

Additional information under art. 33, par. 1, item 6 of Ordinance № 2 from 17 September 2003 of "Sopharma" AD as at 31 December 2015

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 2015 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 statement for the period 1 January 2015 – 31 December 2015.

2. Information about changes in the economic group of the issuer as at 31 December 2015:

As from 19 January 2015 Sopharmasi EOOD is a subsidiary through Sopharma Trading AD.

As from 18 February 2015 Alenfarm Plus ODO is an associated company and Medjel ODO is a subsidiary through Briz OOD, Latvia.

As from 19 February 2015 Salus Line ODO is an associated company through Briz OOD, Latvia.

As from 20 February 2015 Mobil Line OOO is an associated company and GalenaFarm OOO and Danafarm OOO are subsidiaries through Briz OOD, Latvia.

As from 4 June 2015 Sopharma Trading OOD – Belgrade is a subsidiary through Sopharma Trading AD.

As from 17 June 2015 Sopharmasi 2 EOOD is a subsidiary of Sopharma Trading AD.

As from 9 July 2015 Alenpharm Plus ODO from an associated company becomes a subsidiary through Briz OOD, Latvia.

As from 26 October 2015 Medika AD has been transformed from an associated company to a subsidiary.

As from 2 December 2015 Sopharmasi 3 EOOD is a subsidiary through Sopharma Trading AD.

Extab Corporation was a subsidiary until 14 May 2015.

Extab Corporation Limited is a subsidiary through Extab Corporation until 14 May 2015.

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 9 January 2015 the Extraordinary General Meeting of Shareholders of the Company took a decision for the transformation of Sopharma AD through the merger of Bulgarian Rose Sevtopolis AD, with seat in Kazanlak, UIC: 123007916 under a contract for merger from 19 June 2014 between Bulgarian Rose – Sevtopolis AD and Sopharma AD. The operation resulted in the transferring of all assets of Bulgarian Rose – Sevtopolis AD to Sopharma AD and Bulgarian Rose – Sevtopolis AD was terminated without liquidation. As a result of the merger, the share capital of Sopharma AD was increased by 2,797,899 new shares with a nominal value of 1 BGN and an issue price of 4,14 BGN equal to the fair value of one share of Sopharma AD, in connection with the merger of Bulgarian Rose – Sevtopolis AD into Sopharma AD. The entering in the Commercial Register took place on 26 February 2015.

On a meeting on 18 September 2015 The Board of Directors took a decision to start a procedure of transformation of Sopharma AD, Sofia, UID 831902088 under the conditions of Chapter XVI of the Commercial Act und art. 122 and following of the Public Offering of Securities Act, which shall be executed by merging in Sopharma AD of Momina Krepost AD with seat and address of management in

Veliko Tarnovo, 23 Magistralna Str., and chose investment intermediary Elana Trading AD, UID 831470130, with seat and address of management in Sofia, Sredetz district, 4 Kuzman Shapkarov Str. as a consultant in relation to the executing of the procedure of 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 and Momina Krepost AD. The decision to end the procedure was taken in the interest of both companies in order to safeguard their good market positions.

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

		<i>31.12.2015</i>	<i>Interest</i>	<i>31.12.2014</i>	<i>Interest</i>
		<i>BGN '000</i>	<i>%</i>	<i>BGN '000</i>	<i>%</i>
Sopharma Trading AD	Bulgaria	28 557	71.85	28 529	71.89
Briz OOD	Latvia	22 270	66.13	22 270	66.13
Medika AD	Bulgaria	21 832	66.72	-	-
Unipharm AD	Bulgaria	19 448	49.99	19 448	49.99
Sopharma Ukraine	Ukraine	16 991	100.00	9	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	4 833	92.78	2 701	52.98
Vitamina AD	Ukraine	1 988	99.56	3 544	99.56
Pharmalogistica AD	Bulgaria	1 961	78.37	1 911	76.54
Sopharma Buildings REIT	Bulgaria	573	40.75	595	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	95	95.00
Total		<u>133 810</u>		<u>94 434</u>	

As at 31 December 2015, the investments in the subsidiary Sopharma Poland OOD – in liquidation, Poland is fully impaired (31 December 2014: the investments in Sopharma Poland OOD – in liquidation, Poland and Extab Corporation, USA and Sopharma USA were fully impaired).

