

**PROGRAM
FOR
THE APPLICATION OF THE INTERNATIONALLY
ACKNOWLEDGED PRINCIPLES FOR GOOD
CORPORATE GOVERNANCE OF
SOPHARMA AD**

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I. BASIS FOR ADOPTION OF THE PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

The Program for Good Corporate Governance determines the policies and principles the Board of Directors of "Sopharma" AD shall comply with in order to provide opportunity for the Shareholders to exercise more fully their rights, to improve the process of information disclosure and to assist the Management in the organization of the business of the Company.

After the closing of the financial year the Board of Directors of "Sopharma" AD shall update and expand the Program for Corporate Governance by seeking to facilitate the effective participation of the Shareholders in the General Meeting, to provide reliable protection of their rights and to provide timely disclosure of information and to ensure transparency.

The Program for Good Corporate Governance is consistent with the fundamental principles enshrined in international and nationally recognized standards for good corporate governance and the principles for corporate governance of the Organization for Economic Cooperation and Development, the provisions of the Commercial Act, POSA, the Accounting Act and the Independent Financial Audit Act.

The Board of Directors believes that the consideration and application of the principles enshrined in the National Code for Corporate Governance in the management and control of the Company will improve its presentation before national and international Investors and the public in general and will ensure transparency and understandability of the system of Corporate Governance.

II. "COMPLY OR EXPLAIN" PRINCIPLE

The Board of Directors of "Sopharma" AD shall disclose information on the implementation of the Program in the annual reports and provide an explanation as to why one principle or another is not relevant to "Sopharma" AD and how problem situations will be resolved. Most significant in this process is the assessment of the Board on the appropriateness of any principle of the Code and its suitability and relevance to the Company.

III. AIMS OF THE PROGRAM

1. Introduction and application of the principles for good corporate governance.
2. Facilitating the decision making by the Board of Directors on the short and long term development of the Company based on mutual benefit, common interests and striving to achieve the objectives of the Company.
3. Supporting communication and increasing the level of information security for Shareholders, analysts and the financial media.
4. Improvement of processes related to information disclosure.
5. Increasing the confidence of Shareholders, Investors and all persons interested in the management of the Company and its development.
6. Promotion and respect for high ethical principles in order to approach the global standards of good corporate governance.

IV. PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

The corporate governance framework must:

1. protect the rights of Shareholders;
2. ensure equitable treatment of all Shareholders, regardless of the shares held by them;
3. recognize the rights of the interested parties and promote cooperation between the Company and the stakeholders;
4. ensure timely and accurate disclosure on all matters relating to the Company, including financial position, performance, ownership and management of the Company;
5. support the strategic management of the Company, the control on the activity of the Board of Directors and its accountability to the Company and the Shareholders.

V. APPLICATION OF THE PRINCIPLES FOR GOOD CORPORATE GOVERNANCE

The Company is obliged to protect the rights of each of its Shareholders through:

1. Provision of more secure methods for registration of ownership

- 1.1. The securities of the Company are listed on the Official Market of "BSE - Sofia" AD;
- 1.2. The Company issues only dematerialized shares;
- 1.3. Limiting the rights of individual Shareholders of one class is not allowed;
- 1.4. The Book of Shareholders is kept by the "Central Depository" AD;
- 1.5. The shares of the Company are freely transferable, subject to the requirements of applicable regulations for transactions in dematerialized securities;
The transfer of shares of "Sopharma" AD on the "Bulgarian Stock Exchange" AD, where its shares are traded, is performed by a licensed investment intermediary, respectively a registered agent. The transfer of shares of "Sopharma" AD is free, according to the will of their owners and the terms and procedure of the general requirements for trading of securities.
- 1.6. Compliance with the rules for non-use of inside information in transactions with the Company's shares;
- 1.7. Free access to the materials for the General Meeting;
- 1.8. Ability to exercise their right aloud in person or by proxy complying with the relevant regulations;
- 1.9. Submission of all material of the conducted GMS within the statutory periods.

2. Participation and voting in the General Meeting of Shareholder

- 2.1. Right of the Shareholders to participate in the General Meeting of Shareholders;

2.2. Shareholders may participate in the General Meeting in person or through a representative authorized through an explicit written letter of attorney as per Art. 116, Par. 1 of POSA;

2.3. The General Meeting of the Company is held at its headquarters. The Regular General Meeting shall be held within six months after closing of the financial year;

2.4. The Board of Directors shall organize the rules and procedures for conducting of the General Meeting of Shareholders in a manner that does not unnecessarily raises the cost of voting or renders it difficult. The Board of Directors shall strive to ensure, that the procedure and the order of the General Meeting of Shareholders guarantee fair treatment of all Shareholders, including minority and foreign ones;

2.5. The General Meeting shall be convened by the Board of Directors. It may also be convened at the request of the Shareholders holding at least 5% of the capital of the Company;

2.6. The Board of Directors shall establish the rules for the organization and conducting of the regular and extraordinary General Meetings of Shareholders, which ensure equitable treatment of all Shareholders and the right of every Shareholder to comment on agenda items;

2.7. The members of the Board of Directors shall attend the General Meeting of Shareholders without voting rights, unless they are Shareholders;

2.8. The members of the Board of Directors are required to answer correctly, thoroughly and essentially all the questions of the Shareholders at the General Meeting, whether they are related to the agenda of the General Meeting or not.

