

Additional information under art. 33, par. 1, item 7 of Ordinance № 2 from 17 September 2003 of Sopharma AD as at 31 December 2019

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 2019 – 31 December 2019.

2. Information about changes in the economic group of the issuer as at 31 December 2019:

On 15.01.2019 an agreement was signed for the acquisition of the non-controlling interest of the subsidiary Sopharma Trading AD in the capital of Lekovit O.O. at the rate of 30%. After the performance of the contract, on 04.02.2019 100% ownership of the capital was registered by the subsidiary Sopharma Trading AD.

On 02.01.2019 the merger of OO Med-dend, Belarus with BOOO Special Airfarmation, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company OOO Meddend is terminated and all its rights and obligations at the moment of the merger are taken by BOOO Special Airfarmation, Belarus.

On 27.02.2019 and 18.03.2019, the Board of Directors of the subsidiary Sopharma Trading AD decided to change the names of the companies Sopharma Trading Belgrade OOD, Serbia and Lekovit OOD, Serbia respectively to " Sopharma Trading Pharmaceuticals "and" Sopharma Trading ".

On 01.03.2019 Sopharma Trading AD entered in the Commercial Register a subsidiary under the name "Sopharmacy 18" EOOD, with headquarters in Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, A ", fl." 12 ".

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:

The following subsidiaries are coming out of the Sopharma Group:

1. OOO NPFK Ariens, Belarus on 19.09.2019
2. OOO Ivem & K, Belarus on 19.09.2019
3. OOO Farmatea, Belarus on 19.09.2019

4. Zabolivaia apteka OOO on 19.09.2019.

The following subsidiaries are included in the Sopharma Group:

1. UAB Recesus, Latvia since 26.09.2019.

As at 31 December 2019, the tangible fixed assets of the Company include:

- Land of BGN 45,866 thousand (31.12.2018: BGN 43,627 thousand);
- Buildings with carrying amount of BGN thousand 89,401 (31.12.2018: BGN 89,690 thousand).
- Vehicles with carrying amount of BGN 2,460 thousand (31.12.2018: BGN 1,713 thousand);
- Inventory with carrying amount of BGN 2,339thousand (31.12.2018: BGN 2,522 thousand);
- Perennials of yellow acacia amounting to BGN 2,507 thousand. (31.12.2018: BGN 937 thousand).

The cost of acquisition of tangible fixed assets as at 31 December includes:

- expenses on new buildings construction - BGN 1,419 thousand (31.12.2018: BGN 2,369 thousand);
- advances for the purchase of machinery and equipment - BGN 1,175 thousand (31.12.2018: BGN 1,023 thousand);
- buildings reconstruction – BGN 18 thousand (31.12.2018: BGN 191 thousand);
- other – BGN 174 thousand (31.12.2018 BGN 1,192 thousand).

As at 31 December the carrying amount of property, plant and equipment includes machinery and equipment, purchased using Grant Agreements under Operational Programme "Development of the Competitiveness of the Bulgarian Economy 2007 – 2013" and Operational Program "Energy Efficiency", as follows:

- for tablet production facility at the amount of BGN 7,429 thousand (31.12.2018: BGN 8,341 thousand);
- for ampoule production at the amount of BGN 4,244 thousand (31.12.2018: BGN 4,648 thousand);
- exchange installations for ventilation and climatization for the production of medical products at the amount of BGN 655 thousand (31.12.2018: BGN 715 thousand);
- for the production of innovative tear drops worth BGN 212 thousand (31.12.2018: BGN 238 thousand).

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

		31.12.2019	Interest	31.12.2018	Interest
		BGN '000	%	BGN '000	%
Sopharma Trading AD	Bulgaria	40,551	74.23	30,792	72.96
SIA Briz	Latvia	11,347	68.14	22,270	66.13
Sopharma Ukraine EOOD	Ukraine	9,669	100.00	9,669	100.00
Veta Pharma AD	Bulgaria	9,666	99.98	9,666	99.98
Biopharm Engineering AD	Bulgaria	7,111	97.15	8,384	97.15

Momina Krepost AD	Bulgaria	2,853	63.12	4,229	93.56
Vitamina AD	Ukraine	1,283	100.00	1,127	99.56
Rap Pharma International OOD	Moldova	1,183	80.00	293	51.00
Pharmalogistica AD	Bulgaria	961	89.39	961	89.39
Aromania AD	Bulgaria	750	76.00	750	76.00
Sopharma Kazakhstan EOOD	Kazakhstan	502	40.38	502	100.00
Sopharma Buildings REIT	Bulgaria	459	100.00	491	40.38
Electroncomerse EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	95.00	323	100.00
Phyto Palauzovo AD	Bulgaria	104	74.23	104	95.00
Total		87,146		89,945	

As at 31 December 2019, the composition of investments in the subsidiaries includes the investment in Sopharma Poland OOD – in liquidation, Poland, which is fully impaired (31.12.2018: fully impaired investment in Sopharma Poland OOD – in liquidation, Poland).

