

Report No. 1/2011  
dated 12 December 2011

## **STATEMENT ON NON-COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board of Directors of SOPHARMA AD (the “**Company**”) hereby announces that the Company will not comply with the following rules of the Best Practices of WSE Listed Companies:

- Recommendation 1 – to the extent it refers to broadcasting the proceedings of the General Meeting over the internet
- Best Practice IV.10 – to the extent it refers to enabling the Company’s shareholders to participate in the General Meeting using electronic means of communication.

The General Meeting held on 29 June 2011 passed a resolution on the amendment to the Articles of Association under which the Board of Directors will be empowered with the right to convene a General Meeting in which shareholders may participate by electronic means. The Board of Directors will consider broadcasting the proceedings of future General Meetings over the internet as well as take into consideration the possible implementation of other forms of electronic participation at General Meetings by the shareholders, taking into account factors such as guaranteeing the proper level of technical security of electronic communication as well as the legal certainty and identification of shareholders participating in a General Meeting by electronic means, while at the same time taking into account current Bulgarian rules and practices.

- Recommendation 5 – to the extent it refers to having in place a remuneration policy and the rules for the determination of such policy.

The Company does not have in place a remuneration policy nor rules for its establishment with respect to the remuneration of the members of the Board of Directors. The Company is considering establishing such policy and rules in the future. Under the Articles of Association and the Bulgarian Act on Public Offering of Securities, the remuneration of the members of the Board of Directors is established by the General Meeting. On 29 June 2011 the General Meeting adopted a resolution on an amendment to the Articles of Association under which the General Meeting may resolve to grant to the Executive Director a bonus of up to 1% of the net profit of the Company and bonuses of up to 2% of the net profit of the Company to the other members of the senior management (the bonuses for the senior management voted on by the General Meeting are to be distributed by the Executive Director between the members of the senior management according to the contribution of each member to the Company’s results).

In addition, the implementation by the Company of some of the WSE Best Practices may be restricted to some degree by Bulgarian legal rules, *e.g.*:

- Best Practice II.7 – 5 – to the extent it refers to the place of a General Meeting, which should be set by the Company in view of enabling the participation of the highest possible number of shareholders.

As of the date of this Prospectus, under Bulgarian law, general meetings of shareholders must be held in the place of the registered seat of the company (so General Meetings may only be held in Sofia).

- Best Practice IV.5 – to the extent it refers to the setting by the General Meeting of a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.

As of the date of this Prospectus, the Bulgarian Act on Public Offering of Securities provides that the right to receive a dividend is held by each person being a shareholder of the Company on the dividend date, i.e. the date which is the fourteenth day following the day on which the resolution on the distribution of dividends has been adopted by the general meeting; in the same line, pre-emptive rights with respect to a rights issue accrue to the persons being shareholders on the record date, which is the fourteenth day following the day on which the resolution on the share capital increase by way of a rights issue has been adopted by the general meeting.

Legal grounds: § 29.3 of the Warsaw Stock Exchange Rules

Signatures of individuals authorized to represent the Company:

Ognian Donev