

## **Additional information under art. 33, par. 1, item 6 of Ordinance № 2 from 17 September 2003 of "Sopharma" AD as at 31 March 2016**

**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 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 2016 and have been accepted by the Commission of the European Union.

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 statements for the period 1 January 2016 – 31 March 2016.

### **2. Information about changes in the economic group of the issuer as at 31 March 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.

### **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 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.

As at 31 March 2016, Company's tangible fixed assets included: land amounting to BGN 33,535 thousand (31 December 2015: BGN 33,251 thousand) and buildings of carrying amount BGN 79,658 thousand (31 December 2015: BGN 80,614 thousand).

Tangible fixed assets in progress as at 31 March include:

- advances granted for purchase of machinery and equipment – BGN 437 thousand (31 December 2015: BGN 3,188 thousand);
- expenses on construction of a new warehouse unit – BGN 11,221 thousand (31 December 2015: BGN 10,132 thousand);
- buildings reconstruction – BGN 180 thousand (31 December 2015: BGN 100 thousand);
- other – BGN 81 thousand (31 December 2015: BGN 82 thousand).

As at 31 March, the carrying amount of property, plant and equipment includes machinery and equipment, which have been purchased using grants under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 (Note 27) as follows:

- for a new tablet production facility at the amount of BGN 7,899 thousand (31 December 2015: BGN 8,056 thousand)
- for ampule production at the amount of BGN 5,760 thousand (31 December 2015: BGN 5,861

thousand);

The amount of other assets as at 31 March 2016 includes also biological assets – Golden Chain (Laburnum anagyroides) plantation at the amount of BGN 131 thousand (31 December 2015: BGN 131 thousand).

The Company has leased tangible fixed assets with carrying amount of BGN 6,136 thousand as at 31 March 2016 to related parties (31 December 2015: BGN 6,263 thousand). In addition, tangible fixed assets at carrying amount of BGN 664 thousand were leased to third parties as at 31 March 2016 (31 December 2015: BGN 686 thousand).

The following encumbrances were constituted on Company's tangible fixed assets as at 31 March 2016 in relation with received loans:

- Land and buildings with carrying amount of BGN 22,009 thousand and BGN 60,493 thousand, respectively (31 December 2015: BGN 22,009 thousand and BGN 61,271 thousand, respectively);
- Pledges on equipment – BGN 37,613 thousand (31 December 2015: BGN 38,316 thousand).

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

		<i>31.03.2016</i>	<i>Interest</i>	<i>31.12.2015</i>	<i>Interest</i>
		<i>BGN '000</i>	<i>%</i>	<i>BGN '000</i>	<i>%</i>
Sopharma Trading AD	Bulgaria	28,591	71.87	28,557	71.85
Briz OOD	Latvia	22,270	66.13	22,270	66.13
Medika AD	Bulgaria	32,807	97.77	21,832	66.72
Unipharm AD	Bulgaria	19,448	49.99	19,448	49.99
Sopharma Ukraine	Ukraine	16,991	100.00	16,991	100.00
Biopharm Engineering AD	Bulgaria	8,384	97.15	8,384	97.15
Ivanchich and sons	Serbia	5,739	51.00	5,739	51.00
Momina Krepost AD	Bulgaria	4,860	92.78	4,833	92.78
Vitamina AD	Ukraine	1,980	99.56	1,980	99.56
Pharmalogistica AD	Bulgaria	1,124	80.80	1,058	78.37
Sopharma Buildings REIT	Bulgaria	573	40.75	573	40.75
Sopharma Kazakhstan EOOD	Kazakhstan	502	100.00	502	100.00
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	323	100.00
Phyto Palauzovo AD	Bulgaria	25	95.00	25	95.00
<b>Total</b>		<b>144,001</b>		<b>132,899</b>	

As at 31 March 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.

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 /%/ 31 March 2016	Number of shares /%/ 31 December 2015
„Donev Investments Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	33 340 762 /24,73% /	33 330 426 /24,73%/
“Telecomplect Invest” AD, EIK 201653294, Sofia, Slaveikov Square № 9	27 056 752 /20,07%/	26 056 752 /20,07%/
„Rompharm Company” OOD UID 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	24 313 355 /18,04%/	24 313 355 /18,04%/

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 31 March 2016	Number of shares 31 December 2015
1. Ognian Ivanov Donev	0	0
2. Vessela Liubenova Stoeva	0	0
3. Andrey Liudmilov Breshkov	0	0
4. Ognian Kirilov Palaveev	120 430	102 585
5. Alexander Viktorov Chaushev	97 976	97 976

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.**

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

	31.03.2016 BGN '000	31.12.2015 BGN '000
Long-term loans granted	11,709	20,213
Long-term rental deposit granted	292	292
<b>Total</b>	<b>12,001</b>	<b>20,505</b>

The long-term loans are granted to companies related 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 %	31.03.2016		31.12.2015	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
<i>to companies related through key management personnel</i>							
EUR	16,177	01.12.2018	5.00%	10,727	44	13,074	18
EUR	3,272	01.12.2018	5.00%	-	-	7,139	739
<i>to subsidiaries</i>							
EUR	500	01.03.2019	6.60%	982	4	-	-
				<b>11,709</b>	<b>48</b>	<b>20,213</b>	<b>757</b>

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.

