

Non-financial Declaration to the Annual Financial Statement of Sopharma AD according to the requirements of Articles 48-52 of the Accountancy Act

2018



SOPHARMA AD

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Statement of support

Dear partners,

Permit us to draw your attention to a report on the policies adopted at Sopharma AD in its capacity of a corporate citizen which demonstrate its active and profoundly responsible attitude to the impact of its activities on society. By taking into close consideration the issues of importance to our stakeholders, Sopharma AD follows the commitments it has made as a business entity targeted at achieving a state of sustainable development and prosperity.

In its activities the Company supports and implements the Principles of the UN Global Contract and works to reach the UN Sustainable Development Goals adopted in 2015.

Our Declaration contains a description of the major initiatives directed at the integration of the principles of sustainable development into our day-to-day activities and their economic, social and environmental impacts.

Sopharma AD provides information to the stakeholders via all of the currently available communication channels.

I. About the Declaration

The non-financial declaration process describes the commitments to the environment and society which Sopharma AD has recognized and which it realizes in the capacity of a corporate citizen to the benefit of its shareholders and investors, the state and local authorities, consumers, customers and its partners. The Company maintains an active dialogue with all of its stakeholders in defining the important topics in an atmosphere of transparency and completeness in transmitting the information on its business activities to the interested parties. With a clear awareness of the impact of our business operations on the socio-economic sphere, the natural environment and the community in general Sopharma AD has been able to implement a measurement system focused on the actually established impacts and works towards their ongoing improvement.

The report complies with the reporting requirements provisioned in Art. 48 of the Accountancy Act with a description of the policies adopted by the enterprises regarding their activities in the sphere of environmental protection, the various social issues, issues related to employment policies, anti-corruption, human rights etc. It is based on the Official statements on the company's progress submitted by Sopharma AD as of 2006 - on the active level since 2012 and on the "advanced" level as of the year 2016.

II. Scope of the Declaration

The presented information provides a broad overview of a number of aspects of Sopharma's activities in its capacity of a corporate citizen. It focuses on the company's initiatives realized between 31.12.2017 - 31.12.2018 and it offers a volume of quantitative data as an instrument for assessing the impacts on the major spheres of interest as described further in the present document.

Sopharma AD

Our core values

- ***We produce the highest quality generics and our own originals medicine***
- ***We promote the health of our stakeholders through social projects and by providing reliable health information***
- ***We practice and advance environmental stewardship***
- ***We serve and support our local and global communities***
- ***We create ongoing win-win partnerships with our suppliers***
- ***We support team member happiness and excellence***
- ***We create wealth through profits and growth***

1. Vision, strategy and corporate governance

Vision and strategy

The vision and the strategy pursued by Sopharma AD are determined by the corporate philosophy and the mission which the Company has undertaken to follow and which serves as the basis for its activities.

Corporate philosophy

The production of medicines is not a simple technological process; it is a human mission based on the highest standards of quality, safety and medicinal effectiveness.

Mission

The mission of the Company is to contribute to the progress and development of the pharmaceutical industry and from there to the overall economic development and prosperity of the Bulgarian nation.

Since its establishment in 1933, the Company strives to provide affordable, effective and up-to-date medicines to the Bulgarian patient. Sopharma AD is the successor to the production and pharmaceutical laboratory of the Bulgarian Pharmaceutical Cooperative Society, founded in 1914.

The production of medicines in a wide and modern portfolio, the creation of new jobs, sustainable development and the economic contribution of the company have been the Company's leading principles ever since the establishment of the production laboratory and they are the principles to which Sopharma adheres to this today.

Sopharma AD aims to develop, produce and deliver affordable, modern and efficient treatment to millions of patients in Bulgaria and to offer its products on the markets it has been able to access.

The Company has formalized its sustainable development activities through its 2004 UNGC accession. Since its establishment it has been actively involved in various regional network projects and - starting in 2016 - has been considered an "advanced entity" as defined in the Official statement on progress. This highly responsible corporate behavior lays at the foundations of Sopharma's business development. The CSR strategy is a part of the company's economic program and the various initiatives and projects support Sopharma's core business activities forming a part of the company's DNA.

Corporate citizenship policies

Corporate citizenship of Sopharma develops according to following regulations and rules:

Corporate citizenship regulations and rules	Description	Adoption date	Last update
Republic of Bulgaria Constitution		1991	2015
10 principles of UNGC	<p>The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values divided in four major categories as follows:</p> <p><i>Human Rights:</i></p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> <p><i>Labour Standards:</i></p> <p>Principle 3: Businesses should uphold the freedom of</p>	2004	2015 SDG

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association and the effective recognition of the right to collective bargaining;
 Principle 4: the elimination of all forms of forced and compulsory labour;
 Principle 5: the effective abolition of child labour;
 Principle 6: eliminate discrimination in respect of employment and occupation.
Environment:
 Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: undertake initiatives to promote greater environmental responsibility;
 Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption:

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

SDG

2015

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build

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effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the
Global Partnership for Sustainable Development

Code of ethics	Defines the rules of ethic and professional behavior applicable to all activates, preventing bureaucracy, corruption and other illegal practice, aims at increasing public trust in their moral and professionalism and at corporate reputation.	2007
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As a corporate citizen, Sopharma AD operates on the basis of the constitutional principles, the laws and regulations of the Republic of Bulgaria and in all its actions respects the regulations of the state, the requirements placed by the local authorities and other regulatory organs. The company closely monitors and abides by the changes in the legislation governing its concrete business activities.

Sources of corporate governance

Corporate management systems employed for the management and operation of Sopharma AD:

Corporate governance systems	Description	Adoption date	Last update
Sopharma's Articles of Association	Sopharma's Articles of Association define the corporate purpose, operations on capital and shares, the activities of the corporate bodies and the principles governing their relations.	2003	2018
Decisions taken at the General Meeting of Shareholders	The General Meeting has the competence to amend the Company's Articles of Association, the amount of the Company's capital, to transform and terminate the Company, as well as all other rights described in the Articles of Association of the Company.	at least once a year	2018
Code of conduct of the board of directors of Sopharma AD	Code of conduct of the Board of directors of Sopharma AD.	2007	
Good corporate governance	A system of rules protecting the rights of shareholders and other stakeholders.	2009	

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program			
Good Manufacturing Practice GMP	The good manufacturing practices is a system of rules and procedures which serves to guarantee the high quality of the medicinal products at every stage of their manufacture.	2003	2018
Good distribution practices /GDP	The good distribution practices is a system of rules and procedures which serves to guarantee the high quality of the medicinal products at every stage of their manufacture. The quality and the integrity of medicinal products can be affected by a lack of adequate control.	2003	2017
ICH "Q8 Pharmaceutical Development"	Principles and examples of Pharmaceutical Development.	2004	2017
ICH "Q9 Quality Risk Management.	Principles and examples of tools of quality risk management.	2006	2017
ISO 17025	General requirements for the competence of testing and calibration laboratories.	2014	2018
AXAPTA	ERP programme, business management of processes of planning, manufacturing, supplies, marketing, financial management and control, management of clients relations, business analyses, etc.	2013	2017
Internal Insider regulations	Instructions and clarifications on the obligations and responsibilities in relation to the Law on Measures against Market Abuse with Financial Instruments	2007	2018

Detailed description of the corporate management systems:

- **Decisions made by the General assembly of the shareholders in Sopharma AD**

The General assembly of shareholders is convened once a year. It has the power to amend and supplement the Articles of association of the company; to make decisions regarding the capital of Sopharma AD and to approve the annual financial statements - after their certification by the appointed auditor - as well as decisions regarding the issuance of bonds, profit distribution, etc.

