INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2012

NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS:

1. BACKGROUND INFORMATION ON THE COMPANY

Sopharma AD is a trade company registered in Bulgaria with a seat and address of management at 16, Iliensko Shousse Str., Sofia.

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

1.1. Ownership and management

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

The structure of Company's joint-stock capital as at 30 September 2012 is as follows:

	%
Donev Investment Holding AD	24.58
Telecomplect Invest AD	20.42
Financial Consulting Company EOOD	16.24
Universal Pension Fund Doverie	6.72
Other legal persons	28.27
Physical persons	3.77

Sopharma AD has a one-tier management system with a five-member Board of Directors as follows:

Ognian Donev, PhD	Chairman
Vessela Stoeva	Member
Ognian Palaveev	Member
Alexander Tchaushev	Member
Andrey Breshkov	Member

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

The average number of Company's personnel was 1,865 workers and employees as at 30 September 2012 (2011: 1,848).

1.2. Principal activities

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

- production and trade in medicinal substances and finished medicine forms;
- research and development activities in the field of medicinal products.

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the individual financial statements

The individual financial statements of Sopharma AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2011 and have been accepted by the Commission of the European Union.

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

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2012, has not resulted in changes in Company's accounting policies, except for some new disclosures and expanding of those already established, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

At the date when these financial statements were approved for issue, there had been several new standards, amended/revised standards and interpretations issued but not yet in force for annual periods beginning on or after 1 January 2012, which were not adopted by the Company for early application. The management has judged that out of them the following are likely to have a potential impact in the future resulting in changes in the accounting policies and the financial statements of the Company for subsequent periods.

- *IAS 19 (amended) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* The amendment changes the accounting for defined benefit plans and termination benefits. The fundamental change is the elimination of the 'corridor' approach and the introduction of the rule that all subsequent remeasurements (referred to so far as actuarial gains or losses) of defined benefit obligations and plan *assets* shall be recognized when occurred in a component of 'other comprehensive income', as well as the accelerated recognition of past service costs.
- *IAS 27 (as revised in 2011) "Individual Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* The standard was reissued with a changed title as the part of it referring to consolidated financial statement was entirely separated in a new standard – IFRS 10 "Consolidated Financial *Statements*". Thus the standard now includes only the rules on accounting for investments in subsidiaries, associates and joint ventures at the level of individual financial statements.
- *IFRS 9 (issued in November 2009 and October 2010) "Financial Instruments: Classification and Measurement" (in force for annual periods beginning on or after 1 January 2013 and revised*

effective date – for annual periods beginning on or after 1 January 2010 – not endorsed by EC). This standard replaces parts of IAS 39 by establishing principles, rules and criteria for the classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. *It* introduces a requirement that financial assets are to be classified based on entity's business model for their management and the contractual cash flow characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortized cost and fair value. The new rules will lead to possible changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated as at fair value through current profit or loss (for credit risk).

- *IFRS 10 "Consolidated Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC). This standard replaces a significant part of IAS 27 ("Consolidated and Individual Financial Statements") and SIC-12 ("Consolidation - Special Purpose Entities").* Its main objective is to establish the principles and methods for the preparation and presentation of financial statements when an entity controls one or more other entities. It gives a new definition of control that contains three elements and establishes control as the *sole* basis for consolidation. The standard also sets out the main mandatory rules for the preparation of consolidated financial statements.

- *IFRS 12 "Disclosing of Interest in Other Entities" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* This standard introduces obligations for disclosure in the financial statements and requirements to the *information* included therein with regard to all forms of interests of the reporting entity in other companies and entities, including both the effects and the risks of those interests.

- *IFRS 13 "Fair Value Measurement" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC);* This standard establishes a single source of methodological guidance by providing a precise definition of 'fair value', rules and methods for its measurement as well as more extensive disclosure requirements for fair value and its *measurement* for the purposes of all IFRSs. It applies to both financial instruments and non-financial assets and liabilities when fair value is required or permitted by IFRS.

Additionally, with regard to the listed below new standards, amended/revised standards and new interpretations that have been issued but not yet effective, the management has judged that they are unlikely to have potential impact resulting in changes in the accounting policies and the financial statements of the Company:

- *IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* The title of the standard has been changed and the standard sets out rules for application of the equity method when accounting for investments in associates as well as in joint ventures, which were previously *included* in the scope of IAS 31 "Interests in Joint Ventures" in line with the new IFRS 11 and IFRS 12. IAS 31 becomes inapplicable starting from 1 January 2013.

- *IAS 32 (amended) "Financial Instruments: Presentation" (in force for annual periods beginning on or after 1 January 2014 – not endorsed by EC)* – regarding the offsetting of financial assets and financial liabilities. These amendments relate to a clarification as to the application of the rules on offsetting financial instruments. They are mainly in four directions: (a) *clarification* of the meaning of 'current legally enforceable right of set-off'; (b) the application of the simultaneous realization and settlement criterion; (c) offsetting of cash provided as collateral; (d) the unit of account for the application of the offsetting requirements.
- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the offsetting of financial assets and financial liabilities (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* These amendments are related to the enhanced disclosures for all financial instruments, which will be netted (offset) in accordance with IAS 32 (par. 42) as well as additional arrangements for offsetting outside the scope of IAS 32.
- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2015 – not endorsed by EC).*
- *IFRS 11 "Joint Arrangements" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* This standard replaces IAS 31 "Interests in Joint Ventures", including SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". It introduces only two types of joint arrangements – joint operations and joint ventures – whereas the classification criterion used is not the legal form but rather the rights and obligations of each party to an arrangement, i.e. whether they represent rights to the assets and liabilities and respectively, to the *expenses* and revenue from the joint arrangement (joint operation) or rights to the net assets of the joint arrangement (joint venture). The standard removes the option for proportionate consolidation and requires application of the equity method for consolidation of jointly controlled entities.
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* This interpretation provides clarifications regarding the differentiation of the accounting treatment of the *costs* of mine waste materials removal (stripping) for the purposes of production and the costs of improved access to further quantities of material that will be mined in future periods.

The financial statements have been prepared on a historical cost basis except for property, plant and equipment, investment property and available-for-sale financial instruments, which are measured at revalued amount and respectively, at fair value.

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

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.27.

2.2. Consolidated financial statements of the Company

The Company started the process of preparation of its consolidated financial statements for the period January – September 2012 in accordance with IFRS effective for year 2012 whereas these individual financial statements will be included therein. In accordance with the planned dates, the management expects that the consolidated financial statements will be issued not later than 30 November 2012 and after this date the financial statements will be publicly made available to third parties.

2.3. Comparatives

The accompanying financial statements of the Company include comparative information for one prior year.

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

2.4. Functional currency and recognition of exchange differences

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

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

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

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

2.5. Revenue

Revenue is recognized on accrual basis and to the extent and in the way the economic benefits will flow to the Company and respectively, the business risks are born thereby, and as far as revenue can be reliably measured.

Upon sale of finished products, goods and materials, revenue is recognized when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognized by reference to the stage of completion of the transaction at the balance sheet date, if this stage as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the products, goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

Net foreign exchange differences related to cash, trade receivables and payables, denominated in foreign currency, are recognized in the statement of comprehensive income (within profit or loss for the year) when they arise and are presented net under 'other operating income/(losses)'.

Revenue from revaluation of investment property to fair value is presented in the statement of comprehensive income (within profit or loss for the year) on the line 'other operating income/(losses)'. Revenue from investment property leased-out under the terms of operating lease is also accounted for under this item.

Upon sale on an instalment plan, revenue is recognized on the date of sale, excluding the incorporated interest.

Finance income is presented separately on the face of the statement of comprehensive income (within profit or loss for the year) and is comprised of interest income on granted loans and term deposits, gains from investment transactions in available-for-sale securities and/or investments in subsidiaries and associates, including dividends, foreign exchange net gains from revaluation of loans to foreign currency.

2.6. Expenses

Expenses are recognized as they are incurred, following the accrual and matching concepts, to the extent that this would not cause recognition of assets and liabilities that do not the relevant definitions under IFRS.

Deferred expenses are put off and recognized as current expenses in the period when the contracts, whereto they refer, are performed.

Losses from revaluation of investment property to fair value are presented in the statement of comprehensive income (within profit or loss for the year) on the line 'other operating income/(losses)'.

Finance costs are presented separately in the statement of comprehensive income (within profit or loss for the year) and are comprised of interest expenses under loans received, bank fees and charges under loans and guarantee, foreign exchange net loss from loans in foreign currencies, expenses/losses from investments available-for-sale securities and/or investments in subsidiaries and associates.

2.7. Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are presented at revalued amount reduced by the accumulated depreciation and impairment losses in value.

Initial acquisition

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

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

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

Subsequent measurement

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the revaluation model under IAS 16, i.e. measurement at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Subsequent costs

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

Depreciation methods

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

The useful life per group of assets is as follows:

- buildings – 20-70 years;
- road facilities - 20 years;
- machinery and equipment – 7 - 15 years;
- installations - 7 - 10 years;
- computers – 2 -5 years;
- motor vehicles – 7 - 17 years;
- furniture and fixtures – 6-7 years.

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

Impairment of assets

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

Gains and losses on disposal (sale)

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

2.8. Biological assets

Biological assets are measured at fair value less the estimated costs to sell. They are comprised of perennial plants.

The fair value of biological assets is determined on the basis of their present location and condition based on a price quoted in an active market. Gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and changes in fair value less estimated costs to sell is recognized in the statement of comprehensive income (within profit or loss for the year) in the period in which it arises and is presented in 'other operating income/(losses), net'. When the fair value of a biological asset cannot be reliably measured, it is measured at cost less accumulated depreciation or impairment losses. Subsequently, when the fair value of this biological asset becomes reliably measurable, the Company changes its approach and switches to measuring the asset at fair value less the estimated costs to sell.

2.9. Intangible assets

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

The Company applies the straight-line amortization method for the intangible assets with determined useful life from 5 -10 years.

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

Intangible assets are derecognized from the balance sheet when they are permanently disposed of and no future economic benefits are expected from their use or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net under 'other operating income/(losses), net' in the statement of comprehensive income (within profit or loss for the year).

2.10. Investment property

Investment property is property lastingly held by the Company to earn rentals and/or for capital appreciation. They are presented in the statement of financial position at fair value. Gains or losses arising from a change in the fair value of investment property are recognized in the statement of comprehensive income (within profit or loss for the year) as 'other operating income/(losses), net' for the period in which they arise. The income gained on investment property is presented in the same item.

Investment property is derecognized from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of investment property are determined as the difference between the disposal proceeds and the carrying amount of the asset at the date of sale. They are presented under ‘other operating income/(losses), net’ in the statement of comprehensive income (within profit or loss for the year).

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

2.11. Investments in subsidiaries and associates

Long-term investments representing shares in subsidiary or associate companies are presented in the financial statements at acquisition cost (cost) being the fair value of the consideration paid for the investment including any directly attributable costs incurred on the acquisition less accumulated impairment.

Most of these investments are not traded in a stock exchange or the sales of shares in a stock exchange are of minimum amount. This circumstance does not provide opportunity for ensuring active market price quotations in order to determine reliably and directly the fair value of these shares.

The investments of the Company in subsidiaries and associates are subject to review for impairment. Where conditions for impairment are identified, the impairment is recognized in the statement of comprehensive income (within profit or loss for the year) (Note 2.27).

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

Investments are derecognized when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control over the economic benefits from the respective specific type of investments are being lost. The gains or losses on the sale are presented respectively as ‘finance income’ or ‘finance costs’ in the statement of comprehensive income (within profit or loss for the year).

2.12. Available-for-sale investments

Initial measurement

Available-for-sale investments (financial assets) are initially recognized at cost, being the fair value of the consideration given including the direct expenses associated with the investment (financial asset) acquisition (Note 2.23).

Subsequent measurement

Company's investments (financial assets) representing shares in public companies traded in a stock exchange are subsequently measured at fair value commonly determined based on the average prices of realized transactions for the last month of the year unless the Company trades in an insignificant package of these companies' capital and/or has strongly limited volume of transactions with them – then the stock exchange prices are adjusted with the values obtained by applying other valuation methods and prices of similar instruments, including in other capital markets. (Note 2.27).

The effects of subsequent revaluation of securities to fair value are presented in a separate component of the statement of comprehensive income (within other comprehensive income) and recognized in the statement of comprehensive income (within profit or loss for the year) on disposal (sale) of the respective investment by being stated as 'finance income' or 'finance costs'.

Company's investments (financial assets) representing shares in other companies (minority interest), which are not traded in an active market and no market price quotations are available for them while the assumptions for the application of alternative valuation methods are related to high uncertainty in respect of achieving a reliable fair value determination, are measured and presented at cost (Note 2.23).

