INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2013

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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 2013 is as follows:

	%
Donev Investment Holding AD	25.60
Telecomplect Invest AD	20.42
Rompharm Company OOD	13.53
Universal Pension Fund Doverie	6.75
Sopharma AD (treasury stock)	3.97
Other legal persons	26.08
Physical persons	3.65

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 1,833 workers and employees as at 30 September 2013 (2012: 1,859).

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 2013 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.

Adopted for periods, starting on or after 1 January 2013

- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2013 –endorsed by EC).* The amendment clarifies explicitly that the assessment of deferred tax (asset or liability) on the underlying asset should be based on the manner in which the respective entity intends to recover the investment in the carrying amount of the asset – though sale or through continuing use. It sets out specific rules for cases of non-current assets measured by applying the revaluation model in IAS 16 but mostly for investment properties measured by applying the fair value model in IAS 40, including those acquired in a business combination, i.e. a rebuttable presumption is introduced that deferred tax should be determined on the basis that the carrying amount will normally be recovered through sale;

- *IAS 19 (amended) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2013 –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 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest).* 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;

- *IAS 28 (amended in 2011) "Investments in Associated companies and Joint Ventures" (in force for annual periods beginning on or after 1 January 2013 –endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest).* 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 associated companies 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;

- *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 2015 – 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 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest). Transitional provisions (effective for annual periods beginning on or after 1 January 2013 - not endorsed by the EC) regarding the application of the standard for the first time.* 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 and provides more detailed rules for assessing the existence of relations through controlling. The standard also sets out the main mandatory rules for the preparation of consolidated financial statements;

- *IFRS 11 "Joint Arrangements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest). Transitional provisions (effective for annual periods beginning on or after 1 January 2013 - not endorsed by the EC) regarding the application of the standard for the first time.* 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;

- *IFRS 12 "Disclosing of Interest in Other Entities" (in force for annual periods beginning on or after 1 January 2013 –endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest). Transitional provisions (effective for annual periods beginning on or after 1 January 2013 - not endorsed by the EC) regarding the application of the standard for the first time.* 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 – 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;

- *IFRS Improvements (May 2012) - improvements in IAS 1, 16, 32, 34, IFRS 1 (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* These improvements introduce partial amendments in the respective standards primarily with a view to remove existing inconsistency in the application rules and requirements of individual standards as well as to set up more precise. The changes are mainly aimed at the following objects or operations - borrowing costs for qualifying assets for which the commencement date of capitalization is before the date of transition to IFRS (IFRS 1), clarifications of the requirements for the presentation of comparative information (IAS 1) , clarifications of the classification of service equipment (IAS 16), accounting of the tax effect of distributions to holders of an equity instrument is in accordance with IAS 12 (IAS 32), interim reporting of segment information for total assets to achieve consistency with IFRS 8 (IAS 34).

Additionally, with regard to the listed below new standards, amended/revised standards and new interpretations that have been issued but not yet effective for annual periods beginning on 1 January 2013, the management has estimated that they are unlikely to have potential impact resulting in changes in the accounting policies, classification and value of the accounting subjects in the financial statements of the Company, namely:

- *IAS 32 (amended) "Financial Instruments: Presentation" (in force for annual periods beginning on or after 1 January 2014 –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 1 (amended) First-time Adoption of IFRS – on loans granted by the state – (effective for annual periods beginning on or after 1 January 2013 – adopted by the EC).* This change is related to reflecting changes in IAS 20 Accounting for Government Grants and Disclosure of Government

Assistance concerning initial recognition at fair value of loans granted by the state with below market interest rates;

- *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 – 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).*

- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (in force for annual periods beginning on or after 1 January 2013 – 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 individual financial statements of the Company 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 individual financial statement 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 third quarter of 2013, where these individual financial statements will be included. In accordance with the planned dates, the management expects that the consolidated financial statements will be issued not later than 29 November 2013 by the Board of Directors of the Company 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. As at 30 September/31 December, these amounts are presented in BGN at the closing exchange rate of the Bulgarian National Bank.

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 date of the statement of financial position, 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, commercial 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 statement of financial position 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

Long-term investments representing shares in subsidiaries 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.

The investments of the Company in subsidiaries 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

Available-for-sale investments (financial assets) are non-derivative financial assets representing shares in other companies (minority interest).

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 available-for-sale investments (financial assets) representing:

a) shares of foreign public companies, traded in a stock exchange, qualifying as active, are subsequently measured at fair value commonly determined based on the average prices of realized transactions for the last month of the year – direct exchange prices – level 1.

b) shares of Bulgarian public companies, traded on the Bulgarian stock market, which currently does not qualify as active due to the very limited volume of transactions and representation, as well as the economic situation in the country, are subsequently measured at fair value, as follows:

   - for minority investments in the range from 0.01% to 10% stake in the respective company - by applying the adjusted stock prices - level 2, calculated using the market analog method

,insofar as the packages, held by the Company, are small in size and may be sold on the stock market;

- for minority investment in the range from 10.01% to 19.99% stake in the respective company - by applying of combined valuation approach, which includes level 2 valuation methods - market analog method, and level 3 method of discounted cash flows. Priority is given to evaluation results at level 3, as far as these stakes are held by the company with strategic long-term business objectives of the company, and

c) 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).

Subsequent measurement to fair value is conducted with the professional assistance of an independent licensed appraiser.

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'.

Delisting of shares due to selling is conducted by the method of weighted average price, determined at the end of the month of delisting.

All purchases and sales of available-for-sale investments (financial assets) are recognized on the "trade date" of the transaction, i.e. the date on which the Company commits to purchase or sell the asset.

Dividend income related to long-term investments (financial assets) representing shares in other companies (minority interest) are recognized as current income and presented in the statement of comprehensive income (profit or loss) under "financial income".

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 labor 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 labor, based on set labor 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

Commercial 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 commercial 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 labor legislation

The employment and social security relations with the employees of Sopharma AD are based on the provisions of the Labor 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 Labor 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.

Profit-based bonuses

According to the Articles of Association the Executive Director is entitled to receive a one-time remuneration (bonus) amounting to 1% of the net profit of the Company and in their sole discretion and subject to the individual contribution to distribute among the members of senior management up to 2% of the net profit of the Company – when a positive financial results for the past financial year is reported and a decision by the Annual General Meeting of Shareholders is taken.

Long-term retirement benefits

In accordance with the requirements of the Labor 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. The actuarial gains and losses are recognized immediately in the statement of comprehensive income (under “Other comprehensive income”).

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 and are recognized immediately in the statement of comprehensive income (under “Other comprehensive income”) for the period in which they arise.

The changes in the amount of Company’s liabilities to personnel for indemnities upon retirement are recognized as employee benefits expense in the statement of comprehensive income (under “Profit or loss for the year”).

Termination benefits

In accordance with the provisions of the Labor 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 financial 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, commercial 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 initially measured at acquisition cost which is the fair value of the price paid, including the acquisition costs, included in the investment.

Revaluation of available-for-sale financial assets is at fair value, except for shares of companies, not traded on a stock exchange (Note №12.2).

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 in the statement of financial position 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 2013 was 10 % (2012: 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 2013, the deferred income taxes were computed at a tax rate of 10 % (31 December 2012: 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 main 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 unrealized 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.

As a result of the reviews and analysis in the second quarter of 2013 there is no recorded impairment of inventories (2012: 619 thousand BGN).

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 .

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 in 2011, a revaluation reserve at the amount of 2,706 thousand BGN was recognized net of impairment.

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.

As at 31 December 2012 the management of the Company has again performed an analysis of the price changes of its key assets and has determined that there are no reasons and basis for a new valuation of the assets prior to the expiration of the generally accepted usual period, and for impairment. It has also evaluated the uncertainties (due to the crisis), affecting the price levels of assets, especially real estate, in the context of the Company's applied fair values for property, plant and equipment, and maintains the position that the applied valuations reflect in a reliable manner and are adequate to the current economic conditions in the country (Note № 2.7).

Impairment of investments in subsidiaries

As at the date of every quarterly financial statement the management makes an assessment about whether indicators for impairment exist in respect to its investments in subsidiaries. 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 three- to five-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 calculation of the recoverable amount as at 31 December 2012 are:

- growth rate – between 1% to 6.5%;
- interest rate /price of borrowing/ – from 7% to 10.20%;
- discount rate (based on WACC) – from 9.4% to 23.9%.

The key assumptions used in the calculations are defined specifically for each company and according to 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.

As a result of assessments made in 2012 were recognized impairments of certain investments in subsidiaries amounting to 975 thousand BGN.

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

As at 31 December 2012, 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.

A. With regard to investments in companies whose shares are registered for trading on foreign stock exchanges, qualifying as active markets, and whose shares are traded in sufficient volume of transaction in the capital market: it is accepted and they are measured at fair value determined directly on the basis of average purchase prices of realized deals in the stock exchange in the last month of the financial year (Level 1). The applied prices were additionally analyzed for trends in the behavior 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.

