

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

7. a) 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 consolidated 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 2017 and have been accepted by the Commission of the European Union.

More detailed information about the Company's accounting policies can be found in the notes to the interim consolidated financial statements for the period 1 January 2017 – 31 December 2017.

7. b) Information about changes in the economic group of the issuer as at 30 September 2017: N/A

7 c) 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:

On 1 February 2017, pursuant to Art. 151, para. 3 of POSA, Sopharma Group submitted a revised offer under Art. 149, para. 6 of POSA to purchase shares of the remaining shareholders of Unipharm price of 4.35 BGN per share. Sopharma Group as a tender offeror states that it does not 1 342 234 shares, representing 22.37% of total ordinary shares ISIN code BG1100154076 from the shares with voting rights in the General Meeting of Shareholders of Unipharm AD and makes this offer to the remaining shareholders for their acquisition. At the date of issue of this report the Financial Supervision Commission (FSC) has not taken a position on the tender offer

On 31 January 2017 under art. 262e of the CA for Medica AD transformation through merger between Sopharma Group, Sofia, UIC 831902088 and Medica AD, Sofia, UIC 000000993 were filed with the FSC for approval pursuant to art. 124, par. 1 of the Public Offering of Securities Act (POSA). 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 20 March 2017 Sopharma Group, Sofia, UIC 831902088 and Medica AD, Sofia, UIC 000000993 signed an annex to the Contract for transformation through merger

reflecting the comments by the FSC. All documents will be filed with the FSC for approval pursuant to art. 124, par. 1 of the Public Offering of Securities Act (POSA) after an independent certified evaluator prepares a report. As a result of the merger, all shareholders of the transferring Group Medica AD, with the exception of the receiving Group Sopharma Group, which is also a shareholder of the transferring Group, will receive shares of Sopharma Group and become shareholders of it. Against one share of Medica AD each shareholder pursuant to art. 261b, app. 1 of the CA shall receive 0.8831 treasury shares of the capital of Sopharma Group. All other conditions concerning the merger procedure are included in the Contract. The two companies are about to vote the merger on their respective AGMs.

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

As a result of the restructuring, the Group acquires a controlling share in the capital of SalusLine OOD, Belarus, the latter being transformed from an associate into a subsidiary.

On March 15, 2017, Sopharmacy 7 EOOD, UIC 204501313 was registered in the Commercial Register. The company has a capital of 5000 BGN and the sole shareholder of the capital is the subsidiary of Sopharma Trading AD - Sopharmacy EOOD. The subject of activity of Sopharmacy 7 EOOD is the retail of medicinal products.

On 04.04.2017 a contract was signed for the sale of the Group's participation through the subsidiary SIA 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 Obedinen 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 Obedinen 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 Brititrade, Belarus, as a result of which it acquires control of the company.

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 to 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 of the Commercial Law as a result of which all the assets of Medica AD 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 approved the tender offer.

Sopharma Trading AD has reached agreement to acquire PharmaStore pharmacies with the intention of their subsequent joining Sopharmacy's family. The merger of Sopharmacy and PharmaStore 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 15.06.2017 Sopharma AD announces that the next step in the process of merging Achieve Lifesciences and Oncogenex has been completed with the approval of the merger by the US SEC. On 1 August 2017 the merger of Achieve Life Sciences, Inc. with OncoGenex Pharmaceuticals was successfully completed, as a result Achieve's shareholders become major shareholders in OncoGenex. OncoGenex is renamed Achieve Life Sciences (NASDAQ: ACHV). The newly formed company will start trading on NASDAQ with ACHV.

On 21.06.2017 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.

On 28 June 2017, Sopharma Trading AD entered in the Commercial Register a subsidiary under the name "Sopharmacy 8" EOOD, with headquarters in Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building "A" , fl. "12". The Commission for the Protection of Competition of the Republic of Serbia has allowed Sopharma Trading AD to acquire a majority share 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 transaction was completed, with the acquisition of 70%

of the shares of the Shabaz-based company, Sopharma Trading became the majority owner, and Dr. Dragan Petrovic, the current owner of Lekovit will retain the remaining 30% of the shares.

