

**Additional information under art. 33, par. 1, item 7
of Ordinance № 2 from 17 September 2003 of
"Sopharma" AD as at 30 June 2017**

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 2017 – 30 June 2017.

2. Information about changes in the economic group of the issuer as at 30 June 2017:

On 5 January 2017, a merger agreement was announced in the USA between Achieve Life Science, Inc., a company in which Sopharma AD holds 4.7% of the capital (Note 20), and OncoGenex Pharmaceuticals, Inc. The agreement has been submitted for consideration to the Securities and Exchange Commission (SEC). After the approval thereby, the name of the combined company will be renamed to Achieve Life Sciences Inc. and will be a public company and registered for trade in NASDAQ. Thus, it will have an easier access to capital, if additional capital is needed, for the purposes of obtaining an approval from the Food and Drug Administration for selling Tabex in the USA. As a result of the above described actions, Sopharma AD will hold 423,000 shares (3.525%) of the capital of Achieve Life Sciences Inc. In June, an approval was received from the American Securities and Exchange Commission for the merger of Achieve Life Sciences and OncoGenex Pharmaceuticals. OncoGenex's shareholders will vote on the transformation on 1 August 2017, and as a result, the newly formed company will start trading at NASDAQ with ticker ACHV.

On 31 January 2017, an agreement for transformation through a merger was concluded between Sopharma AD (receiving company) and Medica AD (transforming company) laying down the way in which the transformation would be made. The fair value of the shares of the parties, involved in the transformation, has been determined on the basis of the generally accepted valuation methods resulting in an exchange ratio of 0.9486. On 24 March 2017, an Annex signed between Sopharma AD (receiving company) and Medica AD (transforming company) and updated justification of the fair prices of both companies, in line with the instructions of the Financial Supervision Commission (FSC), were submitted to the FSC for consideration. Pursuant to Art. 261b (1) of the Commercial Act, each shareholder shall receive 0.8831 shares of the capital of Sopharma AD for one share of Medica AD. All other conditions concerning the merger procedure are laid down in the Transformation Agreement. At the date of issue of these financial statements, the FSC has approved the transformation agreement under Art. 124 of the Public Offering of Securities Act (POSA).

On 22 February 2017 the company Medica Zdrave EOOD was deleted from the Commercial Register by the Register Agency.

On 27 February 2017 the Competition Council of The Republic of Moldova allows the acquisition of over 51% of RAP Pharma International Ltd. by Sopharma AD.

On 17 March 2017 Sopharma AD made a tender offer under Article 149, para 6 of the Public Offering of Securities Act to purchase the shares of the remaining shareholders of Unipharm AD at a price of BGN 4,350 per share. The tender offeror states that it does not own 1 342 234 shares representing 22.37% of the total number of ordinary shares with ISIN code BG1100154076 and from the votes in the General Meeting of Unipharm AD and makes this Offer to the other holders of ordinary shares of Unipharm AD. On 25 April 2017 Sopharma AD submitted to the FSC a correction of the tender offer pursuant to Art. 149, para. 6 of the Public Offering of Securities Act for the purchase of the shares of the remaining shareholders of Unipharm AD at a price of BGN 4,350 per share. On 16.05.2017 the Financial Supervision Commission (FSC) approved the tender offering.

On 14 April 2017 Sopharma AD after receiving a permission from the Moldova Competition Commission, Sopharma AD acquired 51% of the Moldova pharmaceutical distributor RAP Pharma International.

In July "Sopharma" AD acquired 75% from the capital of the successful start-up for development and registration of food additives "Aromania" (www.arolife.bg).

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 2017, Company's tangible fixed assets include: land amounting to BGN 35,196 thousand (31 December 2016: BGN 34,621 thousand) and buildings of carrying amount BGN 84,355 thousand (31 December 2016: BGN 85,415 thousand).

Tangible fixed assets in progress as at 30 June include:

- advances for the purchase of machinery and equipment – BGN 1,743 thousand (31 December 2016: BGN 568 thousand);
- expenses on new buildings construction – BGN 705 thousand (31 December 2016: BGN 271 thousand);
- other – BGN 132 thousand (31 December 2016: BGN 82 thousand).
- buildings reconstruction - none (31 December 2016: 1,316 thousand);

As at 30 June, 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 (*Note 29*) as follows:

- for a new tablet production facility at the amount of BGN 7,117 thousand (31 December 2016: BGN 7,429 thousand);
- for ampoule production at the amount of BGN 5,254 thousand (31 December 2016: BGN 5,457 thousand).

