

**Additional information under art. 33, par. 1, item 7  
of Ordinance №2 from 17 September 2003 of  
“Sopharma” AD as at 30 September 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 – 30 September 2020.

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

On 14 April 2020 the company “Pharmachim” EOOD, Serbia was established. “Sopharma” AD owns 100% of the company's shares.

By Decision № 626 / 23 July 2020, the Commission for Protection of Competition of the Republic of Bulgaria authorized the concentration within the meaning of Chapter V of the Law on Protection of Competition by acquiring sole control from “Sopharma Trading” AD over “SCS

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Franchise" AD and "Sanita Franchising" AD. Immediate execution of the decision was also ordered. The General Meeting of Shareholders of "Sopharma Trading" AD, which took place on 25 September 2020, authorized the Board of Directors of the company to enter into a transaction within the scope of Art. 114, par. 1, it. 1 of LPOS under the terms and conditions, according to Section I of the Substantiated Report prepared by the Board of Directors.

On 4 August 2020 is a registered merger of "Sopharma Trading Pharmaceuticals" D.O.O. into "Sopharma Trading" D.O.O., by merging the assets and liabilities of the two companies. The activities of the merged company "Sopharma Trading Pharmaceuticals" D.O.O. are terminated and all its rights and obligations at the time of the merger are borne by "Sopharma Trading" D.O.O.

On 13 October 2020 the company acquired an additional 5.01% of the capital of "Aromania " AD.

**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 September 2019.

As at 30 September 2020, the tangible fixed assets of the Company include:

- Land of BGN 43,585 thousand (31.12.2019: BGN 44,343 thousand);
- Buildings with carrying amount of BGN 84,677 thousand (31.12.2019: BGN 89,634 thousand);
- Vehicles with carrying amount of BGN 5,616 thousand (31.12.2019: BGN 2,508 thousand);
- Inventory with carrying amount of BGN 1,955 thousand (31.12.2019: BGN 2,338 thousand);
- Biological assets (carriers) with carrying amount of BGN 332 thousand (31.12.2019: BGN 355 thousand).

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

- Expenses on new buildings construction - BGN 615 thousand (31.12.2019: BGN 1,110 thousand);
- Biological assets (unfruitful) - BGN 532 thousand (31.12.2019: BGN 2,497 thousand);
- Advances for the purchase of machinery and equipment – BGN 2,145 thousand (31.12.2019: BGN 1,177 thousand);

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- Buildings reconstruction - BGN 92 thousand (31.12.2019: 18 thousand);
- Other - BGN 60 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 6,742 thousand (31.12.2019: BGN 7,428 thousand);
- for ampoule production at the amount of BGN 3,941 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 610 thousand (31.12.2019: BGN 655 thousand);
- for the production of innovative "artificial tears" eye drops of value BGN 192 thousand (31.12.2019: BGN 212 thousand).

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

		<b>30.09.2020</b>	<b>Interest</b>	<b>31.12.2019</b>	<b>Interest</b>
		<b>BGN '000</b>	<b>%</b>	<b>BGN '000</b>	<b>%</b>
"Sopharma Trading" AD	Bulgaria	43,816	76.09	40,551	74.23
"Briz" OOD	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
<b>Total</b>		<b>90,411</b>		<b>87,146</b>	

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As at 30 September 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	30.09.2020		31.12.2019	
	Shares	%	Shares	%
„Donev Investments Holding“ AD, UIC 831915121, Sofia, Positano Str. №12	34 948 892	25.93%	34 267 577	25.42%
„Telecomplect 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	8 946 467	6.64%	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, Damyan Gruev Str. №42	6 869 871	5.10%	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:**

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<b>Members of the Board of Directors</b>	<b>30.09.2020 Number of shares</b>	<b>31.12.2019 Number of shares</b>
1. Ognian Ivanov Donev	2 230 000	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:*

