

**Additional information under art. 33, par. 1, item 7  
of Ordinance № 2 from 17 September 2003 of  
"Sopharma" AD as at 31 December 2016**

**7. a) 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 consolidated 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 interim consolidated financial statements for the period 1 January 2016 – 31 December 2016.

**7. b) Information about changes in the economic group of the issuer as at 30 September 2016: N/A**

**7 c) 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.

On February 16 the Group acquired 50% share of the capital of Mobil Line OOO, Belarus through its daughter company OOO Brititrade. As a result Mobil Line OOO is transformed to a daughter company

On 24 March 2016 Medica Balcans EOOD (S.R.L.), Romania – a subsidiary through Medica AD has been terminated through liquidation and erased from the Commercial Register.

On 9 May 2016 the Group sold its shares in the capital of its daughter company Ivančić and Sinovi d.o.o., Serbia.

On 02.08.2016 the Commercial register published a decision taken on 05.03.2016 from Medica AD in its capacity as sole shareholder of Medica Health Ltd. for opening a liquidation proceedings in respect of Medka health LTD. As liquidator of Medica Health Ltd. was elected Nikolay Nikolov Milenov.

On 26 August 2016 the Gorup has restructured its ownership in NPK Biotest, Belarus through a negotiated sale of the controlling stake through which it reduces its share to a non-controlling one, but remains a company with substantial influence in NPK Biotest. The status of the company has been changed from “subsidiary” to “associated company”.

On 11 November 2016 Sopharma AD notified that following a decision of the Board of directors as of the moment Sopharma AD has acquired a total of 68% of the capital of Veta Pharma AD.

On 11 November 2016 according to a framework agreement for the sale of the controlling stake of 70% of the capital of OOO NPK Biotest on several stages, the first stage has been finalized as of 30 September 2016 and 24% of the capital have been sold. The company’s main activity is production of plant origin medicines. The company became associated for the Group in 26.08.2016.

On 18 November 2016 Sopharma AD received a notification for the acquisition of 505 364 shares, representing 0.37% of its capital, by ZUPF Allianz Bulgaria. After the transaction the share of ZUPF Allianz Bulgaria in the capital of Sopharma AD reached 5.17%.

On December 5 2016 Sopharma AD purchased 532 114 shares of the capital of Unipharm AD and as a result of this transaction Sopharma AD had a total of 77.43% of the capital of Unipharm AD.

On 14 December 2016 Sopharma AD filed with the Financial Supervision Commission a tender offering for the shares of all other shareholders in Unipharm AD. Sopharma AD as a offeree states that it does not own 1 342 234 shares, representing 22.37% from the total number of shares with ISIN BG1100154076 and from the votes in the general meeting of Unipharm AD and files the tender offering to the remaining shareholders owning ordinary shares of Unipharm AD for the purchase of those shares.

On 01 February 2017, pursuant to Art. 151, para. 3 of POSA, “Sopharma” AD submitted a corrected tender offer under Art. 149, para. 6 of POSA to purchase shares of the remaining shareholders' of “Unipharm” AD at a price of 4.35 BGN per share. “Sopharma” AD as a tender offeror declares that it does not hold 1,342,234 shares, representing 22.37% of the total ordinary shares with ISIN BG1100154076 "Unipharm" AD and extends this offer to the remaining owners of shares of "Unipharm" AD for their acquisition. The Financial Supervision Commission (FSC) has not taken a position on the tender offer documents.

On 31 January, 2017 in accordance with art. 262e and the following from the Commercial Code Medica AD and Sopharma AD signed a contract for transformation through merger of Medica AD in Sopharma AD and the respective consequences following that decision. The fair price of the participants in the transformation is based on widely accepted evaluation methods. Based on the fair price the participants in the transformation reached a ratio of exchange of 0.9486, meaning that one share of Medica AD will be exchanged for 0.9486 shares of Sopharma AD. The companies have hired the services of certified appraisers whose report is a necessary prerequisite for the filing of the documents for transformation with the FSC. As of this moment the deputy Chairman “Investment Supervision” has not issued an approval in accordance with art. 124 from the LPOS of the transformation contract, of the reports of the BoD according to art. 262k from the Commercial code and the report of the appraiser under art. 262o from the Commercial Code.

