

sopharma

SOPHARMA AD

*LONG-TERM INCENTIVE PROGRAM
WITH SHARES OF THE KEY EMPLOYEES*

SUMMARY

The Board of Directors of “Sopharma” AD has prepared and proposes for approval by the General Meeting of Shareholders of the Company a Long-Term Share Incentive Program for Key Employees (the “Program”) with the following main parameters:

- Up to 50% of the annual additional remuneration (bonus) for key employees of the Company (“Beneficiaries”) will be paid under the “Program” in the form of a Long-Term incentive in shares (“Long-Term incentive”).
- For the purposes of the Program, part of the Company's own shares will be used. The maximum number of shares for the incentive of key employees per year under the Program is up to 0.5% of the Company's capital on an annual basis;
- Eligible for participation in the Program will be employees, determined at the discretion of the Board of Directors, who hold key positions and have a significant impact on the creation of value for the Company and its shareholders. Members of the Board of Directors of the Company do not participate in the Program;
- The specific number of shares in the form of a Long-Term Incentive for each Beneficiary will be tied to the achievement of certain Performance Goals, including both the performance of the Company as a whole and the personal performance of the Beneficiary in terms of financial and other performance results;
- The Performance Objectives set out in this Program will include certain financial and non-financial indicators. The Board of Directors shall determine the values of the relevant indicators for that year by April 30 of each calendar year;
- The actual transfer of the Long-Term Incentive into shares of the respective Beneficiary will take place after the expiry of a Holding Period of two years and eight months. Until then, the shares of the Long-Term Incentive are virtually recorded in the account of the respective Beneficiary by an independent Administrator. After the transfer of the shares to the respective Beneficiary, he has the right to dispose them without any restrictions.
- In cases of Termination of the contractual relationship before the Long-Term Incentive Transfer Date (except in cases of “Good Faith Termination”), the Beneficiary permanently and completely loses the right to receive the shares. In cases of Good Faith Termination before the Share Transfer Date, the Beneficiary (or his heirs) retain the right to receive the cash equivalent of the Long-Term Incentive distributed as of Good Faith Termination date.

DEFINITIONS

For the purposes of this Program, the definitions listed below have the following meaning:

„The Program"	The current Long-Term Share Incentive Program for key employees of the Company
„Shares"	The ordinary shares of "Sopharma" AD with ISIN BG11SOSOB18, traded on the Bulgarian Stock Exchange
„The Company"	"Sopharma" AD
„The Group"	"Sopharma" AD and its subsidiaries as of the relevant date
"Board of directors" or „BD"	The Board of Directors of the Company
„Beneficiaries of the Program"	Key employees of the Company who have been designated by a decision of the Board of Directors as participants in the Program and have signed an Additional Agreement for their participation in the Program
„Additional Agreement"	An appendix to the Agreement on the relevant legal relationship with the Company, which describes the nature of the Program and the right to a Long-Term Incentive in shares, as well as the set Performance Goals on which the receipt of the Long-Term Incentive depends.
„Long-term incentive in stocks"	The shares that the respective Beneficiary should receive upon achieving the set Performance Goals and in accordance with the terms and conditions of this Program
„Performance goals"	The financial and non-financial indicators set out in this Program, the achievement of which is a condition for receiving the Long-Term Incentive.

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„Base number of shares“	For each individual Beneficiary - the number of shares from the Long-Term Incentive that he should receive upon 100% achievement of the set Performance Goals under the conditions specified in this Program.
„Distribution of the Long-Term Incentive in Shares“	An annual decision of the Board of Directors, which, based on the results achieved in relation to the relevant annual Performance Goals and in accordance with the mechanism described in this Program, determines the number of shares from the Long-Term Incentive that the relevant Beneficiary should receive.
„Distribution date“	The date on which the Board of Directors allocates the Long-Term Incentive. The allocation date is after the publication of the Company's audited annual financial statements.
„Acquisition price“	The average price of the Company's Shares for the month preceding the Distribution Date.
„Notification“	An electronic document by which the Company notifies the relevant Beneficiary of the Long-Term Incentive in Shares allocated to him for the relevant year, the manner in which this number was determined, as well as the Acquisition Price and the Distribution Date.
„Retention period“	The period during which the Company does not transfer to the relevant Beneficiary the Long-Term Incentive in Shares, which he should receive according to the terms and conditions specified in this Program. The Holding Period starts from the Distribution Date. After the expiration of the Holding Period and in the presence of continuing Contractual legal relationships, the Company transfers the Long-Term Incentive in Shares to the relevant Beneficiary through a registration transaction through the Program Administrator.

