

**Additional information under art. 33, par. 1, item 6
of Ordinance № 2 from 17 September 2003**

7a. 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 – 30 September 2016.

7b. Information about changes in the economic group of the issuer as at 31 March 2016:

N/A

7c. 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 Brittrade. 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 08.02.2016 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 Group 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%.

7d. 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.*

7e. 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 /%/ 30 September 2016	Number of shares /%/ 31 December 2015
„Donev Investments Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	24,75%	24,73%
“Telecomplex Invest” AD, EIK 201653294, Sofia, Slaveikov Square № 9	20,15%	20,07%
„Rompharm Company” OOD UID 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	18,04%	18,04%

7f. 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 30 September 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	68 462	97 976

7g. 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.

7h. 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.

Note 19 from the consolidated financial report

LONG-TERM RECEIVABLES FROM RELATED PARTIES

The *long-term receivables from related parties* as at 30 September refer to companies related through key managing personnel and under a common indirect control, and include:

	30.09.2016	31.12.2015
	BGN '000	BGN '000
Long-term loans granted to related parties	10,994	20,213
Receivable under a long-term rental deposit granted	231	292
Total	11,225	20,505

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 %	30.09.2016		31.12.2015	
				BGN'000	BGN'000	BGN'000	BGN'000
				Incl. interest	Incl. interest		
EUR	16,177	01.12.2018	5.00%	10,994	177	13,074	18
EUR	3,272	01.12.2018	5.00%	-	-	7,139	739
Total				10,994	177	20,213	757

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.

Note 23 from the consolidated financial report

RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:	30.09.2016	31.12.2015
	BGN'000	BGN'000
Receivables from companies related through key managing personnel	21,115	21,545
Receivables from companies under a common indirect control	3,195	5,889
Receivables from companies related through main shareholders	412	-
Total	24,722	27,434

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

30.09.2016 **31.12.2015**

	<i>BGN'000</i>	<i>BGN'000</i>
Trade loans granted	20,913	21,545
Receivables on sales of finished products and materials	3,397	5,889
Advance payments granted	400	-
Dividend receivables	12	-
Total	24,722	27,434

The trade loans granted to related parties are unsecured and are to companies, related through key managing personnel and amount to BGN 20,913 thousand (31.12.2015: BGN 21,545 thousand).

The *granted loans* are as follows:

<i>Currency</i>	<i>Contracted amount '000</i>	<i>Maturity</i>	<i>Interest %</i>	<i>30.09.2016</i>		<i>31.12.2015</i>	
				<i>BGN '000</i>	<i>BGN '000 Incl. interest</i>	<i>BGN '000</i>	<i>BGN '000 Incl. interest</i>
<i>to companies related through key managing personnel</i>							
<i>EUR</i>	8,113	31.12.2016	4.50%	7,928	-	7,982	146
<i>EUR</i>	12,731	31.12.2016	4.50%	7,828	23	8,310	26
<i>BGN</i>	6,000	31.12.2016	5.50%	4,426	26	4,636	1
<i>BGN</i>	190	31.12.2016	5.50%	115	2	114	-
<i>BGN</i>	1,300	31.12.2016	5.50%	-	-	503	42
<i>to companies related through key managing personnel</i>							
<i>BYR</i>	186	14.02.2017	27.50%	180	12	-	-
<i>BYR</i>	254	14.02.2017	27.50%	152	10	-	-
<i>BYR</i>	75	28.01.2017	25.00%	117	10	-	-
<i>BYR</i>	74	26.11.2016	25.00%	75	2	-	-
<i>BYR</i>	70	24.03.2017	27.50%	69	5	-	-
<i>BYR</i>	23	28.04.2017	27.50%	23	2	-	-
Total:				20,913	92	21,545	215

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

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:

	30.09.2016	31.12.2015
	BGN'000	BGN'000
up to 30 days	128	2,265
from 31 to 90 days	1,615	1,925
from 91 to 180 days	-	380
Total	1,743	4,570

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

	30.09.2016	31.12.2015
	BGN'000	BGN'000
from 31 to 90 days	665	907
from 91 to 180 days	739	32
from 181 to 365 days	162	145
from 1 to 2 years	-	259
Total	1,566	1,343

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

	30.09.2016	31.12.2015
	BGN'000	BGN'000
Over 1 year	112	
Impairment	(24)	(24)
Total	88	(24)

Movement in the allowance for impairment

	30.09.2016	31.12.2015
	BGN'000	BGN'000
Balance at 1 January	24	141
Impairment amount	-	-
Reversed impairment	-	-
Impairment of uncollectable receivables written-off	-	(117)
Balance at 30 September/ 31 December	24	24

Special pledges have been established as at 30 September 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).

Note 38 from the consolidated financial report

CONTINGENT LIABILITIES AND COMMITMENTS

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 30 September 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:

	Maturity	Currency	Amount		Debt status
			Original		30.09.2016
			Currency	BGN'000	BGN'000
Sopharma Properties REIT	2024	EUR	22,619	44,240	30,686
Veta Pharma AD	2016	BGN	1,000	1,000	510
Pharmaplant AD	2017	BGN	250	250	250
Mineralcommerce AD	2017	EUR	150	294	217
Mineralcommerce AD	2019	BGN	1,083	1,083	168

Farmaplant AD	2019	BGN	1,083	1,083	168
Total					31,831

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 – BGN 1,119 thousand (31 December 2015: BGN 1,119 thousand);

(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 12,547 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:

	30.09.2016	31.12.2015
	BGN '000	BGN '000
Raiffeisenbank EAD	4,446	5,010
SG Expressbank AD	3,617	3,936
ING Bank NB	3,201	3,776
	11,264	12,722

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 2015: BGN 9,801 thousand);
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2015: BGN 2,347 thousand);
- As at 30 September 2016 there are no special pledges on PPE (motor vehicles) (31 December 2015: BGN 2 thousand).

Unipharm AD

The following have been issued as at 30 September 2016: bank guarantees at the amount of BGN 92 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 30 September 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 4,737 thousand as at 30 September 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, related to technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production section. 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.). 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.

Ognian Donev, PhD
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