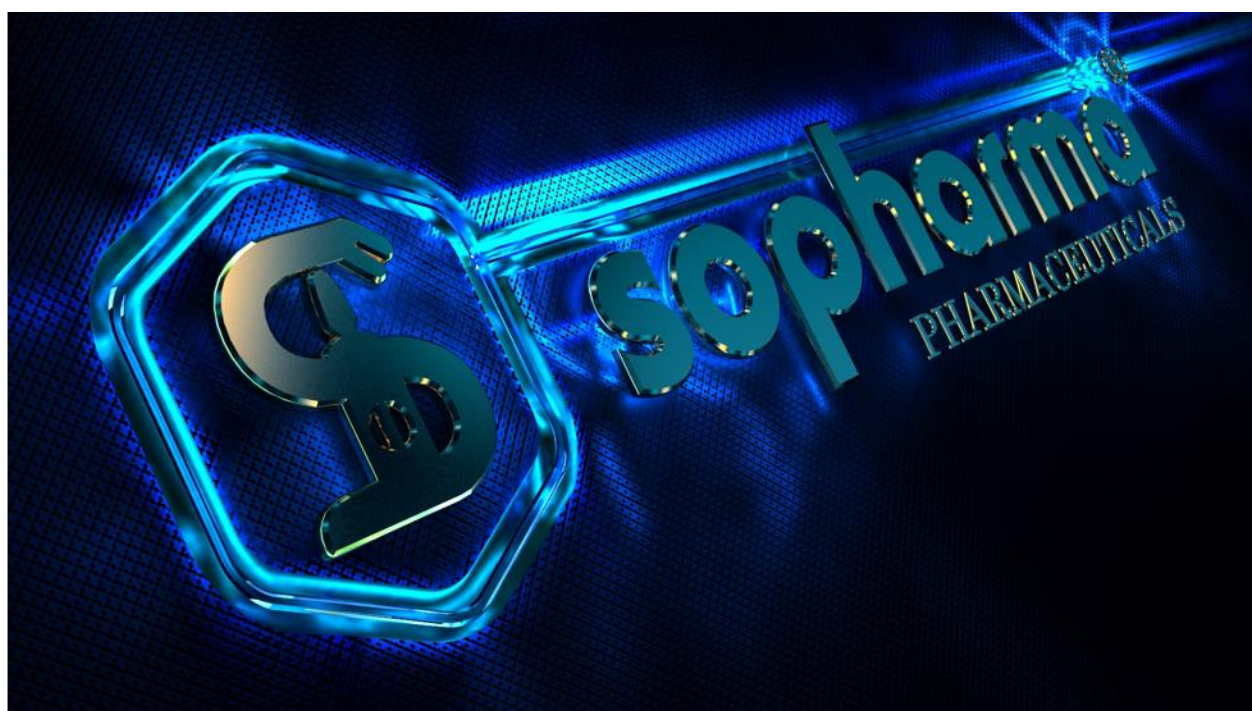


MANAGEMENT REPORT

January-September 2017



SOPHARMA GROUP

28 November 2017

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I. General information about Sopharma Group

1. Main activities

Sopharma Group (the Group) is a leading Bulgarian producer, exporter and local distributor of pharmaceutical products with a strong presence in Eastern and South-eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group operates in the following areas:

- ✚ production of pharmaceutical products including medicines, primarily generics, herbal-based substances and food supplements, which is primarily done by Sopharma Group (the Group) and to a lesser extent by its production subsidiaries including Unipharm AD in Bulgaria and PAT Vitamins in Ukraine;
- ✚ production of medicinal products and medicinal cosmetics, as plasters, bandages and sanitary-hygiene products focused on the production site in Sandanski city (after the merger of Medica AD in Sopharma AD);
- ✚ distribution of pharmaceuticals, medical supplies, sanitary materials, vitamins, food supplements and cosmetics, which is mainly performed by Sopharma Trading in Bulgaria, Lekovit D.o.o. in Serbia, Briz SIA in the Baltic region, and Brititrade SOOO in Belarus;
- ✚ production and distribution of non-pharmaceutical products, primarily medical supplies such as syringes and other disposables used in medicine, which is mainly performed by Momina Krepost AD, and other complementary activities to the production of pharmaceutical products and distribution of pharmaceutical products.

2. Registration of the Group

Sopharma Group is a Group registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, 16Iliensko shose str.

Sopharma Group was established in 1933. The court registration of the Group is from 15.11.1991, decision №1 / 1991 of Sofia City Court. Sopharma Group is a public Group under the Public Offering of Securities Act.

The Group conducts the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. Sopharma Group provides services related to production, as well as to ancillary and supporting activities.

The Group has marketing authorizations under the Law on Medicines and Pharmacies in Human Medicine for all products of its manufacturing portfolio.

3. Controlled companies

Sopharma Group

Sopharma Group consists of Sopharma AD and 44 subsidiaries, directly or indirectly controlled by the Company. In addition the Group has investments in 3 joint ventures, and 1 associated company.

Group	Interest as at 30.09.2017 in %
Sopharma Trading AD, Sofia, Bulgaria	72.66
Biopharm Engineering AD, Sliven, Bulgaria	97.15
Pharmalogistica AD, Sofia, Bulgaria	89.39
Elektroncommerce EOOD, Sofia, Bulgaria	100.00
Sopharma Buildings REIT, Sofia, Bulgaria	40.38
Momina Krepost AD, Veliko Tarnovo, Bulgaria*	93.54
Unipharm AD, Sofia, Bulgaria	98.77
Phyto Palauzovo AD, Kazanluk, Bulgaria**	95.00
Sopharmacy EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 2 EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 3 EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 4 EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 5 EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 6, EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 7, EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 8, EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 9, EOOD, Sofia, Bulgaria**	72.66
Sopharmacy 10, EOOD, Sofia, Bulgaria**	72.66
Veta Pharma AD, Veliko Tarnovo, Bulgaria	68.05
Aromania OOD, Sofia, Bulgaria	76.00
PAT Vitamini, Uman, Ukraine	99.56
Sopharma Poland LLC, Warsaw, Poland in Liquidation	60.00
Sopharma Warsaw Sp. z. o. o, Warsaw, Poland	100.00
Sopharma Trading d.o.o. Belgrade	72.66
BRIZ ZAO, Riga, Latvia	66.13
Brititrade SOOO, Minsk, Belarus**	52.90
Tabina SOOO, Minsk, Belarus **	65.64
Brizpharm SOOO, Minsk, Belarus**	32.59
Sopharma Ukraine, Kiev, Ukraine	100.00
OOO Med-dent, Bobruisk, Belarus***	50.00
OOO Pharmacist Plus, Minsk, Belarus**	36.93
BOOO SpetzApharmacia, Bobruisk, Belarus***	50.00
ZAO TBS Pharma, Vilnius, Lithuania**	33.73
OOO Bellerofon, Minsk, Belarus***	50.00

Sopharma Group

TOO Sopharma Kazakhstan, Almaty, Kazakhstan	100.00
ZAO Interpharm, Vitebsk, Belarus***	59.52
OOO Danapharm, Brest, Belarus**	47.61
OOO Galenapharm, Pinsk, Belarus**	48.94
ODO Medjel, Minsk, Belarus**	55.55
ODO Alenpharm-Plus, Belarus**	48.94
OOO Pharmateia, Minsk, Belarus***	17.85
ODO Salius Line, Grodno, Belarus**	48.94
Rap Pharma International OOD, Kishinev, Moldova	51.00
Lekovit D.o.o., Sabac, Serbia**	50.86
OOO Zdorovei, Minsk, Belarus**	28.81
OOO Ivem i K, Minsk, Belarus**	36.86
OOO Ariens, Plotzk, Belarus**	32.87

*effective interest in percent

**indirect interest

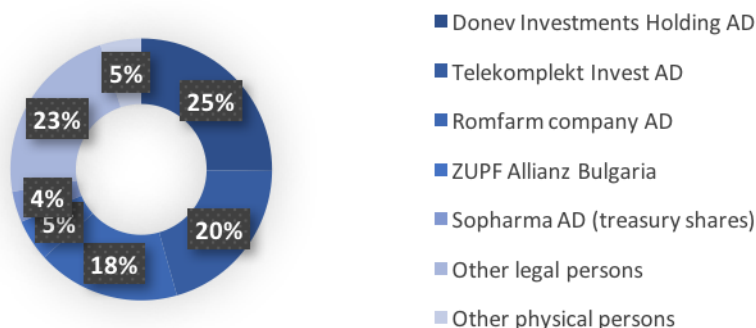
***joint venture

4. Management board

Sopharma Group has a one tier management system with a Board of Directors of five members as follows: Ognian Donev, PhD - Chairman and members Vessela Stoeva, Alexander Tchaushev, Andrey Breshkov and Ognian Palaveev. The Group is represented and managed by the Executive Director Ognian Donev, PhD.