Sopharma AD exercises a direct 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 for the period from the beginning of the current financial year to the end of the reporting period;

SHAREHOLDERS	31.12.2019		31.12.2018	
	Shares	%	Shares	%
Donev Investments Holding AD, UIC 831915121, Sofia, Positano Str. № 12	34 267 577	25.42%	34 240 629	25.40%
Telecomplect Invest AD, UIC 201653294, Sofia, Slaveikov Square № 9	27 881 287	20.68%	27 571 252	20.45%
Sopharma AD, UIC 831902088 Sofia, Iliensko Shosse Str. № 16	9 113 467	6.76%	8 881 336	6.59%

Rompharm Company OOD, UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. № 7, office 3	8 366 347	6.21%	8 131 347	6.03%
CUPF Allianz Bulgaria, UIC 130477720 Sofia, Damyan Gruev Str. № 42	6 860 574	5.09%	n/a	n/a

6. For public companies - data about the shares held by the issuer's management and supervisory bodies at the end of the respective quarter as well as the changes that occurred for the period from the beginning of the current financial year to the end of the reporting period for each individual:

Members of the Board of Directors	31.12.2019 Number of shares	31.12.2018 Number of shares
1. Ognian Ivanov Donev	1 653 000	1 391 129
2. Vessela Liubenova Stoeva	150	150
3. Ognian Kirilov Palaveev	187 520	187 520
4. Alexander Viktorov Chaushev	111 142	111 142
5. Ivan Venetskov Badinski	350	350

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 include:

	31.12.2019 BGN '000	31.12.2018 BGN '000
Long-term loans granted	91,723	22,977
Provision for expected credit losses	(145)	(116)
	<hr/> 91,578	<hr/> 22,861

Long-term rental deposit granted	189	194
Total	91,767	23,055

Long-term loans are granted to the following related parties:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Other related parties	84,706	5,287
Associated companies	6,872	17,574
Total	91,679	22,861

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>	<i>31.12.2019</i>		<i>31.12.2018</i>	
				<i>BGN'000</i>	<i>BGN'000 Incl. interest</i>	<i>BGN'000</i>	<i>BGN'000 Incl. interest</i>
	<i>'000</i>			<i>BGN'000</i>		<i>BGN'000</i>	
<i>To other related parties</i>							
<i>BGN</i>	81,900	31.12.2025	3.00%	81,991	91	-	-
<i>BGN</i>	3,400	31.12.2021	3.00%	2,715	-	-	-
<i>BGN</i>	29,900	31.12.2021	3.00%	-	-	3,904	89
<i>EUR</i>	700	31.12.2021	3.00%	-	-	1,383	14
<i>To associated companies</i>							
<i>EUR</i>	31,091	31.12.2021	3.50%	6,872	-	17,574	36
				91,578	91	22,861	103

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) and promissory notes.

The long-term deposit receivable is from a company related through a main shareholder under a concluded rental contract for administrative offices with valid until 1 August 2022 and amounts to BGN 189 thousand (31.12.2018: BGN 194 thousand).

Receivables from related parties include:

31.12.2019	31.12.2018
BGN '000	BGN '000

Receivables from subsidiaries	94,913	85,604
<i>Provision for impairment of credit losses</i>	<u>(3,511)</u>	<u>(2,697)</u>
	91,402	82,907
Receivables from other related parties	6,112	3,264
<i>Provision for impairment of credit losses</i>	<u>(67)</u>	<u>(33)</u>
	6,045	3,231
Receivables from companies related through key managing personnel	-	5,376
<i>Provision for impairment of credit losses</i>	<u>-</u>	<u>(5)</u>
	-	5,371
Total	<u>97,447</u>	<u>91,509</u>

The receivables from related parties by type are as follows:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
<i>Receivables under contracts with customers</i>	80,094	73,603
<i>Provision for impairment of credit losses</i>	<u>(2,001)</u>	<u>(1,797)</u>
Receivables under contracts with customers, net	78,093	71,806
<i>Trade loans granted</i>	19,638	20,641
<i>Provision for impairment of credit losses</i>	<u>(1,577)</u>	<u>(938)</u>
Trade loans granted, net	18,061	19,703
Dividend receivables	1,293	-
Total	<u>97,447</u>	<u>91,509</u>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 65,355 thousand are in BGN (31.12.2018: BGN 59,416 thousand) and in EUR - BGN 12,738 thousand. (31.12.2018: BGN 12,390 thousand).

