

**Additional information under art. 33, par. 1, item 7
of Ordinance № 2 from 17 September 2003 of
Sopharma AD as at 30 June 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 – 30 June 2019.

2. Information about changes in the economic group of the issuer as at 30 June 2019:

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 30 June 2019, the tangible fixed assets of the Company include:

- Land of BGN 45,361 thousand (31.12.2018: BGN 43,627 thousand);
- Buildings with carrying amount of BGN thousand 91,422 (31.12.2018: BGN 89,690 thousand).
- Vehicles with carrying amount of BGN 2,967 thousand (31.12.2018: BGN 1,713 thousand);
- Inventory with carrying amount of BGN 2,428 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 June 30/December 31 includes:

- expenses on new buildings construction - BGN 1,240 thousand (31.12.2018: BGN 2,369 thousand);
- advances for the purchase of machinery and equipment – BGN 187 thousand (31.12.2018: BGN 1,023 thousand);
- buildings reconstruction – BGN 18 thousand (31.12.2018: BGN 191 thousand);
- other – BGN 126 thousand (31.12.2018 BGN 1,192 thousand).

As at June 30/December 31 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 7,885 thousand (31.12.2018: BGN 8,341 thousand);
- for ampoule production at the amount of BGN 4,446 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 685 thousand (31.12.2018: BGN 715 thousand);
- for the production of innovative tear drops worth BGN 225 thousand (31.12.2018: BGN 238 thousand).

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

		30.06.2019	Interest	31.12.2018	Interest
		BGN '000	%	BGN '000	%
Sopharma Trading AD	Bulgaria	30,814	72.97	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	3,196	70.70	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 AD	Bulgaria	750	76.00	750	76.00
Rap Pharma International OOD	Moldova	594	51.00	293	51.00
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
Phyto Palauzovo AD	Bulgaria	104	95.00	104	95.00
Общо		89,598		89,945	

As at 30 June 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	30.06.2019		31.12.2018	
	Shares	%	Shares	%
Donev Investments Holding AD, UIC 831915121, Sofia, Positano Str. № 12	34 223 479	25,39%	34 240 629	25,40%
Telecomplect Invest AD, UIC 201653294, Sofia, Slaveikov Square № 9	27 881 287	20,68%	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	8 366 347	6,21%	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	30.06.2019 Number of shares	31.12.2018 Number of shares
1. Ognian Ivanov Donev	1 442 791	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:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Long-term loans granted	92,227	22,977
Provision for expected credit losses	(106)	(116)
	<u>92,118</u>	<u>22,861</u>
Long-term rental deposit granted	194	194
Total	<u>92,312</u>	<u>23,055</u>

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

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Other related parties	85,313	5,287
Associated companies	6,805	17,574
Total	<u>92,118</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 %	30.06.2019		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	79,900	31.12.2025	3.00%	82,588	688	-	-
BGN	3,400	31.12.2021	3.00%	2,725	9	-	-
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%	6,805	-	17,574	36
				<u>92,118</u>	<u>697</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:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Receivables from subsidiaries	100,337	85,604
<i>Provision for expected credit losses</i>	<u>(2,654)</u>	<u>(2,697)</u>
	97,683	82,907
Receivables from other related parties	4,587	3,264
<i>Provision for expected credit losses</i>	<u>(33)</u>	<u>(33)</u>
	4,554	3,231
Receivables from companies related through key managing personnel	809	5,376
<i>Provision for expected credit losses</i>	<u>-</u>	<u>(5)</u>
	809	
Receivables from companies related through main shareholder	<u>100</u>	<u>-</u>
Total	<u>103,146</u>	<u>91,509</u>

