

SOFARMA GROUP
APPENDICES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine-month period ended September 30, 2025

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1. INFORMATION ABOUT THE GROUP

The Sopharma Group (the Group) comprises a parent company and its ninety-one (31 December 2024: eighty-nine) subsidiaries. In addition, the Group has investments in six associates and two joint ventures (31.12.2024: six associates and two joint ventures).

Parent company

Sopharma AD (parent company) is a commercial company registered in Bulgaria with its registered office and address of management at 16 Ilienko Shose St., Sofia. The company was entered in the Commercial Register on 11.04.2008 with UIC 831902088. The company was registered on 15.11.1991, Decision No. 1.1991 of the Sofia City Court.

The company was judicially registered on 15 November 1991, Decision No. 1.1991 of the Sofia City Court.

Subsidiaries

As of September 30, 2025, the subsidiaries in the Group are:

- Sofarma Trading AD – a commercial company registered in Bulgaria by Decision No. 3594/16.10.1998 of the Varna District Court, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12; 5 Lachezar Stanchev Street, Sopharma Business Towers, Building A, Floor 12;
- Sopharmacy EOOD – a commercial company registered in Bulgaria by decision of the Registry Agency No. 201501191300026 of 19.01.2015, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 2 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20150617110324 of 17.06.2015, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Sopharmacy 3 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20151202165822 of 02.12.2015, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 4 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20160229093338 of 29.02.2016, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Sopharmacy 5 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20160301155620 of 01.03.2016, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;

- Sopharmacy 6 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20140127170842 of 27.01.2014, with its registered office and address of management at Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Sopharmacy 7 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170315161212 of 15.03.2017, with its registered office and address of management at Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Sopharmacy 8 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170627142803 of 27.06.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Sofarma 9 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170911100706 of 11.09.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 10 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170911101412 of 11.09.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Sopharmacy 11 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170302125338 of 02.03.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 12 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170306085236 of 06.03.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 13 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170306080850 of 06.03.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 14 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170306081205 of 06.03.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 15 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20170302134305 of 02.03.2017, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;

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- Sopharmacy 16 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20180515105543 of 15.05.2018, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 17 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20180515130642 of 15.05.2018, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 12;
- Sopharmacy 18 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20190228133836 of 28.02.2019, with its registered office and address of management at: Sofia, Izgrev district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 12;
- Veta Pharma AD - a commercial company registered in Bulgaria under company file No. 581 of 05.04.1999 of the Veliko Tarnovo District Court, with its registered office and address of management at 32 Dulgata Laka Street, Veliko Tarnovo;
- Sopharmacy 19 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226110235 of 26.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 13.
- Sopharmacy 20 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090518182226 of 18.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 21 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519084124 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sofarma 22 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090320091825 of 20.03.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 13.
- Sopharmacy 23 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090604184353 of 04.06.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 24 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090604170149 of 04.06.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.

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- Sopharmacy 25 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519080611 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 26 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226120647 of 26.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 27 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090604181926 of 04.06.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 28 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227145039 dated 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 29 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090605085738 of 05.06.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 30 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227160338 of 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 31 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20080630143914 of 30.06.2008, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 32 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090319152459 of 19.03.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 33 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226112827 of 26.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 34 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226165512 of 26.02.2009, with its registered office and address of management:

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Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.

- Sopharmacy 35 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090513180047 of 13.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 36 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519083827 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 37 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226102708 of 26.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 38 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519090345 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 39 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227150054 of 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 40 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20081220153409 of 20.12.2008, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 41 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519080839 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 42 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090518183127 of 18.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sofarma 43 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226105948 of 26.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 13.

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- Sopharmacy 44 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090605134931 of 05.06.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 45 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519091916 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 46 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519083054 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 47 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227154137 of 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 48 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227155742 of 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 49 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090518162442 of 18.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 50 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227152516 of 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 51 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227153607 of 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 52 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090518174837 of 18.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 53 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090226101122 of 26.02.2009, with its registered office and address of management:

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Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.

- Sopharmacy 54 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519085825 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 55 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090414165833 of 14.04.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 56 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090519071228 of 19.05.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 57 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090604164039 dated 04.06.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 58 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090227160132 dated 27.02.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 59 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090114162615 dated 14.01.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 60 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20080422121447 of 22.04.2008, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 61 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20090114170550 of 14.01.2009, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 62 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20080512090050 of 12.05.2008, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.

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- Sofarmacy 63 EAD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20080410180229 of 10.04.2008, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok Residential District, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 64 AD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20080411103252 of 11.04.2008, with its registered office and address of management: Sofia 1220, Nadezhda District, 16 Rozhen Street. 16 Rozen Street.
- Sopharmacy 64 AD, Sofarma Business Towers, Building "A", Floor 13. Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 13.
- Sopharmacy 66 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20240108112701 of 08.01.2024, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 67 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20240109162219 dated 09.01.2024, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sopharmacy 68 EOOD - a commercial company registered in Bulgaria by decision of the Registry Agency No. 20240108112943 dated 08.01.2024, with its registered office and address of management: Sofia 1756, Izgrev District, Iztok residential district, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building "A", Floor 13.
- Sofarma Poland Z.O.O, Poland, in liquidation - a commercial company registered in Poland by Decision No. KRS 0000178554 of 04.11.2003 of the XX Economic Division of the District Court Register of Warsaw, with its registered office and address of management in Poland, Warsaw, ul. "Szkowa" No. 58;
- Sofarma Warsaw SP. Z.O.O, Poland – a commercial company registered in Poland by Decision No. DSR 0000372245 of 17.12.2010 of the XII Commercial Division of the State Court Register of Warsaw, with its registered office and address of management in Poland, Warsaw, 8 Halubinskiego Street;
- Sofarma Ukraine LLC, Ukraine – a commercial company registered in Ukraine by Decision No. 10691020000029051 of 7 August 2012 of the Unified State Register of Legal Entities and Individual Entrepreneurs, with its registered office and address of management at 9 Moskovsky Avenue, Building 4, Floor 2, Office 4-203, Obolonsky District, Kyiv, Ukraine; Obolonskyi district, 9 Moskovsky Avenue, building 4, floor 2, office 4-203;
- PAO Vitamini, Ukraine - a commercial company registered in Ukraine by Decision No. 133 of 15.04.1994 of the Uman City Court, with its registered office and address of management in Ukraine, Cherkasy region, city of Uman, 31 Leninski Iskri Street;

- Sofarma Trading D.o.o., Serbia – a commercial company registered in Serbia by Decision No. 07829531 of 5 February 1992 of the Agency for Economic Registers, with its registered office and address of management at 48v Zoran Djindjic Blvd., Belgrade, Serbia 48v Zoran Djindjic Blvd.;
- TOO Sopharma Kazakhstan, Kazakhstan - a commercial company registered in Kazakhstan by Decision No. 5286-1910-04-TOO of 06.11.2014 of the Ministry of Justice, Auezovsky District, with registered office and address of management – Kazakhstan, Almaty, Auezovsky District, mkr. Mamir – 4, house 190;
- Farmahim EOOD, Serbia - a commercial company registered in Serbia with BD 27219/2020 on 14.04.2020 by the Agency for Economic Registers of the city of Belgrade and with its registered office and address of management - Republic of Serbia, city of Belgrade, 6 Vladimir Popovich Street;
- Sofarma Rus LLC, Russia - a commercial company registered in Russia under Decision No. 1237700691524 of 13.10.2023 of the Unified State Register of Legal Entities, with its registered office and address of management in Russia, Moscow, Letnikovskaya Street No. 10.
- Pharmonova D.O.O., Serbia – a commercial company registered in Serbia by Decision No. 20408642 of 15.04.2008 of the Agency for Economic Registers of the city of Belgrade and with its registered office and address of management in the Republic of Serbia, city of Belgrade, ul. "Bajevina" No. 1;
- SOOO Brititrade, Belarus – a commercial company registered in Belarus by Decision No. 190567633 of 24.09.2004 of the Minsk Regional Executive Committee, with its registered office and address of management at: Republic of Belarus, Minsk District, Shchomyslitsy Village Council No. 18;
- OOO DabradzeyaFarm, Belarus – a commercial company registered in Belarus by Decision No. 591034846 of 17 June 2020 of the Grodno City Executive Committee, with its registered office and address of management at: Republic of Belarus, Grodno, 4 Garbarska Street;
- OOO Ne Ska, Belarus – a commercial company registered in Belarus by Decision No. 191582872 of 12 April 2011 of the Minsk District Executive Committee, with its registered office and address of management at Shchomyslitsy Village Council No. 18, Minsk District, Republic of Belarus;
- OOO Bellerophon, Belarus – a commercial company registered in Belarus by Decision No. 190470316 of 17.07.2003 of the Minsk Regional Executive Committee, with its registered office and address of management at Shchomyslitsy Village Council No. 18, Minsk Region, Republic of Belarus;
- AlfaApteka LLC, Belarus – a commercial company registered in Belarus by Decision No. 692109178 of 21 December 2018 of the Minsk District Executive Committee, with its registered office and address of management at: Republic of Belarus, Minsk District, Shchomyslitsy Village Council No. 18;
- FitoBel LLC, Belarus – a commercial company registered in Belarus by Decision No. 100456458 of 3 February 2020 of the Minsk District Executive Committee, with its registered office and address of management at Shchomyslitsy Village Council No. 18, Minsk District, Republic of Belarus;

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- Tabina LLC, Belarus – a commercial company registered in Belarus by Decision No. 101260261 of 29.12.1999 of the Minsk Regional Executive Committee, with its registered office and address of management at Shchomyslitsy Village Council No. 18, Minsk Region, Republic of Belarus;
- Salyuslain LLC, Belarus – a commercial company registered in Belarus by Decision No. 500046184 of 5 May 2006 of the Grodno Regional Executive Committee, with its registered office and address of management at 5 Slavinskogo Street, Grodno, Republic of Belarus;
- BOO SpetsAfarmatsiya, Belarus – a commercial company registered in Belarus by Decision No. 700432245 of 09.03.1998 of the Mogilev Regional Executive Committee, with its registered office and address of management at: Republic of Belarus, Mogilev Region, Bobruisk, Pushkina Street, No. 163;
- Sopharmacy D.o.o., Serbia – a commercial company registered in Serbia by decision of the Register of Healthcare Institutions BZU 1160/2024 of 30.08.2024 and with its registered office and address of management at: Republic of Serbia, Belgrade-Novi Belgrade, 29 Marshal Tolbukhin Blvd.;
- Pharmacy (AU) Great Pharmacy, Serbia – a commercial company registered in Serbia by decision of the Register of Healthcare Institutions BZU 85/2024 of 18.01.2024 and with its registered office and address of management – Republic of Serbia, Belgrade-Palilula, ul. Viline Vode;
- SofTech Services EOOD – a commercial company registered in Bulgaria by decision of the Registry Agency No. 20250228081900 of 28.02.2025 with its registered office and address of management: Sofia 1756, Izgrev District, Iztok Residential District, 5 Lachezar Stanchev Street, Sofarma Business Towers, Building A, Floor 15;
- Sofarma Plus EOOD – a commercial company registered in Bulgaria by decision of the Registry Agency No. 20250716141706 dated 16 July 2025, with its registered office and address of management at: Sofia 1220, Nadezhda District, 16 Rozhen Blvd.;

On 28 February 2025, the parent company established SofTech Services EOOD.

On 21 February 2024, through its subsidiary Sopharmacy EOOD, the Group acquired the companies Sopharmacy 66 EOOD, Sopharmacy 67 EOOD and Sopharmacy 68 EOOD.

On March 13, 2024, through its subsidiary Sopharmacy EOOD, the Group acquired Sopharmacy 65 EOOD.

On July 10, 2024, through its subsidiary Sopharma Trading AD, the Group acquired 79% of the capital of SOOO Brititrade, Belarus.

On August 13, 2024, Sopharma AD acquired control of the company Farmonova OOD, Serbia, through the purchase of an additional 50% share in the company's capital.

On August 30, 2024, the subsidiary Sofarma Trading D.o.o., Belgrade, established its subsidiary Sopharmacy D.o.o., Belgrade.

On September 2, 2024, the merger of Veta Pharma AD into Sopharma AD was entered in the Commercial Register of the Registry Agency. The merger of Veta Pharma AD (the transforming company) into the parent company Sopharma AD (the acquiring company) was carried out through the legal form of transformation regulated by the Commercial Law. As a result of the transaction, all assets of Veta Pharma AD were transferred to Sopharma AD, and Veta Pharma AD was terminated without liquidation.

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The purpose of the transaction for the transformation of the two companies was:

- to restructure the companies in the Sopharma group in order to eliminate overlapping activities;
- to focus efforts on production and commercial activities, respectively, and to optimize administrative costs;
- to increase efficiency and achieve synergies in the management and performance of production and commercial activities, as well as in cost optimization.

For accounting purposes, the date of the merger was set at January 1, 2024.

On 09.10.2024, through its subsidiary Sofarma Trading D.o.o, Belgrade, the Group acquired the company Apotekarska ustanova (AU) Great Pharmacy, Serbia.

Joint ventures

As at 30 September 2025, the Group's joint ventures are:

- Momina Krepost AD – a commercial company registered in Bulgaria by Decision No. 3426/1991 of the Veliko Tarnovo District Court, with its registered office and address of management at 23 Magistralna Street, Veliko Tarnovo.
- ZAO Kompaniya Interfarm, Belarus – a commercial company registered in Belarus by Decision No. 300000556 of 27 November 1996 of the Vitebsk Regional Executive Committee, with its registered office and address of management at: Republic of Belarus, 210027, Vitebsk, 3/2-162 Stroitelev Boulevard

Associated companies

As at 30 September 2025, the Group's associated companies are:

- Doverie United Holding AD – a commercial company registered with the Sofia City Court under company case No. 13056 of 1996, with its registered office and address of management at 5 Lachezar Stanchev Street, Building A, floor 7.
- Sofarma Properties REIT – a commercial company registered with the Sofia City Court under Decision No. 1/24.03.2006, with its registered office and address of management at 5 Lachezar Stanchev Street, Sofia 1756.
- Sofarma Buildings REIT – a commercial company registered with the Sofia City Court by Decision No. 1/14.08.2007, with its registered office and address of management at 5 Lachezar Stanchev Street, Sofia 1756. GalenaFarm LLC, Belarus – a commercial company registered in Belarus by Decision No. 291192483 of 12.06.2006, with its registered office and address of management at
- GalenaFarm LLC, Belarus – a commercial company registered in Belarus by Decision No. 291192483 of 12.06.2013 of the Minsk Regional Executive Committee, with its registered office and address of management at: Republic of Belarus, Minsk District, Shchomyslitsy Village Council No. 18;

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- ODO Mezel, Belarus – a commercial company registered in Belarus by Decision No. 100100334 of 22.06.1993 of the Minsk Regional Executive Committee, with its registered office and address of management at: Republic of Belarus, Minsk Region, Shchomyslitsy Village Council No. 18;
- ODO Alenfarm-plus, Belarus – a commercial company registered in Belarus by Decision No. 191068124 of 25.09.2008 of the Minsk Regional Executive Committee, with its registered office and address of management at: Republic of Belarus, Minsk District, Shtomyslitsy Village Council No. 18;

1.1. Ownership and management of the parent company

Sopharma AD is a public company under the Bulgarian Public Offering of Securities Act. Since November 2011, the company's shares have also been traded on the Warsaw Stock Exchange.

As of September 30, 2025, the distribution of the parent company's share capital is as follows:

	%
Donev Investments Holding AD	40.21
Telecomplex Invest AD	15.97
Sopharma AD (repurchased shares)	3.69
Other legal entities	25.05
Ognian Ivanov Donev	9.09
Other natural persons	5.99
	100.00

Sopharma AD has a single-tier management system with a five-member Board of Directors. The management of the parent company, represented by the Board of Directors, had the following composition as at 30.09.2025:

Ognian Donev, PhD	Chairman
Vesela Stoeva	Deputy Chair
Biserka Lazarova	Member
Alexander Chaushev	Member
Ivan Badinski	Member

The parent company is represented and managed by the executive director, Dr. Ognian Donev.

Based on a commercial management agreement concluded on June 9, 2020, Simeon Donev is the company's proxy.

The Audit Committee assists the work of the Board of Directors and acts as the persons in charge of general management who monitor and supervise the company's internal control system, risk management, and financial reporting system.

The Audit Committee has the following composition:

Vasil Naydenov	Chair
Tsvetanka Zlateva	Member
Kristina Atanasova – Elliot	Member

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1.2. Structure of the Group and scope of activity

The structure of the Group includes Sopharma AD as the parent company and the following subsidiaries:

<i>Subsidiaries</i>	<i>30.09.2025</i>	<i>31.12.2024</i>	<i>Date of acquisition of control</i>	<i>Date of release from control/merger</i>
<i>Companies in Bulgaria</i>	<i>Participation %</i>	<i>Participation %</i>		
Sopharma Trading AD	87.1	87.99	08.06.2006	
Pharmalogistics AD	-	-	15.08.2002	19.12.2024
Electroncommerce EOOD	-	-	09.08.2005	19.12.2024
Fito Palauzovo AD	-	-	21.09.2012	07.11.2024
Veta Pharma AD	-	-	11.11.2016	02.09.2024
Sopharmacy EOOD**	87.14	87.99	19.01	
Sopharmacy 2 EOOD**	87.14	87.99	17.06	
Sopharmacy 3 EOOD**	87.14	87.99	02.12.2015	
Sopharmacy 4 EOOD**	87.14	87.99	29	
Sopharmacy 5 EOOD**	87.14	87.99	01.03.2016	
Sopharmacy 6 EOOD**	87.14	87.99	03.12	
Sopharmacy 7 EOOD**	87.14	87.99	15.03	
Sopharmacy 8 EOOD**	87.14	87.99	27.06.2017	
Sopharmacy 9 EOOD**	87.14	87.99	11.09.2017	
Sopharmacy 10 EOOD**	87.14	87.99	11.09.2017	
Sopharmacy 11 EOOD**	87.14	87.99	07.12.2017	
Sopharmacy 12 EOOD**	87.14	87.99	07.12.2017	
Sopharmacy 13 EOOD**	87.14	87.99	07.12.2017	
Sopharmacy 14 EOOD**	87.14	87.99	07.12.2017	
Sopharmacy 15 EOOD**	87.14	87.99	07.12.2017	
Sopharmacy 16 EOOD**	87.14	87.99	15.05	
Sopharmacy 17 EOOD**	87.14	87.99	May 15	
Sopharmacy 18 EOOD**	87.14	87.99	28.02.2019	
Sopharmacy 19 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 20 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 21 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 22 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 23 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 24 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 25 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 26 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 27 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 28 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 29 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 30 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 31 EOOD**	87.14	87.99	October 1, 2020	
Sopharmacy 32 EOOD**	87.14	87.99	01.10.2020	
Sopharmacy 33 EOOD**	87.14	87.99	01.10.2020	

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Sopharmacy 34 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 35 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 36 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 37 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 38 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 39 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 40 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 41 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 42 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 43 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 44 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 45 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 46 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 47 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 48 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 49 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 50 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 51 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 52 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 53 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 54 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 55 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 56 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 57 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 58 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 59 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 60 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 61 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 62 EOOD**	87.14	87.99	01.10.2020
Sopharmacy 63 EAD**	87.14	87.99	01.10.2020
Sopharmacy 64 AD**	87.14	87.99	01.10.2020
Sopharmacy 65 EOOD**	87.14	87.99	13.03.2024
Sopharmacy 66 EOOD**	87.14	87.99	21.02.2024
Sopharmacy 67 EOOD**	87.14	87.99	21.02.2024
Sopharmacy 68 EOOD**	87.14	87.99	21.02.2024
SofTech Services EOOD	100.00	-	28.02.2025
Sopharmacy Plus EOOD**	100.00	-	16.07.2025

* effective percentage of participation

** indirect participation

<i>Subsidiaries</i>	<i>30.09.2025</i>	<i>31.12.2024</i>	<i>Date of acquisition of control</i>	<i>Date of release from control/merger</i>
<i>Foreign companies</i>	<i>Participation %</i>	<i>Participation %</i>		

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PAO Vitamini	10	10	18.01.2008
Sopharma Warsaw SP. Z.O.O.	100.00	100.00	23.11.2010
Sopharma Poland Z.O.O., Poland, in liquidation	60.00	60	16.10.2003
OOO Sopharma Ukraine	100.00	100.00	07.08.2012
TOO Sopharma Kazakhstan	100.00	100.00	06.11.2014
Sopharma Trading d.o.o.**	87.14	87.99	09.08.2017
Pharmachim EOOD	100.00	100.00	14.04.2020
Sopharma Rus OOO	100.00	100.00	13.10.2023
Pharmanova D.O.O.	100.00	75	13.08.2024
Sopharmacy D.o.o.**	87.14	87.99	30.08.2024
SOOO Brititrade**	68.84	69.51	10.07.2024
ODO SalusLine**	44.75	45.18	10.07.2024
OOO Tabina**	68.08	68.75	10.07.2024
OOO Bellerophon **	48.88	49.35	10.07.2024
OOO Ne Ska**	68.84	69.51	10.07.2024
OOO Fitobel**	68.84	69.51	10.07.2024
OOO AlfaApteka **	68.84	52.13	10.07.2024
OOO DabradzeyaFarm**	68.84	69.51	10.07.2024
AU Great Pharmacy**	87.14	87.99	09.10.2024
BOOO SpetsAPharmacia**	68.84	69.51	31.12.2024

* effective percentage of participation

** indirect participation

- Sopharmacy EOOD is a subsidiary of Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy EOOD;
- Sopharmacy 2 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 2 EOOD;
- Sopharmacy 3 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 3 EOOD;
- Sopharmacy 4 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 4 EOOD;
- Sopharmacy 5 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 5 EOOD;
- Sopharmacy 6 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 6 EOOD;
- Sopharmacy 7 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 7 EOOD;
- Sopharmacy 8 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 8 EOOD;
- Sopharmacy 9 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 9 EOOD;
- Sopharmacy 10 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 10 EOOD;
- Sopharmacy 11 EOOD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 11 EOOD;
- Sopharmacy 12 EOOD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 12 EOOD;
- Sopharmacy 13 EOOD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 13 EOOD;

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- Sopharmacy 14 EOOD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 14 EOOD;
- Sopharmacy 15 EOOD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 15 EOOD;
- Sopharmacy 16 EOOD is a subsidiary through Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 16 EOOD;
- Sopharmacy 17 EOOD is a subsidiary thro of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 17 EOOD;
- Sopharmacy 18 EOOD is a subsidiary through Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 18 EOOD;
- Sopharmacy 19 EOOD is a subsidiary through Sopharmacy 61 EOOD whereas the latter holds 100% of the capital of Sopharmacy 19 EOOD;
- Sopharmacy 20 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 20 EOOD;
- Sopharmacy 21 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 21 EOOD;
- Sopharmacy 22 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 22 EOOD;
- Sopharmacy 23 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 23 EOOD;
- Sopharmacy 24 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 24 EOOD;
- Sopharmacy 25 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 25 EOOD;
- Sopharmacy 26 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 26 EOOD;
- Sopharmacy 27 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 27 EOOD;
- Sopharmacy 28 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 28 EOOD;
- Sopharmacy 29 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 29 EOOD;
- Sopharmacy 30 EOOD is a subsidiary through Sopharmacy 61 EOOD whereas the latter holds 100% of the capital of Sopharmacy 30 EOOD;
- Sopharmacy 31 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 31 EOOD;
- Sopharmacy 32 EOOD is a subsidiary through Sopharmacy 63 EOOD whereas the latter holds 100% of the capital of Sopharmacy 32 EOOD;
- Sopharmacy 33 EOOD is a subsidiary through Sopharmacy 61 EOOD whereas the latter holds 100% of the capital of Sopharmacy 33 EOOD;
- Sopharmacy 34 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 34 EOOD;
- Sopharmacy 35 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 35 EOOD;

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- Sopharmacy 36 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 36 EOOD;
- Sopharmacy 37 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 37 EOOD;
- Sopharmacy 38 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 38 EOOD;
- Sopharmacy 39 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 39 EOOD;
- Sopharmacy 40 EOOD is a subsidiary through Sopharmacy 63 EOOD whereas the latter holds 100% of the capital of Sopharmacy 40 EOOD;
- Sopharmacy 41 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 41 EOOD;
- Sopharmacy 42 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 42 EOOD;
- Sopharmacy 43 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 43 EOOD;
- Sopharmacy 44 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 44 EOOD;
- Sopharmacy 45 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 45 EOOD;
- Sopharmacy 46 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 46 EOOD;
- Sopharmacy 47 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 47 EOOD;
- Sopharmacy 48 EOOD is a subsidiary through Sopharmacy 61 EOOD whereas the latter holds 100% of the capital of Sopharmacy 48 EOOD;
- Sopharmacy 49 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 49 EOOD;
- Sopharmacy 50 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 50 EOOD;
- Sopharmacy 51 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 51 EOOD;
- Sopharmacy 52 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 52 EOOD;
- Sopharmacy 53 EOOD is a subsidiary through Sopharmacy 40 EOOD whereas the latter holds 100% of the capital of Sopharmacy 53 EOOD;
- Sopharmacy 54 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 54 EOOD;
- Sopharmacy 55 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 55 EOOD;
- Sopharmacy 56 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 56 EOOD;
- Sopharmacy 57 EOOD is a subsidiary through Sopharmacy 59 EOOD whereas the latter holds 100% of the capital of Sopharmacy 57 EOOD;

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- Sopharmacy 58 EOOD is a subsidiary through Sopharmacy 60 EOOD whereas the latter holds 100% of the capital of Sopharmacy 58 EOOD;
- Sopharmacy 59 EOOD is a subsidiary through Sopharmacy 63 EOOD whereas the latter holds 100% of the capital of Sopharmacy 59 EOOD;
- Sopharmacy 60 EOOD is a subsidiary through Sopharmacy 63 EOOD whereas the latter holds 100% of the capital of Sopharmacy 60 EOOD;
- Sopharmacy 61 EOOD is a subsidiary through Sopharmacy 63 EOOD whereas the latter holds 100% of the capital of Sopharmacy 61 EOOD;
- Sopharmacy 62 EOOD is a subsidiary through Sopharmacy 63 EOOD whereas the latter holds 100% of the capital of Sopharmacy 62 EOOD;
- Sopharmacy 63 EAD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 63 EAD;
- Sopharmacy 64 AD is a subsidiary through Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy 64 AD;
- Sopharmacy 65 EOOD is a subsidiary through Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 65 EOOD;
- Sopharmacy 66 EOOD is a subsidiary through Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 65 EOOD;
- Sopharmacy 67 EOOD is a subsidiary through Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 67 EOOD;
- Sopharmacy 68 EOOD is a subsidiary through Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 68 EOOD;
- Sopharma Trading D.o.o., Serbia is a subsidiary of Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharma Trading d.o.o.;
- Sopharmacy D.o.o., Serbia is a subsidiary through Sopharma Trading D.o.o. - Sopharma Trading D.o.o. owns 100% of the capital of Sopharmacy D.o.o.;
- SOOO Brititrade, Belarus is a subsidiary through Sopharma Trading AD - Sopharma Trading AD owns 79% of the capital of SOOO Brititrade;
- Sopharmacy Plus EOOD is a subsidiary through Sofarma Trading AD - Sofarma Trading AD owns 100% of the capital of Sopharmacy Plus EOOD;

The main activity of the companies in the Group is concentrated in the pharmaceutical sector, with the exception of certain companies whose activity is in the field of securities investment.

The parent company holds a license for the manufacture/import of medicinal products No. BG / MIA -0525 dated 13.08.2025, issued by the Executive Agency for Medicines (EAM).

The parent company holds a license for wholesale trade in medicinal products No. BG / WDAIMP – 0583 dated 07.08.2025, issued by the Executive Agency for Medicines (EAM).

The scope of activity of the companies in the Group is as follows:

- Sopharma AD - production and trade in medicinal substances (active ingredients) and dosage forms; scientific research and engineering and implementation activities in the field of medicinal products; manufacture and trade in veterinary medicinal products and provision of laboratory services related to the testing of animal blood samples; manufacture and sale of medicinal products, cosmetic products, food supplements, packaging of active substances, chemical substances and mixtures.

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- Sopharma Trading AD - trade in pharmaceutical products;
- Sopharma Trading AD - trade in pharmaceutical products;
- Sopharma Trading AD – trade in pharmaceutical products;
- Sopharma 6 EOOD – online and offline retail trade in medicinal products;
- Sopharma 63 EAD and Sopharma 64 AD – retail trade in medicinal products, franchising and other services;
- PAO Vitamini, Ukraine - manufacture and trade in pharmaceutical products;
- OOO Sofarma Ukraine, Ukraine – trade in pharmaceutical products and market and public opinion research;
- Sofarma Trading D.o.o. - wholesale trade in medicinal products;
- Sopharma Poland Z.O.O, Poland, in liquidation - market and public opinion research;
- Sopharma Warsaw SP. Z.O.O, Poland - wholesale trade in pharmaceutical and medical goods and market and public opinion research;
- TOO Sopharma Kazakhstan, Kazakhstan - trade in pharmaceutical products;
- Pharmachim EOOD, Serbia - consulting activities.
- Sopharma Rus OOO, Russia - wholesale trade in pharmaceutical products and market and public opinion research.
- Farmavna D.O.O., Serbia - manufacture of pharmaceutical products.
- SOO Britireid, Belarus - wholesale trade in medicinal products and medical devices.
- ODO SalusLine, Belarus – retail trade in medicinal products.
- OOO Tabina, Belarus - retail trade in medicinal products.
- OOO Bellerophon, Belarus - retail trade in medicinal products.
- Ne Ska LLC, Belarus - retail trade in medicinal products.
- OOO Fitobel, Belarus - retail trade in medicinal products.
- AlfaApteka LLC, Belarus – consulting activities.
- OOO DabradzeyaFarm, Belarus - retail trade in medicinal products.
- Sopharmacy D.o.o., Serbia - retail trade in pharmaceutical products.
- Pharmacy Establishment (AE) Great Pharmacy, Serbia - retail trade in pharmaceutical products.
- BOO SpetsAfarmatsiya, Belarus - retail trade in medicinal products
- SofTech Services EOOD - provision and development of software services and solutions
- Sopharmacy Plus EOOD – wholesale trade in OTC products.

The parent company and subsidiaries: Sopharma Trading AD, Sopharmaci EOOD - Sopharmaci 62 EOOD, Sopharma Trading AD, Sopharma Trading EOOD - Sopharma Trading 62 EOOD, Sopharma Trading 64 AD, Sopharma Trading 65 EOOD - Sopharma Trading 68 EOOD, Sopharma Trading Plus EOOD operate in Bulgaria.

Sopharma Poland Z.O.O. - in liquidation and Sopharma Warsaw SP. Z.O.O. operate in Poland, PAO Vitamini and OOO Sopharma Ukraine - in Ukraine, Sopharma Trading D.o.o., Farmachim EOOD, Farmonova D.O.O., Sofarmaci D.o.o. and Apotekarska ustanova (AU) Great Farmaci - in Serbia, TOO Sofarma Kazakhstan - in Kazakhstan, Sopharma Rus LLC – in Russia, SOOO Britireid, ODO SalusLine,

LLC Tabina, LLC Bellerophon, LLC Ne Ska, LLC Fitobel, LLC AlfaApteka, LLC DabradzeyaFarm and BOOO SpetsAfarmatsiya – in Belarus.

As of September 30, 2025, the Group's participation in *joint ventures* is as follows:

- Momina Krepost AD – 37.46% participation of Sopharma AD. The joint venture's business activity is the development, implementation, and production of medical devices for human and veterinary medicine. The company has been a joint venture for the Group since March 10, 2021.
- ZAO Interpharm Company – joint venture through SOOO Brititrade 50% stake. The joint venture's business activity is retail trade in medicinal products. The company has been a joint venture for the Group since July 10, 2024.

As of September 30, 2025, the Group's participation in *associated companies is as follows*:

- Doverie United Holding AD – 21.54% participation of Sopharma AD. The company's business activity is the acquisition, management, valuation, and sale of shares and/or equity interests in Bulgarian and foreign companies – legal entities.
- Sopharma Properties REIT – 45.65% participation of Sopharma AD. The company's business is investing funds raised through the issuance of securities in real estate by purchasing ownership rights and other property rights over real estate, constructing and improving them for the purpose of providing them for management, leasing, leasing, renting, and/or selling them.
- Sopharma Buildings REIT – 32.7% stake held by Sopharma AD. The company's business activity is to invest funds raised through the issuance of securities in real estate (real estate securitization) by purchasing ownership rights and other real rights over real estate, renting, leasing, and/or selling it.
- ODO Alenfarm-plus – associated company through SOO Brititrade 40.10% stake. The company's business activity is retail trade in medicinal products.
- OOO Galenapharm – associated company through SOOO Brititrade 47% participation. The company's activity is retail trade in medicinal products.
- ODO Medjel – associated company through SOO Brititrade 40% participation. The company's activity is retail trade in medicinal products.

As of the date of these consolidated annual financial statements, the average number of employees in the Group was 5,905 (2024: 5,599).

