

# **ANNUAL MANAGEMENT REPORT for 2020**



***TCHAIKAPHARMA***  
***HIGH QUALITY MEDICINES***

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC

26.03.2021

## **General information about Tchaikapharma High Quality Medicines Inc.**

### **History and development of Tchaikapharma High Quality Medicines Inc.**

#### **Legal and corporate name**

The legal and corporate name of the company is Tchaikapharma High Quality Medicines Inc.

#### **Address details and registration. Unique Identification Code (UIC)**

The Company was registered as a joint stock company with the Commercial Register by virtue of Decision dated 14 March 2000 of the Varna District Court on company file 1096/2000 with the corporate name TCHAIKA PHARMA INC.

By resolution of the General Meeting of Shareholders dated 04 July 2003, registered by virtue of Decision dated 30 July 2003 on company file 1096/2000 of the Varna District Court, the corporate name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is registered with the Commercial Register of the Registry Agency at the Ministry of Justice under **UIC 103524525**

#### **Date of incorporation and duration of the existence**

The Company was incorporated as a joint stock company and registered with the Commercial Register by virtue of Decision dated 14 March 2000 on company file 1096/2000 of the Varna District Court. The existence of the Company is of unlimited duration.

#### **Country of establishment, head office and registered address pursuant to the Articles of Association; legal form; legislation governing the activity of the Company**

Tchaikapharma High Quality Medicines Inc. is a joint stock company, which operates in compliance with the legislation of the Republic of Bulgaria.

The Company is incorporated in the Republic of Bulgaria.

The head office and registered address of the Company is as follows:

Republic of Bulgaria, 1172 Sofia, I G. M. Dimitrov Blvd.

Contact Address: 1172 Sofia, I G.M. Dimitrov Blvd.

Telephone number: (359 2) 960 3724

Website: [www.tchaikapharma.com](http://www.tchaikapharma.com)

#### **Shareholding structure as at 31.12.2020**

The main shareholder Tihomir Kamenov owns 95.47% and the rest 4.53% are owned by 236 individuals and two legal entities.

## Board of Directors

Tchaikapharma High Quality Medicines Inc. has a one-tier management system with a Board of Directors of three members as follows:

Biser Rosenov Georgiev – Executive Director and Member of the Board of Directors

Krasimir Petrov Videlov – Chairman of the Board of Directors

Ivan Boichev Nikolov – Member of the Board of Directors

The shares held by the members of the Board of Directors as at 31.12.2020 are:

Biser Rosenov Georgiev – 8,713 shares

Ivan Boychev Nikolov – 14,294 shares

Krasimir Petrov Videlov – 63 shares

The Articles of Association of Tchaikapharma High Quality Medicines Inc. does not provide for any restrictions on the right of members of the Board of Directors to acquire shares of the Company.

The members of the Board of Directors do not participate with shares in the capital of other companies.

There are no contracts under Article 240b of the CA in 2020

The provisions of the Company's Articles of Association on the appointment and dismissal of the members of the management bodies of the company and on the amendments and supplements to the Articles of Association require decisions of the General Meeting of Shareholders. In particular, under Article 43 of the Articles of Association of Tchaikapharma High Quality Medicines Inc. the powers of the management bodies of the company, including the right to take decisions for the issue and redemption of company shares, are governed by the company's Articles of Association. Article 13, para. 3 of the Articles of Association provides for the possibility of issuing shares of Tchaikapharma High Quality Medicines Inc. Article 13 (3) of the Articles of Association provides for the possibility of redemption of shares of Tchaikapharma High Quality Medicines Inc.

Investor Relations Director is German Teterekov, tel. 02/9 603 724, with correspondence address: Sofia, Bulgaria, 1, G. M. Dimitrov Blvd.

Short-term income of the management has been accrued for 2020 according to the contracts signed. The total remuneration of the Board of Directors in the current year is BGN 88,000. There are no rewards or other benefits accrued to the members of the governing body. There are no amounts due for the payment of pensions, retirement benefits or other similar benefits to the Board of Directors.

## Economic activity

The main activity of Tchaikapharma High Quality Medicines Inc is purchase of substances and formulations for the production and sale of pharmaceuticals in treated or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original, remade or processed type. On second place are barter and commission transactions; trade representation for foreign and domestic individuals and legal entities in the country and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

Tchaikapharma High Quality Medicines Inc. continuously maintains its manufacturing facilities in line with the current European requirements for Good Manufacturing Practice of Medicines. They are focused on the following therapeutic groups: cardiology, respiratory tract, neurology, psychiatry and gastroenterology. At present, over 160 medicinal products are produced in the company's factories. The premises and equipment of the plant are implemented in full compliance with the requirements of the European requirements for the production of sterile medicinal products.

