



TCHAIKAPHARMA Inc.

HIGHQUALITY MEDICINES

Letter to Shareholders

Sofia, 7 December 2016

Dear Shareholders

The outgoing 2016 was a wonderful year of continued progress for 'Tchaikapharma High Quality Medicines' Inc. – affordable for everyone. It was the first full year since Tchaikapharma was listed as a public company on the Bulgarian Stock Exchange (BSE) in Sofia and share trading started on 21 May 2015. Actually and based on 3Q16 results followed by very good October and November, 2016 was another record-breaking year however sliced, irrespective of the turbulences in the healthcare sector and overall uncertainty. Our patients and their doctors, soon in 9 EU member countries, are enchanted with the therapeutically advanced response of Tchaikapharma's prescription medicines. Building of shareholders' value with growing social impact further generates massive appreciation every step of the way every day, nationally and internationally. Innovation both in product development and commercialisation phases makes the difference vis-à-vis the generic medicine and in-licensing industry peers – regionally and across Europe. We remain focused on implementing our strategy with discipline, delivering growth in all segments on top and bottom line and reducing cost wherever possible. Our territorial expansion continued with targeted and timely regulatory advances in 3 more EU countries during 2016.

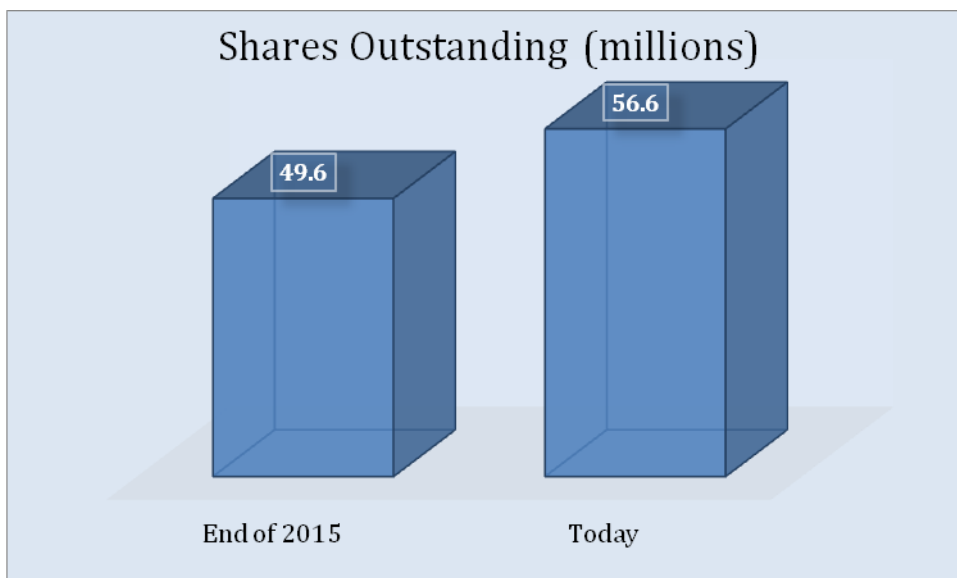
Empowering lives of millions through knowledge and imagination, strong R&D and hard work of our employees is Tchaikapharma's dedication for life. Health and wellbeing of our patients and professional satisfaction of doctors and medical professionals are our supreme goals.

We believe: patients & doctors first, shareholders second.

