

SOPHARMA GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ending on December 31, 2011

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1. BACKGROUND INFORMATION ON THE GROUP

SOPHARMA GROUP (the Group) is comprised of the parent company and its subsidiaries listed below. In addition, the Group has an investment in one joint venture and one associate.

Parent company

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

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

Subsidiaries

The subsidiaries of the Group as at December 31, 2011 are as follows:

- Sopharma Trading AD – a business entity registered in Bulgaria by Decision No. 3594/16.10.1998 of Varna District Court, with a seat and address of management: Sofia, 16, Rozhen Blvd.;
- Bulgarian Rose Sevtopolis AD – a business entity registered in Bulgaria by Decision No. 3912/1991 of Stara Zagora District Court, with a seat and address of management: Kazanluk, 110, 23rd Pehoten Shipchenski Polk Blvd.;
- Pharmalogistica AD – a business entity registered in Bulgaria by Decision of Sofia City Court dated August 12, 2002, with a seat and address of management: Sofia, 16, Rozhen Blvd.;
- Elektroncommerce EOOD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 24456 of 1991, with a seat and address of management: Sofia, 1, Samokovsko Shousse Str.;
- Biopharm Engineering AD – a business entity registered in Bulgaria by Decision No. 524/1997 of Sliven District Court, with a seat and address of management: Sliven, 75, Trakiya Blvd.;
- Momina Krepost AD – a business entity registered in Bulgaria by Decision No. 3426/1991 of Veliko Tarnovo District Court, with a seat and address of management: Veliko Tarnovo, 23, Magistralna Str.;
- Sopharma Buildings REIT – a business entity registered in Bulgaria by Decision No. 1/14.08.07 of Sofia City Court, with a seat and address of management: Sofia, 16, Iliensko Shousse Str.;
- Unipharm AD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 3685 of 1994, with a seat and address of management: Sofia, 3, Traiko Stanoev Str.;

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- Rostbalkanpharm ZAO – a business entity registered in Russia by Decision No. 1026101791594 of October 9, 2002, with a seat and address of management: Russia, Azov, 10, Osipenko Str.;
- Sopharma USA – a business entity registered in USA by Decision No. 97227599 of April 25, 1997 in California State Secretary Office, with a seat and address of management: USA, California, Los Angelis, 4622, Hollywood Blvd.;
- Extab Corporation USA – a business entity registered in USA by Decision No. 090292393 of November 6, 2008 in the Delaware State Secretary Office, with a seat and address of management: USA, Delaware, Wilmington, New Castle Region, 1209 Orange Street; Wilmington, New Castle Region, 1209 Oragne Str.;
- Extab Pharma Limited, United Kingdom – a business entity registered in England by Decision No. 06751116 of November 17, 2008, with a seat and address of management: Oxfordshire, RG9 1AY, Henlay on Thames, 10 Station Road;
- Vitamini OAO – a business entity registered in Ukraine by Decision No. 133 dated April 15, 1994 of Uman City Court, with a seat and address of management: Ukraine, Cherkasy Province, Uman, 31, Leninski Iskri Str.;
- Ivanchich and Sons OOD – a business entity registered in Serbia by Fi-11350/91 on October 14, 1991 by the Commercial Court of Belgrade with a seat and address of management: Republic of Serbia, Belgrade, 13, Palmoticheva Str.;
- Briz OOD, Latvia – a business entity registered in Latvia by Decision No. 000302737 dated September 18, 1991 of the Commercial Registry of the Republic of Latvia, with a seat and address of management: Latvia, Riga, Rasas No. 5, LV – 1057
- Brititrade SOOO Belarus - a business entity registered in Belarus with the decision of No 1983 of 24.09.2004 of the Minsk City Executive Committee and with its registered office - Belarus gr.Minsk,, 118, M. Bogdanomicha Str. office 303 – B;
- Sopharma Warsaw EOOD – a business entity registered in Poland by Decision No. DSR 0000372245 of 17.12.2010 of XII Economic Division of State Court Register in Warsaw, with seat and address of management Poland, Warsaw, 12, Polechki Str.
- Sopharma Poland OOD – a business entity registered in Poland by Decision No. KRS 0000178554 of November 4, 2003 of XX Economic Division of Warsaw Regional Court Register, with a seat and address of management: Poland, Warsaw, 58, Shashkova Str.;
- Tabina SOOO, Belarus - a business entity registered in Belarus with the decision of 18.11.1996 № 001 381 of the Minsk City Executive Committee and with its registered office - Belarus gr.Minsk, 1 - Tverdy pereulok, house 7 office 7;

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- Superlats OOO, Latvia - a business entity registered in Latvia to decision № 40003960404 on 05.10.2007 of the Commercial Register of the Latvian Republic and with its registered office - Latvia, city Riga Street "Dzelzavas" № 117, LV - 1021;
- Interpharma ZAO, Belarus – a business entity registered in the Belarusian Unified State Register of Legal Entities and Individual Entrepreneurs under number 300000556 and with a seat and address of management Belarus, Vitebsk, pr. Stroiteley, 3/2, room 2.

Joint venture

The joint venture is Sopharma Zdrovit AD – a business entity registered in Poland by Decision KRS 0000298139 dated September 27, 2007 of Warsaw Republican Court Registry, with a seat and address of management: Poland, Warsaw, 31, Nochnitskego Str.

Associate

From February 01, 2011 to December 20, 2011 Interpharma, Belarus is an associate company within the Group. The company is a business entity registered in the Belarusian Unified State Register of Legal Entities and Individual Entrepreneurs under No 300000556, with a seat and address of management: Belarus, Vitebsk, pr. Stroiteley, 3/2, room 2.

1.1 Ownership and management of the parent company

SOPHARMA AD is a public company under the Public Offering of Securities Act.

The joint-stock capital structure of the parent company as at December 31, 2011 is as follows:

	%
Donev Investments Holding AD	24.56
Telecomplex AD	20.42
Financial Consulting Company EOOD	16.24
Gramercy Select Master Fund	6.34
Gramercy Emerging Markets Fund	5.89
Other legal persons	23.23
Physical persons	3.32

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

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

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

1.2 Structure of the Group and principal activities

The *structure* of the Group as at December 31, 2011 includes SOPHARMA AD as a parent company and the companies stated below:

Subsidiaries

	31.12.2011	31.12.2010	<i>Acquisition</i>
	<i>Interest</i>	<i>Interest</i>	<i>of control</i>
	%	%	<i>date</i>
<i>Companies in Bulgaria</i>			
Sopharma Trading AD	81.33	82.50	08.06.2006
Bulgarian Rose Sevtopolis AD	52.77**	51.81**	22.04.2004
Pharmalogistica AD	76.54	76.54	15.08.2002
Electroncommerce EOOD	100.00	100.00	09.08.2005
Biopharm Engineering AD	69.43	69.43	10.03.2006
Sopharma Buildings REIT	42.64	40.87	04.08.2008
Momina Krepost AD	51.10**	50.10**	01.01.2008
Unipharm AD	52.05**	49.99	27.10.2010
<i>Companies abroad</i>			
Rostbalkanpharm ZAO	51.00	51.00	27.07.2001
Sopharma Poland OOD	60.00	60.00	16.10.2003

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	31.12.2011	31.12.2010	Acquisition
	Interest	Interest	of control
	%	%	date
Sopharma USA	100.00	100.00	25.04.1997
Extab Corporation	80.00	80.00	05.08.2009
Extab Pharma Limited*	80.00	80.00	05.08.2009
Briz OOD	51.00	51.00	10.11.2009
Brititrade SOOO*	49.73	49.73	10.11.2009
Vitamini OAO	99.56	99.56	18.01.2008
Ivanchich and Sons OOD	51.00	51.00	10.04.2008
Tabina COOO *	50.49	-	08.04.2011
Superlats OOO *	31.24	-	20.05.2011
Interpharma ZAO	49.27		21.12.2011
Sopharma Warsaw EOOD	100.00	100.00	23.11.2010

**indirect participation*

***effective percentage of interest*

SOPHARMA AD holds and exercises control on the following companies by virtue of:

- Bulgarian Rose Sevtopolis AD is a subsidiary by virtue of a written control agreement concluded between SOPHARMA AD and Telso AD (a shareholder with 9.99 % interest as at December 31, 2011).
- Momina Krepost AD is a subsidiary by virtue of a written control agreement concluded between SOPHARMA AD and Doverie United holding AD in its capacity of a parent company holding indirectly through its related parties (subsidiaries), Industrial Holding Doverie AD and Hydroisomat AD (with their common participation of 15.07% in the capital of Momina Krepost AD as at December 31, 2011); and
- Unipharm AD is a subsidiary of Sopharma AD whereas the control has been acquired and exercised through the direct participation of the parent company in the ownership of Unipharm AD with 49.99% as well as through the common key managing personnel of both companies.
- Extab Pharma Limited, UK is a subsidiary through Extab Corporation, USA – the company owns 100% of the capital of Extab Pharma Limited, UK
- Tabina COOO, Belarus is a subsidiary through Briz OOD, Latvia – the company owns 99% of Tabina's capital;
- Interpharma ZAO, Belarus is a subsidiary through Briz OOD, Latvia – the company owns 96.61% of Interpharma's capital;

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- Superlats OOO, Latvia is a subsidiary through Briz OOD, Latvia – the company owns 61.25% of the capital of Superlats OOO.

