

# ACTIVITY REPORT

For the first quarter  
of 2021



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

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

23.04.2021

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

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

#### **Legal and commercial name**

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

#### **Location and registration. Unique Identification Code (UIC)**

The Company was listed in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the Varna District Court as a joint stock company named TCHAIKA PHARMA INC.

By decision of the General Meeting of Shareholders from 04.07.2003, entered by Decision from 30.07.2003 on the company case 1096/2000 of the Varna District Court, the name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is listed in the Commercial Register of the Registry Agency at the Ministry of Justice with **UIC 103524525**.

#### **Foundation date and duration in time**

The Company was founded and entered in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the Varna District Court as a joint stock company. The duration of the Company is not limited in time.

#### **Country of Company registration, headquarters and address pursuant to the Statute; legal form; legislation under which the Company operates**

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

The Company was incorporated in the Republic of Bulgaria.

The headquarters and registered office of the Company:

Republic of Bulgaria, 1172 Sofia, 1 G.M. Dimitrov Blvd.

Contact Address: 1172 Sofia, 1 G.M. Dimitrov Blvd.

Telephone: (359 2) 960 3724

Internet site: [www.tchaikapharma.com](http://www.tchaikapharma.com)

## Important events in the development of the business of the Company

Important events in the development of the Issuer for the last three years:

- Tchaikapharma High Quality Medicines Inc. was not transformed.
- Tchaikapharma High Quality Medicines Inc. was not transferred or pledged.
- There were no significant changes in the scope of activity of Tchaikapharma High Quality Medicines Inc.
- There were no filed claims for opening of insolvency proceedings.
- By Decision of the General Meeting of 30.04.2018 the capital was increased from BGN 64 300 000 to BGN 72 200 000, by issuing 7 900 000 (seven million and nine hundred) new ordinary shares with a nominal value of BGN 1 (one). The increase of the capital was done by capitalization of profits pursuant to Art. 197 of the Commercial Code. The capital increase was entered in the Commercial Register of 29.05.2018.
- By Decision of the General Meeting of 08.04.2019 the capital was increased from BGN 72 200 000 to BGN 82 200 000, by issuing 10 000 000 (ten million) new ordinary shares with a nominal value of BGN 1 (one). The increase of the capital was done by capitalization of profits pursuant to Art. 197 of the Commercial Code. The capital increase was entered in the Commercial Register of 10.05.2019.
- By 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 2 300 000 (two million and three hundred) new ordinary shares with a nominal value of BGN 1 (one). The increase of the capital has not yet been entered in the Commercial Register, and therefore is not reflected in current reports.
- The current capital of the Company is BGN 82 200 000 distributed in 82 200 000 ordinary dematerialized voting shares with a par value of BGN 1 (one) each.

Tchaikapharma High Quality Medicines Inc. is one of the fastest growing Bulgarian company specialized in manufacturing high quality and affordable generic and original medicines. The production facilities of the company are built in accordance with European requirements. The company is focused of quality and safety of the production of medicinal products for human medicine. In the years in which the company has been on the market it has proved its honesty and patient care.

Its main goal is the renewal of current trends in the worldwide drug therapy. The main priority for the company are medicinal products for the treatment of diabetes, diseases of the central nervous system, cancers and it is mainly focused on medications associated with the treatment of cardiovascular diseases.

## Investments

**Major investments for each of the following financial years: 2018, 2019 and 2020.**

Overview of the investments in fixed assets by type and year is presented in the following table.