	<b>30.09.2020 BGN '000</b>	<b>31.12.2019 BGN '000</b>
Long-term loans granted	59,399	91,723
Provision for impairment of credit losses	(158)	(118)
	<u>59,241</u>	<u>91,605</u>
Long-term rental deposit granted		189
<b>Total</b>	<b><u>59,241</u></b>	<b><u>91,794</u></b>

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

	<b>30.09.2020 BGN '000</b>	<b>31.12.2019 BGN '000</b>
Companies controlled by an associate	59,241	84,715
Associated companies		6,890
<b>Total</b>	<b><u>59,241</u></b>	<b><u>91,605</u></b>

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

Currency	Contracted amount '000	Maturity	Interest %	30.09.2020		31.12.2019	
				BGN'000	BGN'000 Incl. interest	BGN'000	BGN'000 Incl. interest
<b>To companies controlled by an associate</b>							
BGN	81,900	31.12.2025	3.00%	57,848	379	81,999	99
EUR	708	31.12.2022	3.33%	1,393	8	-	-
BGN	3,400	31.12.2021	3.00%	-	-	2,716	-
<b>To associated companies</b>							
EUR	31,194	31.12.2021	3.50%	-	-	6,890	13
				<b>59,241</b>	<b>387</b>	<b>91,605</b>	<b>112</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), 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:

	30.09.2020 BGN '000	31.12.2019 BGN '000
Receivables from subsidiaries	124,702	94,914
Provision for impairment of credit losses	(9,166)	(3,962)
	115,536	90,952
Receivables from companies controlled by an associate	5,258	6,112
Provision for impairment of credit losses	(54)	(50)
	5,204	6,062
<b>Total</b>	<b>120,740</b>	<b>97,014</b>

The receivables from related parties by type are as follows:

	30.09.2020 BGN '000	31.12.2019 BGN '000
Receivables under contracts with customers	110,567	80,095
Provision for impairment of credit losses	(2,299)	(2,001)

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Receivables under contracts with customers, net	108,268	78,094
<i>Trade loans granted</i>	18,100	19,638
<i>Provision for impairment of credit losses</i>	(5,628)	(2,011)
Trade loans granted, net	12,472	17,627
Dividend receivables	1,293	1,293
<i>Receivables under contracts with customers</i>	(1,293)	
		1,293
<b>Total</b>	<b>120,740</b>	<b>97,014</b>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 95,567 thousand are in (31.12.2019: BGN 65,356 thousand), and in EUR – BGN 12,701 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 - BGN 95,295 thousand or 88,02% 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:*

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Subsidiaries	12,900	13,584
<i>Provision for impairment of credit losses</i>	(5,628)	(2,005)
	7,272	11,579
Companies controlled by an associate	5,200	6,054
<i>Provision for impairment of credit losses</i>		(6)
	5,200	6,048
<b>Total</b>	<b>12,472</b>	<b>17,627</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>30.09.2020</b>		<b>31.12.2019</b>	
				<b>BGN'000</b>	<b>BGN'000 Incl. interest</b>	<b>BGN'000</b>	<b>BGN'000 Incl. interest</b>
<b>To subsidiaries</b>							
<b>BGN</b>	14,109	31.12.2020	4.10%	5,299	-	5,664	228
<b>BGN</b>	3,050	31.12.2020	3.50%	885	5	1,661	8
<b>EUR</b>	390	10.05.2021	3.95%	832	69	811	48
<b>EUR</b>	132	31.05.2021	5.00%	256	-	-	-
<b>EUR</b>	2,770	31.12.2019	4.70%	-	-	3,443	-

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**To companies controlled by an associate**

<b>BGN</b>	5,990	31.12.2020	3.10%	5,151	13	5,999	-
<b>BGN</b>	190	31.12.2020	3.50%	49	-	49	-
				<b>12,472</b>	<b>87</b>	<b>17,627</b>	<b>284</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), pledges of receivables and promissory notes.

