SOPHARMA AD

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2025

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. BACKGROUND CORPORATE INFORMATION

SOPHARMA AD is a business entity registered in Bulgaria with a seat and registered address of management: Sofia, 16, Iliensko Shousse St. The Company was entered in the Commercial Registry on
11 April 2008 with UIC 831902088.

The Company was registered with court on 15 November 1991 by Decision No 1/1991 of Sofia City Court.

1.1. Ownership and management

Sopharma AD is a public company under the Public Offering of Securities Act.

As at 31 March 2025, the structure of Company's joint-stock capital was as follows:

	%
Donev Investments Holding AD	40.11
Telecomplect Invest AD	15.97
Sopharma AD (treasury shares)	7.43
Ognyan Ivanov Donev	9.04
Other legal persons	21.70
Natural persons	5.75

Sopharma AD has a one-tier management system with a five-member Board of Directors. Company's management in the form of Board of Directors is composed as at 31 March 2025 as follows:

Ognian Donev, PhD	Chairrman
Vessela Stoeva	Deputy Chairman
Bisera Lazarova	Member
Alexander Chaushev	Member
Ivan Badinski	Member

The Company is represented and managed by its Executive Director Ognian Donev, PhD.

The Audit Committee supports the work of the Board of Directors and plays the role of those charged with governance that exercise monitoring and control over the internal control system, risk management and Company's system of financial reporting.

The composition of the Audit Committee is as follows:

Vasil Naidenov	Chairperson
Tsvetanka Zlateva	Member
Kristina Atanasova - Elliot	Member

Pursuant to a business management contract dated 9 June 2020, the Company's Procurator is Simeon Donev.

The average number of Company's personnel for 2025 is 1,732 workers and employees (2024: 1,758).

1.2. Principal activities

The principal activities of the Company include the following types of transactions and deals:

- production and trade in medicinal substances and finished drug forms;

- research and development as well as engineering and implementation activities in the field of medicinal products;
- production and trade in veterinary medical products and lab services related to lab tests of animal blood samples;
- production and sale of pharmaceuticals, cosmetics, food additives, active substances, chemical substances and mixtures.

The Company holds manufacturing / import authorisation for medicinal products No BG / MIA - 0481 dated 17 December 2025, issued by the Bulgarian Drug Agency (BDA).

1.3. Macroeconomic situation

The Company maintains a stable capital base and leverage ratio. The management manages to maintain the Company's good financial position by indexing its revenue and expenses within reasonable limits.

1.4. War in Ukraine – impact and effects

The military conflict between Russia and Ukraine and the economic sanctions and other measures related thereto as taken by governments around the world have had a significant impact, both on the countries' local economies, and on the global economy. Usually in such conflicts pharmaceuticals are not subject to sanctions or other restrictions, in order to avoid a humanitarian crisis. Therefore, the Company's operations on the territory of the two countries is and could be restricted mainly due to reasons such as difficulties in logistics and restrictions in the free movement of cash.

The Company holds investments in two subsidiaries in Ukraine. As at 31 March 2025, the amount of the investment in the subsidiary Sopharma Ukraine is BGN 9,669 thousand, and the amount of the investment in Vitamini is BGN 1,283 thousand. At the date of approval of these separate financial statements, the assets of these subsidiaries have not been physically affected by the military actions, but in the future it may be necessary to review the amounts of these investments, depending on the development of the war and its impact on the companies' operations.

Despite the potential adverse economic effects of the war and its development into a long and continued conflict, the Company has sufficient current assets and financing to continue as a going concern.

1.5. Climate issues

Environmental protection and fighting climate change is part of the Company's corporate social responsibility policy, and it therefore develops its activities in accordance with environmental protection requirements. The Company applies measures for: separate waste collection; minimizing, utilizing, and recycling manufacturing and domestic waste; relevant staff training on matters related to environmental protection and pollution prevention. The Company actively invests in renewable energy sourced for own use.

2. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the separate financial statements

The separate annual financial statements of SOPHARMA AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2025 and have been accepted by the Commission of the European Union. IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, effective for annual periods commencing on 1 January 2025, has not resulted in changes to the Company's accounting policy, except in relation to the classification and disclosure of non-current liabilities subject to restrictive conditions, as well as certain new and the expansion of already established disclosures, without this leading to other changes in the valuation of individual reporting items and operations.

The new and/or amended standards and interpretations include:

- *Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability" (in force for annual periods beginning on or after 1 January 2025, endorsed by EC).* These amendments specify and require entities to apply a consistent approach when determining: a) when a currency is exchangeable or not, by introducing definitions thereof. A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency; b) estimating the spot exchange rate when a currency is not exchangeable, by identifying two mechanisms: 1) the first one is using an observable exchange rate without adjustment, such as a spot exchange rate for a purpose other than that for which an entity assesses exchangeability or the first exchange rate at which an entity is able to obtain the other currency; 2) the second one is through using another estimation technique; c) the information that the entity should disclose when a currency is not exchangeable, in order to allow users of the financial statements to understand the impact thereof on the entity's financial results, financial position, and cash flows. The amendments are applied retrospectively. Earlier application is permitted.

For the following new standards, amended standards and adopted interpretations that have been issued but are not yet effective for annual periods beginning on or after January 1, 2025, management has assessed that the following would not have a potential effect on the Company's accounting policies and financial statements:

- *Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosure" – Contracts Referencing Nature-Dependent Electricity (in force for annual* *periods beginning on or after 1 January 2026, not endorsed by EC).* The amendments introduce requirements for accounting for contracts referencing nature-dependent electricity, namely: a) addition of factors and requirements an entity is required to consider when applying paragraph 2.4 of IFRS 9 in accounting for contracts for renewable electricity in order to clarify in what circumstances the purchase of electricity can be accounted for "own-use" purchase and to make use of the exemption from reporting requirements; b) hedge accounting requirements – to permit an entity using a contract for renewable electricity as a hedging instrument; and c) addition of new disclosure requirements to enable investors to understand the effects of such contracts on the financial performance and cash flows of entities using such contracts.

- *Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosure" – Classification and Measurement of Financial Instruments (in force for annual periods beginning on or after 1 January 2026, not endorsed by EC).* The amendments relate to: a) specifying the date of initial recognition and derecognition of certain financial assets and liabilities, and introducing a new exception for certain financial liabilities settled using an electronic payment system; b) adding further guidance to assess whether a financial asset meets the criterion for "solely payments of principal and interest" (SPPI); c) update of disclosures regarding equity instruments at fair value through other comprehensive income; and d) adding new disclosures regarding certain instruments with contractual terms that could change the timing or amount of contractual cash flows.
- *Annual Improvements, Volume 11: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 7 "Financial Instruments: Disclosures", Implementation Guidance for IFRS 7 "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements", IAS 7 "Statement of Cash Flows" (in force for annual periods beginning on or after 1 January 2026, not endorsed by EC).* These improvements introduce partial changes to the following standards: **A) IFRS 1 –** in the requirements for hedge accounting by first-time IFRS adopter in order to align the wording and requirements of IFRS 1 and IFRS 9 regarding hedge accounting. In IFRS 1, the term "conditions" is replaced by the term "criteria", and references are made to paragraphs in IFRS 9 that treat hedge accounting; **B) IFRS 7** – 1) in the requirements for disclosure of gain or loss on derecognition. The amendment corrects a reference to paragraph 27A in IFRS 7, which was deleted from the standard when IFRS 13 "Fair Value Measurement" was enforced, and a cross-reference was made instead to the respective paragraphs in IFRS 13. The wording "significant inputs that were not based on observable market data" is replaced by "significant unobservable inputs"; 2) Implementation Guidance for IFRS 7: a) it is specified in the Introduction that the guidance does not necessarily illustrate all the requirements in the references paragraphs of IFRS 7; b) in the disclosure of the difference between the fair value and the transaction price at initial recognition of financial instruments corrections are made to adjust discrepancies between paragraph HB14 of the Guidance and paragraph 28 of IFRS 7 resulting from the enforcement of IFRS 13; c) in the disclosure of credit risk, a change is made to the wording for the purpose of easier and more accurate understanding; **C) IFRS 9**: 1) in derecognition of lease liabilities – the Improvements add references to Paragraph 3.3.3 of IFRS 9 to resolve potential confusion of a lessee applying the Standard's derecognition requirements; 2) in transaction price – the wording "transaction price" is deleted from paragraph 5.1.3 and Appendix A to IFRS 9, and in paragraph 5.1.3., the Improvements cross-reference to the definition in IFRA 15, whose meaning is required by the specific paragraph; **D) IFRS 10** – definition of "de facto agent" – the Improvements eliminate the discrepancies between paragraphs B73 and B74 of IFRS 10 in order to avoid potential confusion related to determining whether a party acts as a de-facto agent; **E) IAS** 7 – cost – the Improvements delete the term "cost method" from paragraph 37 of IAS 7, since the term no longer exists in the IFRS accounting standards.

- *IFRS 18 “Presentation and Disclosure in Financial Statements” (in force for annual periods beginning on or after 1 January 2027, not endorsed by EC).* IFRS 18 replaces IAS 1 “Presentation of Financial Statements”. The requirements of IAS 1 that remain unchanged have been transferred to IFRS 18, with insignificant wording adjustments, or to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, and IFRS 7 “Financial Instruments: Disclosure”, again with insignificant wording adjustments. The new standard makes insignificant changes to IAS 7 “Statement of Cash Flows”, IAS 33 “Earnings Per Share” and IAS 34 “Interim Financial Reporting”. IFRS 18 focuses mainly on better presentation of financial performance and aims to improve financial reporting in the statement of profit and loss by means of: a) change in the structure of the statement of profit and loss by adding certain categories/indicators (operating, investing, and financing) and subtotals (operating profit and loss before financing and income taxes) to the statement of profit and loss to improve comparability and compatibility in the financial information; b) requirement for disclosure in the note to the financial statements of management-defined performance measures related to the statement of profit and loss in order to enhance the transparency of calculation thereof and communicating to users management’s view of the financial performance of the entity; c) addition of new principles on grouping (aggregation/disaggregation) of information, setting requirements on whether the information should be presented as part of the components (elements) of the financial statements or in the notes thereto. The provision of principles on the necessary level of detail makes the disclosed information more effective. Even though IFRS 18 will not impact the way in which entities calculate their financial performance, the standard will impose changes on how this performance is presented and disclosed by all entities.

- *IFRS 19 – Subsidiaries without Public Accountability: Disclosures (in force for annual periods beginning on or after 1 January 2027, not endorsed by EC).* IFRS 19 allows subsidiaries that meet certain requirements to provide a reduced volume of disclosures when applying IFRS accounting standards in their financial statements. The reduced disclosure requirements introduced by means of IFRS 19 aim to strike a reasonable balance between the information needs of users of the financial statements and the costs of volume and efforts necessary to prepare full disclosures under all IFRS Accounting Standards by eligible subsidiaries. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: it does not have public accountability; it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with all IFRS Accounting Standards.

- *IFRS 10 (amended) “Consolidated Financial Statements” and IAS 28 (amended) “Investments in Associates and Joint Ventures” – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective date, to be determined by the IASB).* These amendments address the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or contributed constitute in substance a business as defined in IFRS 3. If these assets as an aggregate do not meet the definition of a business, then the investor shall recognise gain or loss only to the extent of other unrelated investor's interests in the associate or joint venture. In cases of sale or contribution of assets, which as an aggregate constitute a business, the investor shall recognise the full gain or loss on the transaction. The amendments will be applied on a prospective basis. IABS postponed the initial date of application of these amendments for an indefinite period.

The separate financial statements of the Company have been prepared on a historical cost basis except for property, plant and equipment, investment property, financial assets in the form of derivative financial instruments (warrants) and debt securities (bonds) through profit or loss and financial assets in the form of equity investments through other comprehensive income, which are measured at revalued amount and respectively, at fair value.

The Company keeps its accounting books in Bulgarian Levs (BGN), which is accepted as being its presentation currency. The data in the separate financial statements and the notes thereto is presented in thousand Bulgarian Levs (BGN'000) except where it is explicitly stated otherwise.

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the separate financial statements, are disclosed in *Note 2.33, 15, 17, 20 and 27.*

2.2. Consolidated financial statements of the Company

The Company has started the process of preparation of its consolidated annual financial statements for year 2025 in accordance with IFRS effective for year 2025 whereas these separate annual financial statements will be included therein. In accordance with the planned dates, the management expects that the consolidated annual financial statements will be approved for issue by the Board of Directors of the Company not later than 30 May 2025 and after this date the financial statements will be publicly made available to third parties.

2.3. Merger of Veta Pharma AD into Sopharma AD

a) legal form of the merger

The merger of Veta Pharma AD (transforming company) into Sopharma AD (receiving company) was carried out by means of the legal form of transformation as regulated in the Commercial Act. The merger was entered in the Trade Registry at the Registry Agency on 2 September 2025. As a result of the transaction, the entire property of Veta Pharma AD was transferred to Sopharma AD, and Veta Pharma AD was terminated without liquidation.

On 16 January 2025, a merger transformation agreement was concluded between Sopharma AD (receiving company) and Veta Pharma AD (transforming company) laying out the transformation procedure. The fair value of shares of the entities involved in the transformation was determined based on generally accepted valuation methods, based on which an exchange ratio was set of 0.22.

The transformation agreement and the reviewer's report were approved by the General Meeting of the receiving company on 9 August 2025.

The aim of the transformation transaction between the two entities was as follows:

- restructuring of Sopharma Group entities to eliminate overlapping activities;
- focusing efforts on manufacturing and trade activities, respectively – optimization of administrative costs;
- enhancing efficiency and achieving a synergy for both management and manufacturing and trade, and for cost optimization.

b) accounting for the merger

For accounting purposes, the merger date was stated as 1 January 2025. Until this point, Veta Pharma AD was a subsidiary of Sopharma AD. The transaction was treated as restructuring of the activities of the two entities. The merger was accounted for by applying the “pooling of interest” approach. According to the requirements and rules of this approach, the activities and property of the entities are carried to these financial statements as if they had been combined. The effects of all business transactions between the receiving company and the transforming company were eliminated, including the balances between the two, irrespective of whether they originated before or after the restructuring date. All differences from the merger transaction were carried to equity – “retained earnings” component and “revaluation reserve of PPE” component (*Note 43*).

2.4. Comparatives

The Company usually presents comparative information for one prior year in its separate financial statements.

Where necessary, comparative data is reclassified (and restated) in order to achieve comparability in view of the current year presentation changes.

The comparative information for year 2025 presented in the statement of financial position, statement of comprehensive income and statement of cash flows was prepared based on the combined data from the separate annual financial statements of Sopharma AD (receiving company) and Veta Pharma AD (transforming company) in relation to the merger executed, in accordance with the common accounting policies and eliminated balances, transactions and payments between the two (*Note 43*).

Information about the content of components of the equity of the receiving and transforming companies is disclosed in *Note 29*.

2.5. Functional currency and recognition of exchange differences

The functional and reporting (presentation) currency of the Company is the Bulgarian Lev. Starting from 1 July 1997 the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1 : DEM 1, and with the introduction of the Euro as the official currency of the European Union, it has been fixed to the Euro at a ratio of BGN 1.95583 : EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in a foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 March/31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the statement of financial position, which have been initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the transaction date and are not subsequently revalued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency transactions at rates different from those at which they were converted on initial recognition, are recognised in the statement of comprehensive income (within profit or loss for the year) in the period in which they arise and are treated as 'other operating income/(losses)' (within profit or loss for the year) and presented net.

2.6. Revenue

<u>Revenue from contracts with customers</u>

The Company's usual revenue is from the activities disclosed in *Note 3.1.*

2.6.1. Recognition of revenue from contracts with customers

The Company's revenue is recognised when control over the goods promised in the *contract with the customer* is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised goods and/or provision of the promised services.

Measurement of contracts with customers

The Company accounts for *a contract with a customer* only if upon its enforcement: a/ it has commercial essence and rationale; b/ the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform it; c/ each party's rights and the d/ payment conditions can be identified; and e/ it is probable that the Company will collect the consideration to which it is entitled upon performing its performance obligations. In evaluating whether collectability of an amount of consideration is probable, the Company considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Company, collaterals and possibilities for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as payable (*contract liability*) in the statement of financial position, until: a/ all criteria for recognizing a contract with a customer are met; b/ the Company meets its performance obligations and has received the whole or almost the whole remuneration (which is not recoverable); and/or c. when the contract is terminated and the remuneration received is not recoverable.

Upon the initial measurement of its contracts with customers, the Company makes additional analysis and judgement whether two or more contracts should be combined and accounted for as a single contract, respectively whether the products promised in each separate and/or combined contract should be accounted for as a single and/or multiple performance obligation(s).

Each promise to transfer goods which are distinct (in nature and in the context of the contract), is accounted for as a separate performance obligation.

The Company recognises revenue for *each separate performance obligation* at the level of *individual contracts with customers,* by analysing the type, term and conditions of each particular contract. For contracts with similar features, revenue is recognised on a portfolio basis, only if their grouping into a portfolio would not have a materially different impact on the financial statements.

When another (third) party is involved in the performance of obligations, the Company determines whether it acts in its capacity as principal or agent, by assessing the nature of its promise to the customer: to provide the finished goods or services on its own (principal) or to arrange for another party to provide them (agent). The Company is a principal and recognises as revenue the gross amount of remuneration if it controls the promised finished goods and/or services prior to their transfer to the customers. If however the Company does not obtain control over the promised goods and/or services and its obligation is only to organise for a third party to provide these finished goods and/or services, the Company is an agent and recognises as revenue the net amount it retains for the services granted in its capacity as agent.

2.6.2. *Measurement of revenue under contracts with customers*

Revenue is measured based on the *transaction price* determined for each contract.

The transaction price is the amount of consideration to which an entity expects to be entitled, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Company takes into consideration the contractual conditions and its customary business practices, including the impact of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, consideration payable to the customer (if any). In contracts with more than one performance obligations, the transaction price is allocated between each performance obligation based on the standalone selling prices of each good and/or service determined based on one of the methods permitted under IFRS 15, priority being given to the method of "observable selling prices".

The change in the scope or price (or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change is related to the addition of goods and/or services which are distinct, and on the price determined for them. Depending on that: a) the Company accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services; b) the Company accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining goods and/or services are distinct from the goods and/or services transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the goods and/or services added; c) the Company accounts for the contract modification as if it were a part of the existing contract (cumulative adjustment) if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied.

2.6.3. *Performance obligations under contracts with customers*

Revenue from the sale of products

Wholesales of medical substances and medical forms are made in the country and abroad, both based on the Company's specification (technology) and based on the customer's specification (technology). As a whole, the Company has concluded that it acts as principal in its contracts with customers, unless it has been explicitly stated otherwise for certain transactions, since usually the Company controls its goods and/or services prior to their transfer to the customer.

Sales of products based on the Company's specifications

Upon sales of products based on the Company's specifications, control is transferred to the customer *at a point in time*.

Upon *domestic sales*, this is usually upon handover of the products and the physical ownership of the customer thereof, when the customer may dispose of the finished goods by obtaining substantially all remaining rewards.

Upon *export sales*, the judgement on the point in which the customer obtains control over the finished products is made based on the INCOTERMS applicable for the contract.

Sales of products based on the customer's specifications

Regarding products produced based on the customer's specifications, the Company has a legal and contractual restriction on direction for other use (sales to another party) and it has no alternative use. In these cases, the method of transfer is determined specifically for each contract with customers (at individual contract level). For this purpose, it is determined if the Company is entitled to payment for the work performed to date, which should at least compensate for the cost incurred, plus a reasonable margin should the contract be terminated for reasons other than the Company's default (legally exercisable right to payment).

If in the specific contract the Company has a legally exercisable right to payment, revenue is recognised *over time*, and the *output method* is used to measure progress (stage of completion) of the contract. This method has been determined as most suitable to measure progress, as the results achieved best describe the Company's activity towards complete satisfaction of the performance obligations. Progress is measured *based on the units produced versus the total number of units ordered by the customer*. The assessments of revenue, costs and/or stage of progress towards complete satisfaction of the performance obligations are reviewed at the end of each reporting period, incl. in case of change in the circumstance/occurrence of new circumstances. Each subsequent increase or decrease of expected revenue and/or costs is stated within profit or loss for the period in which the circumstances resulted in the review became known to the management.

If in the specific contract the *Company does not have a legally exercisable right to payment*, revenue is recognised revenue is recognised *at a point in time*, when control over the products sold is transferred to the customer: when the products are handed over to the customer and it has physical title thereon (for domestic sales) and in accordance with the contract's applicable INCOTERMS (for export sales).

Transportation of the products sold

Usually, upon export sales, the Company is responsible for transporting the goods to the location agreed, and transport is organised by the Company, and the cost of transport is included (calculated) as part of the selling price. Depending on the transportation conditions agreed with the customer, it may be carried out also after control over the products sold has been transferred to the customer. Until the transfer of control over the products, the sales of products and the transportation service are accounted for as a *single performance obligation*, since they constitute parts of an integrated service.

The transportation service following transfer of control over the products sold is accounted for as a *separate performance obligation*, since the transportation can be provided by another supplier (i.e. the customer may use the products sold with easily accessible resources), and the transportation service does not modify or amend the products sold in any way. In this case, the remuneration the Company expects to be entitled to (the transaction price) is allocated between the separate performance obligations based on their standalone selling prices. The standalone selling price of the products sold is determined based on the price list effective at the transaction's date, and the standalone selling price of the transport service is determined in an approximate manner by using the cost plus margin approach.

To render the transportation service, the Company uses transportation companies – subcontractors. The Company has determined it controls the services prior to their provision to the customer and therefore it acts in its capacity as principal, since a) it bears the responsibility for rendering the services and that the services are acceptable to the customer (i.e. the Company is responsible for fulfilling the promise in the contract irrespective of whether it performs the services itself or hires a third-party service supplier to perform them; and b) it negotiates the service price independently, without interference by the customer.

Revenue from the sales of transportation services are recognised *over time*, since it is not necessary for the work performed to date to be repeated if another party has to perform the remaining work, therefore, the customer receives and consumes rewards simultaneously with the service rendition. In order to measure the contract progress (stage of completion), the *input method* is used.

This method has been determined as most appropriate to measure progress since it best describes the Company's activity regarding the transfer of control and satisfaction of obligations; respectively, it most accurately reflects the level of performance of obligations, in as far as the Company's efforts (costs incurred) are directly related to the transfer of the service to the customer. Progress is measured *based on the costs incurred versus the total costs planned for contract performance*.

Transaction price and payment terms

Selling prices are fixed based on a common or customer-specific price list and are individually determined for each product. The usual credit period is 30 to 270 days. In certain cases, the Company collects short-term advances from clients which do not have a significant financing component. The advances from clients are presented in the statement of financial position as contract liabilities.

Variable consideration

The variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The forms of variable consideration include:

- *Volume discounts:* Retrospective trade discounts provided to the customer upon reaching monthly, quarterly and/or annual turnover determined in advance, set as a uniform threshold and/or progressive bonus scheme. Upon measuring the variable consideration, the Company determines the customer's estimated turnover by using the most probable value method. The discounts granted are offset against the amounts due by the customer.
- *Price protection:* With regards to domestic sales, the Company is obliged, upon price reduction imposed by a state regulatory body, to compensate the buyer and/or its customers for finished products purchased at a higher price and not yet sold to end clients. The payment of this consideration depends on the state policy on medicinal products price regulation and is beyond the Company's control.
- *Compensation for hidden flaws:* the customer may claim returns due to hidden flaws (quality claims) throughout the validity period of the finished goods sold, which may vary from one to five years. Quality claims are settled by the provision of new compliant goods or by recovery of the amount paid by the customer. Upon determining the compensations for hidden flaws due at the end of the reporting period, the Company takes into consideration the quality assurance system implemented thereby and the accumulated experience.
- *Compensations due to the customer:* in case of inaccurate performance of contractual obligations by the Company, usually in relation of failure to meet the negotiated delivery deadline. These are included within a decrease of the transaction price only if the payment is very likely. The Company's experience shows that historically, contract terms are complied with, and the Company has not charged payables for payment of compensations.
- *Compensations owed by the customer:* variable consideration in the form of compensations for delayed payment by the customer. Receiving such consideration depends on the customer's actions and is beyond the Company's control. They are included within the transaction price only when the uncertainty regarding their receipt has been resolved.

Including compensations (owed by and due to the customer) within the transaction price is determined for each individual contract and is subject to review at the end of each reporting period.

The variable consideration expected in the form of various discounts, defaults and compensations is determined and measured based on the accumulated historical trade experience with customers and is recognised as adjustment for the purpose of the transaction price only and respectively the revenue (as an "increase" or a "decrease" component) only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, including due to assessment restrictions. Any subsequent changes to amount of the variable consideration are recognised as adjustment of revenue (as an increase or a decrease) at the date of change and/or resolving the uncertainty. At the end of each reporting period, the Company updates the transaction prices, including whether the estimated price contains restrictions, so as to accurately present circumstances existing and occurring during the reporting period. Upon assessing the variable consideration, the Company uses the most likely value approach. Discounts accrued but not settled at the end of the reporting period, to which the customer still does not have unconditional right, are presented as refund obligations in the statement of financial position.

2.6.4. Contract costs

The Company treats as contract costs the following:

- the additional and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months *(costs to obtain a contract with a customer)* and
- the expenses it incurs to fulfil a contract with a customer and which are directly related to the specific contract, support the generation of resource to be used in the contract fulfilment and the Company expects to recover them over a period longer than twelve months (*costs to fulfil such contracts)*.

In its usual activity, the Company does not incur direct and specific costs to enter contracts with customers or costs to fulfil contracts with customers which would not have occurred if the respective contracts had not been concluded.

2.6.5. Contract balances

Trade receivables and contract assets

A contract asset is the Company's right to consideration in exchange for goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by transferring the products and/or providing the services the Company performs its obligation to the customer to pay the respective consideration and/or before the payment is due, a contract asset is recognised for the consideration worked-out (which is conditional). Recognised contract assets are reclassified as trade receivables when the right to consideration becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract liabilities

A contract liability is the consideration received from the customer and/or the unconditional right to receive consideration before it has performed its contractual obligations. Contract liabilities are recognised as revenue when (or as) the performance obligations are satisfied.

Contract assets and contract liabilities are stated within other receivables and payables in the statement of financial position. They are included within current assets when their maturity is within 12 months or are part of the Company’s usual operating cycle, and the others are stated as non-current. Assets and liabilities from a single contract are stated net in the statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment pursuant to the conditions of IFRS 9 *Financial Instruments*.

2.6.6. Refund obligations under contracts with customers

The refund obligation includes the Company’s obligation to reimburse a portion or the whole consideration received (or subject to receipt) from the customer under contracts with a right of return – for the expected retrospective discounts, rebates and discount volumes. The obligation is initially measured at the amount which the Company does not expect to be entitled to and which it expects to return to the customer. At the end of each reporting period, the Company updates the measurement of the refund obligations, respectively of the transaction price and of the recognised revenue.

Refund obligations under contracts with customers are stated within “other current liabilities” in the statement of financial position.

Other revenue

Other revenue comprises revenue from operating leases of investment property and non-current tangible assets. It is stated within the statement of comprehensive income (within profit or loss for the year) in the “revenue” item.

2.7. Expenses

Company’s expenses are recognised upon incurrence and based on the accrual and comparability principles to the extent at which this would not result in the recognition of assets/liabilities that do not meet the definitions for such under IFRS.

Deferred expenses are postponed for recognition as deferred expense in the period that contracts related thereto are performed.

Losses from the remeasurement of investment property to fair value are stated in the statement of comprehensive income (within profit or loss for the year), within “other operating income/(losses)”.

Losses from remeasurement of agricultural produce (yellow acacia) upon initial fair value measurement are stated in the statement of comprehensive income (within profit or loss for the year), within “other operating income/(losses)”.

