

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES  
WHICH HAVE OCCURRING IN THE THIRD 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 third quarter of 2013 no new subsidiaries were acquired.
- 1.5. Opening of liquidation proceedings and all significant events associated to production – As of 30 September 2013, the investments in the subsidiaries Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA are fully written-off (31.12.2012: fully written-off are Sopharma Zdrovit AD - in liquidation, Poland, Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA). 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 Telecomplex 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.
- 1.9. (Annulled – State Gazette, issue 82 from 2007).
- 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 third quarter of 2012 with a net profit of 31 470 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 Company conducted an Annual General Meeting of Shareholders on 21 June 2013. The AGM took the decision to distribute a dividend /gross/ of 0.07 BGN per share. In accordance with the Rules of the Central Depository AD, the dividend will be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts an investment intermediary – through the branches of Eurobank EFG - Bulgaria /Postbank/ in the country.
- 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	30.09.2013		Total	31.12.2012		Total
			Non-current portion	Current portion		Non-current portion	Current portion	
	'000		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Investment-purpose loans</b>								
EUR	32 000	15.04.2021	46 507	7 709	54 216	51 779	5 888	57 667
<b>Credit lines</b>								
BGN	23 470	31.01.2014	-	-	-	-	Note №32	-
			<u>46 507</u>	<u>7 709</u>	<u>54 216</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: 48,443 thousand BGN (31 December 2012: 6,222 thousand BGN);
- Special pledges on property, plant and equipment: 29,492 thousand BGN (31 December 2012: 13,700 thousand BGN).

## SHORT-TERM BANK LOANS

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>30.09.2013</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	31.05.2014	34 058	39 091
EUR	12 500	17.02.2014	13 341	24 384
BGN	10 000	30.06.2014	9 994	10 003
EUR	5 000	31.05.2014	9 795	9 785
EUR	5 000	31.05.2014	3 759	-
EUR	3 000	28.09.2013	-	2 858
USD	4 000	01.05.2013	-	5 936
EUR	1 968	01.05.2013	-	3 632
			<b>70 947</b>	<b>95 689</b>
<i>Extended credit lines</i>				
BGN	23 470	31.01.2014	10 938	19 772
BGN	18 000	30.08.2014	11 736	15 028
EUR	5 000	31.08.2014	7 453	9 772
EUR	3 000	25.08.2013	-	5 863
EUR	2 500	31.08.2013	-	1 803
EUR	2 500	20.11.2013	-	4 851
			<b>30 127</b>	<b>57 089</b>
<b>Total</b>			<b>101 074</b>	<b>152 778</b>

The loans received in EUR are contracted at an interest rate based on 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 2.75 points, and the loans in BGN – monthly SOFIBOR plus a mark-up of up to 3.75 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 37,372 thousand BGN (31 December 2012 r.: 39,147 thousand BGN);
- Special pledges on:
  - machinery and equipment 13,827 thousand BGN (31 December 2012: 18,835);
  - receivables from related parties – 16,229 thousand BGN (31 December 2012: 10,500 thousand BGN);
  - Commercial receivables – 22,763 thousand BGN (31 December 2012: 32,562 thousand BGN);
  - inventories – 35,525 thousand BGN (31 December 2012: 38,372 thousand BGN).

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

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

Currency	Contracted amount '000	Maturity	Interest%	30.09.2013		31.12.2012	
				BGN'000	BGN'000	BGN'000	BGN'000
					<i>including interest</i>	<i>including interest</i>	<i>including interest</i>
<i>to companies under common indirect control through key managing personnel</i>							
BGN	1 100	31.12.2014	8.08%	-	-	748	25
				-	-	<b>748</b>	<b>25</b>

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.

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

Currency	Contracted amount '000	Maturity	Interest %	30.09.2013		31.12.2012	
				BGN'000	BGN'000	BGN'000	BGN'000
					<i>including interest</i>	<i>including interest</i>	<i>including interest</i>
<i>to companies under common indirect control through key managing personnel</i>							
BGN	23 395	31.12.2013	8.30%	20 904	1 380	14 932	324
EUR	8 793	31.12.2013	4.50%	13 847	78	12 257	62
BGN	27 050	31.08.2013	8.08%	11 299	569	9 230	-
BGN	2 500	31.12.2013	8.30%	2 615	115	-	-
BGN	1 300	31.12.2013	8.08%	540	40	510	9
BGN	190	31.12.2013	8.08%	203	13	227	37
<i>to companies under common indirect control</i>							
EUR	7 660	31.12.2013	4.50%	7 739	39	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%	-	-	8 170	278
<i>to subsidiaries</i>							
EUR	2 770	20.01.2014	6.10%	6 309	892	6 062	645
BGN	600	31.12.2013	7.00%	302	2	101	-
USD	205	31.12.2013	3.50%	307	10	167	4
USD	25	31.12.2013	3.50%	40	3	40	2
USD	20	31.12.2013	3.50%	32	3	32	3
EUR	3	07.11.2013	13.00%	7	-	6	-
				<b>64 144</b>	<b>3 144</b>	<b>62 454</b>	<b>1 364</b>