1.3.Key indicators of the economic environment

Exchange rates are one of the key indicators of the economic environment that affect the activities of the Group companies for the period 2023–2025. The relevant exchange rates are presented in the table below:

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Indicator	2023	2024	2025
USD/BGN average for the year/period	1.79134	1.80797	1.75236
USD/BGN at the end of the year/period	1.76998	1.8826	1.66581
PLN/BGN average for the year/period	0.43095	0.45431	0.46115
PLN/BGN at the end of the year/period	0.4507	0.4575	0.45806
RSD/BGN average for the year/period	0.01668	0.0167	0.01669
RSD/BGN at the end of the year/period	0.01669	0.01671	0.01669
UAH/BGN average for the year/period	0.04945	0.04506	0.04215
UAH/BGN at the end of the year/period	0.0463	0.04453	0.04038
EUR/BGN average for the year/period	1.95583	1.95583	1.95583
EUR/BGN at the end of the year/period	1.95583	1.95583	1.95583
KZT/BGN average for the year/period	0.00397	0.00386	0.00337
KZT/BGN at the end of the year/period	0.00389	0.00358	0.00304
RUB/BGN average for the year/period	0.02140	0.01953	0.02074
RUB/BGN at the end of the year/period	0.01985	0.01657	0.02022
BYN/BGN average for the year/period	-	0.55697	0.56411
BYN/BGN at the end of the year/period	-	0.54022	0.55185

Source: BNB, National Banks of Ukraine, Poland, Serbia, Belarus, Kazakhstan, Russia, Belarus, and Moldova.

1.4. Macroeconomic environment

The Group maintains a stable capital base and debt ratio.

The management has managed to maintain the good financial condition of the companies in the Group by indexing revenues and expenses within reasonable limits.

1.5. War in Ukraine – impact and effects

The military conflict between Russia and Ukraine and the related economic sanctions and other measures taken by governments around the world have a significant impact on both the local economies of individual countries and the global economy. Usually, in such conflicts, pharmaceutical products are not subject to sanctions or other restrictions in order to avoid a humanitarian crisis. For this reason, the parent company's operations in both countries are and could be restricted mainly due to reasons such as logistical difficulties and restrictions on the free movement of funds.

The Group has investments in two subsidiaries in Ukraine. As of the date of preparation of these consolidated financial statements, the assets of these subsidiaries have not been physically affected by military action, but it is possible that 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.

1.6. Climate-related issues

The Group considers environmental protection and slowing down the pace of climate change to be part of its corporate social responsibility policy and conducts its activities in compliance with environmental protection requirements. The Group implements measures for: separate waste collection, minimisation, recovery and recycling of production and household waste; provision of appropriate training for staff on issues related to environmental protection and pollution prevention. The Group actively invests in renewable sources of electricity for its own consumption.

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2. SIGNIFICANT INFORMATION ABOUT THE GROUP'S ACCOUNTING POLICY

2.1. Basis for preparing the consolidated financial statements

The consolidated financial statements for the period ended September 30, 2025, **have** been prepared in accordance with all IFRS accounting standards, which consist of: financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC) approved by the International Accounting Standards Board (IASB), and International Accounting Standards and interpretations of the Standing Interpretations Committee (SIC) approved by the International Accounting Standards Committee (IASB), which are effective on January 1, 2025, and which have been adopted by the European Commission. IFRS accounting standards adopted by the EU is the commonly accepted name for the general-purpose framework-accounting basis equivalent to the framework introduced by the definition in § 1, item 8 of the Supplementary Provisions of the Accounting Act under the name "International Accounting Standards" (IAS).

The Group's consolidated financial statements have been prepared on a going concern basis, assuming that the Group will continue to exist in the foreseeable future.

For the current financial year, the Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and, respectively, by the IFRS Interpretations Committee, which were relevant to its activities.

Since the adoption of these standards and/or interpretations, effective for annual periods beginning on January 1, 2025, there have been no changes in the company's accounting policy, except in relation to the classification and disclosure of non-current liabilities subject to restrictive conditions, as well as some new and expanded disclosures, without this leading to other changes in the classification or measurement of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

- Changes to IAS 21 The Effects of Changes in Foreign Exchange Rates: Absence of Exchange Rates (effective for annual periods beginning on or after January 1, 2025, adopted by the EC). These amendments clarify and require entities to apply a consistent approach in determining: a) when a currency can be exchanged for another and when it cannot, as they introduce definitions for this. A currency can be exchanged for another when the company can acquire the other currency within a normal time frame, including normal administrative delays and a market mechanism that allows the currency exchange transaction to result in enforceable rights and obligations. If an entity can obtain only an insignificant portion of the other currency at the measurement date for the specified purpose, the currency is considered not to be exchangeable for the other currency; b) what exchange rate to apply when one currency cannot be exchanged for another, specifying two mechanisms: the first is the use of an observable exchange rate - without additional adjustments, an observable rate for another purpose and the first exchange rate at which the exchange can be made; the second

is through the use of another valuation technique; c) the information that an entity should disclose when a currency cannot be exchanged for another, to enable users of its financial statements to understand how this affects the entity's financial performance, financial position, and cash flows. The amendments are effective retrospectively. Earlier application is permitted.

As at the date of approval for issue of these financial statements, the following new standards, amended standards and interpretations have been issued but are not yet effective (and/or have not been adopted by the EC):

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Contracts for the Supply of Renewable Energy (effective for annual periods beginning on or after January 1, 2026, adopted by the EC). The amendments introduce requirements for accounting for contracts relating to electricity from renewable sources, namely: a) factors and requirements are added that the entity must take into account when applying paragraph 2.4 of IFRS 9 when accounting for contracts for electricity from renewable sources in order to clarify the circumstances under which the purchase of electricity can be accounted for as "own use" and benefit from an exemption from accounting requirements; b) add requirements for accounting for contracts relating to electricity from renewable sources as hedging instruments; and c) add new disclosure requirements to enable investors to understand the effect of these contracts on the financial results and cash flows of entities using such contracts.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after January 1, 2026, adopted by the EC). The amendments relate to: a) clarifying the date of initial recognition and derecognition of financial assets and liabilities and introducing a new exemption for financial liabilities settled through an electronic payment system; b) adding additional guidance on assessing whether a financial asset meets the "principal and interest only" (PIO) criterion; c) updating disclosures for equity instruments measured at fair value through other comprehensive income; and d) adding new disclosures for certain instruments with contractual terms that may change the timing or amount of the contractual cash flows.
- Annual Improvements, Part 11 in: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures, Guidance on the Implementation of IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after January 1, 2026, as adopted by the EC). These improvements introduce partial amendments to the following standards: a) IFRS 1 - in the requirements for hedge accounting by an entity applying IFRS for the first time in

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order to harmonise the terminology between IFRS 1 and IFRS 9 with regard to hedge accounting. In IFRS 1, the term "conditions" is replaced by the term "criteria," and references are made to the paragraphs in IFRS 9 relating to hedge accounting; b) IFRS 7 – in the requirements for disclosure of gain or loss on derecognition. The amendment corrects a reference to paragraph 27A in IFRS 7, which was removed from the standard when IFRS 13 Fair Value Measurement came into effect, and makes a new reference to the relevant paragraphs in IFRS 13. The terminology "material information that was not based on observable market data" is replaced by "significant adverse inputs"; c) Guidance on the implementation of IFRS 7: - the "Introduction" clarifies that the guidance does not illustrate all the requirements in the cited paragraphs of IFRS 7; - In the disclosure of deferred differences between fair value and transaction cost on initial recognition of financial instruments, inconsistencies between paragraph HB14 of the guidance and paragraph 28 of IFRS 7, which arose with the entry into force of IFRS 13, are corrected. - in the disclosure of credit risk, a change is made to the wording to make the text easier to understand; (d) IFRS 9 - in derecognition of a lease liability - the amendments add a reference to paragraph 3.3.3 of IFRS 9 to resolve potential confusion for a lessee applying the derecognition requirements in the standard; - transaction price – the term “transaction price” is deleted from paragraph 5.1.3 and Appendix A of IFRS 9, and in paragraph 5.1.3 the amendments refer to the definition in IFRS 15, the meaning of which is required by the specific paragraph; e) IFRS 10 – determining actual agents – the amendments remove the inconsistencies between paragraphs B73 and B74 of IFRS 10 in order to eliminate potential confusion regarding the determination of whether entities are acting as actual agents; e) IAS 7 – Cost method – the amendments remove the term “cost method” from paragraph 37 of IAS 7, as the term no longer exists as a definition in IFRS.

- IFRS 18 – Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027, not yet adopted by the EC). IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements in IAS 1 that are unchanged have been transferred to IFRS 18 with minor adjustments to the wording or to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: disclosure, again with minor adjustments to the wording. The new standard introduces minor changes to IAS 7 Statement of Cash Flows, IAS 33 Basic and Diluted Earnings per Share, and IAS 34 Interim Financial Reporting. IFRS 18 aims to improve financial reporting by: a) adding certain categories (operating, investing, and financing) and interim totals (operating profit and profit before financial income and expenses and income taxes) to the statement of profit or loss to facilitate comparability and consistency in financial information; b) requiring disclosure in the notes to the financial statements of management-defined measures related to the income statement in order to increase transparency regarding their calculation and to provide insight into how management views the entity's financial performance; d) adding new principles for grouping (aggregation and disaggregation) information, determining requirements for whether information should be presented as part of the components

(elements) of the financial statements or in the notes to them. Providing principles for the necessary level of detail makes the disclosed information more effective. Although IFRS 18 will not affect the way entities calculate their financial results, the standard will change how they are presented and disclosed for all entities.

- IFRS 19 – Non-publicly reported subsidiaries: disclosures (effective for annual periods beginning on or after January 1, 2027, not yet adopted by the EC). IFRS 19 allows subsidiaries that meet certain requirements to provide condensed disclosures when applying IFRS in their financial statements. The simplified disclosure requirements in IFRS 19 balance the need for information by users of financial statements with the cost savings for qualifying subsidiaries in preparing full IFRS disclosures. IFRS 19 is a voluntary standard for qualifying subsidiaries. A subsidiary qualifies if: it is not publicly accountable; and it has a parent that prepares consolidated financial statements that are available for public use and that meet the full disclosure requirements of all IFRS accounting standards.
- IFRS 10 (amended) – Consolidated Financial Statements and IAS 28 (amended) – Investments in Associates and Joint Ventures – regarding sales or contributions of assets between an investor and its associates or joint ventures (with a deferred effective date to be determined by the IASB). These amendments are intended to resolve the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or the non-monetary assets contributed constitute a "business" within the meaning of IFRS 3. If these assets as a whole do not meet the definition of a "business," the investor recognizes a gain or loss to the extent of its interest in the other unrelated investors in the associate or joint venture. In cases where assets are sold or non-monetary assets are contributed that, taken together, constitute a "business," the investor recognizes the entire gain or loss from the transaction. These changes will be applied prospectively. The IASB has postponed the effective date of these changes indefinitely.

Management is in the process of studying, analyzing, and evaluating the potential effects of these new standards, amended standards, and interpretations on the Group's financial statements and accounting policies.

The consolidated annual financial statements have been prepared on a historical cost basis, except for property, plant, and equipment, investment properties, 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 or fair value, respectively.

The Bulgarian subsidiaries of the Group, the associated companies: Doverie United Holding AD, Sofarma Properties REIT and Sofarma Buildings REIT, and the joint venture Momina Krepost AD maintain their accounting records in Bulgarian leva (BGN), which they accept as their functional and presentation currency. The foreign subsidiaries organize their accounting and reporting in accordance with the

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requirements of the relevant local legislation: OOO Sofarma Ukraine and PAO Vitamini – legislation of Ukraine, Sofarma Trading D.o.o., Farmachim EOOD, Farma Nova D.O.O., Sofarmaci D.o.o. and Apotekarska ustanova (AU) Great Farmaci – Serbian legislation, Sofarma Poland Z.O.O – in liquidation, Sofarma Warsaw SP. Z.O.O. – Polish legislation, TOO Sofarma Kazakhstan – legislation of Kazakhstan, Sofarma Rus OOO – legislation of Russia and subsidiaries: SOOO Brititrade, ODO SalusLine, OOO Tabina, OOO Bellerophon, OOO Ne Ska, OOO Fitobel, OOO Alfaapteka and OOO DabradzeyaFarm, associated companies: ODO Alenfarm-plus, OOO Galenafarm, ODO Medjel and BOOO SpetsAfarmatsiya, and the joint venture: ZAO Kompaniya Interfarm - Belarusian legislation. The companies maintain their accounting records in the respective local currency - Ukrainian hryvnia (UAH), Serbian dinar (RSD), euro (EUR), Polish zloty (PLN), Kazakh tenge (KZT), Russian ruble (RUB) and Belarusian ruble (BYN).

The data in the consolidated annual financial statements and the notes thereto are presented in thousands of leva unless otherwise stated, with the Bulgarian lev being adopted as the reporting currency for the presentation of the Group. The individual financial statements of foreign companies are translated from local currency into Bulgarian lev for the purposes of each consolidated financial statement in accordance with the Group's policy (*Note 2.5*).

Presentation in the consolidated annual financial statements in accordance with IFRS accounting standards for financial reporting requires management to make best estimates, accruals and reasonable assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

These estimates, accruals, and assumptions are based on information available at the date of the consolidated annual financial statements, and therefore actual results may differ from them (with uncertainties being greater in times of financial crisis).

Items that involve a higher degree of subjective judgment or complexity, or where assumptions and approximate accounting estimates are material to the consolidated financial statements, are disclosed in *Note 2.32 and Notes 13, 14, 15, 16, 17, 18, 19, and 30*.

2.2. Definitions

Parent company

This is the company that controls one or more other companies in which it has invested. Control means that the investor is exposed to, or has rights to, the variable returns from its investment in the investee and has the power to affect those returns through its rights over the investee.

The parent company is Sopharma AD, Bulgaria (*Note 1*).

Subsidiary

A subsidiary is a company or other form of enterprise that is controlled directly or indirectly by the parent company.

Subsidiaries are consolidated from the date on which effective control is acquired by the Group and cease to be consolidated from the date on which control is deemed to have ceased and been transferred outside the Group. The full consolidation method is applied for their consolidation.

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The subsidiaries are listed in *Note 1.2*.

Joint venture

A joint venture is a company or other form of enterprise established by contractual agreement between the parent company as an investor and one or more other parties (companies) that engage in a common business activity and over which the controlling partners (including the parent company, if it has such status) exercise joint control. Joint control exists when the strategic financial and operating decisions relating to the joint venture are contractually required to be made by unanimous consent (consensus) among the controlling partners. The latter have rights to the net assets of the joint venture.

The joint venture is included in the Group's consolidated financial statements using the equity method from the date on which effective joint control is acquired by the controlling partner (specifically, the parent company) and ceases to be consolidated using this method from the date on which the joint venture is transformed into a subsidiary, or from the date on which joint control is deemed to have been transferred from the controlling partner to third parties.

Joint ventures are Momina Krepost AD and ZAO Kompaniya Interfarm. (*Note 1.2*).

Associated company

This is a company in which the investor (specifically, the parent company) exercises significant influence, but which is neither a subsidiary nor a joint venture of the investor.

Significant influence is the right to participate in decisions relating to the financial and operating policies of the investee, but not control or joint control over those policies.

It is usually present when: (a) the investor holds, directly or indirectly, between 20% and 50% of the capital of the investee (including by virtue of an agreement between shareholders); and (b) in addition, the investor has representation on the governing body of the investee and/or participates in the decision-making process regarding the policy and strategy of the investee, and/or there are significant transactions between the investor and the investee.

The associate is included in the Group's consolidated financial statements using the equity method from the date on which significant influence is acquired by the investor (specifically, the parent company) and ceases to be included using this method either from the date on which the company is transformed into a subsidiary or from the date on which significant influence is deemed to have been transferred from the investor to third parties.

Associated companies are Doverie United Holding AD, Sopharma Properties REIT, Sopharma Buildings REIT, ODO Alenfarm-plus, OOO Galenafarm, and ODO Mezel. (*Note 1.2*).

2.3. Principles of consolidation

The consolidated financial statements include the financial statements of the parent company, subsidiaries, joint ventures, and associates prepared as of December 31, which is the Group's financial year-end date. The "economic entity" approach has been applied in the consolidation, and the "proportionate share in net assets" method has been selected for the valuation of non-controlling interests in business combinations and other forms of acquisitions of subsidiaries.

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The financial statements of subsidiaries, joint ventures, and associates for consolidation purposes are prepared for the same reporting period as that of the parent company and using uniform accounting policies.

2.3.1. Consolidation of subsidiaries

In the consolidated financial statements, the accounts of the included subsidiaries are consolidated on a line-by-line basis using the "full consolidation" method, applying a uniform accounting policy for significant items. The parent company's investments are eliminated against the share in the equity of the subsidiaries at the date of acquisition. Intra-group transactions and settlements are fully eliminated, including unrealized intra-group profits or losses. The effect of deferred taxes on these eliminating consolidation entries is also reported. The shares of third-party partners in subsidiaries, other than those of the parent company's shareholders, are reported separately in the consolidated statement of financial position, the consolidated statement of comprehensive income, and the statement of changes in equity as "non-controlling interest."

The non-controlling interest comprises: a) the sum of the shares of third-party shareholders (partners) at the date of first consolidation at the fair value (stated value) of all identifiable assets acquired, liabilities assumed and contingent (crystallized) liabilities of each of the respective subsidiaries, determined (on a share basis) using the proportional method, and b) the change in the amount of the share of these persons in the equity of each of the respective subsidiaries from their first consolidation to the end of the current reporting period.

2.3.2. Acquisition of subsidiaries

When acquiring a subsidiary (enterprise) by the Group in business combinations, the acquisition method (purchase-sale) is used. The consideration transferred includes the fair value at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquiring company in exchange for obtaining control of the acquired company. It also includes the fair value of any asset or liability that is the result of a contingent consideration arrangement. Direct costs associated with the acquisition are recognized as expenses in the period in which they are incurred, except for the costs of issuing debt or equity instruments, which are recognized as a component of equity.

All identifiable assets acquired, liabilities assumed, and contingent (crystallized) liabilities in the business combination are initially measured at their fair value at the date of exchange. Any excess of the sum of the consideration transferred (measured at fair value), the amount of the non-controlling interest in the acquiree and, in a step acquisition, the fair value at the acquisition date of the previously held equity interest in the acquiree, over the identifiable assets acquired and liabilities assumed by the acquirer, is treated and recognized as goodwill. If the acquirer's interest in the fair value of the net identifiable assets acquired exceeds the cost of the business combination, this excess is recognized immediately in the Group's consolidated income statement under "gains/(losses) from acquisition/(disposal) of subsidiaries". Any non-controlling interest in a business combination is measured using the proportional share method of the net assets of the acquiree.

When a business combination involving the acquisition of a subsidiary is carried out in stages, on the acquisition date all previous investments held by the acquirer are revalued to fair value, with the effects

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of this revaluation recognized in the Group's current profit or loss, respectively under "financial income" and "financial expenses" or "gains/(losses) from associates and joint ventures," including all previously recognized effects in other components of comprehensive income are recycled.

The Group applies provisional accounting for items arising in business combinations (acquisitions) when initial accounting is incomplete at the end of the reporting period in which the business combination is effected. This provisional accounting is adjusted during the measurement period or additional assets and liabilities are recognized to reflect new information about facts and circumstances that existed at the acquisition date. Adjustments made during the measurement period are accounted for retrospectively, and comparative information is adjusted to the acquisition date.

2.3.3. Sale of subsidiaries

Upon sale or other form of loss (transfer) of control over a subsidiary:

- The assets and liabilities (including any associated goodwill) of the subsidiary are derecognized at their carrying amount at the date of loss of control;
- The non-controlling interest in that subsidiary is derecognized at its carrying amount in the consolidated statement of financial position at the date of loss of control, including any components of other comprehensive income related thereto;
- The fair value of the consideration received from the transaction, event, or operation that led to the loss of control is recognized;
- All components of equity representing unrealised gains or losses are reclassified to "profit or loss for the year" or transferred directly to retained earnings, in accordance with the requirements of the relevant IFRSs governing those components of equity;
- Any resulting difference is recognized as a "gain or loss on disposal (sale) of a subsidiary" in the consolidated statement of comprehensive income attributable to the parent company.
- The remaining shares held, forming investments in associates, joint ventures or other long-term equity investments, are initially measured at fair value at the date of sale and subsequently measured in accordance with the accounting policy adopted by the Group (*Appendices No. 2.13 and Note 2.14*).

The acquisition method (purchase-sale) is also applied to transactions for the merger and/or restructuring of entities under common control with respect to entities of the Group, if they are direct acquisitions from the position of the parent company.

2.3.4. Transactions with non-controlling interests

Transactions with non-controlling interests are treated by the Group as transactions with persons holding instruments of the Group's total equity. The effects of sales of shares of the parent company, without loss of control, to holders of non-controlling interests are not treated as components of the Group's current profit or loss, but as movements directly in the components of its equity, usually to the retained earnings reserve component. Conversely, in the case of purchases by the parent company without acquiring control of additional shares from non-controlling interest holders, any difference between the amount paid and the

corresponding share acquired of the carrying amount of the net assets of the subsidiary is also recognized directly in the consolidated statement of equity, usually in the "retained earnings" reserve component.

When the Group ceases to have control, joint control, and significant influence, any remaining minority investment as a share in the capital of the respective company is revalued at fair value, with the difference to the carrying amount recognized in current profit or loss, and any amounts previously recognized in other components of comprehensive income are accounted for as if the entire initial investment (in the subsidiary, joint venture, or associate) had been released.

2.3.5. Consolidation of associates and joint ventures

The equity method is applied for the inclusion of associates and joint ventures in the consolidated financial statements, according to which the parent company's investment in it is initially recognized at acquisition cost (cost), and subsequently remeasured to reflect changes in the investor's (specifically, the parent company's) share of the net assets of the associates and joint ventures after acquisition. The Group's investment in associates and joint ventures also includes goodwill identified on acquisition, net of any recognised impairment.

The post-acquisition profit or loss for the Group (through the parent company) from associates and joint ventures for the relevant reporting period represents its share in their net financial results (after tax) from their business activities for that period, which share is recognized and presented on a separate line in the consolidated statement of comprehensive income. Similarly, the Group's share of post-acquisition changes in other components of comprehensive income of associates and joint ventures is also recognized and presented as a movement in other components of comprehensive income in the consolidated statement of comprehensive income, respectively the consolidated reserves of the Group in the statement of changes in equity. The Group recognizes its share in losses of associates and joint ventures to the extent of its investment, including internal loans granted to them, unless it has assumed certain obligations or payments on behalf of the associate or joint venture.

Intragroup transactions between the Group and its associates and joint ventures are not eliminated. Unrealized gains or losses on transactions between them are eliminated to the extent of the Group's interest in the associates and joint ventures, including impairment testing in cases of loss. The effect of deferred taxes on these consolidation procedures is also recognized.

2.4. Comparative data

The Group presents comparative information in these consolidated financial statements for one prior year. Where necessary, comparative data is reclassified (and restated) to achieve comparability with changes in presentation in the current year.

2.5. Functional currency and recognition of exchange differences

The functional currency of the Group companies in Bulgaria and the Group's presentation currency is the Bulgarian lev. The lev is pegged to the euro at a ratio of BGN 1.95583:EUR 1 under the Bulgarian National Bank Act.

Upon initial recognition, a transaction in a foreign currency is recorded in the functional currency, applying the exchange rate at the time of the transaction or operation to the amount in foreign currency. Cash,

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receivables, and liabilities as monetary reporting items denominated in foreign currency are reported in the functional currency, applying the exchange rate published by the BNB for the last working day of the respective month. As at 31 December, they are valued in Bulgarian leva using the closing exchange rate of the BNB.

Non-monetary items in the consolidated statement of financial position, initially denominated in foreign currency, are reported in the functional currency using the historical exchange rate at the date of the transaction and are not subsequently revalued at the closing rate.

The effects of exchange differences arising from the settlement of foreign currency transactions or the recognition of foreign currency transactions at exchange rates different those at which they were initially recognized are included in the consolidated statement of comprehensive income at the time they arise, treated as "other operating income/(losses)" and presented on a net basis.

The functional currency of the companies in Poland (Sopharma Poland AD – in liquidation, and Sopharma Warsaw SP. Z.O.O) is the Polish zloty, for the subsidiary TOO Sopharma Kazakhstan – the Kazakh tenge, for the subsidiaries in Ukraine (PAO Vitamini, OOO Sofarma Ukraine) – the Ukrainian hryvnia, for the subsidiaries in Serbia (Sofarma Trading D.o.o., Farmahim EOOD, Farmonova D.O.O. Sopharmacy D.o.o. and Apotekarska ustanova (AU) Great Pharmacies) – Serbian dinar, for the subsidiary Sopharma Rus OOO – Russian ruble, for the subsidiaries in Belarus (SOOO Brititrade, ODO SalusLine, OOO Tabina, OOO Bellerophon, OOO Ne Ska, OOO Fitobel, OOO AlfaApteka, OOO DabradzeyFarm and BOOO SpetsAfarmatsiya) – Belarusian ruble.

For the purposes of each consolidated financial statement, the currency of the financial statements of the subsidiaries abroad is recalculated: from the functional currency of the respective foreign subsidiary to the presentation currency (BGN) adopted in the consolidated financial statements, as follows:

- a) all assets and liabilities are translated into the group currency at the closing rate of the local currency against it as at 30 September or on the date of the company's release;
- b) all income and expense items are translated into the group currency at the average exchange rate of the local currency against it for the reporting period (*Note 2.6 and 2.7*);
- c) all exchange differences arising from the translations shall be recognized and presented as a separate component of equity in the consolidated statement of financial position – "revaluation reserve in the presentation currency of foreign operations"; and
- d) exchange differences arising from the currency translation of the net investment in foreign (overseas) companies, together with loans and other currency instruments accepted as hedges of these investments, are presented directly in equity.

Upon disposal (sale) of a foreign operation (company), the cumulative amount of exchange differences that have been recognized directly as a separate component of equity shall be recognized as part of the profit or loss in the consolidated statement of comprehensive income under "gains/(losses) from acquisition and disposal of subsidiaries, net" obtained on disposal (sale).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated in the same way as the assets and liabilities of that entity and are translated into the presentation currency at the closing rate.

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2.6. Revenue

2.6.1. Recognition of revenue under contracts with customers

The Group's ordinary revenue is derived from the activities disclosed in *Appendix 1.2*.

Revenue in the Group is recognized when control over the goods and/or services promised in the contract with the customer is transferred to the customer. Control is transferred to the customer upon *fulfillment of the obligations under the contract* by transferring the promised goods and/or providing the promised services.

Assessment of a contract with a customer

A contract with a customer exists only when, upon its entry into force, it: a) has commercial substance and motive; b) has been approved by the parties (verbally, in writing or on the basis of "established and generally accepted business practice") and they have committed to perform it; c) the rights of each party can be identified; d) the payment terms can be identified; and e) it is probable that the consideration to which the Group is entitled upon fulfilment of its performance obligations will be received.

When assessing collectability, all relevant facts and circumstances of the transaction are taken into account, including past experience, customary business practices, published rules and statements made by Group companies, collateral and satisfaction opportunities.

A contract for which any of the above criteria has not yet been met is subject to reassessment each reporting period. Remuneration received under such a contract is recognized as a liability (contract liability) in the statement of financial position until: a) all criteria for recognizing a contract with a customer are met;

b) the Group has fulfilled its performance obligations and all or substantially all of the consideration (which is not refundable) has been received; and/or c) the contract is terminated and the consideration received is not refundable.

When initially assessing its contracts with customers, the Group performs an additional analysis and assessment of whether two or more contracts should be considered in combination and accounted for as a single contract, and whether the promised goods and/or services in each individual and/or combined contract should be accounted for as one and/or more performance obligations.

Each promise to transfer goods and/or services that are distinguishable (on their own and in the context of the contract) is recognized as a single performance obligation.

The Group recognizes revenue for each separate performance obligation at the level of an individual contract with a customer by analyzing the type, timing, and terms of each specific contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if grouping them in a portfolio would not have a material different effect on the financial statements.

When another (third) party is involved in the performance of the performance obligations, the Group determines whether it acts as a principal or an agent by assessing the nature of its promise to the customer: to provide the goods or services itself (principal) or to arrange for another party to provide them (agent).

The Group is a principal and recognizes revenue as the gross amount of the consideration if it controls the promised goods and/or services before transferring them to the customer. However, if the Group does not obtain control of the promised goods and/or services and its obligation is solely to arrange for a third

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party to provide those goods and/or services, the Group is an agent and recognizes revenue from the transaction in the amount of the net amount it retains for the services provided as an agent.

2.6.2. Measurement/(valuation) of revenue from 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 the Group expects to be entitled, excluding amounts collected on behalf of third parties. In determining the transaction price, the Group takes into account the terms of the contract and its usual commercial practices, including the impact of variable remuneration, the presence of a significant financial component, non-monetary remuneration, and remuneration payable to the customer (if any). For contracts with more than one performance obligation, the transaction price is allocated to each performance obligation based on the individual selling prices of each good and/or service determined using one of the methods permitted in IFRS 15, with priority given to the "observable selling prices" method.

A 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 involves the addition of goods and/or services that are distinguishable and the price determined for them. Depending on this: a) the modification is recognized as a separate contract if the scope of the contract is expanded due to the addition of goods and/or services that are distinguishable, and the change in the contract price reflects the individual selling prices of the added goods and/or services;

b) the modification is accounted for as a termination of the existing contract and the conclusion of a new contract (future application) if the remaining goods and/or services are distinguishable from those transferred before the modification, but the change in the contract price does not reflect the individual selling prices of the added goods and/or services;

c) the modification is accounted for as part of the existing contract (cumulative adjustment) if the remaining goods and/or services are not distinguishable from those transferred before the modification and are therefore part of a single performance obligation that has been partially settled.

2.6.3. Performance obligations under contracts with customers

Sales of products

Wholesale sales of medicinal substances and dosage forms are made domestically and abroad, both according to the Group's own manufacturing companies' specifications (technology) and according to the customer's specifications (technology).

Sales of products according to own specifications

When selling products according to own specifications, control is transferred to the customer at *a specific point in time*.

For *domestic sales*, this usually occurs when the products are delivered and physical possession is transferred to the customer, at which point the customer can dispose of the goods, control their use, and receive all other benefits.

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For *foreign sales*, the assessment of the moment when the customer obtains control over the manufactured products is made on the basis of the agreed terms of sale under INCOTERMS.

Sales of products to customer specifications

For products manufactured to customer specifications, the Group usually has a legal and contractual restriction on reallocation for other uses (sale to another party) and there is no alternative use. The method of transferring control in these cases is determined specifically for each customer contract (at the individual contract level). For this purpose, it is determined whether the Group is entitled to receive payment for the work performed to date, which at least compensates for the costs incurred plus a reasonable margin, in the event that the contract is terminated for reasons other than non-performance by the Group (legally enforceable right to payment).

If the Group *has a legally enforceable right* to payment for a specific contract, revenue is recognized *over time*, using *a method* that measures the progress of the contract (stage of completion) *based on the results achieved*. This method is determined to be the most appropriate for measuring progress, as the results achieved best describe the Group's activity towards the complete satisfaction of the performance obligation. Progress is measured *on the basis of the units produced relative to the total ordered by the customer*. Estimates of revenue, expenses, and/or the degree of progress toward complete satisfaction of obligations are reviewed at the end of each reporting period, including when circumstances change and/or new circumstances arise. Any subsequent increase or decrease in expected revenue and/or expenses is reflected in profit or loss in the period in which the circumstances leading to the review become known to management.

If the Group *does not have a legally enforceable right to payment*, revenue is recognized *at a specific point in time* when control over the sold products is transferred to the customer: upon delivery of the products and physical possession thereof to the customer (for domestic sales) and in accordance with the terms of sale under INCOTERMS (for sales abroad).

Sales of pharmaceutical and medical goods

Sales of pharmaceutical and medical goods by the distribution companies in the Group are to customers – pharmacies, hospitals, and wholesalers (wholesale trade) in Bulgaria and abroad.

Wholesale

In wholesale sales, control over the goods sold is deemed to be transferred to the customer at *a specific point in time*. This usually occurs when the goods are delivered and physical possession of them is transferred to the customer, when the customer can dispose of the goods, control their use, and receive substantially all of the remaining benefits.

Retail

In retail sales, control over the goods sold is transferred to the customer upon delivery to the customer.

Customer loyalty programs

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The Group operates a loyalty program that allows customers who hold a club card to accumulate points with each purchase. The points accumulated can be exchanged for products participating in the program without payment by the customer within a period specified in the program terms and conditions. The Group's management has determined that loyalty points provide customers with a significant right that they would not receive without the initial purchase. Therefore, the granting of points is a separate performance obligation. The transaction price paid by the customer on the initial purchase is allocated between the goods sold and the loyalty points that the Group expects to be claimed and redeemed, based on the respective individual selling prices. The stand-alone selling price per point reflects the selling price of the products that the customer is entitled to receive in exchange for the points accumulated, adjusted for the probability that the points will be claimed and redeemed, determined on the basis of information on points used (past experience). The stand-alone selling price of the goods sold is determined based on the price list in effect at the time of the initial sale. Loyalty program obligations are presented as a contractual liability in the consolidated statement of financial position. Revenue is recognized when loyalty points are redeemed or when their redemption period expires. The Group reviews its estimate of the points that will be redeemed and compensated at the end of each reporting period and, if necessary, adjusts the recognized liability (contractual liability) and the recognized revenue at the time of the change (revaluation) through cumulative catch-up.