B. With regard to investments in companies whose shares are registered for trading on the Bulgarian Stock Exchange, it is accepted and they are subsequently measured as follows: a) for minority investments in the range from 0.01% to 10% - at fair value, determined on the basis of adjusted stock prices (level 2), insofar as the packages, held by the Company, are small in size and may be sold on the stock market; and b) for minority investment in the range from 10.01% to 19.99% - at fair value, determined on the basis of a combined valuation approach – adjusted stock prices (level 2) and fair value, determined by the analysis of unobservable baseline information and data (Level 3), insofar as these packages have larger volumes and are kept as part of long-term business objectives by the Company.

For the measurement of the fair value of available-for-sale investments as at 31 December 2012 the following basic valuation methods have been applied: a) the analogical companies method (Level 2) through derivation of market factors: company value to EBITDA; company value to net income; company value to total assets; company value to equity and company value to operating income, and b) the method of discounted cash flows (level 3) on the basis of estimates of future cash flows using financial budgets / forecasts covering a three- to five-year period, disclosed information about new products and services, as well as the historical financial statements of the respective company, in which it has invested. Key assumptions used in the calculation of the fair value by this method as at 31 December 2012 are:

- growth rate – from 2% to 8.9%;
- discount rate (based on WACC) – from 9.3% to 12.10%.

The key assumptions used in the calculations are defined specifically for each company and according to its specific operations, business environment and risks.

The management also took into consideration the results of alternative valuation methods for additional confirmation of the applied valuation as fair value.

The calculations are conducted by the management of the Company with the assistance of an independent licensed appraiser.

Specific analysis was also made with regard to all investments in available-for-sale securities of the behavioral graph of their stock exchange prices and the fair values determined by other 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 2012: a) a trend of retaining of low level of share prices; b) continuous decrease against the prior period; and/or c) low prices of analogous companies and/or 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.

These analysis results are the basis for the position of the management to recognize impairment of part of these investments, affected by the aforementioned trends together with the previously accumulated losses (net) to the reserve in the statement of comprehensive income (profit or loss for the year) as "finance expenses" - amounting to 469 thousand BGN. At the same time, in another part of the available-for-sale investments the management has recognized a positive revaluation reserve for the third quarter amounting to 226 thousand BGN (31 December 2012: 512 thousand BGN).

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 2013, the recognized impairment of receivables (net of the reversals) amounts to 710 thousand BGN (for the third quarter of 2012: 773 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.

Deferred tax assets

The Company has not recognized deferred tax assets at the amount of 1,332 thousand BGN (31 December 2012L 1,332 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 13,316 thousand BGN (31 December 2012: 13,316 thousand BGN).

3. REVENUE

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

	2013	***2012***
	BGN '000	***BGN '000***
Export	113 529	117 342
Domestic market	44 093	41 705
Total	**157 622**	**159 047**

Sales of products - export	***2013***	***2012***
	BGN '000	***BGN '000***
Tablet dosage forms	86 587	95 508
Ampoule dosage forms	11 135	9 711
Syrup dosage forms	10 032	6 886
Ointments	3 658	3 503
Lyophilic products	1 714	1 289
Suppositories	219	281
Drops	184	143
Infusion solutions	-	21
Total	**113 529**	**117 342**

Sales by product – domestic market	***2013***	***2012***
	BGN '000	***BGN '000***
Tablet dosage forms	24 716	25 536
Ampoule dosage forms	12 703	11 731
Lyophilic products	3 097	2 253
Ointments	1 228	1 029
Syrup dosage forms	559	235
Drops	416	287
Suppositories	299	270
Other	1 075	364
Total	**44 093**	**41 705**

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

	2013 BGN '000	***Relative share***	***2012 BGN '000***	***Relative share***
Europe	95 767	61%	101 218	64%
Bulgaria	44 093	28%	41 705	26%
Other countries	17 762	11%	16 124	10%
Total	**157 622**	**100%**	**159 047**	**100%**

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

	2013 BGN '000	***% of revenue***	***2012 BGN '000***	***% of revenue***
Client 1	48 672	31%	57 641	36%
Client 2	42 885	27%	41 211	26%
Client 3	31 940	20%	28 630	18%

4. OTHER OPERATING INCOME AND LOSSES

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

	2013 BGN '000	***2012 BGN '000***
Sales of materials	*12 696*	*13 015*
Cost of materials sold	*(12 528)*	*(12 708)*
Gain on sales of materials	168	307
Sales of long-term assets	*67*	*452*
Book value of sold long-term assets	*(98)*	*(38)*
Gain on sales of long-term assets	(31)	414
Sales of goods	*1 204*	*843*
Cost of goods sold	*(692)*	*(825)*
Gain on sales of goods	512	18
Services rendered	2 044	1 970
Financing from European projects	60	-
Received indemnities	4	41
Net loss from exchange differences under commercial receivables and payables and current accounts	(466)	(235)
Sales of building rights	-	416
Other income	58	115
Total	**2 349**	**3 046**

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

Sales of goods include:

	2013	*2012*
	BGN '000	*BGN '000*
Foodstuffs	647	654
Goods with technical designation	340	295
Food supplements	127	98
Cosmetics	90	212
Total	**1 204**	**1 259**

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

	2013	*2012*
	BGN '000	*BGN '000*
Foodstuffs	530	530
Cosmetics	81	196
Food supplements	63	59
Goods with technical designation	18	40
Total	**692**	**825**

Services rendered include:

	2013	*2012*
	BGN '000	*BGN '000*
Rentals	1 220	1 211
Social activities	344	323
Manufacturing	176	119
Regulatory services	80	28
Gamma irradiation	76	95
Laboratory analysis	51	39
Organization of transport	31	18
Checking and validation services	-	64
Other	66	73
Total	**2 044**	**1 970**

5. RAW MATERIALS AND CONSUMABLES USED

The *raw materials and consumables* used include:

	2013	***2012***
	BGN '000	***BGN '000***
Basic materials	29 893	34 789
Spare parts, laboratory and technical materials	3 506	3 701
Electric energy	2 607	2 012
Heat power	2 256	2 495
Fuels and lubricating materials	945	1 030
Water	545	560
Working clothes	441	558
Scapping of materials	-	3
Total	**40 193**	**45 148**

Expenses on *basic materials* include:

	2013	***2012***
	BGN '000	***BGN '000***
Substances	16 940	19 714
Packaging materials	4 860	5 890
Aluminum and PVC foil, vials, tubes	3 448	4 129
Liquid and solid chemicals	2 312	2 691
Ampoules	1 791	2 084
Herbs	542	281
Total	**29 893**	**34 789**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2013	***2012***
	BGN '000	***BGN '000***
Manufacturing	18 764	24 272
Consulting services	6 391	3 294
Advertising	5 668	7 062
Transport	2 356	2 476
Rentals	1 745	1 523
Logistic services – domestic market	1 081	1 403
Buildings and equipment maintenance	727	1 513
Security	672	617
State and regulatory fees	611	1 054
Insurance	547	693
Civil contracts	543	814
Services on registration of medicines	508	441
Local taxes and charges	500	542
Subscription fees	481	592
Medical service	478	373
Taxes on expenses	335	356
Communications	258	379
Medicines destruction costs	255	138
Vehicles repair and maintenance	230	275
Documentation translation	229	397
Fees for servicing of current bank accounts	225	244
Logistic services on export	222	271
Commission fees	148	206
Clinical trials	98	127
License fees and charges	95	195
Courier services	80	110
Service fees	28	42
Total	**43 275**	**49 409**

7. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense include:

	2013	***2012***
	BGN '000	***BGN '000***
Current wages and salaries	18 545	18 802
Social security/health insurance contributions	3 116	3 720
Social benefits and payments	1 539	1 391
Performance-based bonuses	1 235	1 224
Accruals for unused paid leaves	578	717
Accruals for long-term payables to personnel	141	174
Social security/health insurance contributions on leaves	105	131
Total	**25 259**	**26 159**

8. OTHER OPERATING EXPENSES

Other operating expenses include:

	2013	***2012***
	BGN '000	***BGN '000***
Entertainment allowances	1 437	1 338
Other taxes and payments to the budget	636	87
Accrued impairment of receivables, net (Note №9)	710	773
Business trips	476	640
Scrap and losses of inventories	263	37
Donations	195	158
Written-off receivables	155	66
Trainings	66	53
Awards on litigations	54	275
Unrecognized tax credit on VAT	9	15
Scrap and losses of long-term assets	1	4
Other	108	-
Total	**4 110**	**3 446**

9. IMPAIRMENT OF CURRENT ASSETS

Impairment losses on current assets include:

	2013	*2012*
	BGN '000	*BGN '000*
Impairment of receivables	*952*	*869*
Reversed impairment of receivables	*(242)*	*(96)*
Net change of impairment of receivables	**710**	**773**

10. FINANCE INCOME

Finance income includes:

	2013	*2012*
	BGN'000	*BGN'000*
Income from participating interests	5 889	5 461
Interest income on loans granted	3 054	3 961
Net gain on exchange rate differences on loans	-	339
Net grain from operations with securities	-	185
Interest income on deposits	-	3
Total	**8 943**	**9 949**

11. FINANCE COSTS

Finance costs include:

	2013	*2012*
	BGN'000	*BGN'000*
Net loss from operations with securities	4 527	-
Interest expense on loans received	4 047	4 073
Bank fees and charges on loans and guarantees	251	237
Impairment of available-for-sale investments	197	-
Net loss from exchange rate differences on loans	60	-
Interest expense on finance lease	44	206
Total	**9 126**	**4 516**

