

**INSIDER INFORMATION OF SOPHARMA AD ON FACTS
AND CIRCUMSTANCES WHICH HAVE OCCURRING
IN THE SECOND QUARTER OF 2016**

- 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. The AGM held on June 17th 2016 adopted amendments in the Articles of Association of the Company.
- 1.4. Decision for transformation of the Company and implementation of the transformation:

On 21 January 2016 Sopharma AD submitted to the Financial Supervision Commission an agreement for termination by mutual agreement of the contract for transformation through merger between Sopharma AD, UIC 831902088, “Acquiring company” and Momina Krepost AD, Veliko Tarnovo, 23 Magistralna Str., UIC 104055543, “Acquiree”. The decision to end the procedure was taken in the interest of both companies in order to safeguard their good market positions.

Structural changes in the company in the second quarter of 2016:

As from 16 February 2016 Mobil Line OOO is a subsidiary through Briz OOD.

As from 29 February 2016 Sopharmasi 4 EOOD is a subsidiary through Sopharma Trading AD, and as from 1 March 2016 Sopharmasi 5 EOOD is a subsidiary through Sopharma Trading AD.
- 1.5. Opening of liquidation proceedings and all significant events associated to production.

As at 30 June 2016 the composition of investments in subsidiaries also includes the investment in the subsidiary Sopharma Poland OOD – in liquidation, Poland, which is fully impaired (31 December 2015: the investments in Sopharma Poland OOD – in liquidation, Poland was fully impaired).

Sopharma AD has direct or indirect control on the above-mentioned companies.
- 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 – 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. Change in the Company's auditors - The regular General Meeting of Shareholders of Sopharma AD, conducted on 17 June 2016 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 2016.
- 1.11. Announcing the Company's profits - Sopharma AD completed the second quarter of 2016 with a net profit of 33 758 thousand BGN /31 March 2015 – 26 162 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 AGM held on 17 June 2016 adopted the proposal of the Board to distribute dividend to the shareholders amounting to 0.07 BGN.

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 | 30.06.2016 | | | 30.06.2015 | | |
|---------------------------------|------------------------|------------|---------------------|-----------------|---------------|---------------------|-----------------|---------------|
| | | | 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 | 27,436 | 7,153 | 34,589 | 30,819 | 7,380 | 38,199 |
| | | | <u>27,436</u> | <u>7,153</u> | <u>34,589</u> | <u>30,819</u> | <u>7,380</u> | <u>38,199</u> |

The investment-purpose loan received in Euro was agreed at interest rate based on three-month EURIBOR plus a mark-up of 2.2 points, but not less than 2.2 points (2015: 3-month EURIBOR plus a mark-up of 2.8 points, but not less than 2.8 points).

The following collateral was established in favor of the creditor banks:

- Mortgages of real estate – BGN 43,438 thousand (31 December 2015: BGN 44,285 thousand);
- Special pledges on machinery and equipment – BGN 19,363 thousand (31 December 2015: BGN 20,027 thousand).

The agreement for long-term bank loan include clauses with covenants for maintaining certain financial ratios. Company's management currently controls the observance of these financial ratios in communication with the respective creditor bank.

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

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

| | 30.06.2016 BGN '000 | 31.12.2015 BGN '000 |
|----------------------------------|------------------------|------------------------|
| Long-term loans granted | 11,858 | 20,213 |
| Long-term rental deposit granted | 231 | 292 |
| Total | <u>12,089</u> | <u>20,505</u> |

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>30.06.2016</i> | | <i>31.12.2015</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 through key management personnel</i> | | | | | | | |
| <i>EUR</i> | 16,177 | 01.12.2018 | 5.00% | 10,860 | 177 | 13,074 | 18 |
| <i>EUR</i> | 3,272 | 01.12.2018 | 5.00% | - | - | 7,139 | 739 |
| <i>to subsidiaries</i> | | | | | | | |
| <i>EUR</i> | 500 | 01.03.2019 | 6.60% | 998 | 20 | - | - |
| | | | | 11,858 | 197 | 20,213 | 757 |

The long-term loans granted to related parties are intended to support the financing of these companies' activities under common strategic objectives. They are secured by pledges on securities (shares).

The long-term deposit receivable is from a company related through key management personnel under a concluded rental contract for administrative offices with validity term on 1 August 2022.

