory and technical materials, electricity, fuel and lubricants. This increase in cost of materials is mainly due to increased volume of output, which reflects changes in stocks of finished goods at year end.

	2011	2010	change	share 2011
	BGN '000	BGN '000	%	%
<b>External services expenses</b>				
Production	35 991	34 440	5%	52%
Advertising	8 857	8 587	3%	13%
Commissions	3 035	3 411	-11%	4%
Transportation	3 023	2 796	8%	4%
Consultancy fees	2 764	1 310	111%	4%
Logistics	2 338	2 134	10%	3%
State and regulatory taxes and local taxes	1 888	1 409	34%	3%
Maintenance of buildings and equipment	1 870	1 378	36%	3%
Civil contracts	1 013	879	15%	1%
Insurance	924	938	-1%	1%
Security	769	725	6%	1%
Local taxes and fees	697	732	-5%	1%
Other	5 694	4 504	26%	8%
<b>Other</b>	<b>68 863</b>	<b>63 243</b>	9%	100%

*Hired services* occupy 41% share of operating expenses and increased by 5.6 million BGN or 9%, reaching 68.8 million BGN in 2011 compared to 63.2 million BGN 2010. The most significant impact of this growth have production costs, which rose by 1.5 million mainly due to increased BGN outputs, consulting services, increasing to 1.4 million BGN, maintenance of buildings and equipment grew by 0.5 million BGN, as well as increased costs for government and regulatory fees, logistics services, royalties, advertising, and other clinical trials.

The company reported less cost for commissions, insurance, messaging and telecommunications, courier services and others.

	2011	2010	change	share 2011
	BGN '000	BGN '000	%	%
<b>Personnel expenses</b>				
Remuneration	26 196	22 596	16%	77%
Social insurance	5 015	4 347	15%	15%
Social benefits and payments	2 014	1 439	40%	6%
Other	728	783	-7%	2%
<b>Total</b>	<b>33 953</b>	<b>29 165</b>	16%	100%

*Personnel costs* (a share of 20%) increased by 4.8 million BGN, or 16% from 29.2 million BGN in 2010 to 34 million BGN to 31.12.2011. Current salaries increased by 3.6 million BGN, social security contributions have increased by 0.7 million BGN and social benefits increased by 0.6 million BGN. The total growth of these costs is due to increased number of employees, increased amount of average salary in the company, additional remuneration for the management team, voted on EGMS end of the year, as well as additional incentives to the staff of the company in the form of food vouchers, in accordance with a contract with a licensed operator.

<b>Other expenses</b>	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>change</b>	<b>share 2011</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
Business expenses	1 991	2 000	0%	37%
Business trips	785	526	49%	15%
Depreciation of finished goods and work in progress	761	429	77%	14%
Depreciation of receivables	345	116	197%	6%
Renovation of rented assets	337			6%
Payments to the budget	336	111	203%	6%
Grants	264	342	-23%	5%
Reject of finished goods and work in progress	216	368	-41%	4%
Other	360	400	-10%	7%
<b>Total</b>	<b>5 395</b>	<b>4 292</b>	<b>26%</b>	<b>100%</b>

*Other operating expenses* (with a share of 3%) increased by 1.1 million or 26% of 4.2 million BGN at the end of 2010 to 5.3 million BGN in 2011, expanding business trips costs by 0.2 million BGN, and total accumulated depreciation of finished goods and receivables, which increased 0.6 million BGN. In addition the company incurred expenses for renovation of assets employed by it amounting to 0.3 million BGN.

*Depreciation* recorded a minimal decline of 1% or 52 thousand BGN BGN from 8.5 million BGN at the end of 2010 to 8.45 million BGN at the end of 2011.

