

**Additional information under art. 33, par. 1, item 7  
of Ordinance №2 from 17 September 2003 on prospecting of publicly offered and  
recommended for retail trade in a regulated securities market and for presentation of  
information (Title ext. - SN, no. 82 of 2007, amended, no. 63 of 2016)**

***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 interim consolidated financial statements for the nine-month period ending on 30 September 2020 should be read in conjunction with the consolidated annual financial statements for the year ending on 31 December 2019, prepared in accordance with 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) 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 nine months of 2020.

***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:***

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

On 31 January 2020 a merger of SOOO “Brizpharm”, Belarus into OOO “Bellerofon”, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged company SOOO “Brizpharm”, Belarus is terminated and all its rights and obligations at the time of the merger are assumed by OOO “Bellerofon”, Belarus.

As of 2 March 2020 OOO “Zdorovey Pharm”, Belarus is a subsidiary through OOO “Zdorovey”, Belarus, as OOO “Zdorovey” owns 65% of the capital of OOO “Zdorovey Pharm”.

On 19 March 2020 “Sopharma Trading” AD announced the conclusion of a contract for the acquisition of the “SCS Franchise” pharmacy group. The merger of “Sopharmacy” and “SCS Franchise” will provide a stronger market position and an opportunity to even more meet the growing needs of Bulgarian patients for quality health services. The merger will also bring

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national expansion of the operations of “Sopharma Trading” AD in the retail segment of the pharmacy market. The Commission for Protection of Competition is about to rule on the deal.

On 14 April 2020 the Business Registers Agency of the City of Belgrade registered the trade company “Pharmachim“ EOOD, Serbia.

With Decision № 626 / 23.07.2020 The Commission for Protection of Competition of the Republic of Bulgaria authorized the concentration within the meaning of Chapter V of the Law on Protection of Competition by acquiring sole control by “Sopharma Trading” AD over “SCS Franchise” AD and “Sanita Franchising“ AD. Immediate execution of the decision was also ordered. A condition for finalizing the acquisition is authorization for this by the General Meeting of Shareholders of “Sopharma Trading“ AD.

On 4 August 2020 a merger of “Sopharma Trading Pharmaceuticals” D.o.o. was registered in “Sopharma Trading” D.o.o., by merging the assets and liabilities of the two companies. The activity of the merged company “Sopharma Trading Pharmaceuticals” D.o.o. is terminated and all its rights and obligations at the time of the merger are assumed by Sopharma Trading” D.o.o.

On 1 October 2020 “Sopharma Trading” AD finalized the acquisition of sole control over the companies "SCS Franchise" AD and "Sanita Franchising" AD. The announcement comes after the Commission for Protection of Competition approved the deal in the end of July, ordering the immediate execution of the decision. A condition for its completion was the authorization by the General Meeting of Shareholders of “Sopharma Trading” AD, which took place on 25.09.2020. The conditions under which the shares of “SCS Franchise” AD were acquired are fully compliant with the decision of the General Meeting of Shareholders of Sopharma Trading AD.

On 13 October 2020 “Sopharma” AD acquired an additional 5.01% of the capital of “Aromania” AD.

***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 forecasts.

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**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	30.09.2020	31.12.2019
“Donev Investments Holding” AD	25.93%	25.42%
“Telecomplect invest” AD	20.68%	20.68%
“Sopharma” AD	6.64%	6.76%
“Rompharm company” OOD	6.21%	6.21%
CUPF “Alianz Bulgaria”	5.10%	5.09%

**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 2019, 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 30.09.2020	Shares as at 31.12.2019
Ognian Donev, PhD	Chairman	2 230 000	1 653 000
Vessela Stoeva	Member	150	150
Ognian Palaveev	Member	187 520	187 520
Alexandar Tchaoushev	Member	111 142	111 142
Ivan Badinski	Member	350	350

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**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:

	<b>30.9.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term loans granted to related parties	59,399	91,723
Provision for impairment of credit losses	(158)	(118)
Long-term loans granted to related parties, net	59,241	91,605
Receivable under a long-term rental deposit granted	-	189
<b>Total</b>	<b>59,241</b>	<b>91,794</b>

Long-term loans are granted to companies controlled by an associate.

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

Type of currency	Contractual amount '000	Due date	Interest %	30.9.2020		31.12.2019	
				BGN'000	BGN'000	BGN'000	BGN'000
BGN	81,900	31.12.2025	3.00%	57,848	379	81,999	99
EUR	708	31.12.2022	3.33%	1,393	8	-	-
EUR	31,194	31.12.2021	3.50%	-	-	6,890	13
BGN	3,400	31.12.2021	3.00%	-	-	2,716	-
				<b>59,241</b>	<b>387</b>	<b>91,605</b>	<b>112</b>

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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 receivables on long-term deposits as of 31.12.2019 are from a company related through a major shareholder under concluded contracts for rent of administrative offices in the amount of BGN 189 thousand.

