

## **Additional information under art. 33, par. 1, item 7 of Ordinance № 2 from 17 September 2003 of Sopharma AD as at 31 December 2018**

### **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 2018 – 31 December 2018.

### **2. Information about changes in the economic group of the issuer as at 31 December 2018:**

On 30 January 2018, the company receives a notification for disclosure of share participation under Art. 145 of the Public Offering of Securities Act of ZUPF Allianz Bulgaria for the sale of 250 000 shares, representing 0.19%, with which the share participation of ZUPF Allianz Bulgaria in the capital of Sopharma AD reached 4.99%.

On 25 June 2018 Sopharma AD received approval from the FSC of the Contract for transformation through the merger of Unipharm AD in Sopharma AD as well as the reports of the management bodies and the reports of the auditors. The fair value of the shares of the companies involved in the transformation is determined on the basis of generally accepted valuation methods. Based on the fair price of the shares of the companies involved in the transformation, a replacement ratio of 0.957502 is formed, which means that one share of the transforming company Unipharm AD should be replaced by 0.957502 shares of the receiving company Sopharma AD from the treasury shares available to the receiving company.

On 13 September 2018 completed the procedure of merging Unipharm AD into Sopharma AD with entry number 20180913171143 in the Commercial Register.

The subsidiary Aromania OOD was transformed into a joint stock company on 16 October 2018.

### **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:**

As at 31 December 2018 Company's tangible fixed assets include: land amounting to BGN 46,620 thousand (31 December 2017: BGN 45,060 thousand) and buildings of carrying amount BGN 94,780 thousand (31.12.2017: BGN 97,245 thousand).

Tangible fixed assets in progress as at 31 December include:

- Land of BGN 43,627 thousand (31.12.2017: BGN 45,060 thousand);
- Buildings with carrying amount of BGN 89,690 thousand (31.12.2017: BGN 97,245 thousand).

The other fixed assets of the Company as at 31 December include:

- Vehicles with carrying amount of BGN 1,713 thousand (31.12.2017: BGN 2,905 thousand);
- Inventory with carrying amount of BGN 2,522 thousand (31 December 2017: BGN 2,918 thousand);
- Biological assets - plantations of yellow acacia amounting to BGN 937 thousand. (31.12.2017: BGN 139 thousand).

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

- expenses on new buildings construction - BGN 2,327 thousand (31 December 2017: BGN 1,012 thousand);
- advances for the purchase of machinery and equipment – BGN 1,022 thousand (31 December 2017: BGN 2,511 thousand);
- buildings reconstruction – BGN 191 thousand (31 December 2017: BGN 262 thousand);
- other – BGN 1,192 thousand (31 December 2017: BGN 497 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" (*Note 31*), as follows:

- for tablet production facility at the amount of BGN 7,558 thousand (31 December 2017: BGN 7,627 thousand);
- for ampoule production at the amount of BGN 4,648 thousand (31 December 2017: BGN 5,053 thousand);
- exchange installations for ventilation and climatization for the production of medical products at the amount of BGN 715 thousand (31 December 2017: BGN 776 thousand);
- for the production of innovative tear drops worth BGN 238 thousand (31.12.2017: BGN 264 thousand).

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

		<b>31.12.2018</b>	<b>Interest</b>	<b>31.12.2017</b>	<b>Interest</b>
		<b>BGN '000</b>	<b>%</b>	<b>BGN '000</b>	<b>%</b>
Sopharma Trading AD	Bulgaria	30,792	72.96	30,547	72.86
Briz OOD	Latvia	22,270	66.13	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	4,229	93.56	4,229	93.55
Vitamina AD	Ukraine	1,127	99.56	1,127	99.56
Pharmalogistica AD	Bulgaria	961	89.39	961	89.39
Aromania OOD	Bulgaria	750	76.00	750	76.00
Sopharma Kazakhstan EOOD	Kazakhstan	502	100.00	502	100.00
Sopharma Buildings REIT	Bulgaria	492	40.38	567	40.38
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	323	100.00
RAP Pharma International OOD	Moldova	293	51.00	293	51.00
Phyto Palauzovo AD	Bulgaria	104	95.00	57	95.00
<b>Total</b>		<b>89,946</b>		<b>89,729</b>	