## Financial income and expenses

<b>Financial income</b>	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>change</b>	<b>share 2011</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
Income from private equity	5 444	2 879	89.1%	48%
Income from interest on loans granted	5 223	3 302	58.2%	46%
Income from interest on deposits	174	278	-37.4%	2%
Net profit from exchange rate differences	251	67	274.6%	2%
Income from operations with investments	244	0		2%
<b>Total</b>	<b>11 336</b>	<b>6 526</b>	<b>74%</b>	<b>100%</b>
<b>Financial expenses</b>				

## Sopharma AD

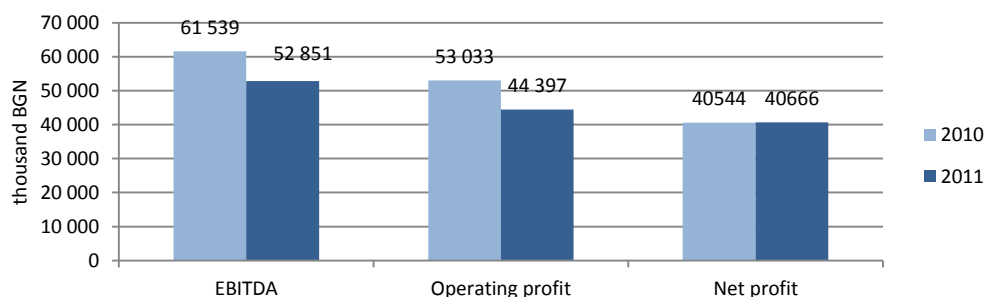
Expenses for interest on loans received	6 287	6 309	0%	52%
Depreciation of investments available and for sale	2 350	4 299	-45%	35%
Revaluation to fair value upon merger of an associated company into a daughter company		670	-100%	6%
Bank fees for services and guarantees	300	294	2%	2%
Financial leasing expenses	233	225	4%	2%
Expenses for operations with investments	14	368	-96%	3%
<b>Total</b>	<b>9 184</b>	<b>12 165</b>	<b>-25%</b>	<b>100%</b>

*Financial income* increased by 4.8 million BGN, or 74%, reaching 11.3 million BGN at the end of 2011 to 6.5 million BGN at the end of 2010. This growth is due mostly to income from private equity which increased by 2.5 million BGN, and interest income from loans, which increased by 1.9 million BGN due to increase in value of loans by the company to third parties.

*Financial expenses* decreased by 3 million BGN or 25%, from 12.2 in 2010 to 9.2 million BGN in 2011. This decrease is mainly due to the smaller amount of the depreciation of investments available and for sale, which decreased by 1.9 million BGN and costs of investment operations also decreased by 0.4 million BGN. Despite the increased amount of obligations the interest costs on borrowings maintained the same level compared to the previous year.

*Net financial income (expense)* increased by 7.8 million BGN, BGN reaching 2.2 million by the end of 2011, compared to (5.6) million BGN at the end of 2010.

## Operating result



*Profit before interest, taxes, depreciation and amortization (EBITDA)* fell by 8.6 million BGN or 14%, in 2011 it amounted to 52.9 million BGN, compared with 61.5 million BGN 2010. *The operating profit* decreased by 8.7 million BGN or 16% to 44,4 million BGN in 2011 to 53 million BGN in 2010. *Net income* for 2011 increased by 0.1 million BGN or 0.3%, reaching 40.6 million BGN for 2011 compared to 40.5 million BGN in 2010.

## Assets

	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>change</b>	<b>share</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
<b>Non-current assets</b>				
Property, plant and equipment	135 033	112 497	20%	48%
Intangible assets	3 369	1 950	73%	1%
Investment property	19 170	19 535	-2%	7%
Investments in subsidiaries	88 462	89 744	-1%	32%
Investments available and ofr sale	16 838	18 040	-7%	6%
Long-term loans to related parties	16 027	12 254	31%	6%
	<b>278 899</b>	<b>254 020</b>	10%	53%
<b>Current assets</b>				
Inventories	50 264	46 507	8%	20%
Receivables from related parties	121 954	90 607	35%	49%
Commercial receivables	29 241	39 311	-26%	12%
Other receivables and prepaid expenses	27 775	5 842	375%	11%
Cash and cash equivalents	18 334	30 982	-41%	7%
	<b>247 568</b>	<b>213 249</b>	16%	47%
<b>TOTAL ASSETS</b>	<b>526 467</b>	<b>467 269</b>	13%	100%

Total assets increased by 59.2 million BGN or 13%, reaching 526.5 million BGN compared with 467.3 in 2010 as a consequence of the increase in non-current as well as current assets.

