

**Additional information under art. 33, par. 1, item 7
of Ordinance № 2 from 17 September 2003 of
Sopharma AD as at 31 March 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 – 31 March 2019.

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

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.

As at 30.01.2019 the share participation of CUPF Allianz Bulgaria in the capital of Sopharma AD reached 5.09%.

On 31.01.2019 the Company received a valid production / import license for medicinal products № BG / MIA - 0081 from the Bulgarian Drug Agency, in which the unincorporated subsidiary Unipharm AD was registered.

On 15.02.2019, a deal was made for the disposal by Sopharma AD of 253,000 shares of the capital of Momina Krepost AD, with which the share of Sopharma AD in the capital of Momina Krepost AD falls from 93.56% to 78.60%.

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 29.03.2019 after the sale of 126,626 shares of the capital of Momina Krepost AD, the share of Sopharma AD in the capital of Momina Krepost AD went below 75% - from 78.60% (1 329 212 shares) to 71.11% (1 202 590 shares).

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).

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 March 2019, the tangible fixed assets of the Company include:

- Land of BGN 43,678 thousand (31.12.2018: BGN 43,627 thousand);
- Buildings with carrying amount of BGN thousand 92,176 (31.12.2018: BGN 89,690 thousand).
- Vehicles with carrying amount of BGN 3,067 thousand (31.12.2018: BGN 1,713 thousand);
- Inventory with carrying amount of BGN 2,409 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 of December 31 includes:

- expenses on new buildings construction - BGN 2,655 thousand (31.12.2018: BGN 2,369 thousand);
- advances for the purchase of machinery and equipment – BGN 2,149 thousand (31.12.2018: BGN 1,023 thousand);
- buildings reconstruction – BGN 231 thousand (31.12.2018: BGN 191 thousand);
- other – BGN 632 thousand (31.12.2018 BGN 1,192 thousand).

As at 31 March 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 8,113 thousand (31.12.2018: BGN 8,341 thousand);
- for ampoule production at the amount of BGN 4,547 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 715 thousand (31.12.2018: BGN 776 thousand);
- for the production of innovative tear drops worth BGN 231 thousand (31.12.2018: BGN 238 thousand).

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

		31.03.2019	Interest	31.12.2018	Interest
		BGN '000	%	BGN '000	%
Sopharma Trading AD	Bulgaria	30,792	72.96	30,792	72.96
Briz OOD	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	3,215	71.11	4,229	93.56
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	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
RAP Pharma International OOD	Moldova	293	51.00	293	51.00
Phyto Palauzovo AD	Bulgaria	104	95.00	104	95.00
Total		89,294		89,945	

As at 31 March 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

31.03.2019		31.12.2018	
Shares	%	Shares	%

Donev Investments Holding AD, UIC 831915121, Sofia, Positano Str. № 12	34 240 629	25,40%	34 240 629	25,40%
Telecomplect Invest AD, UIC 201653294, Sofia, Slaveikov Square № 9	27 571 252	20,45%	27 571 252	20,45%
Sopharma AD, UIC 831902088 Sofia, Iliensko Shosse Str. № 16	8 881 650	6,59%	8 881 336	6,59%
Rompharm Company OOD, UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. № 7, office 3	8 131 347	6,03%	8 131 347	6,03%
CUPF Allianz Bulgaria, 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	31.03.2019 Number of shares	31.12.2018 Number of shares
1. Ognian Ivanov Donev	1 394 429	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:

	31.03.2019	31.12.2018
	BGN '000	BGN '000
Long-term loans granted	86,098	22,977
Provision for expected credit losses	(106)	(116)
	<u>85,992</u>	<u>22,861</u>
Long-term rental deposit granted	194	194
Total	<u>86,186</u>	<u>23,055</u>

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

	31.03.2019	31.12.2018
	BGN '000	BGN '000
Other related parties	68,267	5,287
Associate company	17,725	17,574
Total	<u>85,992</u>	<u>22,861</u>

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

Currency	Contracted amount	Maturity	Interest %	31.03.2019		31.12.2018	
				BGN'000	BGN'000	BGN'000	BGN'000
	'000				в т.ч. лихва		в т.ч. лихва
To other related parties							
BGN	68,050	31.12.2025	3.00%	68,050	150	-	-
BGN	900	31.12.2021	3.00%	217	1	-	-
BGN	29,900	31.12.2021	3.00%	-	-	3,904	89
EUR	700	31.12.2021	3.00%	-	-	1,383	14
To associated companies							
EUR	31,091	31.12.2021	3.50%	17,725	-	17,574	36
				<u>85,992</u>	<u>151</u>	<u>22,861</u>	<u>103</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) 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 (31.12.2018: BGN 194 thousand).

