

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES
WHICH HAVE OCCURRING IN THE FIRST QUARTER OF 2013
OF “SOPHARMA” AD**

- 1.1. No change in the persons controlling the Company..
- 1.2. No changes in the Board of Directors, no changes in the method of representation, appointment or dismissal of a procurator.
- 1.3. No amendments and/or supplements to Articles of association.
- 1.4. Decision for transformation of the Company and implementation of the transformation. Structural changes in the Company. On 29 October 2012 was signed a merger agreement between Sopharma AD and Bulgarian Rose Sevtopolis AD, which settles the conduction of the transformation through merging of Bulgarian Rose Sevtopolis AD into Sopharma AD. The agreement along with the accompanying documentation has been submitted to the Financial Supervision Commission. As at the date of issuing of the current statements the Company is still awaiting of the position of the FSC. No new subsidiaries have been acquired in the first quarter of 2013 (2012: subsidiary Sopharma Ukraine EOOD).
- 1.5. Opening of liquidation proceedings and all significant events associated to production – Sopharma Poland OOD – the company is currently in liquidation. On 25 February 2013 completed the liquidation of Sopharma Zdrovit AD, Poland, and the company was erased from the National Court Register of Poland.
- 1.6. No opening of bankruptcy proceedings against the company or its subsidiary or any significant events related to production.
- 1.7. No purchase, lease or disposition of assets of great value under Article 114, Paragraph 1, Item 1 of the Law on Public Offering of Securities.
- 1.8. No decision on conclusion, termination and cancellation of joint venture agreements.
- 1.10. No change in the Company's auditors. The Annual General Meeting of Shareholders held on 19 June 2012 elected the registered auditor company AFA ODD, Sofia, 38 Oborishte Str. to audit and certify the annual financial statements of the Company for 2012.
- 1.11. Announcing the company's profits - "Sopharma" AD finished the first quarter of 2012 with a net profit of 9 090 thousand BGN, which is an increase of 649 thousand BGN compared to the same period of 2012.
- 1.12. No significant losses and causes for such.
- 1.13. No unforeseen or unexpected circumstance of an extraordinary nature, as a result of which the Company or a subsidiary has suffered damages, amounting to three percent or more of the Company's equity.
- 1.14. The Company has not received and has not published a modified audit report.
- 1.15. The Company conducted an Annual General Meeting of Shareholders on 19 June 2012. The AGM took the decision to distribute a dividend of 0.07 BGN per share.
- 1.16. Occurrence of a liability which is essential for the Company or a subsidiary, including any non-fulfilment or increase of the liability:

LONG-TERM BANK LOANS

| Currency | Contracted loan amount '000 | Maturity | Non-current portion BGN'000 | Current portion BGN'000 | Total BGN'000 | Non-current portion BGN'000 | Current portion BGN'000 | Total BGN'000 |
|--------------------------|-----------------------------|-------------------|-----------------------------|-------------------------|---------------|-----------------------------|-------------------------|---------------|
| Investment-purpose loans | | | | | | | | |
| EUR | 32 000 | 15.04.2021 | 54 008 | 7 709 | 61 717 | 51 779 | 5 888 | 57 667 |
| Credit lines | | | | | | | | |
| BGN | 23 470 | 31.01.2014 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>Note №32</u> | <u>-</u> |
| | | | <u>54 008</u> | <u>7 709</u> | <u>61 717</u> | <u>51 779</u> | <u>5 888</u> | <u>57 667</u> |

The Company has gradually established a policy of annual renegotiation of the initial contract term of long-term credit lines, incl. maturities. From the date of renegotiation the extended credit lines are presented as short-term bank loans.

The loans received in EUR have been agreed at interest rate based on 3-month EURIBOR plus a mark-up of up to 2.8 points (2012: 3-month EURIBOR plus a mark-up of up to 2.8 points).

The following collateral have been established in favor of the creditor banks:

- Real estate mortgages: 6,988 thousand BGN (31 December 2012: 6,222 thousand BGN);
- Special pledges on property, plant and equipment: 16,354 thousand BGN (31 December 2012: 13,700 thousand BGN).