Non-current assets increased by 24.9 million BGN, or 10%, due mainly to the increase in property, plant and equipment by 22.5 million BGN, the growth of intangible assets with 1.4 million BGN, and the increase in long-term loans to related companies with 3.8 million BGN decrease investments available and for sale to 1.2 million BGN, investments in subsidiaries to 1.2 million BGN and Investment property with 0.4 million compared to BGN as at 31/12/2010.

	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>change</b>	<b>share</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>%</b>	<b>%</b>
<b>Property, plant and equipment</b>				
Land and buildings	63 926	63 952	0%	47%
Machines and equipment	31 374	31 788	-1%	23%
Other	7 348	7 883	-7%	5%
In process of acquisition	32 385	8 874	265%	24%
<b>Total</b>	<b>135 033</b>	<b>112 497</b>	20%	100%

Property, plant and equipment has substantially increased in the proportion of assets in process of acquisition, which grew by 23.5 million BGN, as a result primarily of investments in the new plant for tablet forms, which for 2011 is amounting to 17.9 million BGN, and total funds invested in it since the beginning of the project amounted to 26.4 million BGN. Additional funds are spent on advances for acquisition of laboratory and production equipment.

Intangible assets also showed growth of 1.4 million BGN as a result of implementing an integrated information system, which should be completed in 2012.

Loans to related companies have increased from 3.8 million BGN as a result of the transformation of part of borrowing to short-term receivables.

*Current assets* increased by 34.4 million BGN or 13%, reaching 247.6 million BGN in 2011 compared to 213 million BGN as at 31/12/2010.

	31.12.2011	31.12.2010	change	share
	BGN '000	BGN '000	%	%
<b>Inventory</b>				
Materials	21 206	20 705	2%	42%
Finished products	22 145	17 277	28%	44%
Mid products	3 813	4 950	-23%	8%
Work in progress	3 054	3 501	-13%	6%
Goods	46	74	-38%	0%
<b>Total</b>	<b>50 264</b>	<b>46 507</b>	<b>8%</b>	<b>100%</b>

Inventories increased by 3.8 million BGN compared to 31/12/2010, mainly in the part of the finished products, which grew by 4.9 million BGN, and materials increased by 0.5 million BGN whereas mid products decreased by 1.1 million BGN. Work in progress fell by 0.5 million BGN.

Receivables from associated companies increased by 31.3 million BGN. The greatest burden in this increase are claims on sales of goods and materials rose by 25.7 million BGN, and commercial loans, marking increase by 4.9 million BGN.

Commercial receivables decreased by 10.1 million BGN in the portion of receivables from customers (by 11.2 million BGN). Increase is visible in the portion of advance payments for purchase of raw materials to 1.1 million BGN compared with 31/12/2010.

Other receivables and prepaid expenses increased by 22 million BGN. Basically this is due to an increase in loans to third parties by 17.2 million BGN and recovery of taxes, which increased by 1.8 million BGN.

Cash and cash equivalents decreased by 12.7 million BGN to 31.12.2011 and are 18.3 million to 31 million BGN 31/12/2010.



## Liabilities and owners' equity

	31.12.2011	31.12.2010	change	share
	BGN '000	BGN '000	%	%
<b>OWNERS' EQUITY</b>				
Share capital	132 000	132 000	0%	41%
Bought back shares	(10 036)	(2 392)	320%	-3%
Reserves	158 113	125 679	26%	49%
Retained earnings	40 777	40 672	0%	13%
<b>TOTAL OWNERS' EQUITY</b>	<b>320 854</b>	<b>295 959</b>	<b>8%</b>	<b>61%</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term bank loans	18 737	27 131	-31%	78%
Liabilities on deferred taxes	3 783	4 152	-9%	16%
Liabilities to the personnel upon retirement	1 269	1 267	0%	5%
Financial leasing liabilities	304	323	-6%	1%
	<b>24 093</b>	<b>32 873</b>	<b>-27%</b>	<b>12%</b>
<b>Current liabilities</b>				
Short-term bank loans	112 008	78 869	42%	62%
Short-term part of long-term bank loans	40 735	39 361	3%	22%
Commercial liabilities	15 746	14 047	12%	9%
Liabilities to related parties	9 000	3 595	150%	5%
Liabilities for taxes	686	574	20%	0%
Liabilities to the personnel and for social insurance	2 748	1 615	70%	2%
Other current liabilities	597	376	59%	0%
	<b>181 520</b>	<b>138 437</b>	<b>31%</b>	<b>88%</b>
<b>TOTAL LIABILITIES</b>	<b>205 613</b>	<b>171 310</b>	<b>20%</b>	<b>39%</b>
<b>TOTAL OWNERS' EQUITY AND LIABILITIES</b>	<b>526 467</b>	<b>467 269</b>	<b>13%</b>	<b>100%</b>