Sopharma AD has direct or indirect control on the above-mentioned companies.

The Company has leased tangible fixed assets with carrying amount of BGN 6,106 thousand as at 31 December 2015 to related parties (31 December 2014: BGN 7,074 thousand). In addition, tangible fixed assets at carrying amount of BGN 228 thousand were leased to third parties as at 31 December 2015 (31 December 2014: BGN 240 thousand).

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 December 2015	Number of shares /%/ 30 September 2015
„Donev Investments Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	33 330 426 /24,73%/	33 315 156 /24,71%/
“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 December 2015	Number of shares 30 September 2015
1. Ognian Ivanov Donev	0	0
2. Vessela Liubenova Stoeva	0	0
3. Andrey Liudmilov Breshkov	0	0
4. Ognian Kirilov Palaveev	102 585	97 535
5. Alexander Viktorov Chaushev	97 976	97 351

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 issuer - 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:

	31.12.2015 BGN '000	31.12.2014 BGN '000
Long-term loans granted	20 213	32 857
Long-term rental deposit granted	292	293
Total	20 505	33 150

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:

Currency	Contracted amount '000	Maturity	Interest %	31.12.2015		31.12.2014	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
EUR	16 177	01.12.2018	5.00%	13 074	18	26 038	217
EUR	3 272	01.12.2018	5.00%	7 139	739	6 819	419
				20 213	757	32 857	636

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 under a common indirect control under a concluded rental contract for administrative offices with validity term on 1 August 2022.

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

	31.12.2015 BGN '000	31.12.2014 BGN '000
Receivables from companies related through key managing personnel		
Subsidiaries	21 545	14 475
Impairment of trade loans	8 668	10 211
	(8)	(8)
Companies under a common indirect control	8 660	10 203
Total	-	7 632

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

Currency	Contracted amount '000	Maturity	Interest %	31.12.2015		31.12.2014	
				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%	8 310	26	9 537	18
EUR	7 845	31.12.2016	4.50%	7 982	146	-	-
BGN	6 000	22.07.2016	5.50%	4 636	1	1 236	26
BGN	1 300	31.12.2016	5.50%	503	42	477	17
BGN	190	31.12.2016	5.50%	114	-	128	1
BGN	34 020	31.12.2015	5.50%	-	-	3 097	9
<i>to companies under a common indirect control</i>							
EUR	7 661	31.12.2015	4.50%	-	-	7 632	155
<i>to subsidiaries</i>							
EUR	2 770	31.12.2016	6.10%	7 042	1 624	6 711	1 294
BGN	3 552	31.12.2016	5.50%	1 568	42	2 903	158
BGN	600	31.12.2016	5.50%	50	-	151	-
USD	205	31.12.2015	3.50%	-	-	355	26
USD	25	31.12.2015	3.50%	-	-	46	5
USD	20	31.12.2015	3.50%	-	-	37	5
				30 205	1 881	32 310	1 714

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).

LONG-TERM BANK LOANS

Currency	Contracted loan amount '000	Maturity	31.12.2015			31.12.2014		
			Non-current portion BGN'000	Current portion BGN'000	Total BGN'000	Non-current portion BGN'000	Current portion BGN'000	Total BGN'000
Investment-purpose loans								
EUR	32 000	15.04.2021	30 819	7 380	38 199	37 972	7 391	45 363
EUR	1 617	31.01.2015	-	-	-	-	40	40
			30 819	7 380	38 199	37 972	7 431	45 403

The investment-purpose loan received in Euro was agreed at interest rate based on three-month EURIBOR plus a mark-up of 2.8 points, but not less than 2.8 points (2014: 3-month EURIBOR plus a mark-up of 2.8 points and 1-month EURIBOR plus a mark-up of 5 points).

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

- Mortgages of real estate – BGN 44,285 thousand (31 December 2014: BGN 51,918 thousand) (*Note 14*);
- Special pledges on:
 - machinery and equipment – BGN 20,027 thousand (31 December 2014: BGN 21,503 thousand) (*Note 14*).

The agreements for long-term bank loans 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.