Sales of medical equipment (devices)

Sales of medical equipment typically include delivery, installation, commissioning, training, and warranty service, with the sales price being total for the specific contract and/or device. Revenue from the sale of medical equipment is recognized at the individual contract level, assessing whether the promised goods and/or services are separate performance obligations.

This assessment is made depending on the moment of transfer of control over the medical equipment and the interdependencies between the individual components of the contract.

Control over the medical equipment (devices) is usually transferred to the customer at *a specific point in time*, upon delivery of the equipment (devices) to the agreed destination and transfer of physical possession to the customer. From that moment on, the Group transfers all risks and rewards associated with the medical equipment (devices) covered by the contract with the customer, and the customer has the ability to dispose of and direct its use.

The installation, commissioning, and training services sold together with the equipment are usually performed after its delivery and are relatively independent. These services are recognized as a separate performance obligation because: a) they can be performed by another supplier;

b) in most cases, the services are short-term and not specific in nature; c) they do not modify the delivered equipment (apparatus) and are not interrelated and integrated with it. Therefore, it is estimated that in these cases, control over the installation, commissioning, and training services is transferred *during the period of their provision*, as they are performed on an asset controlled by the customer, who receives and consumes the benefits of them simultaneously with the performance of the services. Revenue from the services performed is recognized *over time*, using *a method based on the assessment of the results achieved* to measure the progress under the contract (stage of completion).

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This method is considered the most appropriate for measuring progress, as it most adequately describes the pattern of transfer of control and satisfaction of obligations, and therefore most accurately reflects the level of all unfinished activities.

Warranty service

The warranty service offered usually includes a standard warranty clause, which stipulates that the medical equipment (devices) sold complies with the agreed specifications and standard quality conditions within the usual warranty period (usually 12 months) and is covered by the manufacturer.

Transportation upon sale of products and goods

Usually, when selling abroad, the Group is committed to transporting the goods to the agreed destination, with transport being organized by the Group and the cost of transport being included (calculated) in the sale price. Depending on the terms agreed with the customer, the transport service may also be performed after control over the sold products has been transferred to the customer. Until the transfer of control over the products, the sale of products and the transport service are reported as *a single performance obligation*, as they are part of an integrated service.

The transportation service provided after the transfer of control over the goods is recognized as *a separate performance obligation*, as the transportation may be performed by another supplier (i.e. the customer can use the goods sold with other readily available resources) and the transportation service does not modify or alter the goods sold in any way.

In this case, the consideration to which the Group expects to be entitled (the transaction price) is allocated to the individual performance obligations based on their individual selling prices. The individual selling price of the goods sold is determined according to the price list in effect on the date of the transaction, and for the transportation service, the individual selling price is determined approximately using the cost plus margin method.

Transport companies - subcontractors are used to perform the transport service. The Group has determined that it controls the specific services before they are provided to the customer and therefore acts as a principal because:

a) it bears the primary responsibility for ensuring that the services are performed and are acceptable to the customer (i.e., the Group is responsible for fulfilling the promise in the contract, regardless of whether the Group performs the services or engages a third-party service provider to perform them); and b) it negotiates the price of the services independently and without interference from the customer.

Revenue from the sale of a transportation service is recognized *over time* because it is not necessary to repeat the work performed to date if another party is to perform the remaining work, and therefore the customer receives and consumes the benefits simultaneously with the performance of the service. *A method based on resources used* is used to measure the progress of the contract (stage of completion). This method is considered the most appropriate for measuring progress, as it best describes the Group's activities in transferring control and fulfilling its obligations and, accordingly, most accurately reflects the level of performance of the obligations, insofar as there is a direct link between the Group's efforts (expenditure

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incurred) and the provision of the service to the customer. Progress is measured *on the basis of expenditure incurred in relation to the total planned expenditure for the performance of the contract*.

Invoice and hold arrangements

In certain cases, when selling goods wholesale, the goods sold remain in the physical possession of the Group. The Group has analyzed these arrangements and determined that, although the customer does not obtain physical possession of the goods, it usually has control over them because: a) the goods are held at the customer's request; b) the goods can be identified as belonging to the customer; c) the goods are ready for immediate shipment at the customer's request; d) the Group is unable to use the goods or direct them to another customer; and e) a separate fee is agreed for the storage service. In these cases, the delivery of goods and the provision of the safekeeping service are recognized as separate performance obligations. Accordingly: a) control over the goods sold is transferred to the customer *at a specific point in time* when the goods can be identified as belonging to the customer and the customer therefore has legal title to them; b) the performance obligation for the provision of safekeeping services is satisfied *over time*, as the services are provided.

Sales of services

The services provided by the Group include: storage (pre-distribution) services for customer goods, subscription-based out-of-warranty servicing of medical equipment, medical representation, etc. Revenue from services is presented as *other income in the statement of comprehensive income*, to the extent that it is not part of the Group's core business.

Out-of-warranty (service) maintenance

A company within the Group provides out-of-warranty (service) maintenance to its customers on a subscription basis. Out-of-warranty maintenance contracts are usually for a period of up to 2 years. The remuneration is fixed and determined on an annual basis and/or for the entire term of the contract, distributed equally on a monthly basis. The services performed are usually invoiced monthly, and the payment term is 30 to 60 days from the date of issue of the invoice to the client.

The out-of-warranty service includes various tasks/activities of a permanent and/or recurring nature, which are distinguishable and form part of an integrated service. They represent a series of distinguishable services and therefore constitute *a single performance obligation* because: (a) the integrated maintenance service includes multiple distinguishable time periods (usually one month); b) the services are essentially the same, as the customer receives a continuous benefit from them in each individual time period (each month), even if the tasks performed are different in nature and quantity; c) control is transferred *over time*, as the customer receives and consumes the service simultaneously with its provision and it is not necessary for another company to repeat in substance the work that the Group Company has performed to date if that other company is to perform the remaining part of the obligation.

Revenue is recognized *over time*, with progress on the contract (stage of completion) measured on a time-elapsed basis (on a straight-line basis - monthly). This method is determined to be the most appropriate for measuring progress because the services are provided monthly and are part of a series and therefore best describes the Group company's activity in transferring control and satisfying obligations.

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Other services

For other services performed by the Group, control is transferred to the customer over the period of time during which they are provided, as the customer simultaneously receives and consumes the benefits of the Group's activity. Revenue from sales is recognized over time by measuring the extent to which the Group's obligations have been fulfilled (stage of completion). To measure progress (stage of completion), the Group uses the output method based on the quantity of services provided.

2.6.4. Liabilities for refunds under contracts with customers

Refund obligations include the Group's obligation to refund part or all of the consideration received (or receivable) from the customer under contracts with return options - for expected retrospective discounts, rebates and/or volume bonuses.

Initially, the refund obligation is measured at the amount that the Group does not expect to be entitled to and expects to refund to the customer. At the end of each reporting period, the Group updates the measurement of refund obligations, respectively at the transaction price and recognized revenue.

Refund obligations under contracts with customers are presented under "Other current liabilities" in the statement of financial position.

2.6.5. Transaction price and payment terms

Production and pharmaceutical and medical products

The selling prices for the products sold by the Group (products and goods) are fixed according to a general and/or customer price list and are determined individually for each specific product. When determining the transaction price, the Group also takes into account the various forms of variable remuneration and other amounts (remuneration) payable to the customer.

Variable remuneration

Variable consideration is included in the transaction price only to the extent that it is highly probable that there will be no significant adjustment to the cumulative revenue recognized. The forms of variable consideration applicable to the Group include:

- Volume discounts: A form of additional incentive retrospective trade discounts that are granted to the customer for achieving a predetermined monthly, quarterly, and/or annual turnover, defined as a single threshold and/or as a progressive bonus scheme. When assessing variable remuneration, the Group determines the expected turnover of the customer using the most probable value method. The discounts granted are offset against the amounts due from the customer.
- Price discounts from the general price list: in accordance with the adopted pricing policy for wholesale sales, the selling price according to the general price list is reduced by the usual discount for the respective item. The amount of the discount for each customer is determined by the agreed turnover for a specific period in relation to the customer's total potential turnover. These price discounts are provided to the customer on each sale and/or at the end of each month. If the customer does not achieve the turnover specified in the contract and does not compensate for the difference in

the following period, the Group has the right to claim a penalty for non-performance, determined as a percentage of the unfulfilled part of the agreed monetary amount of the turnover.

- Price protection: for sales on the Bulgarian market, the Group is committed, in the event of a price reduction imposed by a state regulatory authority, to compensate the buyer and/or its customers for products purchased at a higher price from the Group that have not been sold to end customers. The payment of this compensation depends on the state policy for regulating the prices of medicinal products and is beyond the Group's control.
- Compensation for hidden defects: the customer may make claims for hidden defects (quality claims) throughout the shelf life of the goods sold, which may vary from one to five years. Quality complaints are settled by providing new goods or by refunding the amount paid by the customer. When determining the compensation for hidden defects due at the end of the reporting period, the Group's quality assurance system and accumulated experience are taken into account.
- Penalties payable to the customer: in the event of inaccurate performance of contractual obligations by the Group, usually in connection with failure to meet the agreed delivery deadline and/or in connection with the remaining shelf life of the delivered products (production and goods). These are included in the reduction of the transaction price only if their payment is highly probable. The Group's experience shows that historically agreements have been honored and the Group has not accrued any liabilities for the payment of penalties.
- Right of return: Some contracts for the sale of goods give the customer the right to return the goods within a certain period. The Group accounts for the right of return as a form of variable consideration and recognizes revenue from the sale only to the extent of the consideration that it reasonably believes it is entitled to (taking into account the goods that are expected to be returned).

In determining what portion of goods sold is expected to be returned, the Group uses historical data on goods returned by customers over the past year.

- Penalties payable by the customer: variable consideration in the form of penalties for late payment by the customer. The receipt of this consideration depends on the actions of the customer and is beyond the Group's control. It is included as part of the transaction price only when the uncertainty about its receipt is resolved.

The inclusion of penalties (payable by and to the customer) as part of the transaction price is assessed for each individual contract and is subject to review at the end of each reporting period.

Expected variable remuneration in the form of various discounts, penalties, compensation, and return rights is determined and assessed based on accumulated historical trading experience with customers and is recognized as an adjustment for the purposes of the transaction price and, accordingly, revenue (as a "increase" or "decrease") only to the extent that it is highly probable that there will be no significant reversal in the amount of cumulative revenue recognized, including due to the existence of measurement constraints. All subsequent changes in the amount of variable consideration are recognised as an adjustment to revenue (as an increase or decrease) at the date of the change and/or resolution of the uncertainty. At the end of each reporting period, the Group updates the transaction price, including whether the approximate estimate

contains limitations, so as to present fairly the circumstances existing and occurring during the reporting period. When measuring variable remuneration, the Group uses the most probable value method.

Discounts accrued but not settled at the end of the reporting period, for which the customer does not yet have an unconditional right to receive, are presented as a refund liability in the statement of financial position.

Remuneration due to the customer

Remuneration payable to the customer includes amounts that Group companies pay and/or have promised to pay to the customer. It is included as a component of the transaction price, unless the payment to the customer is in exchange for clearly distinguishable (separate) goods and/or services that the customer transfers and/or provides to the Group companies and the fair value of those separate goods and/or services does not exceed the amount of the remuneration paid by the Group. If the latter is greater than the fair value of the goods and/or services received from the customer, only the excess is included as part of the transaction price. Remuneration paid to the customer is recognized as assets under contracts with customers and is included as part of the transaction price and, *accordingly, as a reduction in revenue from contracts with customers* upon transfer of control over the goods sold or when the Group promises to pay, *whichever occurs later*.

Significant financial component

For wholesale sales, the usual credit period is 30 to 270 days after delivery of the goods. For some sales, payment may be partially in advance, with advance payments refunded if the contract is canceled. Advance payments collected from the customer are presented in the statement of financial position as liabilities under contracts with customers.

Due to the specific financial situation and credit risk of some customers – hospitals – it is common practice for them to pay for the delivered goods with a significant delay from the agreed payment term, and in some cases the period between the date of transfer of control over the goods and the date of payment by the respective customer hospital may reach up to and over 2 years. The Group has analyzed and determined that in contracts with such customers, the transaction price does not contain a financing element, since: a) the payment term agreed with the customer does not differ from the usual term for this type of transaction, and there is no explicitly agreed deferred payment upon conclusion of the sales contract; b) the sales prices themselves do not include a financing element (interest).

They are regulated by law and do not differ significantly from the selling price of the same goods and/or services when sold to other customers and/or when sold to the same customer by another trader of medicines and medical consumables. Any differences (if any) are the result of variable remuneration in the form of discounts, rather than the agreed and/or expected payment terms; c) the delay in payments is a result of the financial condition and credit risk of the customers – hospitals; d) in case of late payment by customers – hospitals, the Group charges interest (penalty) at the statutory interest rate, effective from the date of default; e) the financing element arises from the date of default, from which date the Group charges interest for late payment on the amounts determined on the basis of the sales prices; f) the customer hospital pays the accrued interest (penalties), which also reflect the effect of the time value of money.

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Recognized interest income due to late payment by customers – hospitals – is presented under financial income in the statement of comprehensive income (Note 11).

For retail sales, payment is due immediately at the time of sale. An exception is retail sales in Bulgaria, where the National Health Insurance Fund (NHIF) reimburses part of the price. This part of the sale price is paid by the NHIF within 60 days.

Medical equipment (apparatus)

The agreed sale price in contracts for the sale of medical equipment (devices) is usually common to the specific contract and/or device. Therefore, the consideration under the contract to which the company expects to be entitled (the transaction price) is allocated to each separate performance obligation based on the individual selling prices determined approximately using the cost plus margin method.

Significant financial component

The terms of payment of the transaction price are determined individually for each specific contract. Usually, the customer pays an advance of up to 20% of the contract value, and the remainder of the agreed remuneration is paid after the performance of the obligations under the contract, deferred to a specific date or according to an agreed payment schedule. Deferred payment is usually from 30 days to 2 years.

For contracts with deferred payment of more than 1 year, the company has determined that there is a financing element that has a significant effect on revenue.

In these cases, the transaction price is adjusted to reflect the effect of the time value of money using a discount rate that reflects the credit characteristics of the party receiving the financing (the customer). Advance payments collected from the customer are presented in the statement of financial position as liabilities under contracts with customers, and accrued interest is presented as financial income in the statement of comprehensive income (*Appendices 11 and 41*).

For contracts where the period between the transfer of control over the promised goods and services and the payment by the customer is expected to be up to 12 months, the company does not adjust the transaction price to reflect the effect of the financing component.

Sale of services

Service prices are usually fixed. Remuneration for non-warranty (service) maintenance is fixed and determined on an annual basis and/or for the entire term of the contract, distributed equally on a monthly basis.

Services rendered are most often invoiced monthly, and the payment term is 30 to 60 days from the date of issue of the invoice to the customer.

2.6.6. Expenses under contracts with customers

The Group reports the following as expenses under contracts with customers:

- additional and directly related expenses incurred when entering into a contract with a customer that would not have been incurred if the contract had not been entered into, and which are expected to be recovered over a period longer than twelve months (*customer acquisition costs*); and

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- the costs it incurs in fulfilling a contract with a customer that are directly related to that contract, contribute to generating resources for use in fulfilling the contract and are expected to be recovered over a period longer than twelve months (*contract fulfilment costs*).

In its normal course of business, the Group does not incur direct and specific costs to obtain customer contracts and costs to perform such contracts that would not have been incurred if the relevant contracts had not been entered into.

2.6.7. Balances under contracts with customers

Trade receivables and contract assets

A *contract asset* is the Group's right to receive consideration in exchange for goods or services it has transferred to the customer, but which is not unconditional (accrued receivable). If, by transferring the goods and/or providing the services, the Group fulfills its obligation before the customer pays the relevant consideration and/or before the payment becomes due, a contract asset is recognized for the consideration earned (which is conditional). Recognized contract assets are reclassified as *trade receivables* when the right to remuneration becomes unconditional. The right to remuneration is considered unconditional if the only condition for the remuneration to become due is the expiration of a specified period of time.

Contract liabilities

As a contract liability, the Group presents payments received from the customer and/or an unconditional right to receive payment before it has fulfilled its performance obligations under the contract. Contract liabilities are recognized as revenue when (or as) the performance obligations are satisfied.

Contract assets and liabilities are presented with other receivables and payables in the statement of financial position. They are included in current assets when their maturity is within 12 months or within the Group's normal operating cycle, and the rest are included as non-current. Assets and liabilities arising from a single contract are presented net in the statement of financial position, even if they result from different contractual obligations under the contract.

After initial recognition, trade receivables and contract assets are reviewed for impairment in accordance with the rules of IFRS 9 *Financial Instruments*.

Assets under the right of return under contracts with customers

The right of return represents the Group's right to receive back goods sold that are expected to be returned by customers (Note 22). Initially, this right is measured at the carrying amount of the goods expected to be returned, less the expected costs of restitution, including the expected reduction in the value of the returned products, including due to expiry of the shelf life. At the end of each reporting period, the Group updates the measurement of recognized returnable assets related to changes in expectations regarding the volume of returned goods and other reductions in their value.

Returnable assets are presented in the statement of financial position under inventories and disclosed separately in the notes to the annual financial statements.

2.7. Expenses

Expenses in the Group are recognized when incurred and on an accrual and matching basis (to the extent that this does not result in the recognition of an asset or liability that does not meet the definitions of assets and liabilities in the Common (Conceptual) Framework to and in the IFRSs themselves).

Deferred expenses are deferred for recognition as a current expense in the period in which the contracts to which they relate are performed.

Losses arising from the revaluation of investment properties to fair value are presented in the consolidated statement of comprehensive income (in profit or loss for the year) under "other operating income/(losses)".

2.8. Financial income and expenses

2.8.1. Financial income

Financial income is included in the statement of comprehensive income (in profit or loss for the year) when it arises and consists of: interest income on loans and term deposits, interest income on receivables under special agreements, interest income on overdue receivables, dividends from equity investments, net gain on exchange differences on foreign currency loans, income from debt settlement transactions, gains from revaluation to fair value of long-term equity investments that are part of a step acquisition of a subsidiary, interest income from debt securities (bonds) held for trading, gains from transactions with debt securities held for trading.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e., gross carrying amount adjusted for the allowance for losses).

2.8.2. Financial expenses

Financial expenses are included in the statement of comprehensive income (in profit or loss for the year) when incurred, separately from financial income, and consist of: interest expense on loans received, interest expense on leases, bank charges on loans and guarantees, net loss from exchange differences on foreign currency loans and lease agreements, impairment of fees on guarantees provided, provisions on financial guarantee contracts, losses from revaluation of financial assets to fair value, and impairment of trade loans provided.

2.9. Property, plant, and equipment

Property, plant, and equipment, including permanent crops (long-term tangible assets), are presented in the consolidated financial statements at revalued amounts, less accumulated depreciation and impairment losses.

Initial acquisition

Upon initial acquisition, property, plant, and equipment are measured at acquisition cost (cost), which includes the purchase price, customs duties, and all other direct costs necessary to bring the asset to working condition. Direct costs mainly include: site preparation costs, initial delivery and handling costs,

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installation costs, fees paid to persons involved in the project, non-refundable taxes, capitalized interest costs for qualifying assets, etc.

The property, plant, and equipment of acquired subsidiaries are measured at fair value at the date of the transaction (business combination), which is considered the acquisition price for consolidation purposes.

When acquiring property, plant, and equipment under deferred payment terms, the purchase price is equivalent to the present value of the liability, discounted based on the interest rate on the Group's credit resources with similar maturity and purpose.

The Group has set a value threshold of BGN 500, below which acquired assets, even if they have the characteristics of a non-current asset, are expensed as a current expense at the time of acquisition.

Subsequent measurement

The approach chosen by the Group for the subsequent balance sheet measurement of property, plant, and equipment is the revalued amount model under IAS 16 – revalued amount less subsequent depreciation and accumulated impairment losses.

Revaluation of property, plant, and equipment is generally performed by licensed appraisers on a five-year basis. When their fair value changes significantly at shorter intervals, revaluation may be performed more frequently.

Subsequent costs

Repair and maintenance costs are recognized as current expenses in the period in which they are incurred. Subsequent costs incurred in relation to property, plant, and equipment that are of a nature that replaces certain key parts and assemblies or involves conversion and reconstruction are capitalized to the carrying amount of the relevant asset and its remaining useful life is reviewed at the date of capitalization. At the same time, the unamortized portion of the replaced components is written off from the carrying amount of the assets and recognized in current expenses for the period of the conversion.

Depreciation methods

The Group uses the straight-line method of depreciation for property, plant, and equipment. Depreciation of assets begins when they are available for use. Land is not depreciated. The useful life of asset groups is determined based on physical wear and tear, the specific nature of the equipment, future intended use, and expected obsolescence.

The useful lives by asset class are as follows:

- buildings – 20-70 years
- facilities – 5-35 years
- machinery and equipment – 5-40 years
- computers and mobile devices – 2-5 years
- vehicles – 5-20 years
- Servers and systems – 4-18 years

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- farm equipment – 3-13 years
- other tangible assets – 3 to 12 years
- for biological assets (carriers) – from 10 to 12 years

The determined useful lives of long-term tangible assets are reviewed by the management of each company in the Group and, respectively, by the parent company at the end of each reporting period and, if significant deviations from future expectations for the useful life of the assets are identified, the same is adjusted prospectively.

Impairment of assets

The carrying amounts of property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indications that the estimated recoverable amount is lower than their carrying amount, the latter is written down to the recoverable amount of the assets. The recoverable amount of property, plant, and equipment is the higher of fair value less costs to sell and value in use. To determine the value in use of assets, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and estimates of the time value of money and risks specific to the asset.

Impairment losses are recognized in the consolidated statement of comprehensive income (in profit or loss for the year) unless a revaluation surplus has been formed for the asset.

In that case, the impairment is treated as a reduction in that reserve (through other comprehensive income) unless it exceeds the reserve, in which case the excess is included as an expense in the consolidated statement of comprehensive income (in profit or loss for the year).

Gains and losses on disposal

Property, plant, and equipment are derecognized from the statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them, or when they are sold. Gains or losses on sales of individual assets from the "property, plant, and equipment" group are determined by comparing the consideration to which the Group expects to be entitled (the proceeds from the sale) and the carrying amount of the asset at the date the transferee obtains control of it. They are reported net, under "other operating income/(losses), net" on the face of the statement of comprehensive income (in profit or loss for the year). The portion of the "revaluation reserve" component relating to the asset sold is transferred directly to the "retained earnings" component in the statement of changes in equity.

2.10. Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on their current location and condition, using prices quoted in an active market or other alternative sources of current prices. The gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from changes in its fair value, less an estimate of selling costs, are recognized in the consolidated statement of comprehensive income (in profit or loss for the year) in the period in which they arise and are presented in "other operating income/(loss), net." When the fair value of a particular biological asset cannot be reliably measured, it is measured at its cost less accumulated depreciation or impairment losses. Subsequently, when it becomes possible to measure the fair

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value of this biological asset reliably, the Group changes its approach and starts to measure the asset at fair value less estimated costs to sell.

2.11. Intangible assets

Goodwill

Goodwill represents the excess of the acquisition price (consideration given) over the fair value of the Group's share in the net identifiable assets of the acquired company at the date of acquisition (business combination). In the consolidated financial statements, it is initially measured at acquisition cost (cost) and subsequently at acquisition cost less accumulated impairment losses. Goodwill is not amortized.

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position under "intangible assets," while goodwill arising on the acquisition of joint ventures and associates is incorporated into the total value of the investment and is reported under "investments in joint ventures" or "investments in associates," respectively.

Goodwill arising on the acquisition of joint ventures and associates is tested as part of the total balance (value) of the investment. Separately recognized goodwill arising on the acquisition of subsidiaries is tested for impairment at least once a year. Impairment losses on goodwill are not subsequently reversed. Gains or losses on the sale (disposal) of a subsidiary (enterprise) from the Group include the carrying amount of goodwill attributable to the sold (disposed) subsidiary (entity).

Each recognized goodwill is assigned to a cash-generating unit at the time of the business combination, and that unit is used in impairment testing. When determining the cash-generating units, the units from which future economic benefits were expected at the time of the acquisition in the business combination and in connection with which the goodwill arose are taken into account.

Impairment losses on goodwill are presented in the consolidated statement of comprehensive income (in profit or loss for the year) under the heading "impairment of non-current assets."

Other intangible assets

Intangible assets are presented in the consolidated financial statements at cost less accumulated amortization and impairment losses. Intangible assets mainly include intellectual property rights, software products, and complex intangible assets (licenses and pharmacy location networks).

The useful lives by asset group are as follows:

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

The carrying amount of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed their recoverable amount. The impairment is

then recognized as an amortization expense in the consolidated statement of comprehensive income (in profit or loss for the year).

Intangible assets are derecognized from the statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them, or when they are sold, at the date of transfer of control to the recipient of the asset. Gains or losses on sales of individual assets from the "intangible assets" group are determined by comparing the consideration to which the Group expects to be entitled (the proceeds from the sale) and the carrying amount of the asset at the date on which the transferee obtains control of it. They are reported net, under "other operating income/(loss)" on the face of the statement of comprehensive income (in profit or loss for the year).

2.12. Investment properties

Investment properties are those properties that are held by the Group for rental income and/or for capital appreciation over the long term. They are presented in the consolidated statement of financial position at their fair value (*Note 17*). Gains or losses from changes in the fair value of investment properties are recognized in the consolidated statement of comprehensive income (in profit or loss for the year) under "other operating income/(loss), net" for the period in which they arise. Realized income from investment properties is presented in the same item of the consolidated statement of comprehensive income.

Investment properties are derecognized from the statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them, or when they are sold. Gains or losses on sales of individual assets from the "investment property" group are determined by comparing the consideration to which the Group expects to be entitled (the proceeds from the sale) and the carrying amount of the asset at the date on which the recipient obtains control of it. They are reported net in "other operating income/(losses), net" in the statement of comprehensive income (in profit or loss for the year).

Transfers to and from the "investment properties" group are made when there is a change in the functional purpose and use of a property. In the case of a transfer from "investment properties" to "properties for use in own operations," the asset is recorded in its new group at its historical cost, which represents its fair value at the date of transfer.

Conversely, when there is a transfer from "properties for use in own operations" to "investment properties", the asset is measured at its fair value at the date of transfer, with the difference to its carrying amount presented as a component of the consolidated statement of comprehensive income (in other components of comprehensive income) and is presented in "revaluation reserve – property, plant and equipment" in the statement of changes in equity.

2.13. Investments in associates and joint ventures

Long-term investments representing interests in associates and joint ventures are presented in the consolidated financial statements using the equity method – a value that includes the acquisition cost, representing the fair value of the consideration paid, including direct costs of acquiring the investment, adjusted by the investing company's share in the profits or losses and, respectively, other reserves of the joint ventures and associates after the date of their acquisition.

The share in the profits and losses after the date of acquisition of associates and joint ventures is presented on a separate line in the consolidated statement of comprehensive income (in profit or loss for the year), and the share in other components of comprehensive income on the relevant line in the consolidated statement of comprehensive income (in other components of comprehensive income) and as a separate movement of the individual components of reserves in the consolidated statement of changes in equity.

The Group's investments in associates and joint ventures, including goodwill, are reviewed for impairment at each reporting date. When impairment is identified and its amount is determined, it is recognized in the consolidated statement of comprehensive income (in profit or loss for the year) under "gains/(losses) from associates and joint ventures."

The "transaction date" is applied when purchasing and selling investments in associates and joint ventures.

Investments in associates and joint ventures are derecognized when the rights arising from them are transferred to other parties upon the occurrence of legal grounds for this and, in this way, significant or joint influence over the economic benefits from the investments is lost. The income from their sale is presented under "gains/(losses) from associates and joint ventures" in the consolidated statement of comprehensive income (in profit or loss for the year).

2.14. Other long-term equity investments

Other long-term equity investments are non-derivative financial assets in the form of shares and interests in the capital of other companies (minority interests) held with a long-term perspective.

Initial measurement

Initially, equity investments are recognized at acquisition cost, which is the fair value of the consideration paid, including direct costs of acquiring the investment (financial asset) (*Note 2.25*).

All purchases and sales of equity investments are recognized on the "trade date" of the transaction, i.e., the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

The Group's equity investments are subsequently measured at fair value (*Note 2.31*), determined with the assistance of an independent licensed appraiser.

The effects of subsequent revaluation to fair value are presented in a separate component of the statement of comprehensive income (in other components of comprehensive income) and, respectively, in a reserve for financial assets at fair value through other comprehensive income.

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

Dividend income

Dividend income related to long-term investments representing shares in other companies (non-controlling interests) is recognized as current income and presented in the statement of comprehensive income (in profit or loss for the year) under "financial income."

When shares are written off due to sale, the weighted average price method is used, determined at

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the end of the month in which the write-off is made.

2.15. Inventories

Inventories are valued in the consolidated financial statements as follows:

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

The costs incurred to bring a product from inventory to its present condition and location are included in the acquisition cost (cost price) as follows:

- raw materials, materials, and goods – all delivery costs, including the purchase price, import duties and taxes, transportation costs, non-refundable taxes, and other costs that contribute to bringing the materials and goods to a state ready for use (sale);
- finished products, semi-finished products, and work in progress – all necessary production costs that form the production cost, including direct costs of materials and labor and the deductible portion of general production costs (variable and fixed), excluding administrative costs; exchange rate differences and costs of attracted financial resources.

The inclusion of conditionally fixed overhead costs in the production cost of finished products, semi-finished products and work in progress is based on normal capacity.

The bases selected by the Group for their allocation by product are:

- for the production of medicinal products – the number of man-hours of personnel directly involved in the production of the specific product;
- for the production of infusion solutions – the quantity of products manufactured;
- for the production of disposable plastic medical devices – the planned cost of the manufactured products.

The parent company applies a current assessment of "standard production cost" for finished products, semi-finished products, and work in progress, and "standard delivery cost" for the main raw materials and materials for production.

At the end of each reporting period, management analyzes the factors that led to deviations in: a) the delivery of raw materials and supplies for production - by comparing actual and standard delivery costs, and b) the production of finished goods, semi-finished goods, and work in progress - by comparing actual and standard production costs.

If necessary, adjustments are made to the valuation of inventories in the financial statements. Based on studies of good accounting practices in the pharmaceutical industry, materiality thresholds have been adopted for:

- deviation in the delivery of raw materials and supplies for production - up to 2% and b) production deviation - up to 1.5%, within which the current valuation of available ending inventories of raw materials

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and supplies, finished goods, and work in progress for the purposes of the consolidated financial statements is not adjusted.

When using (investing and selling) inventories, they are written off on an ongoing basis using the weighted average cost (cost) method.

The net realizable value represents the estimated selling price of an asset in the normal course of business, less the estimated costs of bringing the asset to a saleable condition and the estimated costs of selling.

2.16. Trade receivables

Trade receivables represent the Group's unconditional right to receive remuneration under contracts with customers and other counterparties (i.e., it is only subject to the passage of time before the remuneration is paid).

Initial measurement

Trade receivables are initially recognized and measured at fair value based on the transaction price, which is usually equal to their invoice value, unless they contain a significant financing component that is not charged separately. In this case, they are recognized at their present value, determined at a discount rate equal to the interest rate deemed to be inherent in the customer-debtor.

Subsequent measurement

The Group holds trade receivables solely for the purpose of collecting contractual cash flows and subsequently measures them at amortized cost less any accumulated credit loss allowance. (*Note 2.25 Financial Instruments*).

Impairment

The Group applies the expected credit loss model for the entire term of all trade receivables, using the simplified approach specified in IFRS 9 and based on a matrix model for the loss rate (*Note 23*).

2.17. Interest-bearing loans and other financial resources provided

All loans and other financial resources provided are initially recognized at acquisition cost (nominal amount), which is considered to be the fair value of the transaction, net of direct costs related to these loans and resources provided. After initial recognition, interest-bearing loans and other resources provided are subsequently measured and presented in the statement of financial position at amortized cost, determined by applying the effective interest method. They are classified in this group because the Group's business model is solely to collect contractual cash flows of principal and interest. The amortized cost is calculated taking into account all types of fees, commissions, and other amounts associated with these loans.

Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) as financial income (interest) or expenses over the amortization period or when the receivables are repaid, written off or reduced.

Interest income is recognized in accordance with the stage at which the relevant loan or other receivable is classified as a financial resource provided, based on the effective interest rate method.

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Interest-bearing loans and other financial resources provided are classified as current, except for the portion for which the Group has an unconditional right to settle its obligation within 12 months of the end of the reporting period (Note 2.25).