The receivables from related parties by type are as follows:

| | <i>30.06.2016</i> | <i>31.12.2015</i> |
|--|----------------------|----------------------|
| | <i>BGN '000</i> | <i>BGN '000</i> |
| <i>Receivables on sales of finished products and materials</i> | 55,239 | 50,847 |
| <i>Impairment of uncollectable receivables</i> | (848) | (1,062) |
| | <u>54,391</u> | <u>49,785</u> |
| <i>Trade loans granted</i> | 34,821 | 30,213 |
| <i>Impairment of uncollectable receivables</i> | (2,467) | (1,963) |
| | <u>32,354</u> | <u>28,250</u> |
| <i>Dividends</i> | 8,941 | - |
| <i>Advance payments</i> | 500 | - |
| <i>Total</i> | <u><u>96,186</u></u> | <u><u>78,035</u></u> |

The receivables on sales are interest-free and BGN 36,796 thousand of them are denominated in BGN (31 December 2015: BGN 28,364 thousand) and in EUR – BGN 17,595 thousand (31 December 2015: BGN 21,421 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and amounted to BGN 36,419 thousand as at 30 June 2016 or 66,96% of all receivables on sales of finished products and materials to related parties (31 December

2015: BGN 27,103 thousand – 54,44%).

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

| Currency | Contracted amount '000 | Maturity | Interest % | 30.06.2016 | | 31.12.2015 | |
|--|------------------------|------------|------------|---------------|----------------------------|---------------|----------------------------|
| | | | | BGN'000 | BGN'000 including interest | BGN'000 | BGN'000 including interest |
| <i>to companies related through key managing personnel</i> | | | | | | | |
| EUR | 8,113 | 31.12.2016 | 4.50% | 8,362 | - | 7,982 | 146 |
| EUR | 12,731 | 31.12.2016 | 4.50% | 8,237 | 173 | 8,310 | 26 |
| BGN | 6,000 | 31.12.2016 | 5.50% | 4,763 | 128 | 4,636 | 1 |
| BGN | 190 | 31.12.2016 | 5.50% | 114 | 2 | 114 | - |
| BGN | 1,300 | 31.12.2016 | 5.50% | - | - | 503 | 42 |
| <i>to subsidiaries</i> | | | | | | | |
| BGN | 7,667 | 31.12.2016 | 5.50% | 5,741 | 99 | 1,568 | 42 |
| EUR | 2,770 | 31.12.2016 | 6.10% | 5,087 | - | 5,087 | - |
| BGN | 600 | 31.12.2016 | 5.50% | 50 | - | 50 | - |
| | | | | <u>32,354</u> | <u>402</u> | <u>28,250</u> | <u>257</u> |

The short-term loans granted to related parties are intended to support the financing of these companies' activities under common strategic objectives. They are secured by pledges on corporate shares and securities (shares).

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

1.19. Increase or decrease of the share capital – none.

As at 30 June 2016 the registered share capital of Sopharma AD amounts to **134 797 899 BGN**, distributed in 134 797 899 share with a nominal value of 1 BGN per share.

| | | | |
|------------------|-----------|--------------------|----------------------|
| Physical persons | /4 954 /: | 4 767 095 shares | - 3,54% |
| Legal persons | /156/: | 130 030 804 shares | - 96,46%, including: |

Shareholders with a share of over 5%:

„Donev Investment Holding” AD,

UID 831915121,

Sofia, Positano Str. № 12

33 336 052 /24,73%/

“Telecomplect Invest” AD,

UID 201653294,

Sofia, Slaveikov Square №9

27 056 752 /20,07%/

„Rompharm Company” OOD

UID 200732874

Sofia, Mladost residential complex,

Boian Damianov Str. 7, office 3

24 313 355 /18,04%/

The *treasury shares* were 5,220,996 at the amount of BGN 17,603 thousand as at 30 June 2016 (31 December 2015: (31 December 2015: 5,219,296 at the amount of BGN 17,597 thousand). During the current year were purchased 2,000 shares (2015: 105,166 shares).

As at 30 June 2016, Company's *shares held by its subsidiaries* were as follows:

- by Unipharm AD – 191,166 shares (31 December 2015: 191,166 shares).
- by Medica AD – 27,573 shares (31 December 2015: 27,573 shares).
- by Sopharma Trading AD – 147,390 shares (31 December 2015: 43,110 shares).

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.

On 19 February 2016 Sopharma AD *informs* of the results of conducted tender offer. As a result of the conducted tender offer and after completion of the transactions with the shareholders who have accepted it, **Sopharma AD will hold directly 97.50%** of the shares with voting rights of Medika AD. The results of the tender offer have been published by the tender offeror in the daily newspapers Capital Daily and Sega on 18 February 2016.

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 – none.

1.24. Introduction of new products and developments in the market.

The Company received authorizations for use in 6 destinations for the new product Desloratidin film tablets and implemented Videral drops, Deavit Neo drops and Tuspan syrup.

Three to five new products are expected to be introduced by the end of 2016.

More than 15 production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of over 15 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 in the first quarter of 2016.

The Board of Directors of Sopharma AD took a decision to sign a contract for the sale of the

shareholding of Sopharma AD in the capital of Ivanchich and Sons, Serbia. The transaction was concluded on May 9th, 2016 in Belgrade, Serbia.

