

Additional information under art. 33, par. 1, item 6 of Ordinance № 2 from 17 September 2003 of "Sopharma" AD as at 30 September 2014

1. Information about changes in accounting policies during the reporting period, the reasons for them and how they affect the financial results and equity of the issuer. The individual interim financial statements of Sopharma AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2014 and have been accepted by the Commission of the European Union.

For the current financial period the Company has adopted all new and / or revised standards and interpretations issued by the International Accounting Standards Board (IASB), respectively. The Interpretations Committee of the IFRS, which are relevant to its operations.

More detailed information about the Company's accounting policies can be found at 2.1. Basis of preparation of the individual financial statements in the notes to the individual interim financial statement for the period 1 January 2014 – 30 September 2014.

2. Information about changes in the economic group of the issuer in 2014:

SpetzApharmacia BOOO, Belarus transformed to a joint-venture of the Group through Briz, Latvia from 20 January 2014; OOO Bellerophon became an associated company through Briz OOD from 28 August 2014.

3. Information about the results of organizational changes within the issuer, such as restructuring, sale of companies from the group, in-kind contributions from companies, rental property, long-term investments, closure of business:

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.

As at 30 September 2014 the Company's tangible fixed assets include: land amounting to 31,029 thousand BGN (31 December 2013: 30,865 thousand BGN) and buildings of carrying amount 73,232 thousand BGN (31 December 2013: 75,756 thousand BGN).

Expenses on acquisition of tangible fixed assets as at 30 September include:

- advance payments - 2,918 thousand BGN (31 December 2013: none);
- expenses on construction of new production buildings – 1,163 thousand BGN (31 December 2013: 36 thousand BGN);
- buildings reconstruction – 39 thousand BGN (31 December 2013: 210 thousand BGN);
- supply of equipment at the amount of 1 thousand BGN (31 December 2013: 734 thousand BGN)
- other – none (31 December 2013: 3 thousand BGN).

As at 30 September 2014 in the book value of property, plant and equipment are included machines and equipment for new tablet production at a total value of 7,231 thousand BGN, purchased under a contract for financing under Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007 – 2013 (31 December 2013: 7,410 thousand BGN).

The amount of other assets as at 30 September 2014 includes also biological assets – Golden Chain (*Laburnum anagyroides*) plantation at the amount of 119 thousand BGN (31 December 2013: 119 thousand BGN).

As at 30 September 2014, there were pledges on long-term fixed assets of the Company in connection with loans as follows:

- Land and buildings with a carrying value respectively 12,311 thousand BGN and 62,029 thousand BGN (31 December 2013: respectively 12,311 thousand BGN and 64,410 thousand BGN);
- Pledges on equipment – 30,071 thousand BGN (31 December 2013: 35,967 thousand BGN).

As at 30 September 2014 there are encumbrances on investment properties as follows:

- mortgage on storage areas – 7,946 thousand BGN (31 December 2013: 7,988 thousand BGN);
- pledges on associated equipment – 6,443 thousand BGN (31 December 2013: 7,592 thousand BGN);

The carrying amount of the investments by company is as follows:

		30.09.2014	Share	31.12.2013	Share
		BGN '000	%	BGN '000	%
Sopharma Trading AD	Bulgaria	28 543	71.92	30 126	75.92
Briz OOD	Latvia	22 270	66.13	9 172	53.14
Unipharm AD	Bulgaria	19 448	49.99	19 448	49.99
Bulgarian Rose Sevtopolis AD	Bulgaria	8 729	49.99	8 729	49.99
Biopharm Engineering AD	Bulgaria	8 384	97.15	8 384	97.15
Vitamina AD	Ukraine	6 187	99.56	6 187	99.56
Ivanchich and sons	Serbia	5 739	51.00	5 739	51.00
Momina Krepost AD	Bulgaria	2 701	52.97	2 701	52.97
Pharmalogistica AD	Bulgaria	1 911	76.54	1 911	76.54
Sopharma Buildings REIT	Bulgaria	613	40.90	643	42.89
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	323	100.00
Sopharma Ukraine EOOD	Ukraine	230	100.00	230	100.00
		105 462		93 977	
Paid unregistered capital increase	Latvia	-		7 230	
Total		105 462		101 207	

As at 30 September 2014, the investments in the subsidiaries Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma, USA are fully impaired (31 December 2013: fully impaired are the investments in Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA).

Sopharma has direct or indirect control over the above listed companies.

4. Opinion of the governing body regarding the feasibility of the published estimates of the results for the current financial year, taking into account the results of the current quarter as well as information on the factors and circumstances that will affect the achieving of the projected results for at least the next quarter - no update of the forecast results.

