

**Additional information under art. 33, par. 1, item 6  
of Ordinance № 2 from 17 September 2003 of  
"Sopharma" AD as at 30 June 2016**

**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 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 interim consolidated financial statements for the period 1 January 2016 – 30 June 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 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 2015 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 26 February 2015 an entry was made in the Commercial Register at the Registry Agency on the merger of Bulgarian Rose Sevtopolis AD ('transforming company'), into Sopharma AD within the meaning of Art. 262 and the following of the Commercial Act. The transforming company was wound-up without liquidation and all of its assets were transferred to Sopharma AD ('receiving company'). The date 1 January 2015 was accepted as a date for accounting for the merger.

On 14 May 2015, the Group sold 75% of its interest in the capital of Extab Corporation, USA, while retaining 5% of its interest, which by virtue of a signed agreement was transformed on 28 September 2015 into 5% interest in the capital of Extab Pharma Inc., USA. As a result of the transaction, the Group had also disposed of its indirect interest in Extab Pharma Limited, United Kingdom – a subsidiary thereof for 2014 and until 14 May 2015 through Extab Corporation, USA.

As at 31 December 2015, the investment in Sopharma USA, USA, was written-off since the operation of the company has been suspended in the USA.

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 June 2016	Number of shares /%/ / 31 December 2015
„Donev Investments Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	33 340 762 /24,73% /	33 330 426 /24,73% /
„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% /

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 June 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	97 976	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 June refer to companies related through key managing personnel and under a common indirect control, and include:

30.06.2016	31.12.2015
BGN '000	BGN '000

Long-term loans granted to related parties	10,860	20,213
Receivable under a long-term rental deposit granted	231	292
<b>Total</b>	<b>11,091</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>30.06.2016</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>EUR</i>	16,177	01.12.2018	5.00%	10,860	177	13,074	18
<i>EUR</i>	3,272	01.12.2018	5.00%	-	-	7,139	739
<b>Total</b>				<b>10,860</b>	<b>177</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.

### **Note 23 from the consolidated financial report**

#### **RECEIVABLES FROM RELATED PARTIES**

<i>Receivables from related parties</i> include:	<i>30.06.2016</i>	<i>31.12.2015</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Receivables from companies related through key managing personnel	22,190	21,545
Receivables from companies under a common indirect control	2,761	5,889
Receivables from main shareholders	511	-
<b>Total</b>	<b>25,462</b>	<b>27,434</b>

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

	<i>30.06.2016</i>	<i>31.12.2015</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Trade loans granted	22,053	21,545
Receivables on sales of finished products and materials	2,898	5,889
Advance payments granted	500	-
Dividend receivables	11	-
<b>Total</b>	<b>25,462</b>	<b>27,434</b>

*The trade loans granted to related parties* are unsecured and are to companies, related through key managing personnel and amount to BGN 20,053 thousand (31.12.2015: BGN 21,545 thousand).

The *granted loans* are as follows:

Currency	Contracted amount	Maturity	Interest	30.06.2016		31.12.2015	
				BGN '000	BGN '000 Incl. interest	BGN '000	BGN '000 Incl. interest
to companies related through key managing personnel							
EUR	8,113	31.12.2016	4.50%	8,362	-	7,982	146
EUR	12,731	31.12.2016	4.50%	8,237	173	8,310	26
BGN	6,000	31.12.2016	5.50%	4,763	128	4,636	1
BGN	190	31.12.2016	5.50%	114	2	114	-
to companies related through key managing personnel							
BYR	1,860,300	14.02.2017	27.50%	164	-	-	-
BYR	2,535,000	14.02.2017	27.50%	142	4	-	-
BYR	750,000	28.01.2017	25.00%	111	7	-	-
BYR	735,000	26.11.2016	25.00%	73	2	-	-
BYR	700,000	24.03.2017	27.50%	66	4	-	-
BYR	230,000	28.04.2017	27.50%	21	1	-	-
BGN	1,300	31.12.2016	5.50%	-	-	503	42
Total:				22,053	321	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:

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>BGN'000</b>	<b>BGN'000</b>
up to 30 days	749	2,265
from 31 to 90 days	1,122	1,925
from 91 to 180 days	325	380
<b>Total</b>	<b>2,196</b>	<b>4,570</b>

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

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>BGN'000</b>	<b>BGN'000</b>
from 31 to 90 days	843	907
from 91 to 180 days	162	32
from 181 to 365 days	197	145
from 1 to 2 years	-	259
<b>Total</b>	<b>1,202</b>	<b>1,343</b>

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

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>BGN'000</b>	<b>BGN'000</b>
	6	5
Over 1 year	24	-
Impairment	(24)	(24)
<b>Total</b>	<b>-</b>	<b>(24)</b>

*Movement in the allowance for impairment*

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<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 30 June / 31 December</b>	<b>24</b>	<b>24</b>

Special pledges have been established as at 30 June 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 27 and 31*).

## **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 June 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 audit, which is expected to be completed of up to 1 July 2016.

The position of company's management is that the amounts, by which the financial result for prior periods under CITA was increased in the course of the audit, do not lead to tax liabilities and has not included provisions in these financial statements.

#### **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>30.06.2016</b>	
			<b>Currency</b>	<b>BGN'000</b>	<b>BGN'000</b>
Veta Pharma AD	2016 г.	BGN	1,000	1,000	471
Pharmaplant AD	2019 г.	BGN	1,083	1,083	236
Mineralcommerce AD	2017 г.	EUR	150	294	236

Mineralcommerce AD	2016 r.	BGN	250	250	196
<b>Total</b>					<b>1,139</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 – BGN 1,119 thousand (31 December 2015: BGN 1,119 thousand) (Note 14);

**(b) under loans of third parties:**

- Special pledge on inventories – BGN 2,623 thousand (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:

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Raiffeisenbank EAD	4,412	5,010
SG Expressbank AD	4,281	3,936
ING Bank NB	3,854	3,776
	<b>12,547</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 9,801 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 30 June 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 30 June 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 June 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 2,143 thousand as at 30 June 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 (Note № 30 and № 37).

### ***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.

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