

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES WHICH
HAVE OCCURRING IN THE FOURTH 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 - none.
Structural changes in the Company – In 2013:
UAB UBSPharma is a subsidiary through Briz OOD as from 1 March 2013;
Alean ODO, Belarus – transformed from an associated company to a subsidiary of the Group through Briz, Latvia on 7 February 2013
Pharmaceft Plus OOO, Belarus – transformed from an associated company to a subsidiary of the Group through Briz, Latvia on 1 June 2013
Vestpharm ODO, Belarus – transformed from an associated company to a subsidiary of the Group through Briz, Latvia on 4 July 2013
BelAgroMed ODO, Belarus - transformed from an associated company to a subsidiary of the Group through Briz, Latvia on 30 July 2013
SpetzApharmacia BOOO, Belarus is an associated company, acquired by the Group through Briz OOD on 30 September 2013
Med-dent OOO, Belarus – transformed from an associated company to a joint venture of the Group through Briz, Latvia on 31 December 2013
- 1.5. Opening of liquidation proceedings and all significant events associated to production –
As of 31 December 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 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.
- 1.9. (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 fourth quarter of 2013 with a net profit of 33 604 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.
- 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

<i>Currency</i>	<i>Contracted loan amount '000</i>	<i>Maturity</i>	<i>31.12.2013</i>		<i>Total</i>	<i>31.12.2012</i>		<i>Total</i>
			<i>Non-current portion BGN'000</i>	<i>Current portion BGN'000</i>		<i>Non-current portion BGN'000</i>	<i>Current portion BGN'000</i>	
Investment-purpose loans								
EUR	32 000	15.04.2021	48 723	3 822	52 545	51 779	5 888	57 667
Credit lines								
BGN	23 470	31.01.2013	-	-	0	-	Note №32	0
			48 723	3 822	52 545	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.

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: 47,690 thousand BGN (31 December 2012: 6,222 thousand BGN);
- Special pledges on property, plant and equipment: 29,960 thousand BGN (31 December 2012: 13,700 thousand BGN).

SHORT-TERM BANK LOANS

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>31.12.2013</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	38 522	39 091
EUR	12 500	17.02.2014	8 472	24 384
BGN	10 000	30.06.2014	10 002	10 003
BGN	5 000	31.05.2014	9 788	9 785
BGN	5 000	31.05.2014	5 090	-
USD	4 000	01.05.2013	-	5 936
EUR	1 968	01.05.2013	-	3 632
EUR	3 000	28.09.2013	-	2 858
			71 874	95 689
<i>Extended credit lines</i>				
BGN	18 000	30.08.2014	13 041	15 028
BGN	15 000	31.01.2014	7 335	19 772
EUR	5 000	31.08.2014	6 628	9 772
EUR	3 000	25.08.2013	-	5 863
EUR	2 500	20.11.2013	-	4 851
EUR	2 500	31.08.2013	-	1 803
			27 004	57 089
Total			98 878	152 778

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. (2012: 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). Loans are intended for providing working capital.

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

- Real estate mortgages - 37,019 thousand BGN (31 December 2012 r.: 39,147 thousand BGN) (Note № 14);
- Special pledges on:
 - machinery and equipment 13,599 thousand BGN (31 December 2012: 18,835) (Note № 14);
 - receivables from related parties – 16,229 thousand BGN (31 December 2012: 10,500 thousand BGN) (Note № 22);
 - commercial receivables – 22,763 thousand BGN (31 December 2012: 32,562 thousand BGN) (Note № 23);
 - inventories – 35,525 thousand BGN (31 December 2012: 38,372 thousand BGN) (Note № 21).

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

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

	31.12.2013	31.12.2012
	BGN '000	BGN '000
Long-term loans granted to related parties	25 214	748
Receivables on long-term deposits on rentals	435	435
Total	<u>25 649</u>	<u>1 183</u>

The long-term receivables are from subsidiaries under common control through key management personnel.

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

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>Interest%</i>	<i>31.12.2013</i>		<i>31.12.2012</i>	
				<i>BGN'000</i>	<i>BGN'000 including interest</i>	<i>BGN'000</i>	<i>BGN'000 including interest</i>
<i>To companies under common indirect control through key managing personnel</i>							
<i>EUR</i>	10 637	01.12.2015	5.00%	22 554	1 750	-	-
<i>ERU</i>	1 278	01.12.2015	5.00%	2 660	160	-	-
<i>BGN</i>	1 100	31.12.2014	8.08%	-	-	748	25
				25 214	1 910	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.