The amount of other assets as at 30 June 2017 includes also biological assets – Golden Chain (*Laburnum anagyroides*) plantation at the amount of BGN 134 thousand (31 December 2016: BGN 134 thousand).

The following encumbrances were constituted on Company's tangible fixed assets as at 31 March 2017 in relation to received loans:

- Land and buildings with a carrying amount of BGN 22,415 thousand and BGN 57,544 thousand, respectively (31 December 2016: respectively, BGN 22,415 thousand and BGN 58,159 thousand);
- Pledges on equipment – BGN 41,238 thousand (31 December 2016: BGN 42,028 thousand)

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

		30.06.2017	Interest	31.12.2016	Interest
		BGN '000	%	BGN '000	%
Medica AD	Bulgaria	32,874	97.96	32,874	97.96
Unipharm AD	Bulgaria	31,670	96.68	26,749	77.88
Sopharma Trading AD	Bulgaria	29,164	72.16	29,096	72.14
Briz SIA	Latvia	22,270	66.13	22,270	66.13
Sopharma Ukraine EOOD	Ukraine	11,783	100.00	11,783	100.00
Biopharm Engineering AD	Bulgaria	8,384	97.15	8,384	97.15
Veta Pharma AD	Bulgaria	6,549	68.05	6,549	68.05
Momina Krepost AD	Bulgaria	4,874	93.54	4,874	93.54
Vitamina AD	Ukraine	1,980	99.56	1,980	99.56
Pharmalogistica AD	Bulgaria	1,261	89.39	1,190	84.93
Sopharma Buildings REIT	Bulgaria	567	40.38	568	40.39
TOO Sopharma Kazakhstan, Kazakhstan	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	-	-
Phyto Palauzovo AD	Bulgaria	57	95.00	57	95.00
Total		152,935		147,583	

As at 30 June 2017, the composition of investments in the subsidiaries includes the investment in Sopharma Poland OOD – in liquidation, Poland, which is fully impaired (31 December 2016: 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 since the end of the preceding quarter;

SHAREHOLDERS	Number of shares		/ % /	
	30.06.2017 г.		31.12.2016 г.	

„Donev Investments Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	33 892 318 / 25,14% /	33 404 466 / 24,78%		
“Telecomplect Invest” AD, EIK 201653294, Sofia, Slaveikov Square № 9	27 516 752 / 20,15%/	27 156 752 /20,15%/		
„Rompharm Company” OOD EIK 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	24 313 355 /18,04%/	24 313 355/18,04%/		
„ZUPF Allianz Bulgaria“ EIK 130477720, Sofia, 42 „Damian Gruev“Str	6 970 395 /5,17%/	6 970 395 /5,17%/		

6. 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 since the end of the preceding quarter:

Members of the Board of Directors	Number of shares		Number of shares	
	30.06.2017 г.		31.12.2016 г.	

1. Ognian Ivanov Donev	346 000		246 600	
2. Vessela Liubenova Stoeva	0		0	
3. Andrey Liudmilov Breshkov	0		0	
4. Ognian Kirilov Palaveev	120 430		120 430	
5. Alexander Viktorov Chaushev	104 462		59 462	

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:

	30.06.2017	31.12.2016
	BGN '000	BGN '000
Long-term loans granted	11,277	10,780
Long-term rental deposit granted	238	231
Total	11,515	11,011

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

Currency	Contracted amount	Maturity	Interest %	30.06.2017		31.12.2016	
				BGN '000	BGN '000	BGN '000	BGN '000
	'000						
					including interest		including interest
EUR	18,094	01.12.2018	3.50%	10,262	3	9,797	18
EUR	500	01.03.2019	6.60%	1,015	37	983	-
				11,277	40	10,780	18

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.

Receivables from related parties include:

	30.06.2017	31.12.2016
	BGN '000	BGN '000
Receivables from subsidiaries	81,914	62,886
<i>Impairment of uncollectable receivables</i>	<i>(1,253)</i>	<i>(3,243)</i>
	<u>80,661</u>	<u>59,643</u>
Receivables from companies related through key managing personnel	42,443	11,593
<i>Impairment of uncollectable receivables</i>	<i>(672)</i>	<i>(269)</i>
	<u>41,771</u>	<u>11,324</u>
Receivables from other related parties	87	96
Receivables from companies related through a main shareholder	-	13
Total	122,519	71,076

The receivables from related parties by type are as follows:

30.06.2017	31.12.2016
BGN '000	BGN '000

Receivables on sales of finished products and materials	61,482	53,162
<i>Impairment of uncollectable receivables</i>	<i>(411)</i>	<i>(1,134)</i>
	<u>61,071</u>	<u>52,028</u>
Trade loans granted	55,607	21,426
<i>Impairment of uncollectable receivables</i>	<i>(1,514)</i>	<i>(2,378)</i>
	<u>54,093</u>	<u>19,048</u>
Total	<u>7,355</u>	<u>-</u>
	<u>122,519</u>	<u>71,076</u>

The receivables on sales are interest-free and BGN 44,290 thousand of them are denominated in BGN (31 December 2016: BGN 37,813 thousand) and in EUR – BGN 16,781 thousand (31 December 2016: BGN 14,251 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and amounted to BGN 44,240 thousand as at 30 June 2017 or 72.44 % of all receivables on sales of finished products and materials to related parties (31 December 2016: BGN 37,788 thousand – 72,63%).

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

	30.06.2017	31.12.2016
	BGN '000	BGN '000
Receivables from companies related through key managing personnel	42,443	11,593
<i>Impairment of commercial loans</i>	<i>(672)</i>	<i>(269)</i>
	<u>41,771</u>	<u>11,324</u>
Subsidiaries	13,077	9,737
<i>Impairment of commercial loans</i>	<i>(842)</i>	<i>(2,109)</i>
	<u>12,235</u>	<u>7,628</u>
Other related parties	87	96
Total	<u>54,093</u>	<u>19,048</u>

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

Currency	Contracted amount '000	Maturity	Interest %	30.06.2017		31.12.2016	
				BGN '000	BGN '000 including interest	BGN '000	BGN '000 including interest
to companies related through key managing personnel							
BGN	36,000	31.12.2017	3.50%	35,723	150	4,472	72
EUR	8,149	31.12.2017	4.10%	6,048	-	6,292	5
EUR	12,807	31.12.2017	3.05%	-	-	560	1
to subsidiaries							
BGN	11,979	31.12.2017	4.10%	7,042	126	2,670	66

EUR	2,770	31.12.2017	4.70%	4,702	-	4,957	-
EUR	350	10.05.2018	3.95%	491	3	-	-
BGN	600	31.12.2017	3.50%	-	-	1	-
to other related parties							
BGN	190	31.12.2017	3.50%	87	-	96	-
				54,093	279	19,048	144

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 *payables to related parties* refer to:

	30.06.2017	31.12.2016
	BGN '000	BGN '000
Payables to main shareholding companies	6,155	14
Payables to companies related through key managing personnel	862	215
Payables to subsidiaries	256	260
Payables to companies related through a main shareholder	182	8
Payables to other related parties	8	-
Total	7,463	497

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

	30.06.2017	31.12.2016
	BGN '000	BGN '000
Dividend payables		
Supply of services	6,701	-
Supply of inventories	421	336
Supply of LTA	294	137
Obligations for increasing the capital of a subsidiary	35	-
Total	12	24
	7,463	497

The trade payables to related parties are regular and interest-free. The payables in Bulgarian Levs amount to BGN 7,382 thousand (31 December 2016: BGN 467 thousand), in PLN – BGN 53 thousand (31 December 2016: BGN 30 thousand) and in EUR BGN 28 thousand (31.12.2016: none).

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	30.06.2017 BGN '000

Sopharma Trading AD	2017 - 2021	EUR	64,316	125,789	89,062
Sopharma Properties REIT	2024	EUR	22,619	44,240	25,456
Sopharma Trading AD	2017	BGN	14,732	14,732	13,324
OAo Vitamini	2017	EUR	7,000	13,691	4,531
Brititrade SOOO	29.09.2017	EUR	1,500	2,934	2,934
Sopharma Ukraine EOOD	2017	EUR	7,000	13,691	2,101
Biopharm Engineering AD	2023	BGN	4,250	4,250	1,203
Veta Pharma AD	2018	BGN	1,000	1,000	454
Mineralcommerce AD	2017 - 2021	BGN	726	726	645
Total					139,710

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

(a) under loans of subsidiaries:

- Mortgages of real estate with a carrying amount of BGN 10,339 thousand as at 30 June 2017 (31 December 2016: BGN 10,368 thousand);
- Special pledges on:
 - machinery and equipment with a carrying amount of BGN 10,688 thousand as at 30 June 2017 (31 December 2016: BGN 11,005 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 30 June 2017 (31 December 2016: BGN 17,000 thousand);
 - trade receivables with a carrying amount of BGN 11,735 thousand as at 30 June 2017 (31 December 2016: BGN 11,735 thousand).

Ognian Donev ,
Executive director