

Name of Trade Representative Office: TRO PEAKMEDICAL INTERNATIONAL

Name of TRO owner company: Peakmedical International AG

**TRO Managers: Jurg Pfeiffer
Rumyana Krusheva**

Preparer: RAYKOV CONSULT LTD

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Servicing Bank: Raiffeisenbank (Bulgaria) EAD

TRO PEAKMEDICAL INTERNATIONAL AG
ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 DECEMBER 2018

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TRO PEAKMEDICAL INTERNATIONAL AG
PROFIT AND LOSS STATEMENT
for the year ended 31 December 2017

	2018 BGN'000	2017 BGN'000
Revenues		
1. Other revenue	71	97
Total operating revenues	<u>71</u>	<u>97</u>
Total revenues	<u><u>71</u></u>	<u><u>97</u></u>
Expenses		
2. Expenses on raw materials, consumables and hired services	(24)	(30)
3. Personnel costs	(37)	(43)
4. Depreciation/amortisation expense and impairment loss	-	-
5. Other expenses	(10)	(24)
Total operating expenses	<u>(71)</u>	<u>(97)</u>
6. Finance costs	<u>-</u>	<u>-</u>
Total expenses	<u><u>(71)</u></u>	<u><u>(97)</u></u>
7. Accounting profit (loss) for the year (total revenues - total expenses)	<u>-</u>	<u>-</u>
8. Tax (expense)/benefit on profit	-	-
10. Net profit (loss) for the year	<u><u>-</u></u>	<u><u>-</u></u>

Manager: Romyana Krusheva

Preparer: Krasimira Marcheva, General Manager
RAYKOV CONSULT LTD



TRO PEAKMEDICAL INTERNATIONAL AG**BALANCE SHEET**

as at 31 December 2017

	31.12.2018 BGN'000	31.12.2017 BGN'000
ASSETS		
Sections		
A. Non-current (long-term) assets	-	-
B. Current (short-term) assets	88	57
TOTAL ASSETS (A + B)	88	57
EQUITY AND LIABILITIES		
LIABILITIES		
A. Creditors, including: up to 1 year	88 88	57 57
B. Grants and deferred income	-	-
TOTAL EQUITY AND LIABILITIES (A + B)	88	57

The accompanying notes disclosed on pages 3 to 11, form an integral part of these financial statements.

The financial statements on pages 1 to 11 were approved by TRO Manager and signed on behalf thereof on 31.03.2019 by:

Manager: Romyana Krusheva

Preparer: Krasimira Mancheva, General Manager
RAYKOV CONSULT LTD



1. BACKGROUND INFORMATION ON THE TRADE REPRESENTATION OFFICE

TRO PEAKMEDICAL INTERNATIONAL AG is a trade representation office of Peakmedical International AG – Switzerland. The Trade Representation Office has been registered in Bulgaria by Decision No. 0000156446 of the Bulgarian Chamber of Commerce and Industry of 20 September 2011 with address at Sofia, 71-73, Totleben Blvd. and BULSTAT UIC 176176571.

The Trade Representation Office (TRO) is not a legal entity and has no rights of business activities. Its task is to promote and distribute information on the medical products offered by the owner company as well as to collect information on the medical market in Bulgaria.

The Trade Representation Office is represented and managed by Jurg Pfeiffer and Romyana Krusheva.

As at 31 December 2018 the Trade Representative Office has 1 employee (31 December 2017: 1 employee).

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE TRADE REPRESENTATION OFFICE

2.1. Basis for preparation of the financial statements

The financial statement of TRO PEAKMEDICAL INTERNATIONAL AG have been prepared in accordance with the (new) Accountancy Act effective as of 1 January 2016 (SG 95/08.12.2015) and National Accounting Standards (NAS), approved by the Council of Ministers by CMD No 46/2005 (SG 30/07.04.2005) and amended and supplemented by CMD No 251/2007 (SG 86/26.10.2007) and by CMD 394/2015 (SG 3/12.01.2016), in force as of 1 January 2016.

Until 31 December 2015, the Trade Representation Office (TRO) had been applying these standards as well, but under the name National Financial Reporting Standards for Small- and Medium-sized Enterprises (NFRSSME). The latter had been approved by the Council of Ministers by CMD No 46/2005 (SG 30/07.04.2005) and amended and supplemented by CMD No 251/2007 (SG 86/26.10.2007), in force as of 1 January 2008 in their edition effective until 31 December 2015.

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The Trade Representation Office keeps its accounting books in Bulgarian Levs (BGN) and prepares its official financial statements in accordance with Bulgarian accounting legislation. The data in the annual financial statements and the notes thereto is presented in thousand Bulgarian Levs (BGN'000). These annual financial statements have been prepared on a historical cost basis.