## RECEIVABLES FROM RELATED PARTIES

Receivables from related parties by type are as follows:

	<b>30.9.2020</b>	<b>31.12.2019</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Trade loans granted	5,200	6,054
<i>Provision for impairment of credit losses</i>	-	(6)
Trade loans granted, net	<u>5,200</u>	<u>6,048</u>
Receivables from contracts with customers	912	1,108
<i>Provision for impairment of credit losses</i>	(54)	(44)
Receivables from contracts with customers, net	<u>858</u>	<u>1,064</u>
<b>Total</b>	<b><u>6,058</u></b>	<b><u>7,112</u></b>

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>30.9.2020</i>		<i>31.12.2019</i>	
				<i>BGN'000</i>	<i>BGN'000 incl. interest</i>	<i>BGN'000</i>	<i>BGN'000 incl. interest</i>
<b><i>To company controlled through an associate</i></b>							
<i>BGN</i>	5,990	31.12.2020	3.10%	5,151	13	5,999	-
<i>BGN</i>	190	31.12.2020	3.50%	<u>49</u>	<u>-</u>	<u>49</u>	<u>-</u>
<b>Total:</b>				<b><u>5,200</u></b>	<b><u>13</u></b>	<b><u>6,048</u></b>	<b><u>-</u></b>

***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).

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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>30.9.2020</i>	<i>31.12.2019</i>
	<i>BGN'000</i>	<i>BGN'000</i>
<b>Balance at 1 January</b>	<u>50</u>	<u>38</u>
Increase in the corrective for credit losses recognised in profit or loss for the year, net	4	12
<b>Balance at 30 September / 31 December</b>	<u>54</u>	<u>50</u>

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

	<i>30.9.2020</i>	<i>31.12.2019</i>
	<i>BGN'000</i>	<i>BGN'000</i>
up to 30 days	204	27
from 31 to 90 days	45	77
<b>Total:</b>	<u>249</u>	<u>104</u>

## 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:

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	Maturity period	Type of currency	Amount		Debt status
			Original		30.09.2020
			Currency	BGN'000	BGN'000
“Doverie Obedinen Holding” AD	2027	BGN	30,000	30,000	30,000
“Doverie Obedinen Holding” AD	2021	EUR	5,000	9,779	9,779
“Doverie – Capital” AD	2021	EUR	3,000	5,867	2,151
“Energoinvestments” AD	2021	BGN	2,000	2,000	798
“Pharmaplant” AD	2023	EUR	235	460	186
“Mineralcommerce” AD	2020 – 2021	BGN	451	451	83
<b>Total</b>					<b>42,997</b>

### **Bank guarantees**

#### ***“Sopharma Trading” AD***

The bank guarantees issued for the Company amounted to BGN 13,525 thousand (31.12.2019: BGN 10,344 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:

	30.09.2020	31.12.2019
	BGN '000	BGN '000
“SG Expressbank” AD	4,732	2,214
Raiffeisenbank” EAD	4,451	3,603
“ING Bank” N.V.	4,342	4,527
	<b>13,525</b>	<b>10,344</b>

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 2019: BGN 2,934 thousand).
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2019: BGN 2,347 thousand).

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***“Sopharma Trading” D.o.o.***

The bank guarantees issued for the company amount to BGN 6,644 thousand (31 December 2019: BGN 4,477 thousand) and are for guaranteeing payment to suppliers of goods, for good performance - guaranteeing future deliveries of medicinal and medical products to hospitals under concluded contracts for delivery, customs guarantee and participation in tenders.

Bank guarantees are issued by:

	<b><i>30.09.2020</i></b>	<b><i>31.12.2019</i></b>
	<b><i>BGN '000</i></b>	<b><i>BGN '000</i></b>
“Raiffeisenbank” AD	2,460	1,158
“SG Expressbank” AD	2,221	2,221
“Eurobank” AD Belgrade	1,963	1,098
	<b><u>6,644</u></b>	<b><u>4,477</u></b>

***Insurance of performance guarantees***

***“Sopharma Trading” AD***

As at 30 September 2020 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 3,809 thousand (31 December 2019: BGN 4,235 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 15,250 thousand as at 30 September 2020 (31 December 2019: BGN 8,666 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 acquisition of fixed assets, reconstruction of buildings, technological renovation and modernization of tablet production facilities, implementation of innovative products in the ampoule production section, the acquisition of general-purpose ventilation and air-conditioning installations for the production of medical products and the introduction of innovative artificial tear-drops. The Company undertook a commitment that for a period of 5

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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 hermitization 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 related to improving the efficiency of enterprises and developing a favorable business environment. 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

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for improving energy efficiency. The project is worth BGN 4,999 thousand and has a 24 months implementation period. As at 30 September 2020 an advance payment under the contract was received in the amount of BGN 2,493 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.

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Ognian Donev, PhD  
Executive Director

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