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

- SOPHARMA AD – production and trade in medicinal substances and finished drug forms; research and development activities in the field of medicinal products.
- Sopharma Trading AD – trade in pharmaceutical products;
- Bulgarian Rose Sevtopolis AD – production of finished drug forms;
- Biopharm Engineering AD – production and trade in infusion solutions;
- Pharmalogistica AD – secondary packaging and real estate leases;
- Electroncommerce EOOD – trade, transportation and packaging of radioactive materials and nuclear equipment, household electronics and electrical equipment;
- Sopharma Buildings REIT – investment of funds, accumulated by issuance of securities, in real estate (securitisation of real estate) through purchase of title and other real rights over real estate, rent-out, lease, and/or sale;
- Momina Krepost AD – development, implementation and production of medical goods for human and veterinary medicine;
- Unipharm AD – production and trade in pharmaceuticals (a subsidiary as from October 27, 2010);
- Vitamini OAO – production and trade in pharmaceuticals;
- Rostbalkanpharm ZAO – production and trade in pharmaceuticals;
- Sopharma Poland OOD – market and public opinion research;
- Ivanchich and Sons OOD – production and trade in pharmaceuticals;
- Sopharma Warsaw EOOD – market and public opinion research;
- Sopharma USA – trade in pharmaceuticals and food supplements;
- Extab Corporation, USA – market and public opinion research;
- Extab Pharma Limited, United Kingdom – market and public opinion research;
- Briz OOD, Latvia – trade in pharmaceuticals;
- Brititrade SOOO, Belarus – trade in pharmaceuticals;
- Tabina COOO, Belarus – trade in pharmaceutical products;
- Interpharma ZAO, Belarus – trade in pharmaceutical products;
- Superlats OOO, Latvia – trade with furniture, light fixtures and other home accessories.

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The parent company and the subsidiaries Sopharma Trading AD, Bulgarian Rose Sevtopolis AD, Pharmalogistica AD, Electroncommerce EOOD, Biopharm Engineering AD, Sopharma Buildings REIT, Momina Krepost AD and Unipharm AD (a subsidiary as from October 27, 2010) perform their activities in Bulgaria; Sopharma Warsaw EOOD (a subsidiary as from November 23, 2010) and Sopharma Poland OOD operate in Poland, Rostbalkanpharm ZAO – in Russia, Vitamini OAO – in Ukraine, Ivanchich and Sons OOD – in Serbia, Briz OOD – in Latvia, Brititrade SOOO, Interpharma ZAO, and Tabina SOOO – in Belarus, Extab Pharma Limited – in the United Kingdom, and Sopharma USA and Extab Corporation, USA – in USA.

The average number of Group's personnel in the period January – December 2011 was 3,996 workers and employees (2010: 3,654).

As at December 31, 2011, the interest of the Group in the *joint venture* Sopharma Zdrovit AD was 50.01% together with Natur Product Zdrovit OOD, Poland. The principal activities of the joint venture include research and development activities in the field of medical science and pharmacy, wholesale in pharmaceuticals. Sopharma Zdrovit AD has been a joint venture since September 27 2007.

1.3 Main indicators of the economic environment

The main economic indicators of the business environment that have affected the activities of the Group companies throughout the period 2008 – 2011, are presented in the table below:

Indicator	2008	2009	2010	2011
Average currency exchange rate of the USD for the period	1.33682	1.40553	1.4779	1.40646
Exchange rate of the USD at the end of the period	1.38731	1.36409	1.4728	1.51158
Average currency exchange rate of the PLN for the period	0.55895	0.45284	0.4892	.47590
Exchange rate of the PLN at the end of the period	0.47168	0.47415	0.49327	0.43872
Average currency exchange rate of the RUB for the period	0.05378	0.04434	0.04864	0.04787
Exchange rate of the RUB at the end of the period	0.04724	0.04496	0.04824	0.04683
Average currency exchange rate of the RSD for the period	0.02388	0.02082	0.01898	0.01918
Exchange rate of the RSD at the end of the period	0.02207	0.0204	0.01854	0.01869
Average currency exchange rate of the UAH for the period	0.25637	0.18046	0.18633	0.17660
Exchange rate of the UAH at the end of the period	0.18017	0.17083	0.18498	0.18992
Average currency exchange rate of the GBP for the period	2.46348	2.19719	2.27433	2.25598
Exchange rate of the GBP at the end of the period	2.00763	2.16353	2.27369	2.34147
Average currency exchange rate of the LVL for the period	2.78358	2.77162	2.75965	2.76943
Exchange rate of the LVL at the end of the period	2.76286	2.75741	2.75555	2.79604

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Indicator	2008	2009	2010	2011
Average currency exchange rate of the BYR for the period	0.00063	0.0005	0.00049	0.000282
Exchange rate of the BYR at the end of the period	0.00064	0.0005	0.00049	0.000181

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

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP

2.1 Basis for the preparation of the consolidated interim condensed financial statements

The consolidated interim condensed financial statements of SOPHARMA Group have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The same accounting policies, reporting and calculation methods, and principal assumptions as those used in the latest 2010 consolidated financial statements were used in the preparation of the accompanying consolidated interim condensed accounts.

The consolidated interim condensed financial statements for the period ended December 31, 2011 should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2010 prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which have been accepted by the Commission of the European Union

For 2011 the Group has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which are relevant to its activities. The adoption of these standards and/or interpretations, in force for annual periods, beginning on January 1, 2011, has caused no changes in the accounting policies of the Group.

These standards and interpretations include:

- *IAS 24 (amended) "Related Party Disclosures" (in force for annual periods beginning on or after January 1, 2011 – endorsed by EC).* The amendments are focused on improvement of the definition for the scope and types of related parties and introduce a specific rule for a partial exemption from full disclosure regarding related parties – government bodies at international, national and local level and other entities owned thereby – types of relations, accounts and balances and transactions with them. The management of the parent company has done research and has concluded that these amendments have an impact on the

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accounting policies and on the scope and disclosure approach in financial statements of the Group companies with regard to related party transactions and the accounts and balances with them;

- *IFRIC 14 (amended) “Prepayments of a Minimum Funding Requirement” under IAS 19 (in force for annual periods beginning on or after January 1, 2011 – endorsed by EC starting from January 1, 2011).* The amendment is related to clarifications for defining the economic benefit available as a reduction in future contributions in two cases – in the existence or non-existence of a minimum funding requirement for contributions related to future service;
- *IFRS 7 (amended) “Financial Instruments: Disclosures” – regarding transfer of financial assets (in force for annual periods beginning on or after January 1, 2011 – not endorsed by EC).* These amendments are related to expanding the requirements for disclosure of data regarding transferred financial assets, including depending on the circumstance whether the reporting entity continues, at the reporting date, to have interest in and responsibility to the respective financial asset by assuming certain risks, rights and benefits and regardless of whether the transferred assets are written-off from the statement of financial position or not.
- *IFRS Improvements (May 2010) - improvements in IAS 1, 27, 34, IFRS 1, 3 and 7 and IFRIC 13 (in force for annual period beginning on or after January 1, 2011 (or July 1, 2010) – endorsed by EC).* These improvements introduce partial amendments in the respective standards primarily with a view to remove existing inconsistency in the application rules and requirements of individual standards as well as to set up more precise terminology.

The Q4 consolidated financial statements have been prepared on a historical cost basis except for property, plant and equipment, investment property and available-for-sale financial instruments, which have been measured at revalued or fair value.

The Bulgarian companies of the Group maintain their accounting books in Bulgarian lev (BGN), which is accepted as being their functional and presentation currency. The subsidiaries and the joint ventures abroad organise their accounting and reporting in accordance with the requirements of the local legislation (Rostbalkanpharm ZAO – Russia, Vitamini OAO – Ukraine, Ivanchich and Sons OOD – Serbia, Extab Pharma Limited – United Kingdom, Briz OOD – Latvia, Brititrade SOOO, Interpharma ZAO, and Tabina SOOO – Belarus, Sopharma USA and Extab Corporation – USA legislation and Sopharma Warsaw EOOD, Sopharma Poland OOD and the joint venture Sopharma Zdrovit AD – the Polish legislation) and keep their accounting ledgers in the respective local currency – Rouble (RUB), Grivni (UAH), Serbian Dinar (RSD), Euro (EUR), British Pound (GBP), Latvian Lat (LVL), Belarus Ruble (BRUB), US Dollars (USD) and Polish Zloty (PLN).

The data in the Q4 consolidated financial statements and the notes thereto are presented in thousand Bulgarian Levs (BGN'000), unless explicitly stated otherwise, and the Bulgarian Lev is accepted as reporting and presentation currency of the Group. According to the policies of the Group, the financial statements of the

Group companies abroad are restated from the local currency to Bulgarian Levs for the purposes of the consolidated financial statements.

The presentation of the Q4 consolidated financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, income and expenses and the disclosure of contingent receivables and payables as at the reporting date. These estimates, accruals and assumptions are based on the information, which is available at the date of the consolidated interim condensed financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant).

2.2 Definitions

Parent company – this is the company that has control over the economic and financial policies and the operation of the subsidiaries by holding more than 50% of their capital shares and/or voting rights. The parent company is SOPHARMA AD, Bulgaria (Note 1.1).

Subsidiaries – companies, including non-legal entities, in which the parent holds directly or indirectly more than 50% of the voting rights in the General Meeting (in the joint-stock capital) and/or has the right to appoint more than 50% of the Board of Directors of the respective company and can exercise control over its financial and operating policy (including by virtue of a concluded control agreement between shareholders). The subsidiary companies are consolidated as from the date on which the effective control over them has been acquired by the Group and are de-consolidated as from the date when the control over them ceases and is transferred outside the Group. The full consolidation method is used for their consolidation.

The subsidiaries are presented in Note 1.2.

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

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

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

The proportionate consolidation method is applied for the consolidation of the joint venture. The joint venture is being consolidated as from the date on which the joint control has been acquired by the controlling shareholder (the parent company) and its consolidation under this method is ceased when the joint venture is transformed into a subsidiary or when joint control is transferred from the controlling shareholder to third parties.

The joint venture is Sopharma Zdrovit AD, Poland (Note 1.2).