„Transfer date“	The date on which, after the expiration of the Holding Period, the Company transfers to the relevant Beneficiary his Long-Term Share Incentive.
„Confirmation“	An electronic document by which the Administrator notifies the relevant Beneficiary of the number of Long-Term Incentive units transferred to him by the Company on the Transfer Date.
„Administrator“	IC “ELANA Trading” AD in its capacity as the elected Administrator and investment intermediary under this Program.
„Virtual shares“	Allocated Long-Term Incentive in Shares for which the Holding Period has not yet expired, respectively the shares have not been transferred to the respective Beneficiary, but are still owned by the Company.
„Virtual shares register“	<p>The Register of Virtual Shares is maintained by the Administrator and contains at least the following information::</p> <ul style="list-style-type: none"> • Beneficiary name; • Number of Virtual Shares; • Date of distribution; • Acquisition price of the Virtual Shares; • Market price of virtual shares (=Market price of the Company’s shares); • Date on which the Retention Period expires; • Corporate events.
„Report“	An electronic document prepared by the Administrator within 15 days after the end of the relevant calendar year for each Beneficiary, which contains all available information from the Virtual Shares Register as of the end of the previous calendar year.
„Corporate events“	<p>For the purposes of this Program, Corporate Events related to the Long-Term Stock Incentive are:</p> <ul style="list-style-type: none"> • Voted/ paid annual / six-month dividend; • Dividend in the form of "free shares";

	<ul style="list-style-type: none"> • Split and/or reverse split of shares.
„Paid Dividends“	The total net amount of annual and semi-annual dividends paid by the Company on its Long-Term Incentive Shares for the relevant Holding Period.
„Contractual relations“	The existence of a valid labor, civil and/or management contract between the Company and the respective Beneficiary.
„Termination of contractual relationships“	All cases of termination of the Contractual Legal Relationships, other than those defined as "Good Faith Termination". For the purposes of the Program, it is assumed that cases of transfer of the Contractual relationship from the Company to another Company in the Group and/or cases of termination of the legal relationship and simultaneous conclusion of a new Contractual relationship with the Company or another Company of the Group, are not a "Termination of the contractual relationship" and the Beneficiary retains, mutatis mutandis, the shares allocated to him in the form of a Long-Term Incentive and all rights and obligations under the terms of the Program.
„Good faith termination“	<p>The following cases of termination of contractual relationships are defined as "Good Faith Termination":</p> <ul style="list-style-type: none"> • death or disability, as well as illness or injury (established by relevant medical documents) of the Beneficiary, which lead to the inability to fulfill his/her respective contractual obligations; • retirement in accordance with the legal requirements for this, with the exception of early retirement; • other cases of termination of contractual legal relations by mutual consent, which the Board of Directors considers to be cases of "Good Faith Termination".

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„Extraordinary events“	<ul style="list-style-type: none">• events of an extraordinary and/or one-off nature and/or unrelated to the Company's core business, including, but not limited to: acquisitions or sales of significant assets or business units that are considered particularly important and that lead to a significant change in the size of the business and the value of the Company;• significant changes in the development of the economy as a whole and/or the industry in which the Company operates, as well as other extraordinary events with a significant impact beyond the actions that the Company's management can control.
“ General Meeting of Shareholders" or "GMS"	General Meeting of Shareholders of “Sopharma” AD
“The registration transaction“	Transfer of shares from the Long-Term Incentive based on a transaction concluded directly between the Company and the relevant Beneficiary at a pre-agreed price.

PROGRAM OBJECTIVES

The main objective of this Program is to provide an additional material incentive for Employees in the form of a long-term incentive in shares for achieving results and long-term loyalty, by offering selected Key Employees the opportunity to become shareholders of the Company. The Program provides for part of the annual additional remuneration (bonus) for key employees of the Company ("Beneficiaries") to be paid in the form of shares.

The proposed Long-Term Share Incentive Program for Key Employees contributes to the pursuit of the Company's strategy and places significant emphasis on the long-term perspective, interests and sustainability of the Company, with long-term value creation taking priority over short-term profits, given the long-term criteria on the basis of which the shares can be obtained.