As at 31 December 2018, the composition of investments in the subsidiaries includes the investment in Sopharma Poland OOD – in liquidation, Poland, which is fully impaired (31 December 2017: 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	31.12.2018		31.12.2017	
	Shares	%	Shares	%
<b>Donev Investments Holding AD,</b> UIC 831915121, Sofia, Positano Str. № 12	34 240 629	25,40%	33 968 289	25,20%
<b>Telecomplect Invest AD,</b> UIC 201653294, Sofia, Slaveikov Square № 9	27 571 252	20,45%	27 516 752	20,41%
<b>Sopharma AD</b> UIC 831902088 16, Iliensko Shosse Str.	8 881 336	6,59%	9 032 980	6,70%
<b>Rompharm Company OOD</b> UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	8 131 347	6,03%	10 131 347	7,52%

**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	31.12.2018	31.12.2017
	Number of shares	Number of shares
1. Ognian Ivanov Donev	1 391 129	910 000
2. Vessela Liubenova Stoeva	150	0
3. Ognian Kirilov Palaveev	187 520	160 430
4. Alexander Viktorov Chaushev	111 142	111 042
5. Ivan Venetskov Badinski	350	0

**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>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term loans granted	22 977	21 340
<i>Provision for expected credit losses</i>	<i>(219)</i>	-
	<u>22 758</u>	<u>21 340</u>
Long-term rental deposit granted	194	243
<b>Total</b>	<b><u>22 952</u></b>	<b><u>21 583</u></b>

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

<b>31.12.2018</b>	<b>31.12.2017</b>
<b>BGN '000</b>	<b>BGN '000</b>

Associate company	17,464	16,538
Other related parties	5,294	3,818
Subsidiary company		984
<b>Total</b>	<b>22,758</b>	<b>21,340</b>

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

<i>Currency</i>	<i>Contracted amount</i> <i>'000</i>	<i>Maturity</i>	<i>Interest %</i>	<b>31.12.2018</b>		<b>31.12.2017</b>	
				<i>BGN'000</i>	<i>BGN'000</i> <i>в т.ч.</i> <i>лихва</i>	<i>BGN'000</i>	<i>BGN'000</i> <i>в т.ч.</i> <i>лихва</i>
<i>To associated companies</i>							
<i>EUR</i>	31,091	31.12.2021	3.50%	17,464	-	16,538	17
<i>To other related parties</i>							
<i>BGN</i>	29,900	31.12.2021	3.00%	3,908	93	3,818	3
<i>EUR</i>	700	31.12.2021	3.00%	1,386	17	-	-
<i>To subsidiaries</i>							
<i>EUR</i>	500	01.03.2019	6.60%	-	-	984	21
				<b>22,758</b>	<b>110</b>	<b>21,340</b>	<b>41</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 194 thousand (31 December 2017: BGN 243 thousand).

*Receivables from related parties* include:

	<b>31.12.2018</b> <b>BGN '000</b>	<b>31.12.2017</b> <b>BGN '000</b>
Receivables from subsidiaries	85 716	75 540
<i>Provision for expected credit losses</i>	(2 632)	-
<i>Impairment of uncollectable receivables</i>	-	(1 648)
	<b>83 084</b>	<b>73 892</b>
Receivables from companies related through key managing personnel	5 376	2 956
Receivables from other related parties	3 264	370
<b>Total</b>	<b>91 724</b>	<b>77 218</b>

The receivables from related parties by type are as follows:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables on sales of finished products and materials	73 672	65 624
<i>Provision for expected credit losses</i>	<i>(1 722)</i>	-
<i>Impairment of uncollectable receivables</i>	-	<i>(848)</i>
	<u>71 950</u>	<u>64 776</u>
Trade loans granted	20 684	13 242
<i>Provision for expected credit losses</i>	<i>(910)</i>	-
<i>Impairment of uncollectable receivables</i>	-	<i>(800)</i>
	<u>19 774</u>	<u>12 442</u>
<b>Total</b>	<b><u>91 724</u></b>	<b><u>77 218</u></b>

The receivables on sales are interest-free and BGN 60,057 thousand of them are denominated in BGN (31 December 2017: BGN 40,640 thousand) and in EUR – BGN 11,893 thousand (31 December 2017: BGN 24,136 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and amounted to BGN 59,851 thousand as at 31 December 2018 or 83,18 % of all receivables on sales of finished products and materials to related parties (31 December 2017: BGN 40,524 thousand – 62,56%).