2.8. Finance income

Finance income is included in the statement of comprehensive income (within profit or loss for the year) when earned, and comprises: interest revenue from loans granted and term deposits, interest revenue from receivables under special contracts, interest income from receivables under cession agreements, interest income on recoverable shares, net foreign exchange gain on sale of subsidiaries, dividends on equity investments, net giants from exchange differences under loans denominated in a foreign currency, net foreign exchange gain on recoverable shares, revenue from guarantees, revenue from debt settlement transactions, gains from fair value measurements of investments in securities at fair value through profit or loss, or through other comprehensive income, gains from the fair value of long-term equity investments which constitute part of stage-by-stage acquisition of a subsidiary, interest income on debt securities (bonds) held for trading, gains on transactions with debt securities held for trading.

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, with the exception of financial assets, which are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate on their amortised cost (i.e. the gross carrying amount after deducting the impairment allowance).

Finance income is stated separately from finance costs on the face of the statement of comprehensive income (within profit or loss for the year).

2.9. Finance costs

Finance income is included in the statement of comprehensive income (within profit or loss for the year) when incurred, and are stated separately from finance income and comprise: interest expenses on loans, expenses related to payment of dividends, interest expenses on leases, bank charges and guarantees, net foreign exchange loss from loans in a foreign currency, net loss on recoverable shares, net foreign exchange loss on receivables from sale of subsidiaries, impairment of charges on guarantor agreements, provisions under financial guarantee contracts, losses on revaluation of financial assets to fair value and impairment of commercial loans granted.

Finance costs are stated separately from finance income on the face of the statement of comprehensive income (within profit or loss for the year).

2.10. Property, plant and equipment

Property, plant and equipment, including biological assets (carriers) are presented at revalued amount less the accumulated depreciation and impairment losses in value.

Initial acquisition

Upon their initial acquisition, non-current tangible assets are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use. The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, and professional fees for people involved in the project, non-refundable taxes, expenses on capitalised interest for qualifying assets, etc.

Upon acquisition of non-current tangible assets under deferred settlement terms, the purchase price is equivalent to the present value of the liability discounted on the basis of the interest level of the attracted by the Company credit resources with analogous maturity and purpose.

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent measurement

The approach chosen by the Company for subsequent measurement of non-current tangible assets is the revaluation model under IAS 16, i.e. measurement at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The revaluation of property, plant and equipment is accepted to be performed by certified appraisers normally in a period of five years. Where the fair value changes materially in shorter periods, revaluation may be performed more frequently.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Depreciation methods

The Company applies the straight-line depreciation method for property, plant and equipment. Depreciation of an asset begins when it is available for use. Land (except for land with the right of use) is not depreciated. The useful life of the groups of assets is dependent on their physical wear and tear, the characteristic features of the equipment, the future intentions for use and the expected obsolescence.

The useful life per group of assets is as follows:

- for buildings – from 20 to 70 years;
- for facilities and transmitter devices – from 5 to 35 years;

- for machinery and equipment – from 6 to 40 years;
- for computers and mobile devices – from 2 to 5 years;
- for servers and systems – from 4 to 18 years;
- for motor vehicles – from 5 to 18 years;
- for furniture and fixtures – from 3 to 13 years;
- for other tangible assets - from 3 to 12 years;
- for biological assets (carriers) – from 10 to 12 years.

The term of use of right-of-use assets is as follows:

- for land – from 4 to 5 years;
- for buildings – from 2 to 10 years;
- for facilities and transmission devices – from 2 to 10 years;
- for motor vehicles – from 2 to 5 years;
- for furniture and fixtures – from 2 to 3 years.

The useful life set for any tangible fixed asset is reviewed at the end of each reporting period and in case of any material deviation from the future expectations on the period of use, the latter is adjusted prospectively.

Impairment of assets

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the statement of comprehensive income (within profit or loss for the year) unless a revaluation reserve has been set aside for the respective asset. Then the impairment is at the expense of this reserve and is presented in the statement of comprehensive income (within other comprehensive income) unless it exceeds the reserve amount and the surplus is included as expense in the statement of comprehensive income (within profit or loss for the year).

Gains and losses from sale

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale, at the date of transfer of control to the asset recipient. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the assets on the date when the recipient obtains control thereon. They are stated under 'other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year). The part of 'revaluation reserve' component attributable to the asset sold is directly transferred to 'retained earnings' component in the statement of changes in equity.

2.11. Biological assets and agricultural produce

Upon initial acquisition, biological assets (non-fruit-bearing) are valued at acquisition cost (cost), which includes the purchase price and all direct costs necessary to align the asset to a fruit-bearing condition. Direct costs are mainly: costs for land preparation and processing, costs for planting, fertilization, irrigation and other activities performed over a long period (4-5 years) in which biological assets (non-fruit-bearing) will be transferred into biological assets (carriers).

Agricultural produce (yellow acacia crops) is measured at fair value as at the date of acquisition, less the sales costs. The fair value of agricultural produce is determined with the support of an independent appraiser.

The agricultural produce – yellow acacia seeds – is presented within the Company's inventories, on line "herbs", and is subsequently measured according to the requirements of IAS 2 *Inventories*.

Gains on losses on measurement of agricultural produce at fair value, less sales costs, are recognized in the statement of comprehensive income (within profit or loss for the year) when incurred and are stated within "other operating income/(losses), net".

2.12. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition (the consideration given) over the fair value of the share of Sopharma AD in the net identifiable assets of the subsidiaries (Bulgarian Rose Sevtopolis AD, Medica AD, Unipharm AD, Biopharm Engineering AD and Veta Pharma AD) at the date of its acquisition (the business combination).This goodwill on the merger of the subsidiaries into the parent company is recognised in the separate statement of financial position of the parent. Goodwill is presented within the 'intangible assets' group.

Goodwill is measured at acquisition cost (cost), determined at the date of the actual business combination, less the accumulated impairment losses. It is not amortised. It is subject to annual review for existence of impairment indicators. Impairment losses on goodwill are presented in the separate statement of comprehensive income (within profit or loss for the year) in the item 'impairment of non-current assets'.

Other intangible assets

Intangible assets are stated in the financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value.

The Company applies the straight-line amortisation method for the intangible assets.

The useful life per group of assets is as follows:

- for software – from 2 to 12 years;
- for patents and licenses – from 2 to 10 years;
- for trademarks – from 5 to 15 years;
- contractual rights over marketing authorizations – 20 years;
- for other intangible assets – from 5 to 15 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale, at the date of transfer of control to the asset recipient. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the assets on the date when the recipient obtains control thereon. They are stated under 'other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

2.13. Investment property

Investment property is property lastingly held by the Company to earn rentals and/or for capital appreciation. They are presented in the statement of financial position at fair value *(Note 2.32).*

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income (within profit or loss for the year) as 'other operating income/(losses), net' for the period in which they arise. The income gained on investment property is presented in the statement of comprehensive income (within profit or loss for the year) within "income".

Investment property is derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale, at the date of transfer of control to the asset recipient. Gains or losses arising from the disposal of investment property are determined as the between the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the assets on the date when the recipient obtains control thereon. They are presented under 'other operating income/(losses), net' in the statement of comprehensive income (within profit or loss for the year).

Transfers to, or from, the group of 'investment property' is made only when there is a change in the function and purpose of a particular property. In case of a transfer from 'investment property' to 'owner-occupied property', the asset is recognised in the new group at deemed cost, which is its fair value at the date of transfer. To the opposite, in case of a transfer from 'owner-occupied property' to 'investment property' the asset is measured at fair value at the date of transfer while the difference to its carrying amount is presented as a component of the statement of comprehensive income (within other comprehensive income) and within 'revaluation reserve – property, plant and equipment' in the statement of changes in equity.

2.14. Investments in subsidiaries, associates, and joint ventures

Long-term investments, in the form of stocks and shares in subsidiaries, associates and joint ventures are presented in the financial statements at acquisition cost (cost) being the fair value of the consideration paid for the investment including any directly attributable costs incurred on the acquisition less accumulated impairment.

Company's investments in subsidiaries, associates and joint ventures are subject to annual review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year).

In purchases and sales of investments in subsidiaries, associates and joint ventures the date of trading (conclusion of the deal) is applied.

Dividend income

The income from dividends related to long-term investments in the form of stocks and shares in subsidiaries, associates and joint ventures is recognised as current income and carried to the statement of comprehensive income (within profit or loss for the year) within "finance income".

Investments are derecognised when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control over the economic benefits from the respective specific type of investments are being lost. Gain/(loss) on disposal is presented in the statement of comprehensive income (within profit or loss for the year).

2.15. Other long-term equity investments

The other long-term equity investments constitute non-derivative financial assets in the form of shares in the capital of other companies (minority interest), held for a long term.

Initial measurement

Equity investments are initially recognised at acquisition cost, which is the fair value of consideration paid, including direct costs to acquire the investment (financial asset) (*Note 2.26*).

All purchases and sales of equity instruments are recognised at the transaction's "trade date", i.e. the date on which the Company undertakes to purchase or sell the asset.

Subsequent measurement

The equity investments held by the Company are subsequently measured at fair value (*Note 2.32*) determined with support by an independent licensed valuator.

The effects from subsequent remeasurement to fair value are carried within a separate component of the statement of comprehensive income (in other comprehensive income), respectively in the reserve for financial assets at fair value through other comprehensive income.

These effects are transferred to retained earnings upon disposal of the respective investment.

Dividend income

Dividend income related to long-term equity investments constituting shares in other entities (non-controlling interest) is recognised as current income and stated in the statement of financial position (within profit or loss for the year) in the "finance income" item.

Upon derecognising shares at disposal or sale, the average weighted price method is used, applying the price determined at the end of the month when the derecognition is performed.

2.16. Inventories

Inventories are valued in the financial statements as follows:

- raw materials, materials and goods – at the lower of acquisition cost (cost) and net realisable value;
- finished products, semi-finished products and work in progress – at the lower of production cost and net realisable value;
- agricultural produce – at the lower of fair value at initial acquisition and net realisable value.

Expenses incurred in bringing a certain product within inventories to its present condition and location, are included in the acquisition cost (cost) as follows:

- raw materials, materials and goods – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials and goods ready for usage/sale;
- finished products, semi-finished products and work in progress – all necessary expenses on production that constitute the production cost, which includes the cost of direct materials and labour and the attributable proportion of production overheads (both variable and fixed), but

excluding administrative expenses, exchange rate gains and losses and borrowing costs. Fixed production overheads are included in the production cost of manufactured finished products, semi-finished products and work in progress based on the normal operating capacity determined on the grounds of commonly maintained average volume of production confirmed by the production plan. The base, chosen for their allocation at unit-of-production level, is the standard rate of man-hours of directly engaged staff in the production of the particular unit.

The Company applies 'standard production cost' for current valuation of finished products, semi-finished products and work in progress, and respectively, 'standard purchase cost' for basic raw materials and other production materials.

At the end of each reporting period the management performs analysis of factors leading to variances on: (a) the supply of raw materials and other production materials – by comparing the actual and standard acquisition costs, and (b) the production of finished products, semi-finished products and work in progress – by comparing the actual and standard production costs. Where necessary, the value of inventories, included in the financial statements, is adjusted. On the basis of research on the good reporting practices in the pharmaceutical industry, the Company has adopted materiality thresholds regarding: (a) variance on supply of raw materials and other production materials – up to 2%, and (b) variance on production – up to 1.5%, within which the current value of the existing closing stocks of raw and other materials, finished products and work in progress are not adjusted for the purposes of the financial statements (*Note 2.33).*

Non-production inventories and inventories related to the production of veterinary vaccines are currently expensed upon use thereof (application and sale) by applying the weighted average cost (cost) method.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost for completion of this asset and the estimated costs necessary to make the sale.

2.17. Trade receivables

Trade receivables constitute the Company's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

Initial measurement

Trade receivables are initially recognised and carried at fair value based on the transaction price, which is usually equal to the invoice amount, unless they contain a significant financial component, which is not additionally charged. In this case they are recognised at their present amount determined at a discount equal to the interest associated to the client - debtor.

Subsequent measurement

The Company holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for credit losses. (*Note 2.26).*

Impairment

The Company applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage *(Note 2.26 and Note 2.33).*

Impairment of receivables is accrued through the respective corresponding allowance account for each type of receivable to the “other operating expenses” on the face of the statement of comprehensive income (within profit or loss for the year).

2.18. Interest-bearing loans and other financial resources granted

All loans and other financial resources granted are initially presented at acquisition cost (nominal amount), which is accepted to be the fair value of the amount given in the transaction, net of the direct costs related to these loans and granted resources. Following their initial recognition, interest-bearing loans and other funding granted is subsequently measured and stated in the statement of financial position at amortised cost, determined by applying the effective interest method. They are classified in this group since the Company’s business model only aims to collect contractual cash flows of principal and interest. Amortised cost is calculated by taking into account all types of charges, commissions, and other costs, associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income (interest) or costs throughout the amortisation period, or when the receivables are settled, derecognised or reduced.

Interest income is recognised in accordance with the stage in which the respective loan or other receivables has been classified based on the effective interest method.

Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to settle its payable within a term of more than 12 months after the end of the reporting period (*Note 2.26*).

2.19. Cash and cash equivalents

Cash includes cash in hand and cash in current accounts, and cash equivalents – bank deposits with original maturity up to three months, and funds in deposits with longer maturity which are readily available to the Company under its agreements with the banks over the deposits’ terms.

Subsequent measurement

Cash and cash equivalents at banks are subsequently measured at amortised cost, less the impairment accumulated for expected credit losses (*Note 2.26*).

For the purposes of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest on received investment purpose loans is reported as payments for financial activities while the interest on loans for current activities (for working capital) is included in the operating activities;
- interest received from bank deposits is included within cash flows from investing activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented within the item 'taxes paid', while that paid on assets purchased from local suppliers is presented within the items ‘purchase of PPE’, ‘purchase of intangible assets’ and ‘purchase of investment property’ within cash flows from investing activities;
- overdraft proceeds and payments are stated net by the Company;

- permanently blocked funds for a period of more than 3 months are not treated as cash and cash equivalents.

- proceeds under factoring agreements are stated within cash flows from financing activities.

2.20. Trade and other payables

Trade and other current amounts payable in the statement of financial position are carried at original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for goods and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value based on their present value at a discount rate applicable for the Company, and subsequently – at amortised cost *(Note 2.26).*

2.21. Interest-bearing loans and other borrowings

In the statement of financial position, all loans and other borrowings are initially presented at acquisition cost (nominal amount) which is designated as the fair value of the transaction's deliverable, net of the direct costs related to these loans and borrowings. Following their initial recognition, interest-bearing loans and other borrowings are subsequently measured and presented in the statement of financial position at amortised cost, determined by means of the effective interest method. The amortised cost is calculated by considering all charges, commissions and other costs, including discounts and premiums associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or finance expenses (interest) over the amortisation period or when the payables are written-off or reduced (*Note 2.26*).

Interest costs are recognised for the term of the financial instrument based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current, except from the portion thereof regarding which the Company has an unconditional right to settle its payable within over 12 months after the end of the reporting period.

2.22. Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a period of at least 12 months to get ready for its intended use or sale.

The amount of borrowing costs eligible for capitalisation to the value of a qualifying asset is determined by applying a capitalisation rate.

The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the following conditions are met: expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Borrowing costs are also reduced by any investment income earned on the temporary investment of those borrowed funds.

2.23. Leases

Lessee

A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as elected to state all lease payments under short-term leases (up to 12 months) as current expenses over a straight-line basis for the lease term.

Initial recognition

The Company recognises right-of-use assets in the statement of financial position at the commencement date of the lease (the date on which a lessor makes an underlying asset available for use by the lessee).

The acquisition cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- provisions for expenses related to dismantling and removing the underlying asset.

The Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented in the statement of financial position, within ‘property, plant and equipment’, and depreciation thereof – in the statement of comprehensive income, within ‘depreciation and amortisation expenses’.

The lease liabilities include the net present value of the following lease payments:

- fixed lease payments less any lease inceptives receivable;
- variable lease payments that depend on an index or rate;
- the exercise price of the purchase options, if the lessee is reasonably certain to exercise this option;
- payments of penalties for terminating the lease;
- residual value guarantees.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Company’s incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Finance costs for the lease are presented in the statement of comprehensive income for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability.

Subsequent measurement

The Company has elected to apply the acquisition cost model for all of its right-of-use assets. They are presented at acquisition cost less the depreciation accumulated, impairment losses and adjustments from restatement and adjustments to the lease liability.

The Company subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications of the lease.

Accounting for remeasurement and modifications to leases

As a result of remeasurement, the lessee recognises the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the asset is lower, the residual amount of remeasurements is recognised within profit or loss.

The Company remeasures the lease liabilities whenever:

- the modification increases the scope of the lease by adding another right-of-use of one or more additional underlying assets;

- the lease payment increases by an amount corresponding to the standalone price of the increase in the scope and potential adjustments reflecting circumstances of the respective lease.

Payments related to short-term leases and leases in which the underlying asset is of a low value, as well as variable lease payments are recognised directly as current expenses in the statement of comprehensive income on a straight-line basis over the lease term.

Lessor

Finance lease where a substantial portion of all risks and rewards incidental to the ownership of the leased asset is transferred outside the Company, is written-off from the assets of the lessor upon transfer to the asset's lessee and is presented in the statement of financial position as a receivable at an amount equal to the net investment in the lease. The net investment in the lease agreement represents the difference between the total amount of minimum lease payments under the finance lease agreement and the non-guaranteed residual value, accrued for the lessor and the non-earned finance income.

The difference between the carrying amount of the leased asset and the immediate (fair selling) value is recognised in the statement of comprehensive income (within profit or loss for the year) in the inception of the lease term (when the asset is delivered) as assets sales income.

The recognition of the earned finance income as current interest income is based on the application of the effective interest rate method.

In operating leases, the lessor continues to hold a significant part of all risks and rewards of ownership over the said asset. Therefore the asset is still included in its property, plant and equipment, while its depreciation for the period is included in the current expenses of the lessor.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.24. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the workers and employees of the Company are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

Short-term benefits

Short-term benefits in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) for the period when the service thereon has been rendered and/or the requirements for their receipt have been met, unless a particular IFRS requires capitalisation thereof to the cost of an asset, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

At the end of each reporting period, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated amounts of employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Tantieme and bonus schemes

In accordance with Company's Articles of Association and upon a decision of the General Meeting of Shareholders, the Executive Director is entitled to one-off remuneration (tantieme) at the amount of up to 1% of Company's net profit and is empowered to determine the circle of employees among whom to distribute up to 2% of Company's profit for the year as a bonus for each calendar year. When a certain portion is required to be deferred for a period of more than 12 months, this portion is measured at present value at the reporting date and is stated within non-current liabilities in the statement of financial position in the item 'payables to personnel'.

Long-term retirement benefits

Defined contribution plans

The major duty of the Company as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, the Guaranteed Receivables of Workers and Employees (GRWE) Fund and for health insurance. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC).

These pension plans applied by the Company in its capacity as an employer are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Company.

The contributions payable by the Company under defined contribution plans for social security and health insurance are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel when coming of age for retirement, at an amount which, depending on the length of service with the entity, varies between two and six gross monthly salaries at the employment termination date. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows: (a) current and past service costs, interest costs and the gains/losses on a curtailment and settlements are recognised immediately when incurred and are presented in current profit or loss under 'employee benefits expense'; and (b) effects from remeasurement of obligations that in substance represent actuarial gains and losses are recognised immediately when occurred and are presented to other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Company assigns certified actuaries who issue a report with their calculations about the long-term retirement benefit obligations to personnel. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Company itself operates.

Share-based payments

Share-based payments to employees and other persons rendering similar services are measured at the fair value of the equity instruments at the date of provision. For conditional share-based payments the fair value at the date of share-based payment is measured so as to reflect these conditions without actual differences between the expected and actual results.

Termination benefits

In accordance with the local provisions of the employment and social security regulations in Bulgaria, the Company as an employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on a publicly announced plan, including for restructuring, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

2.25. Share capital and reserves

The Company is a joint-stock one and is obliged to register with the Commercial Register a specified ***share capital,*** which should serve as a security for the creditors of the Company for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a ***Reserve Fund*** by using the following resources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as may be decided by the General Meeting of Shareholders;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Articles of Association, the excess may be used for share capital increase.

Treasury shares are presented in the statement of financial position at cost (acquisition price) and their gross amount is deducted from Company's equity. Gains or losses on sales of treasury shares are at the account of retained earnings and are carried directly to Company's equity in the 'retained earnings' component.

Revaluation reserve – property, plant and equipment is set aside from:

- the revaluation surplus between the carrying amount of property, plant and equipment and their fair values at the date of each revaluation; and
- gain from the difference between the carrying amount of property, stated within the group 'owner occupied property', and their fair value at the date on which they are transferred to the group 'investment property'.

Deferred tax effect on the revaluation reserve is directly carried at the account of this reserve.

Revaluation reserve is transferred to the 'accumulated profits' component when the assets are derecognised from the statement of financial position or are fully depreciated.

The revaluation reserve covers the impairment of the assets with which it relates. It may be used in the implementation of Company's dividend and capital policies only after it is transferred to the 'retained earnings' component.

The reserve for financial assets at fair value through other comprehensive income is formed by the effects of fair-value measurement of other long-term equity investments. Upon derecognition of these investments, the reserve form is transferred to 'retained earnings'.

The other equity components constitute a reserve on warrants issued, which is formed by the difference between the issue value of the registered warrants and the transaction costs related to the issue. The warrants are issued and registered at a fixed price, denominated in BGN, and grant future rights to conversion into a fixed number of ordinary, dematerialised, registered, freely transferrable Company shares, and are therefore classified as an equity instrument.

2.26. Financial instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

Financial assets

Initial recognition, classification and measurement

Upon initial recognition, the Company's financial assets are classified in three groups, based on which they are subsequently measured: at amortised cost; at fair value through other comprehensive income, and at fair value through profit or loss.

The Company initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule are trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15 *(Note 2.6.1.)*.

The purchases and sales of financial assets whose conditions require asset delivery within a certain period, usually pursuant to legislation or the effective practice of the respective market (regular way purchases), are recognised using trade date accounting, i.e. on the date when the Company committed to purchase or sell the asset.

The classification of financial assets upon their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Company's business model for management thereof. In order for a financial asset to be classified and measured at amortised value or at fair value through other comprehensive income, its conditions should give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. For this purpose, analysis is performed by means of SPPI test at instrument level.

The Company's business model for the management of financial assets reflects the way the Company manages its financial assets to generate cash flows. The business model determines if cash flows are generated by the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent measurement

For the purpose of subsequent measurement, the Company's financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income without "recycling" of cumulative gains or losses (equity instruments)
- Financial assets at fair value through profit or loss (debt securities – bonds and derivative financial instruments – warrants).

Classification groups

Financial assets at amortised cost (debt instruments)

The Company measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Company's financial assets at amortised cost include: cash and cash equivalents at banks, trade receivables, including from related parties, receivables under cession agreements, receivables under recoverable shares, and loans to third parties (*Note 21, Note 22, Note 24, Note 25, Note 26 (a) and Note 28).*

Financial instruments at fair value through other comprehensive income (equity instruments)

Upon their initial recognition, the Company may make an irrevocable choice to classify certain equity instruments as financial instruments at fair value through other comprehensive income, but only if they meet the equity definition under IAS 32 *Financial Instruments*. The classification is determined at the level of individual instruments.

Upon derecognition of these assets, gains and losses from measurement to fair value, recognised in other comprehensive income, are not stated (recycles) through profit or loss. Dividends are recognised as "finance income" in the statement of comprehensive income (within profit or loss for the year) when the right to payment is established, with the exception of cases when the Company obtains rewards from these proceeds as compensation of a portion of the financial asset's acquisition price – in this case, gains are stated in other comprehensive income. Equity instruments designated as financial instruments at fair value through other comprehensive income are not subject to impairment test.

The Company has made an irrevocable commitment to classify into this category minority equity investments which it holds in the long term and in relation to its business interests in these entities. Some of these instruments are traded on stock exchanges, and some aren't. They are stated in the statement of financial position within the „other long-term equity investments" item.

Financial assets at fair value through profit or loss (debt securities – bonds and derivative financial instruments (warrants)

On initial recognition, they are measured at cost, which includes the fair value of the financial asset and all acquisition-related costs - commissions, fees, permits and the like.

Any subsequent changes in fair value are recognised immediately as 'finance income' or 'finance costs' in the statement of comprehensive income (in profit or loss for the year).

They are presented in the statement of financial position under 'financial assets held for trading'.

Derecognition

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the Company's statement of financial position, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Company has assumed an obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: a) the Company has transferred substantially all risks and rewards from ownership of the asset; or b) the Company has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Company has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Company has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Company also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Company has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Company may be required to pay.

Impairment of financial assets

The Company recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the contractual conditions, and all cash flows the Company expects to receive, discounted at the initial effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that constitute an integral part of the contractual conditions.

To calculate the expected credit losses for *loans and guarantees to related and third parties, incl. cash and cash equivalents at banks,* the Company applies the general impairment approach defined by IFRS 9. Under this approach, the Company applies a 3-stage impairment model based on changes versus the initial recognition of the credit quality of the financial instrument (asset).

Expected credit losses are recognised at two stages:

a. A financial asset which is not credit impaired upon its initial recognition/acquisition is classified in Stage 1. These are loans granted: to debtors with a low risk of default with stable key indicator (financial and non-financial) trends, regularly services and without any outstanding past due amounts. Since its initial recognition, its credit risk and characteristics are subject to continuous monitoring and analyses. The expected credit losses for the financial assets classified in Stage 1 are determined based on credit losses resulting from probable events or default, which could over the next 12 months of the respective asset's lifetime (12-month expected credit losses for the instrument).

b. When there has been a significant increase in credit risk since the initial recognition of a financial asset, and as a result its characteristics deteriorate, it is transferred to Stage 2. Expected credit losses for financial assets classified in Stage 2 are determined for the remaining lifetime of the respective asset, irrespective of the point of default (lifetime expected credit loss (ECL)).

The Company's management has developed a policy and a set of criteria to analyse, ascertain and assess the occurrence of a condition of "significant increase in credit risk". The main aspects related thereto are disclosed in *Note 2.33.*

In the cases when the credit risk of a financial instrument increases to a level that indicates default, the financial asset is considered to be impaired, and is classified in Stage 3. At this stage, the losses incurred for the lifetime of the respective asset are identified and calculated.

The Company's management has performed the respective analyses, based on which it has determined a set of criteria for default events, in accordance with the specifics of the respective financial instrument. One of them is delay in contract payments by over 90 days, unless circumstances exist for a certain instrument that make such claim refutable. Along with that, there are other events, based on internal and external information, which indicate that the debtor is not able to repay all contract amounts due, including in consideration of all loan collaterals and reliefs held by the Company. The main aspects of the policy and the set of criteria are disclosed in *Note 2.33*.

The Company adjusts expected credit losses determined based on historical data, with forecast macroeconomic indicators for which it has been established that correlation exists and which are expected to impact the amount of future credit losses.

In order to calculate expected credit losses for *trade receivables and contract assets* the Company has elected and applies a simplified approach based on an expected credit losses calculation matrix and does not monitor subsequent changes in their credit risk. In this approach, it recognises an allowance (impairment provision) based on lifetime expected credit losses at each reporting date. The Company has developed and applies a provisioning matrix based on its historical experience with credit losses, adjusted with forecast factors specific for debtors and the economic environment, for which a correlation has been established with the percentage of credit losses (*Note 44).*

Derecognition

Impaired financial assets are derecognised when no reasonable expectation exists to collect contractual cash flows.

