

**INSTRUCTIONS AND CLARIFICATIONS REGARDING THE  
DUTIES AND RESPONSIBILITIES OF INSIDERS IN  
CONNECTION WITH THE REQUIREMENTS OF THE ACT  
AGAINST MARKET ABUSE WITH FINANCIAL INSTRUMENTS  
/AMAFI/**

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## **SECTION ONE**

### **GENERAL PROVISIONS**

#### **I. Scope of the Act against Market Abuse and addressees:**

##### **1. Actions and transactions that fall within the scope of the Act are:**

- actions committed both on and outside the territory of the Republic of Bulgaria concerning financial instruments admitted to trading on a regulated market in Bulgaria or for which an admission to trading on such market has been requested;
- acts committed on the territory of the Republic of Bulgaria concerning financial instruments admitted to trading on a regulated market in a Member State or for which an admission to trading on such market has been requested;
- The prohibitions of this Act shall not apply to transactions in connection with share buy-back or the stabilization of financial instruments in connection with their public offering if they are performed under conditions and procedures specified in an ordinance.

2. **Financial instruments subject to the Act are those** admitted to trading on a regulated market in Bulgaria or another Member State or for which an admission to trading on such market has been requested, including when the transactions with these financial instruments are concluded outside the regulated market.

#### **II. Inside information under the Act**

##### **1. Definition**

Pursuant to art. 4, par. 1 of AMAFI inside Information is a specific information that is not made public, relating directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, if its public disclosure can have significant impact on the price of those financial instruments or the price of related derivatives. This information includes any information that:

- states facts or circumstances that have occurred or may reasonably be expected to occur in the future and is specific enough to draw a conclusion about their effect on the price of financial instruments or related derivatives;
- is commonly used by investors in deciding to invest in a particular financial instrument.

It should be borne in mind that for persons who execute orders on financial instruments - investment firms, brokers and their agents, inside information is also specific information communicated by a client, associated with given, but not yet executed customer's orders which relate directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments and which, if made public, can have significant impact on the price of those financial instruments or the price of related derivatives.

##### **2. Facts and circumstances that are considered inside information**

The Act does not exhaustively lists the facts and circumstances which can be considered inside information, stating that the matter will be governed by a separate Ordinance. Upon entry into force of such

ordinance insiders who have inside information on "Sopharma" AD will be extensively acquainted with their responsibilities and duties.

### **III. Manipulation of the market for financial instruments**

#### **1. Definition**

Pursuant to art. 6, par. 1 of AMAFI manipulation of the market for financial instruments is:

- execution of transactions or giving orders that create or may create a false or misleading impression regarding demand, supply or price of financial instruments or which set through the actions of one person or by joint action of two or more persons, the price of one or several financial instruments at an abnormal or artificial level;
- execution of transactions or giving orders under which fictitious devices or other forms of fraudulent actions are employed;
- dissemination through the mass media, including the Internet or in any other manner, of information, which creates or may create a false or misleading impression regarding financial instruments, including the dissemination of rumors and false or misleading news, when the person disseminating knows, or ought to know that the information is false or misleading.

#### **2. Manipulative acts and transactions are:**

- actions of an individual or joint action by two or more persons to secure a position that allows for influence on demand or supply of financial instruments that lead to directly or indirectly affecting their value or creating other unfair market conditions;
- conclusion of transactions with financial instruments at the end of the trading session on a regulated market, which lead to misleading of investors acting on the basis of closing prices;
- expression of opinions regarding financial instruments or their issuer through the mass media including the Internet, while having previously taken positions on these financial instruments and profiting subsequently from the impact of the opinions voiced on the price of those financial instruments without having publicly disclosed that conflict of interest;
- other actions and transactions that take place through market manipulation of financial instruments under par.1.

## **SECTION TWO**

### **PROHIBITION OF INSIDER TRADING AND MARKET MANIPULATION OF FINANCIAL INSTRUMENTS**

#### **I. General prohibitions**

**Manipulation of the market for financial instruments is prohibited.**

##### **1. Natural persons**

The law prohibits any person who possesses inside information by virtue of their membership in the Board of Directors, of their holding of shares or votes at the General Meeting of shareholders, of the access to

information which is due to their employment, profession or duties, or the acquisition of information through criminal or otherwise improper activities, to use that information for acquiring or disposing of, or attempts to acquire or dispose of on their or someone else's behalf, directly or indirectly, financial instruments to which that information relates.

## **2. Legal persons**

When the person under item 1 is a legal person, the prohibition of using inside information applies to any person who participates in the decision to conclude a transaction on behalf of that person.

## **3. Exceptions**

The prohibition under item 1 shall not apply to transactions concluded in the performance of required duties to acquire or dispose of financial instruments, when those obligations were incurred before the person had inside information.

# **II. Special prohibitions**

## **1. Prohibition of disclosure**

Persons under items 1 and 2 shall be prohibited from disclosure of inside information to another person unless the disclosure is made in the normal exercise of their service, profession or duties.

## **2. Prohibition of recommendations or persuasion**

Persons under items 1 and 2 shall be prohibited from recommending or persuading another person on the basis of inside information to acquire or dispose of financial instruments to which that information relates.

## **3. Scope of the prohibitions for other persons**

- The prohibitions apply to any person who possesses inside information if they know or ought to know that this is inside information.
- The prohibitions also apply to financial instruments not admitted to trading on a regulated market in Bulgaria or in another Member State, but whose value depends on financial instruments admitted to trading on such markets.