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

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Subsidiaries	12 088	9 919
<i>Provision for expected credit losses</i>	<i>(910)</i>	-
<i>Impairment of trade loans</i>	-	<i>(800)</i>
	<u>11 178</u>	<u>9 119</u>
Companies related through key management personnel	5 376	2 956
Other related parties	3 220	367
<b>Total</b>	<b><u>19 774</u></b>	<b><u>12 442</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>31.12.2018</b>		<b>31.12.2017</b>	
				<b>BGN '000</b>	<b>BGN '000 including interest</b>	<b>BGN '000</b>	<b>BGN '000 including interest</b>

**to subsidiaries**

EUR	2,770	31.12.2019	4.70%	4,847	-	4,702	-
BGN	12,229	31.12.2019	4.10%	3,602	-	3,369	9
EUR	500	01.03.2019	6.60%	985	7	-	-
EUR	390	10.05.2019	3.95%	807	44	748	15
BGN	1,550	31.12.2019	3.50%	937	-	300	-

**to companies related through key managing personnel**

EUR	2,735	31.12.2019	2.81%	5,376	27	-	-
BGN	67,450	31.12.2018	2.81%	-	-	2,956	4

**to other related parties**

BGN	3,130	31.12.2019	3.10%	3,165	34	305	5
BGN	190	31.12.2019	3.50%	55	-	62	-
				<b>19,774</b>	<b>112</b>	<b>12,442</b>	<b>33</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).

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

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Commercial loans granted	3 837	3 639
Provision for expected credit losses	(533)	-
Impairment of commercial loans	-	(438)
<b>Total</b>	<b>3 304</b>	<b>3 201</b>

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

Currency	Contracted amount '000	Maturity	Interest %	31.12.2018		31.12.2017	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
BGN	4 184	31.12.2019	4.30%	2 789	-	2 846	-
BGN	732	31.12.2019	4.50%	409	8	251	1
BGN	949	31.12.2019	4.70%	106	6	104	1
				<b>3 304</b>	<b>14</b>	<b>3 201</b>	<b>2</b>

*The payables to related parties refer to:*

<b>31.12.2018</b>	<b>31.12.2017</b>
<b>BGN '000</b>	<b>BGN '000</b>

Payables to subsidiaries	283	125
Payables to companies related through a main shareholder	20	403
Payables to companies related through key managing personnel	181	269
Payables to main shareholding companies	58	21
<b>Total</b>	<b>542</b>	<b>818</b>

The payables to related parties by type are as follows:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Supply of services	363	350
Liabilities on advances	123	-
Obligations to raise of equity in a subsidiary	36	-
Liabilities for supply of inventories	17	431
Liabilities for the supply of fixed assets	3	37
<b>Total</b>	<b>542</b>	<b>818</b>

The trade payables to related parties are regular and interest-free. The payables in BGN amount to BGN 418 thousand (31 December 2017: BGN 719 thousand), in EUR - BGN 97 thousand (31 December 2017: BGN 78 thousand), in PLN – BGN 27 thousand (31 December 2017: BGN 21 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:

<b>Company</b>	<b>Maturity</b>	<b>Currency</b>	<b>Contracted amount</b>		<b>Guarantee amount as at</b>
			<b>Original currency</b>	<b>BGN '000</b>	<b>31.12.2018 BGN '000</b>
Sopharma Trading AD	2019 - 2024.	EUR	73,394	143,546	124,507
Sopharma Trading AD	2019 - 2024	BGN	30,732	30,732	27,842
Sopharma Properties REIT	2024	EUR	22,619	44,239	16,864
OAD Vitamini	2019	EUR	7,000	13,691	9,212
Biopharm Engineering AD	2019 - 2020	BGN	8,550	8,550	2,028
Energoinvestments AD	2020	BGN	2,000	2,000	1,552



Mineralcommerce AD	2019 - 2021	BGN	726	726	493
Momina krepost AD	2019	BGN	500	500	440
Pharmaplant AD	2023	EUR	235	460	323
Veta Pharma AD	2019	BGN	1,000	1,000	128
<b>Total</b>					<b><u>183,389</u></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 10,013 thousand as at 31 December 2018 (31 December 2017: BGN 10,231 thousand);
- special pledges on:
  - machinery and equipment with a carrying amount of BGN 9,735 thousand as at 31 December 2018 (31 December 2017: BGN 10,370 thousand);
  - inventories with a carrying amount of BGN 17,000 thousand as at 31 December 2018 (31 December 2017: BGN 17,000 thousand);
  - trade receivables with a carrying amount of BGN 11,735 thousand as at 31 December 2018 (31 December 2017: BGN 11,735 thousand).




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