Members of the key management personnel of the Group include the disclosed in Note №1 Executive Director and members of the Board of Directors of the Group. Additionally, it includes the executive directors, the board of directors and the managers of subsidiaries of the Group.

5. Shareholder structure as at 30 September 2017



6. Employees

As at 30.09.2017, the average number of employees of Sopharma Group is 4 567 (compared to 4 543 in 2016). The average number of employees of Sopharma AD as at 30.09.2017 is 1 915 (at 1 853 in 2015) and of Sopharma Trading AD is 749 (compared to 728 in 2016).

The training programs offered to employees of the Company aim to develop employee competencies. The training policy is specifically aimed at providing high professional knowledge as well as in relation to the requirements for health and safety at work.

Employees are entitled to the higher additional remuneration required by applicable law on overtime, night shifts and work on Saturdays, Sundays and holidays. Employees who work under specific, harmful or dangerous conditions receive personal protective equipment and allowances.

II. Recent developments

1. Industrial activity

Sopharma Group has twelve manufacturing facilities, which are compliant with EU regulations and are located in Bulgaria and one facility in the Ukraine certified and acknowledged by the local authorities and all countries from the CIS. With the exception of the facility in the Ukraine all other facilities have been examined and certified according to the EU GMP.

The production activities of the Group are carried out and developed in the following areas:

- ✚ Production of pharmaceutical products;
- ✚ Substances and preparations based on vegetable raw materials (phytochemical production);
- ✚ Veterinary vaccines;
- ✚ Infusion solutions;
- ✚ Concentrates for hemodialysis;
- ✚ Medical disposable products for human and veterinary medicine;
- ✚ Injection molded products for the industry, agriculture and households.

The Company has a portfolio of more than 210 products: mainly generics and 15 original products, of which 12 products are phyto-based. The original products of the Group (and in particular Carsil and Tempalgin) are key contributors to its revenue from export markets, while for the domestic sales the most important products are generics, of which the leading drug is Analgin.

2. Distribution

Sopharma Trading

The company is a leading distributor of pharmaceutical products and cosmetics in Bulgaria with a market share of pharmaceutical products of 20% (according to IMS). Sopharma Trading is the only distributor on the Bulgarian market of particular pharmaceutical products for several leading international pharmaceutical and other companies the field of healthcare such as Amgen, Astra Zeneca, GE Healthcare, Johnson and Johnson, Abbot Diagnostics, Hartmann, Novartis and Novo Nordisk.

The Group offers more than 10 000 products (particularly pharmaceutical products, medical equipment and devices, accessories, cosmetics, vitamins and food supplements) in its portfolio, including the brands of Sopharma, and holds exclusive rights for Bulgaria over brands of strategic partners such as Aboca, Colief, Jamieson, Planter's, Premax, Skincode, SVR Laboratories, US Pharmacia and Wyeth, specialized services (such as software solutions for pharmacies and advice and consulting services) and national logistics services. Sopharma Trading cooperates with more than 400 partners and over 3 000 clients.

3. Revision of the activities of the Group and the main risks it faces (art. 39, item 1 of the Accounting Law)

Risks relating to the Group's business and the industry the Group operates in

- ✚ The Group faces significant competition.
- ✚ Reputation of the Group may be adversely affected by untrue or misleading information available on websites containing the name "Sopharma", including www.sopharma.com, which have not been authorized by the Group.
- ✚ The Group is dependent on regulatory approvals.
- ✚ Government regulations affecting the Group's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- ✚ Part of the Group's revenues, in particular in Bulgaria, depend on the inclusion of the Group's medicines on reimbursement lists.

- ✚ The Group's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Group's operations.
- ✚ The Group's ability to pay dividends depends on a number of factors and there can be no assurance that the Group will be able to pay dividends in accordance with its dividend policy or at all in any given year.
- ✚ The Group is subject to operational risk, which is inherent to its business activities.
- ✚ The Group is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities.
- ✚ Litigation or other out-of-court proceedings or actions may adversely affect the Group's business, financial condition and results of operations.

Risks relating to Bulgaria and other markets in which the Group operates

- ✚ The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position.
- ✚ The political environment in Bulgaria has a significant effect on the Group's operations and financial condition.
- ✚ The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition.
- ✚ Risks related to the Bulgarian legal system.
- ✚ Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in such countries.
- ✚ Risks relating to exchange rates and the Bulgarian Currency Board.
- ✚ Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Group companies carry out their activities in active exchange with foreign suppliers and customers and are therefore exposed to currency risk.

Through the companies in Belarus and Ukraine, the group carries out business operations in these countries and, accordingly, has substantial exposures in Belarusian rubles and Ukrainian hryvnia. The currency risk is related to the negative movement of the exchange rates of these currencies against the Bulgarian lev in the future business operations, the recognized assets and liabilities in foreign currency and the net investments in foreign companies. The rest of the companies abroad are selling mainly on local markets, leading to currency risk and against their currencies – Serbian Dinar, Polish zloty, Lithuanian litas, US dollars, British pounds and Kazakhstan tenge, and for Kazakhstan the Group minimizes risk through forward transactions.

Most of the operations of the Group companies are usually denominated in Bulgarian leva and the Bulgarian lev is fixed to the euro, which reduces the potential currency volatility for these companies in the Group.

To control the currency risk, a system is in place throughout the Group for import planning, for foreign currency sales, as well as procedures for day-to-day monitoring of movements in the US dollar exchange rate and for control over pending payments. The exposures of the subsidiaries in Bulgaria to currency risk are insignificant as almost all sales are realized on the local market in Bulgarian leva. Imports of goods are fully realized in euro. Loans when denominated in foreign currency are mainly denominated in euro.

