

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.
ANNUAL FINANCIAL STATEMENT
ANNUAL ACTIVITIES REPORT
INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2014

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I. Statement of the development of the activity and status of the company

1. Company name

Tchaikapharma High Quality Medicines Inc. is a commercial corporation, founded and engaged in activities, according to the Orders of the Commercial law and was registered under the judgement of the District court of Varna, passed on the company case № 1096 from the 14.03.2000.

With the decision of the Supreme District Court № 8866 from the 10.10.2007 and the Decision of the Sofia City Court from the 09.11.2007 the headquarters and the address of the head administration changed - from Varna, Primorski Region, residential District Tchaika, 1 Nikola Vapcarov Str., to Sofia, District Izgrev, 1 G. M. Dimitrov Blvd. The company is listed in the Registry of the commercial corporations as a joint-stock company under company case № 16559/2007 From the Sofia City Court.

2. Foundation date and duration in time:

Tchaikapharma High Quality Medicines Inc. was founded in 2000. The duration of the Company is not limited in time.

3. Country of Company foundation, headquarters, address of the head administration, telephone, fax, e-mail and web page:

Country:	Bulgaria
Headquarters address:	Sofia, 1 G.M.Dimitrov Blvd.
Correspondence address:	Sofia, 1 G.M.Dimitrov Blvd.
Telephone:	02 / 960 36 59
Fax:	02 / 962 50 59
E-mail:	tchaika@tchaikapharma.com
Web page:	http://tchaikapharma.com

4. Object of activity

The object of activity of the company is the manufacturing and sales of pharmaceuticals in a processed form.

5. Capital

The capital of the company is BGN 43 500 000 (forty-three million five hundred thousand leva), distributed in 43 500 000 ordinary registered shares with a nominal value of BGN 1.

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

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II. Main financial and economical results of TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

Income, according to the Statement of comprehensive income

In the financial year of 2014 a total income of BGN 28 737 thousand is reported /including the net sales income of BGN 28 737 thousand/. Compared to the previous year of 2013 there has been an increased in the net income in the amount of 2 932 thousand. This income has been distributed as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Income from production sales	24 628	23 734
Income from commodity sales	4 066	1 701
Income from service sales	43	370
Total	28 737	25 805

The annual financial result for 2014 has been formed mainly from the net sales income.

Financial income and expenses, according to the Statement of comprehensive income

The financial income and expenses, realized in 2014 amount to a total of BGN -572 thousand and include financial income in the amount of 11 thousand and financial expenses in the amount of BGN 583 thousand. Compared to the previous year of there has been a decrease in the amount of BGN 37 thousand.

The financial income by types is formed as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Income from interest on loans granted	9	2
Income from currency exchange differences	1	11
Other financial operations' income	1	-
Total	11	13

The reported financial expenses by types are distributed as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Interest expenses	519	551
Expenses from currency exchange differences	9	15
Other financial operations' expenses	55	56
Total	583	622

For the current year the financial expenses have decreased by BGN 39 thousand or 6%.

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Expenses from the activities in the Comprehensive Income Statement

The total amount of the expenses for the activities of the Company in 2014 /without the balance amount for the sold commodities/ is BGN 19 818, which is by BGN 1 864 thousand more than the reported for 2013.

The expenses from the activities by types are formed as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Expenses for materials	6 907	7 710
Expenses for external services	3 270	2 525
Amortization expenses	3 442	3 251
Remuneration and insurance expenses	5 103	3 498
Other expenses	1 096	970
Total	19 818	17 954

The increase in the expenses from the activities during the current year, as compared to the previous year is due to the increase in the expenses for materials by more than 45% compared to 2013.

Financial result

The financial result for **TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.** before corporate taxes is profit in the amount of BGN 7 637 thousand.

For 2014 the corporate taxes due are BGN 776 thousand. The expenses for deferred taxes in the income statement amount to BGN 45 thousand.

The financial result after taxes is net profit in the amount of BGN 6 816 thousand. The increase compared to the net profit for 2013 is BGN 659 thousand or 10%.

BALANCE OF TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

ASSETS

As of 31.12.2014 **the assets** of the Company at balance amount come to BGN 72 629 thousand, including the non-current assets in the amount of BGN 35 754 thousand, and the current assets – BGN 36 875 Thousand. As of 31.12.2013 the assets of the Company at balance amount came to the total sum of BGN 71 163 thousand. The increase is in the amount of BGN 1 466 thousand.

Non-current assets

The non-current assets by type are distributed as follows:

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

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	2014	2013
	BGN	BGN
	thousand	thousand
Property, plant, equipment and installations	26 971	30 320
Intangible assets	3 840	3 743
Investments with minority participation	1	1
Long-term receivables	4 942	3 817
Total	35 754	37 881

For 2014 the non-current assets decreased by BGN 2 127 thousand or 6 %.

Current assets

The current assets as of 31.12.2014 amount to BGN 36 875 thousand. For the same period in the previous year the current assets amounted to BGN 33 282 thousand. The increase amounts to BGN 3 593 thousand.

The current assets are distributed by type as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Material reserves	4 365	3 527
Trade and other receivables	32 248	29 722
Short-term loans	204	2
Cash	58	31
Total	36 875	33 282

LIABILITIES

◆ **Capital shares and reserves** amount to BGN 55 706 thousand. The increase, compared to 2013 amounts to BGN 5 775 thousand.

◆ **Non-current and current liabilities** in 2014 amount to BGN 16 923 thousand, for 2013 – BGN 21 232 thousand. The decrease is BGN 4 309 thousand.

Capital shares and reserves

The equity of TCHAIKAPHARMA HIGH QUALITY MEDICINES INC. amounts to BGN 43 500 thousand.

The reserves by type are distributed as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Reserves from the subsequent evaluation of the assets and liabilities	2 190	3 121
General reserves	3 200	3 200
Total	5 390	6 321

The decrease in the reserves is BGN 931 thousand compared to 2013.

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.**ANNUAL FINANCIAL STATEMENT FOR 2014****Financial result**

	2014	2013
	BGN	BGN
	thousand	thousand
Undistributed profit from previous years	-	5 453
Current profit	6 816	6 157
Total	6 816	11 610

Liabilities

The liabilities as of 31.12.2014 amount to BGN 16 923 thousand. The structure of the liabilities is as follows:

Non-current liabilities

	2014	2013
	BGN	BGN
	thousand	thousand
Finance lease liabilities	1 683	2 696
Deferred tax liabilities	1 181	1 244
Other liabilities	-	-
Total	2 864	3 940

Compared to 2013 the decrease is BGN 1 076 thousand or 27%.

As of 31.12.2014 the non-current liabilities represented 17% of the total liabilities, and as of the 31.12.2013 they were 19%.

Current liabilities

	2014	2013
	BGN	BGN
	thousand	thousand
Liabilities to related companies	-	2 928
Liabilities to suppliers and customers	2 452	1 804
Liabilities to employees	334	208
Short-term loans and the current part of long-term loans	10 629	7 356
Taxes and social security	495	648
Other current obligations	18	62
Unpaid dividends	131	4 286
Provisions	-	-
Total	14 059	17 292

The decrease of the current liabilities in 2014 compared to 2013 amounts to BGN 3 233 thousand.

The Financial statement of the Company has been prepared in compliance with the main accounting principles referred to in Article 4 of the Accountancy Act, namely:

- ✓ Current accrual – the income and the expenses, arising from transactions and events are accrued at the time of their occurrence, regardless of the time of payment and are included in the financial statements for the period to which they relate;
- ✓ Going concern - the enterprise does not have either the intention or the need to liquidate or significantly reduce the size of its operations;
- ✓ Prudence;

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- ✓ Comparability between income and the expenses;
- ✓ The priority of content over form;
- ✓ The retention, where possible, of the accounting policy from the preceding reporting period.

III. Financial risk factors

3.1 Factors determining the financial risk

By carrying out its activities, the Company is exposed to multiple financial risks: market risk (including currency risk, risk of fair value changes of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk related to the change in the future cash flows due to changes in the market interest rates. The programme of the Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Company is not exposed to significant risks associated with foreign exchange rates, as most of its assets, liabilities and transactions are denominated in BGN or Euro and BGN is pegged to the euro, according to the rules of the Currency Board. Regular monitoring is carried out on the items of the balance sheet in order to minimize exposure to foreign exchange risk.

(ii) Price risk

The Company is not exposed to risk from changes in the price of the equity securities due to the lack of such investments. The company is exposed to minimal risk from the change in the prices of its main materials.

(iii) Risk from changes in the cash flows and the fair value due to changes in interest rates

The interest-bearing assets of the Company have fixed and floating interest rates. Loans with variable interest rates expose the Company to an interest rate risk from changes in the future cash flows and the loans with a fixed interest rate – to an interest rate risk of changes in fair value. The Company's policy is to grant loans mainly with fixed interest rates. By December 31st, 2013 and 2012, the Company had no interest bearing assets measured at fair value, and therefore was not exposed to the risk of changes in fair value.

(b) Credit risk

The credit risk arises principally from cash and cash equivalents and deposits with banks and other financial institutions, as well as from loans granted. For banks and other financial institutions are accepted only institutions with high credit ratings. The Company has granted a loan to one juridical person and one physical person requiring the respective securities – promissory notes and/or mortgages on real property, depending on the relationship of the Company with the parties. The management does not expect losses due to default of their counterparties.

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The credit quality of financial assets:

All financial assets that are neither overdue nor impaired are with counterparties that have no external credit rating and have no arrears for past periods. They are as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Non-current loans (Appendix 8)	17	17
Short-term loans (Appendix 9)	204	2
Cash in banks (Appendix 10)	37	14
Total	258	33

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as opportunities for additional credit funding and for closing market positions. Due to the dynamic nature of the principal types of businesses, the Financial Department of the Company aims to achieve funding flexibility by keeping sufficient unused authorized credit lines.

3.2 Capital risk management

The Company's objectives when managing the capital are to safeguard the ability of the Company to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure in order to reduce the cost of the capital.

In order to maintain or modify the capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to pay off debts. In addition, managing liquidity and capital structure of its subsidiaries, the Company may increase its share capital or take deposits from the subsidiaries with available cash resources and make them available as loans to the subsidiaries in the Group that need funding. The Company does not monitor and does not manage specific indicators of indebtedness. In terms of non-consolidated financial statements, the following items are monitored and may be changed as a result of capital management:

	2014	2013
	BGN	BGN
	thousand	thousand
Equity and reserves (Appendices 11, 12)	55 706	49 931
Current loans (Appendix 13)	9 388	5 868
Cash and cash equivalents (Appendix 10)	58	31
Total	65 152	55 830

3.3 Determination of fair value

It is assumed that the nominal value minus the estimated credit adjustments of the trade receivables and payables approximates their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the

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interest rate that the Company expects to negotiate for such liabilities at the balance sheet date.

IV. Members of the managing and supervisory bodies, senior management and employees

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC. has a one-tier system of management - Board of Directors:

Bisser Rossenov Georgiev – Executive Director and Member of the Board of Directors

Krasimir Petrov Videlov – President of the Board of Directors

Ivan Boichev Nikolov – Member of the Board of Directors

For 2014 the members of the Board of Directors received remuneration according to their contracts. There is no contingent or deferred fees incurred during the year. The Company does not owe any amounts for pensions, retirement compensations or similar benefits to members of the Board of Directors.

The members of the Board of Directors do not hold company shares.

The average number of employees of TCHAIKAPHARMA HIGH QUALITY MEDICINES INC. as of 31.12.2014 was 178 employees (as of 31.12.2013 – 116 employees). The key personnel have higher education and are highly qualified. The support staff has secondary education.

V. Management's responsibility for the financial statement preparation

The management is responsible for the preparation and fair presentation of the non-consolidated financial statement in accordance with the International Financial Reporting Standards as adopted in the European Union. This responsibility includes: the design, implementation and maintenance of the internal control system relevant to the preparation and fair presentation of financial statement that is free from substantial inaccuracies, errors and discrepancies, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in these particular circumstances.

Sofia
05.03.2015

Director:
/ Bisser Georgiev/

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

ANNUAL FINANCIAL STATEMENT FOR 2014

**TCHAIKAPHARMA HIGH QUALITY MEDICINES INC
STATEMENT OF FINANCIAL STATUS
AS OF DECEMBER 31st, 2014**

Indicators	Appendices	2014 BGN thousand	2013 BGN thousand
ASSETS			
Non-current assets			
Property, plant and equipment	5	26 971	30 320
Intangible assets	6	3 840	3 743
Investments with minority interest	7	1	1
Non-current loans	8	17	17
Trade receivables	8	4 925	3 800
Total non-current assets		35 754	37 881
Current assets			
Inventories	9	4 365	3 527
Trade and other receivables	9	32 248	29 722
Current loans granted	9	204	2
Cash and cash equivalents	10	58	31
Total current assets		36 875	33 282
Total assets		72 629	71 163
EQUITY AND LIABILITIES			
Registered capital and reserves			
Registered capital	11	43 500	32 000
Reserves	12	5 390	6 321
Undistributed profit / Uncovered loss	12	6 816	11 610
Total		55 706	49 931
Non-current liabilities			
Long-term loans	13	1 683	2 696
Deferred tax liabilities	14	1 181	1 244
Other long-term liabilities, including provisions		-	-
Total		2 864	3 940
Current liabilities			
Trade and other payables	15	3 027	9 351
Short-term loans	13	9 388	5 868
Current part of long-term loans	13	1 241	1 488
Current corporate taxes	15	146	81
Other tax payables	15	257	504
Short-term provisions	15	0	0
Total		14 059	17 292
Total liabilities		16 923	21 232
Total capital and liabilities		72 629	71 163

Draft date: 05.03.2015

Sofia

Prepared by:.....

/Bisser Ivanov/

Director:.....

/Bisser Georgiev/

Date of certification: 12.03.2015

Auditor:

/Todor Krastev/

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.**ANNUAL FINANCIAL STATEMENT FOR 2014****TCHAIKAPHARMA HIGH QUALITY MEDICINES AD
STATEMENT OF COMPREHENSIVE INCOME
DECEMBER 31st, 2014**

Indicators	APPENDICES	2014 BGN thousand	2013 BGN thousand
Revenues	16	28 737	25 805
Other income	16	252	102
Balance value of assets sold	17	(1 407)	(482)
Changes in inventories of products and work in progress	17	445	(2)
Costs for acquisition of assets through business			
Cost for materials and services	17	(10 177)	(10 235)
Employee costs	17	(5 103)	(3 498)
Amortization costs	17	(3 442)	(3 251)
Cost for depreciation of property, plant and equipment			
Other expenses	17	(1 096)	(970)
Financial income	18	11	13
Financial expenses	18	(583)	(622)
Profit before taxation		7 637	6 860
Corporate tax cost	19	(821)	(703)
Profit/Loss for the period		6 816	6 157
Changes from fair value revaluation of property, machinery and equipment	12	(1 039)	-
Changes from deferred corporate tax in the capital	12,14	108	5
Other comprehensive income for the period		-931	5
Total comprehensive income for the period		5 885	6 162
Income per share calculated on profit basis subject to distribution between equity holders of the company for the year /in BGN per 1 share/	20	0.16	0.19

Draft date: 05.03.2015

Sofia

Prepared by:.....
/Bisser Ivanov/Director:.....
/Bisser Georgiev/

Date of certification: 12.03.2015

Auditor:
/Todor Krastev/

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

ANNUAL FINANCIAL STATEMENT FOR 2014

**TCHAIKAPHARMA HIGH QUALITY MEDICINES INC
CASH FLOW REPORT
DECEMBER 31st, 2014**

INDICATORS	Appendices	2014 BGN thousand	2014 BGN thousand.	2014 BGN thousand.	2013 BGN thousand	2013 BGN thousand.	2013 BGN thousand
		Revenue	Payments	Net cash flow	Revenue	Payments	Net cash flow
1	2	3	4	5	6	7	8
A. Cash flow from operating activities							
Payments/revenues related to trade partners	16,17	30 143	(15 211)	14 932	22 760	(15 434)	7 326
Payments to personnel	17		(4 940)	(4 940)		(3 514)	(3 514)
Payments of interest, dividends and other related.	14		(3)	(3)		(54)	(54)
Positive and negative exchange differences			(6)	(6)		(3)	(3)
Tax on profit paid			(711)	(711)		(592)	(592)
Other revenues/payments		166	(5 723)	(5 557)	2	(442)	(440)
Net cash flow		30 309	(26 594)	3 715	22 762	(20 039)	2 723
B. Cash flow form investment activities							
Payments/revenues related to non-current assets	5		(741)	(741)	10	(719)	(709)
Payments of interest, dividends and other related.	7						
Payments/revenues for/on loans granted	8,9						
Other revenues/payments of investment activities							
Net cash flow			(741)	(741)	10	(719)	(709)
C. Cash flow from financial activities							
Revenues from shares and other financial instruments							
Revenues/payments from/for loans received	13	5 820	(2 300)	3 520	5 867	(5 867)	0
Payment of interest, dividends			(4 654)	(4 654)		(351)	(351)
Payment for finance lease	13		(1 813)	(1 813)		(1 660)	(1 660)
Payments related to the distribution of profits							
Net cash flow		5 820	(8 767)	(2 947)	5 867	(7 878)	(2 011)
Net increase/decrease of cash and cash equivalents		36 129	(36 102)	27	28 639	(28 636)	3
Cash and cash equivalents at the beginning of the period	10			31			28
Cash and cash equivalents at the end of the period	10			58			31

Draft date: 05.03.2015

Sofia

Prepared by:.....
/Bisser Ivanov/

Director:.....
/Bisser Georgiev/

Date of certification: 12.03.2015

Auditor:
/Todor Krastev/

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

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**TCHAIKAPHARMA HIGH QUALITY MEDICINES INC
STATEMENT OF CHANGES IN EQUITY
DECEMBER 31st, 2014**

Balances and transactions in BGN thousand	Appendices	Registered capital	Revaluation reserves	Other reserves	Undistributed profit/loss	Total
Balance as of 01.01.2013	11,12	32 000	3 116	3 200	5 453	43 769
Changes in the accounting policy						
Correction of material errors						
General effect of the implementation of the retroactive adjustments						
Profit/loss for the period					6 157	6 157
Other comprehensive income	12		5			5
Including of tax effect of the revaluation of property, plant and equipment			5			5
Total comprehensive income			5		6 157	6 162
Issue of shares by the owners						
Accrued dividends						
Accrued tantiemmes						
Transferred to profit reserves	12					
Accrued provisions	12					
Total recognized amount of income and expenses for the period						
Balance as of 31.12.2013	11,12	32 000	3 121	3 200	11 610	49 931
Balance as of 01.01.2014	11,12	32 000	3 121	3 200	11 610	49 931
Changes in the accounting policy						
Correction of material errors						
General effect of the implementation of the retroactive adjustments						
Profit/loss for the period					6 816	6 816
Other comprehensive income	12		(931)			(931)
Including of tax effect of the revaluation of property, plant and equipment			108			108
Total comprehensive income			(931)		6 816	5 885
Issue of shares by the owners		11 500			(11 500)	
Accrued dividends					(110)	(110)
Accrued tantiemmes						
Transferred to profit reserves	12					
Accrued provisions	12					
Total recognized amount of income and expenses for the period		11 500			(11 610)	(110)
Balance as of 31.12.2014	11,12	43 500	2 190	3 200	6 816	55 706

Draft date: 05.03.2015

Sofia

Prepared by:.....
/Bisser Ivanov/

Director:.....
/Bisser Georgiev/

Date of certification: 12.03.2015

Auditor:
/Todor Krastev/

1 Summary of activities

The Company's main activity is the production and sales of medicinal products in a processed or reprocessed form.

Tchaikapharma High Quality Medicines Inc is in a procedure for approval for admission to trading with shares on the Bulgarian Stock Exchange Sofia AD.

2 Accounting policy

The accounting policy applied in the preparation of the financial statements is given below. The policy has been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for preparation of the financial statement

This financial statement has have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union.

The Company has prepared this unconsolidated financial statement for presentation to shareholders, tax authorities and Trade Register in accordance with the requirements of the Bulgarian legislation.

The financial statement has been prepared in accordance with the historical cost principle, which is limited in cases of revaluation of certain property, plant and equipment, investment property, financial assets held for sale and financial assets and liabilities reported at fair value in profit or loss.

The preparation of the financial statements in conformity with IFRS requires the use of certain approximate accounting estimates. When applying the accounting policies of the Company, the management used its own judgment. The elements of the financial statement, the presentation of which includes a high degree of judgment or subjectiveness, as well as those elements where assumptions and estimates are significant to the financial statement as a whole, are disclosed separately.

2 Accounting policy (continued)

The management of the Company applies IFRS/IAS as the basis for ongoing reporting and the preparation of annual financial statements. In preparing the annual financial statements for the current year management has complied with the following standards:

IAS 1 Presentation of financial statements
IAS 2 Inventories
IAS 7 Cash flow reports
IAS 8 Accounting Policies, changes in accounting estimates and errors
IAS 10 Events after the balance sheet date
IAS 11 Construction contracts
IAS 12 Income taxes
IAS 16 Property, plant and equipment
IAS 17 Leasing
IAS 18 Income
IAS 19 Employee income
IAS 20 Accounting for grants from the state, and disclosure of government assistance
IAS 21 Effects of changes in currency rates
IAS 23 Loan costs
IAS 24 Related parties disclosures
IAS 26 Accounting and reporting of retirement benefit plans
IAS 27 Consolidated and separate financial statements
IAS 28 Investments in associated companies
IAS 29 Financial reporting in hyperinflationary economies
IAS 32 Financial instruments: presentation
IAS 33 Net profit per share
IAS 34 Interim financial reporting
IAS 36 Assets revaluation
IAS 37 Provisions, contingent liabilities and contingent assets
IAS 38 Intangible assets
IAS 39 Financial instruments: recognition and evaluation
IAS 40 Investment properties
IAS 41 Agriculture
IFRS 1 First time application of the international Financial Reporting Standards
IFRS 2 Share-based payments
IFRS 3 Business combinations
IFRS 4 Insurance contracts
IFRS 5 Non-current assets held for sale and discontinued operations
IFRS 6 Examining and assessing of mineral resources
IFRS 7 Financial instruments: publication
IFRS 8 Operational segments
IFRS 10 Consolidated financial statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair value measurement
IFRIC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IFRIC Interpretation 4: Determining whether an Arrangement contains a Lease
IFRIC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC Interpretation 6: Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IFRIC Interpretation 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC Interpretation 8: Scope of IFRS 2
IFRIC Interpretation 9: Reassessment of Embedded Derivatives
IFRIC Interpretation 10: Interim Financial Reporting and Impairment
IFRIC Interpretation 11: IFRS 2 Group Cash-settled Share-based Payment Transactions
IFRIC Interpretation 12: Service Concession Arrangements
IFRIC Interpretation 13: Customer Loyalty Programmes
IFRIC Interpretation 14: IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC Interpretation 15: Agreements for the Construction of Real Estate
IFRIC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IFRIC Interpretation 17: Distributions of Non-cash Assets to Owners
IFRIC Interpretation 18: Transfers of Assets from Customers
IFRIC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
SIC Interpretation 7: Introduction of Euro
SIC Interpretation 10: Government Assistance-No Specific Relation to Operating Activities
SIC Interpretation 15: Operating Leases-Incentives
SIC Interpretation 25: Income Taxes-Changes in the Tax Status of an Enterprise or its Shareholders
SIC Interpretation 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC Interpretation 29: Disclosure-Service Concession Arrangements
SIC Interpretation 31: Revenue-Barter Transactions Involving Advertising Services
SIC Interpretation 32: Intangible Assets-Web Site Costs

The Company applies adopted with Regulation (EC) No. 1254 of 11.12.2012 new reporting standards IFRS 10 - Consolidated financial statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate financial statements and IAS 28 - Investments in associated companies. Applied are the amendments in effect from 01.01.2013 in IFRS 1, IFRS 2, IFRS 3, IFRS 7, IAS 1, IAS 7, IAS 21, IAS 24, IAS 27, IAS 32, IAS 33, IAS 36, IAS 38, IAS 39, IFRIC 5 and IFRIC 17.

2.2 Investments in subsidiaries and associated companies

For shares held in subsidiaries, joint ventures, associated enterprises and unconsolidated structured entities the requirements of IFRS 12 Disclosure of interests in other entities are followed. The information about the significant assessments and assumptions determining the control, joint control, significant influence and the type of joint venture is disclosed.

For shareholdings in subsidiaries the information about the composition of the group, the participation of non-controlling shareholdings, the significant restrictions on the ability to access assets and settlement of liabilities, the nature of risks with holdings in consolidated structured entities and other requirements is disclosed. For each subsidiary the name, principal place of business, the share of participation of non-controlling shareholdings, profit or loss for the non-controlling shareholdings accumulated non-controlling shareholdings and summarized financial information are disclosed. The nature and extent of significant restrictions is disclosed.

For shareholdings in joint ventures and associated enterprises the information about the nature, extent and financial impact and nature of the risks is disclosed. For each essential joint and associated enterprise the name, nature of the relationship, principal place of business, equity assessment under the equity method or at fair value, aggregated financial information are disclosed. The nature and extent of significant restrictions is disclosed.

For shareholdings in unconsolidated structured entities the information about the nature and scope and nature of the risks is disclosed. For the nature of shareholdings the qualitative and quantitative information is disclosed. For the nature of the risks additional information is disclosed.

Investments are accounted for using the cost method whereby participatory stakes are stated at cost less accumulated impairment losses. In the statement of comprehensive income the investment income is reported only to the extent of the share received of the accumulated profits of the company, which is invested in, in the form of dividends.

2.3 Segments reporting

The business segment is a group of assets and a business operation engaged in providing products or services and is subject to risks and benefits different from those of other business segments. The geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and benefits different from those in other economic environments. The segment reporting is not required for presentation in the unconsolidated financial statements of the company that is not part of the group. a.

2.4 Foreign currency transactions

(1) Functional currency and u presentation currency

The separate items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in BGN, which is the functional currency. BGN was pegged to the Euro on 1 January 1999 under the arrangements the Currency Board introduced in Bulgaria.

(2) Transactions and balances

The transactions in foreign currencies are converted into functional currency using the exchange rates prevailing on the respective day. Profits and losses from changes in the exchange rates arising from the settlement of foreign currency transactions and from the translation at the closing exchange rate of foreign currency denominated assets and liabilities are recognized in the comprehensive income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets available for sale are analyzed and divided into changes resulting in amortized cost and other changes in the carrying value. Exchange differences related to the changes in the amortized cost are recognized in the profit or loss, while the other changes in the carrying amount are recognized in the equity.

Differences from the adjustments of non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognized in the profit or loss as part of the profit or loss relating to the translation of their fair value. Differences from the adjustments of investments held to maturity are recognized in the statement of comprehensive income.

2.5 Имоти, машини и съоръжения (ИМС)

Land and buildings (except for the investment properties) are presented at fair value. When fair values are used, the requirements and rules of IFRS 13 Fair value measurement are followed. Proceeding from transactions of sales of the asset or transfers of the liability carried out on the principal market or most advantageous market, including transportation costs and excluding other transaction costs.

The management uses the fair value hierarchy, and if possible the assessment is at level 1 according to the prices in the active markets. If the level 1 cannot be used, we proceed to level 2, direct or indirect monitoring of the prices. The last option is a level 3, developing of hypotheses. The overall assessment of fair value is categorized by the level of the fair value hierarchy, where is located the lowest level hypothesis relevant to the overall assessment.

При оценката по справедлива стойност се използва най-подходящия подход. For fair value assessment the most appropriate method is used. The approach of market comparisons is based on the current market price, recently achieved market price or market price adjusted for similar item. It is applied to investment properties, debt or equity instruments on the exchange /shares and bonds/, investments outside the stock exchange and biological assets. The approach based on costs is based on estimates of the cost of replacement with a new asset, age and condition of the asset and the economic level of depreciation. It is applied to fixed tangible assets and fixed intangible assets. The approach based on income is based on direct methods for calculating cost savings, pricing with a premium, exemption from legacy license fees, excess profits or indirect methods of return on assets, residual profit, to align the assumptions for cash flows and discount rate. It is applied for impairment of non-financial liabilities, financial instruments and units generating cash flow.

The management discloses the reported items whose fair value is in the balance sheet. When necessary and materially, the fair value of the reported items that are not included in the balance sheet is disclosed. The fair value is assessed based on the regular assessment by an independent external valuer, decreased by the subsequent depreciation of buildings. The accumulated depreciation at the date of revaluation is eliminated against the book value of the asset and the resulting net amount is corrected by the reevaluated amount of the asset. All other machinery and equipment are stated at historical cost decreased by the accumulated amortization and impairment. The historical cost includes the expenditure that is directly attributable to the acquisition of the asset.

The subsequent costs are added to the balance amount of the asset or are reported as separate asset only when it is probable that the Company will generate future economic benefits associated with the use of the asset and when their carrying amount can be measured reliably. All other expenses for repairs and maintenance are recognized in the income statement for the period in which they are incurred.

The increases in the balance amount arising from the revaluation of land and buildings are related to the revaluation reserve. Reductions that offset previous increases on the same asset are related to the revaluation reserve, all other decreases are related to the statement of comprehensive income. Upon disposal of revalued assets accumulated for them revaluation reserve is transferred to retained earnings from previous periods.

Land is not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate the difference between the carrying value and the redemption value over their estimated useful lives, using the following depreciation rates (in percentages):

Buildings and equipment	4%
Machinery and installations	30%
Computers and peripherals	50%
Furniture, fixtures and fittings	15%

The residual value and useful life of assets are reviewed, and if necessary, the appropriate adjustments are made to any date of the financial statements preparation.

The balance amount of the asset is reduced immediately to its recoverable amount in cases where the balance amount of the asset is greater than its estimated recoverable amount (Appendix 2.8).

Profits and losses from sales of PPE are determined by comparing the proceeds from sales with the carrying amount and they are included in the profit or loss.

The loan costs for PPE are reported as current expenses in the period to which they relate.

2.6 Инвестиционни имоти

The investment properties are most often the buildings or parts of the buildings which are not used, but are owned by the Company to be given in the form of operating lease. The investment properties are measured at fair value, which is their market value determined by independent valuers annually or at a greater period of time when there is a substantial change in fair values. Changes in fair value are recognized in the comprehensive income statement as part of the other income. As of the end of the current year the company has no investment properties available.

2.7 Intangible assets

Acquisition costs of patents, licenses, software and trade marks are recognized as an asset at historical value decreased by the accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over their useful lives, but not more than 20 years. Intangible assets are not revalued. The management performs annual reviews for impairment and where the carrying amount of the asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

For intangible assets the following rates of depreciation in percents are used:

Intellectual property rights	15%
Software	50%
Other intangible assets	15%

2.8 Assets impairment

Assets that are amortized and investments in subsidiaries and associates companies are reviewed for impairment when the events or changes in the circumstances indicate that the carrying amount is not recoverable. An impairment loss is recognized for the amount by which the carrying value exceeds the recoverable amount. The recoverable amount is the higher than the net selling price and the value in use. To determine the value in use, the assets are grouped at the lowest identifiable unit level generating cash flows.

2.9 Financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. The management determines the classification of its investments at the time of purchase.

(a) Financial asset reported at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for sales purposes in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current. Company loans and receivables are included in the balance sheet under the category of "trade and other receivables" and cash and cash equivalents (Appendices 2.10 and 2.11).

(c) Investments held to maturity

The investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the intent and ability to hold to maturity.

(d) Financial assets available for sale

The financial assets available for sale are non-derivative assets that are intended for that category or are not specified in other categories. They are included in non-current assets unless the management intends to dispose of its investments within a period of up to 12 months.

The purchase and sale of investments are recorded taking into account the trade date, i.e. the date when the Company commits to purchase or sell the asset.

The investments are initially recognized at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. The financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized in the income statement. The investments are written off when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The financial assets available for sale and financial assets at fair value through profit or loss are reported in the next reporting period at fair value. Loans and receivables and investments held to maturity are assessed at amortized cost using the effective interest rate method.

The profits and losses arising from changes in fair value of financial assets at fair value through profit or loss are included in the comprehensive income statement under the heading "Net financial income" for the period in which they arise. Dividend income from financial assets at fair value through profit or loss are stated in the income statement as part of the "Net financial income" when the Company gets the right to receive payment.

The changes in the fair value of monetary securities denominated in foreign currency and classified as "available for sale" are divided into exchange differences arising from the changes in the amortized cost of the securities and the other changes in the carrying value of the securities. Foreign currency translation differences on monetary securities are recognized in profit or loss, while foreign exchange differences on translation of non-monetary securities are recognized in

equity. The changes in the fair value of monetary and non-monetary securities classified as "available for sale" are recognized in the equity.

When securities classified as held for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as profits or losses from investment securities.

The dividends on equity instruments available for sale are recognized in the income statement as part of net financial income when the Company obtains the right to receive a payment.

The fair value of the quoted investments is based on the current market price. If the market financial asset is not active (for unlisted securities as well), the Company establishes the fair value by using valuation techniques that include the use of the recent market transactions in similar instruments, analysis of discounted cash flow valuation models and options, reflecting the market conditions at their maximum and the specific company information as little as possible.

At the balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. When the classified as available for sale equity securities are tested for impairment a significant or prolonged decline in fair value below the carrying is taken into account.

If there is evidence of impairment of financial assets available for sale, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, minus any impairment loss recognized in a previous period in the income statement) is written off from the equity and recognized in the statement of comprehensive income. Impairment losses on equity instruments are recognized in the income statement and can not be reversed through the statement of comprehensive income as a manifestation of the adverse effects of impairment. The testing for impairment of trade receivables is described in Appendix 2.10.

2.10 Търговски вземания

Trade receivables are recognized initially at fair value and subsequently at amortized cost (by using the effective interest rate method), minus the provision for the impairment. The provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The significant financial difficulties of the debtor, probability of bankruptcy and financial reorganization or the inability to pay the debt (by more than 30 days) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying value of receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement as an expense for the activity. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited reduction in the operating expenses in the current result.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, other short-term highly liquid investments with maturities within three months and bank overdrafts. In the balance sheet the overdrafts are included as a current liability in the category of short term loans.

2.12 Share capital

The ordinary shares are classified as equity. The issuance costs of new shares, which are directly related to it, are shown in the equity as a deduction from the proceeds by eliminating the effect of the income taxes.

When the Company purchases its own shares, the amount paid, including any directly attributable incremental costs (the net of the effect of income taxes) is deducted from the possessed by the owners of the Company equity until the shares are canceled, sold or reissued. When such shares are subsequently reissued, any income, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.13 Trade liabilities

The trade liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest rate.

2.14 Loans

The loans are recognized initially at the fair value, decreased by the costs incurred in the transaction. The loans are subsequently stated at amortized cost, any difference between due payments (the net of the transaction cost) and the loan amount is recognized in the income statement over the period of the loan using the effective interest method.

The loans are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred taxes

The current income tax is calculated based on the tax laws enacted at the balance sheet date in the country where the Company generates taxable income. The management periodically reassesses its positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the amounts expected to be paid to the tax.

The deferred tax is accrued using the balance method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if temporary tax differences arise from the initial recognition of an asset or liability where neither the accounting nor the taxable profit (loss) is affected during the transaction, this difference is not accounted for. In the calculation of deferred taxes are used tax rates (and regulations) current at the date of the balance sheet relating to the periods of expected reversal of the deferred income tax.

A deferred tax asset is recognized only when it is probable that there are sufficient amounts of future taxable profits against which these assets can be used.

2.16 Employees' income

Under a defined contribution plan the Company pays installments to state-run pension plans and social security on mandatory basis. Once the installments have been paid, the Company has no further payment obligations. Installments are recognized as an expense for the staff when they become due. Prepaid installments are recognized as an expense in a future period to the extent

that the amounts will be deducted from future payments or refunded.

2.17 Provisions

Provisions for legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; more likely to occur (rather than not to occur) cash outflows to settle the obligation and when the amount of the debt itself can be determined reliably. Provisions for future operating losses are not recognized.

When there are several similar obligations, the probability of cash outflows arising for their coverage is estimated taking into account the whole class of obligations. The provision is recognized even in cases where the probability of cash outflow arising for this obligation of the class is minimal.

2.18 Lease contracts

Operating leases - the Company is lessor

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Revenue under the operating leases (offset by rebates from the lessor) is recognized as revenue in the income statement in equal installments over the period of the lease contract.

Financial leases - the Company is the lessee

Leases of property, machinery and equipment where the company actually bears all the risks and rewards arising from ownership are classified as finance leases. At their commencement, finance leases are capitalized at a lower than the fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is distributed between the liability and the finance costs so that the lease obligation declines steadily. Concomitant obligations for rent, reduced by financing costs are included in other long-term liabilities. The part of the interest in the financial cost is recognized in the income statement, so that over the lease period its size relative to the remaining lease obligation remains constant. Property, machinery and equipment acquired under finance leases are depreciated over the shorter of the useful lives of the asset and the lease term

2.19 Revenue recognition

The revenue includes the fair value of goods and services, the net of value added taxes, rebates and discounts. The revenue is recognized as follows:

(a) Sales of services

The revenue from the rendered services is recognized for the period when they were made, based on the execution level, defined as the percentage of the rendered services to date out of all the services to be provided.

(b) Interest revenue

The interest revenue is deferred using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, which is the estimated future cash flows discounted at the original effective interest rate. The interest revenue on impaired loans is recognized either on the recovery of the due interest or on the basis of the recognition of the related contingent guarantees.

(c) Dividend revenue

The dividend revenue is recognized when the right to receive payment is established.

2.20 Dividend distribution

The distribution of dividends to shareholders is recognized as a liability in the financial statements in the period in which it is approved.

3 Critical accounting estimates and judgments

The estimates and judgments are based on gained experience and other factors, including expectations of future events under the specific circumstances. The reliability of estimates and judgments are reviewed regularly.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the accounting and disclosure requirements, which may differ from actual results. Critical accounting estimates and assumptions that carry a significant risk of causing subsequent material adjustment to the carrying amounts of assets and liabilities are discussed below:

(a) Income taxes

The Company is subject to taxation within the jurisdiction of the tax authorities. Critical judgment is required to determine the tax provision. There are many transactions and calculations for which the finally determined tax is unspecified in the normal course of business. The Company recognizes liabilities for anticipated tax liabilities based on the discretion of management. Where the final tax outcome is different from the amounts initially recorded, such differences will have an impact on short-term tax and provisions for temporary differences between the tax revisions.

(b) Fair value of financial instruments

The fair value of the quoted investments in active markets is based on current market prices. If there is no active market for a financial instrument, the Company establishes fair prices, using the valuation models. This includes the use of recent transactions at fair prices, discounted cash flows, valuation models for options and other models used by market participants. Valuation models reflect current market conditions at the valuation date, which may not be representative of market conditions before and after that date. The management reviews its models to the balance date to ensure they appropriately reflect current market conditions, including relative market liquidity and credit spread.

Because of the changes in financial markets in recent times the fair value of financial instruments can significantly change during the next financial period.

(c) Impairment of receivables

In carrying out the impairment of receivables, the Company's management estimates that the amount and timing of expected future cash flows relating to claims based on its experience of similar nature receivable, taking into account the current circumstances for claims reviewed for impairment.

4 Segmental accounting

The information on operations by segments is provided in the consolidated financial statements at the end of the reporting period.

Property, machinery and equipment

	Land and buildings	Machinery and equipment	Fixtures and fittings	Total
	BGN thousand	BGN thousand	BGN thousand	BGN thousand
On January 1, 2013				
Book (revaluated) value	14 433	22 478	371	37 282
Accumulated depreciation	(911)	(5 447)	(112)	(6 470)
Balance value	13 522	17 031	259	30 812
On January 1, 2013				
Balance value at the beginning of the period	13 522	17 031	259	30 812
Newly acquired		2 093	10	2 103
Written off at balance value				
Revaluation				
Depreciation expenses	(549)	(2 098)	(49)	(2 696)
Written off depreciation		19	4	23
Balance value at the end of the period	12 973	17 045	224	30 242
As of December 31, 2013				
Book (revaluated) value	14 433	24 571	381	39 385
Accumulated depreciation	(1 460)	(7 526)	(157)	(9 143)
Balance value	12 973	17 045	224	30 242
On January 1, 2014				
Book (revaluated) value	14 433	24 571	381	39 385
Accumulated depreciation	(1 460)	(7 526)	(157)	(9 143)
Balance value	12 973	17 045	224	30 242
As of December 31, 2014				
Balance value at the beginning of the period	12 973	17 045	224	30 242
Newly acquired		195	3	198
Written off at balance value				
Revaluation	(1 039)			(1 039)
Depreciation expenses	(549)	(2 325)	(47)	(2 921)
Written off depreciation				
Balance value at the end of the period	11 385	14 915	180	26 480
On December 31, 2014				
Book (revaluated) value	12 434	24 766	379	37 579
Accumulated depreciation	(1 049)	(9 851)	(199)	(11 099)
Balance value	11 385	14 915	180	26 480

In the value the amounts of the expenses for acquisition of fixed tangible assets are not included. The noted assets are BGN 1 025 thousand as of 31.12.2012, as of 31.12.2013 they are BGN 78 thousand and BGN 491 thousand as of 31.12.2014. According to the Management of the Company the carrying value of all of the assets is not less than their recoverable value and therefore there is no need for impairment.

6 Intangible assets

	Rights on industrial property BGN thousand	Software BGN thousand	Others BGN thousand	Total BGN thousand
On January 1, 2013				
Book (revaluated) value	3 611	752	0	4 363
Accumulated depreciation	(1 663)	(721)	(0)	(2 384)
Balance value	1 948	31	0	1 979
As of December 31, 2013				
Balance value at the beginning of the period	1 948	31	0	1 979
Newly acquired	727			727
Written off at balance value				
Revaluation				
Depreciation expenses	(531)	(25)	0	(556)
Written off depreciation	12			12
Balance value at the end of the period	2 156	6	0	2 162
On December 31, 2013				
Book (revaluated) value	4 338	752	0	5 090
Accumulated depreciation	(2 182)	(746)	(0)	(2 928)
Balance value	2 156	6	0	2 162
On January 1, 2014				
Book (revaluated) value	4 338	752	0	5 090
Accumulated depreciation	(2 182)	(746)	(0)	(2 928)
Balance value	2 156	6	0	2 162
As of December 31, 2014				
Balance value at the beginning of the period	2 156	6	0	2 162
Newly acquired	232			232
Written off at balance value				
Revaluation				
Depreciation expenses	(516)	(6)	0	(522)
Written off depreciation				
Balance value at the end of the period	1 872	0	0	1 872
On December 31, 2014				
Book (revaluated) value	4 569	752	0	5 321
Accumulated depreciation	(2 697)	(752)	(0)	(3 449)
Balance value	1 872	0	0	1 872

In the value the amounts of the expenses for acquisition of long-term intangible assets are not included in the value. The noted assets are BGN 1 975 thousand as of 31.12.2012, as of 31.12.2013 they are BGN 1 581 thousand and BGN 1 968 thousand as of 31.12.2014.

7 Investments with minority participation

The Company holds minority interest in the following companies:

	2014	2013
	BGN	BGN
	thousand	thousand
Tchaikapharma High Quality Medicines Available For All Inc. (former name Care Pharmaceuticals)	1	1
Total	1	1

8 Non-current loans and non-current trade receivables

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
The maturity of long-term receivables is as follows:		
Up to one year	0	3 800
Between one and three years	4 942	17
Over three years		
Total	4 942	3 817

The balance value of the long-term receivables and loans is denominated in the following currencies:

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Euro		
BGN	5 146	3 819
Total	5 146	3 819

The Management of the Company believes that the fair value of long-term receivables and loans granted approximates their carrying value.

9 Inventories, trade and other receivables

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Trade receivables from clients	30 500	29 187
Advances from suppliers	773	94
Loans granted	204	2
Court awarded receivables	686	335
Tax refunds	226	0
Other receivables	23	22
Deferred expenses	40	84
Total trade and other receivables	32 452	29 724

During the reporting period receivables amounting to BGN 59 thousand were written off due to the expiry of their period of limitation.

The receivables are reported as annual evaluation at initial price of acquisition. The Management of the Company believes that the presented receivables are collectable and there is no need of

impairment of receivables from previous years that amount to BGN 2 825 thousand, and for which an agreement of payment in 2015 is concluded.

The balance amount of trade and other receivables of the Company is denominated in the following currencies:

	2014	2013
	BGN	BGN
	thousand	thousand
BGN	32 062	29 374
Euro and USD	390	350
Total	32 452	29 724

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Materials	3 674	3 247
Production	117	56
Goods	87	121
Production in progress	487	103
Total inventories	4 365	3 527

The inventories are stated at standard cost, adjusted by variations to acquisition cost. There are no conditions for impairment of inventories to lower net realizable value.

10 Cash and cash equivalents

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Cash on hand in BGN and foreign currencies	21	17
Bank accounts in BGN and foreign currencies	34	11
Blocked cash	3	3
Total	58	31

Company's balance value of cash and cash equivalents is denominated in the following currencies:

	2014	2013
	BGN	BGN
	thousand	thousand
BGN	57	27
Foreign currency	1	4
Total	58	31

11 Share capital

	Shares in	Ordinary shares
	thousands	thousands BGN
As of December 31 st , 2012	32 000	32 000
As of December 31 st , 2013	32 000	32 000
As of December 31 st , 2014	43 500	43 500

The registered ordinary shares are 43 500 000 (in 2013 and 2012 they were 32 000 000) with nominal value BGN 1 (one) per share (2013 and 2012: BGN 1 /one/ per share). The shares issued are fully paid. All shares give equal rights to the shareholders.

12 Revaluation and other reserves, undistributed profit

	Reserves from revaluation of PME	Statutory reserves	Other reserves	Total
	BGN thousand	BGN thousand	BGN thousand	BGN thousand
Balance on January 1, 2013	3 116	3 200	0	6 316
Adjustment for errors				
Deferred taxes				
Other comprehensive income	5			5
Distributed profit				
Balance on December 31, 2013	3 121	3 200	0	6 321
Balance on January 1, 2014	3 121	3 200	0	6 321
Adjustment for errors				
Deferred taxes				
Other comprehensive income	(931)			(931)
Distributed profit				
Balance on December 31, 2014	2 190	3 200	0	5 390

The reserves from revaluation of land and buildings are non-distributable as dividends.

The statutory reserve is formed in accordance with the Commerce Act and is not subject to distribution under current legislation.

The undistributed profit is formed by current by current operating results in previous years. In 2014 the capital was increased by BGN 11 500 thousand using undistributed profit and dividend amounting to BGN 110 thousand was distributed.

13 Loans

	2014 BGN thousand	2013 BGN thousand
Non-current finance lease liabilities	1 683	2 696
Current finance lease liabilities	1 241	1 488
Long-term loans	-	-
Short-term loan	9 388	5 868
Total	12 312	10 052

The terms of the short-term bank loans as of 31.12.2014 are as follows:

Creditor bank:	UNITED BULGARIAN BANK AD
Contractual amount of the credit:	BGN 7 823 thousand (EUR 4 000 thousand)
Annual interest:	One month EURIBOR+addition of 4.5 points
Maturity:	30.11.2015

Collateral:	Mortgages and pledges
Purpose of the credit:	Refinancing of existing credit and for working capital
Liability at the end of the current year:	BGN 7 823 thousand.
Creditor bank:	UniCredit BULBANK
Contractual amount of the credit:	BGN1 565 thousand (EUR 800 thousand)
Annual interest:	Between 4.5 and 5%
Maturity:	30.10.2015
Collateral:	Mortgages and pledges
Purpose of the credit:	Working capital
Liability at the end of the current year:	BGN 1 565 thousand

14 Deferred taxes

The deferred income taxes are reported for all temporary differences between the tax bases of assets and liabilities and their balance value for financial reporting purposes at a tax rate of 10% (for the previous year: 10%) applicable for the year in which they are expected to occur retroactively.

The movements of the deferred taxes are as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
At the beginning of the year	(1 244)	(1 197)
(Income)/expenses in the Statement of comprehensive income	(45)	(52)
(Income)/expenses in the Statement of equity	108	5
At the end of the year	(1 181)	(1 244)

Deferred tax liabilities

	Land and buildings	Amortizations	Total
	BGN thousand	BGN thousand	BGN thousand
As of January 1, 2013	(274)	(931)	(1 205)
Debit/(credit) in equity due to changes in temporary differences	5		5
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences		(52)	(52)
As of December 31, 2013	(269)	(983)	(1 252)
Debit/(credit) in equity due to changes in temporary differences	108		108
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences		(48)	(48)
As of December 31, 2014	(161)	(1 031)	(1 192)

Deferred tax assets	Leaves and income	Receivables and payables	Total
As of January 1, 2013	8	0	8
(Expenses)/income) in the statement of comprehensive income			
As of December 31, 2013	8	0	8
(Expenses)/income) in the statement of comprehensive income	3		3
As of December 31, 2014	11	0	11

The deferred tax assets and liabilities are offset as they relate to the same tax authority.

15 Trade and other liabilities

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Liabilities to suppliers	2 452	4 732
Liabilities to personnel	334	208
Taxes and social security	349	567
Current corporate tax	146	81
Other liabilities	18	62
Unpaid dividends	131	4 286
Provisions	-	-
Total	3 430	9 936

During the accounting period were written off from trade liabilities from 2009 for BGN 66 thousand.

All trade and other liabilities are denominated and valued at face value in BGN.

The Management of the Company believes that there is no need to charge provisions in relation to claims or commitments for interest, penalties and other payments on liabilities.

16 Income

	2014		2013	
	BGN		BGN	
	thousand		thousand	
Sales of produce	24 628		23 734	
Sales of goods	4 066		1 701	
Sales of services	43		370	
Changes in inventories of finished goods and work in progress	445		0	
Other income	252		102	
Total	29 434		25 907	

17 Operating expenses

	2014	2013
	BGN	BGN
	thousand	thousand
Balance value of assets sold	(1 407)	(482)
Changes in inventories of finished goods and work in progress	0	(2)
Materials	(6 907)	(7 710)
External services	(3 270)	(2 525)
Expenditure on salaries	(4 416)	(3 001)
Social security expenditure	(687)	(497)
Depreciation costs (Appendices 5,6)	(3 442)	(3 251)
Others	(1 096)	(970)
Total	(21 225)	(18 438)

18 Financial income and expenses**18.1 Financial income**

	2014	2013
	BGN	BGN
	thousand	thousand
Interest income	9	2
Income from exchange rate differences	1	11
Other financial income	1	
Total	11	13

18.2 Financial expenses

	2014	2013
	BGN	BGN
	thousand	thousand
Interest expenses	(519)	(551)
Expenses for exchange rate differences	(9)	(15)
Other financial expenses	(55)	(56)
Total	(583)	(622)

19 Tax expenses

	2014	2013
	BGN	BGN
	thousand	thousand
Current expense for income tax	(776)	(651)
Deferred taxes	(45)	(52)
Total	(821)	(703)

For 2014 the tax rate remained unchanged at 10% (2013 - 10%) in accordance with the Corporate Income Tax Act.

The tax on the Company's profit differs from the theoretical amount that would arise in applying the applicable tax rate to the accounting result before tax as follows:

	2014	2013
	BGN	BGN
	thousand	thousand
Profit before taxes	7 637	6 860
Tax calculated at the effective tax rate 10% (2013 : 10%)	(764)	(686)
Correction of unrecognized income and expense	(12)	35
Correction of assets and liabilities for deferred taxes	(45)	(52)
Tax expense in the income statement	(821)	(703)

20 Profit per share

Basic profit per share

The basic profit per share is calculated by dividing net income for distribution to major shareholders by the weighted average number of issued ordinary shares during the year, of which the average number of repurchased ordinary shares by the Company is subtracted.

Profit per diluted share

For the purposes of calculating profit per share with reduced value, weighted average number of issued ordinary shares is adjusted with all securities potentially convertible into ordinary shares. As of December 31 of the current year and the previous year the Company has not issued any convertible securities, which explains the equality of the two ratios.

	2014	2013
	BGN	BGN
	thousand	thousand
Profit attributable to shareholders (in BGN thousand)	6 816	6 157
Weighted average number of shares in circulation (in thousand)	34 875	32 000
Basic profit per share (in BGN per share)	0.20	0.19

21 Dividends per share

The payable dividends are accounted only after they are voted at the Annual General Meeting of Shareholders. The General meeting of shareholders is expected to be held in April 2015. Therefore this financial statement does not reflect the dividend payment which will find reflection in the accounting as capital allocation results for the year ending December 31, 2015 r.

At the General Meeting of Shareholders held in 2012 a dividend from the profit of 2011 was voted amounting to BGN 4 730 thousand. In 2013 a dividend distribution of profit for 2012 was not voted. In 2014 the General Meeting of Shareholders voted for dividend distribution of BGN 110 thousand and equity increase by BGN 11 500 thousand.

22 Contingent liabilities

The Company is currently engaged in litigation with other entities for about BGN160 thousand. The Company has no other substantial contingent liabilities and commitments under contracts, litigations and other documents.

Taxation

The Tax authorities carried out a full audit of the Company until and including 2005. No significant violations or notices were detected.

The tax authorities may at any time inspect the books and records within five consecutive years starting from 1 January of the year following the year in which it was necessary to pay the tax, and impose additional tax liabilities or penalties. Company's management is not aware of any circumstances which could give rise to a potential material liability in this field.

23 Transactions with related parties

As of 31.12.2014 there is an investment of BGN 1 thousand in Tchaikapharma High Quality Medicine Available for All Inc.

The Company had no transactions with related parties during the year ending December 31, 2014:

(i) Sales of goods and services

	2014	2013
	BGN	BGN
	thousand	thousand
Sales to related parties		
Production		23 734
Goods		1 701
Others		
Total	0	25 435

(ii) Purchases of goods and services

	2014	2013
	BGN	BGN
	thousand	thousand
Purchases from related parties		
Total	0	1 902

(iii) Long-term receivables

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Long-term receivables from related parties		
Total	0	3 800

(iv) Trade receivables

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Short-term trade receivables from related parties		
Total	0	20 828

(v) Trade liabilities

	As of December 31st	
	2014	2013
	BGN	BGN
	thousand	thousand
Trade liabilities to related parties		
Total	0	2 726

24 Remuneration to key management personnel and audit costs

Accrued is the short-term income of the management for 2014 according to contracts. Accrued in accordance with the contract are the audit costs for 2014.

25 Financial risk management

By carrying out its activities, the Company is exposed to multiple financial risks. The programme of the Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Foreign exchange risk

The Company is not exposed to significant risks associated with foreign exchange rates, as most of its assets, liabilities and transactions are denominated in BGN or Euro and BGN is pegged to the euro, according to the rules of the Currency Board. Regular monitoring is carried out on the items of the balance sheet in order to minimize exposure to foreign exchange risk.

(b) Price risk

The Company is not exposed to risk from changes in the price of the equity securities due to the lack of such investments. The Company is exposed to the risk of changes in prices of goods and merchandise. For the purposes of managing price risk arising from sales of services, the Company systematically monitors market prices, optimizes costs and seeks appropriate key customers.

(c) Interest risk

Interest bearing assets of the Company can be with fixed and with floating interest rates. The loans with variable interest rates expose the Company to interest rate risk of changes in future cash flows and loans with fixed interest rate - the interest rate risk of changes in fair value. The Company's policy is to borrow and grant loans, while minimizing interest rate risk. As of 31st of December of the current and the previous year the Company had interest bearing assets and liabilities measured at fair value and therefore is not exposed to risk of changes in cash flows and fair value.

(d) Credit risk

The Company has no significant concentration of credit risk. The Company has established policies in place to ensure sales to major customers with immediate payment or payment within a reasonable period of time in accordance with the agreements. The credit risk arises principally from cash and cash equivalents and deposits with banks and other financial institutions, as well as loans granted. For banks and other financial institutions are accepted only institutions with high credit ratings. The management does not expect losses due to default of their counterparties.

All financial assets are with counterparties that have no external credit rating and no unfulfilled obligations in previous periods.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets. Due to the dynamic nature of the principal types of businesses, the Financial Department of the Company aims to achieve funding flexibility by keeping sufficient cash and trade receivables that can be used to cover liabilities within reasonable time.

Equity risk management

The Company's objectives when managing the capital are to safeguard the ability of the Company to continue as a going concern in order to provide returns for the shareholders and to maintain optimal capital structure.

In order to maintain or modify the capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to pay off debts. In

addition to this, managing liquidity and capital structure of its subsidiaries, the Company may increase its share capital or take loans.

26 Events after the date of the statement

After December 31, 2014 there were no significant events for disclosure to affect major changes in financial and assets of the company.

Draft date: 05.03.2015

Prepared by:.....
/Bisser Ivanov/

Director:
/Bisser Georgiev/