

SUBSTANTIATED REPORT

BY THE BOARD OF DIRECTORS OF **SOPHARMA AD, SOFIA**

REGARDING: The terms and appropriateness of transactions under art. 114, para 1 of the Public offering of securities act (POSA), proposed to the General meeting of shareholders, scheduled for 15 June 2018, for approval and authorization of the representative of the company for their conclusion

The present report has been prepared and approved by the Board of Directors of Sopharma AD, Sofia at a meeting held on 13 April 2018, subject to the provisions of art.114a, para 1 of POSA, art.46 of Regulation № 2 from 17 September 2003 of the Financial Supervision Commission for prospectuses for public offering and admission to trading on a regulated market of securities and for disclosure of information by public companies and other issuers of securities, and the Articles of Associations of the Company.

According to art.114a, para 1 of POSA, the present Report of the Board of Directors of the Company is part of the materials on the agenda of the General meeting of shareholders, scheduled for 15 June 2018.

The purpose of the Report is to present to the shareholders of Sopharma AD, Sofia the essential conditions and the appropriateness of the transactions under art.114, para 1 of POSA, proposed for approval at the General meeting of shareholders, scheduled for 15 June 2018, in order to allow an informed decision by the Shareholders on the reBGNnt agenda items – namely authorization of the representative of the company for the conclusion of these transactions.

The Substantiated report contains four sections with information about the parties, the subject, the conditions, the amount and the terms of the particular transaction, as well as an analysis of the circumstances, justifying the need for authorization of the Board of Directors by the General meeting of shareholders for the execution of the transactions arising from the provisions of art. 114 and following of POSA.

Subject of the current report are the following transactions:

Chapter One. Conclusion of a service contract between Sopharma AD as Assignor and recipient of the services and Telecomplex AD as a performer and service provider – a transaction within the scope of art. 114, para 1, item 2 of POSA;

Chapter Two. Conclusion of a contract for sale of medicinal products and medical supplies between Sopharma AD as a seller and Sopharma Trading AD as buyer – a transaction within the scope of art. 114, para 1, item 3 of POSA.

Chapter Three. Conclusion of a credit contract between Eurobank Bulgaria as a creditor, Momina Krepost AD as a debtor and Sopharma AD as a co-debtor - a transaction falling within the scope of art. 114, para 1, item 2 of POSA.

Chapter Four:

Subsection 1: conclusion of an annex to an existing rental agreement;

Subsection 2: conclusion of a frame lease agreement rent of land with Sopharma Properties REIT as a lessor.

Chapter I

Signing a service contract between Sopharma AD as an assignor and recipient of the services and Telecomplex AD as a performer and service provider – a transaction within the scope of art. 114, para 1, item 2 of POSA;

The transaction is proposed for approval and authorization by the General meeting of shareholders for its conclusion due to the fact that the term of the previous such transaction, for the conclusion of which decision of the General meeting of shareholders was approved on 21 June 2013, expires in the current 2018 year. The Board of Directors of Sopharma AD proposes to the General meeting of shareholders to approve a decision to empower the representative of the company to conclude a transaction under the conditions set out herein.

1. SUBJECT OF TRANSACTION

It is proposed that the General meeting of shareholders of Sopharma AD to approve the conclusion of the following transaction with subject: provision of services related to installation and repair activities and waste disposal. Sopharma AD is the contracting authority and the recipient of the services and Telecomplex AD is a contractor and a supplier, so Sopharma AD will incur a liability to the related person Telecomplex AD amounting to BGN 15 000 000 / fifteen million / per year . The transaction is scheduled to be concluded with a term of 5 /five/ years, where the total value of the transaction for the foreseen period of its operation will amount up to 75 000 000 / seventy five million / BGN.

2. CONTRACT PARTIES

Assignor: Sopharma AD with seat and address of management – Sofia, Nadezhda District, 16 Iliensko Shose Str., registered in the Commercial Register at the Registry Agency under UIC 831902088, represented by Ognian Ivanov Donev in his capacity as Executive Director and Representative of the Company.

Performer: Telecomplex AD, with seat and address of management – Sofia, 5 Lachezar Stanchev Str., Sopharma Business Towers, building A, registered in the Commercial Register at the Registry Agency under UIC 831643753, represented by Iliyan Slavov Kolev in his capacity as Executive Director and Representative of the Company.

3. PARTICIPATION OF INTERESTED PARTIES IN THE CONTRACT WITHIN THE MEANING OF ART.114, PARA 7 OF POSA

Within the meaning of art.114, para 7 of POSA interested parties are members of the management and supervisory bodies of a public company, persons - representatives of legal entities, members of such bodies, its procurator, persons who hold directly and/or indirectly at least 25 percent of the votes in the General meeting of the company or control it, and in

transactions with a subsidiary - members of its management and supervisory bodies, persons - representatives of legal entities, members of such bodies, its procurator, persons who hold directly and/or indirectly at least 25 percent of the votes in the General meeting of the company other than the public company, as well as the parties related to them when they:

1. are a party, its representative or proxy in a transaction or when actions or transactions are being conducted in their favor, or
2. hold directly and/or indirectly at least 25 percent of the votes in the General meeting or control the legal entity, which is a counterparty, its representative or proxy in the contract or in favor of whom the actions or transactions are being conducted, or
3. are members of managing or supervisory bodies, representatives of legal entities, members of such bodies or procurators of a legal entity under item 1 and 2.

The transaction, proposed for approval, involves interested parties within the meaning of art. 114, para 7 of POSA by the following features:

The representative of the public company Sopharma AD directly owns more than 25% of the votes in the General meeting and is chairman of the Supervisory Board of Telecomplex AD – a company party to the transaction - there are the grounds of Art.114, para 7, item 2 and item 3 of the Public Offering of Securities Act for determining the representative of the public company Sopharma AD as an interested party;

Pursuant to Art. 114a, para 4 of the Public Offering of Securities Act, the person mentioned here, as well as the persons related thereto, defined within the meaning of § 1, items 13 and 14 of the additional provisions of the Public Offering of Securities Act, whether mentioned in this Substantiated Report or not, cannot exercise their voting rights at the General meeting of the company scheduled for 15 June 2018, when making a decision to empower the representative of the company to conclude the proposed transaction. When determining the quorum for making a decision under sentence one, all votes cast to the General meeting will be taken into consideration, and the votes of the persons concerned shall not be included in the determination of the majority of the decision.

4. TERMS AND CONDITIONS OF THE TRANSACTION

The term of the contract will be set at five years.

The value of the transaction - up to 15 000 000 / fifteen million / per year or total for the 5-year period the transaction value amounts to up to BGN 75 000 000 / seventy-five million /.

The performance of each service will be carried out on orders of the Assignor and with means and materials of the Performer, unless otherwise agreed.