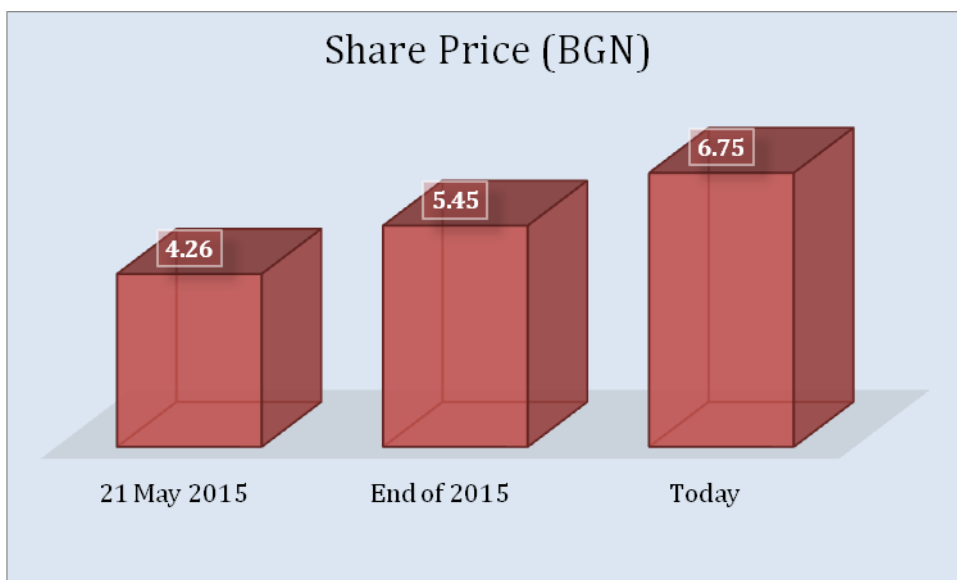
Financial performance, share information and stock price

In due course the 2016 books are to be closed by 31 March 2017. Key metrics, balance sheet and core results are to be announced and made public promptly as available. No doubt we will deliver on the promise for at least 10% annual growth in a decade and more time since Tchaikapharma went public. Here are only a few numbers:

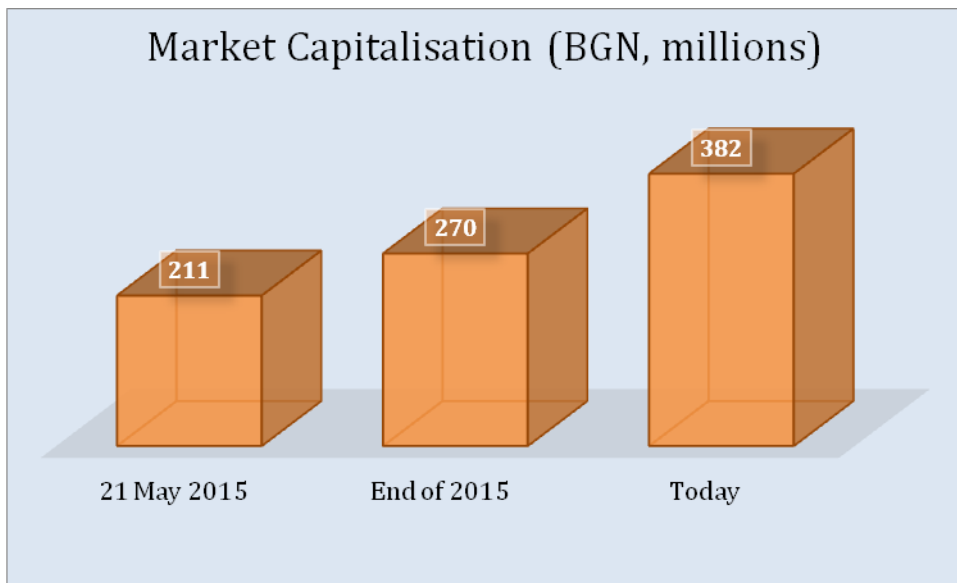
Shares Outstanding (millions):
49.6 (end of 2015); 56.6 (today)