The available-for-sale investments (financial assets) of the Company are reviewed for impairment at the end of each reporting period and if conditions for permanent impairment are identified, the latter is recognized in the statement of comprehensive income (within profit or loss for the year) under 'finance costs'.

Where conditions for impairment are identified, the latter is determined as the difference between the carrying amount and the recoverable value of the investment and is recognized in the statement of comprehensive income (within profit or loss for the year) unless a positive reserve for this investment was formed in prior periods – then the impairment is at first covered at the account of this reserve and is presented net in the statement of comprehensive income (within other comprehensive income).

When shares are written-off due to sale, the Company uses the method of weighted average price determined at the end of the month in which write-off is made.

Any purchase or sale of available-for-sale investments (financial assets) is recognized on the trade date, i.e. the date when the Company undertakes the engagement to buy or sell the asset.

2.13. Inventories

Inventories are valued at the lower of acquisition cost (cost) and net realizable value.

Expenses, incurred at bringing certain product to its current condition and location, are included in the acquisition cost (cost) as follows:

- raw materials, materials in finished form and goods – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials and goods ready for usage/sale;

- finished products and work in progress – cost of direct materials and labour and the attributable proportion of the manufacturing overheads, based on normal operating capacity of production facilities, but excluding administrative expenses, exchange rate gains and losses and borrowing costs.

The inclusion of fixed production overheads in the cost of finished and semi-finished products is based on normal production capacity. The Company has chosen to allocate the fixed production overheads to produced items by using direct labour, based on set labour standards.

Upon putting into production (sale) of inventories, the Company applies the weighted average cost method.

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

2.14. Trade and other receivables

Trade receivables are recognized and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.23).

An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available. Impairment of trade receivables is being accrued through a respective corresponding allowance account for each type of receivable in the item ‘other expenses’ on the face of the statement of comprehensive income (within profit or loss for the year).

2.15. Interest-bearing loans and other financial resources granted

All loans and other financial resources granted are initially recognized at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, net of the direct costs related to these loans and granted resources. After the initial recognition, the interest-bearing loans and other granted resources are subsequently measured at amortized cost by applying the effective interest rate method. Amortized cost is calculated by taking into account all types of charges, commissions, and other costs, associated with these loans. Gains and losses are recognized in the statement of comprehensive income (within profit or loss for the year) as finance income (interest) or costs throughout the amortization period, or when the receivables are settled, derecognized or reduced.

Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to collect its receivable within a term of more than 12 months after the end of the reporting period (Note 2.23).

2.16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, with original maturity of less than three months (Note 2.23).

For the purposes of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest on received investment purpose loans is reported as payments for financial activities while the interest on working capital loans related to current activities is included in the operating activities;
- short-term (up to 3 months) blocked cash is treated as cash and cash equivalents;
- on the existence of bank deposits with original maturity of up to three months they are treated as cash and cash equivalents while the interest received thereon are included in the cash flows from investing activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented on the line ‘Taxes paid’ while that paid on assets purchased from local suppliers is presented as ‘cash paid to suppliers’ in the cash flows from operating activities as far as it represents a part of the operating flows of the Company and is recovered therewith in the respective period (month).

2.17. Trade and other payables

Trade and other current amounts payable are carried at original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for goods and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.23).

2.18. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognized at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured at amortized cost by applying the effective interest rate method. The amortized cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement associated with these loans. Gains and losses are recognized in the statement of comprehensive income (within profit or loss for the year) as finance costs (interest) or income throughout the amortization period, or when the liabilities are derecognized or reduced (Note 2.23).

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

2.19. Capitalization of borrowing costs

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

The amount of borrowing costs eligible for capitalization to the value of a qualifying asset is determined by applying a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

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

2.20. Leases

Finance lease

Lessee

Finance leases, which transfer to the Company a substantial part of all risks and rewards incidental to ownership of the leased property, plant and equipment, are recognized as assets in the statement of financial position of the lessee and are presented as leased item of property, plant and equipment at their immediate sale price or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between the finance cost (interest) and the attributable portion (reduction) of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. Interest expense is included in the statement of comprehensive income (within profit or loss for the year) as finance costs (interest) based on the effective interest rate.

Assets acquired under finance lease are depreciated on the basis of their useful economic life and within the lease term.

Lessor

Finance lease where a substantial portion of all risks and rewards incidental to the ownership of the leased asset is transferred outside the Company, is written-off from the goods of the lessor and is presented in the statement of financial position as a receivable at an amount equal to the net investment in the lease. The net investment in the lease agreement represents the difference between the total amount of minimum lease payments under the finance lease agreement and the non-guaranteed residual value, accrued for the lessor and the non-earned financial income. The difference between the carrying amount of the leased asset and the immediate (fair selling) value is recognized in the statement of comprehensive income (within profit or loss for the year) in the beginning of the lease term (when the asset is delivered) as sales income.

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

Operating lease

Lessee

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases. Therefore, the asset is not included in the statement of financial position of the lessee.

Operating lease payments are recognized as expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

Lessor

Lessor continues to hold a significant part of all risks and rewards of ownership over the said asset. Therefore the asset is still included in its tangible fixed assets while its depreciation for the period is included in the current expenses of the lessor.

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

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

The employment and social security relations with the employees of Sopharma AD are based on the provisions of the Labour Code and the effective social security legislation.

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

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

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

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognized as an expense in the statement of comprehensive income (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Company's obligations for social security and health insurance are recognized as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

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

Long-term retirement benefits

In accordance with the requirements of the Labour Code, the employer is obliged to pay to its personnel upon retirement an indemnity, which depending on the length of service at the entity varies between two and six gross monthly salaries as at the termination date of the employment. In their nature these are defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they are included in the statement of financial position, adjusted with the amount of the unrecognized actuarial gains and losses, and respectively, the change in their value including the recognized actuarial gains and losses is included in the statement of comprehensive income (within profit or loss for the year).

Past service costs are recognized immediately in the statement of comprehensive income (within profit or loss for the year).

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

Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments. Those exceeding the 10% corridor of the present value of the defined benefit obligations as at the end of the year are recognized immediately in the statement of comprehensive income (within profit or loss for the year) for the period in which they arise.

The changes in the amount of Company's liabilities to personnel for indemnities upon retirement, including the interest from unwinding of the present value and the recognized actuarial gains or losses, are recognized as employee benefits expense in the statement of comprehensive income (within profit or loss for the year).

Termination benefits

In accordance with the provisions of the Labour Code, the Company in its capacity of employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

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

2.22. Share capital and reserves

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

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

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

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

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

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

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

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

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

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

Available-for-sale financial assets reserve is being set aside from the difference between the carrying amount of the available-for-sale financial assets and their fair values at the revaluation date. This reserve is transferred to current profit and loss in the statement of comprehensive income (within profit or loss for the year) when the financial assets are disposed of (sold) by the Company and/or on identified permanent impairment of particular financial assets.

2.23. Financial instruments

2.23.1. Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale assets. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of the financial assets of the Company at the time of their initial recognition on the statement of financial position.

The Company usually recognizes its financial assets in the statement of financial position on the trade date, being the date on which the Company commits to purchase the respective financial assets. All financial assets are measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognized from the Company's statement of financial position when the rights to receive cash from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognize the transferred asset in its statement of financial position but also recognizes a secured liability (a loan) for the consideration received.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the statement of financial position at their amortized cost using the effective interest method less any allowance for impairment. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are carried as non-current assets.

This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the statement of financial position (Notes 2.14, 2.15 and 2.16). Interest income on loans and receivables is recognized by applying the effective interest rate except for short-term receivables (less than three months) where the recognition of such interest would be unjustifiable as immaterial and within the common credit terms. It is presented in the statement of comprehensive income (within profit or loss for the year) under the item 'finance income'.

At the date of each statement of financial position, the Company assesses whether events and circumstances have occurred that indicate the existence of objective evidence necessitating loans and receivables to be impaired (Note 2.27).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are either acquired for the purpose of being sold or are not classified in any other category. These are usually shares or interests in other companies, acquired for investment purposes (available-for-sale investments), and are included within non-current assets, except where the Company intends to sell them in the following 12 months and is actively searching for a buyer (Note 2.12).

Available-for-sale financial assets are measured at

- fair value for companies whose shares are quoted in a stock exchange. The fair value of these assets is determined by applying average stock exchange bid price commonly for the last month at the date of the statement of financial position unless only an insignificant package of the capital of these companies is being traded and/or the volume of transactions with them is very limited – then stock exchange prices are adjusted by applying other valuation methods (Note 2.27), or as an exception,
- at acquisition cost for closed-end companies for which it is difficult to find analogous market transactions data or due to the circumstance that the future operation of these companies is related to

certain doubts so that reasonable and justifiable long-term assumptions are not possible for the calculation of the fair value of their shares through other alternative valuation methods.

The effects, gains or losses, of revaluation to fair value of the available-for-sale investments are included in the statement of comprehensive income (within other comprehensive income) under the item ‘net change in fair value of available-for-sale financial assets’ and are accumulated to a separate equity component – ‘available-for-sale financial assets reserve’.

Where subsequent permanent impairment is identified or on sale of an available-for-sale investment, the amount of impairment and all previously accumulated losses (net) to the reserve are recognized in the statement of comprehensive income (within profit or loss for the year) as ‘finance costs’ Analogously, on each sale of investment of this type, the unrealized gains accumulated in the reserve are recognized in the statement of comprehensive income (within profit or loss for the year) as ‘finance income’.

The recycling of accumulated effects from change in the fair value of available-for-sale investments are presented with other comprehensive income (in the item ‘net change in fair value of available-for-sale financial assets’), net of those resulting from new revaluations for the period.

Dividends on shares, classified as available-for-sale financial assets, are recognized in the statement of comprehensive income (within profit or loss for the year) when the Company’s right to receive the dividends is established.

The available-for-sale investments are reviewed at each date of the statement of financial position for events or circumstances indicating the existence of objective evidence for impairment of a particular financial asset or group of assets. Financial assets are impaired if their carrying amount is higher than the expected recoverable amount. The recognized impairment loss is equal to the difference between the acquisition cost less the repayments and their recoverable amount, which is accepted to be equal to the present value of the expected future cash flows, discounted at the current interest rate or through the yield for similar financial assets.

2.23.2. Financial liabilities and equity instruments

The Company classifies debt and equity instruments either as financial liabilities or as equity in accordance with the substance of the contractual arrangements with the respective counterparty regarding these instruments.

Financial liabilities

Financial liabilities include loans and payables to suppliers and other counterparts. They are initially recognized on the balance sheet at fair value net of the directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method (Notes 2.17, 2.18, 2.20).

2.24. Income taxes

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2012 was 10 % (2011: 10%).

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset will be realized or the liability will be settled (paid), based on the tax laws that are enacted or substantively enacted.

As at 30 September 2012, the deferred income taxes were computed at a tax rate of 10 % (30 December 2011: 10 %).

2.25. Earnings per share

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

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

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

Diluted earnings per share are not calculated because no dilutive potential ordinary shares have been issued.

2.26. Segment reporting

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

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

Information by operating segments

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

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

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

The results of the operations regarded as accidental ones compared to the main types of operations (activities) of the Company as well as revenue, expenses, liabilities and assets that are not subject to allocation are stated separately in the item 'total at Company level'. In general, these amounts include: other operating income unless originating from the operation of a particular segment, administrative expenses, interest income and expenses, realized and unrealised gains and losses from foreign currency transactions and investments, investments in other companies, trade and other receivables, trade payables and loans received, tax accounts, general-purpose production and administrative equipment.

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

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

Inventories

Normal capacity

The normal production capacity of the Company is determined on the grounds of the monthly weighted average man-hours worked-out in three consecutive reporting periods (years) individually for each type of production and each workshop.

Allowance for impairment

At the end of each financial year, the Company reviews the state, useful life and usability of the existing inventories. Where inventories are identified that are potentially likely to not be realized at their current carrying amount in the following reporting periods, the Company impairs the inventories to net realizable value.

Actuarial calculations

Calculations of certified actuaries have been used when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor (Note 29).

Revaluation of property, plant and equipment

As at 31 December 2011, the Company performed an overall review and assessment for price changes of property, plant and equipment with the assistance of independent certified appraisers.

The following two major approaches and valuation methods were used in these revaluations to measure the fair value of the different types of tangible fixed assets:

- 'Market-based approach' through the 'market analogues method' – with regard to land and buildings for which actual market were available, analogous properties and deals with them were observed and basis for comparison existed and their market value determined by the comparative method was accepted as fair value;
- 'Approach based on the real value of assets' through the 'method of amortized recoverable amount' – for special-purpose buildings for which there was not available actual market and comparative sales of analogous assets – their amortized recoverable amount was accepted as their fair value and under the hypothesis of their common use in technologically-related production business process (including timeline) and taking into account: physical ware, functional and economic impairment.