3. Materials for the General Meeting of Shareholders

3.1. The Company shall announce the invitation as per Art. 223, Par. 4 of the Commercial Act in the Commercial Register and in accordance with Art. 100, Par. 1 and 3 – at least 30 days in advance of the opening of the General Meeting;

3.2. The Shareholders shall have sufficient and timely information about the date, place and agenda of the General Meetings, as well as complete information about the issues to be discussed at those meetings - the materials for the General Meetings shall be available on the website of X3News - www.x3news.com, and the websites of the FSC and BSE - www.fsc.bg and www.bse-sofia.bg, as well as the Company's website - www.sopharma.bg 30 days before the General Meeting;

3.3. An invitation together with the materials for the General Meeting as per Art. 224 of the Commercial Act must be sent to the Commission at least 30 days in advance of the opening of the General Meeting and published on the Company's website from the time of its announcement until the completion of the General Meeting;

3.4. When the agenda includes election of members of the Board of Directors, the written materials shall include details about the names, addresses and the professional qualifications of the nominated members. This rule applies when the issue is on the agenda in accordance with Art. 223 of Commercial Act;

3.5. The Shareholders shall have the opportunity to include new items on the agenda of the General Meetings after the announcement of the General Meeting under the conditions of Art. 223a of the Commercial Act;

3.6. Upon request the written materials shall be provided to each Shareholder free of charge.

4. Records of the General Meetings of Shareholders

4.1. For the General Meetings a record setting out the details as per Art. 232, Par.1 of the CA shall be kept;

4.2. The record shall be signed by the chairman and the secretary of the Meeting, as well as by the tellers;

4.3. To the records shall be attached a list of attendees and the documents related to the convening of the General Meeting;

4.4. The records and their annexes shall be kept for at least five years. They shall be provided to Shareholders free of charge;

4.5. The records of the General Meeting shall be sent to the Financial Supervision Commission within three working days after the meeting is held;

4.6. The Company shall publish the records of the General Meeting on its website for a period of not less than one year.

5. Dividend policy

5.1. The Company shall distribute dividends under the terms and conditions laid down in POSA, CA and Chapter Five of the Articles of association, upon a decision by the General Meeting. Entitled to receive dividends are those registered with the Central Depository as Shareholders on the 14th day following the General Meeting, on which the annual financial report has been approved and a decision on profit distribution has been taken;

5.2. Each Shareholder is entitled to receive their dividend within 5 years from the time of the decision. Entitled to receive dividend are those who acquired their shares and were registered in the Book of Shareholders on the 14th day following the General Meeting of Shareholders, on which the annual financial report has been approved and the decision on profit distribution has been taken. The Company is required to pay out the dividend to the Shareholders within 3 months after the General Meeting. The payment shall be made via bank transfer facilitated by the Central Depository.

5.3. The General Meeting shall determine the period and method of payment of the dividends. The Company shall immediately notify the Commission, the Central Depository and the regulated market for the decision of the General Meeting on the type and amount of the dividend and the terms and conditions for its payment, also announcing the name of the financial institution through which the payments will be made;

5.4. Shareholders shall receive their dividends after providing an identity document or in the case of representation also a notarized power of attorney;

5.5. The payment of the dividend shall be facilitated by the Central Depository.

6. Stakeholders and related-parties transactions and transactions over the statutory thresholds

6.1. Stakeholders within the meaning of Art. 114, Par. 5 of POSA are members of the management and supervisory bodies of a public Company, its procurator, as well as parties who directly or indirectly hold at least 25% of the votes in the General Meeting of the Company or control it when they or related parties:

1. are a party, its representative or an intermediary on a transaction, or transactions are conducted to their advantage; or

2. hold directly or indirectly at least 25% of the votes in the General Meeting or control a legal person, who is a party, its representative or an intermediary in the transaction, or to the advantage of whom the transactions or actions are conducted;

3. are members of management or supervisory bodies or procurators of the legal person under item 2.

"Related persons" within the meaning of Par. 1, Item 12 of the Additional Ordinances of POSA are:

1. persons, one of whom controls the other or their subsidiary;

2. persons whose activity is controlled by a third person;

3. persons who jointly control a third person;

4. spouses, lineal relatives without restrictions, collateral relatives to the fourth degree, including relatives by marriage to the fourth degree.

"Control" exists where a person:

1. holds, including through a subsidiary or by agreement with another person over 50% of the votes at the General Meeting of a Company or other entity, or

2. can determine directly or indirectly, more than half the members of the management or supervisory body of a legal person, or

3. may otherwise exercise a decisive influence on decisions relating to the activities of the entity.

6.2. Taking into account the rights, interests and the role of stakeholders:

1. Stakeholders are all persons who are not Shareholders and who have an interest in the economic prosperity of the Company;

2. Corporate governance must ensure effective interaction with stakeholders. This category includes certain groups of persons who directly are affected by the Company and who in turn may affect the Company's business, including suppliers, customers, employees, creditors, civil society groups and others;

3. Stakeholders shall be provided with the necessary information on the Company's activities, up-to-date information on the financial situation and everything that would facilitate their correct orientation and decision making;

4. The Board of Directors shall disclose timely and complete information about transactions and/or the disposition of assets above a certain value determined by law, for which they are authorized by the General Meeting of Shareholders, about the achieved results and other information that is not inside information, in a special section on the website of the Company.

6.3. The Company's policy regarding transactions with interested and related parties is as follows:

1. To comply with the requirements and limitations stipulated in Art. 114 and 114a of the POSA. Good corporate governance requires compliance with relevant stakeholders in accordance with the principles of transparency, accountability and business ethics.