The transaction is proposed for approval by the General meeting of shareholders after the management body of Sopharma AD as an Assignor has been previously convinced with the Performer's competence and the availability of sufficient resources and opportunities for the performance of the assigned work in a qualitative way and in compliance with the applicable legal framework and the principles of good manufacturing practice.

The General meeting of shareholders of Sopharma AD is the body, which should empower the Board of Directors of the public company to conclude the transaction, as well as to carry out all legal and factual actions necessary for its implementation in compliance with the decision of the General meeting of shareholders, the Articles of Association of the company and in accordance with the applicable provisions of the current legislation.

5. BENEFICIARIES OF THE TRANSACTIONS

Both parties are beneficiaries of the transaction.

6. ASSESSMENT OF THE CONDITIONS UNDER ART.114, PARA 1, ITEM 2 OF POSA - these conditions shall be assessed when, under the transaction, liabilities arise for the public company to one person or to related persons of a total value over the value under Art. 114, para 1, item 1, letter "a" of the POSA, and where the obligations are to interested persons or for the benefit of interested persons - over the value under item 1, letter "b" of the same provision.

Pursuant to the proposed transaction for Sopharma AD there will be an **obligation** to pay the services provided at a total estimated value of BGN 75,000,000 / seventy five million / for the term of the contract. The obligation is for a person related to the representative of the public company - presence of interest within the meaning of Art. 114, para 7 of POSA, therefore the provision is reBGNnt in this case to the provision of **Art. 114, para 1, item 1, letter "b" in connection with the second hypothesis of item 2 of the same provision of POSA.**

| Value of assets on balance as at 31.12.2017, disclosed publicly /in BGN/ | Value of assets on balance as at 31.12.2017 – audited and disclosed publicly /in BGN/ | Amount of the obligation in BGN | Threshold under art.114, para 1, item 1, letter “b” of POSA in BGN |
|--|---|---------------------------------|--|
| 589 583 000 | 590 305 000 | 75 000 000 | 11 806 000 |

The above tables illustrate that the total value of the proposed transaction exceeds the thresholds of art.114, para 1 of POSA and it needs prior authorization by the General meeting of shareholders of Sopharma AD.

7. APPROPRIATENESS OF THE PROPOSED TRANSACTION

Sopharma AD is mainly engaged in the manufacturing of medicinal products and medical supplies. Maintenance and repair of production capacities, the construction of new capacities as well as the waste management activities generated as a result of the main production activity need to be secured by the Company through the services of a qualified, reputable and experienced partner.

Telecomplect AD has traditions and experience in the field of construction and repairs, it has the necessary licenses and equipment for execution of construction and repair activities and waste disposal activities, which are also subject of the proposed transaction.

With the conclusion of the proposed transaction, Sopharma AD will receive a qualitatively and reasonably priced performance of the agreed activities as evidenced during the current transaction between the parties on the same subject.

CHAPTER II

Signing a contract for purchase - sale of medicinal products and medical supplies between Sopharma AD as a seller and Sopharma Trading AD as a buyer - a transaction falling within the scope of Article 114, Para 1, Item 3 of POSA

The transaction is proposed for approval and authorization by the General meeting of shareholders for its conclusion due to the fact that the term of the previous such transaction for the conclusion of which decision of the General meeting of shareholders was adopted on 21 June 2013 expires in the current year 2018. The Board of Directors of Sopharma AD proposes to the General meeting of shareholders to adopt a decision to empower the representative of the company to conclude a transaction under the conditions set out herein.

1. SUBJECT OF TRASNACTION

It is proposed that the General meeting of shareholders of Sopharma AD approves the conclusion of the following transaction with subject: purchase - sale of products between Sopharma AD as a manufacturer and seller of goods and Sopharma Trading AD as a buyer, under which Sopharma AD will incur receivables from its subsidiary Sopharma Trading AD amounting to the sum of BGN 180 000 000 / one hundred and eighty million BGN/ for the term of the transaction which is provided to be 31 June 2020.

2. CONTRACT PARTIES

SELLER: Sopharma AD, with registered office – Sofia, Nadezhda district, 16 Iliensko shose str., registered in the Commercial Register at the Registry Agency with UIC 831902088, represented by Ognian Ivanov Donev, in his capacity as Executive Director and representative of the company.

BUYER: Sopharma Trading AD with registered office – Sofia, Izgrev district, 5 Lachezar Stanchev str., Sopharma Business Towers, Building A, fl. 12, registered in the Commercial Register at the Registry Agency with UIC 103267194, the represented by Dimitar Georgiev Dimitrov, in his capacity as Executive Director and representative of the company.

3. PARTICIPATION OF INTERESTED PARTIES IN THE CONTRACT WITHIN THE MEAING OF ART.114, PARA 7 OF POSA

Under Article 114, para 7 of POSA "Stakeholders are members of the management and supervisory bodies of a public company, people - representatives of legal entities, members of such bodies, his procurator, persons who directly and / or indirectly hold at least 25 percent of the votes at the General meeting of the company or control it, and transactions of subsidiary - members of management and supervisory bodies, individuals - representatives of legal entities, members of such bodies, his procurator, persons directly and / or indirectly

hold at least 25 percent of the votes at the General meeting of the company, other than a public company and related parties when they:

1. are a party, or an intermediary in the transaction or for the benefit transactions are conducted transactions or actions or
2. hold directly and / or indirectly at least 25 percent of the votes in the General meeting or control entity which is a party or an intermediary in the transaction or in whose favor the transactions are conducted or actions, or
3. are members of the management or supervisory bodies, representatives of legal entities, members of such bodies or procurators of a legal person under item. 1 and 2. "

The transaction proposed for approval is defined as a transaction involving an interested person within the meaning of Art. 114, para 7 of POSA due to the following:

Sopharma AD is a person controlling the other party to the transaction by holding more than 50% of the voting shares in the General Meeting of Sopharma Trading AD, which determines the relationship between the two companies.

The representative of the public company Sopharma AD participates in the management body of Sopharma Trading AD as chairman of the Board of Directors, which determines its status as an interested person in relation to the proposed transaction;

There are reasons for interest within the meaning of Art. 114, para 7 of the Public Offering of Securities Act.

Pursuant to Art. 114a, para 4 of the POSA, the person mentioned here, as well as the persons related thereto, defined within the meaning of § 1, items 13 and 14 of the additional provisions of the Public Offering of Securities Act, whether mentioned in this Substantiated Report or not, cannot exercise their voting rights at the General meeting of the company scheduled for 15 June 2018, when making a decision to empower the representative of the company to conclude the proposed transaction. When determining the quorum for making a decision under sentence one, all votes cast to the General meeting will be taken into consideration, and the votes of the persons concerned will not be included in the determination of the majority of the decision.