5. For public companies - data on persons holding directly or indirectly at least 5 percent of the voting rights of the General Meeting at the end of the quarter, and changes in ownership of those voting rights since the end of the preceding quarter;

SHAREHOLDERS	Number of shares /%/ 30 September 2014	Number of shares /%/ 30 June 2014
„Donev Investment Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	33 368 092 /25,28%/	33 357 548 /25,27%/
“Telecomplect Invest” AD, EIK 201653294, Sofia, Slaveikov Square № 9	26 948 052 /20,42%/	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%/	23 983 906 /18,17%/

6. For public companies - data on persons holding directly or indirectly at least 5 percent of the voting rights of the General Meeting at the end of the quarter, and changes in ownership of those voting rights since the end of the preceding quarter:

Members of the Board of Directors	Number of shares 30 September 2014	Number of shares 30 June 2014
1. Ognian Ivanov Donev	2000	0
2. Vessela Liubenova Stoeva	0	0
3. Andrey Liudmilov Breshkov	0	0
4. Ognian Kirilov Palaveev	102320	102320
5. Alexander Viktorov Chaushev	87414	87414

7. Information on pending judicial, administrative or arbitration proceedings relating to liabilities or receivables amounting to at least 10 percent of the equity of the Company - none.

8. Information on loans granted by the issuer or their subsidiary, provided guarantees or commitments to a single person or a subsidiary thereof, including to related persons with indication of the nature of the relationship between the issuer and the person, the amount of the outstanding principal, the interest rate, the maturity, the size of commitment, the terms and conditions.

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

	30.09.2014 BGN '000	31.12.2013 BGN '000
Granted long-term loans	32 451	25 214
Receivables on long-term deposits on rentals	322	435
Total	32 773	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%	30.09.2014		31.12.2013	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
EUR	11 831	01.12.2015	5.00%	25 712	2 573	22 554	1 750
ERU	3 272	01.12.2015	5.00%	6 739	339	2 660	160
				32 451	2 912	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:

	30.09.2014 BGN '000	31.12.2013 BGN '000
Receivables from subsidiaries	91 782	78 319
<i>Impairment of uncollectible receivables</i>	<u>(66)</u>	<u>(178)</u>
	91	78
	716	141
Receivables from companies under a common control through key managing personnel	18 808	17 732
Receivables from Companies under common indirect control	7 690	7 477
Total	<u>118 214</u>	<u>103 350</u>

The receivables from related parties by type are as follows:

	30.09.2014 BGN '000	31.12.2013 BGN '000
Receivables on sales of finished products and materials	82 015	69 135
<i>Impairment of uncollectable receivables</i>	<u>(59)</u>	<u>(171)</u>
	81 956	68 964
Granted commercial loans	35 361	34 393
Impairment of uncollectable receivables	<u>(7)</u>	<u>(7)</u>
	35 354	34 386
Advance payments	900	-
Receivables from dividends	4	-
Total	<u>118 214</u>	<u>103 350</u>

The receivables from sales are interest-free and 43,498 thousand BGN of them are denominated in BGN (31 December 2013: 29,469 thousand BGN), in EUR – 38,458 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 42,374 thousand BGN as at 30 September 2014 or 51,70% of all receivables on sales of finished products and materials to related parties (31 December 2013: 31,466 thousand BGN – 45,60%).

Loans granted to related parties by type of related party are as follows:

	30.09.2014	31.12.2013
	BGN '000	BGN '000
Receivables from companies related through key managing personnel	17 886	17 726
Subsidiaries	9 788	9 190
<i>Impairment of commercial loans</i>	(7)	(7)
	<u>9 781</u>	<u>9 183</u>
Companies under common indirect control	7 687	7 477
Total	<u>35 354</u>	<u>34 386</u>

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

<i>Currency</i>	<i>Contracted amount '000</i>	<i>Maturity</i>	<i>Interest %</i>	<i>30.09.2014</i>		<i>31.12.2013</i>	
				<i>BGN'000</i>	<i>BGN'000 including interest</i>	<i>BGN'000</i>	<i>BGN'000 including interest</i>
<i>to companies related through key managing personnel</i>							
<i>EUR</i>	10 824	31.12.2014	4.50%	12 099	253	11 346	16
<i>BGN</i>	34 020	31.12.2014	5.50%	4 155	-	5 662	14
<i>BGN</i>	6 000	22.07.2015	5.50%	1 011	11	-	-
<i>BGN</i>	1 300	31.12.2014	5.50%	471	11	551	50
<i>BGN</i>	190	31.12.2014	5.50%	150	3	167	-
<i>to companies under common indirect control</i>							
<i>EUR</i>	7 661	31.12.2014	4.50%	7 687	211	7 477	-
<i>to subsidiaries</i>							
<i>EUR</i>	2 770	20.01.2015	6.10%	6 628	1 210	6 381	963
<i>BGN</i>	2 460	30.10.2014	5.50%	2 582	122	2 026	26
<i>USD</i>	205	31.12.2014	3.50%	341	22	303	13
<i>BGN</i>	600	31.12.2014	5.50%	151	-	402	2
<i>USD</i>	25	31.12.2014	3.50%	44	5	39	4
<i>USD</i>	20	31.12.2014	3.50%	35	4	32	3
				<u>35 354</u>	<u>1 852</u>	<u>34 386</u>	<u>1 091</u>

As at 30 September 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.