Financial liabilities

Initial recognition, classification and measurement

The Company's financial assets include trade and other payables, loans and borrowings, including bank overdrafts. Upon their initial recognition, financial assets are usually classified as liabilities at amortised cost.

All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. They are usually classified and measured at amortised cost.

Classification groups

Loans and borrowing

Following their initial recognition, the Company measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) when the respective financial liability is derecognised, as well as through amortisation based on the effective interest rate.

The amortised cost is calculated by taking into consideration any discounts or premiums at acquisition, as well as fees or costs that constitute an integral part of the effective interest rate. Amortisation is stated as a "finance expense" in the statement of comprehensive income (within profit or loss for the year).

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income (within profit or loss for the year).

Offsetting (netting) of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, if a legally enforceable right exists to offset the recognised amounts and if there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

This requirement results from the concept of the actual economic nature of the Company's relations with a given counterpart stating that in the simultaneous presence of these two requirements the expected actual future cash flow and rewards for the Company is the net flow, i.e. the net amount reflects the Company's actual right and obligation resulting from these financial instruments – in all cases to only receive or pay the net amount. If the two conditions are not simultaneously met, it is assumed that the Company's rights and obligations with respect to these offsetting financial instruments are not exhausted in all situations by only the payment or receipt of the net amount.

The offsetting policy is also related to the measurement, presentation and management of actual credit risk and the liquidity risk pursuant from these offsetting instruments.

The criteria applied to establish the "current and legally enforceable entitlement to offsetting" are:

- lack of dependence on a future event, i.e. it should not only be applicable upon the occurrence of a future event;
- the offsetting should be enforceable and legally defendable during (cumulatively):
  - the Company's usual business operations;
  - in case of default/delay, and
  - in case of insolvency.

The applicability of criteria is measured against the requirements of the Bulgarian legislation and the contractual relations between the parties. The condition of "presence of current and legally enforceable right to offsetting" is always and mandatorily assessed together with the second condition – for "mandatory settling of these instruments on a net basis".

2.27. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make certain payments to recover the holder's loss incurred when a debtor failed to make payment when due, in accordance with the initial or amended conditions of a debt instrument.

Financial guarantee contracts are recognised a financial liabilities at guarantee issuance. The liability is initially measured at fair value, and subsequently – at the higher of the following:

- the amount determined in accordance with the expected credit losses model, and
- the initially recognised amount, less the cumulative amount of the revenue (where applicable) recognised under the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between contract payments required under the debt instrument, and payments that would be required without a guarantee payable to a third party upon commitment.

The subsequent measurement of financial guarantee liabilities at the amount of expected losses under financial guarantee contracts is included in the statement of financial position, within "other current liabilities".

2.28. Income taxes

Company's *current income taxes* are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate in Bulgaria for 2025 is 10% (2024: 10%).

Deferred income taxes are determined using the liability method on all of Company's temporary differences between the carrying amounts of the assets and liabilities and their tax bases, existing at the date of the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they could be deducted or compensated.

Deferred taxes related to items that are accounted for as other components of comprehensive income or an equity item in the statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the basis of the tax laws that have been enacted or substantively enacted, and at tax rates of the country (Bulgaria) under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

The deferred tax assets of the Company are presented net against its deferred tax liabilities when and as much as it is the tax payer for them in the respective jurisdiction (Bulgaria), and this is only in cases where the Company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

The deferred income tax liabilities of the Company as at 31 March 2025 were assessed at a rate valid for 2025, at the amount of 10% (31 March/31 December 2024: 10%).

2.29. Government grants

Government grants represent various forms of providing gratuitous resources by a government (local and central bodies and institutions) and/or intergovernmental agreements and organisations.

Government grants (municipal, government and international, including under the procedure of using the European funds and programmes) are initially recognised as deferred income (financing) when there is reasonable assurance that they will be received by the Company and that the latter has complied and complies with the associated thereto requirements.

Government grants constitute different forms of provision of state grants (local and central bodies and institutions) and/or intragovernmental agreements and organisations.

A government grant that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised.

A government grant that compensates investment expenses incurred to acquire an asset is recognised in current profit or loss on a systematic basis over the useful life of the asset proportionately to the amount of the recognised depreciation charge.

2.30. Net earnings or loss per share

The base net earnings or loss per share are calculated by dividing net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding during at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. This factor represents the number of days that the shares are outstanding as a proportion of the total number of days in the period.

In case of a capitalisation, bonus issue or split, the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.

The diluted net earnings or loss per share are calculated because dilutive potential ordinary shares (warrants) have been issued.

Upon the calculation of diluted net earnings or loss per share, adjustment is made to the net profit or loss for the period which is subject to distribution to shareholders – holders of ordinary shares, and the average weighted number of shares in circulation, with the effect of all dilutive potential ordinary shares.

The profit or loss for the period which is subject to distribution to shareholders – holders of ordinary shares is increased by adding the amount of dividends and post-tax interest recognized in the period in relation to the dilutive potential ordinary shares, and is adjusted for any other changes to profit or loss that might arise as a result of the conversion of dilutive potential ordinary shares.

The average weighted number of ordinary shares in circulation in the period is increased by adding the average weighted number of the additional ordinary shares that would be in circulation upon conversion of all dilutive potential ordinary shares.

2.31. Segment reporting

The Company identifies its reporting segments and discloses segment information in accordance with the organisational and reporting structure used by the management. Operating segments are business components, which are regularly measured by members of the management who take operating decisions by using financial and operating information prepared specifically on the segment for the purposes of current monitoring and assessment of results and allocating Company's resources.

Company's operating segments are currently monitored and directed separately as each of them represents a separate business area that offers various products and bears various business risks and rewards. Company's operating segments include the business fields by individual lines of medicinal forms production – tablets, ampoules, medical products, other forms and other revenue.

Information by operating segments

The Company uses one basic measuring unit – gross margin (profit) for measuring the results in the operating segments and allocation of resources between them. The gross margin is defined as the difference between segment revenue and segment expenses directly attributable to the respective segment.

Segment assets, liabilities, respective revenue, expenses and results include those that are and can be directly attributable to the respective segment as well as such that can be allocated on a reasonable basis. Usually they include: (a) for revenue **-** sales of finished products; (b) for expenses **-** raw materials and consumables used, depreciation and amortisation and production staff remuneration; (c) for assets **-** property, plant and equipment, investment property and inventories; (d) for liabilities – government grants, payables to personnel and for social security. Capital expenditures (investments) by business segments are differentiated expenses incurred in the period of acquisition or construction of segment non-current assets, which are expected to be used for more than one period.

The Company manages its investments in securities, trade accounts and financial resources granted/received as well as taxes at entity's level and they are not allocated at segment level.

The results of the operations regarded as accidental ones compared to the main types of operations (activities) of the Company as well as revenue, expenses, liabilities and assets that are not subject to allocation are stated separately in the item 'total at Company level'.

In general, these amounts include: other operating income unless originating from the operation of a particular segment, administrative expenses, interest income and expenses, realised and unrealised gains and losses from foreign currency transactions and investments, investments in other companies, trade and other receivables, trade payables and loans received, tax accounts, general-purpose production and administrative equipment.

The applied accounting policy for segment reporting is based on that used by the Company for the preparation of its statutory financial statements for public purposes.

2.32. Fair value measurement

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes. Such are: *(a)* on a recurring (annual) basis – other *long-term equity investments, investment property, bank loans to/from third parties, certain trade and other receivables and payables; and other (b)* on a non-recurring (periodical) basis – *non-financial assets such as property, plant and equipment.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Company must have an access.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

The Company applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information. It uses the three acceptable approaches – *the market approach, the income approach and the cost approach* – whereas the most frequently applied valuation techniques include directly quoted and/or adjusted quoted market prices, market comparables (analogues) and discounted cash flows, including based on capitalised rental income.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value, are categorised within the following fair value hierarchy, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to certain adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value in the financial statements on a recurring basis, the Company determines at the end of each reporting period whether transfers between levels in the fair value hierarchy are deemed to be made for a particular asset or liability depending on the inputs available and used at that date.

The Company has developed internal rules and procedures for measuring the fair value of various types of assets and liabilities. For the purpose, a specifically designated individual, subordinated to the Company’s Finance Director, organised the performance of the overall valuation process and also coordinates and observes the work of the external valuators.

The Company uses the expertise of external certified appraisers to determine the fair value of the following assets and liabilities: *financial assets at fair value through other comprehensive income* Level 1 and Level 2, investment property – Level 2 and level 3, property, plant and equipment – Level 2 and Level 3. The choice of licensed appraisers is made on an annual basis using the following criteria: applied professional standards, professional experience and knowledge, reputation and market status. The need for rotation of external appraisers is periodically assessed – every three to five years. The applied valuation approaches and techniques as well as the used inputs for each case of fair value measurement are subject to mandatory discussion and coordination between the external experts – appraisers and the specifically designated individual, engaged with measurements, and so is the acceptance of the issued appraiser's reports – especially with regard to the significant assumptions and the final conclusions and proposals for the fair value amount. The final fair value measurements are subject to approval by Company's Finance Director and/or Chief Accountant, Executive Director and the Board of Directors.

In accordance with Company's accounting policy, at the end of each reporting period the specifically designated individual, engaged with measurements, performs a general analysis of collected in advance information about the movement in the values of the Company’s assets and liabilities that are subject to valuation or to a disclosure at fair value, the type of available data and the possible factors for the observed changes, and proposes for approval to the Finance Director, the approach for measuring the fair value of the respective assets and liabilities at that date. Where necessary, this is explicitly consulted with the involved external appraisers.

The results from the process of fair value measurement are presented to the audit committee and to Company's independent auditors.

For the purposes of fair value disclosures, the Company has determined the respective assets and liabilities on the basis of their nature, basic characteristics and risks as well as of the fair value hierarchical level.

2.33. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty.

Fair value measurement of equity investments

When the fair value of equity investments carried in the statement of financial positions cannot be obtained based on quoted prices on active markets, their fair value is determined by using other valuation models and techniques, including the discounted cash flows model. The input used in these models is obtained from observable markets, where possible, but when this cannot be done, significant judgement is applied to determine fair values.

Such judgement involves the review, analysis and assessment of input, for instance regarding liquidity risk, credit risk, and volatility. The changes in assumptions for these factors may impact the amount of the fair value of financial instruments stated. The main key assumptions and components of the model are disclosed in *Note 20*.

Calculation of expected credit losses for loans and guarantees granted, guarantorships, trade receivables, incl. from related parties, and cash and cash equivalents

The measurement of expected credit losses for financial assets stated at amortised cost (loans granted, guarantees, contract receivables and assets, cash and cash equivalents), as well as for financial guarantees granted is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Company’s management makes a number of material judgements, such as: a) determining criteria to identify and measure significant credit risk increases; b) selection of suitable models and assumptions to measure expected credit losses; c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses. (*Note 44).*

Regarding trade receivables, including from related parties

The Company uses provisioning matrixes calculate expected credit losses from trade receivables and contract assets. The provision rates are based on days past due for groups from different customer segments (portfolios) sharing similar loss models (type of client sector).

Each provisioning matrix is initially based on detailed historical observation of default rates in the Company’s receivables and the movement of receivables by delay groups. Usually, historical data is used for at least three years as per the financial statement’s date. Moreover, the Company calibrates the matrix so as to adjust historically ascertained dependence for credit losses with forecast information by also using probability scenarios. If certain forecast economic conditions, measured by means of certain macro indicators, are expected to aggravate or improve in the next year, which might result in established correlational increase in payment delays for a certain sector (type of client), the historic default rates are adjusted. At each reporting date, the observable historical default rates are updated and the effects of changes in the estimates are accounted for.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Company's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future.

Information about expected credit losses from trade receivables and contract losses is disclosed in *Note 21, Note 22, Note 24, Note 25 and Note 26b.*

In 2025, there is no impairment, net of the recovered, incl. from related parties, at the amount of BGN 2.230, net of the impairment charged (2025, no impairment ne of recovered for trade receivables, incl. from related parties) (*Note 8, Note 9, Note 22, Note 24, Note 25 and Note 26b*).

Regarding loans and guarantees granted:

The Company has adopted the general approach for calculating impairment based expected credit losses of the loans granted, pursuant to IFRS 9. For this purpose, the Company applies a model of its choice. Its application goes through several stages. First, the debtor's credit rating is determined by means of several rating agencies' methodologies for the respective economic sectors and ratios, quantitative and qualitative parameters and indicators of the entity. Second, by using statistical models including historical default probability data (PD), transfer between ratings, macro-economic data and forecast, the relevant marginal PD are calculated by year for each rating. Third, based on this analysis and the determined rating, and based on a set of indicators for the instrument's characteristics at the date of each financial statements, the following parameters are determined: instrument stage (Stage 1, Stage 2 or Stage 3), PD needed for the instrument's lifetime, as well as loss given default (LGD). The main formula used to calculate expected credit losses is: ECL=EADxPDxLGD, where:

ECL is the expected credit losses indicator;

EAD is the exposure at default indicator;

PD is the probability of default indicator;

LGD is the loss given default indicator.

Upon determining losses, all guarantees and/or collaterals and/or insurances are taken into consideration. Thus, in the final step, by using all these parameters and following discount, the expected credit loss for the respective period of the respective financial assets is calculated.

Stage 1 includes loans granted which are classified as "regular" according to the internal risk classification scheme developed. These are loans granted to debtors with low default rates, regular servicing, without considerable aggravation of key indicators (financial and non-financial), and without amounts past due. The expected impairment loss for such loans is calculated based on default probability for the next 12 months and the Company's expectation for loss amount upon exposure default over the next 12 months.

Stage 2 includes granted loans classified as "renegotiated". These are loans with respect to which (based on a set of indicators) a significant aggravation of the credit risk related to the debtor has been established as compared to the exposure's initial recognition. The expected impairment loss for these loans is calculated based on the default probability for the lifetime of the loan which is considered to be credit-unimpaired, and the Company's expectations for loss amount upon exposure default over the lifetime.

Stage 3 includes granted loans which are classified as "underperforming". These are loans for which evidence exists that the asset is credit-impaired, i.e. a credit event has occurred (according to the policy on default event eligibility). Therefore, an analysis is performed of a system of indicators used to identify the occurrence of credit losses. Impairment losses for such loans are calculated based on probability-weighted scenarios for the Company's expectations for the loss amount of the non-performing credit-impaired exposure throughout its lifetime.

A granted loan, respectively financial assets, is credit-impaired when one or more events have occurred which have an adverse effect on expected future cash flows from this loan, accordingly financial assets.

The Company applies the same model with respect to expected credit losses from guarantees granted and certain individual receivables.

The main matters related to the policy and set of criteria to assess the Company's exposure to credit risk related to loans granted are disclosed in *Note 44.*

Information about expected credit losses from loans and guarantee agreement charges and financial guarantee contracts are disclosed in *Note 21, Note 24, Note 26a and Note 41*.

In 2025, a provision for expected credit losses on loans granted was accrued at the amount of BGN 100 thousand, net of reversal (in 2025, a provision for expected credit losses on loans granted was accrued at the amount of BGN 510 thousand, net of reversal) (*Note 12, Note 21, Note 24 and Note 26a).*

In 2025, there is no impairment of expected credit losses on financial guarantee contracts (in 2025:,none) (*Note 11, Note 12 and Note 41*).

In 2025, there are no expected credit losses were accrued on guarantor contract charges (2025: none) (*Note 11, Note 12 and Note 24*).

Cash

To calculate expected credit losses for cash and cash equivalents at banks, the Company applies the general "three-stage" impairment model under IFRS 9. For this purpose, it applies a model based on the bank's public ratings as determined by internationally recognised rating firms like Moody's, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, PD (probability of default) indicators are set by using public data about PD referring to the rating of the respective bank, and on the other hand, through the change in the rating of the respective bank from one period to the next, the Company assesses the presence of increased credit risk. Loss given default is measured by using the above formula. Upon determining LGD, the presence of secured amounts in the respective bank accounts is taken into consideration.

Leases

The application of IFRS 16 requires the management to perform various assessments, estimates and assumptions that impact the accounting for right-of-use assets and lease liabilities. The main key assessments concern determining an appropriate discount rate and determining the term of each lease, including whether it is reasonably certain that the extension/termination options will be exercised. As a result of the uncertainty regarding these assumptions and estimates, significant adjustments may be made to the respective assets and liabilities in the future, respectively the revenue and expenses stated (*Note 33, Note 34, Note 38 and Note 41).*

Revenue from contracts with customers

Upon revenue recognition and preparation of the annual financial statements, the management performs various judgements, estimates and assumptions that impact the revenue, costs, assets and liabilities accounted for and the respective disclosures thereto.

As a result of the uncertainty regarding these assumptions and estimates, significant adjustments may occur in the carrying amount of the assets and liabilities concerned in the future, respectively the costs and revenue stated.

The key judgements and assumptions that materially impact the amount and term for recognition of revenue from contracts with customers are related to determining the point in time when control over the goods and/or services promised in the contract is transferred to the customer and assessment of the variable consideration for returned goods and volume rebates (*Note 2.6.1*.).

Inventories

Normal capacity

Company's normal production capacity is determined on the basis of management assessments (made after relevant analyses) for optimum load of the production facilities and return on the investments made therein, with structure of the manufactured finished products accepted as being common for the Company. When the actually achieved volume for individual articles is below the volume at the normal production capacity, set by the Company, the relevant recalculation are made for the fixed overheads, included in the cost of stocks of finished products and work in progress.

Allowance for impairment

At the end of each financial year, the Company reviews the state, useful life and usability of the existing inventories. In case of identified inventories bearing a potential of not being realised at their current carrying amount in the following reporting periods, the Company impairs these inventories to net realisable value.

As a result of the reviews and analyses made in 2025, there is no impairment of inventories (2025: BGN 7 thousand) *(Note 5 and Note 8).*

Remeasurement of property, plant and equipment

As at 31 March/31 December 2021, a thorough review was performed of the changes which have occurred in the fair value of the Company's non-current tangible assets, as well as of the physical and technical condition thereof, operation means and residual useful lives. Respectively, remeasurement was carried out, since at this date the five-year period for remeasurement adopted in accordance with the policy expires. The review and remeasurement were performed with the professional support of independent licensed appraisers.

The licensed appraisers also developed a sensitivity test for the fair value measurements proposed thereby, determined by means of the different valuation methods, in accordance with the reasonably possible changes to the main assumptions, and comments on the deviations found.

The management has performed detailed analysis of the licensed appraisers' reports, incl. the sensitivity tests. As a result, it has stated revaluation and has recognized new revaluation reserve at the amount of BGN 7,767 thousand, net taxes.

As a result of the reviews and analyses carried out in 2025, impairment was stated of property, plant and equipment at the amount of BGN 2 thousand (2025: none) (*Note 10 and Note 15*).

Goodwill impairment

At each reporting date, the management determines whether indicators exist for goodwill impairment. The calculations are made by the management with support from independent licensed appraisers.

As a result of the calculations made, in 2025 it was determined that no goodwill impairment had to be stated (2025: none) (*Note 16*).

Impairment of investments in subsidiaries

At each reporting date, the management makes an assessment about whether indicators for impairment exist in respect of its investments in subsidiaries. The calculations were made by the management with the assistance of independent certified appraisers.

As a result of the calculations made in 2025, the Company found it was not necessary to recognise impairment of particular investments in subsidiaries (2025: none) *(Notes 10 and 18)*.

Impairment of investments in associates and joint ventures

At each reporting date, management assesses whether there are any indicators of impairment of its investments in associates and joint ventures. The calculations are made by management with the assistance of independent licensed valuers.

As a result of the calculations made in 2025, no need to recognize impairment of certain investments in joint ventures was identified (2025: none) (Notes 10 and 19).

Actuarial calculations

Calculations of certified actuaries have been used when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor. They are disclosed in *Note 35*.

Long-term retirement benefit obligations to personnel at the amount of BGN 5,895 thousand (31 March/31 December 2025: BGN 5,775 thousand) have been stated as a result of these calculations *(Note 35)*.

Deferred tax assets

There are unrecognised deferred tax assets at the amount of BGN 3,148 thousand (31 March/31 December 2024: BGN 3,148 thousand), because the management concluded that it is unlikely the temporary difference to be manifested in a foreseeable future. The temporary difference on which no tax asset is recognised amounts to 31,480 thousand (31 March/31 December 2025: BGN 33,064 thousand) (*Note 31*).

Litigation provisions

With regard to the pending litigations against the Company, the management, jointly with Company's lawyers, has decided that at this stage the probability and risks of a negative outcome therefrom is still minimal and therefore, it has not included provisions for litigation payables in the statement of financial position as at 31 March 2025.

3. REVENUE

Company's revenue includes:

	2025	***2024***
	BGN '000	***BGN '000***
Revenue from contracts with customers	67,832	58,147
Other revenue	672	667
Total	**68,504**	**58,814**

3.1. The revenue from contracts with customers is from sales of medication produced and includes:

	2025	***2024***
	BGN '000	***BGN '000***
Export	43,794	33,689
Domestic market	24,038	24,458
Total	**67,832**	**58,147**

Revenue from export sales by product includes:

	2025	***2024***
	BGN '000	***BGN '000***
Tablet dosage forms	36,157	26,955
Ampoule dosage forms	3,520	2,357
Syrup dosage forms	1,844	2,524
Ointments	1,712	638
Suppositories	115	72
Drops	113	297
Medical cosmetics	178	112
Wound dressings	62	27
Plasters	49	53
Sachets	34	55
Veterinary vaccines	10	9
Lyophilic products	-	590
Total	**43,794**	**33,689**

Revenue from domestic sales by product:

	2025	***2024***
	BGN '000	***BGN '000***

Tablet dosage forms	13,048	12,925
Ampoule dosage forms	3,508	3,525
Wound dressings	1,574	1,714
Syrup dosage forms	1,527	1,031
Ointments	795	1,185
Plasters	787	823
Solutions	510	784
Lyophilic products	487	353
Sachets	435	685
Solutions	385	249
Drops	359	533
Sanitary and hygienic products	259	169
Haemodialysis concentrates	150	165
Suppositories	107	154
Medical cosmetics	96	142
Chemical substances and mixtures	11	21
Total	**24,038**	**24,458**

The breakdown of *sales* by geographic region is as follows:

	2025 BGN '000	*Relative share*	*2024 BGN '000*	*Relative share*
Europe	34,065	50%	27,910	48%
Bulgaria	24,038	36%	23,606	41%
Other countries	9,729	14%	6,631	11%
Total	**67,832**	**100%**	**58,147**	**100%**

The total revenue from transaction with the largest clients of the Company is as follows:

	2025 BGN '000	*% of revenue*	*2024 BGN '000*	*% of revenue*
Client 1	22,300	33%	23,572	41%
Client 2	7,557	11%	-	-
Client 3	3,221	5%	6,057	10%
Client 4	2,936	4%	5,694	10%

Contract balances are as follows:

	31.03.2025 BGN '000	*31.12.2024 BGN '000*
Receivables under contracts with customers – related parties, net of impairment *(Note 24)*	93,285	83,036

Receivables under contracts with customers – third parties, net of impairment *(Note 25)*	21,314	18,868
	114,599	**101,904**

The increase in trade receivables under contracts with customers, including receivables from related parties, is a result of an increase in the volumes of activity.

Payables for reimbursement as of 31.03.2025 amount to BGN 3,189 thousand (31.03.2025: BGN 4,771 thousand). They include liabilities for retrospective trade discounts for volume, due under contracts with customers, which will be reimbursed in the next reporting period (Note 41).

3.2. The company's other income is from assets provided under leasing contracts and amounts to BGN 672 thousand (2025: BGN 667 thousand).

4. OTHER OPERATING INCOME AND LOSSES

The Company’s other operating income and losses include:

	2025	***2024***
	BGN '000	***BGN '000***
Sales of goods	*2,953*	*2,297*
Book value of goods sold	*(1,734)*	*(1,401)*
Gain on sale of goods	1,219	896
Services rendered	1,151	2,301
Income from government grants under European projects	144	152
Sales of materials	*321*	*681*
Book value of materials sold	*(293)*	*(611)*
Gain on sale of materials	28	70
Assets surplus	10	24
Revenue from sale of non-current assets	*2*	*83*
Book value of non-current assets	*(1)*	*-*
Gain/(loss) from sale of non-current assets	1	83
Lease liabilities written-off	*1*	*-*
Carrying amount of lease assets written-off	-	-
Gain on leases	1	-
Net foreign exchange gains/(losses) on trade receivables and payables and current accounts	(524)	(202)
evenue from grants for agricultural land	-	1
Other income	41	34
Total	**2,071**	**3,359**

The *sales of materials* comprise mainly: sales of substances, chemical products and packaging materials.

Services rendered include:

	2025	***2024***
	BGN '000	***BGN '000***

Manufacturing services	949	2,080
Gamma irradiation	38	61
Laboratory analyses	30	43
Social activity	16	14
Transport services	3	42
Other	115	61
Total	**1,151**	**2,301**

Sales of goods include:	***2025***	***2024***
	BGN '000	***BGN '000***
Medical products	2,621	1,879
Foodstuffs	332	320
Nutritional supplements	-	93
Goods with technical designation	-	5
Total	**2,953**	**2,297**

The book value of goods sold by types of goods is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Medical products	1,462	1,088
Foodstuffs	272	264
Nutritional supplements	-	46
Goods with technical designation	-	3
Total	**1,734**	**1,401**

5. RAW MATERIALS AND CONSUMABLES USED

The *raw materials and consumables used* include:

	2025	***2024***
	BGN '000	***BGN '000***
Basic materials	17,691	18,867
Electricity	1,486	1,113
Heating	1,312	1,120
Laboratory materials	937	1,117
Technical materials	462	476
Auxiliary materials	250	223
Working clothes and personal protective equipment for labour	232	212
Spare parts	191	339
Fuels and lubricating materials	169	179
Water	74	103
Scrappage of materials	4	-

Impairment of materials	-	7
Total	**22,808**	**23,756**

Expenses on basic materials include:

	2025	*2024*
	BGN '000	*BGN '000*
Substances	7,449	8,717
Liquid and solid chemicals	2,823	3,296
Packaging materials	2,795	3,503
Herbs	1,282	49
Aluminium and PVC foil	1,276	672
Sanitary-hygienic and dressing material	693	927
Vials	629	681
Ampoules	565	835
Tubes	164	183
Materials for manufacturing veterinary vaccines	15	4
Total	**17,691**	**18,867**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2025	*2024*
	BGN '000	*BGN '000*
Advertising and marketing services	3,614	2,919
Manufacturing of medicines	1,158	1,695
Consulting services	834	853
Building and equipment maintenance	755	651
Transport and forwarding services	678	518
Subscription fees	541	595
Logistics services related to sales in Bulgaria	463	442
Government and regulatory fees	350	341
Security	334	356
Local taxes and fees	325	327
Medical care	233	164
Taxes on expenses	214	77
Civil contract services	197	235
Documentation translations	169	175
Medication registration services	151	20
Insurance	126	130
License fees	111	358

Car repair and maintenance	97	59
Messages and communications	85	101
Logistics services related to sales abroad	77	189
Rentals	59	70
Commissions	48	2
Fees for servicing current bank accounts	41	29
Courier services	41	75
Medicine destruction services	19	5
Patent fees	3	2
Others	146	119
Total	**10,869**	**10,507**

Rental costs comprise:

	2025	***2024***
	BGN '000	***BGN '000***
Rentals related to short-term leases	58	69
Rentals related to leases of low-value assets	1	1
Total	**59**	**70**

The expenses accounted for the year on statutory audit of the separate annual financial statements amount to BGN 95 thousand (2024: BGN 104 thousand).

In 2025 and 2024, the statutory auditors did not render other services.

7. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense includes:

	2025	***2024***
	BGN '000	***BGN '000***
Current remuneration	14,787	13,745
Social security contributions	2,635	2,602
Accrued amounts for unused leave	1,726	1,624
Social benefits and payments	906	852
Accrued amounts for insurance on vacations	335	315
Accrued amounts for long-term personnel liabilities upon retirement *(Note 32)*	120	130
Total	**20,509**	**19,268**

8. OTHER OPERATING EXPENSES

Other expenses include:

	2025	***2024***
	BGN '000	***BGN '000***

Representative events	1,046	517
Business trips	363	213
Marriage of unfinished production	359	216
Donations	90	122
Training	36	24
Unrecognized tax credit under the VAT Act	19	40
Goods defect	8	18
Other taxes and payments to the budget	8	13
Interest on trade payables	1	12
Amounts awarded	1	28
Marriage of fixed assets	1	-
Others	47	54
Total	**1,979**	**1,257**

9. IMPAIRMENT OF CURRENT ASSETS

Impairments of current assets comprise:

	2025	***2024***
	BGN '000	***BGN '000***
Depreciation of materials (*Note 5*)	-	7
Total	**-**	**7**

10. IMPAIRMENT OF NON-CURRENT ASSETS, OUTSIDE THE SCOPE OF IFRS 9

Impairment losses on non-current assets include:

	2025	***2024***
	BGN '000	***BGN '000***
Depreciation of PPE *(Note 15)*	2	-
Total	**2**	**-**

11. FINANCE INCOME

Finance income includes:

	2025	***2024***
	BGN'000	***BGN'000***
Interest income on loans granted	162	564
Net gain from exchange rate differences on receipt of replacement share contributions from a subsidiary	139	59
Income from fees on guarantees provided	132	78
Interest income on refundable share contributions *(Note 21)*	127	183
Interest income from assignment contracts *(Note 21)*	31	32
Net profit from exchange rate differences on leasing contracts	20	-
Interest income on term deposits	-	90

Net gain from exchange rate differences on receivable from sale of subsidiary	-	78
Net foreign exchange gain on leases	**611**	**1,084**
Total	**5,232**	**7,598**

12. FINANCE COSTS

Finance costs include:	***2025***	***2024***
	BGN'000	***BGN'000***
Interest expenses on loans received	1,412	695
Net loss from exchange differences on receivable from sale of subsidiary	148	-
Impairment for credit losses on receivables under trade loans granted	100	510
Bank fees on loans and guarantees	98	74
Interest expenses on leasing contracts	65	67
Expenses related to dividend payments	8	21
Net loss from exchange rate differences on leasing contracts	-	4
Net gain from exchange rate differences on receivable from sale of subsidiary	-	-
Total	**1,831**	**1,371**

13. INCOME TAX EXPENSE

The equation between the expense for tax on income and tax profit for the years ending on 31.03.2025 and 31.03.2024, is presented below:

	2025	***2024***
	BGN '000	***BGN '000***
Taxable profit for the year according to tax return	9,450	8,163
Revaluation reserve included as an increase in annual tax return	(83)	(133)
Taxable profit for the year	9,367	8,030
Current income tax expense for the year - 10% (2024: 10%)	937	803
Deferred taxes on profit from:		
Origination and reversal of temporary differences	477	476
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**1,414**	**1,279**

The equation between the expense for tax on income and accounting profit for the years ending on 31.03.202 5 and 31.03.2024, is presented below:

	2025	***2024***
	BGN '000	***BGN '000***
Accounting profit for the year before taxes	*13,842*	*16,527*
Income tax expense at the applicable tax rate of 10% for 2025 (2024: 10%)	1,384	1,653

From unrecognized amounts on tax returns related to:		
increases – BGN 306 thousand (2024: BGN 344 thousand)	31	34
reductions – BGN 11 thousand (2024: BGN 3,980 thousand)	(1)	(398)
Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)	**1,414**	**1,289**

The tax effects *related to other components of comprehensive income* are as follows:

	2025			2024		
	BGN '000			BGN '000		
	Pre-tax amount	**Tax effects recognised in equity**	**Amount net of tax**	**Pre-tax amount**	**Tax effects recognised in equity**	**Amount net of tax**
Items that will not be reclassified to profit or loss						
Net change in the fair value of equity investments at FVOCI	(3,760)	-	(3,760)	(1,036)	-	(1,036)
Total other comprehensive income for the year	**(3,760)**	**-**	**(3,760)**	**(1,036)**	**-**	**(1,036)**

14. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	2025	***2024***
	BGN '000	***BGN '000***
Net change in fair value of equity investments designated at fair value through other comprehensive income	(3,760)	(1,036)
Total comprehensive income for the year, net of taxes	**(3,760)**	**(1,036)**

15. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment is as follows:

	Land and buildings		***Machinery, facilities and equipment***		***Others***		***In process of acquisition***		***Total***	
	2025	***2024***	***2025***	***2024***	***2025***	***2024***	***2025***	***2024***	***2025***	***2024***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN '000***	***BGN'000***
Reporting value **Balance on January 1**	**185,388**	**183,290**	**236,310**	**232,488**	**22,295**	**22,687**	**13,213**	**3,728**	**457,206**	**442,193**
Acquired assets	230	2,493	508	2,586	589	788	1,852	12,417	3,179	18,284
Transfer to property, plant and equipment		127	1,727	2,734	164	71	(1,891)	(2,932)	-	-
Transfer of investment properties	290	-	213	-	9	-	-		512	-
Effect of revaluation to fair value	-	-	-	-	-	-	-	-	-	-

Depreciation	-	(234)	-	-	(2)	-	-	-	(2)	(234)
Deregistered		(288)	(39)	(1,498)	(366)	(1,251)		-	(405)	(3,037)
Balance as of March 31 /December 31	**185,908**	**185,388**	**238,719**	**236,310**	**22,689**	**22,295**	**13,174**	**13,213**	**460,490**	**457,206**
Accumulated depreciation										
Balance on January 1	**63,919**	**57,677**	**164,505**	**155,548**	**17,566**	**16,889**	**-**	**-**	**245,990**	**230,114**
Accrued depreciation	1,661	6,453	2,593	10,341	457	1,815	-	-	4,711	18,609
Effect of revaluation to fair value	-	-	-	-	-	-	-	-	-	-
Transfer to investment properties	-	-	-	-	-	-	-	-	-	-
Depreciation	-	22	-	-	-	-	-	-	-	22
Depreciation written off	-	(233)	(38)	(1,384)	(366)	(1,138)	-	-	(404)	(2,755)
Balance as of March 31 /December 31	**65,580**	**63,919**	**167,060**	**164,505**	**17,657**	**17,566**	**-**	**-**	**250,297**	**245,990**
Carrying amount as of March 31 / December 31	**120,328**	**121,469**	**71,659**	**71,805**	**5,032**	**4,729**	**13,174**	**13,213**	**210,193**	**211,216**
Carrying amount as of January 1	**121,469**	**125,613**	**71,805**	**76,940**	**4,729**	**5,798**	**13,213**	**3,728**	**211,216**	**212,079**

The Company's *land and buildings* as at 31 March/31 December include:

- buildings of carrying amount BGN 80,507 thousand (31 March/31 December 2024: BGN 81,648 thousand);
- land amounting to BGN 39,821 thousand (31 March/31 December 2024: BGN 39,821 thousand).

The Company's other PPE as at 31 March/31 December includes:

- Motor vehicles with carrying amount BGN 3,497 thousand (31 March/31 December 2024: BGN 3,251 thousand);
- Fixtures and fittings with carrying amount BGN 1,133 thousand (31 March/31 December 2024: BGN 1,063 thousand);
- Biological assets (carriers) with carrying amount BGN 402 thousand (31 March/31 December 2024: BGN 415 thousand).

Tangible fixed assets in progress as at 31 March/31 December include:

- advances for the purchase of machines and equipment – BGN 10,397 thousand (31 March/31 December 2024: BGN 10,702 thousand);
- expenses on new buildings - BGN 2,618 thousand (31 March/31 December 2024: BGN 2,273 thousand);
- buildings reconstruction – BGN 119 thousand (31 March/31 December 2024: BGN 119 thousand);
- other – BGN 40 thousand (31 March/31 December 2024: BGN 119 thousand).

As at 31 March/31 December, the carrying amount of property, plant and equipment includes machinery and equipment, purchased using Grant Agreements under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013, Operational Programme "Innovations and Competitiveness 2014-2020" and Operational Programme "Energy Efficiency" *(Note 32)* as follows:

- for a tablet production facility at the amount of BGN 4,572 thousand (31 March/31 December 2024: BGN 4,699 thousand);
- compact line for insulated phial filling – BGN 3,145 thousand (31 March/31 December 2024: BGN 3,229 thousand);
- for ampoule production at the amount of BGN 2,122 thousand (31 March/31 December 2024: BGN 2,223 thousand);
- combined exchange ventilation and air conditioning installation for the production of medical products at the amount of BGN 338 thousand (31 March/31 December 2024: BGN 353 thousand);
- air conditioning installation with water cooling unit at the amount of BGN 99 thousand (31 March/31 December 2024: BGN 100 thousand) ;
- for the production of innovative eye drops, “artificial tears” type, at the amount of BGN 74 thousand (31 March/31 December 2024: BGN 81 thousand);
- control and monitoring system for air conditioning cameras, chillers and lighting installation at the amount of BGN 71 thousand (31 March/31 December 2024: BGN 74 thousand) ;
- dispensing machine for liquid pharmaceuticals at the amount of BGN 54 thousand (31 March/31 December 2024: BGN 61 thousand);
- automatic sachet machine at the amount of BGN 25 thousand (31 March/31 December 2024: BGN 29 thousand) ;
- diesel forklift truck at the amount of BGN 5 thousand (31 March/31 December 2024: BGN 6 thousand);
- system for liquid and gas chromatography at the amount of BGN 4 thousand (31 March/31 December 2024: BGN 5 thousand);
- reactors at the amount of BGN 2 thousand (31 March/31 December 2024: BGN 3 thousand);

Leases

The Company’s right-of-use assets are as follows:

	Land and buildings		*Machinery, equipment and facilities*		*Other*		*Total*	
	2025	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*
	BGN ‘000	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN‘000*	*BGN ‘000*	*BGN ‘000*
Book value								
Balance at 1 January	**19,798**	**17,377**	**1,124**	**1,124**	**4,138**	**3,751**	**25,060**	**22,252**
Additions	231	2,493	-		557	572	788	3,065
Disposals	-	(72)	-		(345)	(185)	(345)	(257)
Balance at 31 March/31 December	**20,029**	**19,798**	**1,124**	**1,124**	**4,350**	**4,138**	**25,503**	**25,060**
Accumulated depreciation								
Balance at 1 January	**4,032**	**1,904**	**284**	**141**	**1,513**	**745**	**5,829**	**2,790**
Depreciation charge for the year	601	2,200	31	143	239	875	871	3,218
Depreciation written-off	-	(72)	-	-	(345)	(107)	(345)	(179)
Balance at 31 March/31 December	**4,633**	**4,032**	**315**	**284**	**1,407**	**1,513**	**6,355**	**5,829**
Carrying amount on 31 March/31 December	**15,396**	**15,766**	**809**	**840**	**2,943**	**2,625**	**19,148**	**19,231**

Carrying amount on 1 January	**15,766**	**15,473**	**840**	**983**	**2,625**	**3,006**	**19,231**	**19,462**

The Company's right-of-use land and buildings as at 31 March/31 December are as follows:

- Buildings with carrying amount BGN 15,396 thousand (31 March/31 December 2024: BGN 15,766 thousand);
- Land with zero carrying amount (31 March/31 December 2024: zero carrying amount).

The other non-current tangible right-of-use assets of the Company as at 31 March/31 December include:

- Vehicles with carrying amount BGN 2,943 thousand (31 March/31 December 2024: BGN 2,617 thousand);
- Furniture and fixtures with zero carrying amount (31 March/31 December 2024: BGN 8 thousand).

The Company has included its right-of-use assets within the same item in which the assets would have been stated if they were the Company's own.

The Company has leased PPE to related parties with carrying amount as at 31 March 2025: BGN 68 thousand (31 March/31 December 2024 – BGN 69 thousand). It has also leased to third parties PPE with carrying amount as at 31 March 2025: BGN 1,234 thousand (31 March/31 December 2024: BGN 1,255 thousand).

Other data

The book value of fully depreciated tangible fixed assets, used in the Company's activities by group, is as follows:

- Buildings – BGN 7,540 thousand (31 March/31 December 2024: BGN 7,540 thousand);
- Plant and equipment – BGN 80,342 thousand (31 March/31 December 2024: BGN 78,373 thousand);
- Other – BGN 12,706 thousand (31 March/31 December 2024: BGN 12,339 thousand).

The following encumbrances were constituted on Company's tangible fixed assets as at 31 March 2025 in relation to received loans:

- Land and buildings with a carrying amount of BGN 23,187 thousand and BGN 47,621 thousand, respectively (31 March/31 December 2024: respectively, BGN 21,380 thousand and BGN 45,021 thousand) *(Note 30, Note 36 and Note 42);*
- Pledges on equipment – BGN 21,565 thousand (31 March/31 December 2024: BGN 13,664 thousand) *(Note 30, Note 36 and Note 42).*

Periodical fair value remeasurement

The latest revaluation of property, plant and equipment was carried out as at 31 March/31 December 2021with the assistance of independent certified appraisers for the purpose of determining the fair value of the assets in accordance with the requirements of IFRS 13 and IAS 16.

During this revaluation, the following main approaches and valuation methods were applied to measure the fair value of the different types of tangible assets:

- ‘market approach’ and ‘market comparables’ approach – for regulated land plots and agricultural land for which an actual market exists, there are market comparables and transactions therewith and there is basis for comparison – the fair value adopted is the market value determined using the comparative method;
- ‘cost approach’ through ‘amortised recoverable amount’ method and ‘method based on the cost to create or replace the asset’ – for specialized buildings, machinery, equipment, facilities and other assets for which there is no actual market and comparable sales of comparable assets – the fair value adopted is the amortised recoverable amount based on the indexed historical value of the asset and based on current costs to create or replace the asset.
- ‘income approach’ through ‘capitalized income on use/production of biological assets’ – for permanent yellow acacia crops in fruit-bearing stage.

From this valuation, the revaluation reserve recognised, net of tax, of BGN 7,767 thousand net of taxes.

16. INTANGIBLE ASSETS

The Company’s intangible assets are as follows:

	Goodwill		*Intellectual property rights*		*Software*		*Assets in*		*Total*	
	2025	***2024***	***2025***	***2024***	***2025***	***2024***	***2025***	***2024***	***2025***	***2024***
	BGN‘000	***BGN ‘000***	***BGN ‘000***	***BGN‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN‘000***	***BGN ‘000***
Book value										
Balance at 1 January	**9,512**	**9,512**	**179,092**	**13,420**	**4,684**	**4,475**	**6,838**	**3,143**	**200,126**	**30,550**
Additions	-	-	78	97	-	64	1,682	169,419	1,760	169,580
Transfer	-	-	327	165,578	77	146	(404)	(165,724)	-	-
Written-off	-	-	-	(3)	-	(1)	-	-	-	(4)
Balance at 31 March/31 December	**9,512**	**9,512**	**179,497**	**179,092**	**4,761**	**4,684**	**8,116**	**6,838**	**201,886**	**200,126**
Accumulated amortisation and impairment										
Balance at 1 January Amortisation charge for the year	**8,744**	**8,744**	**10,466**	**9,620**	**4,383**	**4,278**	**-**	**-**	**23,593**	**22,642**
Amortisation written-off	-	-	239	849	34	105	-	-	273	954
Balance at 31 March/31 December	-	-	-	(3)	-	-	-	-	-	(3)
	8,744	**8,744**	**10,705**	**10,466**	**4,417**	**4,383**	**-**	**-**	**23,866**	**23,593**
Carrying amount at 31 March/31 December										
Carrying amount at 1 January	**768**	**768**	**168,792**	**168,626**	**344**	**301**	**8,116**	**6,838**	**178,020**	**176,533**
Carrying amount at 1 January	**768**	**768**	**168,626**	**3,800**	**301**	**197**	**6,838**	**3,143**	**176,533**	**7,908**

The Company's intellectual property rights as at 31 March/31 December include:

- Marketing authorisations with carrying amount BGN 165,039 thousand (31 March/31 December 2024: 164,039);
- Medical registrations with carrying amount BGN 1,458 thousand (31 March/31 December 2024: BGN 1,514 thousand);
- Trademarks with carrying amount BGN 1,062 thousand (31 March/31 December 2024: BGN 1,086 thousand);
- Licenses with carrying amount BGN 655 thousand (31 March/31 December 2024: BGN 539 thousand) ;
- Copyright with carrying amount BGN 614 thousand (31 March/31 December 2024: BGN 448 thousand).

The expenses for acquisition of non-current intangible assets as at 31 March/31 December include:

- Software implementation expenses – BGN 6,794 thousand (31 March/31 December 2024: BGN 5,316 thousand);
- Expenses for acquisition of licenses: BGN 647 thousand (31 March/31 December 2024: BGN 653 thousand);
- Expenses for acquisition of use permits for medicinal products – BGN 636 thousand (31 March/31 December 2024: BGN 695 thousand);
- Expenses for acquisition of copyright – none (31 March/31 December 2024: BGN 171 thousand);
- Other – BGN 39 thousand (31 March/31 December 2024: BGN 3 thousand).

Goodwill impairment

The goodwill which results from the merger of subsidiaries (Bulgarian Rose – Sevtopolis AD, Medica AD, Unipharm AD, Biopharm Engineering AD and Veta Pharma AD) into the parent and is recognised in the Company's separate statement of financial position (*Note 2.12)*.

At each date of the statement of financial position, the management assesses if indicators exist for impairment of the existing goodwill, with the support of independent licensed appraisers.

The key assumptions used in the calculation in the recoverable amount at 31 March 2025 are:

- growth rate – 1,35%;
- growth in the post-forecast period at terminal value calculation – 2.00%;
- discount rate (CAPM-based) – 12.74%.

For 2025 and 2024, no need was identified to recognise impairment of goodwill stated.

The book value of fully amortised intangible fixed assets, used in the Company's activities according to their groups, is as follows:

- rights on intellectual property – BGN 5,702 thousand (31 March/31 December 2024: BGN 5,689 thousand);
- software – BGN 4,192 thousand (31 March/31 December 2024: BGN 4,192 thousand).

17. INVESTMENT PROPERTY

Investment property represents buildings and the land they stand on, differentiated parts of buildings for independent use, intended for long-term lease to subsidiaries and third parties.

	31.03.2025 ***BGN '000***	***31.12.2024*** ***BGN '000***
Balance at 1 January	**50,512**	**49,886**
Additions	271	330
Transfer from property, plant and equipment	(512)	-
Disposals	-	(18)
Net profit/(loss) on remeasurement to fair value included in profit or loss (*Note 4*)	-	314
Balance at 31 March/31 December	**50,271**	**50,512**

The investment property per groups of assets is as follows:

Group of assets	***31.03.2025*** ***BGN '000***	***31.12.2024*** ***BGN '000***
Warehouse premises	46,883	46,612
Offices	1,754	1,754
Production buildings	1,435	1,435
Retail sites	199	199
Social objects	-	512
Total	**50,271**	**50,512**

There are established encumbrances as at 31 March 2025 on investment property as follows:

- mortgage of warehouse premises – BGN 15,370 thousand (31 March/31 December 2024: BGN 15,660 thousand) *(Note 36 and Note 42);*
- pledges on attached equipment – BGN 18,852 thousand (31 March/31 December 2024: BGN 18,852 thousand) *(Note 36)*.

Fair value measurement

Fair value hierarchy

The fair values of the groups of investment properties are categorised as Level 2 and Level 3 fair values based on the inputs to the valuation technique used.

The investment property remeasurement to fair value is recurring (annual) and is due to the application of the fair value model under IAS 40. It is performed regularly at the end of each reporting period. Fair value is determined with the assistance of independent certified appraisers.

The table below shows reconciliation between the opening and closing balances of the fair values of investment properties measured at Level 2 and Level 3:

	Warehouse premises	*Offices*	*Production buildings*	*Social objects*	*Retail sites*	*Assets in progress*	*Total*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January 2024	**46,250**	**1,686**	**1,252**	**513**	**185**	**-**	**49,886**
Additions	-	-	-	-	-	330	330
Transfers	330	-	-	-	-	(330)	-
Written-off	(18)	-	-	-	-	-	(18)
Remeasurement to fair value through profit or loss – unrealised	50	68	183	(1)	14	-	314
Balance at 31 March/31 December 2024	**46,612**	**1,754**	**1,435**	**512**	**199.00**	**-**	**50,512**
Additions	-	-	-	-	-	271	271
Transfer to property, plant and equipment	-	-	-	(512)	-	-	(512)
Transfers	271	-	-	-	-	(271)	-
Balance at 31 March 2024	**46,883**	**1,754**	**1,435**	**-**	**199**	**-**	**50,271**

At the date of each statement of financial position, the management analyses and assesses the fair value of the group of assets in the scope of investment property. The calculations are made by the management with the support of independent licensed appraisers.

Valuation techniques and significant unobservable inputs

The tables below show a description of the valuation techniques, used in measuring the fair value of all groups of Level 2 and Level 3 investment properties as well as the used significant unobservable inputs:

Groups of assets Level 2	**Valuation approaches and techniques**	**Significant unobservable inputs**

Offices, retail sites and social objects	***Valuation approach***: Income approach Valuation technique: Valuation based on the present value, corresponding to a methodology related to meeting the requirements of BVS 2018, including valuation based on capitalized rental income, as a scheme to apply the discount cash flows method, using data, parameters, and calculation results from applying the market comparative approach and the costs for creation/replacement approach.	a) comparative rental income for market analogues b) rate of return c) realization term of rental transactions
Warehouse, warehouse premises and production - storage facilities (incl. land, buildings, structures and construction equipment)	***Valuation approach***: Income approach Valuation technique: Valuation based on the present value, corresponding to a methodology related to meeting the requirements of BVS 2018, including valuation based on capitalized rental income, as a scheme to apply the discount cash flows method, using data, parameters, and calculation results from applying the market comparative approach and the costs for creation/replacement approach.	a) comparative rental income for market analogues b) rate of return c) realization term of rental transactions

Groups of assets Level 3	**Valuation approaches and techniques**	**Significant unobservable inputs**

Retail sites and production - warehouse bases (including land, buildings and building facilities)	***Valuation approach***: Income approach Valuation technique: Valuation based on the present value, corresponding to a methodology related to meeting the requirements of BVS 2018, including valuation based on capitalized rental income, as a scheme to apply the discount cash flows method, using data, parameters, and calculation results from applying the market comparative approach and the costs for creation/replacement approach.	a) comparative rental income for market analogues b) rate of return c) realization term of rental transactions
Facilities, installations, equipment and furniture adjacent to real estate	***Valuation approach***: Income approach Valuation technique: Valuation based on the present value, corresponding to a methodology related to meeting the requirements of BVS 2018, including valuation based on capitalized rental income, as a scheme to apply the discount cash flows method, using data, parameters, and calculation results from applying the market comparative approach.	a) comparative values for new analogues b) consumer price change indices based on NSI data

Key assumptions used in the calculation of the fair value of investment properties as at 31 March 2025:

- rate of return – from 4.25 % to 9.40%;
- term to entrance into rental deals – from 6 to 12 months;

As a result of the calculations made in 2025, it was necessary to recognise gains on remeasurement to fair value, at the amount of BGN 314 thousand (2024: gain of BGN 194 thousand) *(Note 4)*.

18. INVESTMENTS IN SUBSIDIARIES

The carrying amount of the investments by company is as follows:

		31.03.2025 BGN '000	***Interest %***	***31.12.2024 BGN '000***	***Interest %***
Sopharma Trading AD	Bulgaria	65,009	87.99	65,009	87.99
Sopharma Rus OOO	Russia	43,615	100.00	-	100.00
Pharmanova D.O.O.	Serbia	13,398	75.00	13,398	75.00
Sopharma Ukraine EOOD	Ukraine	9,669	100.00	9,669	100.00

Sopharma Warsaw EOOD	Poland	6,807	100.00	6,807	100.00
Vitamini AD	Ukraine	1,283	100.00	1,283	100.00
TOO Sopharma Kazakhstan	Kazakhstan	502	100.00	502	100.00
SofTech Services EOOD	Bulgaria	100	100.00	-	-
Total		**140,383**		**96,668**	

As at 31 March 2025, the composition of investments in the subsidiaries includes the investment in Sopharma Poland OOD – in liquidation, Poland, which is fully impaired (31 March/31 December 2024: fully impaired investments in Sopharma Poland OOD – in liquidation, Poland and Phyto Palausovo AD). In 2025, there is one newly established subsidiaries (2024: none).

Sopharma AD exercises direct control on the above-mentioned companies.

The scope of activities of the subsidiaries and the dates of their acquisition are as follows:

- Sopharma Poland OOD – in liquidation – Scope of activities: market and public opinion research. Date of acquisition – 16 October 2003. The company is in a procedure of liquidation.
- Sopharma Trading AD – Scope of activities: trade in pharmaceuticals. Date of acquisition – 8 June 2006.
- Vitamina AD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 18 January 2008.
- Sopharma Warsaw EOOD – Scope of activities: market and public opinion research. Date of acquisition – 23 November 2010.
- Sopharma Ukraine EOOD – Scope of activities: trade in pharmaceuticals; Date of acquisition – 7 August 2012.
- TOO Sopharma Kazakhstan – Scope of activities: trade in pharmaceuticals. Date of acquisition – 30 September 2014.
- Pharmachim EOOD – Scope of activities: consulting services. Date of acquisition: 14 April 2020.
- Sopharma Rus OOO – scope of activities: wholesale trade in pharmaceuticals, market and public opinion surveys. Date of acquisition – 13 October 2024.
- Pharmanova OOD – scope of activities: manufacturing of pharmaceuticals. Date of acquisition: 13 August 2025.
- SofTech Services EOOD - subject of activity: provision of software services. Acquisition date - 28.02.2025.

The movement of investments in subsidiaries is presented below:

	Investments in subsidiaries	
	31.03.2025	***31.12.2024***
Acquisition price	***BGN '000***	***BGN '000***
Balance on January 1	**120,358**	**108,985**
Additional share contributions	43,615	-
New participations acquired	100	8,639
Transfer of investments in associates	-	4,759
Additional shares acquired		764

Liquidation of a subsidiary	-	(190)
Shares sold with loss of control		(2,548)
Shares sold without loss of control		(51)
Balance as of March 31 / December 31	**164,073**	**120,358**
Accrued depreciation		
Balance on January 1	**23,690**	**25,084**
Recovered impairment on sale without loss of control	-	(1)
Impairment reversed on sale with loss of control	-	(1,203)
Impairment written off upon liquidation of a subsidiary	-	(190)
Balance as of March 31 / December 31	**23,690**	**23,690**
Carrying amount as of March 31 /December 31	**140,383**	**96,668**
Carrying amount as of January 1	**96,668**	**83,901**

Impairment of investments in subsidiaries

At each reporting date, the management makes an analysis and assessment about whether indicators for impairment exist in respect of its investments in subsidiaries.

The following are accepted as main indicators for impairment: significant volume reduction (over 25%) and/or termination of activities of the investee; loss of markets, clients or technological problems, reporting of losses for a longer period of time (over three years), reporting of negative net assets or assets below the registered share capital, trends of deterioration of main financial ratios as well as a decrease in market capitalisation. The calculations were made by the management with the assistance of independent certified appraisers.

As a base for projected pre-tax cash flows, the Company uses financial budgets developed by the respective companies that cover a 3- to 5-year period, as well as other average-term and long-term plans and intents for their development, including projections for basic economic ratios at national level and at the level of EU/the Balkans. The key assumptions used in the calculations of recoverable amount as at 31 March 2025 are as follows:

- growth rate – from 3.98% to 13.22%;
- growth after the projected period upon calculation of terminal value – 2.50% to 6%;
- interest rate (cost of debt) – from 6.03% to 16.20%;
- discount rate (based on WACC) – from 9.70% to 24,90%;
- discount rate (based on CAPM) – from 19.94% to 27.80%.