2. To examine and approve in advance the transactions of the Company and/or its subsidiaries which would materially affect the activity of the Company and specifically its profitability, assets and liabilities or financial position;

3. To pay special attention to transactions in which one or more of the directors have a private interest or an interest associated with third parties;

4. The Board members are obliged to disclose the existence of substantial interest in transactions or matters affecting the Company in case of sale of shares or assets of the Company;

5. The Executive Director and any other member of the Board of Directors shall not participate in discussions and shall not vote when issues are reviewed in which they have personal interest, whether it is direct or not;

6. A member of the Board of Directors shall not try to influence in any way the decision of the authorities on such transactions.

7. Transactions with interested persons which do not exceed the thresholds of Art. 114, Par. 1 of POSA are subject to prior approval by the Board of Directors.

8. Transactions which are separately below the threshold of Art. 114, Par. 1 of POSA, but in aggregate lead to material changes exceeding these thresholds are considered as a whole, if committed in a period of three calendar years and in favor of one person or related persons, or if a party in the transaction is one person or related persons. In these cases, subject to the approval of the General Meeting of Shareholders is the act or transaction, which exceeds the thresholds of Art. 114, Par. 1 of POSA.

9. Disposition transactions that exceed the limits of Art. 114, Par. 1, It. 1 and Par. 2, involving interested parties are made only at market price. The assessment is made by the Board of Directors and in the cases of Art. 114, Par. 1, It.1, letter "b" of POSA – by independent experts with appropriate qualifications and experience, appointed by it.

7. Tender offer

7.1. The Board of Directors of the Company, upon receipt of notification for a tender offer made by a majority or a minority Shareholder, which the Financial Supervision Commission has not yet reviewed, must within three days extensively review the proposal and the methods used for determining the fair value of the shares of the Company;

7.2 The Board of Directors shall prepare a motivated opinion on the proposed transaction, including whether the proposal is fair to Shareholders, making an analysis of and commenting on the objectivity of the tender offeror's assumptions regarding the current state and future development of the Company, in order to allow Shareholders to make an informed decision.

VI. BOARD OF DIRECTORS

1. Role of the Board of Directors for applying the principles of good corporate governance

1.1. The Board of Directors shall decide on all matters relating to the Company, except those which according to the law and the Articles of association are of the exclusive competence of the General Meeting;

1.2. It shall assign the implementation of its decisions and the execution of its functions in the operative management of the Company to one of its members /Executive Director/. The Executive Director may be changed at any time;

1.3. The members of the Board of Directors shall submit a declaration to the Financial Supervision Commission /FSC/, to BSE - Sofia and the Company itself, in case of their participation as members of management and supervisory bodies of other companies, as well as information on legal entities in which they hold, directly or indirectly more than 25% of the capital or which they control, as well as present or future transactions, on which they believe they can be recognized as interested parties. This circumstance shall be declared and updated within seven days of its occurrence.

1.4. In carrying out its duties the Board of Directors shall comply with the accepted principles of corporate governance of the Company;

1.5. The Board of Directors shall make best efforts to ensure easy and timely access to public information in order for Shareholder to exercise their rights and Investors to meet investment decisions in an informed manner.

2. Due diligence. Avoidance of conflict of interest

2.1. The members of the Board of Directors shall perform their functions with due diligence, shall be loyal to the Company and shall act in the best interest of the Shareholders;

2.2. They shall perform their duties with professional skills, diligence and responsibility in a manner they reasonably believe is in the interest of all Shareholders, using only information that they reasonably believe is accurate, complete and timely;

2.3. They shall put the interest of the Company and the Company's Investors above their own interest and shall not use facts and circumstances which they have become aware of in the course of their professional duties for the benefit of themselves or others at the expense of the Company and the Shareholders;

2.4. They shall avoid direct or indirect conflict between their interests and the interest of the Company, and if such conflicts arise – they shall disclose them promptly and fully, and shall not participate and influence the other members of the Board in making decisions in such cases;

2.5. They shall not disseminate information regarding the discussions and decisions of the Board of Directors, and other nonpublic information about the Company, even after they cease to be members of the Board of Directors until the public disclosure of the particular circumstance by the Company;

2.6. They shall provide and disclose information to Shareholders and Investors in accordance with the legal and internal regulations of the Company.

3. Code of conduct of the Board of Directors

3.1. "Sopharma" AD has developed a Code of Conduct of the Board of Directors which complies with and supplements the principles enshrined in the Program for Good Corporate Governance. The Articles of association of the Company are in compliance with POSA, and provisions the right of Shareholders to be promptly notified regarding various issues;

3.2. The Board of Directors shall hold regular meetings at least once a month;

4. Records

4.1. The decisions of the Board of Directors shall be kept in records signed by all members present at the meeting;

4.2. The records shall be kept by a specially designated person;

4.3. The records constitute a trade secret. Facts and circumstances of them may be published, publicized or brought to the attention of third parties at the sole discretion of the Board of Directors or if required by law.

5. Liability

5.1. Members of the Board of Directors must provide a guarantee for their management in an amount determined by the General Meeting but not less than three times their monthly gross salary;

5.2. Members of the Board of Directors are jointly and severally liable for damages caused to the Company;

5.3. Each member of the Board of Directors may be relieved from liability if found they are not to blame for the resulting damages. The General Meeting may relieve from liability a Board member on a regular annual General Meeting in case an audited annual financial report for the previous year and an interim financial report for the period from the beginning of the current year to the date of the General Meeting are present and are verified by a registered Auditor;

5.4. The Board of Directors reports to the General Meeting.

6. Composition of the members of the Board of Directors

6.1. The Company shall be managed and represented by the Board of Directors. It consists of three to nine persons. The composition of the Board of Directors may be changed by the General Meeting at any time;

6.2. Board members may be individuals and legal entities that meet the requirements of Art. 234 of CA and Art. 116, Par. 2 of the Public Offering of Securities Act

;

6.3. The members of the Board of Directors shall become aware of the rights and obligations associated with their positions.

