SOPHARMA AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2026

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1. INFORMATION ABOUT THE COMPANY

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

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

1.1. Ownership and Management

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

As of September 30, 2026, the company's share capital is distributed as follows:

	%
Donev Investments Holding AD	40.25
Telecomplect Invest AD	16.84
Other legal entities	27.61
Ognian Ivanov Donev	9.09
Other individuals	6.21

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

Ognian Donev, PhD	Chairman
Vessela Stoeva	Deputy Chairman
Bissera Lazarova	Member
Boris Borisov	Member
Alexander Tchaoushev	Member

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

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

The Audit Committee consists of the following members:

Vasil Naydenov	Chair
Tsvetanka Zlateva	Member
Kristina Atanasova-Elliott	Member

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

On average, the company has 1,653 workers and employees (2025: 1,713) for 2026.

1.2. Scope of Business

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

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

The company holds a license for the manufacture and import of pharmaceuticals No. BG/MIA – 0543, dated October 30, 2025, issued by the Executive Agency for Medicines (EAM).

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

1.3. Macroeconomic Environment

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

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

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

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

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

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

1.5. Climate-Related Issues

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

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

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

2. SIGNIFICANT INFORMATION ON THE COMPANY'S ACCOUNTING POLICIES

2.1. Basis for the Preparation of the Separate Financial Statements

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

For the current fiscal year, the company has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and, respectively, by the IFRS Interpretations Committee, which were relevant to its operations.

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

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

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

• Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures—Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after January 1, 2026, adopted by the European Commission). The amendments relate to: a) clarifying the date of initial recognition and derecognition of certain financial assets and liabilities, and introducing a new exemption for certain financial liabilities settled through an electronic payment system; b) adding additional guidance on assessing whether a financial asset meets the "solely payments of principal and interest" (SPPI) 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 to IFRS Accounting Standards—Volume 11: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures, Guidance on the Implementation of IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after January 1, 2026, as adopted by the EC). These improvements introduce partial amendments to the following standards: A) For IFRS 1—the requirements for hedge accounting by an entity applying IFRS for the first time, in order to align terminology and requirements between IFRS 1 and IFRS 9 regarding hedge accounting. In IFRS 1, the term "conditions" is replaced with the term "criteria," and references are made to the paragraphs in IFRS 9 relating to hedge accounting; B) For IFRS 7 – 1) in the disclosure requirements for gain or loss on derecognition. The amendment corrects a reference to paragraph 27A of IFRS 7, which was removed from the standard upon the effective date of IFRS 13 Fair Value Measurement, and makes a new reference to the relevant paragraphs in IFRS 13. The term "material information that was not based on data from an observable market" is replaced with "significant adverse input data"; 2) Guidance on the Implementation of IFRS 7: a) The "Introduction" clarifies that the guidance does not illustrate all requirements in the cited paragraphs of IFRS 7; b) In the disclosure of the deferred difference between fair value and transaction price upon initial recognition of financial instruments, inconsistencies between paragraph IG14 of the guidance and paragraph 28 of IFRS 7, which arose with the effective date of IFRS 13, are corrected; c) in the disclosure of credit risk, the wording is amended to facilitate a clearer and more accurate understanding of the text; C) Regarding IFRS 9: 1) In 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) regarding transaction price—the term "transaction price" has been deleted from paragraph 5.1.3 and Appendix A of IFRS 9, and in paragraph 5.1.3. , the improvements refer to the definition in IFRS 15, as required by the context of that specific paragraph; D) IFRS 10—Definition of "de facto agent"—the improvements resolve the inconsistencies between paragraphs B73 and B74 of IFRS 10 to eliminate potential confusion regarding the determination of whether entities are acting as de facto agents; E) IAS 7—Cost Method—the improvements remove the term "cost method" from paragraph 37 of IAS 7, as the term no longer exists as a definition in IFRS accounting standards.

• IFRS 18 – Presentation and Disclosure in Financial Statements (effective for annual periods beginning on January 1, 2027; adopted by the European Commission). IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements in IAS 1 that remain unchanged have been transferred to IFRS

18, with minor wording adjustments, or to IAS 8 Accounting Policies, Changes in Accounting Estimates, and Errors and IFRS 7 Financial Instruments: Disclosures, again with minor adjustments to the wording. The new standard introduces minor changes to IAS 7 Statement of Cash Flows, IAS 33 Earnings Per Share, and IAS 34 Interim Financial Reporting. IFRS 18 focuses primarily on better presenting financial results and aims to improve financial reporting in the statement of profit or loss by: a) changing the structure of the statement of profit or loss by adding certain categories/measures (operating, investing, and financing) and interim totals (operating profit and profit before financial income and expenses and income taxes) to the income statement to facilitate comparability and consistency in financial information; (b) a requirement to disclose in the notes to the financial statements profitability and efficiency measures defined by management related to the statement of profit or loss, in order to enhance transparency regarding their calculation and to provide insight into how the entity's management views its financial results; (c) the addition of new principles for grouping (aggregation and disaggregation) of information, and the establishment of requirements regarding whether the information should be presented as part of the components (elements) of the financial statements or in the notes thereto. Providing principles for the necessary level of detail makes the disclosed information more effective. Although IFRS 18 will not affect how entities calculate their financial results, the standard will introduce changes in how those results are presented and disclosed for all entities.

- IFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the European Commission). IFRS 19 allows subsidiaries that meet certain requirements to provide a simplified scope of disclosures when applying 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 eligible subsidiaries. IFRS 19 is a voluntary standard for qualifying subsidiaries. A subsidiary qualifies if: it does not have public accountability; and has an ultimate or intermediate parent entity that prepares consolidated financial statements that are available to the public and that meet the full disclosure requirements of all IFRS accounting standards.

- Amendments to IFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after January 1, 2027; not yet adopted by the European Commission). The amendments update the disclosure requirements for new and/or amended standards issued between February 28, 2021, and May 1, 2024, reflecting the principles set forth in IFRS 19 for developing 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 Referencing Nature-dependent Electricity; IAS 7 Statement of Cash Flows—Supplier Financing Arrangements; Amendments to IAS 12 Income Taxes—International Tax Reform—Illustrative Rules for the Second-Pillar Model of International Tax Reform; and Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Absence of Exchange Rates.

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

- IFRS 10 (amended) – Consolidated Financial Statements and IAS 28 (amended) – Investments in Associates and Joint Ventures – regarding sales or contributions of assets between an investor and its associates or joint ventures (with a deferred effective date to be determined by the IASB). These amendments are intended to address the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or the non-monetary assets contributed constitute, in substance, a "business" within the meaning of IFRS 3. If these assets, taken as a whole, do not meet the definition of a "business" under , 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 currently reviewing, 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) recognized in profit or loss, and financial assets in the form of equity investments recognized in other comprehensive income, which are measured at revalued or fair value, respectively.

Pursuant to the Law on the Introduction of the EUR in the Republic of Bulgaria (LIERB), 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 figures in the separate financial statements and the notes thereto are presented in thousands of euros.

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

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

2.2. Consolidated Financial Statements of the Company

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

2.3. Comparative Data

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

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

2.4. Functional Currency and Recognition of Foreign Exchange Differences

The functional and presentation currency of the Company's separate 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 a foreign currency—are reported in the functional currency using the exchange rate published by the Bulgarian National Bank (BNB) for the last business day of the respective month. At the end of each reporting period, they are valued in EUR using the BNB's closing exchange rate.

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

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

2.5. Revenue

Revenue from Contracts with Customers

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

2.5.1. Recognition of Revenue from Contracts with Customers

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

Valuation of a Contract with a Customer

A contract with a customer exists only if, upon its entry into force, it: (a) has a commercial nature and purpose; (b) the parties have approved it (orally, in writing, or based on "established and generally accepted business practice") and have committed to performing it; c) the rights of each party can be identified; d) the terms of payment can be identified; and e) it is probable that the consideration to which the company is entitled upon fulfilling its performance obligations will be received. When assessing collectibility, 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 in each reporting period. Remuneration received under such a contract is recognized as a liability (*contract liability*) in the statement of financial position until: a) all criteria for recognizing a contract with a customer are met; b) the company has fulfilled its performance obligations and has received all or substantially all of the consideration (which is not subject to refund); and/or c) the contract has been terminated and the consideration received is not subject to refund.

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

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

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

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

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

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

The transaction price is the amount of the 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-cash consideration, and consideration due to the customer (if any). For contracts with more than one performance obligation, the transaction price is allocated to each performance obligation based on the individual selling prices of each good and/or service, determined using one of the methods permitted under IFRS 15, with priority given to the "observable selling prices" method.

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

2.5.3. Performance Obligations Under Contracts with Customers

Sales of products and distribution of pharmaceutical products

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

Sales of products according to the company's specifications

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

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

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

Sales of products according to customer specifications

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

contract is terminated for reasons other than non-performance on the part of the company (a legally enforceable right to payment).

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

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

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

Transportation of Sold Products

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

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

Transportation service providers—subcontractors—are used to perform the transportation service. The company has determined that it controls the specific services before they are provided to the customer and therefore acts as the principal because: a) it bears primary responsibility for ensuring that the services are performed and are acceptable to the customer (i.e., the company is responsible for fulfilling the 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 those obligations, insofar as there is a direct relationship between the company's efforts (expenses incurred) and the transfer of the service to the customer. Progress is measured *based on the expenses incurred relative to the total planned expenses for contract performance.*

Transaction Price and Payment Terms

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

Variable consideration

Variable consideration 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 consideration applicable to the company include:

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

- *Penalties payable by the customer:* Variable consideration in the form of penalties due to late payment by the customer. The receipt of this consideration depends on the customer's actions and is beyond the company's control. It is included as part of the transaction price only when the uncertainty regarding its receipt has been resolved.
  The inclusion of penalties (owed by and to the customer) as part of the transaction price is assessed for each individual contract and is subject to review at the end of each reporting period.

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

2.5.4. Expenses under Contracts with Customers

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

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

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

2.5.5. Balances under Contracts with Customers

Trade receivables and contract assets

A 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 accrued receivable). If, by transferring the goods and/or providing the services, the company fulfills its obligation before the customer pays the corresponding consideration and/or before the payment becomes due, a contract asset is recognized for the consideration earned (which is conditional). Recognized contract assets are reclassified as trade receivables when the right to

consideration becomes unconditional. The right to consideration is considered unconditional if the only condition for the consideration to become due is the passage of a specified period of time.

Contract Liabilities

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

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

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

2.5.6. Refund Obligations under Contracts with Customers

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

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

Revenue from Assets Provided Under Lease Agreements

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

2.6. Expenses

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

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

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

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

2.7. Financial Income

Financial income is recognized in the statement of comprehensive income (in profit or loss for the year) as it arises and consists of: interest income on loans and time deposits, interest income on receivables under special agreements, interest income on receivables under assignment agreements, interest income on redeemable equity contributions, net foreign exchange gains on receivables from the sale of subsidiaries, dividends from equity investments, net gain on foreign exchange differences on loans in foreign currency, net gain on foreign exchange differences on refundable capital contributions, income from guarantees provided, income from debt settlement transactions, gains from the fair value revaluation of long-term equity investments that are part of a step acquisition of a subsidiary, interest income from debt securities (bonds) held for trading; income from discounted receivables, and gains from transactions involving debt securities held for trading.

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

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

2.8. Financial Expenses

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

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

2.9. Property, Plant, and Equipment

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

Initial Acquisition

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

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

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

Subsequent Measurement

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

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

Subsequent Expenses

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

Depreciation Methods

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

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

The useful lives by asset group are as follows:

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

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

- for land—from 4 to 5 years;
- for buildings—from 2 to 10 years;

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

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

Impairment of Assets

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

Gains and losses on disposal

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

2.10. Biological Assets and Agricultural Produce

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

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

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

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

2.11. Intangible Assets

Goodwill

Goodwill represents the excess of the acquisition cost (consideration paid) over the fair value of Sopharma AD's share in the net identifiable assets of the subsidiaries (Bulgarska Roza – Sevtopolis AD, Medica AD, Unipharm AD, Biopharm Engineering AD, and Veta Pharma AD) as of the acquisition date (the business combination). This goodwill, upon the merger of the subsidiaries into the parent company, is recognized in the parent company's separate statement of financial position. Goodwill is classified under "intangible assets."

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

Other Intangible Assets

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

The useful lives by asset group are as follows:

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

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

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

2.12. Investment Property

Investment properties are those properties held by the company on a long-term basis to earn rental income and/or for capital appreciation. They are presented in the statement of financial position at their fair value (*Note*

2.32). Gains or losses from changes in the fair value of investment properties are recognized in the statement of comprehensive income (in profit or loss for the year) under the line item "other operating income/(loss), net" for the period in which they arise. Realized gains from investment properties are presented in the statement of comprehensive income (in net income or loss for the year) under the line item "Revenue."

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

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

2.13. Investments in Subsidiaries, Associates, and Joint Ventures

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

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

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

Dividend Income

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

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

2.14. Other Long-Term Equity Investments

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

Initial Measurement

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

All purchases and sales of equity investments are recognized on the "trade date" of the transaction, i.e., the date on which the company commits to purchase or sell the asset.

Subsequent Measurement

The equity investments held by the company are subsequently measured at fair value (*Note 2.32*), determined with the assistance of an independent licensed appraiser.

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

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

Dividend Income

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

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

2.15. Inventories

Inventories are valued in the financial statements as follows:

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

basis selected for their allocation at the individual-product level is the standard number of man-hours of direct production personnel on the specific product.

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

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

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

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

2.16. Trade Receivables

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

Initial Measurement

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

Subsequent Measurement

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

Impairment

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

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

2.17. Interest-Bearing Loans and Other Financial Resources Provided

All loans and other financial resources provided are initially recognized at cost (face value), which is deemed to be the fair value of the consideration transferred in the transaction, net of direct costs associated with such loans and provided resources. After initial recognition, interest-bearing loans and other financial resources provided are subsequently measured and presented in the statement of financial position at amortized cost, determined using the effective interest method. They are classified in this group because the company's business model is solely for the purpose of collecting contractual cash flows of principal and interest. The amortized cost is calculated by taking into account all types of fees, commissions, and other amounts associated with these loans. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) as financial income (interest) or expenses over the amortization period, or when the receivables are repaid, written off, or reduced.

Interest income is recognized in accordance with the stage at which the relevant loan or other receivable is classified under the provided financial 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 held at banks are subsequently stated at amortized cost less the accumulated allowance for expected credit losses (*Note 2.25*).

For the purposes of preparing the cash flow statement:

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

2.19. Trade and Other Payables

Trade and other current liabilities in the statement of financial position are presented at the amount stated on the original invoices (acquisition cost), which is considered 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 customary credit term, where no additional interest payment is required or the interest rate differs significantly from the customary market interest rate, liabilities are initially measured at their fair value based on their present value using a discount rate appropriate to the company, and subsequently at amortized cost (*Note 2.25*).

2.20. Interest-bearing loans and other borrowed funds

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

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

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

2.21. Capitalization of Borrowing Costs

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

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

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

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

2.22. Leases

Lessee

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

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

Initial Recognition

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

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

• the amount of the initial measurement of the lease liability;

• lease payments made on or before the commencement date, net of any incentives received under the lease agreement;

• the lessee's initial direct costs;

• provisions for costs related to the dismantling and relocation of the asset.

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

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

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

• fixed payments, net of any lease incentives to be paid;

• variable lease payments dependent on indices or interest rates;

• the cost of exercising the purchase option, if it is reasonably certain that the company will exercise the option;

• payments of penalties for terminating the lease;

• residual value guarantees.

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

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

Subsequent Measurement

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

The Company subsequently measures the lease liability as follows:

• increasing the carrying amount to reflect accrued interest;

• decreasing the carrying amount to reflect lease payments made;

• revaluing the carrying amount of the liabilities to reflect revaluations or changes to the lease agreement.

Accounting for Revaluations and Changes to the Lease Agreement

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

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

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

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

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

Lessor

Under a finance lease that transfers substantially all the risks and rewards incidental to ownership to the lessee, the lessor derecognises the underlying asset upon its transfer to the lessee and recognises a receivable in the statement of financial position equal to the net investment in the lease. The net investment in the lease represents the difference between the sum of the minimum lease payments under the finance lease and the unguaranteed residual value allocated to the lessor, and unearned finance income.

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

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

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

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

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

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

Short-Term Compensation

Short-term income for employees in the form of wages, bonuses, and social benefits and perks (due for settlement within 12 months after the end of the period in which the employees rendered the related services or met

the necessary conditions) is recognized as an expense in the statement of comprehensive income (in profit or loss for the year), unless a specific IFRS requires that this amount be capitalized into the cost of a specific asset, for the period in which the service was rendered and/or the requirements for receiving them were met, and as a current liability (net of any amounts already paid and applicable withholdings) in the amount of their undiscounted value.

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

Bonuses and Incentive Schemes

Pursuant to the Company's Articles of Incorporation and a resolution adopted by the General Meeting of Shareholders, the CEO is entitled to receive a one-time bonus (tantiem) amounting to up to 1% of the Company's net profit, as well as to be authorized to determine the group of employees among whom a cash bonus amounting to up to 2% of the company's net profit for each calendar year is to be distributed. When a portion is required to be deferred for a period longer than 12 months, that portion is measured at its present value as of the date of the financial statements and is reported under non-current liabilities in the statement of financial position, under the line item "liabilities to employees."

Long-Term Income

Long-Term Equity Incentive Plan for Key Employees

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

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

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

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

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

Non-financial indicators and their parameters are determined by a resolution of the Board of Directors by April 30 of the current calendar year for that same year, in accordance with the company's short- and medium-term development plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

Long-Term Retirement Benefits

Defined-Contribution Plans

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

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

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

The Company's contributions 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 a specific IFRS requires that amount to be capitalized in the cost of a specific asset, and as a current liability in its undiscounted amount, concurrently with the period in which the services are rendered and the related employee compensation to which the contributions relate is recognized.

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

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

Share-Based Payments

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

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

Termination Benefits

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

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

2.24. Share Capital and Reserves

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

In accordance with the requirements of the Commercial Code and the articles of incorporation, the company is required to establish ***a*** **"**Reserve ***Fund*****,"** and the sources of the fund may include:

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

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

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

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

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

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

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

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

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

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

2.25. Financial Instruments

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

Financial Assets

Initial Recognition, Classification, and Measurement

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

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

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

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

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

Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income without "recycling" cumulative gains

and losses (equity instruments)

- Financial assets at fair value through profit or loss (debt securities—bonds and derivative financial instruments—warrants).

Classification Groups

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

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

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

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

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

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

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

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 the obligation to pay the cash flows received in full, without material delay, to a third party through a transfer agreement; in which case: either (a) the company has transferred substantially all the risks and rewards of ownership of the asset; or (b) the company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has not retained control over it.

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

A continuing 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 may be required to pay.

Impairment of Financial Assets

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

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

Expected credit losses are recognized in two stages:

a. A financial asset that is not credit-impaired at the time of its initial recognition/acquisition is classified in Stage 1. These are loans granted to borrowers with a low risk of default and stable, generally favorable key indicators (financial and non-financial), which are serviced regularly and have no past-due amounts. From the time of initial recognition, its credit risk and quality are subject to continuous monitoring and analysis. The expected

credit losses on financial assets classified in Stage 1 are determined based on credit losses that are the result of possible default events that could occur within the next 12 months of the asset's life (12-month expected credit losses for the instrument);

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

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

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

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

The company adjusts its expected credit losses, 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 allowance) based on the expected credit loss over the entire life of the receivables as of each reporting date. The Company has developed and applies a provisioning matrix based on historical experience with credit losses, adjusted by predictive factors specific to the debtors and the economic environment, for which a correlation with the credit loss rate has been established (*Note 45).*

Write-off

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

Financial Liabilities

Initial Recognition, Classification, and Measurement

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

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

Subsequent Measurement

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

Classification Categories

Loans Received and Other Borrowings

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

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

Write-off

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

Offsetting of Financial Instruments

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

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

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

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

- it must not 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 or delay, and
    - in the event of insolvency or bankruptcy.

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

2.26. Financial Guarantee Agreements

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

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

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

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required in the absence of the guarantee, or the estimated amount that would be payable to a third party to assume the obligations.

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

2.27. Income Taxes

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

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

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

Deferred tax assets are recognized for all deductible temporary differences and for unused tax losses to the extent that it is probable that they will reverse and sufficient taxable profit will be generated in the future or taxable temporary differences will arise, against which these deductible differences can be offset, except for differences

arising from the recognition of an asset or liability that, as of the transaction date, did not affect accounting and taxable profit/(loss).

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

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

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

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

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

2.28. Government Grants

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

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

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

Government 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 entire useful life, in proportion to the amount of depreciation recognized in expenses.

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

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

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

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

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

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

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

2.30. Net Earnings or Loss per Share

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

The weighted-average number of shares represents the number of common shares outstanding at the beginning of the period, adjusted for the number of common shares 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 income or loss per diluted share is calculated because there are potential dilutive ordinary shares outstanding (warrants).

In calculating diluted earnings or loss per share, both profit or loss for the period attributable to ordinary shareholders and the weighted-average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

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

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

2.31. Segment Reporting

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

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

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

Information by Operating Segment

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

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

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

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

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

2.32. Fair Value Measurement

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

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

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

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

The Company applies various valuation techniques that are appropriate given the specific circumstances and for which it has a sufficient basis of input data, striving to make maximum use of available publicly observable information and, accordingly, to minimize the use of unobservable information. It uses all three acceptable approaches—*the market, income, and cost approaches*—with the most commonly applied valuation techniques being direct and/or adjusted quoted market prices, market comparables, and discounted cash flows, including those based on capitalized rental income.

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

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

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

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

The Company relies on the expertise of external licensed appraisers to determine the fair values of the following assets and liabilities: *financial assets at fair value through other comprehensive income*—Level 1 and Level 2; *investment property*—Level 2 and Level 3*; and property, plant, and equipment*—Level 2 and Level 3. Licensed appraisers are selected on an annual basis using the following criteria: professional standards applied, professional experience and knowledge; reputation and market standing. The need to rotate external appraisers is assessed periodically—every three to five years. The application of valuation approaches and techniques, as well as the input data used for each fair value measurement, are subject to mandatory discussion and coordination between the external valuation experts and the designated valuation officer, as well as the approval of the issued valuation reports —particularly with regard to material assumptions and the final conclusions and recommendations regarding the fair value amount. The final fair value assessments are subject to approval by the Chief Financial Officer and/or Chief Accountant, the Chief Executive Officer, and the company's Board of Directors.

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

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

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

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

Fair value measurement of equity investments

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

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

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

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

Measuring expected credit losses for financial assets carried at amortized cost (loans, sureties, receivables, and assets under contracts with customers, cash and cash equivalents), as well as for financial guarantees provided, is an area that requires the use of complex models and significant assumptions regarding future economic conditions and the credit behavior of customers and debtors (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) grouping similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the relationship between historical delinquency rates and the behavior of certain macroeconomic indicators to reflect the effects of future projections of these macroeconomic indicators in the calculation of expected credit losses *(Note 44)*.

For trade receivables, including those from related parties

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

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

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

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

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

In 2026, the recovered impairment loss on trade receivables, including those from related parties, amounted to 82 thousand EUR (2025: the recovered impairment loss amounted to 47 thousand EUR) (*Note 9).*

For loans and guarantees granted

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

ECL is the measure of expected credit losses

EAD is the exposure at default

PD is the probability of default

LGD is the loss given default.

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

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

Stage 2 includes loans that are classified as "under renegotiation." These are loans for which there is evidence (based on a set of indicators) of a significant deterioration in the credit risk associated with the borrower compared to the time of the exposure's initial recognition. 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 the exposure in default over its entire life cycle.

Stage 3 includes loans that are classified as "doubtful." These are loans for which there is evidence that the receivable has already been impaired, i.e., a credit event has occurred (in accordance with the adopted policy on the definition of default events). To this end, an analysis is performed of a set of metrics used as indicators of incurred credit losses. The impairment loss for these loans is calculated based on probability-weighted scenarios reflecting the company's expectation of the loss amount on 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 44*.

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

In 2026, the impairment charge for expected credit losses on loans originated amounted to 330 thousand EUR, net of recoveries (2025: the impairment charge for expected credit losses on loans originated amounted to 115 thousand EUR, net of recoveries) (*Note 12, 24, 26a*).

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

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

Cash and Cash Equivalents

To calculate expected credit losses on *cash and cash equivalents held at banks,* the company applies the general "three-stage" impairment approach set forth in IFRS 9. To this end, a model is applied based on the published ratings of banks determined by internationally recognized rating agencies such as Moody's, Fitch, S&P,

BCRA, and Bloomberg. On this basis, on the one hand, PD (probability of default) indicators are determined using publicly available PD data corresponding to the rating of the respective bank, and on the other hand, by tracking changes in the bank's rating from period to period, the company assesses the presence of elevated credit risk.

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

Lease Agreements

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

Revenue from Contracts with Customers

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

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

Inventories

Normal Capacity

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

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

Impairment

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

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

Revaluation of Property, Plant, and Equipment

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

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

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

As a result of the reviews and analyses conducted in 2026, no impairment of property, plant, and equipment was recognized (2025: 147 thousand EUR) (*Notes 10 and 15*).

Goodwill Impairment

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

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

Actuarial Calculations

In determining the present value of long-term retirement obligations to employees, calculations by certified actuaries were used, based on assumptions regarding mortality, employee turnover rates, future salary levels, and a

discount factor. These are disclosed in *Note 35.*

As a result of these calculations, a liability for long-term employee benefits in the amount of 3,702 thousand EUR (December 31, 2025: 3,522 thousand EUR) has been recognized (*Note 35*).

Deferred Tax Assets

Deferred tax assets in the amount of 1,578 thousand EUR (December 31, 2025: 1,587 thousand 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 15,779 thousand EUR (December 31, 2025: 15,865 thousand EUR) (*Note 31*).

Provisions for Litigation

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

3. REVENUE

The company's revenue includes:

	2026	***2025***
	EUR'000	***EUR'000***
Revenue from customer contracts	131,160	98,924
Revenue from assets provided under lease agreements	1,051	1,045
Total	**132,211**	**99,969**

3.1. Revenue from contracts with customers includes:

	2026	***2025***
	EUR'000	***EUR'000***
Revenue from sales of manufactured pharmaceutical products	113,787	94,596
Revenue from the distribution of pharmaceutical products	17,373	4,328
Total	**131,160**	**98,924**

Revenue from the sale of manufactured pharmaceuticals includes:

	2026	***2025***
	EUR'000	***EUR'000***
Revenue from foreign sales	78,855	57,837
Revenue from sales in Bulgaria	34,932	36,759
Total	**113,787**	**94,596**

Revenue from foreign sales by product is as follows:

	2026 EUR'000	***2025 EUR'000***
Tablet forms	66,449	46,570
Ampoule forms	5,690	4,489
Ointments	2,907	2,215
Syrup formulations	2,376	3,305
Drops	692	626
Therapeutic cosmetics	225	155
Patches	187	127
Suppositories	182	144
Dressing products	103	104
Sachets	44	57
Veterinary vaccines	-	45
Total	**78,855**	**57,837**

Sales revenue in Bulgaria by product is as follows:

	2026 EUR'000	***2025 EUR'000***
Tablets	19,509	20,409
Ampoule forms	5,826	6,609
Bandaging products	2,558	2,329
Ointments	1,472	1,395
Patches	1,441	1,361
Syrups	1,132	1,133
Solutions	689	738
Sanitary and hygiene products	614	629
Sachets	533	614
Drops	480	398
Hemodialysis concentrates	252	253
Therapeutic cosmetics	208	176
Suppositories	198	193
Chemical substances and mixtures	16	27
Veterinary vaccines	4	237
Lyophilized products	-	258
Total	**34,932**	**36,759**

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

	2026 EUR'000	*Percentage Share*	*2025 EUR '000*	*Percentage Share*
Europe	67,617	59%	46,974	50%
Bulgaria	34,963	31%	36,759	39%
Other countries	11,207	10%	10,863	11%
Total	**113,787**	**100%**	**94,596**	**100%**

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

	2026 EUR'000	*% of revenue*	*2025 EUR '000*	*% of revenue*
Customer 1	40,391	35%	19,400	21%
Customer 2	34,956	31%	36,230	38%
Customer 3	8,829	8%	7,168	8%

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

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

	2026 EUR'000	*2025 EUR'000*
Sanitary and hygiene products	10,958	-
Tablet forms	4,080	1,372
Syrups	1,488	1,945
Ointments	664	759
Sprays	101	173
Sachets	82	79
Total	**17,373**	**4,328**

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

	2026 EUR'000	*Percentage*	*2025 EUR '000*	*Percentage*
Europe	13,933	80%	662	-
Bulgaria	2,817	16%	3,584	83%
Other countries	623	4%	82	2%
Total	**17,373**	**100%**	**4,328**	**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	13,320	77%	662	15%
Customer 2	2,753	16%	3,584	83%

The balances on customer contracts are as follows:

	September 30, 2026 EUR'000	***December 31, 2025 EUR'000***
Receivables under contracts with customers—related parties, net of impairment *(Note 24)*	55,692	58,840
Trade receivables from third parties, net of impairment *(Note 25)*	7,405	7,137
	63,097	**65,977**

Reimbursement obligations as of September 30, 2026, amount to 1,142 thousand EUR (December 31, 2025: 1,140 thousand 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***
Revenue from the provision of services	4,572	3,023
Revenue from the sale of a separate part of a commercial enterprise	7,453	-
Book value of assets from the sale of a separate part of a commercial enterprise	(3,128)	-
Gain on the sale of a separate part of a commercial enterprise	4,325	-
Revenue from European project funding	164	221
Revenue from the sale of food products	*690*	*666*
Carrying amount of food products sold	*(564)*	*(539)*
Gain/(Loss) on Sale of Goods	126	127
Revenue from the sale of fixed assets	*314*	*83*
Book value of fixed assets sold	*(222)*	*(19)*
Gain on sale of fixed assets	92	64
Surplus assets	57	22
Revenue from the sale of materials	*570*	*635*

Carrying amount of materials sold	*(545)*	*(489)*
Gain on sale of materials	25	146
Written-off liabilities under lease agreements	*48*	*30*
Carrying amount of written-off assets under lease agreements	*(39)*	*(28)*
Gain from lease agreements	9	2
Written-off liabilities	7	1,097
Net gains / (losses) from foreign exchange differences on trade receivables and payables and current settlement accounts	(502)	(490)
Awarded amounts	-	697
Other income	71	93
Total	**8,946**	**5,002**

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

Revenue from services includes:

	2026 EUR'000	***2025 EUR'000***
Manufacturing services	2,724	2,358
Licensing rights and services	1,227	20
Gamma irradiation	262	107
Social activities	145	132
Laboratory Analysis Services	75	56
Regulatory Services	53	309
Transportation Services	25	4
Other	61	37
Total	**4,572**	**3,023**

Written-off liabilities include:

	2026 EUR'000	***2025 EUR'000***
Trade payables	7	2
Provision for trade payables	-	1,032
Dividends	-	49
Written-off liabilities to tenants	-	14
Total	**7**	**1,097**

5. EXPENSES FOR RAW MATERIALS AND SUPPLIES

Expenses for raw materials and supplies include:

	2026	***2025***

	EUR'000	***EUR'000***
Raw materials	19,958	22,863
Electricity	2,402	2,193
Laboratory supplies	1,995	1,607
Heat energy	1,001	1,281
Technical materials	636	824
Work Clothing and Personal Protective Equipment	494	341
Spare parts	487	351
Auxiliary materials	462	399
Fuels and lubricants	293	233
Water	119	139
Material waste	23	90
Total	**27,870**	**30,321**

Costs of raw materials include:

	2026 EUR'000	***2025 EUR'000***
Substances	8,234	9,222
Packaging materials	4,057	4,311
Liquid and solid chemicals	2,971	3,868
Aluminum and PVC foil	1,223	1,296
Sanitary and dressing supplies	1,044	1,011
Herbs	705	917
including own production	*37*	-
Vials	667	880
Ampoules	619	1,124
Tubes	438	226
Materials for the production of veterinary vaccines	-	8
Total	**19,958**	**22,863**

6. EXPENSES FOR EXTERNAL SERVICES

Expenses for external services include:

	2026 EUR'000	***2025 EUR'000***
Advertising and marketing services	5,914	5,626
Manufacture of Medicines	5,683	2,797
Consulting services	2,928	2,509

Building and Equipment Maintenance	1,724	1,427
Subscription fees	1,553	1,001
Transportation and freight forwarding services	1,316	1,248
Logistics services related to sales in Bulgaria	783	756
Government and Regulatory Fees	709	560
License fees	674	216
Local taxes and fees	510	490
Security	504	448
Medical Services	404	391
Services under civil contracts	339	365
Clinical trial services	229	86
Automobile Repair and Maintenance	218	179
Insurance	208	192
Document Translation	203	208
Logistics services related to overseas sales	190	184
Rent	189	105
Messaging and Communications	155	157
Repairs to Leased Assets	152	-
Taxes on Expenses	129	216
Drug disposal services	114	62
Courier services	77	68
Drug Registration Services	75	171
Bank checking account service fees	73	69
Commission fees	39	44
Patent fees	3	3
Other	217	204
Total	**25,312**	**19,782**

Rental expenses include:

	2026 EUR'000	***2025 EUR'000***
Rent related to short-term lease agreements	166	97
Rentals related to lease agreements for low-value assets	23	8
Total	**189**	**105**

7. PERSONNEL EXPENSES

Personnel expenses include:

	2026 EUR'000	*2025 EUR'000*
Current compensation	25,898	23,822
Social security contributions	4,415	4,203
Social benefits and payments	1,874	1,446
Bonuses	565	432
Accrued amounts for unused vacation	492	479
Accrued amounts for long-term employee liabilities upon retirement *(Note 35)*	180	184
Accrued amounts for social security contributions on vacation pay	96	93
Total	**33,520**	**30,659**

8. CARRYING VALUE OF DISTRIBUTED MEDICINAL PRODUCTS

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

	2026 EUR'000	*2025 EUR'000*
Sanitary and hygiene products	6,432	-
Tablet forms	3,092	1,017
Syrups	843	1,091
Ointments	294	356
Sprays	82	107
Sachets	67	70
Total	**10,810**	**2,641**

9. OTHER OPERATING EXPENSES

Other expenses include:

	2026 EUR'000	*2025 EUR'000*
Entertainment expenses	997	1,300
Court-awarded amounts payable	439	65
Business trips	387	392
Scrap of finished goods and work in progress	277	85
Donations	173	119
Unrecognized tax credit under the VAT Act	89	89
Other taxes and payments to the budget	86	12

Training	80	98
Losses on scrapping non-current assets	56	-
Penalties on commercial obligations	26	-
Defective goods	4	1
Reversal of impairment for credit losses on receivables	(82)	(47)
Other	79	181
Total	**2,611**	**2,295**

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

Impairments of non-current assets include:

	2026 EUR'000	***2025 EUR'000***
Impairment of property, plant, and equipment (*Note 15*)	-	147
Total	**-**	**147**

11. FINANCE INCOME

Finance income includes:

	2026 EUR'000	***2025 EUR'000***
Income from equity investments	1,933	2,992
Interest income on loans granted	213	226
Interest income on refundable equity contributions *(Note 21*)	176	197
Revenue from fees on guarantees provided	176	208
Net gain on foreign exchange differences on a receivable from the sale of a subsidiary	60	-
Interest income from assignment agreements (*Note 21*)	49	49
Net gain from exchange rate differences on the collection of redeemable equity contributions from a subsidiary	-	2
Net gain from foreign exchange differences on lease agreements	-	32
Total	**2,607**	**3,706**

12. FINANCIAL EXPENSES

Financial expenses include:

	2026 EUR'000	***2025 EUR'000***

Interest expense on loans received	2,421	2,666
Bank fees on loans and guarantees	374	185
Allowance for credit losses on receivables from commercial loans granted	330	153
Reversal of impairment for credit losses on receivables from commercial loans granted	-	(38)
Net change in the allowance for loan losses on loans granted	330	115
Net loss from foreign exchange differences on the collection of redeemable equity contributions from a subsidiary	101	-
Interest expense on lease agreements	82	89
Net loss from foreign exchange differences on lease agreements	11	-
Net loss from foreign exchange differences on a dividend receivable from a subsidiary	8	-
Expenses related to the payment of dividends	6	8
Expenses related to securities held abroad	1	1
Net foreign exchange loss on a receivable from the sale of a subsidiary	-	222
Total	**3,334**	**3,286**

13. INCOME TAX EXPENSE

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

	2026 EUR'000	***2025 EUR'000***
Taxable income for the year as reported on the tax return	23,243	11,795
Revaluation reserve included as an increase in the annual tax return	(112)	(126)
Taxable income for the year	23,131	11,669
Current income tax expense for the year—10% (2025: 10%)	2,313	1,167
Deferred income taxes arising from:		
Recognition and reversal of temporary differences	621	578
Tax expense from a prior period	(3)	(39)
Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)	**2,931**	**1,706**

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

	2026 EUR'000	***2025 EUR'000***
Accounting profit for the year before taxes	*31,341*	*18,850*
Income tax expense at the applicable tax rate of 10% for 2026 (2025: 10%)	3,134	1,885
From unrecognized amounts on tax returns related to:		
increases – 844 thousand EUR (2025: 633,000 EUR)	84	63
decreases – 3,104 thousand EUR (2025: 2,154 thousand EUR)	(310)	(215)
Deferred taxes recognized from prior periods	26	12
Tax expense from a prior period	(3)	(39)
Total income tax expense recognized in the statement of comprehensive income (in profit or loss for the year)	**2,931**	**1,706**

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

	2026			**2025**		
	EUR'000	***EUR'000***	***EUR'000***	***EUR'000***	***EUR'000***	***EUR'000***
	Pre-tax amount	**Tax effects recognized in equity**	**Amount 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 measured at fair value through other comprehensive income	3,212	-	3,212	(2,039)	-	(2,039)
Subsequent revaluations of property, plant, and equipment	170	(17)	153	-	-	-
Total other comprehensive income for the year	**3,382**	**(17)**	**3,365**	**(2,039)**	**-**	**(2,039)**

14. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	2026	*2025*
	EUR'000	***EUR'000***
Net change in the fair value of equity investments designated as measured at fair value through other comprehensive income	3,212	(2,039)
Subsequent revaluations of property, plant, and equipment	170	-
Total comprehensive income for the year	**3,382**	**(2,039)**
Income tax related to components of other comprehensive income	(17)	-
Total comprehensive income for the year, net of taxes	**3,365**	**(2,039)**

15. PROPERTY, PLANT, AND EQUIPMENT

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

	Land and buildings		*Machinery, plant, and equipment*		*Other*		*In the process of acquisition*		*Total*	
	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*
Gross carrying amount										
Balance as of January 1	**91,459**	**94,787**	**118,027**	**120,823**	**11,620**	**11,399**	**11,696**	**6,756**	**232,802**	**233,765**
Acquired assets	371	195	785	2,233	722	900	6,354	10,718	8,232	14,046
Effect of revaluation to fair value	-	-	170	-	-	-	-	-	170	-
Transfer to property, plant, and equipment	-	187	2,955	5,439	39	85	(2,994)	(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	(75)	(47)	(2,364)	(1,678)	(1,641)	(581)		-	(4,080)	(2,306)
Balance as of September 30 / December 31	**91,755**	**91,459**	**119,573**	**118,027**	**10,740**	**11,620**	**15,056**	**11,696**	**237,124**	**232,802**
Accumulated depreciation										
Balance as of January 1	**33,758**	**32,681**	**81,066**	**84,110**	**9,252**	**8,981**	**-**	**-**	**124,076**	**125,772**
Accrued depreciation	2,529	3,404	4,226	5,498	755	952	-	-	7,510	9,854
Transfer to assets held for sale	-	(2,281)	-	(6,887)	-	(163)				(9,331)
Depreciation written off	(68)	(46)	(2,138)	(1,655)	(1,587)	(518)	-	-	(3,793)	(2,219)

Balance as of September 30 / December 31	**36,219**	**33,758**	**83,154**	**81,066**	**8,420**	**9,252**	**-**	**-**	**127,793**	**124,076**
Book value as of September 30 / December 31	**55,536**	**57,701**	**36,419**	**36,961**	**2,320**	**2,368**	**15,056**	**11,696**	**109,331**	**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 September 30 / December 31 are as follows:

- Buildings with a book value of 35,346 thousand EUR (December 31, 2025: 37,511,000 EUR);
- Land with a value of 20,190 thousand EUR (December 31, 2025: 20,190 thousand EUR).

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

- Vehicles with a book value of 1,720 thousand EUR (December 31, 2025: 1,683 thousand EUR);
- Operating equipment with a book value of 449 thousand EUR (Dec. 31, 2025: 499 thousand EUR);
- Biological assets (crops) with a book value of 151 thousand EUR (December 31, 2025: 186 thousand EUR).

Acquisition costs for property*, plant, and* equipment as of September 30 / December 31 include:

- advances paid for the purchase of machinery and equipment – 10,241 thousand EUR (December 31, 2025: 8,495 thousand EUR);
- costs for the construction of new buildings— 4,084 thousand EUR (December 31, 2025: 3,020 thousand EUR);
- building renovations – 651 thousand EUR (Dec. 31, 2025: 163 thousand EUR);
- other—80 thousand EUR (as of December 31, 2025: 18 thousand EUR).

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

- for tablet production, valued at 1,948 thousand EUR (as of December 31, 2025: 2,143 thousand EUR);
- for ampoule production valued at 775 thousand EUR (December 31, 2025: 930 thousand EUR);
- a liquid filling and packaging line valued at 431 thousand EUR (as of December 31, 2025: 454 thousand EUR);
- general ventilation and air conditioning systems for the production of medical products valued at 126 thousand EUR (December 31, 2025: 149 thousand EUR);
- an air-conditioning system with a water-cooling unit valued at 45 thousand EUR (as of December 31, 2025: 48 thousand EUR);
- a control and monitoring system for climate chambers, chillers, and lighting systems valued at 32 thousand EUR (as of December 31, 2025: 34 thousand EUR);
- for the production of innovative "artificial tears" eye drops valued at 18 thousand EUR (Dec. 31, 2025: 28 thousand EUR);
- a machine for dispensing liquid medications valued at 4,000 EUR (as of December 31, 2025: 16,000 EUR);

- an automatic sachet-filling machine valued at 2 thousand EUR (as of December 31, 2025: 7 thousand EUR);
- a diesel forklift truck valued at 1 thousand EUR (December 31, 2025: 2 thousand EUR);
- a liquid and gas chromatography system with a value of zero (as of December 31, 2025: 1 thousand EUR);
- reactors with a value of zero (as of December 31, 2025: 1 thousand EUR);

Leases

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

	Buildings		*Machinery, plant, and equipment*		*Other*		*Total*	
	2026	*2025*	*2026*	*2025*	*2026*	*2025*	*2026*	*2025*
	EUR '000	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*
Gross carrying amount								
Balance as of January 1	**10,271**	**10,123**	**548**	**575**	**2,501**	**2,116**	**13,320**	**12,814**
Acquired assets	371	195	-		304	795	675	990
Written-off assets	(53)	(47)	-	(27)	(137)	(410)	(190)	(484)
Balance as of September 30 / December 31	**10,589**	**10,271**	**548**	**548**	**2,668**	**2,501**	**13,805**	**13,320**
Accumulated depreciation								
Balance as of January 1	**3,248**	**2,062**	**179**	**145**	**929**	**774**	**4,356**	**2,981**
Accumulated depreciation	959	1,233	45	61	412	506	1,416	1,800
Depreciation written off	(53)	(47)	-	(27)	(86)	(351)	(139)	(425)
Balance as of September 30 / December 31	**4,154**	**3,248**	**224**	**179**	**1,255**	**929**	**5,633**	**4,356**
Book value as of September 30 / December 31	**6,435**	**7,023**	**324**	**369**	**1,413**	**1,572**	**8,172**	**8,964**
Book value as of January 1	**7,023**	**8,061**	**369**	**430**	**1,572**	**1,342**	**8,964**	**9,833**

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

- Vehicles with a book value of 1,385 thousand EUR (December 31, 2025: 1,529 thousand EUR);
- Fixed assets with a book value of 28 thousand EUR (December 31, 2025: 43 thousand EUR).

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

The Company has leased tangible fixed assets to related parties with a carrying amount as of September 30, 2026, of 32 thousand EUR (December 31, 2025: 33 thousand EUR). In addition, tangible fixed assets with a carrying amount of 560 thousand EUR as of September 30, 2026 (December 31, 2025: 598 thousand EUR) have been leased to third parties.

Other Information

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

- Buildings – 3,541 thousand EUR (Dec. 31, 2025: 3,500 thousand EUR);
- Machinery, plant, and equipment – 40,394 thousand EUR (December 31, 2025: 40,714 thousand EUR);
- Other – 5,233 thousand EUR (Dec. 31, 2025: 6,412 thousand EUR).

As of September 30, 2026, there are encumbrances on property, plant, and equipment as follows:

- Land and buildings with book values of 11,862 thousand EUR and 21,779 thousand EUR, respectively (December 31, 2025: 11,862 thousand EUR and 22,968 thousand EUR, respectively) (*Note 30, Note 36, and Note 43);*
- Pledges on equipment – 17,542 thousand EUR (December 31, 2025: 11,694 thousand EUR) (*Note 30, 36, and 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.

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

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

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

16. INTANGIBLE ASSETS

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

Goodwill		*Intellectual property rights*		*Software*		*Under acquisition*		*Total*	
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*

Gross carrying amount										
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	-	-	44	129	52	96	3,088	4,486	3,184	4,711
Transfers	-	-	2,590	416	4,307	696	(6,897)	(1,112)	-	-
Written off	-	-	(2)	-	(130)	-	(25)	-	(157)	-
Balance as of September 30/December 31	**4,863**	**4,863**	**94,760**	**92,128**	**7,402**	**3,173**	**3,036**	**6,870**	**110,061**	**107,034**
Accumulated amortisation and impairment losses										
Balance as of January 1	**4,471**	**4,471**	**10,091**	**5,353**	**2,364**	**2,239**	**-**	**-**	**16,926**	**12,063**
Amortisation charge	-	-	3,683	4,738	358	125	-	-	4,041	4,863
Amortisation written off	-	-	(2)	-	(130)	-	-	-	(132)	-
Balance as of September 30/December 31	**4,471**	**4,471**	**13,772**	**10,091**	**2,592**	**2,364**	**-**	**-**	**20,835**	**16,926**
Book value as of September 30 / December 31	**392**	**392**	**80,988**	**82,037**	**4,810**	**809**	**3,036**	**6,870**	**89,226**	**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 September 30 / December 31 include:

- Contractual rights to marketing authorizations and trademarks with a carrying amount of 79,297 thousand EUR (December 31, 2025: 80,164 thousand EUR);
- Medical registrations with a carrying amount of 573 thousand EUR (December 31, 2025: 659 thousand EUR);
- Copyrights: carrying amount 404 thousand EUR (December 31, 2025: 479 thousand EUR);
- Licenses with a book value of 363 thousand EUR (as of December 31, 2025: 289 thousand EUR);
- Trademarks with a carrying amount of 343 thousand EUR (as of December 31, 2025: 434 thousand EUR);
- Other assets with a carrying amount of 8 thousand EUR (December 31, 2025: 12 thousand EUR).

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

- costs of acquiring marketing authorizations for medicinal products – 1,791 thousand EUR (December 31, 2025: 1,756 thousand EUR);
- costs for the implementation of a software product – 712 thousand EUR (December 31, 2025: 4,693 thousand EUR);
- expenses for acquiring licenses: 525 thousand EUR (as of December 31, 2025: 413 thousand EUR);
- Other - 8 thousand EUR (December 31, 2025: 8 thousand EUR).

Goodwill Impairment

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

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

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

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

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

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

- intellectual property rights – 3,183 thousand EUR (Dec. 31, 2025: 3,163 thousand EUR);
- software – 2,117 thousand EUR (December 31, 2025: 2,188 thousand EUR).

17. INVESTMENT PROPERTIES

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

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Balance as of January 1	**25,777**	**25,827**
Acquired	20	280
Written off	(6)	(280)
Net gain (loss) from fair value adjustments included in profit or loss	-	212
Transfer to property, plant, and equipment	-	(262)
Balance as of September 30 / December 31	**25,791**	**25,777**

Investment properties by asset group are as follows:

Asset Group	***September 30, 2026 EUR '000***	***December 31, 2025 EUR '000***

Warehouse facilities	24,236	24,238
Offices	910	910
Manufacturing facilities	506	506
Retail spaces	122	123
Acquisition costs	17	-
Total	**25,791**	**25,777**

As of September 30, 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 – 9,640 thousand EUR (December 31, 2025: 9,929 thousand EUR) *(Note 36)*.

Fair Value Measurements

Fair Value Hierarchy

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

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

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

	Warehouse Space	***Offices***	***Manufacturing buildings***	***Social facilities***	***Retail facilities***	***Acquisition costs***	***Total***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***
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**
Acquired	3	-	-	-	-	17	20

Written off	(5)	-	-	-	(1)		(6)
Balance as of September 30, 2026	**24,236**	**910**	**506**	**-**	**122**	**17**	**25,791**

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

Valuation Methodology and Significant Unobservable Inputs

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

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

Asset Groups (Level 3)	Valuation Approaches and Techniques	Significant unobservable inputs

Retail properties and production and warehouse facilities (including land, buildings, structures, and construction facilities)	***Valuation Approach***: Income Approach Valuation technique: Valuation based on present value, in accordance with a methodology that 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.	a) comparative rental values for comparable properties b) rate of return c) term for the execution of lease transactions
Facilities, installations, equipment, and furnishings related to real estate	***Valuation Approach***: Cost Approach Valuation technique: Valuation based on present value, in accordance with a methodology that meets the requirements of BSO 2018, including valuation based on the necessary—intrinsic—costs of acquisition or replacement (acquisition of an alternative asset of equivalent utility) for the relevant asset as of the valuation date, i.e., determining the replacement cost of the asset in its new condition, using data, parameters, and calculation results derived from valuation techniques related to the market comparison approach	a) comparative values for new comparables (b) indices of changes in consumer prices based on NSI data

The key assumptions used in calculating the fair value of investment properties as of December 31, 2025, are:

- comparative rental rates for comparable properties, including:

for offices and retail spaces—from 3.65 EUR/sq. m to 30.97 EUR/sq. m;
for warehouses, storage facilities, and production-storage facilities—from 2.90 EUR/sq. m to 8.97 EUR/sq. m;

- rate of return—from 6.00% to 10.30%;
- term for the execution of lease transactions—from 6 to 12 months.

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

18. INVESTMENTS IN SUBSIDIARIES

The carrying amount of investments by company is as follows:

		September 30, 2026 EUR '000	***Interest %***	***December 31, 2025 EUR '000***	***Interest %***
Sopharma Trading AD	Bulgaria	33,117	87.17	33,004	87.22

Sopharma Rus OOO	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
Vitamini AD	Ukraine	656	100.00	656	100.00
Sopharma Kazakhstan OOO	Kazakhstan	256	100.00	256	100.00
SofTech Services EOOD	Bulgaria	51	100.00	51	100.00
Total		**74,029**		**73,916**	

Sopharma AD exercises direct control over the companies listed above.

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

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

Changes in investments in subsidiaries are presented below:

	Investments in subsidiaries	
	September 30, 2026	***December 31, 2025***

Acquisition cost	*EUR '000*	*EUR '000*
Balance as of January 1	**86,022**	**61,538**
Additional equity interests acquired	207	2,469
Sales of Interests Without Loss of Control	(94)	(329)
Additional equity contributions	-	22,300
New interests acquired	-	51
Liquidation of a subsidiary	-	(7)
Balance as of September 30/December 31	**86,135**	**86,022**
Accrued impairment		
Balance as of January 1	**12,106**	**12,113**
Impairment written off upon liquidation of a subsidiary	-	(7)
Balance as of September 30/December 31	**12,106**	**12,106**
Book value as of September 30 / December 31	**74,029**	**73,916**
Book value as of January 1	**73,916**	**49,425**

Impairment of Investments in Subsidiaries

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

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

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

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

The key assumptions used in the calculations are determined specifically for each company, treated as a separate cash-flow-generating unit, and in accordance with the specifics of its operations, business environment, and risks. Management's impairment tests and assessments of the investments were conducted in light of its forecasts and intentions regarding the future economic benefits expected to be derived from the subsidiaries,

including commercial and industrial experience, securing positions in Bulgarian and foreign markets, expectations for future sales, etc. The calculations were performed with the assistance of independent licensed appraisers.

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

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

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

	2026	*2025*
	EUR '000	*EUR '000*
Gain on sale of investments in subsidiaries	167	550
Expenses from the sale of investments in subsidiaries	(1)	(4)
Net gain on the sale of investments in subsidiaries	**166**	**546**

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

The Company has pledged shares in a subsidiary to secure a related party's bank loan. Their carrying amount as of September 30, 2026, is 5,207 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:

	September 30, 2026	*Participation*	*December 31, 2025*	*Participation*
	EUR '000	*%*	*EUR '000*	*%*
Sopharma Properties REIT	21,165	27.03	35,753	45.65
Sopharma Buildings REIT	15,077	32.76	15,060	32.72
Doverie United Holding AD	4,027	20.00	4,168	20.80
Total	**40,269**		**54,981**	

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

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:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Balance as of January 1	**54,981**	**55,052**
Shares acquired in associates	39	347
Shares in associates sold	(14,751)	(418)
Balance as of September 30/December 31	**40,269**	**54,981**

Net gain on sales of investments in associates

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

	2026 EUR '000	***2025 EUR '000***
Gain on sale of investments in associates	2,824	999
Expenses from the sale of investments in associates	(88)	(6)
Net gain on the sale of investments in associates	**2,736**	**993**

Impairment of investments in associates

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

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

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

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

- revenue growth rate – from 2.42% to 4.71%;
- growth in the post-forecast period when calculating terminal value – 2.00%;

- discount rate (based on WACC)—6.10%;
- discount rate (based on CAPM)—from 8.94% to 15.39%;
- interest rate /cost of debt/ – 3.67%.

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

The company has provided a special pledge of shares in the capital of an associated company, with a book value as of September 30, 2026, of 17,210 thousand EUR (December 31, 2025: none), to a creditor bank in connection with a bank loan obtained by a related party *(Note 43*).

20. OTHER LONG-TERM EQUITY INVESTMENTS

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

	September 30, 2026 EUR '000	***Interest %***	***December 31, 2025 EUR '000***	***Interest %***
Achieve Life Sciences, Inc. – USA	7,523	1.98	4,255	1.98
Lavena AD	515	5.01	596	5.01
MFG Invest AD	37	0.12	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	**8,105**		**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 September 30 / December 31 is as follows:

Equity Investments	***Number of shares***	***Fair value per share***	***September 30, 2026 Fair value as reported in the statement of financial position***	***Number of shares***	***Fair value per share***	***12/31/2025 Fair value as reported in the statement of financial position***
		EUR	***EUR '000***		***EUR***	***EUR '000***
Achieve Life Sciences, Inc. – U.S.	1,092,308	6.89	7,523	1,092,308	3.90	4,255
Lavena AD	497,000	1.04	515	1,299,026	1.20	596
MFG Invest AD	12,661	2.90	37	50,000	1.51	76
Total			**8,075**			**4,927**

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

(a) Fair Value Hierarchy

Equity investments	***Fair Value***	***Level 1***	***Level 2***
	September 30, 2026		
	EUR '000	***EUR '000***	***EUR '000***
Achieve Life Sciences Inc. - U.S. (shares)	7,523	7,523	-
Lavena AD	515	-	515
MFG Invest AD	67	-	37
Total	**8,075**	**7,523**	**552**

Equity Investments	***Fair value***	***Level 1***	***Level 2***
	Dec. 31, 2025		
	EUR '000	***EUR '000***	***EUR '000***
Achieve Life Sciences Inc. - U.S. (shares)	4,255	4,255	-
Lavena AD	596	-	596
MFG Invest AD	76	-	76
Total	**4,927**	**4,255**	**672**

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

Equity Investments	***(Level 1)***	***(Level 2)***	***Total***
	EUR '000	***EUR '000***	***EUR '000***
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 (*Note 14*)	(47)	(462)	(509)
Balance as of December 31, 2025	**4,255**	**672**	**4,927**
Sales	-	(64)	(64)
Unrealized gain/(loss), net, included in other comprehensive income (*Note 14*)	3,268	(56)	3,212
Balance as of September 30, 2026	**7,523**	**552**	**8,075**

Valuation Techniques and Approaches

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

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

21. LONG-TERM RECEIVABLES FROM AFFILIATED ENTITIES

Long-term receivables from affiliated companies include:

	September 30, 2026 **EUR '000**	***December 31, 2025*** **EUR '000**
Receivables from refundable additional capital contributions in a subsidiary	3,054	2,980
Receivables under assignment agreements	2,165	2,116
Receivables from securities transactions	1,331	1,331
Deposits provided under lease agreements (*Note 33*)	264	264
Total	**6,814**	**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.

The 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 "Sopharma" AD is a co-debtor. They are secured by a mortgage on land and buildings, as well as a pledge on machinery and equipment.

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

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

22. OTHER LONG-TERM RECEIVABLES

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

	September 30, 2026 ***EUR '000***	***December 31, 2025*** ***EUR '000***
Long-term loans granted	1,544	1,512

Receivables from securities transactions	218	218
Total	**1,762**	**1,730**

Long-term loans granted and their terms as of September 30, 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*	*September 30, 2026*	
								EUR '000	*EUR '000*	*EUR '000 including interest*
Pharmaplant AD	*201837643*	EUR	1,456	605/2024	November 22, 2024	December 31, 2027	6.05%	3,567	*1,544*	*88*
								3,567	***1,544***	***88***

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	November 22, 2024	December 31, 2027	6.05%	2,722	*1,512*	*56*
								2,722	***1,512***	***56***

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

23. INVENTORIES

The company's *inventories* include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Finished goods	24,293	21,740
Materials	23,485	21,781
Semi-finished products	7,337	5,161
Merchandise	4,373	5,407
Work in Progress	2,732	8,198
Total	**62,220**	**62,287**

Finished goods are as follows:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Tablets	16,379	11,966
Ampoule forms	3,392	5,815
Syrups	1,748	1,657
Ointments	1,060	816
Bandaging products	418	425
Sachets	367	201
Suppositories	209	125
Drops	208	249
Sanitary and Hygiene Products	175	157
Therapeutic cosmetics	128	87
Patches	104	170
Solutions	61	42
Hemodialysis concentrates	40	28
Chemical Substances and Mixtures	4	2
Total	**24,293**	**21,740**

The materials by type are as follows:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Raw materials	22,846	20,329
Auxiliary materials	279	191
Spare parts	174	164
Technical Materials	116	287
Fuels	70	79
Materials in Transit	-	730
Other	-	1
Total	**23,485**	**21,781**

The main materials by type are as follows:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Substances	11,224	10,787
Chemicals	4,036	2,840
Herbs	2,003	1,785
including own production	-	*37*
Ampoules	1,899	1,595
PVC and aluminum foil	1,371	895
Packaging materials	1,093	1,058
Sanitary and dressing supplies	715	807
Vials	327	390
Tubes	165	162
Materials for pharmaceutical solutions	13	10
Total	**22,846**	**20,329**

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

	2026 EUR '000	***2025 EUR '000***
Balance as of January 1	**37**	**37**
Used in production	(37)	-
Balance as of September 30 / December 31	**-**	**37**

Merchandise by type is as follows:

	September 30, 2026 EUR '000	***12/31/2025 EUR '000***
Medical Devices	4,190	5,190
Dietary supplements	135	174
Food products	48	43

Total	**4,373**	**5,407**

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

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Tablet forms	1,482	1,362
Syrup formulations	1,457	1,255
Sanitary and hygiene products	858	2,211
Ointments	282	222
Sprays	220	240
Sachets	26	45
Drops	-	29
Total	**4,325**	**5,364**

As of September 30, 2026, the company's 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 30 and Note 43*).

24. RECEIVABLES FROM AFFILIATED ENTITIES

Receivables from affiliated companies include:

	September 30, 2026 EUR '000	***Dec. 31, 2025 EUR '000***
Receivables from subsidiaries	*59,839*	*62,400*
Allowance for credit losses	*(3,544)*	*(3,544)*
Receivables from subsidiaries, net	56,295	58,856
Receivables from associates	587	-
Receivables from joint ventures	*2,332*	*1,975*
Allowance for credit losses	*(2,226)*	*(1,847)*
Receivables from joint ventures, net	106	128
Receivables from companies controlled by an associate	1	
Receivables from companies engaged in joint activities, registered under the Obligations and Contracts Act	-	482
Total	**56,989**	**59,466**

Receivables from affiliated companies by type are as follows:

	September 30, 2026	***December 31, 2025***
	EUR '000	***EUR '000***
Receivables under contracts with customers	*59,236*	*62,384*
Allowance for credit losses	*(3,544)*	*(3,544)*
Receivables under customer contracts, net	55,692	58,840
Dividend receivables	1,056	482
Advances granted	240	129
Receivables from sureties and guarantees	3	17
Allowance for credit losses	*(2)*	*(2)*
Receivables from sureties and guarantees, net	1	15
Trade loans granted	*2,224*	*1,845*
Allowance for credit losses	*(2,224)*	*(1,845)*
Trade loans granted, net	-	-
Total	**56,989**	**59,466**

Receivables from contracts with customers—affiliated companies—are non-interest-bearing. Of these, 48,017 thousand EUR are denominated in EUR (Dec. 31, 2025: 55,810 thousand EUR), 7,673 thousand EUR are denominated in rubles (Dec. 31, 2025: 3,030 thousand EUR), and in USD: 2 thousand EUR (as of December 31, 2025: none).

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

	September 30, 2026	***December 31, 2025***
	EUR '000	***EUR '000***
Client 1	55.64%	53.79%
Client 2	33.82%	36.53%

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

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

	2026	***2025***
	EUR '000	***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 September 30 / December 31	**3,544**	**3,544**

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

	September 30, 2026 EUR '000	***Dec. 31, 2025 EUR '000***
Up to 30 days	14,200	12,490
31 to 90 days	21,590	31,310
91 to 180 days	6,600	2,655
Gross value of non-past-due (current) receivables from affiliated companies	*42,390*	*46,455*
Allowance for credit losses	*(769)*	*(769)*
Non-past-due (current) receivables from affiliated companies, net	**41,621**	**45,686**

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

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

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

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
31 to 90 days	66	2,172
91 to 180 days	12,590	6,994
180 to 365 days	4,190	5,057

more than 365 days	-	1,706
Gross value of past-due receivables from related companies	*16,846*	*15,929*
Allowance for credit losses	*(2,775)*	*(2,775)*
Past-due receivables from related parties, net	**14,071**	**13,154**

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

September 30, 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%	11%	56%	26%	48%	
Trade receivables (gross carrying amount)	***EUR '000***	42,390	13,595	572	1,236	1,443	59,236
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***	***Past due over 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 September 30, 2026, special pledges were established as collateral for bank loans received, secured by receivables from related parties in the amount of 54,850 thousand EUR (December 31, 2025: 57,285 thousand EUR) (*Note 36*)

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

	September 30, 2026	***December 31, 2025***
	EUR '000	***EUR '000***

Receivables from subsidiaries		15
Receivables from joint ventures	*3*	*2*
Allowance for credit losses	*(2)*	*(2)*
Receivables from joint ventures, net	1	-
Total	**1**	**15**

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

The movement in the allowance for impairment of receivables from guarantees provided to 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 September 30 / December 31	**2**	**2**

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

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Joint ventures	*2,224*	*1,845*
Allowance for credit losses	*(2,224)*	*(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	379	285
Balance as of September 30 / December 31	**2,224**	**1,845**

25. TRADE RECEIVABLES

Trade receivables include:

	September 30, 2026	***December 31, 2025***
	EUR '000	***EUR '000***
Receivables under contracts with customers	*8,091*	*7,914*
Allowance for credit losses	*(679)*	*(777)*
Receivables under customer contracts, net	7,412	7,137
Advances granted	1,402	527
Receivables from securities transactions	-	*1,701*
Allowance for credit losses	-	*(41)*
Receivables from securities transactions, net	-	1,660
Total	**8,814**	**9,324**

Receivables under contracts with customers are non-interest-bearing. Of these, 5,245 thousand EUR are denominated in EUR (December 31, 2025: 5,196 thousand EUR) and 2,167 thousand EUR are denominated in USD (December 31, 2025: 1,941 thousand EUR).

One major counterparty of the company accounts for 26.61% of trade receivables (December 31, 2025: 26.81% of trade receivables).

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

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

	2026	***2025***
	EUR '000	***EUR '000***
Balance as of January 1	**777**	**602**
Decrease in the allowance for credit losses recognized in profit or loss during the year	(98)	(602)
Increase in the allowance for credit losses recognized in profit or loss for the year	-	777
Balance as of September 30/December 31	**679**	**777**

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

	September 30, 2026	***Dec. 31, 2025***
	EUR '000	***EUR '000***
Up to 30 days	2,427	2,644
31 to 90 days	1,671	1,709
91 to 180 days	821	527
181 to 365 days	185	-
more than 365 days	-	201
Gross value of non-past-due (current) trade receivables	*5,104*	*5,081*
Allowance for credit losses	(49)	(49)

Non-past-due (current) trade receivables, net	**5,048**	**5,032**

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

	June 30, 2026 EUR '000	***Dec. 31, 2025 EUR '000***
Up to 30 days	23	23
31 to 90 days	18	18
91 to 180 days	6	6
more than 365 days	2	2
Total	**49**	**49**

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

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
31 to 90 days	620	1,083
91 to 180 days	592	252
181 to 365 days	1,775	879
more than 365 days	-	619
Gross value of past-due trade receivables	*2,987*	*2,833*
Allowance for credit losses	*(630)*	*(728)*
Past-due trade receivables, net	**2,357**	**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 September 30 / December 31 is determined as follows:

September 30, 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%	6%	8%	18%	88%	
Trade receivables (gross carrying amount)	***EUR '000***	5,104	1,879	129	503	476	8,091
Expected credit loss (Impairment allowance)	***EUR '000***	(49)	(114)	(10)	(89)	(417)	(679)

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

Receivables from securities transactions represent a receivable from the sale of an investment in a subsidiary denominated in USD, which is contingent upon the completion of certain regulatory actions related to the registration and approval of medical products.

The receivables have been reclassified as judicial and awarded receivables *(Note 26b)*.

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

	2026 EUR '000	***2025 EUR '000***
Balance as of January 1	**41**	**-**
Transfer to legal and adjudicated receivables	(41)	-
Increase in the allowance for credit losses recognized in profit or loss for the year	-	20
Transfer from other long-term receivables	-	21
Balance as of September 30 / December 31	**-**	**41**

Advances paid to suppliers are for the purchase of:

	September 30, 2026 EUR '000	***Dec. 31, 2025 EUR '000***
Inventories	1,048	328
Services	354	199
Total	**1,402**	**527**

Advances granted are current. Of these, 825 thousand EUR are in EUR (Dec. 31, 2025: 360 thousand EUR), 543 thousand EUR are in USD (Dec. 31, 2025: 103 thousand EUR), and in other currencies—34 thousand EUR (as of December 31, 2025: 64 thousand EUR).

26(A). LOANS GRANTED TO THIRD PARTIES

Loans granted to third parties are as follows:

	September 30, 2026 EUR '000	*December 31, 2025 EUR '000*
Trade loans granted to third parties	5,850	5,724
Allowance for credit losses	*(77)*	*(77)*
Total	**5,773**	**5,647**

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

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

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

Company	*UIC / Unified State Registration Number and Tax ID*	*Currency Type*	*Agreed Amount*	*Contract No. / Year*	*Date of the most recent amendment to the contract*	*Maturity*	*Interest Rate*	*Market value of collateral*	*September 30, 2026*	
			'000					*EUR'000*	*EUR'000*	*EUR'000 including interest*
Sopharmacy MC	*1017600023754*	*EUR*	3,000	330/2018	November 13, 2025	December 31, 2026	3.05%	*4,409*	*3,658*	*658*
Black Star International AD	*206893902*	*EUR*	1,401	52/2023	November 18, 2025	December 31, 2026	6.00%	*-*	*1,523*	*122*
Sopharmacy MC	*1017600023754*	*EUR*	695	470/2017	November 13, 2025	December 31, 2026	3.05%	*1,766*	*313*	*7*
Sia Bah	*40203357399*	*EUR*	260	308 and 408 /2024	December 2, 2025	December 31, 2026	4.40%	*388*	*279*	*19*
								6,563	**5,773**	**806**

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

Company	*UIC / Unified State Registration Number and Tax ID*	*Currency*	*Agreed Amount*	*Contract No. / Year*	*Date of the Last Amendment to the Contract*	*Maturity*	*Interest Rate*	*Market value of collateral*	*December 31, 2025*	
			'000					*BGN'000*	*BGN'000*	*BGN'000 including interest*
Sopharmacy MC	*1017600023754*	*EUR*	3,000	330/2018	November 13, 2025	December 31, 2026	3.05%	*4,224*	*3,589*	*589*
Black Star International AD	*206893902*	*EUR*	1,401	52/2023	November 18, 2025	December 31, 2026	6.00%	*-*	*1,460*	*59*
Sopharmacy MC	*1017600023754*	*EUR*	695	470/2017	November 13, 2025	December 31, 2026	3.05%	*1,347*	*327*	*1*
Sia Bah	*40203357399*	*EUR*	260	308 and 408 /2024	December 2, 2025	December 31, 2026	4.40%	*297*	*271*	*11*
								5,868	**5,647**	**659**

Loans granted to third parties are intended to support the financing of these companies' activities in line with common strategic objectives. They are secured by a mortgage on a building, a pledge of machinery and equipment, and pledges of securities (stocks).

26(B). OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Taxes to be refunded	4,382	3,865
Prepaid expenses	551	798
Cash provided for dividend payments	208	30
Receivables from deposits provided as collateral	101	121
Judicial and awarded receivables	*4,577*	*2,786*
Allowance for credit losses on judicial and adjudicated receivables	*(2,694)*	*(2,786)*
Litigated and adjudicated receivables, net	1,883	-
Other	80	29
Total	**7,205**	**4,843**

Taxes to be refunded include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Excise tax	3,955	3,851
Corporate income tax	427	-
Value-Added Tax	-	14

Total	**4,382**	**3,865**

Prepaid expenses include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
License and patent fees	233	79
Subscriptions	205	198
Insurance	74	231
Bank Fees and Commissions	10	16
Rent	7	12
Advertisement	6	197
Consulting Services	2	6
Other	14	59
Total	**551**	**798**

Deposits provided as collateral include:

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

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

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

	2026 EUR '000	***2025 EUR '000***

Balance as of January 1	**2,786**	**243**
Transfer from trade receivables	41	-
Decrease in the allowance for credit losses recognized in profit or loss for the year	(133)	(44)
Increase in the allowance for credit losses recognized in profit or loss for the year	-	2,587
Balance as of September 30/December 31	**2,694**	**2,786**

27. ASSETS HELD FOR SALE

On October 27, 2025, the company entered into a preliminary agreement for the sale of a separate part of its commercial enterprise, consisting of a production unit in the city of Sliven, whose business activities include the manufacture and sale of veterinary medicinal products and laboratory testing of food and biological products. The transaction was approved by the General Meeting of Shareholders held on December 5, 2025. The final sales agreement was signed on January 30, 2026.

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

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

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

The assets included in the disposal group are as follows*:*

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Property, plant, and equipment	-	3,488
Inventories	-	394
Total assets held for sale	**-**	**3,882**

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

As a result of the calculations and analyses performed in 2025, no impairment loss was identified.

Liabilities included in the disposal group are presented in *Note 41.*

28. CASH AND CASH EQUIVALENTS

Cash includes:

	September 30, 2026	***December 31, 2025***

	EUR '000	*EUR '000*
Cash in checking accounts	7,963	13,318
Cash on hand	15	-
Restricted cash	15	10
Cash and cash equivalents	**7,993**	**13,328**

Cash in operating accounts amounts to: in EUR – 7,649 thousand EUR (Dec. 31, 2025: 12,438 thousand EUR), in USD – 288 thousand EUR (December 31, 2025: 819 thousand EUR) , and in other currencies – 26 thousand EUR (December 31, 2025: 61 thousand EUR).

Cash on hand is denominated in EUR.

Restricted cash includes issued bank guarantees denominated in EUR.

Based on the analyses performed and the methodology applied to calculate expected credit losses on cash and cash equivalents, management has determined that no impairment of cash and cash equivalents is necessary. Therefore, the company has not recognized an impairment allowance for expected credit losses on cash and cash equivalents.

29. EQUITY

Common Stock

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

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

Issued and fully paid-in common shares	*Shares*	*Share capital, net of repurchased shares*
	Number	*EUR '000*
Balance as of January 1, 2025	**165,743,067**	**64,188**
Capital issuance	360,057,540	184,095
Effect of a Capital Issue on Repurchased Shares	(17,789,926)	-
Repurchased shares sold	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	13,624,641	9,311
Treasury shares repurchased	(100)	-

Balance as of September 30, 2026	**539,157,603**	**274,970**

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

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

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

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

As of September 30, 2026, there were no ***treasury shares*** (December 31, 2025: 13,624,541 shares valued at 9,311 thousand EUR). During the current year, 100 shares were purchased and 13,624,641 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:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Statutory reserves	27,497	34,174
Revaluation reserve for property, plant, and equipment	10,140	10,126
Reserve for financial assets at fair value through other comprehensive income	2,981	(232)
Additional reserves	-	3,312
Total	**40,618**	**47,380**

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

The movement in statutory reserves is as follows:

	2026 EUR '000	*2025 EUR '000*
Balance as of January 1	**34,174**	**111,885**
Transfer to additional reserves	(6,677)	-
Positive difference between issue price and par value upon capital issuance	-	941
Transfer from other equity components (warrant issuance) upon exercise of warrant rights	-	126
Advance six-month dividends	-	(10,823)
Capital issuance charged to the premium reserve	-	(67,955)
Balance as of September 30/December 31	**27,497**	**34,174**

The revaluation reserve for property, plant, and equipment in the amount of 10,140 thousand EUR (Dec. 31, 2025: 10,126 thousand EUR) was recognized as the positive difference between the carrying amounts of property, plant, and equipment and their fair values as of the dates of the respective revaluations. The effect of deferred taxes on the revaluation reserve is recognized directly in this reserve.

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

	2026 EUR '000	*2025 EUR '000*
Balance as of January 1	**10,126**	**10,255**
Gain / (Loss) from revaluation of property, plant, and equipment, net	170	-
Transfer to retained earnings	(139)	(129)
Deferred tax related to revaluations	(17)	-
Balance as of September 30/December 31	**10,140**	**10,126**

The reserve for financial assets at fair value through other comprehensive income in the amount of 2,981 thousand EUR (December 31, 2025: minus 232 thousand EUR) is composed of the effects of fair value measurements of other long-term equity investments. Upon derecognition of these investments, the reserve is transferred to "retained earnings."

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

	2026 EUR '000	*2025 EUR '000*
Balance as of January 1	**(232)**	**(48)**

Net change in the fair value of other long-term equity investments	3,212	(508)
Transfer to retained earnings	1	324
Balance as of September 30 / December 31	**2,981**	**(232)**

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

The movement in additional reserves is as follows:

	2026 EUR '000	***2025 EUR '000***
Balance as of January 1	**3,312**	**115,823**
Profit distributed during the year	12,194	3,312
Transfer from statutory reserves	6,677	-
Dividend distribution	(22,183)	-
Capital issuance against additional reserves	-	(115,823)
Balance as of September 30 / December 31	**-**	**3,312**

Other equity components (warrant issue)

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

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

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

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

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

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

The number of securities offered is 8,985,960 warrants. The issue price of one warrant is 0.14 EUR, and the exercise price is 2.91 EUR. The exercise period is 7 years, and the minimum success threshold for the

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

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

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

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

Basic net earnings per share

	September 30, 2026	***September 30, 2025***
Weighted average number of shares	539,157,603	167,014,732
Net income for the year (EUR '000)	28,410	12,823
Basic net earnings per share (EUR)	**0.05**	**0.08**

Diluted net earnings per share

	September 30, 2026	***September 30, 2025***
Weighted average number of shares outstanding	*532,682,556*	-
Cumulative effect of warrants	*24,747,549*	-
Shares outstanding with warrants	557,430,104	-
Net income for the year (EUR '000)	28,410	-
Diluted net earnings per share (EUR)	**0.05**	**-**

As of September 30, 2026, ***retained earnings*** amounted to 45,542 thousand EUR (December 31, 2025: 17,946 thousand EUR).

The movement in retained earnings is as follows:

	2026 EUR '000	*2025 EUR '000*
Balance as of January 1	**17,946**	**8,913**
Net income for the year	28,410	18,576
Effects of repurchased shares sold	16,293	14,136
Effects of restatement of common stock	697	-
Transfer from the revaluation reserve for property, plant, and equipment	139	129
Effects of sold rights under subscribed warrants	4	-
Transfer from the revaluation reserve for financial assets at fair value through other comprehensive income	(1)	(324)
Actuarial losses from subsequent valuations	-	(362)
Allocation of profit for dividends	(5,752)	(6,987)
Allocation of profit to additional reserves	(12,194)	(3,312)
Advance six-month dividends	-	(12,823)
Balance as of September 30 / December 31	**45,542**	**17,946**

30. LONG-TERM BANK LOANS

Long-term bank loans include:

			September 30, 2026			*December 31, 2025*		
Currency	*Agreed loan amount*	*Maturity*	*Long-term portion*	*Short-term portion*	*Total*	*Long-term portion*	*Short-term portion*	*Total*
	'000		*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*
Investment loans								
EUR	40,000	April 4, 2032	25,600	5,685	**31,285**	29,725	5,790	**35,515**
EUR	20,000	December 25, 2032	9,965	3,997	**13,962**	12,964	3,976	**16,940**
EUR	4,880	December 25, 2029	1,996	882	**2,878**	2,662	883	**3,545**
Extended credit lines								
EUR	15,000	October 31, 2028	14,796	-	**14,796**	-	11,607	**11,607**
			52,357	**10,564**	**62,921**	**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 spread of 1.9 points, but not less than 1.9 points, and the one-month EURIBOR plus a spread of 2.9 points (2025: are agreed upon at an interest rate determined based on a short-term interest rate plus a spread of 1.9 points, but not less than 1.9 points, and the one-month EURIBOR plus a spread of 2.9 points).

The following collateral has been established to secure the aforementioned loans:

- Mortgages on real estate with a book value as of September 30, 2026: 29,182 thousand EUR (December 31, 2025 : 30,126 thousand EUR) (*Note 15*);
- Special pledges on machinery, plant, and equipment with a book value as of September 30, 2026: 15,972 thousand EUR (December 31, 2025: 9,904 thousand EUR) (*Note 15*);
- Specific pledges on inventories with a book value as of September 30, 2026: 6,000 thousand EUR (December 31, 2025: 6,000 thousand EUR) (*Note 23*).

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

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

- a total liquidity ratio, which must be at least 1.1x;
- net debt, which must not exceed four times annual earnings before interest, taxes, and depreciation;
- maintaining an equity ratio greater than or equal to 40%;
- no reduction in equity compared to the most recent audited financial statements.

Statement of Changes in Liabilities Arising from Financial Activities

The table below presents the changes in liabilities arising from financial activities, showing both cash and non-cash changes. Liabilities arising from financial activities are those for which cash flows are, or future cash flows will be, classified in the company's statement of cash flows as cash flows from financial activities.

	January 1, 2026	*Changes in Cash Flows from Financing Activities*	*New liabilities arising during the year*	*Other non-cash changes*	*September 30, 2026*
	EUR '000	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*
Bank loans	124,928	(23,176)	-	1,461	103,213
Lease obligations to related parties	7,770	(908)	99	74	7,035
Liabilities under lease agreements with third parties	1,638	(437)	576	(82)	1,695
Dividends and unexercised warrant rights	24,025	(51,126)	27,935	64	898
Total	**158,361**	**(75,647)**	**28,610**	**1,517**	**112,841**
Shares repurchased and sold	(9,311)	25,604	-	(16,293)	-

Reserve for issued warrants	-	3,828	-	(97)	3,731
Net cash flows from financing activities	**149,050**	**(46,215)**	**28,610**	**(14,873)**	**116,572**

	January 1, 2025	*Changes in Cash Flows from Financing Activities*	*New liabilities arising during the year*	*Other non-cash changes*	*December 31, 2025*
	EUR '000	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*
Bank loans	90,443	32,150	-	2,335	124,928
Lease obligations to related parties	8,725	(1,185)	118	112	7,770
Liabilities under lease agreements with third parties	1,416	(500)	872	(150)	1,638
Dividends and unexercised warrant rights	641	(6,941)	30,633	(308)	24,025
Total	**101,225**	**23,524**	**31,623**	**1,989**	**158,361**
Proceeds from issuance of 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 September 30 / December 31 relate to the following items in the statement of financial position:

Deferred tax liabilities/(assets)	*temporary difference*	*tax*	*temporary difference*	*tax*
	September 30, 2026	***September 30, 2026***	***December 31, 2025***	***December 31, 2025***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***
Property, plant, and equipment	25,422	2,542	26,453	2,645
including Revaluation reserve	*9,281*	*928*	*9,120*	*912*
Investment properties	10,109	1,111	10,404	1,040
including Revaluation reserve	*255*	*26*	*264*	*26*
Intangible assets	820	82	685	69
Total deferred tax liabilities	**36,351**	**3,735**	**37,542**	**3,754**
Receivables	(9,792)	(979)	(14,828)	(1,483)
Liabilities to employees	(5,146)	(515)	(5,123)	(512)
Inventories	(3,160)	(316)	(4,564)	(456)
Accrued liabilities	(1,814)	(181)	(1,855)	(186)
Total deferred tax assets	**(19,912)**	**(1,991)**	**(26,370)**	**(2,637)**

Net deferred income tax liabilities	**16,439**	**1,744**	**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:

Deferred tax (liabilities)/assets	***Balance as of January 1, 2026***	***Recognized in profit or loss***	***Recognized in equity***	***Recognized in the statement of equity and the current tax return***	***Balance as of September 30, 2026***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***
Property, plant, and equipment	(2,645)	109	(17)	11	(2,542)
Investment properties	(1,040)	(71)	-	-	(1,111)
Intangible assets	(69)	(13)	-	-	(82)
Receivables	1,483	(504)	-	-	979
Liabilities to employees	512	3	-	-	515
Inventories	456	(140)	-	-	316
Accrued liabilities	186	(5)	-	-	181
Total	**(1,117)**	**(621)**	**(17)**	**11**	**(1,744)**

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

Deferred tax (liabilities)/assets	***Balance as of January 1, 2025***	***Recognized in profit or loss***	***Recognized in equity***	***Recognized in the statement of equity and the current tax return***	***Balance as of December 31, 2025***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***
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:

Unrecognized deferred tax assets	*temporary difference*	*tax*	*temporary difference*	*tax*
	September 30, 2026	***September 30, 2026***	***December 31, 2025***	***December 31, 2025***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***
Impairment of investments in subsidiaries	(12,102)	(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	**(15,779)**	**(1,578)**	**(15,865)**	**(1,587)**

32. GOVERNMENT FUNDING

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

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

	September 30, 2026			***December 31, 2025***		
	Long-term portion	***Short-term portion***	***Total***	***Long-term portion***	***Short-term portion***	***Total***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***
Acquisition of machinery and equipment for new tablet production	638	92	**730**	708	92	**800**
Liquid Filling and Packaging Line	443	10	**453**	451	10	**461**
Introduction of Innovative Products in Ampoule Manufacturing	281	102	**383**	358	102	**460**
Acquisition of fixed assets and building renovations	131	4	**135**	134	4	**138**
Acquisition of general-purpose ventilation and air conditioning systems	18	4	**22**	19	4	**23**
Air conditioning system with water-cooled chiller	19	2	**21**	21	2	**23**
Dosing machine for liquid dosage forms	15	3	**18**	17	3	**20**

Control and Monitoring System for Climate Chambers, Chillers, and Lighting Systems						
	15	1	**16**	15	1	**16**
Automatic Sachet Machine	5	1	**6**	6	1	**7**
Total	**1,565**	**219**	**1,784**	**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 AFFILIATED ENTITIES

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:

Term	***September 30, 2026***	***December 31, 2025***
	EUR '000	***EUR '000***
Up to one year	1,131	1,088
Over one year	5,904	6,682
Total	**7,035**	**7,770**

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

Term	***September 30, 2026***	***December 31, 2025***
	EUR '000	***EUR '000***
Up to one year	1,131	1,088
Over one year	5,904	6,682
Total	**7,035**	**7,770**

Term	***September 30, 2026***	***December 31, 2025***
	EUR '000	***EUR '000***
Up to one year	1,211	1,179
Over one year	6,109	6,939
	7,320	**8,118**
Future finance charges on leases	(285)	(348)
Present value of lease obligations	**7,035**	**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:

Term	***September 30, 2026 EUR '000***	***December 31, 2025 EUR '000***
Up to one year	671	546
Over one year	1,024	1,092
Total	**1,695**	**1,638**

Minimum lease payments to third parties are due as follows:

Term	***September 30, 2026 EUR '000***	***December 31, 2025 EUR '000***
Up to one year	680	555
Over one year	1,046	1,109
	1,726	**1,664**
Future finance charges on leases	(31)	(26)
Present value of lease obligations	**1,695**	**1,638**

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

	September 30, 2026			***December 31, 2025***		
	Long-term portion	***Short-term portion***	***Total***	***Long-term portion***	***Short-term portion***	***Total***
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***
Under vehicle lease agreements	839	544	**1,383**	1,022	490	**1,512**
Under building lease agreements	180	109	**289**	45	37	**82**
Under equipment lease agreements	5	18	**23**	25	19	**44**
Total	**1,024**	**671**	**1,695**	**1,092**	**546**	**1,638**

Liabilities under lease agreements with third parties in EUR amount to 1,166 thousand EUR (Dec. 31, 2025: 1,115 thousand EUR), in USD—238 thousand EUR (as of December 31, 2025: 238 thousand EUR), and in other currencies—291 thousand EUR (as of December 31, 2025: 285 thousand EUR).

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

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

35. LONG-TERM LIABILITIES TO EMPLOYEES

Long-term liabilities to employees include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Long-term liabilities to employees upon retirement	3,702	3,522
Liabilities for long-term income related to bonuses	126	147
Total	**3,828**	**3,669**

Long-term liabilities to employees upon retirement

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

Under the Bulgarian Labor Code, every employee is entitled to severance pay equal to two gross monthly salaries upon retirement; if the employee has worked for the same employer for the last 10 years of their employment history, the severance pay amounts to six gross monthly salaries as of the date of retirement. This is a defined benefit plan *(Note 2.23*).

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

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

	2026 EUR '000	***2025 EUR '000***
Present value of the liability as of January 1	**3,522**	**2,953**
Expense for current service	180	314
Interest expense	-	126
Net actuarial (gain) / loss recognized during the period	-	12
Payments during the year	-	(245)
Effects of subsequent measurements of retirement benefit obligations, including from:	-	362
Actuarial (gains)/losses from changes in demographic assumptions	-	29
Actuarial (gains)/losses from changes in financial assumptions	-	122
Actuarial losses from adjustments due to actual experience	-	211
Present value of the liability as of September 30 / December 31	**3,702**	**3,522**

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

	2026 *EUR '000*	*2025* *EUR '000*
Current service cost	180	184
Components of defined benefit plan expenses recognized in profit or loss *(Note 7)*	**180**	**184**

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

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

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

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

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

The long-term liability for performance-based bonuses is as follows:

	September 30, 2026	*December 31, 2025*

	EUR '000	*EUR '000*
Long-term income liabilities for bonuses maturing in 2029	72	-
Liabilities under long-term income for bonuses maturing in 2028	54	54
Liabilities under long-term income for bonuses maturing in 2027	-	93
Total	**126**	**147**

36. SHORT-TERM BANK LOANS

Short-term bank loans include:

Currency	*Agreed Amount*	*Maturity*	*September 30, 2026*	*December 31, 2025*
	'000		*EUR '000*	*EUR '000*
Extended bank loans (overdrafts)				
EUR	10,226	July 31, 2027	9,472	8,483
EUR	5,113	July 31, 2027	989	4,973
EUR	10,000	October 1, 2026	-	6,336
EUR	10,226	October 1, 2026	-	10,144
EUR	5,000	October 1, 2026	-	4,483
EUR	10,000	July 2, 2027	-	2
			10,461	**34,421**
Extended credit lines				
EUR	30,000	July 13, 2027	29,831	22,900
			29,831	**22,900**
Total			**40,292**	**57,321**

Bank loans in EUR are agreed upon at an interest rate determined based on the one-month EURIBOR plus a margin ranging from 0.40% to 1.00%, but not less than 1.00% to 2.40%, a reference interest rate plus a margin of 2.20%, but not less than 2.20%, and a variable base interest rate index plus a margin of 1.70% (2025: in EUR, they 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%). 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 September 30, 2026: 9,677 thousand EUR (December 31, 2025: 9,838 thousand EUR) *(Note 15 and Note 17*);

• Special pledges on:

- machinery and equipment with a book value as of September 30, 2026, of 11,210 thousand EUR (December 31, 2025: 11,719 thousand EUR) *(Note 15 and Note 17*);

- Receivables from affiliated companies with a carrying amount as of September 30, 2026: 54,850 thousand EUR (December 31, 2025: 57,285 thousand EUR) *(Note 24*).

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

• Mortgages on real estate with a carrying amount as of September 30, 2026: 1,280 thousand EUR (December 31, 2025: 1,302 thousand EUR);

- Specific pledges of trade receivables from third parties held by a subsidiary with a carrying amount as of September 30, 2026: 3,200 thousand EUR (December 31, 2025: 3,200,000 EUR).

A portion of the drawn-down loans as of September 30, 2026, amounting to 48 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 consultation with the respective lending bank.

37. TRADE PAYABLES

Trade payables include:

	September 30, 2026	***December 31, 2025***
	EUR '000	***EUR '000***
Liabilities to suppliers	9,209	11,058
Advances Received	191	5,316
Total	**9,400**	**16,374**

Payables to suppliers by type are as follows:

	September 30, 2026	***December 31, 2025***
	EUR '000	***EUR '000***
Payables for the supply of inventories	6,880	5,481
Liabilities for the provision of services	1,750	3,789
Liabilities for the supply of fixed assets	579	1,788
Total	**9,209**	**11,058**

Payables to suppliers are as follows:

	September 30, 2026 EUR '000	*December 31, 2025 EUR '000*
Payables to domestic suppliers	5,625	5,976
Payables to foreign suppliers	3,584	5,082
Total	**9,209**	**11,058**

Payables to suppliers are current and interest-free. Payables in EUR amount to 8,670 thousand EUR (Dec. 31, 2025: 9,774 thousand EUR), in USD—474 thousand EUR (December 31, 2025: 1,215 thousand EUR), and in other currencies—65 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 past-due trade payables.

Advances received from customers are for purchases of:

	September 30, 2026 EUR '000	*December 31, 2025 EUR '000*
Finished goods	143	107
Services	48	96
A separate part of a commercial enterprise	-	5,113
Total	**191**	**5,316**

Advances received from customers are current. Of these, 191 thousand EUR are denominated in EUR (December 31, 2025: 5,314 thousand EUR) and none are denominated in USD (December 31, 2025: 2 thousand EUR).

The Company has provided deposits and bank guarantees as collateral for liabilities to suppliers arising from commercial transactions in the amount of 96 thousand EUR (December 31, 2025: 129 thousand EUR) *(Note 26b, Note 28, and Note 36*).

The Company has received deposits as performance bonds under contracts concluded with suppliers in the amount of 122 thousand EUR (December 31, 2025: 151 thousand EUR) *(Note 42*).

38. LIABILITIES TO AFFILIATED ENTITIES

Liabilities to related parties include:

	September 30, 2026 EUR '000	*December 31, 2025 EUR '000*

Liabilities to associates	1,136	1,099
Liabilities to companies related through key management personnel	701	416
Liabilities to subsidiaries	534	879
Liabilities to shareholder companies with significant influence	174	13,855
Liabilities to companies controlled by an associate	26	5
Key management personnel	-	2,070
Total	**2,571**	**18,324**

Liabilities to affiliated companies by type are as follows:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Dividend liabilities		15,890
Liabilities under lease agreements *(Note 33)*	1,131	1,088
Provision of services	739	921
Liabilities for the supply of inventories	701	425
Total	**2,571**	**18,324**

Liabilities to related parties are current. Of these, 2,548 thousand EUR are denominated in EUR (Dec. 31, 2025: 18,324 thousand EUR), in Polish zlotys—22 thousand EUR (as of December 31, 2025: none), and in Russian rubles—1 thousand EUR (as of December 31, 2025: none)

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

39. TAX LIABILITIES

Current tax liabilities include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
National supplementary tax	537	384
Personal income taxes	485	341
Taxes on expenses	129	220
Income tax on foreign individuals	83	246
Local taxes and fees	79	1

Value-Added Tax	32	-
Corporate Income Tax	-	947
Dividend tax	-	199
Total	**1,345**	**2,338**

Long-term tax liabilities include:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
National supplementary tax	-	537
	537	**537**

The company has undergone the following tax audits:

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

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

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

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

40. LIABILITIES TO EMPLOYEES AND SOCIAL SECURITY

Liabilities to employees and for social security are as follows:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Liabilities to employees, including:	4,367	4,656
bonuses	*2,190*	*1,795*
Current liabilities	*1,427*	*1,785*
Accruals for unused compensable leave	*750*	*1,076*
Social security liabilities, including:	966	1,017
Current liabilities	*828*	*831*
Accruals for unused compensable leave	*138*	*186*

Total	**5,333**	**5,673**

41. LIABILITIES HELD FOR SALE

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

	September 30, 2026 EUR '000	***December 31, 2025 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 funding is provided under agreements concluded with the Executive Agency for the Promotion of Small and Medium-Sized Enterprises for non-repayable financial assistance under the "Innovation and Competitiveness 2014–2020" Operational Program.

42. OTHER CURRENT LIABILITIES

Other current liabilities are as follows:

	September 30, 2026 EUR '000	***December 31, 2025 EUR '000***
Liabilities for refunds under contracts with customers *(Note 2.5.6)*	1,142	1,140
Liabilities for dividends and unexercised warrant rights	898	8,135
Liabilities under lease agreements with third parties *(Note 34)*	671	546
Provision for financial guarantees provided *(Note 2.26)*	452	452
Government grants (*Note 32*)	219	219
Liabilities from Deposits Received as Guarantees	122	151
Payroll Deductions	29	26
Total	**3,533**	**10,669**

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

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

	2026 *EUR '000*	*2025* *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 September 30 / 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 relate to affiliated entities.

43. CONTINGENT LIABILITIES AND COMMITMENTS

Significant irrevocable contracts and commitments

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

Guarantees and Collateral Provided

The Company has provided the following collateral to banks in connection with bank loans obtained by related parties:

a) *for loans to subsidiaries:*

- mortgages on real estate with a book value as of September 30, 2026: 5,770 thousand EUR (December 31, 2025: 5,919 thousand EUR) *(Note 15*);
- specific pledges on:

- inventories with a book value as of September 30, 2026: 14,332 thousand EUR (December 31, 2025: 14,332 thousand EUR) *(Note 23*);

- shares in the capital of a subsidiary with a book value as of September 30, 2026, of 5,207 thousand EUR (December 31, 2025: 5,187 thousand EUR) (*Note 18*).

b) *Loans to associated companies:*

- mortgages on real estate with a book value as of September 30, 2026, of 2,717 thousand EUR (December 31, 2025: 2,801 thousand EUR) *(Note 15*);
- special pledge of shares in the capital of an associated company with a book value as of September 30, 2026, in the amount of 17,210 thousand EUR (December 31, 2025: none) (*Note 19*).

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

Company	Maturity Period	Currency	Contractual Amount	Amount Guaranteed as of September 30, 2026 EUR'000
Sopharma Trading AD	2026–2027	EUR	180,770	140,386
Sopharma Trading d.o.o., Belgrade	2028	EUR	29,800	11,875
Sopharma Buildings REIT	2027–2028	EUR	33,234	17,811
Doverie United Holding AD	2027	EUR	15,339	1,278
Energoinvest AD	2027	EUR	920	1,550
Total				**172,900**

44. FINANCIAL RISK MANAGEMENT

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

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

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

The structure of financial assets and liabilities is as follows:

Financial Assets	***September 30, 2026***	***December 31, 2025***
	EUR '000	***EUR '000***
Financial assets at fair value through other comprehensive income, including:	***8,105***	***4,957***
Equity investments	*8,105*	*4,957*
Financial assets at amortized cost, including:	***88,695***	***95,681***
Receivables and loans granted, including	*80,702*	*82,353*
Long-term receivables from related companies	6,814	6,691
Other long-term receivables	1,762	1,730
Receivables from affiliated companies	56,749	59,337
Trade receivables	7,412	8,797
Loans granted to third parties	5,773	5,647
Other current receivables	2,192	151
Cash and cash equivalents	*7,993*	*13,328*
Total financial assets	**96,800**	**100,638**

Financial liabilities	***September 30, 2026***	***December 31, 2025***
	EUR '000	***EUR '000***
Financial liabilities at amortized cost, including:		
Long-term and short-term bank loans	***103,213***	***124,928***
Obligations under lease agreements with related parties	***7,035***	***7,770***
Liabilities under lease agreements with third parties	***1,695***	***1,638***
Other loans and liabilities, including	***11,669***	***36,580***
Trade payables	9,209	11,058
Liabilities to Affiliates	1,440	17,236
Other current liabilities	1,020	8,286
Total financial liabilities	**123,612**	**170,916**

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

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

	2026 ***EUR '000***	***2025*** ***EUR '000***
Loans granted at amortized cost (*Note 12*)	330	115
Reversal of an allowance for credit losses on receivables (*Note 9*)	(82)	(47)
Total	**248**	**68**

Credit Risk

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

The company's credit risk arises both from its core business, through trade receivables, and from its financial activities, which include 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 arrived at its current effective approach, which is tailored to the market environment, the diverse payment methods, and the inclusion of trade discounts. The company partners with over 70 Bulgarian and foreign licensed pharmaceutical distributors.

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

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

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

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

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

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

Second, the company refines the impairment provision matrices for each portfolio by adjusting the determined percentages based on historical data regarding payment behavior on issued invoices and historical bad debt losses, incorporating forecast information on certain macroeconomic factors. The historical percentages are adjusted to reflect the effect of future behavior of macroeconomic factors for which a statistical correlation has been established and which are believed to influence customers' ability to service and settle their obligations.

Given the short-term nature of the receivables, management's analysis indicates that the effects of changes in the macroeconomic environment on the provisioning matrix are immaterial as of June 30, 2026.

Litigated and Judged Receivables

When assessing the collectibility of judicial 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 a high degree of uncertainty is identified regarding the collectability of a given receivable (group of receivables), an assessment is made of what portion of it (them) is secured (by a pledge, mortgage, suretyship, or bank guarantee), thereby ensuring their collectability (through the future potential realization of the collateral or payment by a guarantor).

Receivables, or a portion thereof, for which management assesses that there is a very high degree of uncertainty regarding their collectibility and which are unsecured, are subject to a 100% impairment allowance.

Loans, guarantees, and financial guarantees

The assessment of each credit exposure for risk management purposes is a process that requires the use of models that reflect the impact on the exposure of changes in market conditions, expected cash flows, and time to maturity. The assessment of credit risk on loans and guarantees leads to further assessments of the probability of default, the loss given default associated with these assessments, and the correlations among counterparties. The Company measures credit risk using the probability of default (PD), exposure at default (EAD), and loss given default (LGD).

To determine the credit risk of loans, sureties, and financial guarantees granted, as well as certain individual receivables, the company's management has developed a methodology that includes two main components: determining the debtor's credit rating, and statistical models for calculating marginal PDs by year for each rating. With regard to the rating, the company uses internal credit ratings for individual counterparties based on the global methodologies of leading international rating agencies. The rating reflects financial ratios for indebtedness, liquidity, profitability, etc., as well as quantitative (e.g., sales levels) and qualitative (e.g., financial policy, diversification, etc.) criteria in accordance with the relevant methodology and industry.

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

Based on the specific rating assigned and an analysis of the characteristics of the borrower and the loan/guarantee, including any changes that have occurred in 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 compared to the lifetime probability of default as of the date the asset was initially recognized;
- The borrower is past due by more than 30 days but less than 90 days;
- Actual or expected significant adverse changes in the borrower's operating results, exceeding the permissible range of variation, as measured by key financial and operating indicators of the borrower;
- A significant change in the value of the collateral that is expected to increase the loss and the risk of default.

Qualitative criteria:

- Significant adverse changes in the business, financial, and/or economic conditions in which the borrower operates;
- Actual or expected significant adverse changes in the borrower's operating results;
- A significant change in the value of collateral that is expected to increase the risk of default;
- Early signs of cash flow/liquidity problems, such as delays in servicing trade creditors or loans.

The criteria used to determine a significant increase in credit risk are monitored and reviewed periodically for appropriateness by the company's Chief Financial Officer.

The company classifies a financial instrument *as in default and with an incurred credit loss* when it meets one or more of the following criteria:

Quantitative Criteria

- The borrower is more than 90 days past due on its contractual payments;
- Significant adverse changes and events have occurred or are expected to occur in the borrower's business, financial condition, and operating environment, as evidenced by a significant decline in the borrower's key financial and operating metrics;
- The borrower reports a series of losses and negative net assets;
- Occurred or impending material adverse changes in the value of key collateral securing the loan, including losses of collateral.

Qualitative Criteria

The borrower is unable to make payments due to significant financial difficulties. These are cases where:

- The borrower is in breach of the financial agreement, e.g., interest payments, collateral;
- There are negative changes in the borrower's business;
- Concessions have been made in connection with the borrower's financial difficulties;
- It is likely that the borrower will be declared insolvent.

The definition of default is consistently applied to model the probability of default (PD), exposure at default (EAD), and loss given default (LGD) in the company's expected loss calculations.

Expected credit losses are calculated by discounting the present value of the product of: the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD), defined as follows:

- PD represents the probability that the borrower will default on its financial obligation either within the next 12 months or over the entire life of the financial asset (lifetime PD), determined based on publicly available PD data from generally accepted sources and statistical models of the effects of projected macroeconomic factors. In addition, the company's management has performed a historical analysis and identified the key economic variables affecting credit risk and expected credit losses for each type of loan (portfolio);
- EAD is the amount owed to the company by the borrower at the time of default, over the next 12 months, or over the remaining term of the loan, determined in accordance with the specific characteristics of the instrument (amount owed, repayment schedules, interest rates, term, etc.);
- LGD represents the company's expectation of the loss amount on an exposure in default. LGD varies depending on the type of counterparty, the type and seniority of the claim, and the presence of collateral or other credit support. LGD is measured as a loss percentage of the outstanding exposure at the time of default;
- The discount rate used in calculating expected credit loss (ECL) is the initial effective interest rate on the loan or, in the case of financial guarantees and other instruments without an applicable interest rate, the risk-free rate for the relevant period, currency, etc.

The Company implements a number of policies and practices to mitigate credit risk arising from loans granted. The most common measure is the acceptance of collateral. The Company commissions an appraisal by external experts—independent appraisers—of the collateral received as part of the loan origination process. This appraisal is reviewed periodically, but at least once a year.

The table below presents the quality of the company's financial assets, assets under contracts, and financial guarantee agreements, as well as the maximum exposure to credit risk based on the accepted credit rating assessment as of September 30, 2026:

Financial Assets	***Notes***	***Internal Credit Risk Categorization***	***Expected Credit Losses (IFRS 9)***	***Gross Carrying Amount***	***Impairment loss (adjustment)***	***Carrying amount as of September 30, 2026***
				EUR '000	***EUR '000***	***EUR '000***
Trade receivables from related parties	24	N/A	*For a 12-month period*	59,236	(3,544)	55,692
Trade receivables from third parties	25	N/A	*For a 12-month period*	8,091	(679)	7,412
Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	*Lifetime*	4,257	(7)	4,250
Receivables from refundable unit contributions	21	N/A	*For a 12-month period*	3,054	-	3,054
Receivables under assignment agreements from affiliated companies	21	N/A	*For a 12-month period*	2,165	-	2,165

Receivables from commercial court proceedings and awarded claims	26 (b)	N/A	*For a 12-month period*	4,577	(2,694)	1,883
Long-term loans granted to third parties	22	Regular Stage 1	*Lifetime*	1,544	-	1,544
Short-term loans granted to third parties	26 (a)	Regular Stage 1	*Lifetime*	1,593	(70)	1,523
Long-term receivables from related parties arising from securities transactions	21	N/A	*For a 12-month period*	1,331	-	1,331
Dividend receivables from related parties	24	N/A	*For a 12-month period*	1,056	-	1,056
Receivables from deposits provided under lease agreements	21	N/A	*For a 12-month period*	264	-	264
Receivables from third parties arising from securities transactions	22, 25	N/A	*For a 12-month period*	218	-	218
Cash provided for dividend payments	26 (b)	N/A	*For a 12-month period*	208	-	208
Receivables from guarantees provided to third parties	26 (b)	N/A	*For a 12-month period*	101	-	101
Receivables from guarantees and sureties provided to related parties	24	N/A	*For a 12-month period*	3	(2)	1
Short-term loans granted to related parties	24	Renegotiated Stage 2	*Lifetime*	2,224	(2,224)	-
Total:				**89,922**	**(9,220)**	**80,702**

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:

Financial Assets	***Notes***	***Internal Credit Risk Categorization***	***Expected Credit Losses (IFRS 9)***	***Gross carrying amount***	***Impairment loss (adjustment)***	***Carrying amount as of December 31, 2025***
				EUR '000	***EUR '000***	***EUR '000***
Trade receivables from related parties	24	N/A	*For a 12-month period*	62,384	(3,544)	58,840
Trade receivables from third parties	25	N/A	*For a 12-month period*	7,914	(777)	7,137

Short-term loans granted to third parties	26 (a)	Renegotiated Stage 2	*Lifetime*	4,194	(7)	4,187
Receivables from refundable unit contributions	21	N/A	*For a 12-month period*	2,980	-	2,980
Receivables under assignment agreements from affiliated companies	21	N/A	*For a 12-month period*	2,116	-	2,116
Receivables from third parties arising from securities transactions	22, 25	N/A	*For a 12-month period*	1,919	(41)	1,878
Long-term loans granted to third parties	22	Regular Stage 1	*Lifetime*	1,512	-	1,512
Short-term loans granted to third parties	26 (a)	Regular Stage 1	*Lifetime*	1,530	(70)	1,460
Long-term receivables from related parties arising from securities transactions	21	N/A	*For a 12-month period*	1,331	-	1,331
Dividend receivables from related parties	24	N/A	*For a 12-month period*	482	-	482
Receivables from deposits provided under lease agreements	21	N/A	*For a 12-month period*	264	-	264
Receivables from guarantees and sureties provided to related parties	24	N/A	*For a 12-month period*	17	(2)	15
Short-term loans granted to related parties	24	Renegotiated Stage 2	*Lifetime*	1,845	(1,845)	-
Total:				**88,488**	**(6,286)**	**82,202**

The table below provides information on the company's exposure to credit risk and credit loss allowances for loans and trade receivables as of September 30, 2026:

Category	***Correspondence with External Credit Rating***	***Average expected loss rate***	***Gross Carrying Amount as of September 30, 2026***	***Impairment loss (adjustment) as of September 30, 2026***
			EUR '000	***EUR '000***
Trade receivables and receivables from securities transactions	*N/A*	*6.13%*	68,876	(4,223)
Renegotiated loans (Stage 2)	B3	*0.16%*	4,257	(7)
Receivables from refundable equity contributions	*N/A*	*0.00%*	3,054	-

Receivables under assignment agreements from affiliated companies	*N/A*	*0.00%*	2,165	-
Receivables from commercial court proceedings and awarded claims	*N/A*	*58.86%*	4,577	(2,694)
Performing loans (Stage 1)	Caa1	*0.00%*	1,544	-
Performing loans (Stage 1)	B3	*4.39%*	1,593	(70)
Dividend receivables from related parties	*N/A*	*0.00%*	1,056	-
Receivables from deposits provided under lease agreements	*N/A*	*0.00%*	264	-
Funds provided for the payment of dividends	*N/A*	*0.00%*	208	-
Receivables from guarantees provided to third parties	*N/A*	*0.00%*	101	-
Receivables from sureties and guarantees provided to related parties	*N/A*	*66.67%*	3	(2)
Renegotiated loans (Stage 2)	SaA1	*100.00%*	2,224	(2,224)
Total:			**89,922**	**(9,220)**

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:

Category	***Correspondence with External Credit Rating***	***Average expected loss rate***	***Gross carrying amount as of December 31, 2025***	***Impairment loss (adjustment) as of December 31, 2025***
			EUR '000	***EUR '000***
Trade receivables and receivables from securities transactions	*N/A*	*5.93%*	73,549	(4,361)
Renegotiated loans (Stage 2)	B3	*0.17%*	4,194	(7)
Receivables from refundable equity contributions	*N/A*	*0.00%*	2,980	-
Judicial and adjudicated commercial receivables	*N/A*	*100.00%*	2,786	(2,786)
Receivables under assignment agreements from affiliated companies	*N/A*	*0.00%*	2,116	-
Renegotiated loans (Stage 2)	SaA1	*100.00%*	1,845	(1,845)
Performing Loans (Stage 1)	B3	*4.58%*	1,530	(70)
Performing Loans (Stage 1)	Caa1	*0.00%*	1,512	-
Dividend receivables from related parties	*N/A*	*0.00%*	482	-
Receivables from deposits provided under lease agreements	*N/A*	*0.00%*	264	-
Receivables from guarantees and sureties provided to related parties	*N/A*	*11.76%*	17	(2)
Total:			**91,275**	**(9,071)**

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

September 30, 2026 EUR'000	***December 31, 2025 EUR '000***

Customer 1	49%	48%
Customer 2	30%	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 issuing promissory notes.

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

Cash and Cash Equivalents

The company's cash and payment transactions are primarily concentrated in various first-class banks. To calculate expected credit losses on *cash and equivalents*, a rating-based model is applied, using the banks' ratings as determined by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA, and Bloomberg, along with publicly available reference data on PD (probability of default) corresponding to the respective bank's rating. Management continuously monitors changes in the relevant bank's rating to assess the presence of elevated credit risk, the current management of incoming and outgoing cash flows, and the distribution of cash balances across bank accounts and banks.

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, in respect of recognized foreign currency assets and liabilities, and with regard to net investments in foreign companies.

The remainder of the company's transactions are typically conducted in EUR. The company sells a significant portion of its finished products in EUR, thereby eliminating currency risk. Settlements with subsidiaries in Ukraine are also in EUR. However, due to the instability in the country and the depreciation of the Ukrainian hryvnia, in order to minimize currency risk, the company implements a foreign exchange policy through its subsidiaries that includes the immediate conversion of local-currency receipts into EUR, as well as the application of higher trade markups to offset any potential future depreciation of the hryvnia.

To manage currency risk, the company has implemented a system for planning import deliveries and sales in foreign currency, as well as procedures for daily monitoring of movements in the USD exchange rate and control over upcoming payments.

Assets and liabilities denominated in foreign currency are presented as follows:

September 30, 2026	**in USD**	**in EUR**	**in other currencies**	**Total**
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***
Capital investments	7,523	582	-	8,105
Receivables and Loans Granted	4,057	65,439	11,206	80,702
Cash and cash equivalents	288	7,679	26	7,993

Total financial assets	**11,868**	**73,700**	**11,232**	**96,800**
Long-term and short-term bank loans	-	103,213	-	103,213
Liabilities under lease agreements with related parties	-	7,035	-	7,035
Liabilities under lease agreements with third parties	238	1,166	291	1,695
Other loans and liabilities	474	11,107	88	11,669
Total financial liabilities	**712**	**122,521**	**379**	**123,612**

December 31, 2025	**in USD**	**in EUR**	**in other currencies**	**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 companies	-	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 September 30 and assuming that the impact of other variables is ignored, is presented below. The net effect is measured and presented as an impact on net income after taxes and on equity.

	USD	
	September 30, 2026 EUR '000	**September 30, 2025 EUR '000**
Net Income +	884	362
Retained earnings +	884	362
Net income -	(884)	(362)
Retained earnings -	(884)	(362)

If the USD appreciates by 10% against the EUR, the net effect on the company's profit (after taxes) for 2026 would be an increase of 884 thousand EUR (3.11%) (2025: an increase of 362 thousand EUR (2.11%). The same effect would apply to equity—specifically, the "retained earnings" component.

If the USD exchange rate against EUR were to decrease by 10%, the net effect on the company's profit (after taxes) would be equal and opposite to the result indicated above for the increase.

The impact of other currencies (excluding the USD) in the event of a 10% increase in their exchange rates against the EUR is not significant on the company's profit (after taxes). The net effect on profit for 2026 is an increase of 73 thousand EUR (0.26%) (for 2025: a decrease of 1,046 thousand EUR (-6.10%). The effect on equity is of the same magnitude and in the direction of an increase/decrease, and is reflected in the "retained earnings" component.

Management believes that the above analysis of currency sensitivity, based on the balance sheet structure of currency assets and liabilities, also reflects the company's currency sensitivity during the year.

Price Risk

The company is exposed, on the one hand, to price risk arising from two factors:

a) a potential increase in the purchase prices of raw materials and supplies, given that over 80% of the raw materials used are imported and account for an average of 50% of production costs; and

b) increasing competition in the Bulgarian pharmaceutical market, which is also reflected in drug prices.

To minimize this impact, the company implements a corporate strategy aimed at optimizing production costs, evaluating alternative suppliers offering favorable commercial terms, expanding its product portfolio by developing new generic products for the market, and, last but not least, adopting a flexible marketing and pricing policy. The pricing policy is a function of three main factors: cost structure, competitors' prices, and consumers' purchasing power.

On the other hand, the company is exposed to price risk with respect to its other long-term equity investments. To this end, management monitors and analyzes all changes in the securities market and utilizes the consulting services of one of the country's most reputable investment brokers. At this stage, management has decided to significantly reduce operations on the stock markets and to hold the purchased shares for the longer term while continuously monitoring the financial and business indicators reported by the respective issuer.

Liquidity Risk

Liquidity risk refers to the adverse situation in which the company is unable to unconditionally meet all of its obligations as they become due.

The company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the company is its core business activity, which generates sufficient operating cash flows. External sources of financing include banks and other long-term partners.

The company has no agreements in place to finance payments to its suppliers.

To mitigate potential liquidity risk, the company employs a system of alternative action plans and forecasts, the ultimate effect of which is to maintain good liquidity and, consequently, the ability to finance its business operations. This is complemented by ongoing monitoring of the maturities of assets and liabilities and control over outgoing cash flows.

Maturity Analysis

The Company's non-derivative financial liabilities are presented below, grouped by residual maturity, determined based on the contractual maturity as of the date of the statement of financial position. The table is prepared based on undiscounted cash flows and the earliest date on which the liability becomes due. The amounts include principal and interest.

September 30, 2026	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 m	from 1 to 2 years	2 to 5 years	over 5 years	Total
	EUR '000	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*
Long-term and short-term bank loans	1,144	2,325	3,426	47,052	12,332	41,055	2,917	**110,251**
Lease obligations to related parties	101	202	303	605	1,211	3,633	1,265	**7,320**
Liabilities under lease agreements with third parties	62	121	181	316	680	366	-	**1,726**
Other loans and liabilities	7,021	3,286	344	1,018	-	-	-	**11,669**
Total Liabilities	**8,328**	**5,934**	**4,254**	**48,991**	**14,223**	**45,054**	**4,182**	**130,966**

December 31, 2025	up to 1 m	from 1 to 3 m	3 to 6 m	6 to 12 m	from 1 to 2 years	2 to 5 years	over 5 years	Total
	EUR'000	*EUR '000*	*EUR'000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*
Long-term and short-term bank loans	1,364	2,395	26,442	41,023	12,453	42,245	7,386	**133,308**
Lease obligations to related parties	98	197	295	590	1,180	3,541	2,218	**8,119**
Liabilities under lease agreements with third parties	47	91	155	262	544	565	-	**1,664**
Other loans and liabilities	32,665	2,129	1,049	737	-	-	-	**36,580**
Total Liabilities	**34,174**	**4,812**	**27,941**	**42,612**	**14,177**	**46,351**	**9,604**	**179,671**

Interest Rate Risk on Interest-Bearing Cash Flows

In the company's asset structure, interest-bearing assets consist of cash, bank deposits, and loans granted, all of which have 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 obligations have both variable and fixed interest rates. This circumstance partially exposes the company's cash flows to interest rate risk. This risk is managed in two ways:

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

b) a combined structure of the loan interest rates themselves, which consists of two components—a fixed and a variable component—whose ratio, as well as their absolute values, can be achieved and maintained at a favorable level for the company. The fixed component has a relatively low absolute value and a sufficiently large relative share of the total interest rate. This circumstance eliminates the likelihood of a significant change in interest rates in the event of a potential adjustment to the variable component. This also minimizes the likelihood of an adverse change in cash flows.

The company's management continuously monitors and analyzes its exposure to changes in interest rates. Various scenarios involving refinancing, renewal of existing positions, and alternative financing are simulated. Based on these scenarios, the effect on net income and equity is measured in the event of a change by a certain number of basis points or percentage points. For each simulation, the same assumption regarding a change in the interest rate is applied to all major currencies. The calculations are performed for significant interest-bearing positions.

September 30, 2026	**non-interest-bearing**	**floating-rate Interest Rate %**	**Fixed-rate Interest Rate %**	**Total**
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***
Capital investments	8,105	-	-	8,105
Receivables and Loans Granted	69,530	-	11,172	80,702
Cash and cash equivalents	30	7,963	-	7,993
Total financial assets	**77,665**	**7,963**	**11,172**	**96,800**
Long-term and short-term bank loans	-	103,213	-	103,213
Liabilities under lease agreements with related parties	-	-	7,035	7,035
Liabilities under lease agreements with third parties	-	-	1,695	1,695
Other loans and liabilities	11,669	-	-	11,669
Total financial liabilities	**11,669**	**103,213**	**8,730**	**123,612**

December 31, 2025	**non-interest-bearing**	**floating-rate Interest Rate %**	**Fixed-rate 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
Liabilities under lease agreements with 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 September 30 and assuming that the impact of other variables is ignored. The effect is measured and presented as an impact on net income after taxes and on shareholders' equity.

2026

	Increase/ decrease in interest rate	***Effect on financial result after taxes profit/(loss)***	***Effect on equity equity increase/(decrease)***
EUR	increase	(501)	(460)
USD	increase	(1)	(1)
BYN	increase	(1)	(1)
EUR	decrease	501	460
USD	decrease	1	1
BYN	decrease	1	1

2025	***Increase/ decrease in interest rate***	***Effect on financial result after taxes profit/(loss)***	***Effect on equity equity increase/(decrease)***
EUR	increase	(587)	(587)
USD	increase	(2)	(2)
EUR	decrease	587	587
USD	decrease	2	2

Capital Risk Management

Through capital management, the company aims to create and maintain the ability to continue as a going concern and to provide an appropriate return on invested capital to shareholders, economic benefits to other stakeholders and participants in its business, as well as to maintain an optimal capital structure in order to reduce the cost of capital.

The Company regularly monitors its capital adequacy and structure based on the gearing ratio (net debt to total capital). This ratio is calculated as the ratio of net debt to total capital. Net debt is defined as the difference between

all borrowed funds, as reported in the statement of financial position, and cash and cash equivalents. Total capital employed is equal to equity and net debt.

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

	September 30, 2026 EUR '000	*December 31, 2025 EUR '000*
Total debt, including:	**111,943**	**134,336**
bank loans	*103,213*	*124,928*
Lease obligations to related companies	*7,035*	*7,770*
Liabilities under lease agreements with third parties	*1,695*	*1,638*
Less: cash and cash equivalents	**(7,993)**	**(13,328)**
Net debt	**103,950**	**121,008**
Total equity	**364,861**	**331,682**
Total capital	**468,811**	**452,690**
Gearing ratio (net debt to total capital)	**0.22**	**0.27**

The cash and liabilities included in the table above are disclosed in *Notes 28, 30, 33, 34, 36, 38, and 42*.

Fair Value Measurement

The fair value concept assumes the realization of financial instruments through sale, based on the views, assumptions, and judgments of independent market participants in the primary market or the most advantageous market for a given asset or liability. For its financial assets and liabilities, the company considers the financial markets in Bulgaria—the Bulgarian Stock Exchange (BSE), major commercial banks acting as dealers, and, for certain specific instruments, direct transactions between the parties—to be the primary market. In most cases, however, particularly with regard to trade receivables and payables, loans, and deposits, the company expects to realize these financial assets through their full repayment or, respectively, amortization over time. Therefore, they are presented at their amortized cost.

Furthermore, the majority of financial assets and liabilities are short-term in nature (trade receivables and payables, short-term loans), or are recognized in the statement of financial position at a specific market value (based on a specific valuation method) (investments in securities, variable-rate loans); therefore, their fair value is approximately equal to their carrying amount. For fixed-rate loans, the methodology used to determine the interest rate takes the company's current observations of market interest rates as the starting point for the calculations.

Since there is not yet a sufficiently active market for various financial instruments in Bulgaria, with the stability, sufficient volume, and liquidity for the purchase and sale of certain financial assets and liabilities, there are not enough reliable market price quotes available for them; therefore, other alternative valuation methods and techniques are used.

Management believes that, under the current circumstances, the measurements of financial assets and liabilities presented in the statement of financial position are as reliable, appropriate, and accurate as possible for financial reporting purposes.

45. SEGMENT REPORTING

Segment reporting at the company is organized based on the production of major product groups, wholesale trade in pharmaceutical products, and assets provided under lease agreements.

The production of pharmaceutical products includes:

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

Medical products include: bandages, sanitary and hygiene products, dressing materials, and therapeutic cosmetics.

Other forms include: lyophilized products, ointments, syrups, drops, suppositories, inhalers, hemodialysis concentrates, sachets, substances, infusion solutions, veterinary vaccines, solutions, and chemical substances and mixtures.

The distribution of medicinal products is carried out on the basis of a wholesale distribution license for medicinal products issued by the Executive Agency for Medicines (EAM) and covers:

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

Medical products include: sanitary and hygiene products.

Other forms include: ointments, syrups, sachets, sprays, and drops.

Segment revenue, expenses, and results include:

	Manufacturing of pharmaceutical products		***Distribution of pharmaceutical products***		***Assets Provided Under Lease Agreements***		***Total***	
	2026	*2025*	*2026*	*2025*	*2026*	*2025*	*2026*	*2025*
	EUR '000	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***	***EUR '000***
Revenue from tablet formulations	*85,958*	*66,979*	*4,080*	*1,372*	-	-	90,038	68,351
Cost of tablet formulations	*(29,855)*	*(25,190)*	*(3,092)*	*(1,017)*	-	-	(32,947)	(26,207)
Revenue from ampoule formulations	*11,516*	*11,097*	-	-	-	-	11,516	11,097
Cost of ampoule formulations	*(9,673)*	*(8,828)*	-	-	-	-	(9,673)	(8,828)
Revenue from other dosage forms	*10,977*	*11,638*	*13,293*	*2,956*	-	-	24,270	14,594
Cost of other forms	*(6,546)*	*(6,756)*	*(7,718)*	*(1,624)*	-	-	(14,264)	(8,380)
Revenue from medical products	*5,336*	*4,882*		-	-	-	5,336	4,882
Cost of medical products	*(3,330)*	*(3,172)*			-	-	(3,330)	(3,172)
Assets Provided Under Lease Agreements	-	-	-	-	*1,051*	*1,045*	1,051	1,045
Cost of assets provided under lease agreements	-	-	-	-	(33)	*(35)*	(33)	(35)
Segment revenue	*113,787*	*94,596*	*17,373*	*4,328*	*1,051*	*1,045*	132,211	99,969
Segment cost of sales	(49,404)	(43,946)	(10,810)	(2,641)	(33)	(35)	(60,247)	(46,622)
Segment income	**64,383**	**50,650**	**6,563**	**1,687**	**1,018**	**1,010**	**71,964**	**53,347**
Unallocated operating income from operations							8,946	5,002
Unallocated operating expenses from operations							(51,744)	(41,393)
Operating income							**29,166**	**16,956**
Net gain/(loss) on the sale of investments in subsidiaries and associates							2,902	1,621
Impairment of non-current assets outside the scope of IFRS 9							-	(147)
Net financial income/(expenses)							(727)	420
Income before income taxes							**31,341**	**18,850**
Income tax expense							(2,931)	(1,706)
Net income for the year							**28,410**	**17,144**

Segment assets include:

	Production of tablet forms		***Production of ampoule formulations***		***Manufacturing of other dosage forms***		***Manufacturing of medical devices***		***Distribution of pharmaceutical products***		***Assets provided under lease agreements***		***Total***	
	2026 EUR '000	*2025 EUR '000*	*2026 EUR '000*	*2025 EUR '000*	*2026 EUR '000*	*2025 EUR '000*	*2026 EUR '000*	*2025 EUR '000*	*2026 EUR '000*	*2025 EUR '000*	*2026 EUR '000*	*2025 EUR '000*	*2026 EUR '000*	*2025 EUR '000*
Property, Machinery, and Equipment	25,658	27,190	12,194	9,754	21,253	20,542	1,116	1,135	3,031	3,321	592	631	63,844	62,573
Investment Properties	-	-	-	-	-	-	-	-	-	-	25,791	25,777	25,791	25,777
Inventories	36,199	31,811	10,513	12,913	8,823	8,951	1,673	1,753	4,325	5,364	-	-	61,533	60,792
Segment assets	**61,857**	**59,001**	**22,707**	**22,667**	**30,076**	**29,493**	**2,789**	**2,888**	**7,356**	**8,685**	**26,383**	**26,408**	**151,168**	**149,142**
Unallocated assets													**353,153**	**376,521**
Total assets													**504,321**	**525,663**

Segment liabilities include:

	Production of tablet forms		***Production of ampoule formulations***		***Manufacturing of other dosage forms***		***Manufacturing of medical devices***		***Distribution of pharmaceutical products***		***Assets provided under lease agreements***		***Total***	
	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	865	937	383	460	514	528	22	23	-	-	-	-	1,784	1,948
Liabilities to employees	221	285	139	291	177	291	18	43	48	59	-	-	603	969
Social Security Liabilities	125	119	80	83	108	141	12	18	34	33	-	-	359	394
Segment Liabilities	**1,211**	**1,341**	**602**	**834**	**799**	**960**	**52**	**84**	**82**	**92**	**-**	**-**	**2,746**	**3,311**
Unallocated Liabilities													**136,714**	**190,670**
Total Liabilities													**139,460**	**193,981**

Capital expenditures, depreciation, and non-cash expenses other than depreciation by business segment include:

	Production of tablet forms		***Production of ampoule formulations***		***Manufacturing of other dosage forms***		***Manufacturing of medical products***		***Distribution of pharmaceutical products***		***Assets provided under lease agreements***		***Total***	
	2026	*2025*	*2026*	*2025*	*2026*	*2025*	*2026*	*2025*	*2026*	*2025*	*2026*	*2025*	*2026*	*2025*
	EUR '000	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR '000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR'000*	*EUR '000*	*EUR '000*
Capital expenditures	367	440	2,261	170	1,862	5,401	2	-	-	-	17	280	4,509	6,291
Depreciation	1,934	1,861	849	954	1,046	1,098	127	118	303	301	33	35	4,292	4,367

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:

Related Parties	***Nature of the Relationship***	***Period of Affiliation***
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 LLC	Subsidiary	2025 and 2026
Pharmachim EOOD, Serbia	Subsidiary	2025 and 2026
Pharmanova OOD, Serbia	Subsidiary	2025 and 2026
SofTech Services EOOD	Subsidiary	as of February 28, 2025 and 2026
Sopharma Trading OOD, Serbia	Subsidiary through 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 Sopharma Trading AD	2025 and 2026
Sopharmacy 21 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 22 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 23 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 24 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 25 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 26 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 27 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 28 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 29 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 30 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 31 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 32 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026

Sopharmacy 33 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 34 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 35 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 36 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 37 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharmacy 38 EOOD	Subsidiary through Sopharma Trading AD	2025 and 2026
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	as of July 16, 2025, and 2026
Brititrade COOO	Subsidiary through Sopharma Trading AD	2025 and 2026
Dabradzeya Farm LLC	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
Ne SkA LLC	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
Bellerophon LLC	Subsidiary through Sopharma Trading AD	2025 and 2026
AlfaApteka LLC	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
Fitobel LLC	Subsidiary through Sopharma Trading AD	2025 and 2026
Tabina LLC	Subsidiary through Sopharma Trading AD	2025 and 2026
Salus Line ODO	Subsidiary through Sopharma Trading AD	2025 and 2026
SpetsApharmacia BOOO	Subsidiary through Sopharma Trading AD	2025 and through May 29, 2026
AU Sopharmacy Nova, Serbia	Subsidiary through Sopharma Trading AD	2025 and 2026
AU Sopharmacy, Serbia	Subsidiary through Sopharma Trading AD	2025 and 2026
Sopharma Properties REIT	Associated company	2025 and 2026
Doverie United Holding AD	Associated company	2025 and 2026
Sopharma Buildings REIT	Associated company	2025 and 2026
GalenaFarm LLC	Associated company through Sopharma Trading AD	2025 and 2026

Mejel ODO	Associated company through Sopharma Trading AD	2025 and 2026
Alenfarm-Plus ODO	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 associated company	2025 and 2026
Sofprint Group AD	Company related 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 OOD	Company related through key management personnel	2025 and 2026
Alfa In EOOD	Company related through key management personnel	2025 and 2026
Konsumpharm OOD	Company related through key management personnel	2025 and 2026
"Veterinary Diagnostics" Joint Venture	Civil partnership for the conduct of joint activities (direct participation)	2025 and 2026
Consortium “Sopharma Trading Global Medical 2024”	Civil partnership for the purpose of carrying out joint activities (indirect participation) through Sopharma Trading AD	2025 and 2026
Consortium "Sopharma Trading Global Medical 2025"	Civil partnership for the purpose of carrying out joint activities (indirect participation) through Sopharma Trading AD	as of June 27, 2025, and 2026
Civil Law Partnership “Sopharma Trading Global Medical 2025-2”	Civil partnership for the purpose of carrying out joint activities (indirect participation) through Sopharma Trading AD	as of September 18, 2025, and 2026

Sales made by Sopharma AD to its related parties as of September 30 are as follows:

Sales to Related Parties	***2026***	***2025***
	EUR '000	***EUR '000***
Sales of finished goods to:		
Subsidiaries	95,551	69,397
	95,551	**69,397**
Sales of goods and materials to:		
Subsidiaries	16,757	4,237
Companies affiliated through key management personnel	293	344
	17,050	**4,581**
Sales of services to:		
Subsidiaries	2,652	1,383
Companies controlled by an associate	7	4
Companies affiliated through key management personnel	3	3
	2,662	**1,390**
Dividend income		
Associated companies	1,436	2,972

Subsidiaries	477	-
	1,913	**2,972**
Interest on refundable capital contributions to:		
Subsidiaries	176	197
	176	**197**
Fees on guarantees and sureties provided to:		
Subsidiaries	176	208
	176	**208**
Sales of fixed assets to:		
Subsidiaries	96	1
	96	**1**
Interest on assignment agreements for:		
Joint ventures	49	49
	49	**49**
Interest on loans granted to:		
Joint ventures	49	39
Companies controlled by an associate	-	10
	49	**49**
Total sales to related companies	**117,722**	**78,844**

Deliveries made to Sopharma AD by its affiliated companies as of September 30 are as follows:

Supplies from related parties	***2026***	***2025***
	EUR '000	***EUR '000***
Supplies of inventories from:		
Companies related through key management personnel	3,520	4,064
Subsidiaries	121	337
Associates	43	35
Joint ventures	22	36
Companies Controlled by an Associate	6	21
	3,712	**4,493**
Services provided by:		
Subsidiaries	2,801	2,112
Associates	241	217
Shareholder companies with significant influence	197	201
Companies Controlled by an Associate	107	105
Companies related through key management personnel	47	42

	3,393	**2,677**
Deliveries related to assets under lease agreements from:		
Associates	908	889
	908	**889**
Dividends declared to:		
Shareholder companies with significant influence	15,981	4,128
Key management personnel	2,659	693
	18,640	**4,821**
Acquisition of long-lived intangible assets		
Subsidiaries	-	62
	-	**62**
Other supplies from:		
Companies Controlled by an Associate	3	5
Shareholder companies with significant influence	3	8
Subsidiaries	2	2
	8	**15**
Total supplies from affiliated companies	**26,661**	**12,957**

The total amounts of sales and acquisitions of shares/interests in the capital of companies affiliated with Sopharma AD as of September 30 is as follows:

	2026	***2025***
	EUR '000	***EUR '000***
Proceeds from the sale of investments in:		
Associates	17,575	1,347
Subsidiaries	262	880
	17,837	**2,227**

	2026	***2025***
	EUR '000	***EUR '000***
Additional investments acquired in:		
Subsidiaries	207	24,741
Associates	39	339
	246	**25,080**

Transactions with related parties are disclosed in *Notes 21, 24, 33, and 38.*

The composition of key management personnel is disclosed in *Note 1*.

Remuneration and other short-term income of key management personnel, totaling 671 thousand EUR (September 30, 2025: 602 thousand EUR), are as follows:

- current remuneration – 485 thousand EUR (September 30, 2025: 371 thousand EUR);
- bonuses – 186 thousand EUR (September 30, 2025: 231 thousand EUR).

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

On October 30, 2026, an extraordinary General Meeting of the company's shareholders will be held with the following agenda:

- Approval of the financial statements for the first half of 2026;
- Adoption of a resolution pursuant to Article 30, paragraphs 5–7, of the Company's Articles of Incorporation regarding the distribution of profits and the payment of an interim dividend based on the Company's approved financial statements for the first half of 2026;
- Selection of a registered auditor to perform a statutory assurance engagement on the company's consolidated sustainability report for 2026;
- Clarification of the content of the resolution under Item 7 of the agenda of the Annual General Meeting of Shareholders held on June 26, 2026.

No other significant events have occurred after the end of the reporting period that would require additional adjustments and/or disclosures in the company's separate financial statements for the period ending on September 30, 2026.