

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

2. Information about changes in the economic group of the issuer as at 30 June 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. All the terms of the transformation are described in detail in the Contract for transformation and the reports of the management bodies which are to be approved by the GMS of the two companies. The convocation procedure of the GMS of the two companies is launched and the two meetings are expected to take place on 1 August 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 30 June 2018 Company's tangible fixed assets include: land amounting to BGN 42,011 thousand (31 December 2017: BGN 41,345 thousand) and buildings of carrying amount BGN 88,027 thousand (31.12.2017: BGN 89,533 thousand).

Tangible fixed assets in progress as at 30 June include:

- expenses on new buildings construction - BGN 1,192 thousand (31 December 2017: BGN 1,012 thousand);
- advances for the purchase of machinery and equipment – BGN 962 thousand (31 December 2017: BGN 2,442 thousand);
- buildings reconstruction – BGN 678 thousand (31 December 2017: BGN 244 thousand);
- other – BGN 372 thousand (31 December 2017: BGN 497 thousand).

As at 30 June the carrying amount of property, plant and equipment includes machinery and equipment, purchased using Grant Agreements under Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007 – 2013" and Operational Program "Energy Efficiency" (*Note №29*), as follows:

- for a tablet production facility at the amount of BGN 6,490 thousand (31 December 2017: BGN 6,803 thousand);
- for ampoule production at the amount of BGN 4,850 thousand (31 December 2017: BGN 5,053 thousand);
- exchange installations for ventilation and climatization in manufacturing of medical products at the amount of BGN 746 thousand (31 December 2017: BGN 776 thousand).

The amount of other assets as at 30 June 2018 includes also biological assets - Golden Chain (*Laburnum anagyroides*) plantation at the amount of BGN 567 thousand (31 December 2017: BGN 139 thousand).

The following encumbrances were constituted on Company's tangible fixed assets as at 30 June 2018 in relation to received loans:

- Land and buildings with a carrying amount of BGN 22,316 thousand and BGN 52,821 thousand (31 December 2017: respectively BGN 22,316 thousand and BGN 54,363 thousand);
- Pledges on equipment – BGN 35,227 thousand (31 December 2017: BGN 39,234 thousand).

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

		30.06.2018	Interest	31.12.2017	Interest
		BGN '000	%	BGN '000	%
Unipharm AD	Bulgaria	30,851	98.77	30,851	98.77
Sopharma Trading AD	Bulgaria	30,192	72.71	30,112	72.67
Briz SIA	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 Buildings REIT	Bulgaria	567	40.38	567	40.38
Sopharma Kazakhstan EOOD	Kazakhstan	502	100.00	502	100.00
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	57	95.00	57	95.00
Total		120,225		120,145	

As at 30 June 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	30.06.2018		31.12.2017	
	Number of shares	%	Number of shares	%
Donev Investments Holding AD, UIC 831915121, Sofia, Positano Str. № 12	34 090 689	25,29%	33 968 289	25,20%
Telecomplect Invest AD, UIC 201653294, Sofia, Slaveikov Square № 9	27 516 752	20,41%	27 516 752	20,41%
Rompharm Company OOD UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	8 131 347	6,03%	10 131 347	7,52%
Sopharma AD UIC 831902088 16, Iliensko Shosse Str.	9 139 577	6,78%	9 032 980	6,70%

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	30.06.2018	31.12.2017
	Number of shares	Number of shares
1. Ognian Ivanov Donev	1 096 000	910 000
2. Vessela Liubenova Stoeva	0	0
3. Andrey Liudmilov Breshkov	0	0
4. Ognian Kirilov Palaveev	160 430	160 430
5. Alexander Viktorov Chaushev	111 042	111 042

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:

	30.06.2018	31.12.2017
	BGN '000	BGN '000
Long-term loans granted	22,758	21,340
Long-term rental deposit granted	213	243
Total	22,971	21,583

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

	30.06.2018	31.12.2017
	BGN '000	BGN '000
Associate company	17,924	16,538
Other related parties	3,854	3,818
Subsidiary company	980	984
Total	22,758	21,340

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

Currency	Contracted amount	Maturity	Interest %	30.06.2018		31.12.2017	
				BGN '000	BGN '000	BGN '000	BGN '000
	'000			including interest		including interest	
EUR	30,452	31.12.2019	3.50%	17,924	19	16,538	17
BGN	29,900	11.06.2020	3.00%	3,854	39	3,818	3
EUR	500	31.12.2019	6.60%	980	2	984	21
				22,758	60	21,340	41

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).

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 213 thousand (31 December 2017: BGN 243 thousand).