7. Election of members of the Board of Directors /See Appendix № 2/

7.1. Only persons meeting the requirements of POSA, who have proven their professionalism, experience and qualities in advance, and have presented their criminal records and declarations under Art. 116a of the POSA and CA are eligible for a nomination for the Board of Directors;

7.2. At least one third of the Board of Directors must be independent persons;

7.3. The members of the Board of Directors must have higher education and must:

1. have not been convicted on a wilful criminal offense of general nature;

2. have not been declared bankrupt as a sole proprietor or general partners in a Company and must not be in bankruptcy proceedings;

3. have not been members of a management or supervisory body of a Company or cooperation terminated due to bankruptcy in the past two years preceding the date of the declaration of bankruptcy, if unsatisfied creditors remain;

4. have not been deprived of their right to hold office;

5. not be spouses or lineal or collateral relatives up to third degree of another member of the Board or a member of a management or supervisory body of a servicing company.

8. Remuneration of the members of the Board of Directors

8.1. The members of the Board of Directors are entitled to remuneration as determined by the rules adopted by the General Meeting of Shareholders in compliance with the legal requirements concerning the formation of the remuneration;

8.2. The amount of remuneration of the Board of Directors shall be determined in accordance with the provisions of Art. 24 of the Articles of association;

8.3. Candidates for elected office shall show lack of circumstances on the above criteria by a declaration.

VII. DISCLOSURE OF INFORMATION

1. General provisions for disclosure of information

1.1. The Board of Directors shall disclose information in compliance with the legal requirements and the Company's documents, guaranteeing equality of the addressees of the information /Shareholders, interested parties, the investor community/.

1.2. To comply with the requirements of POSA and Ordinance № 2 of 2003 on prospectuses for public offering and admission to trading on a regulated market of securities and disclosure of information by public companies and other issuers of securities, building on the provisions of the law, "Sopharma" AD has contracted "Financial Markets Service" Ltd for dissemination of regulated information to the public through the new information system X3News. In this way the information reaches the widest possible range of people within the shortest time period. Interested persons may acquaint themselves with the information published on the official Company website for X3News: www.x3news.com free of charge. The disclosure of periodic and occasional information to the Financial Supervision Commission, the regulated market for securities and the public is carried out by the Investor Relations Director;

1.3. Access to the financial statements of the Company shall be provided to FSC, on the site of X3News, in the Bulletin of Investor.bg and on the corporate website: www.sopharma.bg;

1.4. The Disclosure of information on the Corporate Governance of the Company is consistent with the "comply or explain" principle.

1.5. The Company shall inform its Shareholders also through publications in the Commercial Register and the national dailies about convening of General Meetings of Shareholders, updates to the prospectus for public offering of shares, annual and quarterly interim financial statements, the procedure for dividend payments, and more.

2. Periodic disclosure of information

2.1. Within 90 days of completion of the financial year the Company shall submit an annual financial report;

2.2. Within 120 days of completion of the financial year the Company shall submit an annual consolidated financial statements;

2.3. Within 30 days of completion of each quarter, the Company shall publicly disclose interim financial report for its activities;

2.4. Within 60 days of completion of each quarter, the Company shall publicly disclose interim consolidated financial report for its activities.

3. Occasional disclosure of information

3.1. The Investor Relations Director shall notify the FSC, the BSE and the general public regarding:

- changes in the Articles of association;
- Changes in the Board of Directors;
- in case of opening of bankruptcy proceedings;

- transformation of the Company;
- changes in the business that affect or may affect, directly or indirectly the price of the issued securities of the Company;
- notifications of circumstances subject to registration;
- disclosure of shareholdings pursuant to Art. 145 of POSA;
- convening of General Meetings of Shareholders and other circumstances requiring notification of the aforementioned institutions.

VIII. AUDIT AND INTERNAL CONTROL

1. Measures for ensuring the effective implementation of the obligations of the Auditors /see Appendix № 4/

1.1. The Board of Directors, assisted by the Audit Committee, shall submit a written motivation to the General Meeting for the proposal for selecting an Auditor, guided by the established requirements for professionalism pursuant to the Independent Financial Audit and International Accounting Standards Act.

At an Extraordinary General Meeting of Shareholders of "Sopharma" AD, held on 20.11.2008 an Audit Committee, consisting of three people, was appointed: Tsvetanka Stoyanova Zlateva, Stanoi Georgiev Kasapov and Vasil Naidenov with a three-year term. The members of the Audit Committee meet the requirements of Art. 40, Par. 3 and 4 of the Independent Financial Audit Act.

1.2 These measures aim at ensuring the flawless implementation of the activity of the Company's Auditors during the performance of all necessary procedures established by the International Standards on Auditing on fair presentation in all essential aspects of the financial statements of "Sopharma" AD;

2. Criteria for determining the independence of a registered Auditor/auditing company /see Appendix № 3/

2.1. The Auditors shall act independently of the Shareholders who elected them;

2.2. The Board of Directors of the Company may propose to the General Meeting a periodical rotation of Auditors, in case any doubt arises about the lack of external and objective opinion on how the financial statements are prepared and presented;

2.3. Detailed information about the candidate Auditors shall be submitted to the Shareholders within the statutory deadlines for publishing materials concerning the agenda of the General Meeting of Shareholders, which will appoint a registered Auditor of the Company, and shall be published on the corporate website;

2.4. The Auditors shall express an independent opinion regarding the compliance of the financial statements with the applicable accounting standards, as well as with any other national accounting standards for the preparation of the financial statements. The formation and the expression of the opinion shall be conducted in compliance with the International Standards on Auditing.

