

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES WHICH
HAVE OCCURRING IN THE FIRST QUARTER OF 2014 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 changes and/or amendments in the Articles of Association of the Company in the first quarter of 2014.
- 1.4. Decision for transformation of the Company and implementation of the transformation - none. Structural changes in the Company – In 2014:
SpetzApharmacia BOOO, Belarus transformed from an associated company to a subsidiary of the Group through Briz, Latvia on 20 January 2013
- 1.5. Opening of liquidation proceedings and all significant events associated to production – As of 31 March 2013, the investments in the subsidiaries Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA are fully written-off (31.12.2013: fully written-off are the investments in Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA).
- 1.6. No opening of bankruptcy proceedings against the company or its subsidiary or any significant events related to production.
- 1.7. No acquisition, use or disposition of high-value assets under art. 114, par. 1, item 1 of POSA in the first quarter of 2014.
- 1.8. No decision on conclusion, termination and cancellation of joint venture agreements.
- 1.9. (Annulled – State Gazette, issue 82 from 2007).
- 1.10. No change in the Company's auditors.
- 1.11. Announcing the Company's profits - Sopharma AD completed the first quarter of 2014 with a net profit of 10 104 thousand BGN.
- 1.12. Significant losses and causes for such – none.
- 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. No decision of the General Meeting on the type and amount of the dividend and the terms and conditions of its payment.
- 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	Maturity	31.03.2014		Total	31.12.2013		Total
			Non-current portion	Current portion		Non-current portion	Current portion	
	'000		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Investment-purpose loans								
EUR	32 000	15.04.2021	46 926	3 731	50 657	48 723	3 822	52 545
			<u>46 926</u>	<u>3 731</u>	<u>50 657</u>	<u>48 723</u>	<u>3 822</u>	<u>52 545</u>

The received investment loan in EUR has been agreed at interest rate based on 3-month EURIBOR plus a mark-up of up to 2.8 points (2013: 3-month EURIBOR plus a mark-up of up to 2.8 points).

The following collateral have been established in favor of the creditor bank for the aforementioned loan:

- Real estate mortgages: 47,261 thousand BGN (31 December 2013: 47,690 thousand BGN) (Note №13);
- Special pledges on:
- property, plant and equipment: 22,349 thousand BGN (31 December 2013: 29,960 thousand BGN) (Note №13).

SHORT-TERM BANK LOANS

Currency	Contracted amount	Maturity	31.03.2014	31.12.2013
	'000		BGN'000	BGN'000
Bank loans (overdrafts)				
EUR	20 000	31.05.2014	36 077	38 522
EUR	12 500	17.04.2014	16 640	8 472
BGN	10 000	30.06.2014	10 000	10 002
BGN	5 000	31.05.2014	9 779	9 788
BGN	5 000	31.05.2014	9 758	5 090
			<u>82 254</u>	<u>71 874</u>
Extended credit lines				
BGN	15 000	31.01.2015	12 722	7 335
EUR	5 000	31.08.2014	980	6 628
BGN	18 000	30.08.2014	632	13 041
			<u>14 334</u>	<u>27 004</u>
Total			<u>96 588</u>	<u>98 878</u>

The loans received in EUR are contracted at an interest rate based on 3-month EURIBOR plus a mark-up of up to 3.2 points and 1-month EURIBOR plus a mark-up of up to 3.25 points, and the loans in BGN – 1-month SOFIBOR plus a mark-up of up to 2.1 points, 1-month SOFIBOR plus a mark-up of up to 2 points, 1-month SOFIBOR plus a mark-up of up to 3 points and 2-month SOFIBOR plus a mark-up of up to 3.25 points. (2013: loans in EUR - 3-month EURIBOR plus a mark-up of up to 3.2 points and 1-month EURIBOR plus a mark-up of up to 3.25 points, and for those in BGN – 3-month

SOFIBOR plus a mark-up of up to 2.1 points, 1-month SOFIBOR plus 2 points, 1-month SOFIBOR plus 3 points and 2-week SOFIBOR plus 3.25 points). Loans are intended for the provision of working capital.