The program is a valuable tool for motivating and retaining key employees who play a leading role in achieving the Company's goals, and for aligning their interests with those of the shareholders. It takes into account the obligations and contribution of each employee to the activities and results of "Sopharma" AD, the opportunity to select and retain qualified and loyal employees whose interests correspond to the long-term interests of the Company.

Specifically, by adopting the Program, the Company will achieve:

- aligning the interests of key employees with those of shareholders in order to implement the strategic plan of "Sopharma" AD;
- linking the remuneration of key employees who play a key role in the development of the Company to the achievement of specific, pre-defined long-term goals in accordance with the guidelines of the Corporate Governance Code;
- guiding key employees towards decisions that aim to create value for the Company in the medium and long term;
- supporting the attraction, retention and engagement of key employees in line with the corporate culture.

The Board of Directors believes that the Program, based on the possibility of acquiring shares in the form of a long-term incentive, based on target indicators and deferred in the medium term, is the tool for stimulating key employees that most effectively meets the interests of the Company.

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The distribution of shares is closely related to the creation of long-term value for the Company and aims to motivate, engage and stimulates key employees to achieve the Company's objectives, while also aligning their interests with those of other stakeholders by requiring them to continue their Contractual relationship with the Company in the medium term in order to be able to acquire the shares from the Long-Term Incentive..

INCLUSION AND DROPPING OUT OF THE PROGRAM

Eligible to participate in the Program are employees, determined at the discretion of the Board of Directors, who hold key positions and have a significant impact on the creation of value for the Company and its shareholders ("Program Beneficiaries").

Members of the Board of Directors and/or other members of the Company's management/supervisory bodies do not and will not participate in the Program..

After the Board of Directors determines the Beneficiaries, the Human Resources Department notifies each Beneficiary in writing of the opportunity to participate in the Program and all its terms and conditions. Each Beneficiary, within one month of the above notification, must sign an Additional Agreement for inclusion in the Program. Failure to sign an Additional Agreement within the above period shall be considered a refusal to participate in the Program.

If a Beneficiary decides to withdraw from the Program after signing the Supplementary Agreement, but without there being a Termination of the Contractual Relationship, the Board of Directors shall decide whether such Beneficiary shall retain the Long-Term Incentive already allocated to him or he shall permanently and completely lose the right to receive these shares. In all cases, however, the Transfer of the Beneficiary's shares may only take place after the expiry of the relevant Holding Period.

The list of Beneficiaries may be supplemented by the Board of Directors once a year, at the beginning of the respective calendar year. The exclusion of a Beneficiary from the Program by decision of the Company is possible only in the event of Termination of the contractual relationship with him/her.

In cases of Termination of the contractual relationship before the Date of transfer of the Long-Term Incentive into shares (except in cases of "Good Faith Termination"), the Beneficiary finally and completely loses the right to receive shares from the Long-Term Incentive..

In cases of Good Faith Termination of the contractual legal relationship before the date of transfer of the Long-Term Incentive into shares, the Beneficiary (or his) retain the right to receive the cash equivalent of the shares distributed as of the date of Good Faith Termination.

PERFORMANCE GOALS

The distribution of shares in the form of a Long-Term Incentive among the Beneficiaries is based on the achievement of certain Performance Goals, including both the performance of the Company as a whole and the personal performance of the Beneficiary in terms of financial and other performance results. The Performance Goals set out in this Program will include both financial and non-financial indicators.

Financial metrics may include, but are not limited to, criteria based on earnings before interest, taxes, depreciation and amortization (EBITDA), operating income, revenue growth, gross profit, efficiency, and value of new business.

The specific financial indicators and their parameters at the Company level are determined by a decision of the Board of Directors by April 30 of the current calendar year for the same year, based on an analysis of the results achieved according to the financial criteria set for the previous year, as well as based on the approved budget and strategy for the current calendar year.

Non-financial indicators may include, but are not limited to, those related to customer satisfaction, related to the implementation of a specific project included in the Company's development plans, to the expansion of production capacity or stable and sustainable development of the Company in economic, social and environmental aspects.

Non-financial indicators and their parameters are determined by a decision of the Board of Directors by April 30 of the current calendar year for the same year, in accordance with the short-term and medium-term development plans of the Company.

The “Human Resources Department” notifies the Beneficiary in writing at the beginning of each calendar year of the set goals and indicators on the basis of which its performance will be assessed.