2.5. Detailed information about the nominated Auditors shall be presented to the Shareholders of the Company within the statutory period for publication of the materials, in the agenda of the General Meeting of Shareholders, which will appoint a registered Auditor of the Company. Information shall be released on the corporate website.

IX. DISCLOSURE OF INFORMATION BY THE COMPANY ON THE INTERNET

1. The information on the corporate website must not differ from the information presented to the FSC and the public;

2. Information on the website of the Company must be published after being submitted to the FSC and the public;

3. The Company maintains an Internet site with an established content, scope and frequency. The information disclosed includes at least:

details of the Company;

information about the shareholding structure;

documents of the Company;

information about the management bodies;

financial statements for at least the last 3 years;

materials for the upcoming General Meetings of Shareholders. All decisions taken by the General Meetings of Shareholders held in at least the last three years;

information about Auditors;

information about upcoming events;

important information related to the Company.

4. Information on the corporate website must cover a period of minimum 3 years.

X. INVESTOR RELATIONS DIRECTOR

1. Role of the Investor Relations Director:

1.1. To establish effective liaison between the governing body of the Company and its Shareholders and those interested in investing in securities of the Company, by providing them with information about the current financial and economic situation of the Company and any other information to which they are entitled by law in their capacity as Shareholders or Investors;



1.2. To disclose only information which is publicly disclosed to the Financial Supervision Commission and on the regulated market, by not allowing for abuse of inside information;

1.3. To keep records of inquiries by Shareholders, of the disclosed information and the provided materials for the General Meeting of Shareholders to the FSC, the BSE and the Central Depository;

1.4. To keep and maintain accurate and complete records of the meetings of the Board of Directors of the Company;

1.5. To provide all necessary reports and notifications that may affect the price of shares of the Company to the FSC, the regulated market on which securities of the Company are traded and the Central Depository /see corporate calendar for 2009/.

1.6. To submit an annual report on their activities and initiatives undertaken during the year, the results of these and to make proposals for improving coordination and contacts with Shareholders, Investors and the media;

ANNEX № 1

RULES FOR ORGANIZATION AND CONDUCTING OF REGULAR AND EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS

These rules ensure equal treatment of all Shareholders of the Company and the right of each one to express their views on all matters on the agenda of the Meeting.

The Board of Directors of "Sopharma" AD shall ensure that the procedures for convening and conducting General Meetings of Shareholders stipulated in these Rules are organized in accordance with current regulations in a manner that does not make voting unnecessarily difficult or expensive.

I. GENERAL MEETING OF SHAREHOLDER

1. Participants

1.1. The General Meeting shall include all Shareholders. They shall attend the General Meeting in person or may authorize any person or entity to participate and vote at the General Meetings on their behalf by providing explicit instructions on the voting on each item of the agenda;

1.2. The representative has the same rights to speak and ask questions on the General Meeting as the Shareholder they represent;

1.3. The representative may represent more than one Shareholder at the General Meeting of the Company. In this case the representative may vote differently on the shares held by individual Shareholders they represents;

1.4. A written power of attorney for representing a Shareholder at the General Meeting of Shareholders must be for a particular General Meeting, be explicit and indicate at least:

1. the details of the Shareholder and the representative;
2. the number of shares covered by the attorney;
3. the agenda of the issues proposed for discussion;
4. proposals for decisions on any of the items of the agenda;
5. instructions on voting on each item, if applicable;
6. date and signature.

1.5. In cases where the power of attorney does not contain instructions on the voting on the various items of agenda, it should stipulate that the attorney has discretion whether and how to vote;

1.6. All Shareholders have the right to attend the General Meeting of Shareholders of "Sopharma" AD, to express their opinion and to make suggestions on the agenda items;

1.7. A voting right in the General Meeting shall be exercised by the persons entered in the registers of the Central Depository 14 days before the date of the General Meeting, according to a list of Shareholders provided by "Central Depository" AD at that date;

1.8. Members of the Board of Directors shall participate in the General Meeting without voting rights, unless they are Shareholders;

1.9. Members of the Board of Directors may not represent a Shareholder.

2. Conducting

2.1. The General Meeting of Shareholders shall be held by the end of the first half year after the closing of the financial year at the Company's Headquarters, Sofia, 16 "Iliensko shousee" Str..

2.2. An Extraordinary General Meeting of Shareholders shall be convened when necessary to address issue(s) within the competence of the General Meeting in the manner specified in current regulations and these rules.

2.3. The General Meeting shall elect a chairman, secretary and tellers at every Meeting by a simple majority.

3. Convening

3.1. The General Meeting shall be convened by the Board of Directors. It may also be convened at the request of Shareholders who for more than three months hold shares representing at least 5% of the capital. The fact that the shares are held for more than three months shall be verified by declaration.

