

**Additional information under art. 33, par. 1, item 7
of Ordinance №2 from 17 September 2003 of
“Sopharma” AD as at 30 June 2020**

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 2020 – 30 June 2020.

2. Information about changes in the economic group of the issuer as at 30 June 2020:

On 10 January 2020, an increase of the capital of the subsidiary “Sopharmacy” EOOD with BGN 18,072 thousand was register.

On 21 January 2020 the merger of SOOO “Brizfarm”, Belarus into OOO “Bellerophon”, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company SOOO “Brizfarm” is terminated and all its rights and obligations at the time of the merger are assumed by OOO “Bellerophon”, Belarus.

On 22 January 2020 “Sopharma” AD began to pay the gross dividend of 5 stotinki per share voted at the General Meeting of Shareholders on 13 December 2019. The persons registered with the “Central Depository” AD as shareholders on the 14th day after the day of the General Meeting, namely 27 December 2019 have a right to dividend.

On 19 March 2020 “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the pharmacy Group “SCS Franchise”. The merger of “Sopharmacy” and “SCS Franchise” will provide a stronger market position and an opportunity to further meet the growing needs of Bulgarian patients for quality healthcare services. The merger will also bring a nationwide expansion of “Sopharma Trading” AD's operations in the retail segment of the pharmacy market. The Commission for Protection of Competition is yet to pronounce on the deal.

On 14 April 2020 the company “Pharmachim” EOOD, Serbia was established. “Sopharma” AD owns 100% of the company's 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:

The following subsidiaries are coming out of the Sopharma Group:

1. OOO "NPFK Ariens", Belarus on 19.09.2019.
2. OOO "Ivem & K", Belarus on 19.09.2019.
3. OOO "Farmatea", Belarus on 19.09.2019.
4. "Zabotlivaia apteka" OOO on 19.09.2019.

The following subsidiaries are included in the Sopharma Group:

1. UAB "Recesus", Latvia since 26.09.2019.

As at 30 June 2020, the tangible fixed assets of the Company include:

- Land of BGN 44,351 thousand (31.12.2019: BGN 44,343 thousand);
- Buildings with carrying amount of BGN 87,246 thousand (31.12.2019: BGN 89,634 thousand);
- Vehicles with carrying amount of BGN 2,950 thousand (31.12.2019: BGN 2,508 thousand);
- Inventory with carrying amount of BGN 2,112 thousand (31.12.2019: BGN 2,338 thousand);
- Biological assets (carriers) with carrying amount of BGN 340 thousand (31.12.2019: BGN 355 thousand).

The cost of acquisition of tangible fixed assets as at 30 June includes:

- Expenses on new buildings construction - BGN 610 thousand (31.12.2019: BGN 1,110 thousand);
- Biological assets (unfruitful) - BGN 3,424 thousand (31.12.2019: BGN 2,497 thousand);
- Advances for the purchase of machinery and equipment – BGN 1,986 thousand (31.12.2019: BGN 1,177 thousand);
- Buildings reconstruction - BGN 37 thousand (31.12.2019: 18 thousand);
- Other - BGN 47 thousand (31.12.2019: BGN 46 thousand).

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 6,971 thousand (31.12.2019: BGN 7,428 thousand);
- for ampoule production at the amount of BGN 4,042 thousand (31.12.2019: BGN 4,244 thousand);
- exchange installations for ventilation and climatization for the production of medical products at the amount of BGN 625 thousand (31.12.2019: BGN 655 thousand);
- for the production of innovative "artificial tears" eye drops of value BGN 199 thousand (31.12.2019: BGN 212 thousand).

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

		30.06.2020	Interest	31.12.2019	Interest
		BGN '000	%	BGN '000	%
"Sopharma Trading" AD	Bulgaria	41,021	74.47	40,551	74.23
SIA "Briz"	Latvia	11,347	68.14	11,347	68.14
"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	7,111	97.15	7,111	97.15
"Momina Krepost" AD	Bulgaria	2,853	63.12	2,853	63.12
"Vitamina" AD	Ukraine	1,283	100.00	1,283	100.00
"Rap Pharma International" OOD	Moldova	1,183	80.00	1,183	80.00
"Pharmalogistica" AD	Bulgaria	961	89.39	961	89.39
"Aromania" AD	Bulgaria	750	76.00	750	76.00
"Sopharma Kazakhstan" EOOD	Kazakhstan	502	100.00	502	100.00
"Sopharma Buildings" REIT	Bulgaria	459	40.38	459	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
Total		87,616		87,146	