Upon the occurrence of Extraordinary Events that render the forecasts used to determine the Performance Targets essentially outdated, the Board of Directors of the Company may make the necessary adjustments to the indicators and their parameters so as to ensure that the main content of the Program remains unchanged and there are no unjustified advantages or sanctions, both for the Beneficiaries and for the Company.

Each of the indicators is assigned a weight in percentages depending on the assessment of its importance. The sum of the weights of all indicators should equal 100%.

For each of the set indicators, a target performance level of 100% is set.

A long-term incentive in shares for the relevant year is only made if the specific financial indicators determined by the Board of Directors are met at a minimum of 80% of the set goals.

For non-financial indicators, a minimum performance level (threshold) of 60% is set, below which the respective indicator is considered unfulfilled.

In case the respective Beneficiary has not achieved the minimum level of performance for more than 1/3 of the set non-financial indicators, he/she does not receive a Long-Term Incentive in shares for the respective year.

The value of the shares from the Long-Term Incentive that should be provided to the respective Beneficiary is calculated according to the following scale: with a target level of performance of 60% to 90% of a given goal, the payout percentage starts at 50% and 1% point is added for each % of performance. For a 90% target achieved, 80% of the target level is paid. For a target achieved from 90% to 99%, are added 2% points for each percentage success.

The determination of the final execution percentage is obtained by multiplying the corresponding payout percentage for each of the criteria by its weight.

A detailed description of the above-mentioned mechanism for determining the Performance Targets shall be included in the Supplementary Agreement, which shall be signed by the Company and the respective Beneficiary. The Supplementary Agreement shall also include the manner and terms in which the Company shall notify the Beneficiary of the financial and non-financial indicators approved by the Board of Directors and their parameters and weights for the respective calendar year.

The number of Long-Term Incentive Shares to be granted to each Beneficiary shall be determined by the Board of Directors at the time of the Long-Term Number of Shares Allocation based on the average price of the Company's shares in the month preceding the Share Allocation Date. This average price shall be deemed to be the Acquisition Price of the Long-Term Incentive Shares.

The notification by which the Company notifies the relevant Beneficiary of the number of shares received also includes information on the method for determining this number, including the values of the relevant indicators, their weights and level of performance, as well as the Acquisition Price of the shares.

VIRTUAL SHARES

The actual transfer of the Long-Term Incentive into units granted to the relevant Beneficiary will take place after the expiry of the Holding Period. The Holding Period starts from the date of allocation.

Shares for which the Holding Period has not yet expired, respectively they have not been transferred to the relevant Beneficiary, but are still owned by the Company, are reported as Virtual Shares.

The Company has selected II “ELANA Trading” AD as an independent Administrator to maintain a Register of virtual shares and to account for them in the account of the respective Beneficiary.

The register of virtual shares is maintained by the Administrator and contains at least the following information:

- Beneficiary name;
- Number of Virtual Shares;
- Date of provision;
- Acquisition price of the Virtual Shares;
- Market price of the Virtual Shares (=market price of the Company's Shares);
- Date on which the Retention Period expires;
- Corporate events.

In the event that a Beneficiary is granted shares on more than one Distribution Date (for more than one calendar year), they are reported in separate Beneficiary accounts.

For the purposes of this Program, Corporate Events related to the shares are:

- Voted/paid annual/six-monthly dividend;
- Dividend in the form of "free shares";
- Shares split.

The Program includes a mechanism for compensating Beneficiaries for Dividends Paid. Each Beneficiary is entitled to receive the cash equivalent of the total amount of dividends distributed on the shares received by him from the Long-Term Incentive during the Holding Period.

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The Program includes a mechanism to compensate the Beneficiaries for the free shares distributed by the Company (if any). Each Beneficiary is entitled to receive additional shares, the number of which is equal to the number of “free shares” distributed on the shares received by him from the Long-Term Incentive during the Retention Period. If necessary, an adjustment is made by rounding up to one whole share.

The Program provides for a mechanism for adjustments to the number of shares of the Long-Term Incentive in the event of a split of the Company's Shares voted by the General Meeting of Shareholders. In such a case, the corresponding number of shares of the Long-Term Incentive after the split is obtained by multiplying the number of shares before the split by the split coefficient.

Within 15 days after the end of the relevant calendar year, the Administrator shall prepare and send to each Beneficiary a Report on the Virtual Shares held by him. The Report shall contain all available information from the Virtual Share Register as of the end of the previous calendar year, presented in clear and understandable language.

The Administrator's Report also shows all Corporate Events for the period, as well as their impact on the Virtual Shares held by the relevant Beneficiary.

