

## **Additional information under art. 33, par. 1, item 7 of Ordinance № 2 from 17 September 2003 of Sopharma AD as at 30 September 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 – 30 September 2019.

### **2. Information about changes in the economic group of the issuer as at 30 September 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 ".

As at 02.04.2019, after the acquisition of 127,000 shares of the capital of Momina Krepost AD, the share of Medical Supplies Ltd. in the capital of Momina Krepost AD reached 22.47% (380,000 shares).

As at 24.09.2019 the share of Medical Consumables OOD in the capital of Momina Krepost AD is 28.31% (478 696 shares).

### **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 Iven & 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 Reclus, Latvia since 26.09.2019.

As at 30 September 2019, the tangible fixed assets of the Company include:

- Land of BGN 45,698 thousand (31.12.2018: BGN 43,627 thousand);
- Buildings with carrying amount of BGN thousand 90,687 (31.12.2018: BGN 89,690 thousand).
- Vehicles with carrying amount of BGN 2,669 thousand (31.12.2018: BGN 1,713 thousand);
- Inventory with carrying amount of BGN 2,326 thousand (31.12.2018: BGN 2,522 thousand);
- Perennials of yellow acacia amounting to BGN 1,911 thousand. (31.12.2018: BGN 937 thousand).

The cost of acquisition of tangible fixed assets as at 30 September/ 31 December includes:

- expenses on new buildings construction - BGN 1,380 thousand (31.12.2018: BGN 2,369 thousand);
- advances for the purchase of machinery and equipment - BGN 1,112 thousand (31.12.2018: BGN 1,023 thousand);
- buildings reconstruction – BGN 18 thousand (31.12.2018: BGN 191 thousand);
- other – BGN 176 thousand (31.12.2018 BGN 1,192 thousand).

As at 30 September/ 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 7,665 thousand (31.12.2018: BGN 8,341 thousand);
- for ampoule production at the amount of BGN 4,345 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 670 thousand (31.12.2018: BGN 715 thousand);
- for the production of innovative tear drops worth BGN 219 thousand (31.12.2018: BGN 238 thousand).

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

		<b>30.09.2019</b>	<b>Interest</b>	<b>31.12.2018</b>	<b>Interest</b>
		<b>BGN '000</b>	<b>%</b>	<b>BGN '000</b>	<b>%</b>
Sopharma Trading AD	Bulgaria	30,935	73.03	30,792	72.96
SIA Briz	Latvia	22,633	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	8,384	97.15	8,384	97.15
Momina Krepost AD	Bulgaria	2,941	65.07	4,229	93.56
Vitamina AD	Ukraine	1,283	100.00	1,127	99.56
Pharmalogistica AD	Bulgaria	961	89.39	961	89.39
Aromania AD	Bulgaria	750	76.00	750	76.00
Rap Pharma International OOD	Moldova	594	51.00	293	51.00
Sopharma Kazakhstan EOOD	Kazakhstan	502	100.00	502	100.00
Sopharma Buildings REIT	Bulgaria	491	40.38	491	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
<b>Total</b>		<b>89,620</b>		<b>89,945</b>	

As at 30 September 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	30.09.2019		31.12.2018	
	Shares	%	Shares	%
<b>Donev Investments Holding AD,</b> UIC 831915121, Sofia, Positano Str. № 12	34 222 102	25,39%	34 240 629	25,40%
<b>Telecomplect Invest AD,</b> UIC 201653294, Sofia, Slaveikov Square № 9	27 881 287	20,68%	27 571 252	20,45%
<b>Sopharma AD,</b> UIC 831902088 Sofia, Iliensko Shosse Str. № 16	8 881 832	6,59%	8 881 336	6,59%
<b>Rompharm Company OOD,</b> UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. № 7, office 3	8 366 347	6,21%	8 131 347	6,03%
<b>CUPF Allianz Bulgaria,</b> 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	30.09.2019 Number of shares	31.12.2018 Number of shares
1. Ognian Ivanov Donev	1 492 630	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:*

