

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES
WHICH HAVE OCCURRING IN THE SECOND 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. Changes and/or amendments in the Articles of Association. – The Annual General Meeting of Shareholders, held on 21 June 2013, decided to amend the Articles of Association, in order to bring it into compliance with the applicable legislation, as proposed by the Board of Directors.
- 1.4. Decision for transformation of the Company and implementation of the transformation. Structural changes in the Company – In the second quarter of 2013 no new subsidiaries were acquired.
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. By Decision №396 – PD from 23 May 2013 the Financial Supervision Commission did not approve the Contract for transformation through merging of Bulgarian Rose Sevtopolis AD in Sopharma AD.
- 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. Acquisition, use or disposition of high-value assets under art. 114, par. 1, item 1 of POSA – The Annual General Meeting of Shareholders, held on 21 June 2013, authorized the Board of Directors of the Company to conclude a contract with Bulgarian Rose Sevtopolis AD for manufacturing of medicinal products and active substances falling within the scope of art. 114, par. 1, item 2 of the POSA; with Sopharma Trading AD for the sale of medicinal products falling within scope of art. 114, par. 1, item 3 of POSA; with Sophprint Group AD for the provision of services falling within the scope of art. 114, par. 1, item 2 of the POSA; with Telecomplect AD for the provision of services falling within the scope of art. 114, par. 1, item 2 of the POSA; with Sopharma Properties REIT for the renting of conference, which contract falls within the scope of art. 114, par. 1, item 1, 2 and 3 of POSA according to the Motivated Report, prepared by the Board of Directors.
- 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 21 June 2013 elected the registered auditor company AFA ODD, Sofia, 38 Oborishte Str. to audit and certify the annual financial statements of the Company for 2013.

- 1.11. Announcing the company's profits - Sopharma AD finished the second quarter of 2012 with a net profit of 24 983 thousand BGN, which is an increase of 63 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 21 June 2013. The AGM took the decision to distribute a dividend /burto/ 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	Maturity	30.06.2013			31.12.2012		
			Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
	'000		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Investment-purpose loans								
EUR	32 000	15.04.2021	48 304	7 709	56 013	51 779	5 888	57 667
Credit lines								
BGN	23 470	31.01.2014	-	-	-	-	Note №32	-
			48 304	7 709	56 013	51 779	5 888	57 667

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 (Note № 29).

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: 6,980 thousand BGN (31 December 2012: 6,222 thousand BGN) (Note №13);
- Special pledges on property, plant and equipment: 16,354 thousand BGN (31 December 2012: 13,700 thousand BGN) (Note №13).

SHORT-TERM BANK LOANS

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>31.03.2013</i>	<i>31.12.2012</i>
	<i>'000</i>		<i>BGN'000</i>	<i>BGN'000</i>
<i>Bank loans (overdrafts)</i>				
EUR	20 000	31.07.2013	38 998	39 091
EUR	12 500	17.02.2014	16 837	24 384
BGN	10 000	31.03.2014	9 994	10 003
EUR	5 000	31.05.2014	9 779	9 785
EUR	5 000	31.05.2014	8 073	-
EUR	3 000	28.09.2013	2 846	2 858
USD	4 000	01.05.2013	-	5 936
EUR	1 968	01.05.2013	-	3 632
			86 527	95 689
<i>Extended credit lines</i>				
BGN	23 470	31.01.2014	23 175	19 772
BGN	18 000	31.07.2013	17 986	15 028
EUR	5 000	31.08.2013	9 773	9 772
EUR	3 000	25.08.2013	5 867	5 863
EUR	2 500	31.08.2013	4 442	1 803
EUR	2 500	20.11.2013	-	4 851
			61 243	57 089
Total			147 770	152 778

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 37,675 thousand BGN (31 December 2012 г.: 39,147 thousand BGN) (Note № 13);
- Special pledges on:
 - machinery and equipment 17,822 thousand BGN (31 December 2012: 18,835) (Note № 13);
 - receivables from related parties – 4,500 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:

	30.06.2013	31.12.2012
	BGN '000	BGN '000
Receivables on long-term deposits on rentals	435	435
Long-term loans granted to related parties	-	748
Total	435	1 183