2.18. Cash and cash equivalents

Cash includes cash on hand and cash in current accounts, and cash equivalents include deposits in banks with original maturities of up to three months and deposits with longer maturities that are freely available to the Group under the terms of the agreements with the banks at the time of the deposit (Note 2.25).

Subsequent measurement

Cash and cash equivalents in banks are subsequently presented at amortized cost, less any accumulated impairment for expected credit losses.

For the purposes of preparing the cash flow statement:

- cash receipts from customers and cash payments to suppliers are presented gross, including VAT (20%);
- interest on investment loans received is included as payments for financial activities, and interest related to loans serving current activities (for working capital) is included in operating activities
- interest received on overdue trade receivables is included in cash flows from operating activities under cash receipts from customers;
- interest received on bank deposits is included in cash flows from investing activities;
- VAT paid on purchases of fixed assets from foreign suppliers is reported under "Taxes paid," and in the case of delivery of fixed assets from within the country, it is reported under "Payments to suppliers" in cash flows from operating activities, to the extent that it participates and is recovered together with the operating cash flows of the Group companies for the relevant period (month).
- Receipts and payments from and on overdrafts are shown net by the Group.
- Cash and cash equivalents permanently blocked for more than 3 months are not treated as cash and cash equivalents.
- Receipts under factoring agreements are presented in cash flows from financing activities.

2.19. Trade and other payables

Trade and other current liabilities in the consolidated financial statements are presented at the value of the original invoices (acquisition cost), which is considered to be the fair value of the transaction and will be paid in the future against the goods and services received. In cases of deferred payments beyond the normal credit period, where no additional interest payment is provided for or the interest differs significantly from the normal market interest rate, the liabilities are initially measured at their fair value based on their present value at a discount rate specific to the Group companies, and subsequently at amortized cost (Note 2.25).

2.20. Interest-bearing loans and other borrowed financial resources

In the consolidated financial statements, all loans and other borrowed financial resources are initially presented at cost (nominal amount), which is considered to be the fair value of the transaction, net of direct costs related to these loans and borrowed resources.

After initial recognition, interest-bearing loans and other borrowed funds are subsequently measured and presented in the consolidated financial statements at amortized cost using the effective interest method. The amortized cost is calculated taking into account all types of fees, commissions, and other expenses, including discounts or premiums associated with these loans. Gains and losses are recognized in the consolidated statement of comprehensive income (in profit or loss for the year) as financial income or financial expenses (interest) over the amortization period or when the liabilities are written off or reduced (*Note 2.25*).

Interest expenses are recognized over the term of the financial instrument using the effective interest rate method.

Interest-bearing loans and other borrowed financial resources are classified as current, except for the portion for which the Group has an unconditional right to settle its obligation in more than 12 months from the end of the reporting period.

2.21. Capitalization of borrowing costs

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

The amount of borrowing costs that may be capitalized in the cost of a qualifying asset is determined by a capitalization rate. The capitalization rate is the weighted average of borrowing costs attributable to borrowings outstanding during the period, excluding borrowings made specifically for the purpose of acquiring a qualifying asset.

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

Borrowing costs are also reduced by any investment income from the temporary investment of the proceeds from such borrowings.

2.22. Leasing

A contract constitutes or contains elements of a lease if, under the terms of the contract, the right to control the use of an asset for a specified period of time is transferred for consideration.

On the commencement date of the lease, which is the earlier of the date of the lease agreement or the date on which the parties commit to the main terms of the lease agreement, the Group analyzes and assesses whether a contract constitutes or contains elements of a lease.

Lessee

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The Group applies a single model for the recognition and measurement of all lease agreements, except for short-term leases (a lease agreement with a term of 12 months or less from the commencement date of the lease and which does not contain a purchase option) and leases of low-value assets (such as tablets, personal computers, telephones, office equipment, and others).

Initial measurement

On the lease commencement date (the date on which the underlying asset is available for use), the lessee recognizes a right-of-use asset and a lease liability.

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

- the amount of the initial measurement of the lease liability;
- lease payments made on or before the commencement date, less any incentives received under the lease agreement;
- the lessee's initial direct costs;
- provisions for costs related to dismantling and moving the asset.

The Group depreciates right-of-use assets on a straight-line basis over the shorter of their useful lives and the lease term. Depreciation begins to be calculated from the commencement date of the lease.

The depreciation periods by type of asset subject to lease agreements are as follows:

- for land – from 4 to 5 years
- for buildings – from 2 to 10 years
- for equipment and transmission devices – from 2 to 10 years;
- for vehicles – from 2 to 5 years
- for farm equipment – from 2 to 3 years

Assets with right of use are presented in the statement of financial position under "property, plant, and equipment," and their depreciation is presented in the statement of comprehensive income under "depreciation expense."

The lease liability includes the net present value of the following lease payments:

- fixed payments, reduced by any lease incentives payable;
- variable lease payments that depend on indices or rates;
- the purchase option price, if it is reasonably certain that the lessee will exercise the option;
- penalty payments for termination of the lease;
- residual value guarantees.

Lease liabilities are presented on separate lines in the statement of financial position: "Lease liabilities" - the non-current portion of the liabilities, "Current portion of lease liabilities" - the current portion of the liabilities, Long-term liabilities to related parties - non-current portion, and Liabilities to related parties - current portion.

Lease payments are discounted at the interest rate specified in the contract, if it can be directly determined, or at the Group company's differential interest rate, reflecting the interest rate that would be applicable when borrowing funds for a similar period of time, with similar collateral and in a similar economic environment.

Lease payments contain a fixed proportion of finance costs (interest) and a deductible portion of the lease liability (principal). Finance costs are recognized in the statement of comprehensive income over the lease term on a periodic basis so as to achieve a constant interest rate on the remaining unpaid portion of the principal of the lease liability.

Subsequent measurement

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

The Group subsequently measures the lease liability by:

- increasing the carrying amount to reflect accrued interest;
- decreasing the carrying amount to reflect lease payments made;
- revaluing the carrying amount of the lease liabilities to reflect revaluations or amendments to the lease agreement;

Recognition of remeasurements and amendments to the lease agreement

As a result of a revaluation, the lessee recognizes the amount of the revaluation of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the asset is lower, the remaining amount of the revaluation is recognized in profit or loss.

The lessee accounts for a modification of the lease as a separate lease if:

- the modification increases the scope of the lease by adding a new right-of-use to one or more additional underlying assets; and
- the lease payments increase by an amount commensurate with the stand-alone price for the increase in scope and any adjustments reflecting the specific circumstances of the contract.

Payments under short-term leases and leases of low-value underlying assets, as well as variable lease payments that are not included in the measurement of the lease liability, are recognised directly as current expenses in the statement of comprehensive income on a straight-line basis over the lease term.

Lessor

A finance lease, under which the significant portion of all risks and economic benefits arising from ownership of the asset under a finance lease, is derecognized from the lessor's assets upon transfer of the asset to the lessee and is presented in the statement of financial position as a receivable with a value equal to the net investment in the lease. The net investment in the lease contract is the difference between the sum of the minimum lease payments under the finance lease contract and the unguaranteed residual value accrued to the lessor and the unearned finance income.

The difference between the carrying amount of the asset leased under a finance lease and its immediate (fair) selling price is recognized in the statement of comprehensive income (in profit or loss for the year) at the inception of the lease (on transfer of the asset) as income from the sale of assets.

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

In an operating lease, the lessor continues to hold substantially all the risks and rewards incidental to ownership of the asset. Therefore, the asset continues to be included in the lessor's property, plant, and equipment, and its depreciation for the period is included in the lessor's current expenses.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in connection with the negotiation and settlement of the operating lease are added to the carrying amount of the leased assets and recognized on a straight-line basis over the term of the lease.

2.23. Pension and other obligations to personnel under social and labor legislation

Labor and social security relations with employees in the Group are based on the provisions of the Labor Code and the provisions of the applicable social security legislation for companies operating in *Bulgaria*, the Polish Code for companies in *Poland*, labor legislation and the Collective Labor Agreement for companies in *Ukraine*, labor legislation, the General Collective Labor Agreement, and the applicable Labor Regulations for companies in *Serbia*, the Law of the Republic of Kazakhstan on social security obligations for the company in *Kazakhstan*, the Labor Code of the Russian Federation for the company in *Russia*, and the Labor Code of the Republic of Belarus for companies in *Belarus*.

Short-term income

Short-term employee benefits in the form of remuneration, bonuses, and social allowances and benefits (payable within 12 months after the end of the period in which the employees rendered the related service or met the necessary conditions) are recognized as an expense in the statement of comprehensive income (in profit or loss for the year) unless an IFRS requires that amount to be capitalized in the cost of a specific asset for the period in which the service is rendered and/or the requirements for receiving it are met, and as a current liability (after deducting any amounts already paid and any applicable deductions) at their undiscounted amount.

At the date of each consolidated financial statement, the Group companies estimate the amount of expected expenses for accrued compensable leave that is expected to be paid as a result of unused accrued leave entitlements. The estimate includes an approximate assessment of the amounts of the remuneration itself and the mandatory social security and health insurance contributions that the employer owes on these amounts.

Bonuses

Under conditions expressly included in the articles of association of the Group companies and upon a decision by the general meeting of the companies, the executive director and/or other managers are entitled to receive a one-off remuneration (bonus), usually determined as a percentage of the company's net profit. This type of remuneration expense is recognized in the statement of comprehensive income (in profit or loss) under "personnel expenses." When a certain portion is required to be deferred for a period longer than 12 months, that portion is measured at its present value at the date of the financial statements and is included in non-current liabilities in the statement of financial position under "employee benefits."

Bonus schemes

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Amounts payable to personnel, including members of key management personnel, under various bonus schemes applied by companies in the Group are normally accrued for the reporting year to which the results achieved relate.

This type of remuneration expense is recognized in the statement of comprehensive income (in profit or loss) under "staff costs" and in the statement of financial position as "employee benefits" and is usually short-term.

Long-term income

Long-term share-based incentive plan for key employees

The main objective of this program is to provide an additional material incentive for employees in the form of a long-term incentive in shares for achieving results and long-term loyalty by offering selected key employees the opportunity to become shareholders of the parent company. The program provides for part of the annual additional remuneration (bonus) for key employees of the company to be paid in the form of shares. Members of the Board of Directors and/or other members of the management/supervisory bodies of the company do not and will not participate in the program.

The distribution of shares as a long-term incentive is based on the achievement of certain performance targets, which include both financial and non-financial indicators.

Financial indicators may include, but are not limited to, criteria based on earnings before interest, taxes, depreciation, and amortization (EBITDA), revenue from ordinary activities, revenue growth, gross profit, efficiency, and value of new business.

The specific financial indicators and their parameters at company level shall be determined by a decision of the Board of Directors by April 30 of the current calendar year for the same year, based on an analysis of the results achieved according to the financial criteria set for the previous year, as well as on the basis of the approved budget and strategy for the current calendar year.

Non-financial indicators may include, but are not limited to, those related to customer satisfaction, the implementation of a specific project set out in the company's development plans, the expansion of production capacity, or the stable and sustainable development of the company in economic, social, and environmental terms.

The non-financial indicators and their parameters shall be determined by a decision of the Board of Directors by April 30 of the current calendar year for the same year, in accordance with the short-term and medium-term development plans of the parent company.

A target performance level of 100% is set for each of the indicators.

A long-term incentive in shares for the respective year is paid only if the specific financial indicators are achieved at a minimum of 80% of the set targets.

For non-financial indicators, a minimum performance level (threshold) of 60% is set, below which the respective indicator is considered unmet.

The value of the shares from the long-term incentive is calculated according to the following scale:

- for 60% to 90% of a given target, the payout percentage starts at 50% and 1 point is added for each percentage point of performance;
- for 90% achievement of a given target, 80% of the target level is paid;
- for achieving 90% to 99% of a given target, 2 points are added for each percentage point of achievement.

The number of shares from the long-term incentive that will be granted is determined by the Board of Directors at the time of distribution of the long-term number of shares based on the average price of the parent company's shares during the month preceding the distribution date. This average price is taken as the acquisition price of the shares from the long-term incentive.

Long-term retirement income

Defined contribution plans

For Bulgaria

The main obligation of companies – employers in Bulgaria is to provide mandatory insurance for their employees for the Pension Fund, supplementary mandatory pension insurance (DZPO), the General Illness and Maternity Fund (OZM), the Unemployment Fund, the Occupational Accident and Disease Fund (OADF), and health insurance.

The amounts of the insurance contributions are regulated in the Social Security Code (SSC), as well as in the Law on the Budget of the Social Security Fund and the Law on the Budget of the National Health Insurance Fund for the respective year. The contributions are distributed between the employer and the insured person in accordance with the rules of the SSC.

These pension plans, implemented by companies in Bulgaria in their capacity as employers, are defined contribution plans. Under these plans, the employer pays monthly contributions to the state pension fund, the OZM fund, the unemployment fund, the TZPB fund, as well as to universal and professional pension funds, based on percentages fixed by law, and has no legal or constructive obligation to make additional contributions to the funds in cases where they do not have sufficient funds to pay the persons concerned the amounts they have earned during their period of employment. The obligations regarding health insurance are similar.

For companies abroad

The amounts of insurance contributions in Poland are approved by the Law on the National Insurance System, in Ukraine - by the Law on Pension Provision, in Serbia - by the Law on Labor in the Republic of Serbia, Kazakhstan - by the Law of the Republic of Kazakhstan on Social Security Obligations, in Russia - by the Law on Compulsory Pension Insurance in the Russian Federation, and in the Republic of Belarus - by the Law on the Fundamentals of State Social Insurance, the Decree of the President of the Republic of Belarus on Insurance Activities, and the Law of the Republic of Belarus on Pension Insurance. The distribution of insurance contributions between the employer and the insured person is determined in accordance with the ratios regulated by the relevant local legislation.

The Group does not have an established and functioning private voluntary insurance fund.

Contributions payable by the companies in the Group under defined contribution plans for social and health insurance are recognized as a current expense in the statement of comprehensive income (in profit or loss) unless an IFRS requires that amount to be capitalized in the cost of a specific asset, and as a current liability at the undiscounted amount, together with and over the period of service and the accrual of the related employee benefits to which the contributions relate.

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Defined benefit plans

Under the Labor Code, employers in *Bulgaria* are required to pay their staff compensation equal to two months' gross salary upon termination of employment due to retirement. If the employee has acquired ten years of service in the company or in the same group of companies over the last twenty years, the compensation is equal to the gross salary for six months. In terms of their characteristics, these schemes are unfunded defined income plans.

Under the Labor Law in *Serbia*, the employer of a Serbian company is obliged to pay the staff upon reaching retirement age a retirement benefit of at least three average salaries calculated at the time of payment. Under *Ukrainian* labor law and the collective labor agreement of the Ukrainian company, the employer is required to pay staff upon reaching retirement age a benefit which, depending on the length of service in the company, can vary between 250 and 500 Ukrainian hryvnia. The company in Ukraine also accrues social benefits that are paid to employees before retirement due to specific working conditions. Under Polish labor law, the employer is required to pay one gross monthly salary upon retirement. Under Belarusian labor law, there are no obligations to staff upon retirement.

These schemes are unfunded defined benefit plans.

The calculation of the amount of these obligations requires the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they are presented in the consolidated statement of financial position, and the change in their value is presented in the consolidated statement of comprehensive income as: a) current and past service costs, interest costs, and the effects of curtailments and settlements are recognized immediately in the period in which they arise and presented in current profit or loss under "personnel expenses"; and b) the effects of subsequent assessments of obligations, which are essentially actuarial gains and losses, are recognized immediately in the period in which they arise and are presented in other comprehensive income under "subsequent assessments of defined benefit pension plans." Actuarial gains and losses arise from changes in actuarial assumptions and experience.

At the date of each annual consolidated financial statement, the Group companies appoint certified actuaries who issue a report with their calculations of their long-term obligations to employees for termination benefits due to retirement. For this purpose, they apply the projected unit credit method.

The present value of the defined benefit obligation is calculated by discounting the future cash flows expected to be paid during the maturity of this obligation and using the interest rates of government long-term bonds with a similar maturity listed in the country where the company itself operates.

Share-based payments

Share-based payments to employees and other persons providing similar services are measured at the fair value of the equity instruments at the grant date. For share-based payments with vesting conditions, the fair value at the date of grant of the share-based payment is measured so as to reflect those conditions and there are no material differences between the expected and actual outcomes.

Termination benefits

Under the local labor and social security laws of the Group companies, the employer is required to pay certain types of benefits upon termination of employment to employees before retirement.

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The Group recognizes liabilities to staff for termination benefits before retirement age when a binding commitment has been demonstrated, including on the basis of an announced plan (e.g., for restructuring), in order to terminate the employment contract with the relevant persons without the possibility of cancellation, or upon formal issuance of the documents in cases of voluntary departure. Termination benefits payable over more than 12 months are discounted and presented in the consolidated statement of financial position at their present value.

2.24. Share capital and reserves

Sopharma AD (the parent company) is a joint-stock company and is required to register a certain amount of ***share capital*** in the Commercial Register to serve as collateral for creditors' claims. Shareholders are liable for the company's obligations up to the amount of their shareholding in the capital and may claim repayment of this shareholding only in liquidation or insolvency proceedings. The parent company reports its share capital at the nominal value of the shares registered with the court.

In accordance with the requirements of the Commercial Act and the Articles of Association, the parent company is required to form ***a "Reserve Fund" (statutory reserves)***, the sources of which may be:

- at least one tenth of the profit, which is set aside until the funds in the reserve reach one tenth of the share capital or a larger portion determined by a decision of the General Meeting of Shareholders;
- the funds received in excess of the nominal value of the shares upon their issue (premium reserve);
- other sources provided for by a decision of the General Meeting.

The funds from the fund may only be used to cover the annual loss and losses from previous years. When the funds in the fund reach the minimum amount specified in the Articles of Association, the funds in excess of this amount may be used to increase the share capital.

Repurchased own shares are presented in the consolidated statement of financial position at cost (acquisition price), with their gross purchase price reducing the Group's equity.

Gains or losses from the sale of repurchased own shares are charged to retained earnings and are presented directly in the Group's equity under the component "retained earnings".

The revaluation reserve – property, plant, and equipment is formed by:

- the positive difference between the carrying amount of property, plant, and equipment and their fair values at the date of revaluation;
- the positive difference between the carrying amount of property reported as used in own business activities and their fair value at the date of transfer to investment property.

The effect of deferred taxes on the revaluation reserve is recognized directly in that reserve.

The revaluation reserve is transferred to retained earnings when the assets are derecognized from the Group's consolidated statement of financial position or are fully depreciated.

The revaluation reserve covers impairment losses on the assets to which it relates. It can be used in the implementation of the Group's dividend and capital policy only after it has been transferred to the "retained earnings" component.

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The reserve for financial assets at fair value through other comprehensive income is formed from the effects of fair value measurement of other long-term equity investments. Upon derecognition of these investments, the reserve formed is not recycled through the statement of comprehensive income (through profit or loss for the year), but is transferred to the "retained earnings" component.

The reserve from the translation of foreign operations into the presentation currency includes the effects of translating the financial statements of foreign companies from local currency into the Group's presentation currency. This reserve is recognized as a separate component of equity in the consolidated statement of financial position and is recognized as part of profit or loss in the consolidated statement of comprehensive income under "gains/(losses) on acquisition and disposal of subsidiaries, net" upon disposal (sale) of a foreign operation (company).

Other equity components represent a reserve for issued warrants, which is formed from the difference between the issue value of the subscribed warrants and the transaction costs related to the issue. The warrants are issued and subscribed at a fixed price denominated in BGN and carry future rights to be converted into a fixed number of ordinary, book-entry, registered, freely transferable shares of the parent company, which is why they are classified as an equity instrument.

2.25. Financial instruments

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

Financial assets

Initial recognition, classification, and measurement

Upon initial recognition, financial assets are classified into three groups, according to which they are subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The Group initially measures financial assets at fair value, and in the case of financial assets not measured at fair value through profit or loss, direct transaction costs are added. An exception is trade receivables that do not contain a significant financing component - they are measured at transaction cost determined in accordance with IFRS 15 *Revenue from Contracts with Customers* (Note 2.6.2).

Purchases or sales of financial assets whose terms require delivery of the assets within a period of time established by regulation or prevailing practice in the relevant market (regular purchases) are recognised on the trade date (the date of the transaction), i.e. on the date on which the Group committed to purchase or sell the asset.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and the business model of the Group companies for their management. In order to be classified and measured at amortized cost or at fair value through other comprehensive income, the terms of a financial asset must give rise to cash flows that are "solely payments of principal and interest (SPG)" on the outstanding principal amount. For this purpose, an analysis is performed using a CPPITC test at the instrument level.

The Group's business model for managing financial assets reflects the way in which the Group companies manage their financial assets to generate cash flows. The business model determines whether cash flows result solely from the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into the following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income without "recycling" cumulative gains and 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 amortized cost (debt instruments)

The Group measures financial assets at amortized cost when both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest method (EIM). They are subject to impairment. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost include: cash and cash equivalents in banks, trade receivables, including from related parties, receivables under assignment agreements, loans granted to related parties, and loans to third parties (*Note 20, Note 21, Note 23, Note 24, Note 25, and Note 26*)

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

Upon initial recognition, Group companies may make an irrevocable election to classify certain equity instruments as those designated at fair value through other comprehensive income, but only when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an individual basis, instrument by instrument.

When these assets are derecognized, the gains and losses from measurement at fair value recognized in other comprehensive income are not recycled through profit or loss. Dividends are recognized as "financial income" in the statement of comprehensive income (in profit or loss for the year) when the right to receive payment is established, except when Group companies derive benefits from these proceeds as a recovery of part of the acquisition cost of the financial asset, in which case the gains are recognized in other comprehensive income. Equity instruments designated as at fair value through other comprehensive income

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are not subject to impairment testing.

The Group has made an irrevocable election to classify its minority equity investments, which it holds for the long term and in connection with its business interests in these companies, in this category. A significant portion of these investments are traded on capital markets. These investments are presented in the consolidated statement of financial position under "Other long-term equity investments."

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

Upon initial recognition, they are measured at acquisition cost, which includes the fair value of the financial asset and all costs related to the acquisition – commissions, fees, permits, and other similar costs.

All subsequent changes in fair value are recognized immediately as "financial income" or "financial expenses" in the statement of comprehensive income (in profit or loss for the year).

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized from the Group's statement of financial position when:

- the rights to receive cash flows from the asset have expired, or
- the rights to receive cash flows from the asset have been transferred or the Group has assumed an obligation to pay the cash flows received in full, without material delay, to a third party under a transfer agreement; whereby: either a) the Group has transferred substantially all the risks and rewards of ownership of the asset; or b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has not retained control over it.

When the Group has transferred its rights to receive cash flows from the asset or has entered into a transfer agreement, it assesses whether and to what extent it has retained the risks and rewards of ownership. When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, nor transferred control of it, it continues to recognize the transferred asset to the extent of its continuing involvement in it. In this case, the Group also recognizes the related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Group has retained.

An ongoing involvement in the form of a guarantee over the transferred asset is measured at the lower of the asset's original carrying amount and the maximum amount of consideration that the Group could be required to pay.

Impairment of financial assets

The Group recognizes an allowance (provision for impairment) for expected credit losses on all debt instruments that 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 terms of the contract and all cash flows that the Group expects to receive, discounted at the original effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the terms of the contract.

To calculate the expected credit losses on *loans to related parties and third parties including cash and cash equivalents in banks*, the Group applies the general impairment approach set out in IFRS 9. Under this approach, the Group applies a "three-stage" impairment model based on changes from the initial recognition of the credit quality of the financial instrument (asset).

Expected credit losses are recognized in two stages:

a. A financial asset that is not credit-impaired at initial recognition/acquisition is classified in Stage 1. These are loans granted to borrowers with a low risk of default and stable trends in key indicators (financial and non-financial), regularly serviced, and with no amounts past due.

From the moment of initial recognition, its credit risk and quality are subject to continuous monitoring and analysis. The expected credit losses on financial assets classified in Stage 1 are determined on the basis of credit losses resulting from possible default events that could occur within the next 12 months of the life of the asset (12-month expected credit losses for the instrument).

b. In cases where, after the initial recognition of a financial asset, its credit risk increases significantly and, as a result, its quality deteriorates, it is classified in Stage 2. Expected credit losses on financial assets classified in Stage 2 are determined for the entire remaining life (term) of the respective asset, regardless of the timing of the default (expected credit losses for the entire life (term) of the instrument).

The Group's management has developed a policy and a set of criteria for analyzing, identifying, and assessing the occurrence of a "significant increase in credit risk." Key issues are disclosed in *Note 43*.

In cases where the credit risk of a financial asset increases to a level that indicates that a default event has occurred, the financial asset is considered impaired and classified as Stage 3. At this stage, the losses incurred on the asset for its entire remaining life (term) are determined and calculated.

The Group's management has performed relevant analyses, based on which it has defined a set of criteria for default events. One of them is a delay in contractual payments due for more than 90 days, unless there are circumstances for a particular instrument that make this statement refutable.

In addition, other events are monitored, based on internal and external information, which are indicators that the debtor is unable to pay (repay) all amounts still due under the contract, including taking into account all credit facilities provided by the Group. Key policy issues and criteria are disclosed in *Note 43*.

The Group adjusts the expected credit losses determined on the basis of historical data with forecast macroeconomic indicators that have been found to correlate with and are expected to affect the amount of expected credit losses in the future.

To calculate the expected credit losses on *trade receivables and assets under contracts with customers*, the Group has selected and applies a simplified approach based on a matrix for calculating expected credit losses and does not track subsequent changes in their credit risk. Under this approach, it recognizes an adjustment (impairment provision) based on the expected credit loss for the entire term of the receivables at each reporting date. The Group has developed and applies a provisioning matrix based on historical experience with credit losses, adjusted for forecast factors specific to debtors and the economic environment, for which a correlation with the credit loss rate has been established. (*Note 43*).

Write-off

Impaired financial assets are written off when there is no reasonable expectation of collecting the cash flows under the contract.

Financial liabilities

Initial recognition, classification, and measurement

The Group's financial liabilities include trade and other payables, loans and other borrowings, including bank overdrafts.

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and trade and other payables, net of any directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and other borrowed funds, including bank overdrafts, derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as presented below:

Classification groups

Loans received and other borrowed funds

After initial recognition, the Group measures interest-bearing loans and borrowed funds at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the relevant financial liability is derecognized, as well as through amortization based on the effective interest rate.

The amortized cost is calculated taking into account any discounts or premiums on acquisition, as well as fees or costs that form an integral part of the effective interest rate. Amortization is included as a "financial expense" in the statement of comprehensive income (in profit or loss for the year).

Derecognition

Financial liabilities are derecognized when the obligation is discharged, terminated, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability and the recognition of a new one. The difference in the respective carrying amounts is recognized in the statement of comprehensive income (in profit or loss for the year).

Offsetting financial instruments

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

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This requirement stems from the idea of the real economic substance of the Group companies' relationships with a given counterparty, that when these two requirements exist simultaneously, the expected actual future cash flow and benefits from these settlements for the Group companies is the net flow, i.e. the net amount reflects the Group's actual right or obligation under these financial instruments - in all circumstances to receive or pay only the net amount. If both conditions are not met simultaneously, it is assumed that the Group's rights and obligations in respect of these counterbalancing settlements (financial instruments) are not exhausted in all situations solely by the receipt or payment of the net amount.

The netting policy is also related to the assessment, presentation, and management of the actual credit and liquidity risk associated with these offsetting transactions.

The criteria applied to establish the "existence of a current and legally enforceable right to offset" are:

- it does not depend on a future event, i.e. it is not applicable only upon the occurrence of a future event;
- it must be enforceable and defensible by legal means in the course of (cumulatively):
 - normal business,
 - in the event of default/delay, and
 - in the event of insolvency or bankruptcy.

The applicability of the criteria is assessed against the requirements of Bulgarian law and the agreements established between the parties. The condition of "existence of a current and legally enforceable right of netting" is always and mandatorily assessed together with a second condition - "mandatory intention to settle these accounts on a net basis".

2.26. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised as a financial liability at fair value, which is determined based on the present value of the difference between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party to assume the obligations, at the time the guarantee is issued.

Subsequent measurement of financial guarantee liabilities is carried out at the higher of the following values:

- the amount determined in accordance with the expected credit loss model, and
- the amount initially recognized less, where applicable, the cumulative amount of revenue recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The provision for expected credit losses on financial guarantee contracts is included in the consolidated statement of financial position under "other current liabilities."

2.27. Income taxes

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

Subsidiaries and joint ventures abroad are taxed in accordance with the requirements of the relevant tax laws in each country at the following tax rates:

Country	Tax rate	
	2025	2024
Ukraine	18	18
Serbia	15	15
Poland	19	19
Kazakhstan	20	20
Russia	25	20
Belarus	20	20

Deferred income taxes are determined by applying the balance sheet method to determine the liability on all temporary differences of each consolidated company at the date of the consolidated financial statements that exist between the carrying amounts and tax bases of individual assets and liabilities, including those arising from consolidation adjustments.

Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from the recognition of an asset or liability that, at the date of the transaction, has not affected accounting and taxable profit/(loss).

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that they will reverse and sufficient taxable profit will be generated in the future or taxable temporary differences will arise from which these deductible differences can be deducted, except for differences arising from the recognition of an asset or liability that, at the date of the transaction, has not affected accounting and taxable profit/(loss).

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will arise in the same period against which they can be deducted or offset.

Deferred taxes related to items that are recognized as other components of comprehensive income or equity in the consolidated statement of financial position are also recognized directly in the relevant component of comprehensive income or equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period and type of operations in which the assets are expected to be realized, and liabilities are expected to be settled (repaid), based on the tax laws that are in force or are expected with a high degree of certainty to be in force, and at the tax rates of the country in whose jurisdiction the respective deferred asset or liability is expected to be realized.

Deferred tax assets of a Group company are presented net against deferred tax liabilities of that company when it is the taxpayer in the relevant jurisdiction, and then and only then when the company has a legal right to make or receive net payments of current tax liabilities or income tax receivables.

2.28. Government funding

Government grants represent various forms of non-repayable funds provided by the state (local and central authorities and institutions) and/or intergovernmental agreements and organizations.

Government grants (municipal, state and international institutions, including under the use of European funds and programs) is initially recognized as deferred income (funding) when there is reasonable certainty that it will be received by the Group and that the latter has complied and continues to comply with the terms and conditions of the grant.

Government funding related to compensation for expenses incurred is recognized in current profits and losses on a systematic basis for the same period in which the expenses are recognized.

Government funding related to the compensation of investment costs for the acquisition of an asset is recognized in current profits and losses on a systematic basis over the entire useful life of the asset, usually in proportion to the amount of depreciation recognized in expenses.

2.29. Net profit or loss per share

Basic net profit or loss per share is calculated by dividing the net profit or loss for the period attributable to the parent company's shareholders holding ordinary shares by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares represents the number of ordinary shares held at the beginning of the period, adjusted for the number of ordinary shares repurchased and newly issued during the period, multiplied by the time weighting factor.

This factor expresses the number of days during which the specific shares were held relative to the total number of days in the period.

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

Net gain or loss on diluted shares is calculated as there are potential diluted shares (warrants) issued by the parent company.

The net gain or loss per diluted share is calculated as the gain or loss for the period attributable to the holders of ordinary shares of the parent company and the weighted average number of ordinary shares held for the period are adjusted for the effect of all potential ordinary shares with reduced value consisting of warrants.

Potential ordinary shares are directed against the reduction in the amount of net earnings per share when their conversion into ordinary shares would increase net earnings per share or reduce losses per share from continuing ordinary activities.

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Options and warrants are dilutive only when the average market price of the ordinary shares for the period exceeds the exercise price of the options or warrants (i.e., they generate a gain). Earnings per share reported in prior periods are not adjusted retrospectively to reflect changes in the price of ordinary shares.

The net profit or loss per share with a reduced value is formed on the basis of the calculated basic net profit or loss per share, adjusted as follows:

(a) the profit or loss for the period attributable to the ordinary shareholders of the parent company is increased by the amount of dividends and interest after tax recognised in the period in respect of the potential diluted ordinary shares, and adjusted for any other changes in income or expense that would have resulted from the conversion of the potential diluted ordinary shares; and

(b) the weighted average number of ordinary shares outstanding during the period is increased by the weighted average number of additional ordinary shares that would be outstanding upon conversion of all potential ordinary shares with a reduced value.

2.30. Segment reporting

The Group identifies its reporting segments and discloses segment information in accordance with the organizational and reporting structure used by the parent company's management for the ongoing overall supervision and management of the Group and its components. Operating segments are components of the business that are regularly assessed by key members of management who make operating decisions - using financial and operating information prepared specifically for the segment, for the purposes of ongoing monitoring and assessment of the results of operations (performance) and allocation of resources of the Group.

The Group's operating segments are monitored and managed separately on an ongoing basis, with each operating segment representing a separate business area that carries different business benefits and risks. The operating segments in which the Group's management monitors, measures, and controls risks and returns are separated according to the main business activities carried out with pharmaceutical products, namely: manufacturing and trading.

