

**Additional information under art. 33, par. 1, item 7  
of Ordinance № 2 from 17 September 2003 of  
Sopharma Group as at 31 March 2017**

***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 2017 and have been accepted by the Commission of the European Union.

More detailed information about the Company's accounting policies can be found in the notes to the interim consolidated financial statements for the period 1 January 2017 – 31 March 2017.

***7. b) Information about changes in the economic group of the issuer as at 31 March 2017: 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 1 February 2017, according to Art. 151, para. 3 of the Public Offering of Securities Act, Sopharma AD submitted an amended tender offer under Art. 149, para. 6 of the Public Offering of Securities Act for the purchase of the shares of the remaining shareholders of Unipharm AD at a price of BGN 4.35 per share. Sopharma AD as an offeror declares that it does not hold 1 342 234 shares representing 22.37% of the total number of ordinary shares with ISIN code BG1100154076 and from the votes in the General Meeting of Unipharm AD and makes this Offer to the other shareholders of Unipharm AD for the purpose of their acquisition. The Financial Supervision Commission (FSC) did not take a stand on the submitted draft tender offer.

On 31 January 2017, an agreement for transformation through a merger was concluded between Sopharma AD (receiving company) and Medica AD (transforming company) laying down the way in which the transformation would be made. The fair value of the shares of the parties, involved in the transformation, has been determined on the basis of the generally accepted valuation methods resulting in an exchange ratio of 0.9486. On 24 March 2017, an Annex signed between Sopharma AD (receiving company) and Medica AD (transforming company) and updated justification of the fair prices of both companies, in line with the instructions of the Financial Supervision Commission (FSC), were submitted to the FSC for consideration. Pursuant to Art. 261b (1) of the Commercial Act, each shareholder shall receive 0.8831 shares of the capital of Sopharma AD for one share of Medica AD. All other conditions concerning

the merger procedure are laid down in the Transformation Agreement. At the date of issue of these financial statements, the FSC has approved the transformation agreement under Art. 124 of the Public Offering of Securities Act (POSA).

On 22 February 2017 the company Medica Zdrave EOOD was deleted from the Commercial Register at the Register Agency.

As a result of the restructuring, the Group acquires a control share from the capital of SalusLine OOD, Belarus, the last is transformed from an associate into a subsidiary.

On 15 March 2017 Sopharmacy 7 Ltd., UIC 204501313 was registered in the Commercial Register. The capital of the company is 5000 BGN and the only shareholder of the capital is the subsidiary of Sopharma Trading AD - Sopharmacy Ltd.. The activity of Sopharmacy 7 Ltd. is the retail of pharmaceutical products.

On 5 April 2017 Sopharma AD received a decision from the Commission for Protection of Competition that the acquisition of shares of the capital of Doverie Obedinen Holding AD is not subject to preliminary notification under art. 24, para 2 from the Law on Competition at this stage.

On 04 April 2017 a contract was signed for the sale of the Group's participation through the subsidiary SEA Briz, Latvia in the amount of 50% in the joint venture OOO Vivaton plus, Belarus. Under the terms of the contract, the transaction should be finalized within 30 days from the date of its conclusion.

On 14 April 2017, after receiving a permission from the Moldova Competition Commission, Sopharma AD acquired 51% of the Moldova pharmaceutical distributor RAP Pharma International.

On 18 April 2017 Sopharma AD acquired 50% of ZOA Interpharm Belarus through its daughter company SOOO Brititrade, as a result of which it acquires control over the company.