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

<i>Currency</i>	<i>Contracted amount '000</i>	<i>Maturity</i>	<i>Interest%</i>	<i>30.06.2013</i>		<i>31.12.2012</i>	
				<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
					<i>including interest</i>	<i>0</i>	<i>0</i>
						<i>including interest</i>	<i>including interest</i>
<i>to companies under common indirect control through keyman aging personnel</i>							
<i>BGN</i>	<i>1 100</i>	<i>31.12.2014</i>	<i>8.08%</i>	-	-	748	25
				-	-	748	25

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:

	30.06.2013	31.12.2012
	BGN '000	BGN '000
Receivables from subsidiaries	115 037	110 584
<i>Impairment of uncollectible receivables</i>	(76)	(76)
	114	110
	961	508
Receivables from companies under a common control through key managing personnel	42 950	37 166
Receivables from Companies under common indirect control	11 251	14 051
<i>Impairment of uncollectible receivables</i>	(453)	(2 782)
	10 798	11 269
Receivables from companies – main shareholders	2 131	8 170
Total	170 840	167 113

The receivables from related parties by type are as follows:

	31.03.2013	31.12.2012
	BGN '000	BGN '000
Dividends	5 217	-
Receivables on sales of finished products and materials	103 302	104 659
Trade loans granted	62 313	62 454
Advance payments	8	-
Total	<u>170 840</u>	<u>167 113</u>

The receivables on sales are interest-free and 69,790 thousand BGN of them are denominated in BGN (31 December 2012: 65,180 thousand BGN), in EUR – 33,482 thousand BGN (31 December 2012: 39,479 thousand BGN), and in hryvnia – 30 thousand BGN (31 December 2012: none).

The most significant receivables are the ones from a subsidiary with principal activities in the field of trade in pharmaceuticals. They amounted to – 66,195 thousand BGN as at 30 June 2013 or 64,08% 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 terms of the granted loans to related companies are as follows:

Currency	Contracted amount '000	Maturity	Interest %	30.06.2013		31.12.2012	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
<i>to companies under common indirect control through key managing personnel</i>							
BGN	21 548	31.12.2013	8.30%	18 681	1 004	14 932	324
EUR	8 793	31.12.2013	4.50%	11 304	67	12 257	62
BGN	25 550	31.08.2013	8.08%	9 600	370	9 230	-
BGN	2 500	31.12.2013	8.30%	2 563	63	-	-
BGN	1 300	31.12.2013	8.08%	530	29	510	9
BGN	190	31.12.2013	8.08%	234	44	227	37
<i>to companies under common indirect control</i>							
EUR	7 660	31.12.2013	4.50%	10 439	224	10 010	-
BGN	1 375	31.12.2013	8.08%	-	-	710	-
<i>to companies – main shareholders</i>							
EUR	4 035	31.12.2013	4.80%	7 310	4	8 170	278
<i>to subsidiaries</i>							
EUR	2 770	20.01.2014	6.10%	6 226	809	6 062	645
BGN	600	31.12.2013	7.00%	304	3	101	-
USD	150	31.12.2013	3.50%	230	8	167	4
USD	25	31.12.2013	3.50%	40	3	40	2
USD	20	31.12.2013	3.50%	33	3	32	3
EUR	3	07.11.2013	13.00%	6	-	6	-
				62 313	2 631	62 454	1 364

As at 30 June 2013 there are pledges on receivables from related parties amounting to 4,500 thousand BGN (31 December 2012: 10,500 thousand BGN) (Note №26 and №29) as collateral for bank loans.

Other long-term receivables of the Company are on loan granted to a third party totalling as at 30 June 2013: 16 thousand BGN (two loans granted to third parties totaling as at 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%.

Trade receivables

	30.06.2013 BGN '000	31.12.2012 BGN '000
Receivables from clients	31 659	21 240
Impairment of uncollectible receivables	(583)	(583)
	<u>31 076</u>	<u>20 657</u>
Advances granted	2 700	1 882
Total	<u>33 776</u>	<u>22 539</u>

The receivables from clients are interest-free and of them – 27 thousand are denominated in BGN (31 December 2012: 1,020 thousand BGN), in EUR — 29,507 thousand BGN (31 December 2012: 17,389 thousand BGN), in PLN – 717 thousand BGN (31 December 2012: 2,248 thousand BGN), and in USD – 825 thousand BGN (31 December 2012: none).

Three main contracting parties of the Company form around 74,66% of receivables from clients (2012: 70,53%).

Generally, the Company agrees with its clients a term from 60 to 180 days for the payment of receivables under sales.