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

On 04.07.2017, a merger of OOO MobilLine, Belarus with ODO Medjel, 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 Medjel, Belarus.

On 1 August 2017 a merger of ODO BelAgroMed, Belarus and ODO Vestfarm, Belarus in ODO SalusLine, Belarus, the merger united the assets and liabilities of both companies. The activities of the merged companies ODO BelAgroMed, Belarus and ODO Vestfarm, Belarus are ceased and all its rights and obligations as of the moment of merger are transferred to ODO SalusLine, Belarus;

On 08.08.2017 the transformation through merger of Medica AD in Sopharma AD was entered in the Commercial Register. As a result of the transaction all assets of Medica AD are transferred to Sopharma AD and Medica AD is ceased without liquidation. The assets and liabilities of both companies are united as of 1 January 2017 – the date of merger for accounting purposes;

On 31 August 2017 a merger of ODO Alean, Belarus in ODO Medjel, Belarus was registered, the merger united the assets and liabilities of both companies. The activities of the merged company ODO Alean, Belarus are ceased and all its rights and obligations as of the moment of merger are transferred to ODO Medjel, Belarus;

On 11 September 2017 Sopharmacy 9 EOOD and Sopharmacy 10 EOOD, subsidiary companies for the group through Sopharmacy EOOD, were registered in the Commercial Register.

On 12 September 2017 the Board of Directors of Sopharma AD decided to initiate the procedure for transformation of Sopharma AD under the terms and procedure of Chapter XVI of the Commercial Law and Art. 122 and 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 District, 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 September, 2017 in accordance with art. 262e and the following from the Commercial Code Unipharm AD and Sopharma AD signed a contract for transformation through merger of Unipharm AD in Sopharma AD and the respective consequences following that decision. The fair price of the participants in the transformation is based on widely accepted evaluation methods. Based on the fair price the participants in the transformation reached a ratio of exchange of 0.891512, meaning that one share of Unipharm AD will be exchanged for 0.891512 shares of Sopharma AD. The companies have hired the services of certified appraisers whose reports are a necessary prerequisite for the filing of the documents for transformation with the FSC.

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

As at 01.12.2017 Sopharma AD increased its participation in the capital in Doverie Obedinen Holding AD to 32.49%.

On 01.12.2017, the transformation through merger of OAO Dapharm, Belarus in OOO Galenafarm, Belarus was registered, by merging the assets and liabilities of the two companies. The activities of the merged OAO Danafarm, Belarus, were terminated and all its rights and obligations at the time of the merger were taken over by GAO, Galenafarm, Belarus.

On 07.12.2017 in the Commercial Register are registered Pharmastore 1 OOD, Pharmastore 2 OOD, Pharmastore 3 OOD, Pharmastore 4 OOD and Pharmastore 5 OOD, subsidiaries for the Group through the subsidiary Sopharma Trading AD.

On 20.12.2017 Sopharma AD received approval from the FSC of the Transformation Agreement through the merger of Unipharm AD with Sopharma AD as well as the reports of the management bodies and the reports of the auditors.

On 30.01.2018, Sopharma AD received a notification under Art. 145 of the Public Offering of Securities Act of ZUPF Allianz Bulgaria for the sale of 250 000 shares representing 0.19% with which the share participation of ZUPF Allianz Bulgaria in the capital of Sopharma AD reached 4.99%.

7 d) 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 – The management does not publish estimates.

7 e) 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;

Company	Share 31.12.2017	Share 31.12.2016
Donev Investments Holding AD	25.20%	24.78%
Telekomplekt invest AD	20.41%	20.15%
Rompharm companyAD	7.52%	18.04%

ZUPF Allianz Bulgaria	5.17%	5.17%
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7 f) 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:

Name	Board of directors	Number of shares 30.09.2017	Number of shares 31.12.2016
Ognian Donev	Председател	910 000	246 600
Vessela Stoeva	Member	0	0
Ognian Palaveev	Member	160 430	120 430
Alexander Chaushev	Member	111 042	59 462
Andrey Breshkov	Member	0	0

g) 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;

7 h) 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 as at 30 December include:

	<i>Jan-Dec2017</i> <i>BGN '000</i>	<i>Jan-Dec 2016</i> <i>BGN '000</i>
Long-term loans granted to related parties	20,356	9,797
Receivable under a long-term rental deposit granted	243	231
Total	20,599	10,028

The long-term loans are granted to associated companies (as at 31 December 2016 long-term loans are granted to companies related through key management personnel).