The most significant pharmaceutical products in terms of their contribution to revenue for 2020 are:

Co-Irbesso – a generic product used for diseases of the cardiovascular system;

Coolsart – a generic product used for diseases of the cardiovascular system;

Rossta – a generic product used for diseases of the cardiovascular system;

Diab MR – a generic product used for diseases of the endocrine system;

MoriVid - a generic product used for diseases of the rheumatic system

Tamayra – a generic product used for diseases of the cardiovascular system;

PlaquEx – a generic product used for diseases of the cardiovascular system;

Spironolacton - a generic product used for diseases of the cardiovascular system;

Ceftriaxon – a generic product used for diseases of the respiratory system;

Bacteripime - a generic product used for diseases of the respiratory system;

### **Research and development activities**

In 2020 Reconstruction of Tchaikapharma Plovdiv tablet workshop started in order to increase the production capacities. New equipment for granulation-mixer-granulator, vortex dryer and reggranulator was installed. Qualification of the equipment and training of the staff was carried out. The qualification of the premises and a change in the production permit are forthcoming. Construction of additional warehouses for format parts is pending.

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Submitted in 2020 applications for obtaining a MA for new products:

Cilostal 100 mg tablets was submitted on 05.06.2020

MoriVid 200 mg film-coated tablets - 15.04.2020, as the product was authorized on 03.06.2020.

The MA are renewed for the following medicinal products Dexketoprofen, Esomeprazole, Aripipra, Coolsart, Olsart, Vorifungal 200 mg powder for solution for infusion, Pretimectal 35 mg modified-release tablets, Aroba 100 mg tablets and Remifentanil-Tchaikapharma for Bulgaria and for the products Co-Irbesso, PlaquEx and Irbesso for Kosovo.

The dossier of medicinal products was evaluated: fixed dose combination Vildagliptin / Metformin, as well as dossiers with active substance Hydroxychloroquine, Rivaroxaban, Rosuvastatin, Bisoprolol, Prasugrel.

Pharmacoeconomic analyzes of Co Irbesso and Pantoprazole products were prepared to serve the National Council on Prices and Reimbursement of Medicinal Products.

Two meta-analyzes have been published in international journals on the use of chlorthalidone in patients with hypertension (impact factor 2,479 and 1,092) and one review of the mechanisms of action of several medicinal products in KOVID-19 (impact factor 4,545). An article was published in an international journal reviewing the relationship between hydroxychloroquine use and KOVID-19 mortality (impact factor 2.63).

Brochures for medical professionals have been prepared for products with the following INNs: Flecainide; Candesartan / Amlodipine; Ramipril / Amlodipine. A detailed reference has been made to clinical trials of hydroxychloroquine for the prophylaxis of KOVID-19.

For a clinical trial for the bioequivalence of Chlorthalidone, the following have been prepared: Researcher's brochure; Protocol of the clinical trial with the participation of Statistics (draft version); Summary of ongoing clinical trials with INN Chlorthalidone; An EudraCT number was obtained from the European database for the above study.

The full validation of methods for the determination of chlorthalidone and olmesartan in human plasma has been completed in the bioanalytical laboratory. In the first months of 2020, an audit was conducted to verify compliance with the principles of Good Laboratory Practice by the laboratory. The documents of the laboratory have been submitted to the Bulgarian Accreditation Service in order to start a procedure certifying the compliance with the Good Laboratory Practice. A preliminary on-site inspection to verify compliance with GLP by the Bulgarian Accreditation Service was successfully completed. All discrepancies identified by the Bulgarian Accreditation Service after the inspection have been eliminated.

As on 31.12.2020, the average number of employees in Chaikafaram VL Plc is 147 (as against 146 as on 31.12.2019). The table below provides more detailed information on the Company's staff.



## Employees

	31.12.2020	Share
<b>Number of employees as of 31.12.2020</b>	<b>147</b>	<b>100%</b>
Higher education	92	62%
Secondary education	54	37%
Primary education	1	1%
Employees under 30 years	45	31%
Employees 31 - 40 years	55	37%
Employees 41 - 50 years	39	27%
Employees 51 - 60 years	5	3%
Employees over 60 years	3	2%
Women	68	46%
Men	79	54%

## Major trading partners

A major customer of Tchaikapharma High Quality Medicines Inc. for 2020 is Commercial League - GPC AD, with a relative share of 98.72%.

Commercial League GPC AD has its headquarters in Sofia, Bulgaria, I, G. M. Dimitrov Blvd., with its main activity of medicines trading in the country and abroad. The relationship is regulated by a contract of purchase and sale.

Suppliers whose relative share exceeds 10% of the total costs of services and materials provided in 2020:

Commercial League GPC AD, with a relative share of 56 %, with address in Sofia, Bulgaria, I, G. M. Dimitrov Blvd., with main activity of medicines trading in the country and abroad. The relationship is regulated by a contract of purchase and sale.

## Information on the implementation of the program for the application of internationally recognized standards for good corporate governance

The Board of Directors of Tchaikapharma High Quality Medicines Inc. complies with and applies the Corporate Governance Code. The Company periodically discloses corporate governance information in accordance with the “comply or explain” principle. In the event of non-compliance with some of the Code's recommendations, an explanation is provided thereof.

The actions of the management of Tchaikapharma High Quality Medicines JSC are aimed at strengthening the principles of good corporate governance, increasing the confidence of shareholders, investors and persons interested in the management and operations of the company. The Board of

Directors of Tchaikapharma High Quality Medicines Plc complies with the Good Corporate Governance Programme, which is in line with the current regulations, internationally recognised standards of good corporate governance and the National Corporate Governance Code.