3.2. The Company shall announce the invitation of Art. 223, Par. 4 of the Commercial Act in the Commercial Register and shall publicly announce it under the terms and conditions of Art. 100t, Par. 1 and 3 at least 30 days prior to the opening of the General Meeting. The Company shall not collect a fee for the preparation and publication of the invitation;

3.3. The invitation and the materials for the General Meeting under Art. 224 of the Commercial Act shall be sent to the Commission at least 30 days prior to the opening of the General Meeting and shall be published on the corporate website for the time period between its announcement in the Commercial Register and the completion of the General Meeting. The aforementioned information, published on the corporate website shall be identical in content with the information presented to the public;

3.4. In addition to the information under Art. 223, Par. 4 of the Commercial Act the invitation for the General Meeting must also include the following information:

1. total number of shares and voting rights in the General Meeting as of the date of the decision for convening of a General Meeting, including the total number of shares and the right of Shareholders to attend the General Meeting;

2. the right of the Shareholders to include items in the agenda of the General Meeting and to make proposals for decisions on matters included in the agenda of the General Meeting and the deadline for exercising this right; the invitation shall contain the deadline by which those rights may be exercised and the location where more detailed information concerning those rights can be acquired;

3. the right of the Shareholders to raise questions during the Meeting;

4. the rules for proxy voting and the models used for proxy voting;

5. voting rights have persons who have been registered by the Central Depository as Shareholders 14 days prior to the General Meeting and only persons registered as Shareholders on that date are entitled to attend and vote at the General Meeting;

6. the place and manner of receipt of the written materials relating to the agenda of the General Meeting under Art. 224 of the Commercial Act;

7. the website on which information about the invitation and the materials for the General Meeting is published.

3.5. The Company shall publish the forms for proxy voting on its website;

3.6. In the absence of a quorum the Company may schedule a new Meeting not earlier than in 14 days and it shall be legally independent of the represented capital. The date of the new Meeting shall be specified in the invitation for the first Meeting. The agenda of the new meeting may not include items of the procedure under Art. 223a of the Commercial Act.

4. Right to information

4.1. All written materials relating to the agenda of the General Meeting shall be clear and accurate and prepared in a manner that prevents misleading of the Shareholders.

4.2. When the agenda of the General Meeting includes election of members of the Board of Directors, the materials shall include information about the names, addresses and qualifications of the nominated members. This rule also applies when the item is included in the agenda in accordance with Art. 223 of the Commercial Act.

4.3. Written materials relating to the agenda of the General Meeting shall be available to the Shareholders not later than the date of announcement of the invitation for the General Meeting. Upon request they shall be provided by the Investor Relations Director to any Shareholder free of charge.

4.6. The members of the Board of Directors shall answer truthfully, thoroughly and specifically all the questions of the Shareholders at the General Meeting on the economic and financial state and the business of the Company, except for circumstances that constitute inside information.

5. List of participants

5.1. For the session of the General Meeting a list of the participating Shareholders and/or their representatives and the number of shares held or represented shall be prepared. Shareholders and their representatives demonstrate their presence by signing. The list shall be verified by the chairman and secretary of the General Meeting.

6. Quorum

6.1. For a valid decision of the General Meeting under Art. 31, Par. 1, It. 1 to 3 of the Articles of association to be taken a ½ /half/ quorum of all of the issued shares of the Company is needed, unless for certain decisions other types of quorum are required by law.

6.2. In the absence of a quorum a new meeting shall be scheduled not earlier than in 14 days and it shall be valid regardless of the number of shares represented at it. The new meeting date may be indicated in the invitation for the first Meeting.

7. Voting and majorities

7.1. Voting at the General Meeting is open and each Shareholder has as many votes as the number of their shares.

7.2. Decisions for amending the Articles of association of the Company, increase or decrease of the capital, transformation and dissolving of the Company and the election and dismissal of members of the Board of Directors shall be taken with a majority of $\frac{3}{4}$ /three quarters/ of the represented shares with voting rights.

7.3. Decisions in other cases shall be taken by a simple majority of the shares represented, unless current regulations or this Articles of association requires a higher majority for taking certain decisions.

8. Records

8.1 Records for the sessions of the General Meeting shall be kept. The records of the General Meeting shall include information on the number of shares, on which valid votes have been submitted, how much capital they have represented, the total number of valid votes, the number of votes "for" and "against" and the number of abstentions for each of the decisions on the agenda.

8.2. The record shall be signed by the chairman, the secretary and the tellers. A list of participating Shareholders or their representatives and the documents relating to its convening of the General Meeting shall be appended to the records.

8.3. The Company shall send the records of the General Meeting to the Commission within three working days after the Meeting is held;

8.4. The Company shall publish the records of the General Meeting on its website for a period not less than one year;

8.5. The records and their annexes shall be kept by the Company for at least 5 years. Upon request they shall be provided to the Shareholders.

8.6. The records shall be kept by the Investor Relations Director.

II. RIGHTS OF SHAREHOLDERS RELATING TO CONVENING AND CONDUCTING OF THE GENERAL MEETING

1. Every Shareholder of “Sopharma” AD has the right to:

1.1. be notified about a convened General Meeting of Shareholders in accordance with the procedure stipulated by law;

1.2. review all materials relating to the General Meeting of Shareholders and upon request – to receive them free of charge;

1.3. attend the General Meeting of Shareholders and express opinions, make suggestions and ask questions on items included in the agenda of the Meeting and to exercise their voting right;

1.4. obtain accurate and comprehensive answers by the members of the Board of Directors on the questions raised on the General Meeting on the financial and economic situation and business of the Company, except for circumstances that constitute inside information;

1.5. review the records and their annexes of passed General Meetings;

1.6. require the presence of a notary on the General Meeting of Shareholders, who shall prepare a statement of findings under Art. 488a of CCP;

1.7. Claim for annulment of the decision of the General Meeting of Shareholders in accordance with Art. 74 of the CA when it conflicts with mandatory provisions of law or the Articles of association of the Company.

