

**TO THE GENERAL MEETING
OF SHAREHOLDERS
OF SOPHARMA AD**

REPORT ON THE ACTIVITY OF THE AUDIT COMMITTEE - 2017

DEAR SHAREHOLDERS,

THIS REPORT IS PREPARED AND APPROVED IN THE CASE OF THE PERFORMANCE OF THE WORK FOR THE COMPOSITION, APPROVAL AND THE AUDIT OF THE FINANCIAL STATEMENT OF THE COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENT OF SOPHARMA GROUP FOR 2017.

THE AUDIT COMMITTEE HAS BEEN ELECTED BY THE GENERAL MEETING OF SHAREHOLDERS OF SOPHARMA AD ON 02 JUNE 2017 ON THE BASIS OF ART. 107 OF THE INDEPENDENT FINANCIAL AUDIT ACT (IFAA), OF THREE MEMBERS WITH A TREE-YEAR MANDATE:

1. VASIL NAIDENOV - CHAIRMAN AND
2. TSVETANKA ZLATEVA 3. KRISTINA ATANASOVA – MEMBERS

IN THIS COMPOSITION THE AUDIT COMMITTEE HAS PERFORMED ITS FUNCTIONS DURING THE REPORTING YEAR 2017, IN ACCORDANCE WITH ART. 108 OF IFAA, APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS STATUS OF THE AUDIT COMMITTEE AND IN ACCORDANCE WITH THE OTHER REQUIREMENTS OF THE NEW ACT ON THE INDEPENDENT FINANCIAL AUDIT OF NOVEMBER 2016.

AT ITS MEETING, THE AUDIT COMMITTEE APPROVED A WORKING PLAN DURING THE REPORTING PERIOD AND IDENTIFIED THE MAIN DIRECTIONS AND OBJECTIVES IN ITS ACTIVITIES. IN ACCORDANCE WITH THE MAIN DIRECTIONS OF ITS WORK, THE AUDIT COMMITTEE DIRECTED ITS ACTIVITY IN THE PAST REPORTING YEAR - 2017 TO:

- AGREEMENT BY THE COMMITTEE OF "LETTER OF AUDIT ENGAGEMENT - CONTRACT FOR THE YEAR ENDING 31 DECEMBER 2017", WHICH UNDERTOOK AN AUDIT ENGAGEMENT TO PERFORM AN INDEPENDENT FINANCIAL AUDIT OF THE FINANCIAL STATEMENT OF SOPHARMA AD AND THE CONSOLIDATED FINANCIAL STATEMENT OF SOPHARMA GROUP FOR 2017;
- ASSISTANCE IN IMPROVING THE EFFECTIVENESS OF THE FINANCIAL REPORTING PROCESSES IN ACCORDANCE WITH THE PERIODIC FINDINGS OF THE INDEPENDENT FINANCIAL AUDIT;
- PARTICIPATION IN THE MONITORING OF THE INTERNAL CONTROL POLICIES IMPLEMENTED BY THE MANAGEMENT OF THE COMPANY AND INCREASE OF THEIR EFFECTIVENESS;
- ACQUAINTANCE WITH THE APPROACHES FOR MONITORING AND MANAGEMENT OF THE RISKS IN SOPHARMA AD;