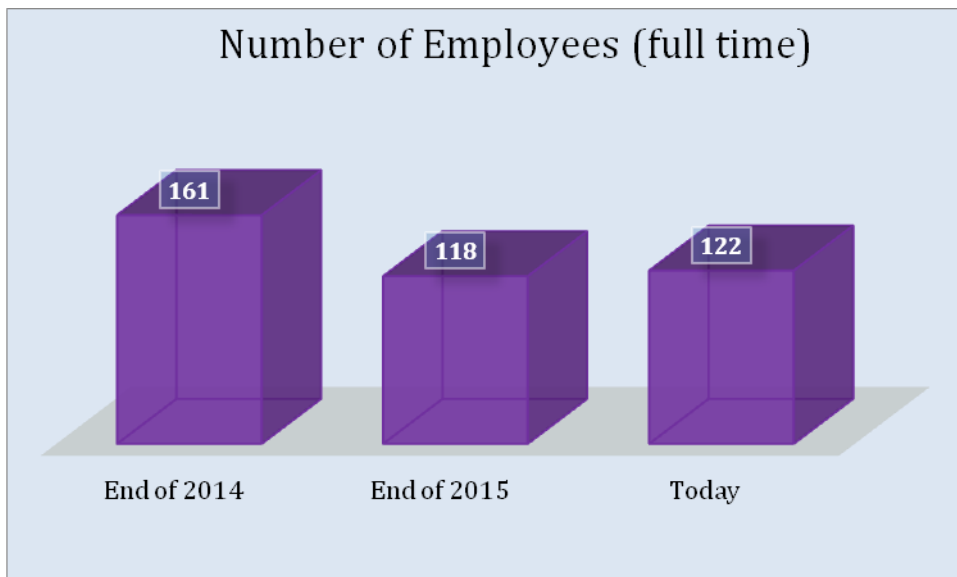
Share Price (BGN):
4.26 (on 21 May 2015); 5.45 (end of 2015); 6.75 (today)



Market Capitalisation (BGN, millions):
211 (on 21 May 2015); 270 (end of 2015); 382 (today)

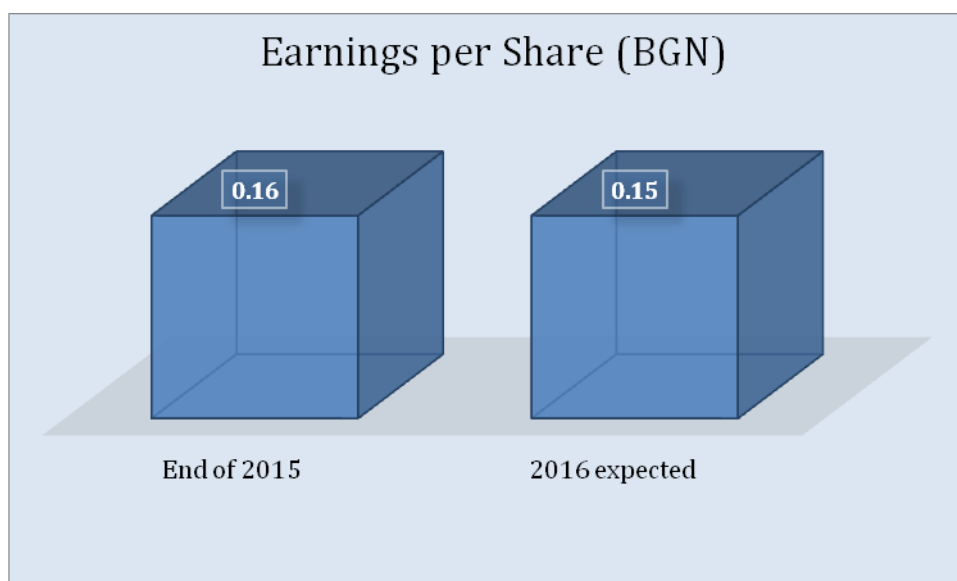


Number of Employees (full time):
161 (end of 2014); 118 (end of 2015); 122 (today)



Earnings per Share (BGN):

0.16 (end of 2015); 0.15 (2016 expected)



In March 2016 Tchaikapharma reported net income attributable to shareholders of BGN 0.16 per share on the bases of 2015 results – all capitalised – and achieved by staying close to medical community and gaining market share in key product areas notably such as the strength in our cardiovascular, diabetes and central nervous system disorders franchises. We have maintained our leading market share on the local market in terms of number of packs prescribed and massive response to unmet medical needs. Expected BGN 0.15 earnings per share for 2016 is to be viewed as success bearing in mind the considerably increased number of outstanding shares (*see above*).

Unsurprisingly on 7 September 2016 Tchaikapharma became the largest Bulgarian company by market cap on the BSE.

Our integrated approach to provide a *'full-basket'* therapeutically advanced choices per diagnoses and intimate involvement of doctors and patients in developing our pipeline of innovative solutions is the pivot for revenues to grow and paved the way for future successes. Quality and effectiveness of this integration, trusted partnerships with distributors and service providers, high qualification and ongoing training programmes supported by permanent attraction of new talents as well as passion and enthusiasm of the management are driving Tchaikapharma towards new record in 2016 and keep securing the same trend in the years to come.