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term loans granted	92,925	22,977
Provision for expected credit losses	(44)	(116)
	<u>92,881</u>	<u>22,861</u>
Long-term rental deposit granted	189	194
<b>Total</b>	<b><u>93,070</u></b>	<b><u>23,055</u></b>

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

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Other related parties	85,934	5,287
Associated companies	6,947	17,574
<b>Total</b>	<b><u>92,881</u></b>	<b><u>22,861</u></b>

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>30.09.2019</b>		<b>31.12.2018</b>	
				<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
	<b>'000</b>				<b>incl. interest</b>		<b>incl. interest</b>
<b>To other related parties</b>							
<b>BGN</b>	81,900	31.12.2025	3.00%	83,190	1,290	-	-
<b>BGN</b>	3,400	31.12.2021	3.00%	2,744	28	-	-
<b>BGN</b>	29,900	31.12.2021	3.00%	-	-	3,904	89
<b>EUR</b>	700	31.12.2021	3.00%	-	-	1,383	14
<b>To associated companies</b>							
<b>EUR</b>	31,091	31.12.2021	3.50%	6,947	-	17,574	36
				<b><u>92,881</u></b>	<b><u>1,318</u></b>	<b><u>22,861</u></b>	<b><u>103</u></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) 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:*

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from subsidiaries	105,425	85,604
<i>Provision for impairment of credit losses</i>	<u>(3,416)</u>	<u>(2,697)</u>
	102,009	82,907
Receivables from other related parties	5,219	3,264
<i>Provision for impairment of credit losses</i>	<u>(59)</u>	<u>(33)</u>
	5,160	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
<b>Total</b>	<b><u>107,169</u></b>	<b><u>91,509</u></b>

The receivables from related parties by type are as follows:

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<i>Receivables under contracts with customers</i>	88,658	73,603
<i>Provision for impairment of credit losses</i>	<u>(2,583)</u>	<u>(1,797)</u>
Receivables under contracts with customers, net	86,075	71,806
<i>Trade loans granted</i>	19,872	20,641
<i>Provision for impairment of credit losses</i>	<u>(892)</u>	<u>(938)</u>
Trade loans granted, net	18,980	19,703
Dividend receivables	<u>2,114</u>	<u>-</u>
<b>Total</b>	<b><u>107,169</u></b>	<b><u>91,509</u></b>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 71,616 thousand are in BGN (31.12.2018: BGN 59,416 thousand) and in EUR - BGN 14,459 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 30.09.2019 - BGN 71,284 thousand or 82.82% 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:*

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Subsidiaries	14,706	12,045
<i>Provision for impairment of credit losses</i>	<i>(869)</i>	<i>(908)</i>
	<hr/> 13,837	<hr/> 11,137
Other related parties	5,166	3,220
<i>Provision for impairment of credit losses</i>	<i>(23)</i>	<i>(25)</i>
	<hr/> 5,143	<hr/> 3,195
Companies related through key managing personnel	-	5,376
<i>Provision for impairment of credit losses</i>	<i>-</i>	<i>(5)</i>
	<hr/> -	<hr/> 5,371
<b>Total</b>	<b><u>18,980</u></b>	<b><u>19,703</u></b>

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

<b>Currency</b>	<b>Contracted amount '000</b>	<b>Maturity</b>	<b>Interest %</b>	<b>30.09.2019</b>		<b>31.12.2018</b>	
				<b>BGN '000</b>	<b>BGN '000 including interest</b>	<b>BGN '000</b>	<b>BGN '000 including interest</b>
<b>to subsidiaries</b>							
BGN	14,109	31.12.2019	4.10%	5,608	172	3,599	-
EUR	2,770	31.12.2019	4.70%	4,792	-	4,812	-
BGN	3,050	31.12.2019	3.50%	1,650	-	935	-
EUR	500	31.12.2019	6.60%	985	7	985	7
EUR	390	10.05.2019	3.95%	802	39	806	43
<b>to other related parties</b>							
BGN	5,020	31.12.2019	3.10%	5,091	48	3,140	34
BGN	190	31.12.2019	3.50%	52	-	55	-
<b>to companies related through key managing personnel</b>							
EUR	4,014	31.12.2019	2.81 %	-	-	5,371	27
				<hr/> <b>18,980</b>	<hr/> <b>266</b>	<hr/> <b>19,703</b>	<hr/> <b>111</b>

