

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

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 first nine months of 2019.

7. b) Information about changes in a group of enterprises within the meaning of the Accountancy Act of the issuer if it participates in such a group: N/A

7. c) Information about the results of organizational changes within the issuer, such as restructuring, sale of companies within a group of companies within the meaning of the Accountancy Act, in-kind contributions from companies, rental property, long-term investments, closure of business:

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

On 15.02.2019, was made a deal for 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 drops from 93.56% to 78.60%.

On 02.01.2019, the merger of OOO Med-dent, Belarus with BOOO SpetsAfarmacia, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company OOO Med-dent is terminated and all its rights and obligations at the moment of the merger are taken by BOOO SpetsAfarmacia, Belarus.

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 DOO 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 28.02.2019 in the Commercial Register is registered Sopharmacy 18 EOOD with sole owner of the capital of Sopharmacy EOOD. The newly established company has its headquarters and address of management Republic of Bulgaria, Sofia 1756, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, fl. 12.

On 07.03.2019, through its subsidiary SOOO Britetrade, Belarus, the Group acquired 25% of the capital of OOO Bellerofon, Belarus, as a result of which the parent acquires control and the company is classified as a subsidiary.

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).

On 13.11.2019, the public offering of shares of the capital increase of Sopharma Trading AD was successfully completed. 1 371 041 ordinary, registered, dematerialized voting shares with par value 6.85 BGN have been subscribed and paid. As a result, the capital of the company increases from BGN 32 905 009 to BGN 34 276 050.

As at 12.09.2019, after the sale of 94 636 shares of the capital of Momina Krepost AD, the share of Sopharma AD in the capital of Momina Krepost AD passes the threshold from 70% to 65.07% (1 100 398 shares). On November 13, 2019, Sopharma AD completed the transaction on the purchase of 29% of the capital of RAP Pharma International, whereby the parent company's share reached 80%.

The following subsidiaries are coming out of the Sopharma Group:

1. OOO Ariens, Belarus on 19.09.2019.
2. OOO Ivem I K, Belarus on 19.09.2019.
3. OOO Farmatea, Belarus on 19.09.2019.
4. OOO Zabolivaya apteka, Belarus on 19.09.2019

The following subsidiaries are included in Sopharma Group:

UAB Recessus, Lithuania as at 26.09.2019.

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 Company 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 six months, 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	30.09.2019	31.12.2018
Donev Investments Holding AD	25,39%	25,40%
Telecomplect invest AD	20,68%	20,45%
Sopharma AD	6,59%	6,59%
Rompharm company OOD	6,21%	6,03%
CUPF Alianz Bulgaria	5,09%	n/a

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 2018, and changes in ownership of those voting rights incurred for the period from the beginning of the current financial year to the end of the reporting period for each individual

Name	Board of directors	Shares as at 30.09.2019	Shares as at 31.12.2018
Ognian Donev	Chairman	1 492 630	1 391 129
Vessela Stoeva	Member	150	150
Ognian Palaveev	Member	187 520	187 520
Alexander Chaushev	Member	111 142	111 142
Ivan Badinski	Member	350	350

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; if the total value of the liabilities or receivables of the issuer in all initiated proceedings exceeds 10 per

cent of the equity, information shall be presented for each production separately;

None.

7. h) Information on loans granted by the issuer or its 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 September include:

	30.09.2019	31.12.2018
	BGN '000	BGN '000
Long-term loans granted to related parties	92,925	22,977
Provision for impairment of credit losses	(44)	(116)
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Long-term loans granted to related parties, net	92,881	22,861
Receivable under a long-term rental deposit granted	189	194
Total	93,070	23,055

Long-term loans are granted to an associate and a company related to companies controlled by an associate.

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>30.09.2019</i>		<i>31.12.2018</i>	
				<i>BGN'000</i>	<i>BGN'000 incl. interest</i>	<i>BGN'000</i>	<i>BGN'000 incl. interest</i>
<i>BGN</i>	81,900	31.12.2025	3.00%	83,190	1,290	-	-
<i>EUR</i>	31,091	31.12.2021	3.50%	6,947	-	17,574	36
<i>BGN</i>	3,400	31.12.2021	3.00%	2,744	28	-	-
<i>BGN</i>	29,900	31.12.2021	3.00%	-	-	3,904	89
<i>EUR</i>	700	31.12.2021	3.00%	-	-	1,383	14
				<hr/>	<hr/>	<hr/>	<hr/>
				92,881	1,318	22,861	139

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 in the amount of BGN 189 thousand. with validity term on 1 August 2022.