12. OTHER COMPREHENSIVE INCOME –INCOME RECYCLING

Other components of *comprehensive income* include:

	2013 ***BGN '000***	***2012*** ***BGN '000***
Change in the fair value of available-for-sale financial assets		
Gains throughout the year	226	(1)
Reduced by: *Reclassification adjustment of (gains) / losses included in the profit or loss for the year*	-	-
Change in the fair value of property, plant and equipment		
Gain on revaluation of property, plant and equipment	4	-
Other comprehensive income, net of tax	**230**	**(1)**

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Property, plant and equipment*		*Other*		*In process of acquisition*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	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	**69 913**	**68 373**	**88 057**	**81 892**	**23 276**	**17 813**	**78 617**	**32 892**	**259 863**	**200 970**
Additions	2 475	1 976	970	1 201	495	1 533	17 372	57 034	21 312	61 744
Transfer to property, plant and equipment	41 638	341	50 212	5 815	788	4 825	(92 638)	(10 981)	-	-
Transfer to investment property		(236)		(171)		(12)	-	-	-	(419)
Allowance for impairment		-	-	-		-	-	-	-	-
Disposals	(1)	(541)	(94)	(680)	(1 683)	(883)	(17)	(328)	(1 795)	(2 432)
Effect of revaluation to fair value	-	-	-	-	-	-	-	-	-	-
Balance at 30 September/31 December	**114 025**	**69 913**	**139 145**	**88 057**	**22 876**	**23 276**	**3 334**	**78 617**	**279 380**	**259 863**
Accumulated depreciation										
Balance at 1 January	**6 654**	**4 957**	**54 557**	**50 500**	**11 791**	**10 465**	**-**	**-**	**73 002**	**65 922**
Depreciation charge for the year	1 564	1 714	4 185	4 618	1 840	2 058	-	-	7 589	8 390
Depreciation written-off		(17)	(93)	(561)	(641)	(732)	-	-	(734)	(1 310)
Effect of revaluation to fair value	-	-	-	-	-	-	-	-	-	-
Balance at 30 September/31 December	**8 218**	**6 654**	**58 649**	**54 557**	**12 990**	**11 791**	**-**	**-**	**79 857**	**73 002**
Carrying amount at 30 September/31 December	**105 807**	**63 259**	**80 496**	**33 500**	**9 886**	**11 485**	**3 334**	**78 617**	**199 523**	**186 861**
Carrying amount at 1 January	**63 259**	**63 416**	**33 500**	**31 392**	**11 485**	**7 348**	**78 617**	**32 892**	**186 861**	**135 048**

As at 30 September 2013 the Company's tangible fixed assets include: land amounting to 30,824 thousand BGN (31 December 2012: 28,489 thousand BGN) and buildings of carrying amount 74,983 thousand BGN (31 December 2012: 34,770 thousand BGN).

Tangible fixed assets in progress as at 30 September include:

- expenses on construction of new production buildings – 667 thousand BGN (31 December 2012: 56,221 thousand BGN);
- supply of equipment at the amount of 150 thousand BGN (31 December 2012: 19,987 thousand BGN)
- advances granted at the amount of 716 thousand BGN (31 December 2012: 1,750 thousand BGN);
- buildings reconstruction – 1,792 thousand BGN (31 December 2012: 650 thousand BGN);
- other – 9 thousand BGN (31 December 2012: 9 thousand BGN).

The amount of other assets as at 30 September 2013 includes also biological assets – Golden Chain (Laburnum anagyroides) plantation at the amount of 195 thousand BGN (31 December 2012: 123 thousand BGN).

Operating lease

The Company leased tangible fixed assets with carrying amount of 7,435 thousand BGN as at 30 September 2013 to related parties (31 December 2012: 7,811 thousand BGN). In addition, tangible fixed assets at carrying amount of 46 thousand BGN were leased to third parties as at 30 September 2013 (31 December 2012: 42 thousand BGN).

Finance lease

As at 30 September 2013, assets at the carrying amount of 239 thousand BGN were acquired under finance lease contracts (31 December 2012: 1,141 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 – 22,446 thousand BGN (31 December 2012: 21,224 thousand BGN);
- transportation vehicles – 929 thousand BGN (31 December 2012: 905 thousand BGN);
- furniture and fixtures – 4,277 thousand BGN (31 December 2012: 3,905 thousand BGN).

As at 30 September 2013, there were pledges on long-term fixed assets of the Company in connection with loans, received by the Company, as follows:

- Land and buildings with a carrying value respectively 12,311 thousand BGN and 73,504 thousand BGN (31 December 2012: respectively 12,311 thousand BGN and 33,058 thousand BGN) (Note № 26 and Note № 29);
- Pledges on equipment – 43,319 thousand BGN (31 December 2012: 31,954 thousand BGN) (Note № 26 and Note № 29).

As at 30 September 2013 of interest expenses and fees for qualifying assets are capitalized to the cost of acquisition at the amounted of 3,301 thousand BGN (31 December 2012: 2,079 thousand BGN).

14. INTANGIBLE ASSETS

	Intellectual property rights		*Software*		*Assets in progress*		*Total*	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***	***2013***	***2012***
Book value	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN'000***	***BGN '000***	***BGN '000***	***BGN '000***
Balance at 1 January	**1 941**	**1 140**	**2 277**	**2 082**	**2 105**	**1 786**	**6 323**	**5 008**
Additions	-	99	10	92	228	1 125	238	1 316
Written-off				(1)			-	(1)
Transfer	72	702		104	(72)	(806)	-	-
Balance at 30 September/ 31 December	**2 013**	**1 941**	**2 287**	**2 277**	**2 261**	**2 105**	**6 561**	**6 323**
Accumulated amortization								
Balance at 1 January	**820**	**508**	**1 530**	**1 114**	**-**		**2 350**	**1 622**
Amortization charge for the year	270	312	327	417	-	-	597	729
Written-off amortization				(1)			-	(1)
Balance at 30 September/ 31 December	**1 090**	**820**	**1 857**	**1 530**	**-**	**-**	**2 947**	**2 350**
Carrying amount at 30 September/ 31 December	**923**	**1 121**	**430**	**747**	**2 261**	**2 105**	**3 614**	**3 973**
Carrying amount at 1 January	**1 121**	**632**	**747**	**968**	**2 105**	**1 786**	**3 973**	**3 386**

The rights on intellectual property include mainly products of development activities.

Expenses for the acquisition of intangible assets as at 30 September include:

- expenses on software implementation –1,799 thousand BGN (31 December 2012: 1,679 thousand BGN);
- expenses on permits for use of medicinal products – 462 thousand BGN (31 December 2012: 426 thousand BGN).

15. INVESTMENT PROPERTY

	31.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Balance at 1 January	**19 391**	**19 170**
Transfer from property, plant and equipment	**-**	419
Revaluation to fair value, recorded in equity	**-**	18
Fair value measured as at 31 December, carried to the statement of comprehensive income	**-**	(216)
Balance at 30 September 2013 / 31 December	**19 391**	**19 391**

Investment properties are parts of a building, provisioned for independent operation and for long-term lease to subsidiaries and third parties.

16. INVESTMENTS IN SUBSIDIARIES

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

	30.09.2013	***Interest***	***31.12.2012***	***Interest***

		BGN '000	%	*BGN '000*	%
Sopharma Trading AD	Bulgaria	30 222	76.16	32 148	81.01
Unipharm AD	Bulgaria	19 448	49.99	19 449	49.99
Briz OOD	Latvia	8 768	51.01	6 262	51.00
Bulgarian Rose Sevtopolis AD	Bulgaria	8 729	49.99	8 729	49.99
Biopharm Engineering AD	Bulgaria	8 384	97.15	8 384	97.15
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	2 660	52.16	2 547	49.94
Pharmalogistica AD	Bulgaria	1 911	76.54	1 911	76.54
Sopharma Buildings REIT	Bulgaria	643	42.89	639	42.64
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	323	100.00
Sopharma Ukraine EOOD	Ukraine	230	100.00	230	100.00
Total		**93 628**		**92 932**	

As of 30 September 2013, the investments in the subsidiaries Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma, USA are fully impaired (31 December 2012: fully impaired are Zdrovit Sopharma AD - in liquidation, Poland, Sopharma Poland OOD - in liquidation, Poland, Extab Corporation, USA and Sopharma USA). On 25 February 2013 completed the liquidation of Sopharma Zdrovit AD, Poland, and the company was erased from the National Court Register of Poland.
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.
- 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 OOD. – in liquidation – Scope of activities: market and public opinion research. Date of acquisition – 16 October 2003. The company is in a procedure of liquidation.
- Sopharma 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.
- 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 (securitization 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 movement of investments in subsidiaries is presented below:

	Investments in subsidiaries	
Acquisition cost (cost)	***30.09.2013 BGN '000***	***31.12.2012 BGN '000***
Balance at 1 January	**106 248**	**100 803**
Direct acquisition	119	235
Acquisition through a capital increase	2 506	5 338
Partial sales without loss of control	(1 929)	(124)
Disposals	-	(4)
Balance at 30 September / 31 December	**106 944**	**106 248**
Accrued impairment		
Balance at 1 January	**13 316**	**12 341**
Accrued impairment	-	975
Balance at 30 September / 31 December	**13 316**	**13 316**
Carrying amount at 30 September / 31 December	**93 628**	**92 932**
Carrying amount at 1 January	**92 932**	**88 462**

In the third quarter of 2013 no new subsidiaries have been acquired (2012: the subsidiary is Sopharma Ukraine OOD).