In view of the foregoing, the continuous improvement of our capital position is further to come as a no surprise.

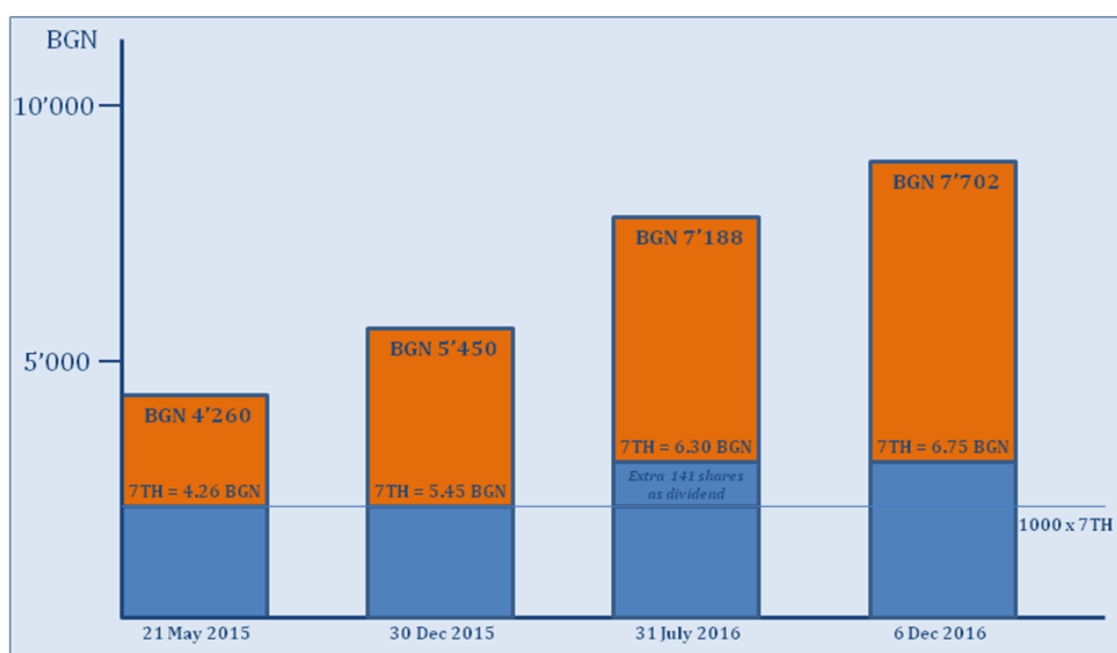
Outlook (non-binding forward looking statement)

We know how to succeed in today's global business environment with targeted strategy responses and keep on mastering the complex mindset and competences needed to manage the turbulences. We are already delivering on our strategy and

are maintaining a quality dialog with our clients across the medical community, patient protection organisations, the entire regional communities we serve, the regulatory institutions and the society at large.

Especially for our rapidly growing retail investors base we would like to make the following value retrospect in historical terms of two hypotheses:

- 1) If 1000 shares of Tchaikapharma were purchased on 21 May 2015 at BGN 4.26 by investing BGN 4'260, at the end of 2015 the value of the stock hold would have been BGN 5'450 (closing price per share BGN 5.45) and after June (Ex-Dividend date) the investor would have gotten another 141 shares (free of charge as distributed dividend) bringing the total value of their holding to BGN 7'188 on 31 July 2016 (closing price per share BGN 6.30) or BGN 7'702 (today with closing price on 6 December 2016 BGN 6.75). Naturally after the Ex-Dividend date in June 2017 this holding will further be fertilised with the profit distribution for 2016.



- 2) For those seeking to establish a single-shot, long-term investment presence for their saving and income needs: assuming average only dividend income is around 4% per annum – for a 12-year period the dividend itself will deliver 160% compound growth on the back of the initial investment.

Looking ahead through macro-economic and geopolitical uncertainty we are challenged and determined to keep on delivering in implementing our winning strategy and upon investors' expectations while thus creating value for our shareholders from around Europe.

Biser R. Georgiev
Chief Executive Officer

For more information, particularly for institutional investors, please contact the Investor Relations Department at:

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