Associate

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

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

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

The associate in the Group in the period February 01 – December 20, 2011 was Interpharma ZAO, Belarus.

2.3 Consolidation principles

The Q4 consolidated financial statements include the financial statements of the parent company and the subsidiaries, the joint venture and the associates, prepared as at December 31, 2011. The ‘economic entity’ assumption has been applied in the consolidation except for the measurement of non-controlling interest in business combinations and other forms of acquisition of subsidiaries for which the ‘proportionate share of net assets’ method has been chosen.

For the purposes of consolidation, the financial statements of the subsidiaries, the joint venture and the associates have been prepared for the same reporting period as the parent company using uniform accounting policies.

2.3.1. Consolidation of subsidiaries

In the Q4 consolidated financial statements, the financial statements of the included subsidiaries are consolidated under the 'full consolidation' method, line-by-line, by applying accounting policies that are uniform with regard to the significant reporting items. The investments of the parent company are eliminated against its share in the equity of the subsidiaries at the date of acquisition. Intra-group transactions and balances, including unrealised intra-group gains and losses, are eliminated in full. The effect of deferred taxes has been taken into account in these eliminating consolidation entries.

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

2.3.2. Acquisition of subsidiaries

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

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

and disposal of subsidiaries, net'. Any non-controlling interest in a business combination is measured based on the method of the 'proportionate share of the net assets' of the acquiree.

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

2.3.3. Disposal of subsidiaries

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

- Assets and liabilities (including any attributable goodwill) of the subsidiary are derecognised at their carrying amounts at the date when control is lost;
 - The non-controlling interest in the subsidiary is derecognised at carrying amount in the consolidated statement of financial position at the loss of control date, including all components of other comprehensive income related thereto;
 - The fair value of the consideration received from the transaction, event or operation that resulted in the loss of control is recognised;
 - All components of equity, representing unrealised gains or losses in accordance with the respective IFRS under the provisions of which these components fall, are reclassified to profit or loss for the year or are transferred directly to retained earnings;
 - Any resulting difference as a 'gain or loss from a disposal (sale) of a subsidiary' attributable to the parent is recognised in the consolidated statement of comprehensive income;
 - The remaining shares held that form investments in associates or available-for-sale investments are initially measured at fair value at the date of sale and subsequently – following the accounting policy adopted by the Group.
-
- The acquisition (purchase) method is applied also in transactions for mergers and/or transformation of companies under common control if they represent acquisitions from the perspective of the parent company.

2.3.4. Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. The effects from sales of parent company's shares, without loss of control, to holders of non-

controlling interests are not treated as components of the current profit or loss of the Group but as movements directly in its equity components, usually to the 'retained earnings' reserve. And vice versa, when the parent company purchases additional shares from holders of non-controlling interest, without acquisition of control, the difference between the consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is also directly recognised in the consolidated statement of changes in equity, usually to the 'retained earnings' reserve.

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

2.3.5. Consolidation of a joint venture

The proportionate consolidation method is used for including the joint venture in the Q4 consolidated financial statements as far as the parent company SOPHARMA AD has the status of a controlling shareholder of Sopharma Zdrovit AD, Poland. In the proportionate consolidation method, the share of the controlling shareholder (the parent company) in each of the assets, liabilities, income and expenses in the jointly controlled company is combined (added) line-by-line with the analogous items in the financial statements of the controlling shareholder. The Group recognises only the attributable portion of the recorded gains and losses on transactions for sale of assets by the Group to the joint venture, which refers to other investors and controlling shareholders. At the same time, all intra-group transactions and accounts with the joint venture are eliminated, including the unrealised intra-group gains or losses on purchases of assets of the joint venture by the Group to their resale to third independent parties by also making checks for impairment in case of loss. The effect of deferred taxes on these consolidation procedures has also been taken into account.

2.3.6. Consolidation of associates

Associates are included in the Q4 consolidated financial statements by applying the equity method whereby the investment of the parent company is initially stated at cost and is subsequently recalculated to reflect the changes in investor's (the parent company) share in the post-acquisition net assets of the associate. Group's investment in an associate includes also the goodwill identified on their acquisition net of any recognised impairment.

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

The internal accounts between the Group and the associate are not eliminated. The unrealised gains or losses from transactions between them are eliminated to the percentage of Group's interest in the associate by also making checks for impairment in case of loss. The effect of deferred taxes on these consolidation procedures has also been taken into account.

2.4 Functional currency and recognition of foreign exchange differences

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

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

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

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

The functional currency of the companies in Poland (Sopharma Warsaw EOOD, Sopharma Poland AD, and Sopharma Zdrovit AD) is the Polish Zloty, of the subsidiary in Russia (Rostbalkanpharma ZAO) –

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the Russian Ruble, of the subsidiary in Ukraine (Vitamini OAO) – the Ukrainian Grivna, of the subsidiary in Serbia (Ivanchich and Sons OOD) – the Serbian Dinar, of the subsidiary in Latvia (Briz OOD) – Lat, of the subsidiary in Belarus (Brititrade SOOO, Interpharma ZAO, and Tabina SOOO) - Belarus Ruble, of the subsidiary Extab Pharma Limited (United Kingdom) – the British Pound, and of the companies in USA (Sopharma USA and Extab Corporation) – the US Dollar.

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

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

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

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

The accounting policies of the Group applied in the preparation of the annual consolidated financial statements have been consistently applied in the preparation of the interim consolidated statements.

2.5 Income taxes

Current income taxes of the Group companies are based on the best estimate of the weighted average annual income tax rate expected throughout the year

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

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

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

Subsequent measurement of available-for-sale investment and investments held for sale to fair value

As at December 31, 2011, the Group made a detailed comparative analysis of the changes and movements of stock-exchange prices in the national stock market with regard to the shares in public companies held thereby.

With regard to the investments in companies whose shares are registered for trading in the Bulgarian Stock Exchange, the management of the Group performed research and analysis and is of the opinion that the stock prices are not sufficiently directly indicative for the fair value of the respective securities mainly because of the still significantly decreased volumes. This circumstance lead to its decision to keep the valuation approach applied at December 31, 2010 – adjusted stock prices (Level 2). The calculations for these adjusted stock prices were made by the management with the assistance of independent certified appraisers as at December 31, 2011 using for the purpose share prices of other entities with similar characteristics, quoted on the Bulgarian Stock Exchange and/or other foreign analogous stock exchanges. As at December 31, 2011 the management has analysed and found indications for changes in these prices while confirming its conclusion with a further opinion by independent licensed appraisers.

For investments in companies whose shares are registered for trade in foreign stock exchanges and traded in sufficient volume of transaction in the capital market, it was accepted that they can be subsequently measured at fair value determined directly on the basis of average prices of realised deals in the stock exchange in the last month of the financial year (Level 1). For securities available and for sale,

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which are not publicly tradable, additional analysis is conducted for the specifics and trends of the economic environment, in which the companies operate.

As a result of the analyses made as at December 31, 2011 indications were found that might require recognition of further impairment on these available-for-sale investments.

Impairment of goodwill

The Group management has carried out the procedures required for the mandatory impairment test on the goodwill related to the acquisition of subsidiaries recognised in the consolidated interim condensed statement of financial position. For this purpose an assumption was made that each individual company is a "cash generating unit".

The calculations were made by the management with the assistance of an independent licensed appraiser following detailed review as to whether events and circumstances have occurred which are an indication for changes in the assumptions and judgements made as at December 31, 2011.

3. REVENUE

Group sales revenue includes:

	2011	2010
	BGN '000	BGN '000
Goods	408 469	366 463
Finished products	236 873	233 871
Total	645 342	600 334

Sales of goods by type

	2011	2010
	BGN '000	BGN '000
Tablet dosage forms	217 662	208 351
Ampoule dosage forms	100 741	70 781
Consumables, bandage materials and apparatuses	23 651	33 910
Drops	22 132	19 674
Syrup dosage forms	10 047	4 980
Ointments	9 591	8 754
Food supplements and herbs	4 980	4 620
Isotope	3 326	1 712
Food	1 925	664
Other	14 414	13 017
Total	408 469	366 463

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<i>Sales of finished products by type</i>	<i>2011</i> <i>BGN '000</i>	<i>2010</i> <i>BGN '000</i>
Tablet dosage forms	161 868	159 241
Ampoule dosage forms	27 840	28 832
Syrup dosage forms	24 359	18 982
Lyophilic products	5 955	10 486
Ointments	4 980	6 186
Syringes	2 193	1 987
Infusion solutions	2 093	1 654
Drops	1 273	1 534
Blow-moulded articles	1 036	973
Veterinary vaccines	813	896
Suppositories	533	1 237
Other	3 930	1 863
Total	236 873	233 871

4. OTHER REVENUES/(LOSS) FROM OPERATIONS, NET

	<i>2011</i> <i>BGN '000</i>	<i>2010</i> <i>BGN '000</i>
Services rendered	1 622	1 270
Income from fines and forfeits	785	-
Rent	562	971
Services of social activities and events	556	367
Income from financing	439	561
Profit/ (loss) from sale of long-term assets	180	(241)
Written-off receivables	70	570
Assets surplus	37	240
Net profit/ (loss) from exchange rate differences on commercial receivables and payables and current accounts	(3 248)	(1 304)
Profit /(loss) from changes in the fair value of investment properties	(170)	(217)
Profit/(loss) from sale of materials	(23)	93
Other revenues	441	338
Total	1 251	2 648

5. EXPENSES ON MATERIALS

Expenses on materials include:

	2011	2010
	BGN '000	BGN '000
Basic materials	64 124	54 240
Spare parts, laboratory and technical materials	5 555	4 058
Fuels and lubricating materials	3 170	3 107
Heat power	4 544	3 062
Electric energy	4 232	3 428
Office supplies	991	384
Water	907	855
Labour safety measures	726	578
Impairment of materials	183	106
Advertising materials	166	350
Materials rejects	83	142
Other	876	676
Total	85 557	70 986