Extraordinary General Meetings are convened and if necessary for taking a decision, which is within the competence of the Shareholders' Meeting, as well as in the last 2 years the Company has conducted 6 such.

Traditionally, after each General meeting of Sopharma AD, the shareholders have the opportunity to talk with the Executive Director of the Company - Ognian Donev, d.i.n., and the Investor Relations Director - Pelagia Viyacheva in a non-formal environment.

- **Procedural rules set for the Board of directors**

These rules ensure the effective organization of the Board's working sessions which are convened at least once every three months and which are engaged with the decision-making process regarding the managerial and operational issues at Sopharma AD. The company's reports and the transactions which engage more than 50% of the company's equity, are subjected to a vote by the GA as well as all other issues falling within the sphere of competence of the GA.

- **The good corporate management program**

A system of rules protecting the rights of shareholders and other stakeholders to timely and accurately disclose of information on all issues related to the Company and to assist in its strategic management, the control over the activity of the Board of Directors and its accountability to the Company and the shareholders.

This program conforms to the requirements for efficient regulation, to the internationally recognized standards for good corporate management practices and to the Bulgarian national corporate management code.

- **GMP /good manufacturing practices/**

The good manufacturing practices is a system of rules and procedures which serves to guarantee the high quality of the medicinal products at every stage of their manufacture. Its major purpose is to protect the patient's health.

The GMP certificate is a form of guarantee that the products in each finished batch are of uniform quality. Sopharma AD is a manufacturer keeping continuous records of each technological stage; every separate operation is registered in a record of findings which serves as evidence that the worker has executed the working instructions, given in advance, exactly as required. These records are made during the production process and they show whether all of the measures, required as per the procedures and given instructions, are dully met and the quantity and quality of the finished products meet the expectations. Established flaws are also strictly recorded and the incongruities can thus be quickly and easily identified and the defective products withdrawn from the market.

The GMP include both production and working conditions, the qualifications of the production personnel, the practiced sales system and the method of product withdrawal from the respective market.

The main purpose of these rules is to protect the patient's health.

- **GDP /good distribution practices/**

GDP include an array of tools used in the activities of wholesale distributors, including the prevention of fake medicinal products entering the legitimate supply chains. Their

implementation ensures an efficient control of the distribution chain and the maintenance of the high quality and integrity of the manufactured medicinal products.

The GDP are applicable to any and all activities including the supply, possession, delivery or export of medicinal products /excluding supplies to the end users/.

The system includes staff competence, working conditions and product storage as well as the permanent control of the entire production process up to the final delivery stage.

This system also includes competency of the employees, working conditions and product retention, control at any point in time from production to final delivery.

- **ICH Q8 Pharmaceutical Development**

This standard applies to the overall process of creating new products: from the development stage to their official registration. It also includes risk assessment and the related quality assurance systems as a part of the product's design and relates to the components of the medicinal product in its entirety: the substances used, the excipients, the drug itself, the development of its formula and the process of its creation; the knowledge accumulated during the entire process and the physicochemical and biological properties of the drug; the development of the manufacturing process and the entire volume of gathered information which may be able to exert an impact on the anticipated final result.

- **ICH Q9 Quality Risk Management**

ICH Q9, together with ICH Q8, serves to promote the development of science-based and risk-based approaches to quality control. ICH Q9 Quality Risk Management refers to quality control, creation-related activities, construction facilities, equipment and power capacities, material control and management, the manufacturing processes, laboratory control and testing, packaging, labeling and various other activities.

ICH Q9 together with ICH Q8 promote the development of science-based and risk-based approaches to quality. ICH Q9 Quality Risk Management refers to quality management, creation, building, equipment and capabilities, material management, production, laboratory control and testing, packaging and labeling, checking all these activities.

- **ISO 17025**

This international harmonized standard contains the general requirements related to the competence of the testing and/or calibration laboratories, including sampling. The standard is intended for use by laboratories which set up their own quality control systems for both the administrative and technical activities. The results (protocols, certificates) issued by the accredited laboratories are used by the regulatory organs, the conformity assessment bodies for product certification as well as by the product manufacturers and others.

The possession of this certificate is a part of the risk control process and guarantees the reliability of the results obtained from the laboratory tests and assessments and - accordingly - the safety and the quality of the manufactured medicinal products.

- **AXAPTA**

Integrated information system for high-end management of business processes in the corporate activity of the Company.

It improves efficiency, helps make more precise decisions, and improves interconnections with the supply chain.

It supports sales management and planning, production to material planning and production capacity, supply chain management resources - stocks, warehouses and links between them, quality management.

The program enhances the project management process: accounting and invoicing, expenditure control, splitting to sub-projects, financial and human resource management.

- **Internal insider regulations**

The Regulations are targeted at preventing the dissemination of insider information, market manipulations, and consequently - bearing the ensuing responsibility.

2. Impacts from the company's business

Economic impact

Economic and financial data	2018	2017	Stakeholders
Decision taken by General Meeting for payment of dividends	0,11	0,10	Shareholders
Paid Taxes	10 248	9 917	State and local authorities
Taxes paid (profit tax excluded)	6 186	6 585	
Profit tax paid	4 062	3332	
Payments to suppliers	128 291	126 572	Suppliers /including hired services/
Payments for wages and social insurance	47 343	45 733	Employees

The economic footprint is most clearly tracked through dividend decisions that show the relationship with stakeholders as stakeholders; paid taxes, incl. paid corporate tax, which is a contribution to divorce and local authority; payments to suppliers showing relationships with companies in the supply chain; the cost of labor that shows employee relations as an interested party.

The current values of these indicators can be found in Sopharma's financial statements.

Social Impact

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Economic and financial data	2018	2017	Stakeholders
Plants	10/ 2274	10/ 2307	Employees/ work places
Training courses /BGN '000/	269	268	Employees
Social benefits and payments /BGN '000/	2678	3 766	Employees
Medical services /BGN '000/	842	792	Employees
Donations /BGN '000/	289	386	Local communities
Investments related to pharmacy and healthcare system	11	7	All stakeholders
Investments related to development of the business environment	5	71	All stakeholders
Investments to healthy lifestyle programs	11	67	Society
Investments in public communications	7	50	Society

Ecologic impact

Data	2018	2017	%
Cost of raw materials (electricity, topo-energy, fuels, water; without main materials, waste and impairment) BGN 000	19 053	18 628	
Separate waste collection			
Air emission	0*	0	0

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Water waste	Waste water is treated in WWTP **
Employees trainings and inclusion in environmental protection activities	Instruction of employees Instructions for recovery and separate collection of waste Instructions on how to deal with waste substances in the units

* Sopharma plants are GMP certified, which also controls the degree of environmental pollution. Emissions of waste gases are below 50 tonnes per year, which according to standards tends to 0. At the same time, the use of water film is a prerequisite for not releasing gases into the atmosphere.