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

- Real estate mortgages - 36,522 thousand BGN (31 December 2013: 37,019 thousand BGN) (Note № 13 and № 15);
- Special pledges on:
 - machinery and equipment 15,615 thousand BGN (31 December 2013: 13,599 thousand BGN);
 - inventories - 35,525 thousand BGN (31 December 2013: 35,525 thousand BGN);
 - receivables from related parties – 16,229 thousand BGN (31 December 2013: 16,229 thousand BGN);
 - commercial receivables – 22,763 thousand BGN (31 December 2013: 22,763 thousand BGN);

1.17 Occurrence of a receivable that is significant for the Company, with indication of its maturity

As at 31 march the *long-term receivables from related parties* include:

	31.03.2014	31.12.2013
	BGN '000	BGN '000
Granted long-term loans	26 702	25 214
Receivables on long-term deposits on rentals	435	435
Total	<u>27 137</u>	<u>25 649</u>

The long-term loans are granted to related parties through key management personnel.

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

Currency	Contracted amount	Maturity	Interest%	31.03.2014		31.12.2013	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
EUR	11 251	01.12.2015	5.00%	24 011	2 007	22 554	1 750
ERU	1 278	01.12.2015	5.00%	2 691	191	2 660	160
				<u>26 702</u>	<u>2 198</u>	<u>25 214</u>	<u>1 910</u>

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

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

Receivables from related parties include:

	31.03.2014	31.12.2013
	BGN '000	BGN '000
Receivables from subsidiaries	83 696	78 319
<i>Impairment of uncollectible receivables</i>	<u>(178)</u>	<u>(178)</u>
	83	78
	518	141
Receivables from companies under a common control through key managing personnel	16 999	17 732
Receivables from Companies under common indirect control	7 560	7 477
Total	<u>108 077</u>	<u>103 350</u>

The receivables from related parties by type are as follows:

	31.03.2014	31.12.2013
	BGN '000	BGN '000
Receivables on sales of finished products and materials	74 088	69 135
<i>Impairment of uncollectable receivables</i>	<u>(171)</u>	<u>(171)</u>
	73 917	68 964
Granted commercial loans	34 167	34 393
Impairment of uncollectable receivables	<u>(7)</u>	<u>(7)</u>
	34 160	34 386
Total	<u>108 077</u>	<u>103 350</u>

The receivables from sales are interest-free and 31,220 thousand BGN of them are denominated in BGN (31 December 2013: 29,469 thousand BGN), in EUR – 42,697 thousand BGN (31 December 2013: 39,466 thousand BGN), and in hryvnia – none (31 December 2013: 29 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 – 33,414 thousand BGN as at 31 March 2014 or 45,21% of all receivables on sales of finished products and materials to related parties (31 December 2013: 31,466 thousand BGN – 45,60%).

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 period of up to 270 days in total 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 terms of the loans granted to related parties are as follows:

Currency	Contracted amount '000	Maturity	Interest %	31.03.2014		31.12.2013	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
<i>to companies related through key managing personnel</i>							
EUR	10 455	31.12.2014	4.50%	11 472	142	11 346	62
BGN	27 050	31.12.2014	8.08%	4 805	29	5 662	-
BGN	1 300	31.12.2014	8.08%	557	57	551	9
BGN	190	31.12.2014	8.08%	165	1	167	37
<i>to companies under common indirect control</i>							
EUR	7 661	31.12.2014	4.50%	7 560	83	7 477	-
<i>to subsidiaries</i>							
EUR	2 770	20.01.2015	6.10%	6 462	1 045	6 381	963
BGN	2 000	30.10.2014	8.08%	2 360	55	2 026	26
BGN	600	31.12.2014	7.00%	402	2	402	2
USD	205	31.12.2014	3.50%	306	15	303	13
USD	25	31.12.2014	3.50%	39	4	39	4
USD	20	31.12.2014	3.50%	32	3	32	3
				34 160	1 436	34 386	1 091

As at 31 March 2014 there are pledges on receivables from related parties amounting to 16,229 thousand BGN (31 December 2013: 16,229 thousand BGN) as collateral for received bank loans.