Basic materials include:

	2011	2010
	BGN '000	BGN '000
Active ingredients	31 922	26 483
Packaging materials	11 632	9 819
Liquid and solid chemicals	5 995	5 146
Aluminium foil and PVC foil	5 824	5 675
Ampoules	2 495	2 328
Polypropylen, polyethilen, polystyrol	1 511	1 003
Herbs	1 461	1 666
Sacks	1 137	742
Others	2 147	1 378
Total	64 124	54 240

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Advertising	14 599	12 993
Toll processing	13 815	20 774
Forwarding and transportation services	3 840	3 384
Buildings and equipment maintenance	3 474	2 500
Commission fees	3 204	3 413
Consulting services	2 723	2 273
Rentals	2 114	1 380
Insurance	1 391	1 333
Services under civil contracts with physical persons	1 329	1 035
Subscription fees	1 215	977
Logistic services	1 027	1 028
Local taxes and charges	920	1 051
Pharmaceutical registration services	939	571
Security	880	950
Communication	809	1 147
Motor vehicles repair and maintenance	783	429
Tax on expenses	773	504
Current bank account servicing fees	686	531
Clinical trials	525	133
Medical service	507	431
Translation of documents	511	629
Service fees	476	968
License remunerations and taxes	354	178
State and regulatory fees	333	1 409
Expenses on scrapping of pharmaceuticals	256	141
Analysis	220	158
Courier services	219	169
Other	1 494	658
Total	59 416	61 147

7. EMPLOYEE BENEFITS EXPENSE

<i>Personnel costs</i> include:	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Current wages and salaries	50 969	41 206
Social security/health insurance contributions	9 879	8 349
Social benefits and payments	3 198	2 207
Accruals for unused paid leaves	661	456
Social security contributions on unused paid leaves	168	110
Accrued expenses on long-term benefits of personnel upon retirement	325	1 072
Total	65 200	53 400

8. BOOK VALUE OF GOODS SOLD

<i>Book value by type of goods</i> is as follows:	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Solid forms	203 332	195 508
Ampoules	92 791	67 103
Drops	20 067	18 027
Consumables, bandages and equipment	15 357	31 148
Syrup forms	9 824	4 904
Ointments	8 804	8 507
Food supplements and herbs	4 391	4 196
Isotops	2 688	1 350
Food	1 549	573
Other	11 201	5 778
Total	370 004	337 094

9. OTHER OPERATING EXPENSES

<i>Other operating expenses</i> include:	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Entertainment allowances	2 457	2 324

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<i>Other operating expenses include:</i>	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Accrued (recovered) impairment of current assets	1 589	2 406
Business trips	1 283	793
Donations	433	619
Payments to the budget	371	151
Training	356	274
Scrap and missing goods	345	713
Repair of leased assets	337	-
Scrap and shortages of finished products and work in progress	238	508
Scrap and missing long-term assets	219	193
Written-off receivables	160	20
Unrecognized VAT credit	103	143
Court cases won	50	80
Unrecognized excise	33	61
Scrap of biological assets	30	106
Penalties and forfeits to suppliers	4	145
Other	427	230
Total	8 435	8 766

10. DEPRECIATION OF CURRENT ASSETS

<i>Depreciation of current assets include:</i>	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
<i>Depreciation of receivables</i>	<i>705</i>	<i>170</i>
<i>Recovered depreciation of receivables</i>	<i>(64)</i>	<i>(672)</i>
Net change of depreciation of receivables (Note № 9)	501	1 778
Depreciation of finished goods (Note № 9)	820	368
Depreciation of work in progress (Note № 9)	2	146
Depreciation of materials (Note № 9)	266	114
Total	1 589	2 406

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Depreciation of non-current assets include:

	2011	2010
	BGN '000	BGN '000
Depreciation of long-term assets (Note №14)	343	1 288
Depreciation of good will (Note №15)	-	879
Total	343	2 167

11. FINANCIAL INCOME

Financial income includes:

	2011	2010
	BGN'000	BGN'000
Income from interest on loans granted	4 700	2 646
Income from interest on overdue payments	1 361	1 926
Net profit from exchange rate differences on loans granted	369	577
Income from interest on deposits	267	389
Income from private equity	80	106
Income from operations with investments	21	3
Profit from the evaluation of shares to fair value previously booked at acquisition price of a subsidiary during a stage by stage acquisition of a subsidiary	-	490
Income from interest on special contracts	-	109
Total	6 798	6 246

12. FINANCIAL EXPENSES

Financial expenses include:

	2011	2010
	BGN'000	BGN'000
Interest expenses on loans	8 346	8 417
Depreciation of available-for-sale investments	2 350	4 299
Bank fees on loans and guarantees	534	551
Interest on discounted liabilities	-	291
Financial leasing interest	262	226
Investment operations expenses	100	399
Total	11 592	14 183

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13. OTHER COMPONENTS OF COMPREHENSIVE INCOME

Tax effects related to other comprehensive income components are as follows:

	2011			2010		
	BGN'000			BGN'000		
	<i>Value before tax</i>	<i>Savings / (spending) for taxes</i>	<i>Value net of tax</i>	<i>Value before tax</i>	<i>Savings / (spending) for taxes</i>	<i>Value net of tax</i>
Net change in fair value of financial assets available and fore sale	88	-	88	4 267	-	4 267
(Loss)/profit from revaluation of property, plant and equipment	3 240	(324)	2 916	67	(5)	62
Exchange rate differences from recalculation of foreign operations	(520)	-	(520)	(487)	-	(487)
Total	2 808	(324)	2 484	3 847	(5)	3 842

14. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>		<i>Machin es and equipme nt</i>		<i>Others</i>		<i>In process of acquisit ion</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Book value										
Balance on January 1	133 274	119 155	105 731	98 032	27 389	23 671	17 986	4 344	284 380	245 202
Acquired	1 032	439	2 394	2 620	3 744	1 632	34 395	14 304	41 565	18 995
Assets acquired in a newly acquired subsidiary	5	10 717	672	311	304	3 105		1 794	981	18 927
Assets acquired through a merger of a subsidiary	-	3 636	-	428	-					5 064
Effect from revaluation to fair value	(195)		(41)	11	46			1	(190)	12
Effect from recalculation of financial reports of foreign subsidiaries	103	107	(106)	(80)	(16)	(46)	43	70	24	51
Writeen-off	(59)	(212)	210	(654)	(715)	121	(11)	(552)	995	(2 539)
Depreciation		(28)				(23)			-	(51)

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	<i>Land and buildings</i>		<i>Machines and equipment</i>		<i>Others</i>		<i>In process of acquisition</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Transfer (to)/from investment property		(1 279)							-	(1 279)
Transfer to property, plant and equipments	2 965	739	7 985	1 063	281	171	(11 231)	(1 975)	-	(2)
Balance on December 31	137 125	133 274	115 425	105 731	31 033	27 389	41 182	17 986	324 765	284 380
<i>Accrued amortization</i>										
Balance on January 1	8 275	4 180	54 474	47 689	13 081	10 563	-	-	75 830	62 432
Accrued amortization for the year	3 280	2 966	8 872	7 291	3 669	3 064			15 821	13 321
Written-off amortization	(8)	(111)	(1 136)	(506)	(475)	(587)	-	-	(1 619)	(1 204)
Depreciation		1 237			1	-			1	1 237
Effect from recalculation of financial reports of foreign subsidiaries	(26)	-	(67)	(23)	(35)	46			(128)	23
Effect from revaluation to fair value	(477)	3	(2 414)	23	-	(5)			(2 891)	21
Balance on December 31	11 044	8 275	59 729	54 474	16 241	13 081	-	-	87 014	75 830
Balance on December 31	126 081	124 999	55 696	51 257	14 792	14 308	41 182	17 986	237 751	208 550
Balance as at January 1	124 999	114 975	51 257	50 343	14 308	13 108	17 986	4 344	208 550	182 770

Expenses for acquisition of long-term assets for the period ending December 31 include:

- expenses for construction of new buildings – 27,404 thousand BGN (31.12.2010: 8,922 thousand BGN);
- reconstruction of buildings – 2,218 thousand BGN (31.12.2010 : 5,821 thousand BGN);
- purchase of equipment – 8,415 thousand BGN (31.12.2010 : 3,097 thousand BGN);
- advance payments – 2,859 thousand BGN (31.12.2010 : 142 thousand BGN);
- other – 286 thousand BGN (31.12.2010 : 3 thousand BGN)

Other assets as at 31.12.2011 include biological assets – a plantation of yellow acacia amounting to 140 thousand BGN (31.12.2009 : 160 thousand BGN).