As a result of the assessment performed, a revaluation reserve at the amount of 2,706 thousand BGN was recognized net of impairment (Note 13).

The main information sources, used for fair value calculation, assumptions and assessment, with regard to fair values cover: internal data and opinion of Company's management on the functional status of assets, level of capacity utilization, intention for sale of specific assets, general repairs performed, perspectives for assets utilization, public information on the financial, technical and operative status of the Company during the last five years, published prices of realized transactions on real estate markets, information of realized or quoted transactions for sale and purchase of similar assets (Note 13).

Impairment of investments in subsidiaries

The management makes an assessment about whether indicators for impairment exist in respect of its investments in subsidiaries and associates. The following are accepted as main indicators for impairment: significant volume reduction (over 25%) or termination of activities of the subsidiary where investments have been made; reporting of losses for a longer period of time (over three years) as well as reporting of negative net assets or assets below the registered share capital. The calculations were made by the management with the assistance of independent certified appraisers. As a base for projected pre-tax cash flows, the Company uses financial budgets developed by the respective companies that cover a 4-year period, as well as other average-term and long-term plans and intents for their development, including projections for basic economic ratios at national level and at the level of EU/the Balkans. The key assumptions used in the calculations of recoverable value as at 31 December 2011 are as follows:

- growth rate – from 2% to 27%;
- discount rate (based on WACC) – from 9.4 % to 16.1 %.

The discount rate is determined specifically for each company by year and in line with its specific operations, business environment and risks.

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

Subsequent measurement of available-for-sale investments (financial assets) to fair value and treatment of the results of negative revaluation

As at 31 December 2011, the Company made a detailed comparative analysis of the changes and movements of stock-exchange prices in the national stock market with regard to the shares in public companies held thereby.

With regard to the investments in companies whose shares are registered for trading in the Bulgarian Stock Exchange, the management performed research and analysis and is of the opinion that the stock prices are not sufficiently directly indicative for the fair value of the respective securities mainly because of the still significantly decreased volumes. This circumstance lead to its decision to change the valuation approach applied by 31 December 2008 – from direct stock (unadjusted) average prices of realized deals in the stock market for the last month of the financial year (Level 1) to adjusted stock prices (Level 2). The calculations for these adjusted stock prices were made by the management with the assistance of independent certified appraisers using for the purpose share prices of other entities with similar characteristics, quoted on the Bulgarian Stock Exchange and/or other foreign analogous stock exchanges (Notes 14 and 19).

For investments in companies whose shares are registered for trade in foreign stock exchanges and traded in sufficient volume of transaction in the capital market, it was accepted that they can be subsequently measured at fair value determined directly on the basis of average prices of realized deals in the stock exchange in the last month of the financial year (Level 1). The applied prices were additionally analysed for trends in the behaviour of stock prices of the respective securities at least for the last three months of the year and respectively, to the date of issue of the financial statements. (Notes 14 and 19).

The management also used mandatory alternative valuation methods for additional confirmation of the applied value as fair value for both years.

Specific analysis was also made with regard to all investments in available-for-sale securities of the behavioural graph of their stock exchange prices and the fair values determined by alternative valuation methods for a period of 18 months at 31 December in order to determine whether conditions exist for permanent and significant impairment. As a result of this analysis, the following it was found for part of the investments as at 31 December 2011: (a) a trend of retaining the low level of share prices; (b) continuous decrease against the prior period; (c) prices of analogous entities and/or existence of other valuations of the held shares-investments, determined by alternative valuation methods (e.g. discounted cash flows method, market analogues), which are maintained or decreased compared to the values at the end of the prior year.

Operating lease

The Company has classified a building, leased to a related party under operating lease terms, in the group of 'property, plant and equipment'. Since a significant part of the building is used thereby in its own operations as well the management has decided that the building shall not be treated as investment property.

Impairment of receivables

The Company estimates the losses from doubtful and bad debts at each balance sheet date on individual basis. Where difficulties in collecting certain receivables are observed, they are subject to analysis in order to determine the actually collectable portion therefrom while the remaining portion to the nominal value is recognized in the statement of comprehensive income (within profit or loss for the year) as impairment (Note 9).

After 180 days of delay it is already considered that indicators for impairment may exist. In the judgment of collectability of receivables, the management performs analysis of the total exposure of each counterparty in order to establish the actual possibility for their collection and not only at the level of past due individual receivables of a counterparty, including the possibilities of collecting interest for delay. When the collectability of a receivable (a group of receivables) is highly uncertain, an assessment is made what part thereof is secured by collateral (pledge, mortgage, warrant, bank guarantee) and thus with ensured collection (through future realization of the collateral or guarantee payment). Where the management has judged that a very high uncertainty exists as to the collectability of certain receivables or part of them and they are not secured by collateral, the receivables are fully written off.

For the third quarter of 2012, the recognized impairment of receivables (net of the reversals) amounts to 773 thousand BGN (2011: 555 thousand BGN).

Litigation provisions

With regard to the pending litigations against the Company (as a defendant), the management together with Company's lawyers has judged that at this stage the probability and risks of a negative outcome therefrom is still below 50% and therefore, it has not included a provisions for litigation payables in the statement of financial position as at 31 December 2011.

Deferred tax assets

The Company has not recognized deferred tax assets at the amount of 1,234 thousand BGN related to impairment of investments in subsidiaries because the management is not planning to dispose of these investments and has judged that it is unlikely the temporary difference to be manifested in a foreseeable future. The temporary difference on which no tax asset is recognized amounts to 12,341 thousand BGN.

3. REVENUE

The main *revenue* earned from sales of Company's finished products includes:

	2012	*2011*
	BGN '000	*BGN '000*
Export	117 342	109 241
Domestic market	41 705	46 430
Total	**159 047**	**155 671**

Sales of products - export	*2012*	*2011*
	BGN '000	*BGN '000*
Tablet dosage forms	95 508	88 340
Ampoule dosage forms	9 711	7 420
Syrup dosage forms	6 886	8 080
Ointments	3 503	2 807
Lyophilic products	1 289	1 966
Suppositories	281	370
Drops	143	125
Infusion solutions	21	133
Total	**117 342**	**109 241**

Sales by product – domestic market	*2012*	*2011*
	BGN '000	*BGN '000*
Tablet dosage forms	25 536	28 303
Ampoule dosage forms	11 731	12 709
Lyophilic products	2 253	2 099
Ointments	1 029	1 339
Other	364	3
Drops	287	486
Suppositories	270	313
Syrup dosage forms	235	1 178
Total	**41 705**	**46 430**

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

	2012 BGN '000	*Relative share*	*2011 BGN '000*	*Relative share*
Europe	101 218	64%	96 087	62%
Bulgaria	41 705	26%	46 430	30%
Other countries	16 124	10%	13 154	8%
Total	**159 047**	**100%**	**155 671**	**100%**

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

	2012 BGN '000	*% of revenue*	*2011 BGN '000*	*% of revenue*
Client 1	57 641	36%	59 092	38%
Client 2	41 211	26%	46 288	30%
Client 3	28 630	18%		

4. OTHER OPERATING INCOME AND LOSSES

Company's *other operating income and losses* include:

	2012 BGN '000	*2011 BGN '000*
Sales of materials	*13 015*	*11 345*
Cost of materials sold	*(12 708)*	*(11 083)*
Gain on sales of materials	307	262
Sales of non-current assets	*452*	*35*
Carrying amount of non-current assets sold	*(38)*	*(9)*
Gain/(loss) on sale of non-current assets	414	26
Sales of goods	*1 259*	*1 225*
Cost of goods sold	*(825)*	*(775)*
Gain on sales of goods	434	450
Services rendered	1 970	1 919
Received indemnities	41	83
Interest on current accounts	2	3
Net loss from exchange differences under trade receivables and payables and current accounts	(235)	(506)
Income from forfeits	-	782
Other income	113	37
Total	**3 046**	**3 056**

Income from sales of materials comprises mainly: sales of substances and packaging materials - aluminium foil, vials, tubes etc.

Services rendered include:

	2012	*2011*
	BGN '000	***BGN '000***
Rentals	1 211	1 311
Social activities	323	291
Manufacturing	119	-
Gamma irradiation	95	109
Verification and validation	64	-
Laboratory analysis	39	63
Regulatory services	28	43
Transport organisation	18	18
Other	73	84
Total	**1 970**	**1 919**

Sales of goods include:

	2012	*2011*
	BGN '000	***BGN '000***
Foodstuffs	654	587
Cosmetics	212	142
Goods with technical designation	295	401
Food supplements	98	95
Total	**1 259**	**1 225**

The *cost of goods sold* by type is as follows:

	2012	*2011*
	BGN '000	***BGN '000***
Foodstuffs	530	484
Cosmetics	196	130
Goods with technical designation	40	71
Food supplements	59	90
Total	**825**	**775**

5. RAW MATERIALS AND CONSUMABLES USED

The *raw materials and consumables* used include:

	2012	*2011*
	BGN '000	*BGN '000*
Basic materials	34 789	32 399
Spare parts, laboratory and technical materials	3 701	3 313
Heat power	2 495	2 086
Electric energy	2 012	1 775
Fuels and lubricating materials	1 030	897
Working clothes	558	415
Water	560	543
Scrapped materials	3	1
Impairment of materials	-	27
Total	**45 148**	**41 456**

Expenses on *basic materials* include:

	2012	*2011*
	BGN '000	*BGN '000*
Substances	19 714	18 360
Packaging materials	5 890	5 448
Aluminium and PVC foil, vials, tubes	4 129	3 799
Liquid and solid chemicals	2 691	2 459
Ampoules	2 084	1 890
Herbs	281	443
Total	**34 789**	**32 399**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2012	***2011***
	BGN '000	***BGN '000***
Manufacture	24 272	25 497
Advertising	7 062	6 145
Consulting services	3 294	1 094
Transport	2 476	1 941
Rentals	1 523	423
Buildings and equipment maintenance	1 513	1 259
Logistic services – domestic market	1 403	1 033
State and regulatory charges	1 054	1 976
Civil contracts	814	689
Insurance	693	682
Security	617	572
Subscription fees	592	350
Local taxes and charges	542	553
Services on registration of medicines	441	405
Documentation translation	397	309
Announcements and communications	379	269
Medical service	373	357
Taxes on expenses	356	343
Vehicles repair and maintenance	275	246
Logistic services on export	271	661
Fees for servicing of current bank accounts	244	192
Commission fees	206	2 271
Licence fees and charges	195	256
Medicines destruction costs	138	103
Clinical trials	127	489
Courier services	110	97
Service fees	42	75
Total	**49 409**	**48 287**

7. EMPLOYEE BENEFITS EXPENSE

	2012	*2011*
	BGN '000	*BGN '000*
Current wages and salaries	18 802	18 132
Social security/health insurance contributions	3 720	3 630
Royalties	1 224	-
Social benefits and payments	1 391	1 169
Accruals for unused paid leaves	717	626
Social security/health insurance contributions on leaves	131	115
Accruals for long-term payables to personnel	174	227
Total	**26 159**	**23 899**

	2012	*2011*
	BGN '000	*BGN '000*
Expenses for length of service	120	154
Interest expenses	51	65
Net actuarial loss, recognized for the period	3	8
Total	**174**	**227**

8. OTHER OPERATING EXPENSES

Other operating expenses include:	*2012*	*2011*
	BGN '000	*BGN '000*
Entertainment events	1 338	1 343
Accrued impairment (Note 9)	773	950
Business trips	640	565
Amounts awarded	275	-
Donations	158	205
Other taxes	87	95
Receivables written-off	66	38
Training	53	40
Scrapped finished products and work-in-progress	37	204
Unrecognised input VAT	15	28
Scrap and shortages of non-current assets	4	50
Total	**3 446**	**3 518**

9. IMPAIRMENT OF CURRENT ASSETS

Impairment losses on current assets include:	***2012*** ***BGN '000***	***2011*** ***BGN '000***
Impairment of receivables	*869*	*555*
Reversed impairment of receivables	*(96)*	*-*
Net change of impairment of receivables	773	555
Impairment of finished products	0	395
Impairment of materials	0	27
Total	**773**	**977**

10. FINANCE INCOME

Finance income includes:

	2012 ***BGN '000***	***2011*** ***BGN '000***
Income from participating interests	5 461	4 736
Interest income on loans granted	3 961	4 159
Net gain from exchange differences on loans	339	86
Net gain on transactions with securities	185	306
Interest income on deposits	3	139
Total	**9 949**	**9 426**