The key assumptions used in the calculations have been determined specifically for each company, treated as a separate cash-generating unit, and in line with the characteristic features of its operations, the business environment and risks.

The tests and assumptions of the management for impairment of investments are made through the prism of its projections and intents on the future economic benefits, which are expected from the subsidiaries, including trade and industrial experience, ensuring position in the Bulgarian and in foreign markets, expectations for future sales, etc. The calculations are performed with the assistance of an independent certified appraiser.

As a result of the calculations made in 2025 and 2024, the Company did not find it necessity to recognise impairment of particular investments in subsidiaries.

The Company holds investments in two subsidiaries in Ukraine. As at the date of approval of these separate financial statements, the assets of these subsidiaries are not physically affected by hostilities, but the value of these investments may need to be reviewed in the future depending on the development of the war and its impact on the companies' operations.

The Company has placed in favour of a creditor bank in relation to a loan from a related party special pledge on shares in the capital of a subsidiary with carrying amount as at 31 March 2025 BGN 10,126 thousand (31 March/31 December 2024: BGN 10,126 thousand) (*Note 42*).

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The investments in associates are as follows:

	31.03.2025	***Interest***	***31.12.2024***	***Interest***
Sopharma Properties REIT	69,922	45.65	69,922	45.65
Sopharma Buildings REIT	29,419	32.66	29,313	32.48
Doverie Obedinen Holding AD	8,715	22.75	8,437	22.60
Total	**108,056**		**107,672**	

Sopharma Properties REIT is an associated company with the business of investing cash raised through the issuance of securities in real estate through the purchase of title and other property rights to real estate, construction and improvements to real estate for the purpose of management, rental, leasing, lease and/or sale.

Sopharma Buildings REIT is an associated company with the object of investing cash raised through the issue of securities in real estate through the purchase of title and other rights in rem in real estate, the construction and improvement of real estate for the purpose of management, lease, rental, leasehold and/or sale.

Doverie Obedinen Holding AD is an associate whose principal activities include acquisition, management, assessment and sale of shares in Bulgarian and foreign companies - legal entities.

The movement in investments in associates is presented below:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Balance at 1 January	**107,672**	**112,094**
Acquired shares in associates	387	685
Sold shares in associates	(3)	(348)
Transfer to investments in subsidiaries	-	(4,759)
Balance at 31 March/31 December	**108,056**	**107,672**

Net gain on sale of investments in associates

The Company stated a net gain on sale of investments in associates, as follows:

	2025	***2024***
	BGN '000	***BGN '000***

Gain on sale of investments in associates	9	-
Costs on sale of investments in associates	-	-
Net gain on sale of investments in associates	**9**	**-**

Impairment of investments in associates

At each reporting date, the management makes an assessment about whether indicators for impairment exist in respect of its investments in associates.

The assessments of the management for impairment of investments are made through the prism of its projections and intents on the future economic benefits, which are expected from the associates, including trade and industrial experience, ensuring position in the Bulgarian and in foreign markets, expectations for future sales, etc.

The calculations have been made by the management with the support of independent licensed appraisers.

The key assumptions used in the calculation in the recoverable amount at 31 March 2025 are:

- growth rate – from 1.34% to 356.51%;
- growth in the post-forecast period at terminal value calculation – from 0% to 2.00%;
- discount rate (WACC-based) – from 6.10% to 8.00%;
- discount rate (CAMP-based) – 15.08%;
- interest debt (debt price) – from 4.27% to 5.16%/

Momina Krepost AD is a joint venture whose principal activities include development, implementation and production of medicinal products for human and veterinary medicine.

20. OTHER LONG-TERM EQUITY INVESTMENTS

The *other long-term equity investments* include the interest (shares) in the following companies:

	31.03.2025 BGN '000	***Interest %***	***31.12.2024 BGN '000***	***Interest %***
Achieve Life Science Inc. – USA	5,649	3.15	8,414	3.15
Lavena AD	1,103	13.10	3,355	13.10
MFG Invest AD	122	0.46	147	0.46
Imventure 1 KDS	50	1.36	50	1.36
Ecobulpack AD	7	0.37	7	0.37
UniCredit Bulbank AD	3	0.001	3	0.001
Total	**6,934**		**11,976**	

All above companies except for Achieve Life Science Inc. – USA, have their seat and operations in Bulgaria.

The fair value per share at 31 March/31 December is as follows:

	31.03.2025			***31.12.2024***		
Equity investments	***Number of shares***	***Fair value per share***	***Fair value as per the statement of financial position***	***Number of shares***	***Fair value per share***	***Fair value as per the statement of financial position***

		BGN	*BGN'000*		*BGN*	*BGN'000*
Achieve Life Science Inc. – USA	1,092,308	5.17	5,649	1,092,308	7.70	8,414
Lavena AD	499,270	2.21	1,103	1,299,026	2.58	3,355
MFG Invest AD	50,000	2.43	122	50,000	2.93	147
Total			**6,874**			**11,916**

The table below presents Company's other equity investments, which are measured at fair value on a recurring basis in the separate statement of financial position:

Equity investments	*Fair value*	*Level 1*	*Level 2*
	31.03.2025		
	BGN'000	*BGN'000*	*BGN'000*
Achieve Life Science Inc. – USA	5,649	5,649	-
Lavena AD	1,103	-	1,103
MFG Invest AD	122	-	122
Total	**6,874**	**5,649**	**1,225**

Equity investments	*Fair value*	*Level 1*	*Level 2*
	31.12.2024		
	BGN'000	*BGN'000*	*BGN'000*
Achieve Life Science Inc. – USA	8,414	8,414	-
Lavena AD	3,355	-	3,355
MFG Invest AD	147	-	147
Total	**11,916**	**8,414**	**3,502**

The table below shows reconciliation between the opening and closing balances of the fair values at Level 1 and Level 2:

Equity investments (stocks and warrants)	*(Level 1)*	*(Level 2)*	*Total*
	BGN'000	*BGN'000*	*BGN'000*
Balance as of January 1, 2024	**172**	**3,638**	**3,810**
Capital issue	8,732	-	8,732
Sales	(12)	(7)	(19)
Transfer from Level 1 to Level 2	(148)	148	-
Unrealized gain/(loss), net, included in other comprehensive income (*Note 14*)	(330)	(277)	(607)
Balance as of December 31, 2024	**8,414**	**3,502**	**11,916**
Sales	-	(2,066)	(2,066)
Unrealized gain/(loss), net, included in other comprehensive income (*Note 14*)	(2,765)	(211)	(2,976)
Balance as of March 31, 2025	**5,649**	**1,225**	**6,874**

Valuation techniques and approaches

The market comparables approach was applied in the Level 2 fair value measurements. The valuation technique was based on the trading multiples method. Upon preparing fair value measurements, the Company has used the services of certified valuators.

For investments not traded on equity markets, the Company has used internal assessments by Company's specialists. Upon the analysis of the companies subject to these internal assessments the Company has determined that the fair value of these equity investments do not materially deviate from their carrying amounts.

21. LONG-TERM RECEIVABLES FROM RELATED PARTIES

The long-term receivables from related parties include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Receivables from recoverable additional shares in a subsidiary	6,651	6,385
Receivables under cession agreements	4,042	4,011
Receivables under transactions in securities	2,843	2,843
Deposits under leases (*Note 33*)	516	516
Long-term loans granted	-	3,016
Total	**14,052**	**16,771**

Receivables on recoverable additional share contributions in a subsidiary are in PLN. They are interest-bearing and mature on 31.12.2030.

Receivables under assignment agreements are in BGN and mature on 31.12.2027 and bear interest. They were acquired in 2022 in connection with the repayment of bank loans of a joint venture on which Sopharma AD is a co-debtor. They are secured by mortgages on land and buildings, as well as pledge of machinery and equipment.

Long-term loans are granted and the conditions thereof as at 31 March 2025 are as follows:

Company	***UIC***	***Relation type***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.03.2025***	
				'000					***BGN'000***	***BGN'000***	***BGN'000***
											Incl. interest
Industrial Holding Doverie AD	*121683066*	*company controlled by an associate*	*BGN*	3,000	606/2024	22.11.2024 г.	31.12.2026	4.93%	3,694	*3,016*	*16*
									3,694	***3,016***	***16***

Long-term loans are granted and the conditions thereof as at 31 March/31 December 2024 are as follows:

Company	***UIC***	***Relation type***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.12.2024***	
				'000					***BGN'000***	***BGN'000***	***BGN'000***

											incl. interest
Doverie Invest EAD	*205426924*	*company controlled by an associate*	*BGN*	83,400	113/2019	18.03.2022	31.03.2025	3.00%	-	*40,901*	*484*
Industrial Holding Doverie AD	*121683066*	*company controlled by an associate*	*BGN*	14,939	409/2022	04.12.2024	31.03.2025	4.36%	26,918	*8,052*	*152*
									26,918	***48,953***	***636***

The long-term loans granted to related parties are intended to support the financing of these companies' activities under common strategic objectives. They are secured by pledges of securities (shares) and promissory notes.

Receivables from securities transactions represent a receivable on an investment sold in a subsidiary. They are denominated in BGN and mature on 31.12.2033.

The deposits placed are under leases. They are denominated in EUR, with maturity on 1 August 2032.

22. OTHER LONG-TERM RECEIVABLES

Company's *other long-term receivables* include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Receivables under transactions in securities	*4,081*	*4,229*
Impairment of credit losses	*(41)*	*(41)*
Receivables under transactions in securities, net	4,040	4,188
Long-term loans granted	2,890	2,865
Total	**6,930**	**7,053**

Receivables from securities transactions at 31 March/31 December were as follows:

- receivable on investment sold in a subsidiary in the amount of BGN 3,576 thousand (31 March/31 December 2024: BGN 3,742 thousand). These are denominated in US dollars with a maturity date of 30.09.2026, which is linked to the completion of certain regulatory actions for registrations of medical product authorizations;
- receivable on an investment sold in a subsidiary amounting to BGN 464 thousand (31 March/31 December 2024: 464). They are in BGN and mature on 31.12.2033.

The movement in the allowance for impairment of receivables under transactions in securities is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**41**	**183**

Decrease in the allowance for credit losses recognized in profit or loss for the year	-	(142)
Balance at 31 March/31 December	**41**	**41**

The long-term loans granted and their terms as at 31 March 2025 are as follows:

Company	*UIC*	*Currency*	*Contracted amount*	*Contract No/year*	*Date of latest supplementary agreement*	*Maturity*	*Interest %*	*Market value of collateral*	*31.03.2025*	
			'000					*BGN'000*	*BGN'000*	*BGN'000*
										incl. interest
Pharmaplant AD	*201837643*	BGN	2,847	605/2024 г	22.11.2024	31.12.2027	6.05%	3,998	*2,890*	*43*
								3,998	***2,890***	***43***

23. INVENTORIES

Inventories include:

	31.03.2025	*31.12.2024*
	BGN '000	*BGN '000*
Finished product	48,923	43,267
Materials	43,859	49,876
Unfinished production	11,086	13,286
Semi-finished product	6,086	4,074
Goods	3,248	4,508
Total	**113,202**	**115,011**

The finished product is as follows:

	31.03.2025	*31.12.2024*
	BGN '000	*BGN '000*
Tablet forms	27,533	26,240
Ampoule forms	8,833	6,385
Syrups	5,126	4,059
Ointments	2,942	2,860
Bandage products	1,271	1,545
Drops	562	268
Suppositories	557	231
Lyophilized products	437	230
Sachets	386	359
Patches	358	340

Sanitary and hygiene products	356	432
Medical cosmetics	280	238
Dissolve	166	-
Concentrates for hemodialysis	98	70
Veterinary vaccines	13	10
Chemical substances and mixtures	5	-
Total	**48,923**	**43,267**

The materials by type are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Basic materials	41,792	45,182
Technical materials	671	793
Materials in the process of delivery	483	2,952
Supporting materials	467	511
Spare parts	445	414
Others	1	24
Total	**43,859**	**49,876**

The main materials by type are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Substances	23,675	24,308
Chemicals	6,088	7,325
Ampoules	3,494	3,336
PVC and aluminum foil	2,101	3,266
Packaging materials	1,846	1,556
Sanitary and hygienic materials and dressings	1,801	1,498
Herbs	1,530	2,806
including own production	*72*	*72*
Vials	729	699
Tubes	488	358
Materials for solutions	25	18
Veterinary vaccine materials	15	12
Total	**41,792**	**45,182**

The movement of herbs from our own production (agricultural produce, including harvested yellow acacia seeds) is as follows:

	2025	*2024*
	BGN '000	***BGN '000***
Agricultural production on January 1	**72**	**72**
Agricultural production as of March 31 / December 31	**72**	**72**

The goods by type are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Medical devices	3,013	4,245
Nutritional supplements	143	177
Food products	92	86
Total	**3,248**	**4,508**

As of 31.03.2025, on the company's available inventories with a book value of BGN 39,765 thousand, there are pledges established as collateral for bank loans (31.12.2024: BGN 39,765 thousand) *(Note 36 and Note 42)*.

24. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Receivables from subsidiaries	*97,250*	*87,570*
Allowance for credit losses	*(4,279)*	*(4,279)*
Receivables from subsidiaries, net	92,971	83,291
Receivables from associated companies	*347*	*348*
Allowance for credit losses	*(6)*	*(6)*
Receivables from associated companies, net	341	342
Receivables from joint ventures	*3,223*	*3,056*
Allowance for credit losses	*(3,181)*	*(3,056)*
Receivables from joint ventures, net	42	-
Receivables from joint venture companies registered under the Contracts and Receivables Act	*160*	*160*
Allowance for credit losses	*(160)*	*(160)*
Receivables from joint venture companies registered under the Civil Procedure Act, net	-	-
Total	**93,354**	**83,633**

The receivables from related parties by type are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Receivables under contracts with customers	*97,569*	*87,320*
Allowance for credit losses	*(4,284)*	*(4,284)*
Receivables under contracts with customers, net	93,285	83,036
Receivables under sureties and guarantees	32	74
Allowance for credit losses	*(5)*	*(5)*
Receivables under sureties and guarantees, net	27	69
Advances granted	42	528
Commercial loans granted	*3,177*	*3,052*
Allowance for credit losses	*(3,177)*	*(3,052)*
Commercial loans granted, net	-	-
Other receivables	*160*	*160*
Allowance for credit losses	*(160)*	*(160)*
Other receivables, net	-	-
Total	**93,354**	**83,633**

The receivables under contracts with customers – related parties are interest-free and BGN 71,637 thousand of them are denominated in BGN (31 March/31 December 2024: BGN 68,835 thousand) and in EUR – BGN 21,206481 thousand (31 March/31 December 2024: BGN 14,201 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and amounted to BGN 71,296 thousand as at 31 March 2025 or 76,43% of all receivables under contracts with customers - related parties (31 March/31 December 2024: BGN 68,493 thousand – 82,49%).

The Company usually negotiates with its subsidiaries payment terms ranging from 45 to 270 days for receivables on sales of finished products and up to 90 days for receivables on sales of materials (incl. substances).

The movement in the allowance for impairment of trade receivables from related parties is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**4,284**	**4,194**
Increase in the credit loss allowance recognised within profit or loss for the year	-	4,284
Decrease in the credit loss allowance recognised within profit or loss for the year	-	(4,194)

Balance at 31 March/31 December	**4,284**	**4,284**

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
up to 30 days	24,481	15,717
from 31 to 90 days	26,433	28,623
from 91 to 180 days	37,257	34,752
from 181 to 365 days	1,295	-
Over 365 days	347	348
Gross amount of non-matured (regular) receivables from related parties	*89,813*	*79,440*
Impairment of credit losses	*(1,366)*	*(1,366)*
Non-matured (regular) receivables from related parties, net	**88,447**	**78,074**

The impairment of credit losses of non-matured (regular) trade receivables from related parties is as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
up to 30 days	271	271
from 31 to 90 days	492	492
from 91 to 180 days	597	597
Over 365 days	6	6
Total	**1,366**	**1,366**

The *age structure* of the invoice date of past due trade receivables from related parties is as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
from 31 to 90 days	-	139
from 91 to 180 days	545	446
from 181 to 365 days	3,630	3,871
over 365 days	3,581	3,424
Gross amount of past due receivables from related parties	*7,756*	*7,880*
Impairment of credit losses	*(2,918)*	*(2,918)*
Past due receivables from related parties, net	**4,838**	**4,962**

The Company applies the simplified approach under IFRS 9 to measure expected credit losses for trade receivables by recognizing expected lifetime losses for all trade receivables *(Note 2.17)*. Based on that, the credit loss allowance as at 31 March/31 December is determined as follows: *About the value of credit losses* on non-defaulters (regular) trade receivables from related parties are as follows:

	31.03.2025	*31.12.2024*
	BGN '000	***BGN '000***
up to 30 days	271	271
from 31 to 90 days	492	492
from 91 to 180 days	597	597
over 365 days	6	6
Total	**1,366**	**1,366**

The age structure of the invoice date of overdue trade receivables from related parties is as follows:

	31.03.2025	*31.12.2024*
	BGN '000	***BGN '000***
from 31 to 90 days	-	139
from 91 to 180 days	545	446
from 180 days to 365 days	3,630	3,871
over 365 days	3,581	3,424
Gross value of overdue receivables from related enterprises	*7,756*	*7,880*
Allowance for credit losses	*(2,918)*	*(2,918)*
Overdue receivables from related companies, net	**4,838**	**4,962**

The company applies simplifications approach of IFRS 9 for measurement on expected credit losses by commercial receivables from related companies , such as admits expected losses for the whole deadline on the instrument for all commercial receivables from related companies *(Note 2.17)* . On this basis, the loss adjustment as of March 31 / December 31 is determined as follows:

March 31, 2025		***Regular***	***Overdue up to 90 days***	***Overdue for more than 90 days***	***Overdue for more than 180 days***	***Overdue for more than 365 days***	***Total***
Expected average % of credit losses		2%	29%	25%	42%	75%	
Trade receivables (gross carrying amount)	***BGN '000***	89,813	1,685	2,153	3,235	683	97,569
Expected credit loss (Impairment allowance)	***BGN '000***	(1,366)	(482)	(549)	(1,373)	(514)	(4,284)

December 31, 2024		*Regular*	*Overdue up to 90 days*	*Overdue for more than 90 days*	*Overdue for more than 180 days*	*Overdue for more than 365 days*	*Total*
Expected average % of credit losses		2%	20%	27%	47%	100%	
Trade receivables (gross carrying amount)	*BGN '000*	79,440	2,439	2,017	2,910	514	87,320
Expected credit loss (Impairment allowance)	*BGN '000*	(1,366)	(482)	(549)	(1,373)	(514)	(4,284)

As of 31.03.2025, special pledges have been established as collateral for bank loans received on receivables from related parties in the amount of BGN 77,796 thousand (31.12.2024: BGN 74,993 thousand) (Note 36).

The receivables under guarantees by type of related companies are as follows:

	31.03.2025	*31.12.2024*
	BGN '000	*BGN '000*
Receivables from subsidiaries	*28*	*70*
Allowance for credit losses	*(1)*	*(1)*
Receivables from subsidiaries, net	27	69
Receivables from joint ventures	*4*	*4*
Allowance for credit losses	*(4)*	*(4)*
Receivables from joint ventures, net	-	-
Total	**27**	**69**

The receivables under guarantees are interest-free and are in euros.

The movement of the allowance for impairment of receivables under guarantees from related companies is as follows*:*

	2025	*2024*
	BGN '000	*BGN '000*
Balance on January 1	**5**	**4**
Increase in allowance for credit losses recognised in profit or loss during the year	-	1
Balance as of March 31 / December 31	**5**	**5**

Loans granted to related companies by type of related company are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Joint ventures	*3,177*	*3,052*
Allowance for credit losses	*(3,177)*	*(3,052)*
Total	**-**	**-**

The movement of the allowance for impairment of loans granted to related companies is as follows*:*

	2025	***2024***
	BGN '000	***BGN '000***
Balance on January 1	**3,052**	**2,169**
Increase in allowance for credit losses recognised in profit or loss during the year	125	898
Decrease in allowance for credit losses recognised in profit or loss during the year	-	(15)
Balance as of March 31 / December 31	**3,177**	**3,052**

Other receivables are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Receivables from joint venture companies registered under the Contracts and Receivables Act	160	160
Allowance for credit losses	*(160)*	*(160)*
Total	**-**	**-**

The other receivables are in BGN and are interest-free.

The movement of the allowance for impairment of other receivables is as follows*:*

	2025	***2024***
	BGN '000	***BGN '000***
Balance on January 1	**160**	**1 60**
Balance as of March 31 / December 31	**160**	**160**

25. TRADE RECEIVABLES

Trade receivables include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Receivables under contracts with customers	*22,491*	*20,045*

Impairment of credit losses	*(1,177)*	*(1,177)*
Receivables under contracts with customers, net	21,314	18,868
Receivables under cession agreements	*4,890*	*4,890*
Advances granted	1,815	2,233
Total	**28,019**	**25,991**

The *receivables under contracts with customers* are interest-free and BGN 1,202 thousand of them are denominated in BGN (31 March/31 December 2024: BGN 808 thousand), in EUR – BGN 16,134 thousand (31 March/31 December 2024: BGN 14,673 thousand), in USD – BGN 3,978 thousand (31 March/31 December 2024: BGN 3,387 thousand).

One main counterpart of the Company is accountable for about 10,74% of the receivables from clients (31 March/31 December 2024: one main counterpart accountable for 17,86% of trade receivables).

The Company usually agrees with its clients payment terms from 30 to 180 days for receivables under sales except for the cases when new markets and products are being developed and new trade counterparts are being attracted.

The movement in the allowance for impairment of trade receivables from third parties is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**1,177**	**3,481**
Increase in the credit loss allowance recognised within profit or loss for the year	-	1,177
Decrease in the credit loss allowance recognised within profit or loss for the year	-	(3,481)
Balance at 31 March/31 December	**1,177**	**1,177**

The *age structure* of non-matured (regular) trade receivables is as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
up to 30 days	5,333	6,597
from 31 to 90 days	2,222	2,967
from 91 to 180 days	1,629	1,393
Gross amount of non-matured (regular) trade receivables	*9,184*	*10,957*
Impairment of credit losses	**9,184**	**10,957**
Non-matured (regular) trade receivables, net	**10,957**	**8,717**

The impairment of credit losses of non-matured (regular) trade receivables is as follows:

	31.03.2025	***31.12.2024***

	BGN '000	*BGN '000*
up to 30 days	-	41
from 31 to 90 days	-	31
from 91 to 180 days	-	28
Total	**-**	**100**

The age structure on the invoice date of overdue trade receivables is as follows:

	31.03.2025	*31.12.2024*
	BGN '000	*BGN '000*
from 31 to 90 days	7,942	5,379
from 91 to 180 days	3,220	1,480
from 181 to 365 days	569	819
over 365 days	1,576	1,410
Gross value of overdue trade receivables	*13,307*	*9,088*
Allowance for credit losses	*(1,177)*	*(1,177)*
Past due trade receivables, net	**12,130**	**7,911**

The Company applies the simplified approach under IFRS 9 to measure expected credit losses for trade receivables by recognizing expected lifetime losses for all trade receivables *(Note 2.17)*. Based on that, the loss allowance as at 31 March/31 December is determined as follows:

31 March 2025		***Regular***	***Up to 90 days past due***	***Over 90 days past due***	***Over 180 days past due***	***Over 365 days past due***	***Total***
Expected average percentage of credit losses		0%	0%	0%	0%	100%	
Trade receivables (gross carrying amount)	***BGN '000***	9,184	9,782	1,920	261	1,344	22,491
Expected credit loss (Impairment allowance)	***BGN '000***	-	-	-	-	(1,177)	(1,177)

31 December 2024		***Regular***	***Up to 90 days past due***	***Over 90 days past due***	***Over 180 days past due***	***Over 365 days past due***	***Total***
Expected average percentage of credit losses		0%	0%	0%	0%	100%	
Trade receivables (gross carrying amount)	***BGN '000***	10,957	6,554	1,076	276	1,182	20,045

Expected credit loss (Impairment allowance)	***BGN '000***	-	-	-	-	(1,177)	(1,177)

The receivables under cession agreements are denominated in EUR, interest-free, with maturity on 31 March/31 December 2025.

The movement in the allowance for impairment of receivables from cession agreements is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**-**	**56**
Decrease in the credit loss allowance recognised in profit or loss for the year		(56)
Balance at 31 March/31 December	**-**	**-**

The *advances granted to suppliers* as at 31 March/31 December are for the purchase of:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Inventories	1,181	1,522
Services	634	711
Total	**1,815**	**2,233**

The *advances granted* are current. They include: in BGN – BGN 508 thousand (31 March/31 December 2024: BGN 775 thousand), in USD: BGN 750 thousand (31 March/31 December 2024: BGN 962 thousand), and in other currency – BGN 149 thousand (31 March/31 December 2024: BGN 360 thousand).

26(A). LOANS GRANTED TO THIRD PARTIES

The loans granted to third parties are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Trade loans granted to third parties	11,795	11,633
Impairment of credit losses	*(81)*	*(81)*
Total	**11,714**	**11,552**

The movement in the impairment allowance of loans to third parties is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**81**	**83**
Increase in the allowance for credit losses recognized in profit or loss for the year	-	2
Decrease in the allowance for credit losses recognized in profit or loss for the year	-	(4)
Balance at 31 March/31 December	**81**	**81**

Conditions under which loans to third parties were granted as at 31 March 2025:

Company	***UIC***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.03.2025***	
			'000					***BGN'000***	***BGN'000***	***BGN'0***
										in inter
Sopharmacy MC	*1017600023754*	*EUR*	3,000	330/2018 г.	01.11.2024 г.	31.12.2025 г.	3.05%	*7,976*	*6,889*	*1,0*
Alliance Energy Companies AD	*206936182*	*BGN*	2,740	52/2023 г.	01.11.2024 г.	31.12.2025 г.	6.00%	-	*2,793*	
Sopharmacy MC	*1017600023754*	*EUR*	695	470/2017 г.	01.11.2024 г.	31.12.2025 г.	3.05%	*1,979*	*1,618*	*2*
Sia Bah	*40203357399*	*EUR*	206	308/2024 г.	16.01.2025 г.	31.12.2025 г.	4.40%	*435*	*414*	
								10,390	**11,714**	**1,3**

Conditions under which loans to third parties were granted as at 31 March/31 December 2024:

Company	***UIC***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.12.2024***	
			'000					***BGN'000***	***BGN'000***	***BGN'0***
										incl. inter
Sopharmacy MC	*1017600023754*	*EUR*	3,000	330/2018 г.	01.11.2024 г.	31.12.2025 г.	3.05%	*8,043*	*6,845*	*9*
Alliance Energy Companies AD	*206936182*	*BGN*	2,740	52/2023 г.	01.11.2024 г.	31.12.2025 г.	4.37%	-	*2,752*	
Sopharmacy MC	*1017600023754*	*EUR*	695	470/2017 г.	01.11.2024 г.	31.12.2025 г.	3.05%	*2,008*	*1,651*	*2*
Sia Bah	*40203357399*	*EUR*	152	308/2024 г.	12.09.2024 г.	31.12.2025 г.	4.40%	*442*	*304*	
								10,493	**11,552**	**1,2**

The loans granted to third parties are intended to provide support for financing of activities, performed by these entities, but having common strategic objectives. They are secured through a mortgage on a building, pledge on machinery and equipment, and pledges on securities (shares).