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15. INTANGIBLE ASSETS

<i>Book value</i>	<i>Goodwill</i>		<i>Intellectual property rights</i>		<i>Software</i>		<i>Other</i>		<i>Assets in progress</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>	<i>BGN</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Balance on January 1	19 425	13 955	7 912	2 358	4 499	1 865	1 681	1 722	516	2 339	34 033	22 239
Acquired	3 303	5 253	18	105	673	697		3	1 850	164	5 844	6 222
Fair value of acquired assets in subsidiary			199	5 521		7	1 834				2033	5528
Effect from recalculation of financial reports of foreign subsidiaries	(1210)	218	(105)	(99)		(1)	(482)	(44)			(1797)	74
Transfer			351	55	14	1 932			(365)	(1987)	-	-
Transfer to investment property											-	-
Written-off		(1)		(28)	(5)	(1)					(5)	(30)
Balance on December 31	21 518	19 425	8 375	7 912	5 181	4 499	3 033	1 681	2 001	516	40 108	34 033
Accumulated amortisation and impairment												
Balance on January 1	6 530	5 652	1 315	820	1 452	996	379	245	-	-	9 676	7 713
Accrued amortization for the year			1 159	556	764	457	266	159			2 189	1 172
Effect from recalculation of financial reports of foreign subsidiaries		(1)	(5)	(33)			(44)	(25)			(49)	(60)
Depreciation		879										879
Written-off amortization				(28)	(5)	(1)					(5)	(29)
Balance on September 30/December 31	6 530	6 530	2 469	1 315	2 211	1 452	601	379	-	-	11 811	9 675
Balance on September 30/December 31	14 988	12 895	5 906	6 597	2 970	3 047	2 432	1 302	2 001	516	28 297	24 357
Balance on January 1	12 895	8 303	6 597	1 538	3 047	869	1 302	1 477	516	2 339	24 357	14 526

The rights on intellectual property include mainly products of development activities related to medicinal substances and dosage forms and acquired patents and trademarks.

Within the total intellectual property, owned by the Group, the largest share belongs to internally created trademarks, which have not been capitalised in the consolidated statement of financial position. These trademarks grant exceptional rights on the names of the pharmaceuticals while those with biggest relative share in the sales of the Group are: Carsil, Tempalgin, Broncholitín, Tabex, Analgin, Tribestan, Vicetin, Sydnopharm, Antistenocardin, Spasmalgon, Softensif, Chlofodon, Chlofasolin, Sofafailin, Sopral, Vasopren, Buscolisin, Nivalin, Maraslavin, Dimex, Allergosan, Aminalon.

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

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

16. INVESTMENT PROPERTY

	<i>31.12.2011</i> <i>BGN '000</i>	<i>31.12.2010</i> <i>BGN '000</i>
Balance on January 1	6 821	5 572
Newly acquired	53	130
Sold	(211)	-
Fair value evaluation on December 31 booked in the income statemet as profit or loss	(170)	(217)
Transferred from property, machine and equipment		1 279
Fair value at transfer, booked		
In owners' equity		57
Transferred to property, machine and equipment		-
Balance on December 31,	6 493	6 821

17. AVAILABLE-FOR-SALE INVESTMENTS

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

	<i>Country</i>	<i>31.12.2011</i> <i>BGN '000</i>	<i>Interest</i> <i>%</i>	<i>31.12.2010</i> <i>BGN '000</i>	<i>Interest</i> <i>%</i>
Doverie United Holding AD	Bulgaria	12 843	14.86	14 630	13.78
Medica AD	Bulgaria	2 450	10.13	2 492	9.45
Krimgas OAO	Ukraine	2 098	9.07	2 046	9.07
Lavena AD	Bulgaria	759		-	-
Olainfarm AD *	Latvia	703	0.77	617	0.77
Elpharma AD	Bulgaria	665	19.00	665	19.00
Maritzatex AD	Bulgaria	149	3.68	247	8.01
Sopharma Properties REIT	Bulgaria	123	0.36	1	0.22
Balkanpharma Razgrad AD	Bulgaria	70	0.33	70	0.33
Hydroizomat AD	Bulgaria	59	3.74	44	2.93
Todoroff AD	Bulgaria	52		-	-
United Health Insurance	Bulgaria	15	0.50	15	0.50

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	<i>Country</i>	<i>31.12.2011</i>	<i>Interest</i>	<i>31.12.2010</i>	<i>Interest</i>
		<i>BGN '000</i>	<i>%</i>	<i>BGN '000</i>	<i>%</i>
Fund Doverie AD					
CF Status New Shares	Bulgaria	12	0.30	12	0.30
Aik Banka AD *	Serbia	11	0.002	9	0.002
Agrobanka, Belgrade	Serbia	8	0.01	6	0.01
Ecobulpack AD	Bulgaria	7	1.48	7	1.48
Privredna Banka AD *	Serbia	5	0.019	5	0.019
Bulgarian Stock Exchange	Bulgaria	4		-	-
UniCredit Bulbank AD	Bulgaria	3	0.001	3	0.001
Aroma AD	Bulgaria	3	0.03	-	-
Balkanpharma Dupnitsa AD	Bulgaria	2	0.01	2	0.01
Metals Banka AD	Serbia	1	0.008	2	0.008
Dunav Insurance AD	Serbia	1	0.012	1	0.012
Elana Money Market Fund	Bulgaria	-	-	53	0.42
Total		20 043		20 927	

18. INVESTMENTS IN ASSOCIATES

On January 26, 2011, the subsidiary company Briz OOD – Latvia acquired 44.07% of the capital of Interpharma ZAO in Belarus.

By Decision No. 199-PD from March 30, 2010, the Financial Supervision Commission approved transformation through a merger of Sopharma Logistica AD into Sopharma Trading AD. As from 4 September 2010, Sopharma Logistica AD was deleted from the Commercial Registry. As a result of this transaction, SOPHARMA AD (the parent company) acquired through an exchange additional 849,144 shares from the capital of Sopharma Trading AD.

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Balance on January 1	-	1 859
Acquisition of shares	1 415	27
Transfer to the composition of subsidiaries	(758)	
Share in the change of other components of the	(681)	-

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	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
comprehensive income		
Share in the profit for the period	24	
Impairment to fair value upon a merger in a subsidiary	-	(680)
Write-off upon a merger in a subsidiary	-	(1 206)
Balance on December 31	<u>-</u>	<u>-</u>

The share of the Group in the associated company and its aggregated assets (including goodwill) and liabilities is as follows:

	<i>Share in the assets</i>	<i>Share in the liabilities</i>	<i>Share in the income</i>	<i>Share in the profit</i>	<i>Interest</i>
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>%</i>
2011	659	99	1 214	24	22.48%
	<u>659</u>	<u>99</u>	<u>1 214</u>	<u>24</u>	

The investment in the associate as at December 31, 1011 includes goodwill of 328 thousand BGN (1,808 thousand BRUB '000).

19. LOANS GRANTED TO RELATED PARTIES

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Companies under common indirect control through key management personnel/main shareholder.	729	-
Shareholding companies with significant influence	-	3 074
Companies under common control	-	121
	<u>729</u>	<u>3 195</u>

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The Group has granted a loan to a company under common indirect control through key management personnel/main shareholder under the following terms and conditions:

31.12.2011

BGN '000

Contracted amount:	1,100 thousand BGN
Interest rate:	8.08%
Maturity:	31.12.2014
Collateral:	None
Purpose of the loan:	For working capital
Balance on December 31	729 thousand BGN
including interest	1 thousand BGN

The Group has granted a loan to a shareholding company with significant influence in the parent company under the following terms and conditions:

31.12.2011

BGN '000

31.12.2010

BGN '000

Contracted amount:	1,500 thousand EUR	1,500 thousand EUR
Interest rate:	5.5%	5.5%
Maturity:	10.08.2012	10.02.2012
Collateral:	None	None
Purpose of the loan:	For working capital	For working capital
Balance on December 31	None	3,074 thousand BGN (1,572 thousand EUR)
Including interest	None	140 thousand BGN (72 thousand EUR)

The Group has granted a loan to a company under indirect common control under the following terms and conditions:

31.12.2011

BGN '000

31.12.2010

BGN '000

Contracted amount:	120 thousand BGN	120 thousand BGN
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	31.12.2011	31.12.2010
	BGN '000	BGN '000
Interest rate:	8.08%	8.08%
Maturity:	10.07.2012	10.02.2012
Collateral:	None	None
Purpose of the loan:	For working capital	For working capital
Balance on December 31	None	121 thousand BGN
including interest	None	1 thousand BGN

20. OTHER NON-CURRENT ASSETS

Other non-current assets include:	31.12.2011	31.12.2010
	BGN '000	BGN '000
Loans granted	517	445
Financial leasing receivables	67	33
Guarantee deposits	5	123
Total	589	601

21. INVENTORIES

Inventories include:	31.12.2011	31.12.2010
	BGN '000	BGN '000
Goods	55 872	51 267
Finished products	35 925	26 039
Materials	26 222	24 285
Work-in-progress	4 415	5 144
Semi-finished products	3 813	4 950
Total	126 247	111 685

Goods by type are as follows:	31.12.2011	31.12.2010
	BGN '000	BGN '000

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Tablet dosage forms	29 912	27 219
Ampoule dosage forms	10 868	7 402
Syrups	2 796	1 450
Drops	1 765	2 147
Ointments	1 097	968
Goods in process of delivery	336	2 726
Isotopes	-	1 514
Other	9 098	7 841
Total	55 872	51 267

Finished products include:

	31.12.2011	31.12.2010
	BGN '000	BGN '000

Tablet dosage forms	21 356	16 574
Ampoule dosage forms	6 025	4 438
Syrups	3 105	1 625
Other	5 439	3 402
Total	35 925	26 039

Materials by type are as follows:

	31.12.2011	31.12.2010
	BGN '000	BGN '000

Basic materials	23 226	20 707
Materials in a process of delivery	1 314	1 729
Auxiliary materials	469	549
Technical materials	466	381
Spare parts	285	392
Other	462	527
Total	26 222	24 285

Basic materials by type are as follows:

	31.12.2011	31.12.2010
	BGN '000	BGN '000

Substances	13 742	11 758
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Vials, tubes and ampoules	3 758	3 297
Packaging materials	1 821	1 297
Chemicals	1 556	1 308
PVC and aluminium foil	976	1 439
Herbs	786	896
Other	587	712
Total	23 226	20 707

22. TRADE RECEIVABLES

<i>Trade receivables</i> include:	31.12.2011	31.12.2010
	BGN '000	BGN '000
Receivables from clients	135 173	143 729
Impairment of uncollectible receivables	(2 383)	(2 732)
	132 790	140 997
Advances granted	4 332	4 591
Impairment of advances	(43)	(65)
Advances granted, net	4 289	4 526
Total	137 079	145 523

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

Usually the Group companies negotiate with their clients payment term from 30 to 180 days for sales receivables unless there are specific conditions determined for maturity for particular clients.