SHORT-TERM BANK LOANS

Currency	Contracted amount '000	Maturity	31.12.2015	31.12.2014
			BGN'000	BGN'000
Bank loans (overdrafts)				
EUR	20 000	31.08.2016	30 491	38 847
EUR	10 000	20.03.2016	2 193	13 477
BGN	10 000	30.09.2016	10 001	9 990
EUR	5 000	15.08.2016	9 787	9 786
EUR	5 000	15.08.2016	4	1 083
			52 476	73 183
Extended credit lines				
EUR	5 000	31.08.2016	6 479	3 119
BGN	18 000	30.10.2016	10 006	9 965
BGN	8 000	29.02.2016	-	4 494
			16 485	17 578
Total			68 961	90 761

The bank loans received in Euro have been agreed at interest rate based on 3-month EURIBOR plus a mark-up of up to 2.45 points and monthly EURIBOR plus a mark-up of up to 2.1 points, but not less than 2.1 points, while the loans received in BGN are based on 3-month SOFIBOR plus 2.1 points, monthly SOFIBOR plus 2 points, weekly SOFIBOR plus 3 points and 2-week SOFIBOR plus 3.25 points (2014: for bank loans in Euro – 3-month EURIBOR plus a mark-up of up to 2.45 points and monthly EURIBOR plus a mark-up of up to 3 points and for loans in BGN – 3-month SOFIBOR plus 2.1 points, monthly SOFIBOR plus 2 points, weekly SOFIBOR plus 3 points and 2-week SOFIBOR plus 3.25 points). Loans are intended for providing working capital.

The following collateral has been established in favor of the creditor banks:

- Mortgages of real estate – BGN 36,612 thousand (31 December 2014: BGN 38,264 thousand) (*Note 14 and 16*);
- Special pledges on:
 - machinery and equipment – BGN 6,649 thousand (31 December 2014: BGN 10,871 thousand) (*Note 14 and 16*);
 - inventories – BGN 35,525 thousand (31 December 2014: BGN 35,525 thousand) (*Note 22*);
 - receivables from related parties – BGN 18,229 thousand (31 December 2014: BGN 16,229 thousand) (*Note 23*);
 - trade receivables – BGN 14,935 thousand (31 December 2014: BGN 22,763 thousand) (*Note 24*);
 - trade receivables from third parties – BGN 12,623 thousand (31 December 2014: BGN 12,773 thousand).

The agreements for short-term bank loans 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.

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:

Company	Maturity period	Currency	Contracted amount		Amount of the guarantee as at
			original currency	BGN'000	31.12.2015 BGN'000
Sopharma Trading AD	2016-2020	EUR	64 739	126 618	109 575
Sopharma Properties REIT	2024	EUR	22 619	44 240	35 168
Sopharma Trading AD	2016	BGN	14 732	14 732	13 349
Vitamini OAO	2016	EUR	7 000	13 691	11 184
Telecomplex AD	2016	BGN	5 009	5 009	5 009
Biopharm Engineering AD	2023	BGN	4 250	4 250	1 517
Veta Pharma AD	2016	BGN	1 000	1 000	533
Mineralcommerce AD	2017	EUR	150	294	255
Mineralcommerce AD	2016	BGN	250	250	242
Pharmaplant AD	2016-2019	BGN	1 329	1 329	236
Momina Krepost AD	2016	BGN	500	500	70
					177 138

The Company has provided the following collateral in favor of banks:

Under loans received by subsidiaries:

- Mortgages of real estate – BGN 10,572 thousand (31 December 2014: BGN 10,776 thousand);
- Special pledges on:
 - machinery and equipment – BGN 11,640 thousand (31 December 2014: none);
 - inventories – BGN 17,000 thousand (31 December 2014: BGN 15,000 thousand);
 - trade receivables – BGN 11,735 thousand (31 December 2014: BGN 12,000 thousand).

Under loans received by companies related through key managing personnel:

- Mortgages of real estate – BGN 1,119 thousand (31 December 2014: none);

Under loans received by third parties:

- Special pledges on inventories – BGN 2,623 thousand (31 December 2014: BGN 2,623 thousand);

Ognian Donev, PhD
Executive Director