26(B). OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Taxes refundable	8,326	9,143
Awarded receivables	*4,635*	*4,635*
Impairment of credit losses from awarded receivables	*(475)*	*(475)*
Awarded receivables, net	4,160	4,160
Prepayments	541	901
Receivables under deposits granted as guarantees	203	356
Cash provided for dividend payment	80	146
Other	100	80
Total	**13,410**	**14,786**

Taxes refundable include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Excise duties	6,297	6,465
Corporate tax	1,584	2,521
VAT	445	157
Total	**8,326**	**9,143**

Prepayments include:	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Insurance	319	416
Subscriptions	106	224
Advertisement	51	56
Licence and patent fees	45	92
Rentals	6	7
Bank charges and fees	4	33
Consulting services	-	60
Other	10	13
Total	**541**	**901**

Deposits placed as guarantees include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Guarantees under system implementation contracts	70	70

Guarantees under contracts for supply of non-current assets	38	38
Guarantees under contracts for supply of veterinary vaccines	38	188
Guarantees under rental agreements	33	37
Guarantees under leases	12	7
Guarantees under contracts for fuel	6	6
Guarantees under contracts for electricity supply	3	3
Guarantees under insurance contracts	1	1
Guarantees under construction contracts	-	4
Other	2	2
Total	**203**	**356**

The deposits placed as guarantees are: in BGN – BGN 118 thousand (31 March/31 December 2024: BGN 276 thousand), in EUR – BGN 75 thousand (31 March/31 December 2024: BGN 75 thousand.

The movement in the allowance for impairment of court and awarded receivables is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**475**	**481**
Decrease in the credit loss allowance recognised within profit or loss for the year	-	(6)
Balance at 31 March/31 December	**475**	**475**

27. FINANCIAL ASSETS HELD FOR TRADING

The financial assets held for trading constitute corporate bonds of Doverie Obedinen Holding AD.

The movement in the financial assets held for trading is presented below:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Balance at 1 January	**1**	**-**
Debt securities acquired		8,453
Debt securities sold		(8,452)
Balance at 31 March/31 December	**1**	**1**

The Company has stated gain of sales of debt securities, as follows:

28. CASH AND CASH EQUIVALENTS

Cash includes:

	31.03.2025	*31.12.2024*
	BGN '000	*BGN '000*
Cash at current bank accounts	6,462	12,677
Cash in hand	59	60
Blocked cash includes	19	19
Cash and cash equivalents for cash flow	**6,540**	**12,756**
	-	97
Fundraising account for the exercise of warrants	**6,540**	**12,853**
Cash and cash equivalents in the separate statement of financial position	**12,853**	**106,687**

Cash structure at current bank accounts is as follows: in BGN: BGN 1,272 thousand (31 March/31 December 2024: BGN 1,151 thousand), in EUR – BGN 4,212 thousand (31 March/31 December 2024: BGN 10,656 thousand), in USD – BGN 878 thousand (31 March/31 December 2024: BGN 602 thousand) and in other currency – BGN 100 thousand (31 March/31 December 2024: BGN 268 thousand).

Cash in hand is denominated in: BGN: BGN 59 thousand (31 March/31 December 2024: BGN 60 thousand).

Blocked cash includes issued bank guarantees denominated in euros (31.12.2024: BGN 19 thousand).

As a result of the analyses performed and the methodology applied for calculating expected credit losses on cash and equivalents, management has determined that no impairment of cash and equivalents is necessary.

29. EQUITY

Share capital

As of 31.03.2025, the registered share capital of Sopharma AD amounts to BGN 179,719 thousand, distributed in 179,719,201 shares with a nominal value of one lev per share.

On 27.01.2025, the increase in the company's capital was entered in the Commercial Register through the issuance of 619,138 ordinary, registered, dematerialized, voting shares, with a nominal value of 1 BGN each and an issue value of BGN 4.13 per share.

The shares from the capital increase were subscribed by the holders of warrants.

Ordinary shares issued and fully paid	***Shares***	***Share capital net of treasury shares***
	number	***BGN '000***
Balance at 1 January 2024	**158,262,242**	**115,139**
Capital issue	6,509,485	6,509
Treasury shares bought	972,308	3,899

Effects of subsidiary merger	232	1
Expense on treasury shares purchase	(1,200)	(7)
Balance at 31 March/31 December 2024	**165,743,067**	**125,541**
Capital issue	619,138	619
Balance at 31 March 2025	**166,362,205**	**126,160**

The ***treasury shares*** were 13,356,996 at the amount of BGN 53,559 thousand as at 31 March 2025 (31 March/31 December 2024: 14,328,336 shares at the amount of BGN 53,559 thousand). There are no shares purchased in the current period (2024: 1,200 shares purchased and 972,308 sold). The effect of the subsidiary merger is 232 shares for BGN 1 thousand.

Company's ***reserves*** are summarised in the table below:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Statutory reserves	220,915	218,828
Property, plant and equipment revaluation reserve	19,899	20,057
Reserve for financial assets at fair value through other comprehensive income	(3,221)	(93)
Additional reserves	226,530	226,530
Total	**464,123**	**465,322**

Statutory reserves at the amount of BGN 220,915 thousand (31 March/31 December 2024: BGN 218,828 thousand) constitute the Reserve Fund, which is set aside under a requirement of the Commercial Act and Company's Articles of Association, and includes two components: (a) amounts from distribution of profit for the Reserve Fund – BGN 59,843 thousand (31 March/31 December 2024: BGN 59,843 thousand), and (b) share premium representing the excess of the issue value over the nominal value of the issued shares on the merger of a subsidiary into Sopharma AD, as well as the shares registered and paid for by warrant holders at the amount of BGN 161,072 thousand (31 March/31 December 2024: BGN 158,985 thousand).

The movements of statutory reserves were as follows:	***2025***	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**218,828**	**196,759**
Positive difference between issue and nominal value upon capital issue	1,840	20,375
Transfer from other equity components (warrants issue) upon exercise of rights on warrants	247	1,694
Balance at 31 March/31 December	**220,915**	**218,828**

The ***property, plant and equipment revaluation reserve***, amounting to BGN 19,899 thousand (31 March/31 December 2024: BGN 20,057 thousand), is set aside from the surplus between the carrying amount of property, plant and equipment and their fair value at the date of the respective revaluation. The deferred tax effect on the revaluation reserve was directly carried to this reserve.

The movements of property, plant and equipment revaluation reserve were as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January (originally stated)	**20,057**	**21,311**
Effect of subsidiary merger	-	168
Balance at 1 January (restated)	**20,057**	**21,479**
Transfer to retained earnings	(158)	(1,402)
(Loss)/Gain on revaluation of property, plant and equipment, net	-	(22)
Deferred tax relating to revaluations	-	2
Balance at 31 March/31 December	**19,899**	**20,057**

The reserve of financial assets at fair value through other comprehensive income, amounting to minus BGN 3,221 thousand (31 March/31 December 2024: BGN 93 thousand) is formed of the effects of fair-value measurement of other long-term equity investments. Upon derecognition of these investments, the reserve formed is transferred to "retained earnings".

The movements of the reserve of financial assets at fair value through other comprehensive income were as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**(93)**	**506**
Net change in the fair value of other long-term equity investments	(2,976)	(607)
Transfer to retained earnings	(152)	8
Balance at 31 March/31 December	**(3,221)**	**(93)**

Additional reserves at the amount of BGN 226,530 thousand (31 March/31 December 2024: BGN 226,530 thousand) are set aside from distribution of profits under a decision of shareholders and can be used for payment of dividend, share capital increase as well as to cover losses.

The movements of additional reserves are as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**226,530**	**226,530**
Balance at 31 March/31 December	**226,530**	**226,530**

Other equity components (warrant issue)

Pursuant to Art. 25 of the Company's Statute dated 21 May 2021, the Board of Directors approved parameters and made a decision for issuing initial public offering of warrants. By means of Decision No 804 – E dated 4 November 2011, the Financial Supervision Commission registered an issue of 44 932 633 dematerialised, freely transferrable and registered warrants, with issue value BGN

0.28, issued by Sopharma AD pursuant to Art. 112b, Para 1 of POSA. The underlying asset of the issued warrants are future ordinary, registered, freely transferrable voting right shares, each holding one vote in the General Meeting of Shareholders, which will be issued by the Company conditionally, only in favour of warrant holders. Each registered warrant entitles the holder thereof to register one share from the future issue. The warrants' holders may exercise their right to register the respective number of shares in future increase of the Company's capital within a 3-year period, at a fixed price of BGN 4.13 per share. The exercise right arises from the date on which the warrant issue was registered with Central Depository AD – 16 November 2021.

The warrants were admitted to trade on the main BSE market of Bulgarian Stock Exchange – Sofia AD, as from 17 November 2021.

In November 2024, a final capital increase procedure was launched by issuing up to 623,779 ordinary, registered, dematerialised, freely transferable shares, subject to the subscription of the shares of the increase by the holders of warrants ISIN 9200001212, in accordance with the terms and conditions described in the Prospectus for the public offering of warrants.

The last date for transactions in warrants is 04.11.2025 and the exercise date for warrants is 13.01.2025.

The table below presents the funds raised from the warrant issu as of 31 March/31 December, net of issue costs.

Warrants issued and fully paid	***Warrants***	***Other equity components***
	number	***BGN '000***
Balance at 1 January 2024	**7,133,264**	**1,857**
Warrants paid under capital raising account	-	97
Transfer to premium reserve upon exercise of rights on warrants	(6,509,485)	(1,694)
Balance at 31 March 2025	**623,779**	**260**
Balance at 1 January 2024	-	2,460
Warrants paid under capital raising account	(4,641)	(18)
Deregistered warrants	-	(14)
Transaction costs	(619,138)	(2,688)
Transfer to premium reserve upon exercise of rights on warrants	**-**	**-**
Balance at 31 March/31 December 2024	**7,133,264**	**1,857**

Base net earnings per share

	31.03.2025	***31.12.2024***
Weighted average number of shares	166,362,205	130,696,402
Net profit for the year (BGN '000)	12,428	15,248
Base net earnings per share (BGN)	**0.07**	**0.12**

Diluted net earnings per share

	31.03.2025	***31.12.2024***
Average weighted number of shares in circulation	**-**	*130,696,402*

Cumulative effect of warrants	-	*164,234*
Shares in circulation with warrants	-	130,860,636
Net profit for the year (BGN '000)	-	15,248
Diluted net earnings per share	**-**	**0.12**

As at 31 March 2025, ***retained earnings*** amount at BGN 17,434 thousand (31.12.2024: BGN 13,827 thousand).

The movement in retained earnings is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance on January 1 (originally reported)	**17,434**	**21,446**
Effects of merging a subsidiary	-	(7,619)
Balance on January 1 (adjusted)	**17,434**	**13,827**
Net profit for the year	12,428	28,227
Transfer from revaluation reserve of property, plant and equipment	158	1,402
Transfer from revaluation reserve on financial assets at fair value through other comprehensive income	(632)	(8)
Effects of sold repurchased shares	-	1,857
Effects of merging a subsidiary	-	(1)
Effects of actuarial losses from subsequent valuations upon merger of a subsidiary	-	(11)
Actuarial losses from subsequent valuations	-	(512)
Advance semi-annual dividends	-	(12,431)
Distribution of profit for dividends	-	(14,916)
Balance as of March 31 / December 31	**29,388**	**17,434**

30. LONG-TERM BANK LOANS

Long-term bank loans include:

			31.03.2025			***31.12.2024***		
Currency	***Contracted loan amount '000***	***Maturity***	***Non-current portion BGN'000***	***Current portion BGN'000***	***Total BGN'000***	***Non-current portion BGN'000***	***Current portion BGN'000***	***Total BGN'000***
Investment loans								
EUR	40,000	04.04.2032	66,749	11,120	77,869	-	78,138	78,138
EUR	20,000	25.12.2032	12,153	3,219	15,372	12,963	3,229	16,192
BGN	9,544	25.12.2029	6,508	1,735	8,243	6,941	1,738	8,679
Extended credit lines								
EUR	15,000	01.09.2025	-	26,963	26,963	-	25,492	25,492
			85,410	**43,037**	**128,447**	**19,904**	**108,597**	**128,501**

Bank loans in BGN are agreed at an interest rate determined on the basis of a short-term interest rate plus a premium of 1.9 points, but not less than 1.9 points, and for those in EUR - one-month EURIBOR plus a premium of 1.1 to 2.9 points (2024: are agreed at an interest rate determined on the basis of a short-term interest rate plus a premium of 1.9 points, but not less than 1.9 points, and for those in EUR - one-month EURIBOR plus a premium of 1.1 to 2.9 points). The following were established as collateral under the loans listed:

- Mortgages of real estate with a carrying amount of BGN 61,126 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 56,559 thousand) (*Note 15*);
- Special pledges on machinery and equipment with a carrying amount of BGN 17,634 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 9,589 thousand) *(Note 15);*
- Special pledges on inventories with a carrying amount of BGN 11,735 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 11,735 thousand) *(Note 23).*

Long-term bank loan agreements contain clauses with requirements for maintaining certain financial ratios. The company's management continuously monitors the implementation of these financial ratios in communication with the respective creditor bank.

The Company should comply with certain additional restrictive conditions under long-term loan agreements, which are generally related to:

- total liquidity ratio, which should be at least 1.1x;

- net debt, which should not exceed four times the annual profit before interest, taxes and depreciation;

- maintaining an equity ratio greater than or equal to 40%;

- non-reduction of equity compared to the last audited financial statements.

The Company does not expect non-compliance with these restrictive conditions in the next 12-month period.

Reconciliation of the movement of liabilities from financing activities

The table below shows changes in liabilities from financing activities, representing both cash and non-cash changes. Liabilities from financial liabilities are those for which cash flows are or future cash flows will be classified in the Company's statement of cash flows as cash flows from financing activities.

	01.01.2025	***Changes in cash flows from financing activities***	***Newly arising liabilities over the year***	***Other non-cash changes***	***31.03.2025***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Bank loans	176,891	34,338	-	(373)	210,856
Lease liabilities to related parties	17,065	(580)	231	56	16,772
Lease liabilities to third parties	2,769	(191)	557	(46)	3,089
Dividends and unexercised warrant rights	1,254	(11)	-	-	1,243

Totals	**197,979**	**33,556**	**788**	**(363)**	**231,960**
Proceeds from capital issue	-	2,557	-	(2,557)	-
Treasury shares	(53,559)	-	-	-	(53,559)
Government grants for agricultural land	-	-	-	-	-
Reserve for warrants issued	260	-	2,460	(2,720)	-
Net cash flows from financing activities	**144,680**	**36,113**	**3,248**	**(5,640)**	**178,401**

	01.01.2024	***Changes in cash flows from financing activities***	***Newly arising liabilities over the year***	***Other non-cash changes***	***31.12.2024***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Bank loans	81,390	94,802	-	699	176,891
Lease liabilities to related parties	16,507	(2,097)	2,493	162	17,065
Lease liabilities to third parties	3,195	(965)	572	(33)	2,769
Dividends and unexercised warrant rights	142,449	(168,383)	27,347	(159)	1,254
Total	**243,541**	**(76,643)**	**30,412**	**669**	**197,979**
Proceeds from capital issue	9,840	26,884	-	(36,724)	-
Treasury shares	(57,452)	5,749	1	(1,857)	(53,559)
Government grants for agricultural land	-	1	-	(1)	-
Reserve for warrants issued	1,857	-	97	(1,694)	260
Net cash flows from financing activities	**197,786**	**(44,009)**	**30,510**	**(39,607)**	**144,680**

31. DEFERRED TAX LIABILITIES

Deferred income taxes as at 31 March/31 December are related to the following items of the statement of financial position:

Deferred tax (liabilities)/ assets	*temporary difference*	*tax*	*temporary difference*	*tax*
	31.03.2025	***31.03.2025***	***31.12.2024***	***31.12.2024***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	53,110	5,311	53,190	5,319
including revaluation reserve	*17,944*	*1,794*	*18,102*	*1,810*
Investment property	18,726	1,873	18,557	1,856
including revaluation reserve	*516*	*52*	*534*	*53*

Intangible assets	1,419	142	1,558	156
Total deferred tax liabilities	**73,255**	**7,326**	**73,305**	**7,331**
Payables to personnel	(11,059)	(1,106)	(9,943)	(994)
Receivables	(10,755)	(1,076)	(14,957)	(1,496)
Inventories	(8,735)	(874)	(8,735)	(874)
Accrued liabilities	(5,394)	(539)	(7,046)	(705)
Total deferred tax assets	**(35,943)**	**(3,595)**	**(40,681)**	**(4,069)**
Deferred income tax liabilities, net	**37,312**	**3,731**	**32,624**	**3,262**

On recognising deferred tax assets, the probability of a reversal of the individual differences and the abilities of the Company to generate sufficient taxable profit in the future, had been taken into account.

The change in the balance of deferred taxes for 2025 is as follows:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2025***	***Recognised in the statement of comprehensive income***	***Recognised in equity***	***Recognised in the statement of changes in equity and the current tax return***	***Balance at 31 March 2025***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(5,319)	29	(29)	8	(5,311)
Investment property	(1,856)	(46)	29	-	(1,873)
Intangible assets	(156)	14	-	-	(142)
Payables to personnel	994	112	-	-	1,106
Receivables	1,496	(420)	-	-	1,076
Inventories	874	-	-	-	874
Accrued liabilities	705	(166)	-	-	539
Total	**(3,262)**	**(477)**	**-**	**8**	**(3,731)**

The change in the balance of deferred taxes for 2024 is as follows:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2024***	***Recognised in the statement of comprehensive income***	***Recognised in equity***	***Recognised in the statement of changes in equity and the current tax return***	***Balance at 31 March/31 December 2024***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(5,479)	126	(2)	36	(5,319)
Intangible assets	(197)	41	-	-	(156)
Investment property	(1,641)	(215)	-	-	(1,856)
Payables to personnel	1,010	(16)	-	-	994
Receivables	1,819	(323)	-	-	1,496
Inventories	412	462	-	-	874
Accrued liabilities	607	98	-	-	705
Total	**(3,469)**	**173**	**(2)**	**36**	**(3,262)**

Unrecognized deferred tax assets are as follows:

Unrecognised deferred tax assets	*temporary difference*	*tax*	*temporary difference*	*tax*
	31.03.2025	***31.03.2025***	***31.12.2024***	***31.12.2024***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Impairment of investments in subsidiaries	(23,690)	(2,369)	(23,690)	(2,369)
Impairment of investments in associates	(4,844)	(484)	(4,844)	(484)
Impairment of investments in joint ventures	(2,946)	(295)	(2,946)	(295)
Total	**(31,480)**	**(3,148)**	**(31,480)**	**(3,148)**

32. GOVERNMENT GRANTS

The government grants are under concluded contracts with the Bulgarian Small and Medium Enterprises Promotion Agency for gratuitous financial aid under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013, Operational Programme “Innovations and Competitiveness” 2014-2020 and Operational Programme "Energy Efficiency".

The table below presents the non-current and the current portion of the grants received by type:

	31.03.2025			***31.12.2024***		
	Long-term part	***Short-term part***	***Total***	***Long-term part***	***Short-term part***	***Total***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Acquisition of machinery and equipment for new tablet production	1,518	179	**1,697**	1,563	179	**1,742**
Acquisition of a compact line for filling vials under an insulator	1,405	167	**1,572**	1,447	167	**1,614**
Implementation of innovative products in ampoule production	850	200	**1,050**	900	200	**1,100**
Acquisition of fixed assets and reconstruction of buildings	268	8	**276**	270	8	**278**
Acquisition of general exchange ventilation and air conditioning installations	45	9	**54**	47	9	**56**
Air conditioning system with water cooling unit	45	4	**49**	46	4	**50**
Liquid dosage form dosing machine	37	6	**43**	39	6	**45**
System for control and monitoring of air conditioners, chillers and lighting installations	33	3	**36**	33	3	**36**
Automatic Sachet Machine	13	1	**14**	13	1	**14**
Total	**4,214**	**577**	**4,791**	**4,358**	**577**	**4,935**

The current portion of the financing will be recognised as current income over the following 12 months from the date of the separate statement of financial position and presented as 'other current liabilities' (*Note 41)*.

33. LEASE LIABILITIES TO RELATED PARTIES

The lease liabilities to related parties originate in relation to the lease of buildings and are presented net of the interest due in the future, and are as follows:

Lease term	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Up to one year	2,085	2,059
Over one year	14,687	15,006
Total	**16,772**	**17,065**

The minimum lease payments to related parties are due, as follows:

Lease term	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Up to one year	2,261	2,261
Over one year	15,342	15,669
	17,603	**17,930**
Future finance cost under leases	(831)	(865)
Present value of lease liabilities	**16,772**	**17,065**

The term of leases to related parties is until 1 August 2032.

The Company has provided deposits under the leases as collateral of lease liabilities, at the amount of BGN 516 thousand (31 March/31 December 2024: BGN 516 thousand) (*Note 21*).

The lease liabilities to related parties are denominated in EUR.

The lease payments due in the next 12 months are presented in the statement of financial position as “payables to related parties” (*Note 38*).

34. LEASE LIABILITIES TO THIRD PARTIES

The lease liabilities to third parties included in the statement of financial position have arisen in relation to building rentals and are stated net of the future interest due, as follows:

Term	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Up to one year	814	896
Over one year	2,275	1,873
Total	**3,089**	**2,769**

Minimum lease payments to third parties are due, as follows:

Term	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Up to one year	822	917
Over one year	2,316	1,905
	3,138	**2,822**
Future finance costs on finance leases	(49)	(53)
Present value of lease liabilities	**3,089**	**2,769**

The table below presents liabilities per types of leases to third parties:

	31.03.2025			***31.12.2024***		
	Long-term portion BGN'000	***Short-term portion BGN'000***	***Total BGN'000***	***Long-term portion BGN'000***	***Short-term portion BGN'000***	***Total BGN'000***
Leases of motor vehicles	2,182	783	**2,965**	1,841	795	**2,636**
Leases of buildings	93	31	**124**	32	90	**122**
Leases of apparatuses	-	-	**-**	-	9	**9**
Leases of transmitters	-	-	**-**	-	2	**2**
Total	**2,275**	**814**	**3,089**	**1,873**	**896**	**2,769**

Lease liabilities to third parties in BGN amount to BGN 5 thousand (31 March/31 December 2024: BGN 10 thousand), in EUR – BGN 2,293 thousand (31 March/31 December 2024: BGN 2,641747 thousand), in USD – BGN 662 thousand (31 March/31 December 2024: BGN 431 thousand), and in other currencies – BGN 129 thousand (31 March/31 December 2024: BGN 154 thousand).

The Company has provided deposits under leases as collateral of lease liabilities at the amount of BGN 12 thousand (31 March/31 December 2024: BGN 7 thousand) (*Note 26b*).

The lease payments due over the next 12 months are presented in the statement of financial position as "other current payables" (*Note 41*).

35. RETIREMENT BENEFIT OBLIGATIONS

Long-term payables to personnel include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Long-term retirement benefit obligations	5,895	5,775
Long-term benefit obligations for tantieme	319	319
Total	**6,214**	**6,094**

Long-term retirement benefit obligations

The long-term retirement benefit obligations to personnel include the present value of Company's liability at the date of the statement of financial position to pay indemnities to individuals of its employees upon coming of age for retirement.

In accordance with the Labour Code in Bulgaria, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for the same employer during the last 10 years of their service the indemnity amounts to six gross monthly salaries at the time of retirement. This is a defined benefits plan *(Note 2.24*).

For the purpose of establishing the amount of these obligations to personnel, the Company has assigned an actuarial valuation as at 31 March 2025 by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Present value of the obligation at 1 January	**5,775**	**5,120**
Current service cost	120	469
Interest cost	-	238
Net actuarial loss recognised for the period	-	52
Payments made in the year	-	(627)
Remeasurement gains or losses on the retirement benefit obligations, including:	-	523
Actuarial (gains)/losses arising from changes in demographic assumptions	-	3
Actuarial losses arising from changes in financial assumptions	-	222
Actuarial losses arising from past experience adjustments	-	298
Present value of the obligation at 31 March/31 December	**5,895**	**5,775**

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Current service cost	120	130
Components of defined benefit plan costs recognised in profit or loss *(Note 7)*	**120**	**130**

The following actuarial assumptions were used in calculating the present value of the liabilities as at 31 March 2025:

- The discount factor is calculated by using as basis of 4% (2024: 4.0%). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by the Company's management and amounts to 5% annual growth compared to the prior reporting period (2024: 5%);
- Mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2021-2023 (2024: 2021 - 2023);

- Staff turnover rate – from 2% to 16% for the four age groups formed (2024: between 2% and 16%);
- Early retirement due to illness – between 0.03% and 0.32% for the five age groups formed (2024: between 0.03% and 0.32%).

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The Company's management defines them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years; and
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The weighted average duration of the obligations for the payment of defined benefits to personnel is 7 years (31.12.2024: 7 years).

Long-term benefit obligations for tantieme	***31.03.2025*** ***BGN '000***	***31.12.2024*** ***BGN '000***
Long-term benefit obligations for tantieme with maturity in 2027	182	182
Long-term benefit obligations for tantieme with maturity in 2026	137	137
	319	**319**

36. SHORT-TERM BANK LOANS

Short-term bank loans include:

Currency	***Contracted amount '000***	***Maturity***	***31.03.2025*** ***BGN '000***	***31.12.2024*** ***BGN '000***
Extended bank loans (overdrafts)				
BGN	20,000	01.10.2025	19,976	20,014
BGN	20,000	31.07.2025	17,736	-
BGN	19,558	01.10.2025	12,664	18,528
EUR	10,000	20.04.2025	12,474	43
BGN	10,000	31.07.2025	9,823	28
BGN	9,779	01.10.2025	9,736	9,777
			82,409	**48,390**

Bank loans in euro are contracted at an interest rate determined based on one-month EURIBOR plus a 1% premium, and for those in BGN – one-month EURIBOR plus a 1.25% premium and a reference interest rate plus a premium of 0.90% to 1.20% (2024: loans in EUR are contracted at an interest rate determined based on one-month EURIBOR plus a 1% premium, and for those in BGN – one-month EURIBOR plus a 1.25% premium and a reference interest rate plus a premium of 0.90% to 1.20%). The loans are for working capital.

The following collateral has been established in favour of the creditor banks:

- Mortgages of real estate with a carrying amount of BGN 19,408 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 19,803 thousand) *(Note 15 and Note 17);*
- Special pledges on:
  - machinery and equipment with a carrying amount of BGN 22,783 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 22,927 thousand) *(Note 15 and Note 17);*
  - receivables from related parties with a carrying amount of BGN 77,796 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 74,993 thousand) *(Note 24*);

To secure one of the above mentioned loans, mortgages and pledges were established by a subsidiary, as follows:

- mortgage on real estate with carrying amount of BGN 2,591 thousand as at 31 March 2025 (31 March/31 December 2024: 6,259);
- trade receivables from third parties of a subsidiary with a carrying amount of BGN 6,259 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 6,259 thousand).

Some of the loans drawn as at 31 March/31 December, amounting to BGN 18 thousand (31 March/31 December 2024: BGN 18 thousand) is in the form of bank guarantees issued to the National Health Insurance Institute to cover payables.

The short-term bank loan contracts include clauses with covenants for maintaining certain financial ratios. Company's management currently controls the observance of these financial ratios in communication with the respective creditor bank.