Receivables from related parties include:

	31.03.2016 BGN '000	31.12.2015 BGN '000
Receivables from subsidiaries	57,833	59,515
<i>Impairment of uncollectable receivables</i>	(3,025)	(3,025)
	54,808	56,490
Receivables from companies related through key managing personnel	21,233	21,545
<b>Total</b>	<b>76,041</b>	<b>78,035</b>

The receivables from related parties by type are as follows:

	31.03.2016 BGN '000	31.12.2015 BGN '000
Receivables on sales of finished products and materials	49,062	50,847
<i>Impairment of uncollectable receivables</i>	(1,062)	(1,062)
	48,000	49,785
Trade loans granted	30,004	30,213
<i>Impairment of uncollectable receivables</i>	(1,963)	(1,963)
	28,041	28,250
<b>Total</b>	<b>76,041</b>	<b>78,035</b>

The receivables on sales are interest-free and BGN 32,193 thousand of them are denominated in BGN (31 December 2015: BGN 28,364 thousand) and in EUR – BGN 15,807 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 31,370 thousand as at 31 March 2016 or 65,35% of all

receivables on sales of finished products and materials to related parties (31 December 2015: BGN 27,103 thousand – 54,44%).

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

	<b>31.03.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from companies related through key managing personnel	21,233	21,545
<i>Subsidiaries</i>	8,771	8,668
<i>Impairment of trade loans</i>	<u>(1,963)</u>	<u>(1,963)</u>
	6,808	6,705
<b>Total</b>	<b><u>28,041</u></b>	<b><u>28,250</u></b>

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

Currency	Contracted amount '000	Maturity	Interest %	31.03.2016		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	12,577	31.12.2016	4.50%	7,847	84	8,310	26
EUR	7,845	31.12.2016	4.50%	8,571	234	7,982	146
BGN	6,000	31.12.2016	5.50%	4,700	65	4,636	1
BGN	1,300	31.12.2016	5.50%	-	-	503	42
BGN	190	31.12.2016	5.50%	115	2	114	-
<i>to subsidiaries</i>							
EUR	2,770	31.12.2016	6.10%	5,169	82	5,087	-
BGN	3,552	31.12.2016	5.50%	1,589	63	1,568	42
BGN	600	31.12.2016	5.50%	50	-	50	-
				<b><u>28,041</u></b>	<b><u>530</u></b>	<b><u>28,250</u></b>	<b><u>257</u></b>

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).

*The payables to related parties* refer to:

	<b>31.03.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Payables to subsidiaries	1,561	868
Payables to companies related through key managing personnel	187	1,702
Payables to main shareholding companies	46	89
Payables to companies related through main shareholder	<u>40</u>	<u>411</u>
<b>Total</b>	<b><u>1,834</u></b>	<b><u>3,070</u></b>

The trade payables to related parties are regular and are not additionally secured by the Company. The payables in Bulgarian Levs amount to BGN 1,801 thousand (31 December 2015: BGN 3,051 thousand), in EUR – BGN 10 thousand (31 December 2015: BGN 10 thousand), in PLN – BGN 23 thousand (31 December 2015: BGN 9 thousand).

The Company is a co-debtor under received bank loans, issued bank guarantees and concluded lease agreements as well as a guarantor before banks and suppliers of the following companies:

Company	Maturity period	Currency	Contracted amount		Amount of the guarantee as at 31.03.2016
			original currency	BGN'000	BGN'000
Sopharma Trading AD	2016-2020	EUR	53,739	105,104	88,118
Sopharma Properties REIT	2024	EUR	22,619	44,240	32,927
Sopharma Trading AD	2016	BGN	14,732	14,732	13,694
Sopharma Ukraine AD	2016	EUR	7,000	13,691	7,674
Vitamins OAO	2016	EUR	7,000	13,691	5,422
Biopharm Engineering AD	2023	BGN	4,250	4,250	1,464
Veta Pharma AD	2016	BGN	1,000	1,000	557
Mineralcommerce AD	2017	EUR	150	294	246
Mineralcommerce AD	2016	BGN	250	250	220
Pharmaplant AD	2019	BGN	1,083	1,083	236
Momina Krepost AD	2016	BGN	500	500	116
<b>Total</b>					<b><u>150,674</u></b>

The Company has provided the following collateral under loans, received from related parties, in favor of banks:

**a) under loans received by subsidiaries:**

- mortgages of real estate – BGN 10,521 thousand (31 December 2015: BGN 10,572 thousand) (*Note 13*);
- special pledges on:
  - machinery and equipment – BGN 11,481 thousand (31 December 2015: BGN 11,640 thousand) (*Note 13*);
  - inventories – BGN 17,000 thousand (31 December 2015: BGN 17,000 thousand) (*Note 20*);
  - trade receivables – BGN 11,735 thousand (31 December 2015: BGN 11,735 thousand) (*Note 22*).

**b) under loans received by companies related through key managing personnel:**

- mortgages of real estate – BGN 1,119 thousand (31 December 2015: BGN 1,119 thousand) (*Note 15*);

**c) under loans received by third parties:**

- special pledge on inventories – BGN 2,623 thousand (31 December 2015: BGN 2,623 thousand) (*Note 20*);

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Ognian Donev, PhD  
Executive Director