- MONITORING OF THE ACTIVITY OF THE INDEPENDENT FINANCIAL AUDIT, TAKING INTO ACCOUNT THE FINDINGS AND CONCLUSIONS OF THE COMMISSION FOR PUBLIC SUPERVISION OF THE REGISTERED AUDITORS FOR THE APPLICATION OF ART. 26, PARA 6 OF REGULATION (EU) Nº 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 APRIL 2014 LAYING DOWN SPECIFIC REQUIREMENTS FOR THE STATUTORY AUDIT OF PUBLIC-INTEREST ENTITIES AND REPEALING COMMISSION DECISION 2005/909/EC (REGULATION / Nº 537/2014);
- MONITORING THE COMMUNICATION PROCESS AND THE EXCHANGE OF INFORMATION BETWEEN THE INDEPENDENT AUDITOR AND THE FINANCIAL DIRECTIONS AND THE MANAGEMENT OF THE COMPANY, AND HELPING TO INCREASE ITS EFFECTIVENESS;
- VERIFICATION AND MONITORING OF THE INDEPENDENCE OF THE REGISTERED AUDITORS OF THE COMPANY IN ACCORDANCE WITH THE REQUIREMENTS OF CHAPTERS SIX AND SEVEN OF THE NEW INDEPENDENT FINANCIAL AUDIT / SG Nº 95 FROM 19 NOVEMBER 2016/ AS WELL AS ART. 6 OF REGULATION (EC) Nº 537/2014, INCLUDING THE EXPEDIENCE OF PROVIDING SERVICES OUTSIDE THE AUDIT (IF ANY) OF THE AUDITED COMPANY UNDER ART. 5 OF THAT REGULATION;
- TO PREPARE A RECOMMENDATION FOR THE ELECTION OF A REGISTERED AUDITOR OF THE FINANCIAL STATEMENT OF THE COMPANY FOR 2018 BY THE GENERAL MEETING OF SHAREHOLDERS AND ITS APPOINTMENT UNDER THE INDEPENDENT FINANCIAL AUDIT ACT AND ART. 16 OF REGULATION /EC/ Nº 537/2014, IF NECESSARY BY IMPLEMENTING A SELECTION PROCEDURE.

PERMANENT OBJECTIVE OF THE AUDIT COMMITTEE IS TO GUARANTEE THE SHAREHOLDERS THE INDEPENDENCE AND OBJECTIVENESS OF THE EXTERNAL INDEPENDENT AUDITOR IN FULFILLING ITS RESPONSIBILITIES AND TO EXPRESS THE VIEWS OF THE TEAM REGARDING THE CORRECTNESS OF THE FINANCIAL AND ACCOUNTING REPORTING AND THE SYSTEM FOR INTERNAL CONTROL IN THE COMPANY. THE MAIN OBJECTIVE OF THE AUDIT COMMITTEE IS TO ENSURE THE EFFECTIVENESS AND QUALITATIVE REALIZATION OF ITS ROLE IN SELECTING AN AUDITOR TO BE ENTRUSTED WITH THE FINANCIAL AUDIT OF THE COMPANY IN THE NEXT REPORTING PERIOD.

THE FOLLOWING ACTIVITIES WERE CONDUCTED AS PART OF THE EXECUTION OF THE ACTION PLAN OF THE AUDIT COMMITTEE:

PURSUANT TO ART. 12, ITEM 11 OF THE STATUTE OF THE AUDIT COMMITTEE, WAS THE OPINION OF THE COMMITTEE REGARDING THE CONTRACT FOR THE ASSIGNMENT OF AN AUDIT ENGAGEMENT FOR THE INDEPENDENT FINANCIAL AUDIT OF THE FINANCIAL REPORT OF SOPHARMA AD FOR THE YEAR 2017 PRECEDING ITS CONCLUSION. IN FULFILLMENT OF ITS DUTY, THE AUDIT COMMITTEE HAS BROUGHT TO THE MANAGEMENT'S ATTENTION A DETAILED POSITION ON THE CONTRACT BY GIVING PRIORITY TO THE PROVISIONS ENSURING THE INDEPENDENCE OF THE AUDITOR AS WELL AS THOSE CONCERNING THE PROVISION OF THE AUDITOR'S ACCESS TO FINANCIAL ACCOUNTING INFORMATION FOR THE PURPOSES OF FULL AND PROPER IMPLEMENTATION OF THE AUDIT ENGAGEMENT. PARTICULAR ATTENTION WAS PAID TO THE AUDIT TIMETABLE WITH SPECIFIC DEADLINES, ENSURING THE TIMELY EXCHANGE OF INFORMATION BETWEEN THE COMPANY AND THE AUDITOR AND THE COMPLETE AND ACCURATE IMPLEMENTATION OF THE AUDITING PROCEDURES. THE POSITIVE RESULT IS THAT ALL THE OBSERVATIONS AND SUGGESTIONS OF THE

AUDIT COMMITTEE PROVED TO BE SIGNIFICANT AND WERE ACCEPTED BY THE MANAGEMENT OF THE COMPANY AND THE INDEPENDENT AUDITOR.