Virtual shares are personal, non-transferable, cannot be granted inter vivos and cannot be pledged or used as collateral.

After the expiration of the Holding Period and in the presence of continuing Contractual Relationships, the Company transfers the shares from the Long-Term Incentive to the respective Beneficiary through a Registration Transaction. For this purpose, the respective Beneficiary should be registered as a client of II “ELANA Trading” AD and conclude a registration agency agreement with it. The costs of the transfer are at the expense of the Company.

On the Transfer Date, the Administrator sends a Notification to the relevant Beneficiary about the number of shares of the Long-Term Incentive transferred to him by the Company on the Transfer Date. As of the Transfer Date, the Administrator deletes from the Virtual Share Register the relevant account that has been actually transferred to the Beneficiary.

After transferring the shares to the respective Beneficiary, he has the right to dispose of them without restrictions.

OTHER CONDITIONS

Shares. For the purposes of the Program, part of the Company's own shares will be used. No new shares are planned to be issued, and accordingly there will be no dilution of the shares of the existing Shareholders. The maximum number of Bonus shares under the Program is up to 0.5% of the Company's capital per year.

Financial reporting. The financial for the provision of the Company's repurchased shares to the Beneficiaries is carried out in accordance with the requirements of International Financial Reporting Standard (IFRS) No. 2 Share-based Payment. The provision of the repurchased shares to the Beneficiaries constitutes income for the respective Beneficiary and an expense for the Company. The expenses should be presented in the Company's income statement as personnel remuneration, and their value is equal to the fair value of the shares provided in the form of a Long-Term Incentive.

Costs related to the Long-Term Stock Incentive. Under the terms of the Program, all expenses related to the Long-Term Stock Incentive incurred between the date of signing the Supplementary Agreement and the Share Transfer Date are for the account of the Company. All expenses related to the shares incurred after the Share Transfer Date are for the account of the Beneficiary.

Limitation of liability. Neither the Company, nor the Board of Directors or any of its members, nor any employee and/or shareholder of the Company assumes any responsibility and/or obligation, nor gives any guarantee regarding the economic development of the Company and the value of the Long-Term Incentive shares that will be granted under this Program..

Disclosure of information. During the implementation of this Program, the Company will publicly disclose any information required by applicable laws and regulations and will notify all government authorities and/or third parties that are required to do so.

Deadline. This Program is not bound by a deadline.

Action of the Program. This Program shall enter into force upon its adoption by the General Meeting of Shareholders.

Amendment of the Program. The Board of Directors may, without the need for approval by the General Meeting of Shareholders, make amendments and supplements to this Program that it deems necessary and/or appropriate, without affecting its essential essence and to the extent permitted by applicable legal provisions, in the following cases:

- changes in laws or other regulations or other events that are related to the requirements of this Program;

- corporate transactions, including mergers or splits, purchase or sale of shares, companies or business units, which result in a significant change in the business and/or value of the Company or may otherwise influence this Program.

The amendments to the program shall have effect going forward and shall not affect the Beneficiaries in respect of their rights arising prior to the relevant Amendment, unless the relevant amendments to the regulatory framework provide for retroactive effect. In the latter case, the Company shall not be liable for any damages to the Beneficiaries and none of the Beneficiaries may have any claims against the Company in respect of the amendments.

Program Termination. In the event that regulatory changes (including those in the field of social security and taxes) that have entered into force after the adoption of the Program and/or after the issuance of new official interpretative clarifications and/or after changes in the current interpretations of the applicable rules would result in significant additional and currently unforeseen costs for the Company from the implementation of the Program in its current form, the Program may be temporarily suspended, amended or terminated. The termination of the Program does not affect the rights of the Beneficiaries under the already distributed Long-Term Incentives in shares, which are transferred under the terms and conditions originally set out in the Program.

Transfer before the expiration of the Holding Period. The Board of Directors may approve the early transfer of all or part of the shares already allocated before the expiration of the Holding Period in the following cases:

- change of control;
- making a tender offer with subsequent deletion of the Company.

The above-mentioned Decision of the Board of Directors is binding on the Beneficiaries and automatically leads to the termination of the Program, including the immediate termination of the allocation of new Long-Term Incentives in shares.

Applicable law and jurisdiction. The present Program is subject to Bulgarian legislation. All disputes in connection with the Program that cannot be resolved through negotiations and mutual concessions shall be resolved by the competent Bulgarian court.