

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

2. Information about changes in the economic group of the issuer as at 30 September 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).

On 08.08.2017 the transformation by merger of Medica AD into Sopharma AD was entered in the Commercial Register under No. 20170808155501.

On 12.09.2017 the Board of Directors of Sopharma AD decided to initiate the procedure for transformation of Sopharma AD under the conditions and by the order of Chapter XVI of the Commerce Act and Art. 122 and following of the Public Offering of Securities Act, to be implemented by merger into Sopharma AD of Unipharm AD, UIC 831537465, with headquarters and address of management City of Sofia, Studentski Grad, 3, Trayko Stanoev Str., and elected the investment intermediary ELANA TRADING AD, UIC 831470130, with headquarters and address of management in Sofia, 5, Lachezar Stanchev Str., as a consultant in connection with the implementation of the procedure transformation.

On 14.09.2017, on the grounds of Art.262d and the following of the Commercial Code Unipharm AD, transforming company, and Sopharma AD, a receiving company, have entered into a Transformation Agreement through a merger. The merger transformation agreement governs the way in which the transformation will take effect by merging Unipharm AD into Sopharma AD and the consequences for the transforming and the receiving company. The fair value of the shares of the companies involved in the transformation is determined on the basis of generally accepted valuation methods. On the basis of the fair value of the shares of the companies involved in the transformation, a replacement ratio of 0.891512 is formed, which means that one share of the transforming company Unipharm AD should be replaced by 0.891512 shares of the receiving company Sopharma AD. The companies have appointed auditors, whose conclusion is necessary before submitting the documents for transformation to FSC. At present, the Deputy Chairperson of the Financial Supervision Commission in charge of the Investment Activity Supervision Division has not granted approval under Art. 124 of the Public Offering of Securities Act of the transformation contract, of the reports of the management bodies under Art. 262i of the Commercial Law and the report of the examiner under Art. 262m of the Commercial Law.

On September 27, 2017, Sopharma AD announced that in connection with the tender offer made on the grounds of Art. 149 para. 6 of the Public Offering of Securities Act and the right of the shareholders under Art. 157b Sopharma AD fulfilled its obligation under this Article: 1. The offeror has bought a total of 125 530 shares with voting rights in the General Meeting of Unipharm AD; 2. 17 shareholders have applied for redemption under the right given to them by Art. 157b of POSA.

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 September 2017, Company's tangible fixed assets include: land amounting to BGN 38,687 thousand (31 December 2016: BGN 37,821 thousand) and buildings of carrying amount BGN 90,612 thousand (31 December 2016: BGN 93,002 thousand).

Tangible fixed assets in progress as at 30 September include:

- advances for the purchase of machinery and equipment – BGN 2,171 thousand (31 December 2016: BGN 568 thousand);
- expenses on new buildings construction – BGN 899 thousand (31 December 2016: BGN 271 thousand);
- buildings reconstruction – BGN 3 thousand (31 December 2016: BGN 1,316 thousand);
- other – BGN 216 thousand (31 December 2016: BGN 82 thousand).

As at 30 September, 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 6,960 thousand (31 December 2016: BGN 7,429 thousand);
- for ampoule production at the amount of BGN 5,154 thousand (31 December 2016: BGN 5,457 thousand);
- exchange installations for ventilation and climatization BGN 134 thousand (31 December 2016: BGN 836 thousand).

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

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

		30.09.2017	Interest	31.12.2016	Interest
		BGN '000	%	BGN '000	%
Unipharm AD	Bulgaria	32,218	98.77	26,749	77.88
Sopharma Trading AD	Bulgaria	29,998	72.63	29,824	72.56
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
Aromania OOD	Bulgaria	750	76.00	-	-
Sopharma Buildings REIT	Bulgaria	568	40.38	568	40.39

TOO Sopharma 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
Medica Zdrave EOOD – in liquidation	Bulgaria	-	100.00	5	100.00
Total		122,194		115,442	

As at 30 September 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	30.09.2017 г.		31.12.2016 г.	
	Number of shares	%	Number of shares	%
„Donev Investments Holding” AD, EIK 831915121, Sofia, Positano Str. № 12	33 960 354	25,19%	33 404 466	24,78%
“Telecomplect Invest” AD, EIK 201653294, Sofia, Slaveikov Square № 9	27 516 752	20,41%	27 156 752	20,15%
„Rompharm Company” OOD EIK 200732874 Sofia, Mladost residential complex, Boian Damianov Str. 7, office 3	23 830 388	17,68%	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	30.09.2017 r.	31.12.2016 r.
	Number of shares	Number of shares
1. Ognian Ivanov Donev	434 433	246 600
2. Vessela Liubenova Stoeva	0	0
3. Andrey Liudmilov Breshkov	0	0
4. Ognian Kirilov Palaveev	160 430	120 430
5. Alexander Viktorov Chaushev	109 042	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:

	30.09.2017	31.12.2016
	BGN '000	BGN '000
Long-term loans granted	12,986	10,780
Long-term rental deposit granted	235	267
Total	13,221	11,047

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

	30.09.2017	31.12.2016
	BGN '000	BGN '000
Associate company	7,962	9,797
Other related parties	4,036	-
Subsidiary company	988	983
Total	12,986	10,780

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

Currency	Contracted amount '000	Maturity	Interest %	30.09.2017		31.12.2016	
				BGN '000	BGN '000 including interest	BGN '000	BGN '000 including interest
EUR	17,915	31.12.2019	3.50%	7,962	2	9,797	48
BGN	4,000	11.06.2019	3.00%	4,036	36	-	-
EUR	500	01.03.2019	6.60%	988	10	983	5
				12,986	48	10,780	53

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 and amounts to BGN 235 thousand (31 December 2016: BGN 267 thousand valid until 19 December 2019 and 1 August 2022).

Receivables from related parties include:

	30.09.2017 BGN '000	31.12.2016 BGN '000
Receivables from subsidiaries	75,918	65,406
<i>Impairment of uncollectable receivables</i>	(1,085)	(3,243)
	<u>74,833</u>	<u>62,163</u>
Receivables from companies related through key managing personnel	13,111	11,593
<i>Impairment of uncollectable receivables</i>	(741)	(269)
	<u>12,370</u>	<u>11,324</u>
Receivables from other related parties	84	96
Receivables from companies related through a main shareholder	12	13
Total	<u>87,299</u>	<u>73,596</u>

The receivables from related parties by type are as follows:

	30.09.2017 BGN '000	31.12.2016 BGN '000
Receivables on sales of finished products and materials	62,081	55,682
<i>Impairment of uncollectable receivables</i>	(370)	(1,134)
	<u>61,711</u>	<u>54,548</u>
Trade loans granted	27,044	21,426

<i>Impairment of uncollectable receivables</i>	<u>(1,456)</u>	<u>(2,378)</u>
	25,588	19,048
Total	<u>87,299</u>	<u>73,596</u>

The receivables on sales are interest-free and BGN 42,239 thousand of them are denominated in BGN

(31 December 2016: BGN 38,891 thousand) and in EUR – BGN 19,472 thousand (31 December 2016: BGN 15,657 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and amounted to BGN 42,151 thousand as at 30 September 2017 or 68.30 % of all receivables on sales of finished products and materials to related parties (31 December 2016: BGN 38,828 thousand – 71,18%).

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

	30.09.2017	31.12.2016
	BGN '000	BGN '000
Receivables from companies related through key managing personnel	13,111	11,593
<i>Impairment of commercial loans</i>	<u>(741)</u>	<u>(269)</u>
	12,370	11,324
Subsidiaries	13,849	9,737
<i>Impairment of commercial loans</i>	<u>(715)</u>	<u>(2,109)</u>
	13,134	7,628
Other related parties	84	96
Total	<u>25,588</u>	<u>19,048</u>

The *movement of the allowance for impairment* associated with loans granted to related parties is as follows:

	2017	2016
	BGN '000	BGN '000
Balance at 1 January	<u>2,378</u>	<u>1,963</u>
Impairment charge	726	415
Recovered impairment	<u>(1,648)</u>	-
Balance at 31 March/ 31 December	<u>1,456</u>	<u>2,378</u>

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

Currency	Contracted amount	Maturity	Interest %	30.09.2017		31.12.2016	
	'000			BGN '000	BGN '000	BGN '000	BGN '000
					including interest		including interest
<i>to companies related through key managing personnel</i>							
BGN	66,000	31.12.2017	3.50%	6,317	20	4,472	72
EUR	8,148	31.12.2017	4.10%	6,053	-	6,292	5

EUR	12,731	31.12.2017	3.05%	-	-	560	1
to subsidiaries							
BGN	11,979	31.12.2017	4.10%	7,817	202	2,670	66
EUR	2,770	31.12.2017	4.70%	4,723	21	4,957	-
EUR	350	10.05.2018	3.95%	594	7	-	-
BGN	600	31.12.2017	3.50%	-	-	1	-
to other related parties							
BGN	190	31.12.2017	3.50%	84	-	96	-
				<u>25,588</u>	<u>250</u>	<u>19,048</u>	<u>144</u>

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:

	30.09.2017	31.12.2016
	BGN '000	BGN '000
Payables to subsidiaries	820	137
Payables to companies related through a main shareholder	598	9
Payables to companies related through key managing personnel	206	215
Payables to main shareholding companies	43	14
Payables to other related parties	11	-
Total	<u>1,678</u>	<u>375</u>

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

	30.09.2017	31.12.2016
	BGN '000	BGN '000
Supply of services	1,078	338
Supply of inventories	588	13
Obligations for increasing the capital of a subsidiary	12	24
Total	<u>1,678</u>	<u>375</u>

The trade payables to related parties are regular and interest-free. The payables in Bulgarian Levs amount to BGN 1,609 thousand (31 December 2016: BGN 345 thousand), in PLN – BGN 59 thousand (31 December 2016: BGN 10 thousand) and in EUR none (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	30.09.2017 BGN '000
Sopharma Trading AD	2017 r - 2024 r.	EUR	64,316	143,056	125,225
Sopharma Properties REIT	2024 r.	EUR	22,619	44,240	24,335
Sopharma Trading AD	2017 r	BGN	14,732	14,732	13,759
OAD Vitamini	2017 r	EUR	7,000	13,691	3,757
Biopharm Engineering AD	2023 r	BGN	4,250	4,250	1,151
Mineralcommerce AD	2017 r - 2021 r.	BGN	726	726	639
Veta Pharma AD	2018 r	BGN	1,000	1,000	514
Total					169,380

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

(a) under loans of subsidiaries:

- Mortgages of real estate with a carrying amount of BGN 10,285 thousand as at 30 September 2017 (31 December 2016: BGN 10,368 thousand);
 - Special pledges on:
 - machinery and equipment with a carrying amount of BGN 10,529 thousand as at 30 September 2017 (31 December 2016: BGN 11,005 thousand);
 - inventories with a carrying amount of BGN 17,000 thousand as at 30 September 2017 (31 December 2016: BGN 17,000 thousand);
- trade receivables with a carrying amount of BGN 11,735 thousand as at 30 September 2017 (31 December 2016: BGN 11,735 thousand).

Ognian Donev ,
Executive director