Information by operating segments

The Group uses a single measure – gross margin (profit) – to evaluate the results in the operating segments and to allocate resources between them. It is defined as the difference between segment revenue and segment expenses directly attributable to the respective segment.

Segment assets, liabilities, revenues, expenses, and results include those that are and can be directly attributable to the respective segment, as well as those that can be allocated on a reasonable basis, including intersegment. These are usually: a) for revenues - sales of products and goods; b) for expenses - for basic raw materials and supplies, depreciation and amortization, and production personnel remuneration, carrying amount of goods sold; c) for assets - property, plant and equipment, inventories, receivables from related parties, trade receivables, and cash and cash equivalents; d) for liabilities - current liabilities to personnel and social security, liabilities to related companies, trade liabilities and bank loans for direct financing (long-term and short-term).

Capital expenditures (investments) by business segment are identifiable expenditures incurred during the period to acquire or construct segment non-current assets that are expected to be used for more than one period.

The Group manages investments in securities, certain trade accounts and financial resources provided, as well as taxes at group level and at individual company level, but these are not allocated at segment level.

The results of activities that are considered incidental to the Group's main types of operations (activities), as well as non-allocable income, expenses, liabilities, and assets, are reported separately under "Group total."

These amounts generally include: other operating income unless it arises from the activities of a specific segment, administrative expenses, interest income and expenses, realized and unrealized gains and losses on currency transactions and investments, investments in other companies, other receivables, tax settlements, general-purpose production and administrative equipment.

Inter-segment transfers: segment revenues, segment expenses, and segment results include internal transfers between business segments. These transfers are recorded at competitive market prices charged to unrelated customers for similar goods and are eliminated at the consolidated financial statement level.

Investments in joint ventures and associates accounted for using the equity method are excluded from segment assets and segment revenues. They are presented as part of non-distributable assets, and the income from them is presented in the item "gains/(losses) from joint ventures and associates, net".

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

In addition, the Group discloses information about significant customers when the value of revenue generated from each customer exceeds 10% of the total consolidated revenue from the Group's operations.

2.31. Fair value measurement

Some of the Group's assets and liabilities are measured and presented and/or disclosed at fair value for financial reporting purposes. These are:

a). on a recurring (annual) basis – *other long-term capital investments, investment properties, bank loans granted and received and loans to/from third parties, certain trade and other receivables and payables, finance lease receivables and payables; and others* b). on a non-recurring (periodic) 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 market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale will take place either on the principal market for that asset or liability or, in the absence of a principal market, on the most advantageous market for the asset or liability. Both the primary and the most advantageous markets are markets to which the Group companies have mandatory access.

Fair value is measured based on the assumptions and judgments that potential market participants would make when determining the price of the relevant asset or liability, assuming that they would act to achieve the best economic benefit from it for themselves.

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When measuring the fair value of non-financial assets, the starting point is always the assumption of what would be the best and most efficient possible use of the asset for market participants.

The Group applies various valuation techniques that would be appropriate to the specific circumstances and for which it has a sufficient basis of input data, striving to make maximum use of publicly available information and, respectively, to minimize the use of unobservable information. It uses all three permissible approaches, *the market, income, and cost approaches*, with the most commonly used valuation techniques being direct and/or adjusted quoted market prices, market analogues, and discounted cash flows, including on the basis of capitalized rental income.

The fair value of all assets and liabilities that are measured and/or disclosed in the consolidated financial statements at fair value is categorized within the following fair value hierarchy, namely:

- Level 1 – Quoted (unadjusted) market prices in an active market for identical assets or liabilities;
- Level 2 – Valuation techniques that use inputs other than directly quoted prices but that are observable, either directly or indirectly, including when quoted prices are subject to certain adjustments; and
- Level 3 – Valuation techniques that use inputs that are largely unobservable.

For those assets and liabilities that are measured at fair value in the consolidated financial statements on a recurring basis, the Group assesses at the date of each consolidated financial statement whether a transfer in the fair value hierarchy levels of a given asset or liability is necessary, depending on the input data available and used at that date.

The parent company has developed internal rules and procedures for measuring the fair value of different types of assets and liabilities. For this purpose, a special valuation officer reporting to the Group's Chief Financial Officer has been appointed to organize the entire valuation process, including coordinating and supervising the work of external valuers.

The Group uses the expertise of external licensed valuers to determine the fair values of the following assets and liabilities: *other long-term equity investments* Level 2 and Level 3, *investment properties* Level 2, *property, plant and equipment* Level 2 and Level 3. The selection of such appraisers is made on an annual basis using the following criteria: professional standards applied, professional experience and knowledge; reputation and market status. The need for rotation of external appraisers is assessed periodically – every three to five years. The application of valuation approaches and techniques, as well as the input data used for each fair value measurement, are subject to mandatory discussion and coordination between the external valuation experts and the designated valuation officer, as well as the acceptance of the valuation reports issued – particularly with regard to material assumptions and final conclusions and proposals for the fair value amount.

The final fair value measurements are subject to approval by the Chief Financial Officer and/or Chief Accountant, the Chief Executive Officer and the Board of Directors of the respective company and the Chief Financial Officer of the Group.

On the date of each financial report, in accordance with the Group's accounting policy, the designated valuation person performs a general analysis of the information collected in advance on the movement in the

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values of the assets and liabilities of the Group companies that are subject to valuation or disclosure at fair value, the type of data available and the possible factors for the observed changes, and proposes for approval to the Chief Financial Officer the approach for measuring the fair values of the respective assets and liabilities at that date. If necessary, this is explicitly consulted with the external valuers used.

The results of the fair value measurement assessment process are presented to the audit committee and the independent auditors of the respective companies, as well as to the CFO and the independent auditors of the Group.

For the purposes of fair value disclosures, the Group has identified its relevant assets and liabilities based on their nature, principal characteristics, and risks, as well as the fair value hierarchy level.

2.32. Critical judgments in applying the Group's accounting policies. Key estimates and assumptions with high uncertainty.

Revenue from contracts with customers

In recognizing revenue and preparing the consolidated financial statements, management makes various judgments, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets, and liabilities under contracts and the related disclosures.

As a result of the uncertainty surrounding these assumptions and estimates, significant adjustments to the carrying amounts of the affected assets and liabilities, and consequently to the reported expenses and revenues, may arise in the future.

The key judgments and assumptions that have a significant impact on the amount and timing of revenue recognition from contracts with customers relate to determining the point in time when control over the goods or services promised in the contract with the customer is transferred to the customer and the measurement of variable consideration for returned goods and volume rebates (Note 2.6.1.). goods, and/or services promised in the contract with the customer is transferred to the customer and the assessment of variable consideration for returned goods and volume rebates (Note 2.6.1.)

Fair value measurement of equity investments

When the fair value of equity investments reported in the statement of financial position cannot be obtained based on quoted prices in active markets, their fair value is determined using other valuation models and techniques, including the discounted cash flow model. The input information used in these models is collected from observable markets where possible, but when this cannot be done, determining fair values requires the application of a degree of judgment. Such judgment involves reviewing, analyzing, and evaluating input data such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors can affect the reported fair value of financial instruments.

Calculation of expected credit losses for loans and guarantees, trade receivables, including from related parties, and cash and cash equivalents

The measurement of expected credit losses for financial assets carried at amortized cost (loans, receivables and assets under contracts with customers, cash and cash equivalents), as well as for financial

guarantees provided, is an area that requires the use of complex models and significant assumptions about future economic conditions and the credit behaviour of customers and debtors (e.g. the probability that counterparties will default and the resulting losses).

In order to apply these requirements, the Group's management makes a number of significant judgments, such as: a) determining criteria for identifying and assessing a significant increase in credit risk; b) selecting appropriate models and assumptions for measuring expected credit losses; c) forming groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses;

d) establishing and assessing the relationship between historical delinquency rates and the behaviour of certain macro indicators in order to reflect the effects of forecasts for these macro indicators in the future in the calculation of expected credit losses. (*Annex No. 43*).

For trade receivables, including from related parties

The Group uses provision matrices to calculate expected credit losses on trade receivables and contract assets. Provision rates are based on days past due for groups of different customer segments (portfolios) that have similar loss patterns (customer type such as sector).

Each provision matrix is initially based on detailed historical observations of the uncollectibility rates of the Group companies' receivables and the movement of receivables by delinquency groups. Historical data for at least three years prior to the date of the financial statement is typically used. In addition, the matrix is calibrated to adjust historically established credit loss dependencies with forecast information, using probability scenarios. If certain forecast economic conditions, measured by specific macro indicators, are expected to deteriorate or improve in the coming year, which could lead to an established correlation increase in delinquencies in a given sector (customer type), historical default rates are adjusted. At each reporting date, the observed historical default rates are updated and the effects of changes in forecast estimates are recognized.

The assessment of the relationship between observed historical default rates, forecast economic conditions, and expected credit losses is a significant accounting estimate. The value of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Group's historical credit losses and forecast economic conditions may differ from actual future uncollectibility.

For loans and guarantees

The Group has adopted the general approach for calculating impairment from expected future credit losses on loans granted, in accordance with IFRS 9. For this purpose, the Group applies a model selected by it. Its application involves several steps. First, the debtor's credit rating is determined using the methodologies of leading rating agencies for the relevant sectors of the economy and ratios, quantitative and qualitative parameters of indicators for the given company. As a second step, statistical models incorporating historical data on probabilities of default (PD), transitions between different ratings, macroeconomic data and forecasts are used to calculate the relevant marginal PDs by year for each rating.

Thirdly, based on this analysis and the determined rating, as well as a set of indicators for the characteristics of the instrument at the date of each financial report, the following are determined: the stage of the instrument (Stage 1, Stage 2 or Stage 3), the required PD for the term of the instrument, and the loss

given default (LGD). The basic formula for calculating expected credit losses is: $ECL = EAD \times PD \times LGD$, where:

ECL is the expected credit loss indicator

EAD is the exposure at default

PD is the probability of default

LGD is the loss given default indicator.

All guarantees and/or collateral and/or insurance are taken into account when determining the loss. Thus, as a final step, using all these parameters and after discounting, the expected credit loss for the relevant period of the relevant financial asset is calculated.

Stage 1 includes loans that are classified as "performing" according to an internally developed risk classification scheme. These are loans granted to borrowers with a low risk of default, regular servicing, no significant deterioration in key indicators (financial and non-financial), and no amounts due that are past due. The expected impairment loss for these loans is calculated based on the PD (probability of default) for the next 12 months and the Group's expectation of the amount of loss on exposure in default in the next 12 months.

Stage 2 includes loans that are classified as "renegotiated." These are loans for which there is an established (based on a set of indicators) significant deterioration in the credit risk associated with the debtor compared to the initial recognition of the exposure. The expected impairment loss for these loans is calculated based on the probability of default for the entire life of the loan, which is considered creditworthy, and the Group's expectation of the amount of loss on exposure in default for its entire life cycle.

Stage 3 includes loans that are classified as "difficult to collect". These are loans for which there is evidence that the receivable is already credit-impaired, i.e. a credit event has occurred (in accordance with the adopted policy for the composition of default events). For this purpose, a system of indicators used as indicators of credit losses is analyzed. The impairment loss for these loans is calculated based on probability-weighted scenarios for the Group's expectation of the amount of loss on credit-impaired exposures in default over their entire life cycle.

A loan is credit-impaired when one or more events have occurred that have an adverse effect on the expected future cash flows from that loan or financial asset.

The Group uses the same model to determine the expected credit losses on guarantees provided and certain individual receivables.

Cash

To calculate expected credit losses on *cash and cash equivalents in banks*, the Group applies the general "three-stage" impairment approach defined by IFRS 9. For this purpose, a model based on published bank ratings determined by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA, and Bloomberg is applied. On this basis, on the one hand, PD (probability of default) indicators are determined using public PD data referring to the rating of the respective bank, and on the other hand, by changing the rating of the respective bank from period to period, the Group assesses the existence of increased

credit risk. Losses on default are assessed using the above formula. When determining LGD, the existence of guaranteed and/or secured amounts in the relevant bank accounts is taken into account.

Lease agreements

The application of IFRS 16 requires management to make various judgments, estimates, and assumptions that affect the reported right-of-use assets and lease liabilities. The main key judgments relate to determining the appropriate discount rate and determining the term of each lease agreement, including whether it is sufficiently certain that the options to extend/terminate the term of the agreement will be exercised. As a result of the uncertainty surrounding these assumptions and estimates, significant adjustments to the carrying amounts of the affected assets and liabilities in the future and, respectively, to the reported expenses and revenues may occur.

Recognition of tax assets

When recognizing deferred tax assets, the Group's management has assessed the likelihood that the individual deductible temporary differences will reverse in the future and the ability of each of the Group companies to generate sufficient taxable profits in the future to offset these profits.

For subsidiaries that have reported losses in recent years, the Group's management has assessed, as at the date of issue of the consolidated financial statements, the significant uncertainties that exist as to whether and to what extent, within the time limit specified by the relevant local tax legislation for carrying forward tax losses, these companies will be able to generate sufficient taxable profit.

Inventories

Normal capacity

The normal production capacity of each of the manufacturing companies is determined based on the assessments of the respective management (after analysis) for the optimal utilization of their production capacities and return on investment in them, given the product structure of production accepted as normal.

Impairment

At the end of each financial year, the Group companies review the condition, shelf life, and usability of their inventories. When inventories are identified that are likely to not be realized at their existing carrying amount in subsequent reporting periods, the Group companies write down the inventories to their net realizable value.

Revaluation of property, plant, and equipment

As at 31 December 2021, a comprehensive review was carried out of the price changes in the fair value of the Group companies' long-term tangible assets, as well as their physical and technical condition, mode of operation and remaining useful life. Accordingly, a revaluation was performed, as the five-year revaluation period adopted under the policy ended on that date. The review and revaluation were performed with the professional assistance of independent licensed appraisers.

Management has performed a detailed analysis of the reports of the licensed appraisers, including sensitivity tests. As a result, a revaluation was reported and a new revaluation reserve of BGN 9,466 thousand, net of impairment and deferred tax (Note 15), was recognized, and a current impairment expense of BGN 9,779 thousand was reported. In addition, a current impairment expense of BGN 697 thousand was recognized on property, plant, and equipment in the process of acquisition.

The results of the fair value measurement process are presented to the audit committee and the Group's independent auditors. In 2025, an impairment loss of BGN 288 thousand was recognized on property, plant and equipment (2024: BGN 234 thousand).

Impairment of goodwill

At each date of the consolidated statement of financial position, management assesses whether there are any indicators of impairment of goodwill. The calculations are made by management with the assistance of independent licensed appraisers.

As a result of the calculations made in 2025, no impairment of goodwill was recognized (2024: none).

Actuarial calculations

In determining the present value of long-term employee retirement obligations, calculations by certified actuaries are used each year, based on assumptions about mortality, employee turnover, future salary levels, and a discount factor.

Cash pool

In 2021, the Sopharma Trading Group introduced a cash pooling scheme to manage the Group's cash flows more effectively in the short term by collecting the balances of the bank accounts of its subsidiaries in the country into a single bank account. The balances of the participants are transferred on a daily basis to a main bank account managed by the cash pool leader, the subsidiary Sofarma Trading AD.

Provisions for legal proceedings

With regard to the pending legal proceedings against the Group companies, the management of the respective companies, together with their lawyers, have assessed that at this stage the probability and risks of a negative outcome are still below 50%, and therefore no provisions for liabilities in respect of these cases have been recognized in the consolidated annual financial statements as at September 30, 2025 (December 31, 2024: none).

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's *revenue from contracts with customers* includes:

	<i>January 1 - September 30, 2025 BGN'000</i>	<i>January 1 - September 30, 2024 BGN</i>
Revenue from the sale of goods	1,647,508	1,311,079
Revenue from sales of finished products	260,077	227,046

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Total	1,907,585	1,538,125
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The balances under contracts with customers are as follows:

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Receivables under contracts with customers – third parties, net of impairment (<i>Note 23</i>)	410,661	264,801
Receivables under contracts with customers - related parties, net of impairment (<i>Note 24</i>)	13,034	11,665
Liabilities under contracts with customers – third parties (<i>Note 41</i>)	1,985	3,393

Liabilities under contracts with customers as at 30.09.2025 include advance payments received for the supply of medical equipment in the amount of BGN 1,969 thousand (31.12.2024: BGN 3,369 thousand) and for the supply of medicines and medical products BGN 16 thousand (31 December 2024: BGN 24 thousand).

The change in liabilities under contracts with customers for the period 01.01.2025 - 30.09.2025 is as follows:

	30.09.2025	31.12.2024
	BGN'000	BGN
Balance as at 1 January (<i>Note 41</i>)	3,393	3,274
Reported income recognized as a contractual liability, including:	(1,555)	(3,274)
- <i>Advance payments received</i>	(1,555)	(3,274)
Payments received from customers (excluding those recognized as revenue during the period)	147	3,393
Balance as at 30 September / 31 December	1,985	3,393

The liabilities to be recovered as at 30 September 2025 in the amount of BGN 26,013 thousand (31 December 2024: BGN 9,974 thousand) include liabilities for retrospective volume rebates due under contracts with customers, which are or will be recovered in the next reporting period (*Note 41*).

4. OTHER INCOME AND LOSSES FROM OPERATIONS

Other income and losses from operations, net, include:

	January 1 - September 30, 2025	January 1 - September 30, 2024
	BGN'000	BGN
Services provided	14,345	12,747
Losses from exchange rate differences on trade receivables and payables and current accounts	(5,197)	(2,868)
Written-off liabilities and released provisions for liabilities	2,231	86
Amounts awarded in court cases	1,364	1

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Interest on settlement accounts	1,310	261
Profit from the sale of a separate part of TP	881	-
Rent	682	694
Profit from sale of fixed assets	572	90
Government funding	433	449
Profit from sale of materials	281	195
Social services and events	257	228
Profit from leasing	137	21
Other income	1,020	485
Total	18,316	13,212

	<i>January 1 - September 30, 2024</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN'000</i>	<i>BGN</i>
<i>Services provided</i> include:		
Manufacturing services	4,097	5,556
NHIF fees	3,870	3,229
Advertising and marketing	3,798	2,183
Pre-distribution	619	497
Regulatory services	605	20
Laboratory analysis services	349	243
Service fees	300	48
Gamma irradiation	210	128
Transport services	105	195
Subscription technical service	104	167
Other	288	481
Total	14,345	12,747

5. MATERIALS EXPENSES

	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN</i>	<i>BGN</i>
Basic materials	49,254	52,749
Electricity	7,104	6,009
Spare parts, laboratory and technical materials	6,353	6,355
Fuels and lubricants	3,075	2,923
Heat energy	2,833	2,266
Advertising materials	1,231	1,340
Office supplies	1,083	969
Auxiliary materials	907	83
Work clothing and personal protective equipment	844	852

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Assets below materiality threshold	581	575
Samples	324	156
Water	323	350
Impairment of materials	96	-
Other	365	113
Total	74,373	75,491

6. EXPENSES 3A EXTERNAL SERVICES

	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN</i>	<i>BGN</i>
<i>Expenses for external services include:</i>		
Advertising and marketing	32,333	31,898
Consulting services	10,094	6,939
Freight forwarding and transport services	6,496	3,407
Building and equipment maintenance	5,353	3,459
Manufacturing	5,129	3,917
Rent and related overhead costs	4,586	3,675
Bank and regulatory fees	4,454	2,597
Messaging and communications	3,978	3,087
Subscription fees	2,725	2,462
Security	1,894	1,816
Local taxes and fees	1,835	1,682
Insurance	1,639	1,052
Services under civil contracts	1,518	801
License fees and charges	912	863
Repair of motor vehicles	892	606
Courier services	865	755
Medical services	779	619
Commission fees	571	808
Translation of documentation	460	561
Service fees	99	65
Other	3,324	3,032
Total	89,936	74,101

7. PERSONNEL EXPENSES

<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
<i>BGN'000</i>	<i>BGN</i>

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Current remuneration	153,862	119,484
Social security contributions	28,247	20,904
Social benefits and payments	7,644	6,061
Accrued amounts for unused vacation	1,197	1,099
Royalties	844	1,439
Accrued expenses for long-term employee benefits upon retirement (Note 30)	360	366
Accrued amounts for vacation insurance	238	208
Retirement benefits	10	-
Total	192,402	149,561

8. OTHER OPERATING EXPENSES

	<i>January 1 - September 30, 2025 BGN</i>	<i>January 1 - September 30, 2024 BGN</i>
Representative events	3,156	1,907
Business trips	2,312	1,884
Marriage and lack of goods	2,233	1,556
Net change in the allowance for impairment of credit losses on trade, court and other receivables (Note 9)	(989)	3
Donations	646	43
Written-off receivables	587	48
Unrecognized tax credit	555	239
Training	409	279
Defects and shortages of finished products and work in progress	168	219
Payments to the budget for taxes and interest on taxes	120	203
Accrued/(reversed) impairment of goods, finished products and work in progress	49	(191)
Fines and penalties to suppliers	47	11
Impairment of non-current assets	12	109
Other	1,042	915
Total	10,347	7,753

9. IMPAIRMENT OF ASSETS

	<i>January 1 - September 30, 2025 BGN'000</i>	<i>January 1 - September 30, 2024 BGN</i>
<i>Accrued impairment for credit losses on receivables, including from related parties</i>	56	9
<i>Reversed impairment for credit losses on receivables, including from related parties</i>	(1,045)	(54)

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Net change in the allowance for impairment losses on receivables, including from related parties (<i>Note 8</i>)	(989)	3
Accrued/(reversed) impairment of goods, products and work in progress (<i>Note 8</i>)	4	(
Impairment of materials (<i>Note 5</i>)	96	-
Total	(844)	(155)

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

	<i>January 1 - September 30, 2025 BGN</i>	<i>1 January - 30 September 2024 BGN</i>
Impairment of property, plant and equipment (<i>Note 15</i>)	288	234
Total	288	234

11. FINANCIAL INCOME

<i>Financial income</i> includes:	<i>January 1 - September 30, 2025 BGN'000</i>	<i>January 1 - September 30, 2024 BGN'000</i>
Interest income on overdue trade receivables	825	775
Net gain from exchange rate differences on foreign currency loans and lease agreements	690	-
Interest income on loans granted	519	1,078
Interest income on assignment agreements	95	95
Interest on receivables under special agreements	51	81
Income from equity participation (dividends)	40	41
Interest income on bank deposits	10	10
Net gain from exchange rate differences on receivables from subsidiary companies	4	-
Net gain on trading in debt securities held for trading	-	123
Net change in the allowance for credit losses on trade receivables	-	205
Income from guarantees and sureties provided	-	54
Total	2,234	2,552

12. FINANCIAL EXPENSES

<i>Financial expenses</i> include:	<i>January 1 - September 30, 2025 BGN</i>	<i>January 1 - September 30, 2024 BGN'000</i>
Interest expenses on loans received	11,484	7,039

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Interest expenses on leases	4,088	1,983
Bank fees on loans and guarantees	1,073	1,027
Net loss from exchange rate differences on receivables from sales to subsidiaries	434	46
Net change in impairment allowance for credit losses on trade receivables	301	-
Expenses on guarantees and sureties received	125	124
Expenses for other interest	75	89
Expenses related to dividend payments	18	25
Interest and commission expenses on factoring	1	1
Expenses related to securities abroad	1	-
Net loss from exchange rate differences on foreign currency loans and leasing contracts	-	516
Total	17,600	10,861

13. PROFITS AND LOSSES FROM ASSOCIATED AND JOINT VENTURES

	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN'000</i>	<i>BGN</i>
Gains from associates, net	32,182	14,972
Profit/(Loss) from joint ventures, net	6	(51)
	32,188	14,921

	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN'000</i>	<i>BGN</i>
<u>Gains from associates include:</u>		
Group's share in the current profit of associates	30,084	13,131
Net profit from sale of shares	2,098	1,285
Effect of fair value measurement of previously held shares in companies upon acquisition of control by the Group	-	5
Total	32,182	14,972

	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN'000</i>	<i>BGN</i>
<u>Gains/(losses) from joint ventures, net, include:</u>		
Effects of transactions with Group companies	6	(2)
Group's share in the current loss of joint ventures	-	(49)
Total	6	(51)

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14. OTHER COMPREHENSIVE INCOME

Other components of comprehensive income include:

	Other components of comprehensive income attributable to the Group		Other components of comprehensive income attributable to non-controlling interests		Total other components of comprehensive income	
	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>	<i>January 1 - September 30, 2025</i>	<i>January 1 - September 30, 2024</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<i>Components that will not be reclassified to profit or loss</i>						
Revaluation of property, plant, and equipment	-	(22)	-	-	-	(22)
Net change in fair value of equity investments designated at fair value through other comprehensive income	(3,988)	(1,802)	-	-	(3,988)	(1,802)
Subsequent measurements of defined benefit plans	-	(11)	-	-	-	(11)
Income tax related to components of other comprehensive income	-	2	-	-	-	2
<i>Components that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations	(2,448)	(1,629)	60	(210)	(2,388)	(1,839)
Share of other comprehensive income of associates and joint ventures	(1,687)	(562)	-	-	(1,687)	(562)
Other comprehensive income for the year	(8,123)	(4,024)	60	(210)	(8,063)	(4,234)

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15. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>		<i>Machinery, plant and equipment</i>		<i>Other</i>		<i>In the process of acquisition</i>		<i>Total</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>BGN'000</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
<i>Carrying amount</i>										
Balance as at 1 January	376,521	333,564	298,172	283,505	61,570	57,435	17,678	7,075	753,941	681,579
Acquired	29,324	27,371	6,665	6,903	11,174	7,444	18,140	19,701	65,303	61,419
Assets in newly acquired subsidiaries	-	22,605	-	4,619	-	1,557	-	205	-	28,986
Effects of currency translation	(350)	(664)	(526)	(276)	(284)	(279)	(6)	(10)	(1,166)	(1,229)
Written off	(17,174)	(6,649)	(787)	(1,320)	(3,096)	(5,040)	(6)	(138)	(21,063)	(13,147)
Carrying amount of assets written off upon disposal of subsidiaries	-	(3,034)	-	(180)	-	(178)	-	(41)	-	(3,433)
Impairment	(278)	(234)	-	-	(10)	-	-	-	(288)	(234)
Transfer to property, plant, and equipment	2,443	3,562	11,089	4,921	1,266	631	(14,798)	(9,114)	-	-
Transfer from/to investment properties	290	-	213	-	9	-	-	-	512	-
Balance as of September 30 / December 31	390,776	376,521	314,826	298,172	70,629	61,570	21,008	17,678	797,239	753,941
<i>Accumulated depreciation and impairment</i>										
Balance as at 1 January	128,932	107,600	195,412	181,817	37,145	34,538	-	-	361,489	323,955
Accrued depreciation for the period	22,492	25,118	12,002	14,985	6,889	7,316	-	-	41,383	47,419
Impairment	-	22	-	-	-	-	-	-	-	22
Effects of currency translation	(199)	(64)	(337)	(182)	(161)	(140)	-	-	(697)	(386)
Depreciation written off	(12,790)	(2,904)	(404)	(1,036)	(2,703)	(4,411)	-	-	(15,897)	(8,351)
Depreciation of assets written off upon disposal of subsidiaries	-	(840)	-	(172)	-	(158)	-	-	-	(1,170)
Balance as of September 30 / December 31	138,435	128,932	206,673	195,412	41,170	37,145	-	-	386,278	361,489
Balance sheet value as at 30 September / 31 December	252,341	247,589	108,153	102,760	29,459	24,425	21,008	17,678	410,961	392,452
Balance sheet value as of January 1	247,589	225,964	102,760	101,688	24,425	22,897	17,678	7,075	392,452	357,624

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As at 30 September 2025, the group "Land and buildings" includes: land worth BGN 49,838 thousand (31 December 2024: BGN 49,861 thousand) and buildings with a carrying amount of BGN 202,503 thousand (31 December 2024: BGN 197,728 thousand).

The costs of acquiring tangible fixed assets as at 30 September include:

- costs for the construction of new buildings – BGN 3,838 thousand (31 December 2024: BGN 2,306 thousand);
- renovation of buildings – BGN 1,447 thousand (31 December 2024: BGN 787 thousand);
- delivery of equipment – BGN 1,460 thousand (31 December 2024: BGN 1,329 thousand);
- advances paid – BGN 14,230 thousand (31.12.2024: BGN 13,134 thousand);
- other – BGN 33 thousand (31.12.2024: BGN 122 thousand).

The total cash outflow under lease agreements in 2025 amounts to BGN 22,787 thousand (2024: BGN 15,778 thousand).

As at 30 September 2025, the Group has leased long-term tangible assets to third parties with a carrying amount of BGN 1,190 thousand (31 December 2024: BGN 1,255 thousand).

As at 30 September 2025, Property, plant and equipment include assets with right of use with a carrying amount of BGN 102,597 thousand in the Land and buildings group (31 December 2024: BGN 96,709 thousand), in the Machinery, facilities and equipment group – BGN 791 thousand (31.12.2024: BGN 897 thousand), in the Other group – BGN 14,686 thousand (31.12.2024: BGN 10,180 thousand). Assets with right of use are disclosed in detail in Note 31.

Other data

As at 30.09.2025, there are encumbrances on the Group's non-current tangible assets in connection with loans received (*Appendices No. 28 and No. 35*), as follows:

- Land and buildings with a carrying amount of BGN 29,982 thousand and BGN 66,571 thousand, respectively (31 December 2024: BGN 27,822 thousand and BGN 64,914 thousand);
- Pledges on equipment, vehicles, and inventory – BGN 40,719 (31.12.2024: BGN 27,754);

Periodic fair value revaluation

As at 31.12.2021, a revaluation of property, plant and equipment was carried out with the assistance of independent licensed appraisers in order to determine the fair value of the assets in accordance with the requirements of IFRS 13 and IAS 16.

The following main approaches and valuation methods were applied in this revaluation to measure the fair value of the individual types of tangible fixed assets:

- "Market approach" using the "market comparables method" - for regulated land and agricultural land for which there is a real market, comparable properties and transactions are observed, and there is a basis for comparability - their market price, determined by the comparative method, is accepted as fair value;
- "Cost approach" through the "Depreciated replacement cost method" and the "Cost of creation or replacement with analogues method" - for specialised buildings, machinery, facilities, equipment, and other assets for which there is no real market and comparable sales of similar assets - their depreciated replacement

value based on the indexed historical value of the asset and based on current costs of creation or replacement with similar assets is accepted as fair value.

- "Income approach" through "Capitalized income from the use/production of biological assets" - for permanent yellow acacia plantations in their fruiting stage.

The effects of the revaluation as at 31 December 2021 are as follows:

- Fair value measurement recognized in the statement of comprehensive income (in profit or loss for the year) in the amount of BGN 10,476 thousand, including BGN 697 thousand for property, plant, and equipment in the process of acquisition;
- Fair value measurement recognized in the statement of comprehensive income (in other components of comprehensive income) in the amount of BGN 10,616 thousand, including the effect of fair value measurement in a joint venture;

16. INTANGIBLE ASSETS

	<i>Goodwill</i>		<i>Software</i>		<i>Intellectual property rights and others</i>		<i>In the process of acquisition</i>		<i>Total</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>BGN'000</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
<i>Carrying amount</i>										
Balance as at 1 January	23,891	21,789	45,228	41,720	274,851	74,241	9,294	4,256	353,264	142,006
Acquired	-	-	1,224	3,379	402	159	5,244	171,467	6,870	175,005
Assets in newly acquired subsidiaries	-	2,208	-	98	-	37,777	-	238	-	40,321
Effects of currency translation	(68)	(106)	(43)	(27)	393	(1,216)	-	(2)	282	(1,351)
Transfer	-	-	2,001	843	705	165,725	(2,706)	(166,568)	-	-
Written off	-	-	(173)	(785)	(217)	(1,835)	-	(97)	(390)	(2,717)
Balance as of September 30 / December 31	23,823	23,891	48,237	45,228	276,134	274,851	11,832	9,294	360,026	353,264
<i>Accumulated depreciation and impairment</i>										
Balance as at 1 January	18,350	18,350	26,110	22,721	45,987	39,667	-	-	90,447	80,738
Accrued depreciation for the period	-	-	3,343	4,195	8,312	7,825	-	-	11,655	12,020
Effects of currency translation	-	-	(35)	(26)	(16)	(11)	-	-	(51)	(37)
Depreciation written off	-	-	-	(780)	(94)	(1,494)	-	-	(94)	(2,274)
Balance as of September 30 / December 31	18,350	18,350	29,418	26,110	54,189	45,987	-	-	101,957	90,447
Balance sheet value as of September 30 / December 31	5,473	5,541	18,819	19,118	221,945	228,864	11,832	9,294	258,069	262,817
Balance sheet value as at 1 January	5,541	3,439	19,118	18,999	228,864	34,574	9,294	4,256	262,817	61,268

The costs of acquiring intangible fixed assets as at 30 September include:

- costs for acquiring licenses and permits for the use of medicinal products – BGN 1,603 (31 December 2024: BGN 1,467);
- expenses for the acquisition of software products – BGN 9,811 (31 December 2024: BGN 7,437);
- advances paid – BGN 39 (31.12.2024: BGN 98);
- expenses for the acquisition of copyrights - BGN 152 (31.12.2024: BGN 192);
- other – BGN 227 (31.12.2024: BGN 100);

As at 30 September 2025, there are encumbrances established in connection with loans received by the Group on software products with a carrying amount of BGN 1,562 thousand (31 December 2024: BGN 1,915 thousand) (*Appendices No. 28 and No. 35*). *Intellectual property rights include products from development activities related to medicinal substances (a*

Intellectual property rights include products from development activities related to medicinal substances (active ingredients) and forms, acquired patents and trademarks, and complex intangible assets (licenses and networks of pharmacy locations).

