

**Additional information under art. 33, par. 1, item 7
of Ordinance №2 from 17 September 2003 of
“Sopharma” AD as at 31 March 2020**

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 2020 – 31 March 2020.

2. Information about changes in the economic group of the issuer as at 31 March 2020:

On 10 January 2020, an increase of the capital of the subsidiary “Sopharmacy” EOOD with BGN 18,072 thousand was register.

On 21 January 2020 the merger of SOOO “Brizfarm”, Belarus into OOO “Bellerophon”, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company SOOO “Brizfarm” is terminated and all its rights and obligations at the time of the merger are assumed by OOO “Bellerophon”, Belarus.

On 22 January 2020 “Sopharma” AD began to pay the gross dividend of 5 stotinki per share voted at the General Meeting of Shareholders on 13 December 2019. The persons registered with the “Central Depository” AD as shareholders on the 14th day after the day of the General Meeting, namely 27 December 2019 have a right to dividend.

On 19 March 2020 “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the pharmacy Group "SCS Franchise". The merger of “Sopharmacy” and “SCS Franchise” will provide a stronger market position and an opportunity to further meet the growing needs of Bulgarian patients for quality healthcare services. The merger will also bring a nationwide expansion of “Sopharma Trading” AD's operations in the retail segment of the pharmacy market. The Commission for Protection of Competition is yet to pronounce on the deal.

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. "Zabotlivaia 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 March 2020, the tangible fixed assets of the Company include:

- Land of BGN 44,342 thousand (31.12.2019: BGN 44,343 thousand);
- Buildings with carrying amount of BGN thousand 88,353 (31.12.2019: BGN 89,634 thousand).
- Vehicles with carrying amount of BGN 2,398 thousand (31.12.2019: BGN 2,508 thousand);
- Inventory with carrying amount of BGN 2,203 thousand (31.12.2019: BGN 2,338 thousand);
- Biological assets (carriers) with carrying amount of BGN 347 thousand (31.12.2019: BGN 355 thousand).

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

- Expenses on new buildings construction - BGN 1,055 thousand (31.12.2019: BGN 2,497 thousand);
- Biological assets (unfruitful) – BGN 2,967 thousand (31.12.2019 r.: BGN 2,497 thousand);
- Advances for the purchase of machinery and equipment - BGN 3,405 thousand (31.12.2019: BGN 1,177 thousand);
- Buildings reconstruction – BGN 18 thousand (31.12.2019: BGN 18 thousand);
- Other – BGN 377 thousand (31.12.2019 BGN 46 thousand).

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 7,199 thousand (31.12.2019: BGN 7,428 thousand);
- for ampoule production at the amount of BGN 4,143 thousand (31.12.2019: BGN 4,244 thousand);
- exchange installations for ventilation and climatization for the production of medical products at the amount of BGN 640 thousand (31.12.2019: BGN 655 thousand);

- for the production of innovative tear drops worth BGN 205 thousand (31.12.2019: BGN 212 thousand).

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

		31.03.2020	Interest	31.12.2019	Interest
		BGN '000	%	BGN '000	%
"Sopharma Trading" AD	Bulgaria	40,551	74.23	40,551	74.23
SIA "Briz"	Latvia	11,347	68.14	11,347	68.14
"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	7,111	97.15
"Momina Krepost" AD	Bulgaria	2,853	63.12	2,853	63.12
"Vitamina" AD	Ukraine	1,283	100.00	1,283	100.00
"Rap Pharma International" OOD	Moldova	1,183	80.00	1,183	80.00
"Pharmalogistica" AD	Bulgaria	961	89.39	961	89.39
"Aromania" AD	Bulgaria	750	76.00	750	76.00
"Sopharma Kazakhstan" EOOD	Kazakhstan	502	100.00	502	100.00
"Sopharma Buildings" REIT	Bulgaria	459	40.38	459	40.38
"Electroncommerce" EOOD	Bulgaria	384	100.00	384	100.00
"Sopharma Warsaw" EOOD	Poland	323	100.00	323	100.00
"Phyto Palauzovo" AD	Bulgaria	104	95.00	104	95.00
Total		87,146		87,146	

