

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

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

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

On 31 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 2 March 2020 OOO “Zdorovey Pharm”, Belarus is a subsidiary through OOO “Zdorovey, Belarus”, as OOO “Zdorovey” owns 65% of the capital of OOO “Zdorovey Pharm”.

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 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

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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.

On 27 November 2020 “Medical Consumables” OOD acquired 37,000 shares from the capital of the subsidiary “Momina Krepost” AD.

On 29 December 2020 “Sopharma” AD sold the shares owned by it from the capital of “Aromania” AD.

On 28 December 2020 as a result of lengthy negotiations and an agreement reached with the other shareholders, a change in the shareholder structure of the subsidiary BRIZ was entered in the Commercial register of the Republic of Latvia as a result of which “Sopharma” AD remains the sole owner of the company's capital.

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 31 December 2020 the tangible fixed assets of the Company include:

- Land of BGN 43,583 thousand (31.12.2019: BGN 44,343 thousand);
- Buildings with carrying amount of BGN 83,270 thousand (31.12.2019: BGN 89,634 thousand);
- Vehicles with carrying amount of BGN 2,467 thousand (31.12.2019: BGN 2,508 thousand);
- Inventory with carrying amount of BGN 1,886 thousand (31.12.2019: BGN 2,338 thousand);
- Biological assets (carriers) with carrying amount of BGN 315 thousand (31.12.2019: BGN 355 thousand).

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

- Expenses on new buildings construction - BGN 816 thousand (31.12.2019: BGN 1,110 thousand);
- Biological assets (unfruitful) - BGN 318 thousand (31.12.2019: BGN 2,497 thousand);
- Advances for the purchase of machinery and equipment – BGN 840 thousand (31.12.2019: BGN 1,177 thousand);
- Buildings reconstruction - BGN 545 thousand (31.12.2019: 18 thousand);
- Other - BGN 61 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 6,513 thousand (31.12.2019: BGN 7,428 thousand);
- for ampoule production at the amount of BGN 3,840 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 595 thousand (31.12.2019: BGN 655 thousand);
- for the production of innovative "artificial tears" eye drops of value BGN 186 thousand (31.12.2019: BGN 212 thousand).

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

		31.12.2020	Interest	31.12.2019	Interest
		BGN '000	%	BGN '000	%
"Sopharma Trading" AD	Bulgaria	43,974	76.17	40,551	74.23
"Briz" OOD	Latvia	11,347	100.00	11,347	68.14
"Sopharma Ukraine" EOOD	Ukraine	9,669	100.00	9,669	100.00
"Biopharm Engineering" AD	Bulgaria	7,111	97.15	7,111	97.15
"Veta Pharma" AD	Bulgaria	6,754	99.98	9,666	99.98
"Momina Krepost" AD	Bulgaria	2,755	60.93	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
"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
"Aromania" AD	Bulgaria	-	-	750	76.00
Total		86,809		87,146	

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As at 31 December 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	31.12.2020		31.12.2019	
	Shares	%	Shares	%
„Donev Investments Holding“ AD, UIC 831915121, Sofia, Positano Str. №12	35 779 516	26.54%	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	9 011 467	6.69%	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:

Members of the Board of Directors	31.12.2020	31.12.2019
	Number of shares	Number of shares
1. Ognian Ivanov Donev	3 038 940	1 653 000

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2. Vessela Liubenova Stoeva	150	150
3. Ognian Kirilov Palaveev	187 520	187 520
4. Alexander Viktorov Tchaushev	111 142	111 142
5. Ivan Venetskov Badinski	350	350
6. Simeon Ivanov Donev	200 450	182 450

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:

	31.12.2020	31.12.2019
	BGN '000	BGN '000
Long-term loans granted	59,843	91,723
Provision for impairment of credit losses	(118)	(118)
	<u>59,725</u>	<u>91,605</u>
Long-term rental deposit granted	-	189
Total	<u>59,725</u>	<u>91,794</u>

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

	31.12.2020	31.12.2019
	BGN '000	BGN '000
Companies controlled by an associate	59,725	84,715
Associated companies	-	6,890
Total	<u>59,725</u>	<u>91,605</u>

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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 %	31.12.2020		31.12.2019	
				BGN'000	BGN'000 <i>Incl. interest</i>	BGN'000	BGN'000 <i>Incl. interest</i>
To companies controlled by an associate							
BGN	81,900	31.12.2025	3.00%	58,321	852	81,999	99
EUR	708	31.12.2022	3.33%	1,404	20	-	-
BGN	3,400	31.12.2021	3.00%	-	-	2,716	-
To associated companies							
EUR	31,194	31.12.2021	3.50%	-	-	6,890	13
				59,725	872	91,605	112

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:

	31.12.2020 BGN '000	31.12.2019 BGN '000
Receivables from subsidiaries	116,710	94,914
Provision for impairment of credit losses	(9,561)	(3,962)
	107,149	90,952
Receivables from companies controlled by an associate	6,135	6,112
Provision for impairment of credit losses	(75)	(50)
	6,060	6,062
Total	113,209	97,014

The receivables from related parties by type are as follows:

	31.12.2020 BGN '000	31.12.2019 BGN '000
Receivables under contracts with customers	102,170	80,095
Provision for impairment of credit losses	(2,634)	(2,001)
Receivables under contracts with customers, net	99,536	78,094
Trade loans granted	19,114	19,638
Provision for impairment of credit losses	(5,709)	(2,011)

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Trade loans granted, net	13,405	17,627
Advances granted	268	-
Dividend receivables	1,293	1,293
Receivables under contracts with customers	(1,293)	
	-	1,293
Total	113,209	97,014

The receivables under contracts with customers - related parties are interest-free and of which BGN 72,972 thousand are in BGN (31.12.2019: BGN 65,356 thousand), and in EUR – BGN 26,564 thousand (31.12.2019: BGN 12,738 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and as of 31 December 2020 amounted to BGN 72,972 thousand or 79.13% of all receivables under contracts with related parties (31.12.2019: BGN 65,172 thousand – 83.45%).