The Company has set a common credit period of 180 days for which no interest is charged to clients. Any delay after this period is regarded by the Company as an indicator for impairment. The management assesses collectability by analyzing the individual exposure of the client as well as the possibilities for repayment and takes a decision as to whether to charge impairment.

As at 30 June 2013 there are pledges on trade receivables amounting to 32,562 thousand BGN (31 December 2012: 32,562 thousand BGN) (Note №26 and №29) as collateral for bank loans.

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

1.19. No changes in the share capital as at 30 June 2013. The capital of the structure is as follows:

Physical persons	/4549./:	4 918 929 shares	- 3,73%
Legal persons	/191./:	127 081 071 shares	– 96,27%, including:

„Donev Investment Holding” AD,

EIK 831915121,

Sofia, Positano Str. № 12

34 029 223 /25,78%/

“Telecomplect Invest” AD,

EIK 201653294,

Sofia, Slaveikov Square №9

26 948 052 /20,42%/

„Finance Consulting Company” EOOD

EIK 131414242

Sofia, Khan Krum Str. 10

11 999 038 /9,09%/

Universal Pension Fund “Doverie” AD,

EIK 130474628

Sofia, Dunav Str. 5

8 906 997 /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 – 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, by 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. Introduction of new products and developments to the market – The Company implemented 3 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules.
Two to three new products are expected to be introduced by the end of 2013.
Thirty production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of 12 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 4 June 2013, Sopharma AD sold 156,000 shares of the capital of Doverie United Holding AD, through which transaction the share of the Company in the capital of the Holding fell to 9.90%. On 18 June 2013 Sopharma AD bought 4,039 shares of the capital raising of Lavena AD, through which transaction the share of Sopharma AD in the capital of Lavenda AD reached 5.18%.
- 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.

The Board of Directors of Sopharma AD authorized the Executive Director to begin negotiations for the sale of all shares representing 85% of the capital of the subsidiary Extab Corporation, owned by Sopharma AD. The negotiations will be conducted as part of the strategy for development of the original products of Sopharma AD on new markets, on which the Company does not possess the necessary resources for such actions in the near future.

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.

The Annual General Meeting of Shareholders of Sopharma AD, held on 21 June 2013 in Sofia, 5 Lachezar Stanchev str., took the following decisions:

- net profit for 2012, amounts to 41 168 306.40 BGN /forty-one million one hundred sixty-eight thousand three hundred six leva and forty stotinki/. After the allocation of 10% to the statutory reserve, amounting to 4 116 830.64 BGN /four million one hundred sixteen thousand eight hundred thirty leva and sixty-four stotinki/, from the remaining sum, amounting to 37 051 475.76 BGN /thirty-seven million fifty-one thousand four hundred seventy-five leva and seventy-six stotinki/ shall be paid a gross dividend of 0.07 BGN /seven stotinki/ per share with dividend right. After determining the sum of the dividend the remainder of the net profit shall be allocated to the additional reserves of the Company.
- AGM elects the audit company AFA OOD, with address of management Sofia, 38 Oborishte Str. for the audit and certification of the annual financial statements of the Company in 2013.
- AGM approves the Report of the Board of Directors pursuant to art. 114a, par. 1 of POSA and art. 46 of Ordinance 2 from 17 September 2003 of the Financial Supervision Commission regarding the appropriateness and conditions of transaction under art. 114, par.1 of POSA, on which transactions the Company is a party.

The dividend payment shall commence on 29 July 2013. In accordance with the Regulations of the Central Depository, the dividend shall be paid out as follows: for shareholders with client accounts at an investment intermediary – through the investment intermediary, to shareholders without accounts at an investment intermediary - through the branches of Eurobank EFG - Bulgaria AD /Postbank/ in the country. Payment of dividend will commence within three months from the date of the AGM, on which the payment of dividend was approved.

On 13 June 2013 Sopharma AD opened its new tablet plant. The total investment is 70 million BGN on total built-up area of 20,000 square meters. There are plans for the production of 4 billion tablets annually in the plant, with a range including over 100 pharmaceutical products.

As at 30 June 2013 the treasury shares amount to 4 406 582 of 3,34% of the capital of the Company, according to AGM decision from 23 June 2010.

Sopharma AD informs all concerned that the interim financial statements of the Company for the period 1 January – 30 June 2013 have not been audited by a registered auditor.

Ognian Donev, PhD
Executive Director