The most significant amounts are the receivables from a subsidiary with activity of trade in medicines, amounting to 31 December 2019 - BGN 65,172 thousand or 83.45% of all receivables from contracts with related clients (31.12.2018: BGN 59,253 thousand - 82.52%).

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

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Subsidiaries	13,584	12,045
<i>Provision for impairment of credit losses</i>	<u>(1,554)</u>	<u>(908)</u>
	12,030	11,137
Other related parties	6,054	3,220

<i>Provision for impairment of credit losses</i>	(23)	(25)
	6,031	3,195
Companies related through key managing personnel	-	5,376
<i>Provision for impairment of credit losses</i>	-	(5)
	-	5,371
Total	18,061	19,703

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

Currency	Contracted amount '000	Maturity	Interest %	31.12.2019		31.12.2018	
				BGN'000	BGN'000 Incl. interest	BGN'000	BGN'000 Incl. interest
To subsidiaries							
BGN	14,109	31.12.2019	4.10%	5,664	228	3,599	-
EUR	2,770	31.12.2019	4.70%	3,896	-	4,812	-
BGN	3,050	31.12.2019	3.50%	1,660	7	935	-
EUR	390	10.05.2019	3.95%	810	47	806	43
EUR	500	31.12.2019	6.60%	-	-	985	7
To other related parties							
BGN	5,990	31.12.2019	3.10%	5,982	-	3,140	34
BGN	190	31.12.2019	3.50%	49	-	55	-
To companies related through key managing personnel							
EUR	4,014	31.12.2019	2.81%	-	-	5,371	27
				18,061	282	19,703	111

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) and promissory notes.

The loans granted to third parties are as follows:

	31.12.2019 BGN '000	31.12.2018 BGN '000
Commercial loans granted	6,053	3,815
<i>Provision for impairment of credit losses</i>	(388)	(545)
Total	5,665	3,270

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

Currency	Contracted amount	Maturity	Interest %	31.12.2019		31.12.2018	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
	'000						
BGN	4511	31.12.2019	2.55%	4,545	-	-	-
BGN	4,184	31.12.2019	4.30%	534	-	2,764	-
BGN	832	31.12.2019	4.50%	495	-	408	7
BGN	949	31.12.2019	4.70%	91	-	98	-
				5,665	-	3,270	7

The payables to related parties refer to:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Payables to main shareholders	3,138	58
Payables to companies related through a main shareholder	2,057	30
Payables to companies related through key managing personnel	1,280	262
Payables to subsidiaries	143	283
Total	6,618	633

The payables to related parties by type are as follows:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Dividend payables	3,107	-
Supply of services	1,089	402
Obligation for supply of inventories	1,055	27
Obligations under operating leases	999	-
Obligation for supply of non-current assets	296	45
Advances received	60	123
Obligations for increasing the capital of a subsidiary	12	36
Total	6,618	633

The trade payables to related entities are current and non-interest bearing. The BGN liabilities amount to BGN 5,548 thousand (31.12.2018: BGN 509 thousand), in EUR – BGN 1,006 thousand (31.12.2018: BGN 97 thousand) and in PLN – BGN 64 thousand (31.12.2018: BGN 27 thousand).

The Company is a co-debtor under received bank loans, issued bank guarantees and concluded lease agreements of the following companies:

Company	Maturity	Currency	Contracted amount	Original currency		Guarantee amount as at
				BGN'000	31.12.2019 BGN'000	
Sopharma Trading AD	2020 - 2024	EUR	64,369	125,895		105,871
Sopharma Trading AD	2020 -2024	BGN	50,625	50,625		42,042
PAO Vitamini and Sopharma Ukraine EOOD	2020	EUR	7,000	13,691		8,143
Momina Krepost AD	2020 -2026	BGN	5,000	5,000		4,942
Doverie Capital AD	2021	EUR	3,000	5,867		4,303
Biopharm Engineering AD	2020 -2023	BGN	8,550	8,550		4,008
Energoinvest AD	2021	BGN	2,000	2,000		1,039
Veta Pharma AD	2020	BGN	1,000	1,000		629
Minaral commerce AD	2020 -2021	BGN	726	726		261
Pharmaplant AD	2023	EUR	235	460		233
Total						171,471

The Company has provided the following collateral in favor of banks under loans received by related parties:

(a) on loans to subsidiaries:

- mortgages of real estate with a carrying amount of BGN 9,795 thousand as at 31.12.2019 (31.12.2018: BGN 10,013 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount of BGN 9,100 thousand as at 31.12.2019 (31.12.2018: BGN 9,735 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 31.12.2019 (31.12.2018: BGN 17,000 thousand);
 - trade receivables with a carrying amount of BGN 11,735 thousand as at 31.12.2019 (31.12.2018: BGN 11,735 thousand).



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