As at 30 June 2020, the composition of investments in the subsidiaries includes the investment in "Sopharma Poland" OOD – in liquidation, Poland, which is fully impaired (31.12.2019: 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	30.06.2020		31.12.2019	
	Shares	%	Shares	%
„Donev Investments Holding“ AD, UIC 831915121, Sofia, Positano Str. №12	34 596 910	25.67%	34 267 577	25.42%
„Telecomplect Invest“ AD, UIC 201653294, Sofia, Slaveikov Square № 9	27 881 287	20.68%	27 881 287	20.68%
“Sopharma” AD, UIC 831902088 Sofia, Iliensko Shosse Str. №16	9 028 467	6.70%	9 113 467	6.76%
„Rompharm Company“ OOD, UIC 200732874 Sofia, Mladost residential complex, Boian Damianov Str. №7, fl. 1, office 3	8 366 347	6.21%	8 366 347	6.21%
CUPF „Alianz Bulgaria“, UIC 130477720 Sofia, Damyan Gruev Str. №42	6 869 871	5.10%	6 860 574	5.09%

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	30.06.2020	31.12.2019
	Number of shares	Number of shares
1. Ognian Ivanov Donev	1970 600	1 653 000
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:

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Long-term loans granted	57,572	91,723
Provision for impairment of credit losses	(110)	(118)
	<u>57,462</u>	<u>91,605</u>
Long-term rental deposit granted	189	189
Total	<u>57,651</u>	<u>91,794</u>

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

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Companies controlled by an associate	57,462	84,715
Associated companies	-	6,890
Total	<u>57,462</u>	<u>91,605</u>

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

	Currency	Contracted amount '000	Maturity	Interest %	30.06.2020		31.12.2019	
					BGN'000	BGN'000 Incl. interest	BGN'000	BGN'000 Incl. interest
To companies controlled by an associate								
	BGN	81,900	31.12.2025	3.00%	57,462	-	81,999	99
	BGN	3,400	31.12.2021	3.00%	-	-	2,716	-
To associated companies								
	EUR	31,194	31.12.2021	3.50%	-	-	6,890	13
					<u>57,462</u>	<u>-</u>	<u>91,605</u>	<u>112</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), pledges of receivables 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 189 thousand (31.12.2019: BGN 189 thousand).

Receivables from related parties include:

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Receivables from subsidiaries	125,490	94,914
<i>Provision for impairment of credit losses</i>	<i>(8,804)</i>	<i>(3,962)</i>
	<u>116,686</u>	<u>90,952</u>
Receivables from companies controlled by an associate	4,568	6,112
<i>Provision for impairment of credit losses</i>	<i>(50)</i>	<i>(50)</i>
	<u>4,518</u>	<u>6,062</u>
Total	<u>121,204</u>	<u>97,014</u>

The receivables from related parties by type are as follows:

	30.06.2020	31.12.2019
	BGN '000	BGN '000
<i>Receivables under contracts with customers</i>	<i>102,085</i>	<i>80,095</i>
<i>Provision for impairment of credit losses</i>	<i>(3,295)</i>	<i>(2,001)</i>
Receivables under contracts with customers, net	<u>98,790</u>	<u>78,094</u>
<i>Trade loans granted</i>	<i>17,827</i>	<i>19,638</i>
<i>Provision for impairment of credit losses</i>	<i>(5,559)</i>	<i>(2,011)</i>
Trade loans granted, net	<u>12,268</u>	<u>17,627</u>
Dividend receivables	10,146	1,293
Total	<u>121,204</u>	<u>97,014</u>

Receivables under contracts with customers - related enterprises are interest-free and of which BGN 86,033 thousand are in (31.12.2019: BGN 65,356 thousand), and in EUR – BGN 12,751 thousand (31.12.2019: BGN 12,738 thousand) and in PLN - BGN 6 thousand (31.12.2019: none).

The most significant amounts are the receivables from a subsidiary with activity of trade in medicines, amounting to 30 June 2020 – BGN 85,646 thousand or 86.70% of all receivables from contracts with related clients (31.12.2019: BGN 65,172 thousand – 83.45%).