** Organic fillers for tablets have not been used in manufacturing for years, ensuring zero wastewater pollution.

Employees

Equal opportunities by sex, age and education

<i>Employees</i>	2018	%	2017	%
Women	1396	61	1408	62
Men	878	39	899	38
All	2274	100	2307	100

<i>Employees</i>	Number	Relative share %	Number
Age	2018	2018	2017
up to 30 y.	229	10	229
31- 40 y.	447	20	478
41 – 50 y.	702	31	734
51 – 60 y.	716	31	705
Over 60 y.	180	8	161

<i>Employees/education</i>	Number	Relative share %	Number
	2018	2018	2017

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Higher education	926	41	989
Colleges	51	2	46
Secondary school	1263	56	1227
Elementary education	34	1	42

Equal career opportunities

Employees hierarchy	Total	Women		Man	
		2018	%	2018	%
Top management	5	1	20	4	80
Senior Management	43	16	37	27	63

Right of association

Trade unions / number of employees	2018	2017	%
2 nationally represented	411	425	18%

In 2018, the inhouse represented trade union ceased operations.

Employee data are provided by Personnel Department of Sopharma AD and are as at 31.12.2018. A recalculation of the data for 2017 was made, with data for Unipharm AD being added for comparability.

Risks Monitoring

Sopharma monitors the following risks, identified as significant and potentially affecting its activities:

- I. Risks related to the macroeconomic situation in the country and other markets
- II. Risks associated with the business and the industry in which the Company operates:
- III. Risks related to the markets in which the Sopharma operates
- IV. Risks related to foreign exchange rates and the currency board in force in Bulgaria;
- V. Credit risk.

They are presented in detail in a report on the activity of Sopharma for 2018.

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Risk	Low	Medium	High
Socio - political		<p>Loss of confidence in media (consumers also stop believing the ads included or additional info);</p> <p>Reducing the macroeconomic stability: The unstable political situation in Bulgaria and countries in which Sopharma operates may affect the company's activities;</p> <p>Decline in foreign investment</p> <p>Household indebtedness</p>	<p>The reputation of Sopharma AD may be affected by misleading or incorrect information in media;</p> <p>Changes in legislation and regulations may lead to a Group's expenses increasing</p> <p>Loss of confidence in the expertise of doctors or pharmacists</p> <p>Restrictions on household consumption, including for medicines</p>
Employees		<p>Fluctuation due to the highly competitive market</p> <p>Pressure to raise salaries and social benefits</p>	<p>Shortage of skilled workers with experience</p>
Ecological	<p>Environmental risks are minimized as a result of GMP and other standards</p> <p>Potential risk as a result of natural cataclysm</p>		
Anticorruption	<p>Standard operating procedures for decision making</p>	<p>An attempt for involving to non-transparent practices on the part of monitoring institutions</p> <p>Unethical competition</p>	

3. Organizational structure

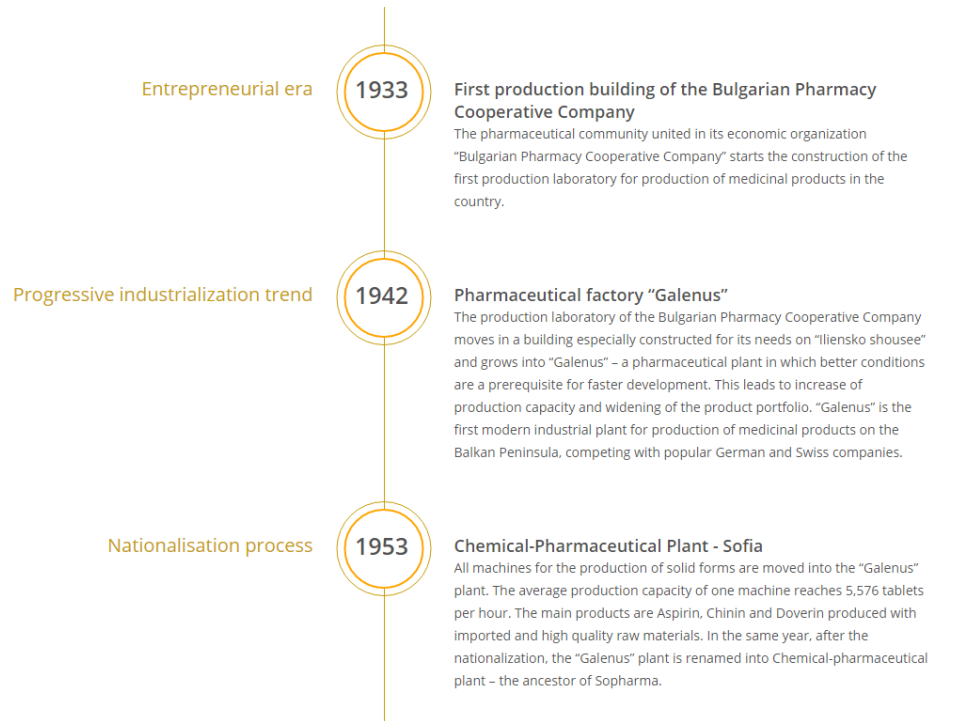
Chairman of the Board of Directors and CEO			
Deputy Chairman of the Board of Directors	Member of the Board of Directors	Independent Member of the Board of Directors	Independent Member of the Board of Directors
Director Business Development	Director Production Matters	Director Quality Assurance	Representative office of Sopharma AD in:: Ukraine Poland Kazakhstan Baltic States and Belarus Turkey Azerbaijan Georgia Armenia Tunisia China Israel and Palestina Territories
Chief Financial Officer	Resources	Director Sales and International Market	
Director Investor Relations	Director Technical Matters	Director Logistic	
Director Institutional Relations	Cooperation and Licencing	Chief Operational Officer	
Director Comm Strategies and CSR	Director Intellectual Property	Director Human Resources	
	Director Security	Chief Accountant	

4. Products and services

The Company manufactures and trades in medicinal substances and forms developing - at the same time - scientific research and engineering activities in the sphere of photochemistry, chemistry and pharmacy. Sopharma AD has 10 production facilities in Bulgaria generating a range of pharmaceutical forms and substances.

The company's activities and production processes are in full conformity with the related national and European legislation, the Good Manufacturing and Laboratory Practices and requirements. In addition to the standards required of the manufacturers of pharmaceutical products, „Sopharma” has also standardized its ISO-related activity through risk management programs and corporate management systems.

5. Company development



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Modern history- period of constant modernization and development

2000

Privatization

After a successful privatization Sopharma becomes a private pharmaceutical company. The first years after privatization are a period of constant modernization and improvement. For the two years after the privatization period Sopharma unites six enterprises in a modern and dynamic corporate structure including: Sopharma AD, Unipharm ASD, Vramed AD, Pharmachim Holding AD, NIFHI AD and Rostbalkanpharm.