Receivables from related parties include:

	31.03.2019	31.12.2018
	BGN '000	BGN '000
Receivables from subsidiaries	96,618	85,604
<i>Provision for expected credit losses</i>	<u>(2,654)</u>	<u>(2,697)</u>
	93,964	82,907
Receivables from other related parties	4,059	3,264
<i>Provision for expected credit losses</i>	<u>(33)</u>	<u>(33)</u>
	4,026	3,231
Receivables from companies related through key managing personnel	-	5,376
<i>Provision for expected credit losses</i>	<u>-</u>	<u>(5)</u>
	-	5,371
Total	<u>97,990</u>	<u>91,509</u>

The receivables from related parties by type are as follows:

	31.03.2019	31.12.2018
	BGN '000	BGN '000
<i>Receivables under contracts with customers</i>	81,812	73,603
<i>Provision for impairment for credit losses</i>	<u>(1,797)</u>	<u>(1,797)</u>
Receivables under contracts with customers, net	80,015	71,806
<i>Trade loans granted</i>	17,572	20,641
<i>Provision for impairment for credit losses</i>	<u>(890)</u>	<u>(938)</u>
Trade loans granted, net	16,682	19,703
Dividend receivables	1,293	-
Total	<u>97,990</u>	<u>91,509</u>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 65,860 thousand are in BGN (31.12.2018: BGN 59,416 thousand) and in EUR - BGN 14,155 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 31.03.2019 - BGN 65,547 thousand or 81.92% 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:

	31.03.2019	31.12.2018
	BGN '000	BGN '000
Subsidiaries	13,557	12,045
<i>Provision for impairment for credit losses</i>	<i>(865)</i>	<i>(908)</i>
	<u>12,692</u>	<u>11,137</u>
Other related parties	4,015	3,220
<i>Provision for impairment for credit losses</i>	<i>(25)</i>	<i>(25)</i>
	<u>3,990</u>	<u>3,195</u>
Companies related through key managing personnel	-	5,376
<i>Provision for impairment for credit losses</i>	<i>-</i>	<i>(5)</i>
	<u>-</u>	<u>5,371</u>
Total	<u>16,682</u>	<u>19,703</u>

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

Currency	Contracted amount '000	Maturity	Interest %	31.03.2019		31.12.2018	
				BGN '000	BGN '000 including interest	BGN '000	BGN '000 including interest
to subsidiaries							
EUR	2,770	31.12.2019	4.70%	4,665	-	4,812	-
BGN	12,429	31.12.2019	4.10%	3,836	80	3,599	-
BGN	3,050	31.12.2019	3.50%	2,420	-	935	-
EUR	500	31.12.2019	6.60%	985	7	985	7
EUR	390	10.05.2019	3.95%	786	22	806	43
to other related parties							
BGN	3,910	31.12.2019	3.10%	3,935	25	3,140	34
BGN	190	31.12.2019	3.50%	55	-	55	-
to companies related through key managing personnel							
EUR	2,735	31.12.2019	2.81%	-	-	5,371	27
				<u>16,682</u>	<u>134</u>	<u>19,703</u>	<u>111</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).

The loans granted to third parties are as follows:

	31.03.2019	31.12.2018
	BGN '000	BGN '000
Commercial loans granted	1,565	3,815
<i>Provision for expected credit losses</i>	<i>(340)</i>	<i>(545)</i>
	<u>1,225</u>	<u>3,270</u>

Total	<u><u>1,225</u></u>	<u><u>3,270</u></u>
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The terms and conditions of the loans granted to third parties are as follows:

Currency	Contracted amount '000	Maturity	Interest %	31.03.2019		31.12.2018	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
BGN	4,184	31.12.2019	4.30%	613	-	2,764	-
BGN	832	31.12.2019	4.50%	513	12	408	7
BGN	949	31.12.2019	4.70%	99	-	98	-
				1,225	12	3,270	7

The payables to related parties refer to:

	31.03.2019 BGN '000	31.12.2018 BGN '000
Payables to companies related through a main shareholder	1,030	30
Payables to companies related through key managing personnel	221	262
Payables to subsidiaries	100	283
Payables to main shareholding companies	82	58
Payables to other related parties	8	-
Total	1,441	633

The payables to related parties by type are as follows:

	31.03.2019 BGN '000	31.12.2018 BGN '000
Liabilities for supply of inventories	1,027	27
Supply of services	340	402
Liabilities on advances	38	123
Obligations to raise of equity in a subsidiary	36	36
Liabilities for the supply of fixed assets	-	45
Total	1,441	633

The trade payables to related entities are current and non-interest bearing. The BGN liabilities amount to BGN 1,415 thousand (31.12.2018: BGN 509 thousand), in EUR – BGN 15 thousand (31.12.2018: BGN 97 thousand) and in PLN - BGN 11 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:

<i>Company</i>	<i>Maturity</i>	<i>Currency</i>	<i>Contracted amount</i>		<i>Guarantee amount as at</i>
			<i>Original currency</i>	<i>BGN '000</i>	<i>31.03.2019 BGN '000</i>
	2019 г - 2024 г.				
Sopharma Trading AD	г.	EUR	75,242	147,161	114,198
Sopharma Trading AD	2019 г -2024 г	BGN	30,732	30,732	27,431
Sopharma Properties REIT	2024	EUR	22,619	44,239	16,101
OAo Vitamini	2019	EUR	7,000	13,691	8,958
Biopharm Engineering AD	2019 -2020	BGN	8,550	8,550	2,700
Energoinvestments AD	2020	BGN	2,000	2,000	1,562
Mineralcommerce AD	2019 -2021	BGN	726	726	404
Momina krepost AD	2019	BGN	500	500	498
Pharmaplant AD	2023	EUR	235	460	279
Veta Pharma AD	2019	BGN	1,000	1,000	425
Total					172,556

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 9,958 thousand as at 31 March 2019 (31.12.2018: BGN 10,013 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount of BGN 9,576 thousand as at 31 March 2019 (31.12.2018: BGN 9,735 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 31 March 2019 (31.12.2018: BGN 17,000 thousand);
 - trade receivables with a carrying amount of BGN 11,735 thousand as at 31 March 2019 (31.12.2018: BGN 11,735 thousand).

Ognian Donev, PhD
Executive director

