

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES WHICH
HAVE OCCURRING IN THE FOURTH 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 fourth quarter of 2014. The current Articles of Association of the Company are registered in the Commercial Register at the Registry Agency on 5 July 2013 under № 20130705100544.
- 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 joint venture of the Group through Briz, Latvia from 20 January 2014; OOO Bellerophon becomes an associated company through Briz OOD from 28 August 2014.
On 30 September 2014 was acquired the subsidiary TOO Sopharma with core business in trading with pharmaceuticals.
On 4 November 2014 Medika AD was acquired as an associated company, with core business the production of bandages and sanitary materials and finish medicines.
- 1.5. Opening of liquidation proceedings and all significant events associated to production – As of 31 December 2014, the investments in the subsidiaries Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA are fully written-off.
- 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.
- 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 - The regular General Meeting of Shareholders of Sopharma AD, conducted on 20 June 2014 in Sofia, 5 Lachezar Stanchev Str. Elected AFA OOD with address of management in Sofia, 38 Oborishte Str. as a registered auditor for auditing and verification of the Annual financial statements of the Company for 2014.
- 1.11. Announcing the Company's profits - Sopharma AD completed the fourth quarter of 2014 with a net profit of 25 164 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. Decision of the General Meeting on the type and amount of the dividend and the terms and conditions of its payment. - The regular General Meeting of Shareholders of Sopharma AD, conducted on 20 June 2014 took the decision to distribute a gross dividend of 0.07 BGN /seven stotinki/ per share with dividend right.

LONG-TERM BANK LOANS

Currency	Contracted loan amount	Maturity	31.12.2014		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	37 972	7 391	45 363	48 723	3 822	52 545
			<u>37 972</u>	<u>7 391</u>	<u>45 363</u>	<u>48 723</u>	<u>3 822</u>	<u>52 545</u>

1.16. Occurrence of a liability which is essential for the Company or a subsidiary, including any non-fulfilment or increase of the liability:

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: 45,850 thousand BGN (31 December 2013: 47,690 thousand BGN) (Note №13);
- Special pledges on:
 - property, plant and equipment: 21,354 thousand BGN (31 December 2013: 29,960 thousand BGN) (Note №13).

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

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

	31.12.2014 BGN '000	31.12.2013 BGN '000
Granted long-term loans	32 857	25 214
Receivables on long-term deposits on rentals	293	435
Total	<u>33 150</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%	31.12.2014		31.12.2013	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
EUR	11 831	01.12.2016	5.00%	26 038	217	22 554	1 750
ERU	3 272	01.12.2016	5.00%	6 819	419	2 660	160
				<u>32 857</u>	<u>636</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 from a company under common indirect control on a rental contract for an administrative office with an end date 1 August 2022.

Receivables from related parties include:

	31.12.2014	31.12.2013
	BGN '000	BGN '000
Receivables from subsidiaries	79 580	78 319
<i>Impairment of uncollectible receivables</i>	(258)	(178)
	79	
	322	78 141
Receivables from companies under a common control through key managing personnel	14 476	17 732
Receivables from Companies under common indirect control	7 632	7 477
Total	<u>101 430</u>	<u>103 350</u>

The receivables from related parties by type are as follows:

	31.12.2014	31.12.2013
	BGN '000	BGN '000
Receivables on sales of finished products and materials	69 395	69 135
<i>Impairment of uncollectable receivables</i>	(251)	(171)
	69 144	68 964
Granted commercial loans	32 293	34 393
Impairment of uncollectable receivables	(7)	(7)
	32 286	34 386
Total	<u>101 430</u>	<u>103 350</u>

The receivables from sales are interest-free and 26,819 thousand BGN of them are denominated in BGN (31 December 2013: 29,469 thousand BGN), in EUR – 42,325 thousand BGN (31 December 2013: 39,466 thousand BGN), and in Ukrainian 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 30,547 thousand BGN as at 31 December 2014 or 44,18% of all receivables on sales of finished products and materials to related parties (31 December 2013: 31,466 thousand BGN – 45,60%).

The terms of the loans granted to related parties are as follows:

Currency	Contracted amount '000	Maturity	Interest %	31.12.2014		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	10 824	31.12.2015	4.50%	9 537	18	11 346	16
BGN	34 020	31.12.2015	5.50%	3 097	9	5 662	14
BGN	6 000	22.07.2015	5.50%	1 236	26	-	-
BGN	1 300	31.12.2015	5.50%	477	17	551	50
BGN	190	31.12.2015	5.50%	128	1	167	-
<i>to companies under common indirect control</i>							
EUR	7 661	31.12.2015	4.50%	7 632	155	7 477	-
<i>to subsidiaries</i>							
EUR	2 770	31.12.2015	6.10%	6 687	1 269	6 381	963
BGN	2 460	31.12.2015	5.50%	2 903	158	2 026	26
USD	205	31.12.2015	3.50%	355	26	303	13
BGN	600	31.12.2015	5.50%	151	-	402	2
USD	25	31.12.2015	3.50%	46	5	39	4
USD	20	31.12.2015	3.50%	37	5	32	3
				32 286	1 689	34 386	1 091

As at 31 December 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 (Note № 31).