2. Persons holding jointly or separately at least 5% of the capital of the Company may:

1. request the convening of a General Meeting of Shareholders. If within one month of the request for convening of General Meeting, it is not satisfied or if the General Meeting is not held within 3 months from the filing of the request, the city court at the place of registration of the Company shall convene a General Meeting or authorize the Shareholders who have requested it or their representative to convene the Meeting.

2. request the inclusion of questions and propose decisions on already included matters in the agenda of the General Meeting subject to Art. 223a of the Commercial Act.

APPENDIX № 2

PROCEDURE FOR ELECTION OF MEMBERS OF THE BOARD OF DIRECTORS OF "SOPHARMA" AD

This procedure has been prepared and approved in pursuance of the principles of continuity and sustainability of the work of the Board of Directors enshrined in the National Code for Corporate Governance.

The validation of the procedure aims at ensuring the provision of timely and sufficient information on personal and professional qualities of candidates for members of the Board of Directors of "Sopharma" AD.

I. Term

1. Members of the Board of Directors of "Sopharma" AD shall be elected by the General Meeting of Shareholders for a term of 5 years;

2. Members of the Board of Directors may be reelected without limitations;

3. After expiry of their term the members of the Board of Directors shall maintain their functions until the election of a new Board by the General Meeting.

II. Composition of the Board of Directors

1. The Board of Directors shall consist of three to nine natural persons and/or legal entities. The composition of the Board of Directors may be changed by the General Meeting at any time.

2. As members of the Board of Directors of "Sopharma" AD can be elected:

2.1. natural and legal persons meeting the requirements of Art. 234 of the Commercial Act;

2.2 a legal person. They shall appoint a representative to fulfill their obligations in the Board.

3. Members of the Board of Directors must have higher education and must not:

3.1. have been convicted on a willful crime of general nature;

3.2. have been members of a managing or controlling body of a Company or cooperation terminated due to bankruptcy in the past two years preceding the date of the declaration of bankruptcy, if unsatisfied creditors remain;

3.3. have been declared bankrupt as a sole proprietor or general partners in a Company and not be in bankruptcy proceedings;

3.4. have been deprived of the right to hold office;

3.5. be spouses or lineal or collateral relatives up to third degree of another member of the managing or supervisory body of the servicing company.

4. The composition of the Board of Directors elected by the General Meeting must ensure the independence and equity of the assessments and actions of its members regarding the functioning of the Company.

III. Due diligence. Avoidance of conflict of interest

1. The members the Board of Directors shall perform their functions with due diligence, be loyal to the Company and act in the best interest of the Shareholders;

1.1. They shall perform their duties with professional skills, diligence and responsibility in a manner they reasonably believe is in the interest of all Shareholders, using only information that they reasonably believe is accurate, complete and timely;

1.2. They shall put the interest of the Company and the Company's Investors above their own interest and shall not use for the benefit of themselves or others at the expense of the Company and the Shareholders facts and circumstances which they have become aware of in the course of execution of their professional duties;

1.3. They shall avoid direct or indirect conflict between their interests and the interest of the Company, and if such conflicts arise – they shall disclose them promptly and fully, and shall not participate and influence the other members of the Board in making decisions in such cases;

1.4. They shall not disseminate information regarding the discussions and decisions of the Board of Directors, and other nonpublic information about the Company, even after they cease to be members of the Board of Directors until the public disclosure of the particular circumstance by the Company;

1.5. They shall provide and disclose information to Shareholders and Investors in accordance with the legal and internal regulations of the Company.

2. Item 1 is also applicable for natural persons representing legal entities – members of the Board of Directors, as well for procurators.

IV. Conclusion

1. The Board of Directors shall prepare an opinion on the election of a member of the Board of Directors, which it presents to the General Meeting of Shareholders of "Sopharma" AD.

2. The General Meeting of Shareholders of "Sopharma" AD shall decide on the election a member of the Board of Directors by a majority pursuant to the Commercial Act and the Articles of association of the Company.

3. The records of the General Meeting of Shareholders of "Sopharma" AD shall be provided to the Board of Directors with regard to entering of the new member in the Commercial register and the necessary notifications to the FSC and the public.

APPENDIX № 3

CRITERIA FOR DETERMINING THE INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE REGISTERED AUDITORS OF "SOPHARMA" AD

The present criteria for determining the independence of the Board of Directors and the registered Auditors of "Sopharma" AD are adopted pursuant to the principles enshrined in the National Code for Corporate Governance.

These criteria are intended to clarify the criteria the independent members of the Board of Directors and registered Auditors of "Sopharma" AD must meet in order to ensure objectivity in the performance of their duties to the Company.

The criteria are indispensable for the nomination of members of the Board of Directors and registered Auditor of the Company, the verification of which shall be assigned to the Executive Director.

