

Dear Shareholders,

The Board of Directors of Sopharma AD (the Company) offers a part of the treasury shares to be provided as an additional one-time bonus for the 85 anniversary of Sopharma AD to all employees with more than one year employment experience in the Company, who are in an employment relationship with the Company or who work under a management contract (hereinafter referred to as "eligible persons"). The Board of Directors proposes that the shares should be distributed among the eligible persons according to a scheme depending on the years of service with the Company.

Parameters and specifics of the procedure:

1. Determination of the amount of the bonus

The number of shares to be granted to each person in the Company will be distributed stepwise (see Appendix 1). The bonus of each eligible person will be determined and assigned to the month in which the person will receive the shares for an amount which after deduction of the statutory income tax and statutory social insurance for the respective month will amount to the market value of the shares granted to the person, defined as multiplication of the number of shares granted and the market price per share for the date of granting under the Tax Law - Law on Income Taxes of Physical Persons.

2. Financial effect for Sopharma AD from the implementation of the project

The accounting of the distribution of treasury shares of Sopharma AD to all persons who are in employment with the Company or working under a management contract should be accounted for in accordance with the requirements of International Financial Reporting Standard (IFRS) № 2 Payment based on shares. The distribution of the treasury shares of Sopharma AD is a bonus in connection with the 85th anniversary of the Company. Bonus costs should be reported in 2018 on the date on which employees are entitled to acquire the shares. These costs should be presented in the income statement of Sopharma AD as personnel expenses and their value should be measured at the fair value of the shares granted (at the stock price of the shares of Sopharma AD at the aforementioned date). On the basis of the predefined indicative scheme a projection has been made to distribute 276,000 treasury shares to 1,834 employees. The reported value of these treasury shares is BGN 1,034 thousand or BGN 3.75 per share. At the date of this proposal (30.04.2018), the fair value of one share of the Bulgarian Stock Exchange amounted to BGN 4.2182 per share or a total of BGN 1,164 thousand.

The expected (actual calculations will be made for all eligible employees at the date of decision by AGM) effects to the financial statements of Sopharma AD for 2018, *with no income tax obligations and mandatory social insurance contributions* related to the bonus shares received are as follows:

Personnel costs / Profit reduction -	BGN 1,164 thousand
	BGN 1,034
Write-off of treasury shares / Increase in equity -	thousand

Increase in retained earnings / Equity -
Main reasons for this proposal:

1. People are our most valuable asset

The members of the Board of Directors are united on the opinion that the success achieved by the Company would be impossible without the personal commitment and ambition to complete each objective of all employees.

2. Additional motivation and interest in the success of the company

Ownership of the company's shares would increase the engagement of its employees and would make them directly interested and more involved in the development and success of the company.

3. Initiative towards the development of the Bulgarian capital market

The proposal of the Board of Directors of Sopharma AD is provoked by the desire to support the development of the capital market in Bulgaria, not only by declaring such, but also by taking concrete actions that encourage the trade. The Board of Directors considers that the distribution of a certain amount of shares to the employees of the Company (approximately 2,000 persons) and their subsequent actions would have a direct positive effect on the capital market.

4. Increasing the financial culture of a significant circle of people

The receipt of a small number of shares would stimulate not only employees of the Company but also members of their families to be interested in the opportunities given to them by their financial instruments. The management of the Company has a resource and would be committed to conducting trainings and meetings focusing on raising the financial culture of the employees concerned.

5. Shares as an alternative to savings

By improving the awareness of the employees of the company, their bonus shares will be not only the equivalent of their monetary value, but also a means that would bring them additional returns. Even a brief comparison would show that dividend yield in Bulgaria significantly exceeded the average return on deposits, for example. Moreover, the company's close knowledge and the ability of its employees to have direct impressions of its development and financial position further reduces the risk of such investment.

With respect:

1. Ognian Ivanov Donev

2. Vessela Lyubenova Stoeva

3. Alexandar Victorov Tchaoushev

4. Ognian Kirilov Palaveev

5. Andrey Liudmilov Breshkov



Appendix 1 to the proposal of the Board of Directors of Sopharma AD to the AGM regarding the distribution of bonus shares to employees

**PROPOSAL FOR BONUS SHARES OF EMPLOYEES
SOPHARMA AD, 2018**

Years of service in Sopharma AD	Number of Employees	Number of bonus shares	Total shares
1-4 years	454	100	45 400,00
5-9 years	361	100	36 100,00
10-14 years	372	150	55 800,00
15-19 years	168	150	25 200,00
20-24 years	126	200	25 200,00
25-29 years	186	200	37 200,00
30-34 years	115	300	34 500,00
35-39 years	47	300	14 100,00
40-44 years	5	500	2 500,00
TOTAL:			276 000,00