Market economy

2003

Pharmaceutical plant "Sopharma - Vrabovo", which is fully compliant with the European standards for Good Manufacturing Practices (GMP)

The President of the Republic of Bulgaria George Parvanov officially opened the new pharmaceutical plant "Sopharma - Vrabovo". In this modern plant for production of medicinal products Sopharma invested 20 million BGN. Each step of the construction of the plant followed internationally accepted GMP (Good Manufacturing Practices) standards.

2004

Sopharma fully licenses its production capacities according to the European standards for Good Manufacturing Practices

In 2004 Sopharma licensed its production facilities according to the European GMP which secured its strategic position after the EU accession in 2007. In the same year Sopharma increased its production capacity by adding another member to its group of companies - Bulgarian Rose - Sevtopolis AD.

2005

Most modern Bulgarian logistics center

In 2005 Sopharma opened the most modern logistics center in Bulgaria (logistics terminal) for distribution of pharmaceutical products. The logistics center fully complies with the European Good Distribution Practice (GDP).

Distribution market

2006

Construction of a new high-tech tablet factory for production of solid forms

Sopharma initiated the planning and construction process of a new highly technological tablet factory for the production of solid forms with doubled capacity and investment potential of over 40 million EUR. All activities related to planning, construction and validation fully comply with the European standards for pharmaceutical production and are approved by the Bulgarian Health Agency. For this project Sopharma received the First Class Investor Award.

2007

Completion of a new ampoule plant in Sofia

In 2007 Sopharma made the next step in modernization and increased production capacity in the tablet production of Bulgarian Rose - Sevtopolis AD, Kazanlak.

2008

The official opening of the new plant for pharmaceutical substances took place in 2008.

Being the only producer of ampoules in Bulgaria in 2007 Sopharma undertook a reconstruction of its ampoule facility in order to increase its production capacity.

2010

Registration of the first original product of Sopharma in Western Europe.

Start of construction of two new production plants in Serbia and Bulgaria and establishing of a subsidiary in Poland.

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III. Strategy for corporate social responsibility

1. Definition

Responsible Corporate Citizenship is, for Sopharma, the only path to a sustainable business development with a clear vision of the goals, the necessary resources to achieve these goals and the impact from the company's business on the economic, social and environmental sphere. Along with the investments made in its business, Sopharma AD is hard at work to achieve UN's SDG by 2016.

Sopharma AD actively shares the information on its activities with all stakeholders. The CSR strategy, initiatives and specific activities are planned and developed, coordinated and implemented by the Communication strategies and the CSR directorate after obtaining the approval of the CEO of Sopharma AD. The Director of the Communication strategies and the CSR directorate is directly subordinated to the Executive Director of the company; the directorate itself is run by a CSR and Corporate communications manager.

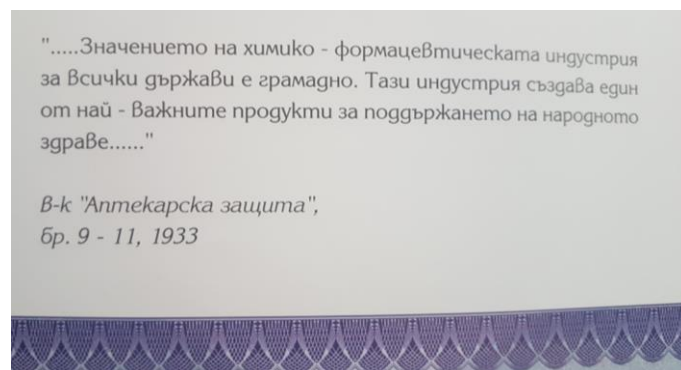
The policies and specific projects are targeted at four major directions:

- **Market**
- **Stakeholders**
- **Environment**
- **Society**

Description of the projects you could find in the Spheres covered by the non-financial declaration section.

2. CSR management (corporate social responsibility)

Corporate responsibility lies at the very foundations and beginnings of the company the major goal of which was to build an industry in support of people's health, to create a livelihood for the population and to further develop the country's economic policy. These far reaching targets are evidenced and clearly revealed in a 1933 publication by the newspaper "Aptekarska zashtita" (The Pharmacist's Guardian, Bul.): „The importance of the chemical-pharmaceutical industry to all countries is enormous. This industry creates one of the most important products for the maintenance of public health“



From the organizational viewpoint, the CSR was defined as an activity in 2003. It was then a part of the Marketing and advertising department commitments and as of 2013 has become a major priority in the work of the Advertising and corporate communications directorate, headed by a CSR manager. By focusing on socially oriented projects, as a tool for boosting the reputation of the company, this unit is named the “Communication strategies and CSR” department and its is actively engaged in working both with the marketing structures and with the “Investor relations” directorate.

Core areas of corporate responsibility

Strategic Management

Market	Employees	Environment	Community	Corporate Citizenship
Transparent corporate governance	Responsible employer: Zero discrimination regarding the right to work, sex, etc,	Environmental management systems	Contribution to economic development	Anticorruption
Guaranteed product quality and safety	Ensuring the right of association	Reducing the environmental impacts	Developing the healthcare system	Work on SDG 2015
Sustainability	Employee development	Responsible use of resources	Health prevention	Participation in the establishment and implementation of international pharmaceutical standards
Ethical	Decent labor	Reduction of	Providing	Working with

Competition	wages	direct impacts	Affordable healthcare	partner organizations
Responsible marketing	Ensuring healthy and safe work conditions	Reduction of indirect impacts	Investing in education	Joint projects of organizations in which „Sopharma“ is a member
Responsible procurement	Social benefits for employees	Participation in environmental projects	Investments in public communications	Development of the generic industry in the country
Development of pharmacy sphere	Internal communication	Training of employees for separate collection of waste and environmental issues		

3. Memberships

In order to adequately create and implement its CSR strategy, Sopharma AD works with partner organizations such as the BCAUSE foundation, the Bulgarian Public relations association, the European association of communication directors, the Investor Relations association. The company is a member of a number of business and branch organizations with which it holds discussions and works on the objectives and challenges faced by CSR in Bulgaria.