On 22 February 2017 the Commercial Register registered the liquidation of Medica – Zdrave EOOD.

As a result of restructuring the Group acquired a controlling stake in the capital of SalusLain ODO, Belarus, the latter being transformed from an associate to a subsidiary.

**7 d) 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 – The management does not publish estimates.**

**7 e) 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;**

	Number of shares /%/31.12.2016	Number of shares /%/31.12.2015
<b>„Donev Investments Holding” AD</b>	24.78	24.73
<b>“Telecomplect Invest” AD</b>	20.15	20.07
<b>„Rompharm Company” OOD</b>	18.04	18.04

**7 f) 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 31.12.2016	Number of shares 31.12.2015
Ognian Donev	Chairman	246 600	
Vessela Stoeva	Member		
Ognian Palaveev	Member	120 430	102 585
Alexander Chaushev	Member	59 462	97 976
Andrey Breshkov	Member		

**7 g) 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;**

7 3) **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.**

#### LONG-TERM RECEIVABLES FROM RELATED PARTIES

The *long-term receivables from related parties* as at 31 December refer to companies related through key managing personnel and through main shareholders, and include:

	<i>31.12.2016</i>	<i>31.12.2015</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Long-term loans granted to related parties	9,797	20,213
Receivable under a long-term rental deposit granted	231	292
<b>Total</b>	<b>10,028</b>	<b>20,505</b>

The long-term loans are granted to companies related through key managing personnel.

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

<i>Currency</i>	<i>Contracted amount '000</i>	<i>Maturity</i>	<i>Interest %</i>	<i>31.12.2016</i>		<i>31.12.2015</i>	
				<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
					<i>Incl. interest</i>		<i>Incl. interest</i>
<i>EUR</i>	16,177	01.12.2018	3.50%	9,797	48	13,074	18
<i>EUR</i>	3,272	01.12.2018	5.00%	-	-	7,139	739
<b>Total</b>				<b>9,797</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 deposit receivable related with a rent under a concluded rental contract for administrative offices with validity term on 1 August 2022.

## RECEIVABLES FROM RELATED PARTIES

<i>Receivables from related parties</i> include:	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Receivables from companies related through key managing personnel	11,420	21,545
Receivables from companies under a common indirect control	3,902	5,889
Receivables from companies related through main shareholders	49	-
<b>Total</b>	<b>15,371</b>	<b>27,434</b>

The *receivables from related parties* by type are as follows:

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Trade loans granted	11,839	21,545
Receivables on sales of finished products and materials	3,496	5,889
Advance payments granted	36	-
<b>Total</b>	<b>15,371</b>	<b>27,434</b>

*The trade loans granted to related parties* are unsecured and are to companies, related through key managing personnel and joint indirect control and amount to BGN 11,839 thousand (31.12.2015: BGN 21,545 thousand).

The *granted loans* are as follows:

Currency	Contracted amount	Maturity	Interest	31.12.2016		31.12.2015	
				BGN '000	BGN '000	BGN '000	BGN '000
	'000		%		Incl. interest		Incl. interest
<i>to companies related through key managing personnel</i>							
EUR	8,113	31.12.2017	4.10%	6,292	5	7,982	146
BGN	6,000	31.12.2017	3.50%	4,472	72	4,636	1
EUR	12,731	31.12.2017	3.05%	560	1	8,310	26
BGN	190	31.12.2017	3.50%	96	-	114	-
BGN	1,300	31.12.2017	5.50%	-	-	503	42
<i>to companies related through key managing personnel</i>							
BYR	186	30.6.2017	27.50%	157	11	-	-

<b>BYR</b>	122	28.1.2018	27.50%	109	5	-	-
<b>BYR</b>	70	24.3.2017	20.00%	67	-	-	-
<b>BYR</b>	126	30.6.2017	27.50%	63	4	-	-
<b>BYR</b>	23	28.2.2017	20.00%	23	1	-	-
<b>Total:</b>				<u>11,839</u>	<u>99</u>	<u>21,545</u>	<u>215</u>

The *receivables on sales of finished products and materials* are interest-free and denominated in BGN and in EUR and BYR.