Receivables from related parties by type are as follows:	30.09.2019	31.12.2018
	BGN'000	BGN'000
Trade loans granted	5,166	8,596
<i>Provision for impairment of credit losses</i>	(23)	(30)
Trade loans granted, net	5,143	8,566
Receivables from contracts with customers	1,129	1,384
<i>Provision for impairment of credit losses</i>	(36)	(8)
Receivables from contracts with customers, net	1,156	1,376
Total	6,299	9,942

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>30.09.2019</i>		<i>31.12.2018</i>	
				<i>BGN '000</i>	<i>BGN '000 incl. interest</i>	<i>BGN '000</i>	<i>BGN '000 incl. interest</i>
<i>To company controlled through an associate</i>							
<i>BGN</i>	5,020	31.12.2019	3.10%	5,091	48	3,140	34
<i>BGN</i>	190	31.12.2019	3.50%	52	-	55	-
<i>To companies related through key management personnel</i>							
<i>EUR</i>	4,014	31.12.2019	2.81%	-	-	5,371	27

Total:	<u>5,143</u>	<u>48</u>	<u>8,566</u>	<u>61</u>
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The receivables on contracts with customers are interest-free and denominated in BGN.

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 applies the simplified approach of IFRS 9 to measure expected credit losses on trade receivables from related parties, recognizing expected loss for the full term of the instrument for all trade receivables from related parties (Note 2.17).

The movement of the corrective (provision) for impairment of receivables from related parties is as follows:

	<i>30.09.2019</i> <i>BGN'000</i>	<i>31.12.2018</i> <i>BGN'000</i>
Balance at 1 January	<u>38</u>	<u>-</u>
(Decrease)/ Increase in the corrective for credit losses recognised in profit or loss for the year	<u>(21)</u>	<u>38</u>
Balance at 30 September/ 31 December	<u><u>59</u></u>	<u><u>38</u></u>

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

	<i>30.09.2019</i> <i>BGN'000</i>	<i>31.12.2018</i> <i>BGN'000</i>
up to 30 days	370	199
from 31 to 90 days	<u>40</u>	<u>409</u>
Total	<u><u>410</u></u>	<u><u>608</u></u>

A provision for impairment for credit losses amounting to BGN 36 thousand was charged of trade receivables from related parties over 181 to 365 days.

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		30.09.2019
			Currency	BGN'000	BGN'000
Doverie – Capital AD	2021	EUR	3,000	5,867	2,200
Energoinvestments AD	2020	BGN	2,000	2,000	989
Mineralcommerce AD	2019 – 2021	BGN	726	726	478
Pharmaplant AD	2023	EUR	235	460	256
Total					3,923

Bank guarantees

Sopharma Trading AD

The bank guarantees issued for the Company amounted to BGN 11,740 thousand (31.12.2018: BGN 14,705 thousand) and 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:

	30.09.2019	31.12.2018
	BGN '000	BGN '000
SG Expressbank AD	2,820	5,702
Raiffeisenbank EAD	4,393	5,200
ING Bank N.V.	4,527	3,803
	11,740	14,705

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 2,934 thousand (31 December 2018: BGN 8,997 thousand).
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2018: BGN 2,347 thousand).

Electroncommerce EOOD

As at 30 September 2019 the Company has no bank guarantees issued (31 December 2018: BGN 47 thousand).

Performance guarantee

Sopharma Trading AD

As at 30.09.2019 the Company has concluded contracts for insurance of performance guarantees in auctions for supply of medicines and consumables in favour of medical institutions and the Ministry of Health in the amount of BGN 3,099 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 6,251 thousand as at 30 September 2019 (31 December 2018: BGN 6,242 thousand).

Significant irrevocable agreements and commitments

Sopharma AD

The Company received three government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 (*Note 30 and Note 38*), related to technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production section (*Note 14*). 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.

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.

Veta Pharma AD

The Company has received government funding under Operational Program “Development of the Competitiveness of the Bulgarian Economy” 2007-2013 (*Note 31 and Note 38*) related to improving the efficiency of enterprises and developing a favorable business environment (*Note 14*). The Company has undertaken a commitment, for a period of 3 years after the completion of the respective projects, not to undergo significant changes affecting the nature and conditions of fulfillment or giving rise to unjustified benefits for the company, as well as changes resulting from a change in the ownership of the acquired assets related to financing. If these requirements are not met, the funding provided is subject to repayment. At the date of preparation of the report, all contractual requirements were met.

Momina krepost AD

In 2017, the Company assumed a commitment of BGN 2,500 thousand under a grant contract under Operational Program Innovation and Competitiveness 2014-2020, under a project for improving energy efficiency. The project is worth BGN 4,999 thousand and has a 24 months implementation period. As at 30 September 2019 an advance payment under the contract was received in the amount of BGN 743 thousand.

The Company has assumed a commitment for a period of 5 years after the completion of the respective project, not to make significant changes affecting the nature and conditions of fulfillment

or giving rise to unjustified benefits for the company, as well as changes resulting from a change in the ownership of the acquired assets related to financing. If these requirements are not met, the funding provided is subject to repayment. At the date of preparation of the report, all contractual requirements were met.

Ognian Donev, PhD
Executive director