

**Additional information under art. 33, par. 1, item 7
of Ordinance № 2 from 17 September 2003 of
Sopharma Group as at 30 June 2018**

7. a) 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 consolidated financial statements of Sopharma Group 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 2017 and have been accepted by the Commission of the European Union.

More detailed information about the Group's accounting policies can be found in the notes to the interim consolidated financial statements for the period 1 January 2018 – 30 June 2018.

7. b) Information about changes in the economic group of the issuer as at 30 September 2017: N/A

7 c) 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:

On 30.01.2018, Sopharma AD received a notification under Art. 145 of the Public Offering of Securities Act from 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%.

An Extraordinary General Meeting of Shareholders of Sopharma AD took place on 23 February 2018, where the following decisions were taken:

1. The GMS took a decision for the transformation through merger of Unipharm AD into Sopharma AD. As a result of the merger, the entire property of Unipharm AD will be transferred to Sopharma AD under the terms of a general succession;
2. The Transformation Agreement was approved for the transformation through the merger of Unipharm AD in Sopharma AD, concluded on 14.09.2017 and of Additional Agreement No 1 of 08.11.2017 to it;
3. The Report of the Board of Directors of Sopharma AD to the shareholders of the company regarding the merger of Unipharm AD into Sopharma AD was approved;

4. The GMS adopted amendments to the Articles of Association of the Company which allow the payment of an interim dividend on the basis of a 6-month financial statement pursuant to the Public Offering of Securities Act;
5. The GMS has adopted a resolution for the buyback of its own shares, on the grounds of Art.187b of the Commerce Act and Art.111, para 5 of POSA under the following conditions: Up to 10% of the total number of shares issued by the Company but not more than 3% each calendar year; term of the treasury shares buyback - no longer than 5 (five) years; minimum buyback price - not less than the nominal value per share of the company's capital; maximum redemption price - BGN 5.50 per share;

Sopharma AD notifies that due to the refusal issued by the Registry agency for the registration of the transformation through merger of Unipharm AD into Sopharma AD that started in September 2017, the Board of directors of Sopharma AD took a decision to close the previous and start a new procedure for transformation of Sopharma AD under the conditions of Chapter XVI of the Commercial Law and Art. 122 and et seq of the Public Offering of Securities Law, to be implemented through the merger of Unipharm AD, UIC 831537465, with headquarters and address of management in Sofia, Studentski district, Darvenitsa, 3 Trayko Stanoev Str. into Sopharma AD. The Board of Directors of the Company elects the investment intermediary Elana Trading AD, UIC 831470130, with headquarters and address of management in Sofia, 5, Lachezar Stanchev Str., as consultant in connection with the implementation of the transformation procedure.

Sopharma Trading AD entered in the Commercial Register subsidiaries under the name Sopharmacy 16 EOOD and Sopharmacy 17 EOOD. They are based in Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, 12th floor and manager - Valeria Vidulova - Kaneva. Sopharmacy 16 EOOD will operate under UIC 205116765 and Sopharmacy 17 - UIC 205117397. Meanwhile, the company also entered a change in the names of the five Pharmastore companies. The new names are as follows: Pharmastore 1 EOOD - Sopharmacy 11 EOOD; Pharmastore 2 EOOD - Sopharmacy 12 EOOD; Pharmastore 3 EOOD - Sopharmacy 13 EOOD; Pharmastore 4 EOOD - Sopharmacy 14 EOOD; Pharmastore 5 EOOD - Sopharmacy 15 EOOD; All of them also have a management address in Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, 12th floor and manager - Valeria Vidulova - Kaneva.

On 25.06.2018 Sopharma AD received approval from the FSC of the Transformation Agreement through the merger of Unipharm AD into 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, which the receiving company has. All the terms of the transformation are described in detail in the Transformation Agreement and the reports of the Managing Authorities were approved at the General Meetings of the Companies.

7 d) 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 – The management does not publish estimates.

7 e) 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 since the end of the preceding quarter;

Shareholders	Share	Share
	30.06.2018	31.12.2017
Donev Investments Holding AD	25,29%	25,20%
Telecomplect invest AD	20,41%	20,41%
Rompharm company OOD	6,03%	7,52%
Sopharma AD	6,78%	6,70%

7 f) 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 2017, and changes in ownership of those voting rights since the end of the preceding quarter:

Name	Board of directors	Number of shares as at 30.06.2018	Number of shares as at 31.12.2017
Ognian Donev	Chairman	926 000	910 000
Vessela Stoeva	Member	0	0
Andrey Breshkov	Member	0	0
Ognian Palaveev	Member	160 430	160 430
Alexander Chaushev	Member	111 042	111 042

7 g) 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;

7 h) 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 as at 30 June include:

	30.06.2018	31.12.2017
	BGN '000	BGN '000
Long-term loans granted to related parties	21,778	20,356
Receivable under a long-term rental deposit granted	213	243
Total	21,991	20,599

The long-term loans are granted to an associated company and a company, controlled by an associated company (as at 31 December 2017 long-term loans are granted to an associated company and a company, controlled by an associated company).

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

<i>Type of currency</i>	<i>Contractual amount</i>	<i>Due date</i>	<i>Interest %</i>	<i>30.06.2018</i>		<i>31.12.2017</i>	
				<i>BGN'000</i>	<i>BGN'000 incl. interest</i>	<i>BGN'000</i>	<i>BGN'000 incl. interest</i>
<i>EUR</i>	30,452	31.12.2019	3.50%	17,924	19	16,538	17
<i>BGN</i>	29,900	11.06.2019	3.00%	3,854	39	3,818	3
				<u>21,778</u>	<u>58</u>	<u>20,356</u>	<u>20</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 deposit receivable, received from company related through main shareholder, related with a rent under a concluded rental contract for administrative offices amounting to BGN 213 thousand with validity term on 1 August 2022.