As at 30 September 2013 there are pledges on receivables from related parties amounting to 16,229 thousand BGN (31 December 2012: 10,500 thousand BGN) as collateral for bank loans, received by the Company.

*Commercial receivables*

	<b>30.09.2013</b>	<b>31.12.2012</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from clients	25 113	21 240
Impairment of uncollectible receivables	(229)	(583)
	<u>24 884</u>	<u>20 657</u>
Advances granted	2 066	1 882
<b>Total</b>	<b><u>26 950</u></b>	<b><u>22 539</u></b>

The *receivables from clients* are interest-free and of them – 507 thousand are denominated in BGN (31 December 2012: 1,020 thousand BGN), in EUR — 21,710 thousand BGN (31 December 2012: 17,389 thousand BGN), in PLN – 1,705 thousand BGN (31 December 2012: 2,248 thousand BGN), and in USD – 962 thousand BGN (31 December 2012: none).

Three main contracting parties of the Company form around 68,60% 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 September 2013 there are pledges on Commercial receivables amounting to 22,763 thousand BGN (31 December 2012: 32,562 thousand BGN) as collateral for bank loans, received by the Company.

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 at 30 September 2013 is as follows:

Physical persons	/4468./:	4 826 559 shares	- 3,66%
Legal persons	/191./:	127 173 441 shares	– 96,34%, including:

**„Donev Investment Holding” AD,**

UID 831915121,

Sofia, Positano Str. № 12

33 793 918 /25,60%/

**“Telecomplex Invest” AD,**

UID 201653294,

Sofia, SlavUIDov Square №9

26 948 052 /20,42%/

**„Rompharm Compnay” OOD**

UID 200732874

Sofia, Mladost residential complex,

Boian Damianov Str. 7, office 3

17 859 454 /13,53%/

**Universal Pension Fund “Doverie” AD,**

UID 130474628

Sofia, Dunav Str. 5

8 907 997 /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. The decision of the Financial Supervision Commission was appealed before the Supreme Administrative Court and awaits ruling.

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 – 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.

The company mainly submits applications for marketing authorizations of new products, including new forms of products in Bulgaria and / or export markets and for existing products into new markets.

The Company implemented 4 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules. Analgin drops.

One to two new products are expected to be introduced by the end of 2013.

Twenty production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of 9 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. Purchase of patent. Although oriented towards generic pharmaceuticals, Sopharma AD is known for many years with its traditional production of several unique products based on plant extracts obtained by self-developed extraction technologies. These products are protected in addition to trademark and patent or corporate know-how.

For the manufactured generic products Sopharma AD relies on brand names to distinguish, all of which are registered trademarks of the company.

In all the years of its existence, Sopharma AD generates and protects its intellectual property.

As a result, the company owns a large number of intellectual property, most of which - registered rights (trademarks, patents, designs) and unregistered items - mainly technology.

These assets are the result of the policy of the company for product and technological improvement, and innovation in particular.

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 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 Lavena AD reached 5.18%.

On 31 July 2013 Sopharma AD bought 1000 shares, representing 0.21% of the capital of Maritzatex AD. After the transaction the share of the Company in the capital of Maritzatex AD reached 10.12%.

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 10 September 2013 Sopharma received a notification for the acquisition of 11,885,951 shares, representing 9% of its capital, by Rompharm Company OOD. After the transaction the share of Rompharm Company OOD in the capital of Sopharma AD reached 13.53%.

The date of registration of transaction with the Central Depository AD is 5 September 2013.

The Annual General Meeting of Shareholders of Sopharma AD, held on 21 June 2013 in Sofia, 5 Lachezar Stanchev str., took the following decisions: a gross dividend of 0.07 BGN /seven stotinki/ per share shall be distributed. The dividend payment started on 29 July 2013.

As at 30 September 2013 the treasury shares amount 5 241 606 of 3,97% 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 September 2013 have not been audited by a

registered auditor.

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Ognian Donev, PhD  
Executive Director