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

	31.12.2020	31.12.2019
	BGN '000	BGN '000
Subsidiaries	13,037	13,584
Provision for impairment of credit losses	(5,690)	(2,005)
	7,347	11,579
Companies controlled by an associate	6,077	6,054
Provision for impairment of credit losses	(19)	(6)
	6,058	6,048
Total	13,405	17,627

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

Currency	Contracted amount '000	Maturity	Interest %	31.12.2020		31.12.2019	
				BGN'000	BGN'000 Incl. interest	BGN'000	BGN'000 Incl. interest
To subsidiaries							
BGN	14,109	31.12.2021	4.10%	5,355	45	5,664	228
BGN	3,050	31.12.2021	3.50%	889	10	1,661	8
EUR	390	31.12.2021	3.95%	839	76	811	48
EUR	132	31.05.2021	5.00%	264	5	-	-
EUR	2,770	31.12.2019	4.70%	-	-	3,443	-
To companies controlled by an associate							
BGN	8,937	31.12.2021	3.10%	6,010	22	5,999	-
BGN	190	31.12.2021	3.50%	48	-	49	-
				13,405	158	17,627	284

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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 through pledges on corporate shares and securities (shares), pledges of receivables and promissory notes.

The loans granted to third parties are as follows:

	31.12.2020	31.12.2019
	BGN '000	BGN '000
Commercial loans provided	3,903	6,052
Provision for impairment of credit losses	-	(8)
Total	3,903	6,044

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:

Currency	Contracted amount	Maturity	Interest %	31.12.2020		31.12.2019	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
BGN	4,511	31.12.2021	2.55%	3,158	2	4,549	-
BGN	832	31.12.2021	4.50%	443	-	496	-
BGN	4,184	31.12.2021	4.30%	199	-	889	-
BGN	949	31.12.2021	4.70%	103	1	110	-
				3,903	3	6,044	-

The payables to related parties refer to:

	31.12.2020	31.12.2019
	BGN '000	BGN '000
Payables to companies related through key management personnel	1,144	1,329
Payables to shareholders with significant influence	89	3,138
Payables to subsidiaries	40	133
Payables to companies related through shareholder companies with significant influence	-	2,064
Total	1,273	6,664

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The payables to related parties by type are as follows:

	31.12.2020	31.12.2019
	BGN '000	BGN '000
Payables for the supply of inventories	1,144	1,064
Supply of services	129	1,123
Payables for dividends	-	3,107
Advances received	-	60
Payables for the supply of fixed assets	-	299
Payables under leases contracts	-	999
Payables for capital increase in a subsidiary	-	12
Total	<u>1,273</u>	<u>6,664</u>

The trade payables to related parties are current and interest free. The payables in Bulgarian Levs amount to BGN 1,233 thousand (31.12.2019: BGN 5,604 thousand), in EUR – BGN 36 thousand (31.12.2019: BGN 1,006 thousand) and in PLN – BGN 4 thousand (31.12.2019: BGN 54 thousand).

The Company has not provided deposits as collateral for liabilities 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	31.12.2020 BGN'000
"Sopharma Trading" AD	2021 - 2025	EUR	68,728	134,420	109,599
"Sopharma Trading" AD	2021 - 2024	BGN	50,625	50,625	42,471
"Doverie Obedinen Holding" AD	2027	BGN	30,000	30,000	30,000
"Sopharma Trading" D.O.O, Belgrade	2023	EUR	8,000	15,647	14,063
"Doverie Obedinen Holding" AD	2021	EUR	5,000	9,779	9,779
Pharmaceuticals" D.O.O and "Sopharma Trading" D.O.O and PAO Vitamini and "Sopharma Ukraine" EOOD	2026	EUR	5,210	10,190	8,885
PAO "Vitamini" and "Sopharma Ukraine" EOOD	2022	EUR	7,000	13,691	5,350
"Biopharm Engineering" AD	2023 - 2028	BGN	7,750	7,750	4,060
"Momina Krepost" AD	2021 - 2026	BGN	5,000	5,000	3,722
"Doverie Capital" AD	2021	EUR	3,000	5,867	2,151
"Energoinvestment" AD	2021	BGN	2,000	2,000	798

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“Veta Pharma” AD	2021	BGN	1,000	1,000	734
“Pharmaplant” AD	2023	EUR	235	460	163
Mineralcommerce AD	2020 - 2021	BGN	451	451	42
Total					<u>231,817</u>

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 31 December 2020: BGN 9,578 thousand (31.12.2019: BGN 9,795 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount as at 31 December 2020: BGN 22,283 thousand (31.12.2019: BGN 9,100 thousand) ;
 - inventories with a carrying amount as at 31 December 2020: BGN 17,000 thousand (31.12.2019: BGN 17,000 thousand) ;
 - trade receivables with a carrying amount as at 31 December 2020: BGN 11,735 thousand (31.12.2019: BGN 11,735 thousand) .

/Signature/

Ognian Donev, PhD
/Executive Director/

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