37. TRADE PAYABLES

Trade payables include:

	31.03.2025	*31.12.2024*
	BGN '000	***BGN '000***
Payables to suppliers	96,056	103,330
Advances received	113	409
Total	**96,169**	**103,739**

Payables to suppliers by type are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Payables for supply of non-current assets	85,765	86,888

Payables for supply of inventories	6,460	8,541
Payables for supply for services	3,831	7,901
Total	**96,056**	**103,330**

Payables to suppliers are as follows:

	31.03.2025 ***BGN '000***	***31.12.2024*** ***BGN '000***
Payables to foreign suppliers	85,765	86,888
Payables to local suppliers	6,460	8,541
Total	3,831	7,901

The payables to suppliers are regular and interest-free. The payables in BGN amount to BGN 5,964 thousand (31 March/31 December 2024: BGN 5,615 thousand), in EUR – BGN 86,873 thousand (31 March/31 December 2024: BGN 90,644 thousand), in USD – BGN 1,064 thousand (31 March/31 December 2024: BGN 3,118 thousand), and in other currency – BGN 2,155 thousand (31 March/31 December 2024: BGN 2,473 thousand).

The usual credit period for which no interest is charged on trade payables, is 180 days. The Company has no past due trade payables.

The advances from clients are for purchases of:

	31.03.2025 ***BGN '000***	***31.12.2024*** ***BGN '000***
Finished products	86	346
Services	27	63
Total	**113**	**409**

The advances from clients as at 31 March/31 December are current. Of them, BGN 43 thousand (31 March/31 December 2024: BGN 95 thousand) are denominated in BGN, and BGN 70 thousand are denominated in EUR (31 March/31 December 2024: BGN 314 thousand).

The Company has placed deposits and bank guarantees as security for payables to suppliers under commercial transactions at the amount of BGN 228 thousand (31 March/31 December 2024: 386 thousand) *(Note 26b, Note 28 and Note 36*).

38. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	31.03.2025 ***BGN '000***	***31.12.2024*** ***BGN '000***
Payables to associates	2,093	2,092
Payables to subsidiaries	390	203
Payables to shareholders with significant influence	356	162

Payables to companies related through key management personnel	242	150
Payables to companies controlled by an associate	7	-
Total	**3,088**	**2,607**

The *payables to related parties by type* are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Payables under leases (*Note 33*)	2,085	2,059
Service supply	761	388
Payables for supply of inventories	242	160
Total	**3,088**	**2,607**

The trade payables to related parties are regular. The payables in Bulgarian Levs amount to BGN 612 thousand (31 March/31 December 2024: BGN 363 thousand), in EUR – BGN 2,467 thousand (31 March/31 December 2024: 2,143 thousand), and in PLN – BGN 9 thousand (31 March/31 December 2024: BGN 1 thousand).

The usual credit period for which no interest is charged on trade payables to related parties, is 90 days. The Company has no overdue trade payables to related parties.

39. TAX PAYABLES

Short- term tax payables include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Individual income tax	853	546
Taxes on expenses	585	368
Local taxes and fees	341	-
Total	**1,779**	**914**

Long- term tax payables include:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Domestic top-up tax (*Note 13)*	708	708
Total	**708**	**708**

The following tax audits have been carried out of the Company:

- under VAT Act – until 28 February 2025;
- under CITA – until 31 December 2023;
- under Social Insurance Code – until 31 December 2021.

Tax audit is performed within a 5-year period after the end of the year when the tax return for the respective liability has been submitted. The tax audit confirms finally the tax liability of the respective company-tax liable person except in the cases explicitly stated by law.

40. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Payables to personnel, including:	9,571	8,661
Tantieme	*3,711*	*3,711*
accruals on unused compensated leaves	*3,322*	*2,025*
current liabilities	*2,538*	*2,925*
Payables for social security/health insurance, including:	2,025	1,777
current liabilities	*1,417*	*1,429*
accruals on unused compensated leaves	*608*	*348*
Total	**11,596**	**10,438**

41. OTHER CURRENT LIABILITIES

Other current liabilities are as follows:

	31.03.2025	***31.12.2024***
	BGN '000	***BGN '000***
Refund obligations under contracts with customers (*Note 2.6.6)*	3,189	4,771
Dividend payables and unexercised warrant rights	1,243	1,254
Lease liabilities to third parties (*Note 34*)	814	896
Government grants (*Note 32*)	577	577
Provision for financial guarantees granted (*Note 2.26*)	230	230
Deductions from work salaries	37	52
Liabilities under deposits received as guarantees	1	1
Total	**6,091**	**7,781**

The provision for financial guarantees granted, at the amount of BGN 230 thousand (31 March/31 December 2024: BGN 230 thousand), arises as a result of commitment undertaken by the Company to perform payments for a debtor which failed to make payment in accordance with a debt instrument (*Note 2.27*).

The movement in the provision for financial guarantees is as follows:

	2025	***2024***
	BGN '000	***BGN '000***
Balance at 1 January	**230**	**674**

Increase in provision for financial guarantees recognised within profit or loss for the year	-	36
Decrease in provision for financial guarantees recognised within profit or loss for the year	-	(480)
Balance at 31 March/31 December	**230**	**230**

The commitments undertaken by the Company to make certain payments for a debtor that did not make payment in accordance with a debt instrument are to related parties.

42. CONTINGENT LIABILITIES AND COMMITMENTS

Significant irrevocable agreements and commitments

The Company received government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013, Operational Programme “Innovations and Competitiveness” 2014-2020 and Operational Programme "Energy Efficiency" *(Note 32 and Note 41*), related to acquisition of non-current assets, buildings reconstruction and technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production section and the acquisition of combined exchanger installations for ventilation and air conditioning in the production of medical products and implementation of innovative “artificial tears” eye drops *(Note 15*). The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Issued and granted guarantees

The Company has provided the following collateral in favour of banks under loans received by related parties:

(a) under loans of subsidiaries:

- Mortgages of real estate with a carrying amount of BGN 12,322 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 12,444 thousand) *(Note 15*);
- Special pledges on:

- machinery and equipment as at 31 March 2025: none (31 March/31 December 2024: BGN 10,644 thousand) *(Note 15*);

- inventories with a carrying amount of BGN 28,030 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 28,030 thousand) *(Note 23*);

- special pledge on shares of the capital of a subsidiary with carrying amount BGN 10,126 thousand as at 31 March 2025 (31 March/31 December 2024: BGN 10,126 thousand) *(Note 18*).

(b) under loans to associates

- Mortgage of real estate with a carrying amount of BGN 5,644 as at 31 March 2025 (31 March/31 December 2024: BGN 5,699 thousand) (*Note 15*).

The Company is a co-debtor and guarantor of loans received, bank guarantees issued and leases of the following companies:

Company	Maturity period	Currency	Contracted amount		Amount guaranteed as at
			Original currency	BGN'000	31.03.2025 BGN'000
Sopharma Trading AD	2025 - 2026	BGN	191,669	191,669	143,401
Sopharma Trading AD	2025 -2026	EUR	37,500	73,344	37,244
Sopharma Trading doo, Belgrade	2025 - 2026	EUR	35,010	68,474	47,451
Doverie Obedinen Holding AD	2027	BGN	30,000	30,000	10,000
Sopharma Buildings REIT	2027	BGN	10,000	10,000	10,000
Energoinvestment AD	2026	BGN	2,000	2,000	1,550
Total					**249,646**

43. RESTATEMENT RESULTING FROM MERGER

In its financial statements for 2025 Sopharma AD presents comparative data for 2024 based on the merger of the separate financial statements of the transforming (Veta Pharma AD) and receiving (Sopharma AD) companies (*Note 2.3.*), as follows:

43.1. Opening statement of financial position as of the date of merger – 01.01.2024.

The opening financial statement of Sopharma AD as a result of the merger on 01.01.2024 was prepared based on the balance sheet values of the assets and liabilities of the two companies from their individual financial statements as of 31.12.2023.

As the accounting date of the merger is 01.01.2024, the data in the statement of financial position as of this date correspond to the data for the comparable comparative period as of 31.12.2023.

The assets and liabilities of the two companies, merged as of the accounting date of the merger, 01.01.2024, in terms of structure and size, are as follows:

STATEMENT OF FINANCIAL POSITION	Sopharma AD	Veta Pharma AD	Infusion adjustments	Combined statement of financial position
	December 31, 2023 BGN'000	December 31, 2023 BGN'000	December 31, 2023 BGN'000	December 31, 2023 BGN'000
ASSETS				
Non-current assets				
Property, plant and equipment	209,456	2,548	75	212,079
Intangible assets	5,893	-	2.0 15	7.9 08

Investment properties	49,886	-	-	49,886
Investments in subsidiaries	90,655	-	(6,754)	83,901
Investments in associates and joint ventures	112,094	-	-	112,094
Other long-term capital investments	3,870	-	-	3,870
Long-term receivables from related companies	62,664	-	-	62,664
Other long-term receivables	3,357	-	-	3,357
	537,875	**2,548**	**(4,664)**	**535, 759**
Current assets				
Inventory	106,651	576	-	107,227
Receivables from related companies	84,714	196	(1)	84,909
Trade receivables	22,759	8	-	22,767
Loans granted to third parties	11,203	-	-	11,203
Other receivables and prepaid expenses	6,001	831	(117)	6,715
Cash and cash equivalents	105,354	1,333	-	106,687
	336, 682	**2,944**	**(1 18)**	**339, 508**
TOTAL ASSETS	**874.55 7**	**5,492**	**(4,782)**	**875, 267**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	172,591	4,540	(4,540)	172,591
Own shares repurchased	(57,452)	-	-	(57,452)
Reserves	4 45 , 129	306	(161)	4 4 5, 274
Other capital components	1,857	-	-	1,857
Retained earnings / Uncovered losses	14,000	(13)	(1 60)	1 3 , 827
	576, 125	**4,833**	**(4.8 61)**	**576,097**
Non-current liabilities				
Long-term bank loans	3 5 , 698	-	-	3 5 , 698
Deferred tax liabilities	3,304	(7)	172	3,469
Government funding	4,791	160	(16)	4,935
Liabilities under lease contracts to related companies	14,774	-	-	14,774
Liabilities under leasing contracts to third parties	2,250	-	-	2,250
Long-term liabilities to personnel	5,274	77	-	5,351
	6 6 , 091	**230**	**1 56**	**6 6 , 477**
Current liabilities				
Short-term bank loans	44,838	-	-	44,838
Short-term portion of long-term bank loans	854	-	-	854
Trade obligations	21,723	268	-	21,991
Liabilities to related companies	100,043	67	(1)	100,109
Tax liabilities	2.5 15	3	(92)	2.4 26
Obligations towards personnel and social security	10,581	91	-	10,672
Other current liabilities	51,787	-	16	51,803
	232, 341	**429**	**(77)**	**23 2 , 693**
TOTAL LIABILITIES	**298, 432**	**659**	**79**	**29 9 , 170**

TOTAL EQUITY AND LIABILITIES	**874.55 7**	**5,492**	**(4,782)**	**875, 267**

The adjustments made to the financial statements of the two companies for their merger are mainly a result of: a) unification of accounting policies and b) eliminations of the investment in a subsidiary and of intra-group calculations between the two companies, including the related effects on deferred taxes. The net effect on accumulated profits as of 01.01.2024 is a loss of BGN 7,619 thousand, which is formed as follows:

- *loss in the amount of BGN 7,446 thousand from the merger of Biopharm Engineering AD;*
- *loss in profit of BGN 1,73 thousand from the merger of Veta Pharma AD.*

4 3 .2. Comparative information

In the financial statements for 2025 of Sopharma AD (the receiving company) , a recalculation of the comparative data for 2024 has been made. These recalculations have been made to consolidate the data in: *a) the statement of comprehensive income for the period ending March 31, 2024* and b *) the statement of cash flows for the period ending March 31, 2024.*

The effects of the merger in the relevant statements are presented as follows:

(a)statement of comprehensive income for the period ending 31 March 2024:

STATEMENT OF COMPREHENSIVE INCOME	**Sopharma AD**	**Veta Pharma AD**	**Infusion adjustments**	**Combined statement of comprehensive income**
	2024 BGN'000	**2024 BGN'000**	**2024 BGN'000**	**2024 BGN'000**
Revenue	57,962	852	-	58,814
Other operating income/(loss), net	3,358	5	(4)	3,359
Changes in inventories of finished goods and work in progress	14,209	44	-	14,253
Costs of raw materials and supplies	(23,400)	(354)	(2)	(23,756)
External service costs	(10,410)	(100)	3	(10,507)
Personnel costs	(18,961)	(307)	-	(19,268)
Depreciation expenses	(4,699)	(125)	-	(4,824)
Other operating expenses	(1,254)	(5)	2	(1,257)
Operating profit	**16,805**	**10**	**(1)**	**16,814**
Financial income	1,084	-	-	1,084
Financial costs	(1,371)	(1)	1	(1,371)
Financial income/(expenses), net	**(287)**	**(1)**	**1**	**(287)**
				-
Profit before income tax	**16,518**	**9**	**-**	**16,527**

Income tax expense	(1,286)	7	-	(1,279)
Net profit for the year	**15,232**	**16**	**-**	**15,248**
Other components of comprehensive income:				
Components that will not be reclassified to profit or loss:				
Net change in fair value of other long-term equity investments	(1,036)	-		(1,036)
Other comprehensive income for the year, net of tax	**(1,036)**	**-**	**-**	**(1,036)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**14,196**	**16**	**-**	**14,212**

The effect on total comprehensive income for the period ending March 31, 2024 as a result of the merger of the subsidiary is a profit of BGN 16 thousand and is formed from the total comprehensive income for the period of Veta Pharma AD.

(b) cash flow statement for the period ending 31 March 2024:

CASH FLOW STATEMENT	**Sopharma AD**	**Veta Pharma AD**	**Infusion adjustments**	**Combined statement of cash flows**
	2024 BGN'000	**2024 BGN'000**	**2024 BGN'000**	**2024 BGN'000**
Cash flows from operating activities				
Customer receipts	64,386	969	(7)	65,348
Payments to suppliers	(41,821)	(1,314)	7	(43,128)
Personnel and social security payments	(17,319)	(305)	-	(17,624)
Taxes paid (excluding income taxes)	(4,153)	(2)	-	(4,155)
Refunded taxes (excluding income taxes)	-	431	-	431
Income taxes (paid)/refunded, net	-	(1)	-	(1)
Interest and bank fees paid on working capital loans	(785)	-	-	(785)
Exchange rate differences, net	(182)	(1)		(183)
Other receipts/(payments), net	(150,134)	-	401	(149,733)
Net cash flows from operating activities	**(150,008)**	**(223)**	**401**	**(149,830)**
Cash flows from investing activities				
Purchases of property, machinery and equipment	(3,502)	-	-	(3,502)
Proceeds from sales of property, machinery and equipment	54	-	-	54
Purchases of intangible assets	(612)	-	-	(612)

Purchase of investment properties	(12)	-	-	(12)
Purchases of shares in associated companies	(133)	-	-	(133)
Purchases of other long-term capital investments	(9,012)	-	-	(9,012)
Proceeds from sale of other long-term capital investments	12	-	-	12
Loans granted to related companies	(1,872)	-	-	(1,872)
Repaid loans granted to related enterprises	21,414	-	-	21,414
Interest received on loans granted	1,065	-	-	1,065
Interest received on deposits	90	-	-	90
Revenue from guarantee fees	77	-	-	77
Net cash flows from/(used in) investing activities	**7,569**	**-**	**-**	**7,569**
Cash flows from financing activities				
Proceeds from capital issue	26,884	-	-	26,884
Repayment of long-term bank loans	(1,705)	-	-	(1,705)
Proceeds / (Repayment) from short-term bank loans (overdraft), net	16,547	-	-	16,547
Dividends paid and unexercised warrants	(22)	-	-	(22)
Payments under lease contracts to related companies	(498)	-	-	(498)
Payments under leasing contracts to third parties	(219)	-	-	(219)
Government funding received for agricultural land	1	-	-	1
Net receipts/(payments) related to other equity components (warrants)	(1)	-	-	(1)
Net cash flows used in financing activities	**40,987**	**-**	**-**	**40,987**
Net increase (decrease) in cash and cash equivalents	**(101,452)**	**(223)**	**401**	**(101,274)**
Cash and cash equivalents as of January 1	105,354	1,333	-	106,687
Cash and cash equivalents as of March 31 for cash flow	**3,902**	**1,110**	**401**	**5,413**

44. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that might affect the financial results and position of the Company.

The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the Company’s finished products and services and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentrations.

Risk management is currently performed by Company's management following the policy adopted by the Board of Directors. The latter has approved the basic principles of general financial risk management, on the basis of which specific procedures have been established for management of the different types of specific risk such as currency, price, interest, credit and liquidity risk and the risk in using non-derivative instruments.

The structure of financial assets and liabilities is as follows:

Categories of financial instruments

Financial assets	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Financial assets at fair value through other comprehensive income, incl.:	***6,934***	***11,976***
Equity investments	*6,934*	*11,976*
Financial assets held for trading	***1***	***1***
Financial assets at amortised cost, incl.:	***159,035***	***159,754***
Receivables and loans granted	*152,495*	*146,901*
Long-term receivables from related parties	14,052	16,771
Other long-term receivables	6,930	7,053
Receivables from related parties	93,312	83,105
Trade receivables	26,204	23,758
Loans to third parties	11,714	11,552
Other current receivables	283	4,662
Cash and cash equivalents	*6,540*	*12,853*
Total financial assets	**165,970**	**171,731**

Financial liabilities	***31.03.2025***	***31.12.2024***
	BGN '000	***BGN '000***
Financial liabilities at amortised cost, incl.:		
Long-term and short-term bank loans	***210,856***	***176,891***
Lease liabilities to related parties	***16,772***	***17,065***
Lease liabilities to third parties	***3,089***	***2,769***
Other loans and liabilities, incl.	***98,303***	***105,133***
Trade payables	96,056	103,330
Payables to related parties	1,003	548
Other current payables	1,244	1,255
Total financial liabilities	**329,020**	**301,858**

At 31 March 2025, recognised liabilities under financial guarantees amount at BGN 230 thousand (31 March/31 December 2024: BGN 230 thousand) (*Note 41*).

The impairment losses/(gains) net of reversed, related to financial assets and financial guarantees recognised in the statement of comprehensive income are as follows*:*

	2025	***2024***
	BGN '000	***BGN '000***
Loans granted at amortised cost (Note 12)	100	510
Total	**100**	**510**

Credit risk

Credit risk is the risk that any of the Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due.

The Company’s credit risk arises both from its operating activities, through its trade receivables, and from its financing activities, including granting loans to related and third parties, commitments undertaken under loans and guarantees, and bank deposits. The Company has developed policies, procedures and rules for credit risk control and monitoring.

Trade receivables

In its commercial practice, the Company has applied different distribution schemes until arriving at the current effective approach that takes into consideration the market operational condition, the various payment methods, and the inclusion of sales rebates. The Company partners with over 70 Bulgarian and foreign licensed distributors of medicinal products.

Work with the NHSSO and with distributors working with state hospitals also require the adoption of a deferred payment policy. In this sense, even though credit risk concentration exists, this risk is controlled by means of selection, ongoing monitoring of the liquidity and financial stability of sales partners, as well as direct communication therewith and seeking quick measures upon indications for problems.

The Company’s credit policy envisages assessing each new customer’s creditworthiness before proposing standard delivery and payment conditions.

Expected credit losses are calculated at the date of each reporting period.

The Company uses provisioning matrixes to calculate expected credit losses from trade receivables and contract assets. The latter are grouped into groups (portfolios) from various client segments sharing similar characteristics, incl. for credit risk.

The percentages applied in the provisioning matrix are based on days past due for each portfolio.

Each matrix percentage is initially determined based on historical data observed by the Company for a period of three years. The method is based on analysis of the history and assessing behaviour for each invoice within a group issued over at least the last three years, including pays past due, going period by period among the different past due ranges, payments and outstanding receivables, etc. Based on that, the loss percentage is determined as bad debt for the given group of factors versus past due invoices by days. The Company does not have a practice to request collateral of trade receivables, and does not insure them.

Second, the Company makes the impairment provisioning matrixes for each portfolio precise by adjusting certain percentages based on historical data for the behaviour of payments under the invoices issued and historical losses from bad debt, by including scenarios and forecast information about certain macro factors. Historical percentages are adjusted to reflect the effect of the future behaviour of macroeconomic factors for which a statistical dependence has been identified and which are considered to impact the customers' ability to service and settle their payables.

In view of the short-term horizon of receivables, the management's analysis of scenarios shows that the impact of changes in the macroeconomic environment on the provisioning matrix are insignificant in their amount as at 31 March 2025.

Court and awarded receivables

Upon determining the collectability of court and awarded receivables, the management analyses on an individual basis the overall exposure from each counterpart (counterpart type) in order to determine the actual likelihood of their collection. Upon establishing it is highly unlikely to collect a given receivable (group of receivables), it is assessed what portion thereof is secured (pledge, mortgage, guarantors, bank security) to thus guarantee collectability (through potential future realisation of the collateral or payment by the guarantor). The receivables or portion thereof for which the management determines are highly unlikely to be collected, are 100% impaired.

Loans, guarantor contracts and financial guarantees granted

The assessment of each credit exposure for the management's purposes is a process that requires the use of models to reflect impact on exposure by changes in market conditions and the debtor's operation, estimated cash flows and time left to maturity. The assessment of the credit risk of loans and guarantor contracts granted leads to further judgement on the possibility of default, on the loss coefficients related to this judgement and to correlation between counterparts. The Company measures credit risk by using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

To determine the credit risk of loans, guarantor contracts and financial guarantees granted, and of certain individual trade receivables, the Company's management has developed a methodology that includes two main components: determining the debtor's credit rating, and statistical models for calculating marginal PR by year for each rating. With respect to the rating, it uses internal credit ratings of its counterparts based on the global methodologies of world's leading rating agencies. The rating reflects financial indebtedness, liquidity, profitability ratios, etc. quantitative (for instance, sales volumes) and qualitative (for instance, financial policy, diversifications, etc.) criteria depending on the respective methodology and industry.

By means of statistical models based on historical global data about probability of default (PD) and transitions between different ratings, as well as forecasts for key macroeconomic indicators (GDP growth, inflation, etc.), the necessary marginal PD are determined by year for each rating.

Based on the specific rating established and the analysis of the debtor's characteristics and the loan/guarantee, incl. changes which have occurred therein compared to the prior period, the instrument's stage is determined (Stage 1, Stage 2, and Stage 3). The Company considers that a certain financial instrument has undergone a significant increase in credit risk when one or more of the following quantitative or qualitative criteria are met:

Quantitative criteria:

- An increase in the probability of default (PD) for the financial instrument's lifetime at the reporting date versus the possibility of default for the instrument's lifetime at the date on which the asset was initially recognised
- Payment is past due for over 30 days, but less than 90 days, past due
- An actual or expected significant adverse change in the debtor's operating result, above the permissible change range, measured based on the debtor's main financial and operating indicators
- A significant change in the value of the collateral, which is expected to increase the loss and risk of default.

Qualitative criteria:

- Significant adverse changes in the business, financial and/or economic conditions of the debtor;
- Actual or expected adverse changes in the debtor's operating results;
- A significant change in the collateral quality, which is expected to increase the risk of default;
- Early signs of cash flow/liquidity issues, such as delays in servicing trade creditors/bank loans.

The criteria used to identify a substantial increase in credit risk are monitored, and their viability is reviewed on a periodic basis by the Company's Finance Director.

The Company designates a financial instrument as *non*-performing and the credit loss as incurred, when it meets one or more of the following criteria:

Quantitative criteria

- The debtor's contract payments are over 90 days past due
- Significant adverse changes have occurred or are expected in the debtor's business, financial conditions and economic environment, manifest in a serious decrease in the debtor's main financial and operational indicators;
- The debtor states a number of losses and negative net assets;
- Significant adverse changes have occurred or are expected in value of the loan's key collateral, incl. loss of collateral.

Qualitative criteria

The debtor is unable to pay due to significant financial difficulties. This includes cases when:

- The debtor is in default of the financial contract, for instance with respect to interest payments, collaterals and/or another significant contract, including for financing;
- Adverse changes in the debtor's business, market, environment, and regulations;
- Concessions and reliefs have been made in relation to the debtor's financial difficulties;

- There is probability that the debtor declares insolvency.

The default definition is subsequently applied to modelling the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD) determined through calculation of the Company's expected credit losses.

Expected credit losses have been determined by discounting the product of: the probability of default (PD), exposure at default (EAD), and the loss given default (LGD), determined as follows:

- PD is the probability of the debtor not meeting their financial obligations, either over the next 12 months, or over the financial asset's lifetime (lifetime PD) determined based on public PD data from generally accepted sources and statistical models of the impact of forecast macroeconomic factors. Moreover, the Company's management has conducted historical analysis and has identified the main economic variables impacting credit risk and expected credit losses per loan (portfolio) type.
- EAD is the amount payable to the Company by the debtor at default, over the next 12 months or over the remaining period of the loan, determined in accordance with the specific instrument's characteristics (amount due, repayment plans, interest, term, etc.).
- LGD is the Company's expectation for the amount of loss from a non-performing exposure. LGD varies depending on the type of counterpart, the type and superiority of the claim and the presence of collateral or other credit support. LGD is measured as a loss percentage for an open exposure at default.
- The discount rate used to calculate expected credit losses (ECL) is the instrument's initial effective interest or in the case of financial guarantees and other instruments without an applicable interest rate – the risk-free rate for the respective period, currency, etc.

The Company applies a number of policies and practices to lower the credit risk from loans granted. Most frequently, it accepts collateral. The Company assigns valuation to external experts – independent valuators, of the collateral received, as part of the process of granting loans. This valuation is reviewed on a periodic basis, but at least once per year.