The Board of Directors approves the information disclosure policy in accordance with the legal requirements and Articles of Association. The disclosure system ensures equality of information addressees (shareholders, stakeholders, investment community) and does not allow abuse of inside information. The Corporate management ensures that the disclosure system provides complete, timely, accurate and comprehensible information to enable the objective and informed decisions and assessments. The Board of Directors of Tchaikapharma High Quality Medicines Inc. has prepared a remuneration policy for the members of the Board of Directors to be adopted by the General Meeting of Shareholders for the adoption of the Annual Financial Statements for 2020. The Remuneration policy has been developed in accordance with Ordinance No 48 of 20 March 2013 of the Financial Supervision Commission and the Law on Public Offering of Securities. The remuneration amount and structure are determined by the General Meeting of the Company.

The Board of Directors of Tchaikapharma High Quality Medicines Inc. drafted a Report on the implementation of the remuneration policy of the members of the Board of Directors for 2020. The report reveals how the remuneration policy is applied, paying particular attention to the avoidance of the creation of incentives for excessive risk-taking, conflict of interest or other behaviour leading to adverse consequences. The company also maintains an English-language version of the corporate website with similar content.

The processes and procedures for General Meetings of Shareholders holding guarantee equal treatment of all shareholders, including minority and foreign shareholders, and protect their interests. The materials related to the General Meeting of Shareholders are available to the shareholders on the day of the announcement of the invitation for its convening in the Commercial Register on the company's website: [www.tchaikapharma.bg](http://www.tchaikapharma.bg) and are provided free to the shareholders upon request. Shareholders entitled to vote may exercise their voting rights at the General Meeting of the company in person or through representatives, as well as by correspondence or by electronic means. The corporate management takes action to encourage the participation of shareholders in the General Meeting of Shareholders, by enabling remote presence through technical means (including the Internet) wherever this is possible and necessary and does not make it more difficult or more expensive to vote.

The Board of Directors believes that conditions have been created for sufficient transparency in the relations with investors, financial media and capital market analysts.

### **Significant events since the beginning of the year until 31.12.2020**

By a decision of the General Meeting of 22.06.2020 the capital was increased from BGN 82,200,000 to BGN 84,500,000 by issuing new 2,300,000 (two million and three hundred thousand) ordinary dematerialized shares with a par value of BGN 1 (one). The capital increase has not yet

entered in the Commercial Register, so it is not reflected in the Annual report. No dividend was distributed from the profit for 2019.

#### **Significant events occurring after the date of the annual financial statement compilation.**

No major events have occurred since the beginning of the year until the date of the Annual Report on the Company Activity.

#### **New developments and products**

In 2020 the company received the following marketing authorizations for the territory of Bulgaria, authorized under national procedure:

- MoriVid 200mg hard capsules

#### **Expected development**

Tchaikapharma High Quality Medicines Inc. is expanding its scope of activities and has focused on conducting clinical trials as part of the creation of new proprietary generic medicines and fixed-dose combinations. The established laboratory shall, on the basis of validated methods, investigate the concentration of various medicinal substances in human plasma in order to assess the bioequivalence of the tested against reference medicinal products. The activity of the laboratory fills a not very well-developed niche on the Bulgarian market, while at the same time preparing for the clinical trials of medicinal products of the company.

Tchaikapharma High Quality Medicines Inc. does not stop growing as a company that produces high quality medicines that meet international standards.

Through active marketing policy and competitive prices the company aims to increase the market share of its products on the territory of the country.

The company continues its policy of active partnership with well-established international pharmaceutical companies, mostly European ones, with new companies, as well as expanding the product range of the already established cooperation.

#### **Information on the loan agreements concluded by the company**

The Company has signed a loan agreement with one bank:

- UBB AD, contractual amount of BGN 7,827 thousand, maturity on 20.12.2021, balance as at 31.12.2020 – BGN 7,822 thousand and 5 thousand of interest.
- UBB AD, contractual amount of BGN 1,956 thousand, maturity on 20.12.2021, balance as at 31.12.2020 – BGN 1,955 thousand and 1 thousand of interest

#### **Information on transactions essential to the business**

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In 2020 the company acquired land in the industrial zone of the village of Kazichene near Sofia. Tchaikapharma intends to build a third manufacturing plant. The investment is planned to be completed by the end of 2022, and the workload to be almost achieved by 2026 in a favorable economic environment. The company plans to increase its production capacity with additional 500 million tablets per year. Currently, the capacity is 450 million tablets annually. The company also plans to provide additional storage facilities for its products.

**Other information according to Annex 10 of Ordinance No 2 on prospects in the public offering and admission to trading on a regulated securities market, and on the disclosure of information by public companies and other securities issuers.**

