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1. INFORMATION ABOUT THE COMPANY

Sopharma AD is a commercial company registered in Bulgaria with its registered office and principal place of business at 16 Iliensco Shose Street, Sofia. The company was entered in the Commercial Register on April 11, 2008, with EIK 831902088.

The company was judicially registered on November 15, 1991, by Decision No. 1/1991 of the Sofia City Court.

1.1. Ownership and Management

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

As of June 30, 2026, the breakdown of the company's share capital is as follows:

	%
Donev Investments Holding AD	40.25
Telecomplect Invest AD	16.75
Sopharma AD (treasury shares)	0.14
Other legal entities	27.50
Ognian Ivanov Donev	9.09
Other individuals	6.27

Sopharma AD has a single-tier management system with a five-member Board of Directors. The company's management, represented by the Board of Directors, consists of the following members:

Ognian Donev, Ph.D.	Chairman
Vesela Stoeva	Deputy Chairman
Bisera Lazarova	Member
Alexander Chaushev	Member
Boris Borisov	Member

The company is represented and managed by the CEO, Dr. Ognian Donev.

The Audit Committee supports the work of the Board of Directors and acts as the body responsible for overall management, monitoring, and overseeing the company's internal control system, risk management, and financial reporting system.

The Audit Committee consists of the following members:

Vasil Naydenov	Chair
Tsvetanka Zlateva	Member
Kristina Atanasova-Elliott	Member

Pursuant to a commercial management agreement dated June 9, 2020, Simeon Donev serves as the company's procurator.

The average number of employees on the company's payroll for 2026 was 1,656 (2025: 1,713).

1.2. Scope of Business

The company's scope of business includes the following types of operations and transactions:

- manufacture and sale of active pharmaceutical ingredients and dosage forms;
- research and development, as well as engineering and implementation activities in the field of pharmaceuticals;
- manufacturing and trade in veterinary medical products and the provision of laboratory services related to the testing of animal blood samples—until January 30, 2026;
- manufacture and sale of pharmaceuticals, cosmetic products, and dietary supplements; repackaging of active ingredients, chemical substances, and mixtures.

The company holds a license for the manufacture and import of medicinal products

No. BG/MIA-0543 dated October 30, 2025, issued by the Executive Agency for Medicines (EAM).

The company holds a license for the wholesale distribution of medicinal products

No. BG / WDAIMP - 0583 dated August 7, 2025, issued by the Executive Agency for Medicines (EAM).

1.3. Macroeconomic Environment

The company maintains a stable capital base and debt-to-equity ratio. Management has succeeded in maintaining the company's sound financial condition by keeping its revenues and expenses within reasonable limits.

1.4. Military Conflicts in Ukraine and the Middle East—Impact and Effects

The military conflicts that have arisen in the Middle East, as well as the conflict between Russia and Ukraine, and the related economic sanctions and other measures taken by governments around the world have a significant impact on both the local economies of individual countries and the global economy. Typically, in such conflicts, pharmaceutical products are not subject to sanctions or other restrictions in order to avoid a humanitarian crisis.

The Company's management has not identified any areas in the financial statements on which the military conflict in the Middle East has a direct and material impact or effect, including with respect to the valuation of individual assets and liabilities. The Company has no significant operations in the Middle East.

The Company's operations in Russia and Ukraine are, and could be, limited primarily due to factors such as logistical challenges and restrictions on the free movement of funds. The Company holds investments in two subsidiaries in Ukraine and one subsidiary in Russia. The amounts of the investments in Ukraine are as follows: in the subsidiary Sopharma Ukraine: 4,944 thousand EUR; in the subsidiary Vitamini: 656 thousand EUR. The amount of the investment in the subsidiary Sopharma Rus, Russia, is 22,300 thousand EUR. As of the date of approval of these separate financial statements, the assets of these subsidiaries have not been physically affected by military operations; however, it is possible that the value of these investments may need to be revised in the future, depending on the course of the war and its impact on the companies' operations.

Despite the potential negative economic effects of the war and its escalation into a long and protracted conflict, the company has sufficient current assets and funding to continue as a going concern.

1.5. Climate-Related Issues

The company views environmental protection and mitigating the pace of climate change as part of its corporate social responsibility policy and conducts its operations in compliance with environmental protection

requirements. The Company implements measures for: separate waste collection, minimization, recovery, and recycling of industrial and household waste; and providing appropriate training to staff on issues related to environmental protection and pollution prevention. The company actively invests in renewable sources of electricity for its own consumption.

The Company has identified no significant risks arising from climate change that could affect its assets and liabilities. The Company monitors changes in legislation resulting from climate-related issues and, at this stage, has not identified any potential direct impact on its future cash flows, financial results, or financial position.

2. SIGNIFICANT INFORMATION ON THE COMPANY'S ACCOUNTING POLICIES

2.1. Basis for the Preparation of the Separate Financial Statements

The separate financial statements of SOFARMA AD have been prepared in accordance with all IFRS accounting standards, which consist of: financial reporting standards and interpretations issued by the IFRS Interpretations Committee (IFRIC), as endorsed by the International Accounting Standards Board (IASB), and the International Accounting Standards and interpretations issued by the Standing Interpretations Committee (PIC), approved by the International Accounting Standards Committee (IASC), that are effective as of January 1, 2026, and that have been adopted by the European Commission. IFRS accounting standards adopted by the EU is the generally accepted name for the general-purpose —an accounting framework equivalent to the framework introduced by the definition in § 1, item 8 of the Supplementary Provisions of the Accounting Act under the name “International Accounting Standards” (IAS).

For the current fiscal 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 IFRS Interpretations Committee, which were relevant to its operations.

As a result of the adoption of these standards and/or interpretations, effective for annual periods beginning on January 1, 2026, there have been no changes in the company's accounting policies, except for certain new disclosures and the expansion of existing disclosures, without this leading to any other changes in the measurement of individual reporting items and transactions.

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

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures—Contracts for Electricity Subject to Natural Conditions (effective for annual periods beginning on or after January 1, 2026; adopted by the EC). The amendments introduce requirements for the accounting treatment of contracts relating to electricity from renewable sources, namely: a) factors and requirements are added that an entity must consider when applying paragraph 2.4 of IFRS 9 when accounting for contracts for electricity from renewable sources, in order to clarify under what circumstances the purchase of electricity may be accounted for as “own-use” and benefit from an exemption from the accounting requirements; (b) add requirements for accounting for contracts relating to electricity from renewable sources as hedging instruments; and c) new disclosure requirements are added to enable investors to understand the effect of these contracts on the financial results and cash flows of entities using such contracts.

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures—Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after January 1, 2026, adopted by the European Commission). The amendments relate to: a) clarifying the date of initial recognition and derecognition of certain financial assets and liabilities, and introducing a new exemption for certain financial liabilities settled through an electronic payment system; b) adding additional guidance on assessing whether a financial asset meets the “principal and interest only” (PIO) criterion; c) updating the disclosures for equity instruments measured at fair value through other comprehensive income; and d) adding new disclosures for certain instruments with contractual terms that may change the timing or amount of the contractual cash flows.

- Annual Improvements, Part 11(v): IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures, Guidance on the Implementation of IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after January 1, 2026, as adopted by the EC). These improvements introduce partial amendments to the following standards: A) For IFRS 1—the requirements for hedge accounting by an entity applying IFRS for the first time, in order to align terminology and requirements between IFRS 1 and IFRS 9 regarding hedge accounting. In IFRS 1, the term “conditions” is replaced with the term “criteria,” and references are made to the paragraphs in IFRS 9 relating to hedge accounting; B) For IFRS 7 – 1) in the requirements for disclosing gain or loss on derecognition. The amendment corrects a reference to paragraph 27A of IFRS 7, which was removed from the standard upon the effective date of IFRS 13 Fair Value Measurement, and makes a new reference to the relevant paragraphs in IFRS 13. The term “material information that was not based on data from an observable market” is replaced with “significant adverse input data”; 2) Guidance on the Implementation of IFRS 7: a) The “Introduction” clarifies that the guidance does not illustrate all requirements in the cited paragraphs of IFRS 7; b) In the disclosure of the deferred difference between fair value and transaction cost upon initial recognition of financial instruments, inconsistencies between paragraph NB14 of the guidance and paragraph 28 of IFRS 7, which arose with the effective date of IFRS 13, are corrected; c) in disclosures regarding credit risk, the wording is amended to facilitate a clearer and more accurate understanding of the text; C) For IFRS 9: 1) regarding the derecognition of a lease liability—the improvements add a reference to paragraph 3.3.3 of IFRS 9 to address potential confusion for a lessee applying the derecognition requirements in the standard; 2) regarding transaction price—the term “transaction price” has been deleted from paragraph 5.1.3 and Note A of IFRS 9; in paragraph 5.1.3, the improvements refer to the definition in IFRS 15, as required by the context of that specific paragraph; D) IFRS 10—Identification of a “de facto agent”—the improvements resolve the inconsistencies between paragraphs B73 and B74 of IFRS 10 to eliminate potential confusion regarding the determination of whether entities are acting as de facto agents; E) IAS 7—Cost Method—the improvements remove the term “cost method” from paragraph 37 of IAS 7, as the term no longer exists as a definition in IFRS accounting standards.

- IFRS 18 – Presentation and Disclosure in Financial Statements (effective for annual periods beginning on January 1, 2027; adopted by the European Commission). IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements in IAS 1 that remain unchanged have been transferred to IFRS 18, with minor wording adjustments, or to IAS 8 Accounting Policies, Changes in Accounting Estimates,

and Errors and IFRS 7 Financial Instruments: Disclosures, again with minor adjustments to the wording. The new standard introduces minor changes to IAS 7 Statement of Cash Flows, IAS 33 Earnings Per Share, and IAS 34 Interim Financial Reporting. IFRS 18 focuses primarily on better presenting financial results and aims to improve financial reporting in the statement of profit or loss by: a) changing the structure of the statement of profit or loss by adding certain categories/measures (operating, investing, and financing) and interim aggregates (operating profit and profit before financial income and expenses and income taxes) to the income statement to facilitate comparability and consistency in financial information; (b) a requirement to disclose in the notes to the financial statements management-defined profitability and efficiency measures related to the statement of profit or loss, in order to enhance transparency regarding their calculation and to provide insight into how the entity's management views its financial results; c) adding new principles for grouping (aggregation and disaggregation) of information, and establishing requirements regarding whether the information should be presented as part of the components (elements) of the financial statements or in the notes thereto. Providing principles for the necessary level of detail makes the disclosed information more effective. Although IFRS 18 will not affect how entities calculate their financial results, the standard will introduce changes in how those results are presented and disclosed for all entities.

- IFRS 19

- – Subsidiaries Not Subject to Public Reporting: Disclosure (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the European Commission). IFRS 19 allows subsidiaries that meet certain requirements to provide a simplified scope of disclosures when applying the accounting standards in IFRS s in their financial statements. The simplified disclosure requirements, introduced by IFRS 19, are intended to strike a reasonable balance between the information needs of financial statement users and the costs and effort required to prepare full disclosures under all IFRS accounting standards by qualifying subsidiaries. IFRS 19 is a voluntary standard for qualifying subsidiaries. A subsidiary qualifies if: it is not a public company; and has a ultimate or intermediate parent entity that prepares consolidated financial statements that are available to the public and that meet the requirements for full disclosures under all IFRS accounting standards.

- Amendments to IFRS 19 – Subsidiaries Without Public Financial Statements: Disclosure (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the European Commission). The amendments update the disclosure requirements for new and/or amended standards issued between February 28, 2021, and May 1, 2024, reflecting the principles set forth in IFRS 19 for developing simplified disclosure requirements. The relevant requirements were included in full in the edition of the standard published in May 2024. The amendments introduce reduced disclosure requirements in the following standards: IFRS 18 – Presentation and Disclosure in Financial Statements; Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures—Contracts for Electricity Linked to Natural Conditions; IAS 7 Statement of Cash Flows—Supplier Financing Arrangements; Amendments to IAS 12 Income Taxes—International Tax Reform—Illustrative Rules for the Second-Pillar Model of International Tax Reform; and Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Absence of Exchange Rates.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates—Restatement of Financial Statements in the Presentation Currency of a Hyperinflationary Economy (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the European Commission). These amendments provide guidance on how to restate the financial statements of entities whose functional currency is not the currency of a hyperinflationary economy into the presentation currency, which is the currency of a hyperinflationary economy. When an entity restates amounts from a functional currency that is the currency of a non-hyperinflationary economy into a presentation currency that is the currency of a hyperinflationary economy, the entity restates those amounts, including comparative information, using the closing rate as of the date of the most recent statement of financial position; when the entity's presentation currency ceases to be the currency of a hyperinflationary economy and its functional currency continues to be the currency of a non-hyperinflationary economy, the entity applies prospectively (without restating comparative information) the method currently applicable in IAS 21 under similar circumstances.

- IFRS 10 (amended) – Consolidated Financial Statements and IAS 28 (amended) – Investments in Associates and Joint Ventures – regarding sales or contributions of assets between an investor and its associates or joint ventures (with a deferred effective date to be determined by the IASB). These amendments are intended to address the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or the non-monetary assets contributed constitute, in substance, a “business” within the meaning of IFRS 3. If these assets, taken 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 other unrelated investors in the associate or joint venture. In cases where assets are sold or non-monetary assets are contributed that, taken as a whole, constitute a “business,” the investor recognizes the entire gain or loss from the transaction. These changes will be applied prospectively. The IASB has deferred the effective date of these changes indefinitely.

Management is in the process of reviewing, analyzing, and assessing the potential effects of the aforementioned new standards, amended standards, and interpretations on the Company's financial statements and accounting policies.

The company's separate financial statements have been prepared on a historical-cost basis, with the exception of property, plant, and equipment, investment property, financial assets in the form of derivative financial instruments (warrants) and debt securities (bonds) recognized in profit or loss, and financial assets in the form of equity investments recognized in other comprehensive income, which are measured at revalued or fair value, respectively.

Pursuant to the Law on the Introduction of the EUR in the Republic of Bulgaria (ZVERB), effective January 1, 2026, the EUR will become the official currency and legal tender in Bulgaria. The official exchange rate has been set at 1.95583 leva per EUR.

The figures in the separate financial statements and the notes thereto are presented in thousands of euros.

The preparation of financial statements in accordance with IFRS requires management to make the best possible estimates, accruals, and reasonable assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities as of the reporting date. These estimates, accruals, and assumptions are based on information available as of the date of the financial statements; therefore,

actual future results may differ from them (and in times of financial crisis, uncertainties are more significant). Items that involve a higher degree of subjective judgment or complexity, or where assumptions and accounting estimates are material to the individual financial statements, are disclosed in *Note 2.33*.

2.2. Consolidated Financial Statements of the Company

The Company has begun the process of preparing its consolidated financial statements for the second quarter of 2026 in accordance with the IFRS accounting standards effective for 2026; these consolidated financial statements will include the present separate financial statements. According to the planned schedule, management expects the consolidated financial statements to be approved for issuance no later than August 30, 2026, by the company's Board of Directors, after which date the statements will be publicly available to third parties.

2.3. Comparative Data

The company typically presents comparative information in its financial statements for one prior year.

When necessary, comparative data is reclassified (and restated) to ensure comparability with changes in presentation in the current year.

2.4. Functional Currency and Recognition of Foreign Exchange Differences

The functional and presentation currency of the Company's individual financial statements as of January 1, 2026, is EUR.

Upon initial recognition, a transaction in a foreign currency is recorded in the functional currency by applying the exchange rate at the time of the transaction or operation to the amount in the foreign currency. Cash, receivables, and liabilities—as monetary items denominated in foreign currency—are reported in the functional currency using the exchange rate published by the Bulgarian National Bank (BNB) for the last business day of the respective month. At the end of each reporting period, they are valued in EUR using the BNB's closing exchange rate.

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

The effects of exchange rate differences arising from the settlement of transactions in foreign currency, or from the recognition of commercial transactions in foreign currency at exchange rates different from those at which they were initially recognized, are included in the statement of comprehensive income (in profit or loss for the year) when they arise, treated as “other operating income/(loss)” (in profit or loss for the year) and presented on a net basis.

2.5. Revenue

Revenue from Contracts with Customers

The Company's ordinary revenue is derived from the activities disclosed in *Note 3*.

2.5.1. Recognition of Revenue from Contracts with Customers

Revenue is recognized by the company when control of the goods and/or services promised in *the contract with the customer* is transferred to the customer. Control is transferred to the customer upon fulfillment of the performance obligations under the contract through the transfer of the promised goods and/or the rendering of the promised services.

Valuation of a Contract with a Customer

A *contract with a customer* exists only if, upon its entry into force, it: (a) has a commercial nature and purpose; (b) the parties have approved it (orally, in writing, or based on “established and generally accepted business practice”) and have committed to performing it; c) the rights of each party can be identified; d) the terms of payment can be identified; and e) it is probable that the consideration to which the company is entitled upon fulfilling its performance obligations will be received. When assessing collectability, all relevant facts and circumstances of the transaction are taken into account, including past experience, customary business practices, published rules, and statements made by the company, as well as collateral and the prospects for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to reassessment at each reporting period. Consideration received under such a contract is recognized as a liability (*contractual liability*) in the statement of financial position until: a) all criteria for recognizing a contract with a customer are met; b) the company has fulfilled its performance obligations and has received all or substantially all of the consideration (which is not subject to refund); and/or c) the contract has been terminated and the consideration received is not subject to refund.

When initially assessing its contracts with customers, the company conducts an additional analysis to determine whether two or more contracts should be considered in combination and recognized as a single contract, and, accordingly, whether the goods and/or services promised in each individual and/or combined contract should be recognized as one or more performance obligations.

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

The Company recognizes revenue for each *individual obligation to perform* at the level of *an individual contract with a customer* by analyzing the nature, timing, and terms of each specific contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if grouping them into a portfolio would not have a materially different impact on the financial statements.

When another (third) party is involved in the fulfillment of performance obligations, the company determines whether it acts as a principal or an agent by assessing the nature of its promise to the customer—to provide the goods or services it has independently determined (principal) or to arrange for another party to provide them (agent). The company is a principal and recognizes revenue as the gross amount of the consideration if it controls the promised goods and/or services before transferring them to the customer. If, however, the company does not obtain control over the promised goods and/or services and its obligation is solely to arrange for a third party to provide those goods and/or services, the company is an agent and recognizes revenue from the transaction in the amount of the net sum it retains for the services provided as an agent.

2.5.2. Measurement/(Valuation) of Revenue from Contracts with Customers

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

The transaction price is the amount of the fee to which the company expects to be entitled, excluding amounts collected on behalf of third parties. In determining the transaction price, the company takes into account the terms of the contract and its usual business practices, including the impact of variable consideration, the presence of a significant financial component, non-cash consideration, and consideration due to the customer (if any). For contracts with more than one performance obligation, the transaction price is allocated to each performance obligation based on the individual selling prices of each good and/or service, determined using one of the methods permitted under IFRS 15, with priority given to the “observable selling prices” method.

A change in the scope or price (or both) of a contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change involves the addition of goods and/or services that are distinguishable and on the price determined for them. Depending on this: *a)* the modification is accounted for as a separate contract if the scope of the contract is expanded due to the addition of goods and/or services that are distinguishable, and the change in the contract price reflects the individual selling prices of the added goods and/or services; *b)* the modification is accounted for as a termination of the existing contract and the conclusion of a new contract (prospective application) if the remaining goods and/or services are distinguishable from those transferred prior to the modification, but the change in the contract price does not reflect the individual selling prices of the added goods and/or services; *c)* the modification is accounted for as part of the existing contract (cumulative adjustment) if the remaining goods and/or services are not distinguishable from those transferred prior to the modification and are therefore part of a single performance obligation that has been partially settled.

2.5.3. Performance Obligations Under Contracts with Customers

Sales of products and distribution of pharmaceutical products

Wholesale sales of active pharmaceutical ingredients and finished dosage forms are conducted both domestically and internationally, in accordance with the company’s specifications (technology) as well as the customer’s specifications (technology). In general, the company has concluded that it acts as a principal in its arrangements with customers, unless otherwise expressly stated for specific transactions, since the company typically controls the goods and/or services before transferring them to the customer.

Sales of Products According to the Company’s Specifications

When selling products according to the company’s specifications, control is transferred to the customer at *a precisely defined point in time*.

For *domestic sales*, this typically occurs upon delivery of the products and the transfer of physical possession to the customer, at which point the customer can dispose of the goods, manage their use, and essentially receive all other benefits.

For *international sales*, the determination of the point at which the customer gains control of the goods is based on the agreed terms of sale under Incoterms.

Sales of products according to customer specifications

For products manufactured to customer specifications, the company is subject to legal and contractual restrictions on diverting them to other uses (sale to a third party), and they have no alternative use. The method for transferring control in these cases is determined specifically for each customer contract (at the individual contract level). To this end, it is determined whether the company is entitled to receive payment for the work performed to

date, which would at least compensate it for the costs incurred plus a reasonable margin, in the event that the contract is terminated for reasons other than non-performance on the part of the company (a legally enforceable right to payment).

If the company *has a legally enforceable right* to payment under a specific contract, revenue is recognized *over time*, and *a method that reflects the results achieved* is used to measure the progress of the contract (stage of completion). This method is determined to be the most appropriate for measuring progress, as the results achieved best describe the company's activities toward full fulfillment of its performance obligation. Progress is measured *based on the units produced relative to the total number ordered by the customer*. Estimates of revenue, expenses, and/or the degree of progress toward full fulfillment of obligations are reviewed at the end of each reporting period, including in the event of a change in circumstances and/or the occurrence of new circumstances.

Any subsequent increase or decrease in expected revenue and/or expenses is recognized in profit or loss in the period in which the circumstances leading to the revision become known to management.

If *the company has no legally enforceable right to payment*, revenue is recognized *at a specific point in time* when control over the goods sold is transferred to the customer: upon delivery of the goods and the customer's physical possession of them (for domestic sales) and in accordance with the terms of sale under INCOTERMS (for international sales).

Transportation of Sold Products

Typically, when selling abroad, the company is obligated to transport the goods to an agreed-upon destination; the company arranges the transportation, and the cost of transportation is included (calculated) in the selling price. Depending on the terms agreed upon with the customer, the transportation service may also be performed after control over the sold goods has been transferred to the customer. Until control over the goods is transferred, the sale of the goods and the transportation service are recognized as *a single performance obligation*, as they are part of an integrated service.

The transportation service, following the transfer of control over the goods, is recognized as *a separate performance obligation*, since the transportation may be performed by another supplier (i.e., the customer may take delivery of the sold goods using other readily available resources) and the transportation service does not modify or alter the sold goods in any way. In this case, the consideration to which the company expects to be entitled (the transaction price) is allocated among the individual performance obligations based on their respective selling prices. The individual selling price of the goods sold is determined in accordance with the price list in effect as of the transaction date, and for the transportation service, the individual selling price is determined approximately using the cost-plus-margin method.

Transportation service providers—subcontractors—are used to perform the transportation service. The company has determined that it controls the specific services before they are provided to the customer and therefore acts as the principal because: a) it bears primary responsibility for ensuring that the services are performed and are acceptable to the customer (i.e., the company is responsible for fulfilling the contractual promise, regardless of whether the company itself performs the services or engages a third-party service provider to perform them; and b) it negotiates the price of the services independently and without interference from the client.

Revenue from the sale of a transportation service is recognized *over time*, since the work performed to date does not need to be repeated if another party is to perform the remaining portion of the work, and therefore the customer receives and consumes the benefits concurrently with the performance of the service. To measure progress on the contract (stage of completion), *a method based on resources expended* is used. This method is determined to

be the most appropriate for measuring progress, as it best describes the company's activities in transferring control and fulfilling its obligations and, accordingly, most accurately reflects the level of fulfillment of those obligations, insofar as there is a direct relationship between the company's efforts (expenses incurred) and the transfer of the service to the customer. Progress is measured *based on the expenses incurred relative to the total planned expenses for contract performance*.

Transaction Price and Payment Terms

Sales prices are fixed according to a general or customer-specific price list and are determined individually for each specific product. The standard credit period ranges from 30 to 270 days. In certain cases, the company collects short-term advances from customers that do not have a significant financing component. Advances received from customers are presented in the statement of financial position as liabilities under contracts with customers.

Variable compensation

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

- *Volume discounts:* Retrospective trade discounts granted to the customer for achieving a predetermined monthly, quarterly, and/or annual sales volume, defined as a single threshold and/or as a progressive bonus scheme. When measuring variable consideration, the company determines the customer's expected revenue using the most likely value method. The discounts granted are offset against amounts due from the customer.
- *Price Protection:* For sales on the Bulgarian market, the company is committed, in the event of a price reduction imposed by a government regulatory authority, to compensate the buyer and/or its customers for products purchased from the company at a higher price that have not been sold to end customers. The payment of this compensation depends on government policy regarding the regulation of pharmaceutical prices and is beyond the company's control.
- *Compensation for Hidden Defects:* The customer may file claims for hidden defects (quality claims) throughout the entire warranty period of the sold goods, which may range from one to five years. Quality claims are resolved by providing new, serviceable goods or by refunding the amount paid by the customer. When determining the compensation for hidden defects owed at the end of the reporting period, the company's established system for ensuring production quality and its accumulated experience are taken into account.
- *Penalties Payable to the Customer:* In the event of the company's failure to properly fulfill its contractual obligations, typically in connection with a failure to meet the agreed-upon delivery deadline. These are recognized as a reduction in the transaction price only if their payment is highly probable. The company's experience shows that, historically, agreed-upon deadlines have been met, and the company has not accrued any liabilities for the payment of penalties.
- *Penalties payable by the customer:* Variable consideration in the form of penalties due to late payment by the customer. The receipt of this consideration depends on the customer's actions and is beyond the company's control. It is included as part of the transaction price only when the uncertainty regarding its receipt has been resolved.

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

Expected variable consideration in the form of various discounts, penalties, and compensation is determined and measured based on historical trading experience with customers and is recognized as an adjustment for the purposes of the transaction price and, accordingly, revenue (as an “increase” or “decrease”) only to the extent that it is highly probable that there will be no material reversal in the amount of revenue recognized cumulatively, including due to the existence of measurement restrictions. All subsequent changes in the amount of variable consideration are recognized as an adjustment to revenue (as an increase or decrease) as of the date of the change and/or resolution of the uncertainty. At the end of each reporting period, the company updates the transaction prices, including whether the estimate contains limitations, so as to faithfully present the circumstances existing at the end of the reporting period and those that occurred during the reporting period. When measuring variable compensation, the company uses the most likely value method. Discounts accrued but not settled as of the end of the reporting period, for which the customer does not yet have an unconditional right to receive them, are presented as a refund liability in the statement of financial position.

2.5.4. Expenses under Contracts with Customers

The company treats the following as expenses related to contracts with customers:

- the additional and directly attributable costs that it incurs upon entering into a contract with a customer and that would not have been incurred had the contract not been entered into, and for which it expects to be reimbursed over a period longer than twelve months (*costs of acquiring a contract with a customer*); and
- the costs it incurs in fulfilling a contract with a customer that are directly related to that specific contract, contribute to the generation of resources used in the fulfillment of the contract itself, and are expected to be recovered over a period longer than twelve months (*costs of fulfilling such contracts*).

In its ordinary course of business, the company does not incur direct and specifically incurred costs to obtain contracts with customers or costs to fulfill such contracts that would not have been incurred had the relevant contracts not been entered into.

2.5.5. Balances under Contracts with Customers

Trade receivables and contract assets

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

Contractual Liabilities

The company reports as a contractual liability payments received from a customer and/or an unconditional right to receive payment before it has fulfilled its performance obligations under the contract. Contractual liabilities are recognized as revenue when (or as) the performance obligations are satisfied.

Contract assets and liabilities are presented with other receivables and payables in the statement of financial position. They are classified as current assets when their maturity is within 12 months or they are part of the company's normal operating cycle; the remainder are classified as noncurrent. Assets and liabilities arising from a single contract are presented on a net basis in the statement of financial position, even if they result from different contractual obligations under the contract.

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

2.5.6. Refund Obligations under Contracts with Customers

Refund obligations include the Company's obligation to refund part or all of the consideration received (or receivable) from a customer under contracts with refund provisions—for expected retrospective volume rebates and/or quality adjustments. Initially, the refund liability is measured at the amount that the company does not expect to be entitled to and that the company expects to return to the customer. At the end of each reporting period, the company updates the measurement of refund liabilities in line with the transaction price and the revenue recognized.

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

Revenue from Assets Provided Under Lease Agreements

This revenue includes revenue recognized from investment property and property, plant, and equipment provided under operating leases.

2.6. Expenses

The Company recognizes expenses as they are incurred, in accordance with the principles of accrual and comparability, and to the extent that this does not result in the recognition of assets or liabilities that do not meet the definitions set forth in IFRS.

Deferred expenses are recognized as current expenses in the period in which the contracts to which they relate are performed.

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

Losses arising from the revaluation of agricultural produce (yellow acacia) upon initial recognition at fair value are presented in the statement of comprehensive income (in profit or loss for the year) under the line item "Other operating income/(losses)."

2.7. Financial Income

Financial income is recognized in the statement of comprehensive income (in profit or loss for the year) as it arises and consists of: interest income on loans and time deposits, interest income on receivables under special agreements, interest income on receivables under assignment agreements, interest income on redeemable equity contributions, net foreign exchange gains on receivables from the sale of subsidiaries, dividends from equity investments, net gain on foreign exchange differences on loans in foreign currency, net gain on foreign exchange differences on refundable capital contributions, income from guarantees provided, income from debt settlement

transactions, gains from the fair value revaluation of long-term equity investments that are part of a step acquisition of a subsidiary, interest income from debt securities (bonds) held for trading; income from discounted receivables, and gains from transactions involving debt securities held for trading.

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

Financial income is presented separately from financial expenses on the face of the statement of comprehensive income (in profit or loss for the year).

2.8. Financial Expenses

Financial expenses are recognized in the statement of comprehensive income (in profit or loss for the year) as they arise, presented separately from financial income, and consist of: interest expense on loans received, expenses related to the payment of dividends, interest expense on lease agreements, bank fees on loans and guarantees, net foreign exchange loss on foreign currency loans, net loss on refundable equity contributions, net foreign exchange loss on receivables from sales to subsidiaries, impairment losses on fees related to guarantees provided, provisions under financial guarantee contracts, expenses for discounted receivables, losses from the revaluation of financial assets to fair value, and impairment losses on trade loans granted.

Financial expenses are presented separately from financial income on the face of the statement of comprehensive income (in profit or loss for the year).

2.9. Property, Plant, and Equipment

Property, plant, and equipment, including biological assets (crops), are stated at revalued amounts, less accumulated depreciation and impairment losses.

Initial Acquisition

Upon initial acquisition, property, plant, and equipment are measured at acquisition cost (cost), which includes the purchase price, customs duties, and all other direct costs necessary to bring the asset to working condition. Direct costs primarily include: site preparation costs, initial delivery and handling costs, installation costs, fees for project-related personnel, non-refundable taxes, capitalized interest costs for qualifying assets, and others.

When acquiring tangible fixed assets on an installment basis, the purchase price is equivalent to the present value of the liability, discounted based on the interest rate applicable to the Company's borrowed funds with similar maturity and purpose.

The company has established a value threshold of 256 EUR; below this threshold, acquired assets—even if they meet the criteria for long-lived assets—are expensed as a current expense at the time of acquisition.

Subsequent Measurement

The approach selected by the company for the subsequent balance sheet valuation of property, plant, and equipment is the revalued amount model under IAS 16—revalued amount less subsequent depreciation and accumulated impairment losses.

It is standard practice for the revaluation of property, plant, and equipment to be performed by licensed appraisers, typically every 5 years. When their fair value changes significantly at shorter intervals, the revaluation may be performed more frequently.

Subsequent Expenses

Repair and maintenance expenses are recognized as current expenses in the period in which they are incurred. Subsequent expenditures related to property, plant, and equipment that involve the replacement of specific key parts and assemblies, or remodeling and reconstruction, are capitalized into the carrying amount of the relevant asset, and its remaining useful life is revised as of the date of capitalization. At the same time, the unamortized portion of the replaced components is written off from the carrying amount of the assets and recognized as current expenses for the period of the retrofitting.

Depreciation Methods

The Company uses the straight-line method to depreciate property, plant, and equipment. Depreciation of assets begins when they are available for use. Land (excluding land held under a right-of-use lease) is not depreciated.

The useful lives by asset class are determined based on physical wear and tear, the specific characteristics of the equipment, future intended use, and expected obsolescence.

The useful lives by asset group are as follows:

- for buildings—from 20 years to 70 years;
- for facilities and transmission equipment—from 5 to 35 years;
- for machinery and equipment—from 6 to 40 years;
- for computers and mobile devices—from 2 to 5 years;
- for servers and systems—from 4 to 18 years;
- for vehicles – from 5 to 18 years;
- for business inventory – from 3 to 13 years;
- for other tangible assets – from 3 to 12 years;
- for biological assets (carrier plants)—from 10 to 12 years

The useful lives by asset group for right-of-use assets are as follows:

- for land – from 4 years to 5 years;
- for buildings – from 2 years to 10 years;
- for facilities and transmission equipment—from 2 to 10 years;
- for vehicles – from 2 to 5 years;
- for business equipment—from 2 to 3 years;

The determined useful lives of long-lived tangible assets are reviewed at the end of each reporting period, and if significant deviations from future expectations regarding the assets' useful lives are identified, the useful lives are adjusted prospectively.

Impairment of Assets

The carrying amounts of property, plant, and equipment are subject to an impairment test whenever events or changes in circumstances indicate that the carrying amount may be permanently different from their recoverable

amount. If there are indications that the estimated recoverable amount is lower than their carrying amount, the carrying amount is written down to the recoverable amount of the assets. The recoverable amount of property, plant, and equipment is the higher of fair value less costs to sell and value in use. To determine the value in use of the assets, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and estimates of the time value of money and the risks specific to the asset in question. Impairment losses are recognized in the statement of comprehensive income (in profit or loss for the year), unless a revaluation reserve has been established for the asset in question. In that case, the impairment loss is charged against that reserve and is presented in the statement of comprehensive income (under “Other Comprehensive Income”), unless it exceeds the amount of the reserve, in which case the excess is recognized as an expense in the statement of comprehensive income (in profit or loss for the year).

Gains and losses on disposal

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

2.10. Biological Assets and Agricultural Produce

Upon initial acquisition, biological assets (non-bearing) are measured at acquisition cost (cost), which includes the purchase price and all direct costs necessary to bring the asset to a productive state. Direct costs primarily include: costs for preparing and tilling the land, costs for planting, fertilizing, watering, and other activities carried out over an extended period (4–5 years) during which the biological assets (non-bearing) will be transformed into biological assets (bearing).

Agricultural produce (yellow acacia harvest) is measured at fair value as of the date of harvest, less costs to sell. The fair value of agricultural produce is determined with the assistance of an independent licensed appraiser.

The harvested agricultural produce—yellow acacia seeds—is presented in the company’s inventory group under the line item “herbs” and is subsequently measured in accordance with the requirements of IAS 2 Inventories.

The gain or loss from the fair value measurement of agricultural produce, net of cost of sales, is recognized in the statement of comprehensive income (in profit or loss for the year) in the period in which it arises and is presented under “other operating income/(loss), net.”

2.11. Intangible Assets

Goodwill

Goodwill represents the excess of the acquisition cost (consideration paid) over the fair value of Sopharma AD’s share in the net identifiable assets of the subsidiaries (Bulgarska Roza – Sevtopolis AD, Medica AD, Unipharm AD, Biopharm Engineering AD, and Veta Pharma AD) as of the acquisition date (the business

combination). This goodwill, upon the merger of the subsidiaries into the parent company, is recognized in the parent company's separate statement of financial position. Goodwill is classified under "intangible assets."

Goodwill is measured at acquisition cost (cost), determined as of the date of the business combination, less any accumulated impairment losses. It is not amortized. It is subject to an annual review for indicators of impairment. Impairment losses on goodwill are presented in the separate statement of comprehensive income (in profit or loss for the year) under the line item "impairment of non-current assets."

Other Intangible Assets

Intangible assets are presented in the financial statements at acquisition cost (cost), less accumulated amortization and impairment losses. The company applies the straight-line method of amortization for intangible assets.

The useful lives by asset group are as follows:

- for software—from 2 years to 12 years;
- for patents and licenses—from 2 to 10 years;
- for trademarks – from 5 to 15 years;
- contractual rights to marketing authorizations – 20 years;
- copyrights – from 3 years to 10 years;
- for other intangible assets – from 4 to 15 years

The carrying amount of intangible assets is subject to an impairment test when events or changes in circumstances indicate that the carrying amount may exceed their recoverable amount. In such cases, the impairment loss is recognized as an expense in the statement of comprehensive income (in profit or loss for the year).

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

2.12. Investment Property

Investment properties are those properties held by the company on a long-term basis to earn rental income and/or for capital appreciation. They are presented in the statement of financial position at their fair value (*Note 2.32*). Gains or losses from changes in the fair value of investment properties are recognized in the statement of comprehensive income (in profit or loss for the year) under the line item "other operating income/(loss), net" for the period in which they arise. Realized gains from investment properties are presented in the statement of comprehensive income (in net income or loss for the year) under the line item "Revenue."

Investment properties are derecognized from the statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them, or when they are sold, as of the date control is transferred to the recipient of the asset. Gains or losses on the sale of individual assets from the "investment property" category are determined by comparing the consideration to which the company expects to be entitled (sales proceeds) with the asset's carrying amount as of the date the transferee obtains control of it. These

are reported on a net basis under “other operating income/(loss), net” in the statement of comprehensive income (in profit or loss for the year).

Transfers to and from the “investment property” category are made when there is a change in the functional use and purpose of a property. In the case of a transfer from “investment property” to “property used in the entity’s own operations,” the asset is recorded in its new category at its historical cost, which represents its fair value as of the transfer date. Conversely, when there is a transfer from “property used in the entity’s own operations” to “investment property,” the asset is measured at its fair value as of the transfer date, and the difference from its carrying amount is recognized as a component of the statement of comprehensive income (in other components of comprehensive income) and is recognized in the “revaluation reserve—property, plant, and equipment” in the statement of changes in equity.

2.13. Investments in Subsidiaries, Associates, and Joint Ventures

Long-term investments, in the form of shares and interests in subsidiaries, associates, and joint ventures, are presented in the financial statements at acquisition cost (cost), which represents the fair value of the consideration paid, including direct costs incurred in acquiring the investment, less any accumulated impairment loss.

The Company’s investments in subsidiaries, associates, and joint ventures are subject to an annual impairment test. If conditions for impairment are identified, the impairment loss is recognized in the statement of comprehensive income (in profit or loss for the year).

Upon the purchase and sale of investments in subsidiaries, associates, and joint ventures, the “settlement date” of the transaction is applied.

Dividend Income

Dividend income related to long-term investments in the form of shares and interests in subsidiaries, associates, and joint ventures are recognized as current income and presented in the statement of comprehensive income (in profit or loss for the year) under the line item “financial income.”

Investments are derecognized when the rights arising from them are transferred to other parties upon the occurrence of the legal grounds for such transfer, and control over the economic benefits from that specific type of investment is thereby lost. The gain/(loss) on their sale is presented in the statement of comprehensive income (in profit or loss for the year).

2.14. Other Long-Term Equity Investments

Other long-term equity investments consist of non-derivative financial assets in the form of shares and equity interests in other companies (minority interests) held for the long term.

Initial Measurement

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

All purchases and sales of equity investments are recognized on the “trade date” of the transaction, i.e., the date on which the company commits 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 the assistance of an independent licensed appraiser.

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

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

Dividend Income

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

When shares are written off due to a sale, the weighted-average-cost method is used, determined as of the end of the month in which the write-off occurs.

2.15. Inventories

Inventories are valued in the financial statements as follows:

- raw materials, supplies, and merchandise—at the lower of: acquisition cost (cost of goods sold) and net realizable value;
- finished goods, semi-finished goods, and work in progress—at the lower of: production cost and net realizable value;
- agricultural produce—at the lower of fair value at initial acquisition and net realizable value.

Expenses incurred to bring an item of inventory to its present condition and location are included in the cost of acquisition (cost) as follows:

- raw materials, supplies, and goods—all delivery costs, which include the purchase price, import duties and taxes, transportation costs, non-refundable taxes, and other expenses that contribute to bringing the materials and goods to a condition ready for their use or sale;
- Finished goods, work-in-progress, and inventory—all necessary production costs that make up the cost of goods manufactured, which includes direct costs for materials and labor and the allocable portion of general production costs (variable and fixed), excluding administrative expenses, exchange rate differences, and costs of borrowed funds. The inclusion of semi-fixed manufacturing overhead costs in the production cost of finished goods, semi-finished products, and work in progress is based on normal capacity, determined by the usual average volume maintained and confirmed by the production plan. The basis selected for their allocation at the individual-product level is the number of man-hours worked by direct production personnel on the specific product.

The Company applies “standard production cost” as a current estimate for finished goods, work-in-progress, and semi-finished products, and, respectively, “standard delivery cost” for the main raw materials and supplies used in production.

At the end of each reporting period, management analyzes the factors that led to variances in: a) the procurement of raw materials and supplies for production—by comparing actual and standard procurement costs;

and b) the production of finished goods, semi-finished goods, and work in progress—by comparing actual and standard production costs. If necessary, adjustments are made to the valuation of inventories in the financial statements. Based on studies of best accounting practices in the pharmaceutical industry, materiality thresholds have been adopted for: a) variances in the delivery of raw materials and supplies for production—up to 2%, and b) production variances—up to 1.5%, within which the current valuation of available ending inventories of raw materials and supplies, finished goods, and work in progress is not adjusted for the purposes of the financial statements (*Note 2.33*).

Non-production inventories and inventories related to the production of veterinary vaccines are written off on an ongoing basis as they are used (consumed or sold) using the weighted-average cost method.

Net realizable value represents the estimated selling price of an asset in the ordinary course of business, less the estimated costs of bringing the asset to a saleable condition and the estimated costs of disposal.

2.16. Trade Receivables

Trade receivables represent the company's unconditional right to receive consideration under contracts with customers and other counterparties (i.e., it is contingent only on the passage of time before payment is made).

Initial Measurement

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

Subsequent Measurement

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

Impairment

The Company applies the expected credit loss model over the entire term of all trade receivables, using the simplified approach permitted by IFRS 9, and based on a matrix model for the loss rate (*Note 2.25 and Note 2.33*).

Impairment losses on receivables are recognized and reported through a corresponding adjusting account for each type of receivable under the line item "Other Operating Expenses" on the debit side of the statement of comprehensive income (in profit or loss for the year).

2.17. Interest-bearing loans and other financial resources provided

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

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

Interest income is recognized in accordance with the stage at which the relevant loan or other receivable is classified under the provided financial resources, using the effective interest rate method.

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

2.18. Cash and Cash Equivalents

Cash includes cash on hand and balances in checking accounts, while cash equivalents include bank deposits with an original maturity of up to three months and funds in deposits with longer maturities that are freely available to the company in accordance with the terms of the agreements with the banks at the time of the deposit.

Subsequent Measurement

Cash and cash equivalents held at banks are subsequently stated at amortized cost less the accumulated allowance for expected credit losses (*Note 2.25*).

For the purposes of preparing the cash flow statement:

- Cash receipts from customers and cash payments to suppliers are presented on a gross basis, including VAT (20%);
- Interest on investment loans received is included as payments for financing activities, while interest related to loans used to finance current operations (for working capital) is included in operating activities;
- Interest received on bank deposits is included in cash flows from investing activities;
- VAT paid on purchases of fixed assets from foreign suppliers is reported under “Taxes Paid,” while VAT paid on domestic purchases of fixed assets is reported under “Purchases of Property, Plant, and Equipment,” “purchase of intangible assets,” and “purchase of investment property” under cash flows from investing activities;
- receipts and payments related to overdrafts are reported on a net basis by the company;
- Cash and cash equivalents that have been permanently restricted for more than 3 months are not treated as cash and cash equivalents;
- Revenues from factoring agreements are reported in cash flows from financing activities.

2.19. Trade and Other Payables

Trade and other current liabilities in the statement of financial position are presented at the amount stated on the original invoices (acquisition cost), which is considered to be the fair value of the transaction and will be paid in the future in exchange for the goods and services received. In cases of deferred payments beyond the usual credit term, where no additional interest payment is required or the interest rate differs significantly from the usual market interest rate, liabilities are initially measured at their fair value based on their present value using a discount rate appropriate to the company, and subsequently at amortized cost (*Note 2.25*).

2.20. Interest-Bearing Loans and Other Borrowed Funds

In the statement of financial position, all loans and other borrowed funds are initially recognized at cost (nominal amount), which is deemed to be the fair value of the consideration received in the transaction, net of direct

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

Interest expense is recognized over the term of the financial instrument using the effective interest method.

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

2.21. Capitalization of Borrowing Costs

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

The amount of borrowing costs that may be capitalized in the cost of a qualifying asset is determined using a capitalization rate. The capitalization rate is the weighted average of borrowing costs allocated to the company's outstanding borrowings during the period, excluding borrowings incurred specifically for the purpose of acquiring a qualifying asset.

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

Borrowing costs are also reduced by any investment income earned from the temporary investment of the funds from these borrowings.

2.22. Leases

Lessee

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

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

Initial Recognition

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

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

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

The Company depreciates right-of-use assets on a straight-line basis over the shorter of their useful lives and the term of the lease agreement.

Right-of-use assets are presented in the statement of financial position under “property, plant, and equipment,” and their depreciation is presented in the statement of comprehensive income under “depreciation expense.”

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

- fixed payments, net of any lease incentives to be received;
- variable lease payments dependent on indices or interest rates;
- the cost of exercising the purchase option, if it is reasonably certain that the company will exercise the option;
- payments of penalties for terminating the lease;
- residual value guarantees.

Lease payments are discounted using the interest rate specified in the contract, if it can be directly determined, or using the company’s incremental borrowing rate, which reflects the interest rate that would be applicable if the company were to borrow funds for a similar period of time, with similar collateral and in a similar economic environment.

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

Subsequent Measurement

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

The Company subsequently measures the lease liability as follows:

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

Accounting for Revaluations and Changes to the Lease Agreement

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

The lessee accounts for a modification to a lease as a separate lease if:

- the amendment expands the scope of the lease by adding a new “right-of-use” of one or more additional underlying assets; and

- the lease payments under the lease agreement are increased by an amount commensurate with the stand-alone price for the increase in scope and any adjustments reflecting the circumstances of the specific agreement.

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

Lessor

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

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

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

Under an operating lease, the lessor continues to bear a significant portion of all the risks and economic benefits associated with ownership of the asset. Therefore, this asset continues to be included in the lessor's property, plant, and equipment, and its depreciation for the period is included in the lessor's current expenses.

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

2.23. Pension and Other Obligations to Employees Under Social Security and Labor Legislation

The company's employment and social security relationships with its employees are based on the provisions of the Labor Code and the provisions of the applicable social security legislation in Bulgaria.

Short-Term Compensation

Short-term income for employees in the form of wages, bonuses, and social benefits and perks (due for settlement within 12 months after the end of the period in which the employees rendered the related service or met the necessary conditions) is recognized as an expense in the statement of comprehensive income (in profit or loss for the year), unless an IFRS requires that this amount be capitalized into the cost of a specific asset, for the period in which the service was rendered and/or the requirements for receiving them were met, and as a current liability (net of any amounts already paid and applicable withholdings) in the amount of their undiscounted value.

As of the date of each financial statement, the company estimates the amount of expected expenses related to accrued compensable leave, which is expected to be paid as a result of unused accrued leave. This estimate includes an approximate assessment of the amounts of the compensation itself and the mandatory social security and health insurance contributions that the employer owes on these amounts.

Bonuses and Incentive Schemes

Pursuant to the Company's Articles of Association and a resolution adopted by the General Meeting of Shareholders, the CEO is entitled to receive a one-time bonus (tantiem) amounting to up to 1% of the Company's

net profit, as well as to be authorized to determine the group of employees among whom a cash bonus amounting to up to 2% of the company's net profit for each calendar year is to be distributed. When a portion is required to be deferred for a period longer than 12 months, that portion is measured at its present value as of the date of the financial statements and is reported under non-current liabilities in the statement of financial position, under the line item "liabilities to employees."

Long-Term Income

Long-Term Equity Incentive Plan for Key Employees

The main objective of this program is to provide an additional financial incentive for employees in the form of a long-term equity incentive to achieve results and foster long-term loyalty, by offering selected key employees the opportunity to become shareholders of the company. The program provides that a portion of the annual additional compensation (bonus) for the company's key employees be paid in the form of shares. Members of the Board of Directors and/or other members of the company's management or supervisory bodies do not participate in the program and will not participate in the future.

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

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

The specific financial indicators and their parameters at the company level are determined by a resolution of the Board of Directors no later than April 30 of the current calendar year for that same year, based on an analysis of the results achieved against the financial criteria set for the previous year, as well as on the approved budget and strategy for the current calendar year.

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

Non-financial indicators and their parameters are determined by a resolution of the Board of Directors no later than April 30 of the current calendar year for that same year, in accordance with the company's short-term and medium-term development plans.

For each of the established indicators, a target performance level of 100% is set.

A long-term equity incentive for the relevant year is granted only if the specific financial indicators set by the Board of Directors are met at a minimum of 90% of the established targets.

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

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

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

The number of shares from the long-term incentive plan to be granted to each employee is determined by the Board of Directors at the time of allocation of the long-term shares, based on the average price of the company's shares during the month preceding the allocation date. This average price is considered the acquisition price of the long-term incentive shares.

The actual transfer of the granted long-term incentive shares to the respective employee will take place during a vesting period. The vesting period begins on the grant date.

For the purposes of the program, a portion of the company's treasury shares will be used.

The maximum bonus under the program is up to 0.5% of the company's share capital per year.

The accounting treatment of the grant of treasury shares by the company to the relevant employee is carried out in accordance with the requirements of IFRS No. 2, Share-Based Payments.

The grant of the company's treasury shares to the relevant employee constitutes income for the employee and an expense for the company. The expenses are recognized in the company's income statement as employee compensation, and their amount is equal to the fair value of the shares granted as a long-term incentive.

All expenses related to the long-term equity incentive that arise prior to the date of transfer of the shares are borne by the company.

All expenses related to the long-term equity incentive that arise after the date of transfer of the shares are borne by the employee.

Long-Term Retirement Benefits

Defined-Contribution Plans

The company's primary obligation as an employer in Bulgaria is to provide mandatory social security coverage for its employees for the "Pensions" fund, supplementary mandatory pension insurance (SMPI), the "General Illness and Maternity" (GIM) fund, the "Unemployment" Fund, the "Work-Related Accidents and Occupational Diseases" Fund (TZPB), the "Guarantee of Workers' and Employees' Receivables" Fund (GVRS), and health insurance. The rates of social security contributions are approved annually by the Law on the Budget of the State Social Security Fund (SSSF) and the Law on the Budget of the National Health Insurance Fund (NHIF) for the respective year. Contributions are apportioned between the employer and the insured person in accordance with the rules of the Social Security Code (SSC).

These social security pension plans, implemented by the company in its capacity as an employer, are defined-contribution plans. Under these plans, the employer pays monthly contributions to the state "Pensions" Fund, the "Occupational Health and Safety" Fund, the "Unemployment" Fund, and the "Workers' Compensation" Fund, as well as to universal and occupational pension funds—based on percentages fixed by law—and has no legal or constructive obligation to make additional contributions to the funds in cases where they lack sufficient funds to pay the respective individuals the amounts they have earned during their period of employment. The obligations regarding health insurance are similar.

The company does not have an established and operating private voluntary insurance fund.

The company's contributions due under defined-contribution plans for social security and health insurance are recognized as a current expense in the statement of comprehensive income (in profit or loss), unless an IFRS requires that this amount be capitalized in the cost of a specific asset, and as a current liability in its undiscounted amount, concurrently with the period in which the services are rendered and the related employee compensation is recognized, to which the contributions relate.

Defined-benefit plans

Under the Labor Code, the company, in its capacity as an employer in Bulgaria, is required to pay its employees, upon reaching retirement age, a benefit that, depending on the length of service with the company, may range from 2 to 6 gross monthly salaries as of the date of termination of the employment relationship. By their nature, these schemes constitute unfunded defined-benefit plans.

Calculating the amount of these obligations requires the involvement of qualified actuaries in order to determine their present value as of the financial statement date, at which point they are presented in the statement of financial position; accordingly, the change in their value is presented in the statement of comprehensive income as follows: (a) current and past service costs, interest costs, and the effects of curtailments and settlements are recognized immediately in the period in which they arise and are presented in current profit or loss under “personnel expenses,” and b) the effects of subsequent remeasurements of the liability, which in essence represent actuarial gains and losses, are recognized immediately in the period in which they arise and are presented in other comprehensive income under the line item “subsequent remeasurements of defined benefit pension plans.” Actuarial gains and losses result from changes in actuarial assumptions and experience.

As of the date of each annual financial statement, the company engages certified actuaries who issue a report containing their calculations regarding the company’s long-term obligations to employees for retirement benefits. For this purpose, they apply the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the future cash flows expected to be paid over the term of the obligation, using the interest rates on long-term government bonds with similar maturities, listed in Bulgaria, where the company itself operates.

Share-Based Payments

Share-based payments to employees and other individuals who provide similar services are measured at the fair value of the equity instruments as of the grant date.

For equity-based payments with vesting conditions, the fair value as of the grant date of the equity-based payment is measured to reflect those conditions and to ensure there are no material differences between expected and actual results.

Termination Benefits

In accordance with local labor and social security legislation in Bulgaria, the Company, as an employer, is obligated to pay certain types of benefits upon termination of an employment contract prior to retirement.

The company recognizes liabilities to employees for termination benefits prior to reaching retirement age when a binding commitment has been demonstrated, based on a publicly announced plan, including a restructuring plan, to terminate the employment contract with the relevant individuals without the possibility of revocation, or upon the formal issuance of voluntary resignation documents. Severance benefits payable over a period of more than 12 months are discounted and presented in the statement of financial position at their present value.

2.24. Share Capital and Reserves

The Company is a joint-stock company and is required to register a specified amount of *share capital* in the Commercial Register to serve as security for the claims of the Company’s creditors. Shareholders are liable for the company’s obligations up to the amount of their equity interest in the capital and may claim a return of that interest only in liquidation proceedings or insolvency proceedings. The company reports its share capital at the par value of the shares registered with the court.

In accordance with the requirements of the Commercial Code and the Articles of Association, the company is required to establish a “Reserve *Fund*,” and the sources of the fund may include:

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

Funds from the reserve may be used only to cover the annual loss and losses from prior years. When the funds in the reserve reach the minimum amount specified in the Articles of Incorporation, funds in excess of that amount may be used to increase the share capital.

Treasury treasury shares are presented in the statement of financial position at cost (acquisition price), and their value is deducted from the company’s equity. Gains or losses from the sale of treasury treasury shares are charged to retained earnings and are recognized directly in the company’s equity under the “retained earnings” component.

The revaluation reserve for property, plant, and equipment consists of:

- the positive difference between the carrying amount of property, plant, and equipment and their fair values as of the date of each revaluation; and
- the positive difference between the carrying amount of property, plant, and equipment classified as “property used in the Company’s own operations” and their fair value as of the date on which they are reclassified to “investment property.”

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

The revaluation reserve is transferred to “retained earnings” when the assets are derecognized from the statement of financial position or are fully depreciated.

The revaluation reserve covers any impairment of the assets to which it relates. It may be used in the implementation of the company’s dividend and capital policies only after it has been transferred to the “retained earnings” component.

The reserve for financial assets at fair value through other comprehensive income is recognized based on the effects of fair value measurements of other long-term equity investments. Upon derecognition of these investments, the recognized reserve is transferred to the “retained earnings” component.

The other equity components represent a reserve for issued warrants, which is formed from the difference between the issue price of the subscribed warrants and the transaction costs associated with the issuance. The warrants were issued and subscribed at a fixed price in EURs and confer future rights to conversion into a fixed number of ordinary, book-entry, registered, freely transferable shares of the company; therefore, they are classified as an equity instrument.

2.25. Financial Instruments

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

Financial Assets***Initial Recognition, Classification, and Measurement***

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

The Company initially measures financial assets at fair value; for financial assets not measured at fair value through profit or loss, direct transaction costs are added. An exception is trade receivables that do not contain a significant financing component—these are measured at the transaction price determined in accordance with IFRS 15 (*Note 2.5.1*).

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

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset in question and the company's business model for managing it. To be classified and measured at amortized cost or at fair value through other comprehensive income, the terms of a financial asset must give rise to cash flows that consist of "principal and interest payments only (PIPO)" on the outstanding principal amount. For this purpose, an analysis is performed using a principal and interest (P&I) test at the instrument level.

A company's business model for managing financial assets reflects the way in which the company manages its financial assets to generate cash flows. The business model determines whether cash flows result from the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income without "recycling" cumulative gains and losses (equity instruments)
- Financial assets at fair value through profit or loss (debt securities—bonds and derivative financial instruments—warrants).

Classification Groups***Financial assets at amortized cost (debt instruments)***

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

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

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

The company's financial assets carried at amortized cost include: cash and cash equivalents in banks, trade receivables (including those from related parties), loans granted to related entities, receivables under assignment agreements, receivables from refundable equity contributions, and loans to third parties (*Note 21, Note 22, Note 24, Note 25, Note 26(a), and Note 28*).

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

Upon initial recognition, the company may make an irrevocable election to classify certain equity instruments as those designated at fair value through other comprehensive income, but only when they meet the definition of equity under IAS 32 *Financial Instruments*. The classification is determined on an individual basis, instrument by instrument.

Upon derecognition of these assets, gains and losses from fair value measurement recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized as "financial income" in the statement of comprehensive income (in profit or loss for the year) when the right to receive payment is established, except when the company derives benefits from these receipts as a recovery of part of the acquisition cost of the financial asset, in which case the gains are recognized in other comprehensive income. Equity instruments designated as at fair value through other comprehensive income are not subject to an impairment test.

The Company has made an irrevocable decision to classify its minority equity investments—which it holds on a long-term basis and in connection with its business interests in these companies—in this category. Some of these investments are traded on capital markets, while others are not. They are presented in the statement of financial position under the line item "Other Long-Term Equity Investments."

Financial Assets at Fair Value Through Profit or Loss (Debt Securities—Bonds and Derivative Financial Instruments—Warrants)

Upon initial recognition, they are measured at cost, which includes the fair value of the financial asset and all costs associated with the acquisition—commissions, fees, permits, and other similar items.

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

They are presented in the statement of financial position under the line item "financial assets held for trading."

Derecognition

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

- the rights to receive cash flows from the asset have expired, or
- the rights to receive cash flows from the asset have been transferred, or the company has assumed the obligation to pay the cash flows received in full, without material delay, to a third party through a transfer

agreement; in which case: either (a) the company has transferred substantially all the risks and rewards of ownership of the asset; or (b) the company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has not retained control over it.

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

A continuing interest, which takes the form of a guarantee on the transferred asset, is measured at the lower of: the asset's initial carrying amount and the maximum amount of compensation that the company may be required to pay.

Impairment of Financial Assets

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

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

Expected credit losses are recognized in two stages:

a. A financial asset that is not credit-impaired at the time of its initial recognition/acquisition is classified in Stage 1. These are loans granted to borrowers with a low risk of default and stable, generally favorable key indicators (financial and non-financial), which are serviced regularly and have no past-due amounts. From the time of initial recognition, its credit risk and quality are subject to continuous monitoring and analysis. The expected credit losses on financial assets classified in Stage 1 are determined based on credit losses that are the result of possible default events that could occur within the next 12 months of the asset's life (12-month expected credit losses for the instrument);

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

The company's management has developed a policy and a set of criteria for analyzing, identifying, and assessing the occurrence of a “significant increase in credit risk.” Key aspects of these are disclosed in *Note 2.33*.

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

The company's management has conducted the necessary analyses, based on which it has established a set of criteria for events of default, in accordance with the specific characteristics of the relevant financial instrument. One of these criteria is a delay of more than 90 days in contractual payments due, unless there are circumstances specific to a particular instrument that would refute this assertion. In addition, other events are monitored—based on internal and external information—that indicate the debtor is unable to pay (repay) all amounts still owed under the contract, including by taking into account all credit facilities provided by the company. Key provisions of the policy and the set of criteria are disclosed in *Note 2.33*.

The company adjusts its expected credit losses, determined based on historical data, using forecast macroeconomic indicators that have been found to be correlated and are expected to influence the amount of expected credit losses in the future.

To calculate expected credit losses on *trade receivables and assets under contracts with customers*, the company has selected and applies a simplified approach based on a matrix for calculating expected credit losses and does not monitor subsequent changes in their credit risk. Under this approach, it recognizes an allowance (impairment provision) based on the expected credit loss over the entire life of the receivables as of each reporting date. The Company has developed and applies a provisioning matrix based on historical experience with credit losses, adjusted by predictive factors specific to the debtors and the economic environment, for which a correlation with the credit loss rate has been established (*Note 45*).

Write-off

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

Financial Liabilities

Initial Recognition, Classification, and Measurement

The Company's financial liabilities include trade and other payables, loans and other borrowings, including bank overdrafts. Upon initial recognition, they are generally classified as liabilities measured at amortized cost.

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

Subsequent Measurement

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

Classification Categories

Loans Received and Other Borrowings

After initial recognition, the company measures interest-bearing loans and borrowings at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the related financial liability is derecognized, as well as through amortization based on the effective interest rate.

The amortized cost is calculated by taking into account any discounts or premiums at acquisition, as well as fees or expenses that form an integral part of the effective interest rate. Amortization is recognized as “financial expense” in the statement of comprehensive income (in profit or loss for the year).

Write-off

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

Offsetting of Financial Instruments

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

This requirement stems from the concept of the substantive economic nature of the company’s relationship with a given counterparty, namely that, when these two requirements are met simultaneously, the expected actual future cash flow and benefits to the entity from these transactions is the net amount, i.e., the net amount reflects the company’s actual right or obligation arising from these financial instruments—under all circumstances, to receive or pay solely the net amount. If both conditions are not met simultaneously, it is assumed that the company’s rights and obligations arising from these offsetting settlements (financial instruments) are not, in all situations, limited solely to the receipt or payment of the net amount.

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

The criteria applied to determine the “existence of a current and legally enforceable right of netting” are:

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

The applicability of the criteria is assessed in light of the requirements of Bulgarian law and the agreements established between the parties. The condition of “the existence of a current and legally enforceable right to net off” is always and mandatorily assessed together with a second condition—that of “a binding intention to settle these accounts on a net basis.”

2.26. Financial Guarantee Agreements

A financial guarantee contract is a contract that requires the issuer to make certain payments to reimburse the holder for a loss it has incurred because a debtor has failed to make a payment when due, in accordance with the original or amended terms of a debt instrument.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the following amounts:

- the amount determined in accordance with the expected credit loss model, and
- the amount initially recognized minus the cumulative amount of revenue (where applicable) recognized in accordance with 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 the contractual payments required under the debt instrument and the payments that would be required in the absence of the guarantee, or the estimated amount that would be payable to a third party to assume the obligations.

Subsequent measurement of financial guarantee liabilities at the expected loss under financial guarantee contracts is included in the statement of financial position under “other current liabilities.”

2.27. Income Taxes

The Company’s *current income taxes* are determined in accordance with the requirements of Bulgarian tax legislation—the Corporate Income Tax Act. The nominal tax rate in Bulgaria for 2026 is 10% (2025: 10%).

Deferred income taxes are determined by applying the balance sheet method to calculate the liability for all of the Company’s temporary differences as of the financial statement date, which exist between the carrying amounts and tax bases of individual assets and liabilities.

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

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

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

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

Deferred tax assets and liabilities are measured based on the tax rates and tax bases expected to apply to the period and type of transactions in which the assets are expected to be realized, liabilities—to be settled (repaid), based on tax laws that are in effect or are highly probable to be in effect, and at the tax rates of the country (Bulgaria) in whose jurisdiction the respective deferred asset or liability is expected to be realized.

The company's deferred tax assets are presented net against its deferred tax liabilities when and to the extent that the company is the tax payer for them in the relevant jurisdiction (the Republic of Bulgaria), and if, and only if, the company has a legal right to make or receive net payments of current income tax liabilities or receivables.

The company's deferred income taxes are measured at the rate applicable for 2026, which is 10% (December 31, 2025: 10%).

2.28. Government Grants

Government funding consists of various forms of grants provided by the state (local and central authorities and institutions) and/or intergovernmental agreements and organizations.

Government funding (municipal, state, and international, including those under European funds and programs) are initially recognized as deferred revenue (grant) when there is reasonable assurance that the company will receive the funds and that the company has met and continues to meet the terms and conditions of the grant.

Government funding related to the reimbursement of expenses incurred is recognized in current profit or loss on a systematic basis over the same period in which the expenses are recognized.

Government grants intended to compensate for capital expenditures incurred to acquire an asset are recognized in current profit or loss on a systematic basis over the asset's useful life, in proportion to the amount of depreciation recognized in expenses.

2.29. Non-current assets (or disposal groups) held for sale and discontinued operations

The Company classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition, subject only to terms that are customary and accepted for sales of such assets (or disposal groups), and the sale must be highly probable.

A disposal group is one that will be disposed of through sale or other means, collectively as a group in a single transaction, together with liabilities directly associated with the assets to be transferred in the transaction.

A discontinued operation is a component of an entity that is either disposed of or classified as held for sale and: a) constitutes a separate major line of business or geographic area of operations; (b) is part of a coordinated plan to divest a separate major line of business or geographic area of operations; or (c) is a subsidiary acquired exclusively with the intent to resell it.

The Company measures a non-current asset (or a disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Fair value is determined with the assistance of an independent licensed appraiser. Immediately prior to the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or of all assets and liabilities of the group) are measured in accordance with applicable IFRSs.

The Company does not depreciate a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

The Company presents the non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a

disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.30. Net Earnings or Loss per Share

Basic net income or loss per share is calculated by dividing the net income or loss for the period attributable to shareholders of common stock by the weighted-average number of common shares outstanding during the period.

The weighted-average number of shares represents the number of common shares outstanding at the beginning of the period, adjusted for the number of common shares treasury and newly issued during the period, multiplied by the time-weighting factor. This factor expresses the number of days during which the specific shares were held relative to the total number of days in the period.

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

Net income or loss per diluted share is calculated because there are potential diluted shares outstanding (warrants).

In calculating net income or loss per diluted share, net income or loss for the period attributable to shareholders of common stock and the weighted-average number of shares outstanding are adjusted to reflect the effect of all potential common shares with reduced par value.

Profit or loss for the period attributable to shareholders holding common stock is increased by the amount of dividends and interest, net of taxes, recognized during the period in connection with potential dilutive common shares, and is adjusted for all other changes in income or expense that could arise as a result of the conversion of potential dilutive common shares.

The weighted-average number of common shares outstanding during the period is increased by the weighted-average number of additional common shares that would be outstanding if all potential common shares with reduced par value were converted.

2.31. Segment Reporting

The Company identifies its reportable segments and discloses segment information in accordance with the organizational and reporting structure used by management. Operating segments are components of the business that are regularly evaluated by members of management responsible for making operating decisions—using financial and operating information prepared specifically for the segment—for the purpose of ongoing monitoring and evaluation of operating results (performance) and the allocation of the company's resources.

The company's operating segments are currently monitored and managed separately, with each operating segment representing a distinct business area that offers different products and carries different business benefits and risks. The company's operating segments include the following business areas:

- main types of pharmaceutical production—tablets, ampoules, medical devices, and other forms;
- distribution of pharmaceutical products—tablets, ampoules, medical devices, and other forms;
- assets provided under lease agreements.

Information by Operating Segment

The company uses one primary measure—gross margin (profit)—to evaluate the results of its operating segments and to allocate resources among them. Gross margin is defined as the difference between segment revenue and segment expenses directly attributable to the respective segment.

Segment assets, liabilities, and, respectively, revenue, expenses, and results include those that are and can be directly attributable to the respective segment, as well as those that can be allocated on a reasonable basis. Typically, these are: a) for revenue—sales of products, revenue from the distribution of pharmaceutical products, and revenue from assets provided under lease agreements; b) for expenses—costs of raw materials and supplies, depreciation, and employee compensation; c) for assets—property, plant, and equipment, investment property, and inventories; d) liabilities—government grants, liabilities to employees, and social security obligations. Capital expenditures (investments) by business segment are distinguishable expenses incurred during the period for the acquisition or construction of segment-specific non-current assets expected to be used over more than one period.

The Company manages investments in securities, trade receivables and payables, and financial resources provided or received, as well as taxes, at the corporate level; these are not allocated at the segment level.

The results of activities considered incidental to the Company's primary types of operations (activities), as well as unallocated revenues, expenses, liabilities, and assets, are reported separately under the line item "Company-wide." These amounts generally include: other operating income, unless it arises from the operations of a specific segment; administrative expenses; interest income and expenses; realized and unrealized gains and losses on foreign exchange transactions and investments; investments in other companies; trade and other receivables, trade payables, and loans received, tax settlements, and general-purpose production and administrative equipment.

The accounting policy applied for segment reporting is based on the one used by the company to prepare its statutory financial statements.

2.32. Fair Value Measurement

Some of the company's assets and liabilities are measured and presented and/or disclosed solely at fair value for financial reporting purposes. These include: a) on a recurring (annual) basis—*other long-term equity investments, investment property, bank loans granted and received, and loans to/from third parties, certain trade and other receivables and payables, and others*; b) on a non-recurring (periodic) basis—*non-financial assets such as property, plant, and equipment*.

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's-length transaction between independent market participants on 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 that asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. Both the primary market and the most advantageous market are markets to which the company necessarily has access.

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

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

The Company applies various valuation techniques that are appropriate given the specific circumstances and for which it has a sufficient basis of input data, striving to make maximum use of available publicly observable information and, accordingly, to minimize the use of unobservable information. It uses all three acceptable

approaches—the *market, income, and cost approaches*—with the most commonly applied valuation techniques being direct and/or adjusted quoted market prices, market comparables, and discounted cash flows, including those based on capitalized rental income.

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

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

For those assets and liabilities that are measured at fair value on a recurring basis in the financial statements, the company assesses, as of the date of each financial statement, whether a reclassification within the fair value hierarchy of a given asset or liability is necessary, based on the input data available and used as of that date.

The company has developed internal rules and procedures for measuring the fair value of various types of assets and liabilities. To this end, a dedicated valuation officer reporting to the company's Chief Financial Officer has been appointed to organize the entire valuation process, including coordinating and supervising the work of external appraisers.

The Company relies on the expertise of external licensed appraisers to determine the fair values 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; and *property, plant, and equipment*—Level 2 and Level 3. Licensed appraisers are selected on an annual basis using the following criteria: professional standards applied, professional experience and knowledge; reputation and market standing. The need to rotate external appraisers is assessed periodically—every three to five years. The application of valuation approaches and techniques, as well as the input data used for each fair value measurement, are subject to mandatory discussion and coordination between the external valuation experts and the designated valuation officer, as well as the approval of the issued valuation reports—particularly with regard to material assumptions and the final conclusions and recommendations regarding the fair value amount. The final fair value assessments are subject to approval by the Chief Financial Officer and/or Chief Accountant, the Chief Executive Officer, and the company's Board of Directors.

As of the date of each financial statement, in accordance with the company's accounting policy, the designated valuation specialist conducts a comprehensive analysis of previously collected information regarding changes in the values of the company's assets and liabilities that are subject to valuation or fair value disclosure, the type of available data and the possible factors behind the observed changes, and submits for approval by the Chief Financial Officer the approach for measuring the fair values of the relevant assets and liabilities as of that date. If necessary, this is done in explicit consultation with the external appraisers used.

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

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

2.33. Critical judgments in applying the company's accounting policies. Key estimates and assumptions subject to high uncertainty.

Fair value measurement of equity investments

When the fair value of equity investments recognized in the statement of financial position cannot be determined based on quoted prices in active markets, their fair value is determined using other valuation models and techniques, including the discounted cash flow model.

The input data used in these models is collected from observable markets where possible; however, when this is not feasible, determining fair values requires the application of a certain degree of judgment. Such judgment involves reviewing, analyzing, and evaluating input data such as liquidity risk, credit risk, and volatility.

Changes in the assumptions regarding these factors may affect the reported fair value of financial instruments. The main key assumptions and model components are disclosed in *Note 20*.

Calculation of expected credit losses for loans granted, sureties and guarantees, trade receivables (including those from related parties), and cash and cash equivalents

Measuring expected credit losses for financial assets carried at amortized cost (loans, sureties, receivables, and assets under contracts with customers, cash and cash equivalents), as well as for financial guarantees provided, is an area that requires the use of complex models and significant assumptions regarding future economic conditions and the credit behavior of customers and debtors (for example, the probability that counterparties will default on their obligations and the resulting losses).

To apply these requirements, the company's management makes a number of significant judgments, such as: (a) determining criteria for identifying and assessing a significant increase in credit risk; (b) selecting appropriate models and assumptions for measuring expected credit losses; c) grouping similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the relationship between historical delinquency rates and the behavior of certain macroeconomic indicators, in order to reflect the effects of forecasts for these macroeconomic indicators in the future when calculating expected credit losses (*Note 44*).

For trade receivables, including those from related parties

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

Each provision matrix is initially based on detailed historical observations of the company's receivables uncollectibility rates and the movement of receivables by delinquency group. Typically, historical data covering at least three years prior to the date of the financial report is used. Additionally, the matrix is calibrated to adjust the historically established relationships for credit losses using forecast information and probabilistic scenarios. If certain projected economic conditions, as measured by specific macroeconomic indicators, are expected to deteriorate or improve over the next year—which could lead to a statistically significant increase in delinquencies in a given sector (customer type)—the historical default rates are adjusted. At each reporting date, the observed historical default rates are updated, and the effects of changes in forecast estimates are recognized.

The assessment of the relationship between observed historical default rates, projected economic conditions, and expected credit losses is a significant accounting estimate.

The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Company's historical credit losses and forecast economic conditions may differ from actual uncollectibility in the future.

Information on expected credit losses on trade receivables, including those from related parties on an accumulated basis, is disclosed in *Note 21, Note 22, Note 24, Note 25, and Note 26(b)*.

In 2026, the recovered impairment loss on trade receivables, including those from related parties, amounted to 67,000 EUR (2025: the recovered impairment loss amounted to 38,000 EUR) (*Note 9*).

For loans and guarantees granted

The company has adopted the general approach for calculating impairment based on expected future credit losses on loans granted, in accordance with IFRS 9. To this end, the company applies a model of its own choosing. The application of this model involves several steps. First, the borrower's credit rating is determined using methodologies from leading rating agencies for the relevant economic sectors and ratios—quantitative and qualitative parameters of indicators for the company in question. As a second step, using statistical models that incorporate historical data on probabilities of default (PD), transitions between different ratings, macroeconomic data, and forecasts, the relevant marginal PDs by year are calculated for each rating. Third, based on this analysis and the determined rating, as well as a set of indicators describing the instrument's characteristics as of the date of each financial statement, the following are determined: the instrument's stage (Stage 1, Stage 2, or Stage 3), the required PDs for the instrument's term, and the loss given default (LGD). The basic formula for calculating expected credit losses is: $ECL = EAD \times PD \times LGD$, where:

ECL is the measure of expected credit losses

EAD is the exposure at default

PD is the probability of default

LGD is the loss given default.

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

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

Stage 2 includes loans that are classified as “under renegotiation.” These are loans for which there is evidence (based on a set of indicators) of a significant deterioration in the credit risk associated with the borrower compared to the time of the initial recognition of the exposure. The expected impairment loss for these loans is calculated based on the probability of default over the entire life of the loan, which is considered unimpaired, and the company's expectation of the loss amount on an exposure in default over its entire life cycle.

Stage 3 includes loans that are classified as “doubtful.” These are loans for which there is evidence that the receivable has already been impaired, i.e., a credit event has occurred (in accordance with the adopted policy for defining default events). To this end, an analysis is performed of a set of metrics used as indicators of incurred credit losses. The impairment loss for these loans is calculated based on probability-weighted scenarios reflecting the company’s expectation of the loss amount on an impaired exposure in default over its entire life cycle.

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

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

Key aspects of the policy and the set of criteria for assessing the company’s exposure to credit risk associated with loans granted are disclosed in *Note 44*.

Information on expected credit losses from loans granted, fees on guarantees, and financial guarantee agreements is disclosed in *Note 24*, *Note 26a*, and *Note 42*.

In 2026, the provision for expected credit losses on loans originated amounted to 260 thousand EUR, net of recoveries (2025: the provision for expected credit losses on loans originated amounted to 13 thousand EUR, net of recoveries) (*Note 12*, *Note 24*, *Note 26a*).

In 2026, there was no impairment provision for expected credit losses on financial guarantee contracts (2025: there was no impairment provision for expected credit losses on financial guarantee contracts) (*Note 11*, *Note 12*, and *Note 42*).

In 2026, no impairment loss was recognized for expected credit losses on guarantee fees (2025: no impairment loss was recognized for expected credit losses on guarantee fees) (*Note 11*, *Note 12*, and *Note 24*).

Cash and Cash Equivalents

To calculate expected credit losses on *cash and cash equivalents held at banks*, the company applies the general “three-stage” impairment approach set forth in IFRS 9. To this end, a model is applied based on the published ratings of banks assigned by internationally recognized rating agencies such as Moody’s, Fitch, S&P, BCRA, and Bloomberg. On this basis, on the one hand, PD () indicators are determined using publicly available PD data corresponding to the rating of the respective bank, and on the other hand, by tracking changes in the bank’s rating from period to period, the company assesses the presence of elevated credit risk.

Losses due to default are estimated using the formula above. When determining the LGD, the presence of guaranteed and/or secured amounts in the relevant bank accounts is taken into account.

Lease Agreements

The application of IFRS 16 requires the company’s management to make various judgments, estimates, and assumptions that affect the reported right-of-use assets and lease liabilities. The main key judgments relate to determining an appropriate discount rate and determining the term of each lease agreement, including whether it is sufficiently certain that options to extend or terminate the term of the agreement will be exercised. As a result of the uncertainty surrounding these assumptions and estimates, significant adjustments to the carrying amounts of the affected assets and liabilities may arise in the future, and consequently to the reported expenses and revenues (*Note 33*, *Note 34*, *Note 38*, and *Note 42*).

Revenue from Contracts with Customers

In recognizing revenue and preparing the annual financial statements, management makes various judgments, estimates, and assumptions that affect the reported revenue, expenses, assets, and liabilities under contracts and the related disclosures. As a result of the uncertainty surrounding these assumptions and estimates, significant adjustments to the carrying amounts of the affected assets and liabilities—and, consequently, to the reported expenses and revenue—may occur in the future.

The key judgments and assumptions that have a material effect on the amount and timing of revenue recognition from contracts with customers relate to determining the point in time control over the goods and/or services promised in the contract with the customer is transferred to the customer, and the measurement of variable consideration for returned goods and volume discounts (*Note 2.5.1*).

Inventories***Normal Capacity***

The company's normal production capacity is determined based on management's assessments (following analyses) of the optimal utilization of its production facilities and the return on investment in them, given a product mix considered typical.

When the actual volume produced for individual products is below the normal production capacity determined by the company, the fixed costs included in the cost of finished goods and work in progress are recalculated accordingly.

Impairment

At the end of each fiscal year, the company reviews the condition, shelf life, and usability of its existing inventories. If the company identifies inventories that are unlikely to be sold at their current carrying amounts in future reporting periods, it writes down the inventories to their net realizable values.

As a result of the reviews and analyses conducted in 2026, no impairment of inventories was recognized (2025: none) (*Note 5 and Note 9*).

Revaluation of Property, Plant, and Equipment

As of December 31, 2021, a comprehensive review was conducted of changes in the fair value of the company's property, plant, and equipment, as well as their physical and technical condition, method of operation, and remaining useful life. Accordingly, a revaluation was performed, as the five-year revaluation period established by policy ended on that date. The review and revaluation were carried out with the professional assistance of independent licensed appraisers.

The licensed appraisers also prepared a sensitivity analysis of the fair value estimates they proposed, determined using various valuation methods, taking into account reasonably possible changes in the key assumptions, and provided commentary on the resulting deviations.

Management has conducted a detailed analysis of the licensed appraisers' reports, including the sensitivity tests. As a result, a revaluation was recognized, and a new revaluation reserve in the amount of 3,971 EUR, net of taxes, was recorded.

As a result of the reviews and analyses conducted in 2026, no impairment of property, plant, and equipment was recognized (2025: 1 EUR) (*Note 10 and Note 15*).

Goodwill Impairment

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

As a result of the calculations performed in 2026, no need to recognize goodwill impairment was identified (2025: none) (*Note 10 and Note 16*).

Impairment of Investments in Subsidiaries

At each statement of financial position date, management assesses whether there are any indicators of impairment of its investments in subsidiaries. The calculations were performed by management with the assistance of independent licensed appraisers.

As a result of the calculations performed in 2026, no impairment of certain investments in subsidiaries was identified (2025: none) (*Note 10 and Note 18*).

Impairment of Investments in Associates and Joint Ventures

At each statement of financial position date, management assesses whether there are any indicators of impairment of its investments in associates and joint ventures. The calculations were performed by management with the assistance of independent licensed appraisers.

As a result of the calculations performed in 2026, no impairment loss was identified (2025: none) (*Note 10 and Note 19*).

Actuarial Calculations

In determining the present value of long-term retirement obligations to employees, calculations by certified actuaries were used, based on assumptions regarding mortality, employee turnover rates, future salary levels, and the discount factor. These are disclosed in *Note 35*.

As a result of these calculations, a liability for long-term employee benefits in the amount of 3,642 EUR (December 31, 2025: 3,522 EUR) has been recognized (*Note 35*).

Deferred Tax Assets

Deferred tax assets in the amount of 1,578 EUR (December 31, 2025: 1,587 EUR) have not been recognized, as management has determined that it is unlikely that the temporary difference will reverse in the foreseeable future. The amount of the temporary difference for which no tax asset has been recognized is 15,780 EUR (December 31, 2025: 15,865 EUR) (*Note 31*).

Provisions for Litigation

With regard to the pending legal proceedings against the company, management, in consultation with its attorneys, has determined that, at this stage, the probability and risks of an adverse outcome remain minimal; therefore, no provisions for liabilities arising from these proceedings have been recognized in the statement of financial position as of June 30, 2026.

3. REVENUE

The company's revenue includes:

	2026	2025
	EUR'000	EUR'000
Revenue from customer contracts	93,035	67,507
Revenue from assets provided under lease agreements	679	687
Total	93,714	68,194

3.1. Revenue from contracts with customers includes:

	2026	2025
	EUR'000	EUR'000
Revenue from sales of manufactured pharmaceutical products	80,930	64,271
Revenue from the distribution of pharmaceutical products	12,105	3,236
Total	93,035	67,507

Revenue from the sale of manufactured pharmaceuticals includes:

	2026	2025
	EUR'000	EUR'000
Revenue from foreign sales	59,146	40,023
Revenue from sales in Bulgaria	21,784	24,248
Total	80,930	64,271

Revenue from foreign sales by product is as follows:

	2026	2025
	EUR'000	EUR'000
Tablet forms	49,546	32,862
Ampoule forms	4,683	2,875
Ointments	2,003	1,445
Syrup forms	1,921	2,104
Drops	489	353
Therapeutic cosmetics	185	93
Suppositories	118	90
Patches	107	80
Bandaging products	64	75
Sachets	30	29
Veterinary Vaccines	-	17

Total	59,146	40,023
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Sales revenue in Bulgaria by product is as follows:

	2026	2025
	EUR'000	EUR'000
Tablets	11,981	13,071
Ampoule forms	3,647	4,189
Bandaging products	1,582	1,490
Ointments	1,096	1,001
Patches	940	904
Syrups	708	1,103
Solutions	418	450
Sanitary and hygiene products	385	413
Sachets	316	425
Drops	315	309
Hemodialysis concentrates	140	170
Suppositories	123	118
Therapeutic cosmetics	118	96
Chemical Substances and Mixtures	11	16
Veterinary vaccines	4	235
Lyophilized products	-	258
Total	21,784	24,248

The breakdown by geographic region of *sales revenue from manufactured medicines* is as follows:

	2026	Percentage	2025	Percentage
	EUR'000		EUR '000	
Europe	50,941	63%	32,291	50%
Bulgaria	21,815	27%	24,248	38%
Other countries	8,174	10%	7,732	12%
Total	80,930	100%	64,271	100%

Total sales revenue from manufactured pharmaceuticals resulting from transactions with the company's largest customers is as follows:

	2026	% of revenue	2025	% of revenue
	EUR'000		EUR '000	
Client 1	35,034	43%	10,729	17%
Client 2	21,777	27%	23,659	37%
Client 3	6,063	7%	4,925	8%

The company received a license for the wholesale distribution of medicinal products No. BG/WDAIMP-0583 on August 7, 2025, issued by the Executive Agency for Medicines (EAM).

3.2. *Revenue from the distribution of medicinal products* is as follows:

	2026	2025
	EUR'000	EUR'000
Sanitary and hygiene products	7,911	-
Tablet forms	2,800	639
Syrups	852	1,656
Ointments	434	729
Sprays	71	149
Sachets	37	63
Total	12,105	3,236

The breakdown of *revenue from the distribution of pharmaceuticals* by geographic region is as follows:

	2026	Percentage	2025	Percentage
	EUR'000		EUR '000	
Europe	10,126	84%	-	-
Bulgaria	1,730	14%	3,177	98%
Other countries	249	2%	59	2%
Total	12,105	100%	3,236	100%

Total distribution revenue from transactions with the company's largest customer is as follows:

	2026	% of revenue	2025	% of revenue
	EUR'000		EUR '000	
Client 1	10,020	83%	-	-
Client 2	1,651	14%	3,177	98%

The balances on customer contracts are as follows:

	June 30,	December
	2026	31, 2025
	EUR'000	EUR'000
Receivables under contracts with customers—related parties, net of impairment (<i>Note 24</i>)	65,913	58,840
Trade receivables from third parties, net of impairment (<i>Note 25</i>)	7,967	7,137

61,610
65,977

The increase in trade receivables from customer contracts, including receivables from related parties, is a result of increased business volume.

Reimbursement obligations as of June 30, 2026, amount to 1,075 EUR (December 31, 2025: 1,140 EUR). These include liabilities for retrospective volume-based trade discounts due under contracts with customers, which will be reimbursed in the next reporting period (*Note 42*).

4. OTHER INCOME AND LOSSES FROM OPERATIONS

Other income and losses from the company's operations include:

	2026	2025
	EUR'000	EUR'000
<i>Revenue from the sale of a separate part of a business</i>	7,453	-
<i>Carrying amount of assets from the sale of a separate part of a commercial enterprise</i>	(3,128)	-
Gain on the sale of a separate part of a commercial enterprise	4,325	-
Revenue from the provision of services	3,005	1,612
Net gains / (losses) from foreign exchange differences on trade receivables and payables and current settlement accounts	244	(468)
<i>Proceeds from the sale of fixed assets</i>	226	21
<i>Book value of fixed assets sold</i>	(27)	(19)
Gain on sale of fixed assets	199	2
Revenue from European project funding	110	147
<i>Revenue from the sale of food products</i>	404	362
<i>Carrying amount of food products sold</i>	(338)	(347)
Gain/(Loss) on Sale of Merchandise	66	15
Surplus assets	23	16
<i>Revenue from the sale of materials</i>	491	412
<i>Carrying amount of materials sold</i>	(469)	(342)
Gain on sale of materials	22	70
<i>Written-off liabilities under lease agreements</i>	48	3
<i>Carrying amount of written-off assets under lease agreements</i>	(35)	-
Gain from lease agreements	13	3
Written-off liabilities	7	1,033
Awarded amounts	-	687
Other income	50	43
Total	8,064	3,160

Revenue from the sale of materials is primarily derived from the sale of substances, chemicals, and packaging materials.

Revenue from services includes:

	2026	2,025
	EUR'000	EUR'000
Manufacturing services	1,925	1,256
Licensing rights and services	692	20
Radiation range	153	58
Social activities	72	55
Laboratory Analysis Services	54	34
Regulatory Services	53	163
Transportation Services	16	3
Other	40	23
Total	3,005	1,612

5. EXPENSES FOR RAW MATERIALS AND SUPPLIES

Expenses for raw materials and supplies include:

	2026	2025
	EUR'000	EUR'000
Raw materials	14,668	16,180
Electricity	1,519	1,423
Laboratory supplies	1,337	1,047
Heat energy	758	1,027
Work Clothing and Personal Protective Equipment	403	241
Technical supplies	375	530
Auxiliary materials	350	279
Spare parts	285	252
Fuels and Lubricants	189	160
Water	78	87
Material waste	10	86
Total	19,972	21,312

Costs of raw materials include:

	2026	2025
	EUR'000	EUR'000
Substances	5,651	6,149
Packaging materials	3,026	3,011
Liquid and solid chemicals	2,125	2,818
Aluminum and PVC foil	942	970
Sanitary and dressing supplies	780	721
Herbs	710	915
Ampoules	592	673
Vials	505	712
Tubes	337	203
Materials for the production of veterinary vaccines	-	8
Total	14,668	16,180

6. EXPENSES FOR EXTERNAL SERVICES

Expenses for external services include:

	2026	2025
	EUR'000	EUR'000
Advertising and marketing services	3,784	3,780
Manufacture of pharmaceuticals	3,724	1,383
Consulting services	1,760	1,477
Building and Equipment Maintenance	1,027	724
Transportation and freight forwarding services	899	830
Subscription fees	888	588
Logistics services related to sales in Bulgaria	505	490
Government and regulatory fees	441	357
Security	339	337
Local taxes and fees	332	330
Health care	267	275
Services under civil contracts	229	254
Clinical trial services	166	43
Automobile Repair and Maintenance	153	124
Document Translation	143	153
Logistics Services Related to Overseas Sales	142	133
Rent	125	70
Repairs to Leased Assets	114	-

Communications and Telecommunications	105	99
Insurance	102	130
Taxes on Expenses	94	160
Drug disposal services	57	31
Courier services	54	44
Bank account maintenance fees	52	58
Licensing fees	42	143
Drug registration services	39	129
Commission fees	39	47
Patent fees	1	2
Other	141	143
Total	15,764	12,334

Rental expenses include:

	2026 EUR'000	2025 EUR'000
Rent related to short-term lease agreements	116	70
Rentals related to lease agreements for low-value assets	9	-
Total	125	70

7. PERSONNEL EXPENSES

Personnel expenses include:

	2026 EUR'000	2025 EUR'000
Current compensation	17,529	15,996
Social security contributions	2,949	2,808
Social benefits and payments	1,267	744
Accrued unused vacation pay	780	935
Bonuses	565	432
Amounts Accrued for Vacation Pay	151	144
Accrued amounts for long-term employee retirement obligations (Note 35)	120	123
Total	23,361	21,182

8. CARRYING VALUE OF DISTRIBUTED MEDICINAL PRODUCTS

The carrying value of distributed pharmaceutical products by type is as follows:

	2026	2025
	EUR'000	EUR'000
Sanitary and hygiene products	4,310	-
Tablet forms	2,147	315
Syrups	511	927
Ointments	189	318
Sprays	59	92
Sachets	34	54
Total	7,250	1,706

9. OTHER OPERATING EXPENSES

Other expenses include:

	2026	2025
	EUR'000	EUR'000
Entertainment expenses	794	895
Business travel	274	291
Scrap of finished goods and work in progress	194	97
Donations	128	100
Unrecognized tax credit under the VAT Act	70	46
Other taxes and payments to the budget	68	8
Training	57	70
Depreciation of Long-Term Assets	55	-
Penalties on commercial obligations	25	-
Awards	24	52
Defective goods	3	0
Reversal of impairment for credit losses on receivables	(67)	(38)
Other	57	43
Total	1,682	1,564

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

Impairments of non-current assets include:

	2026	2025
	EUR'000	EUR'000
Impairment of property, plant, and equipment (<i>Note 15</i>)	-	1

Total	-	1
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11. FINANCIAL REVENUE

Financial revenue includes:

	2026	2025
	EUR'000	EUR'000
Income from equity investments	870	1,916
Interest income on loans granted	141	154
Interest income on refundable equity contributions (Note 21)	117	130
Revenue from fees on guarantees provided	110	139
Net gain on foreign exchange differences on receivables from the sale of a subsidiary	54	-
Interest income from assignment agreements (Note 21)	32	32
Net gain from exchange rate differences on the collection of redeemable equity contributions from a subsidiary	-	25
Net gain from foreign exchange differences on lease agreements	-	26
Total	1,324	2,422

12. FINANCIAL EXPENSES

Financial expenses include:

	2026	2025
	EUR'000	EUR'000
Interest expense on loans received	1,654	1,707
<i>Impairment for credit losses on receivables from trade loans granted</i>	260	51
<i>Reversal of allowance for credit losses on receivables from trade loans granted</i>	-	(38)
Net change in the allowance for loan losses on loans granted	260	13
Bank fees on loans and guarantees	233	97
Interest Expense on Lease Agreements	54	61
Net loss from foreign exchange differences on the collection of capital contributions from a subsidiary	49	-
Net loss from foreign exchange differences on lease agreements	17	-
Expenses related to dividend payments	3	7
Expenses related to securities held abroad	1	-
Net foreign exchange loss on receivables from the sale of a subsidiary	-	219
Total	2,271	2,104

13. INCOME TAX EXPENSE

The reconciliation between income tax expense and taxable income for the periods ending June 30, 2026, and June 30, 2025, is presented below:

	2026	2025
	EUR'000	EUR'000
Taxable income for the year as reported on the tax return	33,904	7,583
Revaluation reserve included as an increase in the annual tax return	(76)	(84)
Taxable income for the year	33,828	7,499
Current income tax expense for the year—10% (2025: 10%)	3,383	750
<i>Deferred income taxes arising from:</i>		
Recognition and reversal of temporary differences	(492)	527
Tax expense from a prior period	(3)	(37)
Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)	2,888	1,240

The reconciliation between income tax expense and accounting profit for the periods ended June 30, 2026, and June 30, 2025, is presented below:

	2026	2025
	EUR'000	EUR'000
<i>Accounting profit for the year before taxes</i>	<i>30,222</i>	<i>14,064</i>
Income tax expense at the applicable tax rate of 10% for 2026 (2025: 10%)	3,022	1,406
<i>From unrecognized amounts on tax returns related to:</i>		
increases – 770 thousand EUR (2025: 520 thousand EUR)	77	52
decreases – 2,084 thousand EUR (2025: 1,812 thousand EUR)	(208)	(181)
Tax expense from prior periods	(3)	(37)
Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)	2,888	1,240

The tax effects *related to the other components of comprehensive income* are as follows:

	2,026			2025		
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
	<u>Pre-tax amount</u>	<u>Tax effects recognized in equity</u>	<u>Value net of tax</u>	<u>Pre-tax amount</u>	<u>Tax effects recognized in equity</u>	<u>Amount net of tax</u>
Components that cannot be reclassified to profit or loss						
Net change in the fair value of equity investments designated as measured at fair value through other comprehensive income	<u>1,002</u>	<u>-</u>	<u>1,002</u>	<u>(2,294)</u>	<u>-</u>	<u>(2,294)</u>
Total other comprehensive income for the year	<u>1,002</u>	<u>-</u>	<u>1,002</u>	<u>(2,294)</u>	<u>-</u>	<u>(2,294)</u>

14. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	2026	2025
	<i>EUR'000</i>	<i>EUR'000</i>
Net change in the fair value of equity investments designated as measured at fair value through other comprehensive income	<u>1,002</u>	<u>(2,294)</u>
Total comprehensive income for the year, net of taxes	<u>1,002</u>	<u>(2,294)</u>

15. PROPERTY, PLANT, AND EQUIPMENT

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

	<i>Land and buildings</i>		<i>Machinery, Facilities, and Equipment</i>		<i>Other</i>		<i>In the process of acquisition</i>		<i>Total</i>	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Carrying amount										
Balance as of January 1	91,459	94,787	118,027	120,823	11,620	11,399	11,696	6,756	232,802	233,765
Acquired assets	371	195	343	2,233	483	900	4,700	10,718	5,897	14,046
Transfer to property, plant, and equipment	-	187	2,433	5,439	8	85	(2,441)	(5,711)	-	-
Transfer from investment properties	-	148	-	109	-	5	-	-	-	262
Impairment	-	(142)	-	-	-	(5)	-	-	-	(147)
Transfer to assets held for sale	-	(3,669)	-	(8,899)	-	(183)	-	(67)	-	(12,818)
Written off	(53)	(47)	(2,151)	(1,678)	(1,613)	(581)	-	-	(3,817)	(2,306)
Balance as of June 30/December 31	91,777	91,459	118,652	118,027	10,498	11,620	13,955	11,696	234,882	232,802
Accumulated depreciation										
Balance as of January 1	33,758	32,681	81,066	84,110	9,252	8,981	-	-	124,076	125,772
Accrued depreciation	1,677	3,404	2,800	5,498	495	952	-	-	4,972	9,854
Transfer to assets held for sale	-	(2,281)	-	(6,887)	-	(163)	-	-	-	(9,331)
Depreciation written off	(53)	(46)	(2,115)	(1,655)	(1,564)	(518)	-	-	(3,732)	(2,219)
Balance as of June 30/December 31	35,382	33,758	81,751	81,066	8,183	9,252	-	-	125,316	124,076
Book value as of June 30 / December 31	56,395	57,701	36,901	36,961	2,315	2,368	13,955	11,696	109,566	108,726
Book value as of January 1	57,701	62,106	36,961	36,713	2,368	2,418	11,696	6,756	108,726	107,993

The company's *land and buildings* as of June 30 / December 31 are as follows:

- Buildings with a book value of 36,205, ,000 EUR (December 31, 2025: 37,511,000 EUR);
- Land with a value of 20,190 EUR (December 31, 2025: 20,190 EUR).

The company's *other property, plant, and equipment* as of June 30 / December 31 include:

- Vehicles with a book value of 1,696 thousand EUR (December 31, 2025: 1,683 thousand EUR);
- Furniture and fixtures with a book value of 461 EUR (December 31, 2025: 499 EUR);
- Biological assets (crops) with a book value of 158 thousand EUR (December 31, 2025: 186 thousand EUR).

Acquisition costs of property, plant, and equipment as of June 30 / December 31 include:

- advances paid for the purchase of machinery and equipment – 9,695 EUR (December 31, 2025: 8,495 EUR);
- construction costs for new buildings— 3,759 EUR (December 31, 2025: 3,020 EUR);
- building renovation – 464 thousand EUR (Dec. 31, 2025: 163 thousand EUR);
- other – 37 thousand EUR (December 31, 2025: 18 thousand EUR).

As of June 30 / December 31, the carrying amount of machinery, plant, and equipment includes machinery and equipment purchased under financing agreements under the Operational Program “Development of the Competitiveness of the Bulgarian Economy 2007–2013,” the “Energy Efficiency” Operational Program, and the “Recovery and Resilience Plan” Operational Program (*Note 32*), as follows:

- for tablet production, valued at 2,013 thousand EUR (as of December 31, 2025: 2,143 thousand EUR);
- for ampoule production valued at 827 EUR (December 31, 2025: 930 EUR);
- a liquid filling and packaging line valued at 439 EUR (as of December 31, 2025: 454 EUR);
- general ventilation and air conditioning systems for the production of medical products valued at 134 EUR (December 31, 2025: 149 EUR);
- an air-conditioning system with a water-cooled chiller unit valued at 46,000 EUR (as of December 31, 2025: 48,000 EUR);
- a control and monitoring system for climate-controlled chambers, chillers, and lighting systems valued at 33,000 EUR (as of December 31, 2025: 34,000 EUR);
- for the production of innovative “artificial tears” eye drops valued at 21,000 EUR (as of December 31, 2025: 28,000 EUR);
- a machine for dispensing liquid medications valued at 8,000 EUR (as of December 31, 2025: 16,000 EUR);
- an automatic sachet machine valued at 4,000 EUR (as of December 31, 2025: 7,000 EUR);
- a diesel forklift truck valued at 1 thousand EUR (December 31, 2025: 2 thousand EUR);
- a liquid and gas chromatography system valued at 1 EUR (as of December 31, 2025: 1 EUR);
- reactors with a value of zero (as of December 31, 2025: 1 x EUR);

Leasing

The company's *right-of-use assets* are as follows:

	<i>Buildings</i>		<i>Machinery, plant, and equipment</i>		<i>Other</i>		<i>Total</i>	
	2026	2025	2026	2025	2026	2025	2026	2025
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Carrying amount								
Balance as of January 1	10,271	10,123	548	575	2,501	2,116	13,320	12,814
Acquired assets	371	195	-	-	121	795	492	990
Written-off assets	(53)	(47)	-	(27)	(117)	(410)	(170)	(484)
Balance as of June 30/December 31	10,589	10,271	548	548	2,505	2,501	13,642	13,320
Accumulated depreciation								
Balance as of January 1	3,248	2,062	179	145	929	774	4,356	2,981
Accumulated depreciation	629	1,233	30	61	269	506	928	1,800
Depreciation written off	(53)	(47)	-	(27)	(70)	(351)	(123)	(425)
Balance as of June 30/December 31	3,824	3,248	209	179	1,128	929	5,161	4,356
Book value as of June 30 / December 31	6,765	7,023	339	369	1,377	1,572	8,481	8,964
Book value as of January 1	7,023	8,061	369	430	1,572	1,342	8,964	9,833

Other long-lived tangible assets held by the company as of June 30 / December 31 include:

- Vehicles with a book value of 1,345 EUR (December 31, 2025: 1,529 EUR);
- Equipment with a carrying amount of 32 thousand EUR (December 31, 2025: 43 thousand EUR).

The Company has included right-of-use assets in the same line item in which the respective assets would have been presented if they were owned.

The Company has leased out property, plant, and equipment to related parties with a carrying amount as of June 30, 2026, of 33 x EUR (December 31, 2025: 33 x EUR). In addition, , property, plant, and equipment with a carrying amount of 576 EUR as of June 30, 2026 (December 31, 2025: 598 EUR) have been leased to third parties.

Other Information

The carrying amount of fully depreciated property, plant, and equipment used in the company's operations, by asset group, is as follows:

- Buildings – 3,541 thousand EUR (December 31, 2025: 3,500 thousand EUR);
- Machinery, plant, and equipment – 40,287 EUR (Dec. 31, 2025: 40,714 EUR);
- Other – 5,034 EUR (Dec. 31, 2025: 6,412 EUR).

As of June 30, 2026, there are encumbrances on property, machinery, and equipment as follows:

- Land and buildings with book values of 11,862 x EUR and 21,875 x EUR, respectively (December 31, 2025: 11,862 x EUR and 22,968 x EUR, respectively) (*Note 30, Note 36, and Note 43*);

- Pledges on equipment – 18,129 x EUR (December 31, 2025: 11,694 x EUR) (*Note 30, Note 36, and Note 43*).

Periodic revaluation at fair value

The most recent revaluation of property, plant, and equipment was performed as of December 31, 2021, with the assistance of independent licensed appraisers, in order to determine the fair value of the assets in accordance with the requirements of IFRS 13 and IAS 16.

In this revaluation, the following main approaches and valuation methods were applied to measure the fair value of the various types of property, plant, and equipment:

- “Market Approach” using the “Market Comparables Method”—for regulated land and agricultural land for which a real market exists, comparable properties and transactions involving them are monitored, and a basis for comparability is present—their market price, determined using the comparative method, is accepted as fair value;
- “Cost Approach” using the “Depreciated Replacement Cost Method” and the “Cost-Based Method for the Creation or Replacement of the Asset”—for specialized buildings, machinery, plant, equipment, and other assets for which there is no active market and no comparable sales of similar assets—their fair value is determined as their depreciated replacement cost based on the asset’s indexed historical cost and on the current costs of creating or replacing the asset.
- “Income Approach” through “Capitalized Income from the Use/Production of Biological Assets”—for permanent yellow acacia plantations in the fruiting stage.

Based on this assessment, the recognized revaluation reserve amounts to 3,971 thousand EUR, net of taxes.

16. INTANGIBLE ASSETS

The company’s *intangible assets* are as follows:

	<i>Goodwill</i>		<i>Intellectual Property Rights</i>		<i>Software</i>		<i>Under acquisition</i>		<i>Total</i>	
	<i>2026</i>	<i>2025</i>	<i>2026</i>	<i>2025</i>	<i>2026</i>	<i>2025</i>	<i>2026</i>	<i>2025</i>	<i>2026</i>	<i>2025</i>
	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>	<i>EUR ‘000</i>
<i>Carrying amount</i>										
Balance as of January 1	4,863	4,863	92,128	91,583	3,173	2,381	6,870	3,496	107,034	102,323
Acquired assets	-	-	40	129	17	96	3,209	4,486	3,266	4,711
Transfers	-	-	165	416	-	696	(165)	(1,112)	-	-
Written off	-	-	(2)	-	(130)	-	(25)	-	(157)	-
Balance as of June 30/December 31	4,863	4,863	92,331	92,128	3,060	3,173	9,889	6,870	110,143	107,034
<i>Accumulated depreciation</i>										
Balance as of January 1	4,471	4,471	10,091	5,353	2,364	2,239	-	-	16,926	12,063

Accrued depreciation	-	-	2,410	4,738	117	125	-	-	2,527	4,863
Depreciation written off	-	-	(2)	-	(130)	-	-	-	(132)	-
Balance as of June 30/December 31	4,471	4,471	12,499	10,091	2,351	2,364	-	-	19,321	16,926
Book value as of June 30 / December 31	392	392	79,832	82,037	709	809	9,889	6,870	90,822	90,108
Book value as of January 1	392	392	82,037	86,230	809	142	6,870	3,496	90,108	90,260

The Company's *intellectual property rights* as of June 30 / December 31 include:

- Contractual rights to marketing authorizations and trademarks with a carrying amount of 78,055 EUR (December 31, 2025: 80,164 EUR);
- Medical registrations with a book value of 602 thousand EUR (Dec. 31, 2025: 659 thousand EUR);
- Licenses with a book value of 404 EUR (Dec. 31, 2025: 289 EUR).
- Copyrights with a book value of 389 EUR (Dec. 31, 2025: 479 EUR)
- Trademarks with a book value of 373 EUR (as of December 31, 2025: 434 EUR);
- Other with a carrying amount of 9 thousand EUR (December 31, 2025: 12 thousand EUR).

Acquisition costs for long-term intangible assets as of June 30 / December 31 include:

- costs for implementing a software product – 5,244 EUR (December 31, 2025: 4,693 EUR);
- contractual rights to marketing authorizations – 2,356 EUR (Dec. 31, 2025: none);
- expenses for obtaining marketing authorizations for medicinal products – 1,736 EUR (December 31, 2025: 1,756 EUR);
- costs of acquiring licenses: 476 EUR (Dec. 31, 2025: 413 EUR);
- expenses for acquiring copyrights – 69 thousand EUR (as of December 31, 2025: none);
- Other - 8 thousand EUR (December 31, 2025: 8 thousand EUR).

Goodwill Impairment

The goodwill resulting from the merger of subsidiaries (Bulgarian Rose – Sevtopolis AD, Medica AD, Unipharm AD, and Veta Pharma AD) into the parent company is recognized in the company's separate statement of financial position (*Note 2.11*).

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

The key assumptions used in calculating the recoverable amount as of December 31, 2025, are:

- growth rate – 1.26%;
- growth in the post-forecast period when calculating terminal value – 2.00%;
- discount rate (based on CAPM) – 13.36%.

In 2026, no impairment of the reported goodwill was identified.

The carrying amount of fully amortized intangible assets used in the company's operations, by asset group, is as follows:

- intellectual property rights – 3,183 EUR (Dec. 31, 2025: 3,163 EUR);
- software – 2,061 EUR (December 31, 2025: 2,188 EUR).

17. INVESTMENT PROPERTIES

Investment properties consist of buildings and the land attached to them, as well as separately designated parts of buildings intended for independent use, which are held for long-term lease to subsidiaries and third parties.

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Balance as of January 1	<u>25,777</u>	<u>25,827</u>
Written off	(5)	(280)
Acquired	-	280
Net gain (loss) from fair value adjustments recognized in profit or loss	-	212
Transfer to property, plant, and equipment	-	(262)
Balance as of June 30 / December 31	<u><u>25,772</u></u>	<u><u>25,777</u></u>

Investment properties by asset group are as follows:

<i>Asset Group</i>	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Warehouse facilities	24,234	24,238
Offices	910	910
Manufacturing facilities	506	506
Retail spaces	122	123
Total	<u><u>25,772</u></u>	<u><u>25,777</u></u>

As of June 30, 2026, the following encumbrances have been established on investment properties:

- mortgage on a warehouse – 7,935 EUR (December 31, 2025: 7,935 EUR) (*Note 36 and Note 43*);
- pledges on related equipment – 9,640 EUR (December 31, 2025: 9,929 EUR) (*Note 36*).

Fair Value Measurements

Fair Value Hierarchy

The fair value measurements of the investment property groups are categorized as Level 2 and Level 3 fair values based on the inputs used in the valuation technique.

The revaluation of investment properties to fair value is a recurring (annual) process and results from the application of the fair value model under IAS 40. It is performed regularly as of the date of each annual financial statement. Fair value measurements are performed with the assistance of independent licensed appraisers.

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

	<i>Warehouse Space</i>	<i>Offices</i>	<i>Manufacturing buildings</i>	<i>Social facilities</i>	<i>Retail facilities</i>	<i>Acquisition costs</i>	<i>Total</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Balance as of January 1, 2025	23,832	897	734	262	102	-	25,827
Acquired	-	-	-	-	-	280	280
Transfer	280	-	-	-	-	(280)	-
Written off	(4)	-	(276)	-	-	-	(280)
Transfer to property, plant, and equipment	-	-	-	(262)	-	-	(262)
Fair value revaluation through profit or loss—unrealized	130	13	48	-	21	-	212
Balance as of December 31, 2025	24,238	910	506	-	123	-	25,777
Written off	(4)	-	-	-	(1)	-	(5)
Balance as of June 30, 2026	24,234	910	506	-	122	-	25,772

At each statement of financial position date, management analyzes and assesses the fair values of the group of assets classified as investment property. The calculations are performed by management with the assistance of independent licensed appraisers.

Valuation Methodology and Significant Unobservable Inputs

The tables below provide a description of the valuation techniques used to determine the fair value of all groups comprising the investment properties at Level 2 and Level 3, as well as the significant unobservable inputs used:

Asset Groups (Level 2)	Valuation Approaches and Techniques	Significant unobservable inputs
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Offices and retail properties	Valuation Approach: Income Approach Valuation technique: Valuation based on present value, in accordance with a methodology that complies with the requirements of the Bulgarian Standards on Valuation (BSO) 2018, including valuation based on capitalized rental income as a framework for applying the discounted cash flow method, using data, parameters, and calculation results derived from the application of valuation techniques based on the market comparison approach and the cost of construction/replacement approach.	a) comparable rental values for comparable properties b) rate of return c) time required to complete lease transactions
Warehouses, warehouse facilities, and production-warehouse facilities (including land, buildings, structures, and construction facilities)	Valuation approach: Income approach Valuation technique: Valuation based on present value, in accordance with a methodology that complies with the requirements of the Bulgarian Standards on Valuation (BSO) 2018, including valuation based on capitalized rental income as a framework for applying the discounted cash flow method, using data, parameters, and calculation results derived from the application of valuation techniques based on the market comparison approach and the cost of construction/replacement approach.	a) comparable rental values for comparable properties b) rate of return c) time to close lease transactions

Asset Groups (Level 3)	Valuation Approaches and Techniques	Significant unobservable inputs
Retail properties and production and warehouse facilities (including land, buildings, structures, and construction facilities)	Valuation Approach: Income Approach Valuation technique: Valuation based on present value, in accordance with a methodology that complies with the requirements of the Bulgarian Standards on Valuation (BSO) 2018, including valuation based on capitalized rental income as a framework for applying the discounted cash flow method, using data, parameters, and calculation results derived from the application of valuation techniques based on the market comparison approach and the cost of construction/replacement approach.	a) comparative rental values for comparable properties b) rate of return c) term for the execution of lease transactions

Facilities, installations, equipment, and furnishings related to real estate	Valuation Approach: Cost Approach Valuation technique: Valuation based on present value, in accordance with a methodology that meets the requirements of BSO 2018, including valuation based on the necessary—intrinsic—costs of acquisition or replacement (acquisition of an alternative asset of equivalent utility) for the relevant asset as of the valuation date, i.e., determining the replacement cost of the asset in its new condition, using data, parameters, and calculation results derived from valuation techniques related to the market comparison approach	a) comparative values for new comparables (b) indices of changes in consumer based on NSI data
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The key assumptions used in calculating the fair value of investment properties as of December 31, 2025, are:

- comparative rental rates for comparable properties, including:
for offices and retail spaces—from 3.65 EUR/sq. m to 30.97 EUR/sq. m;
for warehouses, storage facilities, and production-storage facilities—from 2.90 EUR/sq. m to 8.97 EUR/sq. m;
- rate of return—from 6.00% to 10.30%;
- Lease transaction completion period—from 6 to 12 months.

As a result of the calculations performed, a need to recognize a revaluation gain to fair value in the amount of 213,000 EUR was identified in 2025.

18. INVESTMENTS IN SUBSIDIARIES

The carrying amount of investments by company is as follows:

		<i>June 30, 2026</i>	<i>Interest</i>	<i>December 31, 2025</i>	<i>Interest</i>
		<i>EUR '000</i>	<i>%</i>	<i>EUR '000</i>	<i>%</i>
Sopharma Trading AD	Bulgaria	33,127	87.32	33,004	87.22
Sopharma Rus EOOD	Russia	22,300	100.00	22,300	100.00
Farma Nova D.O.O.	Serbia	9,225	100.00	9,225	100.00
Sopharma Ukraine EOOD	Ukraine	4,944	100.00	4,944	100.00
Sopharma Warsaw EOOD	Poland	3,480	100.00	3,480	100.00
Vitamins AD	Ukraine	656	100.00	656	100.00
Sopharma Kazakhstan EOOD	Kazakhstan	256	100.00	256	100.00
SofTech Services EOOD	Bulgaria	51	100.00	51	100.00
Total		74,039		73,916	

Sopharma AD exercises direct control over the companies listed above.

The scope of business of the subsidiaries and the date of acquisition are as follows:

- Sopharma Trading AD – business activity: trade in pharmaceuticals. Date of acquisition – June 8, 2006.
- Vitamina AD – business activity: manufacturing and trading of pharmaceutical products. Date of acquisition – January 18, 2008.
- Sopharma Warsaw EOOD – Scope of activity: market and public opinion research. Date of acquisition – November 23, 2010.
- Sopharma Ukraine EOOD – Scope of activity: distribution of pharmaceutical products. Date of acquisition – August 7, 2012.
- TOO Sopharma Kazakhstan EOOD – Scope of business: trade in pharmaceuticals. Date of acquisition – September 30, 2014.
- Pharmachim EOOD – Scope of business: consulting services. Date of acquisition – April 14, 2020.
- Sopharma Rus EOOD – Scope of business: wholesale trade in pharmaceutical products and market and public opinion research. Date of acquisition – October 13, 2023.
- Pharmonova Ltd. – Scope of business: manufacturing of pharmaceutical products. Date of acquisition – August 13, 2024.
- SofTech Services EOOD – Scope of business: provision of software services. Acquisition date – February 28, 2025.

Changes in investments in subsidiaries are presented below:

	<i>Investments in subsidiaries</i>	
	<i>June 30, 2026</i>	<i>December 31, 2025</i>
<i>Acquisition cost</i>	<i>EUR '000</i>	<i>EUR '000</i>
Balance as of January 1	86,022	61,538
Additional equity interests acquired	132	2,469
Sales of Interests Without Loss of Control	(9)	(329)
Additional equity contributions	-	22,300
New participations acquired	-	51
Liquidation of a subsidiary	-	(7)
Balance as of June 30/December 31	86,145	86,022
 <i>Accrued impairment</i>		
Balance as of January 1	12,106	12,113
Impairment written off upon liquidation of a subsidiary	-	(7)
Balance as of June 30/December 31	12,106	12,106
Book value as of June 30 / December 31	74,039	73,916
Book value as of January 1	73,916	49,425

Impairment of Investments in Subsidiaries

At each reporting date, management analyzes and assesses whether there are any indicators of impairment of its investments in subsidiaries.

The following are considered key indicators of impairment: a significant reduction in volume (over 25%) and/or cessation of operations by the investee company; loss of markets, customers, or technological issues; reporting of losses over an extended period of time (more than three years); reporting of negative net assets or assets below the registered share capital; trends of deterioration in key financial indicators; and a decrease in market capitalization. The calculations were performed by management with the assistance of independent licensed appraisers. The financial budgets developed by the respective companies, covering a three- to five-year period, as well as other medium- and long-term plans and intentions for their development—including forecasts for key economic indicators at the national, EU, and Balkan levels—were used as the basis for the pre-tax cash flow projections.

The key assumptions used in calculating the recoverable amount as of December 31, 2025, are:

- revenue growth rate – from 3.98% to 7.92%;
- growth in the post-forecast period when calculating the terminal value—2.50% to 5%;
- interest rate (cost of debt)—from 5.83% to 17.55%;
- discount rate (based on WACC)—from 9.10% to 33.80%;
- discount rate (based on the CAPM) – from 22.12% to 29.89%.

The key assumptions used in the calculations are determined specifically for each company, treated as a separate cash-flow-generating unit, and in accordance with the specifics of its operations, business environment, and risks. Management's impairment tests and assessments of the investments were conducted in light of its forecasts and intentions regarding the future economic benefits expected to be derived from the subsidiaries, including commercial and industrial experience, securing positions in Bulgarian and foreign markets, expectations for future sales, etc. The calculations were performed with the assistance of independent licensed appraisers.

As a result of the calculations performed, no impairment loss on certain investments in subsidiaries was identified in 2026 (2025: none).

Net gain / (loss) from the sale of investments in subsidiaries

The Company reported the following results from the sale of investments in subsidiaries:

	2026	2025
	EUR '000	EUR '000
Gain on sale of investments in subsidiaries	17	550
Expenses from the sale of investments in subsidiaries	-	(4)
Net gain on the sale of investments in subsidiaries	17	546

The Company holds investments in two subsidiaries in Ukraine and one subsidiary in Russia. As of the date of approval of these separate financial statements, the assets of these subsidiaries have not been physically affected by military hostilities, but it is possible that the value of these investments may need to be revised in the future depending on the course of the war and its impact on the companies' operations.

The Company has provided a special pledge of shares in the capital of a subsidiary, with a book value as of June 30, 2026, of 5,200 EUR (December 31, 2025: 5,187 x EUR) (*Note 43*).

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are as follows:

June 30, 2026	Interest	December 31, 2024	Participation
EUR '000	%	EUR '000	%

Sopharma Real Estate REIT	30,316	38.71	35,753	45.65
Sopharma Buildings REIT	15,076	32.76	15,060	32.72
Doverie United Holding AD	4,027	20.00	4,168	20.80
Total	49,419		54,981	

Sopharma Properties REIT is an associated company whose business activity consists of investing funds raised through the issuance of securities in real estate through the acquisition of ownership rights and other real property rights, the construction and improvement of such properties, for the purpose of managing, renting, leasing, letting, and/or selling them.

Sopharma Buildings REIT is an associated company whose business is to invest the funds raised through the issuance of securities in real estate through the acquisition of ownership rights and other real property rights, the construction and improvement of such properties, for the purpose of managing, renting, leasing, letting, and/or selling them.

Doverie United Holding AD is an associate whose business activity consists of the acquisition, management, valuation, and sale of shares and/or equity interests in Bulgarian and foreign companies—legal entities.

The movement of investments in associated companies is presented below:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Balance as of January 1	54,981	55,052
Shares acquired in associates	38	347
Shares in associates sold	(5,600)	(418)
Balance as of June 30/December 31	49,419	54,981

Net gain on sales of investments in associates

The Company reported a net gain on sales of investments in associates as follows:

<i>2026 EUR '000</i>	<i>2025 EUR '000</i>
---------------------------------	---------------------------------

Gain on sale of investments in associates	1,955	999
Expenses from the sale of investments in associates	(38)	(6)
Net gain on the sale of investments in associates	1,917	993

Impairment of investments in associates

At each statement of financial position date, management assesses whether there are any indicators of impairment of its investments in associates.

Management's assessments of impairment of investments are made in light of its forecasts and intentions regarding the future economic benefits expected to be received from the associates, including commercial and industrial expertise, securing positions in Bulgarian and foreign markets, expectations for future sales, etc.

The calculations were performed by management with the assistance of independent licensed appraisers.

The key assumptions used in calculating the recoverable amount for the associates as of December 31, 2025, are:

- revenue growth rate – from 2.42% to 4.71%;
- growth in the post-forecast period when calculating terminal value – 2.00%;
- discount rate (based on WACC) – 6.10%;
- discount rate (based on CAPM) – from 8.94% to 15.39%;
- interest rate /cost of debt/ – 3.67%.

Momina Krepost AD is a joint venture engaged in the development, implementation, and manufacture of medical devices for human and veterinary medicine. The investment in the joint venture has been fully written off.

20. OTHER LONG-TERM EQUITY INVESTMENTS

Other long-term equity investments include holdings in the following companies:

	<i>June 30, 2026 EUR '000</i>	<i>Interest %</i>	<i>December 31, 2024 EUR '000</i>	<i>Interest %</i>
Achieve Life Sciences Inc. - USA	5,321	1.98	4,255	1.98
Lavena AD	520	5.01	596	5.01
MFG Invest AD	26	0.17	76	0.46
Inventor 1 KDA	26	1.36	26	1.36
EcoBulPak AD	3	0.37	3	0.37
UniCredit Bulbank AD	1	0.001	1	0.001
Total	5,897		4,957	

All of the above-mentioned companies, with the exception of Achieve Life Sciences Inc. – USA, are headquartered and operate in Bulgaria.

The fair value per share as of June 30 / December 31 is as follows:

<i>Equity Investments</i>	<i>Number of Shares</i>	<i>Fair value per share</i>	<i>June 30, 2026</i>	<i>Number of shares</i>	<i>Fair value per share</i>	<i>12/31/2025</i>
			<i>Fair value as reported in the statement of financial position</i>			<i>Fair value on the statement of financial position</i>
			<i>EUR</i>			<i>EUR '000</i>
Achieve Life Sciences Inc. - USA	1,092,308	4.87	5,321	1,092,308	3.90	4,255
Lavena AD	497,000	1.05	520	1,299,026	1.20	596
MFG Invest AD	13,432	1.97	26	50,000	1.51	76
Total			5,867			4,927

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

(a) Fair Value Hierarchy

<i>Equity investments</i>	<i>Fair Value</i>		
	<i>Level 1</i>	<i>Level 2</i>	
	<i>June 30, 2026</i>		
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Achieve Life Sciences Inc. - USA	5,321	5,321	-
Lavena AD	520	-	520
MFG Invest AD	26	-	26
Total	5,867	5,321	546
<i>Capital investments</i>	<i>Fair value</i>		
	<i>Level 1</i>	<i>Level 2</i>	
	<i>Dec. 31, 2025</i>		
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Achieve Life Sciences Inc. - U.S. (shares)	4,255	4,255	-
Lavena AD	596	-	596
MFG Invest AD	76	-	76
Total	4,927	4,255	672

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

<i>Equity Investments</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>Total</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>

Balance as of January 1, 2025	4,302	1,791	6,093
Purchases	-	2	2
Sales	-	(659)	(659)
Unrealized gain/(loss), net, included in other comprehensive income (<i>Note 14</i>)	(47)	(462)	(509)
Balance as of December 31, 2025	4,255	672	4,927
Sales	-	(62)	(62)
Unrealized gain/(loss), net, included in other comprehensive income (<i>Note 14</i>)	1,066	(64)	1,002
Balance as of June 30, 2026	5,321	546	5,867

Valuation Techniques and Approaches

For Level 2 fair value measurements, the market comparison approach was applied. The valuation technique is based on the market multiples method. In preparing the fair value measurements, the company engaged the services of certified appraisers.

For investments that are not traded on capital markets, the company has used internal valuations prepared by the company's specialists. In analyzing the companies subject to these internal valuations, the specialists' opinion is that the fair values of these equity investments do not differ materially from their carrying amounts.

21. LONG-TERM RECEIVABLES FROM AFFILIATED ENTITIES

Long-term receivables from related parties include:

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
Receivables from refundable additional capital contributions in a subsidiary	3,047	2,980
Receivables under assignment agreements	2,149	2,116
Receivables from securities transactions	1,331	1,331
Deposits Provided Under Lease Agreements (<i>Note 33</i>)	264	264
Total	6,791	6,691

Receivables from refundable additional capital contributions in a subsidiary are denominated in Polish zlotys. They bear interest and mature on December 31, 2030.

Receivables under assignment agreements are denominated in EUR, mature on December 31, 2027, and bear interest. They were acquired in 2022 in connection with the repayment of bank loans of a joint venture, for which "Sofarma" AD is a co-debtor. They are secured by a mortgage on land and buildings, as well as a pledge on machinery and equipment.

Receivables from securities transactions represent a receivable from the sale of an investment in a subsidiary. They are denominated in EUR and mature on December 31, 2033.

The deposits provided are under lease agreements. They are denominated in EUR and mature on August 1, 2032.

22. OTHER LONG-TERM RECEIVABLES

The company's *other long-term receivables* include:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Long-term loans granted	1,531	1,512
Receivables from securities transactions	218	218
Total	1,749	1,730

Long-term loans granted and their terms as of June 30, 2026, are as follows:

<i>Company</i>	<i>UIC</i>	<i>Currency</i>	<i>Agreed Amount '000</i>	<i>Contract No. / Year</i>	<i>Date of the last amendment to the contract</i>	<i>Maturity</i>	<i>Interest Rate</i>	<i>Market value of collateral EUR '000</i>	<i>June 30, 2026 EUR '000</i>	<i>EUR '000 including interest</i>
<i>Pharmaplant AD</i>	<i>201837643</i>	<i>EUR</i>	<i>1,456</i>	<i>605/2024</i>	<i>November 22, 2024</i>	<i>December 31, 2027</i>	<i>6.05%</i>	<i>2,628</i>	<i>1,531</i>	<i>76</i>
								<u><i>2,628</i></u>	<u><i>1,531</i></u>	<u><i>76</i></u>

Long-term loans granted and their terms as of December 31, 2025, are as follows:

<i>Company</i>	<i>UIC</i>	<i>Currency</i>	<i>Agreed Amount '000</i>	<i>Contract No. / Year</i>	<i>Date of the last amendment to the contract</i>	<i>Maturity</i>	<i>Interest Rate</i>	<i>Market value of collateral EUR '000</i>	<i>December 31, 2025 EUR '000</i>	<i>EUR '000 including interest</i>
<i>Pharmaplant AD</i>	<i>201837643</i>	<i>EUR</i>	<i>1,456</i>	<i>605/2024</i>	<i>November 22, 2024</i>	<i>December 31, 2027</i>	<i>6.05%</i>	<i>2,722</i>	<i>1,512</i>	<i>56</i>
								<u><i>2,722</i></u>	<u><i>1,512</i></u>	<u><i>56</i></u>

Receivables from securities transactions are due on December 31, 2033.

23. INVENTORIES

The company's *inventories* include:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Finished goods	28,476	21,740
Materials	19,924	21,781
Semi-finished products	6,035	5,161
Finished goods	4,431	5,407
Work in Progress	3,312	8,198
Total	62,178	62,287

Finished goods are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Tablet forms	17,634	11,966
Ampoule forms	5,740	5,815
Syrups	1,943	1,657
Ointments	1,255	816
Bandaging products	586	425
Suppositories	246	125
Sanitary and hygiene products	242	157
Drops	232	249
Sachets	223	201
Therapeutic cosmetics	128	87
Patches	126	170
Solutions	70	42
Hemodialysis concentrates	48	28
Chemicals and mixtures	3	2
Total	28,476	21,740

The materials by type are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Raw materials	19,266	20,329
Auxiliary materials	268	191

Technical materials	167	287
Spare Parts	152	164
Fuels	70	79
Materials in Transit	-	730
Other	1	1
Total	19,924	21,781

The main materials by type are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Substances	10,435	10,787
Chemicals	3,070	2,840
Ampoules	1,518	1,595
PVC and aluminum foil	1,100	895
Herbs	1,089	1,785
<i>including own production</i>	-	37
Packaging materials	1,015	1,058
Sanitary and Dressing Supplies	564	807
Vials	298	390
Tubes	159	162
Mortar materials	18	10
Total	19,266	20,329

The movement of self-produced herbs (agricultural products, including harvested yellow acacia seeds) is as follows:

	<i>2026 EUR '000</i>	<i>2025 EUR '000</i>
Balance as of January 1	37	37
Used in production	(37)	-
Balance as of June 30 / December 31	-	37

Inventories by type are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>12/31/2025 EUR '000</i>
Medical devices	4,230	5,190

Dietary supplements	154	174
Food products	47	43
Total	4,431	5,407

Medical devices and dietary supplements by type and form are as follows:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Tablet forms	1,706	1,362
Syrup formulations	1,553	1,255
Sanitary and hygiene products	811	2,211
Sprays	220	240
Sachets	42	45
Ointments	34	222
Drops	18	29
Total	4,384	5,364

As of June 30, 2026, the company's inventories with a book value of 20,332 EUR are pledged as collateral for bank loans (December 31, 2025: 20,332 EUR) (*Note 30 and Note 43*).

24. RECEIVABLES FROM AFFILIATED ENTITIES

Receivables from affiliated companies include:

	<i>June 30, 2026</i>	<i>Dec. 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
<i>Receivables from subsidiaries</i>	69,593	62,400
<i>Allowance for credit losses</i>	(3,544)	(3,544)
Receivables from subsidiaries, net	66,049	58,856
Receivables from associates	850	-
Receivables from companies engaged in joint activities, registered under the Obligations and Contracts Act	416	482
<i>Receivables from joint ventures</i>	2,252	1,975
<i>Allowance for credit losses</i>	(2,138)	(1,847)
Receivables from joint ventures, net	114	128
Receivables from companies controlled by an associate	6	-
Total	67,435	59,466

Receivables from affiliated companies by type are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
<i>Receivables under contracts with customers</i>	69,457	62,384
<i>Allowance for credit losses</i>	<u>(3,544)</u>	<u>(3,544)</u>
Receivables under customer contracts, net	65,913	58,840
Dividend receivables	1,266	482
Advances granted	253	129
Receivables from sureties and guarantees	5	17
<i>Allowance for credit losses</i>	<u>(2)</u>	<u>(2)</u>
Receivables from sureties and guarantees, net	3	15
<i>Trade loans granted</i>	2,136	1,845
<i>Allowance for credit losses</i>	<u>(2,136)</u>	<u>(1,845)</u>
Trade loans granted, net	<u>-</u>	<u>-</u>
Total	<u>67,435</u>	<u>59,466</u>

Receivables under contracts with customers—affiliated companies—are non-interest-bearing. Of these, 54,147 EUR are denominated in EUR (Dec. 31, 2025: 55,810 EUR), 11,764 EUR are denominated in rubles (Dec. 31, 2025: 3,030 EUR), and in USD: 2 x EUR (as of December 31, 2025: none).

The most significant receivables are those from two subsidiaries engaged in the trade of pharmaceuticals and are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Client 1	65.76%	53.79%
Client 2	27.14%	36.53%

Typically, the company negotiates payment terms with its subsidiaries ranging from 45 days to 270 days for receivables from product sales, and up to 90 days for receivables from sales of materials (including raw materials).

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

	<i>2026 EUR '000</i>	<i>2025 EUR '000</i>
Balance as of January 1	<u>3,544</u>	<u>2,190</u>
Increase in the allowance for credit losses recognized in profit or loss during the year	-	3,544

Decrease in the allowance for credit losses recognized in profit or loss for the year

Balance as of June 30 / December 31

-	(2,190)
3,544	3,544

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

	June 30, 2026 EUR '000	December 31, 2025 EUR '000
Up to 30 days	14,547	12,490
31 to 90 days	25,711	31,310
91 to 180 days	8,979	2,655
<i>Gross value of non-past-due (current) receivables from affiliated companies</i>	49,237	46,455
<i>Allowance for credit losses</i>	(769)	(769)
Non-past-due (current) receivables from affiliated companies, net	48,468	45,686

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

	June 30, 2026 EUR '000	Dec. 31, 2025 EUR '000
Up to 30 days	207	207
31 to 90 days	518	518
91 to 180 days	44	44
Total	769	769

The aging schedule of past-due trade receivables from related parties, based on invoice date, is as follows:

	June 30, 2026 EUR '000	December 31, 2025 EUR '000
31 to 90 days	435	2,172
91 to 180 days	11,526	6,994
180 to 365 days	8,259	5,057
over 365 days	-	1,706
<i>Gross value of past-due receivables from related companies</i>	20,220	15,929
<i>Allowance for credit losses</i>	(2,775)	(2,775)

Past-due receivables from related parties, net
17,445
13,154

The Company applies the simplified approach under IFRS 9 to measure expected credit losses on trade receivables from related parties, recognizing expected losses over the entire term of the instrument for all trade receivables from related parties (*Note 2.17*). On this basis, the allowance for losses as of June 30 / December 31 is determined as follows:

<i>June 30, 2026</i>	<i>Current</i>	<i>Past due up to 90 days</i>	<i>Past due over 90 days</i>	<i>Past due over 180 days</i>	<i>Over 365 days past due</i>	<i>Total</i>
Expected average % of credit losses	2%	9%	28%	17%	63%	
Trade receivables (gross carrying amount)	<i>EUR '000</i> 49,237	16,152	1,130	1,839	1,099	69,457
Expected credit loss (Impairment allowance)	<i>EUR '000</i> (769)	(1,447)	(321)	(317)	(690)	(3,544)

<i>December 31, 2025</i>	<i>Current</i>	<i>Past due up to 90 days</i>	<i>Past due over 90 days</i>	<i>Past due over 180 days</i>	<i>Past due over 365 days</i>	<i>Total</i>
Expected average % of credit losses	2%	11%	31%	40%	76%	
Trade receivables (gross carrying amount)	<i>EUR '000</i> 46,455	13,175	1,048	797	909	62,384
Expected credit loss (Impairment allowance)	<i>EUR '000</i> (769)	(1,447)	(321)	(317)	(690)	(3,544)

As of June 30, 2026, special pledges have been established as collateral for bank loans received against receivables from related parties in the amount of 57,285 EUR (December 31, 2025: 57,285 EUR) (*Note 36*)

Receivables from guarantees, by type of related company, are as follows:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Receivables from subsidiaries	3	15
<i>Receivables from joint ventures</i>	2	2
<i>Allowance for credit losses</i>	(2)	(2)
Receivables from joint ventures, net	-	-
Total	3	15

Receivables from guarantees are interest-free and denominated in EUR.

The movement in the allowance for impairment of receivables from guarantees provided by related companies is as follows:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	<u>2</u>	<u>3</u>
Decrease in the allowance for credit losses recognized in profit or loss during the year	<u>-</u>	<u>(1)</u>
Balance as of June 30 / December 31	<u><u>2</u></u>	<u><u>2</u></u>

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

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
<i>Joint ventures</i>	2,136	1,845
<i>Allowance for credit losses</i>	<u>(2,136)</u>	<u>(1,845)</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

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

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	<u>1,845</u>	<u>1,560</u>
Increase in the allowance for credit losses recognized in profit or loss during the year	<u>291</u>	<u>285</u>
Balance as of June 30/December 31	<u><u>2,136</u></u>	<u><u>1,845</u></u>

25. TRADE RECEIVABLES

Trade receivables include:

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
<i>Receivables under contracts with customers</i>	8,744	7,914
<i>Allowance for credit losses</i>	<u>(777)</u>	<u>(777)</u>
Trade receivables, net	<u>7,967</u>	<u>7,137</u>
<i>Receivables from securities transactions</i>	1,755	1,701
<i>Allowance for credit losses</i>	<u>(41)</u>	<u>(41)</u>

Securities trading receivables, net	1,714	1,660
Advances granted	1,311	527
Total	10,992	9,324

Receivables under contracts with customers are interest-free. Of these, 5,733 thousand EUR are denominated in EUR (December 31, 2025: 5,196 thousand EUR) and 2,234 thousand USD are denominated (December 31, 2025: 1,941 thousand USD).

One major counterparty accounts for 25.91% of trade receivables (December 31, 2025: 26.81% of trade receivables).

The company typically negotiates payment terms for accounts receivable ranging from 30 to 180 days with its customers, except when developing new markets and products and attracting new business partners.

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

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	777	602
Increase in the allowance for credit losses recognized in profit or loss during the year	-	777
Decrease in the allowance for credit losses recognized in profit or loss for the year	-	(602)
Balance as of June 30 / December 31	777	777

The aging profile of non-past-due (current) trade receivables is as follows:

	June 30, 2026	12/31/2025
	EUR '000	EUR '000
Up to 30 days	2,097	2,644
31 to 90 days	2,041	1,709
91 to 180 days	984	527
181 to 365 days	305	-
more than 365 days	-	201
<i>Gross value of non-past-due (current) trade receivables</i>	<i>5,427</i>	<i>5,081</i>
<i>Allowance for credit losses</i>	<i>(49)</i>	<i>(49)</i>
Non-past-due (current) trade receivables, net	5,378	5,032

The allowance for credit losses on non-past-due (current) trade receivables is as follows:

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
Up to 30 days	23	23
31 to 90 days	18	18

91 to 180 days	6	6
over 365 days	2	2
Total	49	49

The age structure of past-due trade receivables by invoice date is as follows:

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
31 to 90 days	1,236	1,083
91 to 180 days	639	252
181 to 365 days	1,442	879
over 365 days	-	619
<i>Gross value of past-due trade receivables</i>	<i>3,317</i>	<i>2,833</i>
<i>Allowance for credit losses</i>	<i>(728)</i>	<i>(728)</i>
Past-due trade receivables, net	2,589	2,105

The Company applies the simplified approach under IFRS 9 to measure expected credit losses on trade receivables, recognizing expected losses over the entire life of the instrument for all trade receivables (*Note 2.17*). On this basis, the allowance for losses as of June 30 / December 31 is determined as follows:

June 30, 2026	Current	Past due up to 90 days	Past due over 90 days	Past due over 180 days	Over 365 days past due	Total
Expected average % of credit losses	1%	5%	7%	17%	93%	
Trade receivables (gross carrying amount)						
EUR '000	5,427	2,092	143	528	554	8,744
Expected credit loss (Impairment allowance)						
EUR '000	(49)	(114)	(10)	(89)	(515)	(777)

December 31, 2025	Current	Past due up to 90 days	Past due more than 90 days	Past due over 180 days	Past due over 365 days	Total
Expected average % of credit losses	1%	5%	24%	61%	100%	
Trade receivables (gross carrying amount)						
EUR '000	5,081	2,131	42	145	515	7,914
Expected credit loss (Impairment allowance)						
EUR '000	(49)	(114)	(10)	(89)	(515)	(777)

Receivables from securities transactions represent a receivable from the sale of an investment in a subsidiary denominated in USD, maturing on September 30, 2026, which is contingent upon the completion of certain regulatory actions related to the registration of medical product approvals.

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

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	41	-
Increase in the allowance for credit losses recognized in profit or loss during the year	-	20
Transfer from other long-term receivables	-	21
Balance as of June 30 / December 31	41	41

Advances paid to suppliers are for the purchase of:

	June 30, 2026	12/31/2025
	EUR '000	EUR '000
Inventories	955	328
Services	356	199
Total	1,311	527

Advances granted are current. Of these, 460 thousand EUR are in EUR (Dec. 31, 2025: 360 thousand EUR), 787 thousand USD are in USD (Dec. 31, 2025: 103 x EUR), and in other currencies—64 x EUR (as of December 31, 2025: 64 x EUR).

26(A). LOANS GRANTED TO THIRD PARTIES

Loans granted to third parties are as follows:

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
Trade loans granted to third parties	5,801	5,724
<i>Allowance for credit losses</i>	(77)	(77)
Total	5,724	5,647

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

	2026 EUR '000	2025 EUR '000
Balance as of January 1	77	41
Increase in the allowance for credit losses recognized in profit or loss during the year	-	74
Decrease in the allowance for credit losses recognized in profit or loss for the year	-	(38)
Balance as of June 30 / December 31	77	77

The terms under which *loans to third parties* were granted as of June 30, 2026, are as follows:

Company	UIC / Unified State Registration Number and Tax ID	Currency	Agreed Amount	Contract No. / Year	Date of the most recent amendment to the contract	Maturity	Interest Rate %	Market value of collateral	June 30, 2026	
			'000					EUR'000	EUR'000	EUR'000 including interest
Sopharmacy MC	1017600023754	EUR	3,000	330/2018	November 13, 2025	December 31, 2026	3.05%	4,131	3,635	635
Black Star International AD	206893902	EUR	1,401	52/2023	November 18, 2025	December 31, 2026	6.00%	-	1,502	101
Sopharmacy MC	1017600023754	EUR	695	470/2017	November 13, 2025	December 31, 2026	3.05%	1,301	311	4
Sia Bah	40203357399	EUR	260	308 and 408 /2024	December 2, 2025	December 31, 2026	4.40%	286	276	16
								5,718	5,724	756

The terms under which *loans to third parties* were granted as of December 31, 2025, are as follows:

Company	UIC / Unified State Registration Number and Tax ID	Currency	Agreed Amount	Contract No. / Year	Date of the most recent amendment to the contract	Maturity	Interest Rate	Market value of collateral	December 31, 2025	
			'000					BGN'000	BGN'000	BGN'000 including interest
Sopharmacy MC	1017600023754	EUR	3,000	330/2018	November 13, 2025	December 31, 2026	3.05%	4,224	3,589	589
Black Star International AD	206893902	EUR	1,401	52/2023	November 18, 2025	December 31, 2026	6.00%	-	1,460	59
Sopharmacy MC	1017600023754	EUR	695	470/2017	November 13, 2025	December 31, 2026	3.05%	1,347	327	1
Sia Bah	40203357399	EUR	260	308 and 408 /2024	December 2, 2025	December 31, 2026	4.40%	297	271	11

<u>5,868</u>	<u>5,647</u>	<u>659</u>
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Loans granted to third parties are intended to support the financing of these companies' activities in line with common strategic objectives. They are secured by a mortgage on a building, a pledge of machinery and equipment, and pledges of securities (shares).

26(B). OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Taxes to be refunded	3,860	3,865
Prepaid expenses	1,124	798
Cash provided for dividend payments	180	30
Receivables from deposits provided as collateral	101	121
Receivables from dividends	20	-
Funds Provided to an Investment Intermediary	5	-
<i>Awarded claims</i>	2,719	2,786
<i>Allowance for credit losses on awarded receivables</i>	<u>(2,719)</u>	<u>(2,786)</u>
Collectible receivables, net	-	-
Other	<u>46</u>	<u>29</u>
Total	<u>5,336</u>	<u>4,843</u>

Taxes to be refunded include:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Excise tax	3,796	3,851
Value-Added Tax	<u>64</u>	<u>14</u>
Total	<u>3,860</u>	<u>3,865</u>

Prepaid expenses include:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
License and patent fees	447	79
Subscriptions	286	198
Advertisement	197	197
Insurance	162	231
Rentals	8	12
Consulting Services	6	6

Bank Fees and Commissions	4	16
Other	14	59
Total	1,124	798

Deposits provided as collateral include:

	<i>June 30, 2026</i>	<i>Dec. 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Guarantees under contracts for the supply of veterinary vaccines	72	88
Guarantees under lease agreements	20	6
Guarantees under fuel supply contracts	3	3
Guarantees under lease agreements	3	17
Guarantees under electricity supply contracts	2	2
Guarantees under insurance contracts	-	1
Guarantees under contracts for the supply of medicines	-	3
Other	1	1
Total	101	121

Deposits provided as collateral are: in EUR – 86 thousand EUR (Dec. 31, 2025: 114 thousand EUR), in USD – 5 thousand EUR (Dec. 31, 2025: 5 x EUR) and in other currencies – 10 x EUR (as of December 31, 2025: 2 x EUR).

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

	<i>2026</i>	<i>2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Balance as of January 1	2,786	243
Decrease in the allowance for credit losses recognized in profit or loss during the year	(67)	(44)
Increase in the allowance for credit losses recognized in profit or loss for the year	-	2,587
Balance as of June 30 / December 31	2,719	2,786

27. ASSETS HELD FOR SALE

On October 27, 2025, the company entered into a preliminary agreement for the sale of a separate part of its commercial enterprise, consisting of a production facility in the city of Sliven, whose business activities include the manufacture and sale of veterinary medicinal products and laboratory testing of food and biological products.

The transaction was approved by the General Meeting of Shareholders held on December 5, 2025. The final sales agreement was signed on January 30, 2026.

The sale includes non-current and current assets and related liabilities of the separated part of the business that meet the definition of a disposal group under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

Management has concluded that the separate part of the business does not constitute a separate major line of business or geographic area of operations and, therefore, does not constitute a discontinued operation within the meaning of IFRS 5.

The assets and liabilities included in the disposal group are presented separately in the statement of financial position.

The assets included in the disposal group are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Property, plant, and equipment	-	3,488
Inventories	-	394
Total assets held for sale	-	3,882

The Company measures the disposal group at the lower of its carrying amount and fair value less costs to sell.

As a result of the calculations and analyses performed in 2025, no impairment loss was identified. Liabilities forming part of the disposal group are presented in *Note 41*.

28. CASH AND CASH EQUIVALENTS

Cash includes:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Cash in operating accounts	3,201	13,318
Cash on hand	27	-
Restricted cash	10	10
Cash and cash equivalents	3,238	13,328

Cash in operating accounts is as follows: in EUR – 2,655 x EUR (Dec. 31, 2025: 12,438 thousand EUR), in USD – 499 thousand EUR (December 31, 2025: 819 thousand EUR) , and in other currencies – 47 thousand EUR (December 31, 2025: 61 thousand EUR).

Cash on hand is denominated in EUR.

Restricted cash includes issued bank guarantees denominated in EUR.

Based on the analyses performed and the methodology applied to calculate 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 an impairment allowance for expected credit losses on cash and cash equivalents.

29. EQUITY

Common Stock

As of June 30, 2026, the registered share capital of Sopharma AD amounted to 274,970 EUR, divided into 539,157,603 shares with a par value of 0.51 EUR per share (December 31, 2025: 275,667 EUR, divided into 539,157,603 shares with a par value of 0.51 EUR per share).

The effect of restating the share capital following the introduction of the EUR on January 1, 2026, is a negative exchange rate difference of 697 thousand EUR.

<i>Issued and Fully Paid-in Common Shares</i>	<i>Shares</i>	<i>Share capital, net of treasury shares</i>
	<i>number</i>	<i>EUR '000</i>
Balance as of January 1, 2025	165,743,067	64,188
Capital issuance	360,057,540	184,095
Effect of capital issuance on treasury shares	(17,789,926)	-
Sold treasury shares	17,522,581	18,074
Treasury shares treasury	(200)	(1)
Balance as of December 31, 2025	525,533,062	266,356
Effects of restatement of common stock	-	(697)
Treasury shares sold back	12,872,141	8,797
Treasury shares treasury	(100)	-
Balance as of June 30, 2026	538,405,103	274,456

On January 27, 2025, the company's capital increase was entered in the Commercial Register through the issuance of 619,138 ordinary, registered, book-entry shares with voting rights, each with a par value of 0.51 EUR and an issue price of 2.11 EUR per share.

The shares resulting from the capital increase were subscribed by the warrant holders.

On July 18, 2025, the increase in the company's capital through the issuance of 359,438,402 ordinary, registered, book-entry, voting shares with a par value of 0.51 EUR each was entered in the Commercial Register. The capital increase was carried out pursuant to Article 197(1) and Article 246(4) of the Commercial Code using the company's own funds as follows:

- from the Premium Reserve in the amount of 67,955 x EUR;
- from the Additional Reserves in the amount of 115,823 EUR.

The company's shares are common, book-entry shares with the right to receive dividends and a liquidation share, and are listed for trading on the Bulgarian Stock Exchange and the Warsaw Stock Exchange.

The number of *treasury treasury shares* is 752,500, with a value of 514 thousand EUR (December 31, 2025: 13,624,541 shares with a value of 9,311 thousand EUR). During the current year, 100 shares were purchased and 12,872,141 treasury shares were sold (2025: 200 shares purchased and 17,522,581 shares sold).

The effect on the treasury shares resulting from the company's capital increase on July 18, 2025, is 17,789,926 shares.

The company's *reserves* are summarized in the table below:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Statutory reserves	27,497	34,174
Revaluation reserve for property, plant, and equipment	9,995	10,126
Reserve for financial assets at fair value through other comprehensive income	771	(232)
Additional reserves	-	3,312
Total	38,263	47,380

Statutory reserves in the amount of 27,497 EUR (as of December 31, 2025: 34,174 EUR) constitute the Reserve Fund, which is established in accordance with the Commercial Code and the company's articles of incorporation, and consists of two components: a) amounts allocated from profit distribution to the Reserve Fund in the amount of 27,497 EUR (as of December 31, 2025: 30,597 EUR) and b) a premium reserve arising from the positive difference between the issue price and the par value upon the issuance of capital with a par value of zero (December 31, 2025: 3,577 EUR).

The movement in statutory reserves is as follows:

	<i>2026 EUR '000</i>	<i>2025 EUR '000</i>
Balance as of January 1	34,174	111,885
Transfer to additional reserves	(6,677)	-
Positive difference between issue price and par value upon capital issuance	-	941
Transfer from other equity components (warrant issuance) upon exercise of warrant rights	-	126
Advance six-month dividends	-	(10,823)
Capital issuance charged to the premium reserve	-	(67,955)

Balance as of June 30/December 31	27,497	34,174
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The revaluation reserve for property, plant, and equipment in the amount of 9,995 EUR (December 31, 2025: 10,126 EUR) is derived from the positive difference between the carrying amounts of property, plant, and equipment and their fair values as of the dates of the respective revaluations. The effect of deferred taxes on the revaluation reserve is recognized directly in this reserve.

The movement in the revaluation reserve for property, plant, and equipment is as follows:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	10,126	10,255
Transfer to retained earnings	(131)	(129)
Balance as of June 30/December 31	9,995	10,126

The reserve for financial assets at fair value through other comprehensive income in the amount of 771 EUR (December 31, 2025: minus 232 EUR) is formed from the effects of fair value measurements of other long-term equity investments. Upon derecognition of these investments, the reserve is transferred to “retained earnings.”

The movement in the reserve for financial assets at fair value through other comprehensive income is as follows:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	(232)	(48)
Net change in the fair value of other long-term equity investments	1,002	(508)
Transfer to retained earnings	1	324
Balance as of June 30/December 31	771	(232)

The additional reserves with a zero balance (as of December 31, 2025: 3,312 thousand EUR) were formed from the distribution of profits pursuant to a resolution of the shareholders and may be used to pay dividends, increase the share capital, or cover losses.

The movement in additional reserves is as follows:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	3,312	115,823
Profit distributed during the year	12,194	3,312
Transfer from statutory reserves	6,677	-
Dividend distribution	(22,183)	-
Capital issuance against additional reserves	-	(115,823)

Balance as of June 30/December 31
Other equity components (warrant issue)

-	3,312
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In January 2026, Sopharma AD initiated procedures for the initial public offering of three warrant issues, as follows:

- Prospectus for the offering approved by Decision No. 766-E of December 16, 2025, of the Financial Supervision Commission

The number of securities offered is 8,985,960 warrants. The issue price per warrant is 0.14 EUR, and the exercise price is 1.84 EUR. The exercise period is 3 years, and the minimum success threshold for the offering is 1,797,192 warrants. The right to exercise arises on March 2, 2026, when the offering is registered with the Central Depository;

- The offering prospectus was approved by Decision No. 768-E of December 16, 2025, of the Financial Supervision Commission

The number of securities offered is 8,985,960 warrants. The issue price per warrant is 0.14 EUR, and the exercise price is 2.33 EUR. The exercise period is 5 years, and the minimum success threshold for the offering is 1,797,192 warrants. The right to exercise arises on March 5, 2026, when the offering is registered with the Central Depository;

- The offering prospectus was approved by Decision No. 768-E of December 16, 2025, of the Financial Supervision Commission

The number of securities offered is 8,985,960 warrants. The issue price per warrant is 0.14 EUR, and the exercise price is 2.91 EUR. The exercise period is 7 years, and the minimum success threshold for the offering is 1,797,192 warrants. The right to exercise arises on March 9, 2026, when the offering is registered with the Central Depository.

The funds raised from the three warrant issues total 3,744 x EUR.

The issues were registered with the Financial Supervision Commission on March 26, 2026, and were admitted to trading on the Bulgarian Stock Exchange – Sofia on April 1, 2026.

The table below shows the proceeds from the warrant issue, net of issuance expenses.

<i>Issued and Fully Paid Warrants</i>	<i>Warrants</i>	<i>Other equity components</i>
	<i>Number</i>	<i>EUR '000</i>
Balance as of January 1, 2025	623,779	260
Warrants paid into the collection account	-	2,460
Deregistered warrants	(4,641)	(18)
Transaction expenses	-	(14)
Transfer to the premium reserve upon exercise of warrant rights	(619,138)	(2,688)
Balance as of December 31, 2025	-	-
Par value	26,957,433	3,774
Transaction costs	-	(43)
Balance as of June 30, 2026	26,957,433	3,731

Basic net earnings per share

	<i>June 30, 2026</i>	<i>June 30, 2025</i>
Weighted-average number of shares	538,405,103	167,014,732
Net income for the year (EUR '000)	27,334	12,823
Basic net earnings per share (EUR)	0.05	0.08

Diluted net earnings per share

	<i>June 30, 2026</i>	<i>June 30, 2025</i>
Weighted-average number of shares outstanding	529,695,866	-
Cumulative effect of warrants	24,557,255	-
Shares outstanding with warrants	554,253,120	-
Net income for the year (EUR '000)	27,334	-
Diluted net earnings per share (EUR)	0.05	-

As of June 30, 2026, ***retained earnings*** amounted to 43,387 EUR (December 31, 2025: 17,946 EUR).

The movement in retained earnings is as follows:

	<i>2026</i> <i>EUR '000</i>	<i>2025</i> <i>EUR '000</i>
Balance as of January 1	17,946	8,913
Net income for the year	27,334	18,576
Effects of treasury shares sold back	15,160	14,136
Effects of restatement of common stock	697	-
Transfer from the revaluation reserve for property, plant, and equipment	131	129
Effects of rights sold under subscribed warrants	66	-
Transfer from the revaluation reserve for financial assets at fair value through other comprehensive income	(1)	(324)
Actuarial losses from subsequent valuations	-	(362)
Allocation of profit to additional reserves	(12,194)	(3,312)
Allocation of profit to dividends	(5,752)	(6,987)
Interim six-month dividends	-	(12,823)
Balance as of June 30/December 31	43,387	17,946

30. LONG-TERM BANK LOANS

Long-term bank loans include:

Currency	Agreed Loan Amount	Maturity	Long-term portion	June 30, 2026		Total	December 31, 2025		Total
				Short-term portion			Long-term portion	Short-term portion	
	'000		EUR '000	EUR '000		EUR '000	EUR '000	EUR '000	EUR '000
Investment loans									
EUR	40,000	April 4, 2032	26,975	5,685		32,660	29,725	5,790	35,515
EUR	20,000	December 25, 2032	10,964	3,988		14,952	12,964	3,976	16,940
EUR	4,880	December 25, 2029	2,218	886		3,104	2,662	883	3,545
Extended credit lines									
EUR	15,000	October 31, 2028	8,276	-		8,276	-	11,607	11,607
			48,433	10,559		58,992	45,351	22,256	67,607

Bank loans in EUR are agreed upon at an interest rate determined based on a short-term interest rate plus a margin of 1.9 points, but not less than 1.9 points, and the one-month EURIBOR plus a margin of 2.9 points (2025: are agreed upon at an interest rate determined on the basis of a short-term interest rate plus a margin of 1.9 basis points, but not less than 1.9 basis points, and the one-month EURIBOR plus a margin of 2.9 basis points).

The following have been established as collateral for the aforementioned loans:

- Mortgages on real estate with a book value as of June 30, 2026: 29,496 EUR (December 31, 2025 : 30,126 EUR) (*Note 15*);
- Special pledges on machinery, plant, and equipment with a book value as of June 30, 2026: 16,486 EUR (December 31, 2025: 9,904 EUR) (*Note 15*);
- Pledged inventories with a carrying amount as of June 30, 2026: 6,000 x EUR (December 31, 2025: 6,000 x EUR) (*Note 23*).

The long-term bank loan agreements contain clauses requiring the maintenance of certain financial ratios. The Company's management continuously monitors compliance with these financial ratios in consultation with the respective lending bank.

The company must comply with certain additional covenants under the long-term loan agreements; broadly speaking, these relate to:

- a total liquidity ratio, which must be at least 1.1x;
- net debt, which must not exceed four times annual earnings before interest, taxes, and depreciation;
- maintaining an equity ratio greater than or equal to 40%;

- no reduction in equity compared to the most recent audited financial statements.

Statement of Changes in Liabilities Arising from Financial Activities

The table below presents the changes in liabilities arising from financial activities, showing both cash and non-cash changes. Liabilities arising from financial activities 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 financial activities.

	<i>January 1, 2026</i>	<i>Changes in Cash Flows from Financing Activities</i>	<i>New liabilities incurred during the year</i>	<i>Other non- cash changes</i>	<i>June 30, 2026</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Bank loans	124,928	(32,095)	-	1,032	93,865
Lease obligations to related parties	7,770	(606)	99	50	7,313
Liabilities under lease agreements with third parties	1,638	(280)	393	(64)	1,687
Dividends and unexercised warrant rights	24,025	(23,250)	27,935	-	28,710
Total	158,361	(56,231)	28,427	1,018	131,575
Shares treasury and sold	(9,311)	23,957	-	(14,132)	514
Reserve for issued warrants	-	3,828	-	(97)	3,731
Net cash flows from financing activities	149,050	(28,446)	28,427	(13,211)	135,820

	<i>January 1, 2025</i>	<i>Changes in Cash Flows from Financing Activities</i>	<i>New liabilities arising during the year</i>	<i>Other non- cash changes</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Bank loans	90,443	32,150	-	2,335	124,928
Lease obligations to related parties	8,725	(1,185)	118	112	7,770
Liabilities under lease agreements with third parties	1,416	(500)	872	(150)	1,638
Dividends and unexercised warrant rights	641	(6,941)	30,633	(308)	24,025
Total	101,225	23,524	31,623	1,989	158,361
Proceeds from issuance of capital	-	1,307	-	(1,307)	-
Shares treasury and sold	(27,384)	32,209	-	(14,136)	(9,311)
Government grants received	-	462	-	(462)	-
Reserve for Issued Warrants	133	-	1,258	(1,391)	-

Net cash flows from financing activities	<u>73,974</u>	<u>57,502</u>	<u>32,881</u>	<u>(15,307)</u>	<u>149,050</u>
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31. DEFERRED TAX LIABILITIES

Deferred income taxes as of June 30 / December 31 relate to the following items in the statement of financial position:

<i>Deferred tax liabilities/(assets)</i>	<i>Temporary difference</i>	<i>tax</i>	<i>temporary difference</i>	<i>tax</i>
	<i>June 30, 2026</i>	<i>June 30, 2026</i>	<i>December 31, 2025</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Property, plant, and equipment	25,430	2,543	26,453	2,645
<i>including Revaluation reserve</i>	9,119	912	9,120	912
Investment Properties	10,872	1,087	10,404	1,040
<i>including Revaluation reserve</i>	255	26	264	26
Intangible assets	746	75	685	69
Total deferred tax liabilities	37,048	3,705	37,542	3,754
Receivables	(9,867)	(987)	(14,828)	(1,483)
Liabilities to employees	(5,851)	(585)	(5,123)	(512)
Inventories	(3,573)	(357)	(4,564)	(456)
Accrued liabilities	(1,749)	(175)	(1,855)	(186)
Total deferred tax assets	(21,040)	(2,104)	(26,370)	(2,637)
Net deferred income tax liabilities	16,008	1,601	11,172	1,117

In recognizing deferred tax assets, consideration was given to the likelihood that the individual differences will reverse in the future and the company's ability to generate sufficient taxable income.

The change in the deferred tax balance for 2026 is as follows:

<i>Deferred tax (liabilities)/assets</i>	<i>Balance as of January 1, 2026</i>	<i>Recognized in profit or loss</i>	<i>Recognized in equity</i>	<i>Recognized in the statement of equity and the current tax return</i>	<i>Balance as of June 30, 2026</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Property, plant, and equipment	(2,645)	94	-	8	(2,543)
Investment properties	(1,040)	(47)	-	-	(1,087)
Intangible assets	(69)	(6)	-	-	(75)
Receivables	1,483	(496)	-	-	987
Liabilities to employees	512	73	-	-	585
Inventories	456	(99)	-	-	357
Accrued Liabilities	186	(11)	-	-	175
Total	(1,117)	(492)	-	8	(1,601)

The change in the deferred tax balance for 2025 is as follows:

<i>Deferred tax (liabilities)/assets</i>	<i>Balance as of January 1, 2025</i>	<i>Recognized in profit or loss</i>	<i>Recognized in equity</i>	<i>Recognized in the statement of equity and the current tax return</i>	<i>Balance as of December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Property, plant, and equipment	(2,720)	72	(15)	18	(2,645)
Investment properties	(949)	(106)	15	-	(1,040)
Intangible assets	(80)	11	-	-	(69)
Receivables	765	718	-	-	1,483
Liabilities to employees	508	4	-	-	512
Inventories	446	10	-	-	456
Accrued Liabilities	361	(175)	-	-	186
Total	(1,669)	534	-	18	(1,117)

Deferred tax assets have not been recognized as follows:

<i>Unrecognized deferred tax assets</i>	<i>temporary difference</i>	<i>tax</i>	<i>temporary difference</i>	<i>tax</i>
	<i>June 30, 2026</i>	<i>June 30, 2026</i>	<i>December 31, 2025</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Impairment of investments in subsidiaries	(12,103)	(1,210)	(12,103)	(1,210)
Impairment of investments in associates	(2,171)	(217)	(2,256)	(226)
Impairment of investments in joint ventures	(1,506)	(151)	(1,506)	(151)
Total	(15,780)	(1,578)	(15,865)	(1,587)

32. GOVERNMENT FUNDING

Government funding is provided under contracts concluded with the Executive Agency for the Promotion of Small and Medium-Sized Enterprises for non-repayable financial assistance under the Operational Program “Development of the Competitiveness of the Bulgarian Economy 2007–2013,” the “Energy Efficiency” Operational Program, and the “Recovery and Resilience Plan” Operational Program.

The table below presents the long-term and short-term portions of the funding received, broken down by type:

	June 30, 2026			December 31, 2025		
	<i>Long-term portion</i>	<i>Short-term portion</i>	<i>Total</i>	<i>Long-term portion</i>	<i>Short-term portion</i>	<i>Total</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Acquisition of machinery and equipment for new tablet production	661	92	753	708	92	800
Liquid Filling and Packaging Line	445	10	455	451	10	461
Introduction of Innovative Products in Ampoule Production	307	102	409	358	102	460
Acquisition of fixed assets and renovation of buildings	132	4	136	134	4	138
Air conditioning system with water-cooled chiller	21	2	23	21	2	23
Acquisition of general-purpose ventilation and air conditioning systems	18	4	22	19	4	23
Dosing machine for liquid dosage forms	16	3	19	17	3	20
Control and Monitoring System for Climate Chambers, Chillers, and Lighting Systems	15	1	16	15	1	16
Automatic Sachet Machine	5	1	6	6	1	7
Total	1,620	219	1,839	1,729	219	1,948

The short-term portion of the financing will be recognized as current revenue over the next 12 months from the date of the separate statement of financial position and is presented as “other current liabilities” (*Note 42*).

33. LIABILITIES UNDER LEASE AGREEMENTS WITH RELATED PARTIES

Liabilities under lease agreements with related parties arose in connection with the leasing of buildings and are presented net of future interest payable and are as follows:

<i>Term</i>	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
Up to one year	1,131	1,088
Over one year	6,182	6,682
Total	7,313	7,770

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

<i>Term</i>	<i>June 30, 2026</i> <i>EUR '000</i>	<i>December 31,</i> <i>2025</i> <i>EUR '000</i>
Up to one year	1,211	1,179
Over one year	6,411	6,939
	7,622	8,118
Future finance charges on leases	(309)	(348)
Present value of lease obligations as of June 30 / December 31	7,313	7,770

The term of the lease agreements with related parties is August 1, 2032.

The Company has posted deposits under lease agreements as collateral for the obligations thereunder in the amount of 264 thousand EUR (December 31, 2025: 264 thousand EUR) (*Note 21*).

Lease payments due within the next 12 months are presented in the statement of financial position as “liabilities to related parties” (*Note 38*).

34. LIABILITIES UNDER LEASE AGREEMENTS WITH THIRD PARTIES

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

<i>Term</i>	<i>June 30,</i> <i>2026</i> <i>EUR '000</i>	<i>December</i> <i>31, 2025</i> <i>EUR '000</i>
Up to one year	629	546
Over one year	1,058	1,092
Total	1,687	1,638

Minimum lease payments to third parties are due as follows:

<i>Term</i>	<i>June 30,</i> <i>2026</i> <i>EUR '000</i>	<i>December</i> <i>31, 2025</i> <i>EUR '000</i>
Up to one year	636	555
Over one year	1,077	1,109
	1,713	1,664
Future finance charges on leases	(26)	(26)
Present value of lease obligations	1,687	1,638

The table below shows liabilities by type of lease agreement with third parties:

	June 30, 2026			December 31, 2025		
	<i>Long-term portion</i>	<i>Short-term portion</i>	<i>Total</i>	<i>Long-term portion</i>	<i>Short-term portion</i>	<i>Total</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Under vehicle lease agreements	839	502	1,341	1,022	490	1,512
Under building lease agreements	214	109	323	45	37	82
Under equipment lease agreements	5	18	23	25	19	44
Total	1,058	629	1,687	1,092	546	1,638

Liabilities under lease agreements with third parties in EUR amount to 1,125 thousand EUR (December 31, 2025: 1,115 thousand EUR), in USD—262 thousand EUR (December 31, 2025: 238 thousand EUR), and in other currencies—300 thousand EUR (December 31, 2025: 285 thousand EUR).

The Company has provided deposits under the lease agreements as collateral for the obligations thereunder in the amount of 20 thousand EUR (December 31, 2025: 6 thousand EUR) (*Note 26b*).

Lease payments due within the next 12 months are presented in the statement of financial position as “other current liabilities” (*Note 42*).

35. LONG-TERM LIABILITIES TO EMPLOYEES

Long-term liabilities to employees include:

	June 30, 2026	December 31, 2025
	EUR '000	EUR '000
Long-term liabilities to employees upon retirement	3,642	3,522
Liabilities for long-term income related to bonuses	126	147
Total	3,768	3,669

Long-term retirement obligations to employees

Long-term retirement obligations to employees include the present value of the company’s obligation to pay benefits to employees upon reaching retirement age as of the date of the statement of financial position.

Under the Bulgarian Labor Code, every employee is entitled to severance pay equal to two gross monthly salaries upon retirement; if the employee has worked for the same employer for the last 10 years of their employment

history, the severance pay amounts to six gross monthly salaries as of the date of retirement. This is a defined benefit plan (*Note 2.23*).

To determine these obligations, the company conducted an actuarial valuation as of December 31, 2025, using the services of a certified actuary.

The change in the present value of retirement benefits payable to employees is as follows:

	2026	2025
	EUR '000	EUR '000
Present value of the liability as of January 1	3,522	2,953
Expense for current service	120	314
Interest expense	-	126
Net actuarial (gain) / loss recognized during the period	-	12
Payments during the year	-	(245)
Effects of subsequent measurements of retirement benefit obligations, including from:	-	362
<i>Actuarial (gains)/losses from changes in demographic assumptions</i>	-	29
<i>Actuarial (gains)/losses from changes in financial assumptions</i>	-	122
<i>Actuarial losses from adjustments due to actual experience</i>	-	211
Present value of the liability as of June 30 / December 31	3,642	3,522

The amounts recognized in the statement of comprehensive income for long-term employee benefits upon retirement are as follows:

	2026	2025
	EUR '000	EUR '000
Current service cost	120	123
Components of defined benefit plan expenses recognized in profit or loss (<i>Note 7</i>)	120	123

In determining the present value as of December 31, 2025, the following actuarial assumptions were made:

- To determine the discount factor, an annual interest rate of 3.50% was used (2025: 3.50%). This assumption is based on data regarding the yield on long-term government securities with a 10-year maturity;
- the assumption regarding the future level of salaries is based on information provided by the company's management and represents an annual increase of 5% compared to the previous reporting period (2025: 5%);
- mortality – based on the NSI mortality table for the overall mortality rate of the Bulgarian population for the period 2022–2024 (2025: 2022–2024);
- turnover rate – between 2% and 16%, depending on five distinct age groups (2025: between 2% and 16%) ;
- early retirement due to illness—between 0.03% and 0.32%, depending on five distinct age groups (2025: between 0.03% and 0.32%).

This defined-benefit plan exposes the company to the following risks: investment risk, interest rate risk, longevity risk, and wage growth risk. Company management defines them as follows:

- Regarding investment risk—since this is an unfunded plan, the company must monitor and continuously balance upcoming payments under the plan by ensuring sufficient cash resources. Historical experience, as well as the structure of the liability, indicate that the annual cash requirements are not material relative to the company's usual cash reserves;
- For interest risk—any decrease in the yield on government securities with a similar maturity leads to an increase in the plan's liability;
- Regarding longevity risk—the present value of the retirement benefit obligation to employees is calculated using best estimates and current mortality data for plan participants. An increase in life expectancy would result in a potential increase in the obligation. In recent years, this indicator has remained relatively stable; and
- Regarding the risk associated with wage growth—the present value of the retirement obligation to employees is calculated using best estimates of future wage growth for plan participants. Such an increase would lead to an increase in the plan's obligation.

The weighted average duration of the defined benefit obligations to employees is 6.9 years (December 31, 2025: 6.9 years).

The long-term obligations for performance-based bonuses are as follows:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Liabilities under long-term income for bonuses maturing in 2029	72	-
Liabilities under long-term income for bonuses maturing in 2028	54	54
Liabilities under long-term income for bonuses maturing in 2027	-	93
Total	126	147

36. SHORT-TERM BANK LOANS

Short-term bank loans include:

<i>Currency</i>	<i>Agreed Amount</i>	<i>Maturity</i>	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>'000</i>		<i>EUR '000</i>	<i>EUR '000</i>
<i>Extended bank loans (overdrafts)</i>				
EUR	5,000	October 1, 2026	4,879	4,483
EUR	5,113	July 31, 2026	4,208	4,973
EUR	10,000	October 1, 2026	2,788	6,336
EUR	10,226	July 31, 2026	171	8,483
EUR	10,226	October 1, 2026	-	10,144

		October 20,		
EUR	10,000	2026	-	2
			<u>12,046</u>	<u>34,421</u>
<i>Extended credit lines</i>				
EUR	23,008	July 31, 2026	22,827	22,900
			<u>22,827</u>	<u>22,900</u>
Total			<u>34,873</u>	<u>57,321</u>

Bank loans in EUR are agreed upon at an interest rate determined based on the one-month EURIBOR plus a margin ranging from 0.40% to 1.00%, but not less than 1.00% to 2.40%, a reference interest rate plus a margin of 2.20%, but not less than 2.20%, and a variable base interest rate index plus a margin of 1.50% (2025: in EUR, they are agreed upon at an interest rate determined based on the one-month EURIBOR plus a margin ranging from 0.90% to 1.20%, but not less than 2.40% to 2.70%, a reference interest rate plus a margin of 2.20%, but not less than 2.20%, and a variable base interest rate index plus a margin of 1.50%). The loans are for working capital.

The following have been established as collateral for the above-mentioned loans:

- Mortgages on real estate with a book value as of June 30, 2026: 9,431 EUR (December 31, 2025: 9,838 EUR) (*Note 15 and Note 17*);
- Special pledges on:
 - machinery and equipment with a book value as of June 30, 2026, of 11,283 EUR (December 31, 2025: 11,719 EUR) (*Note 15 and Note 17*);
 - Receivables from affiliated companies with a carrying amount as of June 30, 2026: 57,285 EUR (December 31, 2025: 57,285 EUR) (*Note 24*).

To secure one of the loans listed above, mortgages and pledges have been established by a subsidiary as follows:

- Mortgages on real estate with a carrying amount as of June 30, 2026: 1,287 EUR (December 31, 2025: 1,302 EUR);
- Specific pledges of trade receivables from third parties held by a subsidiary with a carrying amount as of June 30, 2026: 3,200, ,EUR 000 (December 31, 2025: 3,200,000 EUR).

A portion of the drawn-down loans as of June 30, 2026, amounting to 7 x EUR (December 31, 2025: 3 x EUR), is in the form of bank guarantees issued in favor of the National Health Insurance Fund (NHIF) to cover liabilities.

The short-term bank loan agreements contain clauses requiring the maintenance of certain financial ratios. The company's management continuously monitors compliance with these financial ratios in consultation with the respective lending bank.

37. TRADE PAYABLES

Trade payables include:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Accounts payable to suppliers	9,067	11,058
Advances Received	56	5,316
Total	9,123	16,374

Payables to suppliers by type are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Payables for the supply of inventories	6,388	5,481
Liabilities for the provision of services	1,803	3,789
Liabilities for the supply of fixed assets	876	1,788
Total	9,067	11,058

Payables to suppliers are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Payables to domestic suppliers	4,767	5,976
Payables to foreign suppliers	4,300	5,082
Total	9,067	11,058

Payables to suppliers are current and interest-free. Payables in EUR amount to 8,492 thousand EUR (Dec. 31, 2025: 9,774 EUR), in USD – 562 EUR (December 31, 2025: 1,215 EUR), and in other currencies – 13 EUR (December 31, 2025: 69 EUR)

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

Advances received from customers are for purchases of:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Finished goods	41	107
Services	15	96

Separate Unit of a Commercial Enterprise	-	5,113
Total	56	5,316

Advances received from customers are current. Of these, 56 thousand EUR are denominated in EUR (December 31, 2025: 5,314 thousand EUR) and none are denominated in USD (December 31, 2025: 2 thousand EUR).

The Company has provided deposits and bank guarantees as collateral for liabilities to suppliers arising from commercial transactions in the amount of 81 EUR (December 31, 2025: 129 EUR) (*Note 26b, Note 28, and Note 36*).

The Company has received deposits as performance bonds under contracts concluded with suppliers in the amount of 151 EUR (December 31, 2025: 151 EUR) (*Note 42*).

38. LIABILITIES TO AFFILIATED ENTITIES

Liabilities to related parties include:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Liabilities to shareholder companies with significant influence	16,084	13,855
Key management personnel	2,659	2,070
Liabilities to associated companies	1,140	1,099
Liabilities to companies related through key management personnel	518	416
Liabilities to subsidiaries	430	879
Liabilities to companies controlled by an associate	4	5
Total	20,835	18,324

Liabilities to affiliated companies by type are as follows:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Dividend liabilities	18,641	15,890
Liabilities under Lease Agreements (<i>Note 33</i>)	1,131	1,088
Liabilities for the supply of inventories	518	425
Provision of services	545	921
Total	20,835	18,324

Liabilities to related parties are current. Of these, 20,819 thousand EUR are denominated in EUR (December 31, 2025: 18,324 x EUR), in Polish zlotys – 15 x EUR (December 31, 2025: none), and in Russian rubles – 1 x EUR (December 31, 2025: none)

The usual average credit period for which no interest is charged on trade payables to related parties is 90 days. The Company has no past-due trade payables to related parties.

39. TAX LIABILITIES

Current tax liabilities include:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Corporate income tax	783	947
Personal income taxes	537	341
National supplementary tax	537	384
Taxes on expenses	93	220
Income tax on foreign individuals	59	246
Local Taxes and Fees	-	1
Dividend tax	-	199
Total	2,009	2,338

Long-term tax liabilities include:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
National supplementary tax	-	537
	537	537

The company has undergone the following tax audits:

- under the Value-Added Tax Act – until November 30, 2025;
- under the Corporate Income Tax Act – until December 31, 2024;
- under the Social Security Code – until December 31, 2021.

A tax audit is conducted within a five-year period from the end of the year in which the tax return for the relevant tax liability was filed. The audit definitively confirms the tax liability of the relevant company—the taxpayer—except in cases expressly provided for by law.

Pursuant to Articles 112 and 113 of the Tax and Social Security Procedure Code and Audit Assignment Order No. R-29002926000593-020-001 dated February 2, 2026, an audit is being conducted at the company regarding the following types of liabilities by period:

- Value-Added Tax – from January 1, 2023, to December 30, 2024;
- Corporate income tax – from January 1, 2023, to December 31, 2024;
- Tax on dividends and liquidation shares of legal entities – from January 1, 2023, to December 31, 2024;
- Tax on the income of foreign individuals—from January 1, 2023, to December 31, 2024

40. LIABILITIES TO EMPLOYEES AND SOCIAL SECURITY

Liabilities to employees and for social security are as follows:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Liabilities to employees, including:	5,193	4,656
<i>bonuses</i>	2,189	1,795
<i>Current liabilities</i>	1,606	1,785
<i>Accruals for unused compensable leave</i>	1,398	1,076
Social security liabilities, including:	1,106	1,017
<i>current liabilities</i>	850	831
<i>Accruals for unused compensable leave</i>	256	186
Total	6,299	5,673

41. LIABILITIES HELD FOR SALE

In connection with a preliminary agreement entered into on October 27, 2025, for the sale of a separate part of its commercial enterprise, as disclosed in *Note 27, the liabilities to be decommissioned as part of the Group* are as follows:

	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Government grants	-	740
Liabilities to employees and social security	-	106
Tax liabilities	-	3
Total liabilities held for sale	-	849

The final agreement for the sale of a separate part of its commercial enterprise was concluded on January 30, 2026.

Government funding is provided under agreements concluded with the Executive Agency for the Promotion of Small and Medium-Sized Enterprises for non-repayable financial assistance under the “Innovation and Competitiveness 2014–2020” Operational Program.

42. OTHER CURRENT LIABILITIES

Other current liabilities are as follows:

	<i>June 30, 2026 EUR ‘000</i>	<i>December 31, 2025 EUR ‘000</i>
Liabilities for dividends and unexercised warrant rights	10,069	8,135
Liabilities for refunds under contracts with customers (<i>Note 2.5.6</i>)	1,075	1,140
Liabilities under lease agreements with third parties (<i>Note 34</i>)	629	546
Provision for financial guarantees provided (<i>Note 2.26</i>)	452	452
Government grants (<i>Note 32</i>)	219	219
Payroll Deductions	166	26
Liabilities from deposits received as guarantees	151	151
Total	<u>12,761</u>	<u>10,669</u>

The provision for financial guarantees issued in the amount of 452 thousand EUR (December 31, 2025: 452 thousand EUR) arises as a result of commitments undertaken by the company to make certain payments on behalf of a debtor who has failed to make a payment in accordance with a debt instrument (*Note 2.26*).

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

	<i>2026 EUR ‘000</i>	<i>2025 EUR ‘000</i>
Balance as of January 1	<u>452</u>	<u>118</u>
Increase in provision for financial guarantees recognized in profit or loss during the year	-	336
Decrease in provision for financial guarantees recognized in profit or loss for the year	-	(2)
Balance as of June 30 / December 31	<u>452</u>	<u>452</u>

The company’s commitments to make certain payments on behalf of a debtor who has failed to make a payment in accordance with a debt instrument relate to affiliated entities.

43. CONTINGENT LIABILITIES AND COMMITMENTS***Significant irrevocable contracts and commitments***

The company has received government funding under the Operational Program “Development of the Competitiveness of the Bulgarian Economy 2007–2013,” the Operational Program “Energy Efficiency,” and the Operational Program “Recovery and Resilience Plan” (*Note 32 and Note 42*), primarily related to the acquisition of fixed assets, building renovations, and the technological upgrade and modernization of tablet production, the introduction of innovative products in ampoule production, the acquisition of a compact vial filling line under an isolator, the acquisition of general-exchange ventilation and air-conditioning systems for the production of medical products, and the introduction of innovative “artificial tears” eye drops (*Note 15*). The company has committed that, for a period of 5 years following the completion of the relevant projects, no significant changes will be made that affect the nature and conditions of implementation or result in unjustified benefits for the company, nor will any changes be made arising from a change in the nature of ownership of the acquired assets related to the financing. In the event of non-compliance with these requirements, the funding provided is subject to repayment. As of the date of this report, all contractual requirements have been met.

Guarantees and Collateral Provided

The Company has provided the following collateral to banks in connection with loans received from related parties:

a) for loans to subsidiaries:

- mortgages on real estate with a carrying amount as of June 30, 2026: 5,805 EUR (December 31, 2025: 5,919 EUR) (*Note 15*);
- specific pledges of:
 - inventories with a book value as of June 30, 2026: 14,332 EUR (December 31, 2025: 14,332 EUR) (*Note 23*);
 - a specific pledge of shares in the capital of a subsidiary with a book value as of June 30, 2026, in the amount of 5,199 EUR (December 31, 2025: 5,187 EUR) (*Note 18*).

b) on loans to associated companies:

- mortgages on real estate with a book value as of June 30, 2026: 2,745 EUR (December 31, 2025: 2,801 EUR) (*Note 15*);

The Company is a co-debtor and guarantor for bank loans received and bank guarantees issued to the following companies:

Company	Maturity Period	Currency	Contractual Amount	Amount Guaranteed as of June 30, 2026 EUR'000
Sopharma Trading AD	2026	EUR	146,004	111,108

Sopharma Trading d.o.o., Belgrade	2026–2027	EUR	35,010	28,395
Sopharma Buildings REIT	2027–2028	EUR	33,234	15,029
Doverie United Holding AD	2027	EUR	15,339	1,917
Energoinvest AD	2027	EUR	920	1,550
Total				157,999

44. FINANCIAL RISK MANAGEMENT

In the course of its ordinary business activities, the company may be exposed to various financial risks, the most significant of which are: market risk (including currency risk, fair value risk, and price risk), credit risk, liquidity risk, and interest rate risk. Overall risk management focuses on the challenges of forecasting financial markets and minimizing the potential negative effects that could impact the company's financial results and financial position.

Financial risks are currently identified, measured, and monitored using various control mechanisms implemented to determine appropriate pricing for the company's products and services and for the debt capital it raises, as well as to adequately assess the market conditions of its investments and the methods for maintaining free cash reserves, without allowing for an unjustified concentration of any particular risk.

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

The structure of financial assets and liabilities is as follows:

<i>Financial Assets</i>	<i>June 30, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Financial assets at fair value through other comprehensive income, including:	5,897	4,957
<i>Equity investments</i>	5,897	4,957
Financial assets at amortized cost, including:	94,666	95,681
<i>Receivables and loans granted, including</i>	91,428	82,353
Long-term receivables from related companies	6,791	6,691
Other long-term receivables	1,749	1,730
Receivables from affiliated companies	67,182	59,337
Trade receivables	9,681	8,797
Loans granted to third parties	5,724	5,647

Other current receivables	301	151
Cash and cash equivalents	<u>3,238</u>	<u>13,328</u>
Total financial assets	<u>100,563</u>	<u>100,638</u>

Financial liabilities	June 30, 2026	December 31, 2025
	EUR '000	EUR '000

Financial liabilities at amortized cost, including:

Long-term and short-term bank loans	93,865	124,928
Obligations under lease agreements with related parties	7,313	7,770
Liabilities under lease agreements with third parties	1,687	1,638
Other loans and liabilities, including	<u>38,991</u>	<u>36,580</u>
Trade payables	9,067	11,058
Liabilities to Affiliates	19,704	17,236
Other current liabilities	<u>10,220</u>	<u>8,286</u>
Total financial liabilities	<u>141,856</u>	<u>170,916</u>

As of June 30, 2026, recognized liabilities under financial guarantees amounted to 452 thousand EUR (December 31, 2025: 452 thousand EUR) (Note 42).

Impairment losses / (gains), net of recoveries, related to financial assets and financial guarantees recognized in the statement of comprehensive income are as follows:

	2026	2025
	EUR '000	EUR '000
Loans granted at amortized cost (Note 12)	260	13
Reversal of impairment for credit losses on receivables (Note 9)	<u>(67)</u>	<u>(38)</u>
Total	<u>53</u>	<u>(25)</u>

Credit Risk

Credit risk is the risk that the company's customers will be unable to repay the amounts owed by them in full and within the normally expected timeframes.

The company's credit risk arises both from its core business, through trade receivables, and from its financial activities, which include granting loans to related parties and third parties , as well as commitments related to loans, guarantees, and bank deposits. The company has developed policies, procedures, and rules for controlling and monitoring credit risk.

Trade Receivables

In its commercial practice, the company has implemented various distribution schemes until it arrived at its current effective approach, which is tailored to the market environment, the diverse payment methods, and the inclusion of trade discounts. The company partners with over 70 Bulgarian and foreign licensed pharmaceutical distributors.

Working with the National Health Insurance Fund (NHIF) and with distributors that serve public hospitals requires a policy of deferred payments. In this regard, although there is a concentration of credit risk, it is managed through careful selection, ongoing monitoring of the liquidity and financial stability of business partners, as well as direct communication with them and the implementation of prompt measures at the first signs of problems.

The company's credit policy requires that each new customer be screened for creditworthiness before the standard terms of delivery and payment are offered.

Expected credit losses are calculated as of the end of each reporting period.

The company uses matrices to provision for expected credit losses on trade receivables and assets under contracts with customers. These are grouped into portfolios of different customer segments that share similar characteristics, including credit risk.

The provisioning rates applied in the matrices are based on the days past due for each individual portfolio.

Initially, the rates for each matrix are determined based on historical data observed by the company over a three-year period. The method is based on an analysis of the history and an assessment of the behavior of each invoice in a given group, issued over the last at least three years, in terms of days past due, transitions between different delinquency ranges over time, payments, and uncollected amounts , etc. Based on this, the loss rate is determined as the uncollectibility of a given group of invoices relative to the total number of overdue invoices by days. The company does not require collateral for receivables from its customers, nor does it insure them.

Second, the company refines the impairment provision matrices for each portfolio by adjusting the determined percentages based on historical data regarding payment behavior on issued invoices and historical bad debt losses, incorporating forecast information on certain macroeconomic factors. The historical percentages are adjusted to reflect the effect of future behavior of macroeconomic factors for which a statistical correlation has been established and which are believed to influence customers' ability to service and settle their obligations.

Given the short-term nature of the receivables, management's analysis indicates that the effects of changes in the macroeconomic environment on the provisioning matrix are immaterial as of June 30, 2026.

Litigated and Judged Receivables

When assessing the collectability of judicial and awarded receivables, management conducts an individual analysis of the total exposure to each counterparty (counterparty type) in order to determine the actual likelihood of their collection. If a high degree of uncertainty is identified regarding the collectability of a given receivable (group of receivables), an assessment is made of what portion of it (them) is secured (by a pledge, mortgage, surety, or

bank guarantee), thereby ensuring their collectability (through the future potential realization of the collateral or payment by a guarantor).

Receivables, or a portion thereof, for which management assesses that there is a very high degree of uncertainty regarding their collectability and which are unsecured, are written off in full.

Loans, guarantees, and financial guarantees

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

To determine the credit risk of loans, sureties, and financial guarantees granted, as well as certain individual 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 PDs by year for each rating. With regard to the rating, the company uses internal credit ratings for individual counterparties based on the global methodologies of leading international rating agencies. The rating reflects financial ratios for indebtedness, liquidity, profitability, etc., as well as quantitative (e.g., sales levels) and qualitative (e.g., financial policy, diversification, etc.) criteria in accordance with the relevant methodology and industry.

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

Based on the specific rating assigned and an analysis of the characteristics of the borrower and the loan/guarantee, including any changes that have occurred in relation to the previous period, the stage of the instrument (Stage 1, Stage 2, or Stage 3) is determined. The Company considers that a financial instrument has experienced 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 lifetime probability of default (PD) for the financial asset as of the reporting date compared to the lifetime probability of default as of the date the asset was initially recognized;
- The borrower is past due by more than 30 days but less than 90 days;
- Actual or expected significant adverse changes in the borrower's operating results, exceeding the permissible range of variation, as measured by key financial and operating indicators of the borrower;
- A significant change in the value of the collateral that is expected to increase the loss and the risk of default.

Qualitative criteria:

- Significant adverse changes in the business, financial, and/or economic conditions in which the borrower operates;
- Actual or expected significant adverse changes in the borrower's operating results;
- A significant change in the value of collateral that is expected to increase the risk of default;

- Early signs of cash flow/liquidity problems, such as delays in servicing trade creditors or loans.

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

The company classifies a financial instrument *as in default and with an incurred credit loss* when it meets one or more of the following criteria:

Quantitative Criteria

- The borrower is more than 90 days past due on its contractual payments;
- Significant adverse changes and events have occurred or are expected to occur in the borrower's business, financial condition, and operating environment, as evidenced by a significant decline in the borrower's key financial and operating metrics;
- The borrower reports a series of losses and negative net assets;
- Occurred or impending material adverse changes in the value of key collateral securing the loan, including losses of collateral.

Qualitative Criteria

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

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

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

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

- PD represents the probability that the borrower will default on its financial obligation either within the next 12 months or over the entire life of the financial asset (lifetime PD), determined based on publicly available PD data from generally accepted sources and statistical models of the effects of projected macroeconomic factors. In addition, the company's management has performed a historical analysis and identified the key economic variables affecting credit risk and expected credit losses for each type of loan (portfolio);
- EAD is the amount owed to the company by the borrower at the time of default, over the next 12 months, or over the remaining term of the loan, determined in accordance with the specific characteristics of the instrument (amount owed, repayment schedules, interest rates, term, etc.);
- LGD represents the company's expectation of the loss amount on an exposure in default. LGD varies depending on the type of counterparty, the type and seniority of the claim, and the presence of collateral or other credit support. LGD is measured as a loss percentage of the outstanding exposure at the time of default;
- The discount rate used in calculating expected credit loss (ECL) is the initial effective interest rate on the loan or, in the case of financial guarantees and other instruments without an applicable interest rate, the risk-free rate for the relevant period, currency, etc.

The Company implements a number of policies and practices to mitigate credit risk arising from loans granted. The most common measure is the acceptance of collateral. The Company commissions an appraisal by external experts—independent appraisers—of the collateral received as part of the loan origination process. This appraisal is reviewed periodically, but at least once a year.

The table below presents the quality of the company's financial assets, assets under contracts, and financial guarantee agreements, as well as the maximum exposure to credit risk based on the accepted credit rating assessment as of June 30, 2026:

<i>Financial Assets</i>	<i>Notes</i>	<i>Internal Credit Risk Categorization</i>	<i>Expected Credit Losses (IFRS 9)</i>	<i>Gross Carrying Amount</i>	<i>Impairment loss (adjustment)</i>	<i>Carrying amount as of June 30, 2026</i>
				<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Trade receivables from related parties	24	N/A	<i>For a 12-month period</i>	69,457	(3,544)	65,913
Trade receivables from third parties	25	N/A	<i>For a 12-month period</i>	8,744	(777)	7,967
Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	<i>Lifetime</i>	4,229	(7)	4,222
Receivables from refundable unit contributions	21	Not applicable	<i>For a 12-month period</i>	3,047	-	3,047
Receivables under assignment agreements from affiliated companies	21	N/A	<i>For a 12-month period</i>	2,149	-	2,149
Receivables from third parties arising from securities transactions	22.25	N/A	<i>For a 12-month period</i>	1,973	(41)	1,932
Short-term loans granted to third parties	26 (a)	Regular Stage 1	<i>For the entire term</i>	1,572	(70)	1,502
Long-term loans granted to third parties	22	Regular Stage 1	<i>For the entire life of the loan</i>	1,531	-	1,531
Long-term receivables from related parties arising from securities transactions	21	N/A	<i>For a 12-month period</i>	1,331	-	1,331
Dividend receivables from affiliated companies	24	N/A	<i>For a 12-month period</i>	1,266	-	1,266
Other current receivables	26 (b)	Not applicable	<i>For a 12-month period</i>	301	-	301
Receivables from deposits provided under lease agreements	21	Not applicable	<i>For a 12-month period</i>	264	-	264
Receivables from guarantees and sureties provided to related parties	24	Not applicable	<i>For a 12-month period</i>	5	(2)	3

Short-term loans granted to related parties	24	Renegotiated Phase 2	<i>For Life</i>	2,136	(2,136)	-
Total:				98,005	(6,577)	91,428

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 based on the adopted credit rating assessment as of December 31, 2025:

<i>Financial Assets</i>	<i>Notes</i>	<i>Internal Credit Risk Categorization</i>	<i>Expected Credit Losses (IFRS 9)</i>	<i>Gross carrying amount</i> <i>EUR '000</i>	<i>Impairment loss (adjustment)</i> <i>EUR '000</i>	<i>Carrying amount as of December 31, 2025</i> <i>EUR '000</i>
Trade receivables from related parties	24	N/A	<i>For a 12-month period</i>	62,384	(3,544)	58,840
Trade receivables from third parties	25	N/A	<i>For a 12-month period</i>	7,914	(777)	7,137
Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	<i>Lifetime</i>	4,194	(7)	4,187
Receivables from refundable unit contributions	21	N/A	<i>For a 12-month period</i>	2,980	-	2,980
Receivables under assignment agreements from affiliated companies	21	N/A	<i>For a 12-month period</i>	2,116	-	2,116
Receivables from third parties arising from securities transactions	22.25	N/A	<i>For a 12-month period</i>	1,919	(41)	1,878
Long-term loans granted to third parties	22	Regular Stage 1	<i>For the entire life of the loan</i>	1,512	-	1,512
Short-term loans granted to third parties	26 (a)	Regular Stage 1	<i>For the entire term</i>	1,530	(70)	1,460
Long-term receivables from related parties arising from securities transactions	21	N/A	<i>For a 12-month period</i>	1,331	-	1,331
Dividend receivables from related parties	24	N/A	<i>For a 12-month period</i>	482	-	482
Receivables from deposits provided under lease agreements	21	Not applicable	<i>For a 12-month period</i>	264	-	264
Receivables from guarantees and sureties provided to related parties	24	Not applicable	<i>For a 12-month period</i>	17	(2)	15

Short-term loans granted to related parties	24	Under renegotiation Stage 2	<i>Lifetime</i>	<u>1,845</u>	<u>(1,845)</u>	<u>-</u>
Total:				<u>88,488</u>	<u>(6,286)</u>	<u>82,202</u>

The table below provides information on the company's exposure to credit risk and credit loss allowances for loans and trade receivables as of June 30, 2026:

<i>Category</i>	<i>Correspondence with External Credit Rating</i>	<i>Average expected loss rate</i>	<i>Gross Carrying Amount as of June 30, 2026</i> <i>EUR '000</i>	<i>Impairment loss (adjustment) as of June 30, 2026</i> <i>EUR '000</i>
Trade receivables and receivables from securities transactions	<i>N/A</i>	<i>5.35%</i>	81,505	(4,362)
Renegotiated loans (Stage 2)	B3	<i>0.17%</i>	4,229	(7)
Receivables from refundable equity contributions	<i>N/A</i>	<i>0.00%</i>	3,047	-
Receivables under assignment agreements from affiliated companies	<i>Not applicable</i>	<i>0.00%</i>	2,149	-
Regular loans (Stage 1)	B3	<i>4.45%</i>	1,572	(70)
Performing Loans (Stage 1)	Caa1	<i>0.00%</i>	1,531	-
Dividend receivables from related parties	<i>N/A</i>	<i>0.00%</i>	1,266	-
Other current receivables	<i>Not applicable</i>	<i>0.00%</i>	301	-
Receivables from deposits provided under lease agreements	<i>Not applicable</i>	<i>0.00%</i>	264	-
Receivables from guarantees and sureties provided to related parties	<i>Not applicable</i>	<i>40.00%</i>	5	(2)
Judicial and adjudicated commercial receivables	<i>Not applicable</i>	<i>100.00%</i>	2,719	(2,719)
Renegotiated loans (Stage 2)	SaA1	<i>100.00%</i>	<u>2,136</u>	<u>(2,136)</u>
Total:			<u>100,724</u>	<u>(9,296)</u>

The table below provides information on the company's exposure to credit risk and credit loss allowances for loans and trade receivables as of December 31, 2025:

<i>Category</i>	<i>Correspondence with External Credit Rating</i>	<i>Average expected loss rate</i>	<i>Gross carrying amount as of December 31, 2025 EUR '000</i>	<i>Impairment loss (adjustment) as of December 31, 2025 EUR '000</i>
Trade receivables and receivables from securities transactions	N/A	5.93%	73,549	(4,361)
Renegotiated loans (Stage 2)	B3	0.17%	4,194	(7)
Receivables from refundable equity contributions	N/A	0.00%	2,980	-
Judicial and adjudicated commercial receivables	Not applicable	100.00%	2,786	(2,786)
Receivables under assignment agreements from affiliated companies	N/A	0.00%	2,116	-
Renegotiated loans (Stage 2)	SaA1	100.00%	1,845	(1,845)
Performing Loans (Stage 1)	B3	4.58%	1,530	(70)
Performing Loans (Stage 1)	Caa1	0.00%	1,512	-
Dividend receivables from related parties	N/A	0.00%	482	-
Receivables from deposits provided under lease agreements	Not applicable	0.00%	264	-
Receivables from guarantees and sureties provided to related parties	Not applicable	11.76%	17	(2)
Total:			91,275	(9,071)

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

	<i>June 30, 2026 EUR'000</i>	<i>December 31, 2025 EUR '000</i>
Customer 1	58%	48%
Client 2	25%	34%

The Company currently manages the concentration of receivables from related parties by applying credit limits and additional collateral in the form of pledges of securities and other assets, as well as by using promissory notes.

The Company has a concentration of trade receivables from a single customer outside the group of related parties amounting to 26% of all trade receivables (December 31, 2025: trade receivables from a single customer outside the group of related parties – 27%).

Cash and Cash Equivalents

The company's cash and payment transactions are primarily concentrated in various first-class banks. To calculate expected credit losses on *cash and equivalents*, a rating-based model is applied, using the banks' ratings assigned by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA, and Bloomberg, along with publicly available PD (probability of default) reference data corresponding to the respective bank's rating.

Management continuously monitors changes in the relevant bank's rating to assess the presence of elevated credit risk, the current management of incoming and outgoing cash flows, and the distribution of cash balances across bank accounts and banks.

Foreign Exchange Risk

The Company conducts its business through active transactions with foreign suppliers and customers. As a result, it is exposed to currency risk with respect to the USD and the Russian ruble. The Company purchases some of its primary raw materials and supplies in USDs and makes sales on the Russian market in Russian rubles. Currency risk relates to adverse movements in the exchange rates of the USD and the Russian ruble against the EUR in future business transactions, recognized foreign currency assets and liabilities, and net investments in foreign companies.

The remainder of the company's transactions are typically conducted in EUR. The company sells a significant portion of its finished products in EUR, thereby eliminating currency risk. Settlements with subsidiaries in Ukraine are also in EUR. However, due to the instability in the country and the depreciation of the Ukrainian hryvnia, in order to minimize currency risk, the company implements a foreign exchange policy through its subsidiaries that includes the immediate conversion of local-currency receipts into EUR, as well as the application of higher trade markups to offset any potential future depreciation of the hryvnia.

To manage currency risk, the company has implemented a system for planning import deliveries and sales in foreign currency, as well as procedures for daily monitoring of movements in the USD exchange rate and control over upcoming payments.

Assets and liabilities denominated in foreign currency are presented as follows:

<i>June 30, 2026</i>	in USD	in EUR	in other currencies	Total
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Capital investments	5,321	576	-	5,897
Receivables and Loans Granted	3,955	72,652	14,821	91,428
Cash and cash equivalents	499	2,692	47	3,238
Total financial assets	9,775	75,920	14,868	100,563
Long-term and short-term bank loans	-	93,865	-	93,865
Obligations under lease agreements with related parties	-	7,313	-	7,313
Liabilities under lease agreements with third parties	262	1,125	300	1,687
Other loans and liabilities	562	38,400	29	38,991
Total financial liabilities	824	140,703	329	141,856

<i>December 31, 2025</i>	in USD	in EUR	in other currencies	Total
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Capital investments	4,255	702	-	4,957

Receivables and Loans Granted	3,606	72,735	6,012	82,353
Cash and cash equivalents	819	12,448	61	13,328
Total financial assets	8,680	85,885	6,073	100,638

Long-term and short-term bank loans	-	124,928	-	124,928
Obligations under lease agreements with related parties	-	7,770	-	7,770
Liabilities under lease agreements with third parties	238	1,115	285	1,638
Other loans and liabilities	1,215	35,296	69	36,580
Total financial liabilities	1,453	169,109	354	170,916

Currency Sensitivity Analysis

The effect of currency sensitivity resulting from a 10% increase/decrease in the current exchange rates of the EUR against the USD and against other currency exposures, based on the structure of currency assets and liabilities as of June 30 and assuming that the impact of other variables is ignored, is presented below. The net effect is measured and presented as an impact on net income after taxes and on equity.

	USD	
	June 30, 2026 EUR '000	June 30, 2025 EUR '000
Net Income +	707	480
Retained earnings +	707	480
Net income -	(707)	(480)
Retained earnings -	(707)	(480)

If the USD appreciates by 10% against the EUR, the net effect on the company's profit (after taxes) for 2026 would be an increase of 707 thousand EUR (2.59%) (2025: an increase of 480 thousand EUR (3.74%). The same effect would apply to equity—specifically, the “retained earnings” component.

If the USD exchange rate against the EUR were to decrease by 10%, the net effect on the company's profit (after tax) would be equal and opposite to the result indicated above for the increase.

The impact of other currencies (excluding the USD) in the event of a 10% increase in their exchange rates against the EUR is not significant on the company's profit (after tax). The net effect on profit for 2026 is an increase of 68 thousand EUR (0.25%) (for 2025: a decrease of 1,112 thousand EUR (-8.67%). The effect on equity is of the same magnitude and in the direction of an increase/decrease, and is reflected in the “retained earnings” component.

Management believes that the above analysis of currency sensitivity, based on the balance sheet structure of currency assets and liabilities, also reflects the company's currency sensitivity during the year.

Price Risk

The company is exposed, on the one hand, to price risk arising from two factors:

a) a potential increase in the purchase prices of raw materials and supplies, given that over 80% of the raw materials used are imported and account for an average of 50% of production costs; and

b) increasing competition in the Bulgarian pharmaceutical market, which is also reflected in drug prices.

To minimize this impact, the company implements a corporate strategy aimed at optimizing production costs, evaluating alternative suppliers offering favorable commercial terms, expanding its product portfolio by developing new generic products for the market, and, last but not least, adopting a flexible marketing and pricing policy. The pricing policy is a function of three main factors: cost structure, competitors' prices, and consumers' purchasing power.

On the other hand, the company is exposed to price risk with respect to its other long-term equity investments. To this end, management monitors and analyzes all changes in the securities market and utilizes the consulting services of one of the country's most reputable investment brokers. At this stage, management has decided to significantly reduce operations on the stock markets and to hold the purchased shares for the longer term while continuously monitoring the financial and business indicators reported by the respective issuer.

Liquidity Risk

Liquidity risk refers to the adverse situation in which the company is unable to unconditionally meet all of its obligations as they become due.

The company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the company is its core business activity, which generates sufficient operating cash flows. External sources of financing include banks and other long-term partners.

The company has no agreements in place to finance payments to its suppliers.

To mitigate potential liquidity risk, the company employs a system of alternative action plans and forecasts, the ultimate effect of which is to maintain good liquidity and, consequently, the ability to finance its business operations. This is complemented by ongoing monitoring of the maturities of assets and liabilities and control over outgoing cash flows.

Maturity Analysis

The Company's non-derivative financial liabilities are presented below, grouped by residual maturity, determined based on the contractual maturity as of the date of the statement of financial position. The table is prepared based on undiscounted cash flows and the earliest date on which the liability becomes due. The amounts include principal and interest.

<i>June 30, 2026</i>	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 m	1 to 2 years	2 to 5 years	over 5 years	Total
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Long-term and short-term bank loans	28,194	2,193	11,043	6,253	12,276	35,934	4,392	100,285
Lease obligations to related parties	101	202	303	605	1,211	3,633	1,567	7,622
Liabilities under lease agreements with third parties	53	106	159	318	488	589	-	1,713

Other loans and liabilities	4,410	33,227	500	854	-	-	-	38,991
Total Liabilities	32,758	35,728	12,005	8,030	13,975	40,156	5,959	148,611

<i>December 31, 2025</i>	up to 1 month	1 to 3 m	3 to 6 m	from 6 to 12 m	1 to 2 years	2 to 5 years	over 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Long-term and short-term bank loans	1,364	2,395	26,442	41,023	12,453	42,245	7,386	133,308
Lease obligations to related parties	98	197	295	590	1,180	3,541	2,218	8,119
Liabilities under lease agreements with third parties	47	91	155	262	544	565	-	1,664
Other loans and liabilities	32,665	2,129	1,049	737	-	-	-	36,580
Total Liabilities	34,174	4,812	27,941	42,612	14,177	46,351	9,604	179,671

Interest Rate Risk on Interest-Bearing Cash Flows

In the company's asset structure, interest-bearing assets consist of cash, bank deposits, and loans granted, all of which have fixed interest rates. The company's borrowings in the form of long-term and short-term loans typically have variable interest rates. Lease obligations have both variable and fixed interest rates. This circumstance partially exposes the company's cash flows to interest rate risk. This risk is managed in two ways:

a) optimizing sources of credit to achieve a relatively lower cost of borrowed funds; and

b) a combined structure of the loan interest rates themselves, which consists of two components—a fixed and a variable component—whose ratio, as well as their absolute values, can be achieved and maintained at a favorable level for the company. The fixed component has a relatively low absolute value and a sufficiently large relative share of the total interest rate. This circumstance eliminates the likelihood of a significant change in interest rates in the event of a potential adjustment to the variable component. This also minimizes the likelihood of an adverse change in cash flows.

The company's management continuously monitors and analyzes its exposure to changes in interest rates. Various scenarios involving refinancing, renewal of existing positions, and alternative financing are simulated. Based on these scenarios, the effect on net income and equity is measured in the event of a change by a certain number of basis points or percentage points. For each simulation, the same assumption regarding a change in the interest rate is applied to all major currencies. The calculations are performed for significant interest-bearing positions.

June 30, 2026

non- interest- bearing	floating- rate Interest Rate %	Fixed-rate Interest rate %	Total
EUR '000	EUR '000	EUR '000	EUR '000

Capital investments	5,897	-	-	5,897
Receivables and Loans Granted	80,207	-	11,221	91,428
Cash and cash equivalents	37	3,201	-	3,238
Total financial assets	86,141	3,201	11,221	100,563

Long-term and short-term bank loans	-	93,865	-	93,865
Liabilities under lease agreements with related parties	-	-	7,313	7,313
Liabilities under lease agreements with third parties	-	-	1,687	1,687
Other loans and liabilities	38,991	-	-	38,991
Total financial liabilities	38,991	93,865	9,000	141,856

<i>December 31, 2025</i>	non- interest- bearing	floating- rate Interest Rate %	fixed Interest rate %	Total
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Capital investments	4,957	-	-	4,957
Receivables and Loans Granted	71,064	-	11,289	82,353
Cash and cash equivalents	11	13,317	-	13,328
Total financial assets	76,032	13,317	11,289	100,638

Long-term and short-term bank loans	584	124,344	-	124,928
Lease obligations to related companies	-	-	7,770	7,770
Liabilities under lease agreements with third parties	-	-	1,638	1,638
Other loans and liabilities	36,580	-	-	36,580
Total financial liabilities	37,164	124,344	9,408	170,916

The table below shows the company's sensitivity to potential changes of 0.50 percentage points in the interest rate, based on the structure of assets and liabilities as of June 30 and assuming that the impact of other variables is ignored. The effect is measured and presented as an impact on profit after taxes and on equity.

2026

	<i>Increase/ decrease in interest rate</i>	<i>Effect on financial result after taxes profit/(loss)</i>	<i>Effect on equity equity increase/(decrease)</i>
EUR	increase	(460)	(460)
USD	increase	(1)	(1)
BYN	increase	(1)	(1)

EUR	decrease	460	460
USD	discount	1	1
BYN	discount	1	1

2025	<i>Increase/ decrease in interest rate</i>	<i>Effect on financial result after taxes profit/(loss)</i>	<i>Effect on equity equity increase/(decrease)</i>
EUR	increase	(587)	(587)
USD	increase	(2)	(2)
EUR	decrease	587	587
USD	discount	2	2

Capital Risk Management

Through capital management, the company aims to create and maintain the ability to continue as a going concern and to provide an appropriate return on invested capital to shareholders, economic benefits to other stakeholders and participants in its business, as well as to maintain an optimal capital structure in order to reduce the cost of capital.

The Company regularly monitors its capital adequacy and structure based on the debt-to-equity ratio. This ratio is calculated as the ratio of net debt to total capital. Net debt is defined as the difference between all borrowed funds, as reported in the statement of financial position, and cash and cash equivalents. Total capital employed is equal to equity and net debt.

The table below presents the debt ratios based on the capital structure:

	<i>June 30, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Total debt, including:	102,865	134,336
<i>bank loans</i>	<i>93,865</i>	<i>124,928</i>
<i>Lease obligations to related companies</i>	<i>7,313</i>	<i>7,770</i>
<i>Liabilities under lease agreements with third parties</i>	<i>1,687</i>	<i>1,638</i>
Less: cash and cash equivalents	(3,238)	(13,328)
Net debt	99,627	121,008
Total equity	359,837	331,682
Total capital	459,464	452,690
Debt-to-equity ratio	0.22	0.27

The cash and liabilities included in the table above are disclosed in *Notes 28, 30, 33, 34, 36, 38, and 42*.

Fair Value Measurement

The fair value concept assumes the realization of financial instruments through sale, based on the views, assumptions, and judgments of independent market participants in the primary market or the most advantageous market for a given asset or liability. For its financial assets and liabilities, the company considers the financial markets in Bulgaria—the Bulgarian Stock Exchange (BSE), major commercial banks acting as dealers, and, for certain specific instruments, direct transactions between the parties—to be the primary market. In most cases, however, particularly with regard to trade receivables and payables, loans, and deposits, the company expects to realize these financial assets through their full repayment or, respectively, amortization over time. Therefore, they are presented at their amortized cost.

Furthermore, the majority of financial assets and liabilities are short-term in nature (trade receivables and payables, short-term loans), or are recognized in the statement of financial position at a specific market value (based on a specific valuation method) (investments in securities, variable-rate loans); therefore, their fair value is approximately equal to their carrying amount. For fixed-rate loans, the methodology used to determine the interest rate takes the company's current observations of market interest rates as the starting point for the calculations.

Since there is not yet a sufficiently active market for various financial instruments in Bulgaria, with the stability, sufficient volume, and liquidity for the purchase and sale of certain financial assets and liabilities, there are not enough reliable market price quotes available for them; therefore, other alternative valuation methods and techniques are used.

Management believes that, under the current circumstances, the measurements of financial assets and liabilities presented in the statement of financial position are as reliable, appropriate, and accurate as possible for financial reporting purposes.

45. SEGMENT REPORTING

Segment reporting at the company is organized based on the production of major product groups, wholesale trade in pharmaceutical products, and assets provided under lease agreements.

The production of pharmaceutical products includes:

- tablet forms;
- ampoule forms;
- medical devices;
- other forms.

Medical products include: bandages, sanitary and hygiene products, dressing materials, and therapeutic cosmetics.

Other forms include: lyophilized products, ointments, syrups, drops, suppositories, inhalers, hemodialysis concentrates, sachets, substances, infusion solutions, veterinary vaccines, solutions, and chemical substances and mixtures.

The distribution of medicinal products is carried out on the basis of a wholesale distribution license for medicinal products issued by the Executive Agency for Medicines (EAM) and covers:

- tablet forms;

- ampoule forms;
- medical devices;
- other forms.

Medical devices include: sanitary and hygiene products.

Other forms include: ointments, syrups, sachets, sprays, and drops

Segment revenue, expenses, and results include:

	<i>Manufacturing of pharmaceutical products</i>		<i>Distribution of pharmaceutical products</i>		<i>Assets Provided Under Lease Agreements</i>		<i>Total</i>	
	2026	2025	2026	2025	2026	2025	2026	2025
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue from tablet formulations	61,527	45,933	2,800	639	-	-	64,327	46,572
Cost of tablet formulations	(21,301)	(17,479)	(2,147)	(315)	-	-	(23,448)	(17,794)
Revenue from ampoule formulations	8,330	7,064	-	-	-	-	8,330	7,064
Cost of ampoule formulations	(7,304)	(5,634)	-	-	-	-	(7,304)	(5,634)
Revenue from other sources	7,692	8,123	1,394	2,597	-	-	9,086	10,720
Cost of other forms	(4,579)	(4,560)	(793)	(1,391)	-	-	(5,372)	(5,951)
Revenue from medical products	3,381	3,151	7,911	-	-	-	11,292	3,151
Cost of medical products	(2,149)	(2,041)	(4,310)	-	-	-	(6,459)	(2,041)
Assets provided under lease agreements	-	-	-	-	679	687	679	687
Cost of Assets Provided Under Lease Agreements	-	-	-	-	(22)	(22)	(22)	(22)
Segment revenue	80,930	64,271	12,105	3,236	679	687	93,714	68,194
Segment cost of sales	(35,333)	(29,714)	(7,250)	(1,706)	(22)	(22)	(42,605)	(31,442)
Segment income	45,597	34,557	4,855	1,530	657	665	51,109	36,752
Unallocated operating income from operations							8,064	3,160
Unallocated operating expenses from operations							(29,938)	(27,705)
Operating income							29,235	12,207
Net gain/(loss) on the sale of investments in subsidiaries and associates							1,934	1,539
Impairment of non-current assets outside the scope of IFRS 9							-	(1)
Net financial income/(expenses)							(947)	318
Profit before income taxes							30,222	14,063
Income tax expense							(2,888)	(1,240)
Net income for the year							27,334	12,823

Segment assets include:

<i>Production of tablet forms</i>	<i>Production of ampoule formulations</i>	<i>Manufacturing of other dosage forms</i>	<i>Manufacturing of medical devices</i>	<i>Distribution of pharmaceutical products</i>	<i>Assets provided under lease agreements</i>	<i>Total</i>
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SOFARMA AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2026, TO JUNE 30, 2026

	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Property, Plant, and Equipment	26,388	27,190	11,869	9,754	21,138	20,542	1,151	1,135	3,132	3,321	609	631	64,287	62,573
Investment Properties	-	-	-	-	-	-	-	-	-	-	25,772	25,777	25,772	25,777
Inventories	34,553	31,811	11,670	12,913	9,102	8,951	1,764	1,753	4,384	5,364	-	-	61,473	60,792
Segment assets	60,941	59,001	23,539	22,667	30,240	29,493	2,915	2,888	7,516	8,685	26,381	26,408	151,532	149,142
Unallocated assets													367,426	376,521
Total assets													518,958	525,663

Segment liabilities include:

	<i>Production of tablet forms</i>		<i>Production of ampoule formulations</i>		<i>Manufacturing of other dosage forms</i>		<i>Manufacturing of medical devices</i>		<i>Distribution of pharmaceutical products</i>		<i>Assets provided under lease agreements</i>		<i>Total</i>	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Government funding	889	938	409	460	519	527	22	23	-	-	-	-	1,839	1,948
Liabilities to employees	249	285	194	291	253	291	39	43	66	59	-	-	801	969
Social Security Liabilities	125	119	95	83	124	141	17	18	35	33	-	-	396	394
Segment Liabilities	1,263	1,342	698	834	896	959	78	84	101	92	-	-	3,036	3,311
Unallocated Liabilities													156,085	190,670
Total Liabilities													159,121	193,981

Capital expenditures, depreciation, and non-cash expenses other than depreciation by business segment include:

	<i>Production of tablet forms</i>		<i>Production of ampoule formulations</i>		<i>Manufacturing of other dosage forms</i>		<i>Manufacturing of medical products</i>		<i>Distribution of pharmaceutical products</i>		<i>Assets provided under lease agreements</i>		<i>Total</i>	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Capital expenditures	367	21	2,261	2,338	1,862	2,865	2	-	-	-	-	70	4,492	5,294
Depreciation	1,266	1,232	569	631	691	726	82	75	202	200	22	22	2,832	2,886

46. TRANSACTIONS WITH RELATED PARTIES

The companies related to Sopharma AD, the nature of the relationship, and the period of the relationship are as follows:

<i>Related Parties</i>	<i>Nature of the Relationship</i>	<i>Period of Relationship</i>
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SO FARMA AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2026, TO JUNE 30, 2026**

Donev Investments Holding AD	Shareholder with significant influence	2025 and 2026
Telecomplect Invest AD	Shareholder with Significant Influence	2025 and 2026
Sopharma Trading AD	Subsidiary	2025 and 2026
Vitamina AD	Subsidiary	2025 and 2026
Sopharma Warsaw EOOD	Subsidiary	2025 and 2026
Sopharma Ukraine EOOD	Subsidiary	2025 and 2026
Sopharma Kazakhstan EOOD	Subsidiary	2025 and 2026
Sopharma Rus EOOD	Subsidiary	2025 and 2026
Pharmachim EOOD, Serbia	Subsidiary	2025 and 2026
Pharmanova OOD, Serbia	Subsidiary	2025 and 2026
SofTech Services EOOD	Subsidiary	as of February 28, 2025 and 2026
Sopharma Trading OOD, Serbia	Subsidiary through Sofarma Trading AD	2025 and 2026
Sopharmacy EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 2 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 3 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 4 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 5 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 6 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 7 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 8 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 9 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 10 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 11 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 12 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 13 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 14 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 15 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 16 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 17 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 18 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 19 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 20 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 21 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 22 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 23 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 24 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 25 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 26 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 27 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 28 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 29 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 30 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 31 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 32 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 33 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 34 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 35 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 36 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 37 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 38 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026

SOFARMA AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2026, TO JUNE 30, 2026**

Sopharmacy 39 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 40 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 41 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 42 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 43 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 44 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 45 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 46 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 47 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 48 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 49 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 50 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 51 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 52 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 53 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 54 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 55 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 56 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 57 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 58 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 59 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 60 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 61 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 62 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy Si 63 EAD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 64 AD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 65 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 66 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 67 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 68 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy Plus EOOD	Subsidiary through Sopharma Trading AD	as of July 16, 2025, and 2026
Brittrade COOO	Subsidiary through Sopharma Trading AD	2025 and 2026
Dabradzeya Farm EOOD	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
Ne Ska EOOD	Subsidiary through Sopharma Trading AD	2025 through May 29, 2026
Bellerophon EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
AlfaApteka EOOD	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
Fitobel EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Tabina EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Salus Line ODO	Subsidiary through Sopharma Trading AD	2025 and 2026
SpetsApharmacia BOOO	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
AU Sopharmacy Nova, Serbia	Subsidiary through Sopharma Trading AD	2025 and 2026
AU Sopharmacy, Serbia	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharma Properties REIT	Associated company	2025 and 2026
Doverie United Holding AD	Associated company	2025 and 2026
Sopharma Buildings REIT	Associated company	2025 and 2026
GalenaFarm EOOD	Associated company through Sopharma Trading AD	2025 and 2026
Mejel ODO	Associated company through Sopharma Trading AD	2025 and 2026
Alenfarm-Plus OOD	Associated company through Sopharma Trading AD	2025 and 2026
Momina Krepost, AD	Joint Venture	2025 and 2026
Interpharm CJSC	Joint venture through Sopharma Trading AD	2025 and 2026
Companies within the DOH Group	Companies controlled by an associate	2025 and 2026
Sofprint Group AD	Company related through key management personnel	2025 and 2026

Sofconsult Group AD	Company affiliated through key management personnel	2025 and 2026
Pharmalogistics AD	Company affiliated through key management personnel	2025 and 2026
VES Electroinvest Systems EOOD	Company related through key management personnel	2025 and 2026
Eco Solar Invest OOD	Company related through key management personnel	2025 and 2026
Alfa In EOOD	Company related through key management personnel	2025 and 2026
Konsumpharm OOD	Company related through key management personnel	2025 and 2026
"Veterinary Diagnostics" Joint Venture	Civil partnership for the conduct of joint activities (direct participation)	2025 and 2026
"Sopharma Trading Global Medical 2024" Joint Venture	Civil partnership for the performance of joint activities (indirect participation) through Sopharma Trading AD	2025 and 2026
Civil Law Partnership "Sopharma Trading Global Medical 2025"	Civil partnership for the conduct of joint activities (indirect participation) through Sopharma Trading AD	as of June 27, 2025, and 2026
Civil Law Partnership "Sopharma Trading Global Medical 2025-2"	Civil Partnership for the Conduct of Joint Activities (Indirect Participation) through Sopharma Trading AD	as of September 18, 2025, and 2026

Sales made by Sopharma AD to its related parties as of June 30 are as follows:

<i>Sales to Related Parties</i>	<i>2026</i>	<i>2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
<i>Sales of finished goods to:</i>		
Subsidiaries	67,265	43,989
	67,265	43,989
<i>Sales of goods and materials to:</i>		
Subsidiaries	11,867	3,098
Companies affiliated through key management personnel	222	264
	12,089	3,362
<i>Sales of services to:</i>		
Subsidiaries	1,672	904
Companies controlled by an associate	3	3
Entities Related Through Key Management Personnel	2	2
	1,677	909
<i>Dividend income</i>		
Associated companies	850	1,896
	850	1,896
<i>Interest on refundable capital contributions to:</i>		
Subsidiaries	117	130
	117	130

Fees on guarantees and sureties provided by:

Subsidiaries	110	139
	110	139

Sales of fixed assets to:

Subsidiaries	34	1
	34	1

Interest on assignment agreements for:

Joint ventures	32	32
	32	32

Interest on loans granted to:

Joint ventures	32	26
Companies controlled by an associate	-	10
	32	36

Total sales to related companies

82,206	50,494
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Deliveries made to Sopharma AD by its affiliates as of June 30 are as follows:

<i>Deliveries from related parties</i>	2,026	2025
	EUR '000	EUR '000

Supplies of inventories from:

Companies related through key management personnel	2,507	2,847
Subsidiaries	52	65
Associates	29	26
Joint ventures	14	36
Companies Controlled by an Associate	5	9
	2,607	2,983

Services provided by:

Subsidiaries	1,829	1,360
Associated companies	162	146
Shareholder companies with significant influence	139	147
Companies Related Through Key Management Personnel	32	28
Companies controlled by an associate	18	93
	2,180	1,774

Deliveries related to assets under lease agreements from:

Associated companies	606	593
	606	593

Dividends declared to:

Shareholder companies with significant influence	15,982	4,128
Key Management Personnel	2,659	693
	18,641	4,821

Delivery of Fixed Assets

Subsidiaries	-	62
	-	62

Other supplies from:

Companies controlled by an associated company	2	3
Subsidiaries	2	2
	4	5

Total supplies from affiliated companies	24,038	10,238
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The total number of shares/stocks sold and acquired in the capital of companies affiliated with Sopharma AD as of June 30 is as follows:

	2026	2025
	EUR '000	EUR '000
<i>Proceeds from the sale of investments in:</i>		
Associates	7,555	1,243
Subsidiaries	26	875
	7,581	2,118

	2026	2025
	EUR '000	EUR '000
<i>Additional investments acquired in:</i>		
Subsidiaries	132	22,355
Associates	38	236
	170	22,591

Transactions with related parties are disclosed in *Notes 21, 24, 33, and 38*.

The composition of key management personnel is disclosed in *Note 1*.

Remuneration and other short-term income of key management personnel, totaling 512 thousand EUR (June 30, 2025: 381 thousand EUR), are as follows:

- current – 326 thousand EUR (June 30, 2024: 237 thousand EUR);
- bonuses – 186 x EUR (June 30, 2024: 144 x EUR).

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

No other significant events have occurred after the end of the reporting period that would require additional adjustments and/or disclosures in the company's individual financial statements for the period ending June 30, 2026.