*The loans granted to third parties are as follows:*

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Commercial loans provided	4,649	6,052
Provision for impairment of credit losses		(8)
<b>Total</b>	<b>4,649</b>	<b>6,044</b>

*The loans granted to third parties are intended to provide support for financing of activities, performed by these entities, but having common strategic objectives. They are secured through pledges on securities (shares) and receivables.*

*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>30.09.2020</b>		<b>31.12.2019</b>	
				<b>BGN'000</b>	<b>BGN'000 including interest</b>	<b>BGN'000</b>	<b>BGN'000 including interest</b>
<b>BGN</b>	4,511	31.12.2020	2.55%	3,635	21	4,549	-
<b>BGN</b>	4,184	31.12.2020	4.30%	453	-	889	-
<b>BGN</b>	832	31.12.2020	4.50%	452	1	496	-
<b>BGN</b>	949	31.12.2020	4.70%	109	6	110	-
				<b>4,649</b>	<b>28</b>	<b>6,044</b>	<b>-</b>

*The payables to related parties refer to:*

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Payables to companies related through a main shareholder	2,653	2,064
Payables to main shareholding companies	1,575	3,138
Payables to key managing personnel	101	-

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Payables to subsidiaries	94	133
Payables to companies related through key managing personnel	24	1,329
Payables to companies controlled by an associate	9	-
<b>Total</b>	<b>4,456</b>	<b>6,664</b>

The payables to related parties by type are as follows:

	<b>30.09.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Payables for the supply of inventories	2,659	1,064
Dividend payables	1,499	3,107
Supply of services	229	1,123
Advances received	69	60
Payables for the supply of fixed assets	-	299
Payables under leases	-	999
Payables for capital increase in a subsidiary	-	12
<b>Total</b>	<b>4,456</b>	<b>6,664</b>

The trade payables to related parties are current and non-interest bearing. The BGN liabilities amount to BGN 4,431 thousand (31.12.2019: BGN 5,604 thousand), in EUR – BGN 3 thousand (31.12.2019: BGN 1,006 thousand) and in PLN – BGN 22 thousand (31.12.2019: BGN 54 thousand).

The Company has not placed deposits as security for payables to related parties (31.12.2019: BGN 189 thousand).

The company is a co-debtor and guarantor of 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	BGN'000	30.09.2020 BGN'000
"Sopharma Trading" AD	2021 - 2025	EUR	66,369	129,806	93,114
"Sopharma Trading" AD	2021 -2024	BGN	50,625	50,625	42,712
"Doverie Obedinen Holding" AD	2027	BGN	30,000	30,000	30,000
"Doverie Obedinen Holding" AD	2021	EUR	5,000	9,779	9,779
"Sopharma Trading Pharmaceuticals D.O.O, Belgrade	2026	EUR	5,210	10,190	9,310

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PAO Vitamini and "Sopharma Ukraine" EOOD	2020	EUR	7,000	13,691	5,609
"Momina Krepost" AD	2021 -2026	BGN	5,000	5,000	4,678
"Biopharm Engineering" AD	2023 -2028	BGN	7,750	7,750	3,746
"Doverie Capital" AD	2021	BGN	3,000	5,867	2,151
"Energoinvestment" AD	2021	BGN	2,000	2,000	798
"Pharmaplant" AD	2023	EUR	235	460	186
"Mineralcommerce" AD	2020 -2021	BGN	451	451	83
<b>Total</b>					<b>202,166</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 as at 30 September 2020: BGN 9,632 thousand (31.12.2019: BGN 9,795 thousand);
- special pledges on:
  - machinery and equipment with a carrying amount as at 30 September 2020: BGN 8,624 thousand (31.12.2019: BGN 9,100 thousand) ;
  - inventories with a carrying amount as at 30 September 2020: BGN 17,000 thousand (31.12.2019: BGN 17,000 thousand) ;
  - trade receivables with a carrying amount as at 30 September 2020: BGN 11,735 thousand (31.12.2019: BGN 11,735 thousand) .

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Ognian Donev, PhD  
/Executive Director/

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