The Group companies usually negotiate payment terms between 90 and 180 days for receivables on sales of finished products and up to 30 days for receivables on sales of materials (including substances – active ingredients). The Group has set a maximum credit period of up to 365 days for sales counterparts – related parties. Any delay after this period is regarded by the Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analysing the specific receivables and the position of the debtor company as well as the circumstances for the delay and the opportunities for repayment and after that, they take a decision on whether impairment shall be recognised and charged on an individual basis and at what amount.

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

	<i>31.12.2016</i>	<i>31.12.2015</i>
	<i>BGN'000</i>	<i>BGN'000</i>
up to 30 days	1,751	2,265
from 31 to 90 days	892	1,925
from 91 to 180 days	28	380
<b>Total</b>	<u>2,671</u>	<u>4,570</u>

*Age structure of overdue trade receivables from related parties is as follows:*

	<i>31.12.2016</i>	<i>31.12.2015</i>
	<i>BGN'000</i>	<i>BGN'000</i>
from 31 to 90 days	194	883
from 91 to 180 days	219	32
from 181 to 365 days	412	145
from 1 to 2 years	-	259
<b>Total</b>	<u>825</u>	<u>1,319</u>

*Movement in the allowance for impairment*

<i>31.12.2016</i>	<i>31.12.2015</i>
<i>BGN'000</i>	<i>BGN'000</i>

<b>Balance at 1 January</b>	<b>24</b>	<b>141</b>
Impairment amount	-	-
Reversed impairment	-	-
Impairment of uncollectable receivables written-off	-	(117)
<b>Balance at 31 December/ 31 December</b>	<b>24</b>	<b>24</b>

Special pledges have been established as at 31 December 2016 on receivables from related parties at the amount of BGN 18,229 thousand as collateral under bank loans received (31 December 2015: BGN 18,229 thousand)

### **Litigations**

#### ***Sopharma AD***

In relation to the amount of EUR 1,034 thousand (BGN 2,022 thousand) awarded by the Court of Arbitration in Paris, Sopharma AD initiated cases in Poland against former members of the Management Board of the convicted company for caused damages and non-performance of the obligations regarding the bankruptcy of the said company. As at 31 December 2016, the cases are pending in the District Court and the Regional Court of Warsaw.

#### ***Biopharm Engineering AD***

In 2015, the company was a subject of full-scope tax audit for the period 1 January 2010 – 31 December 2015, including under the application of VATA for periods from 1 November 2010 to 28 February 2015. In the issued Tax Assessment Notice, dated 26 November 2015, the tax authorities assessed additional tax liabilities at the amount of BGN 223 thousand, including BGN 194 thousand (principal and interest) under VATA and BGN 94 thousand (principal and interest) corporate tax.

The company appealed the issued Tax Assessment Notice and revenue authorities assigned a new tax revision, which has been completed as of the date of the current financial report. In the conclusion from the revision issued on 6 July 2016 no additional taxes have been imposed on the company, a BGN 2 thousand interest rate was required for payment due to a tax credit used by the company but not recognized by the tax authorities in 2011

### **Issued and granted guarantees**

#### ***Sopharma AD***

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:

	<b>Maturity</b>	<b>Currency</b>	<b>Amount</b>		<b>Debt status</b>
			<b>Original</b>		<b>31.12.2016</b>
			<b>Currency</b>	<b>BGN'000</b>	<b>BGN'000</b>
Sopharma Properties REIT	2024	EUR	22,619	44,240	28,818
Mineralcommerce AD	2017-2021	BGN	701	701	585
<b>Total</b>					<b>29,403</b>

The Company has provided the following collateral in favour of banks under loans received by related parties:

(a) under loans of companies related through key managing personnel:

- Mortgages of real estate – none (31 December 2015: BGN 1,119 thousand) (Note 14);

(b) under loans of third parties:

- Special pledge on inventories – none (31 December 2015: BGN 2,623 thousand) (Note 21).