On November 29, 2024, Sopharma AD acquired contractual rights to 68 marketing authorizations for 14 well-known trademarks in the company's traditional export markets. Under the agreement with the seller, legal ownership of the trademarks and the replacement of the seller with Sopharma in the marketing authorizations will take place in stages according to a plan agreed by the parties. Under the agreement, until the legal transfer of ownership and replacement of the seller's name in the marketing authorizations, Sopharma will be authorized by the seller to exercise the rights under the marketing authorizations and trademarks for the markets covered by the transaction.

The total intellectual property of the Group includes internally developed trademarks that are not capitalized in the consolidated statement of financial position.

The Group holds a patent for the manufacture of a dosage form containing Ranitidine.

The intangible assets acquired as a result of business combinations, mainly in Serbia and Belarus, include exclusive agreements with counterparties, licenses, and a distribution network.

Impairment of goodwill

The Group's management has performed the necessary procedures to carry out the mandatory impairment test on the goodwill recognized in the consolidated statement of financial position on the acquisition of subsidiaries. For this purpose, it has been assumed that each individual company is a "cash-generating unit".

The cash flow forecasts (before tax) are based on the financial budgets developed by the management of the respective companies and the Group as a whole, covering a period of three to five years, as well as other medium- and long-term plans and intentions for the development and restructuring of activities within the Group. The recoverable amount of each cash-generating unit is determined on a "value in use" basis.

The key assumptions used in the calculations are determined specifically for each company with goodwill, treated as a separate cash-generating unit, and in accordance with its specific activities, business environment, and risks.

The Group's management tests and assessments for impairment of recognized goodwill are made through the prism of its forecasts and intentions regarding the future economic benefits that the Group expects to receive from its subsidiaries, including through the use of their internally created trademarks, commercial and industrial experience and the revenue generated and expected in the future from them, securing positions on Bulgarian and foreign markets (development and retention), expectations for future sales and restructuring of activities, etc.

As a result of the analyses performed by the Group's management, as at 30 September 2025, no impairment of goodwill has been recognised (31 December 2024: none).

17. INVESTMENT PROPERTIES

	30.09.2025	Dec. 31
	BGN '000	BGN '000
Balance as at 1 January	7,890	11,198
Transfer to property, plant and equipment (Note 15)	(51)	-
Acquired	-	20
Net gain from fair value adjustment included in profit or loss (Note 4)	-	(186)
Written off	-	(3,142)
Balance as of September 30 / December 31	7,378	7,890

Investment properties comprise buildings and land attached to them, separately identifiable parts of buildings for independent use, intended for long-term rental. By asset group, they are as follows:

Asset group	30.09.2025	31.12.2024
	BGN '000	BGN '000
Storage facilities	3,990	3,990
Offices	1,754	1,754
Production buildings	1,435	1,435
Commercial premises	199	199
Social facilities	-	512
Total	7,378	7,890

Fair value measurements

Fair value hierarchy

The fair value measurements of the investment property groups are categorized as Level 2 and Level 3 fair values based on the input data used in the measurement technique. The revaluation of investment properties to fair value is repeatable and is due to the application of the fair value model under IAS 40. It is performed regularly at the date of each consolidated financial statement. The fair value measurement is performed with the assistance of independent licensed appraisers.

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

	<i>Warehouses</i>	<i>Offices</i>	<i>Production buildings</i>	<i>Social facilities</i>	<i>Retail facilities</i>	<i>Total</i>
Balance as of January 1, 2024	5,313	2,272	2,915	513	185	11,198
Acquired	4	-	16	-	-	20
Revaluation to fair value through profit or loss - unrealized	(182)	(14)	(3)	(1)	14	(186)
Written off	(1,145)	(504)	(1,493)	-	-	(3,142)
Balance as at 31 December 2024	3,990	1,754	1,435	512	199	7,890
Transfer from/to property, plant and equipment (Note 15)	-	-	-	(512)	-	(512)
Balance as of September 30 / December 31	3,990	1,754	1,435	-	199	7,378

Valuation technique and significant unobservable inputs

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

Asset groups (Level 2)	Valuation approaches and techniques	Significant unobservable inputs
Offices, retail properties Social facilities	Valuation approach: Income approach Valuation technique: Valuation based on present value, in accordance with the methodology related to the implementation of the requirements of BSO 2018, including valuation based on capitalized rental income, as a scheme for applying the discounted cash flow method, using data, parameters, and calculation results derived from the application of valuation techniques from the market comparison approach and the cost of creation/replacement approach.	a) comparative rental values for analogues b) rate of return c) term for the realization of rental transactions

Warehouses, storage facilities	Valuation approach: Income approach Valuation technique: Valuation based on present value, in accordance with the methodology related to the implementation of the requirements of BSO 2018, including valuation based on capitalized rental income, as a scheme for applying the discounted cash flow method, using data, parameters, and calculation results derived from the application of valuation techniques from the market comparison approach and the cost of creation/replacement approach.	a) comparative rental values for analogues b) rate of return c) term for the realization of rental transactions
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Groups of assets (Level 3)	Valuation approaches and techniques	Significant unobservable inputs
Commercial premises and production and storage facilities (including land, buildings, structures, and construction facilities)	Valuation approach: Income approach Valuation technique: Valuation based on present value, in accordance with the methodology related to the implementation of the requirements of BSO 2018, including valuation based on capitalized rental income, as a scheme for applying the discounted cash flow method, using data, parameters and calculation results resulting from the application of valuation techniques from the market comparison approach and the cost of creation/replacement approach.	a) comparative rental values for analogues b) rate of return c) term for the realization of rental transactions
Facilities, installations, equipment, and furnishings attached to real estate	Valuation approach: Cost approach Valuation technique: Valuation based on present value, in accordance with the methodology related to the implementation of the requirements of BSO 2018, including valuation based on the necessary - inherent costs of acquisition or replacement (acquisition of an alternative asset with equivalent utility) of the relevant asset as at the valuation date, i.e. determination of the replacement value of the asset in its new condition, using data, parameters and calculation results derived from valuation techniques related to the market comparison approach	a) comparative values for new analogues b) indices for changes in consumer based on NSI data

18. INVESTMENTS IN ASSOCIATED AND JOINT VENTURES

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Investments in associates	274,838	252,142
Total	274,838	252,142

The movement of investments in associates is presented below:

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Balance as at 1 January	252,142	231,292
Share in current profit for the period	30,084	23,901
Share in other components of comprehensive income	(1,687)	703
Acquisition of shares and interests	663	1,928
Effect of fair value measurement of previously held shares in companies upon acquisition of control by the Group	-	55
Transfer to investments in subsidiaries	-	(4,212)
Dividends	(5,812)	(1,603)
Sale of shares	(522)	(348)
Effects from transactions with Group companies	(30)	(75)
Balance as at 30 September / 31 December	274,838	252,142

The movement of investments in joint ventures is presented below:

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Balance as at 1 January	-	-
Acquisition of shares and interests	-	43
Share in current profit for the period	-	9
Share in other components of comprehensive income	-	(52)
Transfer to investments in subsidiaries	-	(365)
Effects of transactions with Group companies	-	(27)
Balance as at 30 September / 31 December	-	-

19. OTHER LONG-TERM CAPITAL INVESTMENTS

Other long-term capital investments include holdings (shares) in the following companies:

Country	30.09.2025	Participation	31.12.2024	Participation
	BGN '000	%	BGN '000	

Traded securities

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for the nine-month period ended September 30, 2025

Achieve Life Sciences Inc	USA	5,441	2.14	8,414	3.15
Lavenna AD	Bulgaria	1,056	4.99	3,355	13.10
MFG Invest AD	Bulgaria	141	0.46	147	0.46
		6,638		11,916	
Non-traded securities					
Balkanpharma Razgrad AD	Bulgaria	70	0.33	70	0.33
Imvencher I KDA	Bulgaria	50	1.36	50	1.36
Other		12	-	12	-
		132		132	
Total		6,770		12,048	

As at 30 September 2025, long-term capital investments amounting to BGN 12 thousand (as at 31 December 2024: BGN 12 thousand) are presented as "other", representing small minority interests of the Group in the capital of a total of three companies (31 December 2024: 3 companies; 31 December 2025: 2 companies). (31 December 2024: BGN 12 thousand), representing small minority interests of the Group in the capital of a total of three companies (31 December 2024: three companies).

The fair value per share as at 30 September 2025 and 31 December 2024 by company is as follows:

<i>Capital investments</i>	<i>Number of shares held</i>	<i>Fair value per share</i>	<i>30.09.2025</i>	<i>Number of shares held</i>	<i>fair price per share</i>	<i>31.12.2024</i>
			<i>BGN '000</i>			<i>BGN '000</i>
Achieve Life Sciences Inc. -						
USA	1,092,308	4.98	5,441	1,092,308	7.70	8,414
Lavenna AD	495,352	2.13	1,056	1,299,026	2.58	3,355
MFG Invest AD	50,000	2.82	141	50,000	2.93	147
Total shares			6,638			11,916

The table below presents the Group's other long-term equity investments by fair value levels in the consolidated annual statement of financial position:

<i>Equity investments</i>	<i>Fair value</i>	<i>(Level 1)</i>	<i>(Level 2)</i>
	<i>30.09.2025</i>		
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
Achieve Life Sciences Inc. - USA	5,441	5,441	-
Lavenna AD	1,056	-	1,056
MFG Invest AD	141	-	141
Total	6,638	5,441	1,197

<i>Capital investments</i>	<i>Fair value</i>	<i>(Level 1)</i>	<i>(Level 2)</i>
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	<i>31.12.2024</i>		
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
Achieve Life Sciences Inc. - USA	8,414	8,414	-
Lavenna AD	3,355	-	3,355
MFG Invest AD	147	-	147
Total	11,916	8,414	3,502

The movement between the opening and closing balances of Level 1 and Level 2 fair values is presented in the following table:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>BGN</i>	<i>BGN'000</i>	<i>BGN</i>
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 at 31 December 2024	8,414	3,502	11,916
Sales	-	(1,290)	(1,290)
Unrealized gain/(loss), net included in other comprehensive income (Note 14)	(2,973)	(1,015)	(3,988)
Balance as at 30 September 2025	5,441	1,197	6,638

20. LONG-TERM RECEIVABLES FROM RELATED PARTIES

Long-term receivables from related parties as at 30 September are as follows:

	<i>30.09.2025</i>	<i>31.12.2024</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables under assignment agreements	4,106	4,011
Receivables under securities transactions	2,843	2,843
Deposits provided under lease agreements	580	58
<i>Impairment for credit losses</i>	(64)	(64)
Deposits provided under lease agreements, net	516	51
Long-term loans granted to related parties	-	3,016
Total	7,465	10,386

Long-term loans as at 31 December 2024 were granted to a company controlled by an associate.

The terms and conditions of the long-term loans granted to related parties are as follows:

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<i>Currency</i>	<i>Agreed amount</i> <i>'000</i>	<i>Maturity</i>	<i>Interest rate</i>	<i>30.06.2025</i>		<i>31.12.2024</i>	
				<i>BGN</i>	<i>BGN</i> <i>including interest</i>	<i>BGN</i>	<i>BGN</i> <i>including interest</i>
<i>BGN</i>	3,000	31.12.2026	4.93	-	-	3,016	16
				-	-	3,016	16

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

21. OTHER LONG-TERM RECEIVABLES

The Group's other long-term receivables include:

	<i>30.09.2025</i> <i>BGN'000</i>	<i>31.12.2024</i> <i>BGN</i>
Receivables from securities transactions	464	4,229
<i>Impairment for credit losses</i>	-	(41)
Receivables from securities transactions, net	464	4,188
Loans granted	2,938	2,865
Deposits under long-term lease agreements	1,230	973
Guarantees provided under long-term service contracts	48	-
Other	-	3
Total	4,680	8,029

Receivables from securities transactions as at 30 September / 31 December are as follows:

- Receivables from a sold investment in a subsidiary in the amount of BGN 464 thousand (December 31, 2024: BGN 464 thousand). They are denominated in BGN and mature on December 31, 2033.
- Receivables from a sold investment in a subsidiary, which was reclassified in 2025 as trade receivables (31.12.2024 : BGN 3,724 thousand). They are in US dollars with a maturity date of 30.09.2026, which is linked to the completion of certain regulatory actions for the registration of medical product authorizations;

The movement of the adjustment for impairment of receivables from securities transactions is as follows:

	<i>30.09.2025</i> <i>BGN '000</i>	<i>31.12.2024</i> <i>BGN '000</i>
Balance as at 1 January	41	183
Transfer to trade receivables	(41)	-
Decrease in the allowance for credit losses recognized in profit or loss during the year, net	-	(142)

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Balance as at 30 September / 31 December

<u>-</u>	<u>41</u>
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The terms and conditions of the long-term loans granted to third parties are as follows:

<i>Currency</i>	<i>Agreed amount</i>	<i>Maturity</i>	<i>Interest rate</i>	<i>30.09.2025</i>	<i>31.12.2024</i>
	<i>'000</i>			<i>BGN</i>	<i>BGN</i>
<i>BGN</i>	2,847	31.12.2027	6.05	<u>2,938</u>	<u>2,865</u>
				<u>2,938</u>	<u>2,865</u>

22. MATERIAL STOCKS

<i>Inventories include:</i>	<i>30.09.2025</i>	<i>31.12.2024</i>
	<i>BGN</i>	<i>BGN</i>
Goods	346,738	324,199
Finished products	70,157	54,572
Materials	52,502	55,001
Semi-finished products	10,483	4,074
Work in progress	<u>6,802</u>	<u>13,564</u>
Total	<u>486,682</u>	<u>451,410</u>

As at 30 September 2025, special pledges on inventories amounting to BGN 255,230 thousand (31 December 2024: BGN 249,281 thousand) as collateral for bank loans received by the Group and bank guarantees issued (*Notes 28, 35, and 42*).

23. TRADE RECEIVABLES

	<i>30.09.2025</i>	<i>31.12.2024</i>
	<i>BGN'000</i>	<i>BGN</i>
Receivables from customers	414,727	269,488
<i>Impairment for credit losses</i>	<u>(4,066)</u>	<u>(4,687)</u>
Trade receivables, net	410,661	264,801
Advances paid and other receivables from suppliers	43,385	36,284
Receivables from securities transactions	3,332	-
<i>Impairment for credit losses</i>	<u>(41)</u>	<u>-</u>
Receivables from securities transactions, net	3,291	-
Receivables from assignment agreements	<u>-</u>	<u>4,890</u>
Total	<u>457,337</u>	<u>305,975</u>

Trade receivables are interest-free and are mainly denominated in Bulgarian lev, dinars, and Russian rubles.

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The Group companies usually agree with customers on a payment term for sales receivables ranging from 30 to 180 days, unless there are specific maturity terms for certain customers or in cases where new markets and products are being developed and new commercial counterparties are being attracted. The Group has set a standard credit period of up to 60 days for customers and pharmacies and up to 180 days for other customers, for which it does not charge interest to customers, except in cases of restructured receivables with a special agreement, where a longer term with a repayment plan and interest has been agreed. For sales of medical equipment to the hospital market, the credit period could reach up to and over 2 years due to the financial specifics of the counterparties.

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

	30.09.2025	31.12.2024
	BGN'000	BGN'000
Balance as at 1 January	4,687	6,254
Decrease in the allowance for credit losses recognized in profit or loss during the period, net	(550)	(1,412)
Effect of foreign exchange rate revaluations	(70)	(36)
Written-off amounts on uncollectible receivables	(1)	(170)
Impairment losses acquired in business combinations	-	51
Balance as at 30 September / 31 December	4,066	4,687

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

	30.09.2025	Dec
	BGN'000	BGN
Balance as at 1 January	-	-
Transfer from other long-term receivables	41	-
Balance as at 30 September / 31 December	41	-

The age structure of non-past due (regular) trade receivables is as follows:

	30.09.2025	Dec. 31
	BGN'000	BGN'000
Up to 30 days	196,827	145,384
from 31 to 90 days	149,376	85,349
from 91 to 180 days	29,697	4,814
from 181 to 365 days	6,093	3,336
from 1 to 2 years	2,979	38
over 2 years	8,022	10,240
Gross value of non-overdue (regular) trade receivables	392,994	249,161

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<i>Expected credit losses</i>	(978)	(1,044)
Non-past due (regular) trade receivables, net	392,016	248,117

The impairment allowance for credit losses on non-overdue (regular) trade receivables is as follows:

	30.09.2025	31.12.2024
	BGN'000	BGN'000
up to 30 days	609	61
from 31 to 90 days	242	305
from 91 to 180 days	76	69
from 181 to 365 days	39	39
over 2 years	12	15
Total	978	1,044

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

	30.09.2025	31.12.2024
	BGN'000	BGN
31 to 90 days	8,899	11,536
from 91 to 180 days	5,664	3,695
from 181 to 365 days	3,607	1,263
from 1 to 2 years	1,735	1,780
over 2 years	1,828	2,053
<i>Gross value of overdue trade receivables</i>	<i>21,733</i>	<i>20,327</i>
<i>Impairment for credit losses</i>	<i>(3,088)</i>	<i>(3,643)</i>
Overdue trade receivables, net	18,645	16,684

The impairment allowance for credit losses on overdue trade receivables is as follows:

	30.09.2025	31.12.2024
	BGN'000	BGN
31 to 90 days	2	2
from 91 to 180 days	2	2
from 181 days to 365 days	21	39
from 1 to 2 years	1,229	1,547
over 2 years	1,834	2,053
Total	3,088	3,643

Most of the overdue receivables are from state hospitals. The Group's policy is to charge, invoice and collect additional interest for late payment, which fully compensates for the delay in payments and the costs/losses incurred, both through special agreements with the respective debtor hospital and through legal proceedings.

The Group applies the simplified approach of IFRS 9 to measure expected credit losses on trade receivables, recognizing expected losses for the entire term of the instrument for all trade receivables (Note

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2.16). On this basis, the credit loss allowance as at 30 September 2025 and 31 December 2024 is determined as follows:

		<i>Current</i>	<i>Overdue up to 90 days</i>	<i>Overdue more than 90 to 365 days</i>	<i>Overdue more than 365 days</i>	<i>Total</i>
September 30, 2025						
Expected % of credit losses		0.25%	0.02%	0.37%	92.09%	0.98%
Trade receivables (gross carrying amount)	BGN'000	392,994	12,116	6,291	3,326	414,727
Expected credit loss (Impairment allowance)	BGN'000	(978)	(2)	(23)	(3,063)	(4,066)

		<i>Current</i>	<i>Overdue up to 90 days</i>	<i>Overdue between 90 and 365 days</i>	<i>Overdue more than 365 days</i>	<i>Total</i>
December 31, 2024						
Expected % of credit losses		0.42%	0.02%	1.02%	99.86%	1.74%
Trade receivables (gross carrying amount)	BGN'000	249,161	12,711	4,011	3,605	269,488
Expected credit loss (Impairment allowance)	BGN'000	(1,044)	(2)	(41)	(3,600)	(4,687)

As at 30 September 2025, special pledges on trade receivables in the amount of BGN 185,643 thousand (31 December 2024: BGN 171,305) as collateral for bank loans received by the Group and bank guarantees issued (*Appendices No. 28, No. 35, and No. 42*).

Advances paid and other receivables from suppliers are current, mainly in BGN and EUR, and are for the purchase of:

	30.09.2025	31.12.2024
	BGN'000	BGN'000
Goods	37,770	29,885
Services	2,892	3,528
Raw materials and supplies	2,721	2,864
Other	2	7
Total	43,385	36,284

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24. RECEIVABLES FROM RELATED ENTITIES

Receivables from related companies by type are as follows:

	30.09.2025	31.12.2024
	BGN	BGN
Receivables under contracts with customers	13,034	11,671
<i>Impairment for credit losses</i>	-	(6)
Receivables under contracts with customers, net	13,034	11,665
Receivables from dividends	2,104	-
Trade loans granted	3,429	3,052
<i>Impairment for credit losses</i>	(3,429)	(3,052)
Trade loans granted, net	-	-
Advances granted	279	-
Receivables under guarantees and sureties provided	4	4
<i>Impairment for credit losses</i>	(4)	(4)
Receivables under guarantees and sureties provided, net	-	-
Other receivables	160	160
<i>Impairment for credit losses</i>	(160)	(160)
	-	-
Total	15,417	11,665

Receivables under contracts with customers are interest-free and denominated in BGN.

The Group companies usually agree on a payment term for receivables from sales of products between 45 and 270 days, and for receivables from sales of materials (including substances – active ingredients) up to 90 days.

The Group applies the simplified approach of IFRS 9 to measure expected credit losses on trade receivables from related parties, recognizing expected losses for the entire term of the instrument for all trade receivables (Note 2.16).

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

	30.09.2025	31.12.2024
	BGN'000	BGN'000
Balance as at 1 January	170	31
Decrease in the allowance for credit losses recognized in profit or loss during the year	(6)	(140)
Effect of foreign exchange rate recalculations	-	(2)
Balance as at 30 September / 31 December	164	170

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The movement of the allowance for impairment of loans from related parties is as follows:

	30.09.2025	Dec
	BGN'000	BGN
Balance as at 1 January	3,052	2,154
Increase in the allowance for credit losses recognized in profit or loss during the year	377	89
Amounts written off on uncollectible receivables	-	(1)
Balance as at 30 September / 31 December	3,429	3,052

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

	30.09.2025	Dec
	BGN	BGN
Up to 30 days	43	18
from 31 to 90 days	2,282	367
from 91 to 180 days	9,762	10,938
from 1 to 2 years	-	348
<i>Gross value of non-past due (regular) receivables from related companies</i>	<u>12,087</u>	<u>11,671</u>
<i>Provision for impairment of credit losses</i>	<u>-</u>	<u>(6)</u>
Total	<u>12,087</u>	<u>11,665</u>

The impairment allowance for credit losses on non-past due (regular) trade receivables from related parties is as follows:

	30.09.2025	31.12.2024
	BGN'000	BGN
from 1 to 2 years	<u>-</u>	<u>6</u>
Total	<u>-</u>	<u>6</u>

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

	30.09.2025	31.12.2024
	BGN'000	BGN
31 to 90 days	852	-
from 91 to 180 days	95	-
<i>Gross value of overdue receivables from related companies</i>	<u>947</u>	<u>-</u>
<i>Impairment for credit losses</i>	<u>-</u>	<u>-</u>
Total	<u>947</u>	<u>-</u>

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25. OTHER CURRENT RECEIVABLES AND ASSETS

The Group's *other receivables and prepaid expenses* include:

	30.09.2025	31.12.2024
	BGN'000	BGN
Taxes recoverable	21,782	24,682
Loans granted to third parties	11,116	11,633
<i>Impairment for credit losses on loans granted to third parties</i>	<u>(6)</u>	<u>(81)</u>
Loans granted to third parties, net	11,110	11,552
Legal and adjudicated receivables	6,498	5,797
<i>Impairment for credit losses on judicial and adjudicated receivables</i>	<u>(870)</u>	<u>(1,302)</u>
Legal and adjudicated receivables, net	5,628	4,495
Prepaid expenses	4,439	2,722
Receivables from European project funding	903	-
Receivables from deposits provided as collateral	238	38
Cash provided for dividend payments	107	146
Other	<u>735</u>	<u>62</u>
Total	<u>44,942</u>	<u>44,597</u>

Taxes to be refunded include:

	30.09.2025	31.12.2024
	BGN'000	BGN
VAT	13,023	14,877
Excise	6,866	6,465
Income taxes	1,887	3,328
Local taxes and fees and other taxes	<u>6</u>	<u>12</u>
Total	<u>21,782</u>	<u>24,682</u>

Prepaid expenses include:

	30.09.2025	31.12.2024
	BGN'000	BGN'000
Subscriptions	1,272	826
Advertising	593	56
Insurance	500	838
License and patent fees	274	98
Rent	255	139
Bank fees and commissions	199	33
Vouchers	8	37
Other	<u>1,338</u>	<u>695</u>
Total	<u>4,439</u>	<u>2,722</u>

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Loans granted to third parties in the amount of BGN 11,110 thousand (31 December 2024: BGN 11,552 thousand) were granted to three counterparty companies to support the financing of their activities in line with common strategic objectives. The annual interest rate agreed on these loans for 2025 is between 3.05% and 6% (2024: 3.05% and 6%).

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

	30.09.2025 BGN'000	31.12.2024 BGN
Balance as at 1 January	1,302	1,313
Decrease in the allowance for credit losses recognized in profit or loss during the year, net	(433)	(5)
Effect of foreign exchange rate recalculations	1	-
Impairment losses written off	-	(6)
Balance as at 30 September / 31 December	870	1,302

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

	30.09.2025 BGN	Dec BGN
Balance as at 1 January	81	507
Decrease in the allowance for credit losses recognized in profit or loss during the year, net	(76)	(862)
Effect of foreign exchange rate recalculations	1	-
Transfer from other long-term receivables	-	436
Balance as at 30 September / 31 December	6	81

26. CASH AND CASH EQUIVALENTS

	30.09.2025 BGN	31.12.2024 BGN
Cash in payment accounts	13,824	25,333
Short-term deposits	14,523	5,559
Cash on hand	4,284	4,704
Short-term restricted cash	21	3
Cash and cash equivalents presented in the consolidated cash flow statement	32,652	35,629
Cash blocked for dividend payments and in an escrow account for exercising warrant rights	-	10

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Cash and cash equivalents presented in the consolidated statement of financial position

32,652

35,730

The cash and cash equivalents available to the Group are mainly denominated in Russian rubles, Bulgarian levs, and Ukrainian hryvnias (December 31, 2024: euros, Bulgarian levs, and Ukrainian hryvnias).

As at 30.09.2025, short-term restricted cash amounted to BGN 21 thousand (31.12.2024: BGN 33 thousand) and mainly represented restricted cash under performance guarantees.

27. EQUITY

Share capital

As at 30 September 2025, the registered share capital of Sopharma AD amounted to BGN 539,158 thousand, divided into 539,157,603 shares with a nominal value of one lev per share.

The shares of Sopharma AD are ordinary, book-entry shares with the right to receive dividends and liquidation shares and are registered for trading on the Bulgarian Stock Exchange AD and the Warsaw Stock Exchange.

On 27 January 2025 the increase in the capital of Sopharma AD was entered in the Commercial Register through the issuance of 619,138 ordinary, registered, book-entry shares with voting rights, with a nominal value of BGN 1 each and an issue price of BGN 4.13 per share.

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

On July 18, 2025, the increase in the capital of Sopharma AD was entered in the Commercial Register through the issuance of 359,438,402 ordinary, registered, book-entry shares with voting rights, with a nominal value of BGN 1 each. The capital increase was carried out on the basis of Article 197, paragraph 1, and Article 246, paragraph 4, of the Commercial Law with the company's own funds as follows:

- from the Premium Reserve in the amount of BGN 132,909 thousand;
- from Retained earnings (Other reserves) in the amount of BGN 226,530.

The number of **treasury shares repurchased** is 19,902,101, amounting to BGN 26,602 thousand (31 December 2024: 13,356,996, amounting to BGN 53,559 thousand). During the current year, 200 shares were purchased and 11,245,021 treasury shares were sold (2024: 1,200 shares purchased and 972,308 shares sold).

The effect on the repurchased shares as a result of the increase in the company's capital on July 18, 2025, is 17,789,926 shares.

The legal reserves in the amount of BGN 88,006 thousand (31.12.2024: BGN 218,828 thousand) were formed from the distribution of the parent company's profit to the "Reserve" fund and from the premium reserve arising as a positive difference between the issue price and the nominal value of the shares issued upon the merger of subsidiaries into Sopharma AD, as well as from the subscribed and paid-up shares and exercised warrant rights by the warrant holders, amounting to BGN 28,163 thousand (31.12.2024: BGN 158,985 thousand).

The revaluation reserve for property, plant, and equipment in the amount of BGN 27,155 thousand (31.12.2024: BGN 27,359 thousand) is formed from the positive difference between the carrying amount of the property, plant and equipment of the Group companies and their fair values at the dates of the respective regular revaluations. The effect of deferred taxes on the revaluation reserve is recognized directly through other components of comprehensive income for the year.

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The reserve for financial assets at fair value through other comprehensive income in the amount of BGN 3,448 thousand – *negative* value (December 31, 2024: BGN 93 thousand – negative amount) is formed by the effects of fair value measurement of other long-term equity investments (including the consolidated share of the change in this reserve in associates when measured using the equity method). Upon derecognition of these investments, the reserve formed is not recycled through the statement of comprehensive income (through profit or loss for the period).

The translation reserve in the presentation currency of foreign operations in the amount of BGN 5,957 thousand – *negative* amount (31 December 2024: BGN 1,822 thousand – negative amount) was formed from exchange differences arising from the translation of the financial statements of foreign companies into the Group's presentation currency.

Other capital components (warrant issue)

Pursuant to Article 25 of the Articles of Association of Sopharma AD, on 21.05.2021, the Board of Directors determined the parameters and decided to issue warrants in an initial public offering.

The warrants were admitted to trading on the main market of the Bulgarian Stock Exchange AD, effective as of November 17, 2021.

In November 2024, the final procedure for increasing the capital by issuing up to 623,779 ordinary, registered, book-entry, freely transferable shares will commence, provided that the shares from the increase are subscribed by the holders of the existing shares. freely transferable shares, provided that the shares from the increase are subscribed by the holders of warrants issue ISIN 9200001212, in accordance with the terms and conditions described in the Prospectus for the public offering of warrants.

The last date for concluding transactions with warrants is 04.11.2024, and the deadline for exercising the warrants is 13.01.2025.

The "Retained earnings" reserve includes a "other reserves" component, which contains amounts distributed from realized profits from previous years of companies in the Group, and a "accumulated profits and losses" component.

As at 30 September, ***retained earnings*** amounted to BGN 334,746 thousand. (31 December 2024: BGN 448,032), including the recognized accumulated actuarial loss of BGN 3,253 (December 31, 2024: BGN 3,253 thousand), recognized in subsequent measurements of defined benefit plans in connection with the change in IAS 19 *Employee Benefits*.

Basic net earnings per share

	<i>1.1.2025- 30.9.2025</i>	<i>1.1.2024- 30.9.2024</i>
Weighted average number of shares	212,434,183	165,743,067
Net profit for the year attributable to equity holders of the parent company (BGN'000)	110,780	64,444
Net profit per share (BGN)	0.52	0.39

Net earnings per share at reduced value

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	30.09.2025	30.09.2024
<i>Weighted average number of shares outstanding</i>	-	163,753,770
<i>Cumulative effect of warrants</i>	-	13,777,651
Shares in circulation with warrants	-	177,531,421
Net profit for the year attributable to equity holders of the parent company (BGN'000)	-	64,444
<i>Net profit per share at reduced value</i>	-	0.36

28. LONG-TERM BANK LOANS

	<i>Agreed loan amount</i>	<i>Maturity</i>	<i>30.9.2025</i>			<i>31.12.2024</i>		
			<i>Long-term portion</i>	<i>Short-term portion</i>	<i>Total</i>	<i>Long-term portion</i>	<i>Short-term portion</i>	<i>Total</i>
			<i>BGN'000</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
<i>Credit lines and loans for working capital</i>								
EUR/RSD	8,100	31.08.2026	7,818	-	7,818	1,564	-	1,564
EUR	3,235	31.01.2030	6,319	44	6,363	-	-	-
EUR /RSD	8,100	31.08.2026	5,464	-	5,464	1,760	-	1,760
EUR /RSD	8,100	31.08.2026	2,347	-	2,347	11,735	-	11,735
EUR	1,100	31.10.2026	2,152	-	2,152	1,566	-	1,566
EUR	2,470	22.06.2027	1,318	227	1,545	1,318	878	2,196
EUR	500	19.12.2026	652	166	818	652	326	978
EUR	15,000	31.10.2025	-	27,390	27,390	-	25,492	25,492
EUR	500	27.12.2025	-	164	164	-	652	652
BGN	30,000	01.10.2026	-	-	-	25,727	-	25,727
EUR	2,062	30.04.2025	-	-	-	-	269	269
EUR	400	06.02.2025	-	-	-	-	87	87
<i>Investment loans</i>								
EUR	40,000	04.04.2032	61,188	11,120	72,308	-	78,138	78,138
EUR	20,000	25.12.2032	27,312	7,818	35,130	12,963	3,229	16,192
BGN	9,544	25.12.2029	5,640	1,721	7,361	6,941	1,738	8,679
EUR	5,210	31.03.2026	-	847	847	426	1,690	2,116
Total			120,210	49,497	169,707	64,652	112,499	177,151

The Group has gradually established a policy of annually renegotiating the terms of initially agreed long-term credit lines, including maturity dates. From the date of renegotiation, extended credit lines are presented as short-term bank loans (*Note 35*).