As at 31 March 2020, the composition of investments in the subsidiaries includes the investment in "Sopharma Poland" OOD – in liquidation, Poland, which is fully impaired (31.12.2019: 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	31.03.2020		31.12.2019	
	Shares	%	Shares	%
„Donev Investments Holding“ AD, UIC 831915121, Sofia, Positano Str. №12	34 267 577	25.42%	34 267 577	25.42%
„Telecomplex Invest“ AD, UIC 201653294, Sofia, Slaveikov Square № 9	27 881 287	20.68%	27 881 287	20.68%
“Sopharma” AD, UIC 831902088 Sofia, Iliensko Shosse Str. №16	9 113 467	6.76%	9 113 467	6.76%
„Rompharm Company“ OOD, UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. №7, fl. 1, office 3	8 366 347	6.21%	8 366 347	6.21%
CUPF „Alianz Bulgaria“, UIC 130477720 Sofia, Damyam Gruev Str. №42	6 867 045	5.09%	6 860 574	5.09%

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	31.03.2020 Number of shares	31.12.2019 Number of shares
1. Ognian Ivanov Donev	1 661 600	1 653 000
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:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Long-term loans granted	92,615	91,723
Provision for impairment of credit losses	(118)	(118)
	<u>92,497</u>	<u>91,605</u>
Long-term rental deposit granted	189	189
Total	<u>92,686</u>	<u>91,794</u>

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

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Companies controlled by an associate	85,346	84,715
Associated companies	7,151	6,890
Total	<u>92,497</u>	<u>91,605</u>

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

Currency	Contracted amount	Maturity	Interest %	31.03.2020		31.12.2019	
				BGN'000	BGN'000	BGN'000	BGN'000
	'000				Incl. interest		Incl. interest
To companies controlled by an associate							
BGN	81,900	31.12.2025	3.00%	82,610	710	81,999	99
BGN	3,400	31.12.2021	3.00%	2,736	20	2,716	-
To associated companies							
EUR	31,194	31.12.2021	3.50%	7,151	75	6,890	13
				<u>92,497</u>	<u>805</u>	<u>91,605</u>	<u>112</u>

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), pledges of receivables 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 (31.12.2019: BGN 189 thousand).

Receivables from related parties include:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Receivables from subsidiaries	104,652	94,914
<i>Provision for impairment of credit losses</i>	<u>(3,962)</u>	<u>(3,962)</u>
	100,690	90,952
Receivables from companies controlled by an associate	6,992	6,112
<i>Provision for impairment of credit losses</i>	<u>(50)</u>	<u>(50)</u>
	6,942	6,062
Total	<u>107,632</u>	<u>97,014</u>

The receivables from related parties by type are as follows:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
<i>Receivables under contracts with customers</i>	89,973	80,095
<i>Provision for impairment of credit losses</i>	<u>(2,001)</u>	<u>(2,001)</u>
Receivables under contracts with customers, net	87,972	78,094
<i>Trade loans granted</i>	20,378	19,638
<i>Provision for impairment of credit losses</i>	<u>(2,011)</u>	<u>(2,011)</u>
Trade loans granted, net	18,367	17,627
Dividend receivables	<u>1,293</u>	<u>1,293</u>
Total	<u>107,632</u>	<u>97,014</u>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 74,208 thousand are in BGN (31.12.2019: BGN 65,356 thousand) and in EUR - BGN 13,764 thousand. (31.12.2019: BGN 12,738 thousand).

The most significant amounts are the receivables from a subsidiary with activity of trade in medicines, amounting to 31 March 2020 - BGN 73,996 thousand or 84.11% of all receivables from contracts with related clients (31.12.2019: BGN 65,172 thousand – 83.45%).