- In 2020 the Company established its first subsidiary in the Republic of Romania SWISSY S.R.L., therefore from the end of the year it prepares a Consolidated Activity Report.
- The Company purchased a property in order to build a plant for medicinal products. The deal for the property is worth BGN 14,849 million. The deal was one of the items voted at the General meeting of shareholders held on June 22, 2020.
- The Company has no transactions outside its normal course of business, and such deviating from the market conditions. No significant transactions have been made in the current year.
- During the reporting period there were no events and indicators of a nature unusual for the company. Tchaikapharma High Quality Medicines Inc. has no off balance sheet transactions for the reporting period.
- In 2020 there have been no changes in the basic management principles of Tchaikapharma High Quality Medicines Inc.
- The Company has not issued a new issue of securities. The General Meeting of Shareholders decided to put into circulation 2,300,000 new dematerialized shares out of the profit for 2019, which amounts to BGN 2,568,470.70 . The capital increase has not yet entered in the Commercial Register, so it is not reflected in the Annual report.
- Tchaikapharma High Quality Medicines Inc. has not published estimates of its financial result for 2021.
- During the reporting period there was no change in the company's management bodies.
- The Company has no pending court, administrative or arbitration proceedings concerning liabilities or receivables amounting to at least 10 percent of its equity.
- The Company does not have information about arrangements that could result in changes in the relative share held by current shareholders.
- The Company is not informed about takeover offers under Art. 10, para. 1, letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004
- The Company has developed and implements a policy of internal control (preventive, current and follow-up) of all financial operations where there may be a risk for its operations. This

system governs the nature and scope of the specialized internal control in Tchaikapharma VL AD, as well as the status and functions of the persons who carry it out. The internal control is an independent valuation activity covering all Company's business operations, which is carried out by a specialized internal control service.

- The Company has developed a Risk Management Policy dedicated to help Tchaikapharma High Quality Medicines Inc. achieve its goals and priorities by applying a unified approach to identify, evaluate and limit the negative impact of potential events and situations endangering their achievement.
- A Board of Directors is in place, which meets as necessary and consists of 3 members:

Biser Rosenov Georgiev

Krasimir Petrov Videlov

Ivan Boychev Nikolov

An Audit Committee has been set up in accordance with the Independent Financial Audit Act, which has supervision functions on:

- Financial reporting
- Internal control
- Internal audit
- Independent Financial Audit

#### Information on shareholdings and major investments.

The Company owns a minority shareholding in Tchaikapharma High Quality Medicines Available for Everyone JSC with an insignificant amount of BGN 1 thousand.

In 2020, Tchaikapharma High Quality Medicines Inc. has not sold its own shares. Their number at the end of the period was 101 shares.

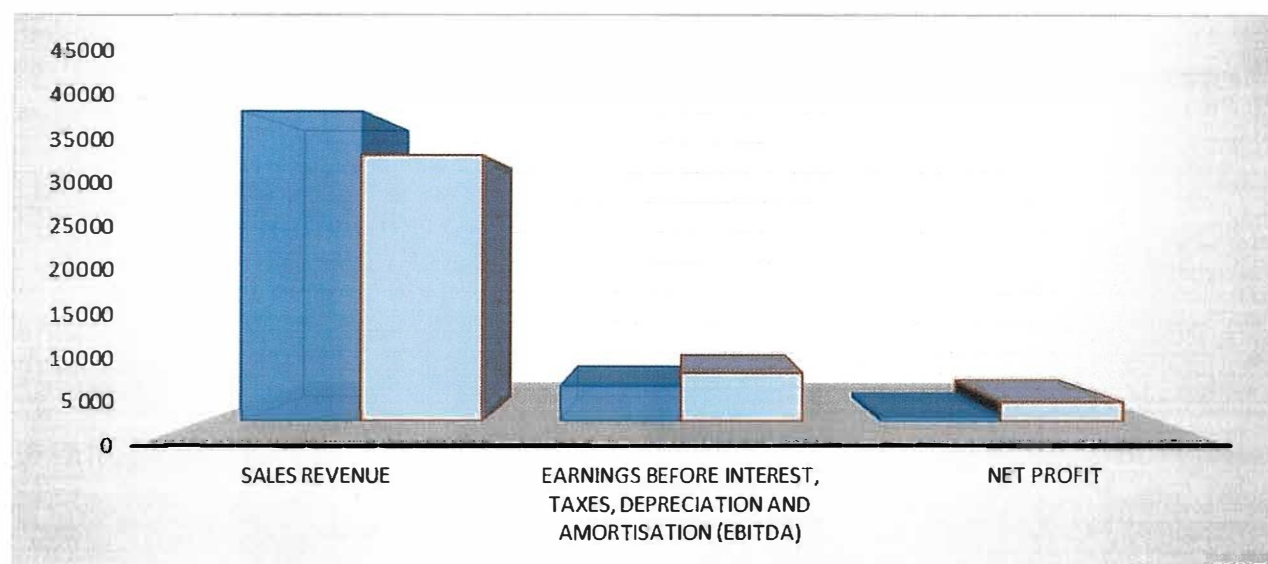
The main investments for the last three years are as follows:

Investments made for the period	2018	2019	2020
<b>Tchaikapharma High Quality Medicines Inc</b>			
<b>I. Fixed tangible assets</b>	924	2 715	13 861
1. Land and Buildings			13 042
2. Machines, facilities and equipment	924	2 617	667
3. Other fixed tangible assets		98	98
<b>II. Intangible fixed assets</b>	274	661	939

1. Intellectual property rights	274	637	919
2. Software products		10	9
3. Patents and licenses		14	
<b>Total amount for the acquisition of TFA and IFA</b>	<b>1 198</b>	<b>3 376</b>	<b>14 800</b>

## Key financial indicators

Indicators	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Sales revenue	40 105	34 443	16%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	4 638	6 369	-27%
Net profit	604	2 568	-76%