On 29 October 2012 was signed a merger agreement between Sopharma AD and Bulgarian Rose Sevtopolis AD, which settles the conduction of the transformation through merging of Bulgarian Rose Sevtopolis AD into Sopharma AD. The agreement along with the accompanying documentation has been submitted to the Financial Supervision Commission. By Decision №396 – PD from 23 May 2013 the Financial Supervision Commission did not approve the Contract for transformation through merging of Bulgarian Rose Sevtopolis AD in Sopharma AD.

17. AVAILABLE-FOR-SALE INVESTMENTS

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

	30.09.2013 *BGN '000*	*Interest* *%*	*31.12.2012* *BGN '000*	*Interest* *%*
Doverie United Holding AD	7 927	9.90	14 966	18.70
Medica AD	2 574	10.20	2 574	10.20
Olainfarm AD - Latvia	1 481	0.77	1 078	0.77
Lavena AD	738	8.21	230	4.88
Hydroizomat AD	388	9.98	372	9.33
Sopharma Properties AD	70	0.21	210	0.63
Todorov AD	29	4.50	32	4.97
Ecobulpack AD	7	1.48	7	1.48
UniCredit Bulbank AD	3	0.001	3	0.001
Maritzatex AD	-	12.41	-	6.20
Total	**13 217**		**19 472**	
Paid, unregistered capital increase	13		-	
	13 230		**19 472**	

All aforementioned 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. As at 30 June 2013 the remaining investments are valuated at fair value based on: a) for shares of companies, traded on foreign stock exchanges – average stock prices for December (level 1); b) for minority interests (between 0.01% to 10%), traded on the Bulgarian Stock Exchange – adjusted stock exchange prices (Level 2), and c) for minority interests (from 10.01% to 19.99%), traded on the Bulgarian Stock Exchange – combined approach (level 2 and level 3).

18. LONG-TERM RECEIVABLES FROM RELATED PARTIES

Long-term receivables from related parties include:

	30.09.2013 *BGN '000*	*31.12.2012* *BGN '000*
Receivables on long-term deposits on rentals	435	435
Long-term loans granted to related parties	-	748
Total	**435**	**1 183**

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

Currency	*Contracted amount*	*Maturity*	*Interest%*	*30.09.2013*		*31.12.2012*	
	'000			*BGN'000*	*BGN'000 including interest*	*BGN'000*	*BGN'000 including interest*
tocompaniesundercommonindirectcontrolthroughkeymanagingpersonnel							
BGN	1 100	31.12.2014	8.08%	-	-	748	*25*
				-	**-**	**748**	***25***

The long-term loans granted to related parties are not secured by collateral.
The receivable on long-term deposit is on a rental contract for an administrative office with an end date 1 August 2022.

19. OTHER LONG-TERM RECEIVABLES

Other long-term receivables of the Company are on loan granted to a third party totaling as at 30 September 2013: 17 thousand BGN (two loans granted to third parties totaling as at 31 December 2012: 922 thousand BGN). The loans are due on 1 July 2014 and 2 August 2016 and with an annual interest rate of 7.00% and 8.08%.

20. INVENTORIES

Company’s *inventories* include:

	30.09.2013	*31.12.2012*
	BGN '000	*BGN '000*
Materials	29 330	24 800
Finished products	18 251	22 973
Work-in-progress	4 255	3 162
Semi-finished products	2 147	3 182
Goods	148	365
Total	**54 131**	**54 482**

Materials by type are as follows:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Basic materials	28 660	22 068
Technical materials	285	259
Auxiliary materials	161	317
Spare parts	55	90
Materials in the process of delivery	-	1 903
Other	169	163
Total	**29 330**	**24 800**

Basic materials by type are as follows:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Substances	19 997	14 333
Vials, tubes and ampoules	3 973	3 588
Chemicals	1 646	1 636
PVC and aluminum foil	1 270	1 085
Packaging materials	957	1 015
Herbs	817	411
Total	**28 660**	**22 068**

Finished products existing as at December include:

	31.03.2013	***31.12.2012***
	BGN '000	***BGN '000***
Tablet dosage forms	10 111	14 890
Ampoule dosage forms	5 003	5 394
Syrups	979	1 158
Other	2 158	1 531
Total	**18 251**	**22 973**

As at 30 September 2013 there are pledges on Company’s inventories amounting to 35,525 thousand BGN as collateral for bank loans, received by the Company (31 December 2012: 40,955 thousand BGN) (Note № 26 and № 29).

21. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Receivables from subsidiaries	*70 875*	*110 584*
Impairment of uncollectible receivables		*(76)*

	(76)	
	70	110
	799	508
Receivables from companies under a common control through key managing personnel	49 582	37 166
Receivables from Companies under common indirect control	*8 282*	*14 051*
Impairment of uncollectible receivables	-	*(2 782)*
	8 282	11 269
Receivables from companies – main shareholders	-	8 170
Total	**128 663**	**167 113**

The receivables from related parties by type are as follows:

	31.03.2013	***31.12.2012***
	BGN '000	***BGN '000***
Receivables on sales of finished products and materials	64 298	104 659
Trade loans granted	64 144	62 454
Advance payments	175	-
Dividends	46	-
Total	**128 663**	**167 113**

The receivables on sales are interest-free and 27,796 thousand BGN of them are denominated in BGN (31 December 2012: 65,180 thousand BGN), in EUR – 36,472 thousand BGN (31 December 2012: 39,479 thousand BGN), and in hryvnia – 30 thousand BGN (31 December 2012: none).

The most significant receivables are the ones from a subsidiary with principal activities in the field of trade in pharmaceuticals. They amounted to – 27,024 thousand BGN as at 30 September 2013 or 42,03% of all receivables on sales of finished products and materials to related parties (31 December 2012: 64,524 thousand BGN - 61,65%).

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 assesses collectability on an individual basis by analyzing the specific receivables and circumstances related to delay in order that impairment is charged.

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***

up to 30 days	11 930	14 956
from 31 to 90 days	19 956	20 045
from 91 to 180 days	10 767	18 024
from 181 to 360 days	4 543	-
Total	**47 196**	**53 025**

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
from 31 to 90 days	302	3 784
from 91 to 180 days	15 175	15 258
from 181 to 360 days	679	30 864
Over 361 days	946	1 390
Total	**17 102**	**51 296**

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 collection methods and schemes under monitoring at company and group levels and are consistent with the implementation of the market objectives of the group.

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
over 1 year	76	839
Allowance for impairment	(76)	(501)
	-	**338**

Movement of the allowance for impairment

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**501**	**987**
Recovered impairment	(225)	-
Amounts written off as uncollectible	(200)	(53)
Written-off impairments upon sale of subsidiaries	-	(566)
Reported impairment of receivables from companies under common control		78
Reported impairment of receivables from subsidiaries	-	55
Balance at the end of the year	**76**	**501**

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

	30.09.2013	***31.12.2012***

	BGN '000	*BGN '000*
Receivables from companies under common control through key managing personnel	49 408	37 156
Companies under common indirect control	7 739	13 078
Impairment of trade loans	-	*(2 358)*
	7 739	10 720
Subsidiaries	6 997	6 408
Companies – main shareholders	-	8 170
Total	**64 144**	**62 454**

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

Currency	*Contracted amount '000*	*Maturity*	*Interest %*	*30.09.2013* *BGN'000*	*30.09.2013* *BGN'000 including interest*	*31.12.2012* *BGN'000*	*31.12.2012* *BGN'000 including interest*
to companies under common indirect control through key managing personnel							
BGN	23 395	31.12.2013	8.30%	20 904	*1 380*	14 932	*324*
EUR	8 793	31.12.2013	4.50%	13 847	*78*	12 257	*62*
BGN	27 050	31.08.2013	8.08%	11 299	*569*	9 230	-
BGN	2 500	31.12.2013	8.30%	2 615	*115*	-	-
BGN	1 300	31.12.2013	8.08%	540	*40*	510	*9*
BGN	190	31.12.2013	8.08%	203	*13*	227	*37*
to companies under common indirect control							
EUR	7 660	31.12.2013	4.50%	7 739	*39*	10 010	-
BGN	1 375	31.12.2013	8.08%	-	-	710	-
to companies – main shareholders							
EUR	4 035	31.12.2013	4.80%	-	-	8 170	*278*
to subsidiaries							
EUR	2 770	20.01.2014	6.10%	6 309	*892*	6 062	*645*
BGN	600	31.12.2013	7.00%	302	*2*	101	-
USD	205	31.12.2013	3.50%	307	*10*	167	*4*
USD	25	31.12.2013	3.50%	40	*3*	40	*2*
USD	20	31.12.2013	3.50%	32	*3*	32	*3*
EUR	3	07.11.2013	13.00%	7	-	6	-
				64 144	***3 144***	**62 454**	***1 364***

As at 30 September 2013 there are pledges on receivables from related parties amounting to 16,229 thousand BGN (31 December 2012: 10,500 thousand BGN) (Annex №26and №29) as collateral for bank loans, received by the Company.

22. COMMERCIAL RECEIVABLES

	30.09.2013	*31.12.2012*
	BGN '000	*BGN '000*
Receivables from clients	25 113	21 240
Impairment of uncollectible receivables	(229)	(583)
	24 884	20 657
Advances granted	2 066	1 882
Total	**26 950**	**22 539**

The *receivables from clients* are interest-free and of them – 507 thousand are denominated in BGN (31 December 2012: 1,020 thousand BGN), in EUR — 21,710 thousand BGN (31 December 2012: 17,389 thousand BGN), in PLN – 1,705 thousand BGN (31 December 2012: 2,248 thousand BGN), and in USD – 962 thousand BGN (31 December 2012: none).

Three main contracting parties of the Company form around 68,60% of receivables from clients (2012: 70,53%).

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 analyzing the individual 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 2013 there are pledges on commercial receivables amounting to 22,763 thousand BGN (31 December 2012: 32,562 thousand BGN) (Note №26 and №29) as collateral for bank loans, received by the Company.

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

	30.09.2013	*31.12.2012*
	BGN '000	*BGN '000*
up to 30 days	13 605	3 188
from 31 to 90 days	1 949	11 666
from 91 to 180 days	4 732	495
From 181 to 360 days	141	-
Total	**20 427**	**15 349**

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
from 31 to 90 days	660	4 536
from 91 to 180 days	1 915	391
from 181 to 360 days	698	381
Over 361 days	1 184	-
Total	**4 457**	**5 308**

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
over 1 year	229	583
Allowance for impairment	(229)	(583)
	-	**-**

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

	2013	***2012***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**583**	**39**
Amounts written-off as uncollectable	(354)	(28)
Reported impairment	17	35
Reversal of impairment	(17)	(29)
Acquired impairments at the sale of subsidiaries	-	566
Balance at the end of the year	**229**	**583**

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Raw and other materials	1 529	1 775
Services	537	107
Total	**2 066**	**1 882**

The *advances granted* are regular. They include: in BGN – 1,184 thousand BGN (31 December 2012: 1,415 thousand BGN), in EUR – 309 thousand BGN (31 December 2012: 208 thousand BGN), and in USD – 573 thousand BGN (31 December 2012: 259 thousand BGN).

23. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	30.09.2013 *BGN '000*	*31.12.2012* *BGN '000*
Taxes refundable	4 889	6 958
Amounts granted to the Central Depository for dividends payment	4 086	-
Loans granted to third parties	1 022	447
Amounts granted to an investment intermediary	812	652
Court and awarded receivables	2 213	2 640
Impairment of court receivables	*(1 721)*	*(799)*
	492	1 841
Prepayments	318	1 036
Receivables on deposits placed as guarantees	288	302
Other	326	324
Total	**12 233**	**11 560**

Other receivables as at 30 September 2013 amounted to 326 thousand, including 258 thousand BGN (178 thousand USD) (31 December 2012: 269 thousand), provided to the Supreme Court as collateral for a lawsuit.

Refundable taxes include:

	30.09.2013 *BGN '000*	*31.12.2012* *BGN '000*
Excise duties	3 611	3 554
VAT	1 130	2 002
Corporate tax	97	1 300
Withholding taxes	51	102
Total	**4 889**	**6 958**

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

Currency	*Contracted amount '000*	*Maturity*	*Interest %*	*30.09.2013*		*31.12.2012*	
				BGN'000	*BGN'000 including interest*	*BGN'000*	*BGN'000 including interest*
BGN	1 800	30.06.2014	6.80%	559	*1*	-	-
BGN	298	23.02.2014	7.00%	391	*13*	300	*2*
BGN	31	31.12.2013	6.00%	34	*3*	33	*2*
BGN	30	25.07.2014	8.08%	31	*1*	-	-
BGN	350	30.06.2014	6.80%	7	-	6	-
BGN	100	31.12.2013	8.08%	-	-	108	*8*
				1 022	***18***	**447**	***12***

Prepayments include:

	31.03.2013	***31.12.2012***
	BGN '000	***BGN '000***
Subscriptions	172	357
Insurance	114	425
License and patent fees	15	23
Vouchers	12	3
Advertising	2	138
Rentals	2	55
Other	1	35
Total	**318**	**1 036**

Deposits placed as guarantees include:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Guarantees under building contracts	110	110
Guarantees under contracts for fuel supply	86	86
Guarantees under communication service contracts	33	33
Guarantees for medicinal products supply	47	26
Other	12	47
Total	**288**	**302**

24. CASH AND CASH EQUIVALENTS

Cash includes:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Cash at current bank accounts	3 667	2 509
Cash in hand	156	77
Provided bank guarantees	-	9
Cash and cash equivalents for cash flows	**3 823**	**2 595**

The cash at current bank accounts is denominated as follows: in BGN – 1,295 thousand BGN (31 December 2012: 211 thousand BGN), in EUR – 1,287 thousand BGN (31 December 2012: 1,328 thousand BGN), in USD – 1,085 thousand BGN (31 December 2012: 979 thousand BGN).
Cash in hand is mainly denominated in BGN.

25. EQUITY

Share capital

As at 30 September 2013, 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, nominal, dematerialized 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 2012	**129 431 391**	**121 964**
Treasury shares	(917 622)	(2 109)
Expense on treasury shares	-	(11)
Balance at 31 December 2012	**128 513 769**	**119 844**
Balance at 1 January 2013	**128 513 769**	**119 844**
Treasury shares	(1 755 375)	(5 171)
Expense on treasury shares		(26)
Balance at 30 September 2013	**126 758 394**	**114 647**

The treasury shares were 5,241,606 at the amount of 17,353 thousand BGN as at 30 September 2013 (31 December 2012: 3,486,231 at the amount of 12,156 thousand BGN). In the current year the Company purchased 1,755,375 shares and in 2012 − 917,622 shares through an investment intermediary.

As at 30 September 2013 the Company has shares held by subsidiaries as follows:

- by Sopharma Trading AD – 23,500 shares (31 December 2012: 146,338 shares);
- by Unipharm AD – 221,166 shares (31 December 2012: 221,166 shares).

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Statutory reserves	30 051	25 934
Property, plant and equipment revaluation reserve	25 056	25 093
Available-for-sale financial assets reserve	740	514
Additional reserves	166 508	138 387
Total	**222 355**	**189 928**

The ***statutory reserves*** amounting to 30,051 thousand BGN (31 December 2012: 25,934 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:

	2013	*2012*
	BGN '000	***BGN '000***
Balance at 1 January	**25 934**	**21 855**
Distribution of profit	4 117	4 079
Balance at 30 September / 31 December	**30 051**	**25 934**

The ***Property, plant and equipment* revaluation reserve** amounting to 25,056 thousand BGN (31 December 2012: 25,093thousand 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:

	2013	*2012*
	BGN '000	***BGN '000***
Balance at 1 January	**25 093**	**25 360**
Gain on revaluation of property, plant and equipment	4	18
Deferred tax liability arising on revaluation	-	(2)
Transfer to retained earnings	(41)	(283)
Balance at 30 September / 31 December	**25 056**	**25 093**

The ***available-for-sale financial assets reserve*** amounts to 740 thousand BGN (31 December 2012: 514 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:

	2013	*2012*
	BGN '000	***BGN '000***
Balance at 1 January	**514**	**2**
Net gain arising on revaluation of available-for-sale financial assets	226	513
Cumulative loss on revaluation reclassified to current profit or loss on sale of available-for-sale financial assets	-	(1)
Balance at 30 September / 31 December	**740**	**514**

The ***additional reserves*** amounting to 166,508 thousand BGN (31 December 2012: 138,387 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:

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**138 387**	**110 696**
Distributed profit in the year	28 121	27 691
Balance at 30 September / 31 December	**166 508**	**138 387**

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

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**41 168**	**40 791**
Distribution of profit for reserves	(32 238)	(31 770)
Payment of dividend	(8 930)	(9 021)
Transfer from property, plant and equipment revaluation reserve	41	283
Current profit for the year	31 470	40 885
Balance at 30 September / 31 December	**31 511**	**41 168**

Basic earnings per share

	30.09.2013	***30.09.2012***
Weighted average number of common shares outstanding	127 699 080	129 044 383
Net income for the year (BGN '000)	31 470	35 192
Basic earnings per share (BGN)	**0.25**	**0.27**

26. LONG-TERM BANK LOANS

			30.09.2013			***31.12.2012***		
Currency	***Contracted loan amount***	***Maturity***	***Non-current portion***	***Current portion***	***Total***	***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	46 507	7 709	**54 216**	51 779	5 888	**57 667**
Credit lines								
BGN	23 470	31.01.2014	-	-	**-**	-	Note №32	**-**

	46 507	**7 709**	**54 216**	**51 779**	**5 888**	**57 667**

The Company has gradually established a policy of annual renegotiation of the initial contract term of long-term credit lines, incl. maturities. From the date of renegotiation the extended credit lines are presented as short-term bank loans (Note № 29).

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 (2012: 3-month EURIBOR plus a mark-up of up to 2.8 points).

The following collateral have been established in favor of the creditor banks:

- Real estate mortgages: 48,443 thousand BGN (31 December 2012: 6,222 thousand BGN) (Note №13);
- Special pledges on property, plant and equipment: 29,492 thousand BGN (31 December 2012: 13,700 thousand BGN) (Note №13).

27. 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	***30.09.2013 BGN '000***	***31.12.2012 BGN '000***
Up to one year	65	270
Over one year	62	682
Total	**127**	**952**

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

Term	***30.09.2013 BGN '000***	***31.12.2012 BGN '000***
Up to one year	80	511
Over one year	70	1 194
	150	1 705
Future finance costs under finance leases	(23)	(753)
Present value of finance lease liabilities	**127**	**952**

The lease payments due within the next 12 months are presented in the statement of financial position as ‘other current liabilities’ (Note 34).

28. OTHER NON-CURRENT PAYABLES

These payables arise due to contract for funding under Operational Program "Development of competitiveness of the Bulgarian Economy" 2007 – 2013. The funding is subject to financing of machinery and equipment. The short-term part of the funding. amounting to 90 thousand BGN, will be recognized as current expenses over the next 12 months as from the date of the statement of financial position and is presented under Other current liabilities (Note № 34).

29. SHORT-TERM BANK LOANS

Currency	*Contracted amount*	*Maturity*	*30.09.2013*	*31.12.2012*
	'000		*BGN'000*	*BGN'000*
Bank loans (overdrafts)				
EUR	20 000	31.05.2014	34 058	39 091
EUR	12 500	17.02.2014	13 341	24 384
BGN	10 000	30.06.2014	9 994	10 003
EUR	5 000	31.05.2014	9 795	9 785
EUR	5 000	31.05.2014	3 759	-
EUR	3 000	28.09.2013	-	2 858
USD	4 000	01.05.2013	-	5 936
EUR	1 968	01.05.2013	-	3 632
			70 947	**95 689**
Extended credit lines				
BGN	23 470	31.01.2014	10 938	19 772
BGN	18 000	30.08.2014	11 736	15 028
EUR	5 000	31.08.2014	7 453	9 772
EUR	3 000	25.08.2013	-	5 863
EUR	2 500	31.08.2013	-	1 803
EUR	2 500	20.11.2013	-	4 851
			30 127	**57 089**
Total			**101 074**	**152 778**

The loans received in EUR are contracted at an interest rate based on 6-month EURIBOR plus a mark-up of up to 3 points, 3-month EURIBOR plus a mark-up of up to 3.85 points and 1-month EURIBOR plus a mark-up of up to 2.75 points, and the loans in BGN – monthly SOFIBOR plus a mark-up of up to 3.75 points. (2012: loans in EUR - 6-month EURIBOR plus a mark-up of up to 3 points, 3-month EURIBOR plus a mark-up of up to 3.85 points and 1-month EURIBOR plus a mark-up of up to 3 points loans 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 3.75 points and 2-month SOFIBOR plus a mark-up of up to 3.5 points). Loans are intended for providing working capital.

The following collateral have been established in favor of the creditor banks:

- Real estate mortgages - 37,372 thousand BGN (31 December 2012 г.: 39,147 thousand BGN) (Note № 13);
- Special pledges on:
  - machinery and equipment 13,827 thousand BGN (31 December 2012: 18,835) (Note № 13);
  - receivables from related parties – 16,229 thousand BGN (31 December 2012: 10,500 thousand BGN) (Note № 21);

- commercial receivables – 22,763 thousand BGN (31 December 2012: 32,562 thousand BGN) (Note № 22);
- inventories – 35,525 thousand BGN (31 December 2012: 38,372 thousand BGN) (Note № 20).

30. TRADE PAYABLES

Trade payables include:

	30.09.2013 ***BGN '000***	***31.12.2012*** ***BGN '000***
Payables to suppliers	5 498	6 860
Advances received	688	230
Total	**6 186**	**7 090**

	30.09.2013 ***BGN '000***	***31.12.2012*** ***BGN '000***
Payables to foreign suppliers	3 331	5 350
Payables to local suppliers	2 167	1 510
Total	**5 498**	**6 860**

The payables to suppliers are regular, interest-free and refer to supplies of materials and services. The payables in foreign currency amount to 3,331 thousand BGN (31 December 2012: 5,350 thousand BGN). They include: in EUR - 2,721 thousand BGN (31 December 2012: 4,303 thousand BGN), in USD – 610 thousand BGN (31 December 2012: 1,030 thousand BGN) and in other currency – none (31 December 2012: 17 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.

The Company has deposits (Notes № 18 and № 23) as collateral for payables to suppliers for transactions in the amount of 723 thousand BGN (31 December 2012: 735 thousand BGN).

31. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables to subsidiaries	5 387	3 753
Payables to companies under common indirect control	276	12
Payables to companies under a common control through key management personnel	351	-
Payables to companies – main shareholders	50	17
Total	**6 064**	**3 782**

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

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables for services	5 843	3 738
Payables for supply of long-term tangible assets	150	-
Payables for construction of new production facilities	43	-
Payables for the supply of materials	28	44
Total	**6 064**	**3 782**

The trade payables to related parties are regular, denominated in BGN, EUR and PLN and are not additionally secured by the Company. The payables in BGN amounted to 5,018 thousand BGN (31 December 2012: 3,426 thousand BGN), in EUR – 373 thousand BGN (31 December 2012: 48 thousand BGN) and those in PLN – 673 thousand BGN (31 December 2012: 308 thousand BGN).

32. TAX PAYABLES

Tax payables include:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Withholding taxes	212	3
Individual income taxes payable	171	205
Total	**383**	**208**

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

- under VAT – covering the period until 31 December 2011;
- full-scope tax audit – covering the period till 31 December 2011;

- 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.

33. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security are as follows:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables to personnel, including:	4 572	3 117
current liabilities	*1 673*	*813*
royalties	*2 051*	*1 627*
accruals on unused compensated leaves	*848*	*677*
Payables for social security/health insurance, including:	697	567
current liabilities	*554*	*458*
accruals on unused compensated leaves	*143*	*109*
Total	**5 269**	**3 684**

34. OTHER CURRENT LIABILITIES

Other current liabilities include:

	30.09.2013	***31.12.2012***
	BGN '000	***BGN '000***
Dividend liabilities	4 329	251
Awards on litigations	277	281
Deductions from salaries	182	190
Government donations (financing) on contracts for grants on European programs	90	-
Finance lease liabilities	65	270
Other	29	14
Total	**4 972**	**1 006**

35. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

In 2011, Sopharma AD started arbitration 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). The client, in turn, filed a counterclaim for damages caused by the unjust termination of a contract for distribution by Sopharma AD amounting to 2,426 thousand EUR (4,745 thousand BGN). With a decision from 23 October 2012 of the International Court of Arbitration in Paris the claim of Sopharma has been granted and the counter-claims has been rejected.

In 2013 the International Court of Arbitration in Paris will review an additional claim by Sopharma for compensation for loss of business, suffered as a result of damage to the image of the Company, amounting to 1,770 thousand EUR. Also the decision by the Court on the cost of the arbitration proceedings is expected.

According to appellate decision by the Appellate Court of Sofia from 8 November 2012 Sopharma AD was convicted jointly with its subsidiary for unpaid liabilities to a supplier of the subsidiary amounting to 145 thousand BGN (95 thousand USD) incl. principal and forfeits, as well the legal interest on that amount from 22 December 2005 until the date of final payment of the liabilities and 12 thousand BGN – trial expenses. This obligation has been fully included in the statement of financial position as at 31 December 2012 of the subsidiary. All parties in the case have filed cassation complaints against the decision.

Issued guarantees

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

	Maturity	Currency	Amount Original currency	BGN'000	Status of the debt 30.09.2013 BGN'000
Sopharma Properties REIT	29.12.2020	EUR	30 000	58 675	50 363
Sopharma Trading AD	31.08.2013	EUR	15 500	30 315	27 219
Sopharma Trading AD	30.06.2014	EUR	10 000	19 558	19 558
Sopharma Trading AD	30.06.2014	EUR	8 434	16 495	16 495
Sopharma Trading AD	25.03.2016	EUR	7 500	14 669	14 021
Vitamini OAO	19.12.2013	EUR	7 000	13 691	13 691
Sopharma Trading AD	30.06.2014	BGN	10 000	10 000	10 000
Sopharma Trading AD	25.04.2014	EUR	3 000	5 867	5 860
SIA BRIZ	28.08.2014	EUR	3 000	5 867	5 517
Sopharma Trading AD	31.12.2019	EUR	3 000	5 867	3 211
Sopharma Trading AD	30.08.2014	EUR	2 050	4 009	3 010
Sopharma Trading AD	30.06.2014	BGN	3 732	3 732	2 642
Sopharma Trading AD	30.06.2018	EUR	2 000	3 912	2 390
Sopharma Trading AD	31.12.2017	EUR	1 448	2 832	2 329
Biopharm Engineering AD	16.04.2023	EUR	4 500	8 312	1 559
Momina Krepost AD	20.09.2014	EUR	500	978	739
Sopharma Trading AD	31.12.2017	EUR	450	881	734
Bulgarian Rose Sevtopolis AD	31.01.2015	EUR	1 617	3 163	637
Sopharma Trading AD	25.10.2016	EUR	432	846	557
Energoinvestment AD	28.08.2014	BGN	2 018	2 018	518
Mineralcommerce AD	20.09.2017	EUR	100	196	157
Sopharma Trading AD	30.11.2015	EUR	113	221	147
Sopharma Trading AD	25.11.2017	EUR	87	29	147
Sopharma Trading AD	30.06.2014	EUR	66	129	129
Sopharma Trading AD	25.05.2016	EUR	89	174	101
Sopharma Trading AD	25.07.2016	EUR	63	124	76
Mineralcommerce AD	20.12.2015	EUR	50	98	59

Sopharma Trading AD	25.05.2016	EUR	41	80	56
Sopharma Trading AD	25.09.2016	EUR	22	42	33
Sopharma Trading AD	25.06.2016	EUR	23	45	27
Sopharma Trading AD	25.06.2016	EUR	22	43	26
Sopharma Trading AD	25.09.2016	EUR	15	29	18
				212 897	**182 026**

The following collateral have been established in favor of the creditor banks:

- Real estate mortgages - 8,691 thousand BGN (31 December 2012 г.: none) (Note № 13);
- Special pledges on:
  - machinery and equipment 2,413 thousand BGN (31 December 2012: none) (Note № 13);
  - facilities: 236 thousand BGN (31 December 2012: none) (Note № 13);
  - commercial receivables (recorded on second place) – 19,705 thousand BGN (31 December 2012: none) (Note № 22);
  - inventories – 15,000 thousand BGN (31 December 2012: none) (Note № 20).

There is a pledge in favor of the creditor bank on inventories amounting to 2,623 х.лв (31.12.2011 г.: 2,583 х.лв) as a collateral for a loan received by a company outside the Group.

Goods in custody

As at 30 September 2013 there are external assets (goods in custody) in the storehouses of Sopharma AD amounting to 4,780 thousand BGN (31 December 2012: none).

Receivables from operating lease

In 2012 and 2013 the main cancellable contracts for lease of property owned by Sopharma AD are:

- Storehouse for medicines – leased area of 6,778 sq.m. at a five-year term;
- Storehouse for medicines – leased area of 5,000 sq.m. at a five-year term;
- Storehouse for medicines – leased area of 1,138 sq.m. at a five-year term;

The expected payments on all lease contracts are as follows:

	2013	***2012***
	BGN '000	***BGN '000***
Within one year	1 405	1 456
For a period of 1 to 5 years	2 198	3 465
Total	**3 603**	**4 921**

In 2013 the Company signed twenty-year revocable cataracts for the lease of 7,000 daa agricultural land, owned by Sopharma AD.

The expected payments on all contracts for land leases are as follows:

	2013	*2012*
	BGN '000	*BGN '000*
Within one year	28	-
Between 1 and 5 years	116	-
Between 5 and 10 years	146	-
Between 10 and 20 years	292	-
Total	**582**	**-**

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 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	***30.09.2013***	***31.12.2012***
	BGN '000	***BGN '000***
Available-for-sale financial assets	***13 230***	***19 472***
Available-for-sale investments (in shares)	*13 230*	*19 472*
Loans and receivables	***159 712***	***192 656***

Long-term receivables from related parties	*435*	*1 183*
Other long-term receivables	*17*	*922*
Short-term receivables from related parties	*128 488*	*167 113*
Commercial receivables	*24 884*	*20 657*
Other receivables	*5 888*	*2 781*
Cash and cash equivalents	3 823	2 595
Total financial assets	***176 765***	***214 723***

Financial liabilities	***30.09.2013***	***31.12.2012***
	BGN '000	***BGN '000***
Bank loads	***155 290***	***210 445***
Long-term bank loans	46 507	51 779
Short-term bank loans	*101 074*	*152 778*
Short-term part of long-term bank loans	*7 709*	*5 888*
Other liabilities	***16 293***	***12 126***
Trade payables to related parties	*6 064*	*3 782*
Trade payables	*5 498*	*6 860*
Financial lease liabilities	*127*	*952*
Other liabilities	*4 604*	*532*
Total financial liabilities at amortized cost	***171 583***	***222 571***

Currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. The Company supplies part of its raw and other materials in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the 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 2013	**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	-	-	11 749	1 481	13 230
Receivables and loans granted	1 340	87 057	69 580	1 735	159 712
Cash and cash equivalents	1 085	1 287	1 442	9	3 823

Total financial assets	**2 425**	**88 344**	**82 771**	**3 225**	**176 765**
Bank loans	-	122 622	32 668	-	155 290
Other liabilities	869	3 094	11 530	800	16 293
Total financial liabilities	**869**	**125 716**	**44 198**	**800**	**171 583**

31 December 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	-	-	18 394	1 078	19 472
Receivables and loans granted	239	95 721	94 448	2 248	192 656
Cash and cash equivalents	980	1 328	282	5	2 595
Total financial assets	**1 219**	**97 049**	**113 124**	**3 331**	**214 723**
Bank loans	5 936	159 705	44 804	-	210 445
Other liabilities	1 294	4 351	5 204	1 277	12 126
Total financial liabilities	**7 230**	**164 056**	**50 008**	**1 277**	**222 571**

Foreign currency sensitivity analysis

The effect of Company's sensitivity to 10% increase/decrease in current exchange rates of BGN to USD and to other currency exposures, based on the structure of foreign currency assets and liabilities and on the assumption that the influence of all other variables is ignored, has been measured and presented as impact on the post-tax financial result and on the equity.

		USD	
		30.09.2013	**31.12.2012**
		BGN '000	**BGN '000**
Financial result	+	140	(541)
Accumulated profits	+	140	(541)
Financial result	-	(140)	541
Accumulated profits	-	(140)	541

In case of a 10% increase in the rate of USD to BGN, the final effect on post-tax profit of the Company for 2013 would be an increase of 140 thousand BGN (2012 a decrease of 541 thousand BGN). The effect in terms of value on Company's equity – through the component 'retained earnings' – would be the same. The greatest impact for the increase have commercial receivables. In 2012 an impact in downwards direction have bank loans.

In case of a 10% decrease in the exchange rate of USD to BGN, the ultimate impact on the (post-tax) profit of the Company would be equal and reciprocal of the stated above.

The impact of the remaining currencies (other than USD) on the post-tax profit of the Company in case of 10% increase in their exchange rates to BGN is insignificant. The final effect on the post-tax profit for 2013 would be an increase of 217 thousand BGN (2012: an increase of 200 thousand BGN). The effect on equity is of the same amount and in a direction of increase / decrease and reflects on the component ‘retained earnings’.

In management’s opinion, the presented above currency sensitivity analysis based on the balance sheet structure of foreign currency denominated assets and liabilities is representative for the currency sensitivity of the Company for the year.

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 commercial receivables. The latter are presented in the statement of financial position 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.

The Company has concentration of receivables from related parties (commercial receivables and loans) as follows:

	30.09.2013	*31.12.2012*
	BGN '000	*BGN '000*
Client 1	20%	37%
Client 2	21%	15%
Client 3	16%	14%

The Company has concentration of trade receivable from a single client not part of the related parties, at the amount of 44.29% of all commercial receivables (31 December 2012: 52.66%).

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, the state and capabilities of the particular counterparty and, respectively, the market objectives and 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 2013	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	-	-	-	-	13 230	-	-	**13 230**
Receivables and loans granted	27 411	82 738	30 057	20 995		20	435	**161 656**
Cash and cash equivalents	3 823	-	-	-	-	-	-	**3 823**
Total assets	**31 234**	**82 738**	**30 057**	**20 995**	**13 230**	**20**	**435**	**178 709**
Bank loans	1 016	2 042	37 198	72 063	8 872	24 935	19 407	**165 533**
Other liabilities	6 400	9 514	25	308	53	16	-	**16 316**
Total liabilities	**7 416**	**11 556**	**37 223**	**72 371**	**8 925**	**24 951**	**19 407**	**181 849**

31 December 2012	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	-	-	-	-	19 472	-	-	**19 472**
Receivables and loans granted	80 889	20 107	29 977	63 011	1 852	32	435	**196 303**
Cash and cash equivalents	2 595	-	-	-	-	-	-	**2 595**
Total assets	**83 484**	**20 107**	**29 977**	**63 011**	**21 324**	**32**	**435**	**218 370**
Bank loans	30 362	25 705	67 280	39 434	9 406	26 364	24 064	**222 615**
Other liabilities	8 325	2 513	107	741	367	826	-	**12 879**
Total liabilities	**38 687**	**28 218**	**67 387**	**40 175**	**9 773**	**27 190**	**24 064**	**235 494**

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) optimization 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 favorable 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 unfavorable 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.