4. TERMS AND CONDITIONS OF THE TRANSACTION

The term of the contract will be set until 30 June 2020.

Value of the transaction - up to BGN 90 000 000 / ninety million / per year or total for the envisaged term the value of the transaction amounts to BGN 180 000 000 / one hundred and eighty million /.

The contract will enter into force with effect from 01 July 2018.

The General Meeting of Shareholders of Sopharma AD is the body which should empower the Board of Directors of the public company to conclude the transaction as well as to carry out all legal and factual actions necessary for its implementation in compliance with the decision of the General Meeting of Shareholders shareholders, the Articles of Association of the company and in accordance with the applicable provisions of the current legislation.

5. BENEFICIERIES OF THE TRANSACTIONS

The transaction is beneficial to both parties.

6. ASSESSMENT OF THE CONDITIONS UNDER ART.114, PARA 1, ITEM 3

– these conditions are assessed since the transaction receivables are due for the public company to a person or to related parties totaling more than the value of art. 114, para 1, item 1, letter "a" of POSA, and when debtors of the company are interested parties - over 50 percent of the value item 1, letter "b" of the same provision.

In implementation of the proposed transaction Sopharma AD will incur **receivable** of the value of the sold goods totaling up to BGN 90 000 000 / ninety million / per year or total for the envisaged 2-year period up to BGN 180 000 000 / one hundred and eighty million /. The claim is to the **related person** Sopharma Trading AD, which, on the grounds of Art. 114, para 7 of POSA, is also an **interested person**, therefore the provision of **Art. 114, (1), item 1, letter "b" in connection with the second hypothesis of item 3 of the same provision of POSA.**

| Value of assets on balance as at 31.12.2017, disclosed publicly /in BGN/ | Value of assets on balance as at 31.12.2017 – audited and disclosed publicly /in BGN/ | Value of debt collection in BGN | Threshold under art.114, para 1, item 1, letter “b” of POSA in BGN |
|--|---|---------------------------------|--|
| 589 583 000 | 590 305 000 | 180 000 000 | 5 903 000 |

It is evident from the table above, that the value of transaction exceeds the thresholds under Art. 114, para 1 and it needs prior authorization by the General meeting of shareholders of Sopharma AD.

7. EXPEDIENCY AND THE TRANSACTION

Sopharma AD is a principal activity is the manufacture of medicinal products and medical supplies. To implement the revenue and profit for the company from carrying out this activity is directly and immediately connected with realization of production on the domestic and foreign market.

Sopharma Trading AD is mainly engaged in wholesale and retail trade in medicinal products and sanitary-hygienic materials. With the goods purchased under the proposed transaction, the company will expand its portfolio and create opportunities for income generating and increase of the financial result, which in turn will be reflected in the consolidated financial results of Sopharma AD in order to be achieved by high yield for its shareholders.

CHAPTER III

Conclusion of a credit contract between Eurobank Bulgaria as a creditor, Momina Krepost AD as a debtor and Sopharma AD as a co-debtor - a transaction falling within the scope of art. 114, para 1, item 2 of POSA.

1. SUBJECT OF TRASNACTION

It is proposed to the General meeting of shareholders of Sopharma AD to approve a transaction under which Sopharma AD will enter into as a co-debtor under solidarity on a an overdraft credit agreement which is going to be concluded between Eurobank Bulgaria AD as creditor and the subsidiary of Sopharma AD, Momina Krepost AD as a debtor and to authorize the representative of the public company Sopharma AD to conclude this transaction.

2. CONTRACT PARTIES

Creditor: Eurobank Bulgaria AD, registered in the Commercial Register at the Registry Agency, UIC 000694749, with headquarters and address of management and correspondence: Sofia 1766, Sofia Municipality, Vitosha district, 260, Okolovrasten pat Str., represented by the commercial proxies Viktoria Todorova Hristova and Magdalena Bozhidarova Stoyanova;

Debtor: Momina Krepost AD, registered in the Commercial Register at the Registry Agency, UIC 104055543, with headquarters and address of management and: Veliko Tarnovo 5000, 23 Magistralna Str., represented by Emanuil Dimitrov Tsvetkov in his capacity as Executive Director;

Co-debtor: Sopharma AD, a commercial company established and existing under the laws of Republic of Bulgaria, entered in the Commercial Register of the Registry Agency under UIC 831902088 and having its registered office and business address in Sofia 1220, Nadezhda district, 16 Iliensko Shose Str., represented by Ognian Ivanov Donev, in his capacity as Executive Director of the company.

3. PARTICIPATION OF INTERESTED PARTIES IN THE CONTRACT WITHIN THE MEAING OF ART.114, PARA 7 OF POSA

Within the meaning of art.114, para 7 of POSA “Interested parties are members of the management and supervisory bodies of a public company, persons - representatives of legal entities, members of such bodies, its procurator, persons who hold directly and/or indirectly at least 25 percent of the votes in the General meeting of the company or control it, and in transactions with a subsidiary - members of its management and supervisory bodies, persons - representatives of legal entities, members of such bodies, its procurator, persons who hold directly and/or indirectly at least 25 percent of the votes in the General meeting of the company other than the public company, as well as the parties related to them when they:

1. are a party, its representative or proxy in a transaction or when actions or transactions are being conducted in their favor, or

2. hold directly and/or indirectly at least 25 percent of the votes in the General meeting or control the legal entity, which is a counterparty, its representative or proxy in the contract or in favor of whom the actions or transactions are being conducted, or
3. are members of managing or supervisory bodies, representatives of legal entities, members of such bodies or procurators of a legal entity under item 1 and 2.”

The transaction proposed for approval is defined as a transaction involving an interested party within the meaning of Art. 114, para. 7 of POSA due to the following:

Sopharma AD is a company controlling Momina Krepost AD by holding more than 50% of the voting shares in the General Meeting of this company, which determines the relationship between them, respectively interest within the meaning of the said provision of the Public Offering of Securities Act as regards the public company and the members of its management body.

Pursuant to Art. 114a, para 4 of the POSA, the persons mentioned herein, as well as the persons related to them, defined within the meaning of § 1, items 13 and 14 of the additional provisions of the Public Offering of Securities Act, whether mentioned in this Substantiated Report or not, cannot exercise their voting rights at the General meeting of the company scheduled for 15 June 2018, when making a decision to empower the representative of the company to conclude the proposed transaction. When determining the quorum for making a decision under sentence one, all votes cast to the General meeting will be taken into consideration, and the votes of the persons concerned will not be included in the determination of the majority of the decision.