The table below presents the quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the maximum exposure to credit risk according to the credit rating adopted as at 31 March 2025:

Financial assets	***Applications***	***Internal credit risk categorization***	***Expected credit losses (IFRS 9)***	***Gross book value***	***Impairment loss (adjustment)***	***Carrying amount as of 31.03.2025***
				BGN '000	***BGN '000***	***BGN '000***
Trade receivables from related companies	24	not applicable	*For a 12-month period*	97,569	(4,284)	93,285
Trade receivables from third parties	25	not applicable	*For a 12-month period*	22,491	(1,177)	21,314
Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	*For life (credit secured)*	11,381	(81)	11,300
Receivables for refundable share contributions	21	not applicable	*For a 12-month period*	6,651	-	6,651

Receivables under third party assignment agreements	25	not applicable	*For a 12-month period*	4,890	-	4,890
Receivables under assignment agreements from related companies	21	not applicable	*For a 12-month period*	4,042	-	4,042
Long-term receivables from third parties on securities transactions		not applicable	*For a 12-month period*	4,081	(41)	4,040
Long-term loans granted to third parties	22	Regular Stage 1	*For life (credit secured)*	2,890	-	2,890
Long-term receivables from related parties on securities transactions	21	not applicable	*For a 12-month period*	2,843	-	2,843
Receivables on deposits provided under leasing contracts	21	not applicable	*For a 12-month period*	516	-	516
Short-term loans granted to third parties	26 (a)	Regular Stage 1	*For life (credit secured)*	414	-	414
Receivables under guarantees and sureties provided to related parties	24	not applicable	*For a 12-month period*	32	(5)	27
Short-term loans granted to related companies	24	Renegotiated Stage 2	*For life (credit secured)*	3,177	(3,177)	-
Other receivables from related parties	24	not applicable	*For a 12-month period*	160	(160)	-
Total:				**161,137**	**(8,925)**	**152,212**

The table below presents the quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the maximum exposure to credit risk according to the credit rating adopted as at 31 March/31 December 2024:

Financial assets	***Applications***	***Internal credit risk categorization***	***Expected credit losses (IFRS 9)***	***Gross book value***	***Impairment loss (adjustment)***	***Carrying amount as of 31.12.2024***
				BGN '000	***BGN '000***	***BGN '000***
				BGN '000	***BGN '000***	***BGN '000***
Trade receivables from related companies	24	not applicable	*For a 12-month period*	87,320	(4,284)	83,036
Trade receivables from third parties	25	not applicable	*For a 12-month period*	20,045	(1,177)	18,868
Discounted receivables from third parties in securities transactions	22	not applicable	*For a 12-month period*	4,229	(41)	4,188

Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	*For life (credit secured)*	11,329	(81)	11,248
Receivables for refundable share contributions	21	not applicable	*For a 12-month period*	6,385	-	6,385
Receivables under third party assignment agreements	25	not applicable	*For a 12-month period*	4,890	-	4,890
Receivables under assignment agreements from related companies	21	not applicable	*For a 12-month period*	4,011	-	4,011
Long-term loans granted to related companies	21	Regular Stage 1	*For life (credit secured)*	3,016	-	3,016
Long-term loans granted to third parties	22	Regular Stage 1	*For life (credit secured)*	2,865	-	2,865
Long-term receivables from related parties on securities transactions	21	not applicable	*For a 12-month period*	2,843	-	2,843
Receivables on deposits provided under leasing contracts	21	not applicable	*For a 12-month period*	516	-	516
Short-term loans granted to third parties	26 (a)	Regular Stage 1	*For life (credit secured)*	304	-	304
Receivables under guarantees and sureties provided to related parties	24	not applicable	*For a 12-month period*	74	(5)	69
Short-term loans granted to related companies	24	Renegotiated Stage 2	*For life (credit secured)*	3,052	(3,052)	-
Other receivables from related parties	24	not applicable	*For a 12-month period*	160	(160)	-
Total:				**151,039**	**(8,800)**	**142,239**

The table below provides information about the Company's exposure to credit risk and the impairment of credit losses on loans granted and trade receivables as at 31 March 2025:

Category	***Compliance with external credit rating***	***Average expected impairment loss rate***	***Gross book value as of 31.03.2025***	***Impairment loss (adjustment) as of 31.03.2025***
			BGN '000	***BGN '000***
Regular trade receivables and receivables from securities transactions	*not applicable*	*4.34%*	126,984	(5,502)

Renegotiated loans (Stage 2)	B3	*0.71%*	11,381	(81)
Receivables for refundable share contributions	*not applicable*	*0.00%*	6,651	-
Receivables under third party assignment agreements	*not applicable*	*0.00%*	4,890	-
Judicial and awarded commercial receivables	*not applicable*	*10.25%*	4,635	(475)
Receivables under assignment agreements from related companies	*not applicable*	*0.00%*	4,042	-
Renegotiated loans (Stage 2)	Saa1	*100.00%*	3,177	(3,177)
Regular loans (Stage 1)	Caa1	*0.00%*	2,890	-
Receivables on deposits provided under leasing contracts	*not applicable*	*0.00%*	516	-
Regular loans (Stage 1)	B3	*0.00%*	414	-
Receivables under guarantees and sureties provided to related parties	*not applicable*	*3.68%*	32	(5)
Other receivables from related parties	*not applicable*	*100.00%*	160	(160)
Total:			**165,772**	**(9,400)**

The table below provides information about the Company's exposure to credit risk and the impairment of credit losses on loans granted and trade receivables as at 31 March/31 December 2024:

Category	***Compliance with external credit rating***	***Average percentage of expected impairment loss***	***Gross book value as of 31.12.2024***	***Impairment loss (adjustment) as of 31.12.2024***
			BGN '000	***BGN '000***
Regular trade receivables and receivables from securities transactions	*not applicable*	*4.81%*	114,437	(5,502)
Renegotiated loans (Stage 2)	B3	*0.71%*	11,329	(81)
Receivables for refundable share contributions	*not applicable*	*0.00%*	6,385	-
Receivables under third party assignment agreements	*not applicable*	*0.00%*	4,890	-
Judicial and awarded commercial receivables	*not applicable*	*10.25%*	4,635	(475)
Receivables under assignment agreements from related companies	*not applicable*	*0.00%*	4,011	-
Renegotiated loans (Stage 2)	Saa1	*100.00%*	3,052	(3,052)
Regular loans (Stage 1)	Ba3	*0.00%*	3,016	-
Regular loans (Stage 1)	Caa1	*0.00%*	2,865	-
Receivables on deposits provided under leasing contracts	*not applicable*	*0.00%*	516	-
Regular loans (Stage 1)	B3	*0.00%*	304	-
Receivables under guarantees and sureties provided to related parties	*not applicable*	*6.76%*	74	(5)
Other receivables from related parties	*not applicable*	*100.00%*	160	(160)
Total:			**155,674**	**(9,275)**

The Company has a concentration of receivables from related parties (trade receivables and loans) from one customer of 67% (31.12.2024: 70%)

The Company currently manages the concentration of receivables from related parties by applying credit limits and additional collateral in the form of a pledge of securities and other assets and applying promissory notes.

The Company has a concentration of trade receivables from one customer outside related parties of 11% of all trade receivables (31.12.2024: trade receivables from one customer outside related parties – 18%).

Cash

The Company's cash and payment operations are concentrated in different first-class banks. To calculate expected credit losses for cash and cash equivalents, it applies a model based on the bank's public ratings as determined by internationally recognised rating firms like Moody's, Fitch, S&P, BCRA and Bloomberg and the reference public data about PD (probabilities of default), referring to the rating of the respective bank. The management monitors changes in a bank's rating on an ongoing basis in order to assess the presence of increased credit risk, ensure the current management of incoming and outgoing cash flows and the allocation of cash in the bank accounts and banks.

Foreign currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. The Company supplies part of its basic raw and other materials in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The remaining part of Company's operations is usually denominated in BGN and/or EUR. The Company sells a significant part of its finished products in Euro and thus eliminates the currency risk. The accounts and balances with the subsidiaries in Ukraine are also denominated in Euro. Nevertheless, in relation with the instability in the country and the devaluation of the Ukrainian Hryvnia, for the purpose of mitigating the currency risk the Company, through its subsidiaries, exercises currency policy that includes the immediate translation in EUR of proceeds in a local currency as well as using higher trade margins to compensate eventual future devaluation of the Hryvnia.

To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

The assets and liabilities denominated in BGN and foreign currency are presented as follows:

31 March 2025	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Equity investments	5,649	-	1,285	-	6,934
Receivables and loans granted	7,564	52,211	86,069	6,651	152,495
Financial assets held for trading	-	-	1	-	1
Cash and cash equivalents	878	4,231	1,331	100	6,540
Total financial assets	**14,091**	**56,442**	**88,686**	**6,751**	**165,970**

31 March 2025	in USD	in EUR	in BGN	in other currency	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Long-term and short-term bank loans	-	132,678	78,178	-	210,856
Lease liabilities to related parties	-	16,772	-	-	16,772
Lease liabilities to third parties	662	2,293	5	129	3,089
Other loans and payables	1,064	87,255	7,820	2,164	98,303
Total financial liabilities	**1,726**	**238,998**	**86,003**	**2,293**	**329,020**

31 March/31 December 2024	in USD	in EUR	in BGN	in other currency	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Equity investments	8,414	-	3,562	-	11,976
Receivables and loans granted	7,116	43,370	90,030	6,385	146,901
Cash and cash equivalents	-	-	1	-	1
Total financial assets	602	10,675	1,308	268	12,853
	16,132	**54,045**	**94,901**	**6,653**	**171,731**
Long-term and short-term bank loans	-	119,865	57,026	-	176,891
Lease liabilities to related parties	-	17,065	-	-	17,065
Lease liabilities to third parties	431	2,174	10	154	2,769
Other loans and payables	3,118	92,308	7,233	2,474	105,133
Total financial liabilities	**3,549**	**231,412**	**64,269**	**2,628**	**301,858**

Foreign currency sensitivity analysis

The effect of Company’s sensitivity to 10% increase/decrease in current exchange rates of BGN to USD and to other currency exposures, based on the structure of foreign currency assets and liabilities at 31 March/31 December and on the assumption that the influence of all other variables is ignored, is presented below. The final effect has been measured and presented as impact on the post-tax financial result and on the equity.

	USD	
	31.03.2025	**31.12.2024**
	BGN '000	**BGN '000**
Financial result +	1,113	1.204

Accumulated profits +	1,113	1.204
Financial result -	(1,113)	(1.204)
Accumulated profits -	(1,113)	(1.204)

With a 10% increase in the US dollar exchange rate against the Bulgarian lev, the final effect on the company's profit (after tax) for 2024 would be an increase of BGN 1,113 thousand. (8.96 %) (2024: in the direction of an increase of 1,204 thousand BGN (7.90 %). The same value effect would also have on the equity - component "retained earnings".

With a 10% decrease in the exchange rate of the US dollar against the Bulgarian lev, the final effect on the company's profit (after tax) would be equal and reciprocal to the above-mentioned result in the increase.

The influence of the remaining currencies (other than the US dollar) with a 10% increase in their exchange rates against the Bulgarian lev is significant on the company's profit (after tax). The final effect on it for 2024 is in the direction of a decrease of 3,654 thousand BGN (- 29.40 %) (for 2024: in the direction of a decrease of 61 thousand BGN (- 0.40%). The effect on the equity is of the same value and in the direction of an increase / decrease and reflected in the "accumulated profits" component.

Management is of the opinion that the above-mentioned analysis of currency sensitivity based on the balance sheet structure of currency assets and liabilities also reflects the currency sensitivity of the company during the year.

Price risk

On the one hand, the Company is exposed to price risk due to two main factors:

(a) contingent increase of supplier prices of raw and starting materials, since more than 80% of the raw and starting materials are imported and they represent 50% on the average of all production costs; and

(b) growing competition on the Bulgarian pharmaceutical market is also reflected in drug prices.

For the purpose of mitigating this influence, the Company applies a strategy aimed at optimization of production costs, validation of alternative suppliers that offer beneficial commercial conditions, expanding product range by means of new generic products development and last but not least, adoption of a flexible marketing and price policy. Price policy is a function of three main factors – structure of expenses, prices of competitors and purchasing capacity of customers.

On the other hand, the Company is exposed to a price risk related to the held thereby shares, classified as other long-term equity investments.

For this purpose, the management monitors and analyses all changes in security markets and also uses consulting services of one of the most authoritative in the country investments intermediaries. At this stage, because of the economic and financial crisis, the management has taken a decision for a significant reduction in its operations on stock markets, retaining of the purchased shares for longer periods with current monitoring of the reported by the respective issuer financial and business indicators.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally all of its obligations within their maturity.

The Company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the Company is its main economic activity generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. The company has no agreements to finance payments to its suppliers. To isolate any possible liquidity risk, the Company implements a system of alternative mechanisms of acts and prognoses, the final aim being to maintain good liquidity and, respectively, ability to finance its economic activities. This is complemented by the monitoring of due dates and maturity of assets and liabilities as well as control of cash outflows.

Maturity analysis

The table below presents the financial non-derivative liabilities of the Company, grouped by remaining term to maturity, determined against the contractual maturity at the reporting date. The table is prepared on the basis of undiscounted cash flows and the earliest date on which a payable becomes due for payment. The amounts include principal and interest.

31 March 2025	**up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**over 5 years**	***Total***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN '000***	***BGN '000***	***BGN '000***
Long-term and short-term bank loans	14,484	3,928	60,261	52,716	20,034	54,426	23,702	**229,551**
Lease liabilities to related parties	174	347	521	1,043	2,112	6,417	6,504	**17,118**
Lease liabilities to third parties	69	136	206	411	822	1,494	-	**3,138**
Other loans and payables	5,721	3,808	85,347	3,427	-	-	-	**98,303**
Total liabilities	**20,448**	**8,219**	**146,335**	**57,597**	**22,968**	**62,337**	**30,206**	**348,110**

31 March/31 December 2024	**up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**over 5 years**	***Total***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN '000***	***BGN '000***	***BGN '000***
Long-term and short-term bank loans	79,231	1,204	1,825	77,055	5,364	15,471	-	**180,150**
Lease liabilities to related parties	188	377	565	1,131	2,261	6,783	6,625	**17,930**
Lease liabilities to third parties	76	153	229	459	784	1,121	-	**2,822**
Other loans and payables	10,834	6,121	86,022	2,156	-	-	-	**105,133**
Total liabilities	**90,329**	**7,855**	**88,641**	**80,801**	**8,409**	**23,375**	**6,625**	**306,035**

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Company's assets by cash, bank deposits and loans granted, which are with fixed interest rate. Company's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. Operating lease liabilities have both variable and fixed interest rates. This circumstance makes the cash flows of the Company partially dependent on interest risk. This risk is covered in two ways:

(a) optimisation of the sources of credit resources for achieving relatively lower price of attracted funds; and

(b) combined structure of interest rates on loans comprising two components – a permanent one and a variable one, the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favourable for the Company. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

The Company's management currently monitors and analyses its exposure to changes in interest rates. Simulations are carried out for various scenarios of refinancing, renewal of existing positions, and alternative financing. The impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated based on these scenarios. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

31 March 2025	**interest-free**	**with floating interest %**	**with fixed interest %**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Equity investments	6,934	-	-	6,934
Receivables and loans granted	129,068	-	23,427	152,495
Financial assets held for trading	1	-	-	1
Cash and cash equivalents	78	6,462	-	6,540
Total financial assets	**136,081**	**6,462**	**23,427**	**165,970**
Long-term and short-term loans	-	210,856	-	210,856
Lease liabilities to related parties	-	-	16,772	16,772
Lease liabilities to third parties	-	-	3,089	3,089
Other loans and liabilities	98,303	-	-	98,303
Total financial liabilities	**98,303**	**210,856**	**19,861**	**329,020**

31 March/31 December 2024	**interest-free**	**with floating**	**with fixed**	**Total**

		interest %	**interest %**	
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Equity investments	11,976	-	-	11,976
Receivables and loans granted	120,719	-	26,182	146,901
Cash and cash equivalents	1	-	-	1
Total financial assets	176	12,677	-	12,853
	132,872	**12,677**	**26,182**	**171,731**
Long-term and short-term loans				
Lease liabilities to related parties	-	210,856	-	210,856
Lease liabilities to third parties	-	-	16,772	16,772
Other loans and liabilities	-	-	3,089	3,089
Total financial liabilities	98,303	-	-	98,303
	98,303	**210,856**	**19,861**	**329,020**

The table below demonstrates the Company's sensitivity to possible changes in interest rates by 0.50 points based on the structure of assets and liabilities as at 31 March/31 December and with the assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result after taxes and on equity.

2025

	Increase/ decrease in interest rate	***Impact on post-tax financial result profit/(loss)***	***Impact on equity increase/(decrease)***
EUR	Increase	(683)	(683)
BGN	Increase	(355)	(355)
USD	Increase	(3)	(3)
AZN	Increase	(1)	(1)
EUR	Decrease	683	683
BGN	Decrease	355	355
USD	Decrease	3	3
AZN	Decrease	1	1

2024

	Increase/ decrease in interest rate	***Impact on post-tax financial result***	***Impact on equity***

		profit/(loss)	*increase/(decrease)*
EUR	Increase	(626)	(626)
BGN	Increase	(259)	(259)
AZN	Increase	(2)	(2)
USD	Increase	(1)	(1)
EUR	Decrease	626	626
BGN	Decrease	259	259
AZN	Decrease	2	2
USD	Decrease	1	1

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total amount of employed capital. Net debt is calculated as the difference between total borrowings, as presented in the statement of financial position, and cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt.

In 2025 the Company implemented a large-scale investment programme, as a result of which the gearing ratio increased significantly compared to prior years.

The table below shows the gearing ratios based on capital structure:

	2025	***2024***
	BGN '000	***BGN '000***
Total borrowings, including:	**230,717**	**196,725**
bank loans	*210,856*	*176,891*
lease liabilities to related parties	*16,772*	*17,065*
lease liabilities to third parties	*3,089*	*2,769*
Less: Cash and cash equivalents	**(6,540)**	**(12,853)**
Net debt	**224,177**	**183,872**
Total equity	**619,671**	**608,557**
Total capital	**843,848**	**792,429**
Gearing ratio	**0.27**	**0.23**

The cash and liabilities shown in the table are disclosed in *Notes 28, 30, 33, 34, 36, 38 and 41*.

Fair value measurement

The fair value concept presumes realisation of financial assets through a sale based on the position, assumptions and judgments of independent market participants in a principal or most advantageous market for a particular asset or liability. The Company acknowledges as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks – dealers, and for some specific instruments – direct transactions between the parties. However, in most cases especially in regard of trade receivables and payables as well as loans and deposits, the Company expects to realise these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at amortised cost.

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables, short-term loans) or are presented in the statement of financial position at market value determined by applying a particular valuation method (investments in securities, loans with floating interest rate) and therefore, their fair value is almost equal to their carrying amount. Therefore, they are presented at acquisition cost (cost). With regard to loans, extended with fixed interest rate, the method used for setting this rate uses as a starting point for the calculations the current observations of the Company with regard to the market interest levels.

As far as the Bulgarian market of various financial instruments is still not sufficiently active – with stability, satisfactory volumes and liquidity for purchases and sales of certain financial assets and liabilities – there are no sufficient and reliable market price quotations for them, and for this reason, the Company uses other alternative valuation methods and techniques.

Company's management is of the opinion that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

45. SEGMENT REPORTING

Company’s segment reporting is organised on the basis of the production of main groups of finished products:

- Tablet dosage forms
- Ampoule dosage forms
- Medical products
- Other dosage forms
- Other revenue

Medical products include: plasters, sanitary and hygienic products, dressings, and medical cosmetics.

The other dosage forms include: lyophilic products, ointments, syrups, drops, suppositories, inhalers, haemodialysis concentrates, sachets, substances, infusion solutions, veterinary vaccines, solutions and chemical substances and mixtures.

Other revenue includes revenue from assets leased.

Segment revenue, expenses and results include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other forms*		*Medical products*		*Other revenue*		*Total*	
	2025	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Segment revenue	49,207	39,880	7,028	5,882	8,592	9,345	3,005	3,040	672	667	68,504	58,814
Segment cost	(18,289)	(15,093)	(5,842)	(5,112)	(4,522)	(5,483)	(1,955)	(2,116)	(23)	(22)	(30,631)	(27,826)
Segment result	**30,918**	**24,787**	**1,186**	**770**	**4,070**	**3,862**	**1,050**	**924**	**649**	**645**	**37,873**	**30,988**
Non-allocated operating income											2,071	3,359
Non-allocated operating expenses											(24,889)	(17,533)
Profit from operations											**15,055**	**16,814**
Net gain/(loss) on sale of investments in subsidiaries and associates											9	-
Impairment of non-current assets outside the scope of IFRS 9											(2)	-
Finance income/(costs), net											(1,220)	(287)
Profit before income tax											**13,842**	**16,527**
Income tax expense											(1,414)	(1,279)
Net profit for the year											**12,428**	**15,248**

Segment assets include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Medical products*		*Other revenue*		*Total*	
	2025	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Property, plant and equipment	53,074	54,220	20,650	21,123	34,208	34,474	2,376	2,122	1,302	1,324	111,610	113,263
Investment property	-	-	-	-	-	-	-	-	50,271	50,512	50,271	50,512
Inventories	57,043	59,363	20,936	19,433	25,592	22,707	4,316	4,306	-	-	107,887	105,809
Segment assets	**110,117**	**113,583**	**41,586**	**40,556**	**59,800**	**57,181**	**6,692**	**6,428**	**51,573**	**51,836**	**269,768**	**269,584**
Non-allocated assets											**711,311**	**672,644**
Total assets											**981,079**	**942,228**

Segment liabilities include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Medical products*		*Other revenue*		*Total*	
	2025	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Government grants	1,973	2,020	1,050	1,100	1,714	1,759	54	56	-	-	4,791	4,935
Payables to personnel	688	551	482	350	744	637	61	61	-	-	1,975	1,599
Social security payables	239	217	192	169	293	266	29	28	-	-	753	680
Segment liabilities	**2,900**	**2,788**	**1,724**	**1,619**	**2,751**	**2,662**	**144**	**145**	**-**	**-**	**7,519**	**7,214**
Non-allocated liabilities												**291,112**
Total liabilities											**333,671**	**299,170**

The capital expenditures, depreciation/amortisation and non-monetary expenses other than depreciation/amortisation by business segment include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Medical products*		*Other revenue*		*Total*	
	2025	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*	*2025*	*2024*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Capital expenditures	600	643	5,016	1,617	5,119	1,779	15	35	330	241	11,080	4,315
Depreciation and amortisation	4,834	5,005	2,389	2,369	2,794	2,988	308	297	91	87	10,416	10,746

46. RELATED PARTY TRANSACTIONS

The companies related to Sopharma AD and the type and period of their relationship are as follows:

Related parties	***Relation type***	***Relation period***
Donev Investments Holding AD	Shareholder with significant influence	2024 and 2025
Telecomplect Invest AD	Shareholder with significant influence	2024 and 2025
Sopharma Trading AD	Subsidiary company	2024 and 2025
Pharmalogistica AD	Subsidiary company	2024 and until 19 December 2025
Sopharma Poland OOD – in liquidation	Subsidiary company	2024 and 2025
Electroncommerce EOOD	Subsidiary company	2024 and until 19 December 2025
Vitamina AD	Subsidiary company	2024 and 2025
Sopharma Warsaw EOOD	Subsidiary company	2024 and 2025
Sopharma Ukraine EOOD	Subsidiary company	2024 and 2025
TOO Sopharma Kazakhstan, Kazakhstan	Subsidiary company	2024 and 2025
Phyto Palauzovo AD – in liquidation	Subsidiary company	2024 and until 7 November 2025
Sopharma Rus OOD	Subsidiary company	From 13 October 2024 and 2025
Pharmachim EOOD	Subsidiary company	2024 and 2025
Pharmanova OOD, Serbia	Subsidiary company	From 13 August 2025
SofTech Services EOOD	Subsidiary company	From 28 February 2025
Sopharma Trading OOD, Serbia	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 2 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 3 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 4 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 5 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 6 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 7 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 8 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 9 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 10 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 11 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 12 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025

Sopharmacy 13 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 14 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 15 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 16 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 17 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 18 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 19 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 20 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 21 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 22 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 23 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 24 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 25 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 26 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 27 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 28 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 29 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 30 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 31 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 32 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 33 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 34 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 35 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 36 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 37 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 38 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 39 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 40 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 41 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 42 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 43 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 44 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 45 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 46 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 47 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 48 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 49 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 50 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 51 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 52 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 53 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 54 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 55 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 56 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 57 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 58 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 59 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 60 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 61 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 62 EOOD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 63 EAD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 64 AD	Subsidiary company through Sopharma Trading AD	2024 and 2025
Sopharmacy 65 EOOD	Subsidiary company through Sopharma Trading AD	From 13 March 2025

Sopharmacy 66 EOOD	Subsidiary company through Sopharma Trading AD	From 21 February 2025
Sopharmacy 67 EOOD	Subsidiary company through Sopharma Trading AD	From 21 February 2025
Sopharmacy 68 EOOD	Subsidiary company through Sopharma Trading AD	From 21 February 2025
Brititrade SOOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
DabradzeyaPharm OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
Ne Ska OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
Bellerofon OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
AlfaApteka OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
Fitobel OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
Tabina OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
Salus Line OOO	Subsidiary company through Sopharma Trading AD	From 10 July 2025
SpetsAfarmacia BOOO	Subsidiary company through Sopharma Trading AD	From 31 March 2025
Great Pharmacy Au, Serbia	Subsidiary company through Sopharma Trading AD	From 09 October 2025
AU Sopharmacy, Serbia	Subsidiary company through Sopharma Trading AD	From 30 August 2025
Sopharma Properties REIT	Associate	2024 and 2025
Doverie Obedinen Holding AD	Associate	2024 and 2025
Sopharma Buildings REIT	Associate	From 8 September 2024 and 2025
Pharmanova OOD, Serbia	Associate	From 10 November 2024 to 12 August 2025
GalenaPharm OOO	Associate through Sopharma Trading AD	From 10 July 2025
Medjel ODO	Associate through Sopharma Trading AD	From 10 July 2025
Alenpharm-Plus ODO	Associate through Sopharma Trading AD	From 10 July 2025
Momina Krepost AD	Joint venture	2024 and 2025
Company Interpharm ZAO	Associate through Sopharma Trading AD	From 10 July 2025
SpetsApharmacia BOOO	Associate through Sopharma Trading AD	From 10 July 2025 to 31 March 2025
DOH Group companies	Companies controlled by an associate	2024 and 2025
Sofprint Group AD	Company related through key management personnel	2024 and 2025
Sofconsult Group AD	Company related through key management personnel	2024 and 2025
VES Electroinvest Systems EOOD	Company related through key management personnel	2024 and 2025
Eco Solar Invest OOD	Company related through key management personnel	2024 and 2025
Alpha In EOOD	Company related through key management personnel	2024 and 2025
Consumpharm OOD	Company related through key management personnel	2024 and 2025
Veterenary Diagnostics DZZD	Civil consortia (direct interest)	2024 and 2025
DZZD "Sopharma Trading Global Medical 2025"	Civil consortia (indirect interest) through Sopharma Trading AD	From 04 September 2025

The sales performed by Sopharma AD to the related companies at 31 March/31 December are as follows:

Sales to related parties	***2025 BGN'000***	***2024 BGN'000***
Sales of finished products to:		
Subsidiaries	38,049	32,946
	38,049	**32,946**
Sales of goods and materials:		
Subsidiaries	2,335	2,147
Companies related through key management personnel	269	451

	2,604	**2,598**
Sales of services to:		
Subsidiaries	884	750
Companies controlled by an associate	3	-
Companies related through key management personnel	2	2
Associates	-	3
	889	**755**
Dividend income from:		
Associates	1,603	1,488
	1,603	**1,488**
Interest on loans granted to:		
Companies controlled by an associate	20	466
Joint ventures	25	20
	45	**486**
Interest on recoverable shares to:		
Subsidiaries	718	60
	718	**60**
Fees under guarantor contracts and guarantees to:		
Subsidiaries	133	79
	133	**79**
Interest under cession agreements to:		
Joint ventures	31	32
	31	**32**
Interest on trade receivables to:		
Subsidiaries	127	183
	127	**183**
Total sales to related parties:	**41,878**	**37,079**

The supplies performed to Sopharma AD by the related companies as at 31 March/31 December are as follows:

Supplies from related parties	***2025***	***2024***
	BGN '000	***BGN '000***
Supply of inventories from:		
Companies related through key management personnel	2,688	3,403
Subsidiaries	41	37
Joint ventures	28	55

Associates	26	21
Companies controlled by an associate	5	5
	2,788	**3,521**
Supply of services from:		
Subsidiaries	1,164	1,168
Shareholding companies with significant influence	160	166
Companies controlled by an associate	162	163
Associates	139	111
Companies related through key managing personnel	28	25
	1,653	**1,633**
Supplies related to right-of-use assets from:		
Associates	2,097	1,929
	2,097	**1,929**
Expenses for acquisition of investment property from:		
Companies controlled by an associate	580	498
	580	**498**
	19,369	**148,107**
Other supplies from:		
Subsidiaries	1	-
Companies controlled by an associate	1	4
	2	**4**
Total supplies from related parties	**5,049**	**5,656**

The total amount of stocks/shares sold and acquired in the capital of entities related to Sopharma AD as at 31 March/31 December are as follows:

Revenues from sales of investments in:	***2025 BGN'000***	***2024 BGN'000***
Subsidiaries	43,715	-
Associates	387	133
	44,102	**133**

Acquired investments in:	***2025 BGN'000***	***2024 BGN'000***
Associates	12	-
	12	**-**

The accounts and balances with related parties are presented in *Notes 21, 24, 33 and 38.*
The members of the key personnel are disclosed in *Note 1.*

The remuneration and other short-term income of key management personnel are current in the amount of BGN 232 thousand (2024: BGN 246 thousand).

47. EVENTS AFTER THE REPORTING PERIOD

There are no events occurring after the balance sheet date that require disclosure in these separate financial statements.