

EASTPHARMA LTD.

London, 10 May 2012 – EastPharma (EAST LI), a company active in the manufacturing and marketing of pharmaceutical products in Turkey and in other regional markets, announces its Q1 2012 sales performance and a review of its main subsidiary DEVA Holding's financial statements for the related period.

Management comment on the sales performance of EastPharma is provided in the attachment, and a presentation of the results will be available on the EastPharma website [www.eastpharmaltd.com](http://www.eastpharmaltd.com) on 11 May 2012.

A conference call to review the Q1 2012 sales performance will be hosted by the management of EastPharma at 4:00pm London time on **11 May 2012** (11:00am New York / 5:00pm Zurich time / 6:00pm Istanbul time). The dial-in details are provided below.

Conference call:

Dial-in Number (UK): + 44 (0)20 7162 0077

Dial-in Number (US): + 1 877 491 0064

Dial-in Number (Switzerland): + 41 (0)434 5692 61

Dial-in Number (Germany): + 49 (0)695 8999 0507

Conference ID: 916466

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## SALES UPDATE AND MANAGEMENT REVIEW

### TURKEY'S OVERALL Q1 2012 MARKET PERFORMANCE COMPARED TO EASTPHARMA PERFORMANCE (According to IMS data)

According to the results of Q1 2012 IMS Health data, a total of 458.3mn units of drugs, worth TRY 3.7bn (USD 2.1bn), were sold in the Turkish Pharmaceutical market.

In unit terms the market grew by 0.1% in Q1 2012, while EastPharma's unit sales declined by 14.2% compared to the previous period, which corresponds to 22.7mn units IMS sales for EastPharma. With this decrease in sales amount, Eastpharma market share in unit terms decreased from 5.8% in Q1 2011 to 5.0% in Q1 2012 and the company maintained its 4th place ranking in the Turkish pharmaceuticals market.



By sales value in Turkish Lira, the national market declined by 7.6% in Q1 2012 compared to Q1 2011. According to IMS figures for Q1 2012, EastPharma achieved sales worth TRY 132.9mn (USD 75mn), a decrease of 25.3% compared to the previous period. Consequently, EastPharma market share decreased by value from 4.5% in Q1 2011 to 3.6% in Q1 2012 and the company has moved down the national ranking from 5th to 7th place.



## **MANAGEMENT COMMENTS ON SALES PERFORMANCE FOR EASTPHARMA IN Q1 2012 (IFRS):**

According to IFRS results, revenue in Q1 2012 was USD 55.3mn, down 25.4% from the same period in 2011 (USD 74.1mn). In TRY terms, the decrease in revenue was 14% for the same period. (TRY net sales in Q1 2012 was TRY 98.9mn vs TRY 114.8mn net sales in Q1 2011)

DEVA Holding is EastPharma's primary operating subsidiary in Turkey. EastPharma's sales decrease was driven by decreased volumes in DEVA's Human Pharma Products businesses. In Q1 2012 versus Q1 2011, Human Pharma revenues decreased by 26.7% (from USD 68.5mn to USD 50.2mn).

## **MANAGEMENT COMMENTS ON CAPITAL MARKET BOARD (CMB) FINANCIAL PERFORMANCE FOR DEVA Q1 2012:**

Deva's CMB results show revenue in Q1 2012 was TRY 99.7mn, down 14% from the same period in 2011 (TRY 115.9mn).

Deva's sales decrease in TRY terms was mainly due to decreased volumes at Deva's Human Pharma businesses. In 3M 2012 versus 3M 2011, Human Pharma revenues decreased by 15% (from TRY 107.0mn to TRY 90.6mn). Veterinary Products revenue increased by 2% (from TRY 8.6mn to TRY 8.8mn)

Deva's gross profit in Q1 2012 was TRY 37.5mn, down from TRY 47.1mn in Q1 2011. The gross profit margin in Q1 2012 was 38% vs 41% in Q1 2011.

EBITDA in Q1 2012 was TRY 16.5mn vs TRY 36.7mn in Q1 2011 representing an EBITDA margin of 16.6% vs 31.6% in Q1 2011. During Q1 2011, the company had some extraordinary items as follows; a gain on the reversal of a tax penalty totaling to TRY 9.6mn, a gain on the bargain purchase of Zentiva API Plant totaling to TRY 9.7mn. After these extraordinary items were adjusted, EBITDA was TRY 17.4mn which corresponds to an EBITDA margin of 15.0%.

Operating expenses in Q1 2012 decreased by 21.5%, from TRY 33.9mn to TRY 26.6mn. The ratio of operating expenses to revenues decreased to 26.7% from 29.3% compared to prior period. Sales and marketing expenses in Q1 2012 were 18% of revenues; general administrative expenses were 7% of revenues. These expenses were 22% and 7% respectively in Q1 2011.

Net finance income / expense decreased by TRY 2.7mn, from TRY 6.7mn to TRY 4mn in Q1 2012 compared to Q1 2011. This was due primarily to net foreign exchange gain / losses: Net foreign exchange gain / losses were TRY 2.3mn gain in Q1 2012, compared to a TRY 3mn loss in Q1 2011.

The average USD/TRY exchange rate increased by 14% to 1.79 in Q1 2012, which compares with an average rate of 1.57 in Q1 2011. The USD/TRY exchange rate was 1.8889 on 31 December 2011, while it was 1.7729 as of 31 March 2012: this corresponds to a decrease of 6%.

Receivable days at 31 March 2012 were 126 days, which was in the same level as at 31 December 2011.

Philipp Haas, EastPharma's Chairman and CEO, said; “The government imposed an enormous price decrease on pharmaceutical products sold in Turkey in the 4th quarter of last year, which measured in hard currency amounted to 40%. In these difficult circumstances the management team started a very severe cost cutting program. The cost cutting touched every area, from personnel count to fuel consumption. No cost item was left unexamined.

We further revised our commercial strategy, which in the past was very much focused on gaining market share. The new focus is now on profitability and we have therefore decreased pharmacy discounts of all sorts, both direct discounts and discounts in the form of free goods. As a result, in the first quarter of this year, we have lost market share as measured by IMS, whose figures include the free goods offered in the industry.

However, most importantly, we have been able to regain our profitability and show good and solid results in the lights of lower prices and a highly competitive market place. I would like to thank not only our management team but all our employees who have made significant sacrifices and great efforts in order to achieve these healthy results.”