SHORT-TERM BANK LOANS

| Currency | Contracted amount | Maturity | 31.03.2013 | 31.12.2012 |
|-------------------------|-------------------|-------------------|-----------------------|-----------------------|
| | '000 | | BGN'000 | BGN'000 |
| Bank loans (overdrafts) | | | | |
| <i>EUR</i> | <i>20 000</i> | <i>31.05.2013</i> | <i>39 039</i> | <i>39 091</i> |
| <i>EUR</i> | <i>12 500</i> | <i>17.02.2014</i> | <i>24 218</i> | <i>24 384</i> |
| <i>BGN</i> | <i>10 000</i> | <i>31.03.2014</i> | <i>10 000</i> | <i>10 003</i> |
| <i>EUR</i> | <i>5 000</i> | <i>01.05.2013</i> | <i>9 779</i> | <i>9 785</i> |
| <i>USD</i> | <i>4 000</i> | <i>01.05.2013</i> | <i>6 098</i> | <i>5 936</i> |
| <i>EUR</i> | <i>1 968</i> | <i>01.05.2013</i> | <i>3 703</i> | <i>3 632</i> |
| <i>EUR</i> | <i>3 000</i> | <i>28.09.2013</i> | <i>2 841</i> | <i>2 858</i> |
| | | | <u><i>95 678</i></u> | <u><i>95 689</i></u> |
| Extended credit lines | | | | |
| <i>BGN</i> | <i>23 470</i> | <i>31.01.2014</i> | <i>23 454</i> | <i>19 772</i> |
| <i>BGN</i> | <i>18 000</i> | <i>31.07.2013</i> | <i>17 922</i> | <i>15 028</i> |
| <i>EUR</i> | <i>5 000</i> | <i>31.08.2013</i> | <i>9 779</i> | <i>9 772</i> |
| <i>EUR</i> | <i>3 000</i> | <i>25.08.2013</i> | <i>5 867</i> | <i>5 863</i> |
| <i>EUR</i> | <i>2 500</i> | <i>20.11.2013</i> | <i>4 836</i> | <i>4 851</i> |
| <i>EUR</i> | <i>2 500</i> | <i>31.08.2013</i> | <i>1 315</i> | <i>1 803</i> |
| | | | <u><i>63 173</i></u> | <u><i>57 089</i></u> |
| Total | | | <u>158 851</u> | <u>152 778</u> |

The loans received in EUR are contracted at an interest rate based on 6-month EURIBOR plus a mark-up, 3-month EURIBOR plus a mark-up of up to 3.85 points and 1-month EURIBOR plus a mark-up of up to 3 points, the loans in USD – 3-month LIBOR plus a mark-up of up to 3.85 points, and the loans in BGN – monthly SOFIBOR plus a mark-up of up to 2.75 points. (2012: loans in EUR - 6-month EURIBOR plus a mark-up of up to 3 points, 3-month EURIBOR plus a mark-up of up to 3.85 points and 1-month EURIBOR plus a mark-up of up to 3 points loans in USD – 3-month LIBOR plus a mark-up of up to 3.85 points, and for those in BGN – 1-month SOFIBOR plus a mark-up of up to 3.75 points and 2-month SOFIBOR plus a mark-up of up to 3.5 points). Loans are intended for providing working capital.

The following collateral have been established in favor of the creditor banks:

- Real estate mortgages 38,058 thousand BGN (31 December 2012 r.: 39,147 thousand BGN) (Note № 13);
- Special pledges on:
 - machinery and equipment 18,606 thousand BGN (31 December 2012: 18,835) (Note № 13);
 - receivables from related parties – 10,500 thousand BGN (31 December 2012: 10,500 thousand BGN) (Note № 21);
 - trade receivables – 32,562 thousand BGN (31 December 2012: 32,562 thousand BGN) (Note № 22);
 - inventories – 40,872 thousand BGN (31 December 2012: 38,372 thousand

BGN) (Note № 20).

Long-term receivables from related parties include:

| | 31.03.2013 | 31.12.2012 |
|---|---------------------|---------------------|
| | BGN '000 | BGN '000 |
| <i>Long-term loans granted to related parties</i> | 742 | 748 |
| <i>Receivables on long-term deposits on rentals</i> | 435 | 435 |
| Total | <u>1 177</u> | <u>1 183</u> |

The terms and conditions of the long-term loans granted to related parties are as follows:

| Currency | Contracted amount | Maturity | Interest% | 31.03.2013 | | 31.12.2012 | |
|--|--------------------------|-----------------|------------------|-------------------|------------------|-------------------|------------------|
| | | | | BGN'00 | BGN'00 | BGN'00 | BGN'00 |
| | '000 | | | 0 | 0 | 0 | 0 |
| | | | | including | g | including | g |
| | | | | interest | interest | interest | interest |
| to companies under common indirect control through key managing personnel | | | | | | | |
| BGN | 1 100 | 31.12.2014 | 8.08% | 742 | 20 | 748 | 25 |
| | | | | <u>742</u> | <u>20</u> | <u>748</u> | <u>25</u> |

The long-term loans granted to related parties are not secured by collateral.

Receivables from related parties include:

| | 31.03.2013 | 31.12.2012 |
|--|-----------------------|-----------------------|
| | BGN '000 | BGN '000 |
| Receivables from subsidiaries | 107 985 | 110 584 |
| <i>Impairment of uncollectible receivables</i> | (76) | (76) |
| | <u>107 909</u> | <u>110 508</u> |
| Receivables from companies under a common control through key managing personnel | 43 201 | 37 166 |
| Receivables from Companies under common indirect control | 10 781 | 14 051 |
| <i>Impairment of uncollectible receivables</i> | (439) | (2 782) |
| | <u>10 342</u> | <u>11 269</u> |
| Receivables from companies – main shareholders | 7 310 | 8 170 |
| Total | <u>168 762</u> | <u>167 113</u> |

The receivables from related parties by type are as follows:

| | 31.03.2013 | 31.12.2012 |
|---|-----------------------|-----------------------|
| | BGN '000 | BGN '000 |
| Receivables on sales of finished products and materials | 101 929 | 104 659 |
| Trade loans granted | <u>66 833</u> | <u>62 454</u> |
| Total | <u>168 762</u> | <u>167 113</u> |

The receivables on sales are interest-free and 68,769 thousand BGN of them are denominated in BGN (31 December 2012: 65,180 thousand BGN) and in EUR – 33,160 thousand BGN (31 December 2012: 39,479 thousand BGN).

