

SOFARMA AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2026, TO MARCH 31, 2026**

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1. INFORMATION ABOUT THE COMPANY

Sopharma AD is a commercial company registered in Bulgaria with its registered office and address of management at 16 Iliensko Shose Street, Sofia. The company was entered in the Commercial Register on April 11, 2008, with UIC 831902088.

The company was incorporated 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 March 31, 2026, the breakdown of the company's share capital is as follows:

	%
Donev Investments Holding AD	40.25
Telecompact Invest AD	16.72
Sopharma AD (repurchased shares)	1.99
Other legal entities	25.69
Ognian Ivanov Donev	9.09
Other individuals	6.26

Sopharma AD has a single-tier management system with a five-member Board of Directors. As of March 31, 2026, the company's management, represented by the Board of Directors, consists of the following members:

Ognian Donev, Ph.D.	Chair
Vessela Stoeva	Deputy Chairman
Bissera Lazarova	Member
Alexandar Tchaouchev	Member
Ivan Badinski	Member

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

The Audit Committee supports the work of the Board of Directors and acts as the body responsible for general 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-Elliot	Member

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

The average number of employees in the company for 2026 is 1,672 (2025: 1,713).

1.2. Scope of Business

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

- manufacture and trade of medicinal substances and dosage forms;
- research and development and engineering and implementation activities in the field of pharmaceuticals;
- manufacture and trade in veterinary medical products and provision of laboratory services related to the testing of animal blood samples – until January 30, 2026;
- manufacture and sale of medicinal products, cosmetic products, food supplements, and the repackaging of active substances, 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 wholesale trade in 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 one between Russia and Ukraine, and the related economic sanctions and other measures taken by governments around the world have a significant effect 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 amount of the investments in Ukraine is as follows: in the subsidiary Sopharma Ukraine: EUR 4,944 thousand; in the subsidiary Vitamini: EUR 656 thousand. The amount of the investment in the subsidiary Sopharma Rus, Russia, is EUR 22,300 thousand. As of the date of approval of these separate financial statements, the assets of these subsidiaries have not been physically affected by military operations, but it is possible that the value of these investments may need to be reassessed 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 financing 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; 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 future cash flows, financial results, or financial condition.

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 of the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and interpretations of the Standing Interpretations Committee (PIC), approved by the International Accounting Standards Committee (IASC), which are effective as of January 1, 2026, and which have been adopted by the European Commission. IFRS accounting standards adopted by the EU is the generally accepted name of the general-purpose — an accounting framework equivalent to the framework introduced by the definition under § 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.

Since 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 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 Weather 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, 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 EC). 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(c): 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, 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, 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 gains or losses on derecognition. The amendment corrects a reference to paragraph 27A of IFRS 7, which was removed from the standard upon the entry into force of IFRS 13 Fair Value Measurement, and makes a new reference to the relevant paragraphs in IFRS 13. The terminology “material information that was not based on observable market data” 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 price upon initial recognition of financial instruments, inconsistencies between paragraph AG14 of the guidance and paragraph 28 of IFRS 7, arising from the entry into force of IFRS 13, are corrected; c) in the disclosure of credit risk, the wording is amended to facilitate easier and more accurate understanding of the text; B) 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 resolve potential confusion for a lessee applying the derecognition requirements in the standard; 2) on transaction price – the term “transaction price” has been deleted from paragraph 5.1.3 and Note A of IFRS 9, and in paragraph 5.1.3, the improvements refer to the definition in IFRS 15, the meaning of which the specific paragraph requires; D) IFRS 10 – identification of a “de facto agent” – the improvements remove 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 amendments 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 or after 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 wording adjustments. 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 presentation of 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) in the statement of profit or loss 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, with the aim of enhancing transparency regarding their calculation and providing insight into how the entity's management views its financial results; c) adding new principles for grouping (aggregating and disaggregating) 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 they are presented and disclosed for all entities.

- IFRS 19 – Subsidiaries without public reporting: disclosure (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the EC). IFRS 19 allows subsidiaries that meet certain requirements to provide a simplified scope of disclosures when applying IFRS accounting standards 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 publicly accountable; and has a ultimate or intermediate parent entity that prepares consolidated financial statements that are available for public use and that meet the requirements for full disclosures under all IFRS accounting standards.

- Amendments to IFRS 19 – Subsidiaries without Public Reporting: Disclosure (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the EC). 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 out in IFRS 19 for developing reduced 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 – Vendor Financing Arrangements; Amendments to IAS 12 Income Taxes – International Tax Reform – Illustrative Rules for a Pillar Two 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 to the Presentation Currency of a Hyperinflationary Economy (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the EC). These amendments provide guidance on how to translate the financial statements of entities whose functional currency is not the currency of a

hyperinflationary economy into a presentation currency that is 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 at 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 conditions.

- 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 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 studying, analyzing, and evaluating 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) through profit or loss, and financial assets in the form of equity investments through 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 (LIEB), effective January 1, 2026, the EUR becomes the official currency and legal tender in Bulgaria. The official exchange rate is set at 1.95583 leva per EUR.

The data 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 best 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 involving 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 commenced the process of preparing its consolidated financial statements for the first quarter of 2026 in accordance with the IFRS accounting standards effective for 2026, in which these separate financial statements will be included. According to the planned schedule, management expects the consolidated financial statements to be approved for issuance no later than May 30, 2026, by the Company's Board of Directors, after which date the report 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, initially denominated in foreign currency, are reported in the functional currency using the historical exchange rate as of the transaction date and are not subsequently remeasured at the closing rate.

The effects of exchange rate differences arising from the settlement of transactions in foreign currency, or the recognition of commercial transactions in foreign currency at 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) at the time 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 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 agreed to it (verbally, 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 and d) the terms of payment can be identified, and e) there is a probability that the consideration to which the company is entitled upon fulfilling its performance obligations will be received. In 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, collateral, and the likelihood of 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 performs an additional analysis to determine whether two or more contracts should be considered in combination and accounted for as a single contract, and whether the goods and/or services promised in each individual and/or combined contract should be accounted for as one or more performance obligations.

Any promise to transfer goods and/or services that are identifiable (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 performance of the company’s 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 specified goods or services itself (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 consideration 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-monetary 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 by IFRS 15, with priority given to the “observable selling prices” method.

A change in the scope or price (or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change 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 (forward-looking 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 medicinal 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, as 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 transfer of physical possession to the customer, at which point the customer may 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 legally and contractually restricted from 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 at a minimum compensates it for the costs incurred plus a reasonable margin, in the event that the contract is terminated for reasons other than non-performance by the company (legally enforceable right to payment).

If the company *has a legally enforceable right* to payment under a specific contract, revenue is recognized *over time*, using *a method* that measures the progress of the contract (stage of completion) *based on the results achieved*. This method is determined to be the most appropriate for measuring progress, as the results achieved best describe the company's activity toward full fulfillment of the performance obligation. Progress is measured *based on the units produced relative to the total units 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 ones.

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 physical possession thereof to the customer (for domestic sales) and in accordance with the terms of sale under INCOTERMS (for exports).

Transportation of sold products

Typically, when selling abroad, the company is obligated to transport the goods to the agreed destination; the company arranges the transportation, and the cost of transportation is included (calculated) in the selling price. Depending on the terms agreed 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 goods sold using other readily available resources) and the transportation service does not modify or alter the goods sold 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 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 the primary responsibility for ensuring that the services are performed and are acceptable to the customer (i.e., the company is responsible for fulfilling the promise in the contract, 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 obligations, insofar as there is a direct relationship between the company's efforts (expenses incurred) and the transfer of the service to the client. Progress is measured *based on 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 price list and are determined individually for each specific product. The standard credit period is 30 to 270 days. In certain cases, the company collects short-term

advances from customers that do not have a significant financing component. Advance payments collected from customers are presented in the statement of financial position as liabilities under contracts with customers.

Variable remuneration

Variable remuneration 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 remuneration applicable to the company include:

- Volume discounts: Retrospective trade discounts granted to the customer for achieving a predetermined monthly, quarterly, and/or annual turnover, 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 state 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 drug 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. Lodged quality complaints are resolved by providing new, serviceable goods or by refunding the amount paid by the customer. When determining the compensation for hidden defects due at the end of the reporting period, the company's established system for ensuring production quality and accumulated experience are taken into account.
- Penalties payable to the customer: In the event of the company's failure to perform its contractual obligations, typically in connection with a failure to meet the agreed 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 liabilities for the payment of penalties.
- Penalties payable by the customer: Variable remuneration in the form of penalties due to late payment by the customer. The receipt of these payments depends on the customer's actions and is beyond the company's control. They are included as part of the transaction price only when the uncertainty regarding their 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 remuneration are recognized as an adjustment to revenue (as an increase or decrease) on the date of the change and/or resolution of the uncertainty. At the end of each reporting period, the company updates the transaction price,

including whether the estimate contains limitations, so as to faithfully represent the circumstances existing and occurring during the reporting period. When measuring variable remuneration, the company uses the most likely value method. Discounts accrued but not settled at the end of the reporting period, for which the customer does not yet have an unconditional right to receive, are presented as a liability to be reimbursed in the statement of financial position.

2.5.4. Expenses under contracts with customers

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

- the additional and directly attributable costs it incurs upon entering into a contract with a customer, which would not have been incurred had the contract not been entered into, and which the company expects to be recovered over a period longer than twelve months (*customer acquisition costs*); 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 for use 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 and costs to fulfill such contracts that would not have been incurred if the relevant contracts had not been concluded.

2.5.5. Balances under contracts with customers

Trade receivables and contract assets

A contract 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 accrual for a 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 payment of the consideration to become due is the passage of a specified period of time.

Contractual Liabilities

The company presents as a contractual liability payments received from the 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 included in current assets when their maturity is within 12 months or they are part of the company's normal operating cycle, and the remainder as non-current. 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. Reimbursement obligations under contracts with customers

Refund obligations include the Company's obligation to refund part or all of the consideration received (or receivable) from the customer under contracts with refund rights—for expected retrospective volume discounts and/or quality compensation. 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 accordance with the transaction price and recognized revenue.

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

Expenses in the company are recognized when they are incurred and on an accrual and matching basis, to the extent that this does not result in the recognition of assets or liabilities that do not meet the definitions of such under 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 "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 "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 refundable equity contributions, net foreign exchange gains on receivables from sales of subsidiaries, dividends from equity investments, net foreign exchange gains on foreign currency loans, net foreign exchange gains on refundable capital contributions, income from guarantees provided, income from debt settlement transactions, gains from 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, 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 of fees on guarantees provided, provisions for financial guarantee contracts, expenses for discounted receivables, losses from the revaluation of financial assets to fair value, and impairment of 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, tangible fixed assets 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 under installment payment terms, the purchase price is equivalent to the present value of the liability, discounted based on the interest rate on the credit resources raised by the company with similar maturity and purpose.

The company has established a value threshold of 256 EUR, below which acquired assets, even though they possess the characteristics of a fixed asset, are expensed as a current expense at the time of their 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 customary for the revaluation of property, plant, and equipment to be performed by licensed appraisers at intervals of approximately 5 years. When their fair value changes significantly at shorter intervals, revaluation may be performed more frequently.

Subsequent Expenditures

Repair and maintenance costs are recognized as 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 the alteration and reconstruction of the asset, 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 in current expenses for the period of the conversion.

Depreciation Methods

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

The useful lives by asset group are based on physical wear and tear, the specific nature of the equipment, future usage plans, 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 years to 5 years;
- for servers and systems – from 4 years 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 (carriers) – from 10 to 12 years

The useful life by asset group with right of use is as follows:

- for land – from 4 years to 5 years;
- for buildings – from 2 to 10 years;
- for facilities and transmission equipment – from 2 years to 10 years;
- for vehicles – from 2 years 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 reviewed for impairment 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 latter 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 or value in use. To determine the value in use of 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 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 that case, the impairment 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 from the “property, plant, and equipment” group are determined by comparing the consideration to which the company expects to be entitled (sales proceeds) and the carrying amount of the asset as of the date on which the transferee obtains control of it. These are reported net 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 asset sold 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 land preparation and cultivation, costs for planting, fertilization, irrigation, 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.

Harvested agricultural produce—yellow acacia seeds—is presented in the company’s inventory group under “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 selling expenses, 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 (Bulgarian Rose – Sevtopolis AD, Medica AD, Unipharm AD, Biopharm Engineering AD, and Veta Pharma AD) as of the acquisition date (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 presented under “intangible assets.”

Goodwill is measured at acquisition cost (cost), determined as of the date of the business combination, less 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 heading “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 years to 10 years;
- for trademarks – from 5 to 15 years;
- contractual rights to marketing authorizations – 20 years;
- copyrights – from 3 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 carrying amount of the asset as of the date the transferee obtains control of it. They are reported net 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 for rental income and/or for the purpose of 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 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 profit or loss for the year) under the heading “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) and the carrying amount of the asset as of the date on which the transferee obtains control of it. These are reported net 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, with the difference to its carrying amount presented as a component of the statement of comprehensive income (in other components of comprehensive income) and is presented under “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 cost, which represents the fair value of the consideration paid, including direct costs of acquiring the investment, less any accumulated impairment.

The Company's investments in subsidiaries, associates, and joint ventures are subject to an annual impairment review. 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 "trade 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 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 the 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 represent 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 in 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 representing 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 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 goods—at the lower of: purchase price (cost) 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 costs that contribute to bringing the materials and goods to a condition ready for their use or sale;
- finished goods, work-in-progress, and inventory in progress – all necessary production costs that make up the cost of goods manufactured, including direct costs for materials and labor and the allocable portion of general manufacturing expenses (variable and fixed), excluding administrative expenses, exchange rate differences, and costs of borrowed funds. The inclusion of semi-fixed general production costs in the production cost of finished goods, semi-finished products, and work in progress is based on normal capacity, determined on the basis of the usual average volume maintained, as confirmed by the production plan. The basis selected for their allocation at the level of individual products is the rate of man-hours of direct production personnel involved in the production of the specific product.

The Company applies “standard production cost” as a current valuation for finished goods, semi-finished goods, and work in progress, and “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 good accounting practices in the pharmaceutical industry, materiality thresholds have been adopted for: a) the variance in the delivery of raw materials and supplies for production—up to 2%, and b) the production variance—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 financial reporting purposes (*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 and 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 remuneration under contracts with customers and other counterparties (i.e., it is contingent only on the passage of time before payment of the remuneration).

Initial measurement

Trade receivables are initially recognized and measured at fair value based on the transaction price, which is usually 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 impairment loss 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 contra 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 given 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 resource 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 in banks are subsequently presented at amortized cost less accumulated impairment 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 on domestic purchases of fixed assets is reported under “purchase of property, plant, and equipment,” “purchase of intangible assets,” and “purchase of investment property” under cash flows from investing activities;
- receipts and payments from and on overdrafts are shown on a net basis by the company;
- cash and cash equivalents that have been permanently blocked 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 provided for 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 financial resources 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 such loans and borrowed resources. 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 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 profit 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 financial resources 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 by a capitalization rate. The capitalization rate is the weighted average of borrowing costs allocated to the company's borrowings that are outstanding 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 from the temporary investment of the funds from those 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 an 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 contracts (up to 12 months) as current expenses on a straight-line basis over the term of the contract.

Initial recognition

At the commencement date of the lease (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 incentives received under the lease agreement;
- the lessee's initial direct costs;
- provisions for costs related to the dismantling and removal of the asset.

The Company depreciates right-of-use assets on a straight-line basis over the shorter of their useful life 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, reduced by any lease incentives payable;

- 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 contain a specific proportion of finance expense (interest) and the portion of the lease liability being repaid (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 portion of the principal of the lease liability.

Subsequent Measurement

The Company has elected to apply the cost model for 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 modification increases the scope of the lease by adding a new "right-of-use" asset or assets; and
- the consideration under the lease agreement increases by an amount commensurate with the stand-alone price for the increase in scope and any adjustments reflecting circumstances specific to the 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 significant portion of all risks and economic benefits arising from ownership of the asset under a finance lease, is derecognized from the lessor's assets upon transfer of the asset to the lessee and

is 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 accrued to the lessor, and unearned finance income.

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

The recognition of earned finance 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.

Revenue 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 lease term.

2.23. Pension and Other Employee Benefits under Social and Labor Legislation

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

Short-term benefits

Short-term income for employees in the form of wages, bonuses, and social benefits and allowances (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 amount to be capitalized in 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 deductions) at their undiscounted amount.

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. The estimate includes an approximate assessment of the amounts of the remuneration itself and the contributions to mandatory social and health insurance that the employer owes on these amounts.

Bonuses and Incentive Schemes

Pursuant to the Company's Articles of Association and a resolution of the General Meeting of Shareholders, the CEO is entitled to receive a one-time bonus (tantien) of 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 included in non-current liabilities in the statement of financial position under the heading "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 remuneration (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 and will not participate in the program.

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 indicators.

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 by 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 by April 30 of the current calendar year for that same year, in accordance with the company's short-term and medium-term development plans.

A target performance level of 100% is set for each of the established indicators.

A long-term equity incentive for the relevant year is granted only if the specific financial indicators are met at a minimum of 80% of the set targets.

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

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

- for achieving 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;
- for 90% achievement of a given target, 80% of the target level is paid;
- For achieving 90% to 99% of a given target, 2 percentage points are added for each percentage point of achievement.

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

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 "Workplace Accident and

Occupational Disease” 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 Social Insurance Agency (SIA) and the Law on the Budget of the National Health Insurance Fund (NHIF) for the respective year. Contributions are shared 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 Pension Fund, the Occupational Health and Safety Fund, the Unemployment Fund, and the Social Insurance Fund for Temporary Disability and Maternity, as well as to universal and occupational pension funds—based on rates 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 has not established or operates a private voluntary insurance fund.

The Company’s contributions payable 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 amount to be capitalized in the cost of a specific asset, and as a current liability in undiscounted amounts, concurrently with the period of service and the accrual of the related employee compensation 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 to determine their present value as of the financial statement date, at which point they are presented in the statement of financial position, and 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 presented in current profit or loss under “personnel expenses,” b) the effects of subsequent remeasurements of the obligations, which in substance represent actuarial gains and losses, are recognized immediately in the period in which they arise and presented in other comprehensive income under the heading “subsequent remeasurements of defined benefit pension plans.” Actuarial gains and losses arise 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 its 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 providing 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 on the grant date of the equity-based payment is measured in a manner that reflects these conditions and ensures 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 for restructuring, 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 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 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**," the sources of which 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 Association, funds in excess of that amount may be used to increase the share capital.

Repurchased treasury shares are presented in the statement of financial position at cost (acquisition price), with their value reducing the company's equity. Gains or losses from the sale of repurchased treasury shares are charged to retained earnings and are presented 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 held for use in the Company's own operations" and their fair value as of the date they are transferred to the "investment property" category.

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

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

The revaluation reserve covers impairments of the assets to which it relates. It may be used in the implementation of the company’s dividend and capital policy only after its transfer to the “retained earnings” component.

The reserve for financial assets at fair value through other comprehensive income is recognized based on the fair value measurement of other long-term equity investments. Upon derecognition of these investments, the 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 issue. The warrants were issued and subscribed at a fixed price in EURs and carry future rights to convert into a fixed number of ordinary, book-entry, registered, freely transferable shares of the company, and are therefore 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, typically established by regulation or prevailing market practice (regular purchases), are recognized on the trade 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 are “principal and interest only (PIO)” on the outstanding principal amount. For this purpose, an analysis is performed using a P&I test at the instrument level.

The company’s business model for managing financial assets reflects how 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 it 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 represent only payments of principal and interest on the outstanding principal amount.

Financial assets at amortized cost are subsequently measured using the effective interest 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 under refundable capital contributions, and loans to third parties (*Note 21, Note 22, Note 24, Note 25, Note 26 (a), and Note 29*).

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 such proceeds 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 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.”

Write-off

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 an obligation to pay the received cash flows in full, without material delay, to a third party through a transfer agreement; where: 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 entity 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 entity 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 entity has retained.

A continuing involvement in 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 consideration that the company could 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), who are servicing their loans 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. Expected credit losses on financial assets classified in Stage 1 are determined based on credit losses resulting from 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, following 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 the timing of default (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*.

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

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

The company adjusts its expected credit losses, which are 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 adjustment (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 regarding 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 contractual cash flows.

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 at amortized cost.

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and 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 groups

Loans 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 relevant 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 on acquisition, as well as fees or expenses that form an integral part of the effective interest rate. Amortization is included 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, that 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 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 coexist, the expected actual future cash flow and benefits from these transactions for the entity is the net flow, i.e., the net amount reflects the company’s actual right or obligation under these financial instruments—to receive or pay, under all circumstances, solely and exclusively the net amount. If both conditions are not met simultaneously, it is assumed that the company’s rights and obligations regarding these offsetting settlements (financial instruments) are not limited in all situations solely to the receipt or payment of the net amount.

The netting policy is also linked 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 depend on a future event, i.e., it must not be applicable 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/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—the “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 specified 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 modified 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 2025 is 10% (2024: 10%).

Deferred income taxes are determined by applying the balance sheet method to calculate the liability for all temporary differences of the Company as of the financial statement date that 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, at the date of the transaction, 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 bases expected to apply to the period and type of transactions in which the assets are expected to be realized, and liabilities are expected to be settled (repaid), based on tax laws that are in effect or are expected with a high degree of certainty 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 then and only then when the company has a legal right to make or receive net payments of current tax liabilities or receivables related to income taxes.

As of March 31, 2026, the Company's deferred income taxes are measured at the rate applicable for 2026, which is 10% (December 31, 2024: 10%).

2.28. Government grants

Government grants represent various forms of non-repayable funds provided by the state (local and central authorities and institutions) and/or intergovernmental agreements and organizations.

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

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

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 funding related to the reimbursement of capital expenditures for the acquisition of an asset is 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, together as a group in a single transaction, and 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 geographical area of operations; (b) is part of a coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with the intent to resell it.

The Company measures a non-current asset (or 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 the 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 the 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 ordinary shares outstanding at the beginning of the period, adjusted for the number of ordinary shares repurchased 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 earnings or loss per diluted share are 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 the shareholders of common stock is adjusted by the weighted-average number of shares outstanding, by the effect of all potential common shares with reduced value.

Profit or loss for the period attributable to ordinary shareholders is increased by the amount of dividends and interest after tax, 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 from the conversion of potential dilutive common shares.

The weighted-average number of ordinary shares outstanding during the period is increased by the weighted-average number of additional ordinary shares that would be outstanding upon conversion of all potential ordinary shares with reduced value.

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 assessed by members of management responsible for making operating decisions—using financial and operating information prepared specifically for the segment— for the purposes of ongoing monitoring and assessment 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—tablet forms, ampoule forms, medical devices, and other forms;
- distribution of medicinal 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)—in evaluating the results of its operating segments and in allocating 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 respective revenues, 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—for raw materials and supplies, for depreciation and amortization, and for employee compensation; c) for assets—property, plant, and equipment, investment property, and inventories; d) for liabilities – government grants, liabilities to employees, and social security obligations. Capital expenditures (investments) by business segment are capitalized costs 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 financial resources provided or received, as well as taxes at the enterprise level, and these are not allocated at the segment level.

The results of activities considered incidental to the Company’s primary operations, as well as unallocated revenues, expenses, liabilities, and assets, are reported separately under “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 and investment transactions; 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 that 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 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 primary market for that asset or liability, or, in the absence of a primary 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 publicly available information and, accordingly, to minimize the use of non-observable 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 quoted prices but 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. For this purpose, a dedicated valuation officer reporting to the company's CFO has been appointed to organize the entire valuation process, including coordinating and supervising the work of external appraisers.

The Company uses 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, *property, plant, and equipment*—Level 2 and Level 3. The selection of licensed appraisers is made on an annual basis using the following criteria: applicable professional standards, professional experience and knowledge; reputation and market standing. The need for rotation of external appraisers is periodically assessed—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 expert appraisers and the designated valuation officer, as well as the acceptance of the issued

valuation reports — particularly with regard to material assumptions and final conclusions and proposals 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 policies, the designated valuation specialist conducts a comprehensive analysis of previously gathered 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 possible factors for the observed changes, and submits for approval to 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 explicitly discussed 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.

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 derived from 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 assumptions regarding these factors may affect the reported fair value of financial instruments. The main key assumptions and components of the model 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

The measurement of expected credit losses for financial assets carried at amortized cost (loans, guarantees, 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 (e.g., 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) forming groups of 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 to reflect the effects of forecasts for these macroeconomic indicators in the future in the calculation of expected credit losses (*Note 45*).

For trade receivables, including those from related parties

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

Each provision matrix is initially based on detailed historical observations of the company's receivables default rates and the movement of receivables by delinquency group. Typically, historical data covering at least three years prior to the date of the financial statement is used. Additionally, the matrix is calibrated to adjust the historically established relationships for credit losses with forecast information, using probabilistic scenarios. If certain projected economic conditions, measured by specific macroeconomic indicators, are expected to deteriorate or improve in the coming 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 accrual basis, is disclosed in *Note 21, Note 22, Note 24, Note 25, and Note 26(b)*.

In 2026, the reversal of impairment losses on trade receivables, including those from related parties, amounted to 67 thousand EUR (2025: no reversal of impairment losses) (*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. Its application involves several steps. First, the borrower's credit rating is determined using methodologies from leading rating agencies for the relevant sectors of the economy 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 expected credit loss metric

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 of the relevant 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 exposure in default over 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 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 have been 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 determining events of default). For this purpose, an analysis is performed of a system 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 a credit-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 45*.

Information regarding expected credit losses on loans granted, fees on guarantees, and financial guarantee agreements is disclosed in *Note 22, Note 24, Note 26a, and Note 43*.

In 2026, the impairment charge for expected credit losses on loans granted amounted to 120 thousand EUR, net of recoveries (2025: the impairment charge for expected credit losses on loans granted amounted to 51 thousand EUR, net of recoveries) (*Note 12, Note 21, Note 24, Note 26a*).

In 2026, there is no impairment provision for expected credit losses on financial guarantee contracts (2025: there is no impairment provision for expected credit losses on financial guarantee contracts) (*Note 11, Note 12, and Note 43*).

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

Cash

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. For this purpose, a model is applied based on the published ratings of banks determined 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 public PD data

referencing the rating of the respective bank, and on the other hand, by tracking changes in the respective 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 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 regarding 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 34, Note 35, Note 39, and Note 43*).

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 regarding 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 revenue.

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 realized for individual production lines is below the normal production capacity determined by the company, the corresponding adjustments are made to the fixed costs included in the cost of finished goods and work in progress.

Impairment

At the end of each fiscal year, the company reviews the condition, shelf life, and usability of its inventories. If inventories are identified that are unlikely to be realized at their current carrying amount in future reporting periods, the company writes down the inventories to their net realizable value.

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 period for their revaluation, as adopted in the 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, in accordance with 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 of EUR 3,971 thousand, 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 impairment of goodwill 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 recognized (2025: none) (*Note 10 and Note 19*).

Actuarial calculations

In determining the present value of long-term employee retirement obligations, 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 36*.

As a result of these calculations, a liability for long-term employee benefits in the amount of 3,582 EUR (December 31, 2025: 3,522 EUR) has been recognized (*Note 36*).

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 32*).

Provisions for Litigation

Regarding 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 related to these proceedings have been recognized in the statement of financial position as of March 31, 2026.

3. REVENUES

The Company's revenue includes:

	2026	2025
	EUR'000	EUR'000
Revenue from contracts with customers	45,657	36,022
Revenue from assets provided under lease agreements	339	344
Total	45,996	36,366

3.1. Revenue from contracts with customers includes:

	2026	2025
	EUR'000	EUR'000
Revenue from sales of manufactured pharmaceutical products	38,102	34,682
Revenue from the distribution of medicinal products	7,555	1,340
Total	45,657	36,022

Revenue from the sale of manufactured pharmaceuticals includes:

	2026	2025
	EUR'000	EUR'000
Revenue from sales abroad	28,943	22,392
Revenue from sales in Bulgaria	9,159	12,290
Total	38,102	34,682

Revenue from foreign sales by product is as follows:

2026	2025
EUR'000	EUR'000

Tablet forms	24,508	18,487
Ampoule forms	2,122	1,800
Ointments	994	875
Syrups	859	943
Drops	320	58
Suppositories	58	59
Therapeutic cosmetics	47	91
Bandaging products	15	32
Bandages	14	25
Sachets	6	17
Veterinary vaccines	-	5
Total	28,943	22,392

Revenue from sales in Bulgaria by product is as follows:

	2026	2025
	EUR'000	EUR'000
Tablet forms	4,915	6,671
Ampoule forms	1,362	1,794
Bandaging products	755	805
Syrup forms	455	781
Patches	427	402
Ointments	349	406
Solutions	213	222
Sanitary and hygiene products	173	132
Drops	161	197
Sachets	158	249
Therapeutic cosmetics	65	49
Suppositories	61	55
Hemodialysis concentrates	58	77
Veterinary vaccines	4	184
Chemical substances and mixtures	3	5
Lyophilized products	-	261
Total	9,159	12,290

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

	2026	Percentage	2025	Relative share
	EUR'000		EUR '000	
Europe	26,211	69%	17,417	50%
Bulgaria	8,165	21%	12,291	36%
Other countries	3,726	10%	4,974	14%
Total	38,102	100%	34,682	100%

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

	2026 EUR'000	% of revenue	2025 EUR '000	% of revenue
Customer 1	18,002	47%	3,864	11%
Customer 2	8,161	21%	11,402	33%
Customer 3	2,840	7%	1,647	9%

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

3.2. Revenues from the distribution of medicinal products are as follows:

	2026 EUR'000	2025 EUR'000
Sanitary and hygiene products	5,389	-
Tablet forms	1,705	133
Syrups	324	957
Ointments	97	200
Sprays	28	43
Sachets	12	7
Total	7,555	1,340

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

	2026 EUR'000	Relative share	2025 EUR '000	Percentage
Europe	6,960	92%	-	-
Bulgaria	526	7%	1,314	98%
Other countries	69	1%	26	2%
Total	7,555	100%	1,340	100%

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

	2026 EUR'000	% of revenue	2025 EUR '000	% of revenue
Customer 1	6,871	91%	-	-
Customer 2	526	7%	1,314	98%

The balances on contracts with customers are as follows:

	March 31, 2026 EUR'000	December 31, 2025 EUR'000
Receivables under contracts with customers—related parties, net of impairment (<i>Note 24</i>)	53,717	58,840
Trade receivables from third parties, net of impairment (<i>Note 25</i>)	7,893	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 volumes.

Refund liabilities as of March 31, 2026, amount to 1,454 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 EUR'000	2025 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 business</i>	(3,128)	-
Gain on the sale of a separate part of a commercial enterprise	4,325	-
Revenue from the provision of services	956	588
Revenue from European project funding	55	74
<i>Revenue from the sale of materials</i>	339	164
<i>Carrying amount of materials sold</i>	(301)	(150)
Gain on sale of materials	38	14
<i>Revenue from the sale of food products</i>	168	170
<i>Carrying amount of food products sold</i>	(142)	(139)
Gain/(loss) on sale of food products	26	31
Surplus assets	7	5
Net gains / (losses) from exchange rate differences on trade receivables and payables and current settlement accounts	(198)	(268)
<i>Proceeds from the sale of fixed assets</i>	-	1
<i>Carrying amount of fixed assets sold</i>	-	-
Gain on sale of fixed assets	-	1
<i>Written-off liabilities under lease agreements</i>	-	1
<i>Carrying amount of written-off assets under lease agreements</i>	-	-

Profit from lease agreements	-	1
Other income	15	21
Total	5,224	467

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

Revenue from services includes:

	2026	2025
	EUR'000	EUR'000
Manufacturing services	752	485
Irradiation range	74	19
Laboratory analysis services	54	15
Regulatory services	37	-
Social activities	12	8
Licensing Rights and Services	10	-
Transportation Services	-	2
Other	17	59
Total	956	588

5. EXPENSES FOR RAW MATERIALS AND SUPPLIES

Expenses for raw materials and supplies include:

	2026	2025
	EUR'000	EUR'000
Raw materials	7,152	9,045
Electricity	885	760
Heat	499	671
Laboratory supplies	320	479
Auxiliary materials	192	128
Spare parts	131	98
Workwear and personal protective equipment	128	119
Fuels and lubricants	80	86
Technical supplies	75	236
Water	52	38
Material waste	1	2
Total	9,515	11,662

Costs of raw materials include:

2026	2025
EUR'000	EUR'000

Substances	2,272	3,809
Packaging materials	1,494	1,429
Liquid and solid chemicals	1,039	1,443
Herbs	675	655
Ampoules	491	289
Aluminum and PVC foil	452	652
Sanitary and dressing materials	401	354
Vials	234	322
Tubes	94	84
Materials for the production of veterinary vaccines	-	8
Total	7,152	9,045

6. EXPENSES FOR EXTERNAL SERVICES

Expenses for external services include:

	2026	2025
	EUR'000	EUR'000
Advertising and marketing services	2,120	1,848
Manufacture of pharmaceuticals	1,748	592
Consulting services	971	426
Building and equipment maintenance	504	386
Subscription fees	389	277
Transport and freight forwarding services	349	347
Logistics services related to sales in Bulgaria	225	237
Government and regulatory fees	179	179
Security	177	171
Local taxes and fees	165	166
Health care	130	119
Services under civil contracts	87	101
Document translation	83	86
Car repair and maintenance	64	50
Rentals	45	30
Messaging and communications	43	43
Logistics services related to foreign sales	40	39
Drug disposal services	37	10
Clinical trial services	33	-
Taxes on expenses	32	109
Courier services	29	21
Bank account maintenance fees	27	21
Licensing fees	20	57
Drug registration services	18	77

Insurance	14	64
Other	82	101
Total	7,611	5,557

Rental expenses include:

	2026	2025
	EUR'000	EUR'000
Rentals related to short-term lease agreements	45	30
Total	45	30

7. PERSONNEL EXPENSES

Personnel expenses include:

	2026	2025
	EUR'000	EUR'000
Current salaries	8,157	7,561
Social security contributions	1,440	1,347
Accrued amounts for unused vacation	909	883
Employee benefits and payments	565	463
Accrued amounts for vacation pay	177	171
Accrued amounts for long-term employee liabilities upon retirement (Note 36)	60	61
Total	11,308	10,486

8. CARRYING VALUE OF DISTRIBUTED MEDICINAL PRODUCTS

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

	2026	2025
	EUR'000	EUR'000
Sanitary and hygiene products	3,213	-
Tablet forms	1,357	86
Syrup forms	255	517
Ointments	61	94
Sprays	36	38
Sachets	15	13
Total	4,937	748

9. OTHER OPERATING EXPENSES

Other expenses include:

	2026	2025
	EUR'000	EUR'000
Business events	237	535
Business travel	151	186

Donations	41	46
Unrecognized tax credit under the VAT Act	37	10
Write-off of fixed assets	28	1
Training	27	18
Penalties for Commercial Obligations	24	-
Awarded amounts	23	-
Other taxes and payments to the budget	7	4
Reversal of impairment losses on receivables	(67)	-
Scrap of finished goods and work in progress	-	184
Other	20	28
Total	528	1,012

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

11. FINANCIAL REVENUES

Financial revenue includes:

	2026	2025
	EUR'000	EUR'000
Interest income on loans granted	70	83
Interest income on refundable equity contributions (<i>Note 21</i>)	58	65
Revenue from fees on guarantees provided	52	67
Interest income from assignment agreements (<i>Note 21</i>)	16	16
Net gain from exchange rate differences on the collection of refundable capital contributions from a subsidiary	15	71
Net gain from exchange rate differences on lease agreements	-	10
Total	211	312

12. FINANCIAL EXPENSES

Financial expenses include:

2026	2025
EUR'000	EUR'000

Interest expense on loans received	755	722
Impairment for credit losses on receivables from trade loans granted	120	51
Bank fees on loans and guarantees	115	50
Net loss from foreign exchange differences on receivables from the sale of a subsidiary	40	76
Interest expense on lease agreements	27	33
Dividend payment expenses	2	4
Net loss from foreign exchange differences on lease agreements	1	-
Total	1,060	936

13. INCOME TAX EXPENSE

The reconciliation between income tax expense and taxable income for the periods ended March 31, 2026, and March 31, 2025, is presented below:

	2026 EUR'000	2025 EUR'000
Taxable income for the year as reported on the tax return	14,248	4,832
Revaluation reserve included as an increase in the annual tax return	(38)	(42)
Tax profit for the year	14,210	4,790
Current income tax expense for the year - 10% (2025: 10%)	1,421	479
<i>Deferred income taxes arising from:</i>		
Recognition and reversal of temporary differences	516	244
Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)	1,937	723

The reconciliation between income tax expense and accounting profit for the periods ending March 31, 2026, and March 31, 2025, is presented below:

	2026 EUR'000	2025 EUR'000
<i>Accounting profit for the year before taxes</i>	19,227	7,077
Income tax expense at the applicable tax rate of 10% for 2026 (2025: 10%)	1,923	708
<i>From unrecognized amounts on tax returns related to:</i>		
increases – 1,750 EUR (2025: 156 EUR)	175	16
decreases – 1,610, ,000 EUR (2025: 6,000 EUR)	(161)	(1)

Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)

1,937	723

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

	2026			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>
	Pre-tax amount	Tax effects recognized in equity	Value net of tax	Pre-tax amount	Tax effects recognized in equity	Amount net of tax
Components that cannot be reclassified to profit or loss						
Net change in the fair value of equity investments designated as at fair value through other comprehensive income	(1,005)	-	(1,005)	(1,922)	-	(1,922)
Total other comprehensive income for the year	(1,005)	-	(1,005)	(1,922)	-	(1,922)

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 at fair value through other comprehensive income	(1,005)	(1,922)
Total comprehensive income for the year, net of tax	(1,005)	(1,922)

15. PROPERTY, PLANT, AND EQUIPMENT

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

	<i>Land and buildings</i>		<i>Machinery, plant, 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	99	195	96	2,233	242	900	1,490	10,718	1,927	14,046
Transfer to property, plant, and equipment	-	187	1,870	5,439	8	85	(1,878)	(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	-	(47)	(89)	(1,678)	(42)	(581)	-	-	(131)	(2,306)
Balance as of March 31 / December 31	91,558	91,459	119,904	118,027	11,828	11,620	11,308	11,696	234,598	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
Accumulated depreciation	833	3,404	1,393	5,498	239	952	-	-	2,465	9,854
Transfer to assets held for sale	-	(2,281)	-	(6,887)	-	(163)	-	-	-	(9,331)
Depreciation written off	-	(46)	(62)	(1,655)	(42)	(518)	-	-	(104)	(2,219)
Balance as of March 31 / December 31	34,591	33,758	82,397	81,066	9,449	9,252	-	-	126,437	124,076
Book value as of March 31 / December 31	56,967	57,701	37,507	36,961	2,379	2,368	11,308	11,696	108,161	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 March 31 / December 31 are as follows:

- Buildings with a book value of 36,777, ,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 tangible fixed assets* as of March 31 / December 31 include:

- Vehicles with a book value of 1,733 thousand EUR (December 31, 2025: 1,683 thousand EUR);
- Furniture and fixtures with a carrying amount of 467 thousand EUR (December 31, 2025: 499 thousand EUR);
- Biological assets (crops) with a carrying amount of 179 thousand EUR (December 31, 2025: 186 thousand EUR).

The costs of acquiring property, plant, and equipment as of March 31 / December 31 include:

- advances paid for the purchase of machinery and equipment – 7,618 thousand EUR (December 31, 2025: 8,495 thousand EUR);
- costs for the construction of new buildings — 3,345 thousand EUR (as of December 31, 2025: 3,020 thousand EUR);
- building renovation – 219 thousand EUR (as of December 31, 2025: 163 thousand EUR);
- other – 126 thousand EUR (December 31, 2025: 18 thousand EUR).

As of March 31 / 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 Operational Program “Energy Efficiency,” and the Operational Program “Recovery and Resilience Plan” (*Note 32*), as follows:

- for tablet production in the amount of 2,078 thousand EUR (as of December 31, 2025: 2,143 thousand EUR);
- for ampoule production worth 878 thousand EUR (; 31.12.2025: 930 thousand EUR);
- a liquid filling and packaging line valued at 446 thousand EUR (as of December 31, 2025: 454 thousand EUR);
- general ventilation and air conditioning systems for the manufacture of medical products, valued at 142 thousand EUR (as of December 31, 2025: 149 thousand EUR);
- an air conditioning system with a water-cooling unit valued at 47 thousand EUR (as of December 31, 2025: 48 thousand EUR);
- for the production of innovative “artificial tears” eye drops valued at 25 thousand EUR (as of December 31, 2025: 28 thousand EUR);
- a control and monitoring system for climate chambers, chillers, and lighting systems valued at 34,000 thousand EUR (as of December 31, 2025: 34,000 thousand EUR);
- a liquid medication dispensing machine valued at 12,000 thousand EUR (as of December 31, 2025: 16,000 thousand EUR);
- an automatic sachet machine valued at 5 thousand EUR (as of December 31, 2025: 7 thousand EUR);
- a diesel forklift truck valued at 1 thousand EUR (as of December 31, 2025: 2 thousand EUR);
- a liquid and gas chromatography system valued at 1,000 thousand EUR (as of December 31, 2025: 1,000 thousand EUR);
- reactors with a net book value of zero (as of December 31, 2025: 1 thousand EUR);

Leases

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 EUR '000	2025 EUR '000	2026 EUR '000	2025 EUR '000	2026 EUR '000	2025 EUR '000	2026 EUR '000	2025 EUR '000
<i>Carrying amount</i>								
Balance as of January 1	10,271	10,123	548	575	2,501	2,116	13,320	12,814
Acquired assets	99	195	-		25	795	124	990
Written-off assets	-	(47)		(27)	(40)	(410)	(40)	(484)
Balance as of March 31 / December 31	10,370	10,271	548	548	2,486	2,501	13,404	13,320
<i>Accumulated depreciation</i>								
Balance as of January 1	3,248	2,062	179	145	929	774	4,356	2,981
Accumulated depreciation	309	1,233	15	61	132	506	456	1,800
Depreciation written off		(47)		(27)	(40)	(351)	(40)	(425)
Balance as of March 31 / December 31	3,557	3,248	194	179	1,021	929	4,772	4,356
Book value as of March 31 / December 31	6,813	7,023	354	369	1,465	1,572	8,632	8,964
Book value as of January 1	7,023	8,061	369	430	1,572	1,342	8,964	9,833

Other long-term tangible assets held by the company as of March 31 / December 31 include:

- Vehicles with a book value of 1,426 thousand EUR (December 31, 2025: 1,529 thousand EUR);
- Furniture and fixtures with a carrying amount of 39 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 fixed assets to related parties with a carrying amount as of March 31, 2026, of 33 thousand EUR (December 31, 2025: 33 thousand EUR). In addition, tangible fixed assets with a carrying amount of 587 thousand EUR as of March 31, 2026 (December 31, 2025: 598 thousand 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 – 3,594 thousand EUR (December 31, 2025: 3,500 thousand EUR);
- Machinery, plant, and equipment – 41,759 thousand EUR (December 31, 2025: 40,714 thousand EUR);
- Other – 6,469 thousand EUR (December 31, 2025: 6,412 thousand EUR).

As of March 31, 2026, there are encumbrances on property, plant, and equipment as follows:

- Land and buildings with a carrying amount of 11,862 thousand EUR and 22,572 thousand EUR, respectively (December 31, 2025: 11,862 EUR and 22,968 thousand EUR, respectively) (*Note 30, Note 36, and Note 43*);
- Equipment pledges – 18,094 thousand EUR (December 31, 2025: 11,694 thousand EUR) (*Note 30, Note 36, and Note 43*).

Periodic fair value revaluation

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

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

- “Market Approach” using the “Market Comparables Method” – for regulated land and agricultural land for which there is an active market, comparable properties and transactions involving them are monitored, and a basis for comparability exists – their market price, determined using the comparative method, is accepted as fair value;
- “Cost approach” using the “Depreciated replacement cost method” and the “Cost of creation or replacement method” – 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 taken to be 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” based on “capitalized income from the use/production of biological assets” – for permanent yellow acacia plantations in the fruiting stage.

Based on the 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	-	-	30	129		96	585	4,486	615	4,711
Transfer	-	-	45	416		696	(45)	(1,112)	-	-
Written off	-	-	-	-	-	-	-	-	-	-
Balance as of March 31 / December 31	4,863	4,863	92,203	92,128	3,173	3,173	7,410	6,870	107,649	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
Accumulated depreciation	-	-	1,202	4,738	58	125	-	-	1,260	4,863
Depreciation written off	-	-	-	-	-	-	-	-	-	-
Balance as of March 31 / December 31	4,471	4,471	11,293	10,091	2,422	2,364	-	-	18,186	16,926
Book value as of March 31 / December 31	392	392	80,910	82,037	751	809	7,410	6,870	89,463	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 March 31 / December 31 include:

- Contractual rights to marketing authorizations and trademarks with a carrying amount of 79,109 thousand EUR (December 31, 2025: 80,164 thousand EUR);
- Medical registrations with a carrying amount of 630 thousand EUR (December 31, 2025: 659 thousand EUR);
- Copyrights with a carrying amount of 429 thousand EUR (December 31, 2025: 479 thousand EUR)
- Trademarks with a carrying amount of 403 thousand EUR (December 31, 2025: 434 thousand EUR);
- Licenses with a carrying amount of 328 thousand EUR (December 31, 2025: 289 thousand EUR).
- Other items with a carrying amount of 11 thousand EUR (December 31, 2025: 12 thousand EUR).

Acquisition costs of long-term intangible assets as of March 31 / December 31 include:

- costs for the implementation of a software product – 5,069 thousand EUR (December 31, 2025: 4,693 thousand EUR);
- costs of acquiring marketing authorizations for medicinal products – 1,858 thousand EUR (December 31, 2025: 1,756 thousand EUR);
- expenses for acquiring licenses: 476 thousand EUR (December 31, 2025: 413 thousand EUR);
- costs for acquiring copyrights – none (Dec. 31, 2025: none);
- other - 7 thousand EUR (December 31, 2025: 8 thousand EUR).

Goodwill impairment

The goodwill resulting from the consolidation 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 reporting 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 – 3,184 EUR (December 31, 2025: 3,163 EUR);
- software – 2,191 thousand EUR (December 31, 2025: 2,188 thousand EUR).

17. INVESTMENT PROPERTIES

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

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Balance as of January 1	25,777	25,827
Acquired	-	280
Net gain (loss) from fair value adjustment included in profit or loss	-	212
Transfer to property, plant, and equipment	-	(262)
Written off	-	(280)
Balance as of March 31 / December 31	25,777	25,777

Investment properties by asset group are as follows:

Asset Group	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Warehouse facilities	24,238	24,238
Offices	910	910
Industrial buildings	506	506
Retail spaces	123	123
Total	25,777	25,777

As of March 31, 2026, there are encumbrances on investment properties as follows:

- mortgage on a warehouse – 7,935 thousand EUR (December 31, 2025: 7,935 thousand EUR) (*Note 36 and Note 43*);
- pledges on related equipment – 9,778 thousand EUR (December 31, 2025: 9,929 thousand EUR) (*Note 36*).

Fair Value Measurements

Fair value hierarchy

The fair value measurements of investment property portfolios are classified 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 recurring (annual) 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. The fair value measurement is 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 premises</i>	<i>Offices</i>	<i>Production 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
Balance as of March 31, 2026	24,238	910	506	-	123	-	25,777

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

Valuation technique 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	<p>Valuation approach: Income approach</p> <p>Valuation technique: Valuation based on present value, in accordance with a methodology related to the fulfillment of the requirements of 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.</p>	<ul style="list-style-type: none"> a) comparative rental values for comparable properties b) rate of return c) time required to complete lease transactions
Warehouses, storage facilities, and production-storage facilities (including land, buildings, structures, and construction facilities)	<p>Valuation approach: Income approach</p> <p>Valuation technique: Valuation based on present value, in accordance with a methodology related to the fulfillment of the requirements of 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.</p>	<ul style="list-style-type: none"> a) comparative rental values for comparable properties b) rate of return c) time to market for 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)	<p>Valuation approach: Income approach</p> <p>Valuation technique: Valuation based on present value, in accordance with a methodology that meets the requirements of 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.</p>	<ul style="list-style-type: none"> a) comparative rental values for comparable properties b) rate of return c) timeframe 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—inherent costs of acquisition or replacement (acquisition of an alternative asset of equivalent utility) of 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 change 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 values of comparable properties, including:
for offices and retail properties – from 3.65 EUR/sq. m to 30.97 EUR/sq. m;
for warehouses, warehouse complexes, and production-warehouse complexes – from 2.90 EUR/sq. m to 8.97 EUR/sq. m;
- rate of return – from 6.00% to 10.30%;
- term for the execution of lease transactions – from 6 to 12 months.

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

18. INVESTMENTS IN SUBSIDIARIES

The carrying amount of investments by company is as follows:

		<i>March 31, 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	33,004	87.22	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		73,916		73,916	

Sopharma AD exercises direct control over the companies listed above.

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

- Sopharma Trading AD – scope of activity: trade in medicinal products. 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: trade in pharmaceutical products. Date of acquisition – August 7, 2012.
- TOO Sofarma Kazakhstan EOOD – scope of activity: trade in medicinal products. Date of acquisition – September 30, 2014.
- Pharmachim D.O.O. – Scope of activity: consulting services. Date of acquisition – April 14, 2020
- Sopharma Rus EOOD – business activity: wholesale trade in pharmaceutical products and market and public opinion research. Date of acquisition – October 13, 2023
- Pharmonova D.O.O. – business activity: manufacturing of pharmaceutical products. Date of acquisition – August 13, 2024.
- SofTech Services EOOD – business activity: provision of software services. Acquisition date – February 28, 2025.

The movement of investments in subsidiaries is presented below:

	<i>Investments in subsidiaries</i>	
	<i>March 31, 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 capital contributions	-	22,300
New holdings acquired	-	51
Additional holdings acquired	-	2,469
Interests sold without loss of control	-	(329)
Liquidation of a subsidiary	-	(7)
Balance as of March 31 / December 31	86,022	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 March 31 / December 31	12,106	12,106
Carrying amount as of March 31 / December 31	73,916	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 of the investee company; loss of markets, customers, or technological issues; reporting of losses over an extended period of time (over 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 level and at the EU/Balkan level, were used as the basis for the pre-tax cash flow forecasts.

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 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-generating unit, and in accordance with its specific business activities, business environment, and risks. Management's impairment tests and assessments of the investments were conducted through the lens 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 made in 2026, no impairment of certain investments in subsidiaries was identified (2025: none).

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 reassessed 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 carrying amount as of March 31, 2026 of 5,187 thousand EUR (December 31, 2025: 5,187 thousand EUR) (*Note 43*).

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are as follows:

	<i>March 31, 2026 EUR '000</i>	<i>Interest %</i>	<i>December 31, 2025 EUR '000</i>	<i>Interest %</i>
Sopharma Properties REIT	35,753	45.65	35,753	45.65

Sopharma Buildings REIT	15,075	32.76	15,060	32.72
Doverie United Holding AD	4,027	20.00	4,168	20.80
Total	54,855		54,981	

Sopharma Real Estate 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, with the aim of managing, renting, leasing, letting, and/or selling them.

Sopharma Buildings REIT is an associated company whose business activity consists of investing 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, with the aim 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:

	March 31, 2026	December 31, 2025
	EUR '000	EUR '000
Balance as of January 1	54,981	55,052
Shares acquired in associates	37	347
Shares in associates sold	(163)	(418)
Balance as of March 31 / December 31	54,855	54,981

Net gain on sales of investments in associates

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

	2026	2025
	EUR '000	EUR '000
Gain on sale of investments in associates	1,149	5
Expenses from the sale of investments in associates	(7)	-
Net gain on sale of investments in associates	1,142	5

Impairment of investments in associates

At each statement of financial position date, management assesses whether there are any indications 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 production of medical devices for human and veterinary medicine. The investment in the joint venture has been fully written off.

20. OTHER LONG-TERM CAPITAL INVESTMENTS

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

	March 31, 2026	Interest	December 31, 2025	Interest
	EUR '000	%	EUR '000	%
Achieve Life Sciences Inc. - USA	3,306	1.98	4,255	1.98
Lavena AD	537	5.01	596	5.01
MFG Invest AD	32	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	3,905		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 March 31 / December 31 is as follows:

	Number of shares	Fair value per share	March 31, 2026		December 31, 2025	
			Fair value in the statement of financial position	Number of shares	Fair value per share	Fair value in the statement of financial position
Equity investments		EUR	EUR '000		EUR	EUR '000
Achieve Life Sciences Inc. - USA	1,092,308	3.03	3,306	1,092,308	3.90	4,255
Lavena AD	497,000	1.08	537	1,299,026	1.20	596
MFG Invest AD	18,802	1.71	32	50,000	1.51	76

Total	3,875	4,927
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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>March 31, 2026</i>		
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Achieve Life Sciences Inc. - USA	3,306	3,306	-
Lavena AD	537	-	537
MFG Invest AD	32	-	32
Total	3,875	3,306	569

<i>Capital investments</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>
	<i>December 31, 2025</i>		
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Achieve Life Sciences Inc. - USA (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	-	(47)	(47)
Unrealized gain/(loss), net, included in other comprehensive income (<i>Note 14</i>)	(949)	(56)	(1,005)

Balance as of March 31, 2026

3,306	569	3,875
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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 utilized the services of certified appraisers.

For investments not traded on capital markets, the company used internal valuations prepared by specialists within the company. 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:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Receivables from refundable additional capital contributions in a subsidiary	2,994	2,980
Receivables under assignment agreements	2,132	2,116
Receivables from securities transactions	1,331	1,331
Deposits provided under lease agreements (<i>Note 34</i>)	264	264
Total	6,721	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.

Deposits provided relate to 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:

March 31, 2026 EUR '000	December 31, 2025 EUR '000
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Long-term loans granted	1,522	1,512
Receivables from securities transactions	218	218
Total	1,740	1,730

Long-term loans granted and their terms as of March 31, 2026, are as follows:

Company	UIC	Currency	Agreed Amount '000	Contract No. / Year	Date of the last amendment to the contract	Maturity	Interest rate	Market value of collateral		March 31, 2026	
								EUR '000		EUR '000	EUR '000 including interest
Pharmaplant AD	201837643	EUR	1,456	605/2024	Nov. 22, 2024	December 31, 2027	6.05%	3,097		1,522	66
								<u>3,097</u>		<u>1,522</u>	<u>66</u>

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

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

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

23. INVENTORIES

The company's inventories include:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Finished goods	29,710	21,740
Materials	20,778	21,781
Semi-finished products	6,433	5,161
Finished goods	4,776	5,407
Work in progress	4,291	8,198
Total	65,988	62,287

Finished goods are as follows:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Tablet forms	18,204	11,966
Ampoule forms	6,674	5,815
Syrups	1,700	1,657
Ungventi	911	816
Sanitary and hygiene products	733	157
Bandaging products	485	425
Drops	248	249
Sachets	195	201
Patches	185	170
Suppositories	109	125
Medicated cosmetics	144	87
Solutions	64	42
Hemodialysis concentrates	54	28
Chemical substances and mixtures	4	2
Total	29,710	21,740

The materials by type are as follows:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Raw materials	20,115	20,329
Auxiliary materials	266	191
Technical materials	181	287
Spare parts	135	164
Fuels	69	79
Materials in transit	1	730
Other	11	1
Total	20,778	21,781

The main materials by type are as follows:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Substances	11,107	10,787
Chemicals	3,123	2,840
<i>including own production</i>	37	37
Ampoules	1,501	1,595
Herbs	1,160	1,785

Packaging materials	1,093	1,058
PVC and aluminum foil	972	895
Sanitary and dressing materials	585	807
Vials	345	390
Tubes	210	162
Mortar materials	19	10
Total	20,115	20,329

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

	2026	2025
	EUR '000	EUR '000
Agricultural production as of January 1	37	37
Agricultural production as of March 31	37	37

The goods by type are as follows:

	March 31,	December 31,
	2026	2025
	EUR '000	EUR '000
Medical devices	4,568	5,190
Dietary supplements	160	174
Food products	48	43
Total	4,776	5,407

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

	March 31,	December 31,
	2026	2025
	EUR '000	EUR '000
Sanitary and hygiene products	1,899	2,211
Tablet forms	1,341	1,362
Syrup forms	1,070	1,255
Ointments	182	222
Sprays	168	240
Sachets	50	45
Drops	18	29
Total	4,728	5,364

As of March 31, 2025, the company's available inventories with a book value of 20,332 thousand EUR are pledged as collateral for bank loans (December 31, 2025: 20,332 thousand EUR) (*Note 36 and Note 43*).

24. RECEIVABLES FROM AFFILIATED ENTITIES

Receivables from related parties include:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
<i>Receivables from subsidiaries</i>	57,264	62,400
<i>Allowance for credit losses</i>	(3,544)	(3,544)
Receivables from subsidiaries, net	53,720	58,856
Receivables from joint venture companies registered under the Commercial Act	417	482
<i>Receivables from joint ventures</i>	2,103	1,975
<i>Allowance for credit losses</i>	(1,982)	(1,847)
Receivables from joint ventures, net	121	128
Total	54,258	59,466

Receivables from related companies by type are as follows:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
<i>Receivables under contracts with customers</i>	57,261	62,384
<i>Allowance for credit losses</i>	(3,544)	(3,544)
Trade receivables, net	53,717	58,840
Receivables from dividends	417	482
Advances granted	121	129
Receivables from sureties and guarantees	5	17
<i>Allowance for credit losses</i>	(2)	(2)
Receivables from sureties and guarantees, net	3	15
<i>Trade loans granted</i>	1,980	1,845
<i>Allowance for credit losses</i>	(1,980)	(1,845)
Trade loans granted, net	-	-
Total	54,258	59,466

Receivables from contracts with customers—affiliated companies—are interest-free. Of these, 43,833 thousand EUR (as of December 31, 2025: 55,810 thousand EUR) are denominated in EUR, and 9,884,000 EUR (as of December 31, 2025: 3,030 thousand EUR) are denominated in rubles.

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

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Customer 1	66.11%	53.79%
Customer 2	22.46%	36.53

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

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

	2026 EUR '000	2025 EUR '000
Balance as of January 1	3,544	2,190
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	-	(2,190)
Balance as of March 31 / December 31	3,544	3,544

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

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
up to 30 days	15,370	12,490
31 to 90 days	20,524	31,310
91 to 180 days	6,702	2,655
<i>Gross value of non-past-due (current) receivables from related companies</i>	<i>42,596</i>	<i>46,455</i>
<i>Allowance for credit losses</i>	<i>(769)</i>	<i>(769)</i>
Non-past due (current) receivables from related parties, net	41,827	45,686

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

	EUR '000	EUR '000
up to 30 days	207	207
31 to 90 days	518	518
91 to 180 days	44	44

Total	769	769
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The age structure of overdue trade receivables from related parties, as of the invoice date, is as follows:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
31 to 90 days	3,784	2,172
91 to 180 days	6,026	6,994
from 180 days to 365 days	3,149	5,057
over 365 days	1,706	1,706
<i>Gross value of past-due receivables from related parties</i>	<i>14,665</i>	<i>15,929</i>
<i>Allowance for credit losses</i>	<i>(2,775)</i>	<i>(2,775)</i>
Past due receivables from related parties, net	11,890	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 life of the instrument for all trade receivables from related parties (*Note 2.17*). On this basis, the allowance for losses as of March 31 / December 31 is determined as follows:

March 31, 2026		Current	Past due up to 90 days	Past due over 90 days	Past due over 180 days	Overdue by more than 365 days	Total
Expected average % of credit losses		2%	15%	12%	19%	77%	
Trade receivables (gross carrying amount)	EUR '000	42,596	9,460	2,659	1,652	894	57,261
Expected credit loss (Impairment allowance)	EUR '000	(769)	(1,447)	(321)	(317)	(690)	(3,544)

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

As of March 31, 2026, special pledges have been established as collateral for bank loans received against receivables from related parties in the amount of 57,285 thousand EUR (December 31, 2025: 57,285 thousand EUR) (*Note 37*)

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

	March 31, 2026 EUR '000	Dec. 31, 2025 EUR '000
<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 of the allowance for impairment of receivables from guarantees by related parties is as follows:

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

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

	31.03.2026 EUR '000	December 31, 2025 EUR '000
<i>Joint ventures</i>	1,980	1,845
<i>Allowance for credit losses</i>	(1,980)	(1,845)
Total	-	-

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

	2026 EUR '000	2025 EUR '000
Balance as of January 1	1,845	1,560

Increase in the allowance for credit losses recognized in profit or loss during the year

Balance as of March 31 / December 31

135	285
1,980	1,845

25. TRADE RECEIVABLES

Trade receivables include:

	<i>March 31, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
<i>Receivables under contracts with customers</i>	8,670	7,914
<i>Allowance for credit losses</i>	(777)	(777)
Trade receivables, net	7,893	7,137
<i>Receivables from securities transactions</i>	1,739	1,701
<i>Allowance for credit losses</i>	(41)	(41)
Securities trading receivables, net	1,698	1,660
Advances granted	425	527
Total	10,016	9,324

Receivables from customer contracts are interest-free. Of these, 5,802 thousand EUR are denominated in EUR (December 31, 2025: 5,196 thousand EUR) and 2,091 thousand EUR are denominated in USD (December 31, 2025: 1,941 thousand EUR).

One major counterparty accounts for 24.78% of trade receivables (December 31, 2025: 26.81% of trade receivables).

The company typically negotiates payment terms for trade receivables ranging from 30 to 180 days with its customers, except in cases where new markets and products are being developed and new trading counterparties are being attracted.

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

	<i>2026 EUR '000</i>	<i>2025 EUR '000</i>
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 March 31 / December 31	777	777

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

	<i>March 31, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
up to 30 days	2,447	2,644

31 to 90 days	2,553	1,709
91 to 180 days	322	527
over 365 days	100	201
<i>Gross value of non-past-due (current) trade receivables</i>	5,422	5,081
<i>Allowance for credit losses</i>	(49)	(49)
Non-past due (current) trade receivables, net	5,373	5,032

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

	March 31, 2026 EUR '000	December 31, 2025 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 overdue trade receivables by invoice date is as follows:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
31 to 90 days	1,102	1,083
91 to 180 days	384	252
181 to 365 days	920	879
over 365 days	842	619
<i>Gross value of past-due trade receivables</i>	3,248	2,833
<i>Allowance for credit losses</i>	(728)	(728)
Past due trade receivables, net	2,520	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 March 31 / December 31 is determined as follows:

March 31, 2026	Current	Past due up to 90 days	Past due over 90 days	Past due over 180 days	Overdue by more than 365 days	Total
Expected average % of credit losses	1%	5%	24%	61%	100%	
Trade receivables (gross carrying amount)						
EUR '000	5,422	2,167	200	366	515	8,670

Expected credit loss
(Impairment allowance)

EUR '000 (49) (114) (10) (89) (515) (777)

<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>Overdue by more than 365 days</i>	<i>Total</i>
Expected average % of credit losses	1%	5%	24%	61%	100%	
Trade receivables (gross carrying amount)						
<i>EUR '000</i>	5,081	2,131	42	145	515	7,914
Expected credit loss (Impairment allowance)						
<i>EUR '000</i>	(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 regarding the registration of medical product approvals.

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

	<i>2026</i> <i>EUR '000</i>	<i>2025</i> <i>EUR '000</i>
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 March 31 / December 31	41	41

Advances paid to suppliers are for the purchase of:

	<i>March 31, 2026</i> <i>EUR '000</i>	<i>December 31, 2025</i> <i>EUR '000</i>
Inventories	200	328
Services	225	199
Total	425	527

Advances granted are current. Of these, 257 thousand EUR are in EUR (Dec. 31, 2025: 360 thousand EUR), 103 thousand USD are in USD (Dec. 31, 2025: 103 thousand EUR), and in other currencies – 65 thousand EUR (Dec. 31, 2025: 64 thousand EUR).

26(A). LOANS GRANTED TO THIRD PARTIES

Loans granted to third parties are as follows:

	March 31, 2026	Dec. 31, 2025
	EUR '000	EUR '000
Trade loans granted to third parties	5,752	5,724
<i>Allowance for credit losses</i>	<u>(77)</u>	<u>(77)</u>
Total	<u>5,675</u>	<u>5,647</u>

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

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	<u>77</u>	<u>41</u>
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	<u>-</u>	<u>(38)</u>
Balance as of March 31 / December 31	<u>77</u>	<u>77</u>

The terms under which *loans to third parties* were granted as of March 31, 2026, are as follows:

<i>Company</i>	<i>UIC / Unified State Registration Number and Tax ID</i>	<i>Currency</i>	<i>Agreed Amount</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</i>	<i>March 31, 2026</i>		
			'000					EUR'000	EUR'000	EUR'000	
<i>Sopharmacy MC</i>	<i>1017600023754</i>	<i>EUR</i>	3,000	330/2018	November 13, 2025	December 31, 2025	3.05%	4,248	3,612	614	<i>including interest</i>

SOFARMA AD
NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE PERIOD from January 1, 2026, to March 31, 2026

<i>Black Star International AD</i>	206893902	EUR	1,401	52/2023	November 18, 2025	December 31, 2025	6.00%	-	1,481	80
<i>Sopharmacy MC</i>	1017600023754	EUR	695	470/2017	November 13, 2025	December 31, 2025	3.05%	1,533	309	2
<i>Sia Bah</i>	40203357399	EUR	260	308 and 408 /2024	Dec. 2, 2025	December 31, 2025	4.40%	215	273	13
								<u>5,996</u>	<u>5,675</u>	<u>709</u>

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

<i>Company</i>	<i>UIC / Unified State Registration Number and Tax ID</i>	<i>Currency</i>	<i>Agreed Amount</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</i>	<i>December 31, 2025</i>	
								<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000 including interest</i>
<i>Sopharmacy MC</i>	1017600023754	EUR	3,000	330/2018	November 13, 2025	December 31, 2025	3.05%	4,224	3,589	589
<i>Black Star International AD</i>	206893902	EUR	1,401	52/2023	November 18, 2025	December 31, 2025	6.00%	-	1,460	59
<i>Sopharmacy MC</i>	1017600023754	EUR	695	470/2017	November 13, 2025	December 31, 2025	3.05%	1,347	327	1
<i>Sia Bah</i>	40203357399	EUR	260	308 and 408 /2024	Dec. 2, 2025	December 31, 2025	4.40%	297	271	11
								<u>5,868</u>	<u>5,647</u>	<u>659</u>

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, pledges of machinery and equipment, as well as pledges of securities (shares).

26(B). OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Cash provided for dividend payment	7,356	30
Taxes to be refunded	4,195	3,865
Prepaid expenses	881	798
Receivables from deposits provided as collateral	92	121
<i>Awarded receivables</i>	2,718	2,786
<i>Allowance for credit losses on awarded receivables</i>	(2,718)	(2,786)
Awarded receivables, net	-	-
Other	36	29
Total	<u>12,560</u>	<u>4,843</u>

Taxes to be refunded include:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Excise tax	3,728	3,851
Value-added tax	467	14
Total	4,195	3,865

Prepaid expenses include:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Insurance	231	231
Subscriptions	202	198
Advertisement	197	197
Licensing and patent fees	153	79
Bank fees and commissions	17	16
Rent	9	12
Consulting Services	6	6
Other	66	59
Total	881	798

Deposits provided as collateral include:

	<i>March 31, 2026</i>	<i>December 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	8	17
Guarantees under lease agreements	6	6
Guarantees under fuel supply contracts	3	3
Guarantees under electricity supply contracts	2	2
Guarantees under insurance contracts	1	1
Guarantees under contracts for the supply of medicines	-	3
Other	-	1
Total	92	121

Deposits provided as collateral are: in EUR – 85 thousand EUR (Dec. 31, 2025: 114 thousand EUR), in USD – 5 thousand EUR (Dec. 31, 2025: 5 thousand EUR) and in other currencies – 2 thousand EUR (Dec. 31, 2025: 2 thousand EUR).

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

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	<u>2,786</u>	<u>243</u>
Decrease in the allowance for credit losses recognized in profit or loss during the year	(68)	(44)
Increase in the allowance for credit losses recognized in profit or loss for the year	-	2,587
Balance as of March 31 / December 31	<u><u>2,718</u></u>	<u><u>2,786</u></u>

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, representing a production unit in the city of Sliven, whose business activity consists of the production and trade 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 identified 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 geographical 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:

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

The Company measures the disposal group at the lower of 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 included in the disposal group are presented in *Note 42*.

28. CASH AND CASH EQUIVALENTS

Cash includes:

	<i>March 31, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Cash in operating accounts	2,453	13,318
Restricted cash	10	10
Cash on hand	23	-
Cash and cash equivalents	2,486	13,328

The cash balances in the current accounts are: in EUR – 1,414 thousand EUR (as of December 31, 2025: 12,438 thousand EUR), in USD – 992 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 (December 31, 2025: 10 thousand BGN).

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 provision for expected credit losses on cash and cash equivalents.

29. EQUITY

Share Capital

As of March 31, 2026 the registered share capital of Sopharma AD amounts to 275,667 thousand 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).

<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 issued	360,057,540	184,095
Effect of capital issue on treasury shares	(17,789,926)	-

Sold repurchased shares	17,522,581	18,074
Treasury shares repurchased	(200)	(1)
Balance as of December 31, 2025	525,533,062	266,356
Effects of restatement of common stock	-	(697)
Repurchased shares sold	2,900,641	1,982
Repurchased treasury shares	(100)	-
Balance as of March 31, 2026	528,433,603	267,641

On January 27, 2025 the increase in the company's capital 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 was entered in the Commercial Register through the issuance of 359,438,402 ordinary, registered, book-entry shares with voting rights, each with a par value of EUR 0.51. The capital increase was carried out pursuant to Article 197(1) and Article 246(4) of the Commercial Act using the company's own funds as follows:

- from the Premium Reserve in the amount of 67,955 EUR;
- from 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 *repurchased treasury shares* is 10,724,000, valued at 7,329 EUR (December 31, 2025: 13,624,541 shares valued at 9,311 EUR). During the current year, 100 shares were purchased and 2,900,641 treasury shares were sold (2025: 200 shares purchased and 17,522,581 shares sold).

The effect on the repurchased 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:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Statutory reserves	34,174	34,174
Revaluation reserve for property, plant, and equipment	10,029	10,126
Additional reserves	3,312	3,312
Reserve for financial assets at fair value through other comprehensive income	(1,230)	(232)
Total	46,285	47,380

Statutory reserves in the amount of 34,174 EUR (as of December 31, 2025: 34,174 EUR) constitute the Reserve Fund, which is formed in accordance with the Commercial Law and the company's Articles of Association, and includes two components: a) amounts from the distribution of profit to the Reserve Fund in the amount of

30,597 EUR (as of December 31, 2025: 30,597 EUR) and b) a share premium reserve arising from the positive difference between the issue price and the par value upon a capital issue in the amount of 3,577 EUR (December 31, 2025: 3,577 EUR).

The movement in statutory reserves is as follows:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	34,174	111,885
Positive difference between issue price and par value on 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 March 31 / December 31	34,174	34,174

The revaluation reserve for property, plant, and equipment in the amount of 10,029 EUR (as of December 31, 2025: 10,126 EUR) is formed from the positive difference between the carrying amount 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	(97)	(129)
Balance as of March 31 / December 31	10,029	10,126

The additional reserves in the amount of 3,312 EUR (December 31, 2025: 3,312 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	-	3,312
Capital issue against additional reserves	-	(115,823)
Balance as of March 31 / December 31	3,312	3,312

The reserve for financial assets at fair value through other comprehensive income, amounting to minus 1,230 EUR (December 31, 2025: minus 232 EUR), is derived from the fair value measurement of other long-term equity investments. Upon derecognition of these investments, the reserve is transferred to the “retained earnings” component.

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

	2026 EUR ‘000	2025 EUR ‘000
Balance as of January 1	(232)	(48)
Transfer to retained earnings	7	324
Net change in fair value of other long-term equity investments	(1,005)	(508)
Balance as of March 31 / December 31	(1,230)	(232)

Other equity components (warrant issue)

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

- Prospectus for the issue 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 of one warrant is EUR 0.14, and the exercise price is EUR 1.84. The exercise period is 3 years, and the minimum success threshold for the issue is 1,797,192 warrants. The right to exercise arises on March 2, 2026, when the issue is registered with the Central Depository;

- Prospectus for the offering 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 of one warrant is EUR 0.14, and the exercise price is EUR 2.33. The exercise period is 5 years, and the minimum success threshold for the issue is 1,797,192 warrants. The right to exercise arises on March 5, 2026, when the issue 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 of one warrant is EUR 0.14, and the exercise price is EUR 2.91. The exercise period is 7 years, and the minimum success threshold for the issue is 1,797,192 warrants. The right to exercise arises on March 9, 2026, when the issue is registered with the Central Depository.

The funds raised from the three warrant issues amount to 3,744 EUR.

Registration of the issues with the Financial Supervision Commission is on March 26, 2026, and admission to trading on the Bulgarian Stock Exchange – Sofia is on April 1, 2026.

The table below presents the funds raised from the warrant issue, net of issuance costs as of March 31:

<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 costs	-	(14)
Transfer to premium reserve upon exercise of warrant rights	(619,138)	(2,688)
Balance as of December 31, 2025	-	-
Face value	26,957,433	3,774
Transaction costs	-	(61)
Balance as of March 31, 2026	26,957,433	3,713

Basic net earnings per share

	<i>March 31, 2026</i>	<i>March 31, 2025</i>
Weighted average number of shares	528,433,603	166,362,205
Net profit for the year (EUR '000)	17,290	6,354
Basic net earnings per share (EUR)	0.03	0.04

Diluted net earnings per share

	<i>March 31, 2026</i>	<i>March 31, 2025</i>
Weighted average number of shares outstanding	527,202,295	-
Cumulative effect of warrants	24,162,054	-
Shares outstanding with warrants	551,364,349	-
Net profit for the year (EUR '000)	17,290	-
Diluted earnings per share (EUR)	0.03	-

As of March 31, 2026, **retained earnings** amounted to 39,091 EUR (December 31, 2025: 18,500 EUR).

The movement in retained earnings is as follows:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	17,946	8,913
Net profit for the year	17,290	18,576
Effects of repurchased shares sold	3,105	14,136
Effects of restatement of common stock	697	-
Transfer from the revaluation reserve for property, plant, and equipment	97	129
Transfer from the revaluation reserve for financial assets at fair value through other comprehensive income	(7)	(324)
Actuarial losses from subsequent valuations	-	(362)
Allocation of profit to additional reserves	-	(3,312)
Allocation of profit for dividends	-	(6,987)
Interim six-month dividends	-	(12,823)
Balance as of March 31 / December 31	39,128	17,946

30. LONG-TERM BANK LOANS

Long-term bank loans include:

Currency	Agreed loan amount	Maturity	March 31, 2026		Total	December 31, 2025		Total
			Long-term portion	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	04/04/2032	28,350	5,685	34,035	29,725	5,790	35,515
		June 25,						
EUR	20,000	2030	11,944	4,000	15,944	12,964	3,976	16,940
EUR	4,880	12/27/2029	2,436	888	3,324	2,662	883	3,545

Extended credit lines

EUR	15,000	October 31, 2026	-	14,984	14,984	-	11,607	11,607
			42,730	25,557	68,287	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 basis points, but not less than 1.9 basis points, and one-month EURIBOR plus a margin of 2.9 basis 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 collateral has been established for the aforementioned loans:

- Mortgages on real estate as of March 31, 2026: 29,811 EUR (December 31, 2025 : 30,126 EUR) (*Note 15*);
- Special pledges on machinery, plant, and equipment with a book value as of March 31, 2026: 16,377 EUR (December 31, 2025: 9,904 EUR) (*Note 15*);
- Special pledges on inventories with a carrying amount as of March 31, 2026: 6,000 EUR (December 31, 2025: 6,000 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 communication with the respective lending bank.

The company must comply with certain additional restrictive conditions under the long-term loan agreements, which generally 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 of 40% or higher;
- no reduction in equity relative to the most recent audited financial statement.

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 cash flow statement as cash flows from financial activities.

	<i>January 1, 2026</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>March 31, 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	(12,493)	-	456	112,891
Lease obligations to related parties	7,770	(303)	99	26	7,592

Liabilities under lease agreements with third parties	1,638	(143)	25	-	1,520
Dividends and unexercised warrant rights	24,025	(15,893)	21	-	8,153
Total	158,361	(28,832)	145	482	130,156
Shares repurchased and sold	(9,311)	5,087	-	(3,105)	(7,329)
Reserve for issued warrants	-	3,654	-	59	3,713
Net cash flows from financing activities	149,050	(20,091)	145	(2,564)	126,540

	<i>Jan. 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 liabilities 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 equity	-	1,307	-	(1,307)	-
Shares repurchased 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	73,974	57,502	32,881	(15,307)	149,050

31. DEFERRED TAX LIABILITIES

Deferred income taxes as of March 31 / 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>March 31, 2026</i>	<i>March 31, 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	25,389	2,539	26,453	2,645
<i>including Revaluation reserve</i>	<i>9,148</i>	<i>915</i>	<i>9,120</i>	<i>912</i>
Investment properties	10,640	1,064	10,404	1,040
<i>including Revaluation reserve</i>	<i>264</i>	<i>26</i>	<i>264</i>	<i>26</i>
Intangible assets	717	72	685	69
Total deferred tax liabilities	36,746	3,675	37,542	3,754

Receivables	(9,653)	(965)	(14,828)	(1,483)
Liabilities to employees	(5,921)	(592)	(5,123)	(512)
Inventories	(4,564)	(419)	(4,564)	(456)
Accrued liabilities	(695)	(70)	(1,855)	(186)
Total deferred tax assets	(20,833)	(2,083)	(26,370)	(2,637)
Net deferred income tax liabilities	15,913	1,629	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 current tax return</i>	<i>Balance as of March 31, 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)	102	-	4	(2,539)
Investment properties	(1,040)	(24)	-	-	(1,064)
Intangible assets	(69)	(3)	-	-	(72)
Receivables	1,483	(518)	-	-	965
Liabilities to employees	512	80	-	-	592
Inventories	456	(37)	-	-	419
Accrued liabilities	186	(116)	-	-	70
Total	(1,117)	(516)	-	4	(1,629)

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 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>March 31, 2026</i>	<i>March 31, 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 grant assistance 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.”

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

	<i>March 31, 2026</i>			<i>December 31, 2025</i>		
	<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>
Purchase of machinery and equipment for new tablet production	684	92	776	708	92	800
Liquid filling and packaging line	448	10	458	451	10	461
Introduction of innovative products in ampoule manufacturing	333	102	435	358	102	460
Acquisition of fixed assets and building renovations	133	4	137	134	4	138

Acquisition of general-purpose ventilation and air conditioning systems	19	4	23	19	4	23
Air conditioning system with water-cooled chiller	21	2	23	21	2	23
Machine for dispensing liquid dosage forms	16	3	19	17	3	20
Control and monitoring system for climate chambers, chillers, and lighting systems	16	1	17	15	1	16
Automatic sachet machine	5	1	6	6	1	7
Total	1,675	219	1,894	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>	<i>March 31, 2026 EUR ‘000</i>	<i>December 31, 2025 EUR ‘000</i>
Up to one year	1,102	1,088
Over one year	6,490	6,682
Total	7,592	7,770

Minimum lease payments to related parties are due as follows:

<i>Term</i>	<i>March 31, 2026 EUR ‘000</i>	<i>December 31, 2025 EUR ‘000</i>
Up to one year	1,180	1,179
Over one year	6,745	6,939
	7,925	8,118
Future finance charges on leases	(333)	(348)
Present value of lease liabilities as of March 31 / December 31	7,592	7,770

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

The Company has provided deposits under the 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>March 31, 2026 EUR ‘000</i>	<i>December 31, 2025 EUR ‘000</i>
Up to one year	528	546
Over one year	992	1,092
Total	1,520	1,638

Minimum lease payments to third parties are due as follows:

<i>Term</i>	<i>March 31, 2026 EUR ‘000</i>	<i>December 31, 2025 EUR ‘000</i>
Within one year	537	555
Over one year	1,008	1,109
	1,545	1,664
Future finance charges on leases	(25)	(26)
Present value of lease liabilities	1,520	1,638

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

	<i>March 31, 2026</i>			<i>December 31, 2025</i>		
	<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 car lease agreements	919	487	1,406	1,022	490	1,512
Under building lease agreements	51	23	74	45	37	82
Under equipment lease agreements	22	18	40	25	19	44

Total	992	528	1,520	1,092	546	1,638
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Liabilities under lease agreements with third parties in EUR amount to 1,073 thousand EUR (December 31, 2025: 1,115 thousand EUR), in USD – 214 thousand EUR (December 31, 2025: 238 thousand EUR), and in other currencies – 264 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 6 thousand EUR (December 31, 2025: 6 thousand EUR) (*Note 26 b*).

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:

	<i>March 31, 2026 EUR ‘000</i>	<i>December 31, 2025 EUR ‘000</i>
Long-term liabilities to employees upon retirement	3,582	3,522
Liabilities for long-term income from bonuses	147	147
Total	3,729	3,669

Long-term liabilities to employees upon retirement

Long-term retirement benefit obligations 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 Labor Code of Bulgaria, every employee is entitled to severance pay equal to two months’ gross salary upon retirement; if the employee has worked for the same employer for the last 10 years of their employment, the severance pay amounts to six months’ gross salary at the time of retirement. This is a defined benefit plan (*Note 2.23*).

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

The change in the present value of post-employment benefits is as follows:

	<i>2026 EUR ‘000</i>	<i>2025 EUR ‘000</i>
Present value of the liability as of January 1	3,522	2,953
Current service cost	60	314
Interest expense	-	126
Net actuarial (gain) / loss recognized during the period	-	12
Payments during the year	-	(245)

Effects of subsequent valuations 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 March 31 / December 31	3,582	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	60	61
Components of defined benefit plan expenses recognized in profit or loss (Note 7)	60	61

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

- an annual interest rate of 3.50% was used to determine the discount factor (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 amounts to a 5% annual increase 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 inflation risk. Management defines them as follows:

- Regarding investment risk—since this is an unfunded plan, the company should 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 resource requirement is not significant relative to the liquid funds typically maintained;
- For interest rate 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 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 shown relative stability; 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 is 6.9 years (December 31, 2025: 6.9 years).

The liabilities for long-term bonus payments are as follows:

	<i>March 31, 2026</i>	<i>Dec. 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Liabilities under long-term income for bonuses maturing in 2027	93	93
Liabilities under long-term income for bonuses maturing in 2028	54	54
Total	147	147

36. SHORT-TERM BANK LOANS

Short-term bank loans include:

<i>Currency</i>	<i>Agreed amount</i>	<i>Maturity</i>	<i>March 31, 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	10,226	10/01/2026	9,449	10,144
EUR	10,226	July 31, 2026	-	8,483
EUR	10,000	October 1, 2026	4,688	6,336
EUR	5,113	July 31, 2026	3,202	4,973
EUR	5,000	October 1, 2026	4,378	4,483
EUR	10,000	October 20, 2026		2
			21,717	34,421
<i>Extended credit lines</i>				
EUR	23,008	June 1, 2026	22,887	22,900
			22,887	22,900

Total	44,604	57,321
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Bank loans in EUR are agreed upon at an interest rate 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% (2025: in EUR are agreed upon at an interest rate determined on the basis of the one-month EURIBOR plus a margin of 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 March 31, 2026: 9,784 EUR (December 31, 2025: 9,838 EUR) (*Note 15 and Note 17*);
- Special pledges on:
 - machinery and equipment with a carrying amount as of March 31, 2026: 11,495 EUR (December 31, 2025: 11,719 EUR) (*Note 15 and Note 17*);
 - receivables from related parties with a carrying amount as of March 31, 2026: 57,285 EUR (December 31, 2025: 57,285 EUR) (*Note 24*).

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

- Mortgages on real estate with a carrying amount as of March 31, 2026: 1,295 EUR (December 31, 2025: 1,302 EUR);
- Specific pledges of trade receivables from third parties of a subsidiary with a carrying amount as of March 31, 2026: 3,200,000 EUR (December 31, 2025: 3,200,000 EUR).

A portion of the drawn-down loans as of March 31, 2026, amounting to 3 thousand EUR (December 31, 2025: 3 thousand 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 communication with the respective lending bank.

37. TRADE PAYABLES

Trade payables include:

	<i>March 31, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Trade payables	8,719	11,058
Advances received	232	5,316
Total	8,951	16,374

Payables to suppliers by type are as follows:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Liabilities for the supply of inventories	5,996	5,481
Liabilities for the provision of services	1,555	3,789
Liabilities for the supply of fixed assets	1,168	1,788
Total	8,719	11,058

Payables to suppliers are as follows:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Payables to domestic suppliers	5,098	5,976
Payables to foreign suppliers	3,621	5,082
Total	8,719	11,058

Payables to suppliers are current and interest-free. Payables in EUR amount to 7,856 thousand EUR (December 31, 2025: 9,774 thousand EUR), in USD – 667 thousand EUR (December 31, 2025: 1,215 thousand EUR), and in other currencies – 196 thousand EUR (December 31, 2025: 69 thousand EUR)

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

Advances received from customers are for purchases of:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Finished goods	119	107
Services	113	96
Separate part of a commercial enterprise	-	5,113
Total	232	5,316

Advances received from customers are current. Of these, 230 thousand EUR are denominated in EUR (December 31, 2025: 5,314 thousand EUR) and 2 thousand USD are denominated in USD (December 31, 2025: 2 thousand USD).

The Company has provided deposits and bank guarantees as collateral for liabilities to suppliers under commercial transactions in the amount of 99 EUR (December 31, 2025: 129 EUR) (*Note 26b, Note 28, and Note 36*).

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

38. LIABILITIES TO RELATED PARTIES

Liabilities to related parties include:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Liabilities to associates	1,108	1,099
Liabilities to companies linked through key management personnel	728	416
Liabilities to subsidiaries	207	879
Liabilities to shareholder companies with significant influence	130	13,855
Liabilities to companies controlled by an associate	4	5
Key management personnel	-	2,070
Total	2,177	18,324

Liabilities to related parties by type are as follows:

	March 31, 2026 EUR '000	December 31, 2025 EUR '000
Liabilities under lease agreements (<i>Note 34</i>)	1,102	1,088
Liabilities for the supply of inventories	722	425
Provision of services	353	921
Dividend liabilities	-	15,890
Total	2,177	18,324

Liabilities to related parties are current. Of these, 2,105 thousand EUR are denominated in EUR (as of December 31, 2025: 18,324 thousand EUR), in Polish zlotys – 17 thousand EUR (December 31, 2025: none), and in Russian rubles – 55 thousand 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 overdue trade payables to related parties.

39. TAX LIABILITIES

Current tax liabilities include:

	<i>March 31, 2026</i>	<i>December 31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Corporate income tax	2,409	947
Personal income taxes	473	341
National supplementary tax	384	384
Local taxes and fees	172	1
Taxes on expenses	68	220
Tax on income of foreign persons	22	246
Dividend tax	-	199
Total	3,528	2,338

Long-term tax liabilities include:

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

The company has been subject to 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 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. P-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 persons – from January 1, 2023, to December 31, 2024

40. LIABILITIES TO EMPLOYEES AND SOCIAL SECURITY

Liabilities to employees and social security are as follows:

	March 31, 2026	December 31, 2025
	EUR '000	EUR '000
Liabilities to employees, including:	4,232	4,656
<i>bonuses</i>	1,795	1,795
<i>current liabilities</i>	1,523	1,785
<i>Accruals for unused compensable leave</i>	914	1,076
Social security liabilities, including:	945	1,017
<i>current liabilities</i>	788	831
<i>accruals for unused compensable leave</i>	157	186
Total	5,177	5,673

41. LIABILITIES HELD FOR SALE

In connection with the preliminary agreement signed 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:

	March 31, 2026	December 31, 2025
	EUR '000	EUR '000
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 grants are based on contracts concluded with the Executive Agency for the Promotion of Small and Medium-Sized Enterprises for non-repayable financial assistance under the Operational Program “Innovation and Competitiveness 2014–2020.”

42. OTHER CURRENT LIABILITIES

Other current liabilities are as follows:

	March 31, 2026	December 31, 2025
	EUR '000	EUR '000
Liabilities for dividends and unexercised warrant rights	8,153	8,135
Liabilities for refunds under contracts with customers (<i>Note 2.5.6</i>)	1,454	1,140

Liabilities under lease agreements with third parties (<i>Note 35</i>)	528	546
Provision for financial guarantees provided (<i>Note 2.26</i>)	452	452
Government grants (<i>Note 32</i>)	219	219
Liabilities from deposits received as guarantees	151	151
Payroll deductions	21	26
Total	10,978	10,669

The provision for financial guarantees provided in the amount of 452 thousand EUR (as of December 31, 2025: EUR 452 thousand) 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:

	2026	2025
	EUR '000	EUR '000
Balance as of January 1	452	118
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 March 31 / December 31	452	452

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 are to related parties.

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 technological upgrades and modernization of tablet production, the introduction of innovative products in ampoule production, the acquisition of a compact vial filling line under a cleanroom, the acquisition of general-purpose 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 undertaken a commitment for a period of 5 years following the completion of the relevant projects not to undergo significant changes affecting the nature and conditions of performance or giving rise to unjustified benefits for the company, as well as changes resulting 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 March 31, 2026: 5,856 EUR (December 31, 2025: 5,919 EUR) (*Note 15*);
- specific pledges of:
 - inventories with a carrying amount as of March 31, 2026: 14,332 EUR (December 31, 2025: 14,332 EUR) (*Note 23*);
 - specific pledge of shares in the capital of a subsidiary with a book value as of December 31, 2025, in the amount of 5,187 EUR (December 31, 2025: 5,187 EUR) (*Note 18*).

b) on loans to associates:

- mortgages on real estate with a book value as of March 31, 2026: 2,774 EUR (December 31, 2025: 2,801 EUR) (*Note 15*);

The Company is a co-debtor and guarantor for bank loans received, bank guarantees issued, and lease agreements entered into by the following companies:

Company	Maturity Period	Currency	Contractual Amount	Amount of the guaranteed sum as of March 31, 2026 EUR'000
Sopharma Trading AD	2026	EUR	146,004	105,276
Sopharma Trading d.o.o., Belgrade	2026–2027	EUR	35,010	27,648
Sopharma Buildings REIT	2027–2028	EUR	33,234	13,304
Doverie United Holding AD	2027	EUR	15,339	3,191
Energoinvest AD	2026	EUR	920	639
Total				150,058

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 prices for the company's products and services and for the debt capital it has raised, 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 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, based on which specific procedures have been developed for managing individual specific 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:

Categories of financial instruments

<i>Financial assets</i>	<i>March 31, 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:		
	<u>3,905</u>	<u>4,957</u>
<i>Equity investments</i>	3,905	4,957
Financial assets at amortized cost, including:	<u>87,798</u>	<u>95,681</u>
<i>Receivables and loans granted, including</i>	<u>85,312</u>	<u>82,353</u>
Long-term receivables from related companies	6,721	6,691
Other long-term receivables	1,740	1,730
Receivables from related companies	54,137	59,337
Trade receivables	9,591	8,797

Loans granted to third parties	5,675	5,647
Other current receivables	7,448	151
<i>Cash and cash equivalents</i>	<u>2,486</u>	<u>13,328</u>
Total financial assets	<u>91,703</u>	<u>100,638</u>

	<i>March 31,</i>	<i>December</i>
<i>Financial liabilities</i>	<i>2026</i>	<i>31, 2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>

Financial liabilities at amortized cost, including:

<i>Long-term and short-term bank loans</i>	<i>112,891</i>	<i>124,928</i>
<i>Obligations under lease agreements with related parties</i>	<i>7,592</i>	<i>7,770</i>
<i>Liabilities under lease agreements with third parties</i>	<i>1,520</i>	<i>1,638</i>
<i>Other loans and liabilities, including</i>	<i>18,098</i>	<i>36,580</i>
Trade payables	8,719	11,058
Liabilities to related parties	1,075	17,236
Other current liabilities	<u>8,304</u>	<u>8,286</u>
Total financial liabilities	<u>140,101</u>	<u>170,916</u>

As of March 31, 2026, recognized liabilities under financial guarantees amounted to 452 thousand EUR (December 31, 2025: 452 thousand EUR) (*Note 43*).

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

	<i>2026</i>	<i>2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Loans granted at amortized cost (<i>Note 12</i>)	120	51
Reversal of impairment losses on receivables (<i>Note 9</i>)	<u>(67)</u>	<u>-</u>
Total	<u>53</u>	<u>51</u>

Credit risk

Credit risk is the risk that the company's customers will not be able to repay the amounts owed by them in full and within the usual timeframes.

The company's credit risk arises both from its core business, through trade receivables, and from its financial activities, which include providing 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 achieved its current effective approach, which is tailored to the market environment, 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 state-run hospitals requires a deferred payment policy. In this regard, although there is a concentration of credit risk, it is managed through selection, ongoing monitoring of the liquidity and financial stability of business partners, as well as direct communication with them and the implementation of rapid measures at the first signs of problems.

The company's credit policy requires that each new customer undergo a creditworthiness assessment before standard terms of delivery and payment are offered.

Expected credit losses are calculated at 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. The latter are grouped into portfolios of different customer segments that have 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 the analysis of the history and 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 past-due ranges over time, payments, and uncollected amounts, etc. On this basis, the loss rate is determined as the uncollectibility of a given group of invoices relative to the total 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 uncollectible losses, incorporating forecast information on certain macroeconomic factors. The historical rates 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 horizon of the receivables, management's analysis indicates that the effects of changes in the macroeconomic environment on the provisioning matrix are immaterial as of March 31, 2026.

Litigated and adjudicated receivables

When assessing the collectability of court-ordered and awarded receivables, management conducts an individual analysis of the entire exposure to each counterparty (counterparty type) in order to determine the actual likelihood of their collection. If high uncertainty regarding the collectability of a given receivable (group of receivables) is identified, an assessment is made of what portion of it (them) is secured (pledge, mortgage,

guarantees, bank guarantee) and thus their collectability is guaranteed (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 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 rates associated with these assessments, and the correlations between counterparties. The Company measures credit risk using probability of default (PD), exposure at default (EAD), and loss given default (LGD).

To determine the credit risk of loans, guarantees, 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. Regarding the rating, it uses internal credit ratings for individual counterparties based on 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 according to the relevant methodology and industry.

Using statistical models based on historical global data on probability 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 them compared 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 relative 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 debtor;
- A significant change in the value of collateral that is expected to increase the loss and 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/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 designates 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 in the borrower's business, financial conditions, 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 for the loan, including collateral losses.

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;
- 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 forecast 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 for 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 from loans granted. The most common 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, contract assets, and financial guarantee contracts, as well as the maximum exposure to credit risk according to the accepted credit rating assessment as of March 31, 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 March 31, 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>	57,261	(3,544)	53,717
Trade receivables from third parties	25	N/A	<i>For a 12-month period</i>	8,670	(777)	7,893
Other current receivables	26 (b)	Not applicable	<i>For a 12-month period</i>	7,448	-	7,448
Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	<i>Lifetime</i>	4,201	(7)	4,194
Receivables from refundable share contributions	21	N/A	<i>For a 12-month period</i>	2,994	-	2,994
Receivables under assignment agreements from related companies	21	N/A	<i>For a 12-month period</i>	2,132	-	2,132
Receivables from third parties on securities transactions	22.25	N/A	<i>For a 12-month period</i>	1,957	(41)	1,916
Long-term loans granted to third parties	22	Regular Stage 1	<i>For the entire life</i>	1,522	-	1,522
Short-term loans granted to third parties	26 (a)	Regular Stage 1	<i>For the entire life</i>	1,551	(70)	1,481
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>	417	-	417
Receivables from deposits provided under lease agreements	21	N/A	<i>For a 12-month period</i>	264	-	264
Receivables from guarantees and sureties provided to related parties	24	N/A	<i>For a 12-month period</i>	5	(2)	3

Short-term loans granted to related parties	24	Renegotiated Stage 2	<i>For a lifetime</i>	1,980	(1,980)	-
Total:				91,733	(6,421)	85,312

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 share 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 on 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</i>	1,512	-	1,512
Short-term loans granted to third parties	26 (a)	Regular Stage 1	<i>For the entire life</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	N/A	<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	Renegotiated Stage 2	<i>Lifetime</i>	1,845	(1,845)	-

Total:	88,488	(6,286)	82,202
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The table below provides information on the company's exposure to credit risk and credit loss allowances for loans and trade receivables as of March 31, 2026:

<i>Category</i>	<i>Correspondence with external credit rating</i>	<i>Average expected loss rate</i>	<i>Gross carrying amount as of March 31, 2026 EUR '000</i>	<i>Impairment loss (adjustment) as of March 31, 2026 EUR '000</i>
Trade receivables and receivables from securities transactions	<i>N/A</i>	<i>6.30%</i>	69,219	(4,362)
Other current receivables	<i>N/A</i>	<i>0.00%</i>	7,448	-
Renegotiated loans (Stage 2)	<i>B3</i>	<i>0.17%</i>	4,201	(7)
Receivables from refundable capital contributions	<i>N/A</i>	<i>0.00%</i>	2,994	-
Judicial and adjudicated commercial receivables	<i>N/A</i>	<i>100.00%</i>	2,718	(2,718)
Receivables under assignment agreements from related companies	<i>N/A</i>	<i>0.00%</i>	2,132	-
Renegotiated loans (Stage 2)	<i>Sa1</i>	<i>100.00%</i>	1,980	(1,980)
Regular loans (Stage 1)	<i>B3</i>	<i>4.51%</i>	1,551	(70)
Performing loans (Stage 1)	<i>Caa1</i>	<i>0.00%</i>	1,522	-
Dividend receivables from related parties	<i>N/A</i>	<i>0.00%</i>	417	-
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)
Total:			94,451	(9,139)

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</i> <i>EUR '000</i>	<i>Impairment loss (adjustment) as of December 31, 2025</i> <i>EUR '000</i>
Trade receivables and receivables from securities transactions	<i>N/A</i>	<i>5.93%</i>	73,549	(4,361)
Renegotiated loans (Stage 2)	<i>B3</i>	<i>0.17%</i>	4,194	(7)
Receivables from refundable capital contributions	<i>N/A</i>	<i>0.00%</i>	2,980	-
Judicial and adjudicated commercial receivables	<i>Not applicable</i>	<i>100.00%</i>	2,786	(2,786)
Receivables under assignment agreements from related companies	<i>N/A</i>	<i>0.00%</i>	2,116	-
Renegotiated loans (Stage 2)	<i>Sa1</i>	<i>100.00%</i>	1,845	(1,845)
Regular loans (Stage 1)	<i>B3</i>	<i>4.58%</i>	1,530	(70)
Performing loans (Stage 1)	<i>Caa1</i>	<i>0.00%</i>	1,512	-
Dividend receivables from related parties	<i>N/A</i>	<i>0.00%</i>	482	-
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>11.76%</i>	17	(2)
Total:			91,275	(9,071)

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

	<i>March 31, 2026</i> <i>EUR'000</i>	<i>December 31, 2025</i> <i>EUR '000</i>
Customer 1	57%	48%
Client 2	20%	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 applying promissory notes.

The Company has a concentration of trade receivables from a single customer outside the related parties amounting to 25% of all trade receivables (December 31, 2025: trade receivables from a single customer outside the related parties – 27%).

Cash

The company's cash and *cash equivalents* and payment transactions are primarily held at various top-tier banks. A rating-based model is applied to calculate expected credit losses on *cash and cash equivalents*, using bank ratings

assigned by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA, and Bloomberg, and the reference public data on PD (probabilities of default) corresponding to the rating of the respective bank. 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.

Currency 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 is associated with adverse movements in the exchange rates of the USD and the Russian ruble against the EUR in future business transactions, recognized currency assets and liabilities, and net investments in foreign companies.

The remainder of the company's operations 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>March 31, 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	3,306	599.00	-	3,905
Receivables and loans granted	3,794	68,638	12,880	85,312
Cash and cash equivalents	992	1,447	47	2,486
Total financial assets	8,092	70,684	12,927	91,703
Long-term and short-term bank loans	-	112,891	-	112,891
Lease obligations to related parties	-	7,592	-	7,592
Lease obligations to third parties	214	1,042	264	1,520
Other loans and liabilities	667	17,163	268	18,098
Total financial liabilities	881	138,688	532	140,101

<i>December 31, 2025</i>	in USD	in EUR	in other currency	Total
	EUR '000	EUR '000	EUR '000	EUR '000
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
Lease obligations to 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 in the event of a 10% increase/decrease in 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 March 31 and assuming that the impact of other variables is ignored, is presented below. The net effect is measured and presented as an impact on profit after tax and on equity.

	USD	
	March 31, 2026	March 31, 2025
	EUR '000	EUR '000
Financial result +	564	569
Retained earnings +	564	569
Net income -	(564)	(569)
Retained earnings -	(564)	(569)

If the USD appreciates by 10% against the EUR, the net effect on the company's profit (after tax) for 2026 would be an increase of 564 thousand EUR (3.26%) (2025: an increase of 569 thousand EUR (8.95%). The same effect would apply to equity—specifically, the “retained earnings” component.

With a 10% depreciation of the USD against the EUR, the net effect on the company's profit (after tax) would be equal and opposite to the result indicated above for the appreciation.

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 63 thousand EUR (0.36%) (for 2025: a decrease of 1,868 thousand EUR (-29.41%) . 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 from two factors:

- a) a potential increase in the supply 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, validating alternative suppliers offering favorable commercial terms, expanding the product range 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 where the company is unable to unconditionally meet all of its obligations as they fall 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 to finance payments to its suppliers.

To mitigate potential liquidity risk, the company operates a system of alternative action mechanisms and forecasts, the ultimate effect of which is to maintain good liquidity and, consequently, the ability to finance its business operations. This is supplemented 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 statement of financial position date. 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>March 31, 2026</i>	up to 1 month	1 to 3 months	3 to 6 months	from 6 to 12 months	from 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	1,182	25,232	6,630	25,003	12,615	44,277	5,878	120,817
Lease liabilities to related parties	98	196	294	592	1,180	3,399	2,166	7,925
Liabilities under lease agreements with third parties	45	90	135	267	541	467	-	1,545
Other loans and liabilities	3,503	4,993	1,298	8,304	-	-	-	18,098
Total liabilities	4,828	30,511	8,357	34,166	14,336	48,143	8,044	148,385

December 31, 2025	up to 1 month	1 to 3 years	from 3 to 6 m	from 6 to 12 m	from 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	1,364	2,395	26,442	41,023	12,453	42,245	7,386	133,308
Lease liabilities 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

In the company's asset structure, interest-bearing assets consist of cash, bank deposits, and loans granted, all of which have a fixed interest rate. The company's borrowings in the form of long-term and short-term loans typically have a variable interest rate. Lease liabilities have both variable and fixed interest rates. This circumstance partially exposes the company's cash flows to interest rate risk. This risk is hedged in two ways:

a) optimizing sources of credit to achieve a relatively lower cost of funds; and

b) a combined structure of the loan interest rates themselves, which consists of two components—fixed and variable—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 for refinancing, renewing existing positions, and alternative financing are simulated. Based on these scenarios, the effect on financial results 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. Calculations are performed for significant interest-bearing positions.

March 31, 2026

	non- interest- bearing	floating Interest rate %	Fixed Interest rate %	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Capital investments	3,905	-	-	3,905
Receivables and loans granted	74,085	-	11,227	85,312
Cash and cash equivalents	33	2,453	-	2,486
Total financial assets	78,023	2,453	11,227	91,703

Long-term and short-term bank loans	-	112,891	-	112,891
Lease obligations to related parties	-	-	7,592	7,592
Lease liabilities to third parties	-	-	1,520	1,520
Other loans and liabilities	18,098	-	-	18,098
Total financial liabilities	18,098	112,891	9,112	140,101

December 31, 2025

	non- interest- bearing	floating- rate Interest rate %	fixed Interest rate %	Total
	EUR '000	EUR '000	EUR '000	EUR '000
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 parties	-	-	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 March 31 / December 31, assuming that the impact of other variables is ignored. The effect is measured and presented as an impact on profit after tax and on equity.

	<i>Increase/ decrease in interest rate</i>	<i>Effect on financial result after tax profit/(loss)</i>	<i>Effect on equity equity increase/(decrease)</i>
EUR	increase	(547)	(547)
USD	increase	(1)	(1)
BYN	increase	(1)	(1)
EUR	decrease	547	547
USD	discount	1	1
BYN	discount	1	1

2025	<i>Increase/ decrease in interest rate</i>	<i>Effect on financial result after tax profit/(loss)</i>	<i>Effect on equity equity increase/(decrease)</i>
EUR	increase	(602)	(602)
USD	increase	(1)	(1)
BYN	increase	(1)	(1)
EUR	decrease	602	602
USD	discount	1	1
BYN	discount	1	1

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 to reduce the cost of capital.

The Company regularly monitors the adequacy and structure of its capital 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 is equal to equity and net debt.

The table below presents the debt ratios based on the capital structure:

	<i>March 31, 2026 EUR '000</i>	<i>December 31, 2025 EUR '000</i>
Total debt capital, including:	122,003	134,336
<i>bank loans</i>	<i>112,891</i>	<i>124,928</i>
<i>Lease obligations to related parties</i>	<i>7,592</i>	<i>7,770</i>
<i>Lease liabilities to third parties</i>	<i>1,520</i>	<i>1,638</i>
Less: cash and cash equivalents	(2,486)	(13,328)
Net debt	119,517	121,008

Total equity	356,767	331,682
Total capital	476,284	452,690
Debt-to-equity ratio	0.25	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.

In addition, 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 (or valuation) value (investments in securities, variable-rate loans), and therefore their fair value is approximately equal to their carrying amount. For fixed-rate loans, the methodology used to determine the interest rate uses the company's current observations regarding market interest rates as a 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 no sufficient and reliable market price quotations available for them; therefore, other alternative valuation methods and techniques are used.

Management believes that, under the current circumstances, the valuations of financial assets and liabilities presented in the statement of financial position are as reliable, adequate, 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 medicinal products includes:

- tablet forms;
- ampoule forms;
- medical devices;
- other forms.

Medical products include: patches, sanitary and hygiene products, dressing products, 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 authorization 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 forms	29,423	25,158	1,705	133	-	-	31,128	25,291
Cost of tablet forms	(10,463)	(9,351)	(1,357)	(86)	-	-	(11,820)	(9,437)
Revenue from ampoule forms	3,484	3,594	-	-	-	-	3,484	3,594
Cost of ampoule forms	(3,046)	(2,987)	-	-	-	-	(3,046)	(2,987)
Revenue from other sources	3,699	4,394	461	1,207	-	-	4,160	5,601
Cost of other forms	(2,388)	(2,312)	(367)	(662)	-	-	(2,755)	(2,974)
Revenue from medical products	1,496	1,536	5,389	-	-	-	6,885	1,536
Cost of medical products	(980)	(1,000)	(3,213)	-	-	-	(4,193)	(1,000)
Assets provided under lease agreements	-	-	-	-	339	344	339	344
Cost of assets provided under lease agreements	-	-	-	-	(11)	(12)	(11)	(12)
Segment revenue	38,102	34,682	7,555	1,340	339	344	45,996	36,366
Segment cost	(16,877)	(15,650)	(4,937)	(748)	(11)	(12)	(21,825)	(16,410)
Segment result	21,225	19,032	2,618	592	328	332	24,171	19,956
Unallocated operating income from operations							5,224	467
Unallocated operating expenses							(10,461)	(12,726)
Operating profit							18,934	7,697
Net gain/(loss) on sale of investments in subsidiaries and associates							1,142	5

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Impairment of non-current assets outside the scope of IFRS 9	-	(1)
Financial income/(expenses), net	(849)	(624)
Profit before income tax	19,227	7,077
Income tax expense	(1,937)	(723)
Net income for the year	17,290	6,354

Segment assets include:

	<i>Production of tablet forms</i>		<i>Production of ampoule forms</i>		<i>Manufacture of other dosage forms</i>		<i>Manufacture 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
Property, plant, and equipment	26,839	27,190	9,923	9,754	20,750	20,542	1,094	1,135	3,222	3,321	620	631	62,448	62,573
Investment properties	-	-	-	-	-	-	-	-	-	-	25,777	25,777	25,777	25,777
Inventories	36,666	31,811	13,616	12,913	8,024	8,951	2,243	1,753	4,728	5,364	-	-	65,277	60,792
Segment assets	63,505	59,001	23,539	22,667	28,774	29,493	3,337	2,888	7,950	8,685	26,397	26,408	153,502	149,142
Unallocated assets													362,019	376,521
Total assets													515,521	525,663

Segment liabilities include:

	<i>Production of tablet forms</i>		<i>Production of ampoule forms</i>		<i>Manufacture of other dosage forms</i>		<i>Manufacture of medical devices</i>		<i>Distribution of medicinal 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	913	938	435	460	523	527	23	23	-	-	-	-	1,894	1,948
Liabilities to employees	247	285	277	291	260	291	25	43	51	59	-	-	860	969
Social security liabilities	113	119	116	83	134	141	13	18	30	33	-	-	406	394
Segment liabilities	1,273	1,342	828	834	917	959	61	84	81	92	-	-	3,160	3,311
Unallocated liabilities													155,594	190,670
Total liabilities													158,754	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 forms</i>		<i>Manufacture of other dosage forms</i>		<i>Manufacture 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
Capital expenditures	274	39	84	76	925	362	2	-	2	-	-	13	1,287	490
Depreciation	648	611	298	314	341	356	42	37	100	100	11	12	1,440	1,430

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 relationship</i>	<i>Period of relationship</i>
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
Farnanova OOD, Serbia	Subsidiary	2025 and 2026
SofTech Services EOOD	Subsidiary	as of February 28, 2025 and 2026
Sopharma Trading D.O.O., Serbia	Subsidiary through Sopharma 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 Sofarma 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

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Sopharmacy 38 EOOD	Subsidiary through Sopharma Trading AD	2025 and 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 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	from 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 2026
Ne SkA EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Bellerophon EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
AlfaApteka EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Fitobel EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Tabina EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Salus Line OOD	Subsidiary through Sopharma Trading AD	2025 and 2026
SpetsApharmacia BOOO	Subsidiary through Sopharma Trading AD	2025 and 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
GalenaPharm EOOD	Associated company through Sopharma Trading AD	2025 and 2026
Mejel OOD	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 ZAO	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 linked through key management personnel	2025 and 2026
Sofconsult Group AD	Company related through key management personnel	2025 and 2026
Pharmalogistics AD	Company related through key management personnel	2025 and 2026
VES Electroinvest Systems EOOD	Company related through key management personnel	2025 and 2026
Eco Solar Invest D.O.O.	Company related through key management personnel	2025 and 2026
Alfa In EOOD	Company related through key management personnel	2025 and 2026
Konsumfarm D.O.O.	Company related through key management personnel	2025 and 2026
"Veterinary Diagnostics" Joint Venture	Civil Partnership for Joint Activities (Direct Participation)	2025 and 2026
Sopharma Trading Global Medical 2024	Civil partnership for the performance of joint activities (indirect participation) through Sofarma Trading AD	2025 and 2026
Joint Venture		
Consortium "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

Sales made by Sopharma AD to its related parties as of March 31 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 products to:</i>		
Subsidiaries	31,838	19,454
	31,838	19,454
<i>Sales of goods and materials to:</i>		
Subsidiaries	7,591	1,194
Companies related through key management personnel	88	138
	7,679	1,332
<i>Sales of services to:</i>		
Subsidiaries	517	452
Companies controlled by an associate	1	1
Companies linked through key management personnel	1	1
	519	454
<i>Interest on refundable capital contributions to:</i>		
Subsidiaries	58	65
	58	65
<i>Fees on sureties and guarantees of:</i>		
Subsidiaries	52	68
	52	68
<i>Interest on contracts for the assignment of:</i>		
Joint ventures	16	16
	16	16
<i>Interest on loans granted to:</i>		
Companies controlled by an associate	-	10
Joint ventures	15	13
	15	23
Total sales to affiliated companies	40,177	21,412

Deliveries made to Sopharma AD by its related companies as of March 31 are as follows:

<i>Deliveries from related parties</i>	<i>2026</i>	<i>2025</i>
	<i>EUR '000</i>	<i>EUR '000</i>
<i>Supplies of inventories from:</i>		
Companies related through key management personnel	1,341	1,374
Subsidiaries	34	21

Associated companies	21	13
Joint ventures	7	14
Companies controlled by an associate	1	3
	1,404	1,425

Services provided by:

Subsidiaries	799	595
Associated companies	80	71
Shareholder companies with significant influence	79	82
Companies related through key management personnel	16	14
Companies controlled by an associate	8	83
	982	845

Deliveries related to assets under lease agreements from:

Associated companies	303	297
	303	297

Costs of acquiring intangible assets from:

Subsidiaries	-	13
	-	13

Other supplies from:

Companies controlled by an associated company	2	1
Subsidiaries	-	1
	2	2

Total supplies from related companies	2,691	2,582
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The total amount of shares/equity interests sold and acquired in companies affiliated with Sopharma AD as of March 31 is as follows:

	2026	2025
	EUR '000	EUR '000
<i>Proceeds from sales of investments in:</i>		
Associates	1,311	6
	1,311	6

	2026	2025
	EUR '000	EUR '000

Additional investments acquired in:

Associates	38	198
Subsidiaries	-	22,351
	<u>38</u>	<u>22,549</u>

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 amounted to 163 thousand EUR (2025: 119 thousand EUR).

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

No other significant events have occurred after the reporting period that would require additional adjustments and/or disclosures in the Company's individual financial statements for the period ending March 31, 2026.