	31.12.2020 BGN '000	31.12.2019 BGN '000	change
Non-current assets	46 325	35 056	32.15%
Current assets	70 986	82 824	-14.29%
Equity	97 136	96 543	0.61%
Non-current liabilities	3 064	3 504	-12.55%
Current liabilities	17 111	17 833	-4.05%

	01-12/2020	01-12/2019	change
EBITDA/Sales revenue	12%	18%	-33%
Net profit/Sales revenue	2%	7%	-71%
Called-up capital/Equity	0.21	0.22	-4%

## Review of the risk factors

### Risks related to the Company's business and to the industry in which the Company operates

- The Company's activities could be affected by changes in the regulatory requirements concerning production of pharmaceutical products.
- Amendments to the legislation regulating the Company's business are possible, and these could potentially increase the costs of compliance or may have another adverse effect on its operations.
- The production processes of the Company are subject to stringent requirements and approvals by regulatory authorities, which may delay or even interrupt the operations of the Company.
- The ability of the Company to pay dividends depends on a number of factors and there is no guarantee that in a year it will be able to pay dividends in accordance with its dividend policy.
- The Company is exposed to operational risk, which is inherent in its business activities.
- The Company is subject to multitude laws and regulations in the field of environmental protection and health and safety work conditions, and is exposed to potential liabilities in relation to environment.
- The Company is exposed to strong competition
- The Company operates in active exchange with foreign suppliers and customers. It is therefore exposed to foreign currency risk, mainly against the US dollar. The foreign currency risk is the risk that the exchange rate of US dollar: Bulgarian lev will fluctuate in future and thus, it will have an effect on the foreign currency assets and liabilities. The remaining part of the Company's operations is usually denominated in Bulgarian lev and/or in Euro.

#### Exchange rate risk

The Company is not exposed to any significant exchange rate risk since most of its assets, liabilities and transactions are denominated in BGN or EUR, and the lev is tied to the Euro, according to the Currency board rules. Regular control of balance sheet items is performed to minimize the exposure to exchange rate risk.

#### Credit risk

There is no significant concentration of credit risk in the Company. The Company has established policies to ensure that sales are made to a major customer with immediate payment or payment within a reasonable time in accordance with agreements. Credit risk arises principally from cash and cash equivalents and deposits with banks and other financial institutions, as well as from borrowings. For banks and other financial institutions, only institutions with a high credit rating are considered.

#### Liquidity risk

The prudent management of liquidity risk implies the maintenance of sufficient cash and liquid securities, as well as the possibility of additional credit financing and the closing of market positions. Due to the dynamic nature of core business types, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient unused authorized credit lines.



### **Risk of changes in cash flows and fair values resulting from changes in interest rates**

The Company's interest-bearing assets are with fixed and floating interest rates. Variable interest rate loans expose the Company to interest rate risk from changes in future cash flows, and fixed rate loans – to interest rate risk from fair value changes. The Company's policy is to provide loans mainly at fixed interest rates. As at December 31, 2020 and 2019 the Company does not have interest-bearing assets measured at fair value and therefore is not exposed to the risk of a change in fair value.

### **Information on the main features of the internal control system applied by the company in the course of financial statements preparation**

Under Bulgarian law, the management should prepare an activity report as well as a financial report for each financial year providing a true and fair view of the Company's financial position at the year-end, on the financial performance and cash flows in accordance with the applicable accounting framework. The management's responsibility also includes the implementation of an internal control system to prevent, detect and correct errors and false statements as a result of accounting system actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out of all operations in accordance with legal and regulatory acts;
- reflecting all events and transactions in a timely manner with the exact amounts in the appropriate accounts and for the relevant reporting period so as to allow the preparation of the financial statements in accordance with the specific accounting framework set;
- observance of the prudence principle in the valuation of assets, liabilities, income and expenses;
- detection and termination of frauds and errors;
- completeness and regularity of accounting information;
- preparing reliable financial information;
- adherence to international financial reporting standards and to the going concern principle.

## **Operational results for 2020**

### **Operating income**

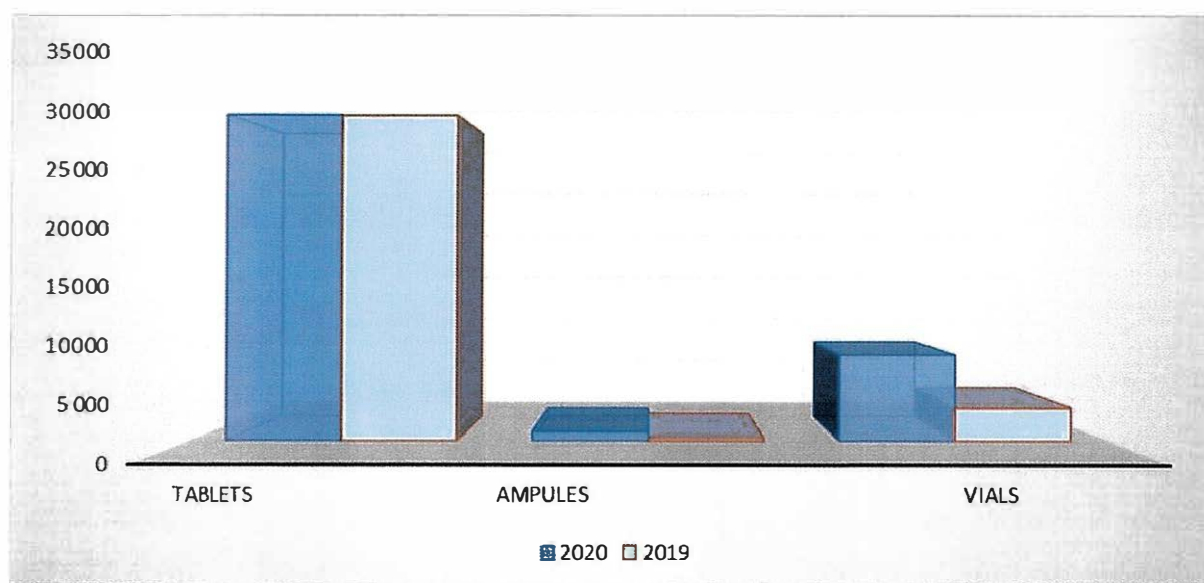
Revenues from sales of products in 2020 increased by BGN 5 646 thousand or by 16 up to BGN 40,038 thousand, compared to BGN 34,392 thousand in 2019