I. Criteria for independence of the members of the Board of Directors

1. *The independent members* of the Board of Directors of "Sopharma" AD must be at least one third of the members of the Board and meet the following criteria:

1.1. not be Employees of "Sopharma" AD;

1.2. not be Shareholders who hold, directly or through related parties at least 25% of the votes in the General Meeting or the Company;

1.3. not be persons affiliated with the Company;

1.4. not be persons who have commercial relations with "Sopharma" AD;

1.5. not be members of a management or supervisory body, procurators or employees of a Company or other legal entities pursuant to it. 1.2., 1.3 and 1.4;

1.6. not be related to any other member of the Board of Directors of "Sopharma" AD;

Related parties under the preceding paragraph are:

- Persons, one of whom controls the other or its subsidiary;
- Persons whose activity is controlled by a third party;
- Persons who jointly control a third party;

Control under the preceding paragraph is present when a person:

- owns more than half the votes at the General Meeting of another entity, or
- is entitled to appoint more than half the members of the management or supervisory body of another legal entity, and is also a Shareholder or a partner at such entity, or
- has the right to otherwise exercise decisive influence on decisions relating to the activities of the entity;

2. Candidates for elected office shall show lack of circumstances under item 1 by a declaration.

II. Criteria for the independence of Auditors

1. Registered Auditors performing financial audits of "Sopharma" AD must meet the following criteria for independence:

- No financial interest in the activity of "Sopharma" AD, manifested in ownership of shares or other securities issued by the Company and/or participation in its main business;
- No participation in the management of "Sopharma" AD;
- No marital relations, lineal relations without limits and collateral relations to the second degree with members of the management of "Sopharma" AD;
- Not a party to a litigation by "Sopharma" AD.

2. The Board of Directors, assisted by the Audit Committee, shall submit a written motivation to the General Meeting for the proposal for selecting an Auditor, guided by the established requirements for professionalism.

ANNEX № 4

MEASURES FOR ENSURING THE EFFECTIVE PERFORMANCE OF THE DUTIES OF THE AUDITORS

These measures aim at ensuring the flawless implementation of the activity of the Company's Auditors during the performance of all necessary procedures established by the International Standards on Auditing on fair presentation in all essential aspects of the financial statements of "Sopharma" AD:

- the financial condition of the Company;
- the reported financial result of the Company;
- the cash flows of the Company and any changes in them;
- the Company's equity and changes in it.

The independent audit opinion on the audited reports of "Sopharma" AD shall be expressed in regard to the compliance of the financial statements with the applicable accounting standards, as well as any other national accounting standards for preparing of financial statements. The formation and

expression of the independent Auditor's opinion shall be in accordance with the International Standards on Auditing.

The measures are mandatory for the Company's Employees and all persons who on the basis of a written contract provide ongoing financial and accounting services to "Sopharma" AD. The control of compliance shall be assigned to the Executive Director.

III. Measures for ensuring the effective performance of the duties of the Auditors of "Sopharma" AD

1. The Board of Directors shall enter a contract for auditing the accounts of "Sopharma" AD, under Art. 9, Par. 1 of the IFAA in which to regulate the specific obligations of the Company based on these measures;

1.1. The contract shall be signed by the recommendation of the General Meeting. In the cases when the Company has established an Audit Committee, the contract for an independent financial audit shall be signed after approval by the Audit Committee;

1.2. The registered Auditors who are contracted to perform an independent financial audit may be dismissed only if there are appropriate grounds. Difference of opinion on accounting treatments or audit procedures are not appropriate grounds for dismissal;

1.3. The acceptance of responsibility for the independent financial audit shall be documented by a letter of acceptance of audit engagement. The contents of the letter is determined by the International Auditing Standards.

2. The registered Auditor/auditing company shall be required to provide guarantees that they do not fall under the restrictions for making an independent financial audit in accordance with Art. 28 of the IFAA;

3. The registered Auditor/auditing company shall be required to conduct an independent financial audit within the scope stipulated by the law by verifying:

3.1. compliance with the accounting principles;

3.2. consistency of application of the disclosed accounting policies;

3.3. the methodological soundness of current reporting for comprehensive and reliable coverage of assets, liabilities and operations of the Company limited to the objectives of the audit;

3.4. the effectiveness of internal control, limited to the objectives of the audit;

3.5. the process of closing of accounts;

3.6. the accuracy and the necessary comprehensiveness of the information presented in the financial report;

3.7. correspondence between the information in the financial statements, in the management report and any other information provided by the Management together with the audited statements.

4. The registered Auditor/auditing company shall be required to perform the financial audit in compliance with all legal requirements and in particular:

4.1. Adherence to the principles: independence, professional competence, confidentiality, integrity and objectivity;

4.2. Fulfilling the committed obligation for auditing unless there are objective circumstances impeding it;

4.3. Informing the management of "Sopharma" AD for major violations of laws and other regulations, of its Documents and other internal regulations, norms and procedures, and any other information as far as it have become known to them during the performance of the independent audit;

4.4. Warning of "Sopharma" AD within their competence for acts or omissions that may harm it, as far as they have become known to them during the performance of the independent audit;

4.5. Submission of documents proving the carrying out of the Auditor's obligation expressed opinion;

4.6. Compliance with the International Standards on Auditing and the Ethics Code adopted by the Institute of Chartered Accountants.

5. The management of the Company shall provide to the registered Auditors the financial statements prepared for the issuance of an audit report. The presentation of the financial statements will be conducted together with the management report and any other information the management bodies provide along the audited financial statements, as well as a signed affirmation or representation letter from the management in accordance with International Standards on Auditing;

6. The management of the Company shall promptly provide to the registered Auditor/audit Company all information requested by them, which is necessary for auditing the accounts, including all written statements, signed by the corresponding persons;

7. The management of the Company shall provide all other necessary conditions for the inspection and verification by the registered Auditor/audit Company, including the opportunity to observe the conduct of making inventories of assets and liabilities.



Annexes № 1 to № 4 are an integral part of the Program for Good Corporate Governance of "Sopharma" AD.

This current Updated Program for Corporate Governance of "Sopharma" AD regarding the principles of good corporate governance was adopted at a meeting of the Board of Directors of "Sopharma" AD with decision № 5 from 30.03.2009.

Representing "Sopharma" AD _____

Ognian Donev, PhD