The most significant receivables are the ones from a subsidiary with principal activities in the field of trade in pharmaceuticals. They amounted to – 67,551 thousand BGN as at 31 March 2013 or 66,27% of all receivables on sales of finished products and materials to related parties (31 December 2012: 64,524 thousand BGN - 61,65%).

The Company usually negotiates with its subsidiaries payment terms of 180 days for receivables on sales of finished products and up to 90 days for receivables on sales of materials (incl. substances).

The Company determined a credit period of up to 270 days for which no interest was charged to sales counterparts - related parties and this was in line with the specifics of the end users – hospitals, Health Insurance Fund and other. Any delay after this period is regarded by the Company as an indicator for impairment. The management assesses collectability on an individual basis by analyzing the specific receivables and circumstances related to delay in order that impairment is charged.

The receivable on long-term deposit is on a rental contract for an administrative office with an end date 1 August 2022.

Other long-term receivables of the Company are two loans granted to third parties totaling as at 31 March 2013: 1,419 thousand BGN (31 December 2012: 922 thousand BGN). The loans are due on 1 July 2014 and 2 August 2016 and with an annual interest rate of 7.00% and 8.08%.

1.18. There are no liquidity problems and measures for financial support.

1.19. No changes in the share capital as at 31 March 2013:

| | | | |
|------------------|----------|--------------------|-----------------------|
| Physical persons | /4578./: | 5 014 809 shares | - 3,80% |
| Legal persons | /201./: | 126 985 191 shares | – 96, 20%, including: |

„Donev Investment Holding” AD,

EIK 831915121,

Sofia, Positano Str. № 12

35 004 033 /26,52/

“Telecomplex Invest” AD,

EIK 201653294,

Sofia, Slaveikov Square №9

26 948 052 /20,42%/

„Finance Consulting Company” EOOD

EIK 131414242

Sofia, Khan Krum Str. 10

12 699 038 /9,62%/

Universal Pension Fund “Doverie” AD,

EIK 130474628

Sofia, Dunav Str. 5

8 906 297 /6,75%/

1.20. There have been no negotiated for the acquisition of the Company.

1.21. No conclusion or performance of essential contracts, which do not relate to the ordinary business of the Company.

1.22. Opinion of the governing body in connection with a tender offer – On 26 March 2013 the Board of Directors of Sopharma AD decided to conduct the procedure provisioned in POSA for making a tender offer under art. 149, par. 6 of POSA to the other shareholders of "Momina Krepost" AD, Veliko Tarnovo, UIC104055543. The application for tender offer is submitted to the Financial Supervision Commission under № 15-001/27.03.2013 and to the Bulgarian Stock Exchange under № 1928/27.03.2013.

1.23. No termination or substantial reduction of relations with clients, who form at least 10% of the revenues of the company for the last three years.

1.24. Introduction of new products and developments to the market – The Company currently implements 3 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules. Three to five new products are expected to be introduced by the end of 2013.

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.

1.25. No large orders /amounting to over 10% of the average income of the Company for the last three years/.

1.26. No development and/or change in the volume of orders and the utilization of the production capacity.

1.27. No stopping of sales of a product, forming a significant part of the Company's revenue.

1.28. Sopharma 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 a product in order to adapt it to current market needs. Sopharma AD has the strategic goal to achieve a stable result of developing eight to ten new products annually.

1.29. No new acquisition, temporary cessation of use, withdrawal of permission to operate /license/.

1.30. No initiation or termination of a court or arbitration proceedings relating to claims or liabilities of the company or its subsidiary, with the price of the claim at least 10% of the

company's equity.

1.31. Purchase, sale or pledge of shares in companies of the issuer or its subsidiary – 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%.

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%.

1.32. No update of the forecast results.

1.33. No award or change of rating, commissioned by the company.

1.34. Other circumstances which the company believes could be relevant for investors in deciding to acquire, sell or continue to hold publicly traded securities:

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 from 13.80% to 9.62%. The date of registration of the transaction with the Central Depository AD is 23 January 2012.

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 participation in the capital of Sopharma from 24.53% to 26.78%. The date of registration of the transaction with the Central Depository AD is 23 January 2012.

As at 31 March 2013 the treasury shares of Sopharma AD amount to 3 666 347 shares or 2,78% of the capital, according to a decision by the General Meeting of Shareholders from 23 June 2010..

"Sopharma" AD informs all concerned that the interim financial statements of the Company for the period 1 January – 31 March 2013 have not been audited by a registered auditor.

Ognian Donev, PhD
Executive Director