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

	31.12.2013	31.12.2012
	BGN '000	BGN '000
Receivables from subsidiaries	78 458	110 584
<i>Impairment of uncollectible receivables</i>	<u>(178)</u>	<u>(76)</u>
	78	110
	280	508
Receivables from companies under a common control through key managing personnel	17 728	37 166
Receivables from Companies under common indirect control	7 477	14 051
<i>Impairment of uncollectible receivables</i>	<u>-</u>	<u>(2 782)</u>
	7 477	11 269

Receivables from companies – main shareholders	-	8 170
Total	103 485	167 113

The receivables from related parties by type are as follows:

	<i>31.03.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables on sales of finished products and materials	69 099	104 659
Trade loans granted	34 386	62 454
Total	103 485	167 113

The receivables on sales are interest-free and 29,464 thousand BGN of them are denominated in BGN (31 December 2012: 65,180 thousand BGN), in EUR – 39,606 thousand BGN (31 December 2012: 39,479 thousand BGN), and in hryvnia – 29 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 – 31,446 thousand BGN as at 31 December 2013 or 45,51% 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.

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 2013 is as follows:

Physical persons	/4443/:	4 653 557 shares	- 3.53%
Legal persons	/186/:	127 346 443 shares	- 96.47%, including:

Shareholders with a share of over 5%:

„Donev Investment Holding” AD,	
UID 831915121,	
Sofia, Positano Str. № 12	33 587 661 /25.45%/

“Telecomplect 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

18 619 212 /14.11%/

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, 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. 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.

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 5 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules. Analgin drops, Feloran forte 5% gel.

Three to five new products are expected to be introduced in 2014.

Around thirty production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of over 10 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. Development and/or change in the volume of orders and the utilization of the production capacity:

In 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.

The new high-tech plant for solid dosage forms is built in accordance with the European requirements for Good Manufacturing Practice and ensures easy control and traceability of the manufacturing process at every stage. The rack shelving warehouse consists of 4,200 pallet locations with electronic system for material control. The air conditioning system handles nearly 200,000 m³ per hour and has a 18,000 m² of ducts, which provides a controlled environment for pharmaceutical

production.

1.27. Stopping of sales of a product, forming a significant part of the Company's revenue. Change in the registration status in Russia of the product "Sedal M" – tablets from an OTC medicine to a prescription medicine led to a significant reduction in sales of this product during 2013.

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 13 November 2013 the Company bought 1 000 shares from the capital of Hydroizomat AD. After this transaction, the share of Sopharma AD in the capital of Hydroizomat AD increased to 10.02%.

Sopharma AD invested in the capital increase of its subsidiary Briz (Riga, Latvia) in order to expand its presence in the markets of the three Baltic States and Belarus. On 14 January 2014 Sopharma AD made the final payment for the capital increase of Briz. The share held by Sopharma AD in the capital of the company after the increase reached 66.13% (previously 53.14%). The expansion of the presence on the market of the Republic of Belarus includes acquisition of a warehouse complex, implementation of an integrated information system, as well as acquisition of new pharmacies. In 2013 Briz increased the total number of owned pharmacies to 91 through the acquisition of three pharmacy chains in the Republic of Belarus. Additionally, the acquisition of a company for wholesale of pharmaceutical products was completed. As a result of all these activities consolidated revenues of Briz from the beginning of 2013 have almost doubled compared to revenue for the same period of 2012 and amounted to over 33 million EUR. 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 12 December 2013 the Sopharma AD received an official confirmation from the Ministry of Economy and Energy that the project "Implementation of innovative products in the ampoule production of Sopharma AD" under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013 has been ranked at 5th place in the large companies ranking. The project is included in the list of proposals approved for funding under the above procedure, with a maximum grant of 3,000,000 BGN. The total cost of the project is 6,063,073 BGN excl. VAT. The project is aimed at the acquisition and commissioning of: 1) a line for automatic grading of ampoules consisting of a machine for visual inspection and a module for 100% quality control and control of the hermeticity through a high-voltage arc and 2) a line for interior and exterior wash, dry sterilization (depyrogenation), filling and sweating of ampoules through gassing with nitrogen. The total duration of the project will be 18 months. The grant contract was signed on 21 December 2013.

As at 31 December 2013 the treasury shares amount 5 460 676 of 4,14% of the capital of the Company, according to AGM decision from 23 June 2010. In the current year the Company purchased 1,975,445 shares (2012: 917,622) and sold 1,000 shares (2012: none) through an investment intermediary.

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

Ognian Donev, PhD
Executive Director