11. FINANCE COSTS

Finance costs include:

	2012	*2011*
	BGN '000	*BGN '000*
Interest expense on loans received	4 073	4 665
Bank fees and charges on loans and guarantees	237	306
Interest expense on finance lease	206	169
Total	**4 516**	**5 140**

12. OTHER COMPREHENSIVE INCOME

	2012 BGN'000			**2011 BGN'000**		
	Value before tax	**Savings from/ (expense for) tax**	**Net from tax value**	**Value befor e tax**	**Savings from/ (expense for) tax**	**Net from tax value**
Net change in the fair value of available-for-sale financial assets	(1)		(1)	162		162
Other comprehensive income for the year, net of tax	**(1)**	**-**	**(1)**	**162**	**-**	**162**

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Machinery and equipment*		*Other*		*Assets in progress*		*Total*	
	2012	***2011***	***2012***	***2011***	***2012***	***2011***	***2012***	***2011***	***2012***	***2011***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Book value										
Balance at 1 January	**68 373**	**67 224**	**81 892**	**80 031**	**17 813**	**16 965**	**32 892**	**8 874**	**200 970**	**173 094**
Additions	973	909	950	1 376	1 227	1 007	41 699	24 734	44 849	28 026
Transfer to property, plant and equipment	357	15	4 950	645	4 568	56	(9 875)	(716)	-	-
Transfer to investment property		-		-		-	-	-	-	-
Allowance for impairment		-		(6)		(6)	-	-	-	(12)
Disposals		(57)	(26)	(534)	(204)	(209)	-	-	(230)	(800)
Effect of revaluation to fair value		282		380		-	-	-	-	-
Balance at 30 September /31 December	**69 703**	**68 373**	**87 766**	**81 892**	**23 404**	**17 813**	**64 716**	**32 892**	**245 589**	**200 308**
Accumulated depreciation										
Balance at 1 January	**4 957**	**3 272**	**50 500**	**48 243**	**10 465**	**9 082**	**-**	**-**	**65 922**	**60 597**

Depreciation charge for the year	1 289	1 693	3 392	4 805	1 414	1 542	-	-	6 095	8 040
Depreciation written-off		(8)	(22)	(504)	(158)	(159)	-	-	(180)	(671)
Effect of revaluation to fair value	-	-		(2 044)	-	-	-	-	-	(2 044)
Balance at 30 September /31 December	**6 246**	**4 957**	**53 870**	**50 500**	**11 721**	**10 465**	**-**	**-**	**71 837**	**65 922**
Carrying amount at 30 September /31 December	**63 457**	**63 416**	**33 896**	**31 392**	**11 683**	**7 348**	**64 716**	**32 892**	**173 752**	**135 048**
Carrying amount at 1 January	**63 416**	**63 952**	**31 392**	**31 788**	**7 348**	**7 883**	**32 892**	**8 874**	**135 048**	**112 497**

As at 30 September 2012 the Company's tangible fixed assets include: land amounting to 28,094 thousand BGN (31 December 2011: 27,150 thousand BGN) and buildings of carrying amount 35,363 thousand BGN (31 December 2011: 36,266 thousand BGN).

Tangible fixed assets in progress as at 30 September include:

- expenses on construction of new production buildings –47,581 thousand BGN (31 December 2011: 27,539 thousand BGN);
- buildings reconstruction –599 thousand BGN (31 December 2011: 1,164 thousand BGN);
- advances granted at the amount of 1,151 thousand BGN (31 December 2011: 4,151 thousand BGN);
- supply of equipment at the amount of 15,377 thousand BGN (31 December 2011: none)
- other –8 thousand BGN (31 December 2011: 38 thousand BGN).

The amount of other assets as at 30 September 2012 includes also biological assets – Golden Chain (Laburnum anagyroides) plantation at the amount of 140 thousand BGN (31 December 2011: 140 thousand BGN).

Operating lease

The Company leased tangible fixed assets with carrying amount of 7,974 thousand BGN as at 30 September 2012 to related parties (31 December 2011: 8,141 thousand BGN). In addition, tangible fixed assets at carrying amount of 51 thousand BGN were leased to third parties as at 30 September 2012 (31 December 2011: 74 thousand BGN).

Finance lease

As at 30 September 2012, assets at the carrying amount of 1,072 thousand BGN were acquired under finance lease contracts (31 December 2011: 604 thousand BGN).

Other data

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

- machinery and equipment –20, 853 thousand BGN (31 December 2010: 19,327 thousand BGN);

- transportation vehicles –814 thousand BGN (31 December 2011: 541 thousand BGN);
- furniture and fixtures –3, 872 thousand BGN (31 December 2011: 3,039 thousand BGN).

As at 30 September 2012, there were encumbrances on long-term fixed assets of the Company in connection with loans as follows:

- Land and buildings with a carrying value respectively 11,545 thousand BGN and 34,473 thousand BGN (31 December 2011: respectively 11,545 thousand BGN and 35,8638 thousand BGN) (Note № 26 and Note № 29);
- Pledges on facilities with a carrying value - 699 thousand BGN (31 December 2011: 734 thousand BGN) (Note №26 and Note №29);
- Pledges on equipment – 26,760 thousand BGN (31 December 2011: 20,887 thousand BGN) (Note № 26 and Note № 29).

14. INTANGIBLE ASSETS

	Intellectual property rights		*Software*		*Assets in progress*		*Total*	
	2012	***2011***	***2012***	***2011***	***2012***	***2011***	***2012***	***2011***
Book value	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Balance at 1 January	**1 140**	**822**	**2 082**	**1 735**	**1 786**	**503**	**5 008**	**3 060**
Additions	81	4	86	347	681	1 597	848	1 948
Transfer	702	314	105	-	(807)	(314)	-	-
Balance at 30 September / 31December	**1 923**	**1 140**	**2 273**	**2 082**	**1 660**	**1 786**	**5 856**	**5 008**
Accumulated amortization								
Balance at 1 January	**508**	**355**	**1 114**	**755**	**-**	**-**	**1 622**	**1 110**
Amortisation charge for the year	227	153	306	359	-	-	533	512
Balance at 30 September / 31December	**735**	**508**	**1 420**	**1 114**	**-**	**-**	**2 155**	**1 622**
Carrying amount at 30 September / 31December	**1 188**	**632**	**853**	**968**	**1 660**	**1 786**	**3 701**	**3 386**
Carrying amount at 1 January	**632**	**467**	**968**	**980**	**1 786**	**503**	**3 386**	**1 950**

The rights on intellectual property include mainly products of development activities.
Intangible assets in progress as at 30 September include:

- expenses on software implementation –1,349 thousand BGN (31 December 2011: 1,086 thousand BGN);
- expenses on permits for use of medicinal products –311 thousand BGN (31 December 2011: 700 thousand BGN).

15. INVESTMENT PROPERTY

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Balance at 1 January	**19 170**	**19 535**

Fair value measured as at 31 December, carried to the statement of comprehensive income		(365)
Balance at 30 September /31 December	**19 170**	**19 170**

16. INVESTMENTS IN SUBSIDIARIES

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

		30.09.2012 BGN '000	*Interest %*	*31.12.2011 BGN '000*	*Interest %*
Sopharma Trading AD	Bulgaria	32 240	81.25	32 273	81.33
Unipharm AD	Bulgaria	19 449	49.99	19 449	49.99
Bulgarian Rose Sevtopolis AD	Bulgaria	8 729	49.99	8 729	49.99
Biopharm Engineering AD	Bulgaria	8 474	97.15	3 451	69.43
Briz OOD	Latvia	6 262	51.00	6 262	51.00
Vitamina AD	Ukraine	6 187	99.56	6 187	99.56
Ivanchich and sons	Serbia	5 739	51.00	5 739	51.00
Momina Krepost AD	Bulgaria	2 896	49.94	2 891	49.85
Pharmalogistica AD	Bulgaria	1 911	76.54	1 911	76.54
Sopharma Buildings REIT	Bulgaria	1 128	42.64	1 128	42.64
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	7	100.00
Sopharma Ukraine EOOD	Ukraine	198	100.00	-	-
Extab Corporation	USA	47	80.00	47	80.00
Rostbalkanpharm AD	Russia	-	51.00	4	51.00
Total		**93 967**		**88 462**	

Sopharma AD has direct or indirect control on the above-mentioned companies.

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

- Pharmalogistica AD – Scope of activities: secondary packaging and real estate leases. Date of acquisition – 15 August 2002.
- Rostbalkanpharm AD – Scope of activities: manufacture and trade in pharmaceuticals. Date of acquisition – 27 July 2001. The shares of the company have been sold on 10. April 2012.
- Bulgarian Rose-Sevtopolis AD – Scope of activities: manufacture of finished medicine forms. Date of acquisition – 22 April 2004.
- Electroncommerce EOOD – Scope of activities: trade, transportation and packaging of radioactive materials and nuclear equipment, household electronics and electrical equipment. Date of acquisition – 9 August 2005.
- Sopharma Poland Ltd. – Scope of activities: market and public opinion research. Date of acquisition – 16 October 2003. The company is in a procedure of liquidation.
- Sopharma USA – Scope of activities: trade in pharmaceuticals and food supplements. Date of acquisition – 25 April 1997.
- Sopharma Trading AD – Scope of activities: trade in pharmaceuticals. Date of acquisition – 8 June 2006.
- Biopharm Engineering AD – Scope of activities: manufacture and trade in solutions for infusion. Date of acquisition – 10 March 2006.

- Sopharma Zdrovit AD – Scope of activities: research and development activities in the field of medical science and pharmacy, wholesale in pharmaceuticals. Date of acquisition – 27 September 2007. The company is in a procedure of liquidation.
- Vitamina AD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 18 January 2008.
- Ivanchich and sons OOD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 10 April 2008.
- Sopharma Buildings REIT – Scope of activities: investment of funds, accumulated by issuance of securities, in real estate (securitisation of real estate) through purchase of title and other real rights over real estate, rent-out, lease, and/or sale. Date of acquisition – 4 August 2008.
- Momina Krepost AD – Scope of activities: development, implementation and production of medical goods for human and veterinary medicine. Date of acquisition – 1 January 2008.
- Briz OOD – Scope of activities: trade in pharmaceuticals; Date of acquisition – 10 November 2009.
- Extab Corporation – Scope of activities: management of financial assets and investment portfolios. Date of acquisition – 5 August 2009.
- Unipharm AD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 27 October 2010.
- Sopharma Warsaw EOOD – Scope of activities: market and public opinion research. Date of acquisition – 23 November 2010.
- Sopharma Ukraine EOOD – Scope of activities: trade in pharmaceuticals. Date of acquisition – 07 August 2012.

The investments in the subsidiaries Sopharma Poland OOD, Sopharma Zdrovit AD and Sopharma USA have been completely written off.

The movement of investments in subsidiaries is presented below:

	Investments in subsidiaries	
	30.09.2012	***31.12.2011***
Acquisition cost (cost)	***BGN '000***	***BGN '000***
Balance at 1 January	**100 803**	**101 222**
Direct acquisition	5 541	45
Acquisition through a merge-in of an associate	-	-
Disposals	(36)	(464)
Balance at 30 September /31 December	**106 308**	**100 803**
Accrued impairment		
Balance at 1 January	**12 341**	**11 478**
Accrued impairment	-	863
Balance at 30 September /31 December	**12 341**	**12 341**
Carrying amount at 30 September /31 December	**93 967**	**88 462**
Carrying amount at 1 January	**88 462**	**89 744**

17. AVAILABLE-FOR-SALE INVESTMENTS

The *available-for-sale investments* (financial assets) at carrying amount include the participation (shares) in the following companies:

	30.09.2012 ***BGN '000***	***Interest*** ***%***	***31.12.2011*** ***BGN '000***	***Interest*** ***%***
Doverie United Holding AD	14 967	18.70	12 870	14.86
Medica AD	2 416	10.11	2 420	10.13
Olainfarm AD - Latvia	884	0.77	703	0.77
Lavena AD	425	4.99	426	4.99
Hydroizomat AD	362	8.89	51	3.74
Maritzatex AD	269	6.19	146	3.68
Sopharma Properties AD	193	0.60	115	0.36
Todorov AD	46	4.97	46	4.97
Ecobulpack AD	7	1.48	7	1.48
UniCredit Bulbank AD	3	0.001	3	0.001
Bulgarian Stock Exchange – Sofia AD	-	-	4	0.03
Aroma AD	-	-	1	0.03
Total	**19 572**		**16 792**	

All above companies except for Olainfarm AD, Latvia, have their seat and operations in Bulgaria.