Revenues from sales on the European market represents 2% of total revenues of the company and amount to BGN 899 thousand.

Nearly all sales are for the domestic market, reduction by BGN 5,340,000 compared to 2019. The products with the largest share of sales in the country are: Co-Irbesso, Coolsart, Rossta, Tamayra, Ceftriaxon, Diab MR, PlaquEx, MoriVid, Spironolacton, Bacteripime.

### Sales by types of dosage forms

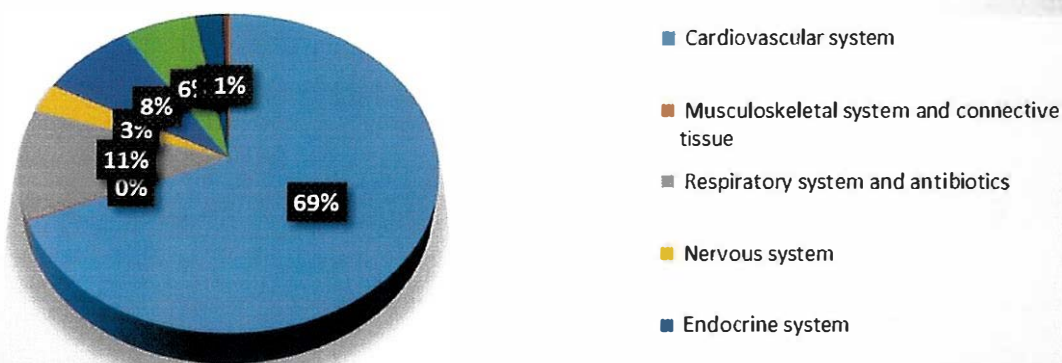
Revenue by dosage forms	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Tablets	30 999	30 951	0.15%
Ampules	876	304	188%
Vials	8 163	3 137	160%
<b>Total:</b>	<b>40 038</b>	<b>34 392</b>	<b>16%</b>



### Revenue by therapeutic groups

	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Cardiovascular system	27 536	26 149	5%
Musculoskeletal system and connective tissue	59	92	-36%
Respiratory system and antibiotics	4 420	2 810	57%
Nervous system	1 166	1 573	-26%
Endocrine system	3 227	2 748	17%
Other products	2 448	628	290%
Digestive system and metabolism	980	197	397%
Oncology	203	195	4%
<b>Total:</b>	<b>40 038</b>	<b>34 392</b>	<b>16%</b>

## Revenue by therapeutic groups



Changes in the stock of products and work in progress

(784) 1 734

Other operating income and services

	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Rental income	26	38	-32%
Services income	41	13	215%
Other income	283	281	1%
<b>Total:</b>	<b>350</b>	<b>332</b>	<b>5%</b>

## Operating expenses

Operating expenses

	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Carrying amount of goods sold	817	748	9%
Materials	14 320	12 017	19%
Hired services	14 085	12 061	17%
Personnel expenses	4 208	3 683	14%
Social security expenses	752	676	11%
Impairment and reimbursement expenses for financial assets	50	4	1 150%
Depreciation / amortisation expenses	4 231	3 526	20%
Other expenses	602	799	-25%
<b>Total:</b>	<b>39 065</b>	<b>33 514</b>	<b>17%</b>

01-12/2020 BGN '000	01-12/2019 BGN '000	change %
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Main materials	13 251	10 841	22%
Electricity	420	501	-16%
Fuel and lubricants	34	59	-42%
Spare parts and laboratory materials	187	95	97%
Water	21	20	5%
Other materials	407	501	-19%
<b>Total:</b>	<b>14 320</b>	<b>12 017</b>	<b>19%</b>

The cost of materials increased by BGN 2,303 thousand to 14,320 in 2020, which is a result of the decrease in the cost of the basic materials.