On 25 April 2017 Sopharma AD received approval from the Financial Supervision Commission of a Contract for transformation through merger and an additional agreement from March 20, 2017, signed on 31.01.2017 between SOPHARMA AD, hereinafter referred to as "Receiving Company" and "MEDICA" AD, hereinafter referred to as "Transforming Company", in accordance with the requirements of Art. 262e of the Commercial Law as a result of which all the assets of Medica AD will be transferred to Sopharma AD and it will become its successor. Medica AD will be terminated without liquidation. The Financial Supervision Commission also approved the reports of the management boards of the two companies prepared in accordance with the provisions of Art. 262 of the Commerce Act and the report of the independent examiners of the participants in the transformation under Art. 262m of the Commercial Law. As a result of the merger, all shareholders of the transforming company Medica AD, with the exception of the receiving company Sopharma AD, which is also a shareholder in the transforming company, will acquire shares in the capital of Sopharma AD and become shareholders in it. For each of its shares in Medica AD, each shareholder of the company on the grounds of Art. 261b, ap. 1 of the Commercial Code will acquire 0.8831 of the treasury shares of Sopharma AD. A vote on the transformation of the General Meeting of the Shareholders of the two companies is forthcoming.

On 25 April 2017, Sopharma AD submitted a draft tender proposal, pursuant to Art. 149

paragraph 6 of the POSA, on the purchase of all shares of Unipharm AD from the other shareholders, to be considered by the FSC. At the date of issue of these financial statements, the Financial Supervision Commission has not taken up a position on the presented draft.

**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;**

	%	%
	31.03.2017	31.12.2016
„Donev Investments Holding” AD	24.78	24.78
“Telecomplect Invest” AD	20.15	20.15
„Rompharm Company” OOD	18.04	18.04
„ZUPF Allianz Bulgaria“	5.17	5.17

**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	Number of shares
		31.03.2017	31.12.2016
Ognian Donev	Chairman	246 600	246 600
Vessela Stoeva	Member		
Ognian Palaveev	Member	120 430	120 430
Alexander Chaushev	Member	59 462	59 462
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 h) 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 March include:

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term loans granted to related parties	13,298	9,797
Receivable under a long-term rental deposit granted	231	231
<b>Total</b>	<b>13,529</b>	<b>10,028</b>

The long-term loans are granted to associate (as at 31 December 2016 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:

<b>Currency</b>	<b>Contracted amount</b>	<b>Maturity</b>	<b>Interest %</b>	<b>31.3.2017</b>		<b>31.12.2016</b>	
				<b>BGN'000</b>	<b>BGN'000 including interest</b>	<b>BGN'000</b>	<b>BGN'000 including interest</b>
<b>EUR</b>	17,915	1.12.2018	3.50%	13,298	148	9,797	48
				<b>13,298</b>	<b>148</b>	<b>9,797</b>	<b>48</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, received from company related through main shareholder, related with a rent under a concluded rental contract for administrative offices with validity term on 1 August 2022.

RECEIVABLES FROM RELATED PARTIES

**Receivables from related parties by type**

**are as follows:**

	<b>Jan-March 2017</b>	<b>Jan-March 2016</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Trade loans granted	11,558	11,818
Receivables on sales of finished products	2,942	3,122

and materials

Advances granted	36	42
<b>Total</b>	<b>14,536</b>	<b>14,982</b>

The **trade loans granted to related parties** are unsecured and are to companies related through key management personnel and companies under a common indirect control. They amount to BGN 11,558 thousand (31 December 2016: BGN 11,818 thousand).

The **granted loans** are as follows:

Currency	Contracted amount (original currency)	Maturity	Interest	Jan-March 2017		Jan-March 2016	
				BGN '000	BGN '000 including interest	BGN '000	BGN '000 including interest
<b>to companies related through key management personnel</b>							
EUR	8,133	31.12.2017	4.10%	6,354	-	6,292	5
BGN	6,000	31.12.2017	3.50%	4,410	36	4,472	72
EUR	12,731	31.12.2017	3.05%	313	3	560	1
<b>to companies under a common indirect control</b>							
BYN	186	30.6.2017	27.50%	134	-	146	-
BYN	122	28.1.2018	27.50%	106	-	104	-
BYN	70	24.3.2017	20.00%	69	1	67	1
BYN	126	30.6.2017	27.50%	58	-	59	-
BYN	23	28.2.2017	20.00%	22	-	22	1
<b>to a company controlled by an associate</b>							
BGN	190	31.12.2017	3.50%	92	-	96	-
<b>Total:</b>				<b>11,558</b>	<b>40</b>	<b>11,818</b>	<b>80</b>

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

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:

	<b>Jan-March 2017</b>	<b>Jan-March 2016</b>
	<b>BGN'000</b>	<b>BGN'000</b>
up to 30 days	1,698	1,597
from 31 to 90 days	368	686
from 91 to 180 days	-	70
<b>Total</b>	<b>2,066</b>	<b>2,353</b>

The **age structure** of past due but not impaired trade receivables from related parties is as follows:

	<b>Jan-March 2017</b>	<b>Jan-March 2016</b>
	<b>BGN'000</b>	<b>BGN'000</b>
from 31 to 90 days	176	194
from 91 to 180 days	277	219
<b>Total</b>	<b>453</b>	<b>413</b>

The **age structure** of past due impaired receivables from related parties is as follows:

	<b>Jan-March</b>	<b>Jan-March</b>
	<b>2017</b>	<b>2016</b>
	<b>BGN'000</b>	<b>BGN'000</b>
over 1 year	479	412
Allowance for impairment	(56)	(56)
<b>Total</b>	<b>423</b>	<b>356</b>

***Movement in the allowance for impairment***

	<b>Jan-March 2017</b>	<b>Jan-March 2016</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance at 1 January</b>	<b>56</b>	<b>24</b>
Impairment amount	-	32
<b>Balance at 31 March</b>	<b>56</b>	<b>56</b>

**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 March 2017, the cases are pending in the District Court and the Regional Court of Warsaw.

### **Issued and granted guarantees**

### **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 Original</b>		<b>Debt status Jan-March 2017</b>
			<b>Currency</b>	<b>BGN'000</b>	<b>BGN'000</b>
Sopharma Properties REIT	2024	EUR	22,619	44,240	27,324
	2017 –				
Mineralcommerce AD	2021	BGN	701	701	460
<b>Total</b>					<b>27,784</b>

### **Bank guarantees**

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

The bank guarantees issued for the Company are to secure 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:

	<i>Jan-March 2017</i>	<i>Jan-March 2016</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Raiffeisenbank EAD	4,932	4,664
SG Expressbank AD	4,162	4,049
ING Bank N.V.	3,327	1,883
	<b>12,421</b>	<b>10,596</b>

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 9,801 thousand (31 December 2016: BGN 9,801 thousand).
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2016: BGN 2,347 thousand).

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

The following have been issued as at 31 March 2017: bank guarantees at the amount of BGN 75 thousand within the loan agreement limit, a bank guarantee for arranging discounts under Ordinance No 10 for medicinal products to the NHIF at the amount of BGN 10 thousand and a bank guarantee at the amount of BGN 25 thousand secured in cash.

Under a contract for issuing multiple bank guarantees, dated 23 February 2012, special pledges have been established on Company's assets as follows:

- Pledge on current and future movables (materials, finished products, goods) with a carrying amount of BGN 400 thousand;
- Pledge on current and future payment accounts opened with DSK Bank EAD.

#### ***Electroncommerce EOOD***

The bank guarantees issued for the company amount to BGN 74 thousand as at 31 March 2017 (31 December 2016: BGN 74 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 March 2017 (31 December 2016: BGN 4,046 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 38*), 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 hermetisation in aseptic environment, and
- (b) clean rooms construction (omega profile ceilings, separation walls, doors, blocking devices, lighting, air conditioning, etc.). The term commenced on 27 April January-March 2016 (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 government grant contract under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" for the project on Development and Implementation of Information Security Management System Project in accordance with ISO 27001:2007 in the amount of BGN 82 thousand.