Sopharma is:

- A member of the Confederation of the Employers and Industrialists in Bulgaria (KRIB). <http://ceibg.bg/>
- Member-cofounder of the Association of Bulgarian Exporters (ABE), which goal is to develop the National strategy for export Member of AHK, a connecting link between Bulgarian and German economics, with more than 450 German, Bulgarian and multinational companies – members. <http://bulgarien.ahk.de/bg/>
- Full member of the American Chamber of Commerce in Bulgaria. The American Chamber of Commerce in Bulgaria unites more than 300 American, Bulgarian and international companies operating in the country from all sectors of economy. All members of the AmCham share a common vision of corporate social responsibility and a good corporate reputation is one of the most important criteria for membership. www.amcham.bg

- Member of European Generic Association (EGA), an official representative organization of the European generic industry. <http://www.egagenerics.com>.
- A founder-member of the Association of Bulgarian Pharmaceutical Manufacturers, at present Bulgarian Generic Pharmaceutical Association (BGPharmA), its priorities being harmonization of interests with regard to the general national and international mechanisms for regulation of drug manufacture and use, improvement of GMP principles application and observation of loyal competition principles. <http://www.bgpharma.bg>
- Member of the European organization of manufacturers of medicines sold over the counter, the so called OTC products – the Association of the European Self-Medication Industry (AESGP). <http://www.aesgp.be>
- Founder-member of the Bulgarian National Committee of the International Chamber of Commerce and elected as a full member of the International Chamber of Commerce (ICC). ICC is the most prestigious organization in the field of international trade and international economic relations. Its principal mission is to stimulate transborder trade and investments and to assist business corporations to face the challenges and possibilities resulting from globalization. <http://www.icc-bulgaria.bg> www.iccwbo.org
- Member-cofounder of the Association of Bulgarian Exporters (ABE), wich goal is to develop the National strategy for export
- Member of Global Compact Bulgarian Network <http://www.unglobalcompact.bg>

4. Commitment to stakeholders

From the point of view of Sopharma AD, an interested party may be any group which is directly or indirectly related to the company's activities; on the one hand this may be any party which has the potential to exert an influence on the decision making process regarding the company's business development as a socially responsible organization. On the other hand, this may be any group on which Sopharma AD exerts its influence on the manner of performance of that group's activities.

The relationship with its stakeholders is the true indicator of the company's success rate; of Sopharma's place in the economic and social life of the country and an assessment of the viability of the adopted course for its development.



- For us, key stakeholders are the patients for whom Sopharma's products are a remedy and the means of improving the quality of their lives.
- Shareholders: being a public company Sopharma AD is responsible before the investors, who have put their trust in the adopted development strategy and the presented results, for each and every decision made. That is why the CSR programs of the company are presented as a part of each annual report prepared and submitted by the management of Sopharma AD.
- The state and local government authorities.
- Partners: Sopharma's success depends on the success of the companies down the chain of suppliers and partner companies.
- Employees: Today's employees are among the most valuable assets of any company, especially in high-tech manufacturing - such as pharmaceuticals - and the investments in personnel generate a considerable return. Employees are the first ambassadors of the company's mission, of its corporate culture and reputation. In addition to the healthy and safe work environment, career opportunities and the social benefits which Sopharma accepts to be the minimum in its labor relations, the company strives to build an atmosphere of shared common values with its employees and to engage in public projects which are of importance to their own selves.
- Local community: Sopharma AD owns 10 factories in the country and being a major investor in some regions has undertaken responsibilities far beyond its business commitments. The company invests resources in projects of considerable importance for these regions. At the same time - and as the biggest Bulgarian pharmaceutical manufacturer
- Sopharma AD has been able to successfully launch a number of various nationwide campaigns.

Sopharma AD maintains an ongoing open dialogue with all stakeholders through different communication channels depending on the target group: the official corporate media, official BSE announcements, the social networks.

The dialogue with the shareholders, the central and local authorities, business partners and the non-governmental organizations is carried out both through the traditional communication channels but also via the participation in and the support of a number of various events, discussions and joint projects. Traditional communication channels have been the Sopharma AD corporate site, the Sopharma Group website, the company's activity reports, the progress report submitted to the organs of the United Nations as well as the newsletters published by the partner organizations. The informal communication channels include the Sopharma profiles in various social networks, the company's mobile applications, etc.

Sopharma communicates to all stakeholders through different channels:

Stakeholders	Communication channels	Frequency of communication
Patients	Product websites	weekly
	Official corporate sites	when there is new information;
	Website of the group www.sopharmagroup.com	Sopharma use its corporate site for news related with European generic association, changes in regulations and laws; etc.
	FB, Instagram, Twitter	daily
	Social platform Zdravi	daily
	Mobile app Zdravi	daily
	Mobile app Ex Smoker	daily
	Market research	daily
Shareholders		when needed
	General Meeting of Shareholders Meetings	Yearly at least
State and Local authorities	Official corporate sites	
	Annual conference "Business meet the Government"	Yearly
	Pharmacy forums	2-3 summits per year
	State and Local authorities websites	daily
	Official corporate sites	daily
	Working groups related to	regularly

	pharmacy and healthcare system	
Suppliers	meetings mailing	regularly
Employees	Intranet FB Corporate websites Mailing	When needed Daily When needed
Society	Healthy life conferences Public communication conferences FB, Twitter, Instagram	Daily 4 conferences Daily
Partners	Meetings and conferences Working groups	Regularly

IV. Spheres covered by the non-financial declaration

1. Market

Sopharma AD (JSC) is aware of its role of a significant factor in the pharmaceutical sector at a European level and in the Bulgarian economy.

As a leading vertically integrated Bulgarian manufacturer, exporter and distributor of pharmaceutical products, the Company imposes standards to the companies along the chain following the principles of transparency and responsibility of the management.

The corporate sustainable development of the Company requires investments also in the spheres of science and development, quality management, industrial property, publicity and transparency.

The products and the business model that we create place Sopharma among the top 10 companies in the Bulgarian pharmaceutical market and first in terms of sales in natural terms with 11.3% of the market.

- **Review of the results**

Key indicator	Unit	2018	2017
Market share in natural terms	%	11,3	13
Market share as % of the volume in value	%	3,4	4

The market share in natural terms of the products of Sopharma AD as well as the share of the products over the counter are an indicator for the positioning of the Company in the consciousness of the users. The reputation of the Company as a function of the sustainable business model, the quality and the accessibility of the medicines as well as the adequate CSR (Corporate Social Responsibility) Strategy exert also impact over the selection of the end user at the purchase of medicines.

Sopharma AD has a 3,4% share of the total Bulgarian pharmaceutical market in value and 11,3% of sales in volume. The positions of the main competitors of the Company in the country are as follows: Novartis – 7% (4% in units), Roche – 6% (0,2% in units), Actavis – 5% (10% in units), GlaxoSmithKline – 3,7% (2,8% in units), Abbvie – 3,5% (0% in units), Pfizer – 3,6% (1% in units), Sanofi-Aventis – 3% (2% in units), Astra Zeneca – 3% (1% in units), Merck – 2,8% (1% in units).

- **Corporate management**

Sopharma AD is a Bulgarian joint-stock company with a one-tier management system. The Company is managed by a Board of Directors in a membership consisting of: Doctor of Science, Economics Ognian Donev – Chairman and members Vesela Stoeva, Ognian Palaveev, Aleksandar Chaushev, Andrey Breshkov. The Board of Directors elects an Executive Director amongst its members who represents and manages the Company: Doctor of Science, Economics Ognian Donev.

The Board of Directors determines the guidelines and the strategic plan for development of the Company and the operational implementation is performed by a managerial team reporting its activities before the Executive Director Ognian Donev, Doctor of Science, Economics.

- **Production activity**

Sopharma AD has 10 production plants in Bulgaria, which function with regard to the requirements of the EU and of the Bulgarian legislation:.