4. TERMS AND CONDITIONS OF THE TRANSACTION

The Board of Directors informs the shareholders the following main terms of the proposed transaction:

An Overdraft Loan Contract is to be concluded between Eurobank Bulgaria AD as a creditor and the subsidiary of Sopharma AD, Momina Krepost AD, as a debtor, under which Momina Krepost AD will receive an overdraft credit with a maximum allowed amounting to BGN 500,000 / five hundred thousand / for interest at the amount of Three Months Sofibor (3M Sofibor) and a contractual surcharge of 2.65% (two whole sixty-five hundred percentage points).

The term for absorption of the loan is 12 / twelve / months from the date of signing the credit agreement. The deadline for repayment of all loan amounts will expire after 12 /twelve/ months from the date of signing the credit agreement.

It is envisaged that Sopharma AD will also join as a co-debtor to the credit agreement under the conditions of solidarity with the debtor, whereby the company will incur liabilities to the creditor in the amounts and under the conditions of the credit agreement.

Between Sopharma AD and Eurobank Bulgaria AD is an existing previous loan agreement with the borrower the public company and the lender, the financial institution mentioned here, which has a total amount of EUR 10 000 000, which is why relative to this transaction is reBGNnt and the provision of Art. 114, para 6 of the POSA - the transaction proposed here should be considered together with a previous one with the same person on the creditor's side.

The General Meeting of Shareholders of Sopharma AD is the body which should empower the Board of Directors of the public company to conclude the transaction as well as to carry out all legal and factual actions necessary for its implementation in compliance with the decision of the General Meeting of Shareholders, the Articles of Association of the company and in accordance with the applicable provisions of the current legislation.

5. BENEFICIARIES OF THE TRANSACTIONS

All parties are beneficiaries of the transaction.

6. ASSESSMENT OF THE CONDITIONS UNDER ART.114, PARA 1, ITEM 2 in relation to item 1, letter "b" of POSA – these conditions are assessed when, as a result of the proposed transaction, obligations arise for the public company to a single person or to related parties, totaling over the value under item 1 (a), and where the liabilities arise for the interested parties or for the benefit of the interested parties - above the value under item 1, letter "b";

Under the proposed transaction, Sopharma AD will incur debts as a co-debtor under the conditions of solidarity with one person - the creditor, while at the same time the circumstances referred to in Article 114, para 6 of the Public Offering of Securities Act (a set of transactions) as well as those under Art. 114, para 7 of the Public Offering of Securities Act (participation of a related party) which in this case is the provision of **Art. 114, (1), item 2 in relation to item 1, letter "b" of POSA**.

| Value of assets on balance as at 31.12.2017, disclosed publicly /in BGN/ | Value of assets on balance as at 31.12.2017 – audited and disclosed publicly /in BGN/ | Value of the obligation in BGN with cumulation under Art. 114, para 6 of POSA | Threshold under art.114, para 1, item 1, letter “b” of POSA in BGN |
|--|---|---|--|
| 589 583 000 | 590 305 000 | 20 072 300 including one-year interest | 5 903 000 |

According to the provision of art. 114, para 5 of the POSA, the value of the payables and receivables according to para 1, item 2 and 3 include the interest rates. The value includes the interest rate for one year.

From the above table it is evident that the value of the obligation, which will be assumed by the public company Sopharma AD on the proposed transaction, accumulated with the obligation to the same creditor under an existing credit agreement, exceeds the threshold under Art. 114, para. 1, item 1, letter ‘b’ of the POSA, so it is necessary for the Board of Directors to be expressly authorized to conclude it by decision of the General Meeting of Shareholders of the company.

7. APPROPRIATENESS OF THE PROPOSED TRANSACTION

Sopharma AD has as main activity the production of medicinal products and medical supplies, and in recent years it has become more and more confident in the market of medical

supplies in Bulgaria and abroad, including through the products produced by the subsidiary Momina Krepost AD.

Momina Krepost AD has as main activity the development, implementation and production of medical supplies for human and veterinary medicine.

By participating in the transaction as a co-debtor, Sopharma AD facilitates the provision of timely financing under acceptable market conditions for Momina Krepost AD. Through the financing received, Momina Krepost AD will be able to cover its current cash needs for operating expenses related to the main activity of the company, respectively will ensure the security and growth of the revenues and profits realized in the segment of trade in medical supplies. The revenue growth thus described would have been reflected in the consolidated financial results of Sopharma AD in order to achieve higher returns for its shareholders.

The interest of Eurobank (Bulgaria) AD of the deal is conditioned by the fact that the bank would have realized revenues from its core business, working with stable corporate clients as Sopharma AD and Momina Krepost AD.

The foregoing determines the overall economic benefit and appropriateness of the proposed transaction.

CHAPTER IV:

This section includes two sub-sections relating to two transactions with the same counterparty and one and the same subject, namely: rent of land in a non-dispensable property owned by the counterparty.

SUB-SECTION FIRST: an annex to an existing contract for rent of office areas and parking spaces, located in the company-landlord "Sopharma Business Towers", concluded between Sopharma Properties REIT as landlord and Sopharma AD as tenant with subject of the annex: renting of warehouse and additional office space - a transaction falling within the scope of art. 114, para. 1 of POSA.

1.SUBJECT OF THE ANNEX: It is proposed that the General Meeting of Shareholders of Sopharma AD authorize the Board of Directors to conclude an Annex to a Rental Contract concluded on 1 August 2012 between Sopharma Properties REIT as Lessor, and Sopharma AD, in its capacity of tenant, for which the General Meeting of Shareholders of Sopharma AD has authorized the Board of Directors by decision of 29 June 2011. Under the terms and conditions of the proposed annex, the lessor will pay to the tenant for temporary and rewarding use (rent), in addition to the premises rented under the Contract, storage and additional office space, located in the "Sopharma Business Towers" owned by the Landlord, as the lease term will be determined by the remaining rental period under the above rental agreement, namely until 01 August 2022; but not less than 3 (three) years and not more than 5 (five) years.