## **4. Administrative and criminal liability and fines on violation of the prohibitions**

- **Whoever violates the provisions of Articles 8 - 11 of AMAFI shall be punished by a fine of 20 000 to 50 000 BGN, unless the act constitutes a crime.**
- **For repeated violation the fine is from 50 000 to 100 000 BGN.**

## **SECTION THREE**

### **DISCLOSURE OF INFORMATION BY THE COMPANY**

#### **I. Obligation for notification of inside information**

##### **1. Addressees of the provisions**

"Sopharma" AD is required to notify the Commission of inside information which directly relates to the company.

##### **2. Non-compliance with the obligation for notification**

- **A person who violates or allows a violation of the provisions for non-compliance with reporting requirements shall be punished with a fine from 200 to 1000 BGN.**
- **For repeated violation the fine is from 500 to 2 000 BGN.**

##### **3. Content of information under item 1**

The information under item 1 may not contain false, misleading or incomplete information

##### **4. Non-compliance with the provisions for content of information under item 1**

- **Whoever violates the provisions of the preceding paragraph shall be punished with a fine from 2000 to 5000 BGN.**
- **For repeated violation the fine is 5000 to 10 000 BGN.**

##### **5. Deadlines for notification and content of the notifications**

- The obligation to notify of inside information is executed immediately by the company but no later than the end of the business day following the decision or the discovery of the particular circumstance.
- The Commission shall make the information public through the register kept by it under Art. 30, par. 1, item 3 of the Financial Supervision Commission Act. The provisions of Art. 99 of the Public Offering of Securities Act shall apply accordingly, so that within the period under item 3, the company shall notify and provide to the regulated market the inside information.
- The Company may not combine the provision of inside information under item 1 with the presentation of marketing information about their activities in a way that can mislead.
- The company must notify the Commission of any significant change in the inside information that was publicly disclosed immediately but no later than the end of the business day following the occurrence, and thus discovery of the change.

##### **6. Non-compliance with the deadlines for notification**

- **Whoever violates the provisions for deadlines for notification is punished by a fine of 200 to 1000 BGN.**
- **For repeated violation the fine is from 500 to 2 000 BGN.**

**7. Applicability to financial instruments admitted to trading on a regulated market**

In the event that the Company's financial instruments are admitted to trading on a regulated market in another Member State or is seeking admission to trading on such market, it shall endeavor to ensure that disclosure be made simultaneously in all places where the financial instruments are admitted to trading.

**8. Postponement of disclosure**

- The Company may postpone for a certain period the disclosure of inside information and its public announcement if its disclosure may affect its legitimate interests, provided that it does not mislead investors and the Company is able to maintain its confidentiality.

- The Company shall notify the Commission of the postponement deadline, stating the reasons that necessitate the postponement, the period within which the information will be provided to the Commission, and the measures taken to preserve confidentiality.

- After expiration of the extended deadlines, as well as in cases when the confidentiality of the information is violated, the Company shall provide the commission with the inside information.

**9. Non-compliance with the provisions for postponement of disclosure and non-disclosure of information after an extended deadline**

- **Whoever violates the provisions of the preceding paragraph shall be punished with a fine from 2000 to 5000 BGN.**

- **For repeated violation the fine is from 5000 to 10 000 BGN.**

**10. Obligations for disclosure of inside information which was already disclosed to a third party**

- In the event that the Company or a person acting on its behalf or on its account, discloses any inside information to any third party in the normal exercise of their service, profession or duties, they are obliged to publicly disclose this information simultaneously with the disclosure if it is intentional or immediately after the disclosure if it is unintentional.

- These provisions do not apply if the person receiving the information owes a duty of confidentiality under the law, regulation, articles of association or contract.

**11. Non-compliance with the obligations for disclosure of inside information which was already disclosed to a third party**

- **Whoever violates these provisions is punishable by a fine of 200 to 1000 BGN.**

- **For repeated violation the fine is from 500 to 2 000 BGN.**

## **SECTION FOUR**

# **DISCLOSURE OF INFORMATION ABOUT TRANSACTIONS BY PERSONS EXERCISING MANAGERIAL FUNCTIONS**

### **I. Circle of persons**

#### **1. Natural persons**

Persons exercising managerial functions within the Company and persons closely related to them, notify in writing the Commission about transactions concluded on their behalf with shares, issued by the Company, admitted to trading on a regulated market for derivatives or other financial instruments related to those shares, when the value of these transactions exceeds 5000 BGN within one calendar year.

#### **2. Non-compliance with the obligations for disclosure**

- **Whoever violates this provision is punishable by a fine of 200 to 1000 BGN.**
- **For repeated violation the fine is from 500 to 2 000 BGN.**

### **II. Notification**

#### **1. Deadline**

The notification shall be made within 5 working days of the transaction, after which the specified threshold is exceeded. The Commission shall make the information public through the register kept by it under art. 30, par. 1, item 3 of the Financial Supervision Commission Act.

#### **2. Content**

- the full name of the person exercising managerial functions within the company and the full name of the person closely related to them;
- basis of the obligation for the notification;
- name of the company;
- description of the financial instruments subject to the transaction;
- type of transaction (e.g. acquisition or disposal);
- date and place of transaction;
- price and number of financial instruments, subject to the transaction.

These instructions and explanations are made in conjunction with the Law against Market Abuse with Financial Instruments by the Board of Directors of "Sopharma" AD, adopted in Protocol № ..... The acquainting of the insiders with them shall be assigned to the Executive Director and the Investor Relations Director. As an integral part of the instructions and explanations are the Law against Market Abuse with Financial Instruments and its implementation supplements.