The investments in Ecobulpack AD and UniCredit Bulbank AD are valued and presented at acquisition price. The remaining investments are measured at fair value based on: (a) adjusted stock exchange prices for shares traded on the Bulgarian Stock Exchange (Level 2), and (b) average stock exchange prices for the month of December for shares traded on a foreign stock exchange (Level 1) (Notes 2.27 and 12).

18. LONG-TERM LOANS GRANTED TO RELATED PARTIES

Long-term loans granted to related parties are as follows:

	30.09.2012 ***BGN '000***	***31.12.2011*** ***BGN '000***
Companies under a common control through key managing personnel	743	729
Subsidiaries	44	15 340
Total	**787**	**16 069**

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

Currency	*Contracted amount '000*	*Maturity*	*Interest %*	*30.09.2012*		*31.12.2011*	
				BGN'000	*BGN'000 including interest*	*BGN'000*	*BGN'000 including interest*
to companies under common indirect control through key managing personnel							
BGN	1 100	31.12.2014	8.08%	743	*20*	729	*1*
to subsidiaries							
USD	3 000	25.01.2015	9.80%	44	-	1 741	*381*
USD	3 000	25.01.2015	9.80%	-	-	5 845	*1 311*
EUR	2 770	21.01.2013	6.10%	-	-	5 732	*314*
USD	1 000	25.01.2015	9.80%	-	-	2 022	*510*
				787	***20***	**16 069**	***2 517***

The long-term loans granted to related parties are not secured by collateral.

19. OTHER NON-CURRENT ASSETS

The ***other current assets*** of the Group as include:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Guarantees on long-term contracts	435	272
Loans granted to third parties	10	-
Total	**445**	**272**

The receivables on provided guarantees are a result of a rental contract with maturity on 1 August 2022.

The contract amount on the granted loan is 25 thousand BGN maturing on 2 August 2016 at an annual interest rate of 8.08% and is not secured (31 December 2011: none).

20. INVENTORIES

Company's *inventories* include:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Materials	23 009	21 949
Finished products	22 192	22 054
Semi-finished products	4 871	3 054
Work-in-progress	3 552	3 813
Goods	130	46

Total	**53 754**	**50 916**

Materials by type are as follows:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Basic materials	22 035	18 647
Auxiliary materials	495	300
Technical materials	246	398
Spare parts	78	116
Materials in a process of delivery	-	2 335
Other	155	153
Total	**23 009**	**21 949**

Basic materials by type are as follows:

	30.06.2012	*31.12.2011*
	BGN '000	*BGN '000*
Substances	14 033	11 928
Vials, tubes and ampoules	3 834	3 667
Chemicals	1 753	1 222
PVC and aluminium foil	1 078	792
Packaging materials	976	888
Herbs	361	150
Total	**22 035**	**18 647**

Finished products existing as at 30 September/31 December include:

	30.06.2012	*31.12.2011*
	BGN '000	*BGN '000*
Tablet dosage forms	12 387	13 940
Ampoule dosage forms	6 604	4 266
Syrups	1 765	1 683
Other	1 436	2 165
Total	**22 192**	**22 054**

As at 30 September 2012 there are pledges on Company's inventories amounting to 40,955 thousand BGN as collateral for bank loans (31 December 2011: 37,825 thousand BGN) (Note № 26 and № 29).

21. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Receivables from subsidiaries	*101 211*	*73 840*
Impairment of uncollectible receivables	*(22)*	*(641)*
	101 189	73 199
Receivables from companies under a common control through key managing personnel	40 768	36 088
Receivables from companies – main shareholders	8 410	14 468
Receivables from Companies under common indirect control	*15 096*	*13 478*
Impairment of uncollectible receivables	*(2 300)*	*(2 129)*
	12 796	11 349
Total	**163 163**	**135 104**

The receivables from related parties by type are as follows:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Receivables on sales of finished products and materials	95 135	72 520
Trade loans granted	67 802	61 767
Dividend receivable	-	817
Advances granted	226	-
Total	**163 163**	**135 104**

The receivables on sales are interest-free and 57,136 thousand BGN of them are denominated in BGN (31 December 2011: 52,760 thousand BGN) and in EUR –37,999 thousand BGN (31 December 2011: 19,760 thousand BGN).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals are the most significant and amounted to 54,117 thousand BGN as at 30 September 2012 or 56,88% of all receivables on sales of finished products and materials to related parties (31 December 2011: 50,088 thousand BGN - 69.07 %).

The Company usually negotiates with its subsidiaries payment terms of 180 days for receivables on sales of finished products and up to 90 days for receivables on sales of materials (incl. substances).

The Company determined a credit period of up to 270 days for which no interest was charged to sales counterparts - related parties and this was in line with the specifics of the end users – hospitals, Health Insurance Fund and other. Any delay after this period is regarded by the Company as an indicator for impairment. The management judges collectability on an individual basis by analysing the specific receivables and circumstances related to delay in order that impairment is charged.

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

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
up to 30 days	10 686	17 530
from 31 to 90 days	9 940	19 276
from 91 to 180 days	21 146	22 652
Total	**41 772**	**59 458**

The *age structure* of past due but not impaired trade receivables from related parties is as follows:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
from 31 to 90 days	9 780	474
from 91 to 180 days	11 949	577
from 180 to 365 days	28 401	10 470
from 1 to 2 years	3 233	1 541
Total	**53 363**	**13 062**

The past due but not impaired receivables are mainly from subsidiaries, which are in a process of implementing the purposes of the Group for expanding its market share in the territory in which they operate.

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

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
over 1 years	414	987
Allowance for impairment	(414)	(987)
	-	**-**

Movement of the allowance for impairment

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**987**	**931**
Reported impairment of receivables from companies under common control		
Amounts written off as uncollectible	46	56
Written-off impairments upon sale of subsidiaries	(54)	-
Balance at the end of the year	(565)	-

	414	**987**

Loans granted to related parties by type of related party are as follows:

	30.09.2012 BGN '000	***31.12.2011 BGN '000***
Receivables from companies under common control through key managing personnel	40 768	36 088
Companies under common indirect control	14 345	12 737
Impairment of trade loans	*(1 908)*	*(1 783)*
	12 437	10 954
Companies – main shareholders	8 275	14 458
Subsidiaries	6 322	267
Total	**67 802**	**61 767**

The terms of the granted loans to related companies are as follows:

Currency	***Contracted amount '000***	***Maturity***	***Interest %***	***30.09.2012***		***31.12.2011***	
				BGN'000	***BGN'000 including interest***	***BGN'000***	***BGN'000 including interest***
to companies under common indirect control through key managing personnel							
BGN	25 550	31.08.2013	8.08%	14 108	*586*	-	-
BGN	17 066	31.12.2012	8.30%	13 228	*33*	14 492	*662*
EUR	8 374	25.10.2012	4.50%	12 757	*42*	14 164	82
BGN	1 050	31.12.2012	8.08%	251	*1*	53	*3*
BGN	190	31.12.2012	8.08%	223	*33*	211	*21*
BGN	200	04.09.2013	8.08%	201	*1*	-	-
BGN	2 477	31.12.2012	8.08%	-	-	2 669	*288*
BGN	120	10.07.2012	8.08%	-	-	101	-
BGN	945	31.12.2012	8.08%	-	-	1 011	*211*
EUR	1 581	31.12.2012	5.50%	-	-	3 387	*295*
to companies – main shareholders							
EUR	4 035	31.12.2012	4.80%	8 275	*383*	7 991	*99*
BGN	18 495	31.08.2012	8.08%	-	-	6 467	-
to companies under common indirect control							
EUR	7 556	28.12.2012	4.50%	11 447	*282*	10 604	-
BGN	1 140	15.03.2013	8.08%	990	-	350	-
to subsidiaries							
EUR	2 770	21.01.2013	6.10%	5 979	*562*	-	-
USD	110	31.12.2012	3.50%	169	*3*	45	-
BGN	600	02.12.2012	7.00%	101	*1*	151	*1*
USD	25	31.12.2012	3.50%	40	*2*	39	*1*
USD	20	31.12.2012	3.50%	33	*2*	32	*2*
				67 802	***1 931***	**61 767**	***1 665***

As at 30 September 2012 there are pledges on receivables from related parties amounting to 10,500 thousand BGN (31 December 2011: 10,450 thousand BGN) (Annex № 26 and № 29) as collateral for bank loans.

22. TRADE RECEIVABLES

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Receivables from clients	29 087	26 827
Impairment of uncollectible receivables	(610)	(39)
	28 477	26 788
Advances granted	3 053	2 601
Impairment of uncollectible receivables	-	(6)
	3 053	2 595
Total	**31 530**	**29 383**

The *receivables from clients* are interest-free and 518 thousand BGN of them are denominated in BGN (31 December 2011: 141 thousand BGN), in USD –894 thousand BGN (31 December 2011: 962 thousand BGN), in EUR — 25,669 thousand BGN (31 December 2011: 25,602 thousand BGN) and in PLN – 1,396 thousand BGN (31 December 2011: 83 thousand BGN).

Generally, the Company agrees with its clients a term from 60 to 180 days for the payment of receivables under sales.

The Company has set a common credit period of 180 days for which no interest is charged to clients. Any delay after this period is regarded by the Company as an indicator for impairment. The management assesses collectability by analysing the exposure of the client as well as the possibilities for repayment and takes a decision as to whether to charge impairment.

As at 30 September 2012 there are pledges on trade receivables amounting to 32,562 thousand BGN (31 December 2011: 31,492 thousand BGN) (Note № 26 and № 29) as collateral for bank loans.

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

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
up to 30 days	11 329	2 884
from 31 to 90 days	12 773	21 490
from 91 to 180 days	1 650	1 399
Total	**25 752**	**25 773**

The *age structure* of past due but not impaired trade receivables is as follows:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
from 31 to 90 days	887	65
from 91 to 180 days	924	45
from 181 to 365 days	911	632
from 1 to 2 years	3	273
Total	**2 725**	**1 015**

The *age structure* of past due impaired trade receivables is as follows:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
over 1 year	610	39
Allowance for impairment	(610)	(39)
	-	**-**

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

	2012	***2011***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**39**	**297**
Acquired impairments through the sale of subsidiaries	565	-
Reported impairment	38	30
Amounts written-off as uncollectable	(4)	(108)
Reversal of impairment	(28)	(180)
Balance at the end of the year	**610**	**39**

The *advances granted to suppliers* are for the purchase of:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Raw and other materials	2 296	2 020
Services	757	575
Total	**3 053**	**2 595**

The *advances granted* are regular. They include: in BGN - 1,467 thousand BGN (31 December 2011: 811 thousand BGN), in EUR –597thousand BGN (31 December 2011: 531 thousand BGN), in USD –989 thousand BGN (31 December 2010: 1,032 thousand BGN), in PLN – none (31 December 2010: 218 thousand BGN) and in other currencies – none (31 December 2010: 3 thousand BGN).

23. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Taxes refundable	5 574	5 189
Amounts provided to the Central Depository for the payment of dividends	4782	-
Loans granted to third parties	1 238	937
Court and awarded receivables	2 972	2 622
Impairment of court receivables	*(800)*	*(142)*
	2 172	2 480
Prepayments	499	1 245
Receivables on deposits placed as guarantees	201	191
Amounts granted to an investment intermediary	757	197
Other	108	94
Total	**15 331**	**10 333**

Refundable taxes include:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Excise duties	3 488	2 758
VAT	1 895	2 065
Withholding taxes	191	52
Corporate tax	-	314
Total	**5 574**	**5 189**

The terms and conditions of the *loans granted to third parties* are as follows:

Currency	*Contracted amount*	*Maturity*	*Interest %*	*30.09.2012*		*31.12.2011*	
	'000			*BGN'000*	*BGN'000 including interest*	*BGN'000*	*BGN'000 including interest*
BGN	1 800	27.12.2012	7.00%	448	4	801	1
BGN	350	27.12.2012	6.80%	352	2	-	-
BGN	298	23.02.2013	7.00%	300	*2*	-	-
BGN	100	31.12.2012	8.08%	106	*6*	103	*3*
BGN	31	08.09.2013	6.00%	32	*1*	31	-
BGN	25	01.06.2012	8.08%	-	-	2	-
				1 238	**15**	**937**	**4**

Prepayments include:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Insurance	129	431
Subscriptions	103	255
Licence and patent fees	130	188
Advertising	2	167
Vouchers	115	111
Rentals	3	52
Other	17	41
Total	**499**	**1 245**

Deposits placed as guarantees include:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Guarantees under contracts for fuel supply	86	86
Guarantees under communication service contracts	31	31
Guarantees for medicinal products supply	37	26
Other	47	48
Total	**201**	**191**

24. CASH AND CASH EQUIVALENTS

Cash includes:

	30.09.2012	*31.12.2011*
	BGN '000	*BGN '000*
Cash at current bank accounts	6 533	8 075
Cash in hand	157	62
Blocked fund	9	-
Deposits with original maturity of up to one month	-	9 901
Cash and cash equivalents for cash flows	**6 699**	**18 038**
Provided guarantees for litigations	269	-
Total	**6 968**	**18 038**

The cash at current bank accounts is denominated as follows: in BGN – 2,119 thousand BGN (31 December 2011: 2,301 thousand BGN), in EUR –7,025 thousand BGN (31 December 2011: 90 thousand BGN), in USD –2,113 thousand BGN (31 December 2011: 753 thousand BGN).