1. Plant for solid dosage forms, city of Sofia
2. Plant for solid dosage forms, Vrabovo
3. Plant for solid dosage forms, Kazanlak
4. Unipharm
5. Ampoule plant, city of Sofia
6. Lyophilic production, city of Sofia
7. Chemical plant, city of Sofia
8. Suppository plant
9. Gamma sterilization
10. Plant for medical consumables, town of Sandanski

Sopharma AD is the biggest Bulgarian manufacturer of ampoules and suppositories and a sole manufacturer of lyophilic dosage forms in Bulgaria. The construction of a new plant for lyophilic medicinal products is forthcoming.

The production activity develops in the directions:

- Substances and preparations on the basis of plant raw materials (phytochemical production);
- Ready-made dosage forms, inclusive of: solid tablets, coated tablets, film-coated tablets, capsules;
- Galenical - suppositories, drops, syrups, ointments, gels, creams;
- Parenteral – injection solutions, lyophilic powders for injections;
- Solutions for hemodialysis
- Medical articles and cosmetic products, inclusive of patches, dressing products, sanitary-hygienic products; curative cosmetics.

• **Products**

Sopharma produces products for the following therapeutic groups: cardiovascular, gastroenterological, dermatological, psycho-neurological, antiallergic, respiratory, analgesic, rheumatological.

The Company has over 210 products in its portfolio, mainly generics and 15 original products, of which 12 on a plant-based basis.

Taking into consideration the responsibility related to its market position, Sopharma invests in new production capacities, technologies and products for the attainment of more accessible and efficient treatment:

Non-financial Declaration to the Annual Financial Statement of Sopharma AD according to the requirements of Articles 48-52 of the Accountancy Act

Investments	2018	2017
Marketing authorizations / number	1	3
Investments in new products / number	1	3
Pharmaceutical developments of medicinal products and active substances / number	15	5
Investments in new technologies / transferred and validated / number	19	30
Marketing authorizations for pharma products for new destinations / number	57	-
Cosmetic products, food supplements and medical devices notified / registered in Bulgaria	342	-
Cosmetic products, food supplements and medical devices notified / registered in other markets	88	-
Inspections for the renewal or issuance of new GMP Certificates from control bodies in Bulgaria / number	3	-
Inspections for renewal or issuance of new GMP Certificates from other countries / number	3	-
Audits by ISO Notified Bodies / Number	3	-

Information about 2018. is not indicated for rows for which such information is first presented in the non-financial statement; a comparative assessment will be made in the non-financial declaration for 2019.

The Company invests in enrichment of the generic portfolio working for introduction of generic products:

- Proven efficient
- Ratified as a golden standard in the treatment of various diseases
- Topical with regard to the markets
- Investments in 2018 in:
- New lyophilic plant in Sofia
- Building up an extraction capacity in the plant in Kazanlak for efficient production of phyto-products

- **Responsible marketing**

Sopharma AD pursues a flexible marketing policy, taking into account the possible increase of the delivery prices of the raw materials and the materials, the changes in the requirements to the manufacturers of medicines for the suppliers of raw materials, as well as the specifics of the market of medicines.

The selection, approval and subsequent management of suppliers in Sopharma is done systematically on the basis of the principles described in ICH Q10 Pharmaceutical Quality System and EudraLex - Volume 4 - Good Manufacturing Practice (GMP) guidelines.

Activities are consistent with the Change Control Criteria (ICH Q10 3.2.3) and Material and Process Requirements under Good Manufacturing Practice (GMP) guidelines Part 1, with internal procedures approved in a standard operating procedure for change control and standard operating procedures on the approval of manufacturers of active substances, auxiliary substances, packaging materials, feedstock and are managed through an internal eDMS system. The selection and evaluation criteria cover qualitative criteria, regulatory compliance, certification status, documentary security as well as economic, financial criteria and delivery parameters. Approved manufacturers and deliveries are subject to continued monitoring as part of the purchasing process management.

To guarantee the required quality of the substances for its original products (Tabex, Nivalin) Sopharma AD made perennial plants of yellow acacia and grows a marsh snowdrop in its own greenhouse in Sopharma Kazanlak.

Sopharma has a developed policy and procedures for evaluation of its counteragents making a regular risk assessment. The Company has over 70 Bulgarian and foreign licensed traders of medicines, with proven history of the interrelations on the main markets as its partners.

The communication messages of the Company are in conformity with the national ethical rules for advertisement and commercial communication.

- **Ethical competition**

Sopharma AD strictly observes the national and European legislation and the requirements related to the rules for competition. The Company is guided in its activity by the conviction that ethical behavior is a mandatory condition for development of the free market. The Company is exposed to strong competition on the one hand and on the other hand – to new forms of cooperation in the sphere of health care.

Sopharma invests predominantly in development of generic production, and it is expected that the role of the generic industry and sustainable health care in Bulgaria and in Europe will grow up.

The enhanced competition and the development of the science, inclusive of the bio-equivalent medicines create new forms of cooperation: co-marketing and co-development activities; contracts for workmanship; licensed production.

Initiatives for encouragement of the successful competition start up worldwide:

- Revocation of patents for third countries to render assistance to the generic products in the EU to be competitive against the generic companies from Canada, the USA and Japan;

- Signing an agreement for mutual recognition of the inspections of the production sites for drugs for human medicine between the USA and the countries from the EU which should finally enter into force for all the member-states of the EU up to year 2019.

2. Employees

Sopharma AD invests in its employees with the conviction that they are its most valuable asset. As a responsible Employer the Company follows up certain principles of labor interrelations:

- Zero tolerance to any kind of discrimination at the workplace;
- Provision of healthy and safe working conditions
- It provides possibilities for development based on equality per gender and age
- Provision of a right of affiliation and labor protection of the employees

2.1. *Employees as Shareholders*

On the proposal of the Board of Directors at the regular General Meeting of Shareholders of Sopharma, held on 15 June 2018, it was decided to provide shares as a bonus for 2018 to the employees of the company. The decision is on the occasion of the 85th anniversary of the Company. It applies to all persons who are in an employment relationship with the company or are working under a management contract at the date of the decision. The bonus is at the expense of the Company's own shares.

The main reasons for this decision are the value of the people, thanks to which the current results of the company have been achieved; creating additional motivation and interest in success; encouraging the development of the capital market in Bulgaria; raising the financial culture of a significant circle of people; creating an alternative to employee savings.

This is an extension of Sopharma's Corporate Social Responsibility program, by distributing employees bonuses in the form of shares. It was accompanied by active communication on stock markets and stocks.

Only 21.8% of employees who received bonus shares in October 2018 sold them until January 15, 2019. These transactions represented only 10.4% of the turnover of the segment for that period, according to Ognyan Donev in an interview with infostock .bg.

2.2. Safety

Due to the nature of its activity Sopharma guarantees the safe and health working conditions following the standards of the GMP.

- For workplaces, occupations and types of work to be treated Personal protective equipment, including special workwear, is followed by an order signed by the Sopharma Executive Director Ognian Donev, prepared according to Regulation No. 3 on Minimum Safety and Protection Requirements workers' health when using PPE on work. Place / Prom. State Gazette, no. 46/2001), Ordinance on free working and uniform clothing (promulgated SG No. 9/2011) and in accordance with Article 284 of the Labor Code.