The bank loans received in euros are mainly agreed at an interest rate based on EURIBOR plus a margin of up to 3.6% and up to 8.5% fixed, for loans in Bulgarian leva – up to 1.91% fixed (2024: for euro loans – EURIBOR plus a margin of up to 3.85%, for leva loans – up to 1.91% fixed). The loans are for working capital.

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Investment loans are for the purchase of long-term tangible assets and expansion of operations.

The following collateral has been established in favor of the lending banks to secure the above-mentioned loans:

- Mortgages on real estate (*Note 15*);
- Special pledges on:
 - machinery and equipment (*Note 15*);
 - inventories (*Note 22*);
 - trade receivables (*Note 23*).

The long-term bank loan agreements contain clauses requiring certain financial ratios to be maintained. The Group's management monitors the compliance with these financial ratios on an ongoing basis in communication with the respective lending bank.

The companies in the Group must comply with certain additional restrictive conditions under the long-term loan agreements, which are generally related to:

- a 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%;
- no reduction in equity compared to the last audited financial statement.

In a letter dated March 26, 2025, the creditor bank agreed that the agreed ratio for Sopharma for 2024 could be lower than the required minimum of 1.1x.

The Group's management considers that the potential liquidity risk in connection with the aforementioned non-compliance has been eliminated in view of the letter dated 26 March 2025 from the creditor bank described above.

The Group does not expect any breach of these restrictive conditions.

29. LONG-TERM LIABILITIES TO RELATED PARTIES

Long-term liabilities to related parties as at 30 September include:

	30.09.2025	31.12.2024
	BGN	BGN
Liabilities under lease agreements	17,056	19,250
	17,056	19,250

Lease payments due within 12 months are presented in the consolidated annual financial statements under current liabilities, in the item "Liabilities to related parties" (*Note 37*).

30. LONG-TERM LIABILITIES TO EMPLOYEES

Long-term liabilities to personnel as at 30 September include:

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Long-term liabilities to staff upon retirement	9,609	9,404
Long-term income obligations for bonuses	404	380
Total	10,013	9,784

Long-term liabilities to staff on retirement

Long-term liabilities to employees include the present value of the obligation of the Group companies operating mainly in *Bulgaria and Ukraine* to pay benefits to employees at the date of the statement of financial position upon reaching retirement age. According to the Labor Code in *Bulgaria*, each employee is entitled to compensation equal to two gross salaries upon retirement, and if they have worked for the same employer for the last 10 years of their employment, the compensation is equal to six gross salaries at the time of retirement (*Note 2.23*).

The employer's obligations to staff upon retirement for companies outside Bulgaria are as follows:

- *Ukraine* – the employer is obliged to pay between 250 and 500 Ukrainian hryvnia depending on the employee's length of service and social pensions, which the company accrues after the retirement of employees due to specific working conditions and a collective labor agreement;
- *Kazakhstan* – under Kazakh law, the employer has no legal obligation to staff upon retirement;
- *Serbia* - the employer is obliged to pay 3 average salaries;
- *Russia* - under Russian law, employers have no legal obligation to staff upon retirement.
- *Belarus* – employers have no legal obligation to staff upon retirement.

Long-term income obligations for bonuses

As at 30 September 2025, the value of long-term liabilities to personnel also includes BGN 404 thousand (31 December 2024: BGN 380 thousand), representing liabilities to personnel related to the payment of bonuses for a period of more than 12 months - until 2028 (2024: until 2027).

31. LEASE LIABILITIES

The liabilities under lease agreements with third parties and related parties included in the statement of financial position are presented net of future interest payable and are as follows:

	30.09.2025			31.12.2024		
	<i>Lease liabilities</i>	<i>Lease liabilities to related parties (Appendices No. 29 and No. 37)</i>	<i>Total</i>	<i>Lease liabilities</i>	<i>Lease liabilities to related parties (Appendices No. 29 and No. 37)</i>	<i>Total</i>
Term	BGN	BGN	BGN	BGN	BGN	BGN
Up to one year	21,571	3,213	24,784	18,671	3,110	21,781
Over one year	79,990	17,056	97,046	68,516	19,250	87,766
	101,561	20,269	121,830	87,187	22,360	109,547

Lease liabilities to related parties are presented in Long-term liabilities to related parties (*Note 29*) and Liabilities to related companies (*Note 37*).

Minimum lease payments to third parties and related parties are due as follows:

	30.09.2025			31.12.2024		
	<i>Third parties BGN</i>	<i>Related parties BGN</i>	<i>Total BGN</i>	<i>Third parties BGN</i>	<i>Related parties BGN</i>	<i>Total BGN</i>
Term						
Up to one year	25,451	3,547	28,998	20,836	3,489	24,325
Over one year	91,701	18,056	109,757	76,529	20,473	97,002
	117,152	21,603	138,755	97,365	23,962	121,327
Future financial expense under finance leases	(15,591)	(1,334)	(16,925)	(10,178)	(1,602)	(11,780)
Present value of liabilities under lease agreements to third parties and related parties	101,561	20,269	121,830	87,187	22,360	109,547

The following items and amounts related to lease agreements are presented in the statement of financial position under Property, plant and equipment:

<i>Land and buildings</i>		<i>Machinery, facilities, and equipment</i>		<i>Other</i>		<i>Total</i>	
<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
<i>BGN'000</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>

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Carrying amount

Balance as at 1

January	146,431	112,510	1,264	1,210	17,681	14,170	165,376	127,890
Increases/acquisitions	26,950	40,863	-	54	8,124	4,864	35,074	45,781
Decreases/write-offs	(17,107)	(6,942)	(52)	-	(2,800)	(1,353)	(19,959)	(8,295)

Balance as at 30

September / 31

December	156,274	146,431	1,212	1,264	23,005	17,681	180,491	165,376
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Accumulated

depreciation

Balance as at 1

January	49,722	35,902	367	208	7,501	5,099	57,590	41,209
Accrued depreciation for the period	16,346	17,093	105	159	3,212	3,239	19,663	20,491
Depreciation written off	(12,391)	(3,273)	(51)	-	(2,394)	(837)	(14,836)	(4,110)

Balance as at 30

September / 31

December	53,677	49,722	421	367	8,319	7,501	62,417	57,590
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Balance sheet value

as at 30 September /

31 December	102,597	96,709	791	897	14,686	10,180	118,074	107,786
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Balance sheet value as

of January 1	96,709	76,608	897	1,002	10,180	9,071	107,786	86,681
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32. GOVERNMENT FUNDING

As at 30 September, government funding to the Group companies included:

	30.09.2025	31.12.2024
	BGN'000	BGN
Long-term portion of government funding	4,768	4,358
Short-term portion of government funding (<i>Note 41</i>)	637	577
Total	5,405	4,935

As at 30 September, government funding was received from the following companies in the Group:

	30.09.2025	31.12.2024
	BGN'000	BGN
Sopharma AD	5,405	4,935
Total	5,405	4,935

Government funding is provided under European operational programs and is mainly related to the acquisition of machinery and equipment. (*Note 15*). The short-term portion of the funding in the amount of BGN 637 thousand (31.12.2024: BGN 577 thousand) will be recognized as current income over the next 12 months from the date of the consolidated annual financial statement and is presented as "other current liabilities" (*Note 41*).

33. LONG-TERM TAX LIABILITIES

30.09.2025	31.12.2024
BGN	BGN

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National supplementary tax	-	2,359
Total	-	2,359

34. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities as at 30 September include:	30.09.2025	31.12.2024
	BGN'000	BGN
Liabilities related to the purchase of shares	4,474	4,474
	4,474	4,474

Liability related to the purchase of shares

Pursuant to share purchase agreements dated October 1, 2020, a company from the Group acquired control over the companies SCS Franchise AD and Sanita Franchising AD. As of September 30, 2025, the shares of Sanita Franchising AD have been paid in full. Part of the consideration under the share purchase agreements of SCS Franchise AD was paid on the date of transfer of control, and for the remainder, deferred payment was agreed until 31.12.2029. The liability is measured at discounted value using an interest rate reflecting the current market assessment of the risks associated with the liability.

35. SHORT-TERM BANK LOANS

The Group's *short-term bank loans* as at 30 September are as follows:

<i>Type of currency</i>	<i>Agreed amount</i>	<i>Maturity</i>	30.09.2025	31.12.2024
<i>Bank loans (overdrafts)</i>	'000		BGN	BGN
BGN	65,000	31.07.2026	59,075	17,490
BGN	64,000	25.10.2025	58,193	58,241
BGN	30,000	01.10.2026	29,979	-
EUR	34,200	30.09.2026	23,614	3,435
BGN	20,000	01.10.2025	19,907	19,746
BGN	19,558	01.10.2026	19,483	18,528
BGN	20,000	July 31, 2026	17,602	-
EUR	8,400	02.09.2026	16,529	16,187
		07.5.2026-		
EUR/RSD	8,000	31.8.2026	12,706	7,823
BGN	10,000	31.07.2026	9,865	28
EUR	10,000	05.02.2026	4,857	43
EUR	2,488	27.12.2025	4,694	-
BGN	9,779	01.10.2026	3,412	9,777
EUR	1,050	May 31, 2027	2,066	-
EUR	1,000	28.04.2027	7	-

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Belarusian ruble	345	02.09.2026	1	-
BGN	20,000	01.10.2026	-	20,014
EUR	1,300	19.09.2025	-	592
USD	1,900	20.06.2025	-	3,059
USD	2,200	24.02.2025	-	4,141
Serbian dinars	27,000	19.08.2025	-	414
			281,990	179,518
<i>Credit lines</i>				
BGN	45,000	01.06.2026	44,758	-
EUR	7,500	25.10.2025	14,625	14,636
			59,383	14,636
Total			341,373	194,154

Bank loans received in euros are mainly agreed at an interest rate based on EURIBOR plus a margin of up to 2.75% and a fixed rate of 7.5%; for loans in Bulgarian levs – the reference interest rate of the respective bank plus a margin of up to 3.25%; for dinars – an interest rate based on Belibor plus a margin of up to 0.65% and a fixed rate of 16% for Belarusian rubles (2024: EURIBOR plus a margin of up to 2.35%); for lev loans – reference interest rate of the respective bank plus a margin of up to 3.25%; for dinars 8.5% fixed and US dollars 10% fixed).

The loans are for working capital.

In favor of the lending banks, special pledges have been established to secure the above-mentioned loans on:

- machinery and equipment (*Annex No. 15*);
- raw materials, materials, and finished products (*Note 22*);
- trade receivables (*Note 23*).

As at 30 September 2025, special pledges have been established on receivables from related parties, subject to consolidation and eliminated for the purposes of the consolidated annual financial statements, in the amount of BGN 89,243 thousand (31 December 2024: BGN 74,993) as collateral for bank loans received by the Group and bank guarantees issued (*Notes 28, 35, and 42*).

36. TRADE PAYABLES

<i>Trade liabilities</i> include:	30.09.2025	31.12.2024
	BGN'000	BGN
Liabilities to suppliers	296,001	387,301
Advances received from customers	749	784
Total	296,750	388,085

<i>Liabilities to suppliers</i> are to:	30.09.2025	31.12.2024
	BGN'000	BGN
Suppliers outside Bulgaria	211,335	317,246
Suppliers from Bulgaria	84,666	70,055
Total	296,001	387,301

Payables to suppliers are current, interest-free and relate to materials, goods and services received. The average credit period for which interest is not normally charged on trade payables is between 60 and 180 days.

37. PAYABLES TO RELATED PARTIES

<i>Payables to related parties</i> include:	30.09.2025	31.12.2024
	BGN'000	BGN
Liabilities to joint ventures and associates	3,161	3,128
Liabilities to companies related through key management personnel	1,320	1
Liabilities to civil partnerships for joint activities through Sopharma Trading AD	7	-
Liabilities to companies with significant influence	507	16
Liabilities to companies controlled by an associate	232	24
Liabilities to other related parties	6	6
Total	5,936	3,471

<i>Liabilities to related companies by type</i> are as follows:	30.09.2025	31.12.2024
	BGN'000	BGN
Short-term liabilities under lease agreements	3,213	3,110
Liabilities for supplies of goods and materials	2,198	170
Provision of services	519	185
Other	6	6
Total	5,936	3,471

Liabilities to related parties are current, denominated in BGN, interest-free and not additionally secured by a special pledge or guarantee from the Group.

38. LIABILITIES UNDER FACTORING AGREEMENTS

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A company from the Group has concluded factoring agreements with a financial institution (Factor) under the following terms and conditions:

- Under the agreement dated 11 April 2025 for the transfer of existing non-performing receivables from its customers, the Factor shall not have the right of recourse (right of recovery) for the amounts paid in advance, regardless of whether they are included in the approved credit limit or not. The approved credit limit as of 30.09.2025 is BGN 16,177 thousand (RUB 800,000 thousand). The transferred invoices are paid in advance up to 95% (ninety-five percent) of their value, including VAT. The interest on the advance payments is the base rate of the Central Bank of the Russian Federation + 2.35% on an annual basis and is deducted up to five days after the end of the calendar month.
- Under the agreement of 11.08.2025 for the transfer of existing non-performing receivables from its customers, the Factor shall not have the right of recourse (right of recovery) for the amounts paid in advance, regardless of whether they are included in the approved credit limit or not. The approved credit limit as of 30.09.2025 is BGN 14,155 thousand (RUB 700,000 thousand). The transferred invoices are paid in advance up to 100% (one hundred percent) of their value, including VAT. The interest on the advance payments is the base rate of the Central Bank of the Russian Federation + 3.00% on an annual basis and is deducted up to five days after the end of the calendar month.

As of 30.09.2025, the company has no obligations under the factoring agreement (31.12.2024: none).

The total financing provided in 2025 amounts to BGN 43 thousand (2024: none) (Note 2.17).

39. LIABILITIES TO STAFF AND FOR SOCIAL SECURITY

Liabilities to staff and for social security include:

	30.09.2025	31.12.2024
	BGN	BGN
Liabilities to staff, including:	21,485	21,582
<i>current liabilities for remuneration</i>	13,724	13,693
<i>Accruals for unused compensable leave</i>	3,346	4,124
<i>royalties</i>	4,415	3,765
Social security liabilities, including:	5,640	4,906
<i>Current social security contributions</i>	5,077	4,260
<i>Accruals for unused compensable leave</i>	563	646
Total	27,125	26,488

40. TAX LIABILITIES

Tax liabilities include:

30.09.2025	31.12.2024
BGN'000	BGN

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Income taxes	5,442	1,575
VAT	5,122	6,787
National supplementary tax (due on 30.06.2026)	2,359	-
Personal income taxes	2,354	1,101
Taxes on expenses	662	417
Local taxes and fees	52	61
Taxes at source	6	2
Total	15,997	9,943

As of the date of publication of this consolidated annual report, the following audits and inspections have been carried out in the companies of the Group:

Company	Full tax audit	VAT audit	Verification under social security legislation
Sopharma AD	31.05.2025	31.07.2025	31.12.2021
Sopharma Trading AD	31.12.2011	31.12.2017	30.04.2018
Sopharmacy EOOD	None	31.07.2020	None
Sopharmacy 2 EOOD	None	30.06.2019	None
Sopharmacy 3 EOOD	None	30.11.2017	None
Sopharmacy 4 EOOD	None	30.06.2022	None
Sopharmacy 5 EOOD	None	31.08.2020	None
Sopharmacy 6 EOOD	None	30.05.2023	None
Sopharmacy 7 EOOD	None	31.05.2019	None
Sopharma 8 EOOD	None	31.08.2020	None
Sopharma 9 EOOD	None	31.12.2020	None
Sopharmacy 10 EOOD	None	30.11.2022	None
Sopharmacy 11 EOOD	None	31.07.2022	None
Sopharmacy 12 EOOD	None	30.06.2023	None
Sopharmacy 13 EOOD	None	31.07.2022	None
Sopharmacy 14 EOOD	None	31.12.2018	None
Sopharmacy 15 EOOD	None	30.06.2022	None
Sopharmacy 16 EOOD	None	31.12.2019	None
Sopharmacy 17 EOOD	None	31.12.2020	None
Sopharmacy 18 EOOD	None	05.09.2025	None
Sopharmacy 19 EOOD	None	31.08.2023	None
Sopharmacy 20 EOOD	None	31.12.2013	None
Sopharmacy 21 EOOD	None	31.10.2024	31.08.2017
Sopharmacy 22 EOOD	None	31.12.2012	30.04.2020
Sopharmacy 23 EOOD	None	31.05. 2014	30.04.2020
Sopharmacy 24 EOOD	None	30.11.2024	30.04.2020
Sopharmacy 25 EOOD	None	30.09.2023	30.04.2020
Sopharma 26 EOOD	None	31.08.2017	None
Sopharmacy 27 EOOD	None	31.12.2013	None
Sopharmacy 28 EOOD	None	30.04.2023	None
Sopharmacy 29 EOOD	None	30.04.2024	None

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Sopharmacy 30 EOOD	None	31.08.2024	30.04.2020
Sopharmacy 31 EOOD	None	31.05.2024	30.04.2020
Sopharmacy 32 EOOD	31.12.2010	31.12.2019	30.04.2020
Sopharmacy 33 EOOD	None	30.04.2024	30.04.2020
Sopharmacy 34 EOOD	None	None	30.04.2020
Sopharmacy 35 EOOD	None	31.12.2013	30.04.2020
Sopharmacy 36 EOOD	None	31.01.2015	31.05.2021
Sopharmacy 37 EOOD	None	31.08.2024	30.04.2020
Sopharmacy 38 EOOD	None	29.02.2024	30.04.2020
Sopharmacy 40 EOOD	None	None	30.04
Sopharmacy 41 EOOD	None	31.08.2023	31.05.2019
Sopharmacy 42 EOOD	None	None	30.11.2020
Sopharmacy 43 EOOD	31.12.2016	none	31.05.2019
Sopharmacy 44 EOOD	None	31.12.2013	30.04.2020
Sopharmacy 45 EOOD	None	None	30
Sopharmacy 46 EOOD	None	31.12.2023	None
Sopharmacy 47 EOOD	None	31.11.2016	31.03.2020
Sopharmacy 48 EOOD	None	30.06.2021	31.08.2017
Sopharmacy 49 EOOD	31.12.2015	31.12.2014	31.05. 2020
Sopharmacy 50 EOOD	none	30.06.2024	31.03.2020
Sopharmacy 51 EOOD	None	30.09.2023	30.04.2020
Sopharmacy 52 EOOD	None	None	31.12.2015
Sopharmacy 53 EOOD	None	30.04.2025	31.08.2017
Sopharmacy 54 EOOD	None	30.04.2025	31.03.2020
Sopharmacy 55 EOOD	None	02.09.2025	31.03.2020
Sopharmacy 56 EOOD	None	31.12.2015	30.04.2020
Sopharmacy 57 EOOD	None	None	31.05.2020
Sopharmacy 58 EOOD	None	29.02.2024	None
Sopharma 63 EAD	31.12.2012	None	31.12.2019
Sopharmacy 64 AD	31.12.2016	31.07.2023	None
Sopharmacy 65 EOOD	None	31.12.2024	None
Sopharmacy 66 EOOD	None	31.07.2024	None
Sopharma 67 EOOD	None	30.04.2025	None
Sopharmacy 68 EOOD	None	31.07.2024	None
Sopharmacy 39 EOOD	None	30.04.2025	None
Sopharmacy 61 EOOD	None	31.01.2025	None
Sopharmacy 62 EOOD	None	10.09.2025	None
Sopharmacy 60 EOOD	None	11.09.2025	None
Sopharmacy 59 EOOD	None	15.09.2025	None
PAO Vitamins	31.12.2013	31.12.2013	01.04.2014
Sopharma Ukraine LLC	31.12.2014	31.12.2014	30.06.2016
Sopharma Warsaw SP. Z.O.O	None	None	06.07.2017
Sopharma Trading D.o.o., Serbia	31.03.2017	30.06.2017	15.04.2017
Fitobel OOO	30.09.2012	30.09.2012	30.09.2017
Tabina OOO	30.09.2010	30.09.2010	30.09.2006
Ne Ska OOO	None	None	31.12.2015

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SalusLine OOO	31.10.2007	31.10.2007	30.06.2021
BOO SpetsAfarmatsiya	31.03.2014	31.03.2014	31.03.2014

For companies in Bulgaria, tax audits are conducted within five years of the end of the year in which the tax return for the relevant liability was filed. The audit confirms the final tax liability of the respective company-taxable person, except in cases expressly provided for by law.

For companies outside Bulgaria, tax audits are conducted as follows: in Ukraine - within three years, in Poland and Kazakhstan - within five years, in Serbia - within ten years, in Russia - within a three-year period, and in Belarus - on a sample basis according to criteria that assess the degree of risk in relation to tax entities in accordance with a methodology determined by the Council of Ministers of the Republic of Belarus.

No full tax audits, VAT audits, or social security checks have been conducted on TOO Sopharma Kazakhstan, Farmachim EOOD, Sopharma Rus, Farmonova D.O.O., Sopharmasi D.o.o., SOOO Brititrade, OOO DabradzeyaFarm, OOO AlfaApteka, OOO Bellerophon and Apothecary Institution (AU) Great Pharmacy have not undergone full tax audits, VAT audits, or social security audits.

41. OTHER CURRENT LIABILITIES

<i>Other current liabilities</i> include:	30.09.2025 BGN'000	31.12.2024 BGN
Liabilities for refunds under contracts with customers	26,013	9,974
Liabilities under contracts with customers	1,985	3,393
Liabilities related to the purchase of shares	1,235	1,252
Liabilities for dividends	1,213	1,338
Government funding (<i>Note 32</i>)	637	577
Liabilities on deposits received as guarantees	277	13
Deductions from salaries	73	85
Amounts awarded in court cases	17	18
Provision for financial guarantees	4	4
Other	1,727	1,388
Total	33,181	18,162

Guarantees and collateral provided

Sopharma AD

As at 30.09.2025, the company has provided collateral in favor of banks for loans received from associated companies mortgages on real estate with a carrying amount of BGN 5,534 thousand (31.12.2024: BGN 5,699 thousand).

The company is a co-debtor and guarantor for bank loans received, bank guarantees issued, and lease agreements concluded by the following companies:

	Maturity period	Type of currency	Contractual amount		Amount of the guaranteed sum
			<i>Original</i>		<i>30.09.2025</i>
			<i>Currency</i>	<i>BGN'000</i>	<i>BGN</i>
Sopharma Buildings REIT	2027	BGN	10,000	10,000	10,000
Doverie United Holding AD	2027	BGN	30,000	30,000	7,500
Energoinvest AD	2026	BGN	2,000	2,000	1,550
Total					19,050

Bank guarantees

Sopharma Trading AD

The bank guarantees issued for the company as at 30.09.2025 amount to BGN 20,516 thousand (31.12.2024: BGN 25,008 thousand) and are intended to guarantee payments to suppliers of goods, to ensure proper performance - guaranteeing future deliveries of medicinal and medical products to hospitals under concluded supply contracts, customs guarantees and participation in tenders.

The bank guarantees were issued by:

	<i>30.09.2025</i>	<i>31.12.2024</i>
	<i>BGN '000</i>	<i>BGN '000</i>
DSK AD	10,132	12,577
ING Bank N.V.	6,471	3,264
TB OBB AD	3,898	4,935
Eurobank Bulgaria AD (Post Bank)	15	4232
	20,516	25,008

As at 30.09.2025 Sopharma Trading AD has provided bank guarantees in the amount of BGN 2,311 thousand (31 December 2024: BGN 2,059 thousand) as collateral under lease agreements for commercial premises (pharmacies) to which its subsidiaries are parties.

Sofarma Trading D.o.o., Serbia

As at 30.09.2025, the bank guarantees issued for the company amounted to BGN 20,560 thousand (31.12.2024: BGN 14,410 thousand) and are intended to guarantee payments to suppliers of goods, good performance - guaranteeing future deliveries of medicinal and medical products to hospitals under concluded supply contracts, customs guarantees and participation in tenders.

The bank guarantees were issued by:

30.9.2025 **31.12.2024**

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	<i>BGN '000</i>	<i>BGN '000</i>
Raiffeisenbank AD Belgrade	20,560	12,454
Eurobank AD Belgrade	-	1,003
Banka Intesa AD Belgrade	-	953
	<u>20,560</u>	<u>14,410</u>

Farma D.O.O.

As at 30.09.2025, the Company has issued one customs bank guarantee in the amount of BGN 25 thousand (1,500 dinars) (31 December 2024: BGN 25 thousand (EUR 1,500 thousand)). The guarantee was issued by Banka Intesa AD Belgrade.

Performance bond insurance

Sofarma Trading AD

As at 30.09.2025, the company has concluded contracts for insurance of performance guarantees in tenders for the supply of medicines and consumables to medical establishments and the Ministry of Health in the amount of BGN 9,717 thousand. (31.12.2024: BGN 13,514 thousand).

Assets received for safekeeping

Sopharma Trading AD

Under pre-distribution agreements, the company has accepted goods for safekeeping as at 30.09.2025 in the amount of BGN 10,967 thousand (31.12.2024: BGN 10,000 thousand).

Farma Nova D.o.o.

Farma D.o.o. has accepted for safekeeping as at 30 September 2025 raw materials amounting to BGN 52 thousand (3,122 thousand units) (31 December 2024: BGN 53 thousand (3,153 thousand units)).

Significant irrevocable contracts and commitments

Sopharma AD

The company has received government funding under the Operational Program Development of the Competitiveness of the Bulgarian Economy 2007-2013, the Operational Program Innovation and Competitiveness 2014-2020, and the Operational Program Energy Efficiency (*Notes 32 and 41*), mainly related to the acquisition of long-term assets, reconstruction of buildings and technological renewal and modernization of tablet production, introduction of innovative products in ampoule production, acquisition of a compact line for filling vials under an isolator, acquisition of general exchange installations for ventilation and air conditioning in the production of medical products, and introduction of innovative artificial tear eye drops (*Note 15*).

The company has undertaken not to make any significant changes affecting the substance and conditions of implementation or giving rise to unjustified benefits for the company, as well as changes resulting from a change in the nature of ownership of the acquired assets related to the financing, for a period of 5 years after the completion of the relevant projects. In case of non-compliance with these requirements, the financing provided is subject to repayment. As of the date of preparation of the report, all contractual requirements have been met.

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43. FINANCIAL RISK MANAGEMENT

In the course of its normal business activities, the Group may be exposed to various financial risks, the most important of which are: market risk (including currency risk, fair value risk, and price risk), credit risk, liquidity risk, and interest rate risk.

Overall risk management focuses on the difficulties in forecasting financial markets and minimising the potential negative effects that may affect the Group's financial results and condition.

Financial risks are currently identified, measured, and monitored using various control mechanisms put in place to determine adequate prices for the products and services of the Group companies and the loan capital they attract, as well as to adequately assess the market circumstances of their investments and the forms of maintaining free liquid funds, without allowing unjustified concentration of a given risk.

Risk management is carried out on an ongoing basis by the management of the parent company and, respectively, the management of the subsidiaries in accordance with the policy defined by the Board of Directors of the parent company. The Board of Directors has adopted basic principles for the overall management of financial risk, on the basis of which specific procedures have been developed for the management of individual specific risks, such as currency, price, interest rate, credit, and liquidity risks, and for the risk associated with the use of non-derivative instruments.

The structure of financial assets and liabilities as at 30 September 2025 is as follows:

Categories of financial instruments:	30.09.2025	31.12.2024
	BGN '000	BGN '000
<i>Financial assets</i>		
Financial assets at amortized cost, including:	490,904	351,476
<i>Receivables and loans (Notes 20, 21, 23, 24, and 25)</i>	458,252	315,750
<i>Cash and cash equivalents (Note 26)</i>	32,652	35,726
Financial assets at fair value through other comprehensive income, including:	6,770	12,048
<i>Equity investments (Note 19)</i>	6,770	12,048
<i>Total financial assets</i>	497,674	363,524
<i>Financial liabilities</i>		
Financial liabilities at amortized cost, including:	962,344	880,866
<i>Short-term and long-term bank loans (Notes 28 and 35)</i>	511,080	371,305
<i>Other loans and liabilities (Notes 29, 34, 36, 37, and 40)</i>	329,434	400,014
<i>Lease liabilities (Note 31)</i>	121,830	109,547
<i>Total financial liabilities</i>	962,344	880,866

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The net effect of impairment losses/(reversals) related to financial assets and financial guarantees recognized in the statement of comprehensive income (in profit or loss) is as follows:

	30.09.2025	30.09.2024
	BGN '000	BGN '000
Trade and other receivables, including from related parties	(556	41
Legal and adjudicated receivables	(433)	(
Loans granted at amortized cost	301	(205)
Total	(688)	(169)

Credit risk

Credit risk is the risk that the Group's customers will not be able to repay the amounts due on trade receivables in full and within the usual time limits.

The Group's credit risk arises both from its core business, through trade receivables, and from its financial activities, including loans to related parties and third parties, loan commitments and guarantees, and bank deposits. The Group has developed policies, procedures, and rules for controlling and monitoring credit risk behavior.

Trade receivables

In its commercial practice, the Group has applied various distribution schemes until it achieved its current effective approach, which is in line with the market environment, the various payment methods, and the inclusion of trade discounts. The Group works with counterparties with a history of relationships in its main markets, partnering with over 70 Bulgarian and foreign licensed drug distributors.

Working with the National Health Insurance Fund and distributors that work with state hospitals also requires a deferred payment policy in Bulgaria. In this sense, although there is a concentration of credit risk, it is controlled through selection, ongoing monitoring of the liquidity and financial stability of trading partners, as well as direct communication with them and seeking quick measures at the first signs of problems.

The Group's credit policy requires that each new customer be assessed for creditworthiness before standard delivery and payment terms are offered.

The Group uses matrices to provision for expected credit losses on trade receivables and assets under contracts with customers. The latter are grouped into groups (portfolios) of different customer segments that have similar characteristics, including credit risk.

The provisioning rates applied in the matrices are based on the days past due for each individual portfolio. Initially, the rates for each matrix are determined based on historical data observed by the Group companies over a period of three years.

The method is based on the analysis of the history and assessment of the behaviour of each invoice in a given group, issued over the last three years at least, in terms of days past due, transition between different ranges of days past due, payments and uncollected amounts, etc. On this basis, the loss percentage is determined as the uncollectibility of a given group of invoices to overdue invoices by days.

The period for the occurrence of economic loss from uncollectibility is determined by customer portfolios: wholesalers, pharmacy market, hospital market, and by geographical regions. This period is

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examined and assessed historically. The Group does not have a practice of requiring collateral on receivables from its customers, nor does it insure them. Secondly, the Group refines the impairment provision matrices for each portfolio by adjusting the determined percentages based on historical data on the payment behaviour of issued invoices and historical uncollectible losses by including forecast information on certain macro factors. Historical percentages are adjusted to reflect the effect of future behaviour of macroeconomic factors for which a statistical dependence has been established and which are considered to affect the ability of customers to service and settle their obligations.

Judicial and adjudicated receivables

When assessing the collectability of judicial and adjudicated receivables, management performs an individual analysis of the entire exposure of each counterparty (counterparty type) in order to determine the actual possibility of their collection. If there is a high degree of uncertainty regarding the collectability of a given receivable (group of receivables), an assessment is made of what portion of it (them) is secured (pledge, mortgage, surety, bank guarantee) and thus guaranteed to be collectable (through future possible realization of the collateral or payment by a guarantor). Receivables or the portion thereof for which management assesses that there is a very high degree of uncertainty regarding their collectability and which are not secured are impaired at 100%.

Loans, guarantees, and financial guarantees

The assessment of each credit exposure for risk management purposes is a process that requires the use of models that reflect the impact on the exposure of changes in market conditions, expected cash flows, and time to maturity. The assessment of the credit risk of loans granted leads to further assessments of the probability of default, the loss rates associated with these assessments, and the correlations between counterparties. The Group measures credit risk using probability of default (PD), exposure at default (EAD), and loss given default (LGD).

To determine the credit risk of loans and financial guarantees granted, as well as certain individual receivables, the Group's management has developed a methodology that includes two main components: determining the credit rating of the debtor and statistical models for calculating marginal PDs by year for each rating.

With regard to the rating, it uses internal assessments of the credit rating of individual counterparties based on global methodologies of leading global rating agencies. The rating reflects financial ratios for indebtedness, liquidity, profitability, etc., quantitative (e.g., sales levels) and qualitative (e.g., financial policy, diversification, etc.) criteria according to the relevant methodology and industry.

Statistical models based on historical global data on probabilities of default (PD) and transitions between different ratings, as well as forecasts for key macroeconomic indicators (GDP growth, inflation, etc.) are used to determine the required marginal PDs by year for each rating.