Cash in hand is mainly denominated in BGN.

The blocked funds amounting to 9 thousand BGN (31 December 2011: none) are a bank guarantee in favour of an Electricity system operator with a validity period until 31 January 2013 (Note №35).

The deposits as at 31 December 2011 were agreed in EUR –9,901 thousand BGN at an effective interest rate of 6.5%. They are presented at amortized cost.

25. EQUITY

Share capital

As at 30 September 2012, the registered share capital of Sopharma AD amounted to BGN 132,000 thousand distributed in 132,000,000 shares of nominal value BGN 1 each.

The shares are ordinary, non-cash, with right of dividend and liquidation share and are registered for trade in the Bulgarian Stock Exchange – Sofia AD and Warsaw Stock Exchange.

Ordinary shares issued and fully paid	***Shares***	***Share capital net of treasury shares***
	number	***BGN '000***
Balance at 1 January 2010	**132 000 000**	**132 000**
Treasury shares	(607 428)	(2 381)
Expense on treasury shares	-	(11)
Balance at 31 December 2010	**131 392 572**	**129 608**
Balance at 1 January 2011	**131 392 572**	**129 608**
Treasury shares		
Expense on treasury shares	(1 961 181)	(7 606)
	-	(38)
Balance at 31 December 2011	**129 431 391**	**121 964**
Treasury shares	(637 046)	(1 458)
Expense on treasury shares	-	(8)
Balance at 30 September 2012	**128 794 345**	**120 498**

The treasury shares were 3,205,655 at the amount of 11,502 thousand BGN as at 30 September 2012 (31 December 2011: 2,568,609 at the amount of 10,036 thousand BGN). In the current year the Company purchased 637,046 shares and in 2011 - 1,961,181 shares through an investment intermediary.

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

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Statutory reserves	25 934	21 855
Property, plant and equipment revaluation reserve	25 360	25 360
Available-for-sale financial assets reserve	1	2
Additional reserves	138 388	110 696
Total	**189 683**	**157 913**

The ***statutory reserves*** amounting to 25,934 thousand BGN (31 December 2011: 21,855 thousand BGN) were set aside from allocation of profit and included all amounts for the Reserve Fund.

The movements of statutory reserves are as follows:

	2012	***2011***
	BGN '000	***BGN '000***
Balance at 1 January	**21 855**	**17 788**
Distribution of profit	4 079	4 067
Balance at 30 September /31 December	**25 934**	**21 855**

The ***Property, plant and equipment*** revaluation reserve amounting to 25,360 thousand BGN (31 December 2011: 25,360 thousand BGN), was set aside from the positive difference between the carrying amount of property, plant and equipment and their fair value at the date of the respective revaluation. The deferred tax effect on the revaluation reserve is directly carried to this reserve.

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

	2012	***2011***
	BGN '000	***BGN '000***
Balance at 1 January	**25 360**	**23 031**
Gain on revaluation of property, plant and equipment	-	2 706
Deferred tax liability arising on revaluation	-	(271)
Transfer to retained earnings	-	(106)
Balance at 30 September /31 December	**25 360**	**25 360**

The ***available-for-sale financial assets reserve*** amounts to 1 thousand BGN (31 December 2011: 2 thousand BGN) and was set aside from the effects of subsequent revaluation of available-for-sale investments to fair value.

The movements of available-for-sale financial assets reserve are as follows:

	2012	***2011***
	BGN '000	***BGN '000***
Balance at 1 January	**2**	**(312)**
Net gain arising on revaluation of available-for-sale financial assets	-	84
Cumulative loss on revaluation reclassified to current profit or loss on sale of available-for-sale financial assets	(1)	-
Cumulative loss on revaluation reclassified to current profit or loss on impairment of available-for-sale financial assets	-	230
Balance at 30 September /31 December	**1**	**2**

The ***additional reserves*** amounting to 138,388 thousand BGN (31 December 2011: 110,696 thousand BGN) were set aside from distribution of profits under a decision of shareholders and could be used for payment of dividend, share capital increase as well as to cover losses.

The movements of additional reserves are as follows:

	2012	***2011***
	BGN '000	***BGN '000***
Balance at 1 January	**110 696**	**85 172**
Distributed profit in the year	27 692	25 524
Balance at 30 September /31 December	**138 388**	**110 696**

The movements of ***retained earnings*** are as follows:

	2012	***2011***
	BGN '000	***BGN '000***
Balance at 1 January	**40 791**	**40 672**
Distribution of profit for reserves	(31 771)	(29 591)
Payment of dividend	(9 020)	(11 081)
Transfer from property, plant and equipment revaluation reserve	-	106
Current profit for the year		40 685
Balance at 30 September /31 December	**-**	**40 791**

Basic earnings per share

	30.09.2012	***30.09.2011***
Weighted average number of common shares outstanding	129 044 383	130 603 322
Net income for the year (BGN '000)	35 192	36 328
Basic earnings per share (BGN)	**0.27**	**0.28**

26. LONG-TERM BANK LOANS

Currency	Contracted loan amount	Maturity	30.09.2012 Non-current portion	Current portion	Total	31.12.2011 Non-current portion	Current portion	Total
	'000		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Investment-purpose loans								
EUR	32 000	15.04.2021	40 428	6 798	**47 226**	18 737	37	-
Credit lines								
BGN	23 470	31.01.2013	-	21 510	**21 510**	-	22 583	**22 583**
BGN	18 000	31.07.2013	-	17 952	**17 952**	-	286	**286**
EUR	5 000	31.08.2013	-	9 772	**9 772**	-	9 774	**9 774**
EUR	3 000	25.08.2013	-	5 863	**5 863**	-	5 863	**5 863**
EUR	2 500	31.08.2013	-	3 211	**3 211**	-	2 192	**2 192**
EUR	2 500	20.11.2013	4 878	5	**4 883**	-	-	-
			45 306	**65 111**	**110 417**	**18 737**	**40 735**	**40 698**

The loans received in EUR have been agreed at interest rate based on 3-month EURIBOR plus a mark-up of up to 2.8 points, 6-month EURIBOR plus a mark-up of up to 3 points and 1-month EURIBOR plus a mark-up of up to 4,092 points, while those in BGN – on 1-month SOFIBOR plus a mark-up of up to 3.75 points (2011: 3-month EURIBOR plus a mark-up of up to 2.8 points, for those in BGN – monthly SOFIBOR plus a mark-up of up to 4.75 points).

The following guarantees have been established in favour of the creditor banks for the above mentioned loans:

- Real estate mortgages: 19,009 thousand BGN (31 December 2011: 47,183 thousand BGN) (Note № 13);
- Special pledges on:
  - Machinery and equipment – 14,548 thousand BGN (31 December 2011: 21,621 thousand BGN) (Note № 13);
  - Inventory – 2,347 thousand BGN (31 December 2011: 2,800 thousand BGN) (Note № 20);
  - Receivables from related parties – 4,500 thousand BGN (31 December 2011: 2,500 thousand BGN) (Note № 21);
  - Trade receivables – 10,070 thousand BGN (31 December 2011: 7,000 thousand BGN) (Note № 22).

27. PENSION PLAN LIABILITIES

Long-term pension plan liabilities include the present value of the Company's liability at the end of the reporting period to pay benefits to its employees upon retirement. In accordance with the Labour Code each employee is entitled to indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for more than 10 years for the same employer – six gross monthly salaries at the time of retirement.

For the purpose of establishing the amount of these liabilities, the Company has assigned an actuarial valuation by using the services of a certified actuary.

The change in Company's obligation for payment of defined retirement benefits to its personnel , recognized in the statement of financial position, is as follows:

	30.09.2012 *BGN '000*	*31.12.2011* *BGN '000*
Present value of the liabilities at 1 January	*1 240*	*1 400*
Unrecognised actuarial loss at 1 January	*29*	*(133)*
Liability recognized in the statement of financial position at 1 January	**1 269**	**1 267**
Expense recognized in the statement of comprehensive income for the period	174	308
Payments for the period	(91)	(306)
Liability recognized in the statement of financial position at 30 September /31 December	**1 352**	**1 269**
Unrecognised actuarial gain/(loss) at 30 September /31 December	*(39)*	*29*
Present value of the obligations at 30 September /31 December	*1 391*	*1 240*

The change in the Net present value of the liabilities to the personnel upon retirement and the determination of the actuary profit / (loss) is as follows:

	30.09.2012 *BGN '000*	*31.12.2010* *BGN '000*
NPV of the liabilities on January 01	**1 240**	**1 400**
Interest expense for the period	51	81
Expense for length of service for the period	120	206
Payments throughout the period	(91)	(306)
Actuary profit/(loss) for the period	71	(141)
NPV of the expenses on 30 September /31December	**1 391**	**1 240**

The following actuarial assumptions are used in calculating the present value of the liabilities as at 30 September 2012:

- The discount factor is calculated by using 5.0 % annual interest rate as basis (2011: 5.7 %). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by the Company's management and amounts to 5 % annual growth compared to the prior reporting period (2011: 5 %);

- Mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2009 - 2011 (2011: 2008 - 2010);
- Staff turnover rate – from 0 % to 16 % for the five age groups formed (2011: from 0% to 16 %).

28. FINANCE LEASE LIABILITIES

The finance lease liabilities, included in the statement of financial position, are under agreements for acquisition of motor vehicles. They are presented net of the future interest due and are as follows:

Term	***30.09.2012***	***31.12.2011***
	BGN '000	***BGN '000***
Up to one year	283	273
Over one year	639	304
Total	**922**	**577**

The minimum lease payments under finance lease are due as follows:

Term	***30.09.2012***	***31.12.2011***
	BGN '000	***BGN '000***
Up to one year	485	409
Over one year	1 097	490
	1 582	899
Future finance costs under finance leases	(660)	(322)
Present value of finance lease liabilities	**922**	**577**

The lease payments due within the next 12 months are presented in the statement of financial position as 'other current liabilities' (Note 33).

29. SHORT-TERM BANK LOANS

Currency	***Contracted amount***	***Maturity***	***30.09.2012***	***31.12.2011***
	'000		***BGN'000***	***BGN'000***
Bank loans				
EUR	20 000	31.05.2013	39 112	39 095
EUR	12 500	17.02.2013	21 965	15 127
BGN	10 000	31.12.2012	10 000	10 003
EUR	5 000	01.05.2013	9 779	-
USD	4 000	01.05.2013	6 051	6 027
EUR	2 000	28.09.2013	3 656	5 864
EUR	1 906	01.05.2013	3 438	3 508
EUR	12 000	01.05.2012	-	23 595
EUR	3 977	30.11.2012	-	8 789
Total			**94 001**	**112 008**

The loans received in EUR are contracted at an interest rate based on 3-month EURIBOR plus a mark-up of up to 3.86 points and 1-month EURIBOR plus a mark-up of up to 3 points, the loans in USD – 3-month LIBOR plus a mark-up of up to 3.85 points, and the loans in BGN – monthly SOFIBOR plus a mark-up of up to 2 points. (2011: 3-month EURIBOR plus a mark-up of up to 4.5 points, for those in USD – 3-month LIBOR plus a mark-up of up to 3.85 points, and for those in BGN – 1-month SOFIBOR plus a mark-up of up to 2 points). Loans are intended for providing working capital.

The following guarantees have been established in favour of the creditor banks for the above mentioned loans:

- Real estate mortgages: 27,009 thousand BGN (31 December 2011: none) (Note № 13);
- Special pledges on:
  - Machinery and equipment – 12,911 thousand BGN (31 December 2011: none) (Note № 13);
  - Inventory – 36,025 thousand BGN (31 December 2011: 33,025 thousand BGN) (Note № 20);
  - Receivables from related parties – 6,000 thousand BGN (31 December 2011: 7,950 thousand BGN) (Note № 21);
  - Trade receivables – 22,492 thousand BGN (31 December 2011: 24,492 thousand BGN) (Note № 22).