IN COMPLIANCE WITH THE STATUTORY REQUIREMENTS, THE AUDIT COMMITTEE WAS CURRENTLY INFORMED BY THE INDEPENDENT AUDITOR OF THE PROGRESS OF THE INDEPENDENT STATUTORY FINANCIAL AUDIT, TO COMPLY WITH THE INITIAL DEADLINES SET IN THE AUDIT PROGRAM. A DETAILED THEMATIC SCOPE OF THE PROCESSES FOR THE INVESTIGATION OF SIGNIFICANT RISKS IDENTIFIED DURING THE AUDIT OF THE FINANCIAL STATEMENTS OF SOPHARMA AD AND THE CONSOLIDATED FINANCIAL STATEMENT OF SOPHARMA GROUP WAS ESTABLISHED. AT EACH OF THE STAGES OF THE AUDIT, THE REGISTERED AUDITOR COMMUNICATES WITH THE COMMITTEE THE FINDINGS MADE.

THERE HAVE BEEN CONSULTATIVE MEETINGS WITH REPRESENTATIVES OF THE MANAGEMENT RELATED TO FINANCIALS, ACCOUNTING, REPORTING AND INTERNAL CONTROL. THE FINDINGS ARE THAT THE MANAGEMENT APPLIES AN APPROPRIATE ACCOUNTING POLICY, DIRECTLY CONTROLS THE PROCESSES OF FINANCIAL ACCOUNTING AND IS IN CONSTANT PROCESS OF ELABORATION AND IMPROVEMENT OF THE APPROVED INTERNAL CONTROL SYSTEM.

THE MEMBERS OF THE AUDIT COMMITTEE HELD A SPECIAL CONSULTATIVE MEETING WITH THE CHIEF ACCOUNTANT OF SOPHARMA AD AND WITH A DEPUTY "REPORTING" DEPARTMENT. THIS MEETING DISCUSSED THE ISSUES OF QUALITY INDICATORS OF ACCOUNTING, ITS COMPLETENESS, INTELLIGIBILITY AND RELIABILITY, COMMUNICATION WITH AUDITORS. FROM THE INFORMATION OBTAINED, THE AUDIT COMMITTEE FINDS THAT THE COMPANY HAS ESTABLISHED A LEAN ORGANIZATION FOR REPORTING THE FINANCIAL YEAR, APPLYING AN ADEQUATE ACCOUNTING POLICY THAT COMPLIES WITH INTERNATIONAL ACCOUNTING STANDARDS. IT WAS FOUND THAT THE FINANCIAL-ACCOUNTING TEAM WORKED WITH THE INDEPENDENT AUDITOR, SUBJECT TO THE DEADLINES SET IN THE AUDIT PROGRAM. FOR THE IMPROVEMENT OF THE QUALITY OF THE WORK IN THE REPORTING OF THE FINANCIAL YEAR OF THE GROUP, A DEPARTMENT FOR THE WORK WITH THE SUBSIDIARIES COMPANIES IS ESTABLISHED. THE AUDITOR REPRESENTS THE AUDIT COMMITTEE THAT THE AUDIT HAS RECEIVED ALL DOCUMENTS AND EXPRESSIONS REQUIRED BY THE AUDITED COMPANY AND THE SUBSIDIARIES SUBJECT TO CONSOLIDATION BY THE GROUP.

DISCUSSIONS WERE CONDUCTED WITH THE MANAGEMENT ON PLANS TO IMPROVE INTERNAL CONTROL SYSTEMS AND THE QUALITY AND EFFICIENCY OF THEIR WORK. ON THE BASIS OF THE INFORMATION PROVIDED ON INTERNAL CONTROL DURING THE REPORTING PERIOD, THE AUDIT COMMITTEE IDENTIFIED CLEARLY SET OBJECTIVES FOR THE ACTIVITY, SATISFACTORY CONTROLS AND OBSERVANCE OF A SET OF BEHAVIORAL AND TECHNICAL PRINCIPLES, RULES, PROCEDURES AND CONTROL ACTIONS THAT WERE SPECIFICALLY DEVELOPED AND ADAPTED TO THE SPECIFICS OF THE COMPANY. ALL THESE QUESTIONS ARE DISCUSSED WITH THE GUIDE. THE AUDIT COMMITTEE RECEIVED AN ASSURANCE FROM THE MANAGEMENT THAT IT CONTINUED TO WORK IN THE DIRECTION OF BETTER STAFFING OF THE UNIT AND INCREASING THE EFFICIENCY OF ITS ACTIVITY.