Initial application of the new Accountancy Act, effective as of 1 January 2016, and the new and amended existing National Accounting Standards, in force as of 1 January 2016

Starting from 1 January 2016 there is a new Accountancy Act in force, which revokes entirely the Accountancy Act effective until 31 December 2015. With the new law, the rules and requirements of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, are transposed into the national accounting legislation. The amendments that affect the financial statements of the Trade Representation Office in relation to the application of the new Accountancy Act refer to:

- On the basis of criteria, set by the Law, the Trade Representation Office is classified in the category of micro-undertaking according to the data in the financial statements for 2015.
- With regard to micro-undertakings the Law provides relief options for the preparation of statutory financial statements. Micro-undertakings are exempt from the preparation of equity statement, cash flow statement and a note and shall mandatory draw up only an abridged balance sheet and abridged profit and loss account (income statement) by sections. The TRO's management has approved this opportunity and has amended the used model of financial statements for 2016 by preparing abridged financial statements. Comparative data of the prior financial statements are also presented in the new model financial statements.

By Decree No 394/30.12.2015 for amendment and supplementation of National Financial Reporting Standards for Small- and Medium-sized Enterprises, amendments to the national standards have been endorsed, with effect as of 1 January 2016, in relation to the new law and the implementation of the provisions of Directive 2013/34/EU, and they have been named as National Accounting Standards.

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The adoption of the new or amended standards has not caused changes in the Trade Representation Office accounting policies, except for some insignificant changes in the form of the financial statements and the expansion of already existing disclosures, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

The new and/or amended standards include:

- AS 1 "Presentation of Financial Statements" – changes are made in the layout of the financial statements as well as in the disclosure requirements.
- AS 24 "Related Party Disclosures" – amended definition for related parties. The scope of related parties has been determined on the basis of IAS rules, and in particular IAS 24 "Related Party Disclosures".
- AS 27 "Consolidated Financial Statements and Reporting on Investments in Subsidiaries".
- AS 42 "First-time Adoption of National Accounting Standards" – a new standard. This standard should be applied by entities that have prepared their financial statements in accordance with the requirements of International Accounting Standards (IAS) until 31 December 2015/respectively 31 December 2016, but have changed over to National Accounting Standards beginning from 1 January 2016/respectively 1 January 2017. This standard would not have an effect on the financial statements of the Trade Representation Office as the latter has been applying National Accounting Standards for the prior years as well.

Uncertainty of accounting estimates

The presentation of the financial statements in accordance with National Accounting 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 date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them.

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2.2. Comparatives

The Trade Representation Office presents comparative information in these financial statements for the period from 1 January to 31 December of the prior reporting year 2017. Where necessary, comparative data is reclassified for the purpose of achieving comparability in view of the current year presentation changes.

2.3. Main indicators of the economic environment

The main economic indicators of the business environment having effect on PE operations for the period 2015 - 2017, are presented in the table below:

Indicator	2016	2017	2018
GDP in million levs	94,130	101,043	107,925
Actual growth of GDP	3.9%	3.8	3.1
Year-end inflation	-0.5%	1.8%	2.3
Average exchange rate of USD for the year	1.77	1.73	1.66
Exchange rate of the USD at the year-end	1.86	1.63	1.71
Unemployment rate at the year-end	0.00	0.00	0.00
Basic interest rate at the year-end	8.0%	7.1%	6.1%

Source: BNB

*data as at 31.12.2018

**preliminary data as at 31.12.2018

2.4. Functional and reporting currency

The functional and presentation currency of the TRO is the Bulgarian Lev. BGN is fixed under the Bulgarian National Bank Act to the official currency of the European Union, the Euro, at the ratio of BGN 1.95583:EUR 1.

Upon its initial recognition, each foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents 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 31 December, these amounts are valued in BGN at the closing exchange rate of BNB.

Foreign currency exchange gains and losses related to settlement of foreign currency transactions are treated and presented as 'finance income' and 'finance costs'.

2.5. Revenue

The Trade Representation Office does not perform business activities and does not gain revenue related to its operating activities. The main source of funds is the financing granted by the owner company.

On utilizing funds, revenue is recognized at the amount of the current operating expenses for the reporting period and the depreciation costs of tangible fixed assets used in the office operation, including foreign currency exchange gains on foreign currency funding.

2.6. Expenses

Expenses of the Trade Representation Office are recognized as they are incurred, following the accrual and matching concepts.

The expenses are administrative ones for the execution of the regulated activities and are covered through financing provided by the owner company.