Equity increased by 24.9 million BGN to 31.12.2010 as a result of increased reserves by 32.4 million BGN. At year end the bought back shares are 2,568,609.

Non-current liabilities decreased by 8.7 million BGN, or 27%, from 32.8 million BGN at the end of 2010 to 24.1 million BGN at the end of 2011 mainly due to the reduction of long-term bank loans of 8.4 million BGN due to restructuring of bank loans of the company.

Current liabilities increased 43.1 million BGN to the end of 2010. The main reason is the increase in short-term bank loans 33.1 million BGN, as a result of maturing loans that are in the process of renegotiating. Due to new contracts with banks, incl. contract for an investment credit of 32 million EUR to finance the construction of a new tablet plant of "Sopharma" AD in Sofia and annexes for extension of working capital loans. Total liabilities of the company's increased by 26.1 million BGN. The increase in commercial payables is due to a great extent of its obligations to suppliers, which increased by 1.8 million compared to BGN at 31/12/2010.

Liabilities to associated companies increased by 5.4 million BGN, mainly as a result of service obligations for the construction of the new tablet plant, which at the end of the year amounted to 4.1 million BGN. Obligations to employees and social security increased by 1.1 million BGN mostly due to the increase in current liabilities of 1 million BGN, as a consequence of the increase in average salary and personnel in the company.

### Cash flow

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Net cash flow from operations	23 979	60 804
Net cash flow from investment activities	(43 188)	(46 787)
Net cash flow used in financial operations	6 290	12 037
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>(12 919)</b>	<b>26 054</b>
Cash and cash equivalents on January 1	30 982	4 928
Cash and cash equivalents on December 31	18 063	30 982

*Net cash flows* as at 31.12.2011 generated from operating activities amounted to 23.9 million BGN, net cash from investing activities (43.2) million BGN and financing activities 6.3 million BGN. As a result of these activities cash and cash equivalents decreased by a net 12.9 million BGN and the end of 2011 amounted to 18 million BGN compared to 30.1 million by the end of 2010.

### Ratios

	<b>2011</b>	<b>2010</b>
Net profit/sales revenues	19.4%	19.4%
ROE	13.2%	14.7%
ROA	8.2%	9.4%
Asset turnover	0.425	0.485
Current liquidity	1.36	1.54
Quick ratio	1.1	1.2
Cash/current liabilities	0.1	0.2
Owners' equity/liabilities	1.56	1.73

### Information on shares of Sopharma AD

The total number of outstanding shares at 31.12.2011 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.

## Sopharma AD

Shares of "Sopharma" AD are listed on the official market of the "Bulgarian Stock Exchange - Sofia" and the official market of the Warsaw Stock Exchange. Shares participate in the formation of the indices SOFIX, BG40 and BGTR30 of the "Bulgarian Stock Exchange - Sofia".

The Company's shares are included in the indices Dow Jones STOXX EU Enlarged, Total Market Index 0.11% weight, with 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 and the new blue-chip index Dow Jones STOXX Balkan 50 Equal Weighted Index.

### Important information for the shares of Sopharma AD

	2011	2010
Total number of issued shares	132 000 000	132 000 000
Average outstanding number of shares	130 330 455	131 843 881
Number of shares outstanding at the end of the period	129 431 391	131 392 572
Net profit per share	0,31	0,31
Price per share at the end of the period	3,175	3,91
P/E	10,24	12,61
Accounting value per share	2,478	2,252
P/B	1,28	1,73
Market capitalization in BGN	419 760 000	516 120 000

### Trade with shared of Sopharma AD on „BSE – Sofia“ AD for the period 01.01-31.12.2011



Signature:

Ognian Donev, PhD  
Executive Director, Sopharma AD