The object of the annex is the property of Sopharma Properties REIT, located in the Company's own administrative and commercial complex "Sopharma Business Towers" (hereinafter referred to as "Complex"), built in the Company's own Regulated Land Regulated from district 2 of Sofia's development plan, "Dianabad" area, approved by Order No. RD-50-09-56 / 1989 of Chief architect and amended by Order No. RD-09-50-1049 / 2005 of the Mayor of the Izgrev region, at boundaries: from the east - street, from the west - street and land plot 1586 square, from the north - street, from the south - UPI II - assigned to the Ministry of Transport - CTC, with an area of 9 200 square meters with administrative address - Sofia, Izgrev district, Lachezar Stanchev Str. (formerly "170") № 5 and according to the cadastral map and the cadastral registers for Sofia, approved by Order No. RD-18-95 / 18.12. 2015, constituting a landed property with identifier 68134.802.976, with neighbors: 68134.802.1586, 68134.802.2268, 68134.802.1386, 68134.802.2257, 68134.802.2256, with permanent use on the territory: urbanized; with a mode of lasting use: for another public object, complex; comprising the following:

- 1.1 Office space: **Office-3-A4** (three dots letter "A" four), located on the fourth floor (fourth), elevation + 14,70, building A of the complex; at the boundary of the floor on a sketch, notary deed and approved project against the basement: from the east - street; from the west - block "B"; from the north - street and from the south - Reg. II (two) - assigned to the Ministry of Transport - CTC, top - fifth, bottom - third floor; at boundaries of Office-3-A4: northwest - facade; northeast - elevator cells, corridor and escape staircase; southeast - Office-4-A4; southwest facade, with a gross office area of Office-3-A4 of 68.87 (sixty-eight and eighty seven hundredths) square, consisting of 59.89 (fifty-nine whole eighty-nine hundredths) square m. net area of rent and 8,98 (eight ninety and ninety eight hundredths) square meters common parts;
- 1.2 Storage areas: **warehouse № S125**, located on floor -1, elevation - 3.60, of the complex; with boundaries: to the southeast - turbot; to the southwest - parking lot

№ PM-1-053; to the northwest - a wall, a pedestrian zone to an underground street; northeast - warehouse № S124 and parking lot № PM-1-052; with a rental area of 30.49 (thirty-forty-nine hundredths) square meters.

2. PARTIES ON THE TRANSACTION ARE:

Tenant: Sopharma AD, with headquarters and address of management in Sofia 1220, Nadezhda str., 16 Iliensko Shose Street, entered in the Commercial Register at the Registry Agency under UIC 831902088, represented by Ognian Ivanov Donev, in his capacity as Executive Director and representing the company.

Lessor: Sopharma Properties REIT, with headquarters and address of management in Sofia 1756, Izgrev district, 5 Lachezar Stanchev str., Sopharma Business Towers, entered in the Commercial Register at the Registry Agency under UIC 175059266, represented by Boris Anchev Borisov in his capacity as Executive Director and representing the company.

3. PARTICIPATION OF STAKEHOLDERS IN THE TRANSACTION WITHIN THE MEANING OF ARTICLES 114, para. 7 of POSA

Pursuant to the provision of Article 114, paragraph 7 of POSA "Interested parties are the members of the management and supervisory bodies of the public company, the persons - representatives of legal entities, members of such bodies, their procurator, persons who directly and / or indirectly own at least 25 percent of the votes in the general meeting of the company or control it, and in the case of transactions of a subsidiary - the members of its management and control bodies, the persons - representatives of legal entities, members of such bodies, its procurator, , co directly and / or indirectly hold at least 25 per cent of the votes in the general meeting of the company other than the public company and the persons related to them where they:

1. are a party, its agent or intermediary in the transaction or in their favor the transactions or actions are carried out; or
2. directly and / or indirectly hold at least 25 per cent of the votes in the general meeting or control a legal person that is the counterparty, its representative or intermediary in the transaction or in whose favor the transactions or actions are carried out;
3. are members of management or supervisory bodies, representatives of legal entities, members of such bodies or procurators of a legal person under items 1 and 2. "

The transaction proposed for approval is defined as a transaction involving a stakeholder within the meaning of Art. 114, para. 7 of POSA due to the following: The representative of the public company Sopharma AD is a person who directly and indirectly owns more than 25% of the voting shares in the general meeting of Sopharma Properties REIT as a party to the transaction.

Pursuant to Article 114a (4) of the POSA, the person concerned, as well as the persons related to him, defined within the meaning of § 1, items 13 and 14 of the additional provisions of the Public Offering of Securities Act, whether mentioned in this Substantiated report or not, cannot exercise their voting rights at the General Meeting of the company scheduled for 15 June 2018, when making a decision authorizing the company's representative to conclude the proposed transaction. When deciding the quorum for taking a decision, all the votes cast at the general meeting will be taken into

consideration, and the votes of the interested persons will not be included in the decision-making majority.

4. CONDITIONS OF THE TRANSACTION

The Board of Directors informs the shareholders about the following main terms of the proposed transaction:

- ✓ Lease term according to the annex to the lease: from 3 (three) to 5 (five) years;
- ✓ Rental area of the leased office space: 68,87 (sixty eight and eighty seven hundred) square meters;
- ✓ Rental area of the rented storage areas: 30,49 (thirty-forty-nine hundredths) square meters;
- ✓ Rental price of the rented office space: 12 (twelve) EUR per square meters per month, excluding VAT;
- ✓ Rental price of the rented storage space: 4 (four) EUR per square meters per month, VAT excluded;
- ✓ The rental price is indexed annually every January from the first of January of the year following the first calendar year of the lease term (i.e. from 2019 onwards, until the end of 2018), in accordance with the Harmonized Consumer Price Index in EU Member States (HICP EU-27) for all goods and services for the previous year, published by EURSTAT or another substitute index according to EURSTAT;
- ✓ Service fee - to cover the costs of providing the maintenance and management services of the building at a fixed amount of EUR 2 per sq m of the rental area of the office space per month, excluding VAT; The service fee is indexed annually every January from the first of January of the year following the first calendar year of the lease term (i.e. from 2019 onwards, until the end of 2018) in accordance with the Harmonized Index of Consumer Prices (HICP) published by the Bulgarian National Statistical Institute (BNSI);
- ✓ Other payments: consumables consumed in the rented premises (electricity, heat and cold, water) in favor of utilities; payment of the part of the local waste tax for the Complex in favor of the budget of the municipality of the SO-region "Izgreve", which is attributable to the gross rental area of the office and the storage areas.

The amount of the lease payments is determined in accordance with a valuation of the property commissioned by the landlord, which the Board of Directors of Sopharma AD fully accepts and considers the agreed rental prices per square meter leased area and remuneration for services for the right and fairly defined subject to the requirements of the Public Offering of Securities Act and the Independent Appraisers Act.

The estimated values of the proposed annex are as follows:

- ✓ monthly value - BGN 1 086,14 (one thousand eighty six EURs and fourteen cents) or EUR 2 124,30 (two thousand one hundred twenty four levs and 30 stotinki) BGN at the fixed exchange rate of the Bulgarian National Bank (1 EUR = 1,95583 BGN);
- ✓ value for the minimum lease term of 3 years for which the signing of the contract is proposed - 39 101,04 (thirty-nine thousand one hundred and one EUR and four EURcents) EUR or 76 474,99 (seventy-six thousand four hundred and seventy fourteen levs and ninety nine cents) at the fixed exchange rate of the Bulgarian National Bank (BGN 1 = BGN 1.95583).