Expenses in foreign currency are valued by applying the fixed rate of the BGN to the EUR.

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

2.7. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at acquisition cost (cost) less the accumulated depreciation and any impairment losses in value.

Initial measurement

Upon their initial acquisition, property, plant and equipment are valued at acquisition cost (cost). The *acquisition cost* comprises the purchase price, including any directly attributable costs of bringing the asset to working condition. The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, etc.

The TRO has set a value threshold of BGN 1000, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the moment of their acquisition.

Subsequent costs

Subsequent costs, related to tangible fixed assets, resulting in improvement of the future economic benefits from the assets are stated as increase in its carrying amount.

On replacement of a differentiated part of a tangible fixed asset, the replaced part is written-off while the expense incurred on replacement or improvement is accounted for as acquisition of a separate asset.

Current repair and maintenance costs are as current expenses are incurred.

Depreciation methods

The TRO applies the straight-line depreciation method for tangible fixed assets. The useful life per group of assets is as follows:

- computers - 3 years;
- motor vehicles - 4 years.

Review for impairment

The carrying amounts of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might significantly differ from their recoverable amount. If any such indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of the net market price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the particular asset. Impairment losses are recognized in the income statement.

2.8. Receivables from related parties

Receivables from related parties are recognised and accounted at the value based on the original invoice amount and represent receivables from owner company, which will be received for payment of finance lease liabilities and short-term loan liabilities.

Other receivables are recognised and accounted at the value based on the original invoice amount and represent paid office rent deposit, deposits for fuels, mobile phone and mineral water.

2.9. Cash and cash equivalents

Cash includes the amounts available in current bank accounts. For the purpose of the cash flow statement, cash proceeds and cash paid to suppliers are presented at gross amount, including value added tax (20%).

2.10. Payables to suppliers and other liabilities

Payables to suppliers and other current amounts payable are carried at original invoice amount (acquisition cost), being the fair value of the consideration to be paid in the future for goods and services received.

2.11. Interest-bearing loans and other borrowings

All loans and other borrowings are recognised at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, net of the direct costs related to these loans and borrowings. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account all types of charges, commissions, insurance and other costs, including any discount or premium associated with these loans. Gains and losses are recognised in the income statement as finance income and costs throughout the amortisation period, as well as when the liabilities are derecognised or reduced.

2.12. Leases

Finance lease

Finance leases, which transfer to the Trade Representation Office a substantial part of all risks and rewards incidental to ownership of the leased asset, are recognised as assets in the balance sheet of the lessee and are presented as leased items of property, plant and equipment at their immediate sale price or, if lower, at the present value of the minimum lease payments.

The lease payments are apportioned between the finance interest and the attributable portion (reduction) of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. The so formed interest expenses,

associated with the leased asset, are initially accounted for as deferred expenses and are reported in the income statement for the period of the lease contract when due.

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

2.13. Pensions and other payables to personnel under the social security and labour legislation

Labour and insurance relations between the Trade Representation Office and its personnel are based on the provisions of the Labour Code and Bulgarian insurance legislation.

The employer's major duty is to make the mandatory social security contributions for the hired employees to the Pensions Fund, Supplementary Mandatory Pension Security (SMPS), to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance.

The rates of the mandatory social security and health insurance contributions are provided for in the State Social Security Budget Act and in the National Health Insurance Fund Budget Act. The ratio at which they shall be apportioned between an employer and an employee are provided for in the Social Security Code (SSC) and in the Health Insurance Act (HIA).

The social security and pension plans, applied by the Trade Representation Office in its capacity of an employer, are based on the Bulgarian legislation and are defined contributions plans. Under these plans, the employer pays monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as for supplementary mandatory pension security (universal and professional pension funds) – on the basis of rates fixed by law (as stated above), and has no other legal or constructive obligation to pay any additional amounts to the funds in the future. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Trade Representative Office.

Short-term employee benefits in the form of remunerations, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognised as an expense in the income statement in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Trade Representative Office's obligations for

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social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the date of the annual financial statements, the Trade Representative Office also measures the expected costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the undiscounted estimate of the expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

2.14. Financing

The Trade Representation Office is financed by the owner company for the purpose of achieving the objectives for which it has been established.

The undrawn amounts from the funding are recognized in the balance sheet when the respective cash amounts or assets are received and are included in the income statement when the operating expenses for the respective month are covered, including the depreciation charged.

Any funding received in foreign currency is recorded simultaneously in the original currency and in its BGN equivalent whereas being subject to revaluation based on the closing exchange rate of the original currency, in which it is denominated, to BGN at the end of each reporting period.