SOPHARMA AD

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. BACKGROUND CORPORATE INFORMATION

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

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

1.1. Ownership and management

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

As at 31 March 2023, the structure of Company's joint-stock capital was as follows:

	%
Donev Investments Holding AD	39.59
Telecomplect Invest AD	15.57
Sopharma AD (treasury shares)	8.99
Other legal persons	22.06
Natural persons	5.79

Sopharma AD has a one-tier management system with a five-member Board of Directors. Company's management in the form of Board of Directors is composed as at 31 March 2024 as follows:

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

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

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

The composition of the Audit Committee is as follows:

Vasil Naidenov	Chairperson
Tsvetanka Zlateva	Member
Kristina Atanasova - Elliot	Member

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

The average number of Company's personnel for 2024 is 1,747 workers and employees (2023: 1,720).

1.2. Principal activities

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

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

- research and development as well as engineering and implementation activities in the field of medicinal products;

- production and trade in veterinary medical products and lab services related to lab tests of animal blood samples.

The Company holds manufacturing / import authorisation for medicinal products No BG / MIA -0417 dated 02 February 2023, issued by the Bulgarian Drug Agency (BDA).

1.3. Macroeconomic situation

The company operates in the conditions of inflation. The management managed to maintain a good financial condition of the Company by indexing its income and expenses within reasonable limits.

The company maintains a stable capital base and leverage ratio

1.4. Climate matters

The company perceives the protection of the environment and the reduction of the rate of occurrence of climate change as part of its corporate social responsibility policy and develops its activity in compliance with the requirements for environmental protection. The company implements measures for: separate collection of waste, minimization, utilization and recycling of industrial and household waste; ensure appropriate training of personnel on issues related to environmental protection and pollution prevention. The company actively invests in renewable sources of electricity for its own consumption

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the separate financial statements

The separate annual financial statements of SOPHARMA AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2024 and have been accepted by the Commission of the European Union. IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

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

The adoption of these standards and/or interpretations, effective for annual periods commencing on 1 January 2024, has not resulted in changes to the Company’s accounting policy, with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

- *Changes in IAS 1 Presentation of financial statements (effective for annual periods from 01.01.2024, adopted by the EC).* These changes are aimed at the criteria for classifying liabilities as current and non-current. According to them, an entity classifies its liabilities as current or non-current depending on its rights that exist at the end of the reporting period and is not affected by the probability of whether it will exercise its right to defer settlement of the liabilities. The classification is not affected by the entity's expectations of or events after the financial statement date. The amendments clarify that "settlement" of liabilities means the transfer to a third party of cash, equity instruments, other assets or services. The classification does not apply to derivatives in convertible liabilities, which are themselves equity instruments. Changes are applied retrospectively. Earlier application is permitted, but simultaneously with application of the changes in IAS 1 Presentation of financial statements, non-current liabilities subject to restrictive conditions.

- *Changes in IAS 1 Presentation of financial statements, non-current liabilities bound by restrictive conditions (effective for annual periods from 01.01.2024, adopted by the EC)*. These changes specify that only restrictive covenants that the entity is required to comply with at or before the end of the reporting period affect the entity's right to defer settlement of the relevant liabilities for at least twelve months after the reporting date and, accordingly, only those should be taken considered in assessing the classification of liabilities as current or non-current. These arrangements affect whether the right exists at the end of the reporting period, even if compliance with the conditions is assessed afterwards (for example, a restrictive condition based on the entity's financial position at the end of the reporting period but assessed after the end of the period). Restrictive conditions that are calculated on the basis of the financial position of the enterprise after the end of the reporting period (for example, on the basis of the financial position of the enterprise six months after the reporting date) should not be taken into account when determining the classification of liabilities and the right to postpone them . However, entities should disclose information on restrictive covenants covering an observable period within twelve months after the end of the reporting period in order to assess the risk of whether the obligations would become due. Changes are applied retrospectively. Earlier application is permitted, but simultaneously with the application of the changes in IAS 1 Presentation of financial statements regarding the classification of liabilities as current and non-current.

- Changes in IAS 7 Statement of cash flows and IFRS 7 Financial instruments: disclosure: supplier financing arrangements (effective for annual periods from 01.01.2024, not adopted by the EC). The changes are intended to increase the transparency of the reporting of supplier financing arrangements and to help users of financial statements assess their effect on the liabilities, cash flows and liquidity risk to which an entity is exposed by adding additional disclosures in relation to this type of arrangements. IAS 7 proposes changes to add information to assess the effects of these arrangements on liabilities and cash flows, as follows: a) order and terms of the arrangements; b) the balance sheet value and the corresponding line from the statement of financial position of the obligations that are part of the arrangements; c) the book value and the corresponding line from the statement of financial position of the amounts that the supplier has already received from the financing provider (the financial institution); (d) the time range of payment terms for financial obligations under supplier financing arrangements and comparable terms for financial obligations that are not part of those arrangements; e) the nature and effect of non-monetary changes in the carrying amount of financial liabilities that are part of supplier financing arrangements. IFRS 7 adds requirements to disclose an assessment of the entity's exposure to liquidity risk and what effect termination of arrangements may have on the entity. The changes are applied retrospectively, with relief on non-disclosures for periods prior to the start date of the period in which the changes are first applied, and on certain quantitative disclosures relating to the start date of the period of initial application. Earlier application is allowed.

- *Changes to IFRS 16 Leases - Lease Obligations on Sale and Leaseback (effective for annual periods from 01.01.2024, adopted by the EC*). The changes aim to further develop the requirements for the seller-lessee when measuring the lease liability in "sale-leaseback" transactions. They require that, after the commencement date of the lease (the date of delivery of the underlying asset), the seller-lessee determines "lease payments" and "revised lease payments" in a manner that does not recognize a gain or loss that relates to the right-of-use. held by him. The changes do not apply to the recognition of gains and losses in connection with partial or full termination of the lease agreement. Changes are applied retrospectively. Earlier application is allowed.

For the following new standards, amended standards and adopted interpretations that have been issued but are not yet effective for annual periods beginning on or after January 1, 2024, management has determined that the following would not have the potential effect of changes in the company's accounting policy and financial statements.

• *. Changes in Changes in IAS 21 Effects of changes in exchange rates: no exchange rates (effective for annual periods from 01.01.2025, not adopted by the EC).* These changes clarify and require businesses to apply a consistent approach in determining: a) when a currency can be exchanged for another currency and when it cannot, as they introduce definitions for this. One currency can be exchanged for another when the entity can acquire the other currency within normal time limits, including normal administrative delays and a market mechanism that allows the currency exchange transaction to give rise to enforceable rights and obligations. If the entity can obtain only a minor part of the other currency on the valuation date for the specified purpose, it is considered that the currency cannot be exchanged into the other currency; b) what exchange rate to apply when one currency cannot be exchanged for another, indicating two mechanisms: the first is the use of an observable exchange rate - without further adjustments, an observable rate for another purpose and the first exchange rate at which the exchange can be done; the second is through the use of another evaluation technique; (c) the information that the entity should disclose when one currency is not convertible into another to enable users of its financial statements to understand how this affects the entity's financial results, financial position and cash flows. Changes are applied retrospectively. Earlier application is allowed.

• *IFRS 10 (Amended) – Consolidated Financial Statements and IAS 28 (Amended) – Investments in Associates and Joint Ventures – Regarding Sales or Contributions of Assets between an Investor and its Associates or Joint Ventures (with deferred effective date to be determined from CMSS).* These changes are aimed at addressing the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether or not the assets sold, or the non-monetary assets contributed, constitute or do not substantially constitute a "business" within the meaning of IFRS 3. If these assets as a whole do not meet the definition of a "business", the investor recognizes a gain or loss up to the percentage, corresponding to the share of the other unrelated investors in the associate or joint venture. In cases where assets are sold or non-monetary assets are contributed that collectively constitute a "business", the investor fully recognizes the profit or loss from the transaction. These changes will be applied prospectively. The CMMS postponed the start date of application of these changes indefinitely.

The individual financial statement of the company is prepared on the basis of historical cost, with the exception of property, machinery and equipment, investment property and financial assets in the form of capital investments through other comprehensive income, which are valued on a revalued or revalued basis. fair value.

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

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the separate financial statements, are disclosed in *Note 2.33*, Annex No.13, Annex No.15 and Annex No.18.

2.2. Consolidated financial statements of the Company

The Company has begun the process of preparing its consolidated financial statements for the first quarter of 2024 in accordance with IFRS effective for 2024, which statement will include the current individual financial statements. According to the planned dates, the management expects the consolidated financial statement to be approved for issue no later than 29.05.2024 by the Board of Directors of the company, after which date the statement will be publicly available to third parties.

2.3. Merger of Biopharm Engineering AD into Sopharma AD

a) legal form of the merger

The merger of Biopharm Engineering AD (transforming company) into Sopharma AD (receiving company) was carried out by means of the legal form of transformation as regulated in the Commercial Act. The merger was entered in the Trade Registry at the Registry Agency on 23 August 2023. As a result of the transaction, the entire property of Biopharm Engineering AD was transferred to Sopharma AD, and Biopharm Engineering AD was terminated without liquidation.

On 23 January 2023, a merger transformation agreement was concluded between Sopharma AD (receiving company) and Biopharm Engineering AD (transforming company) laying out the transformation procedure. The fair value of shares of the entities involved in the transformation was determined based on generally accepted valuation methods, based on which an exchange ratio was set of 2.17.

The transformation agreement and the reviewer’s report were approved by the General Meeting of the receiving company on 4 August 2023.

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

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

b) accounting for the merger

For accounting purposes, the merger date was stated as 1 January 2023. Until this point, Biopharm Engineering AD was a subsidiary of Sopharma AD. The transaction was treated as restructuring of the activities of the two entities. The merger was accounted for by applying the “pooling of interest” approach. According to the requirements and rules of this approach, the activities and property of the entities are carried to these financial statements as if they had been combined from the beginning of the earliest period presented in the financial statements (1 January 2022), irrespective of the legal events and procedures and effects thereof on the legal status and life cycle of the receiving and transforming companies. The effects of all business transactions between the receiving company and the transforming company were eliminated, including the balances between the two, irrespective of whether they originated before or after the restructuring date. All differences from the infusion operation are accounted for in the equity - component "retained profit" and component "revaluation reserve of property, machinery and equipment" (*Appendix No. 40*).

2.4. Comparatives

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

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

The comparative information for 2023, presented in the statement of comprehensive income and the statement of cash flows of the company for the period from 01.01.2023 to 31.03.2023, was prepared on the basis of the combined data from the individual financial statements of Sopharma AD (host company) and Biopharm Engineering AD (transforming company) in connection with the completed merger under the unified accounting policy and eliminated internal calculations, transactions and payments between them. (*Appendix No. 40*).

Information on the content of the equity components of the receiving and transforming company is disclosed in *Appendix No. 26*.

2.5. Functional currency and recognition of exchange differences

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

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

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

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

2.6. Revenue

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

2.6.1. Recognition of revenue from contracts with customers

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

Measurement of contracts with customers

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

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

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

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

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

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

2.6.2. *Measurement of revenue under contracts with customers*

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

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

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

2.6.3. ***Performance obligations under contracts with customers***

Revenue from the sale of products

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

Sales of products based on the Company's specifications

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

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

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

Sales of products based on the customer's specifications

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

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

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

Transportation of the products sold

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

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

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

Revenue from the sales of transportation services are recognised *over time*, since it is not necessary for the work performed to date to be repeated if another party has to perform the remaining work, therefore, the customer receives and consumes rewards simultaneously with the service rendition. In order to measure the contract progress (stage of completion), the *input method* is used. This method has been determined as most appropriate to measure progress since it best describes the Company's activity regarding the transfer of control and satisfaction of obligations; respectively, it most accurately reflects the level of performance of obligations, in as far as the Company's efforts (costs incurred) are directly related to the transfer of the service to the customer. Progress is measured *based on the costs incurred versus the total costs planned for contract performance*.

Transaction price and payment terms

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

Variable consideration

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

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

of the transaction price only if the payment is very likely. The Company's experience shows that historically, contract terms are complied with, and the Company has not charged payables for payment of compensations.

- *Compensations owed by the customer:* variable consideration in the form of compensations for delayed payment by the customer. Receiving such consideration depends on the customer's actions and is beyond the Company's control. They are included within the transaction price only when the uncertainty regarding their receipt has been resolved.

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

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

2.6.4. Contract costs

The Company treats as contract costs the following:

- the additional and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months (costs to obtain a contract with a customer) and

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

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

2.6.5. Contract balances

Trade receivables and contract assets

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

Contract liabilities

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

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

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

2.6.6. Refund obligations under contracts with customers

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

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

Other revenue

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

2.7. Expenses

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

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

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

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

2.8. Finance income

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

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

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

2.9. Finance costs

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

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

2.10. Property, plant and equipment

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

Initial acquisition

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

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

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

Subsequent measurement

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

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

Subsequent costs

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

Depreciation methods

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

The useful life per group of assets is as follows:

- for buildings – from 20 to 70 years;
- for facilities and transmitter devices – from 5 to 30 years;
- for machinery and equipment – from 6 to 35 years;
- for computers and mobile devices – from 2 to 5 years;
- for servers and systems – from 4 to 18 years;
- for motor vehicles – from 5 to 13 years;
- for furniture and fixtures – from 3 to 13 years;
- for other tangible assets – from 3 to 12 years;
- for biological assets (carriers) – from 10 to 12 years.

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

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

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

Impairment of assets

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

Gains and losses on disposal (sale)

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

2.11. Biological assets and agricultural produce

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

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

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

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

2.12. Intangible assets

Goodwill

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

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

Other intangible assets

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

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

The useful life per group of assets is as follows:

- for software – from 2 to 12 years;
- for patents and licenses – from 2 to 10 years;
- for trademarks – from 5 to 13 years;
- for other intangible assets – from 5 to 7 years.

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

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

2.13. Investment property

Investment property is property lastingly held by the Company to earn rentals and/or for capital appreciation. They are presented in the statement of financial position at fair value *(Note 2.32)*. Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income (within profit or loss for the year) as 'other operating income/(losses), net' for the period in which they arise. The income gained on investment property is presented in the statement of comprehensive income (within profit or loss for the year) within “income”.

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

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

2.14. Investments in subsidiaries, associates, and joint ventures

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

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

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

Dividend income

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

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

2.15. Other long-term equity investments

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

Initial measurement

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

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

Subsequent measurement

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

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

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

Dividend income

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

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

2.16. Inventories

Inventories are valued in the financial statements as follows:

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

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

- raw materials, materials and goods – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials and goods ready for usage/sale;
- finished products, semi-finished products and work in progress – all necessary expenses on production that constitute the production cost, which includes the cost of direct materials and labour and the attributable proportion of production overheads (both variable and fixed), but excluding administrative expenses, exchange rate gains and losses and borrowing costs. Fixed production overheads are included in the production cost of manufactured finished products, semi-finished products and work in progress based on the normal operating capacity determined on the grounds of commonly maintained average volume of production confirmed by the production plan. The base, chosen for their allocation at unit-of-production level, is the standard rate of man-hours of directly engaged staff in the production of the particular unit.

The Company applies 'standard production cost' for current valuation of finished products, semi-finished products and work in progress, and respectively, 'standard purchase cost' for basic raw materials and other production materials. At the end of each reporting period the management performs analysis of factors leading to variances on: (a) the supply of raw materials and other production materials – by comparing the actual and standard acquisition costs, and (b) the production of finished products, semi-finished products and work in progress – by comparing the actual and standard production costs. Where necessary, the value of inventories, included in the financial statements, is adjusted.

On the basis of research on the good reporting practices in the pharmaceutical industry, the Company has adopted materiality thresholds regarding: (a) variance on supply of raw materials and other production materials – up to 2%, and (b) variance on production – up to 1.5%, within which the current value of the existing closing stocks of raw and other materials, finished products and work in progress are not adjusted for the purposes of the financial statements (*Note 2.33).*

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

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

2.17. Trade receivables

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

Initial measurement

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

Subsequent measurement

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

Impairment

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

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

2.18. Interest-bearing loans and other financial resources granted

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

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

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

2.19. Cash and cash equivalents

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

Subsequent measurement

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

For the purposes of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest on received investment purpose loans is reported as payments for financial activities while the interest on loans for current activities (for working capital) is included in the operating activities;
- interest received from bank deposits is included within cash flows from investing activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented within the item 'taxes paid', while that paid on assets purchased from local suppliers is presented within the items 'purchase of PPE', 'purchase of intangible assets' and 'purchase of investment property' within cash flows from investing activities;
- overdraft proceeds and payments are stated net by the Company;
- permanently blocked funds for a period of more than 3 months are not treated as cash and cash equivalents.
- proceeds under factoring agreements are stated within cash flows from financing activities.

2.20. Trade and other payables

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

2.21. Interest-bearing loans and other borrowings

In the statement of financial position, all loans and other borrowings are initially presented at acquisition cost (nominal amount) which is designated as the fair value of the transaction's deliverable, net of the direct costs related to these loans and borrowings. Following their initial recognition, interest-bearing loans and other borrowings are subsequently measured and presented in the statement of financial position at amortised cost, determined by means of the effective interest method. The amortised cost is calculated by considering all charges, commissions and other costs, including discounts and premiums associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or finance expenses (interest) over the amortisation period or when the payables are written-off or reduced (*Note № 2.26*).

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

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

2.22. Capitalisation of borrowing costs

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

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

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

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

2.23. Leases

Lessee

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

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

Initial recognition

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

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

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

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

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

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

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

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

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

Subsequent measurement

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

The Company subsequently measures the lease liability by:

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

Accounting for remeasurement and modifications to leases

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

The Company remeasures the lease liabilities whenever:

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

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

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

Lessor

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

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

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

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

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

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

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

Short-term benefits

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

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

Tantieme and bonus schemes

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

Long-term retirement benefits

Defined contribution plans

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

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

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

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

Defined benefit plans

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

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

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

Share-based payments

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

Termination benefits

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

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

2.25. Share capital and reserves

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

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

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

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

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

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

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

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

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

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

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

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

2.26. Financial instruments

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

Financial assets

Initial recognition, classification and measurement

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

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

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

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

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income without "recycling" of cumulative gains or losses (equity instruments).

Classification groups

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost include: cash and cash equivalents at banks, trade receivables, including from related parties, loans to related parties, receivables under cession agreements, receivables under recoverable capital contributions, and loans to third parties (*Note 19, Note 20, Note 22, Note 23, Note 24 (a) and Note 25).*

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

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

Expected credit losses are recognised at two stages:

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

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

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

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

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

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

In order to calculate expected credit losses for *trade receivables and contract assets* the Company has elected and applies a simplified approach based on an expected credit losses calculation matrix and does not monitor subsequent changes in their credit risk. In this approach, it recognises an allowance (impairment provision) based on lifetime expected credit losses at each reporting date. The Company has developed and applies a provisioning matrix based on its historical experience with credit losses, adjusted with forecast factors specific for debtors and the economic environment, for which a correlation has been established with the percentage of credit losses (*Note 41)*.

Derecognition

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

Financial liabilities

Initial recognition, classification and measurement

The Company's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts. Upon their initial recognition, financial liabilities are usually classified as liabilities at amortised cost. All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

Subsequent measurement

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

Classification groups

Loans and borrowing

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

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

Derecognition

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

Offsetting (netting) of financial instruments

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

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

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

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

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

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

2.27. Financial guarantee contracts

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

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

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

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

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

2.28. Income taxes

Company's *current income taxes* are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate in Bulgaria for 2024 is 10% (2023: 10%).

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

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

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

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

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

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

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

As at 31.03.2024, deferred taxes on the company's profit have been assessed at a rate valid for 2024, which is 10% (31.12.2023: 10%).

2.29. Government grants

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

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

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

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

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

2.30. Net earnings or loss per share

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

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

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

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

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

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

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

2.31. Segment reporting

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

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

Information by operating segments

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

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

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

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

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

2.32. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement of equity investments

When the fair value of equity investments carried in the statement of financial positions cannot be obtained based on quoted prices on active markets, their fair value is determined by using other valuation models and techniques, including the discounted cash flows model. The input used in these models is obtained from observable markets, where possible, but when this cannot be done, significant judgement is applied to determine fair values. Such judgement involves the review, analysis and assessment of input, for instance regarding liquidity risk, credit risk, and volatility. The changes in assumptions for these factors may impact the amount of the fair value of financial instruments stated. The main key assumptions and components of the model are disclosed in *Note 18*.

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

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

In order to apply these requirements, the Company’s management makes a number of material judgements, such as: a) determining criteria to identify and measure significant credit risk increases; b) selection of suitable models and assumptions to measure expected credit losses; c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses. (*Note 41).*

Regarding trade receivables, including from related parties

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

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

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

Information about the accumulated expected credit losses on trade receivables, incl. from related parties is disclosed in *Note 19, Note 20, Note 22, Note 23 and Note 24b.*

In 2024, there is no accrued impairment of trade receivables, incl. from related parties (2023: none) (*Note 8, Note 9, Note 20, Note 22 and Note 23 and Note 24 b).*

Regarding loans and guarantees granted:

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

ECL is the expected credit losses indicator;

EAD is the exposure at default indicator;

PD is the probability of default indicator;

LGD is the loss given default indicator.

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

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

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

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

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

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

The main matters related to the policy and set of criteria to assess the Company's exposure to credit risk related to loans granted are disclosed in *Note 41*.

Information about expected credit losses from loans and guarantee agreement charges and financial guarantee contracts are disclosed in *Note 19, Note 22, Note 24a and Note 38*.

In 2024, an impairment for expected credit losses on loans granted was accrued at the amount of BGN 510 thousand, net of reversal (in 2023: an impairment for expected credit losses was accrued at the amount of BGN 462 thousand, net of reversal) (*Note 11, Note 19, Note 22 and Note 24a).*

In 2024, the reversal of expected credit losses on financial guarantee contracts amounts to BGN 1,284 thousand, net of accrual (in 2023,: none) (*Note 10, Note 11 and Note 38*).

In 2024, there are no expected credit losses accrued for guaranty fees (2023: none). (*Note* 10, *Note* 11 and *Note* 22).

Cash

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

Leases

The application of IFRS 16 requires the management to perform various assessments, estimates and assumptions that impact the accounting for right-of-use assets and lease liabilities. The main key assessments concern determining an appropriate discount rate and determining the term of each lease, including whether it is reasonably certain that the extension/termination options will be exercised. As a result of the uncertainty regarding these assumptions and estimates, significant adjustments may be made to the respective assets and liabilities in the future, respectively the revenue and expenses stated (*Note 30, Note 31, Note 35 and Note 38).*

Revenue from contracts with customers

Upon revenue recognition and preparation of the annual financial statements, the management performs various judgements, estimates and assumptions that impact the revenue, costs, assets and liabilities accounted for and the respective disclosures thereto. As a result of the uncertainty regarding these assumptions and estimates, significant adjustments may occur in the carrying amount of the assets and liabilities concerned in the future, respectively the costs and revenue stated.

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

Inventories

Normal capacity

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

Allowance for impairment

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

As a result of the reviews and analyses made in 2023, impairment of inventories was recognized at the amount of BGN 3,458 thousand (2022: BGN 1,480 thousand) *(Note 5 and Note 9).*

Revaluation of property, plant and equipment

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

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

The management has performed detailed analysis of the licensed appraisers’ reports, incl. the sensitivity tests. As a result, it has recognized revaluation, and has recognized new revaluation reserve at the amount of BGN 8,338 thousand, net of impairment.

As a result of the examinations and analyses, no impairment of property, machinery and equipment was recorded in 2024 (2023: none) (*Note* 13).

Goodwill impairment

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

As a result of the calculations made, in 2024 it was determined that no goodwill impairment had to be recognised (2023: none) (*Note 14*).

Impairment of investments in subsidiaries

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

As a result of the calculations made in 2024, the Company has not found a need to recognise impairment of particular investments in subsidiaries (2023: none) (*Note 16)*.

Impairment of investments in associates and joint ventures

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

As a result of the reviews and analyses carried out in 2024, no need to recognize impairment of certain investments in associated and joint companies was found (2023: none) (*Note* 17).

Actuarial calculations

Calculations of certified actuaries have been used when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor. They are disclosed in *Note 32*.

Long-term retirement benefit obligations to personnel at the amount of BGN 5,163 thousand (31 December 2023: BGN 5,043 thousand) have been recognized as a result of these calculations *(Note 34)*.

Deferred tax assets

There are unrecognised deferred tax assets at the amount of BGN 3,598 thousand (31 December 2022: BGN 3,605 thousand), because the management concluded that it is unlikely the temporary difference to be manifested in a foreseeable future. The temporary difference on which no tax asset is recognised amounts to BGN 35,977 thousand (31 December 2022: BGN 36,045 thousand) (*Note 30*).

Litigation provisions

With regard to the pending litigations against the Company, the management, jointly with Company's lawyers, has decided that at this stage the probability and risks of a negative outcome therefrom is still minimal and therefore, it has not included provisions for litigation payables in the statement of financial position as at 31 March 2024.

3. REVENUE

Company's revenue includes:

	2024 BGN '000	2023 BGN '000
Revenue from contracts with customers	57,295	64,178
Other revenue	667	519
Total	**57,962**	**64,697**

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

	2024 BGN '000	2023 BGN '000
Export	33,689	40,325
Domestic market	23,606	23,853
Total	**57,295**	**64,178**

Revenue from export sales by product includes:

	2024 BGN '000	2023 BGN '000
Tablet forms	26,955	29,810
Syrup forms	2,524	3,116
Ampoule forms	2,357	4,610
Unguents	638	1,219
Lyophilic products	590	709
Drops	297	215
Medicinal cosmetics	112	319
Sachets	55	71
Patches	53	92
Dressing products	27	92
Suppositories	72	8
Veterinary vaccines	9	64
Total	**33,689**	**40,325**

Revenue from domestic sales by product:

	2024 *BGN '000*	*2023* *BGN '000*
Tablet forms	12,890	13,851
Ampoule forms	3,525	3,820
Dressing products	1,714	1,475
Unguents	1,185	879
Syrup forms	1,031	1,479
Patches	823	705
Lyophilic products	784	665
Veterinary vaccines	533	5
Sachets	353	200
Drops	249	383
Sanitary - hygiene products	169	149
Hemodialysis concentrates	165	142
Suppositories	154	55
Medicinal cosmetics	31	45
Total	**23,606**	**23,853**

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

	2024 *BGN '000*	*Relative share*	*2023* *BGN '000*	*Relative share*
Europe	27,058	47%	33,930	51%
Bulgaria	23,606	41%	23,853	37%
Other countries	6,631	11%	6,395	10%
Total	**57,295**	**100%**	**64,178**	**100%**

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

	2024 *BGN '000*	*% of* *revenue*	*2023* *BGN '000*	*% of* *revenue*
Client 1	23,023	40%	23,800	37%
Client 2	6,057	11%	6,525	10%
Client 3	5,694	10%	18,672	29%

Contract balances are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Receivables under contracts with customers – related parties, net of impairment *(Note 22)*	74,446	71,760
Receivables under contracts with customers – third parties, net of impairment *(Note 23)*	16,856	13,950
	91,302	**85,710**

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

The reimbursement obligations as of 31.03.2024 are in the amount of BGN 5,887 thousand. (31.12.2023: BGN 4,885 thousand). These include liabilities for retrospective trade volume discounts payable under contracts with customers that will be recovered in the next accounting period (Note 38).

3.2. The company's other revenues are from assets provided under leasing contracts and are in the amount of BGN 667,000. (2023: BGN 519 thousand).

4. OTHER OPERATING INCOME AND LOSSES

The Company’s other operating income and losses include:

	2024	***2023***
	BGN '000	***BGN '000***
Revenue from provision of services	2,304	774
Revenue from the sale of goods	*2,297*	*501*
Accounting value of goods sold	*(1,401)*	*(382)*
Profit from sale of goods	896	119
Income from financing of European projects	147	181
Proceeds from the sale of fixed assets	*83*	*6*
Book value of fixed assets sold	-	-
Gain /(loss) on sale of fixed assets	83	6
Income from sale of materials	*683*	*404*
Accounting value of materials sold	*(613)*	*(394)*
Profit from sale of materials	70	10
Surplus Assets	24	12
Income from financing for agricultural areas	1	4
Gains / (Losses) from revaluation of agricultural produce (yellow acacia) to fair value (Appendix No. 21)	-	(9)
Net gains / (losses) from exchange differences on trade receivables and payables and current accounts	(201)	(78)
Revenue from fines and penalties	-	-
Proceeds from liquidation of fixed assets	-	*10*
Liquidation costs of fixed assets	-	-

(Losses) / Gains on liquidation of fixed assets	-	10
Lease liabilities written off	-	*61*
Book value of written off assets under leasing contracts	-	*(61)*
Profit / (loss) from leases	-	-
Derecognition of liabilities	-	3
Other income	34	30
Total	**3,358**	**1,062**

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

Services rendered include:

	2024	***2023***
	BGN '000	***BGN '000***
Fabrication services	2,080	583
Gamma radiation	61	76
Laboratory analysis services	44	49
Transport services	42	11
Social activity	14	13
Regulatory Services	2	12
Disinfection, disinsection and deratization services	-	7
Others	61	23
Total	**2,304**	**774**

Sales of goods include:

	2024	***2023***
	BGN '000	***BGN '000***
Medical products	1,879	190
Foodstuffs	320	305
Nutritional supplements	93	-
Goods with technical designation	5	6
Total	**2,297**	**501**

The carrying amount of goods sold by types of goods is as follows:

	2024	***2023***
	BGN '000	***BGN '000***
Medical products	1,088	108
Foodstuffs	264	269
Nutritional supplements	46	-
Goods with technical designation	3	5

Total	**1,401**	**382**

5. RAW MATERIALS AND CONSUMABLES USED

The *raw materials and consumables used* include:

	2024 ***BGN '000***	***2023*** ***BGN '000***
Basic materials	18,578	12,953
Heat energy	1,120	2,001
Laboratory materials	1,113	849
Electricity	1,084	1,545
Technical materials	474	684
Spare parts	318	208
Auxiliary materials	221	239
Work clothing and personal protective equipment for work	209	174
Fuels and lubricants	176	221
Water	100	106
Depreciation of materials	7	-
Marriage of materials	-	9
Total	**23,400**	**18,989**

Expenses on basic materials include:

	2024 ***BGN '000***	***2023*** ***BGN '000***
Substances	8,522	5,667
Packaging materials	3,432	2,835
Liquid and solid chemicals	3,294	1,886
Sanitary-hygienic and dressing materials	927	731
Ampoules	835	150
Aluminum and PVC foil	672	183
Vials	660	510
Tubes	183	212
Herbs	49	778
Materials for the production of veterinary vaccines	4	1
Total	**18,578**	**12,953**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2024	*2023*
	BGN '000	*BGN '000*
Advertising and marketing services	2,876	1,765
Production of medicines	1,695	1,774
Consulting services	846	569
Property and equipment maintenance	651	762
Subscription Fees	591	884
Transport and forwarding services	518	908
Logistics services related to sales in Bulgaria	442	308
Royalties	358	208
Government and regulatory fees	342	332
Security	335	302
Local taxes and fees	324	381
Civil contract services	235	174
Logistics services related to overseas sales	189	127
Documentation translations	175	154
Medical care	163	175
Insurances	129	114
Messages and Communications	100	75
Taxes on expenses	77	65
Courier services	74	35
Rentals	68	35
Car repair and maintenance	59	123
Fees for servicing current accounts in banks	29	33
Medicine registration services	20	53
Drug disposal services	5	34
Patent fees	2	6
Commission fees	2	-
Clinical trial services	1	-
Others	104	37
Total	**10,410**	**9,433**

Rental costs comprise:

	2024	*2023*
	BGN '000	*BGN '000*

Rentals related to short-term leases	67	34
Rentals related to leases of low-value assets	1	1
Total	**68**	**35**

7. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense includes:

	2024 ***BGN '000***	***2023*** ***BGN '000***
Current wages and salaries	13,518	12,012
Social security/health insurance contributions	2,560	2,217
Social benefits and payments	1,624	1,263
Accruals for unused paid leaves	824	789
Tantieme	315	245
Accruals for long-term retirement benefit obligations *(Note 32)*	120	120
Total	**18,961**	**16,646**

8. OTHER OPERATING EXPENSES

Other expenses include:

	2024 ***BGN '000***	***2023*** ***BGN '000***
Representative events	514	299
Marriage in progress	216	23
Business trips	213	198
Donations	122	56
Unrecognized VAT tax credit	40	7
Amounts awarded	28	-
Training	24	50
Marriage of goods	18	-
Other taxes and payments to the budget	13	6
Interest on trade payables	12	-
Costs related to the conversion of a subsidiary	-	10
Others	54	50
Total	**1,254**	**699**

9. IMPAIRMENT OF CURRENT ASSETS

Impairments of current assets comprise:

	2024	*2023*
	BGN '000	*BGN '000*
Impairment of materials (*Note 5*)	7	-
Total	**7**	**-**

10. FINANCE INCOME

Finance income include:

	2024	*2023*
	BGN'000	*BGN'000*
Income from interest on granted loans	564	792
Income from interest on refundable equity contributions (*Note* 19)	183	-
Income from interest on term deposits	90	-
Income from fees for provided guarantees	78	128
Net gain from exchange differences on receivable from sale of subsidiary	78	-
Net profit from exchange rate differences on taking restitution equity contributions from a subsidiary	59	-
Income from interest under assignment contracts (*Note* 19)	32	31
Net gain from exchange differences on lease contracts	-	2
Total	**1,084**	**953**

11. FINANCE COSTS

Financial costs include:

	2024	*2023*
	BGN'000	*BGN'000*
Interest expense on loans received	695	143
Impairment for credit losses on commercial loan receivables	510	462
Bank fees on loans and guarantees	74	88
Lease interest expense	67	74
Expenses related to the payment of dividends	21	-

Net loss from exchange differences on lease contracts	4	-
Net gain from exchange differences on receivable from sale of subsidiary	-	71
Total	**1,371**	**838**

12. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	2024 BGN '000	*2023 BGN '000*
Net change in fair value of equity investments designated for measurement at fair value through other comprehensive income	(1,036)	(1,957)
Total comprehensive income for the year, net of tax	**(1,036)**	**(1,957)**

13. PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings		*Plant and equipment*		*Other*		*Assets in progress*		*T*
	2024	*2023*	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*	*2024*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN '000*
Reporting value									
Balance on January 1st	**180,427**	**193,737**	**228,888**	**227,962**	**22,251**	**22,755**	**3,728**	**4,527**	**435,294**
Acquired Assets	312	888	324	2,423	179	3,116	1,288	7,212	2,103
Transfer to property, machinery and equipment		1,355	-	6,346	-	310	-	(8,011)	-
Transfer to investment properties		(353)	-	(107)	-	(86)	-		-
Effect of revaluation to fair value	-	-	-	20	-	13	-	-	-
Depreciation	-	-	-	(34)	-	-	-	-	-
Written off		(15,200)	(389)	(7,722)	(430)	(3,857)	(109)	-	(928)
Balance on March 31	**180,739**	**180,427**	**228,823**	**228,888**	**22,000**	**22,251**	**4,907**	**3,728**	**436,469**

/December 31									
Accumulated depreciation									
Balance on January 1st	**56,381**	**52,766**	**152,932**	**148,069**	**16,525**	**18,246**	**-**	**-**	**225,838**
Accrued depreciation	1,573	6,265	2,536	12,209	439	1,851	-	-	4,548
Effect of revaluation to fair value	-	-	-	-	-	-	-	-	-
Transfer to investment properties	-	(204)	-	(87)	-	(72)	-	-	-
Depreciation	-	1,726	-	130	-	-	-	-	-
Depreciation written off	-	(4,172)	(388)	(7,389)	(430)	(3,500)	-	-	(818)
Balance on March 31 /December 31	**57,954**	**56,381**	**155,080**	**152,932**	**16,534**	**16,525**	**-**	**-**	**229,568**
Balance sheet value on March 31 / December 31	**122,785**	**124,046**	**73,743**	**75,956**	**5,466**	**5,726**	**4,907**	**3,728**	**206,901**
Book value on January 1	**124,046**	**140,971**	**75,956**	**79,893**	**5,726**	**4,509**	**3,728**	**4,527**	**209,456**

The company's land and buildings as at 31 March / 31 December are as follows:

- Buildings with a balance sheet value of BGN 83,066 thousand. (31.12.2023: BGN 84,327 thousand);
- Lands worth BGN 39,719 thousand. (31.12.2023: BGN 39,719 thousand);

The other fixed tangible assets of the company as of 31 March / 31 December include:

- Means of transport with a balance sheet value of BGN 3,745 thousand. (31.12.2023: BGN 3,962 thousand);
- Business inventory with a balance sheet value of BGN 1,262 thousand. (31.12.2023: BGN 1,292 thousand);
- Biological assets (carriers) with a balance sheet value of BGN 459 thousand. (31.12.2023: BGN 472 thousand).

Costs for the acquisition of tangible fixed assets as of March 31 / December 31 include:

- granted advances for the purchase of machinery and equipment - BGN 2,947 thousand. (31.12.2023: BGN 2,567 thousand);
- costs of construction of new buildings - BGN 1,141 thousand. (31.12.2023: BGN 1,116 thousand);
- reconstruction of buildings – BGN 148 thousand. (31.12.2023: BGN 25 thousand);
- others – BGN 671 thousand. (31.12.2023: BGN 20 thousand).

As at 31 March/ 31 December, the carrying amount of property, plant and equipment includes machinery and equipment, purchased using Grant Agreements under Operational Programme “Development of the Competitiveness of the Bulgarian Economy” 2007 – 2013, Operational Programme “Innovations and Competitiveness” 2014 – 2020, and Operational Programme “Energy Efficiency” *(Note 9)* as follows:

- for a tablet production facility at the amount of BGN 5,106 thousand (31 December 2023: BGN 5,267 thousand);
- compact line for insulated phial filling at the amount of BGN 3,479 thousand (31 December 2023: BGN 3,562 thousand);
- for ampoule production at the amount of BGN 2,526 thousand (31 December 2023: BGN 2,627 thousand);
- combined exchange ventilation and air conditioning installation for the production of medical products at the amount of BGN 398 thousand (31 December 2023: BGN 413 thousand).
- for the production of innovative eye drops, “artificial tears” type, at the amount of BGN 101 thousand (31 December 2023: BGN 107 thousand).

Leases

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

	Land and buildings		***Machinery, equipment and facilities***		***Other***		***Total***	
	2024	***2023***		***2024***	***2023***	***2024***	***2023***	***2024***
	BGN‘000	***BGN ‘000***	***BGN‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***		***BGN ‘000***
Book value								
Balance at 1 January	**17,377**	**17,248**	**1,124**	**88**	**3,751**	**2,295**	**22,252**	**19,631**
Additions	312	873	-	1,124	84	2,877	396	4,874
Disposals	-	(744)	-	(88)	(42)	(1,421)	(42)	(2,253)
Balance at 31 December	**17,689**	**17,377**	**1,124**	**1,124**	**3,793**	**3,751**	**22,606**	**22,252**
Accumulated depreciation								
Balance at 1 January	**1,904**	**747**	**141**	**28**	**745**	**1,199**	**2,790**	**1,974**
Depreciation charge for the year	528	1,886	36	171	208	798	772	2,855
Depreciation written-off	-	(729)	-	(58)	(42)	(1,252)	(42)	(2,039)
Balance at 31 December	**2,432**	**1,904**	**177**	**141**	**911**	**745**	**3,520**	**2,790**
Carrying amount on 31 December	**15,257**	**15,473**	**947**	**983**	**2,882**	**3,006**	**19,086**	**19,462**

Carrying amount on 1 January	**15,473**	**16,501**	**983**	**60**	**3,006**	**1,096**	**19,462**	**17,657**

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

- Buildings with a balance sheet value of BGN 15,256 thousand. (31.12.2023: BGN 15,472 thousand);
- Lands worth BGN 1,000 (31.12.2023: BGN 1,000).

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

- Vehicles with a balance sheet value of BGN 2,849 thousand. (31.12.2023: BGN 2,965 thousand);
- Business inventory with a balance sheet value of BGN 33,000. (31.12.2023: BGN 41 thousand);

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

The company has provided long-term tangible assets to related parties with a balance sheet value as of 31.03.2024 in the amount of BGN 72 thousand. (31.12.2023: BGN 72 thousand). Fixed tangible assets with a book value as of 31.03.2024 in the amount of BGN 1,084 thousand have also been leased to third parties. (31.12.2023: BGN 1,103 thousand).

Other data

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

- Buildings – BGN 7,174 thousand (31 December 2023: BGN 7,174 thousand);
- Plant and equipment – BGN 72,198 thousand (31 December 2023: BGN 68,018 thousand);
- Other – BGN 11,398 thousand. (31 December 2022: BGN 11,384 thousand).

As of 31.03.2024, there are encumbrances on property, machinery and equipment as follows:

- Land and buildings with a balance sheet value of BGN 14,756 thousand respectively. and BGN 30,899 thousand. (31.12.2023: BGN 21,380 thousand and BGN 38,949 thousand, respectively) (Appendix No. 27, Appendix No. 33 and Appendix No. 39);
- Bets on equipment – BGN 17,759 thousand. (31.12.2023: BGN 18,325 thousand) (Note 27, Note 33 and Note 39).

Periodical revaluation to fair value

As at 31 December 2021 the Company revalued its property, plant and equipment with the assistance of independent certified appraisers for the purpose of determining the fair value of the assets in accordance with the requirements of IFRS 13 and IAS 16.

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

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

- The effects of remeasurement as at 31 December 2021 are as follows:
- Measurement to fair value, carried to the statement of comprehensive income (within profit or loss for the year) at the negative amount of BGN 6,596 thousand;
- Measurement to fair value carried to the statement of comprehensive income (within other comprehensive income) at the positive amount of BGN 8,338 thousand.

14. INTANGIBLE ASSETS

The Company's intangible assets are as follows:

	Reputation		***Intellectual Property Rights***		***Software Products***		***In Process of Acquisition Total***		***Tptal***	
	2024 BGN'000	***2023 BGN '000***	***2024 BGN '000***	***2023 BGN'000***	***2024 BGN '000***	***2023 BGN '000***	***2024 BGN '000***	***2023 BGN '000***	***2024 BGN'000***	***2023 BGN '000***
Reporting value										
Balance on January 1st	**9,406**	**9,406**	**9,466**	**9,046**	**4,473**	**4,602**	**3,143**	**1,356**	**26,488**	**24,410**
Acquired Assets	-	-	16	19	2	19	295	2,340	313	2,378
Transfer	-	-	367	485	39	68	(406)	(553)	-	-
Written off	-	-	-	(84)	-	(216)	-	-	-	(300)
Balance on March 31 /December 31	**9,406**	**9,406**	**9,849**	**9,466**	**4,514**	**4,473**	**3,032**	**3,143**	**26,801**	**26,488**
Accumulated depreciation										
Balance on January 1st	**8,638**	**8,638**	**7,681**	**7,277**	**4,276**	**4,248**	**-**	**-**	**20,595**	**20,163**
Accrued depreciation	-	-	143	488	23	244	-	-	166	732
Depreciation written off	-	-	-	(84)	-	(216)	-	-	-	(300)
Balance on March 31 /December 31	**8,638**	**8,638**	**7,824**	**7,681**	**4,299**	**4,276**	**-**	**-**	**20,761**	**20,595**
Balance sheet value on March 31 / December 31	**768**	**768**	**2,025**	**1,785**	**215**	**197**	**3,032**	**3,143**	**6,040**	**5,893**
Book value on January 1	**768**	**768**	**1,785**	**1,769**	**197**	**354**	**3,143**	**1,356**	**5,893**	**4,247**

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

- Trademarks with carrying amount of BGN 971 thousand (31 December 2023: BGN 1,027 thousand);
- Licenses with carrying amount of BGN 568 thousand (31 December 2023: BGN 434 thousand);

- Copyright with carrying amount of BGN 485 thousand (31 December 2023: BGN 322 thousand);
- Medical registrations with carrying amount of BGN 1 thousand (31 December 2023: BGN 2 thousand).

The expenditures for acquisition of non-current intangible assets as at 31 December include:

- Software implementation expenses – BGN - 1,983 thousand (31 December 2023: BGN 1,820 thousand);
- Expenses for acquisition of licenses and use permits for medicinal products – BGN 1,041 thousand (31 December 2023: BGN 1,153 thousand);
- Expenses for acquisition of copyright – BGN 5 thousand (31 December 2023: 162 thousand);
- Other – BGN 3 thousand (31 December 2023: 8 thousand).

Goodwill impairment

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

In 2023 and 2024, no need to recognize impairment of reported goodwill was established.

The reported value of the fully amortized intangible fixed assets that are used in the company's activities by asset group is as follows:

- intellectual property rights – BGN 5,317 thousand. (31.12.2023: BGN 5,317 thousand);
- software products – BGN 4,093 thousand. (31.12.2023: BGN 4,087 thousand).

15. INVESTMENT PROPERTY

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

	31.12.2023 ***BGN '000***	***31.12.2022*** ***BGN '000***
Balance at 1 January	**49,886**	**49,267**
Additions	10	241
Transfer from property, plant and equipment	-	184
Net profit/(loss) on remeasurement to fair value included in profit or loss (*Note 4*)	-	194
Balance at 31 December	**49,896**	**49,886**

The investment property per groups of assets is as follows:

Group of assets	***31.03.2024*** ***BGN '000***	***31.12.2023*** ***BGN '000***
Warehouse premises	46,250	46,250
Offices	1,686	1,686
Production buildings	1,252	1,252
Social sites	513	513

Retail sites	185	185
Investment property acquisition costs	10	-
Total	**49,896**	**49,886**

There are established encumbrances as at 31 December 2023 on investment property as follows:

- mortgage of warehouse premises – BGN 15,244 thousand (31 December 2023: BGN 15,244 thousand) (Note 33 and Note 39);
- pledges on attached equipment – BGN 4,950 thousand (31 December 2023: BGN 4,950 thousand) (Note 33).

Fair value measurement

Fair value hierarchy

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

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

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

	Warehouse premises	***Offices***	***Production buildings***	***Social sites***	***Retail sites***	***Assets in progress***	***Total***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN'000***
Balance at 1 January 2023	**45,902**	**1,662**	**1,193**	**510**	**-**	**-**	**49,267**
Additions	-	-	-	-	-	241	241
Transfer	-	-	-	-	184	-	184
Disposals	241	-	-	-		(241)	-
Remeasurement to fair value through profit or loss – unrealised	107	24	59	3	1	-	194
Balance at 31 December 2023	**46,250**	**1,686**	**1,252**	**513**	**185.00**	**-**	**49,886**
Additions	-	-	-	-	-	10	10
Balance at 31 December 2023	**46,250**	**1,686**	**1,252**	**513**	**185**	**10**	**49,896**

16. INVESTMENTS IN SUBSIDIARIES

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

		31.03.2024 ***BGN '000***	***Interest*** ***%***	***31.12.2023*** ***BGN '000***	***Interest*** ***%***
Sopharma Trading AD	Bulgaria	64,295	87.68	64,295	87.68
Sopharma Ukraine EOOD	Ukraine	9,669	100.00	9,669	100.00
Sopharma Warsaw EOOD	Poland	6,807	100.00	6,807	100.00
Veta Pharma AD	Bulgaria	6,754	99.98	6,754	99.98
Vitamini AD	Ukraine	1,283	100.00	1,283	100.00
Pharmalogistica AD	Bulgaria	961	89.39	961	89.39
TOO Sopharma Kazakhstan	Kazakhstan	502	100.00	502	100.00
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Total		**90,655**		**90,655**	

As at 31 March 2024, the composition of investments in the subsidiaries includes the investments in Sopharma Poland OOD – in liquidation, Poland and in Phyto Palausovo AD, Bulgaria, which are fully impaired (31 December 2023: fully impaired investments in Sopharma Poland OOD – in liquidation, Poland and Phyto Palausovo AD, Bulgaria).

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

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

- Pharmalogistica AD – Scope of activities: secondary packaging and real estate leases. Date of acquisition – 15 August 2002.
- Sopharma Poland OOD – in liquidation – Scope of activities: market and public opinion research. Date of acquisition – 16 October 2003. The company is in a procedure of liquidation.
- Electroncommerce EOOD – Scope of activities: trade, transportation and packaging of radioactive materials and nuclear equipment, household electronics and electrical equipment. Date of acquisition – 9 August 2005.
- Sopharma Trading AD – Scope of activities: trade in pharmaceuticals. Date of acquisition – 8 June 2006.
- Vitamina AD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 18 January 2008.
- Sopharma Warsaw EOOD – Scope of activities: market and public opinion research. Date of acquisition – 23 November 2010.
- Sopharma Ukraine EOOD – Scope of activities: trade in pharmaceuticals; Date of acquisition – 7 August 2012.
- Phyto Palauzovo AD – Scope of activities: production, collection of crops and trade in herbs and medicinal plants. Date of acquisition (as from the merger of a subsidiary) – 1 January 2014.
- TOO Sopharma Kazakhstan – Scope of activities: trade in pharmaceuticals. Date of acquisition – 30 September 2014.
- Veta Pharma AD – Scope of activities: production of medicinal, non-medicinal and other products. Date

of acquisition – 11 November 2016.

- Pharmachim EOOD – Scope of activities: consulting services. Date of acquisition: 14 April 2020.
- Sopharma Rus OOO – scope of activities: wholesale trade in pharmaceuticals, market and public opinion surveys. Date of acquisition – 13 October 2023.

The movement of investments in subsidiaries is presented below:

	Investments in Subsidiaries	
	31.03.2024	***31.12.2023***
Acquisition price	***BGN '000***	***BGN '000***
Balance on January 1st	**118,011**	**110,480**
Additional holdings acquired	-	1,122
Additional Equity Contributions	-	6,484
Sold holdings without loss of control	-	(75)
Balance on March 31 /December 31	**118,011**	**118,011**
Impairment accrued		
Balance on January 1st	**27,356**	**27,356**
Balance on March 31 /December 31	**27,356**	**27,356**
Balance sheet value on March 31 / December 31	**90,655**	**90,655**
Book value on January 1	**90,655**	**83,124**

Impairment of investments in subsidiaries

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

As a result of the calculations made in 2023 and 2024, no need to recognize impairment of certain investments in subsidiaries was established.

In connection with a loan received from a related party, the company provided a special pledge of shares from the capital of a subsidiary with a book value as of 31.12.2023 in the amount of BGN 10,050,000 in favor of a creditor bank. (31.12.2023: BGN 10,050 thousand) (Note 39).

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The investments in associates are as follows:

	31.03.2024 *BGN '000*	*Interest %*	*31.12.2023* *BGN '000*	*Interest %*
Sopharma Properties REIT	69,913	45.65	69,912	45.65
Sopharma Buildings REIT	28,866	31.68	28,734	31.47
Doverie Obedinen Holding AD	8,689	23.46	8,689	23.46
Pharmanova DOO, Serbia	4,759	25.00	4,759	25.00
Momina Krepost AD	-	37.46	-	37.46
Total	**112,227**		**112,094**	

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

Sopharma Properties REIT is an associate whose principal activities include investment of cash raised by issue of securities, in real estate by means of purchasing right of ownership and other rights in rem over real estate, carrying out construction and enhancements thereon, for the purpose of providing them for management, lease and/or sale.

Sopharma Buildings REIT is an associate as from 8 September 2023when it has been transferred from other long-term equity investments. Its principal activities are investing of cash generated through securities issue into real estate through the purchase of ownership rights and other rights in rem over real estate, carrying out construction and enhancements thereon, for the purpose of providing them for management, lease and/or sale.

Pharmanova OOD, Serbia is an associate whose principal activities include manufacturing of pharmaceuticals. On 10 November 2023 the Company acquired 25% of the capital of Pharmanova OOD, Serbia.

The movement in investments in associates is presented below:

	31.03.2024 *BGN '000*	*31.12.2023* *BGN '000*
Balance at 1 January	**112,094**	**69,271**
Acquired shares in associates	133	27,933
Transfer from other long-term equity investments	-	15,463
Sold shares in associates	-	(573)
Balance at 31 December	**112,227**	**112,094**

Impairment of investments in associates

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

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

As a result of the calculations made in 2023 and 2024, no need to recognize impairment of certain investments in associated companies was established.

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

The movement of investments in joint ventures is presented below:

	31.03.2024	*31.12.2023*
	BGN '000	*BGN '000*
Balance at 1 January	-	**101**
Impairment	-	(101)
Balance at 31 March/31 December	-	-

The investment in Momina Krepost AD has been depreciated at 100%.

18. OTHER LONG-TERM EQUITY INVESTMENTS

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

	31.03.2024	*Interest*	*31.12.2023*	*Interest*
	BGN '000	*%*	*BGN '000*	*%*
Achieve Life Science Inc. – USA				
Lavena AD	8,774	3.19	13	0.01
MFG Invest AD	2,574	13.14	3,638	13.14
Imventure 1 KDS	148	0.46	148	0.46
Ecobulpack AD	50	1.36	50	1.36
UniCredit Bulbank AD	7	0.37	7	0.37
Chimimport AD	3	0.001	3	0.001
	-	0.00001	11	0.01
Total investments in shares	***11,556***		***3,870***	
Achieve Life Science Inc. – USA	*245*		-	
Total investments in warrants	**245**		-	
Total	**11,801**		**3,870**	

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

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

Equity investments	***31.03.2024*** Number of shares	Fair value per share	Fair value as per the statement of financial position	***31.12.2023*** Number of shares	Fair value per share	Fair value as per the statement of financial position
Achieve Life Science Inc. – USA	1,092,308	8.03	8,774	1,796	7.52	13
Lavena AD	1,303,390	1.97	2,574	1,303,390	2.79	3,638
MFG Invest AD	50,000	2.96	148	50,000	2.96	148
Chimimport AD	6	0.70	-	16,656	0.66	11
Total			**11,496**			**3,810**

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

Equity investments	***Fair value 31.03.2024 BGN'000***	***Level 1 BGN'000***	***Level 2 BGN'000***
Achieve Life Science Inc. – USA	9,019	9,019	-
Lavena AD	2,574	-	2,574
MFG Invest AD	148	148	-
Total	**11,741**	**9,167**	**2,574**

Equity investments	***Fair value 31.12.2023 BGN'000***	***Level 1 BGN'000***	***Level 2 BGN'000***
Lavena AD	3,638	-	3,638
MFG Invest AD	148	148	-
Achieve Life Science Inc. – USA	13	13	-
Chimimport AD	11	11	-
Total	**3,810**	**172**	**3,638**

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

Equity investments	***Level 1***	***Level 2***	***Total***
	BGN '000	***BGN '000***	***BGN '000***
Balance **at 1 January 2022**	**746**	**3,899**	**4,645**
Purchases	38	12,782	12,820
Capital issue	-	620	620
Transfer to associated companies	-	(15,463)	(15,463)
Sales	(557)	(21)	(578)
Unrealized gain/(loss), net included in other comprehensive income (Note 12)	(55)	1,821	1,766
Balance as of December 31, 2023	**172**	**3,638**	**3,810**
Capital issue	8,734	-	8,734
Purchase of warrants	245	-	245
Sales	(12)	-	(12)
Unrealised gain/(loss), net, included in other comprehensive income *(Note 14)*	28	(1,064)	(1,036)
Balance at 31 December 2023	**9,167**	**2,574**	**11,741**

Valuation techniques and approaches

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

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

19. LONG-TERM RECEIVABLES FROM RELATED PARTIES

The long-term receivables from related parties include:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Long-term loans granted	28,332	49,070
Impairment of expected credit losses	*(117)*	*(117)*
	28,215	48,953

Receivables under recoverable additional capital contributions in a subsidiary	9,553	9,311
Receivables under cession agreements	3,915	3,884
Deposits under leases (*Note 30*)	516	516
Total	**42,199**	**62,664**

The terms and conditions of the long-term loans granted to related parties as at 31 December 2024 are as follows:

Company	***UIC***	***Relation type***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.12.2024***	
				'000					***BGN'000***	***BGN'000***	***BGN'000***
											incl. interest
Doverie Invest EAD	*205426924*	*company controlled by an associate*	*BGN*	83,400	113/2019	18.03.2022	31.12.2025	3.00 %	-	*25,114*	-
Industrial Holding Doverie AD	*121683066*	*company controlled by an associate*	*BGN*	16,301	409/2022	25.01.2024	31.12.2025	5.25 %	26,918	*3,101*	*12*
									26,918	***28,215***	***12***

The terms and conditions of the long-term loans granted to related parties as at 31 December 2023 are as follows:

Company	***UIC***	***Relation type***	***Currency***	***Contracted amount '000***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals BGN'000***	***31.12.2022*** ***BGN'000***	***BGN'000 incl. interest***
Doverie Invest EAD	*205426924*	*company controlled by an associate*	*BGN*	83,400	113/2019	18.03.2022	31.12.2025	3.00 %	-	*40,901*	*484*
Industrial Holding Doverie AD	*121683066*	*company controlled by an associate*	*BGN*	14,939	409/2022	04.12.2023	31.12.2025	4.36 %	26,918	*8,052*	*152*
									26,918	***48,953***	***636***

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

The movement in the allowance for impairment of receivables from related parties under long-term loans granted is as follows:

	2024	***2023***
	BGN '000	***BGN '000***
Balance on 1 January	**117**	**156**
Decrease in the credit loss allowance recognised in profit or loss for the year	-	(39)
Balance at 31 December	**117**	**117**

The receivables under recoverable additional capital contributions in a subsidiary are denominated in PLN. They are interest-bearing, with maturity of 31 December 2030.

The receivables under cession agreements with maturity on 6 July 2025 have an interest incorporated therein. They were acquired in 2022 in relation to the repayment of bank loans of a joint venture under which Sopharma AD is a co-debtor. They are secured with a mortgage of land and buildings, and with a pledge on machinery and equipment.

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

20. OTHER LONG-TERM RECEIVABLES

Company's other long-term receivables include:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Receivables under transactions in securities	*3,618*	*3,540*
Impairment for ex credit losses	*(183)*	*(183)*
Receivables under transactions in securities, net	3,435	3,357
Total	**3,435**	**3,357**

Receivables under transactions in securities comprise receivables from sale of an investment in a subsidiary with maturity 30 September 2025 related to the completion of legal actions for registration of medical product permits.

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

	2024 BGN '000	***2023 BGN '000***
Balance at 1 January	**183**	**142**
Increase in the allowance for credit losses recognized in profit or loss for the year	-	41
Balance at 31 December	**183**	**183**

21. INVENTORIES

Company's inventories include:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Materials	49,571	33,817
Finished products	49,183	53,887
Work in progress	9,462	13,422
Goods	4,635	2,176
Semi-finished products	3,446	3,349
Total	**116,297**	**106,651**

The finished product is as follows:

	31.03.2024 BGN '000	*31.12.2023* BGN '000
Tablet forms	28,547	19,412
Ampoule forms	7,530	4,839
Unguents	4,296	3,278
Syrups	4,000	1,929
Dressing products	1,376	1,285
Lyophilic products	1,111	1,149
Sanitary and hygiene products	503	253
Sachets	448	408
Drops	443	390
Patches	439	449
Medicinal cosmetics	408	271
Suppositories	384	97
Hemodialysis concentrates	83	57
Veterinary vaccines	3	-
Total	**49,571**	**33,817**

Materials by type are as follows:

	31.03.2024 BGN '000	*31.12.2023* BGN '000
Basic materials	48,303	49,127
Auxiliary materials	450	398
Technical materials	366	400
Spare parts	63	90
Materials in transit	-	3,846
Other	1	26
Total	**49,183**	**53,887**

Basic materials by type are as follows:

	31.03.2024 BGN '000	*31.12.2023* BGN '000
Substances	24,466	24,930
Chemicals	7,969	9,289
Ampoules	4,346	3,719

PVC and aluminium foil	4,192	4,102
Herbs	2,140	2,169
Incl. own production	*72*	*72*
Packaging materials	1,928	1,657
Tubes	1,289	1,187
Sanitary hygienic and dressing materials	1,263	1,423
Vials	699	641
Materials for veterinary vaccines	11	10
Total	**48,303**	**49,127**

The movement in herbs – own production (agricultural produce including yellow acacia seeds) is as follows:

	2023	***2022***
	BGN '000	***BGN '000***
Agricultural produce at 1 January	**72**	**5**
Cost of produce yield in the year	-	62
Gain (loss) on fair value measurement	-	5
Agricultural produce at 31 December	**72**	**72**

Goods by type are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Medicinal products	3,261	3,228
Foodstuffs	102	42
Nutritional supplements	83	79
Total	**3,446**	**3,349**

As of 31 March 2024 on the available material stock of the company with a balance value 0f 39,765 thousand leva there are pledges established as security for bank loans (31 December 2023: BGN 33,817 thousand) *Note 33 and 39.*

22. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Receivables from subsidiaries	*77,165*	*73,994*
Impairment for expected credit losses	*(4,063)*	*(4,063)*
Receivables from subsidiaries, net	73,102	69,931
Receivables from companies controlled by an associate	*12,926*	*12,823*
Impairment for expected credit losses	*(16)*	*(16)*
Receivables from companies controlled by an associate, net	12,910	12,807
Receivables from associates	*2,085*	*2,085*
Impairment for expected credit losses	*(135)*	*(135)*
Receivables from associates, net	1,950	1,950
Receivables from joint ventures	*2,726*	*2,181*
Impairment for expected credit losses	*(2,684)*	*(2,155)*
Receivables from joint ventures, net	42	26
Receivables from companies connected through key management personnel	3	-
Receivables from consortia registered under the Contracts and Obligations Act	*160*	*160*
Impairment for expected credit losses	*(160)*	*(160)*
Receivables from consortia registered under the Contracts and Obligations Act, net	-	-
Total	**88,007**	**84,714**

The receivables from related parties by type are as follows:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Receivables under contracts with customers	*78,640*	*75,954*
Impairment for expected credit losses	*(4,194)*	*(4,194)*
Receivables under contracts with customers, net	74,446	71,760
Trade loans granted	*15,611*	*14,976*
Impairment for expected credit losses	*(2,699)*	*(2,169)*
Trade loans granted, net	12,912	12,807
Receivables under guarantor contracts and guarantees	82	81
Impairment for expected credit losses	*(4)*	*(4)*
Receivables under guarantor contracts and guarantees, net	78	77
Advances granted	571	70

Other receivables	*160*	*160*
Impairment for expected credit losses	*(160)*	*(160)*
Other receivables, net	-	-
Total	**88,007**	**84,714**

The receivables under contracts with customers – related parties are interest-free and BGN 63,086 thousand of them are denominated in BGN (31 December 2023: BGN 57,536 thousand) and in EUR – BGN 11,360 thousand (31 December 2023: BGN 14,224 thousand).

The most significant in terms of size are the receivables from a subsidiary company whose business is trading of medicinal products, amounting to BGN 61,134,000 as of 31.03.2024. or 82.12% of all receivables under contracts with customers - related parties (31.12.2023: BGN 55,585 thousand – 77.46%).

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

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

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**4,194**	**3,822**
Increase in the credit loss allowance recognised within profit or loss for the year	-	4,194
Decrease in the credit loss allowance recognised within profit or loss for the year	-	(3,822)
Balance at 31 December	**4,194**	**4,194**

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

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
up to 30 days	15,985	12,138
from 31 to 90 days	24,119	25,811
from 91 to 180 days	30,256	28,769
from 181 to 365 days	2,085	2,085
Gross amount of non-matured (regular) receivables from related parties	*72,445*	*68,803*
Impairment for expected credit losses	*(1,525)*	*(1,525)*
Non-matured (regular) receivables from related parties, net	**70,920**	**67,278**

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

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
up to 30 days	253	253
from 31 to 90 days	538	538
from 91 to 180 days	599	599
from 181 to 365 days	135	135
Total	**1,525**	**1,525**

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

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
from 31 to 90 days	-	1
from 91 to 180 days	817	920
from 181 to 365 days	3,207	3,206
over 365 days	2,171	3,024
Gross amount of past due receivables from related parties	*6,195*	*7,151*
Impairment for expected credit losses	*(2,669)*	*(2,669)*
Past due receivables from related parties, net	**3,526**	**4,482**

The Company applies the simplified approach under IFRS 9 to measure expected credit losses for trade receivables by recognizing expected lifetime losses for all trade receivables *(Note 2.17)*.

Based on that, the credit loss allowance as at 31 December is determined as follows:

31 March 2024		***Regular***	***Up to 90 days past due***	***Over 90 days past due***	***Over 180 days past due***	***Over 365 days past due***	**Total**
Expected average percentage of credit losses		2%	13%	19%	93%	96%	
Trade receivables from related parties (gross carrying amount)	***BGN '000***	72,445	2,246	1,778	1,623	548	78,640
Expected credit loss (Impairment allowance)	***BGN '000***	(1,525)	(297)	(340)	(1,506)	(526)	(4,194)

31 December 2023		***Regular***	***Up to 90 days past due***	***Over 90 days past due***	***Over 180 days past due***	***Over 365 days past due***	**Total**
Expected average percentage of credit losses		2%	10%	33%	60%	100%	
Trade receivables from related parties (gross carrying amount)	***BGN '000***	68,803	3,110	1,017	2,498	526	75,954
Expected credit loss (Impairment allowance)	***BGN '000***	(1,525)	(297)	(340)	(1,506)	(526)	(4,194)

Special pledges have been established as at 31 March 2024 on receivables from related parties at the amount of BGN 67,634 thousand as collateral under bank loans received (31 December 2023: BGN 62,085 thousand) *(Note 33)*.

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

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Companies controlled by an associate	*12,915*	*12,810*
Impairment for expected credit losses	*(3)*	*(3)*
Companies controlled by an associate, net	12,912	12,807
Joint ventures	*2,681*	*2,151*
Impairment for expected credit losses	*(2,681)*	*(2,151)*
Joint ventures, net	-	-
Subsidiaries	*15*	*15*
Impairment for expected credit losses	*(15)*	*(15)*
Subsidiaries, net	-	-
Total	**12,912**	**12,807**

The terms and conditions of the loans by types of related parties as at 31 March 2024 are as follows:

Company	***UIC***	***Relation type***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.03.2024***	
				'000					***BGN'000***	***BGN'000***	***BGN'000 incl. interest***
Doverie Grizha EAD	*204956297*	*company controlled by an associate*	*BGN*	10,997	265a/2017 г.	04.12.2023 г.	31.12.2024 г.	3.10%	*11,533*	*8,797*	*748*
Doverie Capital AD	*130362127*	*company controlled by an associate*	*BGN*	4,000	319/2021 г.	04.12.2023 г.	31.12.2024 г.	3.33%	*7,115*	*4,115*	*115*
									18,648	**12,912**	**863**

The terms and conditions of the loans by types of related parties as at 31 December 2022 are as follows:

Company	***UIC***	***Relation type***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.12.2023***	
				'000					***BGN'000***	***BGN'000***	***BGN'000 incl. interest***
Doverie Grizha EAD	*204956297*	*company controlled by an associate*	*BGN*	10,997	265a/2017	04.12.2023	31.12.2024	3.10%	*11,453*	*8,740*	*692*
Doverie Capital AD	*130362127*	*company controlled by an associate*	*BGN*	4,000	319/2021	04.12.2023	31.12.2024	3.33%	*6,700*	*4,067*	*67*
									18,153	**12,807**	**759**

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

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

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**2,169**	**1,340**
Increase in the credit loss allowance recognised within profit or loss for the year	530	829
Balance at 31 December	**2,699**	**2,169**

Receivables under guarantor contracts by type of related parties are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Receivables from subsidiaries	*78*	*77*
Impairment for expected credit losses	-	-
Receivables from subsidiaries, net	78	77
Receivables from joint ventures	*4*	*4*
Impairment for expected credit losses	*(4)*	*(4)*
Receivables from joint ventures, net	-	-
Total	**78**	**77**

Receivables under guarantor are interest-free and are in Euros, amounting to BGN 78,000. (31.12.2023: BGN 77 thousand).

The movement in the allowance for impairment of receivables under guarantor contracts from related parties is as follows*:*

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**4**	**2**
Increase in the credit loss allowance recognized within profit or loss for the year	-	4
Decrease in the credit loss allowance recognized within profit or loss for the year	-	(2)
Balance at 31 December	**4**	**4**

The other receivables are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Receivables from consortia registered under the Contracts and Obligations Act	160	160
Impairment for expected credit losses	*(160)*	*(160)*
Total	**-**	**-**

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

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

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**160**	**158**
Increase in the credit loss allowance recognized within profit or loss for the year	-	2
Balance at 31 December	**160**	**160**

23. TRADE RECEIVABLES

Trade receivables include:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Receivables under contracts with customers	*20,337*	*17,431*
Impairment for expected credit losses	*(3,481)*	*(3,481)*
Receivables under contracts with customers, net	16,856	13,950
Receivables under cession agreements	*4,890*	*4,890*
Impairment for expected credit losses	*(56)*	*(56)*
Receivables under cession agreements, net	4,834	4,834
Advances granted	3,869	3,975
Total	**25,559**	**22,759**

Receivables under contracts with customers are interest-free and of them - BGN 1,863 thousand. are in BGN (31.12.2023: BGN 1,670 thousand), in Euro – BGN 11,723 thousand. (31.12.2023: BGN 7,794 thousand) and in US dollars – BGN 3,270 thousand. (31.12.2023: BGN 4,486 thousand).

One main counterparty of the company forms 14.52% of receivables from customers (31.12.2023: 32.14%).

Usually, the company agrees with customers a payment period for sales receivables from 30 to 180 days, except in cases when new markets and products are developed and new trade partners are attracted.

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

	2024	*2023*
	BGN '000	*BGN '000*
Balance at 1 January	**3,481**	**4,051**
Increase in the credit loss allowance recognised within profit or loss for the year	-	3,481
Decrease in the credit loss allowance recognised within profit or loss for the year	-	(4,051)
Balance at 31 December	**3,481**	**3,481**

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

	31.03.2024	*31.12.2023*
	BGN '000	*BGN '000*
up to 30 days	4,156	3,676
from 31 to 90 days	3,083	2,698
from 91 to 180 days	1,815	2,443
Gross amount of non-matured (regular) trade receivables	*9,054*	*8,817*
Impairment for expected credit losses	*(100)*	*(100)*
Non-matured (regular) trade receivables, net	**8,954**	**8,717**

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

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
up to 30 days	41	41
from 31 to 90 days	31	31
from 91 to 180 days	28	28
Total	**100**	**100**

The age structure based on the invoice date of past due trade receivables is as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
from 31 to 90 days	6,618	2,328
from 91 to 180 days	572	1,832
from 181 to 365 days	2,600	2,924
over 365 days	1,493	1,530
Gross amount of past due trade receivables	*11,283*	*8,614*
Impairment for expected credit losses	*(3,381)*	*(3,381)*
Past due trade receivables, net	**7,902**	**5,233**

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

31 March 2024

		Regular	***Up to 90 days past due***	***Over 90 days past due***	***Over 180 days past due***	***Over 365 days past due***	***Total***
Expected average percentage of credit losses		1%	4%	67%	97%	100%	
Trade receivables (gross carrying amount)	***BGN '000***	9,054	7,981	605	1,488	1,209	20,337
Expected credit loss (Impairment allowance)	***BGN '000***	(100)	(326)	(407)	(1,439)	(1,209)	(3,481)

31 December 2023

		Regular	*Up to 90 days past due*	*Over 90 days past due*	*Over 180 days past due*	*Over 365 days past due*	*Total*
Expected average percentage of credit losses		1%	10%	34%	60%	100%	
Trade receivables (gross carrying amount)	*BGN '000*	8,817	3,269	2,194	2,107	1,044	17,431
Expected credit loss (Impairment allowance)	*BGN '000*	(100)	(326)	(746)	(1,265)	(1,044)	(3,481)

There are no special pledges established as collateral for received bank loans on trade receivables. Receivables under assignment contracts are in euros, interest-free with a maturity of 12/31/2024.

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

	2024	*2023*
	BGN '000	*BGN '000*
Balance at 1 January	**56**	**-**
Increase in the credit loss allowance recognised in profit or loss for the year	-	56
Balance at 31 December	**56**	**56**

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

	31.03.2024	*31.12.2023*
	BGN '000	*BGN '000*
Services	2,795	2,631
Inventories	1,074	1,344
Total	**3,869**	**3,975**

The advances granted are current. Of these, BGN 809,000 are in BGN. (31.12.2023: BGN 512 thousand), in euros – BGN 2,155 thousand. (31.12.2023: 2,299 thousand BGN), in US dollars - 718 thousand BGN (31.12.2023: 928 thousand BGN) and in other currencies - 187 thousand BGN. (31.12.2023: BGN 236 thousand).

24(A). LOANS GRANTED TO THIRD PARTIES

The loans granted to third parties are as follows:

	31.03.2024	*31.12.2023*
	BGN '000	***BGN '000***
Trade loans granted to third parties	*11,346*	*11,286*
Impairment for expected credit losses	*(83)*	*(83)*
Total	**11,263**	**11,203**

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

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**83**	**3**
Increase in the allowance for credit losses recognized in profit or loss for the year	-	80
Balance at 31 December	**83**	**83**

Conditions under which loans to third parties are granted as at 31 March 2024:

Company	***UIC***	***Currency***	***Contracted amount***	***Contract No/year***	***Date of latest supplementary agreement to the contract***	***Maturity***	***Interest %***	***Market value of collaterals***	***31.12.2023***	
								BGN'000	***BGN'000***	***BGN'000***
										incl. interest
Sopharmacy MC	*1017600023754*	*EUR*	3,000	330/2018	21.12.2023	31.12.2024	3.05%	*8,173*	*6,712*	*845*
Alliance Energy Companies AD	*206936182*	*BGN*	2,740	52/2023	02.01.2024	31.12.2024	6.00%	-	*2,708*	-
Sopharmacy MC	*1017600023754*	*EUR*	695	470/2017	21.12.2023	31.12.2024	3.05%	*2,273*	*1,620*	*261*
Pharmaplant AD	*201837643*	*BGN*	4,184	95a/2012	04.12.2023	31.12.2024	4.30%	*409*	*187*	-
Pharmaplant AD	*201837643*	*BGN*	949	396/2014	04.12.2023	31.12.2024	4.70%	*182*	*36*	-
								11,037	**11,263**	**1,106**

Conditions under which loans to third parties are granted as at 31 December 2023:

Company	*UIC*	*Currency*	*Contracted amount*	*Contract No/year*	*Date of latest supplementary agreement to the contract*	*Maturity*	*Interest %*	*Market value of collaterals*	*31.12.2022*	
			'000					*BGN'000*	*BGN'000*	*BGN'000 incl. interest*
Sopharmacy MC	*1017600023754*	*EUR*	3,000	330/2018	21.12.2023	31.12.2024	3.05%	*8,055*	*6,667*	*800*
Alliance Energy Companies AD			2,740	52/2023	04.12.2023	31.12.2024	4.37%	-	*2,691*	-
Sopharmacy MC	*1017600023754*	*EUR*	695	470/2017	21.12.2023	31.12.2024	3.05%	*2,140*	*1,610*	*250*
Pharmaplant AD	*201837643*	*BGN*	4,184	95a/2012	04.12.2023	31.12.2024	4.30%	*385*	*187*	-
Pharmaplant AD	*201837643*	*BGN*	949	396/2014	04.12.2023	31.12.2024	4.70%	*171*	*48*	-
								10,751	**11,203**	**1,050**

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

24(B). OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Cash provided to the Central Depository for dividend payment	141,890	424
Deposited cash on a fundraising account for the acquisition of corporate bonds	8,413	-
Tax recovery	4,399	4,171
Prepaid expenses	574	1,009
Claims on deposits provided as guarantees	297	289
Provided funds to an investment intermediary	79	-
Receivables under guarantees provided in court cases	25	25
Awarded receivables	*481*	*481*
Impairment for credit losses on awarded receivables	*(481)*	*(481)*
Awarded receivables, net	-	-
Other	77	83
Total	**155,754**	**6,001**

On March 20, 2024, the company paid 84,132 bonds issued by Doverie United Holding AD with a total issue value of BGN 8,413,200. The bonds were issued according to a decision of the Board of Directors of Doverie Obedinen Holding AD, in accordance with the terms and conditions described in the Prospectus for the public offering of 200,000 registered, non-cash, interest-bearing, unsecured, freely transferable, convertible bonds, with nominal and issue value on one bond BGN 100, with a floating interest rate equal to the sum of 6-month EURIBOR, increased with a premium to 2.00% per annum and no more than 6.00% per annum, payable in a six-month period, with a maturity of five years, counting from the issue date (*Note 43).*

Taxes refundable include:

	31.03.2024 ***BGN '000***	***31.12.2023*** ***BGN '000***
Excise duties	4,271	4,048
Corporate tax	128	123
Total	**4,399**	**4,171**

Prepayments include:

	31.03.2024 ***BGN '000***	***31.12.2023*** ***BGN '000***
Insurance	272	371
Subscriptions	203	392
Licence and patent fees	46	89
Advertisement	30	45
Bank charges and fees	5	83
Rentals	-	6
Vouchers	1	3
Consulting services	-	-
Other	17	20
Total	**574**	**1,009**

Deposits placed as guarantees include:

	31.03.2024 ***BGN '000***	***31.12.2023*** ***BGN '000***
Guarantees under contracts for supply of veterinary vaccines	188	188
Guarantees under system implementation contracts	40	40
Guarantees under rental agreements	39	31
Guarantees under leases	14	13
Guarantees under contracts for fuel	6	6
Guarantees under construction contracts	4	4

Guarantees under contracts for electricity supply	3	3
Guarantees under insurance contracts	1	1
Other	2	3
Total	**297**	**289**

Deposits provided as guarantees are: in BGN - BGN 238 thousand. (31.12.2023: BGN 230 thousand), in euros – BGN 43 thousand. (31.12.2023: BGN 43 thousand), in US dollars – BGN 11 thousand. (31.12.2023: BGN 11 thousand) and in other currencies – BGN 5 thousand. (31.12.2023: BGN 5 thousand).

The guarantees provided in court cases are in BGN - BGN 25,000. (31.12.2023: BGN 25 thousand).

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

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**481**	**160**
Increase in the credit loss allowance recognised within profit or loss for the year	-	327
Decrease in the credit loss allowance recognised within profit or loss for the year	-	(6)
Balance at 31 December	**481**	**481**

25. CASH AND CASH EQUIVALENTS

Cash includes:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Cash at current bank accounts	3,766	5,088
Cash in hand	66	86
Blocked cash	70	100,180
Cash and cash equivalents	**3,902**	**105,354**

The funds on the payment accounts are: in BGN - BGN 195 thousand. (31 December 2023: BGN 748 thousand), in euros – BGN 2,532 thousand. (31 December 2023: BGN 3,324 thousand), in US dollars – BGN 511 thousand. (31.12.2023: BGN 958 thousand) and in other currencies – BGN 528 thousand. (31 December 2023: BGN 58 thousand).

The cash in the cash register is in BGN - BGN 66,000. (31 December 2023: BGN 86 thousand).

The blocked cash includes:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Bank guarantees issued	70	70
Short-term deposits abroad	-	100,110
	70	**100,180**

The issued bank guarantees are: in BGN - BGN 54 thousand. (31.12.2023: BGN 54 thousand), in euro – BGN 16 thousand. (31.12.2023: BGN 16 thousand). There are no short-term deposits abroad as of 31.03.2024 (31.12.2023: in euros with a maturity date of 10.01.2024)

As a result of the analyzes performed and the applied methodology for calculating expected credit losses on cash and cash equivalents, management has determined that no impairment of cash and cash equivalents is necessary. Therefore, the company has not recognized a provision for impairment for expected credit losses of cash and cash equivalents as of 31March 2024.

26. EQUITY

Share capital

As at 31 December 2023, the registered share capital of Sopharma AD amounts to BGN 172,591 thousand distributed in 172,590,578 shares of nominal value BGN 1 each.

Ordinary shares issued and fully paid	*Shares*	*Share capital net of treasury shares*
	number	***BGN '000***
Balance at 1 January 2022	**121,318,711**	**82,595**
Capital issue	37,792,679	37,793
Effects of a subsidiary merger	852	3
Treasury shares bought	(850,000)	(5,226)
Expense for treasury shares purchase	-	(26)
Balance at 31 December 2023	**158,262,242**	**115,139**
Capital issue	6,509,485	6,509
Balance at 31 December 2024	**164,771,727**	**121,648**

On 05 March 2024, the increase of the company's capital was entered in the Commercial Register by issuing 6,509,485 ordinary, registered, non-present shares, with voting rights, with a nominal value of BGN 1 each and an issue value of BGN 4.13 per share.

Shares from the capital increase were subscribed by warrant holders.

The table below presents the paid in joint-stock capital of the Company at March 31 / December 31:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Share capital (registered), nominal	179,100	172,591
Share premium	158,985	136,916
Total paid capital	**338,085**	**309,507**

The company's shares are ordinary, dematerialized with the right to receive a dividend and a liquidation share and are registered for trading on the Bulgarian Stock Exchange - Sofia AD and the Warsaw Stock Exchange.

The treasury shares are 14,328,336 worth BGN 57,452 thousand. (31.12.2023: 14,328,336 pieces in the amount of BGN 57,452 thousand). No shares were purchased in the current year (2023: 850,000 shares purchased). There is no effect of the merger of a subsidiary in 2024 (2023: BGN 3 thousand).

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

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Statutory reserves	218,828	196,759
Property, plant and equipment revaluation reserve	20,841	21,334
Reserve for financial assets at fair value through other comprehensive income	(530)	506
Additional reserves	226,530	226,530
Total	**465,669**	**445,129**

Statutory reserves in the amount of BGN 218,828 thousand. (31.12.2023: BGN 196,759 thousand) represent a reserve fund, which is formed as required by the Commercial Law and the company's statutes, and includes two components: a) amounts from profit distribution for the reserve fund in the amount of BGN 59,843. BGN (31.12.2023: BGN 59,843 thousand) and b) premium reserve, which arose as a positive difference between the issue and nominal value of the issued shares upon the merger of subsidiaries in Sopharma AD, as well as from the subscribed and paid-up shares by the holders of warrants in the amount of BGN 158,985 thousand. (31.12.2023: BGN 136,916 thousand)

The movements of statutory reserves are as follows:	***2024***	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**196,759**	**68,628**
Positive difference between issue and nominal value upon capital issue	20,375	118,291
Transfer from Other equity components (warrants issue) upon exercise of warrants' rights	1,694	9,840

Balance at 31 December	**218,828**	**196,759**

The ***property, plant and equipment revaluation reserve***, in the amount of BGN 20,841 thousand. (31.12.2023: BGN 21,334 thousand) is formed by the positive difference between the balance sheet value of property, machinery, equipment and their fair values as of the dates of the respective revaluations. The effect of deferred taxes on the revaluation reserve is reflected directly in this reserve.

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

	2024 ***BGN '000***	***2023*** ***BGN '000***
Balance at 1 January (originally accounted for)	**21,334**	**27,260**
Transfer to retained earnings	(493)	(5,825)
Gain/(Loss) on revaluation of property, plant and equipment, net	-	33
Effect of a subsidiary merger	-	(131)
Deferred tax relating to revaluations	-	(3)
Balance at 31 December	**20,841**	**21,334**

The reserve of financial assets at fair value through other comprehensive income, amounting to BGN 530 thousand (31 December 2023: BGN 506 thousand) is formed of the effects of fair-value measurement of other long-term equity investments. Upon derecognition of these investments, the reserve formed is transferred to “retained earnings”.

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

	2024 ***BGN '000***	***2023*** ***BGN '000***
Balance at 1 January	**506**	**560**
Net change in the fair value of other long-term equity investments	(1,036)	1,766
Transfer to retained earnings	-	(1,820)
Balance at 31 December	**(530)**	**506**

Additional reserves at the amount of BGN 226,530 thousand (31 December 2023: BGN 226,530 thousand) are set aside from distribution of profits under a decision of shareholders and can be used for payment of dividend, share capital increase as well as to cover losses.

The movements of additional reserves are as follows:

	2024	*2023*
	BGN '000	*BGN '000*
Balance at 1 January	**226,530**	**365,155**
Dividend distributed from 2022 profit	-	(32,604)
Advance six-month dividends from 2023 profit	-	(106,021)
Balance at 31 December	**226,530**	**226,530**

Other equity components (warrant issue)

Pursuant to Art. 25 of the Company's Statute dated 21 May 2021, the Board of Directors approved parameters and made a decision for issuing initial public offering of warrants. By means of Decision No 804 – E dated 4 November 2021, the Financial Supervision Commission registered an issue of 44 932 633 dematerialised, freely transferrable and registered warrants, with issue value BGN 0,28, issued by Sopharma AD pursuant to Art. 112b, Para 11 of POSA. The underlying asset of the issued warrants are future ordinary, registered, freely transferrable voting right shares, each holding one vote in the General Meeting of Shareholders, which will be issued by the Company conditionally, only in favour of warrant holders. Each registered warrant entitles the holder thereof to register one share from the future issue. The warrants' holders may exercise their right to register the respective number of shares in future increase of the Company's capital within a 3-year period, at a fixed price of BGN 4,13 per share. The exercise right arises from the date on which the warrant issue was registered with Central Depository AD – 16 November 2021.

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

The table below presents the funds raised from the warrant issue, net of issue costs:

Warrants issued and fully paid	***Warrants***	***Other equity components***
	number	***BGN '000***
Balance at 1 January 2023	**44,925,943**	**12,488**
Transaction costs	-	(791)
Transfer to premium reserve upon exercise of rights under warrants	(37,792,679)	(9,840)
Balance at 31 December 2023	**7,133,264**	**1,857**
Transaction costs	-	(1)
Transfer to Share premium reserve upon exercise of warrants' rights	(6,509,485)	(1,694)
Balance at 31 December 2023	**623,779**	**162**

Basic net earnings per share

	31.03.2024	*31.03.2023*
Weighted average number of shares	130,696,402	121,318,711
Net profit for the year (BGN '000)	15,232	15,810
Basic net profit per share (BGN)	**0.12**	**0.13**

Diluted net earnings per share

	31.03.2024	*31.03.2023*
Weighted average number of shares	*130,696,402*	*121,318,711*
Cumulative effect of warrants	*164,234*	*3,785,334*
Shares in circulation with warrants	130,860,637	125,104,045
Net profit for the year (BGN '000)	15,232	15,810
Diluted net earnings per share	**0.12**	**0.13**

As at 31 March 2024, ***retained earnings*** amount at BGN 29,725 thousand (31.12.2023: BGN 14,000 thousand).

The movement in *retained earnings* is as follows:

	2024	*2023*
	BGN '000	*BGN '000*
Balance at 1 January	**14,000**	**36,269**
Net profit for the year	15,232	48,121
Transfer from revaluation reserve of property, plant and equipment	493	5,825
Transfer from reserve of financial assets at fair value through other comprehensive income	-	1,820
Effects of a subsidiary merger	-	128
Actuarial gains/(losses) on remeasurement	-	(855)
Advance six-month dividends	-	(37,121)
Distribution of profit for dividends	-	(40,187)
Balance at 31 December	**29,725**	**14,000**

27. LONG-TERM BANK LOANS

Long-term bank loans include:

Currency	*Contracted loan amount*	*Maturity*	*31.03.2024* Non-current portion	*31.03.2024* Current portion	*31.03.2024* Total	*31.12.2023* Non-current portion	*31.12.2023* Current portion	*31.12.2023* Total
	'000		*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Extended credit lines								
EUR	15,000	31.08.2025	25,301	-	25,301	27,021	-	27,021
Investment loans								
BGN	9,544	25.12.2029	8,239	1,291	9,530	8,677	854	9,531
			33,540	**1,291**	**34,831**	**35,698**	**854**	**36,552**

Bank loans in leva are agreed at an interest rate determined on the basis of a short-term interest rate plus a surcharge of 1.9 points, but not less than 1.9 points, and for those in euros - one-month EURIBOR plus a surcharge of 1.1 points , but not less than 1.1 points (2023: bank loans in BGN are agreed at an interest rate determined on the basis of a short-term interest rate plus a surcharge of 1.9 points, but not less than 1.9 points, and for those in euros - one-month EURIBOR plus a surcharge of 1.1 points, but not less than 1.1 points).

The following were established under the loans payable:

- Mortgages of real estate with a carrying amount of BGN 41,659 thousand as at 31 March 2024 (31 December 2023: BGN 12,795 thousand) (*Note 13*);
- Special pledges on machinery and equipment with a carrying amount of BGN 10,644 thousand as at 31 March 2024 (31 December 2023: BGN 16,716 thousand) (Note 13);
- Special pledges on inventories with a carrying amount of BGN 11,735 thousand as at 31 March 2024 (31 December 2023: none) (Note 21).

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

Reconciliation of the movement of liabilities from financing activities

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

	01.01.2024 BGN '000	*Changes in cash flows from financing activities BGN '000*	*Newly arising liabilities over the year BGN '000*	*Other non-cash changes BGN '000*	*31.03.2024 BGN '000*
Bank loans	81,390	14,842	-	(82)	96,150
Lease liabilities to related parties	16,507	(498)	312	51	16,372
Lease liabilities to third parties	3,195	(219)	84	(6)	3,054
Dividends and unexercised warrant rights	142,449	(22)	-	(1)	142,426
Totals	**243,541**	**14,103**	**396**	**(38)**	**258,002**
Proceeds from capital issue	9,840	26,884	-	(36,724)	-
Treasury shares	(57,452)	-	-	-	(57,452)
Government grants for agricultural land	-	1	-	(1)	-
Reserve for warrants issued	1,857	(1)	-	(1,694)	162
Net cash flows from financing activities	**197,786**	**40,987**	**396**	**(38,457)**	**200,712**

	01.01.2023 BGN '000	*Changes in cash flows from financing activities BGN '000*	*Newly arising liabilities over the year BGN '000*	*Other non-cash changes BGN '000*	*31.12.2023 BGN '000*
Bank loans	14,062	67,202	80	46	81,390
Lease liabilities to related parties	16,376	(1,929)	1,841	219	16,507
Lease liabilities to third parties	1,396	(864)	3,033	(370)	3,195
Dividends and unexercised warrant rights	215	(71,889)	215,933	(1,810)	142,449
Total	**32,049**	**(7,480)**	**220,887**	**(1,915)**	**243,541**
Proceeds from issue of capital	-	156,084	-	(146,244)	9,840
Treasury shares	(52,203)	(5,252)	-	3	(57,452)
Government grants for agricultural land	-	36	-	(36)	-

Reserve for warrants issued	12,488	(791)	-	(9,840)	1,857
Net cash flows used in financing activities	**(7,666)**	**142,597**	**220,887**	**(158,032)**	**197,786**

28. DEFERRED TAX LIABILITIES

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

Deferred tax (liabilities)/ assets	*temporary difference*	*tax*	*temporary difference*	*tax*
	31.03.2024	***31.03.2024***	***31.12.2023***	***31.12.2023***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	54,477	5,448	54,834	5,483
including revaluation reserve	*18,972*	*1,897*	*19,520*	*1,952*
Investment property	16,868	1,687	16,409	1,641
including revaluation reserve	*534*	*53*	*534*	*53*
Intangible assets	44	4	-	-
Total deferred tax liabilities	**71,389**	**7,139**	**71,243**	**7,124**
Payables to personnel	(10,916)	(1,092)	(9,996)	(1,000)
Receivables	(11,522)	(1,152)	(17,969)	(1,797)
Accrued liabilities	(7,153)	(715)	(6,074)	(607)
Inventories	(4,125)	(413)	(4,124)	(412)
Intangible assets	-	-	(36)	(4)
Total deferred tax assets	**(33,716)**	**(3,372)**	**(38,199)**	**(3,820)**
Deferred income tax liabilities, net	**37,673**	**3,767**	**33,044**	**3,304**

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

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

Deferred tax (liabilities)/ assets	***Balance at 1 January 2024***	***Recognised in the statement of comprehensive income***	***Recognised in equity***	***Recognised in the statement of changes in equity and the current tax return***	***Balance at 31 Narch 2024***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(5,483)	22	-	13	(5,448)

Investment property	(1,641)	(46)	-	-	(1,687)
Payables to personnel	4	(8)	-	-	(4)
Receivables	1,000	92	-	-	1,092
Inventories	1,797	(645)	-	-	1,152
Accrued liabilities	412	1	-	-	413
Intangible assets	607	108	-	-	715
Total	**(3,304)**	**(476)**	**-**	**13**	**(3,767)**

The change in the balance of deferred taxes for 2023 is as follows:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2023***	***Recognised in the statement of comprehensive income***	***Recognised in equity***	***Recognised in the statement of changes in equity and the current tax return***	***Balance at 31 December 2023***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(6,422)	800	(12)	151	(5,483)
Investment property	(1,448)	(202)	9	-	(1,641)
Payables to personnel	908	92	-	-	1,000
Receivables	1,038	759	-	-	1,797
Inventories	175	237	-	-	412
Accrued liabilities	660	(53)	-	-	607
Intangible assets	(10)	14	-	-	4
Costs for subsidiary transformation	1	(1)	-	-	-
Total	**(5,098)**	**1,646**	**(3)**	**151**	**(3,304)**

Unrecognised deferred tax assets are as follows:

Unrecognised deferred tax assets	*temporary difference*	*tax*	*temporary difference*	*tax*
	31.03.2024 BGN '000	***31.03.2024 BGN '000***	***31.12.2023 BGN '000***	***31.12.2023 BGN '000***
Impairment of investments in subsidiaries	(27,996)	(2,800)	(27,996)	(2,800)
Impairment of investments in associates	(5,036)	(504)	(5,036)	(504)
Impairment of investments in joint ventures	(2,945)	(294)	(2,945)	(294)
Total	**(35,977)**	**(3,598)**	**(35,977)**	**(3,598)**

29. GOVERNMENT GRANTS

The government grants are under concluded contracts with the Bulgarian Small and Medium Enterprises Promotion Agency for gratuitous financial aid under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013, and Operational Programme "Energy Efficiency".
The table below presents the non-current and the current portion of the grants received by type:

	31.03.2024			*31.12.2023*		
	Non-current portion BGN '000	***Current portion BGN '000***	***Total BGN '000***	***Non-current portion BGN '000***	***Current portion BGN '000***	***Total BGN '000***
Acquisition of machinery and equipment for a new tablets production line	1,697	179	**1,876**	1,742	179	**1,921**
Acquisition of a compact line for insulated vial filling	1,572	167	**1,739**	1,613	167	**1,780**
Implementation of innovative products in the production of ampoule dosage forms	1,050	200	**1,250**	1,100	200	**1,300**
Acquisition on non-current assets and building reconstruction	277	8	**285**	279	8	**287**
Acquisition of combined exchange ventilation and air conditioning installation	54	9	**63**	57	9	**66**
Implementation of innovative “artificial tears” eye drops production	-	8	**8**	-	14	**14**
Total	**4,650**	**571**	**5,221**	**4,791**	**577**	**5,368**

The current portion of the financing will be recognised as current income over the following 12 months from the date of the separate statement of financial position and is presented as 'other current liabilities' (*Note 38).*

30. LEASE LIABILITIES TO RELATED PARTIES

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

Term	***31.03.2024 BGN '000***	***31.12.2023 BGN '000***
Up to one year	1,812	1,733
Over one year	14,560	14,774
Total	**16,372**	**16,507**

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

Term	***31.03.2024***	***31.12.2023***
	BGN '000	***BGN '000***
Up to one year	1,990	1,929
Over one year	15,297	15,511
	17,287	**17,440**
Future finance cost on leases	(915)	(933)
Present value of lease liabilities	**16,372**	**16,507**

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

The Company has provided deposits under the leases as collateral of lease liabilities, at the amount of BGN 516 thousand (31 December 2023: BGN 516 thousand) (*Note 19*).

The lease liabilities to related parties are denominated in EUR.

The lease payments due in the next 12 months are presented in the statement of financial position as “payables to related parties” (*Note 35*).

31. LEASE LIABILITIES TO THIRD PARTIES

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

Term	***31.03.2024***	***31.12.2023***
	BGN '000	***BGN '000***
Up to one year	789	945
Over one year	2,265	2,250
Total	**3,054**	**3,195**

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

Term	***31.03.2024***	***31.12.2023***
	BGN '000	***BGN '000***
Up to one year	815	1,018
Over one year	2,355	2,309
	3,170	**3,327**

Future finance costs on leases	(116)	(132)
Present value of lease liabilities	**3,054**	**3,195**

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

	31.03.2024			*31.12.2023*		
	Long-term portion BGN'000	***Short-term portion BGN'000***	***Total BGN'000***	***Long-term portion BGN'000***	***Short-term portion BGN'000***	***Total BGN'000***
Leases of motor vehicles	2,151	717	**2,868**	2,182	793	**2,975**
Leases of buildings	68	54	**122**	57	87	**144**
Leases of apparatuses	27	9	**36**	9	33	**42**
Leases of transmitters	19	2	**21**	2	25	**27**
Leases of land	-	7	**7**	-	7	**7**
Total	**2,265**	**789**	**3,054**	**2,250**	**945**	**3,195**

Lease liabilities to third parties in BGN amount to BGN 64 thousand (31 December 2023: BGN 76 thousand), in EUR – BGN 2,563 thousand (31 December 2023: BGN 2,647 thousand), in USD – BGN 266 thousand (31 December 2023: BGN 297 thousand), and in other currencies – BGN 161 thousand (31 December 2023: BGN 175 thousand).

The Company has provided deposits under leases as collateral of lease liabilities at the amount of BGN 14 thousand (31 December 2023: BGN 13 thousand) (*Note 24b*).

The lease payments due over the next 12 months are presented in the statement of financial position as "other current payables" (*Note 38*).

32. RETIREMENT BENEFIT OBLIGATIONS

Long-term payables to personnel include:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Long-term retirement benefit obligations	5,163	5,043
Long-term benefit obligations for tantieme	231	231
Total	**5,394**	**5,274**

Long-term retirement benefit obligations

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

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

For the purpose of establishing the amount of these obligations to personnel, the Company has assigned an actuarial valuation as at 31 December 2023 by using the services of a certified actuary.

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

	2024	***2023***
	BGN '000	***BGN '000***
Present value of the obligation at 1 January	**5,043**	**4,137**
Current service cost	120	391
Interest cost	-	258
Net actuarial (gain)/loss recognised for the period	-	8
Payments made in the year	-	(606)
Remeasurement gains or losses on the retirement benefit obligations, including:	-	855
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(46)
Actuarial (gains)/losses arising from changes in financial assumptions	-	337
Actuarial losses arising from past experience adjustments	-	564
Present value of the obligation at 31 December	**5,163**	**5,043**

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

	2024	***2023***
	BGN '000	***BGN '000***
Current service cost	120	120
Components of defined benefit plan costs recognised in profit or loss ***(Note 7)***	**120**	**120**

The following actuarial assumptions were used in calculating the present value of the liabilities as at 31 December 2023:

- The discount factor is calculated by using as basis of 4,50% (2022: 4,50% for Biopharm Engineering AD and 6% for Sopharma AD). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by the Company's management and amounts to 4% annual growth compared to the prior reporting period (2022: 5%);
- Mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2020-2022 (2022: 2019 - 2021);

- Staff turnover rate – from 0,03% to 0,32% for the five age groups formed (2022: between 0,03% and 0,32%);

Long-term obligations for tantieme:	***31.03.2024***	***31.12.2023***
	BGN '000	***BGN '000***
Long-term obligations for tantieme with maturity in 2026	137	137
Long-term obligations for tantieme with maturity in 2025	94	94
Long-term obligations for tantieme with maturity in 2024	-	-
	231	**231**

33. SHORT-TERM BANK LOANS

Short-term bank loans include:

Currency	***Contracted amount '000***	***Maturity***	***31.03.2024***	***31.12.2023***
			BGN'000	***BGN'000***
Extended bank loans (overdrafts)				
BGN	19,558	05.09.2024		
BGN	20,000	05.09.2024	19,500	19,574
BGN	9,779	05.09.2024	9,934	15,536
EUR	10,000	30.04.2024	9,538	9,678
BGN	20,000	31.07.2024	2,444	44
			690	6
Extended credit lines				
BGN	20,000	01.04.2025	**42,106**	**44,838**
			19,213	-
Total			**19,213**	**44,838**

The bank loans received in EUR have been agreed at interest rate based on one-month EURIBOR plus a mark-up of 1,25 points, and those in BGN – from 2,35% to 2,65% and basic interest rate plus 1 point (2023: loans in EUR – interest rate based on one-month EURIBOR plus a mark-up of 1,25 point, and those in BGN – from 1,3% to 2,65%, and average deposit index plus 1 point). The loans are for working capital.

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

- Mortgages of real estate with a carrying amount of BGN 19,702 thousand as at 31 March 2024 (31 December 2023: BGN 19,807 thousand) *(Note 13 and Note 15);*
- Special pledges on:

- machinery and equipment with a carrying amount of BGN 12,329 thousand as at 31 March 2024 (31 December 2023: BGN 12,631 thousand) *(Note 13 and Note 15);*
- inventories with a carrying amount of BGN 28,030 thousand as at 31 March 2024 (31 December 2023: BGN 22,082 thousand) *(Note 21)*;
- receivables from related parties with a carrying amount of BGN 67,634 thousand as at 31 MArch 2024 (31 December 2023: BGN 62,085 thousand) *(Note 22*);
- trade receivables from third parties of a subsidiary with a carrying amount of BGN 7,823 thousand as at 31 March 2024 (31 December 2023: BGN 7,823 thousand).

Some of the loans drawn as at 31 March, amounting to BGN 13 thousand (31 December 2023: BGN 13 thousand) are in the form of bank guarantees issued to the National Health Insurance Institute to cover payables.

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

34. TRADE PAYABLES

Trade payables include:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Payables to suppliers	12,047	21,269
Advances received	442	454
Total	**12,489**	**21,723**

Payables to suppliers by type are as follows:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Payables for supply of inventories	8,378	12,090
Payables for supply for services	3,098	6,445
Payables for supply of non-current assets	571	2,734
Total	**12,047**	**21,269**

Payables to suppliers are as follows:

	31.03.2024 BGN '000	***31.12.2023 BGN '000***
Payables to foreign suppliers	7,885	13,911
Payables to local suppliers	4,162	7,358
Total	**12,047**	**21,269**

The payables to suppliers are current and interest-free. Liabilities in BGN amount to BGN 4,163,000. (31.12.2023: BGN 6,787 thousand), in euros it is BGN 4,943 thousand. (31.12.2023: BGN 8,385 thousand), in US dollars – BGN 2,599 thousand. (31.12.2023: BGN 4,672 thousand) and in other currencies – BGN 342 thousand. (31.12.2023: BGN 1,425 thousand)

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

The advances from clients are for purchases of:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
	403	387
Finished products	39	-
Non-current assets	-	67
Services	**442**	**454**
Total	***31.03.2024***	***31.12.2023***

The advances from clients are current. Of these, 187,000 BGN are in BGN. (31.12.2023: BGN 151 thousand) and in euros they are BGN 255 thousand. (31.12.2023: BGN 303 thousand).

The Company has placed deposits as security for payables to suppliers under commercial transactions at the amount of BGN 366 thousand (31 December 2023: 359 thousand) *(Note 24b, Note 25 and Note 33*).

35. PAYABLES TO RELATED PARTIES

The payables to related parties include:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Payables to shareholders with significant influence	85,107	84,982
Payables to key management personnel	12,991	12,991
Payables to associates	1,816	1,749
Payables to companies related through key management personnel	1,110	209
Payables to subsidiaries	41	104
Payables to companies controlled by an associate	7	8
Total	**101,072**	**100,043**

The payables to related parties by type are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Dividend payables	97,898	97,898

Payables under leases (*Note 30*)	1,812	1,733
Payables for supply of inventories	1,104	279
Service supply	258	133
Total	**101,072**	**100,043**

The trade payables to related parties are regular. The liabilities in leva are in the amount of BGN 99,219,000. (31.12.2023: BGN 98,227 thousand), in euros – 1,848 thousand. BGN (31.12.2023: BGN 1,814 thousand) and in Polish zlotys – BGN 5 thousand. (31.12.2023: BGN 2 thousand)

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

36. TAX PAYABLES

Tax payables include:	**31.03.2024** ***BGN '000***	**31.12.2023** ***BGN '000***
Income tax	823	-
Personal income taxes	754	462
Taxes on expenses	468	391
Local taxes and fees	337	-
Value added tax	7	422
Taxes on dividends	-	1,240
Total	**2,389**	**2,515**

The following tax audits have been carried out of the Company and of the subsidiaries merged into it:

Sopharma AD:

- under VAT Act – until 31 December 2011;
- full-scope tax audit – until 31 December 2011;
- National Social Security Institute – until 30 September 2013.

Bulgarian Rose Sevtopolis (transforming company)

- under VAT Act – until 31 December 2014;
- full-scope tax audit – until 31 December 2013;
- National Social Security Institute – until 31 December 2013.

Medica AD (transforming company)

- under VAT Act – until 31 January 2013;
- full-scope tax audit – until 31 December 2002;
- National Social Security Institute – until 31 January 2016.

Unipharm AD (transforming company)

- under VAT Act – until 31 August 2018;
- full-scope tax audit – until 31 December 2017;
- National Social Security Institute – until 31 December 2017.

Biopharm Engineering AD (transforming company)

- Under VAT Act – until 31 October 2022;
- full-scope tax audit – until 31 December 2014;
- National Social Security Institute – until 30 April 2009.

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

37. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Payables to personnel, including:	9,521	8,840
tantieme	*3,426*	*3,430*
accruals on unused compensated leaves	*3,387*	*2,265*
current liabilities	*2,708*	*3,145*
Payables for social security/health insurance, including:	1,987	1,741
current liabilities	*1,362*	*1,353*
accruals on unused compensated leaves	*625*	*388*
Total	**11,508**	**10,581**

38. OTHER CURRENT LIABILITIES

Other current liabilities are as follows:

	31.03.2024	***31.12.2023***
	BGN '000	***BGN '000***
Dividend payables and unexercised warrant rights	44,528	44,551
Refund obligations under contracts with customers (*Note 2.5.6*)	5,887	4,885
Lease liabilities to third parties (*Note 31*)	789	945
Provision for financial guarantees granted (*Note 2.26*)	674	674

Government grants (*Note 29*)	571	577
Deductions from work salaries	38	154
Liabilities under deposits received as guarantees	1	1
Total	**52,488**	**51,787**

The provision for financial guarantees granted, at the amount of BGN 674 thousand (31 December 2023: BGN 674 thousand), arises as a result of commitments undertaken by the Company to perform payments for a debtor which fails to make payment in accordance with a debt instrument (*Note 2.27*).

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

	2024	***2023***
	BGN '000	***BGN '000***
Balance at 1 January	**674**	**1,958**
Decrease in provision for financial guarantees recognised within profit or loss for the year	-	(1,284)
Balance at 31 December	**674**	**674**

The commitments undertaken by the Company to make certain payments for a debtor that did not make payment in accordance with a debt instrument are as follows:

	2024	***2023***
	BGN '000	***BGN '000***
Commitments to banks – creditors of debt instruments to related parties	674	674
Total	**674**	**674**

39. CONTINGENT LIABILITIES AND COMMITMENTS

Significant irrevocable agreements and commitments

The Company received government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013, Operational Programme "Innovations and Competitiveness" 2014 – 2020, and Operational Programme "Energy Efficiency" *(Note 29 and Note 38*), related to acquisition of non-current assets, buildings reconstruction and technological renovation and modernisation of tablet production facilities, implementation of innovative products in the ampoule production section, for acquisition of compact line for insulated phial filling, for machinery and equipment for manufacturing of infusion solutions, the acquisition of combined exchanger installations for ventilation and air conditioning in the production of medical products and implementation of innovative “artificial tears” eye drops *(Note 13*). The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Issued and granted guarantees

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

(a) under loans of subsidiaries:

- Mortgages of real estate with a carrying amount of BGN 36,847 thousand as at 31 March 2024 (31 December 2023: BGN 37,392 thousand) (Note 13);
- Special pledges on:

- machinery and equipment with a carrying amount of BGN 10,644 thousand as at 31 December 2023 (31 December 2022: BGN 11,760 thousand) *(Note 15*);

- inventories with a carrying amount of BGN 10,380 thousand as at 31 March 2024 (31 December 2023: BGN 10,644 thousand) *(Note 13*);

- special pledge on shares in the capital of a subsidiary with carrying amount as at 31 March 2024 of BGN 10,050 thousand (31 December 2023: 10,050) (*Note 16*).

- inventories with book value as of 31.03.2024: BGN 7,000 thousand. (31.12.2023: BGN 7,000 thousand) (*Note No. 21*);

(b) under loans to associates

- Mortgage of real estate as of 31.03.2024: none (31.12.2023: BGN 14,107 thousand) (Appendix No. 13);

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

Company	**Maturity period**	**Currency**	**Contracted amount**		**Amount guaranteed as at 31.12.2023**
			Original currency	**BGN'000**	**BGN'000**
Sopharma Trading AD	2024 - 2025	BGN	137,125	137,125	99,389
Sopharma Trading AD	2024 -2025	EUR	65,000	127,129	69,198
Sopharma Trading doo, Belgrade	2025 - 2026	EUR	35,010	68,474	51,923
Doverie Obedinen Holding AD	2027	BGN	30,000	30,000	15,019
Energoinvestment AD	2024	BGN	2,000	2,000	1,550
Total					**237,079**

40. RESTATEMENT RESULTING FROM MERGER

The introductory report on the financial status of Sopharma AD as a result of the merger on 01.01.2023 has been prepared based on the balance sheet values of the assets and liabilities of the two companies from their individual financial statements as of 31.12.2022.

42.1. Opening statement of financial position as at the date of merger – 1 January 2023

The opening statement of financial position of Sopharma AD resulting from the merger dated 1 January 2023 is prepared based on the carrying amount of the two companies' assets and liabilities, as per their separate statements of financial position as at 31 December 2022.

As far as the date of accounting for the merger is 1 January 2023, the data in the statement of financial position as of that date correspond to the data for the comparable comparative period as of 31 December 2022.

The assets and liabilities of the two companies, combined as of the accounting date of the merger 1January2023, in terms of structure and size, are as follows:

STATEMENT OF FINANCIAL POSITION	**Sopharma AD**	**Biopharm Engineering AD**	**Adjustments at merger**	**Combined statement of financial position**
	31 December 2022 BGN'000	**31 December 2022 BGN'000**	**31 December 2022 BGN'000**	**31 December 2022 BGN'000**
ASSETS				
Non-current assets				
Property, plant and equipment	217,894	11,738	268	229,900
Intangible assets	4,247	-	-	4,247
Investment property	49,267	-	-	49,267
Investments in subsidiaries	90,235	-	(7,111)	83,124
Investments in associates and joint ventures	69,372	-	-	69,372
Other long-term equity investments	4,706	-	-	4,706
Long-term receivables from related parties	67,471	-	-	67,471
Other long-term receivables	3,526	-	-	3,526
	506,718	**11,738**	**(6,843)**	**511,613**
Current assets				
Inventories	82,618	142	-	82,760
Receivables from related parties	74,682	6	(6,647)	68,041
Trade receivables	18,095	26	(6)	18,115
Loans granted to third parties	8,317	-	-	8,317
Other receivables and prepayments	6,057	21	-	6,078
Cash and cash equivalents	4,761	132	-	4,893
	194,530	**327**	**(6,653)**	**188,204**

TOTAL ASSETS	**701,248**	**12,065**	**(13,496)**	**699,817**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	134,798	5,540	(5,540)	134,798
Premium reserve	-	1,091	(1,091)	-
Treasury shares	(52,203)	-	-	(52,203)
Reserves	461,449	788	(634)	461,603
Other equity components	12,488	-	-	12,488
Retained earnings	43,843	(8,596)	1,022	36,269
	600,375	**(1,177)**	**(6,243)**	**592,955**
LIABILITIES				
Non-current liabilities				
Long-term bank loans	-	1,860	-	1,860
Deferred tax liabilities	4,728	375	(5)	5,098
Government grants	3,587	2,409	-	5,996
Lease liabilities to related parties	14,739	-	-	14,739
Lease liabilities to third parties	594	-	-	594
Retirement benefit obligations	4,192	148	-	4,340
	27,840	**4,792**	**(5)**	**32,627**
Current liabilities				
Short-term bank loans	11,734	-	-	11,734
Current portion of long-term bank loans	-	468	-	468
Trade payables	40,031	18	-	40,049
Payables to related parties	2,632	7,248	(7,248)	2,632
Tax payables	885	7	-	892
Payables to personnel and for social security	9,410	394	-	9,804
Other current liabilities	8,341	8	307	8,656
Government grants	-	307	(307)	-
	73,033	**8,450**	**(7,248)**	**74,235**
TOTAL LIABILITIES	**100,873**	**13,242**	**(7,253)**	**106,862**
TOTAL EQUITY AND LIABILITIES	**701,248**	**12,065**	**(13,496)**	**699,817**

The adjustments made to the statements of financial position of the two companies for the purpose of combining them are mainly the result of: a) unification of the accounting policy and b) elimination of the investments in a subsidiary and of intra-group accounts and balances between the companies, including the effects on deferred taxes related thereto. The net effect on retained earnings as at 1 January 2023 is a loss of BGN 7,574 thousand.

40.2.Comparatives

In the financial statement for 2024 of Sopharma AD (the receiving company), a recalculation of the comparative data for the first quarter of 2023 was made. These recalculations were made to consolidate the data in: a) the statement of comprehensive income for the period ending on March 31 2023; (b) the statement of cash flows for the period ending 31 March 2023 of the two companies as if the transferring and receiving companies had always been merged.

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

a) statement of comprehensive income for the year ended 31 December 2022:

STATEMENT OF COMPREHENSIVE INCOME	**Sopharma AD**	**Biopharm Engineering AD**	**Adjustments at merger**	**Combined statement of comprehensive income**
	2023	**2023**	**2023**	**2023**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Revenue	64,625	105	(33)	64,697
Other operating income/(losses), net	950	82	30	1,062
Changes in finished goods and work-in-progress inventories	2,478	84	-	2,562
Raw materials expenses	(18,894)	(95)	-	(18,989)
Hired services expense	(9,319)	(117)	3	(9,433)
Staff costs	(16,324)	(322)	-	(16,646)
Depreciation expense	(4,728)	(300)	-	(5,028)
Other operating expenses	(696)	(3)	-	(699)
Profit from operations	**18,092**	**(566)**	**-**	**17,526**
Finance income	1,017	-	(64)	953
Finance costs	(820)	(82)	64	(838)
Finance income/(costs), net	**197**	**(82)**	**-**	**115**
				-
Profit before income tax	**18,289**	**(648)**	**-**	**17,641**
Income tax expense	(1,844)	-	13	(1,831)
Net profit for the year	**16,445**	**(648)**	**13**	**15,810**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net change in the fair value of other long-term equity investments	(1,957)	-	-	(1,957)
Other comprehensive income for the year, net of tax	**(1,957)**	**-**	**-**	**(1,957)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**14,488**	**(648)**	**13**	**13,853**

The effect on the total comprehensive income for 2023 as a result from the merger of the subsidiary amounts to BGN 635 thousand, formed as follows:

a) the total comprehensive income for the year of Biopharm Engineering AD is a loss of BGN 648 thousand;

b) the effects of the eliminations of intragroup transactions between the two companies and the deferred tax related thereto amount to a profit of BGN 13 thousand.

Statement of cash flows for the year ended 31 March 2023:

STATEMENT OF CASH FLOWS	Sopharma AD	Biopharm Engineering AD	Adjustments at merger	Combined statement of cash flows
	2023 BGN'000	2023 BGN'000	2023 BGN'000	2023 BGN'000
Cash flows from operating activities				
Cash receipts from customers	47,603	188	-	47,791
Cash paid to suppliers	(44,682)	(213)	-	(44,895)
Cash paid to employees and for social security	(14,780)	(285)	-	(15,065)
Taxes paid (except income taxes)	(1,992)	(1)	-	(1,993)
Taxes refunded (except income taxes)	881	11	-	892
Interest and bank charges paid on working capital loans	(210)	-	-	(210)
Foreign currency exchange gains/(losses), net	(121)	-	-	(121)
Other proceeds/(payments), net	(121)	4	-	(117)
Net cash flows from operating activities	**(13,422)**	**(296)**	**-**	**(13,718)**
Cash flows from investing activities				
Purchases of property, plant and equipment	(2,883)	(12)	-	(2,895)
Proceeds from sales of property, plant and equipment	7	-	-	7
Purchases of intangible assets	(228)	-	-	(228)
Purchases of other long-term capital investments	(657)	-	-	(657)
Proceeds from the sale of other long-term capital investments	40	-	-	40
Loans granted to related enterprises	(22,920)	-	455	(22,465)
Reimbursed loans granted to related enterprises	20,000	-	-	20,000
Loans granted to other enterprises	(2,740)	-	-	(2,740)
Interest received on loans granted	109			109
Proceeds from guarantor contract fees	49	-	-	49
Net cash flows from/(used in) investing activities	**(9,223)**	**(12)**	**455**	**(8,780)**
Cash flows from financing activities				
Repayment of long-term bank loans	-	(157)	-	(157)
Receipts / (Disbursements) from short-term bank loans (overdraft), net	22,756	-	-	22,756
Loans received from related parties	-	455	(455)	-
Interest and fees paid on loans for investment purposes	-	(21)	-	(21)
Dividends paid and unexercised warrants	(2)	-	-	(2)
Lease payments to related parties	(482)	-	-	(482)
Payments under leasing contracts to third parties	(274)	-	-	(274)

Received government funding for agricultural land	4	-	-	4
Net cash flows used in financing activities	**22,002**	**277**	**(455)**	**21,824**
Net increase/(decrease) in cash and cash equivalents	**(643)**	**(31)**	**-**	**(674)**
Cash and cash equivalents at 1 January	4,761	132	-	4,893
Cash and cash equivalents at 31 March 2024	**4,118**	**101**	**-**	**4,219**

The adjustments made in the statement of cash flows are primarily the result of the elimination of cash flows related to intragroup transactions between the two companies.

41. FINANCIAL RISK MANAGEMENT

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

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

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

The structure of financial assets and liabilities is as follows:

Categories of financial instruments

Financial assets	***31.03.2024*** ***BGN '000***	***31.12.2023*** ***BGN '000***
Financial assets at fair value through other comprehensive income, incl.:	***11,801***	***3,870***
Equity investments	*11,801*	*3,870*
Financial assets at amortised cost, incl.:	***312,137***	***286,744***
Receivables and loans granted, incl:	*308,235*	*181,390*
Long-term receivables from related parties	42,199	62,664
Other long-term receivables	3,435	3,357

Receivables from related parties	87,436	84,644
Trade receivables	21,690	18,784
Loans to third parties	11,263	11,203
Other current receivables	142,212	738
Cash and cash equivalents	*3,902*	*105,354*
Total financial assets	**323,938**	**290,614**

Financial liabilities	***31.03.2024 BGN '000***	***31.12.2023 BGN '000***
Financial liabilities at amortised cost, incl.:		
Long-term and short-term bank loans	***96,150***	***81,390***
Lease liabilities to related parties	***16,372***	***16,507***
Lease liabilities to third parties	***3,054***	***3,195***
Other loans and liabilities, incl.:	***155,836***	***164,131***
Trade payables	12,047	21,269
Payables to related parties	99,260	98,310
Other current payables	44,529	44,552
Total financial liabilities	**271,412**	**265,223**

At 31 March 2024, recognised liabilities under financial guarantees amount at BGN 674 thousand (31 December 2023: BGN 674 thousand) (*Note 38*).

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

	2024 BGN '000	***2023 BGN '000***
Loans granted at amortised cost (*Note 11*)	510	462
Total	**510**	**462**

Credit risk

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

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

Trade receivables

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

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

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

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

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

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

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

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

In view of the short-term horizon of receivables, the management's analysis of scenarios shows that the impact of changes in the macroeconomic environment on the provisioning matrix are insignificant in their amount as at 31 December 2023.

Court and awarded receivables

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

Loans, guarantor contracts and financial guarantees granted

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

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

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

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

Quantitative criteria:

- An increase in the probability of default (PD) for the financial instrument's lifetime at the reporting date versus the possibility of default for the instrument's lifetime at the date on which the asset was initially recognised

- Payment is past due for over 30 days, but less than 90 days, past due

- An actual or expected significant adverse change in the debtor's operating result, above the permissible change range, measured based on the debtor's main financial and operating indicators

- A significant change in the value of the collateral, which is expected to increase the loss and risk of default.

Qualitative criteria:

- Significant adverse changes in the business, financial and/or economic conditions of the debtor;

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

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

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

Quantitative criteria

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

Qualitative criteria

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

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

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

Expected credit losses have been determined by discounting the product of: the probability of default (PD), exposure at default (EAD), and the loss given default (LGD), determined as follows:

- PD is the probability of the debtor not meeting their financial obligations, either over the next 12 months, or over the financial asset's lifetime (lifetime PD) determined based on public PD data from generally accepted sources and statistical models of the impact of forecast macroeconomic factors. Moreover, the Company's management has conducted historical analysis and has identified the main economic variables impacting credit risk and expected credit losses per loan (portfolio) type.

- EAD is the amount payable to the Company by the debtor at default, over the next 12 months or over the remaining period of the loan, determined in accordance with the specific instrument's characteristics (amount due, repayment plans, interest, term, etc.).

- LGD is the Company's expectation for the amount of loss from a non-performing exposure. LGD varies depending on the type of counterpart, the type and superiority of the claim and the presence of collateral or other credit support. LGD is measured as a loss percentage for an open exposure at default.

- The discount rate used to calculate expected credit losses (ECL) is the instrument's initial effective interest or in the case of financial guarantees and other instruments without an applicable interest rate – the risk-free rate for the respective period, currency, etc.

The Company applies a number of policies and practices to lower the credit risk from loans granted. Most frequently, it accepts collateral. The Company assigns valuation to external experts – independent valuators, of the collateral received, as part of the process of granting loans. This valuation is reviewed on a periodic basis, but at least once per year.

The table below presents the quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the maximum exposure to credit risk according to the credit rating adopted as at 31 March 2023:

Financial assets	*Notes*	*Internal credit risk categorisation*	*Expected credit losses (IFRS 9)*	*Gross carrying amount BGN '000*	*Impairment loss (allowance) BGN '000*	*Carrying amount at 31 March 2024 BGN '000*
Trade receivables from related parties	22	N/A	*For a 12-month period*	78,640	(4,194)	74,446
Long-term loans granted to related parties	19	Regular Stage 1	*Lifetime (credit-impaired)*	28,332	(117)	28,215
Trade receivables from third parties	20,23	N/A	*For a 12-month period*	23,955	(3,664)	20,291
Short-term loans to related parties	22	Renegotiated Stage 2	*Lifetime (credit-impaired)*	15,611	(2,699)	12,912
Short-term loans to third parties	24 (a)	Renegotiated Stage 2	*Lifetime (credit-impaired)*	11,346	(83)	11,263

Claims for refundable equity contributions	19	N/A	*For a 12-month period*	9,553	-	9,553
Receivables under contracts of assignment from third parties	23	N/A	*For a 12-month period*	4,890	(56)	4,834
Receivables under assignment agreements from related parties	22	Regular Stage 1	*Lifetime (credit-impaired)*	3,915	-	3,915
Receivables from deposits provided under leasing contracts	19	N/A	*For a 12-month period*	516	-	516
Receivables under provided guarantees то related parties	22	N/A	*For a 12-month period*	82	(4)	78
Other receivables from related parties	22	N/A	*For a 12-month period*	160	(160)	-
Total:				**177,000**	**(10,977)**	**166,023**

The table below presents the quality of the Company's financial assets, contract assets and financial guarantee contracts, as well as the maximum exposure to credit risk according to the credit rating adopted as at 31 December 2023:

Financial assets	***Notes***	***Internal credit risk categorisation***	***Expected credit losses (IFRS 9)***	***Gross carrying amount BGN '000***	***Impairment loss (allowance) BGN '000***	***Carrying amount at 31 December 2023 BGN '000***
Trade receivables from related parties	22	N/A	*For a 12-month period*	75,954	(4,194)	71,760
Long-term loans granted to related parties	19	Regular Stage 1	*Lifetime (credit-impaired)*	49,070	(117)	48,953
Trade receivables from third parties	20,23	N/A	*For a 12-month period*	20,971	(3,664)	17,307
Short-term loans to related parties	22	Renegotiated Stage 2	*Lifetime (credit-impaired)*	14,976	(2,169)	12,807
Short-term loans to third parties	24 (a)	Renegotiated Stage 2	*Lifetime (credit-impaired)*	11,286	(83)	11,203
Claims for refundable equity contributions	19	N/A	*For a 12-month period*	9,311	-	9,311

Receivables under contracts of assignment from third parties	23	N/A	*For a 12-month period*	4,890	(56)	4,834
Receivables under assignment agreements from related parties	22	Regular Stage 1	*Lifetime (credit-impaired)*	3,884	-	3,884
Receivables from deposits provided under leasing contracts	19	N/A	*For a 12-month period*	516	-	516
Receivables under provided guarantees то related parties	22	N/A	*For a 12-month period*	81	(4)	77
Other receivables from related parties	22	N/A	*For a 12-month period*	160	(160)	-
Total:				**191,099**	**(10,447)**	**180,652**

The table below provides information about the Company's exposure to credit risk and the impairment for expected credit losses on loans granted and trade receivables as at 31 March 2024:

Category	***Internal credit risk categorisation***	***Average expected impairment loss %***	***Gross carrying amount at 31 March 2023***	***Impairment loss (allowance) at 31 March 2024***
			BGN '000	***BGN '000***
Regular trade receivables (Stage 1)	*N/A*	*7.66%*	102,595	(7,858)
Regular loans (Stage 1)	B3	*0.46%*	25,231	(117)
Renegotiated loans (Stage 2)	B3	*0.75%*	11,123	(83)
Receivables from recoverable capital contributions	*N/A*	*0.00%*	9,553	-
Renegotiated loans (Stage 2)	Caa1	*0.03%*	9,022	(3)
Regular loans (Stage 1)	Ba3	*0.00%*	3,102	-
Receivables under cession agreements from third parties	*N/A*	*1.15%*	4,890	(56)
Regular loans (Stage 1)	Baa3	*0.00%*	4,115	-
Receivables under cession agreements from related parties	*N/A*	*0.00%*	3,915	-
Renegotiated loans (Stage 2)	Caa1	*100.00%*	2,681	(2,681)
Receivables under deposits for leases	*N/A*	*0.00%*	516	-
Uncollectable trade receivables (court and awarded receivables)	*N/A*	*100.00%*	481	(481)

Other receivables from related parties	*N/A*	*100.00%*	160	(160)
Receivables under guarantor contracts and guarantees to related parties	*N/A*	*4.88%*	82	(4)
Regular loans (Stage 1)	*Caa1*	*100.00%*	15	(15)
Total:			**177,481**	**(11,458)**

The table below provides information about the Company's exposure to credit risk and the impairment for expected credit losses on loans granted and trade receivables as at 31 December 2023:

Category	***Internal credit risk categorisation***	***Average expected impairment loss %***	***Gross carrying amount at 31 December 2023 BGN '000***	***Impairment loss (allowance) at 31 December 2023 BGN '000***
Regular trade receivables (Stage 1)	*N/A*	*8.11%*	96,925	(7,858)
Regular loans (Stage 1)	B3	*0.45%*	43,788	(196)
Renegotiated loans (Stage 2)	B3	*0.05%*	8,282	(4)
Receivables for refundable equity contributions	*N/A*	*0.00%*	9,311	-
Regular loans (Stage 1)	B3	*0.00%*	8,052	-
Receivables under cession agreements from third parties	*N/A*	*1.15%*	4,890	(56)
Regular loans (Stage 1)	Baa3	*0.00%*	4,067	-
Receivables under cession agreements from related parties	*N/A*	*0.00%*	3,884	-
Renegotiated loans (Stage 2)	Caa1	*19.36%*	11,129	(2,155)
Receivables under deposits for leases	*N/A*	*0.00%*	516	-
Uncollectable trade receivables (court and awarded receivables)	*N/A*	*100.00%*	481	(481)
Other receivables from related parties	*N/A*	*100.00%*	160	(160)
Receivables under guarantor contracts and guarantees to related parties	*N/A*	*4.94%*	81	(4)
Regular loans (Stage 1)	Caa1	*100.00%*	15	(15)
Total:			**191,581**	**(10,929)**

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

	31.03.2024	*31.12.2023*
Client 1	32%	42%
Client 2	48%	39%

The Company monitors concentration of receivables from related parties on a current basis by applying credit limits and additional collaterals in the form of pledge on securities and other assets and applying promissory notes.

The Company has concentration of trade receivables from one client which is not a related party, at the amount of 15% of all trade receivables (31 December 2023: trade receivables from one client which is not a related party – 32%).

Cash

The Company's cash and payment operations are concentrated in different first-class banks. To calculate expected credit losses for cash and cash equivalents, it applies a model based on the bank's public ratings as determined by internationally recognised rating firms like Moody's, Fitch, S&P, BCRA and Bloomberg and the reference public data about PD referring to the rating of the respective bank. The management monitors changes in a bank's rating on an ongoing basis in order to assess the presence of increased credit risk, ensure the current management of incoming and outgoing cash flows and the allocation of cash in the bank accounts and banks.

Foreign currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. The Company supplies part of its basic raw and other materials in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The remaining part of Company's operations is usually denominated in BGN and/or EUR. The Company sells a significant part of its finished products in Euro and thus eliminates the currency risk. The accounts and balances with the subsidiaries in Ukraine are also denominated in Euro. Nevertheless, in relation with the instability in the country and the devaluation of the Ukrainian Hryvnia, for the purpose of mitigating the currency risk the Company, through its subsidiaries, exercises currency policy that includes the immediate translation in EUR of proceeds in a local currency as well as using higher trade margins to compensate eventual future devaluation of the Hryvnia.

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

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

31 March 2024	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN'000***	***BGN '000***
Equity investments	9,019	-	2,782	-	11,801
Receivables and loans granted	6,716	36,886	255,075	9,569	308,246
Cash and cash equivalents	511	2,548	315	517	3,891
Total financial assets	**16,246**	**39,434**	**258,172**	**10,086**	**323,938**
Long-term and short-term bank loans	-	27,745	68,405	-	96,150
Lease liabilities to related parties	-	16,372	-	-	16,372
Lease liabilities to third parties	266	2,563	64	161	3,054
Other loans and payables	2,599	4,979	147,911	347	155,836
Total financial liabilities	**2,865**	**51,659**	**216,380**	**508**	**271,412**

31 December 2023	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN'000***	***BGN '000***
Equity investments	13	-	3,857	-	3,870
Receivables and loans granted	7,854	35,765	128,455	9,316	181,390
Cash and cash equivalents	958	103,450	888	58	105,354
Total financial assets	**8,825**	**139,215**	**133,200**	**9,374**	**290,614**
Long-term and short-term bank loans	-	27,065	54,325	-	81,390
Lease liabilities to related parties	-	16,507	-	-	16,507
Lease liabilities to third parties	297	2,647	76	175	3,195
Other loans and payables	4,672	8,466	149,566	1,427	164,131

Total financial liabilities	**4,969**	**54,685**	**203,967**	**1,602**	**265,223**

Foreign currency sensitivity analysis

The effect of Company's sensitivity to 10% increase/decrease in current exchange rates of BGN to USD and to other currency exposures, based on the structure of foreign currency assets and liabilities at 31 December and on the assumption that the influence of all other variables is ignored, is presented below. The final effect has been measured and presented as impact on the post-tax financial result and on the equity.

		USD	
		31.03.2024 BGN '000	**31.03.2023 BGN '000**
Financial result	+	1,204	216
Accumulated profits	+	1,204	216
Financial result	-	(1,204)	(216)
Accumulated profits	-	(1,204)	(216)

In case of 10% increase in the exchange rate of USD to BGN, the final effect on post-tax profit of the Company for 2024 would be an increase by BGN 1,204 thousand (7,90 %) (2023: increase at the amount of BGN 216 thousand) (1,37 %). The same effect in terms of value would be seen on equity – 'retained earnings' component.

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

The impact of the other currencies (outside of the US dollar) with a 10% increase in their exchange rates to the Bulgarian lev is insignificant on the company's profit (after tax). The final effect on it for 2024 is in the direction of a reduction in the amount of BGN 61 thousand. (- 0.40%) (for 2023: in the direction of a decrease in the amount of BGN 141 thousand (- 0.89%). The effect on equity is of the same value and in the direction of increase/decrease and is reflected in the component "retained earnings".

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

Price risk

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

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

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

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

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

Liquidity risk

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

The Company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the Company is its main economic activity generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. To isolate any possible liquidity risk, the Company implements a system of alternative mechanisms of acts and prognoses, the final aim being to maintain good liquidity and, respectively, ability to finance its economic activities. This is complemented by the monitoring of due dates and maturity of assets and liabilities as well as control of cash outflows.

Maturity analysis

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

31 March 2024	**up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**over 5 years**	***Total***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN '000***	***BGN '000***	***BGN '000***
Long-term and short-term bank loans	22,394	676	40,656	1,500	27,574	4,981	1,203	**98,984**
Lease liabilities to related parties	166	332	497	995	1,992	5,976	7,329	**17,287**
Lease liabilities to third parties	68	135	204	408	821	1,534	-	**3,170**

Other loans and payables	7,270	3,901	144,652	13	-	-	-	**155,836**
Total liabilities	**29,898**	**5,044**	**186,009**	**2,916**	**30,387**	**12,491**	**8,532**	**275,277**

31 December 2023	**up to 1 month** *BGN'000*	**1 to 3 months** *BGN'000*	**3 to 6 months** *BGN'000*	**6 to 12 months** *BGN'000*	**1 to 2 years** *BGN'000*	**2 to 5 years** *BGN '000*	**Over 5 years** *BGN'000*	**Total** *BGN '000*
Long-term and short-term bank loans	300	453	669	45,834	28,060	243	9,535	**85,094**
Lease liabilities to related parties	161	321	482	965	1,929	5,786	7,796	**17,440**
Lease liabilities to third parties	82	169	276	491	799	1,510	-	**3,327**
Other loans and payables	158,363	3,944	1,234	590	-	-	-	**164,131**
Total liabilities	**158,906**	**4,887**	**2,661**	**47,880**	**30,788**	**7,539**	**17,331**	**269,992**

Risk of interest-bearing cash flows

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

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

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

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

31 March 2024	interest-free	with floating interest %	with fixed interest %	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Equity investments	11,801	-	-	11,801
Receivables and loans granted	244,801	-	63,434	308,235
Cash and cash equivalents	136	3,766	-	3,902
Total financial assets	**256,738**	**3,766**	**63,434**	**323,938**
Long-term and short-term bank loans	-	96,150	-	96,150
Lease liabilities to related parties	-	-	16,372	16,372
Lease liabilities to third parties	-	56	2,998	3,054
Other loans and liabilities	155,836	-	-	155,836
Total financial liabilities	**155,836**	**96,206**	**19,370**	**271,412**

31 December 2023	interest-free	with floating interest %	with fixed interest %	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Equity investments	3,870	-	-	3,870
Receivables and loans granted	97,935	-	83,455	181,390
Cash and cash equivalents	264	5,088	100,002	105,354
Total financial assets	**102,069**	**5,088**	**183,457**	**290,614**
Long-term and short-term bank loans	80	81,310	-	81,390
Lease liabilities to related parties	-	-	16,507	16,507
Lease liabilities to third parties	-	62	3,133	3,195
Other loans and liabilities	164,131	-	-	164,131
Total financial liabilities	**164,211**	**81,372**	**19,640**	**265,223**

The table below demonstrates the Company's sensitivity to possible changes in interest rates by 0,50 points based on the structure of assets and liabilities as at 31 March/31 December and with the assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result after taxes and on equity.

2024

	Increase/ decrease in interest rate	***Impact on post-tax financial result profit/(loss)***	***Impact on equity increase/(decrease)***
EUR	Increase	(210)	(210)
BGN	Increase	(309)	(309)
AZN	Increase	(1)	(1)
USD	Increase	(1)	(1)
EUR	Decrease	210	210
BGN	Decrease	309	309
AZN	Decrease	1	1
USD	Decrease	1	1

2023

	Increase/ decrease in interest rate	***Impact on post-tax financial result profit/(loss)***	***Impact on equity increase/(decrease)***
EUR	Increase	(208)	(208)
BGN	Increase	(246)	(246)
AZN	Increase	(1)	(1)
USD	Increase	(1)	(1)
EUR	Decrease	208	208
BGN	Decrease	246	246
AZN	Increase	1	1
USD	Decrease	1	1

Capital risk management

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

The Company currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total amount of employed capital. Net debt is calculated as the difference between total borrowings, as presented in the statement of financial position, and cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt.

In 2024, the strategy of the Company management was to maintain the ratio about 10 % - 15 % (2023: 1 % – 5 %).

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

	2024 *BGN '000*	*2023* *BGN '000*
Total borrowings, including:	**115,576**	**101,092**
bank loans	*96,150*	*81,390*
lease liabilities to related parties	*16,372*	*16,507*
lease liabilities to third parties	*3,054*	*3,195*
Less: Cash and cash equivalents	**(3,902)**	**(105,354)**
Net debt	**111,674**	**(4,262)**
Total equity	**617,204**	**576,125**
Total capital	**728,878**	**571,863**
Gearing ratio	**0.15**	**(0.01)**

The cash and liabilities shown in the table are disclosed in *Notes 25, № 27, № 30, № 31, № 33, № 35 and № 38.*

Fair value measurement

The fair value concept presumes realisation of financial assets through a sale based on the position, assumptions and judgments of independent market participants in a principal or most advantageous market for a particular asset or liability. The Company acknowledges as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks – dealers, and for some specific instruments – direct transactions between the parties. However, in most cases especially in regard of trade receivables and payables as well as loans and deposits, the Company expects to realise these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at amortised cost.

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables, short-term loans) or are presented in the statement of financial position at market value determined by applying a particular valuation method (investments in securities, loans with floating interest rate) and therefore, their fair value is almost equal to their carrying amount. Therefore, they are presented at acquisition cost

(cost). With regard to loans, extended with fixed interest rate, the method used for setting this rate uses as a starting point for the calculations the current observations of the Company with regard to the market interest levels.

As far as the Bulgarian market of various financial instruments is still not sufficiently active – with stability, satisfactory volumes and liquidity for purchases and sales of certain financial assets and liabilities – there are no sufficient and reliable market price quotations for them, and for this reason, the Company uses other alternative valuation methods and techniques.

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

42. RELATED PARTY TRANSACTIONS

The companies related to Sopharma AD and the type of their relationship are as follows:

Related parties	***Relation type***	***Relation period***
Donev Investments Holding AD	Shareholder with significant influence	2023 and 2024
Telecomplect Invest AD	Shareholder with significant influence	2023 and 2024
Sopharma Trading AD	Subsidiary company	2023 and 2024
Pharmalogistica AD	Subsidiary company	2023 and 2024
Sopharma Poland OOD – in liquidation	Subsidiary company	2023 and 2024
Electroncommerce EOOD	Subsidiary company	2023 and 2024
Vitamina AD	Subsidiary company	2023 and 2024
Momina Krepost AD	Joint venture	2023 and 2024
Sopharma Warsaw EOOD	Subsidiary company	2023 and 2024
Sopharma Ukraine EOOD	Subsidiary company	2023 and 2024
TOO Sopharma Kazakhstan	Subsidiary company	2023 and 2024
Phyto Palauzovo AD	Subsidiary company	2023 and 2024
Veta Pharma AD	Subsidiary company	2023 and 2024
Pharmachim EOOD	Subsidiary company	2023 and 2024
Sopharma Rus OOO	Subsidiary company	from 13.10.2023 and 2024
Sopharma Trading OOD, Serbia	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 2 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 3 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 4 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 5 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 6 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 7 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 8 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 9 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 10 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 11 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024

Sopharmacy 12 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 13 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 14 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 15 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 16 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 17 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 18 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 19 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 20 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 21 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 22 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 23 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 24 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 25 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 26 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 27 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 28 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 29 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 30 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 31 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 32 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 33 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 34 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 35 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 36 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 37 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 38 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 39 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 40 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 41 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 42 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 43 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 44 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 45 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 46 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 47 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 48 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 49 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 50 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 51 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 52 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 53 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 54 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 55 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 56 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 57 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 58 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 59 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 60 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 61 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 62 EOOD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharmacy 63 EAD	Subsidiary company through Sopharma Trading AD	2023 and 2024

Sopharmacy 64 AD	Subsidiary company through Sopharma Trading AD	2023 and 2024
Sopharma Properties REIT	Associate	2023 and 2024
Doverie Obedinen Holding AD	Associate	2023 and 2024
Sopharma Buildings REIT	Associate	from 08.09.2023 and 2024
Pharmanova d.o.o, Serbia	Associate	from 10.11.2023 and 2024
Companies at DOH Group	Companies controlled by an associate	2023 and 2024
Sofprint Group AD	Company related through key management personnel	2023 and 2024
Sofconsult Group AD	Company related through key management personnel	2023 and 2024
VES Electroinvest Systems EOOD	Company related through key management personnel	2023 and 2024
Eco Solar Invest OOD	Company related through key management personnel	2023 and 2024
Alpha In EOOD	Company related through key management personnel	2023 and 2024
Consumpharm OOD	Company related through key management personnel	2023 and 2024
Veterenary Diagnostics DZZD	Civil consortia (direct interest)	2023 and 2024

The sales made by Sopharma AD to the related companies during the year ended 31 March are as follows:

Sales to related parties ***BGN '000***	***2024***	***2023***
Sales of finished products to:		
Subsidiaries	32,397	33,095
	32,397	**33,095**
Sales of goods and materials:		
Subsidiaries	2,147	341
Companies related through key management personnel	451	326
	2,598	**667**
Sales of services to:		
Subsidiaries	750	601
Associates	3	2
Companies related through key management personnel	2	1
	755	**604**
Interest on loans granted to:		
Companies controlled by an associate	466	590
Subsidiaries	20	12
Joint ventures	-	104
Associates	-	15
	486	**721**
Fees under guarantor contracts and guarantees to:		
Subsidiaries	79	128
	79	**128**

Interest under contracts for assignments of:		
Joint ventures	32	31
	32	**31**
Interest on refundable equity contributions of:		
Subsidiaries	183	-
	183	**-**
Total sales to related parties:	**36,530**	**35,246**

The purchases made by Sopharma AD from its related companies for the year ended 31 March are as follows:

Purchases from related parties	***2024***	***2023***
	BGN '000	***BGN '000***
Purchases of inventories from:		
Companies related through key management personnel	3,403	2,604
Joint ventures	55	-
Subsidiaries	37	43
Associates	21	27
Companies controlled by an associate	5	14
	3,521	**2,688**
Supply of services from:		
Subsidiaries	1,125	847
Shareholding companies with significant influence	166	148
Companies controlled by an associate	163	177
Associates	111	100
Companies related through key managing personnel	25	59
	1,590	**1,331**
Purchases related to lease agreements from:		
Associates	498	482
	498	**482**
Other supplies from:		
Companies controlled by an associate	4	3
	4	**3**
Total purchases from related parties	**5,613**	**4,504**

The stocks/shares sold and acquired in the capital of entities related to Sopharma AD as at 31 March are as follows:

Income from sales of investments in:	***2024 BGN'000***	***2023 BGN'000***
Associates	133	-
	133	**-**

The accounts and balances with related parties are presented in *Notes 19, № 22, № 30 and № 35*.

The composition of key personnel is disclosed in *Note 1*.

Salaries and other short-term income of the key management personnel are current in the amount of BGN 232 thousand. (2023: BGN 290 thousand).

43. EVENTS AFTER THE REPORTING PERIOD

The company acquired 84,312 corporate bonds of Doverie United Holding AD, which were registered in the Central Depository on 02 April 2024. They were admitted to trading on the Bulgarian Stock Exchange AD on 23 April 2024 (Note 24 b).

On 16 April 2024, the Financial Supervision Commission notified the company by letter No. RG – 05 – 684 – 2 on the basis of Art. 125 in connection with Art. 89 r, para. 2 of the LPOS that it should submit additional information within one month, data and documents regarding the requested merger "Veta Pharma" AD.

No other significant events have occurred after the reporting period date that would require additional corrections and/or disclosures in the Company's individual financial statements for the period ending 31 March, 2024.