1.32. There is no revision of the projected 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:

In January 2016 the Commercial Director of the Company Mr. Vladimir Stoichev has left the management of the Company. The Executive Director of the company will temporarily be responsible for the export markets.

Sopharma AD authorized the executive director of the company to enter into a contract for the sale of the shareholding of Sopharma AD in the capital of Ivanchich and Sons, Serbia. The transaction was concluded on May 9th, 2016 in Belgrade, Serbia. The parameters of the transaction are subject to confidentiality clauses in the interest of the all parties. Sopharma AD will continue its activities on the Serbian market through its daughter company Sopharma Trading AD.

On 16 May 2016 expired the three-month period under art. 157b of the POSA after the completion of the tender offer, in which each shareholder who did not participate in the tender offer may request from Sopharma AD to buy their shares with voting rights. The price per share of Medica AD in the proposal under art. 157a and upon the execution of the shareholder rights under art. 157b under the provisions of art. 157a par. 3 was equal to the price in the conducted tender offer of 3.50 BGN per share.

As a result of the conducted tender offer and after the completion of the transactions with shareholders in the period under art. 157b, Sopharma AD has bought a total of 3,135,006 shares and directly owns 97.94% of the shares with voting rights of Medica AD.

On 17 June 2016 at the regular General Meeting of Shareholders of Sopharma AD were taken the following decisions:

AGM approved the Annual report of the Board of Directors of the Company for 2015.

AGM approved the Annual report of the Investor Relations Director for 2015;

AGM approved the Audit report on the audit of the annual financial statements of the Company for 2015;

AGM approved the audited annual financial statements of the Company for 2015;

AGM approved the audited annual consolidated financial statements of the Company for 2015;

AGM approved the report of the Audit Committee for 2015;

AGM approved the proposal by the Board of Directors for the distribution of the profit generated in 2015 and the undistributed profit from past periods as follows: the total amount of the profit, subject to distribution, is 25 846 056.41 BGN /twenty-five million, eight hundred and forty-six thousand, fifty-six leva and forty-one stotinki/, of which the profit for 2015 amounts to 25 353 856.99 BGN /twenty-five million, three hundred and fifty-three thousand, eight hundred and fifty-six leva and ninety-nine stotinki/ and undistributed profit from past periods amounts to 492 199.42 BGN /four hundred and ninety-two thousand, one hundred and ninety-nine leva and forty-two stotinki/. After the allocation of 10% to the statutory reserve, a dividend shall be distributed to shareholders at the amount of 0.07 BGN /seven stotinki/ per share with dividend right. The remaining sum after the allocation of the divided shall be allocated to the additional reserves of the Company.

AGM discharged from liability the members of the Board of Directors for their activities in 2015;

AGM elected a registered auditor to audit and certify the annual financial statements of the Company

for 2016 according to the proposal of the Audit Committee, included in the agenda materials.

AGM approved the Report of the Board of Directors about the application of the Remuneration policy for the members of the Board of Directors of the Company in 2015.

On the basis of art. 24, par. 3, letter A of the Company's Articles of Association AGM decided: the regular monthly remuneration of the members of the Board of Directors, as well as the regular monthly remuneration of the Executive Director in 2016 shall remain the same.

Pursuant to art. 24, par. 3, letter B of the Articles of Association an additional fee of 1% /one percent/ of the net profit for 2015 according to the approved annual financial statements, shall be paid to the Executive Director of the Company;

AGM approved the decision for the distribution of 2% /two percent/ of the net profit for 2015 among the members of the senior management of the Company in compliance with the requirements of art. 26a, item 12 of the Articles of Association of the Company.

AGM approved the continuation of the mandate of the Board of Directors in its current composition for a new five-year term from the date of expiration of the current mandate until 29 June 2021.

AGM approved the changes in the Articles of Association of the Company according to the proposal of the Board of Directors.

AGM approved the Substantiated report, prepared by the Board of Directors, for transactions under art. 114, par. 1 of POSA.

AGM authorized the Board of Directors of the Company to conclude a contract for manufacturing according to the terms and conditions, listed in Chapter 1 of the Substantiated report.

AGM authorized the Board of Directors of the Company to conclude a contract for provisioning of collateral in the form of a corporate guarantee according to the terms and conditions, listed in Chapter 2 of the Substantiated report.

AGM authorized the Board of Directors of the Company to conclude a contract for provisioning of collateral in the form of a corporate guarantee according to the terms and conditions, listed in Chapter 3 of the Substantiated report.

AGM authorized the Board of Directors of the Company to conclude a contract for manufacturing according to the terms and conditions, listed in Chapter 4 of the Substantiated report.

Sopharma AD informs all interested parties that the interim financial statements of the Company as at 30 June 2016 have not been verified by a registered auditor.

Ognian Donev, PhD
Executive Director