4. Analysis of the activities

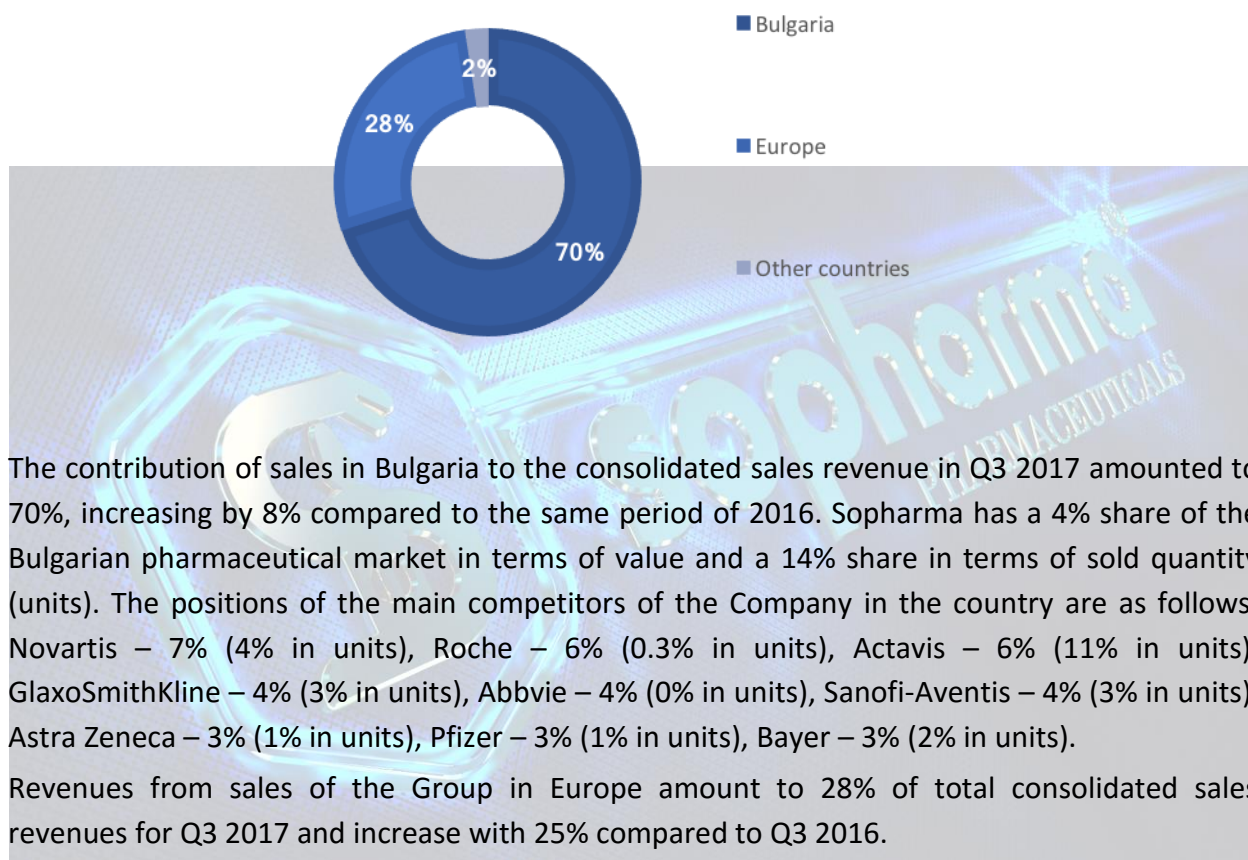
Indicator	1-9/2017 BGN '000	1-9/2016 BGN '000	Change %
Revenues from sales	719 711	638 390	12.7%
EBITDA	66 575	52 025	28.0%
Operating profit	43 556	31 896	36.6%
Net profit	34 232	33 053	3.6%
CAPEX	15 112	18 824	-19.7%
	30.09.2017 BGN '000	30.09.2016 BGN '000	
Non-current assets	437 527	416 599	5.0%
Current assets	512 473	442 622	15.8%
Owners' equity	515 202	491 223	4.9%
Non-current liabilities	70 018	53 842	30.0%
Current liabilities	364 780	314 156	16.1%

Показатели	1-9/2017	1-9/2016
EBITDA/Sales revenues	9,3%	8,1%
Operating profit / Sales revenues	6,1%	5,0%
Net profit/Sales revenues	4,8%	5,2%
Привлечен капитал/Собствен капитал	0,84	0,75
Net debt/EBITDA on annual basis	2,7x	3,2x

Revenue from sales of the Group increase by BGN 81.3 million or 13%, reaching BGN 719.7 million in Q3 2017 compared to BGN 638.4 million in Q3 2016. Sales of goods increased by BGN 64.7 million or 14%, reaching BGN 535.2 million in Q3 2017 compared to BGN 470.5

million in Q3 2016. Sales of finished products increase by 16.6 million BGN, or 10%, to BGN 184.5 million in Q3 2017 compared to BGN 167.9 million in Q3 2016.

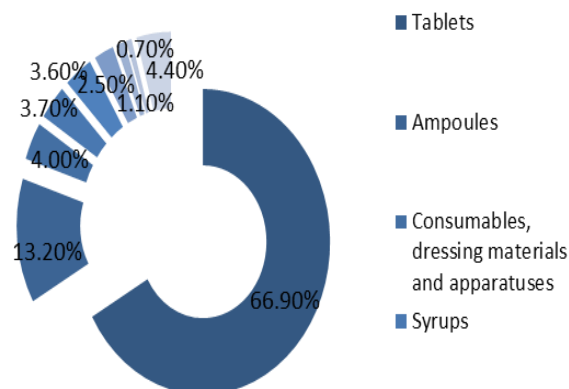
SALES BY REGION



Sales by type of formulation

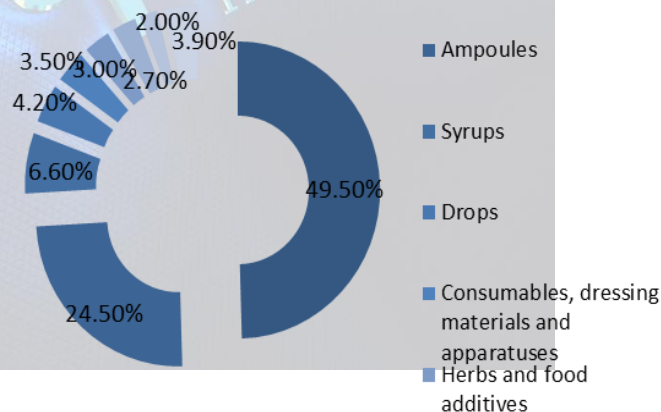
The types of formulation with the highest share in the volume of sales are tablet forms, followed by ampoules, syrups, unguents, lyophilic products and others.

	1-9/2017	1-9/2016	Change
Revenues from products	BGN '000	BGN '000	%
Tablets	123 523	109 506	13%
Ampoules	24 421	22 924	7%
Consumables, dressing materials and apparatuses	7 303	6 675	9%
Syrups	6 785	5 495	23%
Unguents	6 555	5 397	21%
Liophilic	4 699	5 661	-17%
Inhalers	1 945	2 036	-4%
Infusion solutions	1 272	105	1111%
Other	8 051	10 118	-20%
Total	184 554	167 917	10%



Revenues from sales of goods include revenues from sales of goods to third countries distributed mainly by Sopharma Trading Ad, Briz SIA and Brititrade SOOO.

	2016	2015	Change
Revenue earned from sale of goods	BGN '000	BGN '000	%
Tablets	264 699	215 708	23%
Ampoules	131 316	135 406	-3%
Syrups	35 483	25 928	37%
Drops	22 742	22 498	1%
Consumables, dressing materials and apparatuses	18 849	19 150	-2%
Herbs and food additives	15 915	13 632	17%
Unguents	14 465	6 680	117%
Cosmetic products	10 591	7 003	51%
Others	21 097	24 468	-14%
Total	535 157	470 473	14%



Other operating revenues

Other revenues	1-9/2017 BGN '000	1-9/2016 BGN '000	change %	Relative %
Services rendered	3 652	3 444	6%	111%
Net profits(losses) from exchange rate differences under trade receivables and payables and current accounts	(2 806)	(2 560)	10%	-85%
Government financing	850	853	0%	26%
Services related to social activities and events	721	692	4%	22%
Rent	384	605	-37%	12%
Written-off liabilities	83	27	207%	3%
Income from sales of LTA	72	6	1100%	2%
Other (see Notes to the financial statements)	328	716	-54%	10%
Total other operating income	3 284	3 783	13%	100%

Other operating income decrease by BGN 0.5 million, reaching BGN 3.3 million in Q3 2017, compared to BGN 3.8 million in the first quarter of 2016 due to a decrease in net losses from exchange rate differences under trade receivables and payables and current accounts, rent and decrease in other income.

Operating expenses

Operating expenses	1-9/2017 BGN '000	1-9/2016 BGN '000	change %	relative share of expenses in 2016 %
Changes in inventories of finished goods and work in progress	(4 337)	2 383	282%	-1%
Materials	67 662	57 989	17%	10%
Hired services	44 924	41 306	9%	7%
Personnel	72 326	65 003	11%	11%
Depreciation and amortization	23 019	20 129	14%	3%
Carrying amount of goods sold	470 612	418 001	13%	69%
Other operating expenses	5 233	5 466	-4%	1%

Total	679 439	610 277	11%	100%
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Operating expenses in Q3 2017 increased by BGN 69.1 million or by 11% from BGN 610,3 million in 2016 to BGN 679.4 million in Q3 2017. The change is a consequence of growth of sales and, respectively, of the carrying amount of goods sold by the group, an increase in the cost of materials, hired services, personnel costs, depreciation and other costs.

The cost of materials (with a 10% share) is increased by BGN 9.7 million or 17% to BGN 67.7 million in Q3 2017 compared to BGN 58 million in Q3 2016. The cost of basic materials increased by BGN 7.5 million or by 18%, the most significant impact being reported for the costs of substances, packaging materials, liquid and solid chemicals and others, which increase by BGN 3.9 million, BGN 1.5 million, BGN 1.2 million and BGN 0.1 million respectively. The increase is reported for the costs of electricity and auxiliary materials, spare parts, laboratory and technical materials, costs of heating, fuels and lubricants and others.