AT THE SAME TIME, OUR IMPRESSIONS OF THE PERIOD ARE THAT THE BASIC PRINCIPLES AND METHODS APPLIED BY THE GUIDE TO PREVENTING AND DETECTING ERRORS, ABUSES AND FALSE EXPOSITIONS HAVE BEEN CONSOLIDATED. ALL ACTIONS IN THIS DIRECTION ARE AIMED AT ACHIEVING THE RELIABILITY OF INFORMATION, OBJECTIVITY AND CORRECTNESS OF ACCOUNTABILITY.

THE MEMBERS OF THE AUDIT COMMITTEE HELD MEETINGS WITH LEADING OFFICERS IN CHARGE OF FINANCIAL ACCOUNTING, ACCOUNTABILITY AND OVERSIGHT AT THE COMPANY. THIS MONITORING DID NOT REVEAL GAPS, LACK OF CREDIBILITY OF FINANCIAL INFORMATION OR NON-COMPLIANCE WITH THE FINANCIAL REPORTING POLICY OF BUSINESS OPERATIONS. NO FINDINGS WERE MADE IN THE COURSE OF THE IMPLEMENTATION OF THE AUDIT PROGRAM FOR INDEPENDENT FINANCIAL AUDIT THAT WERE NOT TAKEN INTO ACCOUNT BY THE RESPONSIBLE SPECIALISTS, NOT REFLECTED IN THE REPORTS. THIS ADDITION CONTRIBUTES TO THE RELIABILITY OF FINANCIAL REPORTING.

IT SHOULD BE NOTED THAT THE FINANCIAL REPORTING SYSTEM OF THE BUSINESS, AS FAR AS WE ARE AWARE, FAITHFULLY PRESENTS THE FINANCIAL POSITION OF THE COMPANY. THE INFORMATION GIVEN IN THE ANNUAL REPORT OF THE COMPANY'S MANAGEMENT GUIDE CORRESPONDS TO ALL MATERIAL ASPECTS OF THE INFORMATION PRESENTED AND DISCLOSED IN THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY AS AT 31 DECEMBER 2017 PREPARED IN ACCORDANCE WITH INTERNATIONAL STANDARDS.

DURING THE REPORTING PERIOD, THE AUDITOR WAS GIVEN SPECIAL ATTENTION BY THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS OF SOPHARMA AD AND SOPHARMA GROUP AND THE ISSUES MENTIONED IN "THE AUDIT SCOPE" SECTION OF THE AUDIT ENGAGEMENT LETTER DATED 25 JULY 2017 THE AUDIT PROGRAM PRESENTED AND THE TIMETABLE FOR AN INDEPENDENT FINANCIAL AUDIT, OUR OBSERVATION AND COMMUNICATION, ARE CORRECTLY IMPLEMENTED. IN THIS REGARD, THE INDEPENDENT AUDITOR IDENTIFIED IN HIS REPORT TO THE AUDIT COMMITTEE REGARDING THE AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENTS AND THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS THE ABSENCE OF IDENTIFIED MATERIAL GAPS IN THE ACCOUNTING SYSTEM AND INTERNAL FINANCIAL CONTROL SYSTEM, WHICH GIVES US REASON TO ASSUME THAT THESE SYSTEMS FUNCTION FULLY. THIS IS CONFIRMED IN THE EXPRESSED "OPINION" OF AUDITORS IN THE INDEPENDENT AUDITOR'S REPORT "IN OUR OPINION, THE ACCOMPANYING INDIVIDUAL FINANCIAL STATEMENTS GIVE A TRUE AND FAIR VIEW OF THE FINANCIAL POSITION OF THE COMPANY 31 DECEMBER 2017 AND ITS FINANCIAL PERFORMANCE AND ITS CASH FLOWS FOR THE YEAR ENDED ON THIS DATE IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), APPROVED BY THE EUROPEAN UNION /EU/; IN THE AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO WHICH: IN OUR OPINION, THE CONSOLIDATED FINANCIAL STATEMENTS GIVE A TRUE AND FAIR VIEW OF THE FINANCIAL POSITION OF THE GROUP AT 31 DECEMBER 2017 AND OF ITS FINANCIAL PERFORMANCE AND ITS CASH FLOWS FOR THE YEAR CONCLUDING ON THIS DATE IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) APPROVED BY THE EUROPEAN UNION /EU/.