30 September 2013	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	13 230	-	-	13 230
Receivables and loans granted	97 692	-	62 020	159 712
Cash and cash equivalents	156	3 667	-	3 823
Total financial assets	**111 078**	**3 667**	**62 020**	**176 765**
Bank loans	-	155 290	-	155 290
Other liabilities	16 166	127	-	16 293
Total financial liabilities	**16 166**	**155 417**	**-**	**171 583**

31 December 2012	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	19 472	-	-	19 472
Loans and receivables	129 295	-	63 361	192 656
Cash and cash equivalents	86	2 509	-	2 595
Total financial assets	**148 853**	**2 509**	**63 361**	**214 723**
Bank loans	334	210 111	-	210 445
Other loans and liabilities	11 174	952	-	12 126
Total financial liabilities	**11 508**	**211 063**	**-**	**222 571**

The table below shows the Company's sensitivity to possible changes in the interest rates by 0.50 points based on the structure of assets and liabilities and with the assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result after taxes and on equity.

2013	*Increase / decrease in interest rate*	*Impact on post-tax financial result – profit/(loss)*	*Impact on equity - increase/(decrease)*
EUR	increase	(552)	(552)
BGN	increase	(147)	(147)
KZT	increase	(1)	(1)
EUR	increase	552	552
BGN	increase	147	147
KZT	increase	1	1

2012	*Increase / decrease in interest rate*	*Impact on post-tax financial result – profit/(loss)*	*Impact on equity - increase/(decrease)*
EUR	Increase	(717)	(717)
BGN	Increase	(201)	(201)
USD	Increase	(27)	(27)
UAH	Increase	(4)	(4)
EUR	Increase	717	717
BGN	Increase	201	201
USD	Increase	27	27
UAH	Increase	4	4

Capital risk management

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

The Company currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital amount. Net debt is calculated as total borrowings (current and non-current ones) as presented in the balance sheet less cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt capital.

In 2013, the strategy of the Company management was to maintain the ratio within 25 - 30% (2012: 35% – 40%).

The table below shows the gearing ratios based on capital structure:

	2013	*2012*
	BGN '000	*BGN '000*
Total borrowings, including:	**155 417**	**211 397**
Bank loans	*155 290*	*210 445*
Finance lease liabilities	*127*	*952*
Less: Cash and cash equivalents	**(3 823)**	**(2 595)**
Net debt	**151 594**	**208 802**
Total equity	**364 828**	**350 940**
Total capital	**516 422**	**559 742**
Gearing ratio	**0.29**	**0.37**

The liabilities included in the table above are disclosed in Notes №24, №26, №27 and №29.

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 statement of financial position (Note №2.27).

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

Investments in subsidiaries and, in exceptional cases, part of the investments in other companies with minority stakes, which are represented at acquisition cost (prime cost).

In addition, a large part of the financial assets and liabilities are either short-term in their nature (commercial 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.

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 believes that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

37. RELATED PARTY TRANSACTIONS

Related parties	***Relation***	***Relation period***
Telecomplect Invest AD	Company – main shareholder	2012 and 2013
Donev Investments AD	Company – main shareholder	2012 and 2013
Sopharma Trading AD	Subsidiary	2012 and 2013
Pharmalogistica AD	Subsidiary	2012 and 2013
Bulgarian Rose Sevtopolis AD	Subsidiary	2012 and 2013
Sopharma Poland OOD - liquidation	Subsidiary	2012 and 2013
Rostbalkanpharm AD	Subsidiary	until 10 April 2012.
Sopharma USA	Subsidiary	2012 and 2013
Electroncommerce EOOD	Subsidiary	2012 and 2013
Biopharm Engineering AD	Subsidiary	2012 and 2013
Vitamina AD	Subsidiary	2012 and 2013
Ivanchich and Sons OOD	Subsidiary	2012 and 2013
Sopharma Buildings REIT	Subsidiary	2012 and 2013
Momina Krepost AD	Subsidiary	2012 and 2013
Extab Corporation	Subsidiary	2012 and 2013
Extab Pharma Limited	Subsidiary through Extab Corporation	2012 and 2013
Briz OOD	Subsidiary	2012 and 2013
Unipharm AD	Subsidiary	2012 and 2013
Sopharma Warsaw	Subsidiary	2012 and 2013
Sopharma Ukraine EOOD	Subsidiary	from 07 August 2012 and 2013
Sopharma Zdrovit AD – in liquidation	Subsidiary	2012 and until 22 March 2013
Phyto Palauzovo AD	Subsidiary through Bulgarian Rose – Sevtopolis OOD	from 21 September 2012 and 2013
Brititrade SOOO	Subsidiary through Briz OOD	2012 and 2013
Tabina OOO	Subsidiary through Briz OOD	2012 and 2013
Superlats OOO	Subsidiary through Briz OOD	until 15 February 2012
ZAO Interpharm	Subsidiary through Briz OOD	2012 and 2013
Brizpharm SOOO	Subsidiary through Briz OOD	from 20 December 2012 and 2013
Brizpharm SOOO	Associate through Briz OOD	from 01 June until 19 December 2012.
Vivaton Plus OOO	Subsidiary through Briz OOD	from 29 December 2012 and 2013
Vivaton Plus OOO	Associate through Briz OOD	From 1 June to 28 December 2012
Pharmaceft Plus OOO	Subsidiary through Briz OOD	from 01.06.2013
Pharmaceft Plus OOO	Associate through Briz OOD	from 29 April to 31 May 2013
UAB UBSPharma	Subsidiary through Briz OOD	from 01.03.2013 г
Vestpharm ODO	Subsidiary through Briz OOD	from 04 July 2013
Vestpharm ODO	Associate through Briz OOD	from 01 November 2012 until 3 July 2013
Alean ODO	Subsidiary through Briz OOD	from 07 February 2013
Alean ODO	Associate through Briz OOD	from 01 October 2012 until 06 February 2013
NPK Biotest OOO	Subsidiary through Briz OOD	from 2 September 2013
NPK Biotest OOO	Associate through Briz OOD	from 18 January until 1 September 2013
BelAgroMed	Subsidiary through Briz OOD	from 30 July 2013
BelAgroMed	Associate through Briz OOD	from 18 January until 29 July 2013
SpetzApharmacia BOOO	Associate through Briz OOD	from 3 September 2013
Med-dent OOO	Associate through Briz OOD	from 3 September 2013

Pharmachim Holding EAD	Company under a common indirect control	2012 and 2013
Kaliman RT AD	Company under a common indirect control	2012 and 2013
Seiba Pharmacies and Drugstores AD	Company under a common indirect control	2012 and 2013
SCS Franchise AD	Company under a common indirect control	2012 and 2013
Mineralcommerce AD	Company under a common indirect control	2012 and 2013
Sopharma Properties REIT	Company under a common indirect control	2012 and 2013
Sofia Inform AD	Company under a common indirect control	2012 and 2013
Sofprint Group AD	Company under a common indirect control	2012 and 2013
Sofconsult Group AD	Company under a common indirect control	2012 and 2013
Elpharma AD	Company under a common indirect control	2012 and 2013
Riton P	Company under a common indirect control through key management personnel	2012 and 2013
Telso AD	Company under common control through key management personnel	2012 and 2013
Telecomplect AD	Company under common control through key management personnel	2012 and 2013
Media Group Bulgaria – Holding	Companies under common indirect control through key management personnel	2012 and until 25.04.2013
DOH Group	Companies under common indirect control through key management personnel	2012 and 2013

Supply from related parties:	***30.09.2013***	***30.09.2012***
	BGN '000	***BGN '000***
Supply of inventories from:		
Companies under common indirect control	5 612	7 301
Subsidiaries	3 291	3 173
Companies under common indirect control through key managing personnel	307	61
Companies – main shareholders	-	-
	9 210	**10 535**

Supply of services from:		
Subsidiaries	24 341	24 722
Companies under common indirect control through key managing personnel	1 863	2 273
Companies under common indirect control	1 592	1 102
Companies – main shareholders	226	389
	28 022	**28 486**
Supply of long-term fixed assets from:		
Companies under common indirect control through key management personnel	552	88
	552	**88**
Supplies for acquisition of non-current assets:		
Companies under common indirect control through key management personnel	10 189	21 298
	10 189	**21 298**
Total	**47 973**	**60 407**

Sales to related parties	***30.09.2013***	***30.09.2012***
	BGN ‘000	***BGN ‘000***
Sales of finished products to:		
Subsidiaries	81 476	75 053
Companies under common indirect control	148	130
	81 624	**75 183**
Sales of goods and materials to:		
Subsidiaries	12 227	12 472
Companies under common indirect control	626	858
Companies under common indirect control through key management personnel	2	49
	12 855	**13 379**
Sales of services to:		
Subsidiaries	1 248	1 237
Companies under common indirect control	74	49
Companies under common indirect control through key managing personnel	64	39
	1 386	**1 325**

Sales of long-term fixed assets to:		
Subsidiaries	19	0
Companies – main shareholders	-	58
Companies under common indirect control through key managing personnel		5
	19	**63**
Interest on loans granted		
Companies under common indirect control through key managing personnel	2 194	2 210
Companies under common indirect control	357	481
Subsidiaries	267	657
Companies – main shareholders	157	284
	2 975	**3 632**
Total	**98 859**	**93 582**

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 18, 21 and 31.

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

Salaries and other short-term remuneration of the key management personnel amount to 931 thousand BGN (30 September 2012: 858 thousand BGN), including:

- current salaries – 519 thousand BGN (30 September 2012: 450 thousand BGN);
- performance-based bonuses – 412 thousand BGN (30 September 2012: 408 thousand BGN)

38. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.