#### Costs of hired services

	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Rents	-	6	-100%
Security	385	355	8%
Insurance	28	23	22%
Telephone and postage expenses	26	29	-10%
Equipment maintenance and subscription	199	117	70%
Fees	271	166	63%
Transport costs	64	57	12%
Other costs of hired services	13 112	11 308	16%
<b>Total:</b>	<b>14 085</b>	<b>12 061</b>	<b>17%</b>

## Financial Income and Expenses

Financial income	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Interest income	452	344	31%
Income from currency exchange differences	69	40	73%
Income from operations with financial assets	0	1	-100%
<b>Total:</b>	<b>521</b>	<b>385</b>	<b>35%</b>

Financial expenses	01-12/2020 BGN '000	01-12/2019 BGN '000	change %
Interest expenses	235	224	5%
Expenses on currency exchange differences	98	83	18%
Other financial expenses	53	59	-10%
Expenses on transactions with financial assets	50	-	100%
<b>Total:</b>	<b>436</b>	<b>366</b>	<b>19%</b>



## Assets

	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
<b>Non-current assets</b>			
Property, plant and equipment	37 064	26 981	37%
Intangible assets	3 875	2 725	42%
Investments with minority interest	210	420	-50%
Non-current loans granted	19		100%
Trade receivables	5 157	4 930	5%
<b>Total of non-current assets</b>	<b>46 325</b>	<b>35 056</b>	<b>32%</b>
<b>Current assets</b>			
	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
Inventories	10 842	8 763	24%
Trade and other receivables	60 084	74 020	-19%
Current corporate tax	14		100%
Redemption of own shares	1	1	0%
Cash and cash equivalents	45	40	13%
<b>Total of current assets</b>	<b>70 986</b>	<b>82 824</b>	<b>-14%</b>
<b>Total of Assets</b>	<b>117 311</b>	<b>117 880</b>	<b>0%</b>

Trade receivables decreased by BGN 14,144 thousand in the part of receivables from customers, compared to 31.12.2019

	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
<b>Property, plant and equipment</b>			
Land and buildings	23 985	11 390	111%
Machinery, equipment and facilities	9 503	11 971	-21%
Other	272	164	66%
Under acquisition	3 363	3 456	-3%
<b>Total:</b>	<b>37 123</b>	<b>26 981</b>	<b>38%</b>
<b>Inventories</b>			
	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
Materials	9 592	6 755	42%
Finished products	639	891	-28%
Goods	294	250	18%
Work in progress	-	-	
Other inventories	317	867	-63%
<b>Total:</b>	<b>10 842</b>	<b>8 763</b>	<b>24%</b>

## Equity and liabilities

	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
Registered (share) capital	82 200	82 200	0%
Statutory reserve	12 032	11 775	2%
Retained earnings	2 904	2 568	13%
<b>Total Equity</b>	<b>97 136</b>	<b>96 543</b>	<b>1%</b>

## Liabilities

	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
<b>Non-current liabilities</b>			
Long-term loans	1 731	1 823	-5%
Long-term operating lease obligations	-	214	-100%
Deferred tax liabilities	1 139	1 308	-13%
Retirement benefit liabilities	194	159	22%
<b>Total non-current liabilities</b>	<b>3 064</b>	<b>3 504</b>	<b>-13%</b>

	31.12.2020	31.12.2019	change
	BGN '000	BGN '000	%
<b>Current liabilities</b>			
Trade and other payables	6 583	7 095	-7%
Short-term loans	9 783	9 784	0%
Current portion of long-term loans	541	616	-12%
Current corporate income tax	-	142	-100%
Other tax liabilities	204	196	4%
<b>Total current liabilities</b>	<b>17 111</b>	<b>17 833</b>	<b>-4%</b>
<b>Total liabilities</b>	<b>20 175</b>	<b>21 337</b>	<b>-5%</b>
<b>Total equity and liabilities</b>	<b>117 311</b>	<b>117 880</b>	<b>0%</b>

*Shareholders' equity* increased by BGN 593 thousand or by 1% to BGN 97,136 thousand by the end of 2020, compared to BGN 96,543 thousand at the end of 2019, mainly as a result of the current profit, which for 2020 is BGN 604 thousand.

*Non-current liabilities* decreased by BGN 440 thousand, or 13%, to BGN 3,064 thousand at the end of 2020 compared to BGN 3,504 thousand at the end of 2019, mainly due to the decrease in long-term operating lease liabilities reducing deferred taxes.

*Current liabilities* decreased by BGN 722 thousand, or 4%, to BGN 17,111 thousand at the end of 2020 compared to

BGN 17,833 thousand at the end of 2019. This is due to the decrease in trade payables at the end of the year, which were repaid as early as January 2021. The total exposure on loans to financial institutions of the Company as at 31 December 2020 decreased by BGN 168 thousand compared to 31 December 2019.

## Cash flows

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Net cash flows from operating activities	3 486	2 224
Net cash flows from investment activities	-2 926	-1 170
Net cash flows from financing activities	-555	-1 264
<b>Net increase/decrease in cash and cash equivalents</b>	<b>5</b>	<b>-210</b>
Cash and cash equivalents on 1 January	40	250
Cash and cash equivalents on 31 December	45	40

Net cash flows increased by BGN 5 thousand in 2020, as a result of which the cash equivalents amounted to BGN 45 thousand.