- Safety instructions for machines and equipment are followed by a Safety Instruction for each of them with which service machines are familiar and obliged to observe. Approved by signature of Deputy Managing Director.

- Prevention of Occupational Health Occupations Prevention - three-month periodic briefing is carried out in all workshops on workers' sections, documented with the personal signature of the employee.

2.3. Workplaces according to the knowledge and skills

Along with that, the Company provides its workers and employees with workplaces corresponding to their knowledge and skills. The highly technological production as pharmacy nowadays is, assumes their continuous enhancement and expansion which for Sopharma is an investment in a significant asset. The programmes for enhancement of the qualification and the courses, which the Company offers to its employees, aim at the increase of their level of competence. Investments in trainings (education) in 2018 are BGN 269 thousand compared to BGN 268 thousand in 2017.

As a part of its social responsibility Sopharma introduced a system providing fair payment of the expended efforts and stimulation of the workers. A direct timely system for actual time worked out and additional material stimulation of the main workers on the basis of a monthly evaluation for manufactured and reported production of quality has been applied in the Plant for Ampoule Dosage Forms since 01.03.2017. The additional material stimulation reaches 30%. The introduction of a similar system for payment is forthcoming in the Tablet Plant as well.

Beyond its direct commitments as Employer Sopharma creates and develops social projects and programmes and participates in collective such directed at the employees and at their communities.

2.4. Healthy life:

- Additional health servicing
- Gratuitous dental services
- Availability of nurses in the plants of the Company
- Annual gratuitous examinations by specialists
- Fitness free of charge
- Courses in folk dances free of charge
- Inclusion in the programme for physical activity Multisport
- Conduct of a children's camp in tennis
- Provision of the employees with possibility to visit free of charge the forum 'Just Be'
- Inclusion of the employees as @SopharmaTeam in various competitions:
- Competition in tennis
- Competition in cycling
- Legion Run Tournament

2.5. @SoSociety, SoSopharma

Indicator	2018	2017
Parental Care		-
Total number of employees that took parental leave, by gender	9%	-
Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	2%	-
Total number of employees that took unpaid parental leave, by gender	>1%	-
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.	3%	-
A baby set for each new-born baby / number	29	23
Assistance for each first year pupil – a rucksack with all the needed aids	80	110
Gratuitous kindergarten on the territory of Sopharma for children of the employees of the Company / number	30	30
Leisure time	2018	2017
Gratuitous library / number of employees	60	50

Maintenance of accessible and modern recreation bases of the employees in Vrabevo, Boboshevo, Pomorie and Ocharov Plazh (Shepherd's Beach)

3. Ecology

Sopharma AD stands up for and observes its commitments in conformity with the national legislation in the sphere of the preservation of the environment. The Company applies measures for:

- Separate collection of the wastes, minimization, utilization and recycling of the production and domestic wastes
- Provision of appropriate training of the personnel on issues related to the preservation of the environment and the prevention of pollution.
- Satisfaction of the imperative requirements of Decree of the Council of Ministers 137 and of the Ordinance on Packages and Wastes of Packages
- The emissions of waste gases in the ambient air from the Phyto-Chemical Plant and the Plant for Solid Dosage Forms are annually measured.
- Monthly Sofiyska Voda (Sofia Water) measures the emissions in the waste waters on the production sites A and B.
- The production wastes are handed over to licensed companies for recycling.
- The conditions from the Permit for Bellmouthing are satisfied.
- Once a month a report is made for the input and/or put onto the market packages in conformity with the kind of the material, which a monthly installment is paid for in Ecobulpack AD, which Sopharma AD has a contract concluded with, for utilization of the wastes from packages.

The plants of Sopharma are certified under the GMP, which also controls the degree of pollution of the environment. The emissions of waste gases are under 50 tons per year, which in conformity with the standards heads for 0.

Organic substances for filming the tablets have not been used in the production in the plants of the Company for years now, which guarantees the zero contamination of the waste waters. In parallel with this the use of a water film is a prerequisite for the non-emission of gases into the atmosphere.

Sopharma works entirely on the basis of the prescriptions of the GMP and GDP standards, but it also invests in creating "smart" buildings, renewable energy sources, the growing of its own crops and so on, the major objective being to reduce the company's negative impacts on the natural environment..

4. Society

Sopharma AD uses its extensive expertise and resources to contribute not only to the economic and social development, but also to enhance the cultural environment and the quality of human life through the creation and development of concrete projects. The company supports the development of an active civil society in the country and takes categorical positions on an number of socially important issues.

- *Local Societies*

Sopharma AD invests in its local manufacturing sites to protect the economic livelihood of local communities. Traditionally the company was a supporter of different projects in Vrabevo such as trading center with a pharmacy store and a restaurant; St. Archangel Mihail church's roof repairs; local lyceum Christo Botev in Vrabevo, local lyceum in Sandanski.

Sopharma AD invested in guest houses in Vrabevo as a base place for employees' holidays and there are 7 guest houses.

Sopharma AD works with Veliko Tarnovo municipality starting with projects for donations of medicines for clubs for elderly and retired people, but the program was outspread to investments in renovations of the clubs, donations for the community centers, free computers for the outstanding students of the Military University in Veliko Tarnovo, etc.

In 2018 Sopharma AD continues with donations of medicines and tools for health indicators measurement.

- *Citizens*

Adopted alley

At the beginning of November 2018 Sopharma held its first volunteer action on the tourist promenade "Dendarium - White Water". Within the framework of the action, the volunteers cleaned the ditches and culverts, polished the park infrastructure and compared the ravine stretch of the alley in the village of Kiseliste.

The next action is expected in the spring of 2019.

- *Partnerships*

1. Bulgarian Network of Global Compact

As an active member of Global Compact Bulgarian Network we Sopharma AD participates in joint projects of the Network "I Am Proud of the Work of My Parents", "The Road of the Food", "Responsible choice" and "Healthy at Work"

"I Am Proud of the Work of My Parents" was held for the fifth consecutive year in Sopharma, and in 2018 the factory in Sandanski was included, after the inclusion of the plant in

Kazanlak in 2017. In 2018 21 companies participated in 16 cities across the country and 110 jobs have been shown from more than 15 sectors of the economy. The meaning for businesses is to show to the children of their employees through specially designed programs and games that their work is important.

The **“Responsible Choice”** Project aimed to show that the companies can, through transparency in responsible production and supply, demonstrate to the consumers that with their actions have the power to change the production practices, to influence the „fashion“ imposed by advertisers and to nurture anticonsumerist culture in themselves and young people.

“Healthy at Work” Games for Good

“Healthy at Work” is a programme for building up healthy habits and way of life of the employees of the companies through sharing good practices and information.

The project “Game for Good” is part of the program and includes a team competition from soccer players, tennis players, bikers and volleyball. Sopharma is usually the host of the tennis court tournament.

For the first time in 2018 Sopharma team included employees from the factories in Sandanski, Vrabevo, Kazanlak and Sopharma Trading.