### **Bank guarantees**

#### ***Sopharma Trading AD***

The bank guarantees issued for the Company amount to BGN 10,486 thousand (31 December 2015: BGN 12,722 thousand) and are to guarantee payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medicinal products to hospitals under concluded contracts, customs office guarantees and tender participation.

The bank guarantees have been issued by:

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Raiffeisenbank EAD	4,636	5,010
SG Expressbank AD	3,967	3,936
ING Bank NB	1,883	3,776
	<b>10,486</b>	<b>12,722</b>

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 11,264 thousand (31 December 2015: BGN 9,801 thousand) (Note 21);
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2015: BGN 2,347 thousand) (Note 22);
- As at 31 December 2016 there are no special pledges on PPE (motor vehicles) (31 December 2015: BGN 2 thousand) (Note 14).

### ***Unipharm AD***

The following have been issued as at 31 December 2016: bank guarantees at the amount of BGN 74 thousand within the loan agreement limit, a bank guarantee for arranging discounts under Ordinance 10 for medicinal products to the NHIF at the amount of BGN 16 thousand and a bank guarantee at the amount of BGN 20 thousand secured in cash.

Under a contract for issuance of multiple bank guarantees, dated 23 February 2012 have been established pledges on assets of the company as follows:

- Pledge on current and future movables (materials, finished products, goods) with a carrying amount of BGN 200 thousand;
- Pledge on current and future payment accounts opened with DSK Bank EAD.

### ***Electroncommerce AD***

As at 31 December 2016 the issued bank guarantees to the companies amount to BGN 135 thousand.

### ***Assets held under safe custody***

#### ***Sopharma Trading AD***

According to concluded pre-distribution contracts, the company has received goods for safe custody amounting to BGN 4,046 thousand as at 31 December 2016 (31 December 2015: BGN 2,892 thousand).

### ***Significant irrevocable agreements and commitments***

#### ***Sopharma AD***

The Company received three government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 (*Note 30 and Note 37*), related to technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production section (*Note 14*). The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

#### ***Unipharm AD***

The company is a beneficiary under three grant contracts for acquisition of assets. In accordance with the contractual provisions, the tangible and intangible fixed assets, acquired with project funds, should remain within the assets of the beneficiary and the receiving region (Republic of Bulgaria) for a period of minimum five years after execution of the total investment. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

#### ***Biopharm Engineering AD***

The company has assumed a commitment under a grant contract with a term of five years after completion of the project for acquisition of

- (a) line for production of amino acid solution for parenteral nutrition, which includes components for inflation, filling and sealing in aseptic environment, and
- (b) clean rooms construction (omega profile ceilings, separation walls, doors, blocking devices, lighting, air conditioning, etc.) (*Note 14*). The term commenced on 27 April 2015 (the date on which the project was ultimately approved by the financing institution) and according to the contract the project should not suffer significant changes referring to its nature, the conditions of its performance or leading to unjustifiable benefits for the company as well as changes resultant from modification in the nature of ownership of infrastructural component or discontinuance of production activities. On non-compliance with these requirements, the financing shall be returned. At the date of approval for issue of the financial statements, all contractual requirements were being fulfilled.

#### ***Sopharma Trading AD***

The company is a beneficiary under a contract for government financing under Operational Programme “Development of the Competitiveness of the Bulgarian Economy” on a project for the development and implementation of a system for information security management according to ISO 27001:2007 in the amount of BGN 82 thousand

***Other***

Sopharma AD has met its obligations under the Waste Management Act (WMA) and therefore, has not included a product charge liability in the statement of financial position regardless of the fact that the official document evidencing that Ecobulpack (the organization in which it is a member) has fulfilled its commitments under WMA, has not been issued yet at the date of preparation of these financial statements.