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

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Subsidiaries	13,443	13,584
<i>Provision for impairment of credit losses</i>	<u>(2,005)</u>	<u>(2,005)</u>
	11,438	11,579
Companies controlled by an associate	6,935	6,054
<i>Provision for impairment of credit losses</i>	<u>(6)</u>	<u>(6)</u>
	6,929	6,048
Total	<u>18,367</u>	<u>17,627</u>

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

Currency	Contracted amount '000	Maturity	Interest %	31.03.2020		31.12.2019	
				BGN' 000	BGN' 000 Incl. interest	BGN' 000	BGN' 000 Incl. interest
To subsidiaries							
BGN	14,109	31.12.2020	4.10%	5,720	284	5,664	228
EUR	2,770	31.12.2019	4.70%	3,484	-	3,443	-
BGN	3,050	31.12.2020	3.50%	916	-	1,661	8
EUR	390	10.05.2020	3.95%	818	55	811	48
BGN	500	31.12.2020	3.08%	500	-	-	-
To companies controlled by an associate							
BGN	5,990	31.12.2020	3.10%	6,880	44	5,999	-
BGN	190	31.12.2020	3.50%	49	-	49	-
				<u>18,367</u>	<u>383</u>	<u>17,627</u>	<u>284</u>

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), pledges of receivables and promissory notes.

The loans granted to third parties are as follows:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Commercial loans granted	5,777	6,052
Provision for impairment of credit losses	(8)	(8)
Total	5,769	6,044

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

Currency	Contracted amount	Maturity	Interest %	31.03.2020		31.12.2019	
				BGN' 000	BGN' 000 including interest	BGN' 000	BGN' 000 including interest
	'000						
BGN	4,511	31.12.2020	2.55%	4,578	67	4,549	-
BGN	4,184	31.12.2020	4.30%	593	-	889	-
BGN	832	31.12.2020	4.50%	492	-	496	-
BGN	949	31.12.2020	4.70%	106	-	110	-
				5,769	67	6,044	

The payables to related parties refer to:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Payables to companies related through a main shareholder	2,795	2,064
Payables to main shareholders	2,637	3,138
Payables to companies related through key managing personnel	2,246	1,329
Payables to subsidiaries	114	133
Payables to companies controlled by an associate	6	
Total	7,798	6,664

The payables to related parties by type are as follows:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Dividend payables	2,597	3,107
Supply of services	1,965	1,123
Obligation for supply of inventories	1,777	1,064
Obligations under operating leases	1,027	999
Obligation for supply of non-current assets	381	299
Advances received	39	60
Obligations for increasing the capital of a subsidiary	12	12
Total	7,798	6,664

The trade payables to related parties are current and non-interest bearing. The BGN liabilities amount to BGN 7,735 thousand (31.12.2019: BGN 5,604 thousand), in EUR – BGN 16 thousand (31.12.2019: BGN 1,006 thousand) and in PLN – BGN 47 thousand (31.12.2019: BGN 54 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	Guarantee amount as at	
				Original currency	31.03.2020
				BGN'000	BGN'000
“Sopharma Trading” AD	2020 - 2025	EUR	64,369	125,895	109,990
“Sopharma Trading” AD	2020 - 2024	BGN	50,625	50,625	41,457
PAO Vitamini and “Sopharma Ukraine” EOOD	2020	EUR	7,000	13,691	6,307
“Momina Krepost” AD	2020 - 2026	BGN	5,000	5,000	4,705
Doverie Capital AD	2021	EUR	3,000	5,867	4,303
“Biopharm Engineering” AD	2020 - 2023	BGN	8,550	8,550	3,955
Energoinvest AD	2021	BGN	2,000	2,000	1,268
“Veta Pharma” AD	2020	BGN	1,000	1,000	374
Mineral commerce AD	2020 - 2021	BGN	726	726	220
Pharmaplant AD	2023	EUR	235	460	209
Total					172,788

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 9,741 thousand as at 31.03.2020 (31.12.2019: BGN 9,7 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount of BGN 8,941 thousand as at 31.03.2020 (31.12.2019: BGN 9,100 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 31.03.2020 (31.12.2019: BGN 17,000 thousand);
 - trade receivables with a carrying amount of BGN 11,735 thousand as at 31.03.2020 (31.12.2019: BGN 11,735 thousand).



Ognian Donev, PhD
Executive director