

**SOPHARMA GROUP****CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**for the period ended 30 September 2015**

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## **1. BACKGROUND INFORMATION ON THE GROUP**

SOPHARMA GROUP (the Group) is comprised of the parent company and its thirty-one (31 December 2014: twenty-eight) subsidiaries. In addition, the Group has investments in five joint ventures (31 December 2014: in five joint ventures). At the reporting date of the consolidated annual financial statements, the Group has three associates (31 December 2014: in one associate).

### ***Parent company***

SOPHARMA AD (the parent company) is a business entity registered in Bulgaria with a seat and registered address of management: Sofia, 16, Iliensko Shousse Str.

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

### ***Subsidiaries***

The subsidiaries of the Group as at 30 September 2015 were as follows:

- Sopharma Trading AD – a business entity registered in Bulgaria by Decision No. 3594/16.10.1998 of Varna District Court, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 12;
- Pharnallogistica AD – a business entity registered in Bulgaria by Decision of Sofia City Court dated 12 August 2002, with a seat and address of management: Sofia, 16, Rozhen Blvd.;
- Elektroncommerce EOOD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 24456 of 1991, with a seat and address of management: Sofia, 1, Samokovsko Shousse Str.;
- Biopharm Engineering AD – a business entity registered in Bulgaria by Decision No. 524/1997 of Sliven District Court, with a seat and address of management: Sliven, 75, Trakiya Blvd.;
- Momina Krepost AD – a business entity registered in Bulgaria by Decision No. 3426/1991 of Veliko Tarnovo District Court, with a seat and address of management: Veliko Tarnovo, 23, Magistralna Str.;
- Sopharma Buildings REIT – a business entity registered in Bulgaria by Decision No. 1/14.08.2007 of Sofia City Court, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 20;
- Unipharm AD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 3685 of 1994, with a seat and address of management: Sofia, 3, Traiko Stanoev Str.;
- Phyto Palauzovo AD – a business entity registered in Bulgaria by Decision No. 20120924105551/24.09.2012 of the Registry Agency, with a seat and address of management: Kazanluk, 110, 23rd Pehoten Shipchenski Polk Blvd.;
- Sopharmasi EOOD – a business entity registered in Bulgaria by Decision No. 201501191300026 from 19 January 2015 of the Registry Agency, with a seat and address of management: Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 12;

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- Sopharmasi 2 EOOD – a business entity registered in Bulgaria by Decision No. 20150617110324 from 17 June 2015 of the Registry Agency, with a seat and address of management: Sofia, Izgrev district, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 12;
- Sopharma Poland Z.O.O., Poland, in liquidation – a business entity registered in Poland by Decision No. KRS 0000178554 of 4 November 2003 of XX Economic Division of Warsaw Regional Court Register, with a seat and address of management: Poland, Warsaw, 58, Shashkova Str.;
- Sopharma Warsaw SP. Z.O.O., Poland – a business entity registered in Poland by Decision No. DSR 0000372245 of 17 December 2010 by XII Economic Division of the State Court Register of Warsaw, with a seat and address of management: Poland, Warsaw, 8, Halubinskiego Str.;
- OOO Sopharma Ukraine, Ukraine – a business entity registered in Ukraine by Decision No. 10691020000029051 of 7.08.2012 in the Unified State Register of Legal Entities and Physical Entities-Entrepreneurs, with a seat and address of management: Ukraine, Kiev, Obolonsky Region, prospect Moskovskii No. 9, unit 4, floor 2, office 4-203;
- PAO Vitamini, Ukraine – a business entity registered in Ukraine by Decision No. 133/15.04.1994 of Uman City Court, with a seat and address of management: Ukraine, Cherkasy Province, Uman, 31, Leninski Iskri Str.;
- Ivančić and Sinovi d.o.o., Serbia – a business entity registered in Serbia by Fi-11350/91 on 14 October 1991 by the Commercial Court of Belgrade with a seat and address of management: Republic of Serbia, Belgrade, 11 Negosheva Str.;
- Sopharma Trading d.o.o., Serbia – a business entity registered in Serbia by Fi-49136/2015 on 5 June 2015 by the Commercial Registries Agency of Belgrade with a seat and address of management: Republic of Serbia, Belgrade, 13 Palmoticheva Str.;
- Briz SIA, Latvia – a business entity registered in Latvia by Decision No. 000302737 / 18.09.1991 of the Commercial Registry of the Republic of Latvia, with a seat and address of management: Latvia, Riga, Rasas No. 5, LV – 1057;
- SOOO Brititrade, Belarus – a business entity registered in Belarus by Decision No. 1983 / 24.09.2004 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 118, M. Bogdanomicha Str., office 303 – B;
- OOO Tabina, Belarus – a business entity registered in Belarus by Decision No. 1432 / 29.12.1999 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 57, Kuybisheva Str., ap.1;
- SOOO Brizpharm, Belarus – a business entity registered in the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 800007989 / 07.07.2009, with a seat and address of management: Belarus, Minsk, Esenina Str., d. 16, ap. 1H;
- ODO Alean, Belarus – a business entity registered in Belarus by Decision No. 100160720 / 29.05.2001 in the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs, with a seat and address of management: Belarus, Minsk, Tashkentskaya Str., d. 16, unit 1;

- OOO Farmacevt Plus, Belarus – a business entity registered by the Minsk City Executive Committee on 24.11.2000 / No 1348 in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 190174236, with a seat and address of management: Belarus, Minsk, 1 Tverdiy Pereulok, d. 7;
- UAB TBS Pharma, Lithuania – a business entity, registered by the Lithuanian Register of Legal Entities on 01.03.2013 / 303011389, with a seat and address of management: Lithuania, Vilnius, 8 Vytauto / 7 Liubarto Str., POB 08118;
- ODO Vestpharm, Belarus – a business entity registered in Belarus by Decision No. 590002202 of Grodno City Executive Committee, with a seat and address of management: Belarus, Grodno, Dombroskogo Str., d. 47, k. 3;
- OOO NPK Biotest, Belarus – a business entity registered in Belarus by Decision No. 48 / 24.07.1990 of Lenin District Council of People's Deputies, with a seat and address of management: Belarus, Grodno, 2, Grojskaya Str.;
- ODO BelAgroMed, Belarus – a business entity registered in Belarus by Decision No. 009126 / 29.06.2001 of Grodno City Executive Committee, with a seat and address of management: Belarus, Grodno, 17 Sentyabrya Str.;
- TOO Sopharma Kazakhstan, Kazakhstan – a business entity registered in Kazakhstan by Decision No. 5286-1910-04-TOO / 06.11.2014 of the Ministry of Justice, Auezovski Region, with a seat and registered address: Kazakhstan, Almaty, Auezovski Region, Mamyr Microdistrict - 4, d. 190.
- OOO Danapharm, Belarus – a business entity registered in Belarus by Decision from 9 April 2004 of the Bretski Regional Executive Committee and with a seat and registered address: Belarus, Brest, 53 Masherova Blvd.
- OOO Galenapharm, Belarus – a business entity registered in Belarus by Decision from 12 June 2013 of the Bretski Regional Executive Committee and with a seat and registered address: Belarus, Brest district, Pinski city, 118-97 Bretskaia Str.
- ODO Medjel, Belarus – a business entity registered in Belarus by Decision №1044 from 14 September 2000 of the Minsk City Executive Committee and with a seat and registered address: Belarus, Minsk, 60 Soltisa Str.
- ODO Alenpharm-Plus, Belarus – a business entity registered in Belarus by decision from 25 September 2008 of the Minsk City Executive Committee and with a seat and registered address: Belarus, Minsk, 29 Logojskii trakt Str.

On 26 February 2015 at the Commercial Register to the Registry Agency was registered the merger of Bulgarian Rose – Sevtopolis AD ("the transforming company"), a subsidiary for 2014, in Sopharma AD within the meaning of art. 262 and following of the Commercial Act. The transforming company has been terminated without liquidation and its assets have been transferred into the patrimony of Sopharma AD ("acquiring company"). For accounting date of the merger is accepted 1 January 2015.

On 14 May 2015, the Group sold 75% of its shareholding of Extab Corporation, USA, retaining a 5% share, which on 28 September 2015 by the power of a signed contract has been transformed into a 5% share in the capital of Extab Pharma Inc, USA. As a result of the transaction, the Group also dispenses with its

## **SOPHARMA GROUP**

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indirect participation in Extab Pharma Limited, UK - a subsidiary for 2014 and until 14 May 2015 through Extab Corporation, USA.

As at 30 June 2015 the investment in Sopharma USA, USA has been written off, as the company has been suspended in the USA.

In 2014, the Group changed the status of ZAO Interpharm, Belarus, from 'a subsidiary' (2013 until 30 September 2015) to 'a joint venture'.

#### ***Joint ventures***

The joint ventures of the Group as at 30 September 2015 were as follows:

- OOO Vivaton Plus, Belarus – a business entity registered in Belarus by Decision No. 590004353 of Grodno City Executive Committee, with a seat and address of management: Belarus, Grodno, Kletskova Pr., d. 13 B, office 2;
- OOO Med-dent, Belarus – a business entity registered in Belarus by Decision No. 0018240 / 11.03.2013 of the Department of Economy at the Bobruysk City Executive Committee, with a seat and address of management: Belarus, Mogilevsk District, Bobruysk, 120, K. Marx Str., office 4;
- BOOO SpetzApharmacia BOOO, Belarus – a business entity registered in Belarus by Decision No. 22-8 / 30.10.2000 of Mogilevsk District Executive Committee, with a seat and address of management: Belarus, Mogilevsk District, Bobruysk, 120, K. Marx Str., office 2;
- OOO Bellerophon, Belarus – a business entity registered in Belarus by Decision No. 1193 / 17.07.2003 of the Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 5-45 Storojevskaya Str.;
- ZAO Interpharm, Belarus - a business entity registered in Belarus in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 300000556, with a seat and address of management: Belarus, Vitebsk, Stroitelei Square, bl. 3 ap. 2.

#### ***Associates***

At 30 September 2015, Group's associated companies are:

- Medica AD - a business entity registered in Bulgaria initially under Company File No. 99/1991 of Blagoevgrad District Court, with a seat and address of management: Sofia, Oborishte Region, 82, Knyaz Alexander Dondukov Blvd.
- ODO Alenpharm-plus, Belarus – a business entity registered in Belarus by Decision from 25 September 2008 of the Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 29 Logoiskii Trakt Str..
- ODO Mobil line, Belarus – a business entity registered in Belarus by Decision from 16 March 2010 of the Borisovskii Regional Executive Committee, with a seat and address of management: Belarus, Minsk district, Borisov city, 63 Krasnoznamennaia Str..
- ODO Salusline, Belarus – a business entity registered in Belarus by Decision №287 from 5 May 2006 of the Grodnenski City Executive Committee, with a seat and address of management: Belarus, Grodno city, 6 Vilenskaia Str..

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In 2014 the Group increased its share in the companies OOO Bellerophon, Belarus and BOOO SpetzApharmacia, Belarus, which initially had the status of 'associates' from 3 September 2013 until 20 January 2014 and from 28 August 2014 until 27 November 2014, and subsequently their status was changed to 'joint ventures'.

**1.1. Ownership and management of the parent company**

SOPHARMA AD is a public company under the Bulgarian Public Offering of Securities Act. Starting from November 2011, the shares of the company are being traded in the Warsaw Stock Exchange.

The joint-stock capital structure of the parent company as at 30 September 2015 was as follows:

	%
Donev Investments Holding AD	24.71
Telecomplect Invest AD	20.07
Rompharm Company OOD	18.04
Sopharma AD (treasury shares)	3.87
Other legal persons	29.90
Physical persons	3.41
	100.00

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 Chaushev	Member
Andrey Breshkov	Member

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

**1.2. Structure of the Group and principal activities**

The *structure* of the Group includes SOPHARMA AD as a parent company and the subsidiaries stated below:

<i><b>Subsidiaries</b></i>	<b>30.09.2015</b> <i><b>Interest</b></i> %	<b>31.12.2014</b> <i><b>Interest</b></i> %	<i><b>Date of</b></i> <b>acquisition</b> <i><b>of control</b></i>	<i><b>Date of</b></i> <b>disposal</b> <i><b>of control</b></i>
<b><i>Companies in Bulgaria</i></b>				
Sopharma Trading AD	71.82	71.89	08.06.2006	
Pharmalogistica AD	78.37	76.54	15.08.2002	
Electroncommerce EOOD	100	100	09.08.2005	
Biopharm Engineering AD	97.15	97.15	10.03.2006	
Sopharma Buildings REIT	40.75	40.75	04.08.2008	
Momina Krepost AD *	92.78	53.28	01.01.2008	
Unipharm AD *	51.78	51.78	27.10.2010	
Phyto Palauzovo AD **	95	47.49	21.09.2012	

*This is a translation from Bulgarian of the consolidated condensed interim financial statements for the period ended 30 September 2015.*

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Sopharmasi EOOD	71.82	-	19.01.2015	
Sopharmasi 2 EOOD	71.82	-	05.06.2015	
<b><i>Companies abroad</i></b>				
Sopharma USA	-	100	25.04.1997	
Extab Corporation	-	80	05.08.2009	14.05.2015
Extab Pharma Limited **	-	80	05.08.2009	14.05.2015
Briz SIA	66.13	66.13	10.11.2009	
SOOO Brititrade **	51.91	65.14	10.11.2009	
PAO Vitamini	99.56	99.56	18.01.2008	
Ivančić and Sinovi d.o.o.	51	51	10.04.2008	
Sopharma Warsaw SP. Z.O.O.	100	100	23.11.2010	
Sopharma Trading d.o.o. Belgrade	71.82	-	05.06.2015	
Sopharma Poland Z.O.O. – in liquidation	60	60	16.10.2003	
OOO Tabina **	58.86	58.86	08.04.2011	
SOOO Brizpharm **	39.02	39.02	20.12.2012	
ODO Alean **	64.81	46.95	07.02.2013	
OOO Sopharma Ukraine	100	100	07.08.2012	
OOO Farmacevt Plus **	33.73	33.73	31.05.2013	
UAB TBS Pharma **	33.73	33.73	01.03.2013	
ODO Vestpharm **	62.82	59.52	04.07.2013	
OOO NPK Biotest **	46.29	46.29	02.09.2013	
ODO BelAgroMed **	50.26	46.95	30.07.2013	
TOO Sopharma Kazakhstan	100	100	06.11.2014	
OOO Danapharm, Belarus **	48.14	-	28.02.2015	
OOO Galenapharm, Belarus **	48.14	-	28.02.2015	
ODO Medjel, Belarus **	48.14	-	28.02.2015	
ODO Alenpharm-Plus **	48.14	-	30.06.2015	

\* *efficient percentage of interest*\*\* *indirect participation*

- Unipharm AD is a subsidiary to Sopharma AD, the control thereon being acquired and exercised through the direct participation of the parent company in the ownership of Unipharm AD with 49.99 % and the indirect participation of the parent company with 1.79 % through the subsidiary Sopharma Trading AD holding 2.49% of the capital of Unipharm AD;
- Sopharma Buildings REIT is a subsidiary by virtue of a written agreement for control concluded between SOPHARMA AD and other shareholders;
- Phyto Palauzovo AD is a subsidiary of Sopharma AD through direct participation in the capital, after the merger of Bulgarian Rose – Sevtopolis AD in Sopharma AD;
- Sopharmasi EOOD is a subsidiary of Sopharma Trading Ad – Sopharma Trading AD owns 100% of the capital of Sopharmasi EOOD;
- Sopharmasi 2 EOOD is a subsidiary of Sopharmasi EOOD – Sopharmasi EOOD owns 100% of the capital of Sopharmasi EOOD;

- Sopharma Trading d.o.o. Belgrade is a subsidiary of Sopharma Trading AD – Sopharma Trading AD owns 100% of the capital of Sopharma Trading d.o.o. Belgrade;
- SOOO Brititrade, Belarus, is a subsidiary of Briz SIA, Latvia – Briz SIA holds 78.50% of the capital of SOOO Brititrade;
- OOO Tabina, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 89% of the capital of OOO Tabina;
- SOOO Brizpharm, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 59% of the capital of SOOO Brizpharm;
- ODO Alean, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 93% of the capital of ODO Alean;
- OOO Farmacevt Plus, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 51% of the capital of OOO Farmacevt Plus;
- UAB TBS Pharma, Lithuania, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 51% of the capital of UAB TBS Pharma;
- ODO Vestpharm, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 95% of the capital of ODO Vestpharm;
- OOO NPK Biotest, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 70% of the capital of OOO NPK Biotest;
- ODO BelAgroMed, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 76% of the capital of ODO BelAgroMed;
- OOO Danapharm, Belarus is a subsidiary through Briz SIA, Latvia and its subsidiary SOOO Brititrade, Belarus – Briz SIA owns 10%, and SOOO Brititrade – 80% of the capital of OOO Danapharm;
- OOO Galenapharm, Belarus is a subsidiary through Briz SIA, Latvia and its subsidiary SOOO Brititrade, Belarus – Briz SIA owns 10%, and SOOO Brititrade – 80% of the capital of OOO Galenapharm;
- OOO Medjel, Belarus is a subsidiary through Briz SIA, Latvia and its subsidiary SOOO Brititrade, Belarus – Briz SIA owns 10%, and SOOO Brititrade – 80% of the capital of OOO Medjel.
- ODO Alenpharm-Plus, Belarus is a subsidiary through Briz SIA, Latvia and its subsidiary SOOO Brititrade, Belarus – Briz SIA owns 10%, and SOOO Brititrade – 80% of the capital of ODO Alenpharm-Plus.

The principal activities of the Group companies are focused on the pharmaceutical sector except for separate companies having principal activities also in the field of investment in real estate and securities.

The principal activities of the companies within the Group are as follows:

- SOPHARMA AD – production and trade in medicinal substances (active ingredients) and finished drug forms; research and development activities in the field of medicinal products;



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- Sopharma Trading AD – trade in pharmaceutical products;
- Bulgarian Rose Sevtopolis AD – production of finished drug forms;
- Biopharm Engineering AD – production and trade in infusion solutions;
- Pharmalogistica AD – secondary packaging of pharmaceutical products and real estate leases;
- Electroncommerce EOOD – trade, transportation and packaging of radioactive materials and nuclear equipment for medicinal use, household electronics and electrical equipment;
- Sopharma Buildings REIT – 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;
- Momina Krepost AD – development, implementation and production of medical goods for human and veterinary medicine;
- Unipharm AD – production and trade in pharmaceuticals;
- Phyto Palauzovo AD – production, collection, purchase, growing and trade in herbs and medicinal plants;
- Sopharmasi EOOD – franchising, know-how, renting of properties, trade and other,
- Sopharmasi 2 EOOD – retail trade in pharmaceuticals;
- PAO Vitamini, Ukraine – production and trade in pharmaceuticals;
- Ivančić and Sinovi d.o.o., Serbia – production and trade in pharmaceuticals;
- Sopharma Trading d.o.o. Belgrade, Serbia – consulting services;
- Sopharma Poland Z.O.O., Poland, in liquidation – market and public opinion research;
- Sopharma Warsaw SP. Z.O.O., Poland – market and public opinion research;
- OOO Sopharma Ukraine, Ukraine – trade in pharmaceuticals and market and public opinion research;
- Sopharma USA, USA – trade in pharmaceuticals and food supplements. Date of acquisition – 25 April 1997. As at 30 June 2015 the investment in this company has been written off, as the company has been suspended in the USA;
- Briz SIA, Latvia – trade in pharmaceuticals;
- SOOO Brititrade, Belarus – trade in pharmaceuticals;
- OOO Tabina, Belarus – trade in pharmaceuticals;
- ZAO Interpharm, Belarus – trade in pharmaceuticals;
- SOOO Brizpharm, Belarus – trade in pharmaceuticals;
- ODO Alean, Belarus – trade in pharmaceuticals;
- OOO Farmacevt Plus, Belarus – trade in pharmaceuticals;

- UAB TBS Pharma, Lithuania – trade in pharmaceuticals, production of finished drug forms and pharmaceutical products, research and development activities in the field of biotechnology;
- ODO Vestpharm, Belarus – retail trade in medicinal products and medical equipment;
- OOO NPK Biotest, Belarus – production of medicinal products on the basis of plant raw materials and trade in pharmaceuticals;
- ODO BelAgroMed, Belarus – retail trade in medicinal products and pharmaceuticals;
- TOO Sopharma Kazakhstan, Kazakhstan – trade in pharmaceuticals.
- OOO Danapharm, Belarus – retail trade in medicines, medical equipment and pharmaceutical products;
- OOO Galenapharm, Belarus – retail trade in medicines, medical equipment and pharmaceutical products;
- ODO Medjel, Belarus – retail trade in medicines, medical equipment and pharmaceutical products;
- ODO Alenpharm-Plus, Belarus - retail trade in medicines, medical equipment and pharmaceutical products;

The parent company and the subsidiaries: Sopharma Trading AD, Pharmalogistica AD, Electroncommerce EOOD, Biopharm Engineering AD, Sopharma Buildings REIT, Momina Krepost AD, Unipharm AD, Phyto Palauzovo AD, Sopharmasi EOOD, and Sopharmasi 2 EOOD perform their activities in Bulgaria; Sopharma Poland Z.O.O. – in liquidation and Sopharma Warsaw SP. Z.O.O. operate in Poland, PAO Vitamini, and OOO Sopharma Ukraine – in Ukraine, Ivančić and Sinovi d.o.o. and Sopharma Trading d.o.o. Belgrade – in Serbia, Briz SIA – in Latvia, SOOO Brititrade, OOO Tabina, ZAO Interpharm (until 31.12.2014), ODO Alean, SOOO Brizpharm, OOO Farmacevt Plus, ODO Vestpharm, OOO NPK Biotest, ODO BelAgroMed, OOO Danapharm, OOO Galenapharm, ODO Medjel, and ODO Alenpharm-Plus – in Belarus, UAB TBS Pharma – in Lithuania, and TOOO Sopharma Kazakhstan – in Kazakhstan.

As at 30 September 2015, the interest of the Group in *joint ventures* is as follows:

- OOO Vivaton Plus, Belarus, a joint venture through Briz SIA, Latvia, which has 50% interest jointly with Apteka Group Holding. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 20 December 2012.
- OOO Med-dent, Belarus, a joint venture through Briz SIA, Latvia, which has 50% interest jointly with a physical person. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 17 December 2013.
- BOOO SpetzApharmacia, Belarus, a joint venture through Briz SIA, Latvia, which has 50% interest jointly with a physical person. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 20 January 2014.

- OOO Bellerophon, Belarus, a joint venture through Briz SIA, Latvia, which has 50% interest jointly with a physical person. The principal activities of the joint venture include retail trade in pharmaceuticals, medical equipment and food supplements. The company has been a joint venture for the Group since 27 November 2014.
- ZAO Interpharm, Belarus, a joint venture through Briz SIA, Latvia, which has 50% interest jointly with a legal person. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 31 December 2014.

At 30 September 2015, the interest of the Group in the associates is as follows:

Medica AD – 36.12%. The principal activities of the associate include production and trade in dressing and sanitary-hygienic materials, finished drug forms, products for dentistry and food supplements. The company has been a joint venture for the Group since 4 November 2014.

ODO Mobil line, Belarus – 22.19%. The principal activities of the associate is retail trade in medicines, medical equipment. The company is associate of the Group from 20 February 2015.

ODO Salusline, Belarus – 19.59%. The principal activities of the associate is retail trade in medicines, medical equipment. The company is associate of the Group from 19 February 2015.

At the date of these consolidated condensed interim financial statements, the average number of Group's personnel was 4,245 workers and employees (2014: 4,192).

### 1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the activities of the Group companies throughout the period 2013 – 2015, are presented in the table below:

Indicator	2013	2014	1-9.2015
USD/BGN average for the year/period	1.52180	1.47362	1.75690
USD/BGN at year/period-end	1.48360	1.41902	1.74581
PLN/BGN average for the year/period	0.46772	0.46600	0.47059
PLN/BGN at year/period-end	0.47926	0.47143	0.46076
RSD/BGN average for the year/period	0.01730	0.01729	0.01620
RSD/BGN at year/period-end	0.01720	0.01711	0.01633
UAH/BGN average for the year/period	0.19042	0.18425	0.08316
UAH/BGN at year/period-end	0.18561	0.17713	0.08109
GBP/BGN average for the year/period	2.41275	2.33839	2.69181
GBP/BGN at year/period-end	2.39406	2.33839	2.64838
EUR/BGN average for the year/period	1.95583	1.95583	1.95583
EUR/BGN at year/period-end	1.95583	1.95583	1.95583
LVL/BGN average for the year/period	2.80501	2.78820	-
LVL/BGN at year/period-end	2.80285	2.78410	-
1000 BYR/BGN average for the year/period	0.18249	0.16573	0.11553
1000 BYR/BGN at year/period-end	0.17256	0.14967	0.09833
LTL/BGN average for the year/period	0.56645	0.56645	-
LTL/BGN at year/period-end	0.56645	0.56645	-

KZT/BGN average for the year/period	-	0.00863	0.00906
KZT/BGN at year/period-end	-	0.00880	0.00643

Source: BNB, National Banks of Ukraine, Poland, Serbia, Belarus, Latvia, Lithuania and Kazakhstan.

## 2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP

### 2.1. Basis for the preparation of the consolidated financial statements

The present consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim financial accounting.

In preparing these consolidated condensed interim financial statements have been applied the same accounting policy, reporting technics and calculation methods and underlying assumptions as the last annual consolidated financial statements for 2014.

The consolidated condensed interim financial statements for the nine-month period ended 30 September 2015, must be read together with the consolidated annual financial statement for the year ended 31 December 2014 and is 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) and have been accepted by the Commission of the European Union.

For the period January – September 2015 the Group 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.

Since the adoption of these standards and/or improvements, effective for annual periods beginning on 1 January 2015, no direct changes have occurred in the accounting policy of the Group.

These standard and interpretations include:

- *Annual Improvements to IFRSs 2010-2012 Cycle (December 2013) – improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 (in force for annual periods beginning on or after 1 July 2014 – endorsed by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items or transactions: (a) change in the definition of 'vesting conditions' and 'market conditions' and add of separate definitions for 'performance condition' and 'service condition' (IFRS 2); (b) clarification on the accounting for a contingent consideration in a business combination that meets the definition for 'financial instrument' (as a financial liability or equity instrument) and its measurement at fair value at the end of each reporting period, including the effects of that in the statement of

comprehensive income (IFRS 3, IFRS 9, IAS 39 and IAS 37); (c) requirement for disclosure on the criteria applied in the aggregation of operating segments for segment reporting purposes (IFRS 8); (d) additional clarification on the adjustment technique regarding the gross carrying amount and accumulated depreciation in cases of revalued assets whereas setting a requirement for consistency with the revaluation approach of the carrying amount of the respective asset (IAS 16, IAS 38); (e) clarification that an entity providing key management personnel services to another entity it is also a related party thereto (IAS 24);

- *IAS 19 (as revised in 2011) "Employee Benefits" (in force for annual periods beginning on or after 1 July 2014 – endorsed by EC).* This amendment relates to clarification regarding the treatment of contributions from employees or third parties to defined benefit plans in accordance with the formal terms of the respective plan. The change sets out that these contributions shall be treated as either a reduction in service costs or an effect in the remeasurements of the net liability (asset) of the plan depending on whether the contributions are related to the service or not.
- *Annual Improvements to IFRSs 2011-2013 Cycle (December 2013) – improvements to IFRS 1, IFRS 3, IFRS 13, IAS 40 (in force for annual periods beginning on or after 1 July 2014 – endorsed by EC as of the same date).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items or transactions: (a) clarification that a first-time adopter of IFRS may apply standards that are not yet effective provided that the standards themselves permit early application (IFRS 1); (b) clarification that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself (IFRS 3); (c) clarification regarding the scope of contracts that fall within the scope of the exception for a group of financial assets and financial liabilities with offsetting positions in market and credit risk (IFRS 13); (d) clarification that in the treatment of a transaction, which simultaneously meets the criteria of IFRS 3 and refers to investment properties under IAS 40, requires the separate application of both standards independently of each other (IAS 40).

The consolidated condensed interim financial statements have been prepared on a historical cost basis except for: a/ property, plant and equipment, which are measured at revalued amount; and b/ investment property and available-for-sale financial instruments, which are measured at their fair value at the date of the consolidated statement of financial position.

The Bulgarian subsidiary and associated companies of the Group maintain their accounting books in Bulgarian Lev (BGN), which is accepted as being their functional and presentation currency. The subsidiaries, associates and joint ventures abroad organize their accounting and reporting in accordance with the requirements of the respective local legislation (OOO Sopharma Ukraine and PAO Vitamini – Ukraine, Ivančić and Sinovi d.o.o. and Sopharma Trading d.o.o. Belgrade – Serbia, Extab Pharma Limited (subsidiary until 14 May 2015) – United Kingdom, Briz SIA – Latvia, UAB TBS Pharma – Lithuania, SOOO Brititrade, OOO Tabina, SOOO Brizpharm, OOO Farmacevt Plus, ODO Alean, OOO NPK Biotest, ODO BelAgroMed, ODO Vestpharm, OOO Danapharm, OOO Galenapharm, ODO Medjel, and ODO

Alenpharm-Plus - Belarus, the joint ventures OOO Vivaton Plus, OOO Med-dent, BOOO SpetzApharmacia, OOO Bellerophon and ZAO Interpharm – Belarus, the associated companies – ODO Salusline, OOO Mobilline – Belarus, Sopharma USA and Extab Corporation (subsidiary until 14 May 2015) – USA legislation and Sopharma Poland Z.O.O. – in liquidation, Sopharma Warsaw SP. Z.O.O. – the Polish legislation), and TOO Sopharma Kazakhstan – Kazakhstan and keep their accounting ledgers in the respective local currency – Ukraine Hryvnia (UAH), Serbian Dinar (RSD), Euro (EUR), British Pound (GBP), Belarusian Ruble (BYR), US Dollar (USD), Polish Zloty (PLN), Kazakhstan Tenge (KZT) and Lithuanian Lit (LTL).

The data in the consolidated condensed interim financial statements and the notes thereto are presented in thousand Bulgarian Levs (BGN'000), unless explicitly stated otherwise, and the Bulgarian Lev is accepted as the reporting and presentation currency of the Group. According to the policies of the Group, the financial statements of the Group companies abroad are restated from the local currency to Bulgarian Levs for the purposes of the consolidated financial statements (*Note 2.5*).

The presentation of the consolidated condensed interim financial statements in accordance with IFRS requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities and the disclosure of contingent receivables and payables as at the date of the financial statements, and respectively, on the reported amounts of income and expenses for the reporting year. These estimates, accruals and assumptions are based on the information, which is available at the date of the consolidated condensed interim 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 consolidated financial statements, are disclosed in *Note 2.31, Note 14, Note 15, Note 16 and Note 18*.

## **2.2. Definitions**

### ***Parent company***

This is a company that has control over one or more other companies, in which it has invested. Having control means that the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

### ***Subsidiary***

A subsidiary is a company, or another entity, that is controlled directly or indirectly by the parent company.

The subsidiary companies are consolidated as from the date on which the effective control over them has been acquired by the Group and are de-consolidated as from the date when the control over them ceases and is transferred outside the Group. The full consolidation method is applied for their consolidation.

The subsidiary companies are presented in *Note 1.2*.

***Joint venture***

A joint venture is a company, or another entity, established by virtue of a contractual arrangement between the parent company as an investor and one or more or more other parties (companies) that start a common business undertaking, and on which the joint ventures (including the parent, which also has such a status) have a joint control. Joint control exists when it is contractually agreed that that the strategic financial and operating decisions, relating to the joint venture, shall require mandatory unanimous consent of the joint ventures. The latter have rights to the net assets of the joint venture.

The joint venture is included in the consolidated financial statements of the Group by applying the equity method – as from the date on which the joint control has been acquired by the venturer (the parent company) and its consolidation under this method is ceased when the joint venture is transformed into a subsidiary or when the joint control is transferred from the venturer to third parties.

The joint ventures are: OOO Vivaton Plus, OOO Med-dent, OOO Bellerophon, BOOO SpetzApharmacia, and ZAO Interpharm – Belarus. (*Note 1.2*).

***Associate***

An associate is a company in which the investor (the parent company) exercises significant influence but is neither a subsidiary nor a joint venture with the investor.

Significant influence is the right of participation in decision-taking with regard to financial and operating policies of the investee but is not control or joint control over these policies. Usually it exists in case of: (a) possession by the investor, directly or indirectly, of 20% to 50% of the shares in the capital of the investee company (including by virtue of an agreement between shareholders), and (b) in addition, the investor is represented in the managing body of the investee and/or participates in the decision-taking process with regard to the policy and strategy of the investee, and/or significant transactions exist between the investor and the investee.

The associate is included in the consolidated financial statements of the Group by applying the equity method – from the date on which the investor (the parent company) acquires significant influence and its consolidation under this method is ceased when associate is transformed into a subsidiary or when it is accepted that the significant influence is transferred from the investor to third parties.

The associated companies are: Medica AD, ODO Salusline, OOO Mobilline (*Note 1.2*).

***2.3. Consolidation principles***

The consolidated financial statements include the financial statements of the parent company and the subsidiaries, the joint ventures and the associates, prepared as at 31 December, which is the end date of the Group's financial year. The 'economic entity' assumption has been applied in the consolidation whereas for the measurement of non-controlling interest in business combinations and other forms of acquisition of subsidiaries for which the 'proportionate share of net assets' method has been chosen.

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

### ***2.3.1. Consolidation of subsidiaries***

In the consolidated financial statements, the financial statements of the included subsidiaries are consolidated under the 'full consolidation' method, line-by-line, by applying accounting policies that are uniform with regard to the significant reporting items. The investments of the parent company are eliminated against its share in the equity of the subsidiaries at the date of acquisition. Intra-group transactions and balances, including unrealized intra-group gains and losses, are eliminated in full. The effect of deferred taxes has been taken into account in these eliminating consolidation entries.

The shares of shareholders – third parties in the subsidiaries other than these of the shareholders of the parent company are presented separately in the consolidated statement of financial position, the consolidated statement of comprehensive income and the statement of changes in equity as 'non-controlling interest'. The non-controlling interest includes: (a) the combined share of the shareholders – third parties at the date of initial consolidation in the fair value (deemed cost) of all identifiable assets acquired, liabilities and contingent (crystallized) liabilities of the respective subsidiaries assumed, determined (based on the share) through the proportionate method, and (b) the change in the share of these third parties in the equity of each respective subsidiary from their initial consolidation to the end of the reporting period.

### ***2.3.2. Acquisition of subsidiaries***

The acquisition (purchase) method of accounting is used on the acquisition of a subsidiary (entity) by the Group in business combinations. The consideration transferred includes the fair value at the date of exchange of the assets transferred, the incurred or assumed liabilities and the equity instruments issued by the acquirer in exchange of the control over the acquiree. It also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related direct costs are recognized as current expenses when incurred except for the issue costs of debt or equity instruments, which are recognized as equity components.

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



When a business combination for the acquisition of a subsidiary is achieved in stages, all previous investments held by the acquirer at the acquisition date are revalued to fair value and the effects of this revaluation are recognized in the current profit or loss of the Group, respectively in 'finance income' and 'finance costs' or 'gains/(losses) from associates and joint ventures', and all previously recorded effects in other comprehensive income are recycled.

### ***2.3.3. Disposal of subsidiaries***

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

- Assets and liabilities (including any goodwill) of the subsidiary are derecognized at their carrying amounts at the date when control is lost;
- The non-controlling interest in the subsidiary is derecognized at carrying amount in the consolidated statement of financial position at the loss of control date, including all components of other comprehensive income related thereto;
- The fair value of the consideration received from the transaction, event or operation that resulted in the loss of control is recognized;
- All components of equity, representing unrealized gains or losses in accordance with the respective IFRS under the provisions of which these components fall, are reclassified to profit or loss for the year or are transferred directly to retained earnings;
- Any resulting difference as a 'gain or loss from a disposal (sale) of a subsidiary' attributable to the parent is recognized in the consolidated statement of comprehensive income;
- The remaining shares held that form investments in associates, joint ventures or available-for-sale investments are initially measured at fair value at the date of sale and subsequently – following the accounting policy adopted by the Group (*Notes 2.13 and Note 2.14*).

The acquisition (purchase-and-sale) method is applied also in transactions of uniting and/or restructuring of entities under a common control with companies of the Group, provided that they represent direct acquisitions from the perspective of the parent company.

### ***2.3.4. Transactions with non-controlling interests***

The Group treats transactions with non-controlling interests as transactions with holders of the common equity of the Group. The effects from sales of parent company's shares, without loss of control, to holders of non-controlling interests are not treated as components of the current profit or loss of the Group but as movements directly in its equity components, usually to the 'retained earnings' reserve. And vice versa, when the parent company purchases additional shares from holders of non-controlling interest, without acquisition of control, the difference between the consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is also directly recognized in the consolidated statement of changes in equity, usually to the 'retained earnings' reserve.

When the Group ceases to have control, joint control and significant influence, any retained minority investment as interest in the capital of the respective entity, is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. Respectively, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of all components related to the initial investment (in a subsidiary, joint venture or associate).

#### ***2.3.5. Consolidation of associates and joint ventures***

Associates and joint ventures are included in the consolidated financial statements by applying the equity method whereby the investment of the parent company is initially stated at cost and is subsequently recalculated to reflect the changes in investor's (the parent company) share in the post-acquisition net assets of the associate or joint venture. Group's investment in an associate or joint venture includes also the goodwill identified on their acquisition net of any recognized impairment.

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

The internal accounts and balances between the Group and associates and joint ventures are not eliminated. The unrealized gains or losses from transactions between them are eliminated to the percentage of Group's interest in the associates and joint ventures by also making tests for impairment in case of loss. The effect of deferred taxes on these consolidation procedures has also been taken into account.

#### ***2.4. Comparatives***

In these consolidated condensed interim financial statements, the Group presents comparative information for one prior period.

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

#### ***2.5. Functional currency and recognition of exchange differences***

The functional currency of the Group companies in Bulgaria being also presentation currency for the Group is the Bulgarian Lev. The Bulgarian Lev is fixed to the Euro, under the BNB Act, at the ratio BGN 1.95583: EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in a foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 30 September, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the consolidated 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 re-valued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency commercial transactions at rates different from those at which they were converted on initial recognition, are recognized in the consolidated statement of comprehensive income in the period in which they arise and are presented net under 'other operating income/(losses)'.

The functional currency of the companies in Poland (Sopharma Poland Z.O.O. – in liquidation, Sopharma Warsaw SP. Z.O.O. is the Polish Zloty, of the subsidiary in Kazakhstan (TOO Sopharma Kazakhstan) – the Kazakhstan Tenge, of the subsidiaries in Ukraine (PAO Vitamini and OOO Sopharma Ukraine) – the Ukrainian Hryvnia, of the subsidiaries in Serbia (Ivančić and Sinovi d.o.o. and Sopharma Trading d.o.o. Belgrade) – the Serbian Dinar, of the subsidiary in Latvia (Briz SIA) – the Euro, of the subsidiaries in Belarus (SOOO Brititrade, OOO Tabina, ODO Alean, SOOO Brizpharm, OOO Farmacevt Plus, ODO Vestpharm, OOO NPK Biotest, ODO BelAgroMed, OOO Danapharm, OOO Galenapharm, ODO Medjel, and ODO Alenpharm-Plus) – the Belarusian Ruble, of Extab Pharma Limited (United Kingdom) – the British Pound, of the companies in the USA (Sopharma USA and Extab Corporation) – the US Dollar and the subsidiary in Lithuania (UAB TBS Pharma) – the Lithuanian Lit.

For the purposes of the consolidated financial statements, the financial statements of the subsidiaries abroad are restated from the functional currency of the respective subsidiary to the presentation currency (BGN) accepted for the consolidated financial statements, whereas:

- (a) all assets and liabilities are restated to the currency of the Group by applying the closing exchange rate of the local currency thereto at 30 September;
- (b) all items of income and expenses are restated to the currency of the Group by applying an average rate of the local currency thereto for the reporting period (*Note 2.6*);
- (c) all exchange differences resulting from the restatements are recognized and presented as a separate component of equity in the consolidated statement of financial position, net of deferred tax effects – 'translation of foreign operations reserve', and
- (d) the exchange differences resulting from the restatement of the net investment in the companies abroad together with the loans and other currency instruments, accepted as hedge of these investments, are presented directly in equity.

On disposal (sale) of a foreign operation (company), the cumulative amount of exchange differences that have been directly stated as a separate component of equity, are recognized as part of the profit or loss in the consolidated statement of comprehensive income on the line 'gains/(losses) on acquisition and disposal of subsidiaries, net', obtained on disposal (sale).

Goodwill and adjustments to fair value arising on acquisition of a company abroad are treated analogously to the assets and liabilities of this company and are restated to the presentation currency at closing exchange rate.

## **2.6. Revenue**

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

The types of Group's revenue are presented in *Notes 3, 4 and 10*.

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 end of the reporting period, if this stage as well as the costs incurred for the transaction and the costs to complete the transaction, 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.

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

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

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

Finance income is included in the consolidated statement of comprehensive income when earned and comprises: interest income on granted loans and term deposits, interest income on receivables under special contracts, interest income on past due receivables, income/gains from deals with investments in available-for-sale securities including dividends, net gains on exchange differences under loans in foreign currency, income from debt settlement transactions, gain on fair value measurement of available-for-sale investments in the acquisition of a subsidiary performed in stages They are presented separately from of finance costs on the face of the consolidated statement of comprehensive income.

***2.7. Expenses***

Expenses are recognized in the Group when they are incurred based on the accrual and matching concepts (to the extent that this would not lead to recognition of an asset or liability not satisfying the definitions for assets and liabilities in the Framework and IFRS themselves).

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 consolidated statement of comprehensive income (within profit or loss for the year) on the line 'other operating income/(losses)'.

Finance costs are included in the consolidated statement of comprehensive income when incurred separately from finance costs and comprise: interest expenses under loans received, bank fees and charges under loans and guarantees, foreign exchange net loss from loans in foreign currencies, expenses/losses from investments in available-for-sale securities, expenses on debt settlement transactions, loss on fair value measurement of available-for-sale investments in the acquisition of a subsidiary performed in stages.

***2.8. Mandatory dividend for distribution***

The subsidiary company Sopharma Buildings REIT has the status of a joint-stock special-purpose investment company within the meaning of the Bulgarian Special Purpose Investment Companies Act (SPICA). For this reason, the company has specific policy for distribution of dividends to shareholders in line with the requirements of the law, namely:

- the company is obliged by law to distribute as dividend not less than 90% of the generated profit for the respective financial year adjusted in accordance with SPICA; and
- the distribution of the remaining 10% is determined by a decision of the General Meeting of Shareholders as per the common procedure of the Bulgarian Commercial Act, including for dividend payment.

The statutory dividend at an amount of not less than 90% of the generated profit is recognized as a liability in the current year and in decrease (mandatory distribution) of the current profit for the year.

***2.9. Property, plant and equipment***

Property, plant and equipment (fixed tangible assets) are presented in the consolidated financial statements at revalued amount less 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.

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

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 Group credit resources with analogous maturity and purpose.

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

### ***Subsequent measurement***

The chosen by the Group 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.

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

### ***Subsequent costs***

Repair and maintenance costs are recognized as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are 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 Group 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;
- installations – 5-25 years;
- machinery and equipment – 7-25 years;
- computers and mobile devices – 2-5 years;

- motor vehicles – 7-17 years;
- servers and systems – 4-12 years;
- furniture and fixtures – 6-12 years.

The useful life, set for any tangible fixed asset, is reviewed by the management of each company within the Group and respectively, by the parent company, 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 permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognized in the consolidated 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 treated as a decrease in this reserve (through other comprehensive income) unless it does not exceed its amount and the excess is included as expense in the consolidated statement of comprehensive income (within profit or loss for the year).

***Gains and losses on disposal (sale)***

Tangible fixed assets are derecognized from the consolidated 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' on the face of the consolidated statement of comprehensive income (within profit or loss for the year). The part of 'revaluation reserve' component attributable to the sold asset is directly transferred to 'retained earnings' component in the consolidated statement of changes in equity.

***2.10. 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 or other alternative sources of current prices. 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 consolidated 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 Group changes its approach and switches to measuring the asset at fair value less the estimated costs to sell.

### ***2.11. Intangible assets***

#### ***Goodwill***

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

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position in the group of 'intangible assets' while goodwill arising on the acquisition of a joint venture or an associate (entity) is incorporated in the total amount of the investment and is stated in the group of 'investments in joint ventures' or respectively 'investments in associates'.

The goodwill on the acquisition of joint ventures and associates (entities) is tested as part of the total balance (amount) of the investment. The individually recognized goodwill on the acquisition of subsidiaries (entities) is mandatory tested for impairment at least once in a year. Impairment losses on goodwill are not subsequently reversed. Gains or losses on the sale (disposal) of a particular subsidiary (entity) of the Group include the carrying amount of the goodwill relating to the entity sold (disposed of).

On the realization of a particular business combination, each recognized goodwill is allocated to a particular cash generating unit and this unit is used for impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

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

#### ***Other intangible assets***

Intangible assets are stated in the consolidated financial statements at acquisition cost (cost) less accumulated amortization and any impairment losses in value. Intangible assets include mainly rights on intellectual property and software.

The Group applies the straight-line amortization method for the intangible assets with determined useful life from 5 to 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 amortization expense in the consolidated statement of comprehensive income (within profit or loss for the year).



Intangible assets are derecognized from the consolidated 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 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' on the face of the consolidated statement of comprehensive income (within profit or loss for the year).

### ***2.12. Investment property***

Investment property is property lastingly held by the Group to earn rentals and/or for capital appreciation. They are presented in the consolidated 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 consolidated 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 of the consolidated statement of comprehensive income.

Investment property is derecognized from the consolidated statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date. They are presented under 'other operating income/(losses), net' in the consolidated 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 functional designation and the use 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 consolidated statement of comprehensive income (within other comprehensive income) and within 'revaluation reserve – property, plant and equipment' in the statement of changes in equity.

### ***2.13. Investments in associates and joint ventures***

Long-term investments, representing shares in associates and joint ventures, are presented in the consolidated financial statements under the equity method – value that includes the acquisition cost being the fair value of the consideration paid, including the direct costs on investment acquisition adjusted by investor's share of profits or losses and respectively the other reserves of the joint ventures and associates after the dates of their acquisition.

The share of profits and losses after the date of acquisition of an associate and a joint venture is presented on a separate line in the consolidated statement of comprehensive income (within profit or loss for the year)

while the share of other components of comprehensive income – on the respective line of the consolidated statement of comprehensive income (within other comprehensive income) and as a separate movement of the individual components of reserves in the consolidated statement of changes in equity.

The investments in associates and joint ventures held by the Group together with the included goodwill are subject to review for impairment at the date of the financial statements. Where conditions for impairment are identified and its amount is determined, the impairment is included in the consolidated statement of comprehensive income (within profit or loss for the year) in the item 'profits/(losses) from associates and joint ventures'.

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

Investments in associates and joint ventures 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 significant influence over or joint control of the economic benefits from the investments is being lost. The income from their sale is presented in 'profits/(losses) from associates and joint ventures' of the consolidated statement of comprehensive income (within profit or loss for the year).

#### ***2.14. Available-for-sale investments***

Available-for-sale investments (financial assets) are non-derivative financial assets representing shares in the capital of other companies (minority interest), held for a long term.

##### ***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 2.25.1*).

##### ***Subsequent measurement***

The available-for-sale investments (financial assets), held by the Group, are subsequently measured at fair value (*Note 2.30*) with the assistance of an independent certified appraiser.

The effects of subsequent revaluation of securities to fair value are presented in a separate component of the consolidated statement of comprehensive income (within other comprehensive income) and recognized in the consolidated 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'.

Dividend income related with long-term investments (financial assets) representing shares in other companies (non-controlling interest) is recognized as current income and presented in the consolidated statement of comprehensive income (within profit or loss for the year) within the item 'finance 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 that the Group commits to purchase or sell the asset.

The available-for-sale investments (financial assets) are reviewed at the end of each reporting period and if conditions for permanent impairment are identified, the latter is recognized in the consolidated 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 consolidated 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 consolidated statement of comprehensive income (within other comprehensive income).

### **2.15. Inventories**

Inventories are valued in the consolidated financial statements as follows:

- raw materials, materials and goods – at the lower of acquisition cost and the net realizable value;
- finished products, semi-finished products and work in progress – at the lower of production cost and net realizable value.

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

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

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

They are allocated to finished products on the following bases chosen by the Group:

- for production of medicinal products – the standard rate of man-hours of directly engaged staff in the production of the particular unit;
- for production of infusion solutions – quantity of manufactured finished products;

- for production of plastic medical disposable products – planned cost of manufactured finished products.

Starting from the beginning of 2014, the parent company applies 'standard production cost' for current valuation of finished products, semi-finished products and work in progress, and respectively, 'standard acquisition cost' for basic raw materials and other production materials. At the end of each reporting period the management performs analysis of factors leading to variances on: (a) the supply of raw materials and other production materials – by comparing the actual and standard acquisition costs, and (b) the production of finished products, semi-finished products and work in progress – by comparing the actual and standard production costs. Where necessary, the value of inventories, included in the financial statements, is adjusted. On the basis of research on the good reporting practices in the pharmaceutical industry, the Company has adopted materiality thresholds regarding: (a) variance on supply of raw materials and other production materials – up to 2%, and (b) variance on production – up to 1%, within which the current value of the existing closing stocks of raw and other materials, finished products and work in progress are not adjusted for the purposes of the consolidated financial statements (*Note 2.31.1*).

Upon use (putting into production or sale) of inventories, they are currently expensed by applying the weighted average cost (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.

#### ***2.16. Trade and other receivables***

Trade receivables are recognized in the consolidated financial statements 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 method (*Note 2.25*).

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

#### ***2.17. 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 and presented in the consolidated financial statements 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 consolidated statement of comprehensive income (within profit or loss for the year) as 'finance income' (interest) or 'finance 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 Group has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period (*Note 2.25*).

### ***2.18. Cash and cash equivalents***

Cash includes cash in hand and cash at current accounts while cash equivalents include bank deposits, the funds of which are freely available to the companies of the Group in accordance with the terms and conditions agreed with the banks within the deposit term regardless of the original maturity of the respective deposit (*Note 2.25*).

For the purposes of the consolidated 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 investment purpose loans received is reported as payments for financial activities while the interest on loans related to current activities (working capital) is included in the operating activities;
- interest received from short-term bank deposits is included in the composition of 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 Group companies and is recovered therewith in the respective period (month);
- blocked funds for a period of more than 3 months are not treated as cash and cash equivalents.

### ***2.19. Trade and other payables***

Trade and other current amounts payable are carried to the consolidated financial statements 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 2.25*).

**2.20. Interest-bearing loans and other borrowings**

All loans and other borrowings are initially recognized in the consolidated financial statements 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 and presented in the consolidated financial statements 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, including any discount or premium on settlement, associated with these loans. Gains and losses are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as finance income or costs (interest) throughout the amortization period, or when the liabilities are derecognized or reduced (*Note 2.25*).

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

**2.21. Capitalization of borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset of the Group are capitalized as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a period of at least 12 months 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 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.

**2.22. Leases*****Finance lease******Lessee***

Finance leases, which transfer to the Group 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 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 consolidated statement of comprehensive income (within profit or loss for the year) as finance costs (interest) based on the effective interest rate (*Note 2.25*).

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 Group, 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 finance income. The difference between the carrying amount of the leased asset and the immediate (fair selling) value is recognized in the consolidated 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 consolidated 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 the composition of property, plant and equipment while its depreciation for the period is included in the current expenses of the lessor.

Rental income from operating leases is 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.

***2.23. Pensions and other payables to personnel under the social security and labor legislation***

The employment and social security relations with workers and employees of the Group are based on the Labor Code and the provisions of the effective social security legislation for the companies operating in *Bulgaria*, the Polish Code – for the companies in *Poland*, the employment legislation and the Collective Labor Agreement – for the companies in *Ukraine*, the employment legislation, the General Collective Labor Agreement and the effective Employment Rules and Regulations – for the company in *Serbia*, the Labor Act – for the company in *Latvia*, the employment legislation – for the companies in *Belarus*, the Social Security Law of the Republic of Kazakhstan – for the company in Kazakhstan and the Labor Code – for the company in *Lithuania*.

***Short-term benefits***

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

At each date of consolidated balance sheet, the companies of the Group measure the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated amounts of employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

***Tantieme and bonus schemes******Sopharma***

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

***Sopharma Trading***

In accordance with the Articles of Association, the Executive Director is entitled to one-off payment (tantieme) at the amount of 1% of Company's net profit as well as to distribution of up to 2% of Company's net profit between the members of the higher managing personnel upon his own discretion and in line with



their individual contribution – in case of reported positive financial result for the past financial year and subject to a decision of the General Meeting of Shareholders. When a certain portion is required to be deferred for a period of more than 12 months, this portion is measured at present value at the reporting date and is stated within non-current liabilities in the statement of financial position as long-term payables to personnel. For the remaining personnel, including managing staff, the amount of bonuses is accrued in the period when worked-out.

***Momina Krepost***

In accordance with the Articles of Association and following a decision of the General Meeting of Shareholders, the Executive Director is entitled to one-off payment (tantieme) at the amount of 1% of company's net profit.

***Long-term retirement benefits******Defined contribution plans******For Bulgaria***

The major duty of the companies - employers in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labor Accident and Professional Diseases (LAPD) Fund, and for health insurance.

The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2014: 60:40).

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

***For companies abroad***

The rates of the social security contributions in Poland are approved by the Law on the National Social Security System, in Ukraine – Law on Pension Provision, in Serbia – the Law on Labor in the Republic of Serbia, in Latvia – the Law on Social Security, in Lithuania – Law on National Social Security, in Belarus – the Law on the Mandatory Contributions to the Fund for Social Security of the Population of the Ministry of Labor and Social Security, and in Kazakhstan – Law of the Republic of Kazakhstan on Social Security

Obligations. The social security contributions are being apportioned between an employer and employees at ratios regulated by the relevant local laws.

There is no established and functioning private voluntary social security scheme at the Group.

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

### ***Defined benefit plans***

In accordance with the requirements of the Labor Code, the employer of the companies in *Bulgaria* 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 accordance with the Law on Labor in *Serbia*, the employer of the Serbian company is obliged to pay to its personnel on coming of age for retirement an indemnity at the amount of at least three average salaries calculated at the time of payment. In accordance with the employment legislation in *Ukraine* and the Collective labor Agreement of the Ukrainian company, the employer is obliged to pay to its personnel on coming of age for retirement an indemnity, which depending on the length of service with the entity may vary between UAH 100 and UAH 200 (between BGN 10 and BGN 20). Also, the company in Ukraine accrues social indemnities, which are paid prior to retirement of employees due to specific labor conditions. According to the employment legislation in Poland, the employer is obliged to pay upon retirement one gross monthly salary. According to the employment legislation, there are no obligations to the personnel on retirement in Lithuania, Latvia and Belarus.

In their nature these are unfunded defined benefit schemes.

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

At the date of issue of the consolidated financial statements, the companies of the Group assign 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 of similar term, quoted in the respective country where the company itself operates.

#### ***Termination benefits***

In accordance with the local provisions of the employment and social security regulations of the Group companies, the employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

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

#### ***2.24. Share capital and reserves***

SOPHARMA AD (the parent company) is a joint-stock company and is obliged to register with the Commercial Register a specified ***share capital***, which should serve as a security for the creditors for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings. The parent 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 parent company is obliged to set aside a ***Reserve Fund (statutory reserve)*** 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 share capital increase.

The ***treasury shares*** are presented in the consolidated statement of financial position at acquisition cost (cost) and Group's equity is decreased by their gross purchase price. Gains or losses on sales of treasury shares are carried directly to Group's equity in the 'retained earnings' component.

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

- the revaluation surplus between the carrying amount of property, plant and equipment and their fair values at the date of each revaluation;
- the revaluation surplus between the carrying amount of property stated as owner-occupied property and their fair values at the date when they are transferred to investment property.

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

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

The revaluation reserve covers the impairment of the assets to which it relates. It may be used in the implementation of Group'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 consolidated statement of comprehensive income (within profit or loss for the year) when the financial assets are disposed of (sold) by the Group and/or on identified permanent impairment of particular financial assets.

The **Translation of foreign operations reserve** includes the effects of restating the financial statements of the companies abroad from local currency to the presentation currency of the Group. This reserve is recognized as a separate component of equity in the consolidated statement of financial position and as part of the profit or loss in the consolidated statement of comprehensive income on the line 'gains/(losses) on acquisition and disposal of subsidiaries, net' on disposal (sale) of a foreign operation (company) (*Note 2.5*).

## **2.25. Financial instruments**

### **2.25.1. Financial assets**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale assets. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management of the parent company together with the management of the respective subsidiary determine the classification of the financial assets for the purposes of the Group at the date of their initial recognition in the statement of financial position.

The Group companies usually recognize their financial assets in the statement of financial position on the trade date, being the date on which they commit to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognized from the Group's consolidated statement of financial position when the rights to receive cash from these assets have expired or have been transferred, and the Group has

transferred substantially all the risks and rewards of ownership of the asset to another entity (person) external thereto. If the Group 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 consolidated 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 consolidated 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 respective Group company while the remaining ones are carried as non-current assets.

This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the consolidated statement of financial position (*Notes 2.16, 2.17, and 2.18*). Interest income on loans and receivables is recognized by applying the effective interest rate except for short-term receivables (due in 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 consolidated statement of comprehensive income (within profit or loss for the year) under the item 'finance income'.

At the end of each reporting period, the Group companies assess whether events and circumstances have occurred that indicate the existence of objective evidence necessitating loans and receivables to be impaired (*Note 2.31*).

#### *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. For the Group, these are usually shares, bonds or interest in other (third) companies, acquired for investment purposes (available-for-sale investments), and are included within non-current assets, except where a Group company intends to sell them in the following 12 months and is actively searching for a buyer (*Note 2.14*).

Available-for-sale financial assets are initially recognized at cost, being the fair value of the consideration given including acquisition costs associated with the investment.

The available-for-sale financial assets are subsequently measured at fair value except for the shares in closed-end companies not traded in a stock-exchange market (*Note 2.14*).

The effects, gains or losses, of revaluation to fair value of the available-for-sale investments are included in the consolidated statement of comprehensive income (within other comprehensive income) under the item 'net change in fair value of available-for-sale financial assets' and are accrued 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 consolidated 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 consolidated 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 within other comprehensive income (in '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 consolidated statement of comprehensive income (within profit or loss for the year) when company's right to these dividends is established.

The available-for-sale investments are reviewed at each reporting date for events or circumstances indicating the existence of objective evidence for impairment of a particular financial asset or group of assets. They 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.

#### ***2.25.2. Financial liabilities and equity instruments***

The Group classifies debt and equity instruments either as financial liabilities or as equity depending on the substance and the conditions of the contractual arrangements with the respective counterpart regarding these instruments.

#### ***Financial liabilities***

The financial liabilities of the Group include loans and payables to suppliers and other counterparts. They are initially recognized in the consolidated 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 (*Note 2.19, 2.20 and 2.22*).

#### ***2.26. Provisions***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The provisions are valued based on the best estimate of the respective company management and the Group at the date of the consolidated statement of financial position of the expenses necessary to settle the respective obligation. The estimate is discounted if the obligation is long-term. When part the resources required to settle the obligation are expected to be recovered from a third party, the respective company of

the Group recognizes a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income (credit) is recognized in the same item of the consolidated statement of comprehensive income (within profit or loss for the year) where the provision itself is presented (*Note 2.31*).

## **2.27. Income taxes**

*Current income taxes* of the Bulgarian companies of the Group are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for year 2015 is 10 % (2014: 10%).

The subsidiaries, joint ventures and associated companies abroad are charged in accordance with the requirements of the respective local tax regulations by applying the following tax rates:

<b>Country</b>	<b>Tax rate</b>	
	<b>2015</b>	<b>2014</b>
Ukraine	18%	18%
Serbia	15%	15%
USA	15.35%	15.35%
United Kingdom	21%	21%
Latvia	15%	15%
Belarus	18%	18%
Lithuania	15%	15%
Poland	19%	19%
Kazakhstan	20%	20%

*Deferred income taxes* are determined using the liability method on all temporary differences of each consolidated company existing at the consolidated financial statements date, between the carrying amounts of the assets and liabilities and their tax bases, including for those arising from consolidation adjustments.

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) at the transaction date.

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 /(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that they will reverse and sufficient taxable profit will be generated or taxable

temporary differences will occur in the same period, to allow the deferred tax asset to be deducted or compensated.

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

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

Deferred tax assets of a Group company are presented net against the deferred tax liabilities of this company when it is the tax payer in the respective jurisdiction, and this is only in cases where the company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

#### ***2.28. Government grants***

Gratuitous aids from public institutions (municipal, government and international institutions, including under the procedure of using the European funds and programs) are initially recognized as deferred income (financing) when there is reasonable assurance that they will be received by the Group and that the latter has complied and complies with the associated thereto requirements.

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

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

#### ***2.29. Earnings per share***

Basic earnings per share are calculated by dividing net profit or loss attributable to ordinary equity holders of the parent company 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, bonus issue or separation/splitting, 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 within the Group.

#### ***2.30. Fair value measurement***



Some of Group's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes. Such are (a) on a recurring basis – *available-for-sale financial assets, investment property, granted and received bank loans and loans from third parties, certain trade and other receivables and payables, finance lease receivables and payables; and other* (b) on a non-recurring basis – *non-financial assets such as property, plant and equipment.*

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

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

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

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

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

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

The Group applies mainly Level 2 and Level 3 fair value.

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

Internal rules and procedures for measuring the fair value of various types of assets and liabilities have been developed centrally in the parent company. For the purpose, a specifically designated individual,

subordinated to the Finance Director of the Group, organized the performance of the overall valuation process and also coordinates and observes the work of the external appraisers.

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

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

The results of the assessment of the fair value measurement procedure are presented to the audit committee and to the independent auditors of the respective companies as well as to the Finance Director and the independent auditors of the Group.

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

### ***2.31. Critical accounting judgments on applying the Group's accounting policies. Key estimates and assumptions of high uncertainty.***

#### ***2.31.1. Inventories***

##### ***Normal capacity***

The normal production capacity of each production company is determined on the basis of management assessments (made after relevant analyses) for optimum load of their production facilities and return on the investments made therein, with structure of the manufactured finished products accepted as being common for the company.

##### ***Allowance for impairment***

At the end of each financial year, the Group companies review 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 Group companies impair the inventories to net realizable value.

As a result of the performed reviews and analyses for the period January - September 2015, impairment of inventories at the amount of BGN 118 thousand has been recognized in the consolidated statement of comprehensive income (within profit or loss for the year) (2014: recognized recovered impairment at the amount of BGN 49 thousand) (*Note 9*).

#### ***2.31.2. Impairment of receivables***

The losses from doubtful and bad debts are estimated at the date of the consolidated financial statements on individual basis for each receivable. 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 consolidated 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 assessment of the collectability of receivables, the management of the Group companies perform analysis of the total exposure of each counterpart in order to establish the actual possibility for their collection and not only at the level of past due individual receivables from the total amount due by the counterpart, including the potential for collecting interest for compensating delays. 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, guarantees) and thus with ensured collection (through future realization of the collateral or guarantee payment). Where the management has concluded 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 impaired to 100% (*Notes 22, 23 and 24*).

The amount of recovered impairment losses for the period January - September 2015 (net of the recognized ones) is BGN 80 thousand (2014: the amount of the recovered impairment is BGN 487 thousand) (*Note 9*).

#### ***2.31.3. Actuarial calculations***

Calculations of certified actuaries have been used every year when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor (*Note 28*).

#### ***2.31.4. Operating lease***

The Group classified a building, part of which had been leased to related parties under operating lease terms, in the group of 'property, plant and equipment' of the consolidated statement of financial position.

Since a significant part of the building was used by the Group as well, the management decided that the building should not be treated as investment property.

### 2.31.5. Litigation provisions

With regard to the pending litigations against companies of the Group, the management of respective companies have judged, jointly with their lawyers, that at this stage the probability and risks of a negative outcome therefrom is still below 50% and therefore, no provisions for payables under litigations have been included in the consolidated statement of financial position as at 30 September 2015 (31 December 2014: none) (Note 37).

## 3. REVENUE

*Group's revenue* includes:

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
Goods	465,209	423,937
Finished products	182,392	193,785
<b>Total</b>	<b>647,601</b>	<b>617,722</b>

*Sales of goods by type:*

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
<i>Sales of goods by type</i>		
Tablet dosage forms	213,249	209,118
Ampoule dosage forms	130,554	113,206
Consumables, dressing materials and apparatuses	26,613	28,861
Drops	26,381	24,427
Syrup dosage forms	26,137	14,811
Ointments	13,676	12,897
Cosmetics	6,303	5,738
Veterinary vaccines	4,638	-
Food supplements and herbs	3,112	1,388
Lyophilic products	2,902	1,785
Suppositories	2,583	2,459
Infusion solutions	1,467	2,098
Isotopes	928	1,483

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Other	6,666	5,666
<b>Total</b>	<b>465,209</b>	<b>423,937</b>

***Sales of finished products by type:***

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
<b><i>Sales of finished products by type</i></b>		
Tablet dosage forms	122,463	130,464
Ampoule dosage forms	25,810	24,573
Syrup dosage forms	8,806	9,725
Ointments	6,613	6,352
Lyophilic products	5,209	8,273
Drops	4,007	3,776
Syringes	1,320	1,078
Suppositories	947	722
Infusion solutions	299	706
Blast products	733	603
Other	6,185	7,513
<b>Total</b>	<b>182,392</b>	<b>193,785</b>

**4. OTHER OPERATING INCOME AND LOSSES, NET*****Other operating income and losses, net*** include:

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
Services rendered	2,829	2,111
Advertisements	1,257	1,267
Financing from public institutions	704	413
Social activities and events	671	651
Rentals	352	418
Income from penalties	204	359
Net gain on exchange differences under trade receivables and payables and current accounts	(9,950)	(12,577)
Other	428	671
<b>Total</b>	<b>(3,505)</b>	<b>(6,687)</b>

**5. RAW MATERIALS AND CONSUMABLES USED*****Expenses on materials*** include:

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	<i>1 January - 30 September 2015</i> <i>BGN'000</i>	<i>1 January - 30 September 2014</i> <i>BGN'000</i>
Basic materials	45,162	50,219
Spare parts, laboratory and technical materials	4,494	5,692
Electric energy	4,248	4,060
Heat power	2,826	3,073
Fuels and lubricating materials	1,955	2,703
Stationary	652	556
Workwear	476	512
Water	473	666
Advertising materials	344	340
Scrapping of materials	63	183
Other	799	820
<b>Total</b>	<b>61,492</b>	<b>68,824</b>

*Expenses on basic materials* include:

	<i>1 January - 30 September 2015</i> <i>BGN'000</i>	<i>1 January - 30 September 2014</i> <i>BGN'000</i>
Substances (active ingredients)	22,140	24,106
Packaging materials	8,752	9,366
Liquid and solid chemicals	5,998	6,266
Ampoules	1,717	2,235
Tubes	1,160	-
Herbs	1,064	1,715
Flasks	944	-
Polypropylene, polyethylene, polystyrene	839	882
Aluminum foil	679	2,840
Solution bags	-	647
Other	1,869	2,162
<b>Total</b>	<b>45,162</b>	<b>50,219</b>

**6. HIRED SERVICES EXPENSE***Hired services expense* includes:

	<i>1 January - 30 September 2015</i> <i>BGN'000</i>	<i>1 January - 30 September 2014</i> <i>BGN'000</i>
Advertising	14,830	14,386
Rentals	5,084	4,650
Consulting services	4,088	4,028

*This is a translation from Bulgarian of the consolidated condensed interim financial statements for the period ended 30 September 2015.*

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Buildings and equipment maintenance	3,398	4,032
Forwarding and transportation services	3,075	1,626
Local taxes and charges	1,908	1,296
Subscription fees	1,518	1,306
Service fees on current accounts in banks	1,371	630
Manufacturing of medicinal products	1,253	3,126
Services under civil contracts	1,028	1,284
Security	1,021	912
Insurance	936	938
Clinical trials	875	37
Logistic services	830	755
Announcements and communications	758	763
Bank and regulatory charges	675	747
Motor vehicles repair	668	647
Services on medicinal products registration	660	1,478
Medical service	615	711
Taxes on expenses	481	830
Royalties and fees	254	175
Services fees	230	809
Destruction of medicines	195	110
Document translations	188	211
Other	2,331	1,751
<b>Total</b>	<b>48,270</b>	<b>47,238</b>

**7. EMPLOYEE BENEFITS EXPENSE**

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
Current wages and salaries	46,332	45,487
Social security/health insurance contributions	9,483	9,239
Social benefits and payments	2,657	2,532
Performance-based bonuses	998	1,009
Accruals for unused paid leaves	697	662
Social security/health insurance contributions on leaves	132	115
Accruals for long-term retirement benefits to personnel (Note 28)	200	304
<b>Total</b>	<b>60,499</b>	<b>59,348</b>

**8. OTHER OPERATING EXPENSES**

<i>1 January – 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
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This is a translation from Bulgarian of the consolidated condensed interim financial statements for the period ended 30 September 2015.

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Entertainment allowances	1,865	2,253
Business trip costs	1,125	1,362
Scrap and shortages of goods	910	393
Donations	445	223
Training	432	353
Taxes and interest on taxes paid	280	56
Written-off receivables	238	31
Scrapping of long-term assets	198	3
Unrecognized tax credit	151	1,838
Scrapping of finished and unfinished products	26	182
Charged/(reversed) impairment of current assets, net (Note 9)	(662)	(475)
Other	195	716
<b>Total</b>	<b>5,203</b>	<b>6,935</b>

**9. IMPAIRMENT OF CURRENT ASSETS***Impairment losses* on receivables, work in progress, finished products and goods, net include:

	<i>1 January – 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
<i>Impairment of receivables</i>	130	167
<i>Reversed impairment of receivables</i>	(901)	(654)
Net change in the impairment of receivables (Notes 8, 22, 23 and 24)	(771)	(487)
Impairment of production (Note 8)		
Impairment of materials (Note 5)	-	(61)
Impairment of goods (Note 8)	118	12
Impairment of receivables from advance payments (Note 22)	(11)	-
Impairment of receivables from granted trade loans	2	-
<b>Total</b>	<b>(662)</b>	<b>(536)</b>



**10. FINANCE INCOME***Finance income* includes:

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
Net gain on transactions with investments in securities	6,422	-
Interest income on past due trade receivables	2,835	1,566
Interest income on loans granted	2,127	1,961
Effect from revaluation of previously held shares at fair value upon acquisition of control in a subsidiary	255	-
Interest income on receivables under special contracts	92	103
Interest income on bank deposits	70	48
Income from equity investments (dividends)	6	80
<b>Total</b>	<b>11,807</b>	<b>3,758</b>

**11. FINANCE COSTS***Finance costs* include:

	<i>1 January - 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
Interest expense on loans received	6,390	6,468
Net loss on exchange differences under loans in foreign currency	4,298	5,209
Bank fees and charges on loans and guarantees	593	422
Interest expense on finance lease	309	248
Net loss on transactions with investments in securities	-	11
Impairment of available-for-sale investments	-	68
<b>Total</b>	<b>11,590</b>	<b>12,426</b>

**12. GAIN/(LOSS) FROM ASSOCIATES AND JOINT VENTURES**

	<i>1 January – 30 September 2015 BGN'000</i>	<i>1 January - 30 September 2014 BGN'000</i>
Gain/(loss) from associates, net	259	(1)
(Loss)/gain from joint ventures	(204)	(181)
	<b>55</b>	<b>(182)</b>

**13. OTHER COMPREHENSIVE INCOME**

Other components of comprehensive income include:

	Other components of comprehensive income attributable to the Group		Other components of comprehensive income attributable to non-controlling interests		Total other components of comprehensive income	
	<i>1 January – 30 September 2015</i>	<i>1 January – 30 September 2014</i>	<i>1 January – 30 September 2015</i>	<i>1 January – 30 September 2014</i>	<i>1 January – 30 September 2015</i>	<i>1 January – 30 September 2015</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<i>Items that will not be reclassified to profit or loss</i>						
<i>(Loss)/profit from revaluation of property, plant and equipment</i>	-	-	-	-	-	-
Remeasurements of defined benefit pension plans	(14)	-	-	-	(14)	-
<i>Items that may be reclassified to profit or loss</i>						
Net change in fair value of available-for-sale financial assets:	449	445	-	-	449	445
Gains arising during the year	449	445	-	-	449	445
Decreased by:						
Reclassification adjustments of (gains)/losses included in profit or loss for the current year	-	-	-	-	-	-
Exchange differences from restating foreign operations	1,925	(793)	(1,092)	(341)	833	(1,134)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
<b>Other comprehensive income for the year</b>	<b>2,360</b>	<b>(348)</b>	<b>(1,092)</b>	<b>(341)</b>	<b>1,268</b>	<b>(689)</b>

**14. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings		Plant and equipment		Other		Assets in progress		Total	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<i>Book value</i>										
<b>Balance at 1 January</b>	<b>194,562</b>	<b>192,498</b>	<b>194,434</b>	<b>184,016</b>	<b>41,923</b>	<b>43,106</b>	<b>12,624</b>	<b>7,532</b>	<b>443,543</b>	<b>427,152</b>
Additions	63	5,535	1,832	5,253	1,016	2,920	13,690	13,466	16,601	27,174
Assets in newly acquired subsidiaries and joint ventures	1	-	120	-	25	-	1	-	147	-
Effects of foreign currency and hyperinflationary restatements	(548)	(45)	(339)	14	(215)	4	-	-	(1,102)	(27)
Disposals	(7)	(3,885)	(765)	(1,186)	(1,408)	(4,897)	(472)	(315)	(2,652)	(10,282)
Written-off book value of assets on disposal of subsidiaries	-	(9)	-	(71)	-	(22)	-	-	-	(102)
Allowance for impairment	-	-	-	(274)	-	(98)	-	-	-	(372)
Transfer to property, plant and equipment	790	467	10,787	6,682	731	910	(12,308)	(8,059)	-	-

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Transfer to investment properties	-	-	3	-	-	-	-	-	3	-
<b>Balance at 30 September / 31 December</b>	<b>194,861</b>	<b>194,562</b>	<b>206,072</b>	<b>194,434</b>	<b>42,072</b>	<b>41,923</b>	<b>13,535</b>	<b>12,624</b>	<b>456,540</b>	<b>443,543</b>
<b>Accumulated depreciation and impairment</b>										
<b>Balance at 1 January</b>	<b>27,553</b>	<b>20,614</b>	<b>91,883</b>	<b>77,816</b>	<b>25,066</b>	<b>21,994</b>	<b>4</b>	<b>-</b>	<b>144,506</b>	<b>120,424</b>
Depreciation charge for the year	4,600	5,978	9,528	12,573	3,373	6,323	-	-	17,501	24,874
Allowance for impairment	-	-	-	6	-	-	-	-	-	6
Effects of foreign currency and hyperinflationary restatements	446	1,988	647	2,627	70	875	-	5	1,163	5,495
Depreciation written-off	-	(1,027)	(144)	(1,115)	(1,289)	(4,118)	-	(1)	(1,433)	(6,261)
Written-off depreciation of assets on disposal of subsidiaries	-	-	-	(24)	-	(8)	-	-	-	(32)
<b>Balance at 30 September / 31 December</b>	<b>32,599</b>	<b>27,553</b>	<b>101,914</b>	<b>91,883</b>	<b>27,220</b>	<b>25,066</b>	<b>4</b>	<b>4</b>	<b>161,737</b>	<b>144,506</b>
<b>Carrying amount at 30 September / 31 December</b>	<b>162,262</b>	<b>167,009</b>	<b>104,158</b>	<b>102,551</b>	<b>14,852</b>	<b>16,857</b>	<b>13,531</b>	<b>12,620</b>	<b>294,803</b>	<b>299,037</b>
<b>Carrying amount at 1 January</b>	<b>167,009</b>	<b>171,884</b>	<b>102,551</b>	<b>106,200</b>	<b>16,857</b>	<b>21,112</b>	<b>12,620</b>	<b>7,532</b>	<b>299,037</b>	<b>306,728</b>

As at 30 September 2015, the tangible fixed assets of the Group include: land amounting to BGN 43,717 thousand (31 December 2014: BGN 43,664 thousand) and buildings of carrying amount BGN 118,545 thousand (31 December 2014: BGN 123,345 thousand).

Tangible fixed assets in progress as at 30 September include:

- advances granted – BGN 1,507 thousand (31 December 2014: BGN 4,345 thousand);
- supply of equipment – BGN 175 thousand (31 December 2014: BGN 3,514 thousand);
- buildings reconstruction – BGN 4,451 thousand (31 December 2014: BGN 1,368 thousand);
- expenses on new buildings construction – BGN 7,211 thousand (31 December 2014: BGN 3,256 thousand);
- Other – BGN 187 thousand (31 December 2014: BGN 136 thousand).

**Finance lease**

The carrying amount of the tangible fixed assets (motor vehicles) of the Group obtained under finance lease as at 30 September 2015 is BGN 2,609 thousand (31 December 2014: BGN 3,883 thousand).

**Operating lease**

The Group has leased fixed tangible assets with carrying amount of BGN 3,331 thousand as at 30 September 2015 to related parties (31 December 2014: BGN 3,388 thousand). In addition, tangible fixed assets at carrying amount of BGN 324 thousand were leased to third parties as at 30 September 2015 (31 December 2014: BGN 324 thousand).

**Other data**

The following encumbrances were constituted on tangible fixed assets of the Group as at 30 September 2015 in relation to received loans (*Notes 27 and 31*) as follows:

- Land and buildings with carrying amount of BGN 24,882 thousand and BGN 76,437 thousand, respectively (31 December 2014: respectively, BGN 26,629 thousand and BGN 83,743 thousand);
- Pledge on facilities with carrying amount of BGN 599 thousand (31 December 2014: BGN 739 thousand);
- Pledges on equipment, transportation vehicles and furniture and fixtures – BGN 45,637 thousand (31 December 2014: BGN 34,894 thousand);
- Pledges on assets in process of acquisition – BGN 120 thousand (31 December 2014: BGN 168 thousand).

### ***Revaluation of property, plant and equipment to fair value***

As at 31 December 2011, the Company performed an overall review and assessment for price changes of property, plant and equipment of the Group with the assistance of certified appraisers. As a result of this review it made the latest revaluation of property, plant and equipment, the results of which were displayed in the consolidated financial statements.

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

- 'Market-based approach' through the 'Market comparables (analogues) method' – with regard to land and buildings for which actual market existed, analogous properties and transactions with them were observed and basis for comparison was available – their adjusted market price determined under the comparative method was accepted as fair value;
- 'Assets (expenses)-based approach' through the 'Method of amortized recoverable amount' – for special-purpose buildings for which no actual market existed, 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 the term) and taking into account: physical wear, functional and economic impairment.

Revaluation reserve at the amount of BGN 3,099 thousand was then recognized as a result of the revaluation net of impairment.

As at 30 September 2015, the Group's management again analyzed the price changes of its key tangible fixed assets and concluded that no conditions and grounds were available for a new revaluation of the assets before the expiry of the adopted usual term (*Note 2.9*).

## **15. INTANGIBLE ASSETS**

	<i>Goodwill</i>		<i>Intellectual property rights</i>		<i>Software</i>		<i>Other</i>		<i>Assets in progress</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
<b>Book value</b>												
<b>Balance at 1 January</b>	20,103	21,912	11,978	13,552	10,357	8,383	3,346	3,344	1,096	909	46,880	48,100
Additions	-	-	95	53	110	1,814	543	-	2,807	665	3,555	2,532

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Effects of foreign currency and hyperinflationary restatements	(957)	(1,797)	94	(262)	(74)	(28)	(269)	2	-	-	(1,206)	(2,085)
Fair value of intangible assets resulting from acquisition of subsidiary	-	-	3,532	-	-	-	2,217	-	-	-	5,749	-
Transfer	-	-	30	287	5	191	-	-	(35)	(478)	-	-
Written-off book value of assets on disposal of subsidiaries	-	(12)	-	(905)	-	-	-	-	-	-	-	(917)
Disposals	-	-	(396)	(747)	-	(3)	-	-	(62)	-	(458)	(750)
<b>Balance at 30 September / 31 December</b>	<b>19,146</b>	<b>20,103</b>	<b>15,333</b>	<b>11,978</b>	<b>10,398</b>	<b>10,357</b>	<b>5,837</b>	<b>3,346</b>	<b>3,806</b>	<b>1,096</b>	<b>54,520</b>	<b>46,880</b>
<b>Accumulated amortization and impairment</b>												
<b>Balance at 1 January</b>	<b>9,185</b>	<b>9,069</b>	<b>6,685</b>	<b>5,616</b>	<b>5,228</b>	<b>4,082</b>	<b>1,564</b>	<b>972</b>	<b>30</b>	<b>14</b>	<b>22,693</b>	<b>19,753</b>
Amortization charge for the year	-	-	1,077	1,768	921	1,122	342	474	-	4	2,340	3,368
Allowance for impairment	-	116	-	-	-	-	-	-	-	-	-	116
Effects of foreign currency restatements	-	-	530	83	3	24	22	118	-	12	555	238
Written-off amortization of assets on disposal of subsidiaries	-	-	-	(383)	-	-	-	-	-	-	-	(383)
Amortization written-off	-	-	(212)	(399)	-	-	-	-	-	-	(212)	(399)
<b>Balance at 30 September / 31 December</b>	<b>9,185</b>	<b>9,185</b>	<b>8,080</b>	<b>6,685</b>	<b>6,152</b>	<b>5,228</b>	<b>1,928</b>	<b>1,564</b>	<b>30</b>	<b>30</b>	<b>25,376</b>	<b>22,693</b>
<b>Carrying amount at 30 September / 31 December</b>	<b>9,961</b>	<b>10,918</b>	<b>7,253</b>	<b>5,293</b>	<b>4,245</b>	<b>5,129</b>	<b>3,909</b>	<b>1,782</b>	<b>3,776</b>	<b>1,066</b>	<b>29,145</b>	<b>24,188</b>
<b>Carrying amount at 1 January</b>	<b>10,918</b>	<b>12,843</b>	<b>5,293</b>	<b>7,936</b>	<b>5,129</b>	<b>4,301</b>	<b>1,782</b>	<b>2,372</b>	<b>1,066</b>	<b>895</b>	<b>24,188</b>	<b>28,347</b>

Acquisition cost of intangible assets at 30 September include:

- Acquisition cost of software products – BGN 3,667 thousand (31 December 2014: BGN 935 thousand);
- Acquisition cost of marketing authorizations for medicinal products – BGN 70 thousand (31 December 2014: BGN 131 thousand);
- Advance payments – BGN 39 thousand (31 December 2014: none).

The rights on intellectual property include mainly products of development activities related to medicinal substances (active ingredients) and dosage forms and acquired patents and trademarks. Within the total intellectual property, owned by the Group, the largest share belongs to internally created trademarks, which have not been capitalized in the consolidated statement of financial position.

These trademarks grant exceptional rights on the names of pharmaceuticals while those with biggest relative share in the sales of the Group are: Carsil, Tempalgin, Broncholit, Tabex, Analgin, Tribestan, Vicetin, Sydnopharm, Antistenocardin, Spasmalgon, Softensif, Chlofadon, Chlofasolin, Sofafailin, Sopral, Vasopren, Buscolisin, Nivalin, Maraslavin, Dimex, Allergosan, Amination.

Capitalized trademarks as a result of performed business combinations are as follows: Probiotic, Laxomucil, Alfalipoin, Influrex, etc. The patent held is for production of dosage forms containing Ranitidin.

The other intangible assets include mainly the exclusive contracts with suppliers, licenses and distribution network, acquired in business combinations.

**Goodwill impairment**

*This is a translation from Bulgarian of the consolidated condensed interim financial statements for the period ended 30 September 2015.*

The management of the Group performed the necessary procedures for the mandatory test for impairment of the goodwill, recognized in the consolidated statement of financial position, on the acquisition of the subsidiaries. For the purpose, each individual company was accepted as a 'cash generating unit'.

The calculations were made by the management of the Group with the assistance of an independent certified appraiser and a detailed review was performed on the availability of events and facts that could serve as indicators for changes in the assumptions and assessments made at 31 December 2014.

As a result of the analysis the Management of the Group determined, that as at 30 September 2015 there are no recognition of additional impairment of goodwill is necessary.

## 16. INVESTMENT PROPERTY

	30.09.2015 BGN '000	31.12.2014 BGN '000
<b>Balance at 1 January</b>	<b>10,606</b>	<b>10,526</b>
Additions	424	103
Net loss on fair value adjustment, included in profit or loss	-	(23)
Transfer to property, plant and equipment ( <i>Note 14</i> )	(3)	-
<b>Balance at 30 September / 31 December</b>	<b>11,027</b>	<b>10,606</b>

Investment property represents buildings and the land they stand on, differentiated parts of buildings for independent use, intended for long-term lease. By group they are as follows:

<i>Group of assets</i>	30.09.2015 BGN '000	31.12.2014 BGN '000
Warehouse premises	4,211	3,787
Offices	3,900	3,900
Production buildings	2,489	2,492
Social objects	427	427
<b>Total</b>	<b>11,027</b>	<b>10,606</b>

There are established encumbrances on investment property as at 30 September 2015 – mortgage of offices – at the amount of BGN 1,623 thousand (31 December 2014: BGN 1,199 thousand).

### *Fair value measurement*

#### *Fair value hierarchy*

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

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

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

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	<i>Warehouse premises</i>	<i>Offices</i>	<i>Production buildings</i>	<i>Social objects</i>	<i>Total</i>
<b>Balance at 31 January 2014</b>	<b>3,851</b>	<b>3,859</b>	<b>2,382</b>	<b>434</b>	<b>10,526</b>
Purchases and capitalized costs	-	-	103	-	103
Revaluation to fair value through profit or loss – unrealized	(64)	41	7	(7)	(23)
<b>Balance at 31 December 2014</b>	<b>3,787</b>	<b>3,900</b>	<b>2,492</b>	<b>427</b>	<b>10,606</b>
Purchases and capitalized costs	424	-	-	-	424
Transfer to property, plant and equipment	-	-	(3)	-	(3)
<b>Balance at 30 September 2015</b>	<b>4,211</b>	<b>3,900</b>	<b>2,489</b>	<b>427</b>	<b>11,027</b>

*Valuation techniques and significant unobservable inputs*

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

<b>Groups of assets (Level 2)</b>	<b>Valuation approaches and techniques</b>	<b>Significant unobservable inputs</b>
	<i>a. Income approach</i>	a. Weighted rate of return
	Valuation technique: Method of capitalized rental income as application of discounted cash flows (main valuation technique)	b. Term to entrance into rental deals
Warehouse premises		
Production buildings	<i>b. Cost approach</i>	Adjusted prices for construction of identical properties and purchase prices of machinery and equipment, similar to those attached
	Valuation technique: Method of replacement costs – depreciated recoverable amount (ancillary supportive valuation technique)	
	<i>a. Income approach</i>	a. Weighted rate of return
	Valuation technique: Method of capitalized rental income as application of discounted cash flows (main valuation technique)	b. Term to entrance into rental deals
Offices		
Social objects	<i>b. Market approach</i>	Comparability adjustments
	Valuation technique: Market multiples method (supportive valuation technique)	



## 17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Investments in associates	13,894	7,672
Investments in joint ventures	3,436	4,715
<b>Total</b>	<b>17,330</b>	<b>12,387</b>

The movement of the investments in associates is presented below:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance at 1 January</b>	<b>7,672</b>	<b>1,002</b>
Acquisition of shares	6,314	4,109
Transfer to subsidiaries	(711)	-
Transfer from available-for-sale investments	503	3,882
Transfer to joint ventures	-	(1,974)
Share in the profit/(loss) for the year	192	(61)
Effect from revaluation of previously held shares to fair value	212	607
Effect from transactions with companies from the Group	(29)	-
Effects of foreign currency restatements	(259)	107
<b>Balance at 30 September / 31 December</b>	<b>13,894</b>	<b>7,672</b>

The principal activities of the acquired joint ventures are disclosed in *Note 1*.

The Group acquired indirect interest in OOO Med-dent, OOO Vivaton Plus, OOO Bellerophon and BOOO SpetzApharmacia in Belarus, through the purchase of 50% of their capital (joint control). The acquisition was performed by the subsidiary Briz SIA, Latvia.

In 2014 the Group lost the control over its subsidiary ZAO Interpharm, Belarus. The remaining retained investment has been transformed into a joint venture.

The movement of investments in joint ventures is presented below:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance at 1 January</b>	<b>4,715</b>	<b>638</b>
Acquisition of shares	-	430
Capital increase	-	310
Transfer from associates	-	1,974
Transfer from subsidiaries	-	1,682
Share in the loss for the period	(204)	(236)
Effects of transactions with Group's companies	(30)	(62)
Effects of exchange differences	(1,045)	(21)
<b>Balance at 30 September / 31 December</b>	<b>3,436</b>	<b>4,715</b>

**18. AVAILABLE-FOR-SALE INVESTMENTS**

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

	<i>Country</i>	<i>30.09.2015</i> <i>BGN '000</i>	<i>Share</i> <i>%</i>	<i>31.12.2014</i> <i>BGN '000</i>	<i>Share</i> <i>%</i>
Doverie United Holding AD	Bulgaria	3,654	19.88	2,759	14.88
Olainfarm AD	Latvia	1,415	0.77	1,256	0.77
Lavena AD	Bulgaria	1,308	11.05	1,307	11.02
Extab Pharma Inc – USA	USA	290	5.00	-	-
Elana Money Market Fund	Bulgaria	256	1.16	252	1.14
DF Elana Eurofund	Bulgaria	248	7.92	-	-
Hydroizomat AD	Bulgaria	202	10.65	202	10.63
Pharmico OOO	Belarus	172	2.00	172	2.00
Sopharma Properties REIT	Bulgaria	137	0.19	-	-
Elana Agrocredit AD	Bulgaria	103	1.95	102	1.95
DKM-Pharm ODO	Belarus	100	2.00	100	2.00
Set Aptek OOO	Belarus	70	2.00	70	2.00
Todorov AD	Bulgaria	26	4.74	26	4.70
Alenpharm-plus ODO	Belarus	-	-	207	10.00
Salusline ODO	Belarus	-	-	162	10.00
Mobilline OOO	Belarus	-	-	92	10.00
Galenapharm OOO	Belarus	-	-	86	10.00
Danapharm OOO	Belarus	-	-	39	10.00
Medjel ODO	Belarus	-	-	31	10.00
Other		102		105	
<b>Total</b>		<b>8,083</b>		<b>6,968</b>	

As at 30 September 2015 the other available-for-sale financial assets, amounting to BGN 102 thousand (31 December 2014: BGN 105 thousand), include a number of minority interests of the Group in the capital of seven companies (31 December 2014: eight companies). They are measured and presented in the consolidated financial statements at acquisition cost.

The available-for-sale investments measured at fair value as at 30 September 2015 are as follows:

	<i>Number of</i> <i>shares held</i>	<i>Fair value per</i> <i>share</i>	<i>30 September 2015</i> <i>BGN'000</i>	<i>Number of</i> <i>shares held</i>	<i>Fair value per</i> <i>share</i>	<i>31 December 2014</i> <i>BGN'000</i>
Doverie United Holding AD	3,725,145	0.98	3,654	2,789,345	0.99	2,759
Olainfarm AD	108,500	13.04	1,415	108,500	11.58	1,256
Lavena AD	29,454	44.41	1,308	29,380	44.49	1,307
Extab Pharma Inc - USA	1,000	290	290	-	-	-
Elana Money Market Fund	1,667	0.15	256	1,667	0.15	252

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Hydroizomat AD	318,251	0.63	202	317,901	0.64	202
Sopharma Properties REIT	34,825	3.93	137	-	-	-
Elana Agrocredit AD	100,000	1.03	103	100,000	1.02	102
Todorov AD	161,014	0.16	26	162,500	0.16	26
Chimimport AD	2,000	1.50	3	-	-	-
<b>Total</b>			<b>7,394</b>			<b>5,905</b>

The table below presents Group's available-for-sale investments, which are measured at fair value on a recurring basis in the consolidated statement of financial position:

*Fair value hierarchy*
**Available-for-sale investments**

	<b>Fair value</b> <b>30 September</b> <b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Doverie United Holding AD	3,654	-	-	3,654
Olainfarm AD - Latvia	1,415	1,415	-	-
Lavena AD	1,308	-	1,308	-
Extab Pharma Inc - USA	290	-	-	290
Elana Money Market Fund	256	256	-	-
Hydroizomat AD	202	-	202	-
Sopharma Properties REIT	137	137	-	-
Elana Agrocredit AD	103	103	-	-
Todorov AD	26	26	-	-
Chimimport AD	3	3	-	-
<b>Total</b>	<b>7,394</b>	<b>1,940</b>	<b>1,510</b>	<b>3,944</b>

**Available-for-sale investments**

	<b>Fair value</b> <b>31 December</b> <b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Doverie United Holding AD	2,759	-	-	2,759
Lavena AD	1,307	-	1,307	-
Olainfarm AD - Latvia	1,256	1,256	-	-
Elana Money Market Fund	252	252	-	-
Hydroizomat AD	202	-	202	-
Elana Agrocredit AD	102	102	-	-
Todorov AD	26	26	-	-
<b>Total</b>	<b>5,904</b>	<b>1,636</b>	<b>1,509</b>	<b>2,759</b>

The table below shows the movement between the opening and closing balances of the fair values at Level 1, Level 2 and Level 3:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>

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<b>Balance at 31 January 2014</b>	<b>1,453</b>	<b>1,624</b>	<b>4,978</b>	<b>8,055</b>
Purchases	271	53	1,351	1,675
Reclassification to investments in associates and joint ventures ( <i>Note 17</i> )	-	-	(3,882)	(3,882)
Sales	-	(121)	(146)	(267)
Realized gain/(loss) included in the current profit and loss for the year in the item <i>Finance costs – Net loss on transactions with securities</i>	-	(2)	2	-
Unrealized (loss)/gain included in the current profit and loss for the year ( <i>Note 11</i> )	(24)	(64)	-	(88)
Unrealized gain/(loss) included in other comprehensive income ( <i>Note 13</i> )	(64)	18	457	411
<b>Balance 31 December 2014</b>	<b>1,636</b>	<b>1,508</b>	<b>2,760</b>	<b>5,904</b>
Purchases	109	6	922	1,037
Emission of shares	68	-	-	68
Sales	(33)	(4)	(28)	(65)
Realized losses included in profit and loss for the year in the article <i>Financial expenses - Net loss from operations with securities</i>	1	-	-	1
Unrealized gain included in other comprehensive income ( <i>Note 13</i> )	159	-	290	449
<b>Balance 30 September 2015</b>	<b>1,940</b>	<b>1,510</b>	<b>3,944</b>	<b>7,394</b>

*Valuation techniques and significant unobservable inputs*

The table below shows the valuation techniques applied for fair value measurement at Level 2 and Level 3 as well as the used significant unobservable inputs:

<i>Available-for-sale financial investments (shares)</i>	<i>Valuation approaches and techniques</i>	<i>Significant unobservable inputs</i>
<b>Level 2</b>	<i>Market comparables approach:</i> Valuation technique: Market multiples method	-
<b>Level 3</b>	<i>a. Income approach</i> Valuation technique: Discounted cash flows method	* projected annual rate of revenue growth * revenue growth rate after the projected period * projected annual rate of costs growth * discount rate (based on WACC)
	<i>b. Market approach</i> Valuation technique: Market multiples method (supportive valuation technique)	-

*Quantitative information about fair value measurements (Level 3)*

The table below presents quantitative information regarding fair value measurements in which significant unobservable in which significant unobservable inputs have been used (Level 3):

<i>Valuation technique</i>	<i>Unobservable inputs</i>	<i>Range (weighted average)</i>	<i>Relationship between significant unobservable inputs and fair value measurement – sensitivity to key assumptions</i>
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<i>Discounted cash flows</i>	—	The estimated fair value would increase (decrease), if:
* projected annual rate of revenue growth	* 1 % (weighted average 1 %)	* the projected annual rate of revenue growth was higher (lower);
* revenue growth rate after the projected period	* 2 % (weighted average 2 %)	* the revenue growth rate after the projected period was higher (lower);
* projected annual rate of costs growth	* 0 % (weighted average 0 %)	* the projected annual rate of costs growth was lower (higher);
* discount rate (based on WACC)	* 10.08% (weighted average 10.08 %)	* the discount rate was lower (higher)

**19. NON-CURRENT RECEIVABLES FROM RELATED PARTIES**

The *non-current receivables from related parties* as at 30 September refer to companies related through key managing personnel and under a common indirect control and include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term loans granted to related parties	31,991	32,857
Receivable under a long-term rental deposit granted	292	293
<b>Total</b>	<b>32,283</b>	<b>33,150</b>

The long-term loans are granted to companies related through key managing personnel.

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

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>Interest %</i>	<b>30.09.2015</b>		<b>31.12.2014</b>	
	<b>'000</b>			<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
					<i>incl. interest</i>		<i>incl. interest</i>
<b>EUR</b>	11,831	1.12.2018	5.00%	24,932	307	26,038	217
<b>EUR</b>	3,272	1.12.2018	5.00%	7,059	659	6,819	419
<b>Total</b>				<b>31,991</b>	<b>966</b>	<b>32,857</b>	<b>1,910</b>

The long-term loans granted to related parties are intended to support the financing of these companies operations under common strategic targets. They are secured through pledges on securities (shares).

The deposit receivable related with a rent under a concluded rental contract for administrative offices with validity term on 1 August 2022.

**20. OTHER NON-CURRENT RECEIVABLES**

The *other non-current receivables* of the Group as at 30 September include:

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	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Receivables on transactions with securities	3,038	-
Loans granted	252	293
Other	41	60
<b>Total</b>	<b>3,331</b>	<b>353</b>

Receivables from investment transactions at the amount of BGN 3,038 thousand (USD 2,000 thousand) were incurred in connection with the sale of 75% of shares in Extab Corporation - USA.

The loans granted by the Group as at 30 September 2015 are to third parties, without collateral and with agreed annual interest of 8% (31 December 2014: from 8%).

**21. INVENTORIES***Inventories* include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Goods	68,742	79,237
Finished products	42,242	36,414
Materials	32,029	30,464
Work in progress	4,192	5,986
Semi-finished products	3,320	3,809
<b>Total</b>	<b>150,525</b>	<b>155,910</b>

*Goods by type* are as follows:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Tablet dosage forms	32,245	44,070
Ampoule dosage forms	10,934	12,196
Syrups	5,952	6,782
Consumables, bandages and apparatus	5,021	2,622
Drops	3,048	4,057
Ointments	2,815	3,611
Goods in transit	1,533	245
Other	7,194	5,654
<b>Total</b>	<b>68,742</b>	<b>79,237</b>

*Finished products* existing at 30 September include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Tablet dosage forms	23,920	23,008

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Ampoule dosage forms	7,216	5,713
Syrups	4,782	2,493
Lyophilic products	1,428	956
Other	4,896	4,245
<b>Total</b>	<b>42,242</b>	<b>36,415</b>

*Materials* by type are as follows:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Basic materials	29,728	26,804
Auxiliary materials	629	485
Spare parts	409	372
Technical materials	285	474
Materials in the process of delivery transit	-	1,323
Other	978	1,006
<b>Total</b>	<b>32,029</b>	<b>30,464</b>

*Basic materials* by type are as follows:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Substances (active ingredients)	17,543	14,528
Chemicals	3,843	4,423
Vials, tubes and ampoules	3,339	2,809
PVC and aluminum foil	1,897	1,262
Packaging materials	1,244	1,478
Herbs	1,143	1,170
Other	719	1,134
<b>Total</b>	<b>29,728</b>	<b>26,804</b>

As at 30 September 2015, there were established special pledges on inventories at the amount of BGN 91,794 thousand (31 December 2014: BGN 81,986 thousand) as collateral under received by the Group bank loans and issued bank guarantees (*Notes 27, 31 and 37*).

**22. TRADE RECEIVABLES***Trade receivables* include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>Receivables from clients</i>	222,926	194,010
<i>Impairment of uncollectable receivables</i>	(1,797)	(2,382)
Receivables from clients, net	221,129	191,628
<i>Advances to suppliers</i>	11,365	4,875

*This is a translation from Bulgarian of the consolidated condensed interim financial statements for the period ended 30 September 2015.*

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<i>Impairment of advances</i>	<u>(162)</u>	<u>(173)</u>
Advances granted, net	<u>11,203</u>	<u>4,702</u>
<b>Total</b>	<b><u>232,332</u></b>	<b><u>196,330</u></b>

The *receivables from clients* are interest-free and are mainly denominated in BGN and EUR.

Usually the Group companies negotiate with their clients payment terms within the range of 30 to 180 days for receivables under sales unless there are determined specific conditions for maturity for particular clients or in the cases where new markets and products are developed and new trade counterparts are attracted. The Group 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 Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analyzing the exposure of the particular client, the opportunities for settlement (of the client and through the collateral) and take decision on the amount, recognition and charging of the respective impairment.

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

	<b><i>30.09.2015</i></b>	<b><i>31.12.2014</i></b>
	<b><i>BGN'000</i></b>	<b><i>BGN'000</i></b>
up to 30 days	54,071	56,906
from 31 to 90 days	58,399	45,588
from 91 to 180 days	3,019	4,907
from 181 to 365 days	725	2,158
from 1 to 2 years	505	7
over 2 years	<u>2,261</u>	<u>2,771</u>
<b>Total</b>	<b><u>118,980</u></b>	<b><u>112,337</u></b>



**SOPHARMA GROUP****NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****for the period ended 30 September 2015**

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

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
from 31 to 90 days	34,163	18,455
from 91 to 180 days	20,470	8,889
from 181 to 365 days	16,984	13,988
from 1 to 2 years	13,041	9,504
over 2 years	-	1,246
<b>Total</b>	<b>84,658</b>	<b>52,082</b>

With regard to the past due but not impaired receivables, there are usually already achieved or pending agreements for interest-bearing rescheduling of payments for each specific client (including penalty interest for delay).

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

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
from 31 to 90 days	-	262
from 91 to 180 days	7,371	112
from 181 to 365 days	1,584	19,697
from 1 to 2 years	7,272	8,052
over 2 years	3,061	1,468
Allowance for impairment	(1,797)	(2,382)
<b>Total</b>	<b>17,491</b>	<b>27,209</b>

The impairment amount is calculated on an individual basis by applying the discounted cash flows method, with discount rate based on the price of company's borrowed resources adjusted against the average net return and conservative prognosis for the expected cash flows determined on the grounds of debtor's history and signed agreements, respectively, court decisions in this regard. The receivables, or the portion thereof, with collectability assessed by the management as highly improbable and not secured by collateral, are 100% impaired. (Note 2.31.2)

As at 30 September 2015, there are established special pledges on trade receivables at the amount of BGN 93,838 thousand (31 December 2014: BGN 88,577 thousand) as collateral under bank loans received by the Group and issued bank guarantees (Notes 27, 31 and 37).

*Movement of the allowance for impairment*

	2015 BGN'000	2014 BGN'000
<b>Balance at the beginning of the year</b>	<b>2,382</b>	<b>2,758</b>
Impairment amount	325	2,164
Amounts written-off under uncollectable receivables	-	(1,596)
Reversed impairment	(910)	(944)
<b>Balance at the end of the year</b>	<b>1,797</b>	<b>2,382</b>

The *advances granted* to suppliers are regular and are mainly denominated in BGN and EUR and are for the purchase of:

	30.09.2015 BGN'000	31.12.2014 BGN'000
Raw materials and consumables	690	2,894
Goods	8,982	710
Services	970	1,174
Other	723	97
Allowance for impairment	(162)	(173)
<b>Total</b>	<b>11,203</b>	<b>4,702</b>

**23. RECEIVABLES FROM RELATED PARTIES**

*Receivables from related parties* include:

	30.09.2015 BGN'000	31.12.2014 BGN'000
Receivables from companies related through key managing personnel	23,598	14,471
Receivables from companies under a common indirect control	2,704	10,385
Receivables from joint ventures	605	462
<b>Total</b>	<b>26,907</b>	<b>25,318</b>

The *receivables from related parties* by type are as follows:

	30.09.2015 BGN'000	31.12.2014 BGN'000
Trade loans granted	22,827	22,253
Receivables on sales of finished products and materials	4,080	3,065
<b>Total</b>	<b>26,907</b>	<b>25,318</b>

*Trade loans granted to related parties* by type of related party are as follows:

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	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Companies related through key managing personnel	22,827	14,475
Companies under a common indirect control	-	7,778
<b>Total</b>	<b>22,827</b>	<b>22,253</b>

The *granted loans* are as follows:

<b>Currency</b>	<b>Contracted amount</b>	<b>Maturity</b>	<b>Interest</b>	<b>30.09.2015</b>		<b>31.12.2014</b>	
	<b>'000</b>		<b>%</b>	<b>BGN '000</b>	<b>BGN '000 including interest</b>	<b>BGN '000</b>	<b>BGN '000 including interest</b>
<b>to companies related through key managing personnel</b>							
<b>EUR</b>	12,577	31.12.2015	4.50%	9,654	8	9,537	18
<b>EUR</b>	7,845	31.12.2015	4.50%	7,990	154	-	-
<b>BGN</b>	6,000	22.07.2016	5.50%	3,949	139	1,236	26
<b>BGN</b>	34,020	31.12.2015	5.50%	613	-	3,097	9
<b>BGN</b>	1,300	31.12.2015	5.50%	496	34	477	17
<b>BGN</b>	190	31.12.2015	5.50%	125	2	128	1
<b>to companies under a common indirect control</b>							
<b>EUR</b>	7,661	31.12.2015	4.50%	-	-	7,632	155
<b>BGN</b>	120	10.02.2014	8.08%	-	-	146	40
<b>Total:</b>				<b>22,827</b>	<b>337</b>	<b>22,253</b>	<b>266</b>

The *receivables on sales of finished products and materials* are interest-free and denominated in BGN and in EUR.

The Group companies usually negotiate payment terms between 90 and 180 days for receivables on sales of finished products and up to 30 days for receivables on sales of materials (including substances – active ingredients). The Group has set a maximum credit period of up to 365 days for sales counterparts – related parties. Any delay after this period is regarded by the Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analyzing the specific receivables and the position of the debtor company as well as the circumstances for the delay and the opportunities for repayment and after that, they take a decision on whether impairment shall be recognized and charged on an individual basis and at what amount.

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

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
up to 30 days	998	970
from 31 to 90 days	2,541	607
from 91 to 180 days	120	86
<b>Total</b>	<b>3,659</b>	<b>1,663</b>

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

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
from 31 to 90 days	203	321
from 91 to 180 days	108	234
from 181 to 365 days	3	473
from 1 to 2 years	-	244
<b>Total</b>	<b>314</b>	<b>1,272</b>

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

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
over 1 year	248	271
Allowance for impairment	(141)	(141)
<b>Total</b>	<b>107</b>	<b>130</b>

*Movement of the allowance for impairment*

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance at 1 January</b>	<b>141</b>	<b>186</b>
Impairment amount	-	141
Reversed impairment	-	(186)
<b>Balance at 30 September / 31 December</b>	<b>141</b>	<b>141</b>

As at 30 September 2015, there are special pledges, established as collateral under received bank loans, on receivables from related parties at the amount of BGN 18,229 thousand (31 December 2014: BGN 16,229 thousand) (*Note 31*).

**24. OTHER RECEIVABLES AND PREPAYMENTS**

*Other receivables and prepayments* of the Group include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>Court and awarded receivables</i>	7,046	8,644
<i>Impairment of court receivables</i>	(4,558)	(4,753)
Court and awarded receivables, net	2,488	3,891
Taxes refundable	5,681	8,580
Loans granted to third parties	2,113	1,517
Prepayments	2,075	4,057
Receivables on deposits placed as guarantees	539	381
Amounts granted to investment intermediaries	175	125
Grants from public institutions ( <i>Note 30</i> )	-	2,604
Guarantees under litigations ( <i>Note 37</i> )	-	863
Other	559	427
<b>Total</b>	<b>13,630</b>	<b>22,445</b>

The court and awarded receivables originate mainly in relation to sales to state hospitals. Repayment schedules have been agreed or are in a process of agreement for most of them. For this reason, the management of the Group made an assessment that only a partial impairment was necessary for the above receivables.

As at 31 December 2015, the receivables under government grants at the amount of BGN 2,604 thousand have originated in relation with investment and current expenses from Biopharm Engineering AD, subject to refund from a grant under Operational Programme "Development of the Competitiveness of the Bulgarian Economy 2007 – 2013" in line with a payment request of 11 November 2014 submitted to the Ministry of Economy and Energy – General Directorate "European Funds for Competitiveness" (financing institution). (*Note 30*)

As of 29 April 2015, the completed project is approved by the funding organization and the submitted request for payment is accepted.

*Taxes refundable* include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Excise duties	2,727	4,040
Income tax	1,524	2590
VAT	1,430	1950
<b>Total</b>	<b>5,681</b>	<b>8,580</b>

<i>Prepayments</i> include:	<b>30.09.2015</b> <b>BGN'000</b>	<b>31.12.2014</b> <b>BGN'000</b>
Rentals	420	1714
Subscriptions	400	492
Insurance	385	796
Vouchers	351	18
Advertising	79	717
License and patent fees	23	36
Other	417	284
<b>Total</b>	<b>2,075</b>	<b>4,057</b>

The loans granted to third parties amounted to BGN 2,113 thousand (31 December 2014: BGN 1,517 thousand) and were granted to eight entities (2014: eight entities) – counterparts for working capital. The annual interest agreed for these loans for 2015 was between 5.05% and 8% (2014: 5.05% and 8%).

## 25. CASH AND CASH EQUIVALENTS

	<b>30.09.2015</b> <b>BGN'000</b>	<b>31.12.2014</b> <b>BGN'000</b>
Cash at current bank accounts	23,730	20,750
Short-term deposits	2,715	3,007
Cash in hand	1,100	1,454
Short-term blocked funds	564	88
<b>Cash and cash equivalents presented in the consolidated statement of cash flows</b>	<b>28,109</b>	<b>25,299</b>
Blocked cash under litigations and under issued bank guarantees	649	1,523
<b>Cash and cash equivalents presented in the consolidated statement of financial position</b>	<b>28,758</b>	<b>26,822</b>

The available cash and cash equivalents of the Group are mainly denominated in BGN, EUR and BYR (31 December 2014: BGN, EUR and BYR).

The average level of the annual interest on current accounts in BGN and foreign currency is within the range from 0.01% to 1% (2014: from 0.01% to 0.5%) and that on deposit accounts in BGN and foreign currency is within the range from 0.3% % to 17% (2014: from 0.3 % to 5.25 %).

The short-term blocked funds as at 30 September 2015 amounting to BGN 564 thousand (31 December 2014: BGN 88 thousand) represent mainly performance guarantees.

With regard to the current accounts of the Group there is an active distraint levied under a litigation at the amount of BGN 649 thousand (USD 372 thousand) (31 December 2014: BGN 598 thousand) (*Note 37*).

**26. EQUITY*****Share capital***

As at 30 September 2015, the registered share capital of SOPHARMA AD amounted to BGN 134,798 thousand distributed in 134,797,899 shares of nominal value BGN 1 each.

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

The share capital of Sopharma increased by 2,797,899 new shares with a nominal value of BGN 1 each and issue price of BGN 4.14 equal to the fair value of one share of Sopharma AD in connection with the merger of Bulgarian Rose – Sevtopolis AD into Sopharma AD. For this purpose has been established a ratio calculated based on the fair value of the net value of the assets of both companies.

The *treasury shares* were 5,434,319 at the amount of BGN 18,489 thousand (31 December 2014: 5,329,153 at the amount of BGN 18,095 thousand).

*Statutory reserves* at the amount of BGN 45,256 thousand (31 December 2014: BGN 33,555 thousand) were set aside from allocation of profit of the parent company and included all amounts for the Reserve Fund.

The *revaluation reserve – for property, plant and equipment*, amounting to BGN 23,630 thousand (31 December 2014: BGN 23,754 thousand), was set aside from the positive difference between the carrying amount of property, plant and equipment of the Group companies and their fair values at the dates of the respective regular revaluation. The effect of deferred taxes on the revaluation reserve is stated directly through other components of comprehensive income for the year.

The *available-for-sale financial assets reserve*, amounting to BGN 1,639 thousand – a positive figure (31 December 2014: BGN 1,190 thousand – a positive figure), was set aside from the effects of subsequent measurement of available-for-sale investments to fair value (including the consolidated share of the change in this reserve in associates on their valuation under the equity method).

The *translation of foreign operations reserve*, amounting to BGN 2,410 thousand – a negative figure (31 December 2014: BGN 4,335 thousand – a negative figure), was set aside from exchange differences arising as a result of translation of the currency in the financial statements of foreign companies to the presentation currency of the Group.

The *Retained Earnings reserve* includes the component 'other reserves', which contains the amounts distributed from profits of the Group companies generated in prior years, as well as the component 'accumulated profits and losses'.

The *retained earnings*, amounting to BGN 225,833 thousand at 30 September (31 December 2014: BGN 203,260 thousand), include also the recognized accumulated actuarial loss at the amount of BGN 1,298 thousand (31 December 2014: BGN 1,284 thousand), stated upon remeasurements of defined benefit pension plans in relation with the amendment to IAS 19 *Employee Benefits*.

**27. LONG-TERM BANK LOANS**

<i>Contracted</i>	<i>Maturity</i>	<i>30.09.2015</i>	<i>31.12.2014</i>
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<i>loan amount</i>			<i>Non- current portion</i>	<i>Current portion</i>	<i>Total</i>	<i>Non- current portion</i>	<i>Current portion</i>	<i>Total</i>
<i>BGN'000</i>			<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<b><i>Credit lines and working capital loans</i></b>								
EUR	2,600	15.02.2017	5,031	-	5,031	-	-	-
EUR	2,050	17.06.2018	4,057	-	4,057	-	-	-
BGN	4,250	16.04.2023	1,612	58	1,670	3,925	315	4,240
EUR	1,452	31.12.2017	630	567	1,197	1,055	579	1,634
EUR	450	31.12.2017	206	176	382	337	175	512
EUR	690	04.01.2016	-	290	290	72	862	934
BYR	1,000,000	28.12.2015	-	57	57	-	-	-
USD	50	18.11.2015	-	51	51	-	-	-
BYR	500,000	25.12.2015	-	49	49	-	-	-
BYR	300,000	12.02.2016	-	21	21	14	28	42
EUR	113	30.11.2015	-	11	11	-	61	61
<b><i>Investment-purpose loans</i></b>								
EUR	32,000	15.04.2021	32,582	7,363	39,945	37,972	7,391	45,363
EUR	2,000	30.06.2018	1,711	972	2,683	2,445	973	3,418
EUR	800	09.12.2015	-	88	88	-	348	348
EUR	1,617	30.01.2015	-	-	-	-	40	40
<b>Total</b>			<b>45,829</b>	<b>9,703</b>	<b>55,532</b>	<b>45,820</b>	<b>10,772</b>	<b>56,592</b>

The Group has gradually established a policy for annual re-negotiation of the terms and conditions of initially agreed long-term credit lines, including maturity terms. Starting from the date of re-negotiation, the extended credit lines are presented as short-term bank loans (*Note 31*).

The bank loans received in Euro are mainly agreed at interest rate based on EURIBOR plus a mark-up of 5 points (2014: EURIBOR plus a mark-up of 5 points).

Investment-purpose loans are intended for purchase of tangible fixed assets and expanding of activities.

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

- Real estate mortgages (*Note 14*);
- Special pledges on:
  - machinery and equipment (*Note 14*);
  - inventories (*Note 21*);
  - trade receivables (*Note 22*).

As at 30 September 2015 there were no special pledges on receivables from related parties, subject to consolidation, eliminated for the purpose of the consolidated financial statements (31 December 2014: BGN 1,481 thousand). They were established as collateral under received by the Group bank loans and issued bank guarantees (*Notes 27, 31 and 37*).



**28. RETIREMENT BENEFIT OBLIGATIONS**

The long-term employee benefits as at 30 September include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Long-term retirement benefit obligations	3,638	3,575
Long-term benefit obligations for tantieme	306	211
<b>Total</b>	<b>3,944</b>	<b>3,786</b>

*Long-term retirement benefit obligations*

The long-term payables to personnel include the present value of the obligation of the Group companies, operating mainly in *Bulgaria, Ukraine and Serbia*, to pay indemnities to the hired personnel at the date of the statement of financial position on coming of age for retirement. In accordance with the Labor Code in *Bulgaria* each employee is entitled to indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for at least the last 10 years of the service period for the same employer – six gross monthly salaries at the time of retirement (*Note 2.23*).

Employer's obligations to personnel on retirement for the companies abroad are as follows:

- *Serbia* – the employer is obliged to pay 3 average salaries;
- *Ukraine* – the employer is obliged to pay between BGN 10 and BGN 20 depending on the length of service as well as a social pension, which the company accrues after employees' retirement due to specific work conditions;
- *Latvia and Belarus* – the employer does not have a legal obligation to personnel upon retirement;
- *Poland, USA and United Kingdom* – the Group has no hired personnel and therefore, no obligation;
- *Kazakhstan* – the employer does not have a legal obligation to personnel upon retirement;

*Long-term benefit obligations for tantieme*

As at 30 September 2015, the long-term benefit obligations to personnel include also the amount of BGN 306 thousand (31 December 2014: BGN 211 thousand), representing a payable to personnel related to tantieme payment for a period of more than 12 months – until year 2018 (2014: until 2017).

**29. FINANCE LEASE LIABILITIES**

As at 30 September, the finance lease liabilities are under revocable contracts for motor vehicles acquisition. They are presented net of the future interest due and are as follows:

<b>Term</b>	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Up to one year ( <i>Note 36</i> )	808	943
Over one year	1,477	2,103
<b>Total</b>	<b>2,285</b>	<b>3,046</b>

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

<i>Term</i>	<i>30.09.2015</i> <i>BGN'000</i>	<i>31.12.2014</i> <i>BGN'000</i>
Up to one year	828	1,023
From one to three years	1,532	2,197
	<u>2,360</u>	<u>3,220</u>
Future finance costs under finance leases	(75)	(174)
<b>Total</b>	<b><u>2,285</u></b>	<b><u>3,046</u></b>

The lease payments due within the next 12 months are presented in the consolidated statement of financial position as 'other current liabilities' (*Note 36*).

### 30. GOVERNMENT GRANTS

The government grants to Group companies as at 30 September include:

	<i>30.09.2015</i> <i>BGN'000</i>	<i>31.12.2014</i> <i>BGN'000</i>
Government grants, non-current portion	4,711	7,558
Government grants, current portion ( <i>Note 36</i> )	3,082	939
<b>Total</b>	<b><u>7,793</u></b>	<b><u>8,497</u></b>

The government grants received as at 30 September are to the following Group companies:

	<i>30.09.2015</i> <i>BGN'000</i>	<i>31.12.2014</i> <i>BGN'000</i>
Sopharma AD	4,040	3,535
Biopharm Engineering AD	2,403	2,569
Unipharm AD	1,339	1,645
Sopharma Trading AD	11	18
Bulgarian Rose Sevtopolis AD	-	730
<b>Total</b>	<b><u>7,793</u></b>	<b><u>8,497</u></b>

The government grants are received by the Group companies under European Operational Programs mainly in relation to the acquisition of machinery and equipment (*Notes 14 and 37*).

The current portion of the grants, amounting to BGN 3,082 thousand (31 December 2014: BGN 939 thousand), will be recognized as current income over the following 12 months from the date of the consolidated statement of financial position and is presented as 'other current liabilities' (*Note 36*).

**31. SHORT-TERM BANK LOANS**

The *short-term bank loans* of the Group as at 30 September are as follows:

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>30.09.2015</i>	<i>31.12.2014</i>
	<i>'000</i>		<i>BGN'000</i>	<i>BGN'000</i>
<b><i>Bank loans (overdrafts)</i></b>				
EUR	20,000	31.08.2016	36,926	38,847
EUR	19,000	31.08.2016	32,579	32,375
EUR	10,000	30.10.2015	19,558	19,518
EUR	10,000	20.03.2016	17,802	13,477
EUR	7,000	22.06.2016	11,029	13,691
BGN	10,000	30.10.2015	10,000	9,984
BGN	10,000	30.10.2015	10,000	9,990
EUR	5,000	15.08.2016	9,779	9,786
EUR	7,500	25.04.2016	9,771	7,809
EUR	5,000	25.04.2016	9,750	9,764
EUR	5,000	15.08.2016	6,747	1,083
EUR	3,500	03.09.2015	6,472	5,349
EUR	3,000	25.04.2016	5,857	5,861
EUR	2,050	30.10.2015	3,911	3,904
BGN	500	20.09.2016	273	263
USD	1,300.0	09.07.2016	-	1,964
BYR	500,000	05.10.2016	-	59
USD	50	10.02.2016	-	55
			<b>190,454</b>	<b>183,779</b>
<b><i>Credit lines</i></b>				
EUR	8,434	31.10.2015	15,909	15,874
EUR	5,000	31.08.2016	6,067	3,119
BGN	18,000	30.10.2015	4,908	9,965
EUR	66	30.10.2015	129	129
BGN	8,000	29.02.2016	-	4,494
			<b>27,013</b>	<b>33,581</b>
<b>Total</b>			<b>217,467</b>	<b>217,360</b>

The bank loans obtained in Euro are contracted at interest rate determined on the basis of EURIBOR plus a mark-up of up to 3% or EONIA plus a mark-up of up to 2.1%, for loans in BGN – interest is based on SOFIBOR plus a mark-up of up to 3.26% and for loans in USD – on LIBOR plus a mark-up of up to 3.25%, floating or fixed 14% (2014: for loans in EUR – EURIBOR plus a mark-up of up to 3% or EONIA plus a mark-up of up to 2.1%, for loans in BGN – SOFIBOR plus a mark-up of up to 3.26%, for loans in USD – LIBOR plus a mark-up of up to 3.25%, floating or fixed 14%). Loans are intended for providing working capital.

The following special pledges have been established as collateral for the above loans in favor of the creditor banks:

- machinery and equipment (*Note 14*);

- raw materials, consumables and finished products (*Note 21*);
- trade receivables (*Note 22*).

As at 30 September 2015, there were special pledges on receivables from related parties, subject to consolidation, eliminated for the purpose of the consolidated financial statements at the amount of BGN 18,229 thousand (31 December 2014: BGN 16,229 thousand). They were established as collateral under received by the Group bank loans and issued bank guarantees (*Notes 27, 31 and 37*).

### 32. TRADE PAYABLES

<i>Trade payables</i> include:	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Payables to suppliers	81,312	70,624
Advances from clients	1,039	1,128
<b>Total</b>	<b>82,351</b>	<b>71,752</b>

  

The <i>payables to suppliers</i> refer to:	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Suppliers outside Bulgaria	52,512	52,633
Suppliers from Bulgaria	28,800	17,991
<b>Total</b>	<b>81,312</b>	<b>70,624</b>

The payables to suppliers are regular, interest-free and refer to supplies of materials, goods and services. The average credit period, for which usually no interest is charged on trade payables, is up to 180 days.

The payables to suppliers are denominated as follows:

### 33. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Payables to companies under a common indirect control	2,678	1437
Payables to main shareholding companies	1,055	2
Payables to companies related through key managing personnel	304	175
Payables to other related parties	18	20
<b>Total</b>	<b>4,055</b>	<b>1,634</b>

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

<b>30.09.2015</b>	<b>31.12.2014</b>
<b>BGN'000</b>	<b>BGN'000</b>

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Payables on supply of goods and materials	3,642	1,475
Other	413	159
<b>Total</b>	<b>4,055</b>	<b>1,634</b>

The payables to related parties refer entirely to supply of goods and materials. The payables to related parties are regular, denominated in BGN, interest-free and are not additionally secured through a special pledge or guarantee by the Group.

**34. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY**

*Payables to personnel and for social security* include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Payables to personnel, including:	6,853	6,000
<i>current wages and salaries</i>	3,021	2,792
<i>tantieme</i>	2,341	1,810
<i>accruals on unused compensated leaves</i>	1,491	1,398
Payables for social security/health insurance, including:	1,589	1,514
<i>current payables under contributions for social security</i>	1,345	1,292
<i>accruals on unused compensated leaves</i>	244	222
<b>Total</b>	<b>8,442</b>	<b>7,514</b>

**35. TAX PAYABLES**

*Tax payables* include:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN'000</b>	<b>BGN'000</b>
VAT	5,288	4,640
Income taxes	2,045	245
Withholding taxes	477	572
Taxes on the income of physical persons	412	416
Other	88	150
<b>Total</b>	<b>8,310</b>	<b>6,023</b>

By the date of issue of these consolidated financial statements the following inspections and audits of Group companies have been performed:

Company	Full-scope tax audit	VAT inspection	Inspection under the social security
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			legislation
Sopharma AD	31.12.2011	30.12.2011	30.09.2013
Sopharma Trading AD	31.12.2011	31.12.2011	31.12.2004
Biopharm Engineering AD	31.12.2014	28.02.2015	30.04.2009
Momina Krepost AD	31.12.2005	31.10.2006	31.10.2006
Pharmalogistica AD	31.12.2005	31.03.2007	none
Sopharma Buildings REIT	none	31.05.2015	none
Electroncommerce EOOD	31.12.2005	30.04.2006	none
Unipharm AD	31.12.2011	31.12.2011	31.08.2013
Ivančić and Sinovi d.o.o.	none	31.12.2012	none
PAO Vitamini	31.12.2013	31.12.2013	01.04.2014
OOO Sopharma Ukraine	31.12.2014	none	none
Briz Ltd	31.12.2010	28.02.2014	31.12.2014
SOOO Brititrade	31.12.2011	31.12.2011	31.12.2011
OOO Tabina	31.12.2010	31.12.2010	31.12.2006
ODO Alean	28.02.2011	28.02.2011	28.02.2010
SOOO Brizpharm	31.12.2012	31.12.2012	none
ODO Vestpharm	30.04.2005	30.04.2005	31.03.2004
OOO NPK Biotest	31.12.2011	31.12.2011	31.03.2007
ODO BelAgroMed	28.02.2003	28.02.2003	30.05.2005
ODO Medjel	31.12.2012	31.12.2012	31.12.2012
ODO Alenpharm-Plus	31.12.2012	31.12.2012	31.12.2012

Tax audit of the companies in Bulgaria 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 ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law. For the companies outside Bulgaria a tax audit is performed as follows: in Ukraine, Latvia and Belarus – within a term of three years, in Poland and Kazakhstan – within a term of five years, in Serbia – within a term of ten years and in Lithuania – within a term of five years.

**36. OTHER CURRENT LIABILITIES**

<i>Other current liabilities</i> include:	<b>30.09.2015</b> <b>BGN'000</b>	<b>31.12.2014</b> <b>BGN'000</b>
Government grants ( <i>Note 30</i> )	3,082	939
Dividends payable	849	572
Finance lease liabilities ( <i>Note 29</i> )	808	943
Trade loans received from third parties	502	393
Awarded amounts under litigations	347	1,612
Deductions from work salaries	208	198
Fines and penalties	189	-
Liabilities under sold rights on shares issued	-	880
Other	581	104
<b>Total</b>	<b>6,566</b>	<b>5,641</b>

**37. CONTINGENT LIABILITIES AND COMMITMENTS****Litigations*****Sopharma AD***

In 2012, the claim of Sopharma AD against a client in relation with unpaid supplies of goods at the amount of EUR 1,034 thousand (BGN 2,022 thousand) was satisfied by a ruling dated 23 October 2012 of the Court of Arbitration in Paris.

On 28 January 2015 was held a hearing before the court in Poland in a lawsuit filed by Sopharma AD for recognition and enforcement of the decision of the Arbitration Court in Paris. On behalf of the defendant has been submitted a refusal to recognize and enforce the arbitration decision.

On 28 May 2015 the Company has filed an appeal in the Court of Appeal, which so far has not set a date for a hearing.

***Biopharm Engineering AD***

In 2010, the company was a subject of full-scope tax audit, including under the application of VATA for periods from 1 February 2007 to 31 October 2010. In the issued tax assessment notice, dated 23 June 2011, the tax authorities assessed additional tax liabilities to the state budget at the amount of BGN 282 thousand (principal and interest) under the VATA for previous reporting periods and the financial result of the company under the Corporate Income Tax Act (CITA) for prior years was transformed.

In the period 9 February 2013 – 28 April 2015 there are a number of appeals by the company and the National Revenue Agency, resulting in a revision of the case. On 28 April 2015 at a hearing the court accepted the case for settled. On 23 July 2015, the NRA has appealed against the decision.

The position of company's management is that the amounts, by which the financial result for prior periods under CITA was increased in the course of the audit, do not lead to tax payables as far as the company has

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reported losses for the respective years and this financial result does not include provisions for the litigation.

**Issued and granted guarantees*****Sopharma AD***

The company is a co-debtor under received bank loans and a guarantor of the following companies outside the Group before banks:

	<b>Maturity</b>	<b>Currency</b>	<b>Amount</b>		<b>Debt status</b>
			<b>Original</b>		<b>30.09.2015</b>
			<b>currency</b>	<b>BGN'000</b>	<b>BGN'000</b>
Sopharma Properties REIT	2024	EUR	22,619	44,240	36,289
Telecomplect AD	2015	BGN	5,009	5,009	5,009
Pharmaplant AD	2015-2019	BGN	1,329	1,329	1,267
Veta Pharma AD	2015	BGN	1,000	1,000	558
Energoinvestment AD	2015	BGN	2,018	2,018	518
Mineralcommerce AD	2015	BGN	250	250	250
Mineralcommerce AD	2015-2017	EUR	150	294	176
<b>Total</b>					<b>44,067</b>

**Bank guarantees*****Sopharma Trading AD***

The bank guarantees issued for the Company amount to BGN 11,712 thousand (31 December 2014: BGN 10,597 thousand) and are to guarantee payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medical products to hospitals under concluded contracts, customs office guarantees and tender participation.

The bank guarantees have been issued by:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>
SG Expressbank AD	4,823	3,986
Raiffeisenbank	3,490	3,807
ING Bank	3,399	2,804
	<b>11,712</b>	<b>10,597</b>

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 9,801 thousand (31 December 2014: BGN 9,801 thousand)
- Special pledge on PPE (motor vehicles) with a carrying amount of BGN 8 thousand (31 December 2014: BGN 37 thousand)

***Unipharm AD***



Bank guarantees at the amount of BGN 86 thousand were issued for the company within the limit of the loan agreement as at 30 September 2015.

***Electroncommerce EOOD***

The bank guarantees issued for the company amounted to BGN 61 thousand as at 30 September 2015.

**Assets held under safe custody*****Sopharma Trading AD***

According to concluded pre-distribution contracts, the company received goods for safe custody at the amount of BGN 2,921 thousand as at 30 September 2015 (31 December 2014: BGN 3,476 thousand).

**Significant irrevocable agreements and commitments*****Sopharma AD***

On 16 October 2015 the Company received notification from the Ministry of Economy, that the Contracting Authority verifies the total eligible costs of the final report under contract for grant under the procedure "Introduction of innovations in enterprises" in the amount of BGN 6,063 thousand, of which BGN 3,000 thousand are a grant under the State aid block exemption and BGN 3,063 thousand are own financing. The grant is linked to the introduction of innovative products in the ampoule production.

The Company received a government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007–2013 related to technological renovation and modernization of tablet production facilities (*Notes 30 and 36*). The Company undertook a commitment that for a period of 5 years after the completion of the project, counted as of 11 March 2013, it shall not be subject to significant modifications affecting its essence and the terms and conditions for its execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation with the grant. On non-compliance with these requirements, the financing shall be returned.

***Sopharma Trading AD***

The company is a beneficiary under a government grant contract under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" for the project on Development and Implementation of Information Security Management System Project in accordance with ISO 27001:2007 in the amount of BGN 82 thousand (*Notes 30 and 36*).

***Unipharm AD***

In 2013, the Company assumed a self-participation commitment at the amount of BGN 36 thousand in relation with a grant contract under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007–2013 for the project on Implementation in Regular Production of Innovative Eye Drops of Artificial Tears Type, Developed by Unipharm AD. The project grant amounts to EUR 315 thousand. At the end of December 2014 the project was completed and the machine was delivered and put into operation. As at 30 September 2015, the deferred income from the project financing amounted to BGN 279 thousand (2014: BGN 315 thousand).

The company obtained financing for construction and assembly works on buildings and for the purchase of non-current assets under a grant contract titled "Modernization and Development of Unipharm AD". The project was completed and in November 2011 the assets were subject to operational start-up (*Notes 30 and 36*). The deferred grant income under the project amounted to BGN 1,036 thousand as at 30 September 2015 (31 December 2014: BGN 1,262 thousand).

The engagement term under the project "Development of a New Hemodialysis Solution and Proving its Therapeutic Effect" to the National Innovation Fund started in 2010 and presently the technology for the new hemodialysis solution is implemented in the production. The deferred grant income under the project amounted to BGN 24 thousand as at 30 September 2015 (31 December 2014: BGN 68 thousand).

### **Other**

Sopharma AD has met its obligations under the Waste Management Act (WMA) and therefore, has not included a product charge liability in the consolidated statement of financial position as at 30 September 2015 regardless of the fact that the official document evidencing that Ecobulpack (the organization in which it is a member) has fulfilled its commitments under WMA, has not been issued yet at the date of preparation of these financial statements.

## **38. FINANCIAL RISK MANAGEMENT**

In the ordinary course of business, the Group 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 Group. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the finished products and services of the Group companies 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 management of the parent company and respectively, the managing bodies of the subsidiaries, in line with the policy defined by the Board of Directors of the parent. The Board of Directors 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.

The structure of financial assets and liabilities is as follows:

	<b>30.09.2015</b>	<b>31.12.2014</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<b><i>Financial assets</i></b>	<b><u>324,763</u></b>	<b><u>291,536</u></b>

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<b>Loans and receivables, including:</b>	<b>316,680</b>	<b>284,568</b>
<i>Receivables and loans (Notes № 19, № 20, № 22, № 23 and № 24)</i>	288,571	259,269
<i>Cash and cash equivalents (Note 25)</i>	28,109	25,299
<b>Available-for-sale financial assets</b>	<b>8,083</b>	<b>6,968</b>
<i>Available-for-sale investments (Note 18)</i>	8,083	6,968
<b><i>Financial liabilities</i></b>	<b><u>363,109</u></b>	<b><u>352,061</u></b>

<b>Financial liabilities at amortized cost</b>	<b>363,109</b>	<b>352,061</b>
<i>Short-term and long-term bank loans (Notes 27 and 31)</i>	272,999	273,952
<i>Other loans and liabilities (Notes № 29, № 30, № 32, № 33 and № 36)</i>	84,944	78,109

***Foreign currency risk***

The Group companies perform their operations with active exchange with foreign suppliers and clients and therefore, they are exposed to currency risk.

The Group through the companies in Belarus and Ukraine carries out business in these countries and, therefore, has significant exposure in BYR and UAH. The currency risk is related with the adverse floating of the exchange rate of these currencies 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 rest of the companies abroad perform sales mainly to the local markets, which leads to currency risk to their currencies as well – Serbian Dinar (RSD), Zloty (PLN) and Lithuanian Lit (LTL).

The majority of the operations of the Group companies are usually denominated in BGN, in EUR or in LVL. The fact that the BGN is fixed currencies to the EUR reduces the potential currency volatility for the companies of the Group.

To control foreign currency risk, there is an implemented system in the whole Group for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rates and control on pending payments. The exposures of almost all subsidiaries in Bulgaria to foreign currency risk are insignificant because almost all sales are performed to the local market in Bulgarian Levs (BGN). The import of goods is performed mainly in Euro (EUR). The loans denominated in a foreign currency have been granted mainly in EUR.

The assets and liabilities of the Group denominated in BGN and presented by a foreign currency are as follows:

<b>30 September 2015</b>	<b><i>in BGN</i></b>	<b><i>in EUR</i></b>	<b><i>in BYR</i></b>	<b><i>in UAH</i></b>	<b><i>in other</i></b>	<b><i>Total</i></b>
	<b><i>BGN '000</i></b>	<b><i>BGN '000</i></b>	<b><i>BGN '000</i></b>	<b><i>BGN '000</i></b>	<b><i>currency</i></b>	<b><i>BGN '000</i></b>
Available-for-sale financial assets	6,324	1,415	2	-	342	8,083
Loans and receivables, including:	188,400	90,816	8,004	16,078	13,382	316,680
<i>Receivables and loans</i>	<i>174,540</i>	<i>89,070</i>	<i>7,108</i>	<i>7,336</i>	<i>10,517</i>	<i>288,571</i>
<i>Cash and cash equivalents</i>	<i>13,860</i>	<i>1,746</i>	<i>896</i>	<i>8,742</i>	<i>2,865</i>	<i>28,109</i>
<b>Total financial assets</b>	<b><u>194,724</u></b>	<b><u>92,231</u></b>	<b><u>8,006</u></b>	<b><u>16,078</u></b>	<b><u>13,724</u></b>	<b><u>324,763</u></b>

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Short-term and long-term bank loans	93,600	169,755	9,215	-	429	272,999
Other loans and liabilities	29,657	39,387	16,450	1,218	3,398	90,110
<b>Total financial liabilities</b>	<b>123,257</b>	<b>209,142</b>	<b>25,665</b>	<b>1,218</b>	<b>3,827</b>	<b>363,109</b>

<b>31 December 2014</b>	<i>in BGN</i> <b>BGN '000</b>	<i>in EUR</i> <b>BGN '000</b>	<i>in BYR</i> <b>BGN '000</b>	<i>in UAH</i> <b>BGN '000</b>	<i>in other currency</i> <b>BGN '000</b>	<i>Total</i> <b>BGN '000</b>
Available-for-sale financial assets	4,745	1,256	2	-	965	6,968
Loans and receivables, including:	178,768	81,115	12,596	4,624	7,465	284,568
<i>Receivables and loans</i>	<i>163,111</i>	<i>78,645</i>	<i>11,316</i>	<i>2,004</i>	<i>4,193</i>	<i>259,269</i>
<i>Cash and cash equivalents</i>	<i>15,657</i>	<i>2,470</i>	<i>1,280</i>	<i>2620</i>	<i>3,272</i>	<i>25,299</i>
<b>Total financial assets</b>	<b>183,513</b>	<b>82,371</b>	<b>12,598</b>	<b>4,624</b>	<b>8,430</b>	<b>291,536</b>
Short-term and long-term bank loans	97,229	173,322	2064	-	1,337	273,952
Other loans and liabilities	21,867	40,037	7,194	481	8,530	78,109
<b>Total financial liabilities</b>	<b>119,096</b>	<b>213,359</b>	<b>9,258</b>	<b>481</b>	<b>9,867</b>	<b>352,061</b>

**Price risk**

The Group companies are exposed to price risk of inventories based on three main factors:

- (a) a possible increase of purchase prices of raw materials and consumables, since a significant portion of the raw materials used are imported and they represent a significant share of production costs;
- (b) a possible increase in supplier prices of goods; and
- (c) the growing competition on the Bulgarian pharmaceutical market, affecting the prices of pharmaceuticals.

For the purpose of mitigating this influence, the management of the Group 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.

The Group is exposed to a significant price risk also with regard to the shares held thereby, classified as available-for-sale investments, mostly through the parent company. 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, the management has taken a decision for a 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 Group's clients will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. The latter are presented in the consolidated 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 Group 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 Group works on its main markets with counterparts with history of their relations on main markets, which include a big number of licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the state hospitals also require the implementation of deferred payments policy. There is a concentration of significant credit risk in this type of counterparts that form 48% of Group's trade receivables (31 December 2014: 48%). It is mitigated through implemented procedures for selection and current monitoring of the liquidity and financial stability of these trade partners. On delay in payments of the receivables from these counterparts, the Group has set a period of 30 days after which it starts activities for collection of receivables. With regard to *clients – hospitals*, in case of 30 days of delay after the date on which the credit period expires and if the delinquencies are not settled after further 30 days, a meeting with the management is arranged for the purpose of signing rescheduling agreement. If the agreement is not complied with, legal proceedings are initiated. With regard to *clients – pharmacies*, in case of a 5-day delay after the expiry of the credit period, the subsequent sales under deferred payment terms are suspended. If delinquencies are not settled by the 45th day all sales are ceased and negotiations are held for concluding an agreement. If the agreement is not complied with, legal proceedings are initiated.

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

The credit policy of the Group envisages that every new client shall be investigated with regard to its creditworthiness prior to being offered the standard terms of supply and payment.

The analysis, performed by the Group, includes but is not limited to visits to clients' premises, but also – collection of information on monthly turnovers and in some cases a promissory note is required in favor of the Group company for 130% - 135% of the credit granted. These limits are reviewed on a monthly basis. The clients that cannot cover the creditworthiness criteria may perform purchases in cash.

Collectability of receivables is controlled directly by the Executive Director, the Finance and Trade Director of the parent company and, respectively, by the managing bodies of the subsidiaries. Their responsibility is to provide operating control and regulate receivables in conformity with the actual market situation and the needs of the Group. The Group 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 management of the Group currently monitors and regulates the concentration of receivables by client and counterpart in total for the Group.

The financial resources of the Group as well as the settlement operations are concentrated in different first-class banks. To distribute cash flows among them, the management of the parent company and the subsidiaries take into consideration a great deal of factors, as the amount of capital, reliability, liquidity, the credit potential and rating of the bank etc.

### **Liquidity risk**

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

The Group generates and maintains a significant volume of liquid funds. An internal source of liquid funds for the Group is its main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. To isolate any possible general liquidity risk, the group 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 supplemented by current monitoring of the maturities of assets and liabilities, control over cash outflows and ensuring their current balancing with inflows, including renegotiation of maturities and optimization of debt structure, increase and internal restructuring of self-generated funds and their investment.

### **Maturity analysis**

The table below presents the financial non-derivative liabilities of the Group, classified by remaining term to maturity, determined against the contractual maturity at the consolidated financial statements date. The table is prepared on the basis of undiscounted cash flows and the earliest date on which a payable becomes due for payment. The amounts include principal and interest.

#### **Maturity analysis 30 September 2015**

	<i>up to 1 month</i> BGN '000	<i>1 to 3 months</i> BGN '000	<i>3 to 6 months</i> BGN '000	<i>6 to 12 months</i> BGN '000	<i>1 to 2 years</i> BGN '000	<i>2 to 5 years</i> BGN '000	<i>over 5 years</i> BGN '000	<i>Total</i> BGN '000
Short-term and long-term bank loans	68,027	22,212	26,809	124,624	11,074	24,749	4,817	282,312
Other loans and liabilities	46,114	31,988	9,821	1,232	737	694	-	90,586
<b>Total liabilities</b>	<b>114,141</b>	<b>54,200</b>	<b>36,630</b>	<b>125,856</b>	<b>11,811</b>	<b>25,443</b>	<b>4,817</b>	<b>372,898</b>

#### **Maturity analysis 31 December 2014**

	<i>up to 1 month</i> BGN '000	<i>1 to 3 months</i> BGN '000	<i>3 to 6 months</i> BGN '000	<i>6 to 12 months</i> BGN '000	<i>1 to 2 years</i> BGN '000	<i>2 to 5 years</i> BGN '000	<i>over 5 years</i> BGN '000	<i>Total</i> BGN '000
Short-term and long-term bank loans	22,568	10,735	41,326	156,166	17,254	25,662	9,848	283,559
Other loans and liabilities	31,846	29,380	895	1,544	4448	118	10214	78,445
<b>Total liabilities</b>	<b>54,414</b>	<b>40,115</b>	<b>42,221</b>	<b>157,710</b>	<b>21,702</b>	<b>25,780</b>	<b>20,062</b>	<b>362,004</b>

### **Risk of interest-bearing cash flows**

Interest-bearing assets, presented in the structure of Group's assets include: cash, bank deposits and loans granted, which are with fixed interest rate. On the other hand, the borrowings of the Group in the form of long-

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term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Group partially dependent on interest risk. This risk is covered in two ways:

- (a) optimization of resources and structure of credit resources for achieving relatively lower price of attracted funds; and
- (b) combined structure of interest rates on loans comprising two components – a fixed one and a variable one, the correlation between them, as well as their absolute value, are maintained in a proportion favorable for the Group companies. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavorable change of cash flows is reduced to a minimum.

The managing bodies of the Group companies together with the management of the parent currently monitor and analyze the exposure of the respective company to the changes in interest levels. Simulations are carried out for various scenarios of refinancing, renewal of existing positions, and alternative financing. The impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated based on these scenarios. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

<i>Interest analysis</i>	<i>interest-free</i>	<i>with floating interest %</i>	<i>with fixed interest %</i>	<i>Total</i>
<i>30 September 2015</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	8,083	-	-	8,083
Loans and receivables, including:	228,843	5,958	81,879	316,680
<i>Receivables and loans</i>	<i>209,252</i>	<i>15</i>	<i>79,304</i>	<i>288,571</i>
<i>Cash and cash equivalents</i>	<i>19,591</i>	<i>5,943</i>	<i>2,575</i>	<i>28,109</i>
<b>Total financial assets</b>	<b>236,926</b>	<b>5,958</b>	<b>81,879</b>	<b>324,763</b>
Short-term and long-term bank loans	4,061	263,355	5,583	272,999
Other loans and liabilities	87,513	1,990	607	90,110
<b>Total financial liabilities</b>	<b>91,574</b>	<b>265,345</b>	<b>6,190</b>	<b>363,109</b>

<i>Interest analysis</i>	<i>interest-free</i>	<i>with floating interest %</i>	<i>with fixed interest %</i>	<i>Total</i>
<i>30 September 2015</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	6,968	-	-	6,968
Loans and receivables, including:	182,612	12,957	88,999	284,568
<i>Receivables and loans</i>	<i>179,869</i>	<i>15</i>	<i>79,385</i>	<i>259,269</i>
<i>Cash and cash equivalents</i>	<i>2,743</i>	<i>12,942</i>	<i>9,614</i>	<i>25,299</i>
<b>Total financial assets</b>	<b>189,580</b>	<b>12,957</b>	<b>88,999</b>	<b>291,536</b>
Short-term and long-term bank loans	3331	270,468	153	273,952

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Other loans and liabilities	75,054	2,610	445	78,109
<b>Total financial liabilities</b>	<b>78,385</b>	<b>273,078</b>	<b>598</b>	<b>352,061</b>

***Capital risk management***

The capital management objectives of the Group 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. Analogous approach is applied also at the level of a separate Group company with regard to its capital structure and financing.

The Group currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total amount of employed capital. Net debt is calculated as total borrowings (current and non-current ones) as presented in the consolidated statement of financial position less cash and cash equivalents. Total employed capital amount is calculated as the sum of equity (incl. the non-controlling interests) and net debt.

It is a characteristic feature for both presented periods that the Group finances its operations both through its own generated profit and by maintaining a certain level of trade and other current payables and loans (bank, commercial ones). In 2015, the strategy of the parent company management was to maintain the ratio within 35-45 % at a Group level (2014: 35-45 %). The table below shows the gearing ratios based on capital structure as at 30 September:

	<b>2015</b> <b>BGN'000</b>	<b>2014</b> <b>BGN'000</b>
<b>Total borrowings, including:</b>	<b>275,284</b>	<b>276,997</b>
<i>Bank loans</i>	272,999	273,952
<i>Loans and finance lease liabilities</i>	2,285	3,045
<b>Less: Cash and cash equivalents</b>	<b>(28,109)</b>	<b>(25,299)</b>
<b>Net debt</b>	<b>247,175</b>	<b>251,698</b>
<b>Total equity belonging to the Group</b>	<b>450,873</b>	<b>431,637</b>
<b>Total capital belonging to the Group</b>	<b>698,048</b>	<b>683,335</b>
<b>Gearing ratio</b>	<b>0.35</b>	<b>0.37</b>

The liabilities shown in the table are disclosed in *Notes № 26, № 27, № 29 and № 31*.

***Fair values***

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



In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables, short-term loans) or are presented in the consolidated statement of financial position based on market value (deposits placed with banks, investments in securities, loans with floating interest rate) and therefore, their fair value is almost equal to their carrying amount.

Part of the investments in other companies as minority interests represent an exception to this rule, since neither market nor objective conditions exist so that their fair value could be reliably determined. Therefore, they are presented at acquisition cost (cost).

As far as no sufficient market experience, stability and liquidity exist in regards of purchases and sales of certain financial assets and liabilities, still no adequate and reliable quotes of market prices are available thereof.

The management of the parent company is of the opinion that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

### **39. RELATED PARTY TRANSACTIONS**

<i><b>Related parties</b></i>	<i><b>Relation type</b></i>	<i><b>Relation period</b></i>	
Telecomplect Invest AD	Main shareholding company	2015	2014
Donev Investments AD	Main shareholding company	2015	2014
Sopharma Properties REIT	Company related through a main shareholder	2015	-
Sopharma Properties REIT	Company under a common indirect control	-	2014
Sofprint Group AD	Company related through a main shareholder	2015	-
Sofprint Group AD	Company under a common indirect control	-	2014
Elpharma AD	Company related through key managing personnel	2015	-
Elpharma AD	Company under a common indirect control	-	2014
Telso AD	Company related through key managing personnel	2015	2014
Telecomplect AD	Company related through key managing personnel	2015	2014
DOH Group	Company related through key managing personnel	2015	2014

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Related party transactions are as follows:

<i><b>Supplies from related parties:</b></i>	<i><b>1 January - 30 September 2015 BGN '000</b></i>	<i><b>1 January - 30 September 2014 BGN '000</b></i>
<i><b>Supply of inventories from:</b></i>		
Companies related through a main shareholder	6,472	-
Associated companies	4,477	-
Companies under a common indirect control through key managing personnel	87	3,559
Companies under a common indirect control	-	7,264
	<b>11,036</b>	<b>10,823</b>
<i><b>Supply of services from:</b></i>		
Companies under a common indirect control through key managing personnel	2,338	3,176
Companies related through a main shareholder	2,106	-
Main shareholding companies	152	222
Companies under a common indirect control	-	2,111
	<b>4,596</b>	<b>5,509</b>
<i><b>Supply of property, plant and equipment from:</b></i>		
Companies under a common indirect control through key managing personnel	19	164
	<b>19</b>	<b>164</b>
<i><b>Supplies for acquisition of non-current assets:</b></i>		
Companies under a common indirect control through key managing personnel	3,971	1,092
	<b>3,971</b>	<b>1,092</b>
	<b>19,622</b>	<b>17,588</b>

<i><b>Sales to related parties</b></i>	<i><b>1 January - 30 September 2015 BGN '000</b></i>	<i><b>1 January - 30 September 2014 BGN '000</b></i>
<i><b>Sales of inventories to:</b></i>		
Associated companies	3,653	143
Joint ventures	3,205	2,583
Companies under a common indirect control through key managing personnel	686	805
Companies related through a main shareholder	603	-
Companies under a common indirect control	-	1,479
	<b>8,147</b>	<b>5,010</b>

**Sales of services to:**

Companies under a common indirect control through key managing personnel	268	62
Companies related through a main shareholder	127	-
Associates	60	-
Companies under a common indirect control	-	194
	<b>455</b>	<b>256</b>

**Other sales to:**

Companies under a common indirect control through key managing personnel	2	5
	<b>2</b>	<b>5</b>

**Interest on loans granted:**

Companies under a common indirect control through key managing personnel	2,014	1,638
Companies under a common indirect control	-	252
	<b>2,014</b>	<b>1,890</b>
	<b>10,618</b>	<b>7,161</b>

The accounts and balances with related parties are disclosed in *Notes № 19, № 23, № 33*.

The composition of key management personnel of the Group includes the disclosed in Note 1 Executive Director and the members of the Board of Directors of the parent company. Additionally, it includes the Executive Directors, the members of Boards of Directors and the General Managers of the subsidiaries in the Group.

Salaries and other short-term benefits of key managing personnel are current and amount to BGN 2,776 thousand (30 September 2014: BGN 2,758 thousand), incl.:

- current salaries – BGN 2,305 thousand (30 September 2014: BGN 2,443 thousand);
- performance-based bonuses – BGN 464 thousand (30 September 2014: BGN 315 thousand).

**40. EVENTS AFTER THE REPORTING PERIOD**

On 30 September 2015 was signed a contract for transformation through merger between Sopharma AD (the acquiring company) and Momina Krepost AD (acquiree), as a result of which the entire property of Momina Krepost AD will be transferred to Sopharma AD and the latter will be its successor. The contract together with the accompanying documents have been filed at the Financial Supervision Commission on 8 October 2015. At the date of issue of the present statement the Company is still awaiting opinion.

On 2 October 2015 the Group, through its subsidiary Briz SIA, increased their participation by 14% in the capital of the subsidiary OO Pharmacist Plus.

On 26 October 2015 Sopharma AD acquired 3,080,000 shares of Medica AD as a result of which the latter becomes a subsidiary of Sopharma and the participation of Sopharma in its capital is 66.72%.

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On 22 October 2015 was taken a decision for the increase of the capital of the subsidiary Sopharmasi EOOD to BGN 2,105 thousand. This fact was entered in the Trade Register with №2015111124712 on 11 November 2015.