

**INSIDER INFORMATION ON FACTS AND CIRCUMSTANCES WHICH
HAVE OCCURRING IN THE SECOND QUARTER OF 2014 OF
SOPHARMA AD**

- 1.1. Change in the persons controlling the Company – none.
- 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 second 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 30 June 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. Acquisition, use or disposition of high-value assets under art. 114, par. 1, item 1 of POSA – none.
- 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 second quarter of 2014 with a net profit of 24 560 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 in Sofia, 5 Lachezar Stanchev Str. took the decision to distribute a gross dividend of 0.07 BGN /seven stotinki/ per share with dividend right. 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, for 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
- 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	30.06.2014			31.12.2013		
			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	45 130	3 765	48 895	48 723	3 822	52 545
			<u>45 130</u>	<u>3 765</u>	<u>48 895</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: 46,840 thousand BGN (31 December 2013: 47,690 thousand BGN) (Note №13);
- Special pledges on:
 - property, plant and equipment: 22,017 thousand BGN (31 December 2013: 29,960 thousand BGN) (Note №13).

SHORT-TERM BANK LOANS

Currency	Contracted amount	Maturity	30.06.2014	31.12.2013
			BGN'000	BGN'000
	'000			
Bank loans (overdrafts)				
EUR	20 000	31.07.2014	38 989	38 522
EUR	12 500	14.01.2015	17 696	8 472
BGN	10 000	31.07.2014	10 000	10 002
BGN	5 000	15.06.2015	9 779	9 788
BGN	5 000	15.06.2015	9 632	5 090
			<u>86 096</u>	<u>71 874</u>
Extended credit lines				
BGN	15 000	31.01.2015	10 971	7 335
EUR	5 000	31.08.2015	7 350	6 628
BGN	18 000	30.08.2014	424	13 041
			<u>18 745</u>	<u>27 004</u>
Total			<u>104 841</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 3.45 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 - 27,859 thousand BGN (31 December 2013: 37,019 thousand BGN) (Note № 13 and № 15);
- Special pledges on:
 - machinery and equipment 13,007 thousand BGN (31 December 2013: 13,599 thousand BGN) (Note № 13 and № 15);
 - inventories - 30,726 thousand BGN (31 December 2013: 35,525 thousand BGN) (Note № 20);
 - receivables from related parties – 16,229 thousand BGN (31 December 2013: 16,229 thousand BGN) (Note № 21);
 - commercial receivables – 25,788 thousand BGN (31 December 2013: 22,763 thousand BGN) (Note № 22);

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

As at 30 June the *long-term receivables from related parties* include:

	30.06.2014	31.12.2013
	BGN '000	BGN '000
Granted long-term loans	31 616	25 214
Receivables on long-term deposits on rentals	322	435
Total	31 938	25 649

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 '000	Maturity	Interest %	30.06.2014		31.12.2013	
				BGN'000	BGN'000	BGN'000	BGN'000
				0	including interest	BGN'000	BGN'000 including interest
EUR	11 593	01.12.2015	5.00%	24 958	2 284	22 554	1 750
ERU	3 272	01.12.2015	5.00%	6 658	258	2 660	160
				31 616	2 542	25 214	1 910

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:

	30.06.2014	31.12.2013
	BGN '000	BGN '000
Receivables from subsidiaries	96 822	78 319
<i>Impairment of uncollectible receivables</i>	<u>(66)</u>	<u>(178)</u>
	96	78
	756	141
Receivables from companies under a common control through key managing personnel	17 449	17 732
Receivables from Companies under common indirect control	7 644	7 477
Total	<u>121 849</u>	<u>103 350</u>

The receivables from related parties by type are as follows:

	30.06.2014	31.12.2013
	BGN '000	BGN '000
Receivables on sales of finished products and materials	81 311	69 135
<i>Impairment of uncollectable receivables</i>	<u>(59)</u>	<u>(171)</u>
	81 252	68 964
Granted commercial loans	34 879	34 393
Impairment of uncollectable receivables	<u>(7)</u>	<u>(7)</u>
	34 872	34 386
Receivables from dividends	5 725	-
Total	<u>121 849</u>	<u>103 350</u>