2. BCause

Get Ready to Succeed

Sopharma for the fourth year supported the Get Ready to Succeed donation program, which helps distinguished students and students to continue their education. In the 2018 edition, the company joined the program of the dance ensemble Zdravi, composed of Sopharma employees.

Rinker Academy

Since 2016 Sopharma supports the training programme Rinker’s Challenge for starting up traditional and social entrepreneurs of Center "Rinker" to Foundation BCause. Its first edition was in 2014. Rinker’s Challenge offers a unique possibility to starting up entrepreneurs to pass through a structured system of trainings, to receive personal advice from leading professionals and entrepreneurs in all the spheres of the business and to obtain start-up financing of their business projects.

#GivingTuesday 2018

On November 27, 2018, Bulgarian organizations, companies, and celebrities celebrated #Generous Tuesdays together with more than 100 countries around the world. Employees of Sopharma took part in professional volunteering and mentoring, as well as in the dissemination of the messages of campaigns raising funds for their causes. "GivingTuesday" comes from the United States as a reaction to Black Friday and the craze of uncontrolled holiday shopping, the idea is growing and infecting with a burst of generosity entrepreneurs and experts, families,

companies, public organizations, students and employees. As an official partner for Bulgaria, the BCause Foundation organized a broad information campaign to promote the day of charity and generosity.

Investments in public communication

Sopharma AD supports the development of public communications as a basis for any democracy. The Company works beyond the ideas of traditional pharmaceutical projects and supports forums and festivals related to longevity, healthy lifestyles, the development of public communications

Investments in new communication channels, including mobile apps

Sopharma communicates not only through its corporate website but also through its profiles in facebook, twitter and instagram. The Company also created its own blogs related to health and positive thinking: www.healthnewsmedia.bg, <http://silen-den.blogspot.bg/>.

Sopharma AD supports the “Just be” festival for healthy living and self development.

Investments in public communication development

Sopharma AD is a partner of the Bulgarian Public Relations Society, the Medimixx Platform and the Annual Annual Meetings of Bulgarian Media Abroad.

For another year, Sopharma AD supported Mediamixx - a platform for media development and communication. As the only one in Bulgaria, the platform brings together representatives of major media in Bulgaria, the PR community and regulatory authorities such as CEM. In 2016, Mediamixx went beyond national boundaries and included representatives of Southeast Europe united by similar issues. In 2018 the dialogue was deepened, involving participants recognized as innovators in the field of communications.

In 2018 Sopharma supports for another year the meeting of the Bulgarian media abroad, which was held in Moldova.

- ***Digital Social Responsibility***

Sopharma AD communicates with its stakeholders primarily through its website: <http://www.sopharmagroup.com/bg>. For the first time, a Bulgarian public company provides interactive tools for investors and shareholders related to the Company's shares and the structure of the group.

The Company communicates with all stakeholders through the new digital tools and works to digitize the healthcare system in our country. The Company communicates through Youtube the channel of Sopharma AD and its profiles in Twitter and Facebook.

Anyone can find information about the questions they are interested in, not only through corporate profiles, but also in profiles associated with different topics #Zdravi, #Silenden, #Ilovelyheart. The Company has created two mobile applications - #Exsmoker and

#Safe. #Healthy is a social platform that includes a mobile app, a blog and a Facebook society, not only active in social media, but also in the offline environment. The objective is to create a community by providing one advice per day related to physical and spiritual health, showing that "healthy" does not mean difficult or boring. Mobile Application #Healthy won the first Digital Oscars for Online IAB Project, and the Online and CSR Awards of the Bulgarian Public Relations Society Business Sector.

- ***Pharmaceutical Industry***

The European industry for generic and biosimilar medicines fulfils its mission by providing high quality medicines for patients in Europe, increasing their access to effective treatment and partnering for sustainable healthcare.

The generic and biosimilar industry is developing a model for sustainable pharmaceutical innovations associated with the development and manufacture of value-added products that can improve health outcomes and efficiency in hospitals.

Sopharma AD participates in the work of Medicines for Europe and in 2018 got involved in various meetings and international conferences.

Sopharma AD participated in the discussions at the National Round Table on the Future of Health, organized by the Ministry of Health, held in September 2018 in the National Palace of Culture and in Fifth Innovation and Good Health Practices in November 2018 in Sheraton.

- ***Optimum Health, Maximum Vitality***

Sopharma AD supports the idea that health is not a lifestyle issue, but the only up to date and conscious way of living. That's why Sophrama AD invests in programs and activities, including digital, related to health.

- ***Events***

Tennis Day with Sopharma

The Bulgarian National Tennis Center and Sopharma AD organized jointly a Tennis Day with Sopharma sports festival for company employees and their families for another year. Sopharma AD also provided a free tennis camp for the children of its employees. With coaches and all-day special program, the children acquired new skills in a healthy environment, new friends and positive emotions.

Sopharma supports Velorali DRAG Cherni Vrah MTB race

In 2018 Sopharma AD supported again the mountain climbing of Cherni Vrah. In the 15th edition of the competition more than 150 participants traveled 38 km from Boyana to Cherni Vrah at an altitude of 2290 meters and back to the starting point.

- ***Social disease responsibility***

Affordable treatment for smoking cessation

According to latest scientific researches from around the world Sopharma' product Tabex® is best choice for smoking cessation treatment.

2018

Sopharma's smoking cessation drug with positive preliminary clinical data in the US

Sopharma's (3JR BU) smoking cessation drug with positive preliminary clinical trial data in the US, the Company's American partner Achieve Life Sciences (NASDAQ: ACHV) announced in a statement.

Achieve acquired the rights to commercialize Sopharma's Tabex in the USA in 2015. In 2017, this company filed an application with the US Food and Drug Administration to conduct a new drug study and developed a cytosine clinical development program to prepare for the launch of Phase 3 research in the USA in 2018. Later on, Sopharma AD entered into a 20-year contract to acquire the rights of an exclusive supplier of the cytosine API in that country.

The new beginning

At the end of 2014 New Zealand scientists found out that the medicinal product Tabex® is the most efficient device for smoking cessation. Sopharma AD has disseminated the information through all possible channels of communication in the markets where the product is realized, as well as those where smoking is widespread.

Ex-smoker® Tabex mobile application is on run

Personal Smoke Quit Assistant Ex Smoker is a mobile application for help with cigarette refusal and is in Bulgarian, English and Russian



In 2018 Sopharma AD celebrated its 85th birthday. It is one of the largest companies on the Bulgarian and Warsaw Stock Exchanges and for 10 consecutive years is the largest revenue company in the pharmaceutical sector in Bulgaria. All initiatives targeted at stakeholders during the year are a confirmation of the basic principles the Company is developing.

Sopharma AD is again one of the pioneers with two major initiatives - the distribution of shares among all its employees according to their internship and respectively the contribution to the company's successes and the distribution of an interim dividend. Both initiatives are supported by shareholders, which confirms that they are steps in the right direction.

26 March 2019

Sofia



Ognian Donev, PhD

Executive Director