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

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<i>Receivables aging:</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
up to 30 days	38 359	56 921
from 31 up to 90 days	39 343	33 755
from 91 up to 180 days	19 008	8 643
from 180 up to 360 days	4 566	4 814
from 1 up to 2 years	-	2 528
over 2 years	-	142
Total	101 276	106 803

<i>Overdue receivables aging:</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
from 31 up to 90 days	12 332	11 881
from 91 up to 180 days	2 896	2 032
from 181 days up to 365	5 611	1 321
from 1 up to 2 years	6 988	3 792
over 2 years	3 353	1 835
Total	31 180	20 861

<i>Aging of non-depreciated trade receivables:</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
from 31 up to 90 days	12 332	11 881
from 91 up to 180 days	2 896	2 032
from 181 days up to 365	5 611	1 321
from 1 up to 2 years	6 988	3 792
over 2 years	3 353	1 835
Total	31 180	20 861

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Aging of depreciated trade receivables:

	31.12.2011	31.12.2010
	BGN '000	BGN '000
from 31 up to 90 days	-	283
from 91 up to 180 days	-	1 463
from 181 days up to 365	-	5 838
over 2 years	2 717	8 481
depreciation	(2 383)	(2 732)
	334	13 333

Corrective:

	31.12.2011	31.12.2010
	BGN '000	BGN '000
Balance at the begining of the year	2 732	2 131
Depreciation	56	1 590
Written-off receivables	(10)	(708)
Recovered	(395)	(281)
Balance at the end of the period	2 383	2 732

23. RECEIVABLES FROM RELATED PARTIES

	31.12.2011	31.12.2010
	BGN '000	BGN '000
Receivables from companies under common indirect control through key managing personnel/main shareholder	18 537	18 886
Receivables from companies under indirect common control	11 935	13 933
Receivables from the main shareholder	10 799	6 214
Receivables from shareholding company with	8 421	6 789

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	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
significant influence		
Total	49 692	45 822

Receivables from related parties by type

are as follows:

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Trade loans granted	48 999	44 160
Receivables on sales of finished products and materials	693	1 559
Receivables on transactions with investments	-	103
Total	49 692	45 822

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

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

Aging of receivables from related parties:

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
up to 30 days	285	451
from 31 up to 90 days	29	378
from 91 up to 180 days	2	31
Total	316	860

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*Aging of overdue, not depreciated receivables
from related parties:*

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
from 31 up to 90 days	1	241
from 180 days up to 365	376	8
from 1 up to 2 years	-	450
Total	377	699

*Aging of overdue, depreciated receivables from
related parties:*

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Over 1 year	399	343
Depreciation	(399)	(343)
	-	-

Movement of the depreciation corrective:

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Balance at the begining of the period	343	287
Depreciation	56	56
Recovered	-	-
Balance at the end of the period	399	343

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

	31.12.2011	31.12.2010
	BGN '000	BGN '000
Receivables from companies under common indirect control through key management personnel/main shareholder	18 537	18 783
Receivables from companies under common indirect control	11 279	11 999
Receivables from main shareholding company	10 789	6 214
Shareholding companies with significant influence	8 394	7 164
Total	48 999	44 160

The trade loans are as follows:

	<i>Contracted</i>		<i>Interest</i>				
<i>Currency</i>	<i>amount</i>	<i>Maturity</i>	<i>%</i>	<i>31.12.2011</i>		<i>31.12.2010</i>	
				<i>BGN'</i>	<i>BGN'</i>	<i>BGN'</i>	<i>BGN'</i>
	<i>'000</i>			<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>
					<i>Incl.</i>		<i>Incl.</i>
					<i>interest</i>		<i>interest</i>
<i>of main shareholding company</i>							
<i>BGN</i>	10 376	31.08.2012	8.08%	10 789	413	6 214	-
<i>to companies under common control through key management personnel / main shareholder</i>							
<i>BGN</i>	14 287	31.12.2012	8.30%	14 492	662	13 493	563
<i>BGN</i>	2 477	31.12.2012	8.08%	2 669	288	2 477	96
<i>BGN</i>	1 100	31.12.2011	8.08%	-	-	1 115	15
<i>BGN</i>	945	31.12.2012	8.08%	1 011	211	945	146
<i>BGN</i>	540	31.12.2011	8.08%	-	-	557	17
<i>BGN</i>	190	31.12.2012	8.08%	211	21	196	6
<i>BGN</i>	500	31.12.2012	8.08%	53	2	-	-
<i>BGN</i>	120	10.07.2012	8.08%	101	-	-	-

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*to shareholding companies with
significant influence*

<i>EUR</i>	4 035	30.09.2012	4.80%	7 991	99	3 344	47
<i>EUR</i>	1 500	26.01.2012	5.50%	-	-	3 081	147
<i>EUR</i>	1 500	10.08.2012	5.50%	-	-	-	-
<i>EUR</i>	179	30.06.2012	5.50%	-	-	360	10
<i>BGN</i>	300	31.12.2012	8.08%	403	103	379	79

*to companies under common
indirect control*

<i>EUR</i>	7 000	28.12.2012	4.50%	10 604	-	-	-
<i>BGN</i>	4 374	31.12.2011	8.08%	0	0	3 945	-
<i>EUR</i>	1 581	01.04.2011	5.50%	-	-	3 217	125
<i>EUR</i>	12 286	31.12.2011	5.50%	-	-	2 783	-
<i>BGN</i>	5 701	31.12.2011	8.08%	-	-	1 875	13
<i>BGN</i>	120	10.02.2012	8.08%	137	17	128	8
<i>BGN</i>	350	30.06.2012	8.08%	-	-	51	-
<i>BGN</i>	570	15.03.2012	8.08%	538	2	-	-
				<u>48 999</u>	<u>1 818</u>	<u>44 160</u>	<u>1 272</u>

24. OTHER RECEIVABLES AND PREPAYMENTS

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables from trade loans	18 785	1 254
<i>Court and awarded receivables</i>	15 632	6 626
<i>Impairment of court receivables</i>	(1 392)	(1 332)
	<u>14 240</u>	<u>5 294</u>
Taxes refundable	6 101	4 125
Prepaid expenses	1 863	1 254
Receivables from financing	1 851	83
Receivables on deposits placed as guarantees	509	296
Receivables from investments deals	197	83
Other	519	251
Total	<u>44 065</u>	<u>12 640</u>

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<i>Taxes refundable</i> include:	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Excise duties	3 168	2 125
VAT	2 439	1 752
Corporate tax	422	139
Withholding taxes	72	109
Total	6 101	4 125

<i>Prepaid expenses</i> include:	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Insurance	618	676
License fees	351	-
Vouchers	203	-
Advertisement	190	154
Subscriptions	184	208
Rent	98	27
Other	219	189
Total	1 863	1 254

<i>Deposits provided as guarantees</i> include:	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Guarantees for performance on contracts	239	78
Guarantees on contracts for the delivery of fuels	128	88
Guarantees on contracts for the delivery of telecommunications services	31	31
Guarantees on contracts for the delivery of electricity	18	18
Other	93	81
Total	509	296

25. CASH AND CASH EQUIVALENTS

<i>Cash includes:</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Cash at current bank accounts	18 994	37 584
Short-term deposits	12 306	6 316
Cash in hand	515	1 031
Blocked funds	95	138
Cash and cash equivalents for cash flow:	31 910	45 069
 <i>Blocked funds</i>		
Long-term deposits	467	-
Total	32 377	45 069

26. EQUITY

Share capital

As at 31.12.2011 the registered share capital of SOPHARMA AD amounted to 132,000 thousand BGN, distributed in 132,000,000 shares of nominal value 1 BGN each.

The treasury shares were 2,934,163 amounting to 11,220 thousand BGN (31.12.2010: 1,180,615 amounting to 4,643 thousand BGN).

The *statutory reserves* amounting to 21,855 thousand BGN (31.12.2010 : 17,788 thousand BGN) were set aside from allocation of profit of the parent company and included all amounts for the Reserve Fund.

The *revaluation reserve – for property, plant and equipment* amounting to 27,066 thousand BGN (31.12.2010: 24,267 thousand BGN) was set aside from the positive difference between the carrying amount of property, plant and equipment of the Group companies and their fair values at the dates of the respective regular revaluation. The effect of deferred taxes on the revaluation reserve is reflected directly through other components of comprehensive income for the year.

Available-for-sale financial assets reserve amounting to 266 thousand BGN – a negative figure (31.12.2010: 354 thousand BGN – a negative figure) was set aside from the effects of subsequent measurement of available-for-sale investments to fair value (including the consolidated share of the change in this reserve in associates on their valuation under the equity method).

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The *translation of foreign operations reserve* amounting to 3,292 thousand BGN – a negative figure (31.12.2010: 2,427 thousand BGN – a negative figure) was set aside from exchange differences arising as a result of translation of the currency in the financial statements of foreign companies to the presentation currency of the Group.