The receivables from sales are interest-free and 41,752 thousand BGN of them are denominated in BGN (31 December 2013: 29,469 thousand BGN), in EUR – 39,500 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 – 46,126 thousand BGN as at 30 June 2014 or 56,77 % 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:

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>Interest %</i>	<i>30.06.2014</i>		<i>31.12.2013</i>	
				<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
	<i>'000</i>				<i>including interest</i>		<i>including interest</i>
<i>to companies related</i>							
<i>through key managing personnel</i>							
<i>EUR</i>	10 824	31.12.2014	4.50%	11 964	118	11 346	16
<i>BGN</i>	34 020	31.12.2014	5.50%	4 872	45	5 662	14
<i>BGN</i>	1 300	31.12.2014	5.50%	465	4	551	50
<i>BGN</i>	190	31.12.2014	5.50%	148	1	167	-
<i>to companies under common indirect control</i>							
<i>EUR</i>	7 661	31.12.2014	4.50%	7 644	167	7 477	-
<i>to subsidiaries</i>							
<i>EUR</i>	2 770	20.01.2015	6.10%	6 545	1 127	6 381	963
<i>BGN</i>	2 460	30.10.2014	5.50%	2 548	88	2 026	26
<i>BGN</i>	600	31.12.2014	5.50%	302	-	402	2
<i>USD</i>	205	31.12.2014	3.50%	311	17	303	13
<i>USD</i>	25	31.12.2014	3.50%	40	4	39	4
<i>USD</i>	20	31.12.2014	3.50%	33	4	32	3
				34 872	1 575	34 386	1 091

As at 30 June 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 30 June 2014 is as follows:

Physical persons	/4332/:	4 329 260	shares	- 3.28%
Legal persons	/173/:	127 470 740	shares	- 96.72%, including:

Shareholders with a share of over 5%:

„Donev Investment Holding” AD,

UID 831915121,

Sofia, Positano Str. № 12

33 357 548 /25,27%/

“Telecomplex 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 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. 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 in the six months of 2014 for 4 new products – Otofix 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:

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 30 June 2014 were 4,981,012 at the amount of 16,621 thousand BGN (31 December 2013: 5,460,676 at the amount of 18,105 thousand BGN). In the current year the Company purchased 170 513 shares (2013: 1,975,445) and sold 650,177 shares (2013: 1000 shares) through an investment intermediary.

On 19 June 2014 Sopharma AD and Bulgarian Rose – Sevtopolis AD signed a Contract for transformation through merger in accordance with the requirements of art. 262d and following of the Commercial Act (CA), as a result of which all assets of Bulgarian Rose – Sevtopolis AD shall be transferred to Sopharma AD and the latter shall become its legal successor. Bulgarian Rose – Sevtopolis shall be terminated without liquidation. Pursuant to art. 124, par. 1 of the Public Offering of Securities Act (POSA) the Contract for merger, as well as reports of the management bodies of the companies involved in the transformation of the company under art. 262i of the CA and the report of the examiner under art. 262m of the CA must be approved by the deputy chairman of the Financial Supervision Commission, managing the "Investment Supervision" division. According to the signed contract, in connection with the implementation of the merger shall be carried out a capital increase of the receiving company Sopharma AD through issuing of new shares to be distributed among the shareholders of the transferring company Bulgarian Rose - Sevtopolis AD (except the shareholder Sopharma AD). On 2 July 2014 Sopharma AD submitted for approval to the Financial Supervision Commission a contract for transformation through merger between Bulgarian Rose – Sevtopolis AD and Sopharma AD and all supporting documents.

Sopharma AD informs all concerned parties that the interim financial statements of the Company for the period as at 30 June 2014 have not been audited by a registered auditor.

Ognian Donev, PhD
Executive Director