<b>Investments for the period</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Tchaikapharma High Quality Medicines Inc.</b>			
I. Fixed tangible assets	924	2 715	13 861
1. Land and buildings	924	2 617	13 042
2. Property and equipment			667
3. Other fixed assets		98	152
II. Fixed intangible assets	274	661	939
1. Industrial property rights	274	637	919
2. Software		10	9
3. Patents and licenses		14	
<b>Total amount of acquisition of fixed tangible and intangible assets</b>	<b>1 198</b>	<b>3 376</b>	<b>14 800</b>

### Major investments in progress

In the first quarter of 2021, the expansion of the tablet workshop at Tchaikapharma Plovdiv will continue. New granulation equipment was installed - mixer-granulator, vortex dryer and regranulator. Qualification of the equipment and training of the staff was carried out. Qualification of the premise and Modification of the production permit is pending. Additional storage for format parts is to be constructed.

### Economic activity

The entered in the Commercial Register activity of the Company is: purchase of substances and formulations for the production and sale of pharmaceuticals in finished or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original or processed form; barter transactions and commissions; commercial representation of foreign and domestic individuals and legal entities at home and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

Currently the main scope of activity of the Company can be summarized as follows:

- Production
- Packaging (primary and secondary)
- Marketing and promotion of medicines
- Research and Development

Tchaikapharma High Quality Medicines Inc. continuously maintains its production facilities in accordance with the contemporary European requirements for Good Manufacturing Practice in the production of medicines. At present, more than 150 medicinal products are produced in the company's factories. The premises and the equipment of the factories are executed in full compliance with the European requirements for the production of medicines and for the plant in Varna – also for sterile medicinal products.

Approved PMs of new products:

Olsart 10 mg film-coated tablets – Renewal - BG/MA/MP-52863/05.01.2021

Olsart 20 mg film-coated tablets – Renewal - BG/MA/MP-52864/05.01.2021

Olsart 40 mg film-coated tablets – Renewal - BG/MA/MP-52865/05.01.2021

Levor 5 mg/ml solution for infusion – Renewal - BG/MA/MP-53522/19.02.2021

Submitted changes (variations):

Pantoprazole-Tchaikapharma 40 mg powder for sol. for injection/infusion – Var. type II - IAL-0457/06.01.2021

Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules, hard – Var. type IA (grouped) - IAL-2063/18.01.2021

Aroba 100 mg tablets – Grouped Var. IB & IB - IAL-5095/02.02.2021

Klacar 500 mg film-coated tablets – Grouped var. type IB; IAin - IAL-14978/24.03.2021

Klacar XL 500 mg prolonged-release tablets – Var. type IB; IAin - IAL-14974/24.03.2021

Isosorb 40 mg prolonged-release tablets – Var. type II - IAL-2062/18.01.2021

Submitted for termination of RU:

Aripipa 15 mg tablets - IAL-7861/17.02.2021 (withdrawn- in April)

Atenolol-Tchaikapharma 50 mg tablets - IAL-7859/17.02.2021

Bortezomib-Tchaikapharma 3,5 mg powder for solution for injection - IAL-7863/17.02.2021

Cardesart 8 mg, 16 mg, 32 mg tablets - IAL-7867/17.02.2021

Climox 875 mg/125 mg film-coated tablets - IAL-7865/17.02.2021

Corabace 10 mg film-coated tablets - IAL-7868/17.02.2021

Corabace-Co 10 mg/12,5 mg, 20 mg/12,5 mg film-coated tablets - IAL-7869/17.02.2021

Diltiazem-Tchaikapharma 60 mg, 90 mg prolonged-released tablets - IAL-7872/17.02.2021

Ketoprofen-Tchaikapharma 100 mg/2 ml solution for injection - IAL-7871/17.02.2021

Pemetrexed-Tchaikapharma 500 mg powder for solution for infusion - IAL-7874/17.02.2021

Valstor 160 mg film-coated tablets - IAL-15014/24.03.2021

Co-Valstor 160 mg/12.5 mg film-coated tablets - IAL-15012/24.03.2021

Pipetazon 4 g/0.5 g powder for solution for injection / infusion - IAL-15009/24.03.2021

ParaCeta 500 mg tablets - IAL-15008/24.03.2021 (withdrawn- in April)

Lifurox 750 mg powder for solution for injection / infusion - IