

**Additional information under art. 33, par. 1, item 7  
of Ordinance № 2 from 17 September 2003 of  
"Sopharma" AD as at 31 March 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 – 31 March 2017.

**2. Information about changes in the economic group of the issuer as at 31 March 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.

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).

The company Medica Zdrave EOOD was deleted from the Commercial Register by the Register Agency.

Sopharma AD announces that the Competition Council of The Republic of Moldova allows the acquisition of over 51% of RAP Pharma International SRL by Sopharma AD.

On 25 April 2017, Sopharma AD submitted a draft tender proposal, pursuant to Art. 149 paragraph 6 of the POSA, on the purchase of all shares of Unipharm AD from the other shareholders, to be considered by the FSC. At the date of issue of these financial statements, the Financial Supervision Commission has not taken up a position on the presented draft.

Sopharma AD hereby notifies that on 5 April 2017 Sopharma AD received a decision from the Commission for Protection of Competition that the acquisition of shares of the capital of Doverie Obedinen Holding AD is not subject to preliminary notification under art. 24, para 2 from the Law on Competition at this stage.

On 18 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.

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 31 March 2017, Company's tangible fixed assets include: land amounting to BGN 34,687 thousand (31 December 2016: BGN 34,621 thousand) and buildings of carrying amount BGN 84,391 thousand (31 December 2016: BGN 85,415 thousand).

Tangible fixed assets in progress as at 31 March include:

buildings reconstruction - BGN 1,619 thousand (31 December 2016: 1,316 thousands);

advances for the purchase of machinery and equipment – BGN 1,291 thousand (31 December 2016: BGN 568 thousand);

expenses on new buildings construction – BGN 402 thousand (31 December 2016: BGN 271 thousand);

other – BGN 15 thousand (31 December 2016: BGN 82 thousand).

As at 31 March, 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 7,273 thousand (31 December 2016: BGN 7,429 thousand);

for ampoule production at the amount of BGN 5,356 thousand (31 December 2016: BGN 5,457 thousand).

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

The Company has leased tangible fixed assets with carrying amount of BGN 5,553 thousand as at 31 March 2017 to related parties (31 December 2016: BGN 5,669 thousand). In addition, tangible fixed assets at carrying amount of BGN 243 thousand are leased to third parties as at 31 March 2017 (31 December 2016: BGN 246 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) (*Note 27, Note 31 and Note 37*);
- 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:

		<b>31.03.2017</b>	<b>Interest</b>	<b>31.12.2016</b>	<b>Interest</b>
		<b>BGN '000</b>	<b>%</b>	<b>BGN '000</b>	<b>%</b>
Medica AD	Bulgaria	32,874	97.96	32,874	97.96
Sopharma Trading AD	Bulgaria	29,096	72.14	29,096	72.14
Unipharm AD	Bulgaria	26,749	77.88	26,749	77.88
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	568	40.39	568	40.39
TOO Sopharma Kazakhstan,			100.00		100.00
Kazakhstan	Kazakhstan	502		502	
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	323	100.00
Phyto Palauzovo AD	Bulgaria	57	95.00	57	95.00
<b>Total</b>		<b>147,654</b>		<b>147,583</b>	

As at 31 March 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	/%/	Number of shares	/%/
	31.03.2017 г.		31.12.2016 г.	
<hr/>				
<b>„Donev Investments Holding” AD,</b>				
EIK 831915121,				
Sofia, Positano Str. № 12	33 404 466 / 24,78% /		33 404 466 / 24,78%	
<b>“Telecomplect Invest” AD,</b>				
EIK 201653294,				
Sofia, Slaveikov Square № 9	27 156 752 / 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
	31.03.2017 r.	31.12.2016 r.
1. Ognian Ivanov Donev	246 6000	246 6000
2. Vessela Liubenova Stoeva	0	0
3. Andrey Liudmilov Breshkov	0	0
4. Ognian Kirilov Palaveev	120 430	120 430
5. Alexander Viktorov Chaushev	59 462	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.**

Long-term loans granted to related parties are as follows:

	<i>31.03.2017</i>	<i>31.12.2016</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Long-term loans granted	14,297	10,780
Long-term rental deposit granted	231	231
<b>Total</b>	<b>14,528</b>	<b>11,011</b>

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

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>Interest %</i>	<i>31.03.2017</i>	<i>31.12.2016</i>
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	<b>'000</b>			<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
					<b>including interest</b>		<b>including interest</b>
<b>EUR</b>	17,915	01.12.2018	3.50%	13,298	148	9,797	18
<b>EUR</b>	500	01.03.2019	6.60%	999	21	983	-
				<b>14,297</b>	<b>169</b>	<b>10,780</b>	<b>18</b>

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:

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from subsidiaries	67,632	62,886
<i>Impairment of uncollectable receivables</i>	<u>(2,592)</u>	<u>(3,243)</u>
	65,040	59,643
Receivables from companies related through key managing personnel	11,346	11,593
<i>Impairment of uncollectable receivables</i>	<u>(269)</u>	<u>(269)</u>
	11,077	11,324
Receivables from other related parties	92	96
Receivables from companies related through a main shareholder	4	13
<b>Total</b>	<b>76,213</b>	<b>71,076</b>

The receivables from related parties by type are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables on sales of finished products and materials	59,275	53,162
<i>Impairment of uncollectable receivables</i>	<u>(1,134)</u>	<u>(1,134)</u>
	58,141	52,028
Trade loans granted	19,799	21,426
<i>Impairment of uncollectable receivables</i>	<u>(1,727)</u>	<u>(2,378)</u>
	18,072	19,048
<b>Total</b>	<b>76,213</b>	<b>71,076</b>

The receivables on sales are interest-free and BGN 42,305 thousand of them are denominated in BGN

(31 December 2016: BGN 37,813 thousand) and in EUR – BGN 15,836 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 42,259 thousand as at 31 March 2017 or 72.68 % 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:*

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from companies related through key managing personnel	11,346	11,593
<i>Impairment of commercial loans</i>	<u>(269)</u>	<u>(269)</u>
	11,077	11,324
Subsidiaries	8,361	9,737
<i>Impairment of commercial loans</i>	<u>(1,458)</u>	<u>(2,109)</u>
	6,903	7,628
Other related parties	92	96
<b>Total</b>	<b><u>18,072</u></b>	<b><u>19,048</u></b>

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

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>Interest %</i>	<i>31.03.2017</i>		<i>31.12.2016</i>	
	<i>'000</i>			<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
					<i>including interest</i>		<i>including interest</i>
<i>to companies related through key managing personnel</i>							
<i>EUR</i>	8,133	31.03.2017	4.10%	6,354	-	6,292	5
<i>BGN</i>	6,000	31.03.2017	3.50%	4,410	36	4,472	72
<i>EUR</i>	12,731	31.03.2017	3.05%	313	3	560	1
<i>to subsidiaries</i>							
<i>EUR</i>	2,770	31.03.2017	4.70%	4,019	-	4,957	-
<i>BGN</i>	7,854	31.03.2017	4.10%	2,883	92	2,670	66
<i>BGN</i>	600	31.03.2017	3.50%	1	-	1	-
<i>to other related parties</i>							
<i>BGN</i>	190	31.03.2017	3.50%	92	-	96	-
				<b>18,072</b>	<b>131</b>	<b>19,048</b>	<b>144</b>

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:

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Payables to subsidiaries	1,181	260
Payables to companies related through key managing personnel	346	215
Payables to main shareholding companies	230	8
Payables to companies related through a main shareholder	18	14
<b>Total</b>	<b>1,775</b>	<b>497</b>

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

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Supply of services	1,324	336
Supply of inventories	305	137
Supply of LTA	122	-
Obligations for increasing the capital of a subsidiary	24	24
<b>Total</b>	<b>1,775</b>	<b>497</b>

The trade payables to related parties are regular and interest-free. The payables in Bulgarian Levs amount to BGN 1,754 thousand (31 December 2016: BGN 467 thousand), in PLN – BGN 21 thousand (31 December 2016: BGN 30 thousand).

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:

<b>Company</b>	<b>Maturity</b>	<b>Currency</b>	<b>Contracted amount</b>	<b>Guarantee amount as at</b>
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			Original currency	BGN '000	31.03.2017 BGN '000
Sopharma Trading AD	2017 г. - 2021	EUR	57,316	112,098	86,306
Sopharma Properties REIT	2024	EUR	22,619	44,240	27,324
Sopharma Trading AD	2017	BGN	14,732	14,732	13,493
OAo Vitamini	2017	EUR	7,000	13,691	4,977
Sopharma Ukraine EOOD	2017	EUR	7,000	13,691	2,633
Biopharm Engineering AD	2023	BGN	4,250	4,250	1,337
Veta Pharma AD	2018	BGN	1,000	1,000	395
Mineralcommerce AD	2017 - 2021	BGN	701	701	460
<b>Total</b>					<b>136,925</b>

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 10,397 thousand as at 31 March 2017 (31 December 2016: BGN 10,368 thousand) (Note 13);
- Special pledges on:
  - machinery and equipment with a carrying amount of BGN 10,846 thousand as at 31 March 2017 (31 December 2016: BGN 11,005 thousand) (Note 13);
  - inventories with a carrying amount of BGN 17,000 thousand as at 31 March 2017 (31 December 2016: BGN 17,000 thousand) (Note 21);
  - trade receivables with a carrying amount of BGN 11,735 thousand as at 31 March 2017 (31 December 2016: BGN 11,735 thousand)

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Ognian Donev ,  
Executive director