

SOPHARMA GROUP**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE PERIOD
1 JANUARY TO 30 SEPTEMBER 2013**

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1. BACKGROUND INFORMATION ON THE GROUP

SOPHARMA GROUP (the Group) is comprised of the parent company and its twenty-eight (31 December 2012: twenty-two) subsidiaries. In addition, the Group has an investment in one joint venture ((31 December 2012: two joint ventures) and two associated companies ((31 December 2012: two associated companies).

Parent company

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

The court registration of the Company dates from 15 November 1991 – Decision No. 1/1991 of Sofia City Court.

Subsidiaries

The subsidiaries of the Group as at 30 September 2013 were as follows:

- Sopharma Trading AD – a business entity registered in Bulgaria by Decision No. 3594/16.10.1998 of Varna District Court, with a seat and address of management: Sofia, Izgrev District, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 12;
- Bulgarian Rose Sevtopolis AD – a business entity registered in Bulgaria by Decision No. 3912/1991 of Stara Zagora District Court, with a seat and address of management: Kazanluk, 110, 23rd Pehoten Shipchenski Polk Blvd.;
- Pharmalogistica AD – a business entity registered in Bulgaria by Decision of Sofia City Court dated 12 August 2002, with a seat and address of management: Sofia, 16, Rozhen Blvd.;
- Electroncommerce EOOD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 24456 of 1991, with a seat and address of management: Sofia, 1, Samokovsko Shousse Str.;
- Biopharm Engineering AD – a business entity registered in Bulgaria by Decision No. 524/1997 of Sliven District Court, with a seat and address of management: Sliven, 75, Trakiya Blvd.;
- Momina Krepost AD – a business entity registered in Bulgaria by Decision No. 3426/1991 of Veliko Tarnovo District Court, with a seat and address of management: Veliko Tarnovo, 23, Magistralna Str.;
- Sopharma Buildings REIT – a business entity registered in Bulgaria by Decision No. 1/14.08.07 of Sofia City Court, with a seat and address of management: Sofia, Izgrev District, 5 Lachezar Stanchev Str., Sopharma Business Towers, Building A, floor 20;

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- Unipharm AD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 3685 of 1994, with a seat and address of management: Sofia, 3, Traiko Stanoev Str.;
- Phyto Palauzovo AD – a business entity registered in Bulgaria by Decision № 20120924105551 from 24 September 2012 of the Registry Agency and with a seat and address of management: Kazanluk, 110, “23 Pehoten shipchenski polk” Blvd.;
- Sopharma Poland OOD, in liquidation – a business entity registered in Poland by Decision No. KRS 0000178554 of 4 November 2003 of XX Economic Division of Warsaw Regional Court Register, with a seat and address of management: Poland, Warsaw, 58, Shashkova Str.;
- Sopharma Warsaw EOOD – a business entity registered in Poland by Decision No. DSR 0000372245 of 17 December 2010 by XII Economic Division of the State Court Register of Warsaw, with a seat and address of management: Poland, Warsaw, 8, Halubinskiego Str.;
- Sopharma Ukraine EOOD – a business entity, registered in Ukraine by Decision № 10691020000029051 from 07 August 2012 of Unified State Register Of Legal Entities and Physical Persons – Entrepreneurs and with a seat and address of management – Ukraine, Kiev, Obolonski district, 9, “Moskovskii” prospekt, corpus 4, floor 2, office 4 – 203.
- Sopharma USA – a business entity registered in USA by Decision No. 97227599 of 25 April 1997 in California State Secretary Office, with a seat and address of management: USA, California, Los Angelis, 4622, Hollywood Blvd.;
- Extab Corporation USA – a business entity registered in USA by Decision No. 090292393 of 6 November 2008 in the Delaware State Secretary Office, with a seat and address of management: USA, Delaware, Wilmington, New Castle Region, 1209 Orange Street;
- Extab Pharma Limited, United Kingdom – a business entity registered in England by Decision No. 06751116 of 17 November 2008, with a seat and address of management: Oxfordshire, RG9 1AY, Henlay on Thames, 10 Station Road;
- PAO Vitamini – a business entity registered in Ukraine by Decision No. 133 dated 15 April 1994 of Uman City Court, with a seat and address of management: Ukraine, Cherkasy Province, Uman, 31, Leninski Iskri Str.;
- Ivanchich and Sons OOD – a business entity registered in Serbia by Fi-11350/91 on 14 October 1991 by the Commercial Court of Belgrade with a seat and address of management: Republic of Serbia, Belgrade, 13, Palmoticheva Str.;
- Briz OOD, Latvia – a business entity registered in Latvia by Decision No. 000302737 dated 18 September 1991 of the Commercial Registry of the Republic of Latvia, with a seat and address of management: Latvia, Riga, Rasas No. 5, LV – 1057;

- Brititrade SOOO, Belarus – a business entity registered in Belarus by Decision No. 1983 dated 24 September 2004 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 118, M. Bogdanomicha Str., office 303 – B;
- Tabina OOO, Belarus – a business entity registered in Belarus by Decision No. 1432 dated 29 December 1999 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 57, Kuybisheva Str., ap.1;
- ZAO Interpharm, Belarus - a business entity registered in Belarus in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 300000556, with a seat and address of management: Belarus, Vitebsk, Stroitelei Square, bl. 3 ap. 2;
- Brizpharm SOOO, Belarus - a business entity registered in the Minsk City Executive Committee in the Unified State Register Of Legal Persons and Physical Persons - Entrepreneurs under Decision No.800007989 form 07 July 2009 and with a seat and address of management: Belarus, Minsk, “Esenina” Str., d.16, room 1 H;
- Alean ODO, Belarus – a business entity registered in Belarus with decision №100160720 from 29 May 2001 in the Minsk City Executive Committee in the Unified State Register Of Legal Persons and Physical Persons – Entrepreneurs and with seat and address of management – Belarus, Minsk, 16 Tashkentskaia Str., corpus 1. The company has been transformed from an associated company to a subsidiary through Briz, Latvia on 7 March 2013.
- OOO Pharmacist Plus, Belarus – a business entity registered in the Minsk City Executive Committee on 24 November 2000 / №1348 in the Unified State Register Of Legal Persons and Physical Persons - Entrepreneurs under №190174236 and with a seat and address of management – Belarus, Minsk, 1st Tverdii Pereulok, d.7.
- ZAO TBS Pharma, Lithuania - a company registered in the Lithuanian Register of Legal Entities on 1 March 2013 / 303011389, with seat and address of management - Lithuania, Vilnius, 8 Vitauto Str. / 7 Liubarto Str., PO Box: 08118.
- Vestpharm ODO, Belarus - a business entity registered in Belarus by Decision №590002202 of the Grodno City Executive Committee and with a seat and address of management – Belarus, Grodno, “Dombrovskogo” Str., d.47, k.3. The company has been acquired by the Group through Briz, Latvia on 4 July 2013;
- NPK Biotest OOO, Belarus - a business entity registered in Belarus by decision №48 from 24 July 1990 of the Lenin District Committee of the People’s Representatives, with seat and address of management – Belarus, Grodno, 2 Gojskaia Str.. The company has been acquired by the Group through Briz, Latvia.
- BelAgroMed ODO, Belarus - a business entity registered in Belarus by decision №009126 from 29 June 2001 of the Grodno City Executive Committee and with a seat and address of

management – Belarus, Grodno, “17 Sentiabria” Str.. The company has been acquired by the Group through Briz, Latvia.

In 2012 the Group disposed of its interest in the following subsidiaries:

- Rostbalkanpharm ZAO – a business entity registered in Russia by Decision No. 1026101791594 of 9 October 2002, with a seat and address of management: Russia, Azov, 10 Osipenko Str. The Group sold its investment on 10 April 2012.
- Superlats OOD, Latvia – a business entity registered in Latvia by Decision No. 40003960404 dated 5 October 2007 of the Commercial Registry of the Republic of Latvia, with a seat and address of management: Latvia, Riga, 117 Dzelzavas Str., LV – 1021 – sold on 15 February 2012.

Joint ventures

As at 30 September 2013 the joint venture of the Group is Vivaton plus OOO, Belarus - a business entity registered in Belarus by Decision №590004353 of the Grodno City Executive Committee and with a seat and address of management – Belarus, Grodno, pr. “Kletskovo”, d.13 B, office 2.

The joint venture Sopharma Zdrovit AD, Poland has been erased from the National Court Register of Poland on 25 February 2013.

Associated companies

As at 30 September 2013 the associated companies of the Group are:

- OOO Med-dent, Belarus - a business entity registered in Belarus by decision № 0018240 from 11 March 2013 by Economy Management of Bobruisk City Executive Council with a seat and address of management – Belarus, Mogilev Region, Bobruisk, 120 K. Marks Str., office 4. The company has been acquired by the Group through Briz, Latvia.
- BOOO SpecApharmacia, Belarus - a business entity registered in Belarus by decision № 22-8 from 30 October 2000 by Mogilev Region Executive Council with a seat and address of management – Belarus, Mogilev Region, Bobruisk, 120 K. Marks Str., office 2. The company has been acquired by the Group through Briz, Latvia.

1.1. Ownership and management of the parent company

SOPHARMA AD is a public company under the Bulgarian Public Offering of Securities Act. As of November 2011, its shares started to be traded also in the Warsaw Stock Exchange.

The joint-stock capital structure of the parent company as at 30 September 2013 was as follows:

%

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Donev Investment Holding AD	25.60
Telecomplect Invest AD	20.42
Rompharm Company OOD	13.53
Universal Pension Fund Doverie AD	6.75
Sopharma AD (treasury shares)	3.97
Other legal persons	26.08
Physical persons	3.65

Sopharma AD has a one-tier management system with a five-member Board of Directors as follows:

Ognian Donev, PhD	Chairman
Vessela Stoeva	Member
Ognian Palaveev	Member
Alexander Chaushev	Member
Andrey Breshkov	Member

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

1.2. Structure of the Group and principal activities

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

<i>Subsidiaries</i>	30 September 2013 Interest %	31 December 2012 Interest %	<i>Acquisition of control date</i>	<i>Release of control date</i>
<i>Companies in Bulgaria</i>				
Sopharma Trading AD	76.16	81.01	08.06.2006	-
Bulgarian Rose Sevtopolis AD *	49.99	52.77	22.04.2004	-
Pharmalogistica AD	76.54	76.54	15.08.2002	-
Electroncommerce EOOD	100	100	09.08.2005	-
Biopharm Engineering AD	97.15	97.15	10.03.2006	-
Sopharma Buildings REIT	42.89	42.64	04.08.2008	-
Momina Krepost AD *	52.48	51.3	01.01.2008	-
Unipharm AD *	51.87	52.21	27.10.2010	-
Phyto Palauzovo AD **	47.49	50.13	21.09.2012	-
<i>Companies abroad</i>				
Sopharma Poland OOD – in liquidation	60	60	16.10.2003	-
Sopharma USA	100	100	25.04.1997	-
Extab Corporation	80	80	05.08.2009	-
Extab Pharma Limited **	80	80	05.08.2009	-
Briz OOD	51	51	10.11.2009	-

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Brititrade SOOO **	50.24	50.24	10.11.2009	-
PAO Vitamini	99.56	99.56	18.01.2008	-
Ivanchich and Sons OOD	51	51	10.04.2008	-
Sopharma Warsaw EOOD	100	100	23.11.2010	-
Tabina OOO **	45.39	47.94	08.04.2011	-
ZAO Interpharm **	28.51	36.31	17.12.2011	-
Brizpharm SOOO **	32.64	26.01	20.12.2012	-
Alean ODO **	36.21	-	07.02.2013	-
Sopharma Ukraine	100	100	07.08.2012	-
OOO Pharmacist Plus **	26.01	-	31.05.2013	-
ZAO TBS Pharma **	26.01	-	01.03.2013	-
Vestpharm ODO **	31.62	-	04.7.2013	-
NPK Biotest OOO **	29.07	-	02.9.2013	-
BelAgroMed ODO **	29.07	-	30.7.2013	-
Rostbalkanpharm ZAO	-	-	27.07.2001	10.04.2012
Superlats OOO **	-	-	20.05.2011	15.02.2012

* *effective percentage of participation*

** *indirect participation*

- Bulgarian Rose Sevtopolis AD is a subsidiary to SOPHARMA AD, the control thereon being acquired and exercised through the direct participation of the parent company in the ownership of Bulgarian Rose Sevtopolis AD with 49.99% and through a legal agreement for control between Sopharma AD and Telso AD, a shareholder with a share of 9.99% of the capital of Bulgarian Rose Sevtopolis AD;
- Momina Krepost AD is a subsidiary to SOPHARMA AD, the control thereon being acquired and exercised through the direct participation of the parent company in the ownership of Momina Krepost AD with 52.16% and the indirect participation of the parent company with 0.32% through the subsidiary Sopharma Trading AD holding 0.42% of the capital of Momina Krepost AD;
- Unipharm AD is a subsidiary to SOPHARMA AD, the control thereon being acquired and exercised through the direct participation of the parent company in the ownership of Unipharm AD with 49.99 % and the indirect participation of the parent company with 1.88% through the subsidiary Sopharma Trading AD holding 2.47% of the capital of Unipharm AD;
- Sopharma Buildings REIT is a subsidiary by virtue of a written control agreement concluded between SOPHARMA AD and other shareholders;
- Extab Pharma Limited, United Kingdom, is a subsidiary through Extab Corporation, USA, the latter company being 100% capital holder of Extab Pharma Limited, United Kingdom;
- Brititrade SOO, Belarus, is a subsidiary of Briz OOD, Latvia – Briz OOD holds 98.50% of the capital of Brititrade SOO;

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- Tabina OOO, Belarus, is a subsidiary through Briz OOD, Latvia – Briz OOD holds 89% of the capital of Tabina OOO;
- ZAO Interpharm, Belarus, is a subsidiary through Briz OOD, Latvia – Briz OOD holds 55.90% of the capital of ZAO Interpharm;
- Brizfarm SOOO, Belarus is a subsidiary through Breeze OOD, Latvia - Breeze OOD holds 64% of the capital of Brizfarm SOOO;
- Alean ODO, Belarus is subsidiary through Briz OOD, Latvia – Briz OOD holds 71% of the capital of Alean ODO;
- OOO Pharmacist Plus, Belarus is a subsidiary through Briz OOD, Latvia – Briz OOD holds 51% of the capital of Alean ODO;
- ZAO TBS Pharma, Lithuania is a subsidiary through Briz OOD, Latvia – Briz OOD holds 51% of the capital of ZAO TBS Pharma;
- Vestpharm ODO, Belarus is a subsidiary through Briz OOD, Latvia – Briz OOD holds 62% of the capital of Vestpharm ODO;
- NPK Biotest OOO, Belarus is a subsidiary through Briz OOD, Latvia – Briz OOD holds 57% of the capital of NPK Biotest OOO;
- BelAgroMed ODO, Belarus is a subsidiary through Briz OOD, Latvia – Briz OOD holds 57% of the capital of BelAgroMed ODO.

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

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

- SOPHARMA AD – production and trade in medicinal substances (active ingredients) and finished drug forms; research and development activities in the field of medicinal products;
- Sopharma Trading AD – trade in pharmaceutical products;
- Bulgarian Rose Sevtopolis AD – production of finished drug forms;
- Biopharm Engineering AD – production and trade in infusion solutions;
- Pharmalogistica AD – secondary packaging of pharmaceutical products and real estate leases;
- Electroncommerce EOOD – trade, transportation and packaging of radioactive materials and nuclear equipment for medicinal use, household electronics and electrical equipment;
- Sopharma Buildings REIT – investment of funds, accumulated by issuance of securities, in real estate (securitization of real estate) through purchase of title and other real rights over real estate, rent-out, lease, and/or sale;
- Momina Krepost AD – development, implementation and production of medical goods for human

and veterinary medicine;

- Unipharm AD – production and trade in pharmaceuticals;
- Phyto Palauzovo AD – production, collection, purchasing, harvesting and marketing of herbs and medicinal plants (subsidiary as from 21 September 2012);
- PAO Vitamini – production and trade in pharmaceuticals;
- Ivanchich and Sons OOD – production and trade in pharmaceuticals;
- Sopharma Poland OOD, in liquidation – market and public opinion research;
- Sopharma Warsaw EOOD – market and public opinion research (a subsidiary as from 23 November 2010);
- Sopharma Ukraine EOOD – trade in pharmaceuticals and market and public opinion research (subsidiary as from 7 August 2012);
- Sopharma USA – trade in pharmaceuticals and food supplements;
- Extab Corporation, USA – market and public opinion research;
- Extab Pharma Limited, United Kingdom – market and public opinion research;
- Briz OOD, Latvia – trade in pharmaceuticals;
- Brititrade SOOO, Belarus – trade in pharmaceuticals;
- Tabina OOO, Belarus – trade in pharmaceuticals;
- ZAO Interpharm, Belarus – trade in pharmaceuticals;
- Brizpharm SOOO, Belarus – trade in pharmaceuticals (subsidiary as from 20 December 2012);
- Alean ODO, Belarus – trade in pharmaceuticals (subsidiary as from 7 February 2012);
- OOO Pharmacist Plus, Belarus – trade in pharmaceuticals (subsidiary as from 1 June 2013);
- ZAO TBS Pharma, Lithuania – trade in pharmaceuticals, production of medicines and pharmaceutical products, R&D and experimenting in the field of biotechnologies (subsidiary as from 1 March 2013);
- Vestpharm ODO, Belarus – retail trade in pharmaceuticals and medical equipment (subsidiary as from 4 July 2013);
- NPK Biotest OOO, Belarus – production of phyto-based medicines (subsidiary as from 2 September 2013);
- BelAgroMed ODO, Belarus – retail trade in medicines and pharmaceutical products (subsidiary as from 30 July 2013);

The parent company and the subsidiaries Sopharma Trading AD, Bulgarian Rose Sevtopolis AD, Pharmalogistica AD, Electroncommerce EOOD, Biopharm Engineering AD, Sopharma Buildings REIT,

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Momina Krepost AD, Unipharm AD, Phyto Palauzovo perform their activities in Bulgaria; Sopharma Poland OOD – in liquidation and Sopharma Warsaw EOOD operate in Poland, PAO Vitamini, Sopharma Ukraine EOOD – in Ukraine, Ivanchich and Sons OOD – in Serbia, Briz OOD – in Latvia, Brititrade SOOO , Tabina OOO, ZAO Interpharm, Alean ODO, Brizpharm SOOO, OOO Pharmacist Plus, Vestpharm ODO, NPK Biotest OOO, and BelAgroMed ODO – in Belarus, and ZAO TBS Pharma – in Lithuania, Extab Pharma Limited – in the Great Britain, and Sopharma USA and Extab Corporation, USA – in USA.

As at 30 September 2013, the interest of the Group in the *joint venture* Vivaton plus OOO, Belarus is together with 50% participation with Apteka Group Holding and a physical person. The principle activities of the joint venture is trade in pharmaceuticals and food supplements. The company is a joint venture of the Group as from 28 December 2012;

The joint venture Sopharma Zdrovit AD has been erased from the National Court Register of Poland – on 25 February 2013. The principle activities of the joint venture was R&D in the medical and pharmaceutical fields, wholesale of pharmaceutical products.

As at 30 September 2013 the interest of the Group in *associated companies* is as follows:

- OOO Med-dent, Belarus - a business entity registered in Belarus by decision № 0018240 from 11 March 2013 by Economy Management of Bobruisk City Executive Council with a seat and address of management – Belarus, Mogilev Region, Bobruisk, 120 K. Marks Str., office 4. The company has been acquired by the Group through Briz, Latvia.
- BOOO SpecApharmacia, Belarus - a business entity registered in Belarus by decision № 22-8 from 30 October 2000 by Mogilev Region Executive Council with a seat and address of management – Belarus, Mogilev Region, Bobruisk, 120 K. Marks Str., office 2. The company has been acquired by the Group through Briz, Latvia.

The companies Vestpharm ODO, Belarus and Alean ODO, Belarus, acquired by the Group in 2012, had the status of “associated companies” as at 31 December 2012. The control over them was obtained in 2013 and their status changed to “subsidiaries”.

The companies NPK Biotest OOO, Belarus, BelAgroMed ODO, Belarus, acquired by the Group in 2013, initially had the status of “associated companies” respectively from 18 January 2013 until 02 September 2013 and from 18 January 2013 until 30 July 2013. After the control over them was gained, their status was changed to “subsidiaries”.

From 1 June 2012 until 28 December 2012, the Group owned indirect holding of 18.87% in the associated company Vivaton Plus OOO and subsequently acquiring joint control over it.

As at the date of the current consolidated condensed interim financial statement the average number of the Group's personnel is 4,117 workers and employees (2012: 3,945).

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the activities of the Group companies throughout the period 2011 – September 2013, are presented in the table below:

Indicator	2011	2012	1-9.2013	
USD/BGN average for the year/period	1.4065	1.52314	1.48573	1
USD/BGN at year/period-end	1.5116	1.4836	1.44823	1
PLN/BGN average for the year/period	0.4759	0.46772	0.46560	0
PLN/BGN at year/period-end	0.43872	0.47926	0.46250	0.4
RUB/BGN average for the year/period	0.04787	0.04902	-	0.0
RUB/BGN at year/period-end	0.04683	0.04862	-	0.0
RSD/BGN average for the year/period	0.01918	0.0173	0.01735	0.0
RSD/BGN at year/period-end	0.01869	0.0172	0.01707	0.0
UAH/BGN average for the year/period	0.1766	0.19042	0.18593	0
UAH/BGN at year/period-end	0.18992	0.18561	0.18076	0.1
GBP/BGN average for the year/period	2.25443	2.41275	2.29563	2.2
GBP/BGN at year/period-end	2.34147	2.39406	2.33937	2.3
LVL/BGN average for the year/period	2.76943	2.80501	2.78992	2.7
LVL/BGN at year/period-end	2.79604	2.80285	2.78331	2.7
1000 BRUB/BGN average for the year/period	0.1813	0.18249	0.16991	0
1000 BRUB/BGN at year/period-end	0.1813	0.17256	0.15952	0
LTL/BGN average for the year/period	-	-	0.56645	
LTL/BGN as the year/period-end	-	-	0.56645	

Source: BNB, National Banks of Ukraine, Russia, Poland, Serbia and Belarus.

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP

2.1. Basis for the preparation of the consolidated condensed interim financial statement

The current consolidated condensed interim financial statement has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

In preparing the consolidated condensed interim financial statement the same accounting policies, reporting and calculation methods and underlying assumptions have been consistently applied as in preparing the last annual consolidated financial statement for 2012.

The consolidated interim condensed financial statement for the nine months ending 30 September 2013 should be read in conjunction with the consolidated financial statement for the year ended 31 December 2012, prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB),

as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC) and have been accepted by the Commission of the European Union.

For the period January – September 2013 the Group has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which are relevant to its activities. The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2012, has not resulted in changes in Group's accounting policies, except for some new disclosures and expanding of those already established, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

A. Adopted for periods beginning on or after 1 January 2013

- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* The amendment clarifies explicitly that the assessment of deferred tax (asset or liability) on the underlying asset should be based on the manner in which the respective entity intends to recover the investment in the carrying value of the asset – through sale or through continuing use. It sets out specific rules for cases of non-current assets measured by applying the revaluation model in IAS 16 but mostly for investment properties measured by applying the fair value model in IAS 40, including those acquired in a business combination, i.e. a rebuttable presumption is introduced that deferred tax should be determined on the basis that the carrying value will normally be recovered through sale.
- *IAS 19 (amended) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* The amendment changes the accounting for defined benefit plans and termination benefits. The fundamental change is the elimination of the 'corridor' approach and the introduction of the rule that all subsequent measurements (referred to so far as actuarial gains or losses) of defined benefit obligations and plan assets shall be recognized when occurred in a component of 'other comprehensive income', as well as the accelerated recognition of past service costs.
- *IAS 27 (as revised in 2011) "Separate Financial statement" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest).* The standard was reissued with a changed title as the part of it referring to consolidated financial statement was entirely separated in a new standard – IFRS 10 "Consolidated Financial statement". Thus the standard now includes only the rules on accounting for investments in subsidiaries, associated companies and joint ventures at the Level of separate financial statement.
- *IAS 28 (as revised in 2011) "Investments in Associated companies and Joint Ventures" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC, mandatory*

application for annual periods beginning on or after 1 January 2014 the latest). The title of the standard has been changed and the standard sets out rules for application of the equity method when accounting for investments in associated companies as well as in joint ventures, which were previously included in the scope of IAS 31 "Interests in Joint Ventures" in line with the new IFRS 11 and IFRS 12. IAS 31 becomes inapplicable starting from 1 January 2013.

- *IFRS 9 "Financial Instruments: Classification and Measurement" (in force for annual periods beginning on or after 1 January 2015 – not endorsed by EC)*. This standard replaces parts of IAS 39 by establishing principles, rules and criteria for the classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. It introduces a requirement that financial assets are to be classified based on entity's business model for their management and the contractual cash flow characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortized cost and fair value. The new rules will lead to possible changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated as at fair value through current profit or loss (for credit risk).
- *IFRS 10 "Consolidated Financial statement" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest)*. *Transitional provisions (effective for annual periods beginning on or after 1 January 2013 - not endorsed by the EC) regarding the application of the standard for the first time*. This standard replaces a significant part of IAS 27 ("Consolidated and Individual Financial statement") and SIC-12 ("Consolidation - Special Purpose Entities"). Its main objective is to establish the principles and methods for the preparation and presentation of financial statement when an entity controls one or more other entities. It gives a new definition of control that contains three elements and establishes control as the sole basis for consolidation and provides more detailed rules for assessing the existence of relations through controlling. The standard also sets out the main mandatory rules for the preparation of consolidated financial statement;
- *IFRS 11 "Joint Arrangements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest)*. *Transitional provisions (effective for annual periods beginning on or after 1 January 2013 - not endorsed by the EC) regarding the application of the standard for the first time*. This standard replaces IAS 31 "Interests in Joint Ventures", including SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". It introduces only two types of joint arrangements – joint operations and joint ventures – whereas the classification criterion used is not the legal form but rather the rights and obligations of each party to an arrangement, i.e. whether they represent rights to the assets and liabilities and respectively, to the expenses and revenue from the joint arrangement (joint operation) or rights to the net assets of the joint

arrangement (joint venture). The standard removes the option for proportionate consolidation and requires application of the equity method for consolidation of jointly controlled entities.

- *IFRS 12 “Disclosing of Interest in Other Entities” (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC, mandatory application for annual periods beginning on or after 1 January 2014 the latest). Transitional provisions (effective for annual periods beginning on or after 1 January 2013 - not endorsed by the EC) regarding the application of the standard for the first time.* This standard introduces obligations for disclosure in the financial statement and requirements to the information included therein with regard to all forms of interests of the reporting entity in other companies and entities, including both the effects and the risks of those interests.
- *IFRS 13 “Fair Value Measurement” (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* This standard establishes a single source of methodological guidance by providing a precise definition of 'fair value', rules and methods for its measurement as well as more extensive disclosure requirements for fair value and its measurement for the purposes of all IFRSs. It applies to both financial instruments and non-financial assets and liabilities when fair value is required or permitted by IFRS.
- *IAS 32 (amended) “Financial Instruments: Presentation” (in force for annual periods beginning on or after 1 January 2014 – endorsed by EC)* – regarding the offsetting of financial assets and financial liabilities. These amendments relate to a clarification as to the application of the rules on offsetting financial instruments. They are mainly in four directions: (a) clarification of the meaning of 'current legally enforceable right of set-off'; (b) the application of the simultaneous realization and settlement criterion; (c) offsetting of cash provided as collateral; (d) the unit of account for the application of the offsetting requirements.
- *IFRS 7 (amended) “Financial Instruments: Disclosures” – regarding the offsetting of financial assets and financial liabilities (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).*; These amendments are related to the enhanced disclosures for all financial instruments, which will be netted (offset) in accordance with IAS 32 (par. 42) as well as additional arrangements for offsetting outside the scope of IAS 32.
- *IFRS Improvements (May 2012) – improvements in IAS 1, 16, 32, 34, IFRS 1 (in force for annual period beginning on or after 1 January 2013 – endorsed by EC).* These improvements introduce partial amendments to the respective standards primarily with a view to remove existing inconsistency or ambiguities in the application rules and requirements of individual standards as well as to set up more precise terminology. These amendments are mainly focused on the following item or transactions: borrowing costs for qualifying assets for which the capitalization commencement date is prior to the date of transition to IFRS (IFRS 1), clarifications about the requirements for presentation of comparative information (IAS 1), clarifications about the classification of servicing equipment (IAS 16), the accounting for the tax effect from distributions

to holders of equity instruments according to the requirements of IAS 12 (IAS 32), interim reporting of segment information on total assets for achieving consistency with IFRS 8 (IAS 34).

Additionally, in regard of the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on or after 1 January 2013, the management of the parent company has concluded that the following would not have a potential impact for changes in the accounting policies, the classification and values of reporting items in the consolidated condensed interim financial statement of the Group, namely:

- *IFRS 1 (amended) "First-time Adoption of International Financial Reporting Standards" – regarding government loans (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC);*
- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2015 – endorsed by EC);*
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).*

The consolidated condensed interim financial statement have been prepared on a historical cost basis except for: a/ property, plant and equipment, which are measured at revalued amount; and investment property and available-for-sale financial instruments, which are measured at their fair value. The figures of the companies, consolidated in these financial statement, which operate in the environment of hyperinflationary economy, have been restated for the effects of hyperinflation with the respective inflation index (Notes 2.6, 2.10, 2.12, 2.17).

- The Bulgarian companies of the Group maintain their accounting books in Bulgarian Lev (BGN), which is accepted as being their functional and presentation currency.
- Foreign subsidiaries, associated companies and joint ventures abroad organize their accounting and reporting in accordance with the requirements of the local legislation (Rostbalkanpharm ZAO – Russia, Sopharma Ukraine EOOD and PAO Vitamini – Ukraine, Ivanchich and Sons OOD – Serbia, Extab Pharma Limited – United Kingdom, Briz OOD – Latvia, Brititrade SOOO, Tabina OOO, ZAO Interpharm, Brizpharm SOOO, OOO Pharmacist Plus, Alean ODO – Belarus, OOO NPK Biotest, ODO BelAgroMed, Vestpharm ODO, the joint venture Vivaton Plus OOS, the associated companies – OOO Med-dent, BOOO, SpecApharmacia – Belarus, ZAO TBS Pharma – Lithuania, Sopharma USA and Extab Corporation – USA legislation and Sopharma Poland OOD – in liquidation, Sopharma Warsaw EOOD and the joint venture Sopharma Zdrovit AD – erased from the National Court Register of Poland on 25 February 2013 – the Polish legislation)

and keep their accounting ledgers in the respective local currency – Ruble (RUB), Grivni (UAH), Serbian Dinar (RSD), Euro (EUR), British Pound (GBP), Latvian Lat (LVL), Belarus Ruble (BRUB), US Dollars (USD) and Polish Zloty (PLN), Lithuanian Litas (LTL).

The data in the consolidated condensed interim financial statement and the notes thereto are presented in thousand BGN (BGN'000), unless explicitly stated otherwise, and the BGN is accepted as reporting and presentation currency of the Group. According to the policies of the Group, the financial statement of the Group companies abroad are restated from the local currency to BGN for the purposes of the consolidated financial statement (Note 2.5). The financial statement of the Group whose functional currency is a currency in hyperinflationary economy are restated with an inflationary index so that they are expressed in measurement units valid at the end of the reporting period and after that they are restated from the local currency to BGN for the purposes of the Group consolidation.

The presentation of the consolidated condensed interim financial statement in accordance with IFRS requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities and the disclosure of contingent receivables and payables as at the date of the financial statement, and respectively, on the reported amounts of income and expenses for the reporting year. These estimates, accruals and assumptions are based on the information, which is available at the date of the consolidated condensed interim financial statement, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher Level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the consolidated financial statement, are disclosed in Note 2.32.

2.2. Definitions

Parent company

This is the company that has control over the economic and financial policies and the operation of the subsidiaries by holding more than 50% of their capital shares and/or voting rights or by virtue of a written control agreement concluded between the shareholders.

The parent company is SOPHARMA AD, Bulgaria (Note 1.1).

Subsidiaries

These are companies, including non-legal entities, in which the parent holds directly or indirectly more than 50% of the voting rights in the General Meeting (in the joint-stock capital) and/or has the right to appoint more than 50% of the Board of Directors of the respective company or by virtue of a written control agreement concluded between the shareholders and can exercise control over their financial and operating policy (including by virtue of a concluded control agreement between shareholders). The

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

The subsidiaries are presented in Note 1.2.

Joint venture

A joint venture is established by virtue of a contractual agreement based on which two or more parties (companies) start a common business undertaking, which is subject to joint control.

The joint control represents a contractual sharing of control (50:50) on a particular business. It is determined by the requirement that strategic financial and operating decisions relating to the business activities and the development of the joint venture shall be taken with mandatory unanimous consent of the controlling shareholders.

A controlling shareholder in a joint venture is the party (company), which participates in the joint venture and shares the joint control on the latter.

- The joint ventures are Vivaton plus OOO, Belarus and Sopharma Zdrovit AD, Poland – until 25 February 2013 (Note 1.2).

Associated companies

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

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

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

The associated companies are: OOO Med-dent and BOOO SpecApharmacia, Belarus (Note №1.2).

2.3. Consolidation principles

The consolidated condensed interim financial statement include the financial statement of the parent company, the subsidiaries, the joint venture and the associated companies, prepared as at 30 September 2013. The ‘economic entity’ assumption has been applied in the consolidation except for the measurement of non-controlling interest in business combinations and other forms of acquisition of subsidiaries for which the ‘proportionate share of net assets’ method has been chosen.

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

2.3.1. Consolidation of subsidiaries

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

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

2.3.2. Acquisition of subsidiaries

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

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

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

2.3.3. Disposal of subsidiaries

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

- Assets and liabilities (including any goodwill) of the subsidiary are derecognized at their carrying values at the date when control is lost;
- The non-controlling interest in the subsidiary is derecognized at carrying value in the consolidated statement of financial position at the loss of control date, including all components of other comprehensive income related thereto;
- The fair value of the consideration received from the transaction, event or operation that resulted in the loss of control is recognized;
- All components of equity, representing unrealized gains or losses in accordance with the respective IFRS under the provisions of which these components fall, are reclassified to profit or loss for the year or are transferred directly to retained earnings;
- Any resulting difference as a 'gain or loss from a disposal (sale) of a subsidiary' attributable to the parent is recognized in the consolidated statement of comprehensive income.
- The remaining shares held that form investments in associated companies or available-for-sale investments are initially measured at fair value at the date of sale and subsequently – following the accounting policy adopted by the Group (Notes 2.14 and 2.15).

The acquisition (purchase) method is applied also in transactions for mergers and/or transformation of companies under common control if they represent direct acquisitions from the perspective of the parent company.

2.3.4. Transactions with non-controlling interests

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

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

2.3.5. Consolidation of associated companies

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

The post-acquisition profits or losses for the Group (through the parent company) from the associate for the respective reporting period represent its share in the net financial results (after taxes) of its operating activities for the period, which share is recognized and presented on a separate line in the consolidated statement of comprehensive income. Analogously, the Group's share in post-acquisition changes in other components of comprehensive income of the associate is also recognized and presented as movement in the other components of comprehensive income in the statement of comprehensive income, and respectively the consolidated reserves of the Group - in the statement of changes in equity. The Group recognizes its share of losses in an associate up to the amount of its investment, including the internal loans granted.

The internal accounts between the Group and the associate are not eliminated. The unrealized gains or losses from transactions between them are eliminated to the percentage of Group's interest in the associate

by also making checks for impairment in case of loss. The effect of deferred taxes on these consolidation procedures has also been taken into account.

2.4. Comparatives

In this consolidated condensed interim financial statement the Group presents comparative information for one prior period for the statements of comprehensive income and cash flows and as at the end of the prior reporting year for the statements of financial position and changes in owners' equity.

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

2.5. Functional currency and recognition of exchange differences

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

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. As at 30 September / 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

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

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

The functional currency of the companies in Poland (Sopharma Poland AD – in liquidation, Sopharma Warsaw EOOD and Sopharma Zdrovit AD – closed through liquidation on 25 February 2013) is the Polish Zloty, of the subsidiary in Russia (Rostbalkanpharm ZAO) – until 10 April 2012 – the Russian Ruble, of the subsidiaries in Ukraine (PAO Vitamini and Sopharma Ukraine EOOD) – the Ukrainian Grivna, of the subsidiary in Serbia (Ivanchich and Sons OOD) – the Serbian Dinar, of the subsidiary in Latvia (Briz OOD) – Lat, of the subsidiaries in Belarus (Brititrade SOOO, Tabina OOO, Alean ODO, ZAO Interpharm and Brizpharm SOOO, OOO Pharmacist Plus, Vestpharm ODO, OOO NPK Biotest, ODO BelAgroMed) - Belarusian Ruble, of the subsidiary Extab Pharma Limited (United Kingdom) – the

British Pound, and of the companies in USA (Sopharma USA and Extab Corporation) – the US Dollar, the company in Lithuania (ZAO TBS Pharma) – Lithuanian Litas.

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

- (a) all assets and liabilities are restated to the currency of the Group by applying the closing exchange rate of the local currency as at 30 September / 31 December;
- (b) all items of income and expenses are restated to the currency of the Group by applying an average rate of the local currency thereto for the reporting period or by applying the closing exchange rate of the local currency to the currency of the Group for companies whose financial statement are being restated for the effects of hyperinflation (Note 2.6);
- (c) all exchange differences resulting from the restatements are recognized and presented as a separate component of equity in the consolidated statement of financial position, net of deferred tax effects – “reserve from recalculation in the representation currency of foreign operations”, and
- (d) the exchange differences resulting from the restatement of the net investment in the companies abroad together with the loans and other currency instruments, accepted as hedge of these investments, are presented directly in equity.

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

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

2.6. Restatement of figures in the financial statement of Group companies operating in the environment of hyperinflation (restatements for hyperinflationary economies)

The figures in the financial statement of subsidiaries operating in hyperinflationary economies are firstly restated on the basis of the general price index to the measuring unit at the end of the reporting period with the aim to reflect the changes in the purchasing power of the money for the period and secondly they are translated to the reporting representation currency of the Group.

Monetary items in the statement of financial position, which include money and cash as well as items that will be settled in money or cash, are not restated for the effects of hyperinflation. All other assets and liabilities, such as: property, plant and equipment; intangible assets; investments, inventories, goodwill as

well as equity components, are non-monetary items in the statement of financial position for the purposes of restatements for the effects of hyperinflation. Non-monetary items, presented at amounts current at the end of the reporting period, are not restated with an inflation index. All other non-monetary items, measured at cost or at cost less accumulated depreciation, are restated for the effects of hyperinflation by using the general price index – from the date of the transaction (acquisition) to the end of the current reporting period. Non-monetary items, carried at amounts current at dates other than that of acquisition (revalued amounts) or the end of the reporting period, are restated from the date of the revaluation to the end of the reporting period. The restated inflated amount of a non-monetary item is reduced, in accordance with the appropriate IFRS, when this amount exceeds the recoverable amount of the non-monetary item.

All equity components, except for accumulated profits and all revaluation reserves, are restated for the effects of hyperinflation by applying a general price index – from the dates of contribution or arising of the respective components to the end of the current reporting period.

All items in the statement of comprehensive income are restated for the effects of hyperinflation by applying a general price index – from the date of the initial recognition of the respective business transactions to the end of the current reporting period.

The gain or loss on the net monetary position, reflecting the effects of restatements for hyperinflation of non-monetary items and items in the statement of comprehensive income, are presented in the consolidated statement of comprehensive income (within profit or loss) in the item 'gain or loss on net monetary position from restatements for hyperinflationary economies'.

2.7. Revenue

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

The types of Group's revenue are presented in Notes 3, 4 and 11.

Upon sale of finished products, goods and materials, revenue is recognized when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognized by reference to the stage of completion of the transaction at the end of the reporting period, if this stage as well as the costs incurred for the transaction and the costs to complete the transaction, can be measured reliably.

Revenue is measured on the basis of the fair value of the products, goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

Foreign exchange gains or losses related to cash, trade receivables and payables, denominated in foreign currency, are recognized in the consolidated statement of comprehensive income (within profit or loss for

the year) in the period, in which they arise and are presented net under 'other operating income/(losses), net'.

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

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

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

2.8. Expenses

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

Deferred expenses are put off and recognized as current expenses in the period when the contracts, whereto they refer, are performed.

Losses from revaluation of investment property to fair value are presented in the consolidated statement of comprehensive income (within profit or loss for the year) on the line 'other operating income/(losses)'.

Finance costs are included in the consolidated statement of comprehensive income when incurred separately from finance costs and comprise: interest expense under loans received, bank fees and charges on loans and guarantees, net losses on exchange differences under loans in foreign currency, expenses/losses on deals with investments in available-for-sale securities, operating cost of debt settlement, loss on valuation at fair value of securities at the stepwise acquisition of a subsidiary.

2.9. Statutory dividend for distribution

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

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

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

2.10. Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are presented in the consolidated financial statement at revalued amount reduced by the accumulated depreciation and impairment losses in value.

Initial acquisition

Upon their initial acquisition, property, plant and equipment are valued at cost, which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use. The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

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

Upon acquisition of property, plant and equipment under deferred settlement terms, the purchase price is equivalent to the present value of the liability discounted on the basis of the interest Level of the attracted by the Group credit resources with analogous maturity and purpose.

The carrying values of all items of property, plant and equipment of Group companies, operating in the environment of hyperinflationary economies, initially measured at cost less accumulated depreciation, are restated for the effects of hyperinflation by applying a general price index – from the date of the transaction (acquisition) to the end of the current reporting period or from the date of the last revaluation of the assets.

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

Subsequent measurement

The chosen by the Group approach for subsequent measurement of property, plant and equipment, is the revaluation model under IAS 16, i.e. measurement at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Subsequent costs

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

Depreciation methods

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

The useful life per group of assets is as follows:

- buildings – 20-70 years;
- road facilities – 20 years;
- machinery and equipment – 7-15 years;
- installations – 7 - 10 years;
- computers – 2 - 5 years;
- motor vehicles – 7 - 17 years;
- furniture and fixtures – 6-7 years.

The useful life, set for any tangible fixed asset, is reviewed by the management of each company within the Group and respectively, by the parent company, at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

Impairment of assets

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value might significantly differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying value, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) unless a revaluation reserve has been set aside for the respective asset. Then the impairment is treated as a decrease in this reserve (through other comprehensive income) unless it does not exceed its amount and the excess is included as expense in the consolidated statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

Property, plant and equipment are derecognized from the consolidated statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of property, plant and equipment are determined as the difference between the consideration received and the carrying value of the asset at the date of sale. They are stated net under ‘other operating income/(losses), net’ in the consolidated statement of comprehensive income (within profit or loss for the year). The part of ‘revaluation reserve’ attributable to the sold asset is directly transferred to ‘retained earnings’ in the consolidated statement of changes in equity.

2.11. Biological assets

Biological assets (perennial plants) are measured at fair value less the estimated costs to sell.

The fair value of biological assets is determined on the basis of their present location and condition based on a price quoted in an active market or other alternative sources of current prices. Gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and changes in fair value less estimated costs to sell is recognized in the consolidated statement of comprehensive income (within profit or loss for the year) in the period in which it arises and is presented in ‘other operating income/(losses), net’. When the fair value of a biological asset cannot be reliably measured, it is measured at cost less accumulated depreciation or impairment losses. Subsequently, when the fair value of this biological asset becomes reliably measurable, the Group changes its approach and switches to measuring the asset at fair value less the estimated costs to sell.

2.12. Intangible assets***Goodwill***

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

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

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

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

Impairment losses on goodwill are presented in the consolidated statement of comprehensive income (within profit or loss for the year) in the item 'depreciation and amortization expense'.

Other intangible assets

Intangible assets are stated in the consolidated financial statement at acquisition cost (cost) less accumulated amortization and any impairment losses in value except where they belong to companies operating in hyperinflationary economy whose intangible assets are restated for the effects of hyperinflation from the date of their acquisition by applying the changes in the general price index to the date of the financial statement. Intangible assets include mainly rights on intellectual property and software.

The Group applies the straight-line amortization method for the intangible assets with determined useful life from 5 to 10 years.

The carrying values of all intangible assets (including goodwill) of the companies of the Group operating in economies under conditions of hyperinflation, measured initially at acquisition cost less accumulated depreciation (impairment) are recalculated to reflect the effects of hyperinflation using common price

index – from the date of transaction /acquisition/ to the end of the current reporting period or from the date of the last revaluation of assets.

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

Intangible assets are derecognized from the consolidated statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying value of the asset at the date of sale. They are stated net under ‘other operating income/(losses), net’ in the consolidated statement of comprehensive income (within profit or loss for the year).

2.13. Investment property

Investment property is property lastingly held by the Group to earn rentals and/or for capital appreciation. They are presented in the consolidated statement of financial position at fair value. Gains or losses arising from a change in the fair value of investment property are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as ‘other operating income/(losses), net’ for the period in which they arise. The income gained on investment property is presented in the same item of the consolidated statement of comprehensive income.

Investment property is derecognized from the consolidated statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of investment property are determined as the difference between the disposal proceeds and the carrying value of the asset at the date of sale. They are presented under ‘other operating income/(losses), net’ in the consolidated statement of comprehensive income (within profit or loss for the year).

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

2.14. Investments in associated companies

The long-term investments representing participations in subsidiaries are presented in the consolidated financial statement under the equity method – value that includes the acquisition price being the fair value of the consideration paid, including the direct costs on investment acquisition adjusted by investor's share of profits or losses and respectively the other reserves of the associate after the date of its acquisition.

The share of profits and losses after the date of acquisition of an associate is presented on a separate line in the consolidated statement of comprehensive income (within profit or loss for the year) while the share of other components of comprehensive income – on the respective line of the consolidated statement of comprehensive income (within other comprehensive income) and as a separate movement of the individual components of reserves in the consolidated statement of changes in equity.

The investments in associated companies held by the Group together with the included goodwill are subject to review for impairment at the date of the financial statement. Where conditions for impairment are identified and its amount is determined, the impairment is included in the consolidated statement of comprehensive income (within profit or loss for the year) in the item ‘gains/(losses) from associated companies’ (Note 2.32).

In purchases and sales of investments in associated companies the date of trading (conclusion of the deal) is applied.

Investments in associated companies are derecognized when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control over the economic benefits from the investments are being lost. The income from their sale is presented in ‘gains/(losses) from associated companies’ of the consolidated statement of comprehensive income (within profit or loss for the year).

2.15. Available-for-sale investments

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

Initial measurement

Available-for-sale investments (financial assets) are initially recognized at cost, being the fair value of the consideration paid including direct acquisition costs of the investment - (financial asset) (Note 2.27).

Subsequent measurement

The Group’s available-for-sale investments (financial assets) representing:

- a) shares of foreign public companies, traded in a stock exchange, qualifying as active, are subsequently measured at fair value commonly determined based on the average prices of realized transactions for the last month of the year – direct exchange prices – Level 1.
- b) shares of Bulgarian public companies, traded on the Bulgarian stock market, which currently does not qualify as active due to the very limited volume of transactions and representation, as well as the economic situation in the country, are subsequently measured at fair value, as follows:
- for minority investments in the range from 0.01% to 10% stake in the respective company - by applying the adjusted stock prices - Level 2, calculated using the market analog method ,insofar as the packages, held by the Company, are small in size and may be sold on the stock market;
 - for minority investment in the range from 10.01% to 19.99% stake in the respective company - by applying of combined valuation approach, which includes Level 2 valuation methods - market analog method, and Level 3 method of discounted cash flows. Priority is given to evaluation results at Level 3, as far as these stakes are held by the company with strategic long-term business objectives, and
- c) shares in other companies (minority interest), which are not traded in an active market and no market price quotations are available for them while the assumptions for the application of alternative valuation methods are related to high uncertainty in respect of achieving a reliable fair value determination, are measured and presented at cost (Note 2.27).

Subsequent measurement to fair value is conducted with the professional assistance of an independent licensed appraiser.

The effects of subsequent revaluation of securities to fair value are presented in a separate component of the consolidated statement of comprehensive income (within other comprehensive income) and recognized in the consolidated statement of comprehensive income (within profit or loss for the year) on disposal of the respective investment by being stated as ‘finance income’ or ‘finance costs’.

Gains from dividends, related to long-term investments (financial assets) representing shares in other companies (minority interest), are recognized as current income and are presented in the consolidated statement of comprehensive income (within profit or loss for the year) under “financial income”.

The delisting of shares upon sale is conducted by the weighted average price method as at the end of the month of delisting.

All purchases and sales of available-for-sale investments (financial assets) are recognized on the “trade date” of the transaction, i.e. the date, on which the Group commits to purchase or sell the asset.

The owned available-for-sale investments (financial assets) are reviewed for impairment at the date of each reporting period and if conditions for permanent impairment are identified, the latter is recognized

in the consolidated statement of comprehensive income (within profit or loss for the year) under 'finance costs'.

Where conditions for impairment are identified, the latter is determined as the difference between the carrying value and the recoverable value of the investment and is recognized in the consolidated statement of comprehensive income (within profit or loss for the year) unless a positive reserve for this investment was formed in prior periods – then the impairment is at first covered at the account of this reserve and is presented net in the consolidated statement of comprehensive income (within other comprehensive income).

2.16. Assets held for sale

Assets (and disposal groups) are classified as held for sale if the intents and the expectations are that their carrying values will be recovered principally through a sale transaction rather than through continuing use in the operations of the Group.

Assets (and disposal groups) classified in this group are available for immediate sale in their present condition. The Group management is committed to perform a sale transaction within one year from the date of assets classification in this group and such sale is highly probable.

In case of engagement with a plan for sale that includes loss of control over a subsidiary, the Group classifies all consolidated assets and liabilities of the subsidiary as held for sale regardless of whether it will keep non-controlling interest in its former subsidiary after the sale.

Assets (and disposal groups) classified as held for sale are presented in the consolidated statement of financial position separately and are measured at the lower of their carrying value (initially, acquisition cost) and their fair value less the costs to sell (net selling price). Any impairment loss is allocated on a pro rata basis between those assets of a disposal group, which are within the scope of IFRS 5.

The depreciation of assets belonging to the groups 'property, plant and equipment' and 'intangible assets' when classified as 'non-current assets held for sale' ceases until they are classified as such.

2.17. Inventories

Inventories are measured in the consolidated financial statement at the lower of acquisition cost (cost), including restated for the subsidiaries operating in the environment of hyperinflationary economy for the changes in the general price index from the transaction date to the date of the statement of financial position, and the net realizable value.

Expenses, incurred at bringing certain product to its current condition and location, are included in the acquisition cost (cost) as follows:

- raw materials, materials in finished form and goods – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials and goods ready for usage/sale;

- finished products and work in progress – cost of direct materials and labor and the attributable proportion of the manufacturing overheads, based on normal operating capacity of production facilities, but excluding administrative expenses, exchange rate gains and losses and borrowing costs.

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

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

- for production of medicinal products – direct labor valued on the basis of labor norms;
- for production of infusion solutions – quantity of manufactured finished products.

On use (sale) of materials and finished products the weighted average cost method is applied while on sale of goods – the first-in first-out (FIFO) method.

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

2.18. Trade and other receivables

Trade receivables are recognized in the consolidated financial statement and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.27).

An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available. Writing-off is against the formed allowance and/or as expense in the consolidated statement of comprehensive income (within profit or loss for the year).

2.19. Interest-bearing loans and other financial resources granted

All loans and other financial resources granted are initially recognized at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, net of the direct costs related to these loans and granted resources. After the initial recognition, the interest-bearing loans and other granted resources are subsequently measured and presented in the consolidated financial statement at amortized cost by applying the effective interest rate method. Amortized cost is calculated by taking into account all types of charges, commissions, and other costs, associated with these loans. Gains and

losses are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as finance income (interest) or costs throughout the amortization period, or when the receivables are settled, derecognized or reduced.

Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Group has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period (Note 2.27).

2.20. Cash and cash equivalents

Cash includes cash in hand and with current accounts while cash equivalents include short-term bank deposits the funds in which are freely available to the companies of the Group under the terms of the agreements with the banks for the duration of the deposit, regardless of the original term /maturity/ of the deposit. (Note 2.27).

For the purposes of the consolidated statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest on investment purpose loans received is reported as payments for financial activities while the interest on loans related to current activities (working capital) is included in the operating activities;
- short-term blocked funds (for up to 3 months) are treated as cash and cash equivalents. Long-term blocked funds (for more than 3 months) are not included as cash in the consolidated statement of cash flows but are stated as ‘other proceeds/(payments), net’;
- the interest received from short-term bank deposits is included in the cash from investing activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented on the line ‘Taxes paid’ while that paid on assets purchased from local suppliers is presented as ‘Cash paid to suppliers’ in the cash flows from operating activities as far as it represents a part of the operating flows of the Group companies and is recovered therewith in the respective period (month).

2.21. Trade and other payables

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

at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.27).

2.22. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognized in the consolidated financial statement at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured and presented in the consolidated financial statement at amortized cost by applying the effective interest rate method. The amortized cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement associated with these loans. Gains and losses are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as finance income or costs (interest) throughout the amortization period, or when the liabilities are derecognized or reduced (Note 2.27).

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

2.23. 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 assets is an asset that necessarily takes a period of at least 12 months to get ready for its intended use or sale.

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

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

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

2.24. Leases

Finance lease

Lessee

Finance leases, which transfer to the Group a substantial part of all risks and rewards incidental to ownership of the leased property, plant and equipment, are recognized as assets in the statement of financial position of the lessee and are presented as leased item of property, plant and equipment at their immediate sale price or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between the finance cost (interest) and the attributable portion (reduction) of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. Interest expense is included in the consolidated statement of comprehensive income (within profit or loss for the year) as finance costs (interest) based on the effective interest rate (Note 2.27).

Assets acquired under finance lease are depreciated on the basis of their useful economic life and within the lease term.

Lessor

Finance lease where a substantial portion of all risks and rewards incidental to the ownership of the leased asset is transferred outside the Group, is written-off from the goods of the lessor and is presented in the statement of financial position as a receivable at an amount equal to the net investment in the lease. The net investment in the lease agreement represents the difference between the total amount of minimum lease payments under the finance lease agreement and the non-guaranteed residual value, accrued for the lessor and the non-earned financial income. The difference between the carrying value of the leased asset and the immediate (fair selling) value is recognized in the consolidated statement of comprehensive income (within profit or loss for the year) in the beginning of the lease term (when the asset is delivered) as sales income.

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

Operating lease***Lessee***

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases. Therefore, the asset is not included in the statement of financial position of the lessee.

Operating lease payments are recognized as expenses in the consolidated statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

Lessor

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

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

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

The employment and social security relations with workers and employees of the Group are based on the Labor Code and the provisions of the effective social security legislation for the companies operating in *Bulgaria*, the Polish Code – for the companies in *Poland*, the employment legislation and the Collective Labor Agreement – for the company in *Ukraine*, the employment legislation, the General Collective Labor Agreement and the effective Employment Rules and Regulations – for the company in *Serbia*, the Labor Act – for the company in *Latvia*, the employment legislation – for the company in *Belarus* and the Labor Code of the Russian Federation – for the company is *Russia* – until 10 April 2012.

For Bulgaria

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

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

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

For companies abroad

The rates of the social security contributions in Poland are approved by the Law on the National Social Security System, in Russia – the Federal Law on Obligations for Pension Security in the Russian Federation and the Tax Code, in Ukraine – Law on Pension Provision, in Serbia – the Law on Labor in the Republic of Serbia, in Latvia – the Law on Social Security, and in Belarus – the Law on the Mandatory Contributions to the Fund for Social Security of the Population of the Ministry of Labor and Social Security. The social security contributions are being apportioned between employer and employee at ratios regulated by the relevant local laws.

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

Short-term benefits

Short-term employee benefits in the form of remunerations, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognized as an expense in the consolidated statement of comprehensive income (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The payables of the Group for social security and health insurance are recognized as a current expense and liability at their undiscounted amount together with the respective benefits they relate to and within the period of their accrual.

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

Profit-based bonuses

According to the Articles of Association the Executive Director is entitled to receive a one-time remuneration (bonus) amounting to 1% of the net profit of the Company and in their sole discretion and subject to the individual contribution to distribute among the members of senior management up to 2% of the net profit of the Company – when a positive financial results for the past financial year is reported and a decision by the Annual General Meeting of Shareholders is taken.

Long-term retirement benefits

In accordance with the requirements of the Labor Code, the employer of the companies in *Bulgaria* is obliged to pay to its personnel upon retirement an indemnity, which depending on the length of service at the entity varies between two and six gross monthly salaries as at the termination date of the employment. In accordance with the Law on Labor in *Serbia*, the employer of the Serbian company is obliged to pay to its personnel on coming of age for retirement an indemnity at the amount of at least three average

salaries calculated at the time of payment. In accordance with the employment legislation in *Ukraine* and the Collective labor Agreement of the Ukrainian company, the employer is obliged to pay to its personnel on coming of age for retirement an indemnity, which depending on the length of service with the entity may vary between UAH 100 and UAH 200 (between BGN 25 and BGN 50). Also, the company in Ukraine accrues social indemnities, which are paid after retirement of employees due to specific labor conditions. According to the employment legislation in Poland, the employer is obliged to pay upon retirement one gross monthly salary. According to the employment legislation, there are no obligations to the personnel on retirement in Latvia and Belarus.

In their nature these are defined benefit schemes.

At the date of issue of the consolidated financial statement, the companies of the Group assign certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds in the respective countries in which the companies of the Group operate.

Termination benefits

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

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

2.26. Share capital and reserves

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

According to the requirements of the Commercial Act and the Articles of Association, the parent company is obliged to set aside a ***Reserve Fund (statutory reserves)*** by using the following sources:

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

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

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

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

- the revaluation mark-up between the carrying value of property, plant and equipment and their fair values at the revaluation date;
- the positive difference between the carrying value of property stated as owner-occupied property and their fair value at the date when they are transferred to investment property.

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

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

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

Available-for-sale financial assets reserve is being set aside from the difference between the carrying value of the available-for-sale financial assets and their fair values at the revaluation date. This reserve is transferred to current profit and loss in the consolidated statement of comprehensive income (within profit or loss for the year) when the financial assets are disposed of (sold) by the Group and/or on identified permanent impairment of particular financial assets.

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

2.27. Financial instruments

2.27.1. Financial assets

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

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

Financial assets are derecognized from the Group’s consolidated statement of financial position when the rights to receive cash from these assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity (person) external thereto. If the Group retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognize the transferred asset in its consolidated statement of financial position but also recognizes a secured liability (a loan) for the consideration received.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the consolidated statement of financial position at their amortized cost using the effective interest method less any allowance for impairment. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the respective Group company while the remaining ones are carried as non-current assets.

This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the consolidated statement of financial position (Notes 2.18, 2.19 and 2.20). Interest income on loans and receivables is recognized by applying

the effective interest rate except for short-term receivables (less than three months) where the recognition of such interest would be unjustifiable as immaterial and within the common credit terms. It is presented in the consolidated statement of comprehensive income (within profit or loss for the year) under the item 'finance income'.

At the date of each statement of financial position, the Group companies assess whether events and circumstances have occurred that indicate the existence of objective evidence necessitating loans and receivables to be impaired (Note 2.32).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are either acquired for the purpose of being sold or are not classified in any other category. For the Group, these are usually shares, bonds or interest in other (third) companies, acquired for investment purposes (available-for-sale investments), and are included within non-current assets, except where a Group company intends to sell them in the following 12 months and is actively searching for a buyer (Note 2.15).

Available-for-sale financial assets are initially measured at acquisition price, which is the fair value of paid amount, including acquisition cost, included in the investment.

The subsequent of the available-for-sale financial assets is at fair value, except for shares/interests in closed companies, which are not traded on a stock exchange (Note №2.15).

The effects, gains or losses, of revaluation to fair value of the available-for-sale investments are included in the consolidated statement of comprehensive income (within other comprehensive income) under the item 'net change in fair value of available-for-sale financial assets' and are accrued to a separate equity component – 'available-for-sale financial assets reserve'.

Where subsequent permanent impairment is identified or on sale of an available-for-sale investment, the amount of impairment and all previously accumulated losses (net) to the reserve are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as 'finance costs'. Analogously, on each sale of investment of this type, the unrealized gains accumulated in the reserve are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as 'finance income'.

The recycling of accumulated effects from change in the fair value of available-for-sale investments are presented with other comprehensive income (in 'net change in fair value of available-for-sale financial assets'), net of those resulting from new revaluations for the period.

Dividends on shares, classified as available-for-sale financial assets, are recognized in the consolidated statement of comprehensive income (within profit or loss for the year) when the company's right to receive the dividends is established.

The available-for-sale investments are reviewed at each date of the statement of financial position for events or circumstances indicating the existence of objective evidence for impairment of a particular financial asset or group of assets. Financial assets are impaired if their carrying value is higher than the expected recoverable amount. The recognized impairment loss is equal to the difference between the acquisition cost less the repayments and their recoverable amount, which is accepted to be equal to the present value of the expected future cash flows, discounted at the current interest rate or through the yield for similar financial assets.

2.27.2. Financial liabilities and equity instruments

The Group classifies debt and equity instruments either as financial liabilities or as equity in accordance with the substance of the contractual arrangements with the respective counterparty regarding these instruments.

Financial liabilities

The financial liabilities of the Group include loans and payables to suppliers and other counterparts. They are initially recognized in the consolidated statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method (Note 2.21, 2.22 and 2.24).

2.28. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The provisions are valued based on the best estimate of the respective company management and the Group at the date of the consolidated statement of financial position of the expenses necessary to settle the respective obligation. The estimate is discounted if the obligation is long-term. When part the resources required to settle the obligation are expected to be recovered from a third party, the respective company of the Group recognizes a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income (credit) is recognized in the same item of the consolidated statement of comprehensive income (within profit or loss for the year) where the provision itself is presented (Note 2.32).

2.29. Income taxes

Current income taxes of the Bulgarian companies of the Group are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for year 2013 was 10 % (2012: 10%).

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

<i>Subsidiary company</i>	<i>Country</i>	<i>Tax rate</i>	
		<i>2013</i>	<i>2012</i>
Sopharma Ukraine EOOD	Ukraine	19%	21%
PAO Vitamini	Ukraine	19%	21%
Ivanchich and Sons OOD	Serbia	15%	10%
Extab Corporation	USA	15.35%	15.35%
Extab Pharma Limited	United Kingdom	23%	24%
Briz OOD	Latvia	15%	15%
Tabina OOO	Belarus	18%	18%
ZAO Interpharm	Belarus	18%	18%
Brititrade SOOO	Belarus	18%	18%
Brizpharm SOOO	Belarus	18%	18%
Alean ODO	Belarus	18%	-
OOO Pharmacist Plus	Belarus	18%	-
ZAO TBS Pharma	Lithuania	15%	-
Vestpharm ODO	Belarus	18%	18%
NPK Biotest OOO	Belarus	18%	-
BelAgroMed ODO	Belarus	18%	-
Sopharma Poland OOD – in liquidation	Poland	19%	19%
Sopharma Warsaw EOOD	Poland	19%	19%
Rostbalkanpharm ZAO	Russia	-	20%
 <i>Joint ventures</i>			
Sopharma Zdrovit AD – closed through liquidation on 25 February 2013	Poland	19%	19%
Vivaton Plus OOO	Belarus	18%	18%
 <i>Associated companies</i>			
Med-Dent OOO	Belarus	18%	-
BOOO SpecApharmacia	Belarus	18%	-
Alean ODO	Belarus	-	18%

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

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

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

The carrying value of all deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that they will reverse and sufficient taxable profit to be generated or occurring in the same period taxable temporary differences to allow the deferred tax asset to be utilized (deducted or compensated).

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

Deferred tax assets and liabilities are measured based on tax rates, which are expected to be applied for the period when the assets are expected to be realized and the liabilities – settled (repaid) on the basis of the tax laws that are effective or likely to be effective, and at tax rates of the country under the jurisdiction of which the respective deferred asset or liability is expected to be realized.

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

2.30. Grant from public institutions

A grant from public institutions is initially recognized as deferred income (financing) when there is reasonable assurance that it will be received by the Group and that the latter has complied and complies with the associated thereto requirements.

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

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

2.31. Earnings per share

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

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

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

Diluted earnings per share are not calculated because no dilutive potential ordinary shares have been issued within the Group.

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

2.32.1. Revaluation of property, plant and equipment

The initial revaluation of property, plant and equipment of the parent company was made as at 1 January 2002 on the transition of the parent company to IFRS as a statutory financial reporting framework for year 2003.

Initial valuation of property, plant and equipment at fair value for the purposes of the first-time consolidation of the respective subsidiaries under IFRS was made by certified appraisers by applying the same methods as described below by groups of assets at the following dates:

- property, plant and equipment of subsidiaries acquired after 1 January 2004 (date of the first-time preparation of consolidated financial statement of the Group under IFRS) – at the respective dates of acquisition;
- property, plant and equipment of subsidiaries acquired before 1 January 2004 – at that date.

The Group's management again analyzed its key assets price changes occurred as at 31 December 2011 by the cooperation of independent licensed appraiser.

The following approaches and valuation methods were used in the revaluation of property, plant and equipment to measure the fair value of the different types (groups) of tangible fixed assets:

- 'Market-based approach' through the 'Market analogues method' – with regard to land and buildings for which actual market, market analogous property and deals and basis for comparison existed and their market value determined by the comparative method was accepted as fair value;

- 'Assets (expenses)-based approach' through the 'Method of amortized recoverable amount' – for special-purpose buildings for which no actual market existed, market/comparative sales of analogous assets; their amortized recoverable amount was accepted as their fair value and under the hypothesis of their common use in technologically-related production business process (including the term) and taking into account: physical wear, functional and economic impairment.

The main information sources, used for fair value calculation, assumptions and assessment, with regard to fair values cover: internal data and opinion of Group's management and the management of the respective company on the functional status of assets, Level of capacity utilization, intention for sale of specific assets, general repairs performed, perspectives for assets utilization, public information on the financial, technical and operative status of the respective company during the last five years, published prices of realized transactions on real estate markets, information of realized or quoted transactions for sale and purchase of similar assets, offer data by manufacturers, merchants and importers of new specialized machinery and equipment as well as of second-hand machinery and equipment (Note №14).

As at 31 December 2012 and as at 30 September 2013 the management of the Group has once again performed an analysis of price changes of key long-term assets and has determined that there are no conditions and justification for a new revaluation of the assets of the Group companies before the expiration of the approved normal period, and that there are no real indicators and grounds for impairment. In addition, the management has considered the existing uncertainties affecting the price Levels of assets and especially of real estate in the context of the applied by the Company fair values for property, plant and equipment, and is of the opinion that the used values reflect reliably and are adequate to the economic environment in the respective country. (Note 2.10).

2.32.2. Goodwill impairment

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

The calculations were made by the management of the Group and with the assistance of an independent certified appraiser after a comprehensive review for the occurrence of events or facts, which are indicators of changes in the assumptions and appraisals made as at 31 December 2012.

As a result of the analyzes, the Group has determined that as at 30 September 2013 there are no conditions for the recognition of further impairment of goodwill.

2.32.3. Subsequent valuation of available-for-sale investments (financial assets) to fair value and treatment of the results of negative revaluation

As at 30 September 2012, the Group has made a detailed comparative analysis of the changes and movements of stock-exchange prices in the national stock market with regard to the shares in public companies held thereby.

With regard to investments in companies the shares of which are registered for trading on the Bulgarian Stock Exchange the management of the Group has conducted a research and analysis and believes that the stock market prices are still no direct indicator for determining the fair value of the respective securities, mainly due to the low traded volumes. This circumstance has determined its decision to keep the valuation approach, applied as at 31 December 2012: a) for minority investments in the range from 0.01% to 10% - at fair value, determined on the basis of adjusted stock prices (Level 2), insofar as the packages, held by the Company, are small in size and may be sold on the stock market; and b) for minority investment in the range from 10.01% to 19.99% - at fair value, determined on the basis of a combined valuation approach – adjusted stock prices (Level 2) and fair value, determined by the analysis of unobservable baseline information and data (Level 3), insofar as these packages have larger volumes and are kept as part of long-term business objectives by the Company.

With regard to investments in companies the shares of which are registered for trading on foreign stock exchanges are traded in sufficient volume of transaction in the capital market: it is accepted and they are measured at fair value determined directly on the basis of average purchase prices of closed transactions in the stock exchange in the last month of the financial year (Level 1). The applied prices were additionally analyzed for trends in the behavior of stock prices of the respective securities at least for the last six months of the year and respectively, until the date of issue of the consolidated condensed interim financial statement.

With regard to available-for-sale securities that are not exchange-traded, a further analysis for the six months of the specifics and trends of the business environment in which companies operate has been conducted.

2.32.4. Group companies operating in the environment of hyperinflationary economies

As at 30 September 2013 the total inflation in Belarus for the last three years exceeded 100%. Therefore, the management of the parent company has defined the Group companies performing their business activities in Belarus as companies operating in the environment of hyperinflationary economy. In addition, it undertakes all necessary measures so that the subsidiaries in Belarus are maintained to operate under the going concern principle.

Because of these circumstances, for the purposes of these consolidated condensed interim financial statement were made restatements under hyperinflation of the figures in the financial statement of the companies operating in Belarus – Brititrade SOOO, Tabina OOO, ZAO Interpharm, Brizpharm SOOO,

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Vivaton Plus OOO, Alean ODO, Vestpharm ODO, NPK Biotest OOO, BelAgroMed ODO and OOO Pharmacist Plus. For the previous period the comparatives were not restated, but were used the already restated ones with the relevant inflation rate for the respective period (2012). The general index of consumer prices officially determined and published by the National Statistics Committee of Belarus was applied in these restatements.

The consumer price index in Belarus for the period from 2010 to 30 September 2013 is as follows:

Year	2010	2011	2012	Q 3 2013
Consumer price index compared to previous period (%)	10.1	108.7	21.8	10

2013

Q 1	%	Q 2	%	Q 3	%
January	3.0	April	0.5	July	0.3
February	1.2	May	0.7	August	1
March	1.1	June	0.4	September	0.1

2012

Q 1	%	Q 2	%	Q 3	%	Q 4	%
January	1.9	April	1.7	July	1.3	October	1.8
February	1.5	May	1.6	August	2.3	November	1.7
March	1.5	June	1.8	September	1.3	December	1.4

Inflation indices in the range from 1.017 to 1.10 (2012: from 1.01 to 1.22) were used for the restatement of the figures in the financial statement of the subsidiaries in Belarus.

Gain/(loss) on the net monetary position from restatements for hyperinflationary economy from the following subsidiaries:

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	1 January – 30 September 2013	1 January – 30 September 2012
	BGN '000	BGN '000
Brititrade SOOO	(154)	(2,587)
including: of goodwill	19	23
ZAO Interpharm	127	281
<i>including: of goodwill</i>	1	84
Tabina OOO	284	518
<i>including: of goodwill</i>	113	227
SOOO Brizpharm	108	-
<i>including: of goodwill</i>	4	-
OOO Pharmacist Plus	103	-
<i>including: of goodwill</i>	15	-
OOO Vivaton Plus	82	-
<i>including: of goodwill</i>	-	-
Alean	34	-
<i>including: of goodwill</i>	-	-
Vestpharm	43	-
<i>including: of goodwill</i>	-	-
NPK Biotest	35	-
<i>including: of goodwill</i>	1	-
BelAgroMed	10	-
<i>including: of goodwill</i>	-	-
Total:	672	(1,788)

2.32.5 Inventories***Normal capacity***

The normal production capacity of the companies of the Group is determined on the following basis: a) monthly weighted average man-hours worked; b) monthly weighted average capital-hours worked; c) monthly weighted average production volume in quantitative, natural indicators.

Normal capacity is determined by type of production and on the basis of observations on the movement of the respective index over a period of three to five years.

The choice of the specific basis for the respective company depends on the specifics of the organization of production, including its labor intensity, respectively capital intensity.

Allowance for impairment

The companies of the Group companies review the state, useful life and usability of the existing inventories. Where inventories are identified that are potentially likely to not be realized at their current carrying value in the following reporting periods, the Group companies impair the inventories to net realizable value.

2.32.6.. Impairment of receivables

The losses from doubtful and bad debts are estimated at the date of the consolidated financial statement on individual basis for each receivable. Where difficulties in collecting certain receivables are observed, they are subject to analysis in order to determine the actually collectable portion therefrom while the remaining portion to the nominal value is recognized in the consolidated statement of comprehensive income (within profit or loss for the year) as impairment (Note №10).

After 180 days of delay it is already considered that indicators for impairment may exist. In the judgment of collectability of receivables, the management of the Group companies perform analysis of the total exposure of each counterparty in order to establish the actual possibility for their collection and not only at the Level of past due individual receivables from the total amount due by the counterparty, including potential possibilities for collecting of possible compensation interest. When the collectability of a receivable (a group of receivables) is highly uncertain, an assessment is made what part thereof is secured by collateral (pledge, mortgage, guarantees) and thus with ensured collection (through future realization of the collateral or guarantee payment). Where the management has judged that a very high uncertainty exists as to the collectability of certain receivables or part of them and they are not secured by collateral, the receivables are impaired to 100%.

For the period 1 January – 30 September 2013 the amount of recognized impairment (net of recoveries) was 1,615 thousand BGN (30 September 2012: 676 thousand BGN) (Note № 10).

2.32.7. Operating lease

The Group classified a building, part of which had been leased to related parties under operating lease terms, in the 'property, plant and equipment' section of the consolidated statement of comprehensive income. Since a significant part of the building was used by the Group as well, the management decided that the building should not be treated as investment property.

3. REVENUE

Group revenue includes:

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Goods	361,285	313,162
Finished products	192,507	192,177
Total	553,792	505,339

<i>Sales of goods by type</i>	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Tablet dosage forms	175,661	154,445
Ampoule dosage forms	102,967	85,451
Consumables, dressing materials and apparatuses	23,972	22,237
Drops	18,435	15,922
Syrup dosage forms	9,320	7,283
Ointments	9,300	7,462
Food supplements and herbs	6,157	6,025
Food products	1,812	1,375
Isotopes	1,408	1,332
Other	12,253	11,630
Total	361,285	313,162

<i>Sales of finished products by type</i>	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Tablet dosage forms	131,793	151,412
Ampoule dosage forms	24,913	9,763
Syrup dosage forms	11,282	10,233
Ointments	5,027	5,367
Lyophilic products	4,109	3,299
Syringes	2,598	1,687
Drops	1,310	2,192
Infusion solutions	1,176	1,346
Suppositories	874	626
Blow-molded articles	741	768
Other	8,684	5,484
Total	192,507	192,177

4. OTHER OPERATING INCOME AND LOSSES, NET

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Services rendered	1,808	584
Rentals	523	334
Gain/(loss) on sale of materials	207	(18)
Income from financing	208	180
Social services and events	295	286
Income from advertising	27	600
Net losses on exchange rate differences on commercial receivables and payables and current accounts	(539)	1,260
Gain on sale of long-term assets	(3)	519
Other	522	336
Total	3,048	4,081

5. RAW MATERIALS AND CONSUMABLES USED

Expenses on materials include:

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Basic materials	47,325	48,749
Electricity	4,199	3,549
Spare parts, laboratory and technical materials	3,342	4,657
Heating	3,033	3,538
Fuels and lubricating materials	2,752	2,605
Water	657	685
Office supplies	456	497
Working clothes	441	566
Advertising materials	198	318
Impairment of materials	26	63
Other	694	823
Total	63,123	66,050

Expenses on *basic materials* include:

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Substances	25,025	24,106
Packaging materials	5,976	8,751
Liquid and solid chemicals	4,739	5,082
Aluminum foil	3,931	4,569
Herbs	2,010	803
Ampoules	1,791	2,084
Polypropylene, polyethylene, polystyrene	1,126	1,033
Bags	917	758
Other	1,810	1,563
Total	47,325	48,749

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Advertising	11,923	10,854
Rentals	4,218	3,069
Consulting services	3,069	2,413
Buildings and equipment maintenance	2,948	2,727
Forwarding and transportation services	2,873	2,988
Manufacture	2,435	4,088
Service fees	1,703	430
Subscription fees	1,193	1,235
Local taxes and fees	995	759
Services under civil contracts with physical persons	957	1,189
Insurance	942	1,068
Security	919	737
Services related to the registration of medicines	918	643
Communications	717	733
State and regulatory taxes	709	1,054
Fees on current bank accounts	661	536
Car repairs and maintenance	633	508
Expense taxes	607	442

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Medical services	500	435
Logistics	475	754
Medicines destruction services	313	220
Translation of documentation	273	428
Other	1,245	1,630
Total	41,226	38,940

7. EMPLOYEE BENEFITS EXPENSE

<i>Personnel costs</i> include:	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Current wages and salaries	43,426	38,006
Social security/health insurance contributions	7,694	7,550
Social benefits and payments	2,655	2,404
Bonuses	1,235	1,224
Accruals for unused paid leaves	665	749
Accrued provisions for long-term benefits to personnel upon retirement	310	174
Accruals for social security on unused paid leaves	205	203
Total	56,190	50,310

8. CARRYING VALUE OF GOODS SOLD

The *carrying value of goods sold by type* is as follows:

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Tablet dosage forms	162,239	150,926
Ampoule dosage forms	94,979	80,081
Consumables, dressing materials and apparatuses	20,486	20,412
Drops	16,212	12,728
Syrup dosage forms	8,256	6,876
Ointments	7,438	7,319
Food supplements and herbs	4,899	5,476
Food products	1,358	1,101
Isotopes	992	986
Other	7,928	7,867
Total	324,787	293,772

9. OTHER OPERATING EXPENSES

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Entertainment allowances	1,906	1,680
Charged/(reversed) impairment of current assets, net (Note 10)	1,638	679
Scrap and shortages of goods	1,136	904
Business trips	1,240	1,193
Payments to the budget for taxes and interest on taxes	647	283
Donations	383	338
Scrap and shortages of finished products and work in progress	359	44
Training	326	233
Unrecognized tax credit	118	57
Other	986	405
Total	8,739	5,816

10. IMPAIRMENT OF ASSETS

Impairment losses on receivables, work in progress, finished products and goods, net include:

	<i>1 January – 30 September 2013 BGN '000</i>	<i>1 January – 30 September 2012 BGN '000</i>
Impairment of receivables	1,909	870
Recovered impairment of receivables	(294)	(194)
Net change of impairments of receivables (Note №9)	1,615	676
Impairment of materials (Note №9)	23	3
Total	1,638	679

11. FINANCE INCOME

Finance income includes:

	<i>1 January – 30 September 2013 BGN'000</i>	<i>1 January – 30 September 2012 BGN'000</i>
Interest income on loans granted	3,795	3,073
Interest income on overdue receivables	1,473	746
Income from investment transactions	892	171
Income from shares	200	172
Interest on receivables from special contracts	164	17
Interest income from deposits	46	55
Net income from exchange rate differences on loans	-	372
Total	6,570	4,606

12. FINANCE COSTS

Finance costs include:

	<i>1 January – 30 September 2013</i>	<i>1 January – 30 September 2012</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expense on loans received	5,791	5,429
Investment operations expenses	5,721	2
Net loss from exchange rate differences on loans	644	-
Bank fees and charges on loans and guarantees	535	431
Interest expense on finance lease	268	246
Impairment of available-for-sale investments	197	-
Total	13,156	6,108

13. OTHER COMPREHENSIVE INCOME

	2013			2012		
	BGN'000			BGN'000		
	Value before tax	Savings from / (expense) from tax	Net from tax value	Value before tax	Savings from/ (expense) from tax	Net from tax value
Net change in the fair value of available-for-sale financial assets	(584)	-	(584)	2	-	2
Net gain from revaluation of property, plant and equipment	4	-	4	-	-	-
Exchange differences from restating foreign operations	(680)	-	(680)	980	-	980
Other comprehensive income for the year, net of tax	(1,260)	-	(1,260)	982	-	982

14. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>		<i>Plant and equipment</i>		<i>Other</i>		<i>Assets in progress</i>		<i>Total</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<i>Book value</i>										
Balance at 1 January	141,457	137,359	128,032	116,151	41,107	32,938	81,945	36,467	392,541	322,915
Additions	2,722	3,176	3,670	2,647	1,320	5,097	23,600	65,484	31,312	76,404
Acquired assets in a newly acquired subsidiary	410	16	184	18	191	29	37	-	822	63
Effects of foreign currency and hyperinflationary restatements	(1)	(337)	84	(154)	(19)	(201)	(256)	(198)	(192)	(890)
Disposals	-	(616)	(2,900)	(1,295)	(2,412)	(1,995)	(20)	(338)	(5,332)	(4,244)
Disposed carrying value of assets upon sale of subsidiaries	-	(502)	-	(544)	-	(61)	-	(181)	-	(1,288)
Impairment	(18)	-	-	-	-	-	-	-	(18)	-
Transfer to investment properties	-	(236)	-	(171)	-	(12)	-	-	-	(419)
Transfer to property, plant and equipment	41,680	2,597	51,541	11,380	1,223	5,312	(94,444)	(19,289)	-	-
Balance at 30 September / 31 December	186,250	141,457	180,611	128,032	41,410	41,107	10,862	81,945	419,133	392,541

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	<i>Land and buildings</i>		<i>Plant and equipment</i>		<i>Other</i>		<i>Assets in progress</i>		<i>Total</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<i>Accumulated depreciation</i>										
<i>Balance at 1 January</i>	13,893	10,575	67,378	59,685	19,196	16,317	-	-	100,467	86,577
Depreciation charge for the year	3,337	3,504	7,855	9,304	3,802	4,740	12		15,006	17,548
Allowance for impairment	-	(17)	(329)	(1,076)	(993)	(1,779)	-	-	(1,322)	(2,872)
Allowance for impairment of assets upon sale of subsidiaries	-	(174)	-	(559)	-	(61)	-	-	-	(794)
Effects of foreign currency and hyperinflationary restatements	(6)	5	(7)	24	(4)	(21)	-	-	(17)	8
Balance at 30 September / 31 December	17,224	13,893	74,897	67,378	22,001	19,196	12	-	114,134	100,467
Carrying value at 30 September / 31 December	169,026	127,564	105,714	60,654	19,409	21,911	10,850.00	81,945	304,999	292,074
Carrying value at 1 January	127,564	126,784	60,654	56,466	21,911	16,621	81,945	36,467	292,074	236,338

As at 30 September 2013, the fixed assets of the Group include: land 44, 347 thousand BGN (31 December 2012: 42,012 thousand BGN) and buildings with a carrying value of 124,679 thousand BGN (31 December 2012: 85,552 thousand BGN).

The acquisition costs of tangible assets include:

- Expenses for construction of new buildings – 3,629 thousand BGN (31 December 2012: 56,353 thousand BGN);
- Reconstruction of buildings – 1, 897 thousand BGN (31 December 2012: 775 thousand BGN);
- Delivery of equipment – 674 thousand BGN (31 December 2012: 20,271 thousand BGN);
- Advance payments – 4,575 thousand BGN (31 December 2012: 4,332 thousand BGN);
- Other – 75 thousand BGN (31 December 2012: 215 thousand BGN)

As at 30 September 2013, there were encumbrances on tangible fixed assets of the Group in connection with borrowing as follows:

- Land and buildings with a carrying value of 23,540 thousand BGN respectively and 98,148 thousand BGN (31 December 2012: respectively 15,973 and 53,128 thousand BGN);
- Pledged equipment with a carrying value – 1,055 thousand BGN (31 December 2012: 1,214 thousand BGN);
- Pledged equipment – 49,953 thousand BGN (31 December 2012: 32,150 thousand BGN);

The carrying value of tangible fixed assets (vehicles) of the Group obtained under a finance lease as at 30 September 2013 amounts to 2,662 thousand BGN (31 December 2012: 3,789 thousand BGN).

Operating leases

As at 30 September 2013 the Group has rented long-term fixed assets to related parties at a carrying value of 4,227 thousand BGN (31 December 2011: 1,138 thousand BGN). The Group has also rented long-term fixed assets to third parties at a carry amount of 926 thousand BGN as at 30 September 2013 (31 December 2012: 492 thousand BGN).

15. INTANGIBLE ASSETS

	<i>Goodwill</i>		<i>Intellectual property rights</i>		<i>Software</i>		<i>Other</i>		<i>Assets in progress</i>		<i>Total</i>	
	<i>2013 BGN '000</i>	<i>2012 BGN '000</i>	<i>2013 BGN '000</i>	<i>2012 BGN '000</i>	<i>2013 BGN '000</i>	<i>2012 BGN '000</i>	<i>2013 BGN '000</i>	<i>2012 BGN '000</i>	<i>2013 BGN '000</i>	<i>2012 BGN '000</i>	<i>2013 BGN '000</i>	<i>2012 BGN '000</i>
Book value												
Balance at 1 January	21,878	21,602	10,249	9,263	5,677	5,181	2,653	1,966	2,559	2,062	43,016	40,074
Additions	466	87	7	184	130	380	77	-	211	1,486	891	2,137
Acquired assets of newly acquired subsidiaries	-	189	2,266	72	-	-	(31)	679	-	-	2,235	940
Effects of foreign currency and hyperinflationary restatements	135	-	-	(1)	-	-	11	20	-	(4)	146	15
Transfer	-	-	72	731	-	116	-	(12)	(72)	(835)	-	-
Disposals	-	-	-	(1)	-	-	-	-	(83)	(150)	(83)	(151)
Balance at 30 September / 31 December	22,479	21,878	12,594	10,249	5,807	5,677	2,710	2,653	2,615	2,559	46,205	43,015
Accumulated amortization and impairment												
Balance at 1 January	8,929	6,821	3,948	2,511	3,109	2,213	649	550	-	-	16,635	12,095
Amortization charge for the year	-	-	800	1,493	478	898	126	141	-	-	1,404	2,532
Effects of foreign currency and hyperinflationary restatements	-	2,108	-	-	-	-	-	-	-	-	-	2,108
Impairment												
Written-off amortization												
Balance at 30 September / 31 December	8,929	8,929	4,758	3,948	3,587	3,109	808	649	-	-	18,082	16,635
Carrying value at 30 September / 31 December	13,550	12,949	7,836	6,301	2,220	2,568	1,902	2,004	2,615	2,559	28,123	26,380
Carrying value at 1 January	12,949	14,781	6,301	6,752	2,568	2,968	2,004	1,416	2,559	2,062	26,381	27,979

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

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

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

The other intangible assets include mainly exclusive contracts with counterparts acquired in business combinations.

As a result of the analysis, valuations and projections performed, the management of the Group recognized in 2012 impairment of part of the goodwill of the subsidiaries – Interpharm by 669 thousand BGN, Tabina by 543 thousand BGN, Sopharma Buildings REIT by 484 thousand BGN, Momina Krepost AD by BGN 364 thousand BGN, and Extab Corporation USA by BGN 48 thousand BGN.

For the remaining goodwill recognized in the consolidated statement of financial position it was assessed that no conditions for impairment existed (Note 2.32.2).

16. INVESTMENT PROPERTY

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Balance at 1 January	7,110	6,555
Additions		-
Effect of restatement	(7)	2
Transfer of property, plant and equipment	-	419
Fair value measured as at 30 September , recorded in the statement of comprehensive income (within profit or loss for the year)	-	116
Fair value measured as at 30 September , recorded in the statement of changes in owner's equity	-	18
Balance at 30 September / 31 December	7,103	7,110

The investment property represent buildings and specially separated parts from buildings of Group companies for individual exploitation, intended for long-term rent-out to third parties for income generating purposes.

17. INVESTMENT IN ASSOCIATED COMPANIES

As at 30 September 2013 the associated companies of the Group are: OOO Med-dent, Belarus and BOOO SpecApharmacia with principal activity trade in pharmaceutical products.

As at 31 December 2012 the associated companies of the Group are: Alean ODO, Belarus and Vestpharm ODO, Belarus with principal activity trade in pharmaceutical products.

The movement of investments in associated companies is presented below:

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Balance at 1 January	582	-
Acquisition of shares/(interests)	1,109	583
Share in profit/(loss) for the period	(294)	(1)
Balance at 30 September / 31 December	1,397	582

18. AVAILABLE-FOR-SALE INVESTMENTS

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

	<i>Country</i>	<i>30.09.2013</i>	<i>Interest</i>	<i>31.12.2012</i>	<i>Interest</i>
		<i>BGN '000</i>	<i>%</i>	<i>BGN '000</i>	<i>%</i>
Doverie United Holding AD	Bulgaria	8,708	14.88	15,036	18.80
Medica AD	Bulgaria	2,574	10.20	2,574	10.20
Olainfarm AD	Latvia	1,481	0.77	1,078	0.77
Lavena AD	Bulgaria	897	10.74	399	8.47
CF Elana Fund Money Market	Bulgaria	517	2.58	104	0.76
Hydroizomat AD	Bulgaria	388	9.98	374	9.38
Elpharma AD	Bulgaria	158	19.00	158	19.00
Sopharma Properties REIT	Bulgaria	83	0.21	234	0.70
Balkanpharma Razgrad AD	Bulgaria	70	0.33	70	0.33
Todorov AD	Bulgaria	29	4.50	33	5.10
Maritzatex AD	Bulgaria	16	12.91	-	6.20
Krimgas OAO	Ukraine	-	-	2,734	9.07
NPK Biotest	Belarus	-	-	491	19.00
BelAgroMed	Belarus	-	-	92	19.00
Other		58		48	
Total		14,979		23,425	

As at 30 September 2013 the value of the other available-for-sale investments amounting to 58 thousand BGN (31 December 2012: 48 thousand BGN) includes very small minority interests of the Group in the capital of seven companies (31 December 2012: nine companies).

19. LOANS GRANTED TO RELATED PARTIES

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables from deposits on long-term rentals	435	435
Long-term loans granted to related parties	-	748
	<u>435</u>	<u>1183</u>

As at 30 June the loan granted by the Group to a company under a common indirect control through key managing personnel has been completely repaid.

The terms of the granted loans to related parties as at 31 December 2012 are as follows:

Contracted amount:	1,100 thousand EUR
Interest rate:	8.08%
Maturity:	31.12.2014 г.
Collateral:	None
Purpose of the loan:	Working capital
Balance at 30 September / 31 December	748 thousand BGN
<i>Including interest</i>	<i>25 thousand BGN</i>

As at 30 September 2013 the loan, provided by the Group has been fully repaid.

The receivable on the long-term deposit is related to a rental contract of administrative offices with a term until 1 August 2022.

20. OTHER LONG-TERM RECEIVABLES

The *other long-term receivables* of the Group as include:

	<i>31.03.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Loans granted	455	1314
Guarantee deposits	30	30
Other	3	116
	<u>488</u>	<u>1,460</u>

The loans granted by the Group are to third parties, unsecured and with a contractual annual interest rate of 8% to 8.08% (31 December 2012: from 7% to 8.08%).

21. INVENTORIES

Inventories include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Goods	63,004	55,012
Materials	35,146	29,228
Finished products	20,736	38,954
Semi-finished products	6,356	4,574
Work-in-progress	2,147	3,182
Total	<u>127,389</u>	<u>130,950</u>

Goods by type are as follows:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Tablet dosage forms	32,734	26,986
Ampoule dosage forms	9,673	10,379
Syrups	2,438	2,314
Drops	1,927	2,177
Ointments	1,607	1,472
Goods in a process of delivery	-	883
Isotopes	-	15
Other	14,625	10,786
Total	<u>63,004</u>	<u>55,012</u>

Finished products include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Tablet dosage forms	11,123	26,146
Ampoule dosage forms	5,129	6,969
Syrups	1,518	2,418
Other	2,966	3,421
Total	<u>20,736</u>	<u>38,954</u>

Materials by type are as follows:

	31.3.2013	31.12.2012
	BGN '000	BGN '000
Basic materials	32,947	25,235
Auxiliary materials	513	484
Technical materials	476	426
Spare parts	396	389
Materials in the process of delivery	232	1,909
Other	582	785
Total	<u>35,146</u>	<u>29,228</u>

Basic materials by type are as follows:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Substances	21,390	15,573
Vials, tubes and ampoules	4,735	3,695
Chemicals	2,229	2,108
PVC and aluminum foil	1,474	1,279
Packaging materials	1,389	1,351
Herbs	1,104	648
Other	626	581
Total	<u>32,947</u>	<u>25,235</u>

As at 30 September 2013, there were established special pledges on inventories at the amount of 66,656 thousand BGN (31 December 2012: 91,199 thousand BGN) as collateral under received by the Group bank loans and issued bank guarantees.

22. TRADE RECEIVABLES

Trade receivables include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Receivables from clients	181,372	158,129
Impairment of uncollectible receivables	(2,703)	(3,345)
	<u>178,669</u>	<u>154,784</u>
Advance payments to suppliers	14,145	5,816
Impairment of advances	(42)	(42)
Advance payments, net	<u>14,103</u>	<u>5,774</u>
Total	<u>192,772</u>	<u>160,558</u>

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

Usually the Group companies negotiate with their clients payment term from 30 to 180 days for receivables under sales unless there are determined specific conditions for maturity for particular clients. The credit period for sales of medical equipment on the hospital market is between 2 and 3 years due to the financial profile of the counterparties.

The Group has set a common credit period of 180 days for which no interest is charged to clients. Any delay after this period is regarded by the Group as an indicator for impairment. The management of the Group companies assess collectability by analyzing the exposure of the particular client, the opportunities for settlement (of the client and through the collateral) and take decision on the recognition and charging of the respective impairment.

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

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	30.09.2013	31.12.2012
	BGN '000	BGN '000
up to 30 days	52,438	38,510
from 31 to 90 days	41,954	47,308
from 91 to 180 days	35,522	23,154
from 180 to 360 days	16,200	3,401
Regular receivables up to 1 year	146,114	112,373
from 1 to 2 years	9,079	891
over 2 years	2,315	-
Regular receivables over 1 year	11,394	891
	157,508	113,264

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

	30.09.2013	31.12.2012
	BGN '000	BGN '000
from 31 to 90 days	3,767	11,485
from 91 to 180 days	4,690	3,507
from 180 to 365 days	10,331	7,131
from 1 to 2 years	1,885	3,102
over 2 years	488	1,291
Total	21,161	26,516

With regard to the past due but not impaired receivables, there are agreements already achieved or under preparation for interest rescheduling of payments for each individual client (including penalty interest for delay).

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

	30.09.2013	31.12.2012
	BGN '000	BGN '000
from 31 to 90 days	-	390
from 91 to 180 days	-	1,788
from 180 to 365 days	-	5,041
over 1 year	2,703	11,130
Allowance for impairment	(2,703)	(3,345)
	-	15,004

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The larger part of the past due impaired receivables is from state hospitals and interest is charged and invoiced thereon.

For this reason, the management of the Group has taken a decision only for a partial impairment of the above receivables.

As at 30 September 2013, there were established special pledges on trade receivables at the amount of 42,468 thousand BGN (31 December 2012: 32,562 thousand BGN) as collateral on bank loans received by the Group and issued bank guarantees.

Movement of the allowance for impairment

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Balance at the beginning of the year	3,345	3,296
Impairment amount	854	274
Amounts written-off as uncollectable	(354)	(29)
Recovered impairment	(22)	(156)
Transferred to impairment on court cases	(1,127)	(30)
Recalculations	7	(10)
Balance at the end of the year	2,703	3,345

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

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Goods	7,576	3,368
Other	2,841	97
Raw and other materials	2,394	1,932
Services	1,334	419
Allowance for impairment	(42)	(42)
	14,103	5,774

23. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables from companies under a common indirect control through key managing personnel	49,582	39,981
Receivables from companies under a common indirect control	9,767	12,359
Receivables from main shareholding companies	379	8,531
Total	59,728	60,871

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

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Trade loans granted	57,680	56,553
Receivables on sales of finished products and materials	1,827	4,318
Advance payments	175	-
Receivables from dividends	46	-
Total	59,728	60,871

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

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Companies under a common indirect control through key managing personnel	49,408	37,156
Companies under a common indirect control	7,893	10,866
Main shareholding companies	379	8,531
Total	57,680	56,553

The *granted loans* are as follows:

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>Interest</i>	<i>30.09.2013</i>	<i>31.12.2012</i>
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	'000			BGN'000	BGN'000	BGN'000	BGN'000
					<i>including interest</i>		<i>including interest</i>
<i>companies under a common indirect control through key managing personnel</i>							
<i>BGN</i>	23,395	31.12.2013	8.30%	20,904	1,380	14,932	324
<i>EUR</i>	8,793	31.12.2013	4.50%	13,847	78	12,257	62
<i>BGN</i>	27,050	31.08.2013	8.08%	11,299	569	9,230	-
<i>BGN</i>	2,500	31.12.2013	8.30%	2,615	115	-	-
<i>BGN</i>	1,300	31.12.2013	8.08%	540	40	510	9
<i>BGN</i>	190	31.12.2013	8.08%	203	13	227	37
<i>companies under a common indirect control</i>							
<i>EUR</i>	7,660	31.12.2013	4.50%	7,739	39	10,010	-
<i>BGN</i>	1,375	31.12.2013	8.08%	-	-	710	-
<i>BGN</i>	120	31.12.2014	8.08%	154	34	146	26
<i>main shareholding companies</i>							
<i>EUR</i>	4,035	31.12.2013	4.80%	-	-	8,170	278
<i>BGN</i>	300	31.12.2013	8.08%	379	79	361	61
				57,680	2,347	56,553	797

The loans has been granted for the purpose of working capital to the respective counterparty. As at 30 September 2013 the loans have not been additionally secured through special pledges or guarantees.

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

The Group companies usually negotiate payment terms between 90 and 180 days for receivables on sales of finished products and up to 30 days for receivables on sales of materials (incl. substances).

The Group has set a maximum credit period of up to 365 days for which no interest is charged to sales counterparts – related parties. Any delay after this period is regarded by the Group as an indicator for impairment. The management of the Group companies assess collectability by analyzing the specific receivables and the position of the debtor company as well as the circumstances for the delay and the opportunities for repayment and after that, they take a decision on whether impairment shall be recognized and charged on individual basis and at what amount.

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

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	30.09.2013	31.12.2012
	BGN '000	BGN '000
up to 30 days	676	506
from 31 to 90 days	283	373
from 91 to 180 days	372	2824
Total	1,331	3,703

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

	30.09.2013	31.12.2012
	BGN '000	BGN '000
from 31 to 90 days	36	275
from 91 to 180 days	-	2
from 1 to 2 years	460	-
Total	496	277

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

	30.09.2013	31.12.2012
	BGN '000	BGN '000
over 1 year	79	816
Impairment	(79)	(478)
	-	338

Movement of the allowance for impairment

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Balance at 1 January	478	399
Impairment amount	-	79
Recovered impairment	(222)	-
Amounts written-off as uncollectable	(177)	-
Balance at 31 December	79	478

24. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments of the Group include:

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
<i>Court and awarded receivables</i>	10,693	13,067
<i>Impairment of court receivables</i>	<u>(4,851)</u>	<u>(2,736)</u>
	5,842	10,331
Taxes refundable	6,329	7,824
Provided funds for the payment of dividends	4,086	-
Provided commercial loans	1,348	482
Prepayments	1,344	1,519
Provided funds to investment intermediaries	812	652
Receivables on deposits placed as guarantees	712	664
Guarantees provided on lawsuits	604	846
Other	<u>865</u>	<u>203</u>
Total	<u>21,942</u>	<u>22,521</u>

Refundable taxes include:

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Excise duties	3,826	3,878
VAT	1,503	2,309
Profit tax	878	1,527
Withholding taxes	121	110
Local taxes and charges	<u>1</u>	<u>0</u>
Total	<u>6,329</u>	<u>7,824</u>

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Prepayments include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Insurance	338	587
Subscriptions	324	544
Vouchers	201	8
License and patent fees	76	23
Rentals	44	111
Advertising	25	148
Other	336	98
Total	1,344	1,519

Guarantee deposits include:

	31.3.2013	31.12.2012
	BGN '000	BGN '000
Guarantees related to the supply of medicines	364	131
Guarantees related to contracts for fuel and energy supply	115	31
Guarantees related to government contracts	61	-
Guarantees related to contracts for supply of communication services	33	-
Guarantees related to successful completion of contracts	-	332
Other	139	170
Total	712	664

Court receivables result primarily in connection with sales to state hospitals. In most cases repayment plans are contracted or being negotiated and therefore the Group's management has decided to only partial impair those receivables.

Loans to third parties amounted to 1,348 thousand BGN (31 December 2012: 482 thousand BGN) are provided to three companies – counterparties for working capital. The agreed annual interest rate on these loans is between 6% and 8.08% (2012: 6% and 12%).

25. CASH AND CASH EQUIVALENTS

Cash equivalents include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Cash at current bank accounts	17,767	11,847
Short-term deposits	3,713	2,718
Cash in hand	1,464	1,129
Blocked funds	56	73
Total	23,000	15,767

Cash and cash equivalents of the Group are mainly in BGN and EUR (31 December 2012: BGN and EUR).

As at 30 September 2012 blocked cash is for guarantees for completion and amounts to 56 thousand BGN (31 December 2012: blocked cash is for guarantees for completion and amounts to 73 thousand BGN)

26. EQUITY***Primary share capital***

As at 30 September 2013 the registered share capital of Sopharma AD amounts to 132,000 thousand BGN, divided into 132,000,000 shares with nominal value one Lev per share.

The *treasury shares* are 5,486,272 amounting to 18,307 thousand BGN (31 December 2012: 3,853,735 shares amounting to 13,594 thousand BGN) based on the decision of the General Meeting of Shareholders held on 31 June 2010.

Statutory reserves amount to 30,051 thousand BGN (31 December 2012: 25,934 thousand BGN) and are formed by the profit sharing of the parent company and fully include the "Reserve Fund".

Revaluation reserve - property, plant and equipment amounted to 26,322 thousand BGN (31 December 2012: 26,395 thousand BGN) is formed by the positive difference between the carrying value of property, plant and equipment of the Group companies and their fair values at the dates of the regular revaluations. The effect of deferred taxes on revaluation is recognized directly by the other components of comprehensive income for the year

Reserve of available-for-sale financial assets amounted to 556 thousand BGN - positive figure (31 December 2012: 1,048 thousand – positive figure) is formed by the effects of subsequent valuation of available-for-sale investments at fair value (including the consolidated share of the change of this reserve in associated companies at valuation under the equity method).

Reserve from recalculation in the presentation currency of foreign operations amounted to 4,218 thousand BGN – negative figure (31 December 2012: 3,804 thousand - negative) is formed by exchange

rate differences resulting from recalculation of the currency of the financial statement of foreign companies in the currency of the Group.

Reserve "Retained earnings" includes the component "other reserves", which includes amounts distributed from the profits from past years of the companies of the Group.

27. LONG-TERM BANK LOANS

Currency	Contracted loan amount '000	Maturity	30.09.2013			31.12.2012		
			Long-term part BGN'000	Short-term part BGN'000	Total BGN'000	Long-term part BGN'000	Short-term part BGN'000	Total BGN'000
<i>Credit lines and working capital loans</i>								
EUR	2,000	30.6.2018	2,389	-	2,389	-	-	-
EUR	1,452	31.12.2017	1,773	557	2,330	2,188	614	2,802
BGN	4,250	16.4.2023	1,559	-	1,559	-	-	-
EUR	800	9.12.2015	691	87	778	695	348	1,043
EUR	300	28.6.2014	577	-	577	-	303	303
EUR	450	31.12.2017	558	176	734	690	191	881
EUR	500	7.4.2014	301	226	527	301	677	978
EUR	1,617	30.1.2015	158	479	637	519	479	998
EUR	113	30.11.2015	79	68	147	130	74	204
USD	100	27.5.2015	31	-	31	-	-	-
BYR	400,000	17.7.2014	10	20	30	-	-	-
UAH	72,871	27.11.2013	-	12,126	12,126	-	-	-
EUR	1,675	30.6.2013	-	-	-	-	25	25
<i>Investment-purpose loans</i>								
EUR	32,000	15.4.2021	46,507	7,709	54,216	51,779	5,888	57,667
EUR	1,800	25.7.2014	-	782	782	542	960	1,502
			54,633	22,230	76,863	56,844	9,559	66,403

The bank loans received in Euro were agreed mainly at interest rate based on EURIBOR plus a mark-up of up to 5 points, for loans in BGN – fixed interest rate of 5.15% and for loans in UAH – floating interest rate of 5.45% (2012: EURIBOR plus a mark-up of up to 5 points).

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

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

- Real estate mortgages (Note 14);
- Special pledges on:
 - machinery and equipment (Note 14);

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

28. FINANCE LEASE LIABILITIES

The finance lease liabilities are under revocable contracts for motor vehicles acquisition. They are presented net of the interest due in the future and are as follows:

<i>Term</i>	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Up to one year	438	1,011
Over one year	1,706	2,509
Total	2,144	3,520

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

<i>Term</i>	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Up to one year	481	1,512
Over one year	2,407	3,583
	2,888	5,095
Future finance costs under finance leases	(744)	(1,575)
Present value of finance lease payments	2,144	3,520

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

29. GOVERNMENT FINANCING

As at 30 September 2013 the amount of 5,927 thousand BGN represents government financing/grants under contracts for financial aid (31.12.2012: 2,567 thousand).

The short-term part of the grants at the amount of 569 thousand BGN (31 December 2013: 463 thousand BGN) will be recognized as current income over the 12 months following the date of the consolidated statements of financial position and is presented under 'Other current liabilities' (Note 35).

30. SHORT-TERM BANK LOANS

The short-term bank loans of the Group are as follows:

<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>'000</i>		<i>BGN'000</i>	<i>BGN'000</i>
Bank loans				
EUR	20,000	31.5.2014	34,058	39,091
EUR	14,000	31.8.2014	24,581	3,359
EUR	19,558	30.6.2014	19,558	-
EUR	16,495	30.6.2014	15,909	-
EUR	12,500	17.2.2014	13,341	24,384
EUR	5,500	25.4.2014	10,757	-
BGN	10,000	30.6.2014	9,994	10,003
EUR	5,000	31.5.2014	9,795	9,785
EUR	5,867	25.4.2014	5,860	-
EUR	5,000	31.5.2014	3,759	-
EUR	2,050	30.8.2014	3,009	2,252
RSD	55,894	10.12.2040	879	-
USD	600	8.6.2014	872	-
BGN	500	20.9.2013	378	285
USD	250	21.1.2014	362	-
BYR	700,000	23.6.2052	56	-
EUR	3,000	28.9.2013	-	2,858
USD	4,000	1.5.2013	-	5,936
EUR	1,968	1.5.2013	-	3,632
EUR	10,000	31.3.2014	-	19,558
EUR	3,000	25.4.2013	-	5,859
			153,168	127,002
Credit lines				
BGN	18,000	30.8.2014	11,736	15,028
BGN	23,470	31.1.2014	10,938	19,772
BGN	10,000	30.6.2014	10,000	-
EUR	5,000	31.8.2013	7,453	9,772
EUR	3,000	28.8.2014	5,520	5,863
EUR	66	30.6.2014	129	129
EUR	2,500	31.8.2013	-	1,803
EUR	3,436	6.9.2013	-	3,865
EUR	8,434	31.3.2014	-	15,909
EUR	2,500	20.11.2013	-	4,851
			45,776	76,992

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<i>Currency</i>	<i>Contracted amount</i>	<i>Maturity</i>	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>'000</i>		<i>BGN'000</i>	<i>BGN'000</i>
Total			<u>198,944</u>	<u>203,994</u>

The received bank loans in Euro are mainly contracted at interest rate determined on the basis of EURIBOR plus a mark-up of up to 4.09 point, loans in BGN – one-month SOFIBOR plus 3.75 points and for SRD – fixed interest rate of 3.5% (2012: EURIBOR plus a mark-up of up to 4.09 points, for loans in BGN – one-month SOFIBOR plus 3.75 points and for USD – LIBOR plus a mark-up of up to 3.85). The loans are intended for working capital.

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

- machinery and equipment (Note 14);
- raw materials, consumables and finished products (Note 21);
- trade receivables (Note 22).

31. TRADE PAYABLES

Trade payables include:

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Payables to suppliers	56,642	53,760
Advances from clients	1,176	1,482
Total	<u>57,818</u>	<u>55,242</u>

	<i>30.09.2013</i>	<i>31.12.2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
The <i>payables to suppliers</i> refer to:		
Foreign suppliers	39,946	38,988
Bulgarian suppliers	16,696	14,772
Total	<u>56,642</u>	<u>53,760</u>

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

32. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Payables to companies under common indirect control	767	250
Payables to companies under common indirect control through key management personnel	355	1,273
Payables to main shareholding companies	50	19
Payables to other related parties	-	18
Total	1,172	1,560

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

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Payables for supplies of goods and materials	1,129	1,501
Payables for supplies of services	-	39
Other	43	20
Total	1,172	1,560

The payables to related parties are regular, denominated in BGN, interest-free and are not additionally secured by the Group with special pledge or guarantee.

33. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Payables to personnel, including:	6,991	5,366
<i>current wages and salaries</i>	3,542	2,478
<i>profit-based bonuses</i>	2,294	1,627
<i>accruals on unused compensated leaves</i>	1,155	1,261
Payables for social security/health insurance, including:	1,436	1,258
<i>current payables for social security</i>	1,216	1,071
<i>accruals on unused compensated leaves</i>	220	187
Total	8,427	6,624

34. TAX PAYABLES

Tax payables include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
VAT	2,908	1,603
Individual income taxes payable	386	367
Withholding taxes	251	14
Income tax	186	397
Other	63	27
Total	<u>3,794</u>	<u>2,408</u>

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

Company	Full-scope tax audit	VAT inspection	Inspection under the social security legislation
Sopharma AD	31.12.2010	30.11.2011	31.10.2008
Sopharma Trading AD	31.12.2011	31.12.2011	31.12.2004
Bulgarian Rose Sevtopolis AD	31.12.2009	31.01.2010	31.12.2008
Biopharm Engineering AD	31.12.2009	31.10.2010	30.04.2009
Momina Krepost AD	31.12.2005	31.10.2006	31.10.2006
Pharmalogistica AD	31.12.2005	31.03.2007	none
Sopharma Buildings REIT	none	31.03.2013	none
Electroncommerce EOOD	31.12.2005	30.04.2006	none
Unipharm AD	31.12.2005	30.04.2006	31.03.2007
Ivanchich and Sons OOD	31.08.2011	31.08.2011	31.08.2011
Vitamina AD	30.06.2010	14.09.2011	01.04.2012
Sopharma Zdrovit AD – in liquidation	30.09.2011	30.09.2011	30.09.2011
Briz OOD	20.07.2007	19.08.2010	31.12.2012
Brititrade SOOO	31.12.2011	31.12.2011	31.12.2011
Tabina OOO	30.09.2010	30.09.2010	30.09.2006
ZAO Interpharm	31.10.2007	31.10.2007	30.06.2006
ODO Alean	28.02.2011	28.02.2011	none
Vivaton Plus ODO	29.02.2012	29.02.2012	29.02.2012
Vestpharm ODO	30.4.2005	30.4.2005	31.3.2004
NPK Biotest OOO	31.12.2011	31.12.2011	31.3.2007
BelAgroMed ODO	28.2.2003	28.2.2003	30.5.2005

The companies Sopharma Poland OOD – in liquidation, Poland, Sopharma Warsaw EOOD, Poland, Extab Corporation USA, Extab Pharma Limited, United Kingdom have not been subject to tax inspections or audits related to the social security legislation.

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

For the companies outside Bulgaria the tax audit is performed as follows: in Ukraine, Russia, Latvia and Belarus – within a term of three years, in Poland – within a term of five years, and in Serbia – within a term of ten years.

35. OTHER CURRENT LIABILITIES

Other current liabilities include:

	30.09.2013	31.12.2012
	BGN '000	BGN '000
Dividends payable	4,773	539
Liabilities under sold rights from shares issue	881	882
Government donations	577	463
Finance lease liabilities	438	1011
Awards on litigations	277	1339
Deductions from work salaries	215	219
Other	547	137
Total	7,708	4,590

36. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

Sopharma AD

In 2011, Sopharma AD started arbitrary proceedings before the International Chamber of Commerce in Paris against a client in relation with unpaid supplies of goods at the amount of EUR 1,034 thousand (BGN 2,022 thousand). On its part, the client filed a counter-claim for the amount of EUR 2,426 thousand (BGN 4,745 thousand) for damages caused by unjustifiable termination of a distribution contract by Sopharma AD. By ruling of the Court of Arbitration in Paris dated 23 October 2012, the claim of Sopharma AD was satisfied and the counter-claim was rejected.

In 2013 the Court of Arbitration in Paris will try the complementary claim of Sopharma AD for compensation on loss of business suffered as a result of damage on the image of the Company for the amount of EUR 1,770 thousand. The Court ruling on the arbitration costs is also pending.

PAO Vitamini

The company is subject to two administrative legal proceedings, started after 1 January 2013, and are related to an appeal of administrative acts – customs rules from 2012 regarding import of pharmaceutical products on Ukrainian territory. They are related to customs sanctions imposed for a total of UAH 3,411 thousand (BGN 622 thousand).

The management of the group considers that these amounts are not payable and the appeal of the customs rules would be successful and the court cases would be concluded in PAO Vitamini, Ukraine's favor. Therefore, in the consolidated condensed interim financial statement no provision is recognized in regards to the court cases in progress.

Bank guarantees

Sopharma Trading AD

The bank guarantees issued for the company amount to BGN 9,184 thousand (31 December 2011: BGN 7,277 thousand) and are to guarantee payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medical products to hospitals under concluded contracts, customs office guarantees and tender participation.

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 5,867 thousand (31 December 2012: BGN 8,801 thousand).
- Special pledge on TFA (motor vehicles) with a carrying amount of BGN 3,133 thousand (31 December 2012: BGN 487 thousand).

Unipharm AD

Bank guarantees at the amount of BGN 33 thousand were issued as at 30 September 2013 within the limit of a loan agreement.

The following collateral has been provided under an agreement for the issue of multiple bank guarantees of 23 February 2012:

- Pledge on current and future movables (materials, finished products, goods) with carrying amount of BGN 200 thousand;

- Pledge on receivables under current and future current accounts opened in DSK Bank EAD.

Significant irrevocable agreements and commitments

Sopharma AD

Sopharma AD concluded a contract with a supplier for the purchase and implementation of an integrated information system Microsoft Dynamics AX for the amount of BGN 3,700 thousand (EUR 1,892 thousand). The expected end of the full implementation of the information system is by the end of the year.

In 2011, the Company assumed a self-participation commitment at the amount of BGN 3,997 thousand under a contract for gratuitous financial aid under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 - 2013. The execution of the contract is related with acquisition of machinery and equipment. At the date of preparation of the consolidated condensed interim financial statement, the company has purchased the machinery and equipment subject of the financing at the amount of BGN 7,574 thousand, for which it received financing at the amount of 3,787 thousand BGN.

Unipharm AD

The company is beneficiary under two agreements for gratuitous financial aid with the Bulgarian Small and Medium Enterprises Promotion Agency and the National Innovation Fund. The commitments of the company under these agreements are for a period of five years.

According to the clauses of the agreements, the tangible fixed and intangible assets acquired using funds under the projects should remain within the assets of the beneficiary and in the region of the recipient (the territory of the Republic of Bulgaria) for a term of minimum five years after the total investment project is executed. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the consolidated financial statement, all contractual requirements were being fulfilled.

Under the project "Modernization and Development of Unipharm AD", concluded with the Bulgarian Small and Medium Enterprises Promotion Agency, the term of the engagement started in November 2011 while under the project "Development of a New Hemodialysis Solution and Proving its Therapeutic Effect" to the National Innovation Fund the term of the engagement started in 2010.

As at 30 September 2013, the funding obligation related with the project "Modernization and Development of Unipharm AD" amounts to BGN 1,715 thousand (2012: BGN 1,866 thousand) while that for the project "Development of a New Hemodialysis Solution and prove its Therapeutic Effect" – BGN 155 thousand (2012: BGN 184 thousand) (Notes №29 and №35).

Bulgarian Rose Sevtopolis AD

The company undertook an engagement under a contract for granting gratuitous financial aid, concluded with the Bulgarian Small and Medium Enterprises Promotion Agency at the Ministry of Economy and Energy under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 in relation with a project for technological renovation and modernization of tablets production. The term of the contract is 5 years.

The term commenced on 9 February 2011 and according to the contract the product should not suffer significant changes referring to its nature, the conditions of its performance or leading to unjustifiable benefits for the company as well as changes resultant from modification in the nature of ownership of infrastructural component or discontinuance of production activities. On non-compliance with these requirements, the financing shall be returned (Notes №29 and №35). At the date of preparation of the consolidated condensed interim financial statement, all contractual requirements were being fulfilled.

Biopharm Engineering AD

In 2001 the company assumed a self-participation commitment at the amount of BGN 2,708 thousand under a contract for financing under Operating Program "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013. The execution of the contract is envisaged to last 20 months and is related with financing the purchase of property, plant and equipment. At the date of these consolidated condensed interim financial statement no amounts have been drawn under this project.

37. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Group can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that might affect the financial results and position of the Group. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the finished products and services of the Group companies and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentrations.

Risk management is currently performed by the management of the parent company and respectively, the management of the subsidiaries, in line with the policy defined by the Board of Directors of the parent. The Board of Directors has approved the basic principles of general financial risk management, on the basis of which specific procedures have been established for management of the separate specific types

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of risk such as currency, price, interest, credit and liquidity risk and the risk of use of non-derivative instruments.

The structure of financial assets and liabilities is as follows:

<i>Financial assets</i>	<i>30.09.2013</i> <i>BGN '000</i>	<i>31.12.2012</i> <i>BGN '000</i>
	<u>290,112</u>	<u>269,170</u>
Loans and receivables, including:	275,133	245,745
<i>Receivables and loans</i>	252,133	229,978
<i>Cash and cash equivalents</i>	23,000	15,767
Available-for-sale financial assets	14,979	23,425
Available-for-sale investments	14,979	23,425
<i>Financial liabilities</i>	<i>30.09.2013</i> <i>BGN '000</i>	<i>31.12.2012</i> <i>BGN '000</i>
Financial liabilities at amortized cost	<u>342,241</u>	<u>331,225</u>
<i>Short-term and long-term bank loans</i>	275,807	270,397
<i>Other loans and liabilities</i>	66,434	60,828

Currency risk

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

A significant volume of the Group's revenue is formed mainly through the parent company from export of finished products contracted as payable in USD. At the same time the Group through the parent company supplies a part of its basic raw materials and consumables in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognized assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The companies abroad perform sales mainly to the local markets, which leads to currency risk to their currencies as well – Ukrainian Grivna (UAH), Serbian Dinar (RSD), Russian Ruble (RUB), Latvian Lat (LVL), Belarus Ruble (BYR).

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The total inflation in Belarus for the last three years exceeded 100% and Belarus was regarded a hyperinflationary economy, which to a large degree resulted in increased volatility of the functional currency exchange rate of the companies operating in such environment to Group's presentation currency. As far as all of these macroeconomic effects were beyond the control of the Group companies operating in Belarus the management of the Group undertook actions to control this currency risk by regulating currently the working capital of these companies and making efforts to maintain a reasonable balance of their current assets and liabilities whereby to regulate on timely basis the significant adverse effects for the Group as a whole.

The remaining part of the Group companies' operations are usually denominated in BGN or EUR.

To control foreign currency risk, there is an implemented system in the whole Group for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rates and control on pending payments. Bulgarian Rose Sevtopolis AD maintains assets and liabilities in foreign currencies (cash, payables to suppliers) originated in prior periods, which are denominated in USD and as at 31 March 2012 it expanded its net exposure to currency risk towards USD compared to prior period. The exposures of the subsidiaries in Bulgaria to the currency risk are insignificant because almost all sales are performed to the local market in Bulgarian Lev (BGN).

The import of goods is performed entirely in Euro (EUR). The loans denominated in foreign currency have been granted mainly in EUR.

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

<i>30 September 2013</i>	<i>in BGN</i>	<i>in EUR</i>	<i>in USD</i>	<i>in other currency</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	13,479	-	-	1,500	14,979
Loans and receivables, including:	201,538	56,319	2,203	15,073	275,133
<i>Receivables and loans</i>	<i>186,014</i>	<i>52,764</i>	<i>961</i>	<i>12,394</i>	<i>252,133</i>
<i>Cash and cash equivalents</i>	<i>15,524</i>	<i>3,555</i>	<i>1,242</i>	<i>2,679</i>	<i>23,000</i>
Total financial assets	215,017	56,319	2,203	16,573	290,112
Bank and commercial loans	104,652	157,678	13,360	117	275,807
Other loans and liabilities	24,837	30,757	2,094	8,746	66,434
Total financial liabilities	129,489	188,435	15,454	8,863	342,241

<i>31 December 2012</i>	<i>в BGN BGN '000</i>	<i>в EUR BGN '000</i>	<i>в USD BGN '000</i>	<i>в друга валута BGN '000</i>	<i>Общо BGN '000</i>
Available-for-sale financial assets	19,021	-	-	4,401	23,422

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Loans and receivables, including:	170,745	61,984	1,242	9,664	243,635
<i>Receivables and loans</i>	<i>160,323</i>	<i>59,288</i>	<i>-</i>	<i>8,506</i>	<i>228,117</i>
<i>Cash and cash equivalents</i>	<i>10,422</i>	<i>2,696</i>	<i>1,242</i>	<i>1,158</i>	<i>15,518</i>
Total financial assets	<u>189,766</u>	<u>61,984</u>	<u>1,242</u>	<u>14,065</u>	<u>267,057</u>
Short-term and long-term bank loans	83,915	180,546	5,936	-	270,397
Other loans and liabilities	17,533	32,795	2,213	4,864	57,405
Total financial liabilities	<u>101,448</u>	<u>213,341</u>	<u>8,149</u>	<u>4,864</u>	<u>327,802</u>

Price risk

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

- (a) (a) a possible increase of purchase prices of raw materials and consumables, since a significant portion of the raw materials used are imported and they represent a significant share of production costs;
- (b) a possible increase in supplier prices of goods, including as a result of hyperinflation for the subsidiaries in Belarus; and
- (c) the growing competition on the Bulgarian pharmaceutical market is also reflected in drug prices.

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

The Group is exposed to a significant price risk also with regard to the shares held thereby, classified as available-for-sale investments, mostly through the parent company. For this purpose, the management monitors and analyses all changes in security markets and also uses consulting services of one of the most authoritative in the country investments intermediaries. In addition, at this stage, because of the economic and financial crisis, the management has taken a decision for a significant reduction in its operations on stock markets, retaining of the purchased shares for longer periods with current monitoring of the reported by the respective issuer financial and business indicators as well as the development of the operations in the environment of crisis.

Credit risk

Credit risk is the risk that any of the Group's clients will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. The latter are presented in the statement of financial position at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

In the years of its trade experience, the Group has implemented different schemes of distribution to reach its efficient approach of today, in conformity with the market conditions, using various ways of payment as well as relevant trade discounts. The Group works on its main markets with counterparts with history of their relations on main markets, which include a big number of licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the state hospitals requires the implementation of deferred payments policy. On delay in payments of the receivables from these counterparts, the Group has set a period of 30 days after which it starts activities for collection of receivables. With regard to hospitals, in case of 30 days of delay after the date on which the credit period expires, interest for delay is being charged and if delays persist after further 30 days, a meeting with the management is arranged for the purpose of signing rescheduling agreement. If the agreement is not complied with, legal proceedings are initiated. With regard to clients – pharmacies, on a 5-day delay after the expiry of the credit period, the sales under deferred payment terms are suspended. If delinquencies continue, on the 45th day all sales are ceased and negotiations are held for concluding an agreement. If the agreement is not complied with, legal proceedings are initiated.

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

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

Collectability of receivables is controlled directly by the Executive Director, the Finance and Trade Director of the parent company and, respectively, by the management of the subsidiaries. Their responsibility is to provide operating control and regulate receivables in conformity with the actual market situation and the needs of the Group.

The Group has developed policy and procedures to assess the creditworthiness of its counterparts and to assign credit rating and credit limits by groups of clients.

The financial resources of the Group as well as the settlement operations are concentrated in different first-class banks. To distribute cash flows among them, the management of the parent company and the subsidiaries

take into consideration a great deal of factors, as the amount of capital, reliability, liquidity, the credit potential and rating of the bank etc.

Liquidity risk

Liquidity risk is the adverse situation when the Group encounters difficulty in meeting unconditionally its obligations within their maturity, including because of the existence of hyperinflation and the indexation of the trade accounts of the companies operating in such environment.

The Group generates and maintains a significant volume of liquid funds. An internal source of liquidity for the Group is its main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. A significant impact on the liquidity of the Group may have changes in the exchange rate of the dollar in relation to the dollar positions on the Russian market and the dynamics of the market, if it deviates from the projections. Another significant source of risk is the net position in BYR and the hyperinflation on that market.

Maturity analysis

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

<i>30 September 2013</i>	<i>up to 1 month BGN '000</i>	<i>from 1 to 3 months BGN '000</i>	<i>from 3 to 6months BGN '000</i>	<i>from 6 to 12 months BGN '000</i>	<i>from 1 to 2 years BGN '000</i>	<i>from 2 to 5 years BGN '000</i>	<i>over 5 years BGN '000</i>	<i>Total BGN '000</i>
Available-for-sale financial assets	-	-	-	-	13,935	1,044	-	14,979
Loans and receivables, including:								
<i>Loans and receivables</i>	112,969	108,317	35,750	15,735	1,934	2,669	435	277,809
<i>Cash and cash equivalents</i>	93,854	106,430	35,550	13,937	1,934	2,669	435	254,809
	<u>19,115</u>	<u>1,887</u>	<u>200</u>	<u>1,798</u>	-	-	-	23,000
Total assets	<u>112,969</u>	<u>108,317</u>	<u>35,750</u>	<u>15,735</u>	<u>15,869</u>	<u>3,713</u>	<u>435</u>	<u>292,788</u>

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Bank and commercial loans	2,319	3,343	50,999	173,633	10,592	26,616	20,966	288,468
Other loans and liabilities	35,445	26,326	3,468	660	857	561	-	67,317
Total liabilities	37,764	29,669	54,467	174,293	11,449	27,177	20,966	355,785

<i>31 December 2012</i>	<i>up to 1 month</i>	<i>from 1 to 3 months</i>	<i>from 3 to 6 months</i>	<i>from 6 to 12 months</i>	<i>from 1 to 2 years</i>	<i>from 2 to 5 years</i>	<i>over 5 years</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	-	-	2,734	-	20,691	-	-	23,425
Loans and receivables, including:	94,831	40,187	31,202	73,662	6,387	3,833	911	251,013
<i>Loans and receivables</i>	<i>81,188</i>	<i>38,050</i>	<i>31,202</i>	<i>73,662</i>	<i>6,387</i>	<i>3,833</i>	<i>911</i>	<i>235,233</i>
<i>Cash and cash equivalents</i>	<i>13,643</i>	<i>2,137</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>15,780</i>
Total assets	94,831	40,187	33,936	73,662	27,078	3,833	911	274,438
Short-term and long-term bank loans	66,397	26,273	77,549	47,762	12,387	29,062	24,064	283,494
Other loans and liabilities	29,213	23,900	3,194	2295	814	2987	-	62,403
Total liabilities	95,610	50,173	80,743	50,057	13,201	32,049	24,064	345,897

Risk for interest-bearing cash flows

Interest-bearing assets are presented in the structure of Group's assets by cash, bank deposits and loans granted, which are with fixed interest rate. On the other hand, Group's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Group partially dependent on interest risk. This risk is covered in two ways:

- optimization of resources and structure of credit resources for achieving relatively lower price of attracted funds; and
- combined structure of interest rates on loans comprising two components – a permanent one and a variable one, the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favorable for the Group companies. The permanent component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This

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circumstance eliminates the probability of a significant change in interest rate Levels in case of variable component updating. Thus the probability for an unfavorable change of cash flows is reduced to a minimum.

The management of the Group companies together with that of the parent company currently monitor and analyze the exposure of the respective company to the changes in interest Levels.

<i>30 September 2013</i>	<i>interest-free</i>	<i>with floating</i>	<i>with fixed</i>	<i>Total</i>
	<i>BGN '000</i>	<i>interest %</i>	<i>interest %</i>	
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	14,966	13	-	14,979
Loans and receivables, including:	195,463	7,115	72,555	275,134
<i>Loans and receivables</i>	<i>182,076</i>	<i>-</i>	<i>70,057</i>	<i>252,133</i>
<i>Cash and cash equivalents</i>	<i>13,387</i>	<i>7,115</i>	<i>2,498</i>	<i>23,000</i>
Total assets	210,429	7,128	72,555	290,112
Bank and commercial loans	-	272,437	3,370	275,807
Other loans and liabilities	64,935	1,494	5	66,434
Total liabilities	64,935	273,931	3,375	342,241
<i>31 December 2012</i>	<i>interest-free</i>	<i>with floating</i>	<i>with fixed</i>	<i>Total</i>
	<i>BGN '000</i>	<i>interest %</i>	<i>interest %</i>	
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	23,425	-	-	23,425
Loans and receivables, including:	150,359	11,548	83,838	245,745
<i>Loans and receivables</i>	<i>148,841</i>	<i>-</i>	<i>81,137</i>	<i>229,978</i>
<i>Cash and cash equivalents</i>	<i>1,518</i>	<i>11,548</i>	<i>2,701</i>	<i>15,767</i>
Total assets	173,784	11,548	83,838	269,170
Short-term and long-term bank loans	334	269,760	303	270,397
Other loans and liabilities	57,311	3,517	-	60,828
Total liabilities	57,645	273,277	303	331,225

Capital risk management

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The capital management objectives of the Group are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital. Analogous approach is applied also at the Level of a separate Group company with regard to its capital structure and financing.

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

In 2013, the strategy of the parent company management was to maintain the ratio within 35 - 45 % at a Group Level (2012: 35-45 %). The table below shows the gearing ratios based on capital structure as at 31 December:

Capital risk management

	<i>2013</i>	<i>2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Total borrowings, including:	277,951	273,917
<i>Bank loans</i>	<i>275,807</i>	<i>270,397</i>
<i>Loans and finance lease liabilities</i>	<i>2,144</i>	<i>3,520</i>
Less: Cash and cash equivalents	(23,000)	(15,767)
Net debt	254,951	258,150
Total equity of the Group	362,025	345,879
Total capital of the Group	616,976	604,029
Gearing ratio	0.41	0.43

Fair values

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties. The Group's policy is to disclose in its financial statement mostly the fair value of these assets and liabilities for which market quotations are available.

The fair value of financial instruments, which are not traded on active markets, is determined through other valuation methods based on various valuation techniques and management assumptions made in accordance with the market circumstances as at the date of the statement of financial position.

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

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables, short-term loans) or are presented in the statement of financial position at market value (deposits placed with banks, investments in securities) and therefore, their fair value is almost equal to their carrying value. Part of the investments in other companies as non-controlling interests represent an exception to this rule, since neither market nor objective conditions exist so that their fair value could be reliably determined. Therefore, they are presented at acquisition cost (cost).

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

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

38. RELATED PARTY TRANSACTIONS

<i>Related parties</i>	<i>Relation type</i>	<i>Relation period</i>
Telecomplect Invest AD	Main shareholding company	2012 and 2013
Donev Investments AD	Main shareholding company	2012 and 2013
Telecomplect AD	Company under a common control through key managing personnel	2012 and 2013
Telso AD	Company under a common control through key managing personnel	2012 and 2013
Kaliman RT AD	Company under a common indirect control	2012 and 2013
Seiba Pharmacies and Drugstores AD	Company under a common indirect control	2012 and 2013
Mineralcommerce AD	Company under a common indirect control	2012 and 2013
Pharmachim Holding EAD	Company under a common indirect control	2012 and 2013
Riton P AD	Company under a common indirect control through key managing personnel	2012 and 2013
SCS Franchise AD	Company under a common indirect control	2012 and 2013
Sopharma Properties REIT	Company under a common indirect control	2012 and 2013
Sofia Inform AD	Company under a common indirect control	2012 and 2013
Sofprint Group AD	Company under a common indirect control	2012 and 2013
Sofconsult Group AD	Company under a common indirect control	2012 and 2013
Elpharma AD	Company under a common indirect control	2012 and 2013
DOH Group	Company under a common control through key managing personnel	2012 and 2013
Media Group Bulgaria Holding	Company under a common indirect control through key managing personnel	2012 and until 25 April 2013

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<i>Supplies from related parties:</i>	31.03.2013	31.03.2012
	BGN '000	BGN '000
Supply of inventories from:		
Companies under a common indirect control	7,004	8,324
Companies under a common indirect control through key managing personnel	307	61
	7,311	8,385
Supply of services from:		
Companies under a common indirect control	2,170	1690
Companies under a common indirect control through key managing personnel	1,888	2297
Main shareholding companies	251	414
	4,309	4,401
Supply of long-term tangible assets from:		
Companies under a common indirect control through key managing personnel	552	88
	552	88
Supply for acquisition of long-term tangible assets from:		
Companies under a common indirect control through key managing personnel	10,189	21,305
	10,189	21,305
Total	22,361	34,179
<i>Sales to related parties</i>	30.09.2013	30.6.2012
	BGN '000	BGN '000
Sales of services for:		
Companies under a common indirect control	141	117
Companies under a common indirect control through key managing personnel	64	39
	205	156
Sales of inventories for:		
Companies under a common indirect control	5,464	5,639
Companies under a common indirect control through key managing personnel	2	53
	5,466	5,692

Other sales to:

Main shareholding companies	-	58
Companies under a common indirect control through key managing personnel	-	5
Companies under a common indirect control	-	1
	<u>-</u>	<u>64</u>

Interest on loans granted:

Companies under a common indirect control	364	481
Companies under a common indirect control through key managing personnel	2,194	2,210
Main shareholding companies	175	284
	<u>2,733</u>	<u>2,975</u>
Total	<u><u>8,404</u></u>	<u><u>8,887</u></u>

The accounts and balances with related parties are disclosed in Notes № 19, № 23 and № 32.

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

Salaries and other short-term benefits of key managing personnel amount to 3,013 thousand BGN (30 September 2012: 3,537 thousand BGN), including:

* profit-based bonuses – 1,235 thousand BGN (30 September 2012: 1,224 thousand BGN)

* current wages – 1,778 thousand BGN (31 September 2012: 2,313 thousand BGN)

39. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the reporting period.