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

<i>Type of currency</i>	<i>Contractual amount</i>	<i>Due date</i>	<i>Interest %</i>	<i>31.12.2017</i>		<i>31.12.2016</i>	
				<i>BGN'000</i>	<i>BGN'000 incl. interest</i>	<i>BGN'000</i>	<i>BGN'000 incl. interest</i>
	<i>'000</i>						
<i>EUR</i>	29,384	31.12.2019	3.50%	16,538	17	9,797	48
<i>BGN</i>	13,900	11.06.2019	3.00%	3,818	3	-	-
				20,356	20	9,797	48

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 deposit receivable, received from company related through main shareholder, related with a rent under a concluded rental contract for administrative offices with validity term on 1 August 2022.

Receivables from related parties by type are as follows:

	<i>Jan-Dec 2017</i>	<i>Jan-Dec 2016</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Trade loans granted	3,323	11,818
Receivables on sales of finished products and materials	1,367	3,122
Advances granted	-	42
Total	4,690	14,982

The *trade loans granted to related parties* are unsecured and are to companies related through key management personnel and companies under a common indirect control and companies, controlled by an associate. They amount to BGN 3,323 thousand (31 December 2016: BGN 11,818 thousand).

The *granted loans* are as follows:

<i>Type of currency</i>	<i>Contractual amount</i>	<i>Due date</i>	<i>Interest rate</i>	<i>31.12.2017</i>		<i>31.12.2016</i>	
				<i>BGN '000</i>	<i>BGN '000 incl. interest</i>	<i>BGN '000</i>	<i>BGN '000 incl. interest</i>
	<i>'000</i>		<i>%</i>				

<i>To company controlled through an associate</i>								
<i>BGN</i>	300	31.08.2018	5.00%	305				
<i>BGN</i>	190	31.12.2018	3.50%	62	-	96	-	
<i>to companies related through key management personnel</i>								
<i>BGN</i>	66,700	31.12.2018	2.81%	2,956	4	4,472	72	
<i>EUR</i>	8,154	31.12.2017	4.10%	-	-	6,292	5	
<i>EUR</i>	12,807	31.12.2017	3.05%	-		560	1	
<i>to companies under a common indirect control</i>								
<i>BYN</i>	186	08.06.2018	27.50%	-	-	146	-	
<i>BYN</i>	122	28.01.2018	27.50%	-	-	104	-	
<i>BYN</i>	70	24.03.2018	20.00%	-	-	67	1	
<i>BYN</i>	126	25.11.2017	27.50%	-	-	59	-	
<i>BYN</i>	23	28.04.2018	20.00%	-	-	22	1	
Total:				3,323	4	11,818	80	

The *receivables on sales of finished products and materials* are interest-free and denominated in BGN and in Belarusian rubles.

The Group companies usually negotiate payment terms between 90 and 180 days for receivables on sales of finished products and up to 30 days for receivables on sales of materials (including substances – active ingredients). The Group has set a maximum credit period of up to 365 days for sales counterparts – related parties. Any delay after this period is regarded by the Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analysing the specific receivables and the position of the debtor company as well as the circumstances for the delay and the opportunities for repayment and after that, they take a decision on whether impairment shall be recognised and charged on an individual basis and at what amount.

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

	<i>Jan-Dec 2017</i>	<i>Jan-Dec 2016</i>
	<i>BGN'000</i>	<i>BGN'000</i>
up to 30 days	328	1,597
from 31 to 90 days	156	686
from 91 to 180 days	98	70
Total	582	2,353

The *age structure* of past due but not impaired trade receivables from related parties is as follows:

	<i>Jan-Dec 2017</i>	<i>Jan-Dec 2016</i>
	<i>BGN'000</i>	<i>BGN'000</i>
from 31 to 90 days	134	194
from 91 to 180 days	364	219

from 181 to 365 days	286	-
from 1 to 2 years	1	-
Total	785	413

The *age structure* of past due impaired receivables from related parties is as follows:

	<i>Jan-Dec 2017</i>	<i>Jan-Dec 2016</i>
	<i>BGN'000</i>	<i>BGN'000</i>
over 1 year	-	412
Allowance for impairment	-	(56)
Total	-	356

Movement in the allowance for impairment

	<i>Jan-Dec 2017</i>	<i>Jan-Dec 2016</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Balance at 1 January	56	24
Impairment amount		32
Restored impairment	(56)	-
Balance at 30 September	-	56

CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

Sopharma AD

In relation to the amount of EUR 1,034 thousand (BGN 2,022 thousand) awarded by the Court of Arbitration in Paris, Sopharma AD initiated cases in Poland against former members of the Management Board of the convicted company for caused damages and non-performance of the obligations regarding the bankruptcy of the said company. As at 31 December 2017, the cases are pending in the District Court and the Regional Court of Warsaw.

Issued and granted guarantees

Sopharma AD

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:

	Maturity	Currency	Amount	Debt status	
			Original	Jan-Dec 2017	
			Currency	BGN'000	BGN'000
Sopharma Properties REIT	2024	EUR	22,619	44,240	22,467
Mineralcommerce AD	2017 – 2021	BGN	726	726	625
Total					23,092

Bank guarantees

Sopharma Trading AD

The bank guarantees issued for the Company amount to 13,427 thousand (31.12.2016 : 10,596 thousand are to secure payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medicinal products to hospitals under concluded contracts, customs office guarantees and tender participation.

The bank guarantees have been issued by:

	Jan-Dec 2017	Jan-Dec 2016
	BGN '000	BGN '000
SG Expressbank AD	4,837	4,049
Raiffeisenbank EAD	4,801	4,664
ING Bank N.V.	3,789	1,883
	13,427	10,596

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 8,997 thousand (31 December 2016: BGN 9,801 thousand).
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2016: BGN 2,347 thousand).

Unipharm AD

The following have been issued as at 31 December 2017: bank guarantees at the amount of BGN 107 thousand within the loan agreement limit.

Under a contract for issuing multiple bank guarantees, dated 23 February 2012, special pledges have been established on Company's assets as follows:

- Pledge on current and future movables (materials, finished products, goods) with a carrying amount of BGN 400 thousand;
- Pledge on current and future payment accounts opened with DSK Bank EAD.

Electroncommerce EOOD

The bank guarantees issued for the company amount to BGN 32 thousand as at 31 December 2017 (31 December 2016: BGN 74 thousand).

Assets held under safe custody

Sopharma Trading AD

According to concluded pre-distribution contracts, the Company has received goods for safe custody amounting to BGN 4,723 thousand as at 31 December 2017 (31 December 2016: BGN 4,046 thousand).

Significant irrevocable agreements and commitments

Sopharma AD

The Company received three government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013, related to technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production section. The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Unipharm AD

The company is a beneficiary under three grant contracts for acquisition of assets. In accordance with the contractual provisions, the tangible and intangible fixed assets, acquired with project funds, should remain within the assets of the beneficiary and the receiving region (Republic of Bulgaria) for a period of minimum five years after execution of the total investment. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Biopharm Engineering AD

The company has assumed a commitment under a grant contract with a term of five years after completion of the project for acquisition of

- (a) line for production of amino acid solution for parenteral nutrition, which includes components for inflation, filling and hermetisation in aseptic environment, and

(b) clean rooms construction (omega profile ceilings, separation walls, doors, blocking devices, lighting, air conditioning, etc.). The term commenced on 27 April January-September 2016 (the date on which the project was ultimately approved by the financing institution) and according to the contract the project should not suffer significant changes referring to its nature, the conditions of its performance or leading to unjustifiable benefits for the company as well as changes resultant from modification in the nature of ownership of infrastructural component or discontinuance of production activities. On non-compliance with these requirements, the financing shall be returned. At the date of approval for issue of the financial statements, all contractual requirements were being fulfilled.

Sopharma Trading AD

The company is a beneficiary under a government grant contract under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" for the project on Development and Implementation of Information Security Management System Project in accordance with ISO 27001:2007 in the amount of BGN 82 thousand.