Receivables from related parties include:

	30.06.2018	31.12.2017
	BGN '000	BGN '000
Receivables from subsidiaries	92,172	73,242
<i>Impairment of uncollectable receivables</i>	<i>(1,969)</i>	<i>(1,648)</i>
	<u>90,203</u>	<u>71,594</u>
Receivables from companies related through key managing personnel	4,187	2,956
Receivables from other related parties	993	370
Receivables from related companies through a main shareholder	41	
Total	95,424	74,920

The receivables from related parties by type are as follows:

	30.06.2018	31.12.2017
	BGN '000	BGN '000
Receivables on sales of finished products and materials	74,363	63,326
<i>Impairment of uncollectable receivables</i>	<u>(842)</u>	<u>(848)</u>
	73,521	62,478
Trade loans granted	15,704	13,242
<i>Impairment of uncollectable receivables</i>	<u>(1,127)</u>	<u>(800)</u>
	14,577	12,442
Dividend receivables	<u>7,326</u>	<u></u>
Total	<u>95,424</u>	<u>74,920</u>

The receivables on sales are interest-free and BGN 52,320 thousand of them are denominated in BGN (31 December 2017: BGN 38,342 thousand) and in EUR – BGN 21,136 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 52,171 thousand as at 30 June 2018 or 70,96 % of all receivables on sales of finished products and materials to related parties (31 December 2017: BGN 38,226 thousand – 61,18%).

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

	30.06.2018	31.12.2017
	BGN '000	BGN '000
Subsidiaries	10,550	9,919
<i>Impairment of commercial loans</i>	<u>(1,127)</u>	<u>(800)</u>
	9,423	9,119
Receivables from companies related through key managing personnel	4,187	2,956
<i>Other related parties</i>	<u>967</u>	<u>367</u>
Total	<u>14,577</u>	<u>12,442</u>

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

Currency	Contracted amount '000	Maturity	Interest %	30.06.2018		31.12.2017	
				BGN '000	BGN '000 including interest	BGN '000	BGN '000 including interest
to companies related through key managing personnel							
BGN	67,250	31.12.2018	2.81%	4,187	35	2,956	4
to subsidiaries							
EUR	2,770	31.12.2018	4.70%	4,575	-	4,702	-
BGN	12,229	31.12.2018	4.10%	3,483	-	3,369	9
EUR	390	10.06.2019	3.95%	792	29	748	15
BGN	1,150	31.12.2018	3.50%	573	-	300	-
to other related parties							
BGN	900	31.12.2018	3.10%	907	7	305	5
BGN	190	31.12.2018	3.50%	60	-	62	-
				14,577	71	12,442	33

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:

	30.06.2018 BGN '000	31.12.2017 BGN '000
Trade loans granted	3,716	3,639
Impairment of trade loans	(509)	(438)
Total	3,207	3,201

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

Currency	Contracted amount '000	Maturity	Interest %	30.06.2018		31.12.2017	
				BGN'000	BGN '000 including interest	BGN'000	BGN '000 including interest
лева	3,537	31.12.2018	4.30%	2,800	-	2,846	-
лева	632	31.12.2018	4.50%	301	1	251	1
лева	949	31.12.2018	4.70%	106	4	104	1
				3,207	5	3,201	2

The payables to related parties refer to:

	30.06.2018 BGN '000	31.12.2017 BGN '000
Payables to main shareholding companies	6,921	21
Payables to subsidiaries	1,292	1,059
Payables to companies related through key managing personnel	239	269
Other related parties	9	
Payables to companies related through a main shareholder		403
Total	8,461	1,752

The payables to related parties by type are as follows:

	30.06.2018 BGN '000	31.12.2017 BGN '000
Dividend liabilities	6,910	
Supply of services	1,361	1,222
Supply of inventories	88	493
Liabilities on advances	75	
Supply of long-lasting assets	27	37
Total	8,461	1,752

The trade payables to related parties are regular and interest-free. The payables in BGN amount to BGN 8,408 thousand (31 December 2017: BGN 1,653 thousand), in EUR - BGN 10 thousand (31 December 2017: BGN 78 thousand), in PLN – BGN 43 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:

Company	Maturity	Currency	Contracted amount		Guarantee amount as at
			Original currency	BGN '000	30.06.2018 BGN '000
Sopharma Trading AD	2018 - 2024	EUR	71 006	138 874	111 676
Sopharma Trading AD	2018 -2024	BGN	30 732	30 732	28 035
Sopharma Properties REIT	2024	EUR	22 619	44 240	19 479
OAo Vitamini	2018	EUR	7 000	13 691	1 267
Biopharm Engineering AD	2019	BGN	4 250	4 250	994
Mineralcommerce AD	2018 - 2021	BGN	726	726	597
Energoinvestments AD	2020	BGN	2 000	2 000	250
Momina Krepost AD	2019	BGN	500	500	181
Veta Pharma AD	2018	BGN	1 000	1 000	132
Total					162 611

The Company has provided the following collateral in favor of banks under loans received by related parties:

- mortgages of real estate with a carrying amount of BGN 10,122 thousand as at 30 June 2018 (31 December 2017: BGN 10,231 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount of BGN 10,053 thousand as at 30 June 2018 (31 December 2017: BGN 10,370 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 30 June 2018 (31 December 2017: BGN 17,000 thousand);
 - trade receivables with a carrying amount of BGN 11,735 thousand as at 30 June 2018 (31 December 2017: BGN 11,735 thousand).



Ognian Donev, PhD
Executive director