TCHAIKAPHARMA HIGH QUALITY MEDICINES INC

Accounting Policy and Explanatory notes
To the Interim Financial Statements
At 30 June 2026

NOTES TO THE INTERIM FINANCIAL STATEMENT

I. CORPORATE INFORMATION

1. Corporate name

Tchaikapharma High Quality Medicines Inc. is a company, incorporated and developing its activity in compliance with provisions of the Commercial Act. The company was registered by Decision dated 14 March 2000 of the Varna District Court issued on company file 1096.

By Decision of the Supreme District Court No. 8866 of 10 October 2007 and Ruling of the Sofia City Court of 09 November 2007, the head office and registered address was changed - from Varna, Primorski Region, Tchaika Residential District, 1 Nikola Vaptsarov Str., to Sofia, Izgrev District, 1 G. M. Dimitrov Blvd.

The company is entered into the Commercial Register of the Sofia City Court as a joint-stock company under company file No. 16559/2007.

Date of incorporation and duration of the existence

Tchaikapharma High Quality Medicines Inc. was incorporated in 2000. The existence of the Company is of unlimited duration.

2. Country of establishment, head office and registered address, telephone number, fax number, e-mail address and website:

Country:	Bulgaria
Head office:	Sofia, 1 G. M. Dimitrov Blvd.
Correspondence address:	Sofia, 1 G. M. Dimitrov Blvd.
Telephone number:	02 / 402 64 82
Fax number:	02 / 962 50 59
E-mail address:	tchaika@tchaikapharma.com
Website:	http://tchaikapharma.com

3. Scope of activity

The scope of activity of the company is the production and sale of medicinal products in finished or processed form.

4. Capital

The capital of the company amounts to EUR 49,032,891.41 (fourty nine million thirty-two thousand eight thousand and ninety-one euros and 41 cents), split into 95,900,000 ordinary registered shares with nominal value of EUR 0.51 each.

II. SIDNIFICANT ACCOUNTING POLICIES OF COMPANY

Herein below are presented the significant accounting policies applied in the preparation of the financial statements. The policies have been applied consistently for all years presented, unless expressly stated otherwise.

1. Basis of preparation of the financial statements

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union. The Company has prepared these separate financial statements for the purposes of their presentation to shareholders, tax authorities and the Commercial Register in compliance with the requirements of the Bulgarian legislation. The financial statements have been prepared on a historical cost basis, which is limited in cases of revaluation of certain items of property, plant and equipment, investment property, financial assets held for sale, and financial assets and liabilities carried at fair value through profit or loss.

The Company presents comparative information in these financial statements for one prior year. Where necessary, comparative figures are reclassified and/or restated to ensure comparability with changes in presentation in the current year or to correct errors.

The financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS), which consist of: financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and interpretations of the Standing Interpretations Committee (PIC), approved by the International Accounting Standards Committee (IASC), which are effective as of January 1, 2021, and which have been adopted by the European Commission. IFRS, adopted by the EU, is the generally accepted name of the general-purpose accounting framework equivalent to the framework introduced by the definition under § 1, item 8 of the Supplementary Provisions of the Accounting Act under the name “International Accounting Standards” (IAS).

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

New or amended standards and interpretations

1.1. Standards, amendments and interpretations that are not yet effective and are not early adopted by the Company

As of the date of these financial statements approval, new standards, amendments and interpretations to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year beginning on January 1, 2025 and have not been applied from an earlier date by the Company. The Management expects that all standards and amendments will be adopted in the Company's accounting policy in the first period beginning after the date of their entry into force. Information about these standards and amendments is presented below.

Annual improvements, effective from January 1, 2026, adopted by the EU

Annual improvements cover a wide range of topics in the following standards:

IFRS 1 First-time adoption of International Financial Reporting Standards

Hedge accounting by a first-time adopter of IFRSs. The amendment addresses potential confusion arising from an inconsistency in the wording of paragraph B6 of IFRS 1 and the hedge accounting requirements in IFRS 9 Financial Instruments.

IFRS 7 Financial Instruments: Disclosures

Profit or loss on derecognition. The amendment addresses potential confusion in paragraph B38 of IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.

Disclosure of Deferred Difference Between Fair Value and Transaction Price. The amendment addresses an inconsistency between paragraph 28 of IFRS 7 and its accompanying application guidance that arises when a subsequent amendment resulting from the issuance of IFRS 13 is made to paragraph 28 but not to the corresponding paragraph in the application guidance.
Introduction and disclosure of credit risk. The amendment addresses potential confusion by clarifying in paragraph NP1 that the management does not necessarily illustrate all the requirements in the specified paragraphs of IFRS 7. Some disclosures are simplified.

IFRS 9 Financial Instruments

Lease liabilities recognition removal by the lessee. The amendment addresses a potential lack of clarity in applying the requirements of IFRS 9 for lessee's lease liabilities repayment accounting that arises because paragraph 2.1(b)(ii) of IFRS 9 includes a reference to paragraph 3.3.1 but not to paragraph 3.3.3 of IFRS 9.
Transaction price. The amendment addresses the potential confusion arising from the reference in Appendix A to IFRS 9 to the definition of "transaction price" in IFRS 15 Revenue from Contracts with Customers, while the term "transaction price" is used in certain paragraphs of IFRS 9 with a meaning that is not necessarily consistent with the definition of that term in IFRS 15.

IFRS 10 Consolidated Financial Statements

Definition of a "de facto agent". The amendment addresses potential confusion arising from an inconsistency between paragraphs B73 and B74 of IFRS 10 relating to investor's determination of whether another party is acting on its behalf, by aligning the wording in the two paragraphs.

IAS 7 Statement of Cash Flows

Cost method. The amendment addresses a potential confusion in the application of paragraph 37 of IAS 7 that arises from the use of the term "cost method", which is no longer defined in IFRS accounting standards.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), effective from January 1, 2026, adopted by the EU

The changes are:

Derecognition of a financial liability settled by electronic transfer. The amendments to the application guidance for IFRS 9 allow an entity to consider a financial liability (or a part thereof) that will be settled in cash through an electronic payment system to be repaid before the settlement date if certain criteria are met. An entity that elects to apply the derecognition option will be required to apply it to all payments made through the same electronic payment system.

Classification of financial assets

Contractual terms that are consistent with a basic loan agreement. The amendments to the application guidance to IFRS 9 provide guidance on how an entity can assess whether the contractual cash flows of a financial asset are consistent with a basic loan agreement. To illustrate the changes to the application guidance, the amendments add examples of financial assets that do or do not have contractual cash flows that are solely payments of principal and interest on the principal outstanding.
Assets with non-recourse characteristics. The amendments improve the description of the term "non-recourse". Under the amendments, a financial asset has the characteristics of a non-recourse asset if the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specific assets.
Contractually linked instruments. The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all transactions with multiple debt instruments meet the criteria for a transaction with multiple contractually linked instruments and provide an example. In addition, the amendments clarify that a reference to instruments in the main group may include financial instruments that are not within the scope of the classification requirements.

Disclosures

Investments in equity instruments designated at fair value through other comprehensive income. The requirements of IFRS 7 are amended with respect to the disclosures that an entity provides in respect of these investments. In particular, an entity will be required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value profit or loss that relates to investments derecognized during the period and the fair value profit or loss that relates to investments held at the end of the period.

Contractual terms that could change the timing or amount of contractual cash flows. The amendments require disclosure of contractual terms that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event that is not directly related to changes in underlying credit risks and costs. The requirements apply to each class of financial assets measured at amortized cost or at fair value through other comprehensive income, as well as to each class of financial liabilities measured at amortized cost.

IFRS 18 Presentation and Disclosure in Financial Statements, effective from January 1, 2027, not yet adopted by the EU

IFRS 18 aims to improve the way entities present their financial statements, with a focus on financial performance information in the profit or loss account statement. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Entities are permitted to apply IFRS 18 before that date. IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements in IAS 1 that are not changed have been transferred to IFRS 18 and other standards. IFRS 18 will affect all entities in all industries. Although IFRS 18 will not affect the way entities measure financial performance, it will affect the way entities present and disclose financial performance. IFRS 18 aims to improve the financial reporting by:

requirement for additional defined interim amounts in the profit and loss account statement. The addition of defined interim amounts in the income statement makes it easier to compare the financial results of entities and provides a consistent starting point for investor analysis.

requirement to disclose management-determined performance measures. Requiring companies to disclose information about management-determined performance measures increases the discipline in their use and transparency in their calculation.

adding new principles for grouping (aggregation and disaggregation) of information. Defining requirements for whether information should be in the main financial statements or in the explanatory notes and providing principles for the required level of detail improves the effective information communication.

IFRS 19 Non-Publicly Reporting Subsidiaries: Disclosures, effective from January 1, 2027, not yet adopted by the EU

The objective of IFRS 19 is to specify the disclosure requirements that an entity may apply in lieu of the disclosure requirements in other IFRS accounting standards. An entity may elect to apply this standard in its consolidated, separate or individual financial statements only if, at the end of the reporting period, it is a subsidiary and is not publicly reported and has an ultimate or intermediate parent company that prepares consolidated financial statements available for public use that comply with IFRSs.

IFRS 19 sets out the detailed disclosures that an entity applying IFRS 19 is required to make. These disclosure requirements are a shortened version of the requirements specified in other IFRS accounting standards. Out of the 34 IFRS accounting standards that include disclosure requirements, IFRS 19 provides reduced disclosure requirements for 30 of them. The disclosure requirements for 3 standards must be applied in full (IFRS 8, IFRS 17 and IAS 33). Entities applying IAS 26 Accounting and Reporting for Retirement Benefits do not meet the “not subject to public reporting” criterion and therefore cannot apply IFRS 19.

Amendments to IFRS 19 Non-Publicly Reporting Subsidiaries: Disclosures, effective from January 1, 2027, not yet adopted by the EU;
The amendments include reduced disclosure requirements, exclusion of targets and guidance in areas such as supplier financing arrangements, Pillar 2 rules and financial instruments, and replacement of management-defined performance indicators with a reference to IFRS 18.

Amendments to IAS 21 Translation into a Hyperinflationary Presentation Currency, effective from January 1, 2027, not yet adopted by the EU;
The amendments address a specific case where a parent company (whose presentation currency is hyperinflationary) consolidates a foreign entity (whose functional currency is not hyperinflationary). Comparative figures for foreign entities with non-hyperinflationary functional currencies must be restated using the general price index (in accordance with IAS 29) when presented in the hyperinflationary presentation currency.

2. Investments in subsidiaries, associates and other enterprises

The requirements of IFRS 12 Disclosure of Interests in Other Entities are complied with when reporting shares held in subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. Information about the significant judgments and assumptions determining the control, joint control, significant influence and the type of joint venture is disclosed.

For interests in subsidiaries, information about the composition of the group, the interests of non-controlling shareholdings, the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, the nature of, and changes in, the risks associated with its interests in consolidated structured entities, and other requirements, is disclosed. For a subsidiary, the name of the subsidiary, the principal place of business, the proportion of ownership interests held by non-controlling interests, the profit or loss allocated to non-controlling interests, accumulated non-controlling interests of the subsidiary at the end of the reporting period, and summarised financial information are disclosed. The nature and extent of significant restrictions are disclosed as well.

For interests in joint arrangements and associates, information about the nature, extent and financial effects, and the nature of the risks, is disclosed. For a joint venture and associate that is material to the entity, the name, the nature of the relationship, the principal place of business, whether the investment in the joint venture or associate is measured using the equity method or at fair value, and summarised financial information are disclosed. The nature and extent of significant restrictions are disclosed as well.

For interests in unconsolidated structured entities, information about the nature and scope, and the nature of risks is disclosed. Qualitative and quantitative information about the nature of interests is disclosed. With respect to the nature of the risks, additional information is disclosed.

Investments are reported using the cost model of accounting. According to that method, share participations are carried at cost less accumulated impairment losses. Investment income is recognised on the statement of comprehensive income only in so far as a share is received from the accumulated profits of the investee in the form of dividends

3. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment reflects the provision of products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments. The reporting by segments is required for presentation in the non-consolidated financial statement of an enterprise quoting financial instruments on the stock exchange.

4. Foreign currency transactions

(1) Functional currency and presentation currency

The separate components of the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). As of January 1, 2026, the official currency of Bulgaria is the euro, so the financial statements are presented in euros, which is also the functional currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Major exchange rates:	**30 June 2026**
	EUR
USD 1 is equal to	1.1394
GBP 1 is equal to	0.86178
CHF 1 is equal to	0.9224

Changes in the fair value of monetary securities denominated in foreign currencies and classified as available-for-sale financial assets are analysed and split into a result from changes in their amortised cost and from other changes in their carrying amount. Any foreign exchange differences relating to changes in the amortised cost are recognised in profit or loss, while other changes in the carrying amount are recognised in the equity.

Foreign exchange differences from restatement of non-monetary assets and liabilities, such as shares carried at fair value through profit or loss, are recognised in profit or loss as part of the profit or loss relating to their restatement at fair value. Foreign exchange differences on investments held to maturity are recognised in the statement of comprehensive income.

5. Property, plant and equipment (PPE)

Land and buildings (except for investment property) are measured at fair value. When fair values are used, the requirements and rules of IFRS 13 Fair Value Measurement are observed. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the most advantageous market for the asset or liability, including transportation costs and excluding other transaction costs.

Management applies the fair value hierarchy, and if possible the assessment is at Level 1 according to market prices in active markets. If Level 1 cannot be used, it is proceeded to Level 2 - directly or indirectly observable prices. The last option is Level 3, at which hypotheses are developed. All assets and liabilities are categorised within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement.

The most appropriate valuation technique is used in the fair value measurement. The market approach uses current market prices, recent market prices or adjusted market prices of a similar item. It is applied to investment properties, debt or equity instruments on a stock exchange /shares and bonds/, investments outside the stock exchange and biological assets. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset with a new asset; the age and condition of the asset, and its economic obsolescence. It is applicable to fixed tangible assets and non-current intangible assets. The income approach employs direct methods for calculating cost savings, premium pricing, exemption from licensing fees, excessive profits, or indirect methods of return on assets, residual profit, to align the assumptions for cash flows and discount rate. It is applicable to impairment of non-financial liabilities, financial instruments and cash-generating units.

Management discloses reporting items whose fair value is reported in the balance sheet. When necessary and materially, the fair value of reporting items that are not included in the balance sheet is disclosed as well. The fair value is assessed based on regular assessments by an independent external valuer, less any subsequent depreciation of buildings. The depreciation accumulated at the date of revaluation is eliminated against the asset's book value and the resulting net amount is adjusted by the asset's revalued amount. Any other plant and equipment are stated at historical cost, less any accumulated depreciation and impairment. The historical cost includes all expenses directly related to the acquisition of the asset.

The other groups of property, plant and equipment (excluding land and buildings) are presented in the annual financial statements using the acquisition cost model. From the book value, the depreciation charged to date, as well as the accumulated depreciation of the assets, are deducted.

The materiality level set by the Company with respect to items of property, plant and equipment is EUR 358.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Any other repair and maintenance costs are recognised in the income statement in the period in which they were incurred.

Increases in the carrying amounts resulting from revaluation of land and buildings are taken to the revaluation reserve. A decrease reversing a previous increase for the same asset is charged against the revaluation reserve, any other decrease in value is taken to the statement of comprehensive income. When revalued assets are derecognised, the accumulated revaluation reserve is transferred into retained earnings carried forward.

Land is not depreciated. Machinery with a significant effect on the production volume is depreciated using the functional method, based on the number of operation hours per machine against the total number of hours per machine under the technical specification. Depreciation of items of property, plant and equipment is charged using the straight-line depreciation method so as to allocate the difference between the carrying amount and the residual value over the estimated useful life of the assets. The following depreciation rates (in percentage) are applied:

Buildings and constructions	4%

Plant and equipment	30%
Hardware and peripherals	50%
Fixture and fittings	15%

The residual value and useful lives of the assets are and are adjusted as at each date of financial statements, as necessary.

The asset's residual value is reduced immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (Note 2.8).

Gains and losses on disposal of PPE are determined by comparing the sale proceeds with the carrying amount, and are included in the operating result.

Borrowings costs for PPE are expensed as current expenses in the period to which they relate.

6. Investment property

Investment properties are most frequently associated with buildings or parts of buildings that are not used, but are held by the Company to earn rentals under operating leases. Investment properties are measured at fair value, which is the market price determined by independent valuers annually or at longer periods, if there is a significant change in their fair values. Any changes in fair values are recognised in the statement of comprehensive income as part of other income. The company held no investment property at the end of the current year.

7. Intangible assets

Costs of acquisition of patents, licences, software and trademarks are reported as an asset and measured at historical cost, less any accumulated amortisation and impairment. They are amortised under the straight-line method over their useful lives of not more than 20 years. Intangible assets are not subject to revaluation. Management carries out annual reviews of assets subject to impairment and if the asset's carrying amount exceeds its recoverable amount, the asset is written down to its recoverable amount.

The materiality level set by the Company with respect to items of property, plant and equipment is EUR 358.

The following amortisation rates, in percentage, are applied:

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

Impairment of assets

Depreciable / amortisable assets, as well as investments in subsidiaries and associates, are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. The excess of the carrying amount over the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value less the costs to make the sale and the value in use. In estimating the value in use, assets are grouped in the smallest possible identifiable cash generating units.

8. Financial assets and liabilities and impairment

Financial assets and financial liabilities have been reclassified on initial application of IFRS 9 from 01.01.2019.
The classification of financial assets is based on the following two conditions:
(a) the entity's business model for managing financial assets;
(b) the contractual cash flow characteristics of the financial asset.
A financial asset is measured at amortised cost if the following two conditions are met:
(a) the financial asset is held within a business model whose objective is to hold the assets to collect contractual cash flows; and
(b) under the contractual terms of the financial asset, cash flows that are solely payments of principal and interest on the outstanding principal amount arise on specific dates.
The amortised cost of a financial asset or financial liability is a defined term for the amount at which financial assets or financial liabilities are measured at initial recognition, less any repayments of principal, plus or minus the accumulated amortisation of the difference between that initial amount and the maturity amount, calculated using the effective interest method and, for financial assets, adjusted for any allowance for losses. At amortised cost, the Group elects to measure trade receivables, trade payables, other receivables, other payables, loans granted, loans received, government securities and other assets and liabilities.

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:
(a) the financial asset is held within a business model whose objective is both the collection of contractual cash flows and sales of financial assets;
(b) under the contractual terms of the financial asset, cash flows that are solely payments of principal and interest on the outstanding principal amount arise on specific dates.

The fair value of the financial asset at initial recognition is taken as the principal amount. Interest comprises the remuneration for the time value of money, for the credit risk associated with the amount of principal outstanding over a period of time and for other principal risks and credit costs, as well as a profit margin. At fair value through other comprehensive income, the Group elects to measure shares in equity of companies, other financial instruments in equity, government securities, financial instruments-liabilities, other assets and liabilities.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or fair value through other comprehensive income. However, on initial recognition, an entity may make an irrevocable election for specific investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. At fair value through profit or loss, an election is made to measure shares in equity of companies, other financial instruments in equity, financial instruments-liabilities, other assets and liabilities.

An entity may, on initial recognition, irrevocably designate a financial asset as at fair value through profit or loss if doing so would eliminate or reduce significantly the measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from the measurement of assets or liabilities or the recognition of gains and losses from them on different bases.
For a financial asset to be measured at amortised cost, the key condition is that the assets must be held for collection in order to collect the contractual cash flows. For a financial asset to be measured at fair value through other comprehensive income, the key condition is that the assets are held both to collect the contractual cash flows and for sale. To measure a financial asset at fair value through profit or loss, the primary condition is that the assets are not measured under one of the other two business models, i.e. held for sale as the primary objective.

In order to properly measure financial assets, management has developed a business model. The business model identifies the different types of financial assets and their membership of the classification groups according to the designated purpose under IFRS 9. The entity determines the specific composition of financial asset groups according to the objectives set out in the business model. Assets with a stated objective of receiving contractual cash flows are assigned to the group 'Financial assets carried at amortised cost'. Assets with a contractual cash flow objective and a disposal objective are included in the group 'Financial assets at fair value through other comprehensive income'. Assets held for sale (and any other assets outside the previous two groups, if any) are included in the group 'Financial assets at fair value through profit or loss'.

The entity classifies all financial liabilities as subsequently measured at amortised cost, except:

(a) financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, are subsequently measured at fair value;

(b) financial liabilities that arise from the transfer of a financial asset that does not qualify for derecognition or where the continuing involvement approach is applied;

(c) financial guarantee contracts. After initial recognition, the issuer of such a contract subsequently measures it at the higher of:

(i) the loss allowance determined in accordance with Section 5.5; and

(ii) the amount initially recognised less, where appropriate, the cumulative amount of revenue recognised in accordance with this Standard;

(d) commitments to lend at below-market interest rates. The issuer of such a commitment subsequently measures it at the higher of:

(i) the value of the loss allowance determined in accordance with Section 5.5; and

(ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15;

(e) contingent consideration recognised by the acquirer in a business combination to which IFRS 3 applies. Such contingent consideration is subsequently measured at fair value, with changes recognised in profit or loss.

Subsequent measurement of financial assets and financial liabilities is performed by the entity in accordance with the standard under review. After initial recognition, an entity shall measure a financial asset at:

(a) amortised cost;

(b) fair value through other comprehensive income;

(c) fair value through profit or loss.

An entity applies the impairment requirements to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income.

The final impairment allowances under IAS 39 are reconciled to the initial impairment allowances under IFRS 9, classified by measurement category. There was no material change in the current year's results compared to the prior year financial year.

The accounting for impairment differs for groups of financial assets. Where there is an impairment of financial assets in the 'Financial assets carried at amortised cost' group, the difference to the carrying amount is recognised in profit or loss. If there is an impairment of financial assets in the 'Financial assets at fair value through other comprehensive income' group, the difference to carrying amount is recognised in other comprehensive income (revaluation reserve).

At each reporting date, an entity assesses a loss allowance for a financial instrument equal to the expected credit losses over the life of the instrument if the credit risk of that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise expected credit losses over the life of all financial instruments whose credit risk has increased significantly since initial recognition, whether individually or collectively, taking into account all reasonable and supportable information, including that for future periods.

A credit-impaired financial asset is a defined term for a financial asset when one or more events have occurred that adversely affect the estimated future cash flows of that financial asset.

Observable evidence of the following events may serve as evidence of credit impairment of a financial asset:
(a) significant financial distress of the issuer/issuer or obligor;
(b) a breach of contract such as default or delinquency;
(c) the lender(s), for economic or contractual reasons related to the financial distress of the borrower, makes a concession to the borrower that the lender(s) would not otherwise have made;
(d) it becomes likely that the borrower will be declared bankrupt or otherwise subject to financial reorganisation;
(e) an active market for that financial asset disappears because of financial difficulties; or
(f) the purchase or initial origination of a financial asset at a large discount that reflects incurred credit losses.

If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, an entity shall measure an allowance for losses on that financial instrument equal to the expected credit losses for 12 months. If, in the previous reporting period, it measured a loss allowance for a financial instrument equal to the expected credit losses over the life of the instrument but, at the current reporting date, the entity determines that the conditions in paragraph 5.5.3 are no longer met, it measures a loss allowance equal to the expected credit losses for 12 months at the current reporting date.
12-month expected credit losses is a defined term for the portion of the expected credit losses over the life of the instrument that represents the expected credit losses that result from defaults on a financial instrument that are likely to occur within 12 months after the reporting date.

Credit loss is a defined term for the difference between all contractual cash flows due to an entity under a contract and all cash flows that the entity expects to receive (ie the entire cash shortfall), discounted at the original effective interest rate (or the credit loss-adjusted effective interest rate for purchased or originated financial assets with credit impairment). An entity shall estimate cash flows taking into account all contractual terms of the financial instrument (eg early repayment options, extension options, call options and similar options) for the expected life of that financial instrument. The cash flows considered include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. It is assumed that the expected life of the financial instrument can be estimated reliably. However, in the rare case that the expected life of a financial instrument cannot be estimated reliably, an entity uses the remaining contractual life of the financial instrument.

Expected credit losses is a defined term for the weighted average of credit losses, with the respective risks of default serving as weights. Expected credit losses over the life of the instrument are the expected credit losses that result from all possible events of default over the expected life of the financial instrument. The allowance for losses is the allowance for expected credit losses on financial assets measured in accordance with the requirements of the standard, lease receivables and contract assets, accumulated impairment for financial assets and the allowance for expected credit losses on loan commitments and financial guarantee contracts.

An entity shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or recoveries) necessary to bring the allowance for losses to the reporting date of the amount to be recognised in accordance with this Standard.

At each reporting date, an entity shall assess whether the credit risk of a financial instrument has increased significantly since initial recognition. In making its assessment, an entity considers the change in the risk of default over the expected life of the financial instrument, not the change in the amount of expected credit losses. To make this assessment, an entity compares the risk of default of the financial instrument at the reporting date and at the date of initial recognition and considers reasonable and supportable information, available without undue cost or effort, that evidences a significant increase in credit risk after initial recognition.

If there is reasonable and supportable forward-looking information available without undue cost or effort, an entity shall not rely solely on past-due information in determining whether credit risk has increased significantly since initial recognition. However, when it is not possible to provide information that relates to future developments rather than the status of defaults (on an individual or collective basis) without incurring undue cost or effort, an entity may use default information to determine whether there has been a significant increase in credit risk since initial recognition. Regardless of how an entity assesses a significant increase in credit risk, there is a rebuttable presumption that the credit risk of a financial asset has increased significantly after initial recognition when contractual payments are more than 30 days past due. An entity may rebut that presumption if it has reasonable and supportable information, available without undue cost or effort, that demonstrates that credit risk has not increased significantly since initial recognition even though contractual payments are more than 30 days past due. If an entity determines that there is a significant increase in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

If the contractual cash flows of a financial asset have been renegotiated or modified and the financial asset has not been derecognised, the entity assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

(a) the risk of default at the reporting date (based on the modified contractual terms); and

(b) the risk of default at the date of initial recognition (based on the original, unmodified contractual terms).

(c) Adjusted for credit losses, the effective interest rate is a defined term for the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the amortised cost of the financial asset that is purchased or initially originated with a credit impairment. In calculating the credit-loss-adjusted effective interest rate, an entity estimates the expected cash flows, taking into account any contractual terms of the financial asset (for example, prepayment options, extension options, call options and similar options) and the expected credit losses. The calculation includes all fees and other consideration paid to or received from counterparties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums and discounts. It is assumed that the cash flows and expected life of the Group from such financial instruments can be estimated reliably. However, in the rare case that the cash flows or remaining life of a financial instrument (or group of financial instruments) cannot be estimated reliably, an entity uses the contractual cash flows over the full contractual life of the financial instrument (or group of financial instruments).

(d) At each reporting date, the entity recognises in profit or loss the amount of the change in expected credit losses over the life of the instrument as an impairment gain or loss. An entity shall recognise favourable changes in expected credit losses over the life of the instrument as an impairment gain even if the expected credit losses over the life of the instrument are less than the amount of expected credit losses that were included in the estimated cash flows at initial recognition.

(e) An entity always measures an allowance for losses equal to the expected credit losses over the life of the instrument for:

(f) (a) trade receivables or contract assets that arise from transactions within the scope of IFRS 15 and that:

(g) (i) do not contain a significant financing component (or, where the entity applies a practicable measure for contracts with a term of one year or less) in accordance with IFRS 15 ;

(h) (ii) contain a significant financing component in accordance with IFRS 15 if the entity has elected as its accounting policy to measure an allowance for losses equal to the expected credit losses over the life of the instrument.

(i) This accounting policy shall be applied to all such trade receivables or contract assets, but may also be applied separately to trade receivables and contract assets;
(j) (b) lease receivables that arise from transactions within the scope of IFRS 17 if the entity has elected as its accounting policy to measure an allowance for losses equal to the expected credit losses over the life of the instrument. This accounting policy shall be applied to all lease receivables, but may be applied separately to finance lease receivables and operating lease receivables.
(k) An entity shall estimate the expected credit losses on a financial instrument so that it is taken into account:
(l) (a) the amount determined on an unbiased and probability-weighted basis by assessing the range of possible outcomes;
(m) (b) the time value of money; and
(n) (c) reasonable and supportable information, available without undue cost or effort at the reporting date, about past events, current conditions and projected future economic conditions.

The maximum term that is considered in estimating expected credit losses is the maximum term of the contracts (including extension options) to which the entity is exposed to credit risk, not a longer term, even if it is consistent with business practice. However, some financial instruments include both a loan and an unused loan commitment, and the entity's contractual rights to require repayment and cancellation of the unused loan commitment do not limit the entity's exposure to credit losses to the contractual notice period. It is only for such financial instruments that an entity estimates expected credit losses for the period that the entity is exposed to credit risk, and expected credit losses cannot be reduced by credit risk management measures even if that period exceeds the maximum contractual term.

Impairment of financial assets under IFRS 9 is linked to expected credit losses. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, an entity shall measure an allowance for losses on that financial instrument equal to the expected credit losses for 12 months. An entity shall recognise changes in expected credit losses over the life of the instrument once there has been a significant increase in credit risk.

No changes in accounting policies are necessary or have been made to modify, discontinue or derecognise financial assets. The entity's financial assets are mainly trade receivables and trade payables. An impairment model policy has been established for trade receivables.

Interest income for financial assets is calculated using the effective interest method. Interest income is presented separately for assets measured at amortised cost and for assets measured at fair value through other comprehensive income.

The measurement at amortised cost of financial assets is carried out as required by the standard. Interest income is calculated using the effective interest method. In this calculation, the effective interest rate is applied to the gross carrying amount of the financial asset, except for:
(a) purchased or originated financial assets with credit impairment. For those financial assets, an entity shall apply the effective interest rate adjusted for credit losses to the amortised cost of the financial asset at initial recognition;
(b) financial assets that are not purchased or originally originated financial assets with credit impairment but subsequently become financial assets with credit impairment. For those financial assets, an entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.
(c) The effective interest method is a defined term for the method used in calculating the amortised cost of a financial asset or financial liability and in allocating and recognising interest income or interest expense in profit or loss during the period. Effective interest rate is a defined term for the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. In calculating the effective

interest rate, an entity estimates the expected cash flows by taking into account any contractual terms of the financial instrument (for example, prepayment options, extension options, call options and similar options) but does not take into account expected credit losses. The calculation includes all fees and other consideration paid or received by the counterparties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts. It is assumed that the cash flows and expected term of a group of of such financial instruments can be estimated reliably. However, in the rare case that the cash flows or expected life of a financial instrument (or group of financial instruments) cannot be estimated reliably, an entity uses the contractual cash flows over the full contractual life of the financial instrument (or group of financial instruments).

(d) Impairment losses on financial assets are calculated using a model consistent with the standard's main requirements. These charges are presented in a separate line item in profit or loss. Recoveries of impairment losses are also presented in a separate line item in the statement.

(e) Trade receivables are grouped for impairment purposes. Groups are identified for historical analysis and calculation of specific impairment amounts according to payment terms, periods of delinquency, customer relationship in terms of relatedness and other additional factors.

(f) The entity does not have any transactions that are exposures to hedged item risks. Where such transactions are required, an accounting policy of not applying the hedge accounting requirements of IFRS 9 has been selected.

9. Inventories

Inventories are evaluated at the lower of the acquisition cost and net realizable value. Costs incurred to prepare the product for sale in a given state and location are included in the cost (acquisition price). These costs include:

(a) materials and goods – all delivery costs, including import duties and fees, transport costs, non-recoverable taxes and other costs which contribute to bringing the materials and goods into ready-to-use form;

(b) production and work in progress – the direct costs of materials and labour and a deductible proportion of indirect production costs under normal capacity of production facilities. The basis for allocating the total Productive Cost by Products is the amount of output produced.

When writing off for use and sale, inventories are valued using the standard cost method. The standard cost takes into account normal levels of materials and supplies, labour, efficiency and capacity utilization. They are reviewed regularly and, if necessary, recalculated according to the new conditions. Deviations from standard cost to actual cost are currently written off for the sold products and goods and also at the end of each reporting period.

The net realizable value is the estimated selling price of an asset in the normal course of business, less the estimated service cost. It is determined on the basis of information used from external or internal sources, taking into account the specifics of different types of inventories.

When inventories are sold, their carrying amount is recognized as an expense in the period in which the respective revenue was recognized. The amount of any impairment of inventories to their net realizable value, as well as any material inventory losses, is recognized as an expense for the period of impairment or the occurrence of losses. The amount of any possible reversal of the value of the impairment of inventories arising from the increase in net realizable value is recognized as a reduction in the amount of recognized cost of inventories during the period in which the recovery has occurred.

10. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank accounts, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are recognised in the balance sheet as a short-term liability under the heading of short-term loans.

11. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

When the Company redeems its treasury shares, the amount paid, including any relevant, directly related additional costs (net of income tax effects), is deducted from the capital held by the Company's owners until the shares redeemed are cancelled, sold or re-issued. When these shares are sold or re-issued on a later stage, income, net of any relevant, directly related additional transaction costs and the corresponding tax effects, is added to the capital held by the Company's owners.

12. Current and deferred taxesdeferred taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date, which relate to the periods when it is expected that the related temporary tax differences will reverse..

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary tax differences can be utilised.

13. Employee benefits

According to a defined contribution plan, the Company pays instalments to State-run pension and social insurance plans on mandatory basis. Once the instalments have been paid, the Company has no further payment obligations. Instalments are recognised as personnel expenses when they become due. Prepaid instalments are recognised as an expense in a future period to the extent that the amounts will be deducted from future payments or refunded.
Since 2015 Tchaikapharma High Quality Medicines Inc. has been setting aside provisions for retirement benefits of personnel in compliance with the requirements of Article 222 of the Labour Code. International Accounting Standard (IAS) 19 - Employee Benefits treats this requirement as an employer's long-term liability for defined severance pay and requires the application of actuarial methods for calculating the employer's liability. The standard requires

that the present value of the employer's future obligations to pay defined benefits is determined by applying the projected unit credit method.
An estimate is made, on an individual basis, for all employees hired by the employer under employment agreements, based on the completed and expected length of service. The total obligation is distributed over the employee's expected length of service with the employer. The amount of the obligation at the time of the assessment is proportionate to the completed years of service. Each unit – a completed year of service, is measured separately to determine the final amount of the liability. Based on the employees' structure by sex and age, statistical probabilities have been applied, which assume that the individuals may not survive to the age required for them to be entitled to a pension or that they may resign on other grounds before becoming eligible to a contributory-service and retirement-age pension.
The calculation of these liabilities requires the participation of qualified actuaries in order to determine their present value at the date of the financial statements on which they are presented in the statement of financial position and the respective change in their amount is recognised in the statement of comprehensive income whereas: a) the current and past service costs, interest expenses and the effects of redundancies and settlements are recognised immediately in the period in which they arise and are presented in the current profit or loss under item "personnel expenses", and b) the effects of subsequent valuations of obligations, which essentially represent actuarial gains and losses, are recognised immediately in the period in which they arise and are presented as part of other components of comprehensive income in item "subsequent valuations of defined benefit pension plans". Actuarial gains and losses originate from changes in the actuarial assumptions and experience.
At the date of each set of interim financial statements, the Company appoints certified actuaries, who issue a report with calculations of the long-term retirement benefit obligations. For the purpose, they apply the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the future cash flows expected to be paid within the maturity of that obligation and using the interest rates on long-term government bonds with similar duration quoted in Bulgaria, where the company itself functions.
Since the provisions for personnel compensation are of a long-term nature of commitment, they are recognised as non-current liabilities in the statement of the financial position of Tchaikapharma High Quality Medicines Inc.
The demographic assumptions reflect the probability that individuals appointed under an employment contract will still be with the employer at the time of contributory-service and retirement-age pension entitlement, and that an obligation to pay them compensation will arise. Individuals may drop out before retirement for various reasons: resignation, staff cuts, disease, death, and other similar. The demographic assumptions reflect specific probabilities that are based on statistical information on the population and are relating to the staff structure by sex and age at the time of the assessment.
The mortality table reflects the probability that the individuals will survive to the age required for them to be entitled to a pension. It is calculated individually for each person based on his/her sex and age at the time of the assessment. The table showing the mortality rates and average life expectancy of the population in Bulgaria of the National Statistical Institute has been used. Based on the information provided for the staff turnover in the last four years and the expected restructuring of the company over the next two years, the probability of retirements or impending personnel reduction is reflected. This probability is applied to the existing staff structure according to the sex and age of the individuals at the time of the assessment.
Financial assumptions are applied to the development of cash flow over time and affect the size of future commitment and determination of its present value. The interest rates applied are an essential part of the evaluation process as they are used for discounting the expected future cash flows, as a result of which the capitalized value of future payments is calculated. The financial assumptions reflect real expectations for the development and future size of some basic

parameters, such as return on investment, salary growth, inflation rates, and others. In determining the financial parameters, the long-term nature of the obligation to the majority of employees should be borne in mind, according to the time when the liability to pay compensation will arise.
The rate of wage growth applied is essential for determining the amount of the obligation at the time of its occurrence. This rate has been determined on the basis of statistics on salary growth in the company over the past five years and the forecasted expectations for the coming years, according to the expected level of inflation. Given the statistics on income and inflation, and employer’s expectations, the projected salary growth is calculated. The projected salary growth is 2 percent a year.
According to the standard requirement, the rate at which the obligation will be discounted should correspond to the market yields of high quality corporate bonds at the balance sheet date. Provided that there is no matured capital market, the market yields of government bonds should be used. Moreover, it is convenient the future rate of return on assets to be used as a discount rate. Due to the long-term nature of the obligation and the lack of such financial instruments covering fixed income for a longer period, it has been judged that the expected rate of return on instruments with longer maturities may be used as a discount rate, following the requirements of IAS 19. The discount rate, which has been used in calculating the liability of TCHAIKAPHARMA HIGH QUALITY MEDICINES INC as of 31.12.2025 The discount rate is 3.93 per cent per year over the entire duration of the liability.
In determining the time of retirement for all persons working under an employment contract with the company, it is presumed that they will retire according to the requirement for a contributory-service and retirement-age pension for employees working under the third category of labour.
As of 30.06.2026 TCHAIKAPHARMA HIGH QUALITY MEDICINES INC did not set aside any provision for staff retirement benefits.

14. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely (than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When several similar liabilities exist, the probability for outflows for their settlement is measured for the whole class of similar liabilities. A provision is recognised even in the cases when the probability for an outflow to settle certain liability in this class is unlikely.

15. Lease contracts

Operating lease – the Company as a lessor and as lesee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Proceeds received under operating leases (net of any incentives received from the lessor) are recognised as income in the income statement, in equal instalments over the lease term according to the current accrual principle. The operating lease payments (offset by the lessor's rebates) are recognized as an expense in the income statement in equal parts for the lease contract term in accordance with the current accrual principle.

Finance lease – the Company as a lessee and lessor

Leases of property, plant and equipment where the Company actually bears all the risks and rewards incidental to ownership of the asset are classified as finance leases with the resulting liabilitites. At the commencement of the lease term, finance leases are capitalized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance costs so as to produce a constant rate of reduction of the lease liability. The corresponding rents, less finance costs, are added to other long-term liabilities. The interest portion of finance price is recognised in the income statement and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the lease term and its useful life.
A lease of property, plant and equipment where the Company has actually transferred all the risks and rewards incidental to ownership of the asset is classified as finance lease with related receivable. At the commencement of the lease term, finance leases are capitalized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance income so as to produce a constant rate of reduction of the lease receivable. The corresponding rents, less finance income, are added to other long-term receivables. The interest portion of finance price is recognised in the income statement and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

16. Revenue and costs recognition

The company-specific accounting policies have been developed in accordance with the principles of IFRS 15 on the enterprise's main revenue flows. When applying the standard, the enterprise analyses the following stages:
1. Identification of the contract with a customer.
2. Identifying the individual execution obligations in the customer contract.
3. Determination of the transaction price in the contract with the customer.
4. If necessary, apportion of the transaction price to the individual execution obligations in the customer contract.
5. Recognition of revenue, including upon the satisfaction of any individual obligation in the customer contract.

The enterprise reports a contract with a customer which is within the scope of this standard only when all of the following criteria are met:
(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other normal commercial practices) and are determined to fulfil their respective obligations;
(b) the enterprise can identify the rights of either party in respect of the goods or services to be transferred;
(c) the enterprise can identify the payment terms for the goods or services to be transferred;
(d) the contract has a commercial nature (i.e. the contract is expected to change the risk, timing, or the amount of the enterprise's future cash flows); and
(e) the enterprise is likely to receive the remuneration to which it is entitled in return for the goods or services to be transferred to the customer. When assessing the likelihood of the remuneration being received, the enterprise takes into account only the ability and intent of the customer to pay the amount of the remuneration within the required term. The amount of the remuneration to which the enterprise will be entitled may be lower than the price specified in the contract if the remuneration is variable, as the enterprise may offer the customer a discount.
The enterprise does not apply this standard retrospectively using the full retrospective method in accordance with IAS 8 Accounting Policies, changes in the accounting approximate

estimates and errors, by calculation of cumulative effect as at 01.01.2017. The transition method applied is the modified retrospective method used in accordance with paragraph C3b of the standard. This method only applies to contracts which have not been executed as at 01.01.2018 – the date of the initial application of the standard. The cumulative effect of the initial application of this standard in adjusting the retained earnings balance at the beginning of the annual reporting period is recognized, i.e. as of 01.01.2018. This method does not make adjustments to the previous comparative period in the annual financial statements.
Additional disclosures about the amount of impact which the IFRS 15 implementation has in the current reporting period on each separate article in the financial statements over the requirements applied to date and an explanation of the reasons for material changes are presented below:
There are no material changes in the recognition of revenue during the current financial year compared to the accounting policy applied in the previous financial year.
The enterprise recognizes revenue when (or as) the enterprise satisfies the performance obligation by transferring the promised product or service (i.e. asset) to the customer. An asset is transferred when (or as) the customer assumes the control over that asset.
Identifying and meeting performance obligations results in the application of a method of revenue recognizing at a certain point in time. No method of revenue recognizing over time is applied. The methods used for revenue recognizing are retained compared to the previous financial year. When a method for revenue recognizing over time has to be applied, estimated amounts are calculated for possible warranties, maintenance services, pre-paid fees and pre-production costs.
Only when needed, appropriate methods are used to approximately estimate the unit sale price of a product or service including, but is not limited to the following:
(a) adjusted market valuation approach – the enterprise could assess the market on which it sells its goods or services and approximately estimate the price that the customer on that market would be willing to pay for the goods or services. This approach may also include a reference to prices for similar goods or services offered by competitors of the enterprise and adjustment of those prices as necessary to reflect the costs and margins of the enterprise;
(b) estimated cost-plus-margin approach – the enterprise could predict its expected costs related to meeting the obligation to execute and then add an appropriate margin for that good or service;
(c) Residual approach – the enterprise can estimate approximately the unit sale price by referring to the total transaction price minus the sum of observed unit sales prices of other goods or services promised in the contract.
When assessing performance obligations to meet timing, revenue is recognized when the enterprise's business does not create an asset with an alternative use for the enterprise and it has a guaranteed payment entitlement for the business performed at that date.
If an obligation to execute is not satisfied over time, the enterprise satisfies the obligation at a certain point in time. In order to determine the moment a particular customer receives control of the promised asset and the enterprise satisfies the obligation to execute, the enterprise takes the control requirements into account. In addition, the enterprise takes account of the signs for transfer of control, which include, without limitation, the following:
(a) the enterprise has an existing payment entitlement to the asset – if the customer is currently required to pay for the asset, this may mean that in return the customer has been given the opportunity to manage the use and receive substantially all other benefits from the asset;
(b) the customer has the legal right to ownership on the asset – the legal right to ownership may indicate which party may direct the use of the asset and obtain substantially all the other benefits thereof or restrict the access of other enterprises to those benefits. Therefore, the transfer of legal ownership of an asset may mean that the customer has received control over the asset. If the enterprise retains the legal right of ownership only as protection against non-payment by

the customer, those company rights do not prevent the customer from gaining control over the asset;
(c) the enterprise has transferred the physical possession of the asset – the physical possession of the asset may indicate that the customer has the ability to manage the use and receive substantially all other benefits of the asset or to restrict the access of other entities to those benefits. However, physical possession may not coincide with the control of an asset. For example, in some repurchase agreements and consignment contracts, the customer or the recipient may have physical possession of the asset the enterprise controls. Conversely, in some billing and retention arrangements, the enterprise can retain the physical possession of an asset controlled by the customer. Examples include repurchase agreements, consignment agreements and billing and retention arrangements;
(d) the customer carries the significant risks and benefits from the ownership on the asset – the transfer to the customer of the significant risks and benefits of ownership on the asset may indicate that it has been given the opportunity to manage the use and obtain substantially all other benefits of the asset. However, when assessing the risks and rewards of ownership of the pledged asset, the enterprise excludes any risks which give rise to a separate performance obligation in addition to the performance obligation associated with the transfer of the asset. For example, the enterprise may have transferred the control over the asset to the customer but has not yet satisfied the additional performance obligation associated with the provision of maintenance services in respect of the transferred asset;
(e) the customer has accepted the asset – the asset acceptance by the customer may indicate that it has been given the opportunity to manage the use and receive substantially all the other benefits of the asset.
The enterprise recognizes the revenue at the control transfer by acting as a principal as it controls the goods and services before transferring them to the customer. According to the contractual agreements with the customers, the enterprise is not an agent in the sale.
In determining the transaction price, the enterprise adjusts the promised amount of remuneration to the impact of the value of money over time if the time of payment agreed (directly or indirectly) by the parties to the contract gives rise to a significant benefit to the customer or the enterprise upon the financing of the transfer of goods or services to the customer. Under these circumstances, the contract contains a significant component of funding. A significant component of funding may exist regardless of whether the promised funding is explicitly specified in the contract or is implied by the payment arrangements agreed by the parties to the contract. In the ordinary course of business, there is no significant component of financing in customer contracts.
When determining the transaction price, the enterprise takes into account the terms of the contract and its usual business practices. The transaction price is the amount of the consideration the enterprise expects to be entitled to in exchange for the transfer of the promised goods or services to the customer, except for amounts collected on behalf of third parties (such as sales tax). The remuneration promised in the contract with the customer may include fixed amounts, variable amounts, or both.
The nature, timelines, and the amount of the remuneration promised by the customer affect the approximate transaction price. When determining the transaction price, the enterprise shall take into account the impact of all of the following:
(a) variable remuneration;
(b) variable remuneration estimates, containing limitations;
(c) the existence of a significant component of financing in the contract;
(d) non-cash consideration; and
(e) remuneration owed to a customer.

There is no need to allocate the transaction price to the individual execution obligations. Where necessary, relative standalone sales prices apply. An estimation method based on the use of observable input data is applied as a last resort.
Assets under contracts with customers reflect receivables from recognized sales revenue. During the reporting period, cash was received as a result of the repayment of receivables on sold products, goods and services with transfer of control. Liabilities under contracts with customers reflect the liabilities for advances received for future sales. During the reporting period, received advances for sales of products, goods and services with transfer of control are also recognized as income and current income. At the end of the financial year, the assets under contracts with customers were adjusted by an appropriate pattern of expected credit loss under IFRS 9.
The disclosure of revenue by categories reflects the nature, timing, and uncertainty of revenue and cash flows, with an understanding of the main factors. The same applies to the disclosure of the expected credit loss. The main disclosures are presented below in the appendices.
The revenue includes the fair value of the goods and services sold, net of value added tax and rebates granted. The revenue is recognized as follows:

Expenses are recognized at the time they arise on the basis of documentary evidence. The principles of current accrual and revenue comparability are respected.

Future periods expenses are deferred for recognition as current expense for the period in which the contracts to which they relate are executed. The economic benefit of deferred expenses is tied to a subsequent reporting period.

17. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends were approved.
The revenue from dividends is recognised when the right of payment receipt is established

18. Significant accounting estimates and judgments

Accounting estimates and judgments are based on experience gained and other factors including expectations of future events given the existing circumstances. The trustworthiness of accounting estimates and assumptions is reviewed regularly.

18.1. Significant accounting estimates and assumptions

The Company makes estimates and judgements for the purpose of accounting and disclosures which may differ from the actual results. Significant accounting estimates that have a considerable risk of causing material adjustments to the carrying amounts of the respective assets or liabilities in subsequent reporting periods are discussed herein below:

(a) Income taxes

The Company is a tax entity under the tax jurisdiction. Significant judgment is required in order to determine the tax provision. There are many transactions and calculations for which the final tax due cannot be specified in the normal course of business. The Company recognises liabilities for anticipated tax liabilities based on management judgment. When the final tax due as a result of such events differs from the original liabilities, such differences will affect the current and deferred tax assets and liabilities in the period of tax audits.
In the income tax determination the requirements of IAS 12 Income Taxes are met.

(b) Fair value of financial instruments

The fair values of investments quoted in active markets are based on current market prices. If there is no active market for a financial instrument, the Company calculates the fair prices using valuation techniques. Such techniques include the use of recent transactions concluded at fair values, discounted cash flows, option valuation models, and other techniques employed 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. At the balance sheet date, management conducts a review of its models in order to ensure that they appropriately reflect current market conditions, including relative market liquidity and credit spread.

In the determination of the fair value of financial instruments the requirements of IFRS 13 Estimation on fair value are met.

(c) Impairment of receivables

In carrying out an impairment of the receivables, the Company's management estimates the amount and timing of expected future cash flows relating to the receivables based on its experience with receivables of similar nature, taking into account also the current circumstances for claims tested for impairment.
In the determination of the credit risk on receivables and other financial instruments the requirements of IFRS 9 Financial Instruments are met.

(d) provisions for compensations at personnel retirement

International Accounting Standard (IAS) 19 – Employee income treats this requirement as a long-term liability of the employer for defined income payments upon resignation and requires the application of actuarial methods to calculate the employer's liability. The standard requires that the present value of future employer's defined benefit obligations be determined by applying the projected unit credit method.
The calculations are made individually for all employees recruited under an employment contract with the employer on the basis of their work experience and their upcoming work experience. The total liability is allocated throughout the employee's expected length of service for the employer, with the amount of the liability at the time of the valuation being a pro rata part relating to the years of service.

(e) provisions for compensated personnel leave

International Accounting Standard (IAS) 19 – Employee income treats this requirement as a long-term liability of the employer for the payment of defined benefits when using paid leave and requires the application of accurate, appropriate methods to calculate the employer's liability. The standard requires that the present value of the employer's future payroll obligations be defined.
The calculations are made individually for all employees hired under an employment contract with the employer on the basis of the unused days of compensated leave and the actual value of the amount of remuneration and insurance for the employer. The insurance is formed on the basis of the state's adopted regulations for the following year.

19. Reporting by segments

Segment operating information is required under IFRS 8.

The enterprise is public and falls within the scope of disclosure requirements for segment information.
An operating segment is a component of the enterprise:

(a) undertaking business activities from which it may generate revenue and incur costs (including revenue and expenses relating to transactions with other components of the same enterprise);

(b) the operating results of which are regularly reviewed by the chief operating decision maker when deciding on the resources to be allocated to the segment and evaluating the results of its operations;

(c) for which separate financial information is available.

An operating segment may engage in business activities which are not yet revenue-generating, for example, business creation operations can be an operating segment before earning revenue.
The enterprise separately reports information about each operating segment which: has been identified or results from the aggregation of two or more of these segments and exceeds the quantitative thresholds in paragraph 13 of IFRS 8.
Operating segments often show similar long-term performance if they have similar economic features. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics are similar. Two or more operating segments may be grouped into one operating segment if the consolidation is consistent with the basic principle of this IFRS, the segments have similar economic features and are similar in each of the following respects:

(a) the nature of the products and services;
(b) the nature of the production processes;
(c) the type or class of customers for their products and services;
(d) the methods used to distribute their products or to provide their services.

The business activities of the company from which it receives revenue and incurs costs should be treated as a single operating segment – production and marketing of pharmaceutical forms.
The operational results are regularly reviewed by the enterprise's chief operating decision maker in deciding about the resources to be allocated to the segment and evaluating its performance.
There is separate financial information for pharmaceutical forms.
In this respect, the revenues, expenses, financial result, assets and liabilities presented in the financial report refer to a single operating segment – production and marketing of pharmaceutical forms in Bulgaria. There is no possibility and need to distinguish other operating segments.

III. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Property, plant and equipment

	Land and buildings	**Plant and equipment**	**Fixtures, fittings and motor vehicles**	**Others**	**Total**
	EUR'000	***EUR'000***	***EUR'000***	***EUR'000***	***EUR'000***
At 1 January 2025					
Book (revaluated) value	13 285	20 674	472	38	34 469

Accumulated depreciation	(1 377)	(16 150)	(390)	(36)	(17 953)
Carrying amount	**11 908**	**4 524**	**82**	**3**	**16 516**
At 31 December 2025					
Carrying amount at the beginning of the period	11 908	4 524	82	3	16 516
Newly acquired		332	19		352
Written off on Carrying amount					
Revaluation	687				687
Depreciation cost	(258)	(774)	(29)	(3)	(1 063)
Depreciation written off	1 635				1 635
Carrying amount at the end of the period	**12 337**	**4 082**	**72**	**0**	**16 491**
At 31 December 2025					
Book (revaluated) value	12 337	21 006	491	38	33 873
Accumulated depreciation	-	(16 924)	(419)	(38)	(17 381)
Carrying amount	**12 337**	**4 082**	**72**	**0**	**16 491**
At 1 January 2026					
Book (revaluated) value	12 337	21 006	491	38	33 873
Accumulated depreciation	-	(16 924)	(419)	(38)	(17 381)
Carrying amount	**12 337**	**4 082**	**72**	**0**	**16 491**
At 30 June 2026					
Carrying amount at the beginning of the period	12 337	4 082	72	0	16 491
Newly acquired		69	43		112
Written off on Carrying amount					
Revaluation					
Depreciation cost	(110)	(323)	(20)	-	(453)
Depreciation written off					
Carrying amount at the end of the period	**12 227**	**3 828**	**95**	**0**	**16 150**
At 30 June 2026					
Book (revaluated) value	12 337	21 075	533	38	33 983
Accumulated depreciation	(110)	(17 247)	(438)	(38)	(17 833)
Carrying amount	**12 227**	**3 828**	**95**	**0**	**16 150**

The amount does not indicate the amounts representing costs of acquisition of tangible fixed assets. The specified assets are EUR 122 thousand as at 31.12.2024, as at 31.12.2025 are EUR 155 thousand and EUR 67 thousand as at 30.06.2026.
As at 30 June of the current year, the property, machines and equipment include, on Carrying amount, land for EUR 6,844 thousand and buildings for EUR 5,438 thousand and buildings with right of use EUR 996 thousand. As at the end of the previous year the indicators are EUR 6,844 thousand and EUR 5,493 thousand respectively and buildings with right of use EUR 1,192 thousand.
Assets with right of use under operating lease contracts are classified into the following groups with values as at 30.06.2026:

Asset group	Carrying amount *EUR'000*	Depreciatio *EUR'000*	Carrying amount *EUR'000*
Buildings	1 387	228	1 099
Means of transport	71	39	32
Machinery and equipment	19	8	11
Total	**1 477**	**335**	**1 142**

Assets with right of use under operating lease contracts are classified into the following groups with values as at 31.12.2025:

Asset group	Carrying amount *EUR'000*	Depreciatio *EUR'000*	Carrying amount *EUR'000*
Buildings	1 387	391	996
Means of transport	71	45	26
Machinery and equipment	19	9	10
Total	**1 477**	**445**	**1 032**

2. Intangible assets

	Rights on industrial property *EUR'000*	Software *EUR'000*	Total *EUR'000*
At 1 January 2025			
Book (revaluated) value	3 091	448	3 539
Accumulated depreciation	(2 641)	(440)	(3 081)
Carrying amount	**450**	**8**	**458**
At 31 December 2025 г.			
Carrying amount at the beginning of the period	450	8	458
Newly acquired	108	6	114
Written off on Carrying amount			
Revaluation			
Depreciation cost	(173)	(11)	(184)

Carrying amount at the end of the period			
	386	**3**	**389**
At 31 December 2025			
Book (revaluated) value			
Accumulated depreciation	3 199	454	3 653
Carrying amount	(2 813)	(451)	(3 264)
	386	**3**	**389**
At 1 January 2026			
Book (revaluated) value	3 199	454	3 653
Accumulated depreciation	(2 813)	(451)	(3 264)
Carrying amount	**386**	**3**	**389**
At 30 June 2026			
Carrying amount at the beginning of the period	386	3	389
Newly acquired			
Written off on Carrying amount			
Revaluation			
Depreciation cost	(83)	(2)	(85)
Depreciation written off			
Carrying amount at the end of the period	**302**	**1**	**303**
At 30 June 2026			
Book (revaluated) value	3 199	454	3 653
Accumulated depreciation	(2 897)	(453)	(3 350)
Carrying amount	**302**	**1**	**303**

The value does not include amounts that represent acquisition costs for intangible fixed assets. The assets shown are EUR 1,360 thousand as at 31.12.2024, EUR 1,455 thousand as at 31.12.2025 and EUR 1,650 thousand as at 30.06.2026. Expenses for acquisition of intangible fixed assets include expenses for acquisition of intellectual property rights which are expected to be used in future operations.
Intangible assets are valued with annual valuation - acquisition cost less accumulated amortization. In the opinion of the Company's management, the carrying amount of the assets is not less than their recoverable amount and therefore no impairment is required.

3. Investments with minority interest

The Company holds a minority interest in the following companies:

	30.06.2026	**31.12.2025**
	EUR'000	**EUR'000**

PERPETEL EAD	26	26
SWYSSI S.R.L. Romania	8	8
Total	**34**	**34**

Own shares purchased
The Company does not own any treasury shares . Treasury shares are valued at annualised fair value based on a stock exchange quotation as assessed by an investment firm.

4. Non-current loans granted and non-current trade receivables

The long-term receivables' maturity is as follows:

	30.06.2026 EUR'000	31.12.2025 EUR'000
Up to one year	0	0
Between and three years	2 603	2 603
Total	**2 603**	**2 603**

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

	30.06.2026 EUR'000	31.12.2025 EUR'000
Euro	2 603	2 603
Total	**2 603**	**2 603**

The Company management considers that the fair value of long-term receivables and loans granted is approximately equal to their Carrying amount.

The receivables in EUR are valued at the cost of their occurrence. An impairment review is made by the company management at the end of each year and, if there is any indication of such impairment, losses are recognized in the statement of comprehensive income.

The company management considers that the receivables presented are collectible and there is no need to charge for impairment of receivables from previous years amounting to EUR 2,603 thousand, for which an agreement has been concluded until the end of 2027.

5. Financial assets and financial liabilities

Categories in EUR'000:	**30.06.2026**	**31.12.2025**
Financial assets, reported at fair value through profit or loss, showing separately:		
i) those designated as such on initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9	-	-
ii) those evaluated at fair value through profit or loss in accordance with IFRS 9	-	-
Financial liabilities reported at fair value through profit or loss, showing separately		
i) those designated as such on initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9	-	-

ii) those meeting the definition of 'held for trading' in IFRS 9	-	-
Financial assets evaluated at depreciated cost:		
Receivables from counterparties	39 226	37 718
Impairment of receivables from counterparties	(40)	(40)
Receivables on loans granted	-	-
Impairment of receivables on loans granted	-	-
Total	**39 206**	**37 678**
Financial liabilities evaluated at depreciated cost:		
Payables to suppliers	4 332	4 860
Loans from enterprises	1 013	1 265
Loans from banks	4 003	4 752
Total	**9 348**	**10 877**
Financial assets evaluated at fair value through other comprehensive income, showing separately		
i) financial assets evaluated at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9	-	-
ii) investments in equity instruments designated as such on initial recognition in accordance with paragraph 5.7.5 of IFRS 9	-	-

6. Inventories, trade and other receivables

	30.06.2026 EUR'000	31.12.2025 EUR'000
Trade receivables	39 191	37 702
Impairment for credit risk	(40)	(40)
Advances from suppliers	2 536	2 601
Loans granted		
Other receivables	187	187
Taxes for recovery	2	-
Deferred expenses	75	16
Total of trade and other receivables	**41 951**	**40 466**

	30.06.2026 EUR'000	31.12.2025 EUR'000
Production	7 440	7 815
Goods	804	411
Work in progress	901	940
Total of inventories	**9 145**	**9 165**

The age structure of trade receivables is shown for the non-mature (regular) trade receivables. There are no overdue trade receivables for which an age structure has been provided.

The Company applies IFRS 9's simplified approach to measuring expected credit losses on trade receivables by recognising expected losses over the life of the instrument for all trade receivables. The allowance for impairment of receivables is determined on this basis.

In determining the transaction price, the entity adjusts the promised amount of consideration for the time value of money effect if the timing of payment agreed (directly or indirectly) by the parties to the contract gives rise to a significant benefit to the customer or the entity from financing the transfer of the goods or services to the customer. In these circumstances, the contract contains a significant financing component. Interest income on financial assets is calculated using the effective interest method.

7. Cash and cash equivalents

	30.06.2026 EUR'000	31.12.2025 EUR'000
Cash in hand in EUR and foreign currency	2	-
Bank accounts in EUR and foreign currency	54	577
Total	**56**	**577**

The carrying amounts of cash and cash equivalents of the Company are denominated in the following currencies:

	30.06.2026 EUR'000	31.12.2025 EUR'000
European euro	56	577
Foreign Currency	-	-
Total	**56**	**577**

Cash in euros is valued at its face value, while cash in foreign currencies is valued at the Bulgarian National Bank's closing exchange rate as of 31 June of the current year and the previous year. For the purposes of preparing the cash flow statement, cash and cash equivalents include all cash on hand and in banks.

8. Share capital

	Shares in thousand pcs.	Ordinary Shares EUR'000
At 31 December 2024 г.	91,800	46,937
At 31 December 2025 г.	95,900	49,033
At 30 June 2026 г.	95,900	49,033

The registered ordinary shares are 95,900,000 pieces (in 2025 – 95,900,000 pcs, in 2024 – 91,800,000 pcs) with a nominal value of EUR 0.51 per share (2025: EUR 0.51 per share). The issued shares are fully paid. All shares give equal rights to shareholders.

9. Revaluation and other reserves, retained profit

	Reserve of revaluation of IMG	Legal and additional reserve	Reserve from revaluation of pension funds	Total
	EUR’000	EUR’000	EUR’000	EUR’000
Balance at 1 January 2025	**4 338**	**8 778**	**(19)**	**13 097**
Changes from revaluation	1 342		(37)	1 305
Deferred taxes	(140)		4	(136)
Other comprehensive income	**1 203**		**(33)**	**1 169**
Profit distribution		452		452
Balance at 31 December 2025	**5 541**	**9 230**	**(52)**	**14 718**
Balance at 1 January 2026	**5 541**	**9 230**	**(52)**	**14 718**
Changes from revaluation				
Deferred taxes				
Other comprehensive income				
Profit distribution				
Balance at 30 June 2026	**5 541**	**9 230**	**(52)**	**14 718**

No revaluation was performed in the second quarter of 2026.

The other two properties have not been revalued because their carrying amounts are the same as their fair values. Land and building revaluation reserves are not distributable as dividends.

The legal reserve is formed according to the requirements of the Commercial Act and is not subject to distribution under the current legislation. Additional reserves are formed by decision of the General Assembly of Shareholders with a source from the accumulated earnings.

Reserves from actuarial revaluations are not subject to distribution in the form of dividends.

10. Loans

	30.06.2026 EUR’000	31.12.2025 EUR’000
Non-current lease liabilities	573	789
Current finance lease liabilities	440	476
Short-term loan	4 003	4 752
Total	**5 016**	**6 017**

The conditions of short-term bank loans as at 30.06.2026 are as follows:

Creditor bank:	UNITED BULGARIAN BANK INC.
Contractual amount of the loan:	EUR 4 000 thousand

Annual interest:	3-months EURIBOR+margin of 2 points
Maturity:	20.12.2026
Collateral:	Mortgages and pledges
Purpose of the loan	Refinancing of an existing loan and for working capital
Liability as at the end of the current year:	EUR 3,998 thousand, principal and EUR 5 thousand interest

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from UNITED BULGARIAN BANK INC. under agreement dated 03.12.2019 with maturity on 30.09.2028, liabilities as at 30.06.2026 for the borrower EUR 3,857 thousand.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre Inc. from UNITED BULGARIAN BANK INC. under agreements dated 08.08.2022 for the borrower EUR 3,000 thousand with maturities on 30.09.2026, liabilities as at 30.06.2026 for the borrower EUR 3,000 thousand.

The Company is a co-borrower a syndicated bank loan to Commercial League - Global Pharmacy Centre Inc. from EUROBANK BULGARIA INC. and FIRST INVESTMENT BANK INC. under an agreement dated 04.11.2024 in the amount of EUR 41,790 thousand with maturities on 30.10.2034, liabilities as at 30.06.2026 for the borrower EUR 12,058 thousand.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre Inc. from Unicredit Bulbank Inc. under agreement dated 20.11.2025 with maturity on 15.12.2029, liabilities as at 30.06.2026 for the borrower EUR 24,970 thousand.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre Inc. from Unicredit Bulbank Inc. under agreement dated 20.11.2025 with maturity on 29.02.2032, liabilities as at 30.06.2026 for the borrower EUR 14,167 thousand.

11. Deferred taxes

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

Movement in deferred taxes:

	30.06.2026 EUR'000	31.12.2025 EUR'000
At the beginning of the year	(637)	(613)
(Income)/expenses in the statement of comprehensive income		46
(Income)/expenses in the equity statement		(70)
At the end of the period	**(637)**	**(637)**

Deffered tax liabilities	Land and buildings revaluation	Depreciation of assets	Total

	EUR’000	EUR’000	EUR’000
At 1 January 2025	**(241)**	**(410)**	**(651)**
Debit/(credit) in equity due to changes in temporary differences		43	43
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences	(72)		(72)
At 31 December 2025	**(313)**	**(367)**	**(680)**
Debit/(credit) in equity due to changes in temporary differences			
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences			
At 30 June 2026	**(313)**	**(367)**	**(680)**

Deferred tax assets	**Leave and pension compensations**	**Income and impairment**	**Total**
At 1 January 2025	**35**	**4**	**39**
(Cost)/revenue in the comprehensive income statement	5		5
At 31 December 2025	**40**	**4**	**44**
(Cost)/revenue in the comprehensive income statement			
At 30 June 2026	**40**	**4**	**44**

The total amount of deferred tax assets and liabilities is a liability of EUR 637 thousand (2025: a liability of EUR 637 thousand).

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

Payables to personnelLong-term retirement benefits

	30.06.2026	31.12.2025
	EUR’000	**EUR’000**
Payables to personnel long-term retirement benefits	182	182
Total	**182**	**182**

The Company appointed certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For the purpose, they apply the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the future cash flows expected to be paid within the maturity of that liability using the interest rates on long-term government bonds with similar duration quoted in Bulgaria, where the company itself is operatingpayables to personnel.

12. Trade and other payables

	30.06.2026 EUR'000	31.12.2025 EUR'000
Payables to suppliers	4 332	4 860
Payables to personnel	458	522
Taxes and social insurance contributions	238	684
Other liabilities	100	43
Total	**5 128**	**6 109**

Trade and other liabilities are denominated in:		
Euro	4 754	4 894
US Dollars	374	1 215
	5 128	**6 109**

The EUR liabilities are measured at the value of their occurrence, and those denominated in foreign currency are measured at the closing exchange rate of BNB on 30 June 2026.

Trade payables are recorded at their initial acquisition cost, based on a nominal value of one euro and its equivalent in foreign currency at the BNB central exchange rate.

All trade and other payables are denominated and measured at the EUR nominal value. The Company's management is of the opinion that there is no need to charge provisions in relation to claims or commitments to interest, penalties and other payment obligations.

13. Revenue

	30.06.2026 EUR'000	30.06.2025 EUR'000
Sales of finished products	16 163	13 619
Sales of goods	2 969	2 721
Sales of services	9	25
Other revenue	1	1
Revenues from financing	-	24
Total	**19 142**	**16 390**

The sales of finished products and goods are related to dosage forms. They take place throughout the country.

Revenue is measured at the fair value of the payment or consideration received or receivable, and are stated at the EUR nominal value.

Revenue categories of production and goods in EUR'000

a) type of production and goods	30.06.2026 EUR'000	30.06.2025 EUR'000
Medicinal products	18 979	16 176
Other production and goods	153	164
Total revenue	**19 132**	**16 340**

b) geographic region

Bulgaria	18 291	15 962
Export to third countries	263	7
Europian Union	578	371
Total revenue	**19 132**	**16 340**

14. Operating expenses

	30.06.2026 EUR'000	30.06.2025 EUR'000
Carrying amount of goods sold	(970)	(939)
Changes in stock of finished products and work in progress	684	(24)
Materials	(4 456)	(3 793)
Hired services	(7 805)	(5 329)
Salary expenses	(2 416)	(2 264)
Social insurance expenses	(479)	(424)
Depreciation / amortisation expenses (Appendix 5,6)	(758)	(708)
Other expenses	(237)	(176)
Total	**(16 437)**	**(13 657)**

Operating expenses are related to production and sales of dosage forms.
Expenses are measured at the fair value of the amount paid or payable, expressed in euro or its equivalent in foreign currency at the BNB central exchange rate on the date of the transaction.
A significant share of material costs is occupied by tablets (EUR 1,892 thousand) and substances (EUR 1,294 thousand).
A major share of the costs of external services is attributed to the marketing of goods –EUR 7,126 thousand.
The cost of depreciation is mainly formed by the depreciation of machinery and equipment – EUR 323 thousand. The remuneration under labour relations is an essential part of the salary costs –EUR 2,352 thousand.

15. Finance income and costs

15.1.Finance income

	30.06.2026 EUR'000	30.06.2025 EUR'000
Interest income	-	-
Revenue from exchange rate differences	6	30
Revenue from operations with financial instruments	-	-
Total	**6**	**30**

Income generated from the use by other persons of interest-bearing assets of the Company, and from other financial transactions, has been recognised when it is probable that future economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

15.2.Finance costs

	30.06.2026 EUR'000	30.06.2025 EUR'000
Interest expenses	(97)	(119)
Foreign currency losses	(34)	(23)
Other finance costs	(5)	(6)
Total	**(136)**	**(148)**

Expenses arising out of the use by the Company of interest-bearing assets of other persons, and of other financial transactions, have been recognised when it is probable that the Company will be able to reduce the economic benefits associated with the transaction and the amount of expense can be measured reliably.

16. Tax expense and other comprehensive income for the period

	30.06.2026 EUR'000	30.06.2025 EUR'000
Current income tax expense	(180)	(169)
Deferred taxes		
Total	**(180)**	**(169)**

	30.06.2026 EUR'000	30.06.2025 EUR'000
Profit before taxes	2 575	2 615
Profit before taxes 10% (2025:10%)	(180)	(169)
Correction due to unrecognised income and expense		
Correction of deferred tax assets and liabilities		
Tax expense in the income statement		
	(180)	**(169)**

17. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing net profit distributable to majority shareholders by the weighted average number of ordinary shares issued during the year, of which the average number of ordinary shares redeemed by the Company is subtracted.

Diluted earnings per share

For the purposes of calculating diluted earnings per share, the weighted average number of issued ordinary shares is adjusted by all securities potentially convertible into ordinary shares. Convertible securities were not issued as of 30 June of the current year and previous year. This explains the equality of both coefficients.

Profit subject to distribution (in thousands of EUR)	30.06.2026 EUR'000	30.06.2025 EUR'000
Weighted average number of shares in circulation (in thousand EUR)	2 395	2 446

Basic earnings per share (in EUR per share)	95 900	91 800
	0.03	0.03

18. Dividends per share

Dividends to be paid are accounted for only after they have been voted at the annual general meeting of shareholders.

At the General Meeting held in June 2023, it was decided that EUR 2,203 thousand of the profit for 2022 to be applied to the Retained Earnings Fund, EUR 145 thousand to increase reserves. No dividend was distributed.

At the General Meeting held in June 2024, it was decided that EUR 3,732 thousand of the profit for 2020,2021,2022 and 2023 year to be applied to capital increase, EUR 177 thousand of the profit for 2023 to be applied to increase reserves and EUR 31 thousand to be applied to retained earnings. No dividend was distributed.

At the General Meeting held on 25 June 2025, it was decided that EUR 2,096 thousand from the undistributed profit to be applied to increase the capital, and EUR 231 thousand to be applied to increase the reserves. The current amount of capital is EUR 49,033 thousand. No dividend was distributed.

At the General Meeting held on 24 June 2026, it was decided that EUR 2,754 thousand from the undistributed profit to be applied to increase the capital, and EUR 321 thousand to be applied to increase the reserves. As of now, the increase has not yet been entered in the commercial register, so this report does not reflect the increase.

The current amount of capital is EUR 49,033 thousand. No dividend was distributed.

19. Contingent liabilities

Currently, there are lawsuits, which are expected to have a positive outcome for the enterprise. The Company has no other contingent liabilities and commitments of a substantial nature under the contracts concluded, the lawsuits and other documents.

The tax authorities have carried out a full audit of the Company up to and including 2019. No significant violations or observations have been identified.

The tax authorities may at any time audit the accounts and records within five consecutive years from 1 January of the year following the year in which the tax liability was payable and impose additional tax liabilities or penalties. Management of the Company is not aware of any circumstances that could give rise to a material liability in this area.

20. Transactions with related parties

As at 30.06.2026 the company has two companies with the existence of control. These are the company SWYSSI S.R.L. registered in Repulica Romania and the Bulgarian company Perpetel EAD.

Transactions with related parties

The final balances of receivables and payables from and to related parties at the end of the year include value added tax. Sales and purchases with affiliated entities are free of value added tax.

21. Remuneration to key management staff and audit fee

Short-term income of the management in the second quarter of 2026 amounting to EUR 32 thousand were accrued according to the concluded contracts. Accrued expenses for auditing amounted to EUR 10 thousand under the concluded contract.

22. Financial risk management

In carrying out its activities, the Company is exposed to a variety of financial risks. The Company's comprehensive risk management program focuses on the unpredictability of the trading markets and aims to reduce any adverse effects on the financial result of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Currency risk

The Company is not exposed to a significant exchange rate risk because its assets, liabilities and transactions are denominated in euro. Regular control of balance sheet items is performed to minimize exposure to exchange rate risk.

(b) Price risk

The Company is not exposed to the risk of a change in the price of financial instruments, as it does not have such with significant value. The Company is at risk of a change in production and commodity prices. For the purpose of managing the price risk arising from sales of services, the Company systematically monitors the market prices, optimizes its costs and seeks for suitable core customers.

(c) Interest rate risk

The interest-bearing assets of the Company may have fixed and floating interest rates. Variable interest rate loans expose the Company to interest rate risk from changes in future cash flows, and fixed rate loans – to an interest rate risk from fair value changes. The policy of the Company is to borrow and provide loans by minimizing the interest rate risk. As at 30 June of the current and the previous year, the Company does not have interest-bearing assets and liabilities reported at fair value and is therefore not exposed to the risk of a change in cash flows and fair value.

(d) Credit risk

There is no significant concentration of credit risk in the Company. The Company has established policies to ensure that sales to a major customer are promptly paid or payable within a reasonable period of time under agreements. The credit risk arises mainly from cash and cash equivalents in banks and other financial institutions, as well as from loans granted. Only banks and other financial institutions with a high credit rating are accepted. The management does not expect losses as a result of non-performance of their counterparty obligations.

All financial assets are with counterparties which do not have an external credit rating and have no past performance defaults.

(e) Liquidity risk

The careful liquidity risk management requires the maintenance of sufficient cash and other liquid assets. Due to the dynamic nature of the underlying types of business, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient cash and trade receivables to be used to liquidate liabilities within a reasonable timeframe.

Capital risk management

The Company's objectives in capital management are to protect the ability of the Company to continue as a going concern in order to provide returns to shareholders and maintain an optimal capital structure.

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

In addition, managing the liquidity and capital structure, the Company can increase equity capital as well as take loans.

23. Capital risk management

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

To maintain or amend the capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to repay debts. In addition, in managing liquidity and capital structure, the Company may increase share capital as well as borrow.

24. Events after the reporting date

Tchaikapharma High Quality Medicines Inc. has the resources to meet consumer demand for medicines for 4 months ahead, which it hopes will compensate for the delay in supply and that these events will not materially affect the Company's drive to supply the market with vital medicines.

Actions for climate protection

In line with the overall reduction targets for the plant, two steam generators providing hot water and steam switched from diesel to natural gas (methane) in February 2021.

In addition to being a more environmentally friendly source of energy, the changeover also resulted in an increase in the installed capacity of the equipment.

Another measure contributing to the reduction of emissions was the installation of additional inverters to the water cooling towers. The installation of these inverters allows a 50% reduction in electricity consumption at night and on non-working days. Gradually, the fluorescent lighting in all the rooms on the production site is being replaced by LED light sources with significantly lower power consumption, which in turn also results in a reduction in emissions.

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Prepared by:.............................. (Tsvetelina Pandeva)

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