30. TRADE PAYABLES

Trade payables include:

	30.09.2012 *BGN '000*	*31.12.2011* *BGN '000*
Payables to suppliers	5 571	16 330
Advances received	272	214
Total	**5 843**	**16 544**

	30.09.2012 *BGN '000*	*31.12.2011* *BGN '000*
Payables to foreign suppliers	3 909	8 184
Payables to local suppliers	1 662	8 146
Total	**5 571**	**16 330**

The payables to suppliers are regular, interest-free and refer to supplies of materials and services. The payables in foreign currency amount to 4, 182 thousand BGN (31 December 2011: 8,184 thousand BGN). They include: in EUR - 3, 453 thousand BGN (31 December 2011: 4,970 thousand BGN), in USD – 456 thousand BGN (31 December 2011: 3,212 thousand BGN) and in other currency – BGN none (31 December 2011: 2 thousand BGN).

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

31. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	30.09.2012 BGN '000	*31.12.2011* BGN '000
Payables to subsidiaries	7 138	2 998
Payables to companies under a common control through key management personnel	3 790	2
Payables to companies – main shareholders	19	1 486
Payables to Companies under common indirect control	-	750
Total	**10 947**	**5 236**

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

	30.09.2012 BGN '000	*31.12.2011* BGN '000
Services	6 280	3 786
Payables for construction of new production facilities	2 878	1 450
Received trade loans	1 591	-
Unpaid capital of subsidiary	198	-
Total	**10 947**	**5 236**

The trade payables to related parties are regular, denominated in BGN, EUR and PLN and are not additionally secured by the Company. As at 30 September 2011, the payables in BGN amounted to 10,839 thousand BGN (31 December 2011: 5,195 thousand BGN), in EUR – 53 thousand BGN (31 December 2011: 41 thousand BGN) and those in PLN - . 55 thousand BGN (31 December 2011: none).

32. TAX PAYABLES

Tax payables include:

	30.09.2012 BGN '000	*31.12.2011* BGN '000
Individual income taxes payable	177	251
Withholding taxes	85	11
Corporate tax	59	-
Total	**321**	**262**

The following inspections and audits were performed by the date of issue of these financial statements:

- under VATA – covering the period until 31 October 2008;
- full-scope tax audit – covering the period till 31 December 2007;
- National Social Security Institute – until 31 October 2008.

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

By order No 1200019 of 16 January 2012 inspections were assigned by type and period as follows:

- under VAT – for the period from 1 November 2008 to 30 November 2011;
- full-scope tax audit – for the period from 1 January 2008 to 31 December 2011.

By order No 1200292 of 2 August 2012 inspections were assigned by type and period as follows:

- under VAT – for the period from 1 December 201 to 31 December 2011;
- full-scope tax audit – for the period from 1 January 2011 to 31 December 2011.

33. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security are as follows:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Payables to personnel, including:	3 543	2 207
current liabilities	*1 029*	*903*
royalties	*1 627*	*811*
accruals on unused compensated leaves	*887*	*493*
Payables for social security/health insurance, including:	602	541
current liabilities	*443*	*457*
accruals on unused compensated leaves	*159*	*84*
Total	**4 145**	**2 748**

34. OTHER CURRENT LIABILITIES

Other current liabilities include:

	30.09.2012	***31.12.2011***
	BGN '000	***BGN '000***
Dividend liabilities	4 875	102
Awarded amounts on litigations	286	-
Finance lease liabilities	283	273
Deductions from work salaries	195	189
Other	55	34
Total	**5 694**	**598**

35. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

On 28 July 2011, Sopharma started arbitrary proceedings before the International Chamber of Commerce in Paris against a client in relation with unpaid supplies of goods at the amount of 1,034 thousand EUR (2,022 thousand BGN). On his part, the client filed a counter-claim for damages caused by unjustifiable termination of a distribution contract by Sopharma at the amount of 2,426 thousand EUR (4,745 thousand BGN). According to Company's lawyers, the claim of Sopharma is well-grounded and it is will be granted while the counter-claim will be rejected. On 26 October 2012 was announced the decision of the Arbitrary court in Paris. All claims of Sopharma are granted and all counter-claims are rejected.

Issued guarantees

The Company is a co-debtor under received bank loans and a guarantor of the following pharmaceutical trading companies before banks:

	Maturity	Currency	Amount Original currency	Amount BGN'000	Status of the debt 30.09.2012 BGN'000
Sopharma Properties REIT	29.12.2020	EUR	30 000	58 675	**56 067**
Sopharma Trading AD	31.12.2012	EUR	10 000	19 558	**19 558**
Sopharma Trading AD	31.12.2012	EUR	8 434	16 495	**16 472**
Sopharma Trading AD	31.05.2013	EUR	4 000	3 912	**7 151**
Sopharma Trading AD	25.04.2013	EUR	3 000	5 867	**5 846**
SIA BRIZ	06.09.2013	EUR	2 000	3 912	**3 071**
Sopharma Trading AD	25.03.2013	EUR	2 000	3 912	**2 953**
Sopharma Trading AD	31.12.2012	BGN	3 732	3 732	**2 465**
Sopharma Trading AD	28.09.2013	EUR	2 000	3 912	**2 207**
Bulgarian Rose Sevtopolis AD	31.01.2015	EUR	1 617	3 163	**1 121**
SIA BRIZ	06.09.2013	EUR	500	978	**978**
Veta Pharma AD	31.11.2012	BGN	850	850	**800**
Sopharma Trading AD	31.12.2017	EUR	3 000	5 867	**783**
Sopharma Trading AD	25.10.2016	EUR	432	846	**711**
Energoinvestment AD	28.08.2013	BGN	2 000	2 000	**518**
Sopharma Trading AD	31.07.2012	EUR	2 050	4 009	**391**
Mineralcommerce AD	20.09.2017	EUR	100	196	**196**
Veta Pharma AD	31.11.2012	BGN	150	150	**-**
Sopharma Trading AD	25.05.2016	EUR	89	174	**133**
Sopharma Trading AD	31.12.2012	EUR	66	129	**129**
Sopharma Trading AD	25.07.2016	EUR	63	124	**99**
Unipharm AD	22.02.2013	EUR	50	98	**98**
Sopharma Trading AD	25.05.2016	EUR	41	80	**73**
Sopharma Trading AD	25.09.2016	EUR	22	42	**42**
Sopharma Trading AD	30.06.2013	EUR	1 675	3 276	**35**
Sopharma Trading AD	25.06.2016	EUR	23	45	**35**
Sopharma Trading AD	25.06.2016	EUR	22	43	**34**
Sopharma Trading AD	25.09.2016	EUR	15	29	**24**
Mineralcommerce AD	19.12.2013	EUR	25	49	**6**
				142 074	**121 996**

Significant irrevocable agreements and commitments

Sopharma AD concluded a contract with a supplier for the purchase and implementation of an integrated information system Microsoft Dynamics AX for the amount of 3,700 thousand BGN (1,892 thousand EUR). The final term for implementation of the information system is the first half of 2013.

In 2011, the Company assumed a self-participation commitment at the amount of 3,997 thousand BGN under a contract for financing under Operating Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 2013. The execution of the contract is envisaged to last 24 months and is related with financing the purchase of machinery and equipment.

Bank guarantees

As at 30 September 2012 a bank guarantee in favour of an Electricity System Operator amounting to 9 thousand BGN has been issued for a period until 31 January 2013 (12 December 2011: none) (Note № 24).

Other

The Company has met its obligations under the Waste Management Act (WMA) and therefore, has not included a product charge liability in the statement of financial position as at 31 December 2011 regardless of the fact that the official document evidencing that Ecobulpack (the organization in which the Company is a member) has fulfilled its commitments under WMA, has not been issued yet at the date of preparation of these financial statements.

36. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that might affect the financial results and position of the Company. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the Company's finished products and services and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentrations.

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

Categories of financial instruments:

Financial assets	*30.09.2012*	*31.12.2010*
	BGN '000	*BGN '000*
Available-for-sale financial assets	***19 572***	***16 792***
Available-for-sale investments (in shares)	*19 572*	*16 792*
Loans and receivables	***208 000***	***199 925***
Long-term loans granted to related parties	*787*	*16 069*
Short-term receivables from related parties	*162 937*	*135 104*
Trade receivables	*28 477*	*26 788*
Other receivables	*8 386*	*3 654*
Other non-current assets (long-term receivables)	445	272
Cash and cash equivalents	*6 968*	*18 038*
Total	***227 572***	***216 717***

Financial liabilities	*30.06.2012*	*31.12.2010*
	BGN '000	*BGN '000*
Financial liabilities at amortized cost	***227 019***	***193 740***
Long-term bank loans	45 305	18 737
Short-term bank loans	*94 001*	*112 008*
Current portion of long-term bank loans	*65 111*	*40 735*
Trade payables to related parties	*10 947*	*5 236*
Trade payables	*5 571*	*16 330*
Other liabilities	*6 084*	*694*
Total	***227 019***	***193 740***

Currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. A small part of the Company's revenue is earned from export of finished products contracted as payable in USD. At the same time, the Company supplies part of its raw and other materials in USD as well. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The remaining part of company operations are usually denominated in BGN and/or EUR.

To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

The assets and liabilities denominated in BGN and foreign currency are presented as follows:

30 September 2012	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	-	-	18 688	884	19 572
Receivables and loans granted	1 296	104 694	93 646	1 396	201 032

Cash and cash equivalents	2 383	2 301	2 268	16	6 968
Total financial assets	**3 679**	**106 995**	**114 602**	**2 296**	**227 572**
Bank loans	6 051	148 906	49 461	-	204 418
Other liabilities	742	3 507	17 177	1 175	22 601
Total financial liabilities	**6 793**	**152 413**	**66 638**	**1 175**	**227 019**

31 December 2011	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Available-for-sale financial assets	-	-	16 089	703	16 792
Receivables and loans granted	10 686	89 781	80 520	900	181 887
Cash and cash equivalents	753	9 991	7 291	3	18 038
Total financial assets	**11 439**	**99 772**	**103 900**	**1 606**	**216 717**
Bank loans	6 027	155 164	10 289	-	171 480
Other liabilities	3 211	5 012	13 458	579	22 260
Total financial liabilities	**9 238**	**160 176**	**23 747**	**579**	**193 740**

Price risk

On the one hand, the Company is exposed to price risk due to two main factors:

(a) a contingent increase of supplier prices of raw and other materials, since more than 80% of the raw and starting materials are imported and they represent 50% on the average of all production costs; and

(b) the growing competition on the Bulgarian pharmaceutical market is also reflected in medicine prices.

For the purpose of mitigating this influence, the Company applies a strategy aimed at optimization of production costs, validation of alternative suppliers that offer beneficial commercial conditions, expanding product range by means of new generic products development and last but not least, adoption of a flexible marketing and price policy. Price policy is a function of three main factors – structure of expenses, prices of competitors and purchasing capacity of customers.

On the other hand, the Company is exposed to a price risk related to the held thereby shares, classified as available-for-sale investments. For this purpose, the management monitors and analyses all changes in security markets and also uses consulting services of one of the most authoritative in the country investments intermediaries. In addition, at this stage, because of the economic and financial crisis, the management has taken a decision for a significant reduction in its operations on stock markets, retaining of the purchased shares for longer periods with current monitoring of the reported by the respective issuer financial and business indicators as well as the development of the operations in the environment of crisis.

Credit risk

Credit risk is the risk that any of the Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. The latter are presented in the balance sheet at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

In the years of its trade experience, the Company has implemented different schemes of distribution to reach its efficient approach of today, in conformity with the market conditions, using various ways of payment as well as relevant trade discounts. The Company works on its main markets with counterparts with history of their relations on main markets, which include over 70 licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the National Health Insurance Fund and the state hospitals also require the implementation of deferred payments policy. In this sense, regardless of credit risk concentration, it is controlled through the choice of trade counterparts, current monitoring of their liquidity and financial stability as well as direct communication with them and search of prompt measures on first indications for existing problems.

Deferred payments (credit sales) are offered only to clients having long account of business relations with the Company, good financial position and no history of credit terms violations.

Collectability of receivables is controlled directly by the Executive Director, Finance Director and Commercial Director. Their responsibility is to provide operating control and regulate receivables in conformity with the actual market situation and the needs of the Company.

The Company has developed policy and procedures to assess the creditworthiness of its counterparts and to assign credit rating and credit limits by groups of clients.

The financial resources of the Company as well as the settlement operations are concentrated in different first-class banks. To distribute cash flows among them, Company management takes into consideration a great number of factors, as the amount of capital, reliability, liquidity, the credit potential of the bank etc.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity.