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

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Subsidiaries	13,317	13,584
<i>Provision for impairment of credit losses</i>	<u>(5,553)</u>	<u>(2,005)</u>
	7,764	11,579
Companies controlled by an associate	4,510	6,054
<i>Provision for impairment of credit losses</i>	<u>(6)</u>	<u>(6)</u>
	4,504	6,048
Total	<u>12,268</u>	<u>17,627</u>

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

Currency	Contracted amount '000	Maturity	Interest %	30.06.2020		31.12.2019	
				BGN'000	BGN'000 Incl. interest	BGN'000	BGN'000 Incl. interest
To subsidiaries							
BGN	14,109	31.12.2020	4.10%	5,775	339	5,664	228
BGN	3,050	31.12.2020	3.50%	904	2	1,661	8
EUR	390	10.05.2021	3.95%	826	63	811	48
EUR	132	31.05.2021	5.00%	259	1	-	-
EUR	2,770	31.12.2019	4.70%	-	-	3,443	-
BGN	500	31.12.2020	3.08%	-	-	-	-
To companies controlled by an associate							
BGN	5,990	31.12.2020	3.10%	4,454	-	5,999	-
BGN	190	31.12.2020	3.50%	50	1	49	-
				12,268	406	17,627	284

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), pledges of receivables and promissory notes.

The loans granted to third parties are as follows:

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Commercial loans granted	5,790	6,052
Provision for impairment of credit losses	(8)	(8)
Total	5,782	6,044

The loans granted to third parties are intended to provide support for financing of activities, performed by these entities, but having common strategic objectives. They are secured through pledges on securities (shares) and receivables.

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

Currency	Contracted amount '000	Maturity	Interest %	30.06.2020		31.12.2019	
				BGN'000	BGN'000 including interest	BGN'000	BGN'000 including interest
BGN	4,511	31.12.2020	2.55%	4,606	96	4,549	-
BGN	4,184	31.12.2020	4.30%	596	1	889	-
BGN	832	31.12.2020	4.50%	472	2	496	-
BGN	949	31.12.2020	4.70%	108	5	110	-
				5,782	104	6,044	-

The payables to related parties refer to:

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Payables to major shareholders	4,370	3,138
Payables to companies related through key managing personnel	2,471	1,329
Payables to companies related through a main shareholder	2,320	2,064
Payables to subsidiaries	29	133
Payables to companies controlled by an associate	13	-
Total	9,203	6,664

The payables to related parties by type are as follows:

	30.06.2020	31.12.2019
	BGN '000	BGN '000
Obligations for dividend	4,332	3,107
Supply of services	2,348	1,123

Obligation for supply of inventories	1,306	1,064
Obligation for leases contracts	1,027	999
Obligation for supply of non-current assets	190	299
Advances received	-	60
Obligations for increasing the capital of a subsidiary	-	12
Total	9,203	6,664

The trade payables to related parties are current and non-interest bearing. The BGN liabilities amount to BGN 8,147 thousand (31.12.2019: BGN 5,604 thousand), in EUR – BGN 1,056 thousand (31.12.2019: BGN 1,006 thousand) and in PLN – none (31.12.2019: BGN 54 thousand).

The Company has placed deposits as security for payables to related parties under commercial transactions at the amount of BGN 189 thousand (31.12.2019: BGN 189 thousand).

The Company is a co-debtor under received bank loans, issued bank guarantees and concluded lease agreements of the following companies:

Company	Maturity	Currency	Contracted amount	Guarantee amount as at	
				Original currency	30.06.2020
				BGN'000	BGN'000
"Sopharma Trading" AD	2020 - 2025	EUR	64,369	125,895	111,570
"Sopharma Trading" AD	2020 -2024	BGN	50,625	50,625	42,239
"Doverie Obedinen Holding" AD	2027	BGN	30,000	30,000	30,000
"Doverie Obedinen Holding" AD	2021	EUR	5,000	9,779	9,779
PAO Vitamini and "Sopharma Ukraine" EOOD	2020	EUR	7,000	13,691	6,204
"Momina Krepost" AD	2021 -2026	BGN	5,000	5,000	4,557
"Doverie Capital" AD	2021	EUR	3,000	5,867	4,303
"Biopharm Engineering" AD	2020 -2023	BGN	8,550	8,550	3,903
"Energoinvestment" AD	2021	BGN	2,000	2,000	1,268
"Pharmaplant" AD	2023	EUR	235	60	209
"Mineralcommerce" AD	2020 -2021	BGN	726	726	148
Total					214,180

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 as at 30.06.2020: BGN 9,687 thousand (31.12.2019: BGN 9,795 thousand);
- special pledges on:
 - machinery and equipment with a carrying amount as at 30.06.2020: BGN 8,782 thousand (31.12.2019: BGN 9,100 thousand) ;
 - inventories with a carrying amount as at 30.06.2020: BGN 17,000 thousand (31.12.2019: BGN 17,000 thousand) ;
 - trade receivables with a carrying amount as at 30.06.2020: BGN 11,735 thousand (31.12.2019: BGN 11,735 thousand) .



Ognian Donev, PhD
Executive director