

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

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

On 24 March Medica Balkans EOOD Romania – subsidiary through Medica AD has been liquidated and removed from the Commercial Register.

On 9 May 2016 Sopharma AD has divested its shares in its subsidiary Ivanchich and sons, Serbia.

On 2 August 2016 Medika AD as an owner of the total capital of Medika Zdrave EOOD filed a redicion dated 3 May 2016 to open a procedure for liquidation of the company Medika Zdrave EOOD. Mr. Nikolai Milenov Nikolov is appointed as a liquidator.

On 12 September 2016 Sopharma AD (the "Company") announces that on 12 September 2016 the Company received a notification for the acquisition of 81 401 shares, representing 0.06 % of its capital, by ZUPF Allianz Bulgaria. After the transaction the share of ZUPF Allianz Bulgaria in the capital of Sopharma AD reached 5.05%.

On 10 November 2016 Sopharma AD acquired 68.05% from the capital of Veta Pharma AD as a result of which the latter is a subsidiary for the Group.

On 18 November 2016 Sopharma AD received a notification for disclosure of shareholdings under art. 145 of POSA from pension fund ZUPF Alianz Bulgaria for the purchase of 505 364 shares representing 0.37% of the capital of Sopharma AD after which the shareholdings of ZUPF Alianz Bulgaria in Sopharma reached 5%.

On 5 December 2016 Sopharma AD purchased 532 114 shares from the capital of Unipharm AD and its shareholdings in the capital reached 77.43%.

On 14 December 2016 Sopharma AD filed with the FSC a tender offering under art. 149 from POSA for the purchase of the shares of the remaining shareholders in Unipharm 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 December 2016, Company's tangible fixed assets included: land amounting to BGN 34,621 thousand (31 December 2015: BGN 33,251 thousand) and buildings of carrying amount BGN 85,409 thousand (31 December 2015: BGN 80,614 thousand).

Tangible fixed assets in progress as at 31 December include:

- buildings reconstruction – BGN 1,704 thousand (31 December 2015: BGN 100 thousand);
- advances granted for purchase of machinery and equipment – BGN 568 thousand (31 December 2015: BGN 3,188 thousand);
- expenses related to construction of new buildings – BGN 271 thousand (31 December 2015: BGN 10,132 thousand)
- other – BGN 82 thousand (31 December 2015: BGN 82 thousand).

As at 31 December, 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 30) as follows:

- for a new tablet production facility at the amount of BGN 7,429 thousand (31 December 2015: BGN 8,056 thousand)
- for ampule production at the amount of BGN 5,457 thousand (31 December 2015: BGN 5,861 thousand);

The amount of other assets as at 31 December 2016 includes also biological assets – Golden Chain (*Laburnum anagyroides*) plantation at the amount of BGN 134 thousand (31 December 2015: BGN 131 thousand).

The Company has leased tangible fixed assets with carrying amount of BGN 5,669 thousand as at 31 December 2016 to related parties (31 December 2015: BGN 6,263 thousand). In addition, tangible fixed assets at carrying amount of BGN 246 thousand were leased to third parties as at 31 December 2016 (31 December 2015: BGN 686 thousand).

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

- Land and buildings with carrying amount of BGN 22,415 thousand and BGN 66,385 thousand, respectively (31 December 2015: BGN 22,009 thousand and BGN 61,271 thousand, respectively) (Notes 28, 33 and 39);
- Pledges on equipment – BGN 47,758 thousand (31 December 2015: BGN 38,316 thousand)

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

		<b>31.12.2016</b>	<b>Interest</b>	<b>31.12.2015</b>	<b>Interest</b>
		<b>BGN '000</b>	<b>%</b>	<b>BGN '000</b>	<b>%</b>
Medika AD	Bulgaria	32,874	97.96	21,832	66.72
Sopharma Trading AD	Bulgaria	29,096	72.14	28,557	71.85
Unipharm AD	Bulgaria	26,749	77.88	19,448	49.99
Briz OOD	Latvia	22,270	66.13	22,270	66.13
Sopharma Ukraine	Ukraine	11,783	100.00	16,991	100.00
Biopharm Engineering AD	Bulgaria	8,384	97.15	8,384	97.15
Veta Pharma AD	Bulgaria	6,549	68.05	-	-
Momina Krepost AD	Bulgaria	4,874	93.54	4,833	92.78
Vitamina AD	Ukraine	1,980	99.56	1,980	99.56
Pharmalogistica AD	Bulgaria	1,190	84.93	1,058	78.37
Sopharma Buildings REIT	Bulgaria	568	40.39	573	40.75
Sopharma Kazakhstan EOOD	Kasakhstan	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	57	95.00	25	95.00
Ivanchich and sons	Serbia	-	-	5,739	51.00
<b>Total</b>		<b>147,583</b>		<b>132,899</b>	

As at 31 December 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/%/	Number of shares /%/
	31.12.2016 г.	31.12.2015 г.
<b>„Donev Investments Holding” AD,</b> EIK 831915121, Sofia, Positano Str. № 12 <b>“Telecomplect Invest” AD,</b> EIK 201653294, Sofia, Slaveikov Square № 9 <b>„Rompharm Company” OOD</b> EIK 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	33 404 466 / 24,78% /	33 330 426/ 24,73%/
<b>„ZUPF Allianz Bulgaria“</b> EIK 130477720, Sofia, 42 „Damian Gruev“Str.	27 156 752 / 20,15%/	27 056 752 /20,07%/
	24 313 355 /18,04%/	24 313 355/18,04%/
	6 970 395 /5,17%/	6 726 310 /4.99%/

**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	Number of shares
	31.12.2016 г.	31.12.2015 г.
1. Ognian Ivanov Donev	246 600	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	59 462	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:

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term loans granted	10,780	20,213
Long-term rental deposit granted	231	292
<b>Total</b>	<b>11,011</b>	<b>20,505</b>

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>	<b>31.12.2016</b>		<b>31.12.2015</b>	
					<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
		<i>'000</i>			<i>Incl. interest</i>		<i>Incl. interest</i>	
<b>to associates</b>								
<i>EUR</i>	16,177	01.12.2018	3.50%	9,797	48	-	-	
<b>to companies related through key management personnel</b>								
<i>EUR</i>	16,177	01.12.2018	3.50%	-	-	13,074	18	
<i>EUR</i>	3,272	01.12.2018	3.50%	-	-	7,139	739	
<b>to subsidiaries</b>								
<i>EUR</i>	500	01.03.2019	6.60%	983	6	-	-	
				<b>10,780</b>	<b>54</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:

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from subsidiaries	62,887	59,515
<i>Impairment of uncollectable receivables</i>	<i>(3,254)</i>	<i>(3,025)</i>
	<u>59,633</u>	<u>56,490</u>

Receivables from companies related through key managing personnel	11,689	21,545
<i>Impairment of uncollectable receivables</i>	<u>(269)</u>	<u>-</u>
	11,420	21,545
Receivables from companies related through a main shareholders	<u>13</u>	<u>-</u>
<b>Total</b>	<b><u>71,066</u></b>	<b><u>78,035</u></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>
Receivables on sales of finished products and materials	53,163	50,847
<i>Impairment of uncollectable receivables</i>	<u>(1,145)</u>	<u>(1,062)</u>
	52,018	49,785
Trade loans granted	21,426	30,213
<i>Impairment of uncollectable receivables</i>	<u>(2,378)</u>	<u>(1,963)</u>
	<u>19,048</u>	<u>28,250</u>
<b>Total</b>	<b><u>71,066</u></b>	<b><u>78,035</u></b>

The receivables on sales are interest-free and BGN 37,813 thousand of them are denominated in BGN (31 December 2015: BGN 28,364 thousand) and in EUR – BGN 14,205 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 37,788 thousand as at 31 December 2016 or 72.64% 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>31.12.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from companies related through key managing personnel	11,689	21,545
<i>Impairment of trade loans</i>	<u>(269)</u>	<u>-</u>
	11,420	21,545
<i>Subsidiaries</i>	9,737	8,668
<i>Impairment of trade loans</i>	<u>(2,109)</u>	<u>(1,963)</u>
	<u>7,628</u>	<u>6,705</u>
<b>Total</b>	<b><u>19,048</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 %	31.12.2016		31.12.2015	
				BGN'000	BGN'000 Incl. interest	BGN'000	BGN'000 Incl. interest
<b>to companies related through key managing personnel</b>							
EUR	8,133	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
<b>to subsidiaries</b>							
EUR	2,770	31.12.2017	4.70%	4,957	-	5,087	-
BGN	7,667	31.12.2017	4.10%	2,670	66	1,568	42
BGN	600	31.12.2017	3.50%	1	-	50	-
				<b>19,048</b>	<b>144</b>	<b>28,250</b>	<b>257</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:

	31.12.2016 BGN '000	31.12.2015 BGN '000
Payables to subsidiaries	260	868
Payables to companies related through key managing personnel	215	1,702
Payables to main shareholding companies	14	89
Payables to companies related through main shareholder	-	411
<b>Total</b>	<b>489</b>	<b>3,070</b>

The payables to related parties by type are as follows:

	31.12.2016 BGN '000	31.12.2015 BGN '000
Supply of services	336	1,121
Supply of inventories	129	557
Capital increase in a subsidiary	24	-
Supply of non-current assets	-	1,392
<b>Total</b>	<b>489</b>	<b>3,070</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 459 thousand (31 December 2015: BGN 3,051 thousand), in EUR – none (31 December 2015: BGN 10 thousand), in PLN – BGN 30 thousand (31 December 2015: BGN 9 thousand).

### ***Issued and granted guarantees***

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>Company</b>	<b>Maturity period</b>	<b>Currency</b>	<b>Contracted amount</b>	<b>Amount of the guarantee as at</b>	<b>Amount of the guarantee as at</b>
			<b>Original currency</b>	<b>BGN'000</b>	<b>31.12.2016 BGN'000</b>
Sopharma Trading AD	2017 r - 2022	EUR	54,132	105,873	87,803
Sopharma Properties REIT	2024	EUR	22,619	44,240	28,818
Sopharma Trading AD	2017	BGN	14,732	14,732	13,380
Sopharma Ukraine AD	2017	EUR	7,000	13,691	4,060
Vitamini OAO	2017	EUR	7,000	13,691	5,299
Biopharm Engineering AD	2023	BGN	4,250	4,250	1,307
Veta Pharma AD	2018	BGN	1,000	1,000	680
Mineralcommerce AD	2017 r - 2021	BGN	701	294	585
<b>Total</b>					<b><u>144,423</u></b>

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

*a) under loans received by subsidiaries:*

- mortgages of real estate – BGN 10,368 thousand (31 December 2015: BGN 10,572 thousand);
- special pledges on:
  - machinery and equipment – BGN 11,005 thousand (31 December 2015: BGN 11,640 thousand);



- inventories – BGN 17,000 thousand (31 December 2015: BGN 17,000 thousand);
- trade receivables – BGN 11,735 thousand (31 December 2015: BGN 11,735 thousand).

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

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

*c) under loans received by third parties:*

- special pledge on inventories – none (31 December 2015: BGN 2,623 thousand);

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Ognian Donev ,  
Executive director