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

1.19. Changes in the share capital – none.

The structure of the capital as 31 March 2014 is as follows:

Physical persons	/4373/:	4 537 283 shares	- 3.44%
Legal persons	/175/:	127 462 717 shares	- 96.56%, including:

Shareholders with a share of over 5%:

„Donev Investment Holding” AD,
 UID 831915121,
 Sofia, Positano Str. № 12 33 266 653 /25,20%/

“Telecomplect Invest” AD,
 UID 201653294,
 Sofia, Slaveikov Square №9 26 948 052 /20.42%/

„Rompharm Company” OOD
 UID 200732874
 Sofia, Mladost residential complex,
 Boian Damianov Str. 7, office 3 23 983 906 /18,17%/

1.20. There have been no negotiations 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 – The Financial Supervision Commission issued a temporary ban on publication of the tender offer, submitted to the FSC by letter, ent. № 15-00-1 from 27 March 2013, from Sopharma AD for the purchasing through Elana Trading AD, Sofia of shares of Momina Krepost AD, Veliko Tarnovo, from the other shareholders of the company.

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. The Company has received marketing authorizations for 4 new products – Otoflox drops, Softenzif delayed release tablets, Promerol injection solution, Fentoril injection solution.

The Company expects to introduce three to five new products by the end of 2014.

Around fifteen production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of over 20 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. No purchase of patents.

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 6 February 2014 the Company sold 616 015 ordinary registered shares with voting rights of the capital of Sopharma Trading AD. After this transaction, the share of Sopharma AD in the capital of Sopharma Trading AD decreased to 73.99%.

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:

In 2013, the company has committed itself to an excess of 3,000 thousand EUR under contract for funding under the Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013. The expected duration of the execution of the contract is 18 months and is mainly related to the financing of deployment of innovative products in the ampoule production.

In 2013 the company received government financing in the amount of 3,787 thousand BGN under contract for financing and Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 - 2013 (Note 29 and Note № 35), related to the technological upgrading and modernization of the tablet plant (Note № 13). The Company has taken a commitment for a period of five years after the completion of the project, from 03 November 2013, and under the contract, the project must not undergo significant changes affecting its essence, the conditions for its execution or creating unjustified benefits for the Company, as well as changes resulting from a change in the nature of ownership of the assets subject to financing. The provided funding is subject to repayment in the event of failure to comply with these requirements. As at the date of the report all contract requirements are met.

On 7 February 2014 the Company received a notification for the acquisition of 4 230 000 shares,

representing 3.20 % of its capital, by Rompharm Company OOD. After the transaction the share of Rompharm Company OOD in the capital of Sopharma AD reached 17.60%.

The registration date of the transaction in the Central Depository AD, Sofia is 2 February 2014.

On 11 February 2014 the Company received a notification for the sale of 3 424 005 shares by UPF Doverie. After the transaction the share of UPF Doverie in the capital of Sopharma AD decreased to 4,155 %.

The registration date of the transaction in the Central Depository AD, Sofia is 6 February 2014.

The treasury shares as at 31 March 2014 were 5,022,555 at the amount of 16,716 thousand BGN (31 December 2013: 5,460,676 at the amount of 18,105 thousand BGN) representing 3.80% of the capital of the Company, in compliance with decision by the General Meeting of Shareholders from 23 June 2010. In the current year the Company purchased 94,103 shares (2013: 1,975,445) and sold 532,224 shares (2013: 1000 shares) through an investment intermediary.

Sopharma AD informs all concerned parties that the interim financial statements of the Company for the period as at 31 March 2014 have not been audited by a registered auditor.

Ognian Donev, PhD
Executive Director