DISCUSSIONS WITH THE MANAGEMENT ALSO DISCUSSED THE APPROACHES TO RISK MONITORING AND MANAGEMENT. THE MANAGEMENT HAS IDENTIFIED THE POSSIBLE RISKS TO WHICH THE COMPANY IS EXPOSED IN RELATION TO ITS ACTIVITIES. THE BOARD OF DIRECTORS HAS ADOPTED BASIC PRINCIPLES FOR GENERAL FINANCIAL RISK MANAGEMENT, ON THE BASIS OF WHICH SPECIFIC PROCEDURES ARE DEVELOPED TO MANAGE SPECIFIC RISKS SUCH AS CURRENCY, PRICE, INTEREST, CREDIT, LIQUIDITY AND RISK IN THE USE OF NON-DERIVATIVE INSTRUMENTS. RULES ON INTERNAL CONTROL AND RISK MANAGEMENT HAVE BEEN DEVELOPED AND APPLIED. AN ADEQUATE POLICY IN RELATION TO THE RISK PRECISION AND PREVENTION OF THE ACTION WHICH HAS BEEN DEFINED IN THE MANAGEMENT REPORT OF SOPHARMA AD AND SOPHARMA GROUP FOR 2017 AND IN THE DECLARATIONS OF CORPORATE GOVERNANCE AS REFERRED TO IN ART. 40 OF THE ACCOUNTANCY LAW AND ART. 100N, PARA 8 OF THE LAW ON PUBLIC OFFERING SECURITIES.

IT IS ALSO NOTED THAT IN ACCORDANCE WITH THE PUBLIC OFFERING OF SECURITIES ACT AND THE NORMATIVE ACTS ON ITS IMPLEMENTATION, THE NECESSARY FINANCIAL REPORTS HAVE BEEN PREPARED AND SUBMITTED TO THE FINANCIAL SUPERVISION COMMISSION, THE REGULATED MARKET AND THE PUBLIC, WITHIN THE STATUTORY TERMS, ENSURING THE PUBLICITY IN THE WORK OF THE COMPANY.

THE AUDIT COMMITTEE DID NOT RECEIVE REPORTS OF IRREGULARITIES IN THE COMPANY'S ACTIVITIES, DAMAGING THE INTERESTS OF THE SHAREHOLDERS. NO GRIEVANCE AND IRREGULARITY SIGNALS WERE ALSO RECEIVED WHEN THE INDEPENDENT FINANCIAL AUDITOR.

DURING THE REPORTING PERIOD THE AUDIT COMMITTEE ASSISTS IN ENSURING THE GOOD CONDITIONS CREATED BY THE MANAGEMENT OF THE COMPANY AND THE RESPONSIBLE EMPLOYEES IN ORDER TO ACHIEVE AN ENVIRONMENT THAT ENSURES TRANSPARENCY AND COMPLETE INDEPENDENCE IN THE PROCESS OF PERFORMING THE AUDITOR'S DUTIES. THE COMPLIANCE WITH THE DEADLINES FOR PROVIDING THE INFORMATION REQUIRED TO THE AUDITOR BY THE RESPONSIBLE EMPLOYEES OF THE COMPANY HAS BEEN ESTABLISHED. THE MAIN FINDINGS OF THE INTERIM AND FINAL AUDITS WERE TAKEN INTO ACCOUNT IN THE PREPARATION OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE REPORTING 2017. ADDITIONAL, INDEPENDENT AUDITOR PREPARED AND SEND TO THE INSPECTORS' AUDITORS INSTRUCTIONS IN ORDER TO COLLECT SUFFICIENT PROOF IN CONNECTION WITH THE EXPRESSION OF AN AUDIT OPINION TO THE CONSOLIDATED FINANCIAL STATEMENTS.

THE AUDIT COMMITTEE FINDS, IN THE COURSE OF COMMUNICATION WITH THE INDEPENDENT REGISTERED AUDITOR, THAT THE OVERALL AUDIT WORK DURING THE REPORTING PERIOD IS EXECUTED RESPONSIBLY AND IN ACCORDANCE WITH THE REGULATORY REQUIREMENTS. THE GOOD PRACTICE OF FINE-TUNING AUDITING AND ITS IMPLEMENTATION IN THREE PHASES HAS BEEN REINFORCED, WHICH PROVIDES PERIODIC REVIEW OF THE INTERMEDIARIES FINANCIAL STATEMENTS, PERFORMANCE MONITORING, AND NON-COMMITTAL PREVENTION.

DURING THE ENTIRE AUDIT PERIOD, THE REGISTERED AUDITOR MAINTAINED COMMUNICATION WITH THE AUDIT COMMITTEE ON THE KEY ISSUES RELATED TO THE IMPLEMENTATION OF THE AUDIT OF THE INDIVIDUAL PHASES, THE PROGRESS OF THE AUDIT AND OTHER ONGOING ISSUES; THE ESSENTIAL ASPECTS AND RISKS TO WHICH THE COMPANY IS EXPOSED ARE CURRENTLY BEING COMMUNICATED. AT A MEETING OF THE AUDIT COMMITTEE WITH THE REGISTERED AUDITOR IN DECEMBER 2017, THE AUDITOR IDENTIFIED SIGNIFICANT RISKS OF MISSTATEMENT AS WELL AS ISSUES OF COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE.

IN ACCORDANCE WITH THE REQUIREMENTS OF THE IFAA (ART. 60 /, THE APPLICABLE AUDITING STANDARDS AND THE PROVISIONS OF ART. 11 OF REGULATION (EC) № 537/2014, THE INDEPENDENT AUDITOR PROVIDED THE AUDIT COMMITTEE WITH A REPORT TO THE AUDIT COMMITTEE OF SOPHARMA AD DATED 27 MARCH 2018 IN COMPLIANCE WITH THE CURRENT AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENTS OF THE COMPANY FOR 2017 AND THE REPORT TO THE AUDIT COMMITTEE OF SOPHARMA AD OF 27 APRIL 2018 ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT OF SOPHARMA GROUP FOR 2017.

THE REGISTERED AUDITOR HAS NOT INFORMED AND HAS NOT INITIATED AN AGREEMENT WITH THE AUDIT COMMITTEE TO PROVIDE ADDITIONAL SERVICES BEYOND THE AUDIT OF THE AUDITED COMPANY. THE AUDIT

COMMITTEE FINDS THAT THE REGISTERED AUDITOR DID NOT PROVIDE ADDITIONAL SERVICES BEYOND THE SCOPE OF THE AUDIT CONTRACT CONCLUDED FOR THE REPORTING PERIOD IN RESPECT OF WHICH THE AUDITOR'S INDEPENDENCE REQUIREMENTS UNDER ART. 64 OF THE IFAA AND ART. 5 OF REGULATION (EU) № 537/2014. IN VIEW OF THE LATTER, DURING THE REPORTING PERIOD THE AUDIT COMMITTEE DID NOT GRANT APPROVALS UNDER ART. 64, PARA 3 OF THE IFAA.

THE AUDITOR HAS CONFIRMED THE ASSESSMENT UNDER ART. 66, PARA 2 AND 3 OF THE IFAA AND ART. 4 OF REGULATION (EC) № 537/2014, AS A RESULT OF WHICH IT WAS FOUND THAT THE REMUNERATION RECEIVED DID NOT EXCEED THE THRESHOLDS LAID DOWN IN THOSE PROVISIONS. IN VIEW OF THE LATTER, DURING THE REPORTING PERIOD THE AUDITOR HAS NOT DETECTED ANY THREATS TO HIS INDEPENDENCE, HAS NOT CONDUCTED COMMUNICATION UNDER ART. 66 OF THE IFAA WITH THE AUDIT COMMITTEE, RESPECTIVELY THE LATTER DID NOT PROVIDE APPROVALS UNDER PARA 3 OF THE SAME PROVISION. ACCORDING TO THE STATUTORY OBLIGATIONS OF THE AUDIT COMMITTEE, A REVIEW OF THE INDEPENDENCE OF THE REGISTERED AUDITOR WAS PERFORMED IN COMPLIANCE WITH THE STATUTORY REQUIREMENTS AND THE CODE OF ETHICS OF PROFESSIONAL ACCOUNTANTS.

THE INDEPENDENT AUDITOR PROVIDED A DECLARATION OF INDEPENDENCE BY THE AUDITED ENTITY, AS WELL AS THE DECLARATIONS OF THE MEMBERS OF THE AUDIT TEAM IN ACCORDANCE WITH THE REQUIREMENTS OF THE INDEPENDENT FINANCIAL AUDIT. NO OTHER AUDITORS AND EXTERNAL EXPERTS WERE USED IN THE AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENTS. IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS, EXTERNAL EXPERTS ARE NOT USED. THE WORK OF THE AUDITORS PERFORMING THE AUDIT OF THE SUBSIDIARIES OF THE COMPANY IS USED. IN THE LIGHT OF THE LAST, THE AUDITOR REPRESENTS TO THE AUDIT COMMITTEE THAT HE HAS REQUIRED AND RECEIVED BY AUDITORS OF THE SUBSIDIARIES CONFIRMATION FOR THEIR INDEPENDENCE TO THE COMPANIES OF THE GROUP. THE AUDITOR HAS CONFIRMED HIS INDEPENDENCE ACCORDING TO THE APPLICABLE REGULATORY REQUIREMENTS, INCL. THE IMPLEMENTATION OF THE PROCEDURES UNDER ART. 53 AND 67 OF THE IFAA FOR THE PREPARATION OF THE FINANCIAL AUDIT AND EVALUATION OF THE THREATS TO INDEPENDENCE, AS WELL AS A QUALITY CONTROL AUDIT OF THE ENGAGEMENT UNDER ART. 68 OF THE IFAA AND ART. 8 OF REGULATION (EC) № 537/2014, PRIOR TO THE ISSUANCE OF THE AUDIT OPINION AND THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE. THE AUDITOR REPORTED ON THE INTERNAL ORGANIZATION OF WORK IN ACCORDANCE WITH ART. 55 OF THE IFAA. THE AUDITOR ALSO CONFIRMED THAT NO VIOLATIONS OF THE IFAA REGULATION (EC) № 537/2014 HAVE BEEN IDENTIFIED. THERE IS NO EVIDENCE OF COMPLAINTS RECEIVED IN CONNECTION WITH THE AUDIT

THE AUDIT COMMITTEE FINDS, ON THE BASIS OF THE SUBMITTED DOCUMENTS, THAT THE REGISTERED AUDITOR MEETS THE CRITERIA OF INDEPENDENCE FROM THE AUDITED ENTITY. IT WAS ALSO FOUND, BY THE DATE OF THIS REPORT, THAT THE INDEPENDENT AUDITOR FULFILLS HIS OBLIGATION TO PUBLISH ON HIS WEBSITE A TRANSPARENCY REPORT THAT INCLUDES REGULATORY INFORMATION.

IN ACCORDANCE WITH ITS OBLIGATION UNDER ART. 108, PARA 1, ITEM 4 OF THE IFAA, THE AUDIT COMMITTEE FOUND THAT THE COMMISSION FOR PUBLIC OVERSIGHT OF THE REGISTERED AUDITORS, ON THE RESULTS PUBLISHED ON ITS WEBSITE PUBLISHED ON 15 DECEMBER 2015 FROM A QUALITY CONTROL AUDIT OF THE REGISTERED AUDITORS PROVIDING SERVICES TO ENTERPRISES WITH PUBLIC INTEREST ACTIVITY FOR 2015, HAS DECLARED FOR "BAKER TILLY CLIENT AND PARTNERS" LTD. REG. № 0129 THAT "FOR THE PERIOD UNDER REVIEW, THE SPECIALIZED AUDIT FIRM HAS OPERATED IN ACCORDANCE WITH ALL

MATERIAL ASPECTS OF THE QUALITY REQUIREMENTS OF THE AUDIT SERVICES PERFORMED IN APPLYING THE PROCEDURES LAID DOWN IN THE PROFESSIONAL STANDARDS." OTHER RESULTS ON INSPECTIONS AND / OR INVESTIGATIONS WERE NOT FOUND, RESPECTIVELY. FINDINGS UNDER ART. 26, PARA 6 OF REGULATION (EC) № 537/2014, TO THE COMMISSION AS REGARDS THE AUDITOR.

TAKING INTO CONSIDERATION THE POSITIVE FINDINGS OF THE INDEPENDENT AUDITOR'S ACTIVITY, THE AUDIT COMMITTEE FINDS THAT THE AUDIT FIRM "BAKER TILLY CLIENT AND PARTNERS" LTD. HAS THE NECESSARY OPPORTUNITIES TO VERIFY AND CERTIFY THE ANNUAL FINANCIAL REPORT OF THE COMPANY AND FOR 2018, ACCORDING TO THE REQUIREMENTS OF THE IFAA.

FOR THIS REASON, THE AUDIT COMMITTEE PROPOSES THAT THE GENERAL MEETING OF SHAREHOLDERS ELECT FOR EXTERNAL INDEPENDENT AUDITOR OF SOPHARMA AD - THE SPECIALIZED AUDITING COMPANY "BAKER TILLY CLIENT AND PARTNERS" OOD, SOFIA-1612, BUL. "ACAD. IVAN EVST. GESHOV" № 104, WITH UIC 131349346, FOR VERIFICATION AND CERTIFICATION OF THE ANNUAL FINANCIAL REPORT OF THE COMPANY FOR 2018. THE COMPANY IS REGISTERED WITH REGISTRATION NUMBER 0129 IN THE REGISTER OF SPECIALIZED AUDITING COMPANIES, PROMULGATED BY THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN BULGARIA.

THE PROPOSED INDEPENDENT AUDITOR, FOLLOWING THE DOCUMENTARY SURVEY, WE BELIEVE MEETS THE GENERALLY ACCEPTED AUDITOR SELECTION CRITERIA.

THE RECOMMENDATION OF THE AUDIT COMMITTEE FOR THE ELECTION OF INDEPENDENT AUDITOR OF SOPHARMA AD FOR 2018 IS NOT INFLUENCED BY A THIRD PARTY. THE AUDIT COMMITTEE IS NOT SUBJECT TO A CLAUSE OF THE KIND REFERRED TO IN ART. 16, PARA 6 OF REGULATION (EU) № 537/2014.

GIVEN THE FACT THAT THE REPORTING YEAR 2017 IS THE FIRST YEAR IN WHICH THE INDEPENDENT FINANCIAL AUDIT OF THE FINANCIAL STATEMENTS OF THE COMPANY WAS ASSIGNED TO THE RECOMMENDED AUDITOR, THE RECOMMENDATION COMPLIES WITH THE REQUIREMENTS OF ART. 65 OF THE IFAA ON THE MAXIMUM DURATION OF AUDIT ENGAGEMENTS.

IN VIEW OF THE FACT THAT THE RECOMMENDATION RELATES TO THE RENEWAL OF AN AUDIT ENGAGEMENT, AND IS MADE IN COMPLIANCE WITH ART. 65 OF THE IFAA AND ART. 17, PARA 1 AND 2 OF REGULATION (EC) № 537/2014, ON THE GROUNDS OF ART. 16, PARA 2, ITEM 2 AND PARA 3, ITEM 1 OF REGULATION (EC) № 537/2014, FOR THE PURPOSES AND BEFORE GRANTING IT, THE SELECTION PROCEDURE UNDER ART. 17, PARA 3 OF REGULATION (EC) № 537/2014, RESPECTIVELY IT IS NOT REQUIRED TO JUSTIFY IT AND TO PROVIDE FOR SELECTION OPTIONS WITH PREFERENCE. THIS PROPOSAL IS ALSO COMMUNICATED WITH THE MANAGEMENT OF SOPHARMA AD.

THE REPORT WAS APPROVED AT A MEETING OF THE AUDIT COMMITTEE HELD ON 30 APRIL 2017.

CHAIRMAN:

/ VASIL NAIDENOV /

AND MEMBERS:

/ TSVETANKA ZLATEVA /

/ KRISTINA ATANASOVA /