Based on the specific rating and analysis of the characteristics of the debtor and the loan/guarantee, including any changes that have occurred in them compared to the previous period, the stage of the instrument (Stage 1, Stage 2, or Stage 3) is determined. The Group considers that a 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:

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- An increase in the lifetime probability of default (PD) of the financial asset at the reporting date relative to the lifetime probability of default at the date the asset was first recognized;
- The borrower is more than 30 days past due but less than 90 days past due;
- Actual or expected significant adverse changes in the borrower's operating results, above the acceptable range of variation, measured by key financial and operating indicators of the debtor;
- 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 in which the borrower operates;
- Actual or expected significant adverse changes in the borrower's operating results;
- Significant change in the value of collateral, which is expected to increase the risk of default;
- Early signs of cash flow/liquidity problems, such as delays in servicing trade creditors/loans.

The criteria used to determine a significant increase in credit risk are monitored and reviewed periodically for appropriateness by the Group's Chief Financial Officer.

The Group determines a financial instrument *to be in default and a credit loss to have occurred* when it meets one or more of the following criteria:

Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments;
- Significant adverse changes and events in the borrower's business, financial conditions, and economic environment have occurred or are imminent, as measured by a significant decline in the borrower's key financial and operating indicators;
- The borrower reports a series of losses and negative net assets;
- Significant adverse changes in the value of key collateral for the loan, including collateral losses, have occurred or are imminent.

Qualitative criteria

The borrower is unable to pay due to significant financial difficulties. These are cases where:

- The borrower is in breach of the financial agreement, e.g., interest payments, collateral;
- Negative changes in the borrower's business;
- Concessions have been made in connection with the borrower's financial difficulties;
- The borrower is likely to be declared insolvent.

The definition of default is applied consistently to model the probability of default (PD), exposure at default (EAD), and loss given default (LGD) in the Group's expected loss calculations.

Expected credit losses are calculated by discounting the value obtained from the product of: probability of default (PD), exposure at default (EAD) and loss given default (LGD), determined as follows:

- PD represents the probability that the borrower will default on its financial obligation either in the next 12 months or over the entire life of the financial asset (lifetime PD), determined on the basis of public data on PD from generally accepted sources and statistical models of the effects of forecast macroeconomic factors. In addition, the company's management has performed a historical analysis

and identified the main economic variables affecting credit risk and expected credit losses for each type of loan (portfolio);

- EAD is the amount owed to the Group by the borrower at the time of default, over the next 12 months, or over the remaining term of the loan, determined according to the specific characteristics of the instrument (amount owed, repayment plans, interest, term, etc.);

- LGD represents the Group's expectation of the amount of loss on an exposure in default. LGD varies according to the type of counterparty, the type and seniority of the claim, and the presence of collateral or other credit support. LGD is measured as a percentage loss on the open exposure at the time of default;

- The discount rate used in calculating expected credit loss (ECL) is the initial effective interest rate on the loan or, in the case of financial guarantees and other instruments without an applicable interest rate, the risk-free rate for the relevant period, currency, etc.

The Group applies a number of policies and practices to reduce the credit risk from loans granted. The most common is the acceptance of collateral. The Group commissions external experts – independent appraisers – to assess the collateral received as part of the loan granting process. This assessment is reviewed periodically, but at least once a year. The table below presents the quality of the Group's financial assets and contractual assets, as well as the maximum exposure to credit risk according to the accepted credit rating assessment:

<i>30.09.2025</i>	<i>Appendices</i>	<i>Internal credit risk categorization</i>	<i>Expected credit losses (IFRS 9)</i>	<i>Gross carrying amount BGN '000</i>	<i>Impairment loss (adjustment) BGN '000</i>	<i>Carrying amount BGN '000</i>
Receivables under assignment agreements from related companies	2	Not applicable	For the entire term (credit collateral)	4,106	-	4,106
Short-term loans granted to related parties	2	Renegotiated Stage 2	For the entire term (credit collateral)	3,429	(3,429)	-
Long-term loans granted to third parties	21	Initially agreed loans Stage 1	For the entire term (credit collateral)	2,938	-	2,938
Short-term loans granted to third parties	25	Initially agreed loans Stage 1	For the entire term (credit collateral)	3,373	-	3,373
Short-term loans granted to third parties	25	Renegotiated Stage 2	For the entire term (credit collateral)	7,743	(6)	7,737
Short-term receivables from third parties on securities transactions	21	Not applicable	For a 12-month period	3,332	(41)	3,291
Long-term receivables from related parties on securities transactions	2	Not applicable	For a 12-month period	2,843	-	2,843
Trade and other receivables from related companies	20	Not applicable	For a 12-month period	15,882	(228)	15,654
Trade and other receivables from third parties	21, 23, 25	Not applicable	For a 12-month period	423,246	(4,936)	418,310
<i>including court claims</i>	25			6,498	(870)	5,628

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				<u>466,892</u>	<u>(8,640)</u>	<u>458,252</u>
Financial assets						
<i>31.12.2024</i>	<i>Appendices</i>	<i>Internal credit risk categorization</i>	<i>Expected credit losses (IFRS 9)</i>	<i>Gross carrying amount BGN '000</i>	<i>Impairment loss (adjustment) BGN '000</i>	<i>Carrying amount BGN '000</i>
Receivables under assignment agreements from related companies	20	Not applicable	For the entire term (credit collateral)	4,011	-	4,011
Long-term loans granted to related parties	20	Initially agreed loans Stage 1	For the entire term (credit collateral)	3,016	-	3,016
Short-term loans granted to related parties	2	Renegotiated Stage 2	For the entire term (credit collateral)	3,052	(3.052)	-
Long-term loans granted to third parties	21	Initially agreed loans Stage 1	For the entire term (credit collateral)	2,865	-	2,865
Short-term loans granted to third parties	25	Initially agreed loans Stage 1	For the entire term (credit collateral)	3,132	(75)	3,057
Short-term loans granted to third parties	25	Renegotiated Stage 2	For the entire term (credit collateral)	8,501	(6)	8,495
Long-term receivables from related parties on securities transactions	20	Not applicable	For a 12-month period	2,843	-	2,843
Trade and other receivables from related companies	20	Not applicable	For a 12-month period	12,415	(234)	12,181
Trade and other receivables from third parties	21, 23, 25	Not applicable	For a 12-month period	285,312	(6,030)	279,282
<i>including court claims</i>	25			<u>5,797</u>	<u>(1,302)</u>	<u>4,495</u>
Financial assets				<u>325,147</u>	<u>(9,397)</u>	<u>315,750</u>

The table below provides information on the Group's exposure to credit risk and credit loss impairments on loans, trade receivables, and other receivables as at 30 September 2025:

<i>Category</i>	<i>Compliance with external credit rating</i>	<i>Average expected loss rate</i>	<i>Gross value BGN '000</i>	<i>Impairment loss (adjustment) BGN '000</i>
Renegotiated loans (Stage 2)	B3	0.08	7,743	(6)
Receivables under assignment agreements from related companies	Not applicable	0.00	4,106	-
Initially agreed loans (Stage 1)	B3	0.00	3,373	-
Renegotiated loans (Stage 2)	Caa1	100.00	3,429	(3,429)
Initially agreed loans (Stage 1)	Caa1	0.00	2,938	-
Receivables from third parties on securities transactions	Not applicable	1.23	3,332	(41)

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Receivables from related parties on securities transactions	Not applicable	0.00	2,843	-
Trade and other receivables, including related parties (Stage 1)	Not applicable	0.99	432,630	(4,294)
Doubtful receivables (legal and adjudicated receivables)	Not applicable	13.39	6,498	(870)
Total			466,892	(8,640)

The Group has a concentration of receivables from related parties (trade receivables and loans) as follows:

	30.09.2025	31.12.2024
	BGN	BGN
Client 1	21.47	21.38
Client 2	19.16	18.19
Client 3	12.68	13.68

The Group currently manages the concentration of receivables from related parties by applying credit limits and additional collateral in the form of pledges of securities and other assets and by applying promissory notes.

The concentration of the top five customers in the Group's trade receivables is as follows:

	30.09.2025	% credit exposure to total	31.12.2024	% credit exposure to total
	BGN'000	trade receivables	BGN	trade receivables
		%		%
Client 1	13,561	3	15,205	6
Client 2	7,834	2	5,075	2
Client 3	5,256	1	5,020	2
Client 4	4,982	1	4,029	2
Client 5	4,565	1	3,704	1

Cash

The Group's cash and cash equivalents and payment transactions are mainly concentrated in various first-class banks. A rating model is applied to calculate the expected credit losses on *cash and cash equivalents*, using bank ratings determined by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA, and Bloomberg, and reference public data on PD (probability of default) corresponding to the rating of the respective bank. Management monitors changes in the rating of the respective bank on an ongoing basis in order to assess the existence of increased credit risk, the current management of incoming and outgoing cash flows, and the distribution of cash balances across bank accounts and banks.

Currency risk

The Group companies conduct their business through active exchanges with foreign suppliers and customers and are therefore exposed to currency risk.

Through its companies in Belarus, Ukraine, Serbia, and Russia, the Group carries out business operations in these countries and, accordingly, has significant exposures in Belarusian rubles, Ukrainian

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hryvnia, Serbian dinars, and Russian rubles. The currency risk is related to the negative movement of the exchange rate of these currencies against the Bulgarian lev in future business operations, on recognized currency assets and liabilities, and on net investments in foreign companies. The other companies abroad sell their products mainly on local markets, which leads to currency risk in relation to their currencies - the Polish zloty and the Kazakh tenge. Most of the Group companies' transactions are usually denominated in Bulgarian levs, with the Bulgarian lev pegged to the euro, which reduces the potential currency volatility for these Group companies.

To control currency risk, a system has been introduced throughout the Group for planning imports, sales in foreign currency, as well as procedures for daily monitoring of movements in the US dollar exchange rate and control over upcoming payments. The exposure of almost all subsidiaries in Bulgaria to currency risk is insignificant, as almost all sales are made on the local market in Bulgarian leva. Imports of goods are mainly carried out in euros. Loans, when denominated in foreign currency, are mainly granted in euros.

The Group's assets and liabilities denominated in Bulgarian levs, presented in various foreign currencies, are as follows:

<i>September 30, 2025</i>	<i>in BGN BGN '000</i>	<i>in EUR BGN '000</i>	<i>in RSD BGN '000</i>	<i>in USD BGN '000</i>	<i>in UAH BGN '000</i>	<i>in BYN BGN '000</i>	<i>in RUB BGN '000</i>	<i>in other currenc y BGN '000</i>	<i>Total BGN '000</i>
Capital investments	1,329	-	-	5,441	-	-	-	-	6,770
Financial assets at amortized cost, including:	203,354	32,313	105,049	5,039	7,286	19,372	109,838	8,653	490,904
<i>Receivables and loans</i>	<i>196,219</i>	<i>30,482</i>	<i>103,745</i>	<i>4,525</i>	<i>1,151</i>	<i>18,747</i>	<i>98,543</i>	<i>4,840</i>	<i>458,252</i>
<i>Cash and cash equivalents</i>	<i>7,135</i>	<i>1,831</i>	<i>1,304</i>	<i>514</i>	<i>6,135</i>	<i>625</i>	<i>11,295</i>	<i>3,813</i>	<i>32,652</i>
Total financial assets	204,683	32,313	105,049	10,480	7,286	19,372	109,838	8,653	497,674

<i>September 30, 2025</i>	<i>in BGN BGN '000</i>	<i>in EUR BGN '000</i>	<i>in RSD BGN '000</i>	<i>in USD BGN '000</i>	<i>in UAH BGN '000</i>	<i>in BYN BGN '000</i>	<i>in RUB BGN '000</i>	<i>in other currenc y BGN '000</i>	<i>Total BGN '000</i>
Short-term and long-term bank loans	297,588	196,404	17,087	-	-	1	-	-	511,080
Other loans and liabilities	96,773	84,949	82,594	5,716	1,663	15,984	40,963	792	329,434
Lease liabilities	75,028	24,868	6,120	1,122	10	7,074	6,898	710	121,830
Total financial liabilities	469,389	306,221	105,801	6,838	1,673	23,059	47,861	1,502	962,344

<i>December 31, 2024</i>	<i>in BGN BGN '000</i>	<i>in EUR BGN '000</i>	<i>in RSD BGN '000</i>	<i>in USD BGN '000</i>	<i>in UAH BGN '000</i>	<i>in BYN BGN '000</i>	<i>in RUB BGN '000</i>	<i>in other currenc y BGN '000</i>	<i>Total BGN '000</i>
Capital investments	3,634	-	-	8,414	-	-	-	-	12,048

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Financial assets at amortized cost, including:	181,753	43,968	86,361	7,953	7,677	17,449	244	6,071	351,476
<i>Receivables and loans</i>	<i>172,561</i>	<i>31,889</i>	<i>81,395</i>	<i>7,339</i>	<i>2,187</i>	<i>16,000</i>	-	<i>4,379</i>	<i>315,750</i>
<i>Cash and cash equivalents</i>	<u>9,192</u>	<u>12,079</u>	<u>4,966</u>	<u>614</u>	<u>5,490</u>	<u>1,449</u>	<u>244</u>	<u>1,692</u>	<u>35,726</u>
Total financial assets	<u>185,387</u>	<u>43,968</u>	<u>86,361</u>	<u>16,367</u>	<u>7,677</u>	<u>17,449</u>	<u>244</u>	<u>6,071</u>	<u>363,524</u>

<i>December 31, 2024</i>	<i>in BGN</i> <i>BGN</i> <i>'000</i>	<i>in EUR</i> <i>BGN</i> <i>'000</i>	<i>in RSD</i> <i>BGN</i> <i>'000</i>	<i>in USD</i> <i>BGN</i> <i>'000</i>	<i>in UAH</i> <i>BGN</i> <i>'000</i>	<i>in BYN</i> <i>BGN</i> <i>'000</i>	<i>in RUB</i> <i>BGN</i> <i>'000</i>	<i>in other currency</i> <i>BGN</i> <i>'000</i>	<i>Total</i> <i>BGN</i> <i>'000</i>
Short-term and long-term bank loans	196,300	151,026	-	23,979	-	-	-	-	371,305
Other loans and liabilities	76,896	197,101	69,834	8,120	3,042	3,449	39,981	1,591	400,014
Lease liabilities	<u>68,295</u>	<u>26,486</u>	<u>4,167</u>	<u>1,437</u>	<u>25</u>	<u>8,743</u>	<u>-</u>	<u>394</u>	<u>109,547</u>
Total financial liabilities	<u>341,491</u>	<u>374,613</u>	<u>74,001</u>	<u>33,536</u>	<u>3,067</u>	<u>12,192</u>	<u>39,981</u>	<u>1,985</u>	<u>880,866</u>

Currency sensitivity analysis

The currency sensitivity of the Group's exposures is mainly related to the Ukrainian hryvnia, the Serbian dinar, and the Belarusian ruble. With respect to the other currencies in which the Group operates or in which certain companies of the Group operate—the Polish zloty, the US dollar, and the Kazakh tenge—the Group's currency risk is limited, as its exposures in these currencies are relatively small and more easily manageable by the management of the respective subsidiaries.

The effect of currency sensitivity at a 10% increase/decrease in the current exchange rates of the Bulgarian lev against the Serbian dinar, the Ukrainian hryvnia, the US dollar, the Belarusian ruble, the Russian ruble and overall to other currency exposures based on the structure of currency assets and liabilities as at 30 September and assuming that the impact of other variables is ignored, is measured and presented as an impact on the consolidated financial result after tax and on the Group's equity.

The impact for 2025 of a 10% increase/decrease in the exchange rates of the Serbian dinar, US dollar, Ukrainian hryvnia, Belarusian ruble, and Russian ruble against the Bulgarian lev on the Group's profit (after tax) is as follows:

	30.09.2025					30.09.2024				
	<i>RSD</i>	<i>USD</i>	<i>UAH</i>	<i>BYN</i>	<i>RUB</i>	<i>RSD</i>	<i>USD</i>	<i>UAH</i>	<i>BYN</i>	<i>RUB</i>
	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>	<i>BGN</i> <i>'000</i>
Financial result	(64)	328	460	(295)	4,648	2,188	(1,228)	521	(307)	19
Retained earnings	(64)	328	460	(295)	4,648	2,188	(1,228)	521	(307)	19

Other currencies mainly include: BGN 5,000 in Polish zlotys and BGN 2,832 thousand in Kazakhstani tenge net financial assets (as at 30 September 2024: BGN 4,235 thousand in Polish zlotys and BGN 2,346 thousand in Kazakhstani tenge net financial assets).

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With a 10% increase/decrease in the exchange rate of the Polish zloty and the Kazakh tenge against the Bulgarian lev, the final effect on the Group's profit (after tax) is:

	30.09.2025		30.09.2024	
	<i>PLN</i>	<i>30.09.2025</i>	<i>PLN</i>	<i>KZT</i>
	<i>BGN '000</i>		<i>BGN '000</i>	<i>BGN '000</i>
Financial result	405	227	343	188
Retained earnings	405	227	343	188

The effect on equity is of the same amount and in the direction of a decrease and is reflected in the component "retained earnings".

The Group analyzes its currency exposure and takes timely measures to reduce its impact on the Group's results.

Price risk

The companies in the Group are exposed to price risk for inventories from three main factors:

- a) a possible increase in the supply prices of raw materials and materials, insofar as a significant proportion of the raw materials used are imported and account for a substantial share of production costs;
- b) a possible increase in the supply prices of goods; and
- c) increasing competition on the Bulgarian pharmaceutical market, which is also reflected in the prices of medicines.

To minimize this impact, the Group's management is implementing a corporate strategy aimed at optimizing production costs, validating alternative suppliers offering favorable commercial terms, expanding the product range by developing new generic products for the market, and last but not least, a flexible marketing and pricing policy.

The pricing policy is a function of three main factors: cost structure, competitor prices, and consumer purchasing power.

The Group is exposed to significant price risk in relation to its shares classified as other long-term equity investments, mainly through the parent company. To this end, its management monitors and analyzes all changes in the securities market and uses the consulting services of one of the most reputable investment intermediaries in the country.

In addition, at this stage, management has decided to reduce operations on the stock markets, hold the purchased shares for a longer term while monitoring the financial and business indicators reported by the respective issuer, as well as the development of activities in the context of the crisis.

Liquidity risk

Liquidity risk is expressed in the negative situation where the Group is unable to meet all its obligations unconditionally as they fall due.

The Group generates and maintains a significant amount of liquid funds. The main source of liquid funds for the Group is the core business of its companies, which generates sufficient operating cash flows. External sources of financing are banks and other permanent partners. In order to isolate any potential overall

liquidity risk, the Group works with a system of alternative mechanisms for action and forecasts, the ultimate effect of which is to maintain good liquidity and, respectively, the ability to finance its business activities.

This is complemented by ongoing monitoring of asset and liability maturities, control over outgoing cash flows and ensuring their ongoing balance with incoming cash flows, including renegotiation of maturities and optimization of the debt structure, increasing and internally restructuring internally generated funds and investing them.

Maturity analysis

The Group's non-derivative financial liabilities are presented below, classified by residual maturity determined based on the agreed maturity at the date of the consolidated annual report. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the liability is due. The amounts include principal and interest.

Maturity analysis

<i>September 30, 2025</i>	<i>Up to 1 month</i> <i>BGN '000</i>	<i>from 1 to 3 months</i> <i>BGN '000</i>	<i>3 to 6 months</i> <i>BGN '000</i>	<i>from 6 to 12 m</i> <i>BGN '000</i>	<i>from 1 to 2 years</i> <i>BGN '000</i>	<i>from 2 to 5 years</i> <i>BGN '000</i>	<i>over 5 years</i> <i>BGN '000</i>	<i>Total</i> <i>BGN '000</i>
Short-term and long-term bank loans	123,394	11,506	74,955	138,919	77,153	66,926	40,752	533,605
Other loans and liabilities	167,986	121,968	13,115	15,578	1,307	10,223	-	330,177
Lease liabilities	2,317	4,888	7,247	14,512	26,706	53,793	29,292	138,755
Total liabilities	293,697	138,362	95,317	169,009	105,166	130,942	70,044	1,002,537

Maturity analysis

<i>December 31, 2024</i>	<i>Up to 1 m</i> <i>BGN '000</i>	<i>1 to 3 months</i> <i>BGN '000</i>	<i>3 to 6 months</i> <i>BGN '000</i>	<i>from 6 to 12 months</i> <i>BGN '000</i>	<i>from 1 to 2 years</i> <i>BGN '000</i>	<i>from 2 to 5 years</i> <i>BGN '000</i>	<i>over 5 years</i> <i>BGN '000</i>	<i>Total</i> <i>BGN '000</i>
Short-term and long-term bank loans	79,914	13,428	112,065	108,401	50,778	15,920	-	380,506
Other loans and liabilities	158,243	90,510	135,104	3,999	1,170	11,440	-	400,466
Lease liabilities	1,975	4,193	6,000	12,088	22,239	46,201	28,631	121,327
Total liabilities	240,132	108,131	253,169	124,488	74,187	73,561	28,631	902,299

Interest rate risk

In the Group's asset structure, interest-bearing assets are: cash, bank deposits, and loans granted, which have a fixed interest rate.

On the other hand, the funds raised by the Group in the form of long-term and short-term loans are usually at variable interest rates. This circumstance partially exposes the Group's cash flows to interest rate risk. This risk is hedged in two ways:

a) optimisation of the sources and structure of credit resources to achieve a relatively lower cost of funds raised; and b) a combined structure of the interest rates on the loans themselves, which contains two components – fixed and variable, the ratio between which, as well as their absolute value, is maintained at a favorable level for the companies in the Group. The fixed component has a relatively low absolute value and a sufficiently large relative share in the total interest rate. This circumstance eliminates the possibility of a significant change in interest rates in the event of a possible update of the variable component. This also minimizes the possibility of an unfavorable change in cash flows.

The management of the Group companies, together with that of the parent company, continuously monitors and analyzes the exposure of the respective company to changes in interest rates. Various scenarios of refinancing, renewal of existing positions, and alternative financing are simulated. Based on these scenarios, the effect on the financial result and equity is measured when there is a change of certain points or percentages. For each simulation, the same assumption of interest rate change is applied to all major currencies. The calculations are made for significant interest-bearing positions.

<i>Interest rate analysis September 30, 2025</i>	<i>non-interest- bearing BGN '000</i>	<i>with floating interest rate BGN '000</i>	<i>with fixed interest rate BGN '000</i>	<i>Total BGN '000</i>
Capital investments	6,770	-	-	6,770
Financial assets at amortized cost, including:	440,927	3,847	46,130	490,904
<i>Receivables and loans</i>	<i>426,481</i>	<i>15</i>	<i>31,756</i>	<i>458,252</i>
<i>Cash and cash equivalents</i>	<i>14,446</i>	<i>3,832</i>	<i>14,374</i>	<i>32,652</i>
Total financial assets	447,697	3,847	46,130	497,674

<i>Interest analysis September 30, 2025</i>	<i>Interest-free BGN '000</i>	<i>with floating interest rate BGN '000</i>	<i>with fixed interest rate BGN '000</i>	<i>Total BGN '000</i>
Short-term and long-term bank loans	-	485,132	25,948	511,080
Other loans and liabilities	329,432	-	2	329,434
Lease liabilities	-	6,501	115,329	121,830
Total financial liabilities	329,432	491,633	141,279	962,344

<i>Interest analysis December 31, 2024</i>	<i>Interest-free BGN '000</i>	<i>with floating interest rate BGN '000</i>	<i>with fixed interest rate BGN '000</i>	<i>Total BGN '000</i>
Capital investments	12,048	-	-	12,048
Financial assets at amortized cost, including:	295,205	12,915	43,356	351,476

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<i>Receivables and loans</i>	277,800	15	37,935	315,750
<i>Cash and cash equivalents</i>	17,405	12,900	5,421	35,726
Total financial assets	307,253	12,915	43,356	363,524

	<i>Interest-free</i>	<i>with floating interest rate</i>	<i>with fixed interest rate</i>	<i>Total</i>
Interest analysis				
December 31, 2024	BGN '000	BGN '000	BGN '000	BGN '000
Short-term and long-term bank loans	246	345,036	26,023	371,305
Other loans and liabilities	400,012	-	2	400,014
Lease liabilities	-	5,040	104,507	109,547
Total financial liabilities	400,258	350,076	130,532	880,866

The table below shows the Group's sensitivity to possible changes of 0.50 percentage points in the interest rate based on the structure of assets and liabilities as at 31 December and assuming that the impact of other variables is ignored. The effect is measured and presented as an impact on the financial result after tax and on equity.

<i>Increase/decrease in interest rate</i>	<i>Effect on the financial result and equity after tax profit/(loss)</i>	
	09/30/2025	09.30.2024
	BGN	BGN
Increase	(2,212)	(1,289)
Decrease	2,212	1,289

Capital risk management

Through capital management, the Group aims to create and maintain opportunities for it to continue operating as a going concern and to provide an appropriate return on the invested funds of shareholders, economic benefits to other stakeholders and participants in its business, as well as to maintain an optimal capital structure in order to reduce the cost of capital. A similar approach is applied at the level of each individual company in the Group with regard to its capital structure and financing.

The Group currently monitors the security and structure of its capital based on the debt ratio. This ratio is calculated as the ratio of net debt to total capital employed. Net debt is defined as the difference between all borrowed funds (short-term and long-term) as reported in the consolidated annual statement of financial position and cash and cash equivalents. The total amount of capital employed is equal to equity (including non-controlling interests) and net debt. A characteristic feature of both periods presented is that the Group finances its activities both from its own generated profits and by maintaining a certain level of trade and other short-term liabilities and loans (bank, trade). The parent company's management strategy is to maintain a ratio of 25-40% at the group level.

In 2024, the parent company implemented a large-scale investment program, as a result of which the debt ratio increased significantly compared to previous years.

The table below shows the debt ratios based on the capital structure:

30.09.2025	31.12.2024
BGN'000	BGN'000

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Total debt capital, including:	632,910	480,852
<i>Bank loans</i>	511,080	371,305
<i>Lease liabilities</i>	121,830	109,547
Less: cash and cash equivalents	(32,652)	(35,726)
Net debt capital	600,258	445,126
Total equity attributable to the group	981,357	843,103
Total capital attributable to the group	1,581,615	1,288,229
Debt ratio	0.38	0.35

The liabilities shown in the table above are disclosed in *Notes 28, 31, and 35*.

Fair value measurement

The concept of fair value implies the realization of financial instruments through sale, based on the position, assumptions, and judgments of independent market participants in the primary or most advantageous market for a given asset or liability. In most cases, however, particularly with regard to trade receivables and payables, loans and bank deposits, the Group expects to realize these financial assets through their full repayment or redemption over time. Therefore, they are presented at their amortized cost.

Also, a large portion of financial assets and liabilities are either short-term in nature (trade receivables and payables, short-term loans) or are reflected in the consolidated annual statement of financial position at market value (bank deposits, investments in securities, variable-rate loans) and therefore their fair value is approximately equal to their carrying amount.

For fixed-rate receivables and loans, the methodology used to determine the fair value uses the Group's current observations of market interest rates as a starting point for the calculations.

As there is still no sufficiently developed market with stability and liquidity for the purchase and sale of certain financial assets and liabilities, there are no sufficient and reliable market price quotations available for them, and therefore other alternative valuation methods and techniques are used.

The management of the parent company believes that, under the circumstances, the valuations of financial assets and liabilities presented in the statement of financial position are as reliable, adequate, and credible as possible for the purposes of financial reporting.

44. RELATED PARTY TRANSACTIONS

<i>Related parties</i>	<i>Type of relationship</i>	<i>Period of relationship</i>	
Telekomplekt Invest AD	Company with significant influence	2025	2024
Donev Investments Holding AD		2025	2024
Momina Krepost AD	Joint venture	2025	2024
Sopharma Properties REIT	Associated company	2025	2024

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Doverie Obedinen Holding AD	Associated company	2025	2024
Sopharma Buildings REIT	Associated company	2025	2024
Farma Nova D.O.O.	Associated company	-	Until 12.08.2024
ODO Alenfarm-plus	Associated company	2025	From 10 July 2024
GalenaPharm LLC	Associated company	2025	From 10.07.2024
ODO Mezel	Associated company	2025	From 10.07.2024
ZAO Interpharm Company	Joint venture	2025	From 10.07.2024
BOOO SpetsAfarmatsiya	Joint venture	-	From 10.07.2024 to 31.12.2024
Companies from the DOX Group	Companies controlled by an associated company	2025	2024
Sofprint Group AD	Company related through key management personnel	2025	2024
Sofconsult Group AD	Company linked through key management personnel	2025	2024
VES Elektroinvest Systems EOOD	Company linked through key management personnel	2025	2024
Eco Solar Invest OOD	Company linked through key management personnel	2025	2024
Alfa In EOOD	Company linked through key management personnel	2025	2024
Consumfarm EOOD	Company linked through key management personnel	2025	2024
DZZD "Veterinary Diagnostics"	Civil partnership for joint activities (direct participation)	2025	2024
DZZD "Sopharma Trading Global Medical 2024"	Civil partnership for joint activities (indirect participation)	2025	From 04.09.2024
Pharmalogistica AD	Company linked through key management personnel	2025	From 19.12.2024
DZZD "Sopharma Trading Global Medical 2025"	Civil partnership for joint activities (indirect participation)	From 27.06.2025	-

	January 1 - September 30, 2025	January 1 - September 30, 2024
Supplies from related parties	BGN '000	BGN '000

Supplies of inventories from:

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Companies related through key management personnel	7,959	8,545
Joint ventures	156	216
Associates	78	3,048
Companies controlled by an associated company	45	43
	8,238	11,852

Services provided by:

Associated companies	523	421
Shareholder companies with significant influence	393	511
Companies controlled by an associated company	335	1,032
Companies related through key management personnel	87	98
Joint ventures	12	5
	1,350	2,067

Supplies of fixed assets from:

Companies controlled by an associated company	2,424	2,205
	2,424	2,205

Other supplies from:

Companies controlled by an associated company	78	244
	78	244

Accrued dividends to:

Shareholder companies with significant influence	8,074	9,034
Key management personnel	1,356	1,521
	9,430	10,555
Total supplies	21,520	26,923

Sales to related parties

Sales of inventories to:

Associated companies	29,954	8,040
Companies related through key management personnel	672	1,009
Companies controlled by an associated company	145	239
Joint ventures	-	2,287
	30,771	11,575

Sales of services to:

Associated companies	182	6
Joint ventures	60	-

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Companies controlled by an associated company	20	8
Companies linked through key management personnel	6	162
	268	176

Interest on loans granted:

Joint ventures	77	66
Companies controlled by an associate	2	703
	97	769

Interest on assignment agreements:

Joint ventures	95	95
	95	95
	31,231	12,615

Lease agreements

During the reporting period, the company recognized assets, liabilities, expenses, and payments related to ***lease agreements with related parties***.

Lease liabilities as at 30 September in connection with lease agreements with related parties are as follows:

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Lease liabilities recognized as at January 1	22,360	19,626
Increases	451	5,789
Lease payments for the period	(2,542)	(3,055)
Lease liabilities as at 30 September / 31 December	20,269	22,360

The right-of-use assets as at 30 September in relation to lease agreements with related parties are as follows:

	30.09.2025	31.12.2024
	BGN '000	BGN '000
Right-of-use assets as at 1 January	21,686	19,323
Increases	330	6,330
Accrued depreciation	(2,675)	(3,321)
Written-off carrying amount of assets right of use	(18)	(646)
Right-of-use assets as at 30 September / 31 December	19,323	21,686

Settlements with related parties are disclosed in *Notes 20, 24, 29, and 37*.

The composition of the Group's key management personnel includes the CEO and members of the Board of Directors of the parent company disclosed in Note 1.1.

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The remuneration and other income of the key management personnel and the executive directors, members of the Board of Directors and managers of the Group's subsidiaries amounted to BGN 2,954 thousand (2024: BGN 2,730 thousand), including:

- current remuneration – BGN 1,998 thousand (2024: BGN 1,945 thousand);
- bonuses – BGN 956 thousand (2024: BGN 785 thousand).

45. EVENTS AFTER THE END OF THE REPORTING PERIOD

On October 24, 2025, three prospectuses for the initial public offering of warrants by Sopharma AD were submitted to the Financial Supervision Commission for review and approval, as follows:

- Three-year issue – 8,985,960 warrants with an issue price of BGN 0.27 per warrant. The exercise price is BGN 3.60, with a minimum issue success threshold of 1,797,192 warrants. The term during which the right may be exercised is three years;
- Five-year issue – 8,985,960 warrants with an issue price of BGN 0.27 per warrant. The exercise price is BGN 4.56, with a minimum issue success threshold of 1,797,192 warrants. The term during which the right may be exercised is five years;

Seven-year issue – 8,985,960 warrants with an issue price of BGN 0.27 per warrant. The exercise price is BGN 5.70, with a minimum issue success threshold of 1,797,192 warrants. The term during which the right may be exercised is seven years.

On October 27, 2025, the parent company entered into a preliminary agreement for the sale of a separate part of its commercial enterprise related to the production and trade of veterinary medicinal products and laboratory testing of food and biological products. The transfer of ownership may only be carried out after receiving prior approval for the sale transaction by a resolution of the General Meeting of Shareholders.

There are no significant events that occurred after September 30, 2025, that require additional adjustments and/or disclosures in the consolidated financial statements as of September 30, 2025.