

REPORT

Of the Investor Relations Director for 2016

The activity of the Investor Relations Director is strictly regulated in POSA and in 2016 the main responsibilities of the Investor Relations Directorate remained:

1. keeping the records of the Board of Directors, the records of the General Meetings of the Company, the information, provided to the public and the internal rules for the operations of the Company,
2. facilitating the effective communication and mediation between the Company and the stakeholders, including the respective governmental institutions. The improvements in this field include the maintenance of electronic communication and archives, the updating of an email list, the addressees of which receive all announcements, made public by the Company at the time of their publication and the regular publishing of a newsletter, containing the essential information for each reporting period of the Company,
3. preparing, maintaining and disseminating materials, containing important data and information about the Sopharma Group, such as presentations, descriptions, informational files for the media,
4. participating in the preparation and publication of all financial reports of the Company and all official announcements, simultaneously in Bulgarian and English,
5. organizing the Annual General Meeting of Shareholders,
6. maintaining the website of the Company, where a variety of improvements were made, aiming at providing a quicker and easier access to the essential information,
7. supporting and providing information to all directorates in order to ensure adherence to the POSA and all regulations, accompanying its application,
8. supporting with information and concrete guidelines in order for conflicts of interests to be avoided,
9. conducting regular meetings with the investors community and participating in investors conferences and other events, popularizing the activity of the Company,
10. organizing investors meetings, and
11. keeping a constant and effective dialog with representatives of the investors' community and the media.

The Directorate also managed and took part in the following projects:

Management of the projects for making a tender offering to the shareholders of Medica AD. On 31.01.2017, on the grounds of Art.262d et seq. Of the Commercial

Law "MEDICA" AD, transforming company, and "SOPHARMA" AD, receiving company, have entered into a Transformation Agreement through merger. On 13 February 2017 the contract was submitted for approval to the FSC on the grounds of Art. 124, para. 1 of the Public Offering of Securities Act.

Participation in the projects for the purchase of up to 100% of the capital of Veta Farma AD. As of December 31, 2016, Sopharma AD acquired a total of 68% of the capital of Veta Farma AD.

Work on developing internal rules, drafting documents and setting up an archive in connection with Regulation 596/2014 and all subsequent implementation. The Directorate has produced all necessary documents related to the direct implementation of Regulation 596/2014.

Work on guidelines contained in Ordinance 48 on remuneration, participation in the preparation of the Remuneration Report on the Remuneration Policy of Sopharma AD. The Directorate assists in the preparation of the Report on the remuneration of the members of the Board of Directors for 2016 as required by the current legislation.

Submitting information to the Warsaw Stock Exchange. In 2016, more than 127 notifications and documents were submitted to the Warsaw Stock Exchange as part of Sopharma's regulatory obligations. This includes quarterly and annual reports, insider notifications, monthly results, and so on. This ensures equity for investors trading in shares of the Bulgarian and Warsaw Stock Exchange.

National Commission on Corporate Governance. The Directorate continues to support the Executive Director's work in connection with his activities as a member of the National Corporate Governance Commission.

Supporting the work of the Investor Relations Directors' Association. The Investor Relations Director is a member of the Management Board of the Association and assists its activities accordingly.

Monitoring of the changes in legislation related to the operations of the Company.

Improvements in reporting. In 2016 we further improved the reporting documents of the Company and the process of updating the financial statements and all supporting documents was continued. All changes were made towards increasing the knowledge of the readers and providing a full and objective description of the state and the business of the Company.

Participation in the development of a completely new trilingual website of the Sopharma Group. In the Investors section, a number of improvements and updates of the data were made in line with the principles of good corporate governance. The

corporate website has been completely upgraded, with easier access to more information for investors. The site was presented to investors at the **Annual Investor Relations Meeting** held on October 7, 2016.

Preparation and conducting of the general meetings of shareholders of the Company. In 2016 was organized one regular General Meeting of Shareholders.

Share capital

As at 31 December 2016 the capital of Sopharma amounted to 134 797 899 BGN, divided into 134 797 899 dematerialized, freely transferable shares.

As at the end of 2016 the Company's share capital was distributed among 5204 shareholders. The largest share have legal entities, 84.94% of which are Bulgarian legal entities and hold 89.6% of the Company's capital with over 40 pension and investment funds holding a total of 16.87% of the Company's capital. The foreign investors are 15.06% of all legal entities and hold a total of 6.49% of the Company's capital. Sopharma has also over 5000 shareholders - individuals holding a total of 3.91%.

Share repurchase

In accordance with the decision of the General Meeting of Shareholders from 23 June 2010 Sopharma AD initiated a share repurchase. On an Extraordinary General Meeting held in 2012 the threshold for share repurchase was increased to 10%, but not more than 3% for one calendar year.

The share repurchase by decision of the Board of Directors may be carried out without special delegation of authority from the General Meeting of Shareholders for each specific case but entirely on the grounds of the powers provided to the Board of Directors under the provision of the Articles of Associations, adopted by the General Meeting on 21 June 2013 for a period of two years from the moment of entry of the Articles of Associations in the Commercial Register at the Registry Agency.

As at 31 December 2016 the treasury shares amount to 5 662 414 representing 4.2% of the capital of the Company.

Dividends

In 2016 was distributed a dividend of BGN 0.07. per share.

Share prices

Share prices in 2016 were within the range from 2.501 to 3.870 BGN. On the Warsaw Stock Exchange this range was 5.01 and 10 PLN. The weighted annual average price was 3.240 BGN, and the Company's market capitalization as at the end of the year was 366,650 million BGN.

Trading

Over the year 3 762 055 lots were traded in 2 214 transactions at a weighted-average price of 3.240 BGN. The total turnover of the “Bulgarian Stock Exchange - Sofia” AD in Company’s shares over the year amounted to about 12.2 million BGN or nearly 31.27% of the total annual turnover on the official market, segment “PREMIUM”.

Respectfully,
Pelagia Viatcheva