



Stock Price of Sopharma



- The revenues from the domestic market played larger role for Sopharma in the 8.14% increase of sales during the first half of the year. The export also improved. Financial revenues increased due to the income from ownership in subsidiaries.

- The declining expenditures for materials and mainly for spare parts contributed to the better profitability of the company. The cost cutting extended to advertising and some other non-essential services. Sopharma maintained the level of the wages and social insurances.

- Profit margins improved substantially as net profit jumped 120% for the period to BGN 21.5 million. The non-consolidated report includes the production of medicines but the consolidated report for the first quarter posted similar increase of revenues.

- Sopharma released the information of its liabilities to banks – short-term loans increased but in less degree than the decrease of long-term credits. Total liabilities were also lower, whereas receivables and inventories followed the percentage of increase of revenues. Most bank loans of Sopharma are in EUR and USD and the company is paying relatively low interest rates. The interest paid for the first half of the year was BGN 3.27 million.

- The export to Russia posted 14% increase for the period as compared to the first half of 2008. Russia is the second largest market for Sopharma and represented 38% of the sales for 2009, following closely the Bulgarian market that had 39% of total revenues.

- The management of Sopharma announced in March that a cost cutting program is implementing to improve the profitability of the company. The plans for expansion in Eastern Europe are temporarily frozen. Sopharma is aiming to maintain the net profit at its 2008 level.

- The regulatory body approved in early March the prospectus for public offering on the Warsaw stock exchange. The management of Sopharma is expecting that the dual listing will improve the liquidity as the company is well known in the local pharmaceutical market.

- The P/E ratio of Sopharma remains above the average for the Bulgarian stocks. However, latest results confirmed the positive trend from the main markets and the higher multiples look justifiable when comparing to regional peers. The company's practice to announce its monthly financial results is well perceived among investors and is improving the confidence.

- The stock jumped 63% from its February bottom and maintained its place among the most liquid positions.



SOPHARMA 1H 2009 Non-Consolidated Report

29 July 2009

Disclaimer

Analyst Certification: The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

Financial Interest: ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

Regulatory Authority: Financial Supervisory Commission, *Shar Planina* Street 33, 1303 Sofia, Bulgaria

Information Disclosure: All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

Risks for Investors: Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety. The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

Valuation Methods: Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

Recommendations: Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

Outperform	More than 5% higher as compared to SOFIX and BG40 performance
Market Perform	Market performance, +/-5% as compared to SOFIX and BG40
Underperform	More than 5% lower as compared to SOFIX and BG40 performance

Frequency of Recommendations: No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

Copyrights: The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

For more information about the current recommendations, please visit ELANA Trading web page:
http://www.elana.net/analysis/reports/bul_f_pazar_7/LIST_Recommendations.pdf

For more information, please contact:

Research analyst
Tsvetoslav Tsachev
Tamara Becheva

Phone:
+ 359 2 810 00 23
+ 359 2 810 07 23

E-mail:
tsachev@elana.net
becheva@elana.net

Internet:
www.elana.net
www.elana.net