- ✓ value for the maximum lease term of 5 years for which the conclusion is proposed - 65 168,40 (sixty five thousand one hundred and sixty eight EURs and forty EUR cents) or 127 458,31 (one hundred and twenty seven thousand four hundred and fifty eight BGN and thirty-one stotinki BGN at the fixed exchange rate of the Bulgarian National Bank (1 EUR = BGN 1,95583)).

5. BENEFICIARIES OF THE TRANSACTIONS

The transaction is in favor of all three parties.

6. Assessment of the conditions under Art. 114, para. 1, item 1 and item 2 of POSA

These terms and conditions are assessed: (1) When, under the transaction, the Company obtains for use an asset totaling more than one third of the lower value of the assets according to the last two prepared balance sheets of the company, at least one of which is audited, and which have been disclosed to the public by the order of Art. 100t of POSA, when interested parties are involved in the transactions; as well as (2) where, by virtue of and in implementation of the transaction for the company, liabilities arise to one person or to related persons, which exceed the value under Art. 114, para. 1, item 1, letter "a" of POSA, and where the liabilities arise to or for the benefit of interested persons - above the value under Art. 114, para. 1, item 1, letter "b" of POSA.

In execution of the proposed transaction - an annex to a contract for renting a real estate, Sopharma AD will receive for use as a tenant own assets of the landlord, with values determined in the manner specified in item 4 above. The table below presents a comparison of these values with the reBGNnt ones according to the last two prepared balance sheets of the company, at least one of which has been audited, and which have been disclosed to the public by the order of Art. 100t of POSA, and the value of the acquired asset with cumulation under Art. 114, para 6 of the Public Offering of Securities Act according to the transaction described in subsection two of this section:

| Asset Balance Sheet as at 31.12.2017, disclosed publicly /in BGN/ | Balance 31.12.2017 audited disclosed in public / BGN/ | at - and in /in | Value of the asset to be used for market valuation /in BGN/ | Value of the asset with obtained for use cumulation within the meaning of Art. 114, para 6 of POSA / in BGN / | Threshold under Art. 114, para. 1, item 1, b "b" of POSA in BGN |
|---|--|-----------------------------|--|---|---|
| 589 583 000 | 590 305 000 | | 161 109.44 | 3 513 534.59 | 5 903 000 |

In execution of the proposed transaction for the public company Sopharma AD there will arise an obligation to pay the agreed sums, related to the use of the provided assets, whereby the assessment of the thresholds according to the provisions of Art. 114, para 1, item 2, in relation to item 1 letter "b" and para 6 of POSA. The judgment results are shown in the table below:

| Asset Sheet as at 31.12.2017, disclosed publicly /in BGN/ | Balance at 31.12.2017 - audited and disclosed in the public /in BGN/ | Balance at 31.12.2017 - obligation for the entire agreed term /in BGN/ | Value of the obligation for the entire agreed term with cumulation within the meaning of Art. 114, para 6 of POSA /in BGN/ | Value of the obligation for the entire agreed term with cumulation within the meaning of Art. 114, para 6 of POSA /in BGN/ | Threshold under Art. 114, para. 1, item 1, letter "b" of POSA in BGN |
|---|--|--|--|--|--|
| 589 583 000 | 590 305 000 | 127 458.31 | | 464 330.47 | 5 903 000 |

As can be seen from the above tables, the value of the assets received for use and the value of the obligation separately do not exceed the thresholds under Art. 114, para 1, item 2, in item 1, letter "b" of POSA. When assessing the transaction in question according to the rules of art. 114, para 6 of POSA in total with the values of the existing lease agreement between the same parties, to which the conclusion of the annex described herein is proposed and for which the contract has the authorization for its conclusion, under the terms of Article 114, para 1 of the Public Offering of Securities Act, as well as in combination with the proposed second subsection, the exceeding of these specified thresholds is irrelevant, which also determines the necessity of empowerment within the meaning of Article 114, para 1 of the POSA.

7. OBJECTIVITY OF THE OFFERED TRANSACTION

For the tenant - with a proposed annex to the existing lease of office space and parking space, the operational necessity of storage areas and additional office space is optimally satisfied, even more so that a significant part of the company's administration is located in Sopharma Business Towers complex.

In addition, the indisputable technological qualities of the project, certified as an achievement of the modern requirements for "green" construction, make it possible to reduce the operational costs of maintaining the administration of Sopharma AD. The attractive location of the Complex makes it extremely easy to communicate with third parties - contractors and business partners, such as high availability, incl. through the means of mass urban transport, improves the effectiveness of the interaction with the state institutions whose administrations are concentrated in the central city part of Sofia, which leads to the reduction of transport costs.

For the lessor - as a special purpose vehicle with a scope of activity of securitization of real estate, the letting of its own real estates is an essential element of the normal activity of Sopharma Properties REIT. The contract and the annex hereto will provide a stable long-term income for the landlord-company source, besides working capital, and funds for repayment of the external financing (through bank credit) of the Sopharma Business Towers investment project. The economic benefit to the Company is specifically illustrated with financial parameters and estimated values on a monthly basis as well as for the whole planned term of the proposals for the conclusion of an annex.

SUB-SECTION TWO: conclusion of a framework contract for rent of conference space between Sopharma AD as a tenant and Sopharma Properties REIT as a lessor.

It is proposed that the General Meeting of Shareholders of Sopharma AD empowers the Board of Directors to conclude a Framework Agreement for the letting of own property of Sopharma Properties REIT, consisting of conference areas, for a period of 1 (one) year the power of which a particular object of the transaction is provided for a specified use, at the request of the Lessee, to the Lessor for a fixed rental period for each separate grant for use described in detail below in this section.

The object of the transaction is the property of Sopharma Properties REIT, located in the Company's own administrative and commercial complex "Sopharma Business Towers" (hereinafter referred to as "Complex"), built in the Company's own Regulated Land Regulated from district 2 of Sofia's development plan, "Dianabad" area, approved by Order No. RD-50-09-56 / architect and amended by Order No. RD-09-50-1049 / 2005 of the Mayor of the Izgrev region, at boundaries: from the east - street, from the west - street and land plot 1586 square, from the north - street, from the south - UPI II - assigned to the Ministry of Transport - CTC, with an area of 9 200 square meters with administrative address - Sofia, Izgrev district, Lachezar Stanchev Str. (formerly "170") № 5 and according to the cadastral map and the cadastral registers for Sofia, approved by Order No. RD-18-95 / 18.12. 2015, constituting a landed property with identifier 68134.802.976, with neighbors: 68134.802.1586, 68134.802.2268, 68134.802.1386, 68134.802.2257, 68134.802.2256, with permanent use on the territory: urbanized; with a mode of lasting use: for another public object, complex; representing conference areas and comprising the following:

- 1.1. **Premises Hall 1-B3** (hall dash one dash letter "was" three), located on floor 3 (third), elevation +10.15, building B ("be") of the complex; at boundaries of the floor to the basement: from the east - block "A" and street; from the west - street and land with cadastral number 1586; from the north - street and from the south - Reg. II - assigned to the Ministry of Transport - CTC, top - fourth floor, mezzanine mezzanine; at boundaries of the premises: northwest - facade; northeast - facade; southeast - facade; southwest - escape stairway, corridor, elevator cells, corridor, escape staircase; with a gross rental area of 199.17 (one hundred ninety nine and seventeen hundredths) square meters;
- 1.2. **Premises Hall 2-B3** (Hall two indent d) "Three"), located on floor 3 (third), elevation +10.15, Building B ("be") of the Complex; at boundaries of the floor to the basement: from the east - block "A" and street; from the west - street and land with cadastral number 1586; from the north - street and from the south - Reg. II - assigned to the Ministry of Transport - CTC, top - fourth floor, mezzanine mezzanine; at boundaries of the premises: northwest - facade; northeast - escape stairway, corridor, elevator cells, corridor, escape staircase; southeast - facade; southwest - facade; with a gross rental area of 199.08 (one hundred and ninety nine and eight hundredths) square meters;
- 1.3. **Premises Hall 1** (one), located on ground floor, elevation $\pm 0,00$, at the Trade Center Complex, at the boundaries of the premises: northwest - lobby Event and service center and technical premises; northeast - Lobby Event center; southeast - Lobby Event Hall and Hall 2; southwest - lobby Event, warehouse and turbot center with a floor area of 191.22 (one hundred and ninety-one twenty-two hundredths) square meters;
- 1.4. **Premises Hall 2** (two), located on ground floor, elevation $\pm 0,00$, at the Trade Center Complex, at the boundaries of the premises: Northwest - Lobby Event Center; northeast - Lobby Event center; southeast - lobby Event center, warehouse and Hall 3; southwest - turbot, with an area of 65.73 (sixty five whole seventy three hundred) square meters;
- 1.5. **Premises Hall 3** (three), located on ground floor, elevation $\pm 0,00$, at the Trade Center Complex, at the boundaries of the premises: northwest - lobby Event Center, warehouse and Hall 2; northeast - Lobby Event center; southeast - Lobby Event center and premise

№ 002C; southwest - premise № 002C and warehouse, with an area of 158,68 (one hundred fifty-eight whole sixty eight hundredths) square meters.

2. PARTIES TO THE TRANSACTION

Tenant: Sopharma AD, with headquarters and address of management in Sofia 1220, Nadezhda str., 16 Iliensko Shose Street, entered in the Commercial Register of the Registry Agency under UIC 831902088, represented by Ognyan Ivanov Donev , in his capacity as Executive Director and representing the company.

Lessor: Sopharma Properties REIT, with headquarters and address of management in Sofia 1756, Izgrev district, 5 Lachezar Stanchev str., Sopharma Business Towers, entered in the Commercial Register at the Registry Agency under UIC 175059266 , represented by Boris Anchev Borisov in his capacity as Executive Director and representing the company.

3. PARTICIPATION OF STAKEHOLDERS IN THE TRANSACTION WITHIN THE MEANING OF ART. 114, para. 7 of POSA

Pursuant to the provision of Art. 114, para 7 of POSA "Interested parties are the members of the management and supervisory bodies of the public company, the persons - representatives of legal entities, members of such bodies, their procurator, persons who directly and / or indirectly own at least 25 percent of the votes in the general meeting of the company or control it, and in the case of transactions of a subsidiary - the members of its management and control bodies, the persons - representatives of legal entities, members of such bodies, its procurator, , co directly and / or indirectly hold at least 25 per cent of the votes in the general meeting of the company other than the public company and the persons related to them where they:

1. are a party, its agent or intermediary in the transaction or in their favor the transactions or actions are carried out, or
2. directly and / or indirectly hold at least 25 per cent of the votes in the general meeting or control a legal person that is the counterparty, its representative or intermediary in the transaction or in whose favor the transactions or actions are carried out; or
3. are members of management or supervisory bodies, representatives of legal entities, members of such bodies or procurators of a legal person under items 1 and 2. "

The transaction proposed for approval is defined as a transaction involving a stakeholder within the meaning of Art. 114, para. 7 of POSA due to the following: The representative of the public company Sopharma AD is a person who directly and indirectly owns more than 25% of the voting shares in the general meeting of Sopharma Properties REIT as a party to the transaction.

On the grounds of article 114, paragraph 4 of the POSA, said here interested person and related persons as defined within the meaning of §1, item 13 and 14 of the Supplementary Provisions, whether mentioned in this report Motivated or not, can not exercise their voting rights at the General Meeting of the company scheduled for 15 June 2018, when making a decision authorizing the company's representative to conclude the proposed transaction. When deciding the quorum for taking a decision, all the votes cast at the general meeting will be taken into consideration, and the votes of the interested persons will not be included in the decision-making majority.

4. CONDITIONS OF THE TRANSACTION

The Board of Directors informs the shareholders about the following main terms of the proposed transaction:

Duration of the framework contract: 1 / one / year;

Minimum period of individual use - not less than 2 / two / consecutive astronomical hours; maximum period of individual use - up to one day;

Total rental area of the sites – 813,88 square meters;

Rental price: Depending on the capacity and duration of the use of the individual facilities described in item 1 above, the prices are based on market valuation of assets and form the following estimated values:

- ✓ Minimum value of the transaction for the entire duration of the framework contract - not less than 90 (ninety) EUR or 176,02 (one hundred seventy-six BGN and two stotinki) BGN at the fixed exchange rate of the Bulgarian National Bank (1 EUR = 1.95583 BGN);
- ✓ Maximum transaction value for the entire duration of the framework contract - up to 83 000 (eighty-three thousand) or 162 333.89 (one hundred and sixty-two thousand three hundred thirty-three BGN and eighty-nine cent) BGN at the fixed exchange rate of the Bulgarian National Bank Bank (1 EUR = 1,95583 BGN);

The amount of the lease payments is determined in accordance with an independent valuator's assessment of the value of the property ordered by the landlord, which the Board of Directors of Sopharma AD accepts in full and considers the unit rental prices agreed for it to be correct and fair determined in compliance with the requirements of the Public Offering of Securities Act and the Independent Appraisers Law.

- Objects are provided for use with the following equipment: providing a neighboring coffee break and catering hall;
- Multimedia screen;
- Projector with resolution 1280x800, 16:10, 3800 lumens (Sanyo);
- Dynacord sound system;
- Microphones - 4 pcs.
- flipchart - 1 pcs;
- high-speed internet (wireless);
- Providing a laptop with the set resolution corresponding to the projector's screen for the event.