The payables to related parties include:

	30.09.2014	31.12.2013
	BGN '000	BGN '000
Payables to subsidiaries	6 378	4 717
Payables to companies – main shareholders	629	22
Payables to companies under a common control through key management personnel	507	2 304
Payables to companies under common indirect control	275	793
Total	7 789	7 836

The commercial payables to related parties are current and are not additionally secured by the Company. The payables in BGN amounted to 7,413 thousand BGN (31 December 2013: 7,550 thousand BGN), in PLN – 376 thousand BGN (31 December 2013: 264 thousand BGN) and in EUR – none (31 December 2013: 22 thousand BGN).

Issued guarantees

The Company is a co-debtor under received bank loans and lease contracts and a guarantor for the following pharmaceutical trading companies before banks:

	Maturity	Currency	Amount	Status of the debt	
			Original	BGN'000	30.09.2014
			currency		BGN'000
Sopharma Trading AD	31.08.2015	EUR	20 500	40 095	25 788
Sopharma Trading AD	31.08.2015	EUR	10 000	19 558	19 558
Sopharma Trading AD	31.08.2015	EUR	8 434	16 495	15 909
Vitamini OAO	22.06.2016	EUR	7 000	13 691	13 691
Sopharma Trading AD	25.06.2017	EUR	7 500	14 669	13 329
Sopharma Trading AD	31.08.2015	BGN	10 000	10 000	10 000
Sopharma Trading AD	25.04.2015	EUR	3 000	5 867	5 746
Sopharma Trading AD	30.10.2014	EUR	2 050	4 009	3 912
Sopharma Trading AD	30.07.2018	EUR	2 000	3 912	3 667
Sopharma Trading AD	31.08.2015	BGN	4 732	4 732	3 201
Biopharm Engineering AD	16.04.2023	BGN	4 250	4 250	2 856
Sopharma Trading AD	31.12.2019	EUR	3 000	5 867	2 713
Telecomplex AD	05.09.2015	BGN	5 009	5 009	1 252
Sopharma Trading AD	15.11.2018	EUR	521	1 005	873
Veta Pharma AD	19.11.2014	BGN	1 000	1 000	548
Energoinvestment AD	28.08.2015	BGN	2 018	2 018	518
Sopharma Trading AD	25.10.2016	EUR	432	846	399
Momina Krepost AD	20.09.2015	BGN	500	500	263
Mineralcommerce AD	27.03.2015	BGN	175	175	175
Bulgarian Rose Sevtopolis AD	31.01.2015	EUR	1 617	3 163	160
Sopharma Trading AD	15.08.2019	EUR	72	141	139
Sopharma Trading AD	15.07.2019	EUR			133

	Maturity	Currency	Amount Original currency	BGN'000	Status of the debt 30.09.2014 BGN'000
Sopharma Trading AD	31.08.2015	EUR	66	129	129
Sopharma Trading AD	15.07.2019	EUR			125
Sopharma Trading AD	15.07.2019	EUR			125
Mineralcommerce AD	20.09.2017	EUR	100	196	118
Sopharma Trading AD	25.11.2017	EUR	87	170	116
Sopharma Trading AD	15.07.2019	EUR	58	114	111
Mineralcommerce AD	20.12.2015	EUR	50	98	91
Sopharma Trading AD	15.09.2019	EUR			72
Sopharma Trading AD	25.05.2016	EUR	89	174	68
Sopharma Trading AD	25.07.2016	EUR	63	124	53
Sopharma Trading AD	15.07.2019	EUR			40
Sopharma Trading AD	25.05.2016	EUR	41	80	38
Sopharma Trading AD	25.09.2016	EUR	22	42	23
Sopharma Trading AD	25.06.2016	EUR	23	45	19
Sopharma Trading AD	25.06.2016	EUR	22	43	18
Sopharma Trading AD	25.09.2016	EUR	15	29	13
					125 989

The following collateral have been established by the Company in favor of the creditor banks for loans to subsidiaries:

- Real estate mortgages - 8,268 thousand BGN (31 December 2013: 8,598 thousand BGN);
- Special pledges on:
 - machinery and equipment: 1,916 thousand BGN (31 December 2013: 2,221 thousand BGN);
 - facilities: 138 thousand BGN (31 December 2013: 233 thousand BGN);
 - inventories – 17,623 thousand BGN (31 December 2013: 17,623 thousand BGN);
 - commercial receivables – 19,705 thousand BGN (31 December 2013: 19,705 thousand BGN).

Ognian Donev, PhD
Executive Director