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:*

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Commercial loans granted	4,060	3,815
Provision for impairment of credit losses	(379)	(545)
<b>Total</b>	<b>3,681</b>	<b>3,270</b>

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

<b>Currency</b>	<b>Contracted amount</b>	<b>Maturity</b>	<b>Interest %</b>	<b>30.09.2019</b>		<b>31.12.2018</b>	
				<b>BGN'000</b>	<b>BGN'000 including interest</b>	<b>BGN'000</b>	<b>BGN'000 including interest</b>
<b>BGN</b>	2500	31.12.2019	2.55%	2,525	25	-	-
<b>BGN</b>	4,184	31.12.2019	4.30%	572	-	2,764	-
<b>BGN</b>	832	31.12.2019	4.50%	491	-	408	7
<b>BGN</b>	949	31.12.2019	4.70%	93	-	98	-
				<b>3,681</b>	<b>25</b>	<b>3,270</b>	<b>7</b>

*The payables to related parties refer to:*

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Payables to companies related through a main shareholder	1,876	30
Payables to companies related through key managing personnel	670	262
Payables to subsidiaries	599	283
Payables to main shareholders	25	58
Payables to other related parties	10	-
<b>Total</b>	<b>3,180</b>	<b>633</b>

The payables to related parties by type are as follows:

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Supply of services	1,253	402
Obligations under operating leases	999	
Obligation for supply of inventories	879	27
Obligation for supply of non-current assets	25	45
Obligations for increasing the capital of a subsidiary	24	36
Advances received		123
<b>Total</b>	<b>3,180</b>	<b>633</b>

The trade payables to related entities are current and non-interest bearing. The BGN liabilities amount to BGN 2,153 thousand (31.12.2018: BGN 509 thousand), in EUR – BGN 1,013 thousand (31.12.2018: BGN 97 thousand) and in PLN – BGN 14 thousand (31.12.2018: BGN 27 thousand).

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:

Company	Maturity	Currency	Contracted amount		Guarantee amount
			Original currency	BGN '000	as at 30.09.2019 BGN '000
Sopharma Trading AD	2019 - 2024	EUR	64,808	126,753	115,963
Sopharma Trading AD	2019 - 2024	BGN	55,357	55,357	43,215
PAO Vitamini and					
Sopharma Ukraine EOOD	2020	EUR	7,000	13,691	9,506
Biopharm Engineering AD	2020 -2023	BGN	8,550	8,550	4,122
Momina Krepost AD	2020 -2026	BGN	5,000	5,000	4,077
Doverie Capital AD	2021	EUR	3,000	5,867	2,200
Energoinvestment AD	2020	BGN	2,000	2,000	989
Mineralcommerce AD	2019 -2021	BGN	726	726	478
Pharmaplant AD	2023	EUR	235	460	256
Veta Pharma AD	2019	BGN	1,000	1,000	410
<b>Total</b>					<b>181,216</b>

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 9,850 thousand as at 30.09.2019 (31.12.2018: BGN 10,013 thousand);

- special pledges on:
  - machinery and equipment with a carrying amount of BGN 9,259 thousand as at 30.09.2019 (31.12.2018: BGN 9,735 thousand);
  - inventories with a carrying amount of BGN 17,000 thousand as at 30.09.2019 (31.12.2018: BGN 17,000 thousand);
  - trade receivables with a carrying amount of BGN 11,735 thousand as at 30.09.2019 (31.12.2018: BGN 11,735 thousand).



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Ognian Donev, PhD  
Executive director