The Company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the Company is its main economic activity generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. Company's liquidity could be significantly affected by USD exchange rate fluctuations with regard to our US dollar positions on the Russian market and market dynamics, if this rate deviates from our forecasts. To isolate any possible liquidity risk, the Company implements a system of alternative mechanisms of acts and prognoses, the final aim being to maintain good liquidity and, respectively, ability to finance its economic activities. This is complemented by the monitoring of due dates and maturity of assets and liabilities as well as control of cash outflows.

Maturity analysis

The table below presents the financial non-derivative assets and liabilities of the Company, grouped by remaining term to maturity, determined against the contractual maturity at the end of the reporting period. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable and respectively, the payable becomes due for payment. The amounts include principal and interest.

30 September 2011	up to 1 month *BGN '000*	1 to 3 months *BGN '000*	3 to 6 months *BGN '000*	6 to 12 months *BGN '000*	1 to 2 years *BGN '000*	2 to 5 years *BGN '000*	over 5 years *BGN '000*	Total *BGN '000*
Available-for-sale financial assets	-	-	-	-	19 572	-	-	**19 572**
Receivables and loans granted	74 763	91 236	19 819	15 308	1 345	67	435	**202 973**
Cash and cash equivalents	6 690	-	-	278	-	-	-	**6 968**
Total assets	**81 453**	**91 236**	**19 819**	**15 586**	**20 917**	**67.00**	**435**	**229 513**
Bank loans	469	12 465	46 866	104 240	13 834	24 933	11 600	**214 407**
Other liabilities	5 736	14 042	108	2 393	343	754	-	**23 376**
Total liabilities	**6 205**	**26 507**	**46 974**	**106 633**	**14 177**	**25 687**	**-**	**237 783**

31 December 2011	up to 1 month *BGN '000*	1 to 3 months *BGN '000*	3 to 6 months *BGN '000*	6 to 12 months *BGN '000*	1 to 2 years *BGN '000*	2 to 5 years *BGN '000*	over 5 years *BGN '000*	Total *BGN '000*
Available-for-sale financial assets	-	-	-	-	16 792	-	-	**16 792**
Receivables and loans granted	25 000	24 794	21 978	97 077	6 079	13 011	-	**187 939**
Cash and cash equivalents	18 038	-	-	-	-	-	-	**18 038**
Total assets	**43 038**	**24 794**	**21 978**	**97 077**	**22 871**	**13 011**	**-**	**222 769**
Bank loans	71 646	615	46 157	37 248	787	2 360	21 394	**180 207**
Other liabilities	8 673	8 895	4 313	191	224	265	-	**22 561**
Total liabilities	**80 319**	**9 510**	**50 470**	**37 439**	**1 011**	**2 625**	**21 394**	**202 768**

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Company's assets by cash, bank deposits and loans granted, which are with fixed interest rate. On the other hand, Company's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Company partially dependent on interest risk. This risk is covered in two ways:

(a) optimisation of the sources of credit resources for achieving relatively lower price of attracted funds; and

(b) the combined structure of interest rates on loans, which consists of two components – a permanent one and a variable one, the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favourable for the Company. The permanent component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Interest rate analysis

30 September 2012	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	19 572	-	-	19 572
Receivables and loans granted	133 141	-	67 891	201 032
Cash and cash equivalents	695	6 273	-	6 968
Total financial assets	**153 408**	**6 273**	**67 891**	**227 572**
Bank loans	-	204 418	-	204 418
Other liabilities	20 092	922	1 587	22 601
Total financial liabilities	**20 092**	**205 340**	**1 587**	**227 019**

31 December 2011	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	16 792	-	-	16 792
Loans and receivables	107 299	-	74 588	181 887
Cash and cash equivalents	184	8 075	9 779	18 038
Total financial assets	**124 275**	**8 075**	**84 367**	**216 717**
Bank loans	419	171 061	-	171 480
Other loans and liabilities	21 683	577	-	22 260
Total financial liabilities	**22 102**	**171 638**	**-**	**193 740**

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors capital availability and structure on the basis of the gearing ratio.

In 2012, the strategy of the Company management was to maintain the ratio within 35 - 40% (2011: 30 – 35%).

The table below shows the gearing ratios based on capital structure as at 30 September /31 December:

	31.09.2011 ***BGN '000***	***31.03.2010*** ***BGN '000***
Total borrowings, including:	**205 340**	**172 057**
bank loans	*204 418*	*171 480*
finance lease liabilities	*922*	*577*
Less: Cash and cash equivalents	**(6 968)**	**(18 038)**
Net debt	**198 372**	**154 019**
Total equity	**345 373**	**320 668**
Total capital	**543 745**	**474 687**
Gearing ratio	**0.36**	**0.32**

The liabilities included in the table above are disclosed in Notes №26, №28, №29 and №34.

Fair values

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties. The Company's policy is to disclose in its financial statements mostly the fair value of these assets and liabilities for which market quotations are available.

The fair value of financial instruments, which are not traded in active markets, is determined through valuation methods based on various valuation techniques and management assumptions made in accordance with the market circumstances as at the balance sheet date.

The fair value concept presumes realization of the financial instruments through sales. However, in most cases especially in regard of trade receivables and payables as well as loans and deposits, the Company expects to realise these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at their amortized cost.

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables, short-term loans) or are presented in the statement of financial position at market value (deposits placed with banks, investments in securities) and therefore, their fair value is almost equal to their carrying amount. The investments in subsidiaries and associates (and part of the investments in other companies with minority interest) represent an exception to this rule and they are presented at cost.

As far as no sufficient market experience, stability and liquidity exist in regard of purchases and sales of certain financial assets and liabilities, no adequate and reliable quotes of market prices are available thereof, which is additionally complicated at the present stage by the financial crisis occurring in the country.

The Company's management is of the opinion that the estimates of the financial assets and liabilities presented in the balance sheet are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

37. RELATED PARTY TRANSACTIONS

Telecomplect Invest AD	Company – main shareholder	2012
Telecomplect AD ** *(formal holder of the shares as per the Registry at the Central Depository (CD) until the entry of Telecomplect Invest AD in the CD Registry)*	Company – main shareholder	2011
Donev Investments AD	Company – main shareholder	2011 and 2012
Sopharma Trading AD	Subsidiary	2011 and 2012
Pharmalogistica AD	Subsidiary	2011 and 2012
Bulgarian Rose Sevtopolis AD	Subsidiary	2011 and 2012
Sopharma Poland OOD	Subsidiary	2011 and 2012
Sopharma Zdrovit AD	Subsidiary	2011 and 2012
Rostbalkanpharm AD	Subsidiary	2011 and until 10 April 2012
Sopharma USA	Subsidiary	2011 and 2012
Electroncommerce EOOD	Subsidiary	2011 and 2012
Biopharm Engineering AD	Subsidiary	2011 and 2012
Vitamina AD	Subsidiary	2011 and 2012
Ivanchich and Sons OOD	Subsidiary	2011 and 2012
Sopharma Buildings REIT	Subsidiary	2011 and 2012
Momina Krepost AD	Subsidiary	2011 and 2012
Extab Corporation	Subsidiary	2011 and 2012
Briz OOD	Subsidiary	2011 and 2012
Unipharm AD	Subsidiary	2011 and 2012
Sopharma Warsaw	Subsidiary	2011 and 2012
Sopharma Ukraine EOOD	Subsidiary	from 07 August 2012 г
Phyto Palauzovo AD	Subsidiary through Bulgarian Rose – Sevtopolis OOD	from 24 September 2012 г
Brititrade SOOO	Subsidiary through Briz OOD	2011 and 2012
Tabina OOO	Subsidiary through Briz OOD	from 08 April 2011 and 2012
Superlats OOO	Subsidiary through Briz OOD	from 25 May 2011 and 2012
ZAO Interpharm	Subsidiary through Briz OOD	from 21.12.2011 and 2012
	Associate through Briz OOD	from 01.02. until 20.12.2011
Vivaton Plus OOO	Associate through Briz OOD	from 01.06.2012
Brizpharm SOOO	Associate through Briz OOD	from 01.06.2012 г
Pharmachim Holding EAD	Company under a common indirect control in the group	from 01.02. until 20.12.2011
NIHFI AD	Company under a common indirect control in the group	2011 and 2012
Kaliman RT AD	Company under a common indirect control	until 05.08.2011

Seiba Pharmacies and Drugstores AD	Company under a common indirect control	2011 and 2012
Mineralcommerce AD	Company under a common indirect control	2011 and 2012
Sopharma Properties REIT	Company under a common indirect control in the group	2011 and 2012
Sofia Inform AD	Company under a common indirect control	2011 and 2012
Sofprint Group AD	Company under a common indirect control	2011 and 2012
Sofconsult Group AD	Company under a common indirect control	2011 and 2012
Elpharma AD	Company under a common indirect control	2011 and 2012
Telso AD	Company under common control through key management personnel	2011 and 2012
Telecomplect AD	Company under common control through key management personnel	2011 and 2012
Media Group Bulgaria – Holding	Companies under joint control through key management personnel	2012
DOH Group	Companies under common control through key management personnel	from 09 April 2011 and 2012

** According to the plan for transformation of Telecomplect AD under the procedure of the Commercial Act (Art. 262a, para 2) through spin-off through establishing a new company - Telecomplect Invest AD (entered in the Commercial Register under No 164905 of 29 July 2011), the title on 26,948,052 shares of the capital of Sopharma AD is transferred to the newly established company.

At at 31 December 2011 the transfer of the shares to Telecomplect Invest AD has not been registered yet in Central Depository AD.

For the purpose of disclosing the deals, transactions and balances with related parties, we have accepted the rule of giving priority to the formal legal criteria for ownership and disposal of shares held by a particular person, regardless of the economic substance and intent of the parties. For this reason, the transactions and balances with Telecomplect AD for the whole year 2011 are presented as type of relationship "company – main shareholder".

Supply from related parties:	***01.01.2012 - 30.09.2012***	***01.01.2011 – 30.09.2011***
	BGN '000	***BGN '000***
Supply of inventories from:		
Companies under common indirect control	7 301	6 431
Subsidiaries	3 173	1 895
Companies under common indirect control through key managing personnel	61	78
Companies – main shareholders	-	20
	10 535	**8 424**

Supply of services from:		
Subsidiaries	24 722	17 809
Companies under common indirect control through key managing personnel	2 273	337
Companies under common indirect control	1 102	49
Companies – main shareholders	389	1 335
	28 486	**19 530**
Supply of tangible fixed assets from:		
Companies under common indirect control through key management personnel	88	-
Companies – main shareholders	-	46
	88	**46**
Supplies for acquisition of non-current assets:		
Companies under common indirect control	21 298	40
Companies – main shareholders	-	10 846
	21 298	**10 886**
Total	**60 407**	**38 886**

Sales to related parties	***01.01.2012 - 30.09.2012***	***01.01.2011 - 30.09.2011***
	BGN '000	***BGN '000***
Sales of finished products to:		
Subsidiaries	75 053	69 627
Companies under common indirect control	130	139
	75 183	**69 766**
Sales of services to:		
Subsidiaries	1 237	1 475
Companies under common indirect control	49	73
Companies under common indirect control through key managing personnel	39	-
Companies – main shareholders	-	71
	1 325	**1 619**
Sales of goods and materials to:		
Subsidiaries	12 472	10 717
Companies under common indirect control	858	699
Companies under common indirect control through key managing personnel	49	2
Companies – main shareholders	-	1
	13 379	**11 419**

Sales of tangible fixed assets to:		
Companies – main shareholders	58	-
Companies under common indirect control through key managing personnel	5	-
Subsidiaries	-	14
	63	**14**
Total	**89 950**	**82 818**

The terms and conditions of these transactions do not deviate from the market ones for similar transactions.

The accounts and balances with related parties are disclosed in Notes 20, 22 and 33.

The members of the key personnel are disclosed in Note 1.

Salaries and other short-term remuneration of the key management personnel amounts to 1,674 thousand BGN (2011: 318 thousand), including:

- Current remuneration - 450 thousand BGN (2011: 318 thousand);
- Bonuses – 1,224 thousand (2011: none).

38. EVENTS AFTER THE REPORTING PERIOD

On 26 October 2012 was announced the decision of the Arbitrary court in Paris. All claims of Sopharma are granted and all counter-claims are rejected.

On 29 October 2012 was signed a merger agreement between Sopharma AD and Bulgarian Rose – Sevtopolis AD. The agreement settles both the technical process of the merger of Bulgarian Rose – Sevtopolis AD into Sopharma AD, as well as the ensuing consequences for the two companies. The contract and the accompanying documentation have been submitted to the Financial Supervision Commission.