The receivables from related parties by type are as follows:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
<i>Receivables under contracts with customers</i>	77,119	73,603
<i>Provision for impairment for credit losses</i>	<u>(1,797)</u>	<u>(1,797)</u>
Receivables under contracts with customers, net	73,322	71,806
<i>Trade loans granted</i>	20,118	20,641
<i>Provision for impairment for credit losses</i>	<u>(890)</u>	<u>(938)</u>
Trade loans granted, net	19,228	19,703
Dividend receivables	<u>8,596</u>	<u>-</u>
Total	<u>103,146</u>	<u>91,509</u>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 64,309 thousand are in BGN (31.12.2018: BGN 59,416 thousand) and in EUR - BGN 11,013 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 30.06.2019 - BGN 63,977 thousand or 84.94% 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:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Subsidiaries	14,776	12,045
<i>Provision for impairment for credit losses</i>	<u>(865)</u>	<u>(908)</u>
	13,901	11,137
Other related parties	4,543	3,220
<i>Provision for impairment for credit losses</i>	<u>(25)</u>	<u>(25)</u>
	4,518	3,195
Companies related through key managing personnel	809	5,376
<i>Provision for impairment for credit losses</i>	-	<u>(5)</u>
	<u>809</u>	<u>5,371</u>
Total	<u>19,228</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 %	30.06.2019		31.12.2018	
				BGN '000	BGN '000 including interest	BGN '000	BGN '000 including interest
to subsidiaries							
BGN	13,809	31.12.2019	4.10%	4,980	124	3,559	-
EUR	2,770	31.12.2019	4.70%	4,728	-	4,812	-
BGN	3,050	31.12.2019	3.50%	2,415	-	935	-
EUR	500	31.12.2019	6.60%	985	7	985	7
EUR	390	10.05.2019	3.95%	794	32	806	43
to other related parties							
BGN	4,420	31.12.2019	3.10%	4,466	46	3,140	34
BGN	190	31.12.2019	3.50%	52	-	55	-
to companies related through key managing personnel							
EUR	4,014	31.12.2019	2.81%	809	1	5,371	27
				<u>19,228</u>	<u>210</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:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Commercial loans granted	4,075	3,815
Provision for expected credit losses	(340)	(545)
Total	<u>3,735</u>	<u>3,270</u>

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

Currency	Contracted amount '000	Maturity	Interest %	30.06.2019		31.12.2018	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
BGN	2,500	31.12.2019	2.55%	2,509	9	-	-
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%	100	-	98	-
				<u>3,735</u>	<u>21</u>	<u>3,270</u>	<u>7</u>

The payables to related parties refer to:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Payables to companies related through a main shareholder	2,300	30
Payables to subsidiaries	584	283
Payables to companies related through key managing personnel	209	262
Payables to main shareholders	96	58
Payables to other related parties	11	-
Total	<u>3,200</u>	<u>633</u>

The *payables to related parties by type* are as follows:

	30.06.2019	31.12.2018
	BGN '000	BGN '000
Obligation for supply of inventories	1,284	27
Obligations under operating leases	1,011	-
Supply of services	881	402
Obligations for increasing the capital of a subsidiary	24	36
Advances received	-	123
Supply of non-current assets	-	45
Total	3,200	633

The trade payables to related entities are current and non-interest bearing. The BGN liabilities amount to BGN 2,177 thousand (31.12.2018: BGN 509 thousand), in EUR – BGN 1,023 thousand (31.12.2018: BGN 97 thousand) and in PLN - none (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:

Company	Maturity	Currency	Contracted amount		Guarantee amount as at
			Original currency	BGN '000	30.06.2019 BGN '000
Sopharma Trading AD	2019 - 2024	EUR	75,008	146,703	125,700
Sopharma Trading AD	2019 - 2024	BGN	30,732	30,732	26,326
Sopharma Properties REIT	2024	EUR	22,619	44,239	15,538
Sopharma Ukraine EOOD	2020	EUR	7,000	13,691	10,913
Biopharm Engineering AD	2020 - 2023	BGN	8,550	8,550	1,520
Energoinvestment AD	2020	BGN	2,000	2,000	1,264
Mineralcommerce AD	2019 - 2021	BGN	726	726	485
Momina Krepost AD	2019	BGN	500	500	400
Pharmaplant AD	2023	EUR	235	460	279
Veta Pharma AD	2019	BGN	1,000	1,000	71
Total					182,926

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 9,904 thousand as at 30.06.2019 (31.12.2018: BGN 10,013 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount of BGN 9,417 thousand as at 30.06.2019 (31.12.2018: BGN 9,735 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 30.06.2019 (31.12.2018: BGN 17,000 thousand);
 - trade receivables with a carrying amount of BGN 11,735 thousand as at 30.06.2019 (31.12.2018: BGN 11,735 thousand).



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