## Financial indicators

	31.12.2020	31.12.2019	change %
Return on equity	0.006	0.027	-78%
Return on assets	0.005	0.022	-77%
Assets turnover ratio	0.52	0.29	79%
Current liquidity ratio	4.15	4.64	-11%
Fast liquidity ratio	3.51	4.15	-15%
Debt factor	0.21	0.22	-6%
Financial autonomy ratio	4.81	4.52	6%

## Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total number of the issued shares as at 31.12.2020 is 82 200 000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible according to the Company's Articles of Association. All issued shares are of one class. Each share grants equal rights to its holder, proportional to the nominal value of the share. According to the Company's Articles of Association, there are no restrictions on the transfer of the securities, restrictions on the possession of securities or the need for approval by the company or another shareholder. There are no shareholders with special control rights. There is no need for a system of control over the exercise of voting rights in cases where employees of the company are also its shareholders and when the control is not directly exercised by them because there are no such cases. There are no restrictions on voting rights such as limitations on the voting rights of shareholders with a certain percentage or number of votes, the

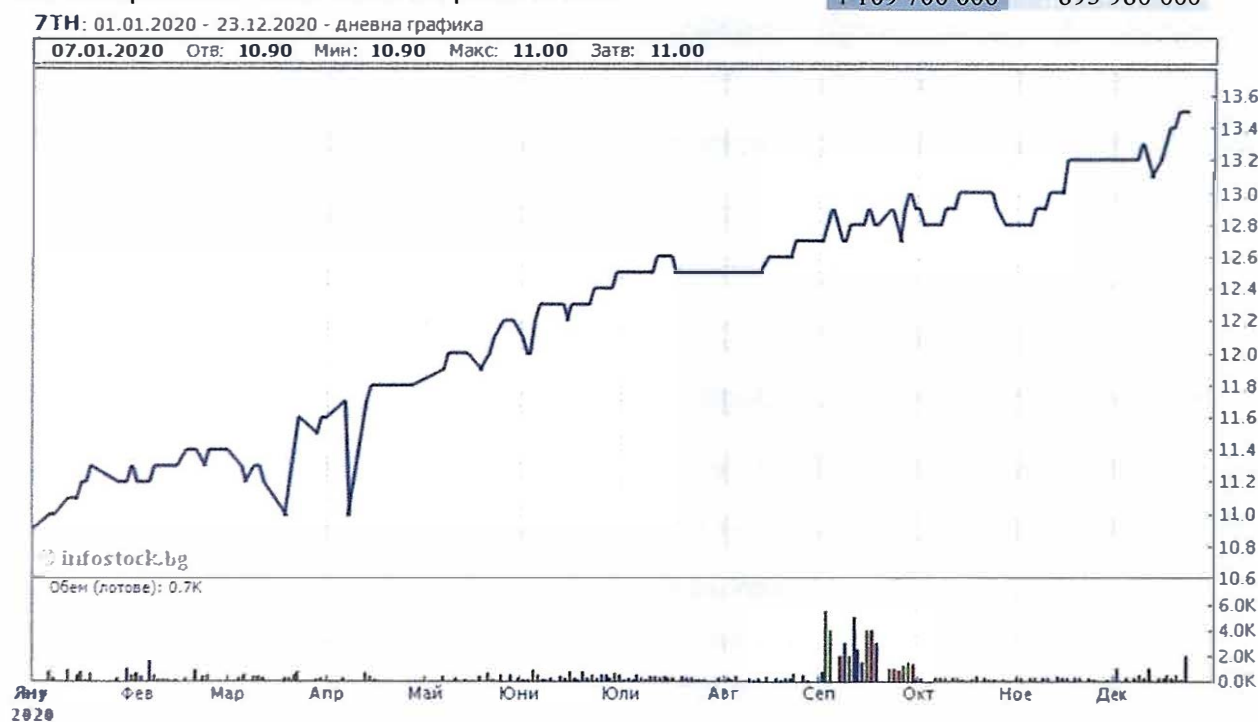
deadline for the exercise of voting rights, or systems where, with the cooperation of the company, the financial rights attaching to the shares are separated from the shares' ownership.

The shares of "Tchaikapharma High Quality Medicines Inc." are traded on the official market of BSE-Sofia AD. The Company is not informed about arrangements (including after the end of the financial year), as a result of which changes in the relative portion of shares or bonds of current shareholders may occur in the future. The Company has no information about shareholders' agreements known to the Company and which may result in restrictions on the transfer of shares or voting rights.

There are no contracts of the company having effect, changing or being terminated due to a change in the control of the company in the implementation of a mandatory tender offer and the consequences thereof. There are no agreements between the company and its management bodies or employees to pay compensation on leaving or dismissal without a legal basis or upon termination of the employment relationship for reasons related to a tender offering.

### Significant indicators for the shares of Tchaikapharma High Quality Medicines Inc

	31.12.2020	31.12.2019
Total number of issued shares	82 200 000	82 200 000
Number of shares in circulation at the end of the period	82 200 000	82 200 000
Net profit per share in BGN	0.007	0.03
Price per share at the end of the period in BGN	13.50	10.90
Book value per share in BGN	1.18	1.17
Price per share/Net profit per share	1 928.57	363.34
Price per Share/Book Value per Share	11.42	9.28
Market capitalization at the end of the period in BGN	1 109 700 000	895 980 000





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Biser Georgiev

/ Executive Director /