Receivables from related parties by type are as follows:

	30.06.2018	31.12.2017
	BGN'000	BGN'000
Trade loans granted	5,154	3,323
Receivables on sales of finished products and materials	1,301	1,371
Receivables on dividend	34	-
Total	6,489	4,694

The *trade loans granted to related parties* are unsecured and are as follows:

<i>Type of currency</i>	<i>Contractual amount</i>	<i>Due date</i>	<i>Interest rate</i>	<i>30.06.2018</i>		<i>31.12.2017</i>	
				<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
	<i>'000</i>		<i>%</i>		<i>incl. interest</i>		<i>incl. interest</i>
<i>to companies related through key management personnel</i>							
<i>BGN</i>	67,250	31.12.2018	2.81%	4,187	35	2,956	4
<i>to company controlled through an associated company</i>							
<i>BGN</i>	900	31.12.2018	3.10%	907	7	305	5
<i>BGN</i>	190	31.12.2018	3.50%	60	-	62	-
Total:				5,154	42	3,323	9

The *receivables on sales of finished products and materials* are interest-free and denominated in BGN and in BYN.

The Group companies usually negotiate payment terms between 90 and 180 days for receivables on sales of finished products and up to 30 days for receivables on sales of materials (including substances – active ingredients). The Group has set a maximum credit period of up to 365 days for sales counterparts – related parties. Any delay after this period is regarded by the Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analysing the specific receivables and the position of the debtor company as well as the circumstances for the delay and the opportunities for repayment and after that, they take a decision on whether impairment shall be recognised and charged on an individual basis and at what amount.

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

	<i>30.06.2018</i>	<i>31.12.2017</i>
	<i>BGN'000</i>	<i>BGN'000</i>
up to 30 days	600	343
from 31 to 90 days	200	135
from 91 to 180 days	-	109
Total	800	587

The *age structure* of past due but not impaired trade receivables from related parties is as follows:

	<i>30.06.2018</i>	<i>31.12.2017</i>
	<i>BGN'000</i>	<i>BGN'000</i>
from 31 to 90 days	54	135
from 91 to 180 days	345	364
from 181 to 365 days	102	285
Total	501	784

CONTINGENT LIABILITIES AND COMMITMENTS

Issued and granted guarantees

Sopharma AD

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:

	Maturity	Currency	Amount	Debt status	
			Original	30.06.2018	
			Currency	BGN'000	BGN'000
Sopharma Properties REIT	2024	EUR	22,619	44,240	19,479
Mineralcommerce AD	2018 – 2021	BGN	726	726	597
Energoinvestments AD	2020	BGN	2,000	2,000	250

Total

20,326

Bank guarantees

Sopharma Trading AD

The bank guarantees issued for the Company amount to BGN 13,213 thousand (31.12.2017: BGN 13,427 thousand) are to secure payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medicinal products to hospitals under concluded contracts, customs office guarantees and tender participation.

The bank guarantees have been issued by:

	30.06.2018	31.12.2017
	BGN'000	BGN'000
Raiffeisenbank EAD	5,208	4,801
SG Expressbank AD	4,336	4,837
ING Bank N.V.	3,669	3,789
	13,213	13,427

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 8,997 thousand (31 December 2017: BGN 8,997 thousand);
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2017: BGN 2,347 thousand).

Unipharm AD

The following have been issued as at 30 June 2018: bank guarantees at the amount of BGN 166 thousand within the loan agreement limit.

Under a contract for issuing multiple bank guarantees, dated 23 February 2012, special pledges have been established on Company's assets as follows:

- Pledge on current and future movables (materials, finished products, goods) with a carrying amount of BGN 400 thousand;
- Pledge on current and future payment accounts opened with DSK Bank EAD.

Electroncommerce EOOD

The bank guarantees issued for the company amount to BGN 47 thousand as at 30 June 2018 (31 December 2017: BGN 32 thousand).

Assets held under safe custody

Sopharma Trading AD

According to concluded pre-distribution contracts, the Company has received goods for safe custody amounting to BGN 3,934 thousand as at 30 June 2018 (31 December 2017: BGN 4,723 thousand).

Significant irrevocable agreements and commitments

Sopharma AD

The Company received government grants under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 and Operational Program "Energy Efficiency", related to technological renovation and modernisation of tablet production facilities, implementation of innovative products in the ampoule production section and acquisition of generic ventilation and air conditioning installations in the manufacturing of medical products. The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Unipharm AD

The company is a beneficiary under three grant contracts for provision of grants for the acquisition of assets. In accordance with the contractual provisions, the tangible and intangible fixed assets, acquired with project funds, should remain within the assets of the beneficiary and the

receiving region (Republic of Bulgaria) for a period of minimum five years after execution of the total investment. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Biopharm Engineering AD

The company has assumed a commitment under a grant contract with a term of five years after completion of the project for acquisition of

- (a) line for production of amino acid solution for parenteral nutrition, which includes components for inflation, filling and hermetisation in aseptic environment, and
- (b) clean rooms construction (omega profile ceilings, separation walls, doors, blocking devices, lighting, air conditioning, etc.). The term commenced on 27 April 2015 (the date on which the project was ultimately approved by the financing institution) and according to the contract the project should not suffer significant changes referring to its nature, the conditions of its performance or leading to unjustifiable benefits for the company as well as changes resultant from modification in the nature of ownership of infrastructural component or discontinuance of production activities. On non-compliance with these requirements, the financing shall be returned. At the date of approval for issue of the financial statements, all contractual requirements were being fulfilled.

Ognian Donev, PhD
Executive director