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27. LONG-TERM BANK LOANS

<i>Currency</i>	<i>Contracted loan amount '000</i>	<i>Maturity</i>	<i>31.12.2011 Non-current portion BGN'000</i>	<i>Current portion BGN'000</i>	<i>Total BGN'000</i>	<i>31.12.2010 Non-current portion BGN'000</i>	<i>Current portion BGN'000</i>	<i>Total BGN'000</i>
<i>Credit lines</i>								
EUR	12 000	31.01.2012	-	22 583	22 583	23 202	57	23 259
EUR	5 000	31.08.2012	-	9 774	9 774		9 779	9 779
EUR	3 000	25.08.2012	-	5 863	5 863	-	5 864	5 864
EUR	2 000	29.07.2015	2 480	960	3 440	-	-	-
EUR	2 500	31.08.2012	-	2 192	2 192	-	-	-
EUR	1 617	30.01.2015	997	479	1 476	965	1 679	2 644
EUR	1 577	09.12.2015	1 261	168	1 429	-	-	-
BGN	18 000	30.06.2012	-	286	286	-	17 983	17 983
EUR	1 675	30.06.2013	21	42	63	64	42	106
EUR	530	28.02.2012	-	58	58	58	345	403
USD	4 000	30.09.2012	-	-	-	3 929	1 964	5 893
EUR	1 000	20.09.2011	-	-	-	-	503	503
EUR	2 500	31.03.2011	-	-	-	-	3 211	3 211
EUR	2 000	15.06.2011	-	-	-	-	3 327	3 327
EUR	1 700	25.10.2010	-	-	-	-	5 867	5 867
<i>Investment loans</i>								
EUR	32 000	15.04.2021	18 737	37	18 774			
EUR	2 000	29.07.2015		-	-	1 573	-	1 573
EUR	1 565	09.12.2015	-	-	-	1 391	174	1 565
			23 496	42 442	65 938	31 182	50 795	81 977

The loans received in Euro are mainly contracted at interest rate based on – for loans in BGN – SOFIBOR plus a surplus of up to 6 points, for loans in EUR - EURIBOR plus a surplus of up to 5.5 points,

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for loans in USD - LIBOR plus a surplus of up to 6 points and for Serbian Dinars – EURIBOR plus 3.3% (2010: for loans in BGN - SOFIBOR plus a surplus of up to 6 points, for loans in EUR - EURIBOR plus a surplus of up to 5.5 points, for loans in USD - LIBOR plus a surplus of up to 6 points and for Serbian Dinars – EURIBOR plus 3.3%).

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

28. PAYABLES TO THE PERSONNEL UPON RETIREMENT

	31.12.2011	31.12.2010
	BGN '000	BGN '000
<i>Present value of the payables as at January 1</i>	2 801	1 770
<i>Unrecognized actuery (loss) as at January 1</i>	(191)	(107)
Recognized payables as at January 1	2 610	1 663
Expense, recognized in the income statement	524	1 072
Payment in the period	(759)	(357)
Recognized payables upon acquisition of a subsidiary		238
Effect from exchange rate recalculation	13	(6)
Recognized payables as at September 30/December 31	2 388	2 610
<i>Unrecognized actuery (loss) as at September 30/December 31</i>	6	(191)
<i>Present value of the payables at September 30/December 31</i>	2 382	2 801
 Present value at January 1	 2 801	 1 770
Interest expense for the period	93	127
Work experience expense for the period	442	826
Payments in the period	(759)	(357)
Effect from exchange rate recalculation	13	(6)
Recognized payables upon acquisition of a subsidiary		238
Actuery profit/(loss) for the period	(208)	203
Present value of the payables at September 30/December 31	2 382	2 801

29. FINANCIAL LEASING PAYABLES

<i>Term</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Up to one year	714	265
Over one year	1 474	415
Total	2 188	680

<i>Term</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Up to one year	903	405
Over one year	1 754	581
	2 657	986
Future financial expense	(469)	(306)
Present value of future leasing payments	2 188	680

30. OTHER NON-CURRENT LIABILITIES

As at December 31, 2011 the Group has longterm liabilities amounting to 970 thousand BGN for the financing of two projects, related to the development of new pharmaceutical products and a project for the modernization and development of a subsidiary (December 31, 2010: 772 thousand BGN).

The value of the other non-current liabilities as at December 31, 2011 also includes 27 thousand BGN for the purchase of available-for-sale investments with a maturity on March 30, 2017 (December 31, 2010: 26 thousand BGN).

31. SHORT-TERM LOANS FROM BANKS AND THIRD PARTIES

<i>Currency</i>	<i>Amount</i>	<i>Due date</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>'000</i>		<i>BGN'000</i>	<i>BGN'000</i>
<i>Bank loans</i>				
EUR	20 000	31.05.2012	39 095	-
EUR	12 000	27.01.2012	23 595	-
EUR	8 434	31.12.2012	15 983	15 983
EUR	10 000	31.12.2012	19 558	19 011
EUR	12 500	14.01.2012	15 127	22 879
EUR	10 000	31.12.2012	10 003	-
EUR	5 000	30.11.2012	8 789	-
USD	4 000	31.01.2012	6 027	-
EUR	3 000	28.09.2011	5 864	2 931
EUR	5 000	31.01.2012	3 508	-
EUR	1 486	31.01.2012	2 405	-
UAH	7 000	07.06.2012	1 329	-
RUB	3 000	15.07.2012	140	145
EUR	66	31.12.2012	129	129
EUR	2 000	30.06.2012	108	-
BGN	500	20.12.2012	100	328
EUR	12 000	31.01.2011	-	23 717
EUR	5 000	10.11.2011	-	9 789
EUR	5 000	30.09.2011	-	9 776
EUR	5 000	05.01.2011	-	9 777
			151 760	114 465
<i>Trade loans</i>				
RUB		31.12.2012	38	-
			38	-
Total			151 798	114 465

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The bank loans in EUR are mainly negotiated based on EURIBOR plus up to 4.5 points and the BGN loans – monthly SOFIBOR plus up to 2.92 points (2010 : EURIBOR plus up to 4.5 points, for BGN loans – monthly SOFIBOR plus up to 2.92 points and for RUB – fixed 16%).

32. COMMERCIAL PAYABLES

<i>Commercial payables</i> include:	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
To suppliers	65 409	58 435
Advances received	3 068	792
Provisions for payables to suppliers related to court cases	103	99
Total	68 580	59 326

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Payables to foreign suppliers	31 485	31 124
Payables to Bulgarian suppliers	33 924	27 311
Total	65 409	58 435

Liabilities to suppliers are current, interest free and are for received materials, goods and services. The usual average credit period for which no interest is charged on trade payables is 180 days.

33. PAYABLES TO RELATED COMPANIES

<i>Payables to related companies include:</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
To shareholding companies with substantial influence	5 408	934
To companies under joint indirect control	1 493	1 529
To other related parties	99	96
To a shareholder – physical person	31	41
To companies under joint indirect control through key management personnel/main shareholder	2	
Companies with substantial influence through the mother company	-	5
Total	7 033	2 605

<i>Payables to related parties by type are as follows:</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
For investments (construction of tablet facility)	4 127	
Services	1 990	2 492
Supplies of goods and materials	821	15
Commercial loans	31	32
For dividend	30	-
Other	34	66
Total	7 033	2 605

Payables to related companies are current, in BGN, interest free and are not collateralized by the Group.

34. PAYABLES TO THE PERSONNEL AND FOR SOCIAL SECURITY

*Payables to the personnel and
for social security* include:

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
To the personnel, including:	4 358	2 965
<i>Current</i>	3 386	2 030
<i>Accrued payables for unused vacation</i>	972	935
For social security, including:	1 234	985
<i>Current</i>	1 083	842
<i>Accrued payables for unused vacation</i>	151	143
Total	5 592	3 950

35. TAX PAYABLES

Tax payables include:

	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
VAT	2 080	2 327
Corporate tax	533	492
Income tax for physical persons	501	334
Local taxes and fees	108	-
Withholding taxes	17	43
Other	-	4
Total	3 239	3 200

As at the date of this report the following inspections have been carried out in the Group companies:

Company	Full tax inspection	VAT inspection	Inspection in relation to the provisions of the social security legislation
Sopharma AD	up to 31.12.2007	up to 31.10.2008	up to 31.10.2008

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Company	Full tax inspection	VAT inspection	Inspection in relation to the provisions of the social security legislation
Sopharma Trading AD	up to 31.12.2008	up to 30.09.2009	up to 31.12.2007
Unipharm AD	up to 31.12.2005	up to 30.04.2006	up to 31.03.2007
Bulgarian rose – Sevtopolis AD	up to 31.12.2009	up to 31.01.2010	up to 31.12.2008
Pharmalogistics AD	up to 31.12.2005	up to 31.03.2007	up to 31.12.2005
Electroncommerce EOOD	up to 31.12.2005	up to 30.04.2006	up to 31.12.2005
Biopharm engineering AD	up to 31.12.2009	up to 31.01.2010	up to 31.12.2008
Momina krepost AD	up to 31.12.2005	up to 31.10.2006	up to 31.10.2006
Sopharma buildings REIT	None	up to 31.05.2011	None
Ivanchich and sons OOD	None	None	31.12.2009
Rostbalkanpharm ZAO	up to 31.12.2005	up to 31.12.2005	up to 30.09.2009
Vitamini OAO	up to 30.06.2010	up to 31.07.2011	up to 31.12.2010
Sopharma Zdrovit	up to 30.09.2011	up to 30.09.2011	up to 30.09.2011
Briz OOO	up to 31.07.2007	up to 19.08.2010	up to 19.08.2010
Tabina SOOO	up to 30.09.2010	up to 30.09.2010	up to 30.09.2010
Interpharma ZAO	up to 31.10.2007	up to 31.10.2007	up to 30.06.2006
Brititrade SOOO	up to 30.06.2011	up to 30.06.2011	up to 30.06.2011

The companies Sopharma Poland OOD, Poland, Sopharma Warsaw, Poland, Superlats OOO, Latvia, Extab corporation USA and Extab Pharma Limited, UK have not been inspected in relation to the tax or social security legislation.

For the companies in Bulgaria, tax audit is carried out within five years from the end of the year in which tax return is filed for the relevant obligation. The revision confirms final tax liability of the company-taxable person, unless otherwise provided by legislation.

For companies outside Bulgaria, tax audit is carried out as follows: in Ukraine, Russia, Latvia and Belarus in a three-year period, in Poland – a five-year period, while in Serbia – ten-year period.

36. OTHER CURRENT LIABILITIES

<i>Other current liabilities</i> include:	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
EU financing	2532	376

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<i>Other current liabilities</i> include:	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Rights for subscribed shares	884	887
Payables for financial leasing	714	265
Payables for dividends	329	122
Deductions from remunerations	238	129
Court cases won	4	32
Other	107	321
Total	4 808	2 132

37. FINANCIAL RISK MANAGEMENT

The structure of financial assets and liabilities is as follows:

<i>Financial assets</i>	<i>31.12.2011</i>	<i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Financial assets	268 724	263 872
Loans and receivables, including:	248 681	242 945
<i>Receivables and loans</i>	216 304	197 876
<i>Cash and cash equivalents</i>	32 377	45 069
Available-for-sale investments	20 043	20 927
 <i>Financial liabilities</i>	 <i>31.12.2011</i>	 <i>31.12.2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Financial liabilities at amortised cost	293 478	259 527
<i>Short-term and long-term bank loans</i>	217 736	196 442
<i>Other loans and liabilities</i>	75 742	63 085

Currency risk

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

A significant volume of the Group's revenue is gained mainly through the parent company from export of finished products contracted as payable in USD. At the same time, the Group again through the parent company supplies part of its basic raw materials and consumables also in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies. The companies abroad perform sales mainly to the local markets, which leads to currency risk to their currencies as well – Ukrainian Grivna (UAH), Serbian Dinar (RSD), Russian Ruble (RUB), Latvian Lat (LVL), Belarus Ruble (BYR).

The remaining part of Group companies' operations are usually denominated in BGN or EUR and are booked as follows:

<i>December 31, 2011</i>	<i>in USD</i>	<i>In EUR</i>	<i>In BGN</i>	<i>In other currency</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	-	-	17 216	2 827	20 043
Loans and receivables	652	68 031	138 851	8 770	216 304
Cash and cash equivalents	1 034	10 585	18 338	2 420	32 377
Total financial assets	1 686	78 616	174 405	14 017	268 724
Bank loans	6 027	199 812	10 389	1 508	217 736
Other loans and liabilities	2 554	28 406	35 857	8 925	75 742
Total financial liabilities	8 581	228 218	46 246	10 433	293 478

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<i>December 31, 2010</i>	in USD	In EUR	In BGN	In other currency	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Available-for-sale financial assets	-	-	18 243	2 684	20 927
Loans and receivables	2 530	60 351	131 129	3 866	197 876
Cash and cash equivalents	2 922	7 749	32 136	2262	45 069
Total financial assets	5 452	68 100	181 508	8 812	263 872
Bank loans	5 893	190 076	328	145	196 442
Other loans and liabilities	3 992	25 827	30 694	2 572	63 085
Total financial liabilities	9 885	215 903	31 022	2 717	259 527

Credit risk

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

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

The financial resources of the Group as well as the settlement operations are concentrated in different first-class banks. When distributing the cash flows among them, the management of the parent company and the subsidiaries take into consideration a variety of factors, as the amount of capital, reliability, liquidity, the credit potential and rating of the bank etc.

Maturity analysis

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

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<i>December 31, 2011</i>	<i>up to 1 month</i>	<i>from 1 to 3 months</i>	<i>from 3 to 6 months</i>	<i>from 6 to 12 months</i>	<i>from 1 to 2 years</i>	<i>from 2 to 5 years</i>	<i>over 5 years</i>	Total
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	-	-	-		20 043	-	-	20 043
Loans and receivables	86 493	34 500	25 712	75 070	-	905		222 680
Cash and cash equivalents	30 844	1 096	-	196	-	241	-	32 377
Total financial assets	117 337	35 596	25 712	75 266	20 043	1 146	-	275 100
Bank loans	71 918	3 581	48 312	74 744	2 385	6 000	21 394	228 334
Other loans and liabilities	31 152	26 214	13 817	3 330	594	1 151	-	76 258
Total financial liabilities	103 070	29 795	62 129	78 074	2 979	7 151	-	304 592
<i>December 31, 2010</i>	<i>up to 1 month</i>	<i>from 1 to 3 months</i>	<i>from 3 to 6 months</i>	<i>from 6 to 12 months</i>	<i>from 1 to 2 years</i>	<i>from 2 to 5 years</i>	<i>over 5 years</i>	Total
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	-	-	-	-	20 927	-	-	20 927
Loans and receivables	79 173	55 252	9 100	54 422	4 791	115	-	202 853
Cash and cash equivalents	43 823	1 246	-	-	-	-	-	45 069
Total financial assets	122 996	56 498	9 100	54 422	25 718	115	-	268 849
Bank loans	47 673	8 069	15 269	88 133	40 382	3 306	-	202 832
Other loans and liabilities	23 178	28 986	8 860	1 732	460	83	108	63 407
Total financial liabilities	70 851	37 055	24 129	89 865	40 842	3 389	108	266 239

Risk of interest-bearing cash flows

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

- (a) optimisation of resources and structure of credit resources for achieving relatively lower price of attracted funds; and

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- (b) combined structure of interest rates on loans comprising two components – a fixed one and a variable one, the correlation between which, as well as their absolute value, can be achieved and maintained in a proportion favourable for the Group companies. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

The management of the Group companies together with that of the parent company currently monitor and analyse the exposure of the respective company to the changes in interest levels. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

<i>December 31, 2011</i>	<i>Interest-free</i>	<i>With floating</i>	<i>With fixed</i>	<i>Total</i>
	<i>BGN '000</i>	<i>interest %</i>	<i>interest %</i>	
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	20 043	-	-	20 043
Loans and receivables	154 034	-	62 270	216 304
Cash and cash equivalents	859	18 996	12 522	32 377
Total financial assets	174 936	18 996	74 792	268 724
Bank loans	420	217 278	38	217 736
Other loans and liabilities	73 576	2 075	91	75 742
Total financial liabilities	73 996	219 353	129	293 478

<i>December 31, 2011</i>	<i>Interest-free</i>	<i>With floating</i>	<i>With fixed</i>	<i>Total</i>
	<i>BGN '000</i>	<i>interest %</i>	<i>interest %</i>	
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Available-for-sale financial assets	20 927	-	-	20 927
Loans and receivables, including	147 961	-	49 915	197 876
Cash and cash equivalents	1 030	40 495	3 544	45 069
Total financial assets	169 918	40 495	53 459	263 872
Bank loans	499	195 798	145	196 442

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Other loans and liabilities	62 434	651	-	63 085
Total financial liabilities	62 933	196 449	145.00	259 527

38. RELATED PARTIES TRANSACTIONS

<i>Related parties</i>	<i>Relation type</i>	<i>Relation period</i>
Telecomplect AD	Main shareholder	2010 and 2011
Donev Investments AD	Shareholding company of significant influence	2010 and 2011
Unipharm AD	Company under a common indirect control	until October 26, 2010
Interpharma ZAO	Associate	as of January 26, 2011
Sopharma Logistic AD	Associate	until September 03 2010
Telso AD	Company under a common indirect control	2010 and 2011
Mineralcommerce AD	Company under a common indirect control	2010 and 2011
Pharmachim Holding EAD	Company under a common indirect control	2010 and 2011
NIHFI AD	Company under a common indirect control	2010 and 2011
Kaliman RT AD	Company under a common indirect control	2010 and 2011
Seiba Pharmacies and Drugstores AD	Company under a common indirect control	2010 and 2011
SCS Franchise AD	Company under a common indirect control	2010 and 2011
Sopharma Properties REIT	Company under a common indirect control	2010 and 2011
Sofia Inform AD	Company under a common indirect control	2010 and 2011
Sofprint Group AD	Company under a common indirect control	2010 and 2011
Sofconsult Group AD	Company under a common indirect control	2010 and 2011
Elpharma AD	Company under a common indirect control	2010 and 2011
DOH Group	Company under a common control through key managing personnel	2010 and 2011

<i>Supplies from related parties</i>	<i>2011</i>	<i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>

Supply of inventories from:

Companies under common indirect control	10 754	18 426
Shareholding companies with significant influence	210	222
Companies under common indirect control through	24	23

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key management personnel/main shareholder		
	10 988	18 671
Supply of services from:		
Shareholding company with significant influence	2 675	2 795
Companies under a common indirect control through key management personnel/main shareholder	470	450
Companies under common indirect control	424	7 291
Associated companies	-	243
	3 569	10 779
Supply of tangible fixed assets from:		
Shareholding companies with significant influence	56	295
Companies under common indirect control	-	5
	56	300
Supply of tangible LT assets from:		
Shareholding companies with significant influence	16 093	5 856
Companies under common indirect control	488	
	16 581	5 856
Total	31 194	35 606
 <i>Sales to related parties</i>	 <i>2011</i>	 <i>2010</i>
	<i>BGN '000</i>	<i>BGN '000</i>
 <i>Sales of services to:</i>		
Companies under common indirect control	140	514
Shareholding companies with significant influence	80	64
	220	578
 <i>Sales of inventories to:</i>		
Companies under common indirect control	3 114	10 815
Companies under common indirect control through key management personnel/main shareholder	5	-
Shareholding companies with significant influence	56	28
	3 175	10 843
	5	-

SOPHARMA GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ending on December 31, 2011

Other sales for:

Companies under common indirect control	9	171
Shareholding companies with significant influence	5	8
	14	179
Total	3 409	11 600

The terms and conditions of these transactions do not deviate significantly from the market ones for similar transactions.

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

The remuneration and other short-term benefits of the key managing personnel of the Group amount to 3,199 thousand BGN.

39. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.