5. BENEFICIERIES OF THE TRANSACTIONS

The transaction is in favor of all three parties.

6. Assessment of the conditions under Art. 114, para. 1, item 1 and item 2 of POSA

These terms and conditions are assessed: (1) When, under the transaction, the Company obtains for use an asset totaling more than one third of the lower value of the assets according to the last two prepared balance sheets of the company, at least one of which is audited, and which have been disclosed to the public by the order of Art. 100t of POSA; respectively. 2 per cent of the lower asset value according to the last two prepared balance sheets of the company, at least one of which has been audited, and which have been disclosed to the public

pursuant to Art. 100 t of the POSA, where the interested parties are involved in the transactions; as well as (2) where, by virtue of and in implementation of the transaction for the company, liabilities arise to one person or to related persons, which exceed the value under Art. 114, para. 1, item 1, letter "a" of POSA, and where the liabilities arise to or for the benefit of interested persons - above the value under Art. 114, para. 1, item 1, letter "b" of POSA.

In execution of the proposed transaction - a framework agreement for renting conference rooms, Sopharma AD will receive for use as tenant the assets owned by the landlord, with values determined in the way specified in item 4 above. The table below presents a comparison of these values with the reBGNnt ones according to the last two prepared balance sheets of the company, at least one of which has been audited, and which have been disclosed to the public by the order of Art. 100t of POSA, and the value of the acquired asset with cumulation under Art. 114, para 6 of the Public Offering of Securities Act according to the transaction described in subsection 1 of this section:

| Asset Sheet as at 31.12.2017, disclosed publicly /in BGN/ | Balance at 31.12.2017 - audited and disclosed the public / BGN / | at - and in / in | Value of the asset to be used for market valuation /in BGN/ | Value of the asset obtained for use with cumulation within the meaning of Art. 114, para 6 of POSA / in BGN / | Threshold under Art. 114, para. 1, item 1, letter "b" of POSA in BGN |
|---|--|------------------|---|---|--|
| 589 583 000 | 590 305 000 | | 1 656 686.74 | 3 513 534.59 | 5 903 000 |

In execution of the proposed transaction for the public company Sopharma AD there will arise an obligation to pay the agreed sums, related to the use of the provided assets, whereby the assessment of the thresholds according to the provisions of Art. 114, para 1, item 2, in relation to item 1, letter 'b' and para 6 of POSA. The judgment results are shown in the table below:

| Asset Sheet as at 31.12.2017, disclosed publicly /in BGN/ | Balance at 31.12.2017 - audited and disclosed the public /in BGN/ | at - and in the agreed term /in BGN/ | Value of the obligation for the entire term /in BGN/ | Value of the obligation for the agreed term with cumulation within the meaning of Art. 114, para 6 of POSA / in BGN / | Threshold under Art. 114, para. 1, item 1, letter "b" of POSA in BGN |
|---|---|--------------------------------------|--|---|--|
| 589 583 000 | 590 305 000 | | 162 333.89 | 464 330.47 | 5 903 000 |

As can be seen from the above tables, the value of the assets received for use and the value of the obligation do not exceed the thresholds under Art. 114, para 1, item 2, in item 1, item b) of POSA. In assessing the transaction in question according to the rules of art. 114, para 6 of the Public Offering of Securities Act in combination with the values of the existing lease agreement between the same parties, for which the contract has the authorization for its

conclusion given under Art.114, of the Public Offering of Securities Act and to which it is proposed to conclude an annex with the parameters described in subsection 1 above, the non-exceeding of these specific thresholds is irreBGNnt, which also determines the necessity of empowerment within the meaning of Art. 114, para 1 of POSA.

7. OBJECTIVITY OF THE OFFERED TRANSACTION

For the tenant - with the proposed framework contract for renting conference rooms, the operational necessity of such areas is optimally satisfied, even more so that in Sopharma Business Towers complex there is a significant part of the administration of the company. Advantage in the use of conference areas in this complex are the indisputable technological qualities of the project, certified as an achievement of the modern requirements for "green" construction, allow for reduction of the operational costs for maintenance of the administration of Sopharma AD. The attractive location of the Complex makes it extremely easy to communicate with third parties - contractors and business partners, such as high availability, incl. through the means of mass urban transport, improves the effectiveness of interaction with state institutions whose administrations are concentrated in the central city part of Sofia, which leads to a reduction in transport costs.

For the lessor - as a special purpose vehicle with a scope of activity of securitization of real estate, the letting of its own real estates is an essential element of the normal activity of Sopharma Properties REIT. The contract will provide a stable long-term income for the lessor company, besides turnover, and funds for repayment of the external financing (by bank credit) of the Sopharma Business Towers investment project. The contract will allow the tenant to engage in his conference events in Sopharma Business Towers owning the landlord, which in addition to periodic revenues will contribute to raising the public profile of the complex as a modern business center. The latter is a sure step towards the successful realization of the Sopharma Business Towers project by the landlord. As far as Sopharma AD is a public company and one of the largest and most successful companies in the country, the holding of its corporate activities in the complex of Sopharma Properties REIT will have the last positive positive effect for the company.

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The Board of Directors of Sopharma AD proposes that the transactions in this report are in the best interests of the Company and proposes that shareholders adopt the decision approving the conclusion of transactions under the above conditions and in compliance with the Articles of Association of the Company and the POSA.

The Board of Directors of Sopharma AD informs all interested persons within the meaning of Art. 114, para 7 of POSA, whether mentioned in this report or not which fulfill the conditions of the aforesaid provision that if they are shareholders of Sopharma AD they shall not be entitled to vote under the reBGNnt agenda item of the 15 June 2018 General meeting of shareholders which is scheduled to decide on the transaction with their participation. In these cases, the decisions should be taken by a majority of the remaining represented shares of Sopharma AD. The same will apply in the event of holding the General meeting of 29 June 2018.

This report has been compiled by the Board of Directors of Sopharma AD and is adopted on the Minutes of the meeting of the Board of directors held on 13 April 2018, and is

part of the materials for the convened on 15 June 2018 General meeting of shareholders of the Company.

Board of Directors of Sopharma AD:

1. Ognian Ivanov Donev:
2. Vessela Lyubenova Stoeva:
3. Alexandar Victorov Tchaushev:
3. Ognian Kirilov Palaveev:
4. Andrey Lyudmilov Breshkov:

The image shows a document with four horizontal dotted lines for signatures. The first line has a signature that appears to be 'Ognian Ivanov Donev'. The second line has a signature that appears to be 'Vessela Lyubenova Stoeva'. The third line has a signature that appears to be 'Alexandar Victorov Tchaushev'. The fourth line has a signature that appears to be 'Ognian Kirilov Palaveev'. The fifth line is empty. The signatures are written in blue ink.

Sofia, 13.04.2018