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 December 2014 is as follows:

Physical persons	/4259/:	4 077 083 shares	- 3.09%
Legal persons	/160/:	127 922 917 shares	- 96.91%, including:

Shareholders with a share of over 5%:

„Donev Investment Holding” AD,

UID 831915121,

Sofia, Positano Str. № 12

33 359 870 /25,27%/

“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

24 312 135 /18,42%/

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 – none.

1.23. Termination or substantial reduction of relations with clients, who form at least 10% of the revenues of the company for the last three years. Sales revenue for 2014 decreased by 7% compared to last year including a 1% increase in domestic sales and a 10% reduction in export sales. The decline in export sales was mainly due to the stagnation of the Ukrainian market and the difficult access to the eastern regions of Ukraine. As a result of this, sales of Sopharma AD in Ukraine through the subsidiaries Vitamini and Sopharma Ukraine declined by 37%.

1.24. The Company has received marketing authorizations for 6 new products – Otofix drops, Softenzif delayed release tablets, Promerol injection solution, Fentoril injection solution, Ivadron injection solution, Tuspan syrup 100 ml, and has implemented one new product Glicerax suppository.

The Company expects to introduce three to five new products by the end of 2015.

Around twenty-four production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of 17 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. No purchase, sale or pledge of shares in companies of the issuer or its subsidiary in the fourth quarter.

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:

The treasury shares as at 31 December 2014 were 5,114,130 at the amount of 17 203 thousand BGN (31 December 2013: 5,460,676 at the amount of 18,105 thousand BGN). In the current year the Company purchased 304,031 shares (2013: 1,975,445) and sold 650,577 shares (2013: 1000 shares) through an investment intermediary.

As at 31 December 2014 the Company has shares, held by subsidiaries as follows:

Sopharma Trading – 23,857 shares (31 December 2013: 23,500 shares)

Unipharm AD – 191,166 shares (31 December 2013: 191,166 shares).

On 19 December 2014 was held an Extraordinary General Meeting of Shareholders of Sopharma AD, which took the following decisions:

- ✚ due to lack of the necessary majority, required by the Articles of association and the law, the decisions under item 1 to 7 of the agenda, concerning the transformation of Sopharma AD through the merger of Bulgarian Rose – Sevtopolis AD, with seat in Kazanluk, UID 123007916, were not approved;
- ✚ approval of a Substantiated report on the terms and appropriateness of transactions under art. 114, par. 1 of the Public Offering of Securities Act (POSA), in which Sopharma AD is a party;
- ✚ authorization of the Board of Directors for executing a transaction, which falls within the scope of art. 114, par. 1 of the POSA – a contract, by the force of which Sopharma AD shall issue a corporate guarantee for the securing of a claim of DSK Bank EAD under credit contract with borrower Sopharma Properties REIT;
- ✚ authorization of the Board of Directors for executing a transaction, which falls within the scope of art. 114, par. 1 of the POSA – a contract, by the force of which Sopharma AD shall rent a property, owned by Sopharma Properties REIT;
- ✚ authorization of the Board of Directors for executing a transaction, which falls within the scope of art. 114, par. 1 of the POSA – a contract, by the force of which Sopharma AD shall become a co-debtor and will establish a pledge on assets, owned by it, for the securing of the claims of Raiffeisen Bank Bulgaria EAD, resulting from a credit contract with the borrower Sopharma Trading AD.

The Extraordinary General Meeting of Shareholders of Sopharma AD, held on 9 January 2015, approved a decision for transformation of Sopharma AD through the merger of Bulgarian Rose – Sevtopolis AD, with seat in Kazanluk, UID 123007916. As a result of the merger all assets of Bulgarian Rose – Sevtopolis AD shall be transferred to Sopharma AD under the terms of general succession.

The merger procedure shall commence in accordance with the terms of the Contract for transformation through merger of Bulgarian Rose – Sevtopolis AD in Sopharma AD, signed on 19 June 2014, Annex №1 from 15 August 2014, Annex №2 from 10 October 2014, and Annex №3 from 25 November.

All documents related to the procedure can be found on the internet website of the Sopharma AD – www.sopharma.bg.

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

Ognian Donev, PhD
Executive Director