External services expenses account for 7% relative share of operating expenses and increased by BGN 3.6 million or by 9% to BGN 44.9 million for the first nine months of 2017 versus BGN 41.3 million Q3 of 2016. The increase includes rental costs of BGN 1.3 million, forwarding and transport services by BGN 0.6 million, maintenance costs for buildings and equipment by BGN 0.7 million, Subscription fees by BGN 1.2 million, making of medicines by BGN 1 million. Decrease is reported for the costs of advertising and marketing services by BGN 0.6 million, other expenses with BGN 1.4 million BGN.

Personnel costs (with a share of 11%) increased by BGN 7.3 million or by 11% to BGN 72.3 million in Q3 2017 compared to BGN 65 million in the same period in 2016. The overall growth of these expenses is due both to the increase in the remuneration of the hired personnel and the increased staff in the Group as a result of the consolidation of new companies.

Other operating expenses (with a 1% share) decreased by BGN 0.2 million or 4% from BGN 5.4 million in the first nine months of 2016 to BGN 5.2 million in the first nine months of 2017. Costs for representative events, trainings and other decrease.

Depreciation costs (with a 3% share) increased by BGN 2.9 million or 14% from BGN 20.1 million in Q3 2016 to BGN 23 million in Q3 2017.

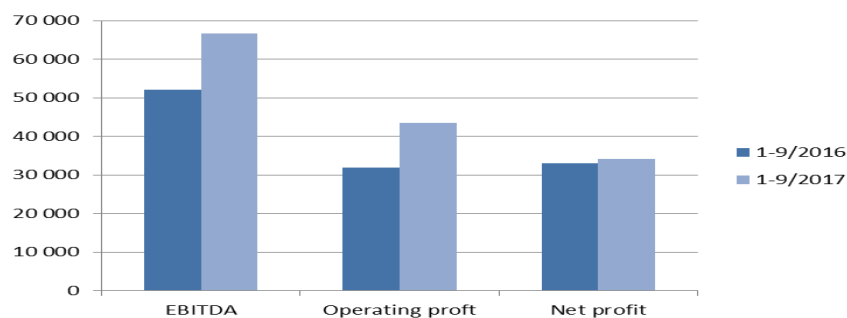
Financial revenue increased by BGN 1.9 million to BGN 6.6 million in the first nine months of 2017 compared to BGN 4.7 million in the first nine months of 2016, mainly due to an increase in net profit from operations with investments in securities with BGN 2 million. Interest income on loans granted decreased by BGN 0.2 million.

Finance income	1-9/2017 BGN '000	1-9/2016 BGN '000	change %	relative %
Net gain from operations with investments in	2 421	438	453%	36%
Interest income on overdue commercial	3 090	2 966	4%	47%
Interest income on granted loans	930	1 110	-16%	14%
Income from dividends	144	92	57%	2%
Interest on receivables on special contracts	22	58	-62%	0%
Interest income on bank deposits in securities	21	15	40%	0%
Revaluation of previously held shares to fair	7	-	-	0%
Total	6 635	4 679	42%	100%
Finance costs			change	relative
Interest expenses on loans	5 280	6 655	-21%	67%
Net loss on exchange rate differences on loans	2 437	1 124	117%	11%
Bank fees on loans and guarantees	570	1 115	-49%	11%
Factoring interest costs	263	201	31%	2%
Interest expense on finance lease	235	266	-12%	3%
Derivatives effects	70	-	-	0%
Impairment on commercial loans granted	874	607	44%	6%
Total	10 416	9 972	4%	100%

Financial expenses decreased by BGN 0.4 million from BGN 10 million in the first nine months of 2016 to BGN 10.4 million in the first nine months of 2017. The most significant decrease was recorded for interest expense on loans received by BGN 1.4 million.

Net financial revenues (expenses) increased by BGN 1.5 million to BGN (3.8) million as at 30 September 2017 compared to BGN (5.3) million at 31 December 2016.

Financial result



Profit before interest, taxes and depreciation (EBITDA) increased by BGN 14.6 million or 28%, reaching BGN 66.6 million in the first nine months of the year, compared to BGN 52.1 million in the first nine months of 2016. The main reasons for this growth are the stabilization of the economic environment in the main export markets and the optimization of the operating activities of the Company.

Profit from operating activities increased by BGN 11.7 million or 37% to BGN 43.6 million in the first nine months of 2017 compared to BGN 31.9 million in the first nine months of 2016.

Net profit increased by BGN 1.2 million or 4% to BGN 34,2 million in the first nine months of 2017 compared to BGN 33.1 million in the first nine months of 2016.

Assets

	30.09.2017 BGN '000	31.12.2016 BGN '000	change %	2016 %
Non-current assets				
Property, plant and equipment	312 243	321 215	-3%	71%
Intangible assets	51 618	34 601	49%	12%
Goodwill	21 086	9 885	113%	5%
Investment property	9 502	9 483	0%	2%
Investments in associated companies and joint ventures	16 546	18 715	-12%	4%
Available-for-sale investments	7 634	5 721	33%	2%
Long-term receivables from related parties	12 233	10 028	22%	3%
Other long-term receivables	3 918	4 149	-6%	1%
Deferred taxes	2 747	2 802	-2%	1%
	437 527	416 599	5.0%	46%
Current assets				
Inventories	200 664	171 791	17%	39%
Trade receivables	243 951	215 583	13%	48%
Receivables from related parties	13 982	14 982	-7%	3%
Other receivables and prepayments	23 142	17 727	31%	5%

Cash and cash equivalents	30 734	22 539	36%	6%
	512 473	442 622	15.8%	54%
TOTAL ASSETS	950 000	859 221	10.6%	100%

Total assets increased by BGN 90.8 million or by 11%, from BGN 859.2 million as of 31.12.2016 to BGN 850 million as of 30.09.2017, due to an increase in current assets.

Non-current assets increased by BGN 20.9 million or by 5%, mainly due to an increase in the intangible assets by BGN 17 million BGN as well as the goodwill – 11.2 million BGN. Decrease registered in property, plant and equipment with 10 million BGN in the part of land and buildings, machinery and others. The increase for the intangible assets of BGN 18.4 million is due to an increase in the intellectual property rights.

Current assets increased by BGN 69.9 million or 16%, to BGN 512.5 million as of 30.09.2017 compared to BGN 442.6 million as of 31.12.2016 mainly in the part of inventories with BGN 28.9 million, and commercial receivables with BGN 28.4 million. Receivables from associated companies decreased by BGN 1 million in the part of receivables from sales of production and materials. The increase in inventories by BGN 9.5 million compared to 31.12.2016 is in the part of goods and finished goods.

Trade receivables increased in the portion of customer receivables by BGN 27 million and advances provided, net by BGN 0.9 million.

Cash and cash equivalents decreased by BGN 8.2 million as compared to 31.12.2016 and deposits amounting to BGN 1.7 million were provided at the end of the period.

Liabilities and owners' equity

EQUITY	30.09.2017	31.12.2016	change	From
	BGN '000	BGN '000	%	%
Equity attributable to owners of the parent				
Share capital	134 798	134 798	0%	26%
Reserves	70 417	62 708	12%	14%
Retained earnings	275 994	259 984	6%	54%
	481 209	457 490	5%	93%
NON-CONTROLLING INTEREST	33 993	33 733	1%	7%
TOTAL EQUITY	515 202	491 223	5%	100%
	30.09.2017	31.12.2016	change	% total
	BGN '000	BGN '000	%	
LIABILITIES				
Non-current liabilities				
Long-term bank loans	40 548	25 924	56%	9%

Deferred tax liabilities	14 211	11 752	21%	3%
Long-term liabilities to personnel	4 685	4 539	3%	1%
Finance lease liabilities	2 097	2 582	-19%	0%
Government grants	8 269	9 011	-8%	2%
Other non-current liabilities	208	34	512%	0%
	70 018	53 842	30%	16%
Current liabilities				
Short-term bank loans	190 959	170 842	12%	44%
Current portion of long-term bank loans	12 078	9 478	27%	3%
Trade payables	112 206	92 053	22%	26%
Payables to related parties	894	566	58%	0%
Payables on contract for factoring	19 138	20 033	-4%	4%
Payables to the personnel and for social security	11 890	10 093	18%	3%
Tax payables	7 771	5 949	31%	2%
Other current liabilities	9 844	5 142	91%	2%
	364 780	314 156	16%	84%
TOTAL LIABILITIES	434 798	367 998	18%	100%
TOTAL EQUITY AND LIABILITIES	950 000	859 221	10.6%	

The equity of Sopharma Group increased by BGN 24 million compared to 31.12.2016, mainly due to an increase in retained earnings. The non-controlling interest is increased by BGN 0.3 million. The equity related to the equity holders of the Company is 51% of the total equity and liabilities, and there is improvement in the financial autonomy of the Group. The latter increases by BGN 23.7 million mainly due to the undistributed profit.

Non-current liabilities increased by BGN 16.2 million, or 30%, from BGN 53.8 million at the end of 2016 to BGN 70 million at the end of the first nine months of 2017, mainly from an increase in long-term bank loans with BGN 14.6 million related to the acquisition of shares in companies.

Current liabilities increased by BGN 50.6 million or by 16% compared to the end of 2016, mainly due to an increase of short-term loans by banks by BGN 20.1 million, commercial payables by BGN 20.2 million, as well as other current liabilities by BGN 4.7 million. Staff and social security liabilities increased by BGN 1.8 million. Total liabilities on bank loans, leasing and factoring of the Group increased by BGN 36 million compared to the end of 2016, with the net debt after deducting cash and cash equivalents increasing by BGN 27.8 million.

Ratios

	30.09.2017	31.12.2016
ROE	11,2%	7,0%
ROA	5,9%	3,5%
Asset turnover	1,09	1,41
Current liquidity	1,40	1,41
Quick ratio	0,85	0,91
Cash/current liabilities	0,08	0,06
Owners' equity/liabilities	1,18	1,25

1 Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of non-minority interest for the last five quarters

2 Net profit on an annual basis attributable to equity holders of the Company / arithmetic mean of total assets for the last five quarters

3 Revenue from sales on an annual basis / arithmetic mean of total assets over the last five quarters

4 Current assets / current liabilities

5 Receivables + Cash / Current liabilities

6 Cash / Current liabilities

7 Own capital / Liabilities

Cash flow

	30.09.2017	31.12.2016
	BGN '000	BGN '000
Net cash flow from/(used in) operations	(44 987)	(60 411)
Net cash flow used in investment activities	(51 400)	3 708
Net cash flow (used in)/from financial operations	99 533	51 067
Net increase/(decrease) of cash and cash equivalents	(3 146)	5 636
Cash and cash equivalents on 1 January	22 339	23 114
Cash and cash equivalents on 31 December	25 485	17 478

Net cash flows in the first nine months of 2017 generated by operating activities amounted to BGN 45 million outflow, from investment activity amounted to BGN 51.4 million outflow and from financial activity were To the amount of BGN 99.5 million inward flow. As a result of these activities, the cash and cash equivalents net increased by BGN 3.1 million and as at 30.09.2017 amounted to BGN 25.5 million compared to BGN 17.5 million at 01.01.2017.

Factoring inflow amounting to BGN 97.9 million are reported as cash flows from financing activities. As a consequence, a significant decrease in net cash flows from operating activities is recorded at the expense of an increase in net cash flows from financing activities.

New developments and products

 New Products for Q3 2017

Authorizations have been obtained for new product destinations Amlodipine Tablets 5 mg, Amlodipine Tablets 10 mg and Doporizone Ointment.

New medicinal products introduced into production

For the period January - September, Analgin drops for children were introduced, Softensif 1.5 mg prolonged-release film-coated tablets, Desloratidine solution, Otophyx drops and dexpantane ointment.

By the end of 2017, 3 new medicinal products are expected to be deployed.

New registrations and re-registrations / changes

New registrations

Permissions for use for new destinations of 12 medicinal products have been received - Zondarone ampoules, Vitamin C ampoules, Silden 50 mg tablets, Silden 100mg Tablets, Thallet Syrup, Thallet tablets, Methylprednisolone 40 mg, Phenobarbital ampoules, Indomethacin tablets, Digoxin ampoules, Allergozan ointment, Templagin trio tablets.

Re-registrations / changes

Agency submissions for re-registrations / changes to 92 medicinal products.


Expected 2017

Submitted to agencies of new destinations registration dossier for 13 medicinal products.

Developments

There is a pharmaceutical development of 8 new medicinal products and one active substance. 21 manufacturing processes and technologies have been transferred and validated / optimized.

5. Important events after the date of the annual financial statements (art. 39, item 3 of the Accounting Law)

-  On 5 January 2017, in the US Achieve Life Science Inc. and OncoGenex Pharmaceuticals Inc. announced a merger agreement under which OncoGenex Pharmaceuticals Inc. will acquire Achieve Life Science Inc. through of all-stock. Upon completion of the proposed merger it is expected that the shareholders of Achieve Life Science Inc. will own 75% of the outstanding shares of the combined Group, while current shareholders of

OncoGenex Pharmaceuticals Inc. will own the remaining 25% of the outstanding shares. The agreement is submitted for approval by the Securities and Exchange Commission (SEC). After its approval the combined Group will be renamed Achieve Life Sciences Inc. and will be recorded in the NASDAQ. As a result of the above - mentioned actions Sopharma will own 423 000 shares (3.525%) of the capital of Achieve Life Science Inc..

- ✚ On 31 January 2017 under art. 262e of the CA was signed a contract for transformation through merger between Sopharma AD, Sofia, UIC 831902088 and Medica AD, Sofia, UIC 000000993. As a result of the merger, all assets of Medica AD shall be transferred to Sopharma Group and the latter shall become its legal successor. Medica AD shall be terminated without liquidation.

- ✚ On February 22, 2017, the deletion of Medica - Health Ltd in the Commercial Register of the Registry Agency

- ✚ On 15.03.2017 r. Sopharma Trading AD entered in the Commercial Register a subsidiary under the name of Sofarmacy 7 EOOD, with headquarters in Sofia, Izgrev District, 5 Lachezar Stanchev Str., Sopharma Business Towers Building A, 12th floor. The company will operate under UIC 204501313 and its manager is Valeria Vidulova-Kaneva.

- ✚ On 04.04.2017 a contract was signed for the sale of the Group's participation through the subsidiary SEA Briz, Latvia in the amount of 50% in the joint venture OOO Vivaton Plus, Belarus. Under the terms of the contract, the transaction should be finalized within 30 days of the date of its conclusion.

- ✚ On 05.04.2017 Sopharma AD received a decision of the CPC that the acquisition by Sopharma AD of shares of the capital of Doverie United Holding AD at this stage is not subject to prior notification under Art. 24, para. 2 of the LPC. Sopharma AD will take appropriate action in reaching the established thresholds requiring a tender offer to the other shareholders of Doverie United Holding AD.

- ✚ On April 14, 2016, Sopharma AD announced that the Company acquired 51% of the capital of the Moldovan distributor of medicinal products RAP Pharma International after obtaining permission from the Moldovan Competition Commission to realize the acquisition.

- ✚ On 18.04.2017, the Group acquires an additional 50% of the shares in ZAO Interfarm, Belarus through its subsidiary SOOO Britetrade, Belarus, as a result of which it acquires control of the company.

✚ On 24 April 2017 at 11:00 at the Group's headquarters in Sofia, at: 5 Lachezar Stanchev Str., Building B an Extraordinary General meeting of shareholders was held and the following decisions were taken:

1. Approval of Substantiated report by the Board of Directors for transactions under art. 114, par. 1 of POSA; Draft decision: EGM approves the Substantiated report, prepared by the Board of Directors, for transactions under art. 114, par. 1 of POSA, with the participation of the public Group SOPHARMA GROUP.

2. Authorization of the Board of Directors of the Group to conclude a contract for provisioning of collateral in the form of a corporate guarantee in the form of a mortgage on a real estate owned by Sopharma Group and a special pledge on machines and equipment, as a collateral under a contract with a Financial Institution (Raiffeisenbank Bulgaria) for an investment credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter One of the Substantiated report; Draft decision: EGM authorizes the Board of Directors of the Group to conclude a contract for provisioning of collateral in the form of a corporate guarantee according to the terms and conditions, listed in Chapter One of the Substantiated report, i.e. conclude a contract for provisioning of collateral in the form of a corporate guarantee in the form of a mortgage on a real estate owned by Sopharma Group and a special pledge on machines and equipment, as a collateral under a contract with a Financial Institution (Raiffeisenbank Bulgaria) for an investment credit provided to the subsidiary Sopharma Trading AD.

3. Authorization of the Board of Directors of the Group to conclude a contract as a co-debtor for a contract between a Financial Institution (Raiffeisenbank Bulgaria) for an investment credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1, item 2 of POSA, according to Chapter Two of the Substantiated report; Draft decision: EGM authorizes the Board of Directors of the Group to conclude a contract as a co-debtor for a contract between a Financial Institution (Raiffeisenbank Bulgaria) for an investment credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1, item 2 of POSA, according to Chapter Two of the Substantiated report.


4. Authorization of the Board of Directors of the Group to conclude a contract as a co-debtor with a Financial Institution (DSK Bank Bulgaria) for an overdraft credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1, item 2 of POSA, according to Chapter Three of the Substantiated report; Draft decision:

EGM authorizes the Board of Directors of the Group to conclude a contract as a co-debtor with a Financial Institution (DSK Bank Bulgaria) for an overdraft credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1, item 2 of POSA, according to Chapter Three of the Substantiated report.

5. Authorization of the Board of Directors of the Group to conclude a contract as a co-debtor with a Financial Institution (Societe Generale Expressbank Bulgaria) for an investment credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter Four of the Substantiated report; Draft decision: EGM authorizes the Board of Directors of the Group to conclude a contract as a co-debtor with a Financial Institution (Societe Generale Expressbank Bulgaria) for an investment credit provided to the subsidiary Sopharma Trading AD – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter Four of the Substantiated report.

6. Authorization of the Board of Directors of the Group to conclude a contract for rent of real estate as a tenant with Sopharam Properties REIT as a renter – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter Five of the Substantiated report; Draft decision: EGM authorizes the Board of Directors of the Group to conclude a contract for rent of real estate as a tenant with Sopharam Properties REIT as a renter – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter Five of the Substantiated report.

7. Authorization of the Board of Directors of the Group to conclude a contract for trade of medicinal products with the subsidiary Sopharma Kazakhstan AD – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter Six of the Substantiated report; Draft decision: EGM authorizes the Board of Directors of the Group to conclude a contract for trade of medicinal products with the subsidiary Sopharma Kazakhstan AD – a transaction within the scope of art. 114, par. 1 of POSA, according to Chapter Six of the Substantiated report.

 Sopharma Trading AD has reached agreement and agreement to acquire PharmaStor pharmacies with the intention of their subsequent joining Sopharmacy's family. The merger of SOpharmacy and PharmaStor will provide a stronger market position for the two chains so that they can meet the increasing needs of Bulgarian patients for quality health services. The merger will also bring a larger scale for the operations of Sopharma Trading AD in the retail segment of the pharmacy market. The acquisition is subject to prior approval by the Commission for the Protection of Competition.

- ✚ On April 24, 2017, an Extraordinary General Meeting of Shareholders of Sopharma Trading AD took place, where decisions were taken to empower the Board of Directors of the Company to conclude the transaction from the scope of Art. 114, para. 1, item 2 of the Public Offering of Securities Act, under the conditions and within the terms, according to Section I, II and III of the Motivated Report, prepared by the Board of Directors, as well as approval of the Motivated Report of the Board of Directors under Art. 114a, para. 1 of the Public Offering of Securities Act regarding the expediency and conditions of transactions from the scope of Art. 114, para. 1 of POSA.
- ✚ Pursuant to Art. 100k., Para. 1 of the Public Offering of Securities Act, please be informed that on 25.04.2017 Sopharma AD received approval of the Financial Supervision Commission of the Contract for transformation by merger and an additional agreement with it from 20.03.2017, signed on 31.01.2017 between "SOPHARMA" AD, hereinafter referred to as "Receiving Company" and "MEDICA" AD, hereinafter referred to as "Transforming Company", in accordance with the requirements of Art. 262e and ff of the Commercial Law as a result of which all the assets of Medica JSC will be transferred to Sopharma AD and the latter will become its successor. Medica AD will cease without liquidation. The Financial Supervision Commission also approved the reports of the management bodies of the two companies prepared in accordance with the provisions of Art. 262 and of the Commerce Act and the record of the appointed examiners of the participants in the transformation under Art. 262m of the Commercial Law. As a result of the merger, all shareholders of the transforming Medica AD, with the exception of the receiving company Sopharma AD, which is also a shareholder in the transforming company, will acquire shares in the capital of Sopharma AD and become shareholders in it. Against each of its shares by Medica AD each shareholder of the company on the grounds of Art. 261b, ap. 1 of the Commercial Code will acquire 0.8831 of the repurchased shares of the capital of Sopharma AD. A vote on the transformation of the GMS of the two companies is forthcoming. Please, on the grounds of Art. 100k, para. 1 of the Public Offering of Securities Act to make the above information public.
- ✚ On 25 April 2017 Sopharma AD presented an adjusted tender offer under 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. . The Financial Supervision Commission (FSC) has not taken any interest in the submitted draft tender offer.
- ✚ On 02.06.2017 at 15:30 in 1756, Sofia, "Lachezar Stanchev" № 5, Sopharma Business Towers, building A, fl. 9, a regular General Meeting of Shareholders of Medika AD was

held and the following decisions were taken: 1. Adoption of the annual reports of the Managing Board for the activity in 2016; 2. Adoption of the annual financial statements for 2016; 3. Adoption of the report of the registered auditors who have certified the annual financial statements for 2016; 4. Adoption of the audit committee's report on its activities in 2016; 5. Adoption of the Investor Relations Director report for the 2016; 6. Discharge of the members of the Supervisory Board (SC) and the members of the Managing Board (MB) for their activities in 2016; 7. Distribution of the Company's Profit for 2016. Draft Decision: The General Meeting of Shareholders adopts a decision for the distribution of the Company's profit for 2016, namely the entire net profit of the Company for 2016 amounting to BGN 2,126,585.81 (two million one hundred and twenty six thousand five hundred and eighty five BGN and 81 st.) to be allocated to retained earnings; 8. Adoption of a decision under Art. 48, para. 5 of the Articles of Association of the Company for the payment of additional remuneration to the Executive Director; 9. Appointment of a registered auditor to certify the annual financial statements of the Company for 2017; 10. Release of the Audit Committee and election of a new Audit Committee of the Company; 11. Approval of the status of the Audit Committee of the Company as required by Part Four of the Independent Financial Audit Act; 12. Decision on transformation by merger of MEDICA AD, UIC: 000000993 at Sopharma AD, UIC: 831902088; 13. Approval of the Contract for transformation through the merger of MEDICA AD, UIC: 000000993, in Sopharma AD, UIC: 831902088, concluded on 31 January 2017 and of Supplementary Agreement No 1 of 20 March 2017 to it ; Approving the Report of the Management of MEDICA AD under Art. 262i of T3; 15. Approval of the Auditor's Report under Art. 262m CA on the transformation by merger of MEDICA AD, UIC: 000000993, in Sopharma AD, UIC: 831902088; 16. Adoption of a decision for termination of MEDICA AD without liquidation due to its transformation through merger into Sopharma AD.

- ✚ On 02.06.2017. From in Sofia, Lachezar Stanchev Str., Sopharma Business Towers Building B, floor 3, a regular General Meeting of Shareholders of Sopharma Trading AD was held and the following decisions were taken: 1. Adoption of the annual report of the Board of Directors on the company's activities in 2016; 2. Adoption of the Annual Activity Report of the Investor Relations Director in 2016; 3. Adoption of the Audit Report for the Audit of the Annual Financial Statements of the Company for 2016 4. Approval of the Audited Annual Financial Statement of the Company for 2016.5. Adoption of the Auditor's Report on the Audit of the Company's Consolidated Annual Financial Statements for 2016 6. Approval of the Audited Consolidated Annual Financial Statements of the Company for 2016 7. Adoption of the Report of the Board of Directors

under Art. 12, para. 1 of Ordinance No 48 of 20 March 2013 on the requirements for remuneration. 8. Adoption of the report of the Audit Committee for its activity in 2016. 9. Adoption of a decision for distribution of the profits of the Company realized in 2016. Proposal for a decision: The General Meeting of Shareholders approves the proposal of the Board of Directors for the distribution of the profits of The company realized in 2016: The net financial result of BGN 13,340,128.58 / thirteen million three hundred and forty thousand one hundred twenty eight and fifty and eight stotinki / is divided as follows: BGN 1 334 012.86 one million three hundred and thirty four thousand and twelve BGN and eighty-six stotinki) is included in the Reserve Fund as a 10% reserve, BGN 9,871,502.70 / nine million eight hundred seventy-one thousand five hundred and two BGN and seventy stotinki / for distribution of a monetary dividend for the shareholders, BGN 2,134,613.02 / two million one hundred and thirty four thousand six hundred and thirteen BGN and two pennies / to be transferred as an additional reserve to the company. The proposed gross dividend per share is BGN 0.30 (thirty stotinki); 10. Adoption of a decision to discharge the members of the Board of Directors for their activity in 2016; 11. Determination of the remuneration of the members of the Board of Directors for 2017; 12. Adoption of a decision for the payment of variable remuneration to the Head of Sopharma Trading AD; 13. Selection of a registered auditor of the Company for 2017; 14. Termination of the mandate of the Audit Committee of Sopharma Trading AD; 15. Election of a member of the Audit Committee of Sopharma Trading AD; 16. Approval of rules for the activity of the Audit Committee of Sopharma Trading AD; 17. Approval of the motivated report of the Board of Directors on the expediency and conditions of transactions from the scope of art. 114, para 1 of POSA; 18. Empowering the Board of Directors of the Company to conclude transactions from the scope of Art. 114, para 1, item 2 and item 3 of the Public Offering of Securities Act, in accordance with Sections I - XVIII of the Motivated Report prepared by the Board of Directors.

- ✚ On 05.06.2017 at 14:00 in Sofia, 5, Lachezar Stanchev Str., Sofia Business Towers a regular General Meeting of Shareholders of Sopharma Buildings REIT was held and the following decisions were taken: 1. Adoption of the Annual Report of the Board of Directors on the activities of the Company in 2016; 2. Adoption of the Annual Activity Report of the Investor Relations Director in 2016; 3. Approval of the Auditor's Report for the Audit of the Annual Financial Statements of the Company for 2016; 4. Adoption of the Audited Annual Financial Statement of the Company for 2016; 5. Adoption of the Audit Committee's report on its activities in 2016; 6. Adoption of the Report of the Board of Directors on the Application of the Remuneration Policy of the Members of the

Board of Directors of the Company for 2016; 7. Adoption of a decision for distribution of the financial result of the Company realized in 2016; Proposal for a decision: "The General Meeting of Shareholders approves the proposal of the Board of Directors not to distribute a dividend for 2016 on the grounds that the Company has completed the accounting year 2016 with a negative financial result. The resulting loss for 2016, amounting to 54,255.90 (fifty-four thousand two hundred fifty-five BGN and ninety stotinki), shall be covered by the accumulated reserves of the Company's Premiums Fund. "; 8. Adoption of a decision for discharge of the members of the Board of Directors of the Company for their activity in 2016; 9. Determination of the amount of the constant monthly remuneration of the members of the Board of Directors of the Company for 2017; 10. Election of a registered auditor of the Company for 2017; 11. Termination of the functions of the Audit Committee of the Company; 12. Election of members of the Audit Committee in accordance with the Independent Financial Audit Act; 13. Determined on the remunerations of the Audit Committee of the Company; 14. Approval of Statute of the Audit Committee of the Company. 15. Miscellaneous.

- ✚ On 21.06.2017 at 11.00 am a Regular General Meeting of Shareholders of Unipharm AD was held at the headquarters of the company in Sofia, 3, Trayko Stanoev Str., and the following decisions were taken: 1. Adoption Of the Annual Report of the Management Board on the company's activities in 2016. 2. Adoption of the Annual Activity Report of the Investor Relations Director in 2016. 3. Adoption of the Annual Financial Statement of the Company for 2016, verified and certified by Specialized audit firm 4. Admission of Specialist Report Audit company for auditing and certifying the company's annual financial report for 2016. 5. Adoption of a decision for the adoption of a Report of the Independent Audit Committee on its activities in 2016. 6. Adoption of a decision on the distribution of the profits of the company realized In 2016. Proposal for a decision: The General Meeting of Shareholders accepts the proposal of the Managing Board for distribution of the company's profit realized in 2016, namely: the profit for 2016 at the amount of BGN 282 806.19 / two hundred and eighty two thousand eight hundred and six BGN and nineteen stotinki / after allocating 10% / ten percent / legal reserve - BGN 28,280 / twenty-eight thousand two hundred and eighty BGN / to be distributed as follows: BGN 240,000 / two hundred and forty thousand / - for dividend of the shareholders - 0.04 / zero whole zero four / BGN for 1 / one / share number; The balance of the profit of BGN 14 526.19 / fourteen thousand five hundred twenty-six BGN and nineteen stotinki / shall be credited for additional reserves. The right to receive dividends shall have the persons entered in the registers of the Central Depository as shareholders on the 14th day After the day of the general meeting at which the annual

financial statements were adopted and a profit distribution decision was taken. The Company shall ensure the payment of the dividend voted to the shareholders at the General Meeting within 3 months of its execution. The payment of the dividend is done with the assistance of the Central Depository. The shareholders with open accounts with an investment intermediary will receive their dividend through the respective intermediary, and those shareholders who do not use the services of an investment intermediary will receive their dividends from the branches of DSK Bank EAD in the country / 7. Adoption of a decision for exemption from Responsibility of the members of the Management Board for their activities in 2016. 8. Adoption of a decision to discharge the members of the Supervisory Board for their activity in 2016

✚ On 22 May 2017, the General Meeting of Shareholders of Momina Krepost AD was held in Veliko Tarnovo . The General Meeting of Shareholders: approves the Annual Report of the Board of Directors on the company's activities in 2016; Adopts the Annual Activity Report of the Investor Relations Director in 2016; Adopts the Auditor's Report on the Audit of the Annual Financial Statements of the Company for 2016; Approves the audited Annual Financial Statements of the Company for the year 2016; Adopts the Report of the Audit Committee on its activities in 2016; Adopt the proposal of the Board of Directors. For the distribution of the company's profit realized in 2016, namely: BGN 166 thousand to be taken as an additional reserve of the company. No dividend is distributed to the shareholders; Dismisses the members of the Board of Directors from responsibility for their activities in 2016; Elected as a registered auditor for 2017 the specialized auditing company Auditing - Auditing OOD; Adopts a report on the application of the remuneration policy of the members of the Board of Directors of Momina Krepost AD for 2016, decides the amount of the monthly remuneration of the members of the Board of Directors to be BGN 1,000; Elects an Audit Committee consisting of three people - Tsvetelina Stanimirova, Mihaela Tolina and Savina Mihaylova; Approves the Statute of the Audit Committee; Dismisses as a member of the Board of Directors Minko Ivanov Minkov; Elected Boris Anchev Borisov as a member of the Board of Directors of the company.

✚ On 15.06.2017 an approval of the merger Achieve Life Science in OncoGenex Pharmaceuticals was received by the US SEC . On 1 August 2017 the merger between Achieve Life Sciences, Inc. and OncoGenex Pharmaceuticals was successfully closed today and as a result of which the stockholders of Achieve have become the majority stockholders of OncoGenex. OncoGenex has been renamed Achieve Life Sciences (NASDAQ: ACHV).

The company announced that "Cytisine is a drug of global public health importance and the transition of Achieve to the public markets is a critical step in advancing our development program," commented Rick Stewart, Chairman and CEO of Achieve Life Science.

- ✚ On 21.06.2017 r. Sopharma AD informs about the results of the tender offering submitted by Sopharma AD for the purchase of the shares of the other shareholders of Unipharm AD. Company, object of the offer: Unipharm AD, with management address Sofia 1797, Studentski grad, zh.k. Darvenitsa, Trayko Stanoev Str. Tender offeror: Sopharma AD, with address: Sofia, Nadezhda district, 16, Iliensko shose Str.

Authorized investment intermediary: Elana Trading AD, with management address: Sofia, Sredets, 4, Kuzman Shapkarev Str., and license issued by FSC for carrying out activity as an investment intermediary on the basis of Decision No. 171 -IP / 08.03.2006

Price offered per share: BGN 4.35 (four leva thirty-five stotinki) Number of persons accepted the tender offer: 65 Shareholder with total number of shares: 1 125 021, representing 18.75% of the capital of Unipharm AD.

As a result of the tender offer and after the conclusion of the transactions with the shareholders that have accepted it, Sopharma AD will directly own 96.63% of the shares of Unipharm AD. Sopharma AD has the right, within three months from the closing date of the tender offer, to submit, after obtaining the approval of the FSC, an offer for the purchase of the shares of the remaining shareholders of Unipharm AD on the grounds of Art. 157a of POSA. In addition, according to the provisions of Art. 157b of the POSA, each shareholder is entitled to require from Sopharma AD to redeem his/her shares until 19 September 2017. The request must be in writing and contain information about the shareholder and the shares he owns. The request should be addressed to the authorized investment intermediary Elana Trading AD. The price per share of Unipharm AD for the proposal under Art. 157a and in exercising the rights of the shareholders under Art. 157b, in accordance with the provisions of Art. 157a, para. 3 is equal to the price of the tender offering of BGN 4.35 per share.

The results of the tender offering were published by the tender offeror in the newspapers "Capital Daily" and "Sega" as of 21.06.2017.

- ✚ On 28.06.2017 Sopharma Trading AD entered in the Commercial Register a subsidiary under the name "Sopharma 8" EOOD, with headquarters in Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A ", Fl." 12 ".
- ✚ On 04.07.2017, a merger of OSO MobilLine, Belarus with ODO Mingel, Belarus was registered by merging the assets and liabilities of the two companies. The activity of the merged entity, OOO MobilLine, is terminated and all its rights and obligations at the moment of merger is taken over by ODO Mijel, Belarus.

- ✚ On 17.07.2017 r. Sopharma AD notifies that in interest of its shareholders Sopharma AD will initiate dividend payment of the voted on the AGM held on 2 June 2017 dividend of 0.10 BGN earlier than planned **on 24 July 2017**.
- ✚ On 18.07.2017 Sopharma Trading announced that the Commission for the Protection of Competition of the Republic of Serbia allowed the company to acquire a majority stake in Lekovit - the fastest growing Serbian wholesaler of medicines for the last 3 years. The Regulator's decision comes just weeks after the two companies announced their intentions for a joint partnership. On August 4, 2017, the acquisition transaction was completed, with the acquisition of 70% of the shares of the Shabaz-based company, Sopharma Trading becoming the majority owner, and Dr. Dragan Petrovic, the current owner of Lekovit will retain the remaining 30% of the shares. Under the arrangements, Dr. Dragan Petrovic will continue to act as Executive Director, who will be directly responsible to the Executive Director of Sopharma Trading d.o.o Beograd. He will join as a member of the management team of Sopharma Trading AD and will work on the close integration of Lekovit's operations with those of its subsidiary company in Serbia. The partnership between the two companies will combine the innovative diversified business model of the Bulgarian investor with local knowledge and the high reputation of the Serbian company in order to build a strong player with a national presence on the Serbian market. The unification will bring with it the introduction of innovations and the placement of leading world practices and modern technologies, which Sopharma Trading uses in its model of work in our country. In the short term, Sopharma Trading and Lekovit will focus on preserving the value of the Serbian company and creating synergies between the two companies through successful integration of their processes.
- ✚ On 21.07.2017 "Sopharma" AD notifies that it acquired 75% from the capital of the successful start-up for development and registration of food additives "Aromania" (www.arolife.bg).
For the nearly two years since its establishment "Aromania" has more than 20 registered products and for 12 of them the company either has or has filed a different form of patent protection - trade mark, industrial design or useful model. Two of the products are leaders in their categories. For 2016 the revenues from sales of the company are 1,279 thousand BGN.
Sopharma will use this platform for a wider presence on the food additives market and to proudly enter the society of the "Bulgarian business angels".
- ✚ On 01.08.2017 a merger of ODO Vestfarm, Belarus and ODO BelAgroMed, Belarus in ODO Salusline, Belarius was registered by merging the assets and liabilities of the three companies. The activity of the merged entities ODO Vestfarm and ODO Belagromed is terminated and all its rights and obligations at the moment of merger is taken over by ODO Mijel, Belarus.

- ✚ On 08.08.2017 the transformation through merger of Medika AD in Sopharma AD was entered in the Commercial Register.
- ✚ 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 of the Public Offering of Securities Act, to be implemented by merger of Unipharm AD into Sopharma AD, UIC 831537465, with headquarters and address of management City of Sofia, Studentski District, 3, "Traiko Stanoev" Str., and elects the investment intermediary "ELANA TRADING" AD, UIC 831470130, with headquarters and address of management in Sofia, 5 "Lachezar Stanchev" str. for consultant in connection with the implementation of the transformation procedure.
- ✚ On 11.09.2017, "Sopharmacy 9" EOOD and "Sopharmacy 10" EOOD, subsidiaries for the Group through the subsidiary "Sopharma Trading" EOOD, are entered in the Commercial Register.
- ✚ On 14.09.2017, on the grounds of Art.262d Unipharm AD, the transforming company, and Sopharma AD, a receiving company, have entered into a Transformation Agreement through merger. The merger transformation agreement governs the way in which the transformation by merger of Unipharm AD into Sopharma AD will take place and the consequences for the transforming and the receiving company. The fair price 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 the 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 27.09.2017, 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 non-admitted shareholders under Art. 157b, we provide information for the

fulfillment of the obligation of Sopharma AD under this Article: 1. The offeror has bought a total of 125 530 voting shares 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.

✚ An Annual Investor Meeting was held on 03.11.2017. Short presentations of Sopharma AD, Sopharma Group and Sopharma Trading AD were presented which contained information on the results published by the two companies for the first nine months of 2017.

✚ On 07.11.2017 the Commission for the Protection of Competition of the Republic of Bulgaria authorized the merger by acquiring the activity of PharmaStore pharmacies of Sopharma Trading AD. The acquisition transaction is due to close

6. Transactions with related parties

The information concerning transactions with related parties is presented in details in the Notes to the financial report.

III. Information about the shares of Sopharma AD

The total number of shares issued by Sopharma, issued on 30.09.2017, is 134 797 899 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible, according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder in proportion to the nominal value of the share. The shares of Sopharma AD are traded on the official market of BSE - Sofia AD and on the official market of the Warsaw Stock Exchange. The shares participate in the formation of the SOFIX, BGBX40 and BGTR30 indices of BSE - Sofia AD.

The company's shares are included in the Dow Jones STOXX EU Enlarged Total Market Index with a weight of 0.11%, with a weight of 5% in Erste Bank Bulgaria Basket, in the Raiffeisen Bank's Raiffeisen Osteuropa Fonds certificate as well as in the new Dow blue-chip index Jones STOXX Balkan 50 Equal Weighted Index.

Sopharma AD is one of the three Bulgarian companies included in the Central and Eastern Europe (CEE) Index, which the Warsaw Stock Exchange began to calculate as of May 30, 2012. The index is called WIG-CEE and is the third after WIG-Poland and WIG-Ukraine, which is based on the country's country of origin. WIG-CEE is calculated on a common yield basis and includes dividend yield and share subscription rights.

Key indicators of the shares of Sopharma Group

	30.09.2017	30.09.2016
Total number of issued shares	134 797 899	134 797 899
Average-weighted number of outstanding shares for the last four quarters	129 048 703	129 165 242
Number of shares outstanding at the end of the period	129 485 972	128 873 024
Earnings per share in BGN	0,400	0,23
Price per share at the end of the period in BGN	4,368	2,954
Price/Earnings ratio (P/E)	10,92	12,84
Book value per share in BGN	3, 72	3,32
Price/Book value ratio (P/B)	1,17	0,89
Sales per share in BGN	7,40	6, 72
Price per share / Sales per share(P/S)	0.59	0,44
Market capitalization in BGN	588 797 223	398 192 994

¹ Net profit for the last four quarters belonging to the equity holders of the Company / weighted average number of outstanding shares in the same period

² Equity, not including minority interest / number of outstanding shares at the end of the period

³ Revenue from sales for the last four quarters / number of outstanding shares at the end of the period

Trade with shares of Sopharma Group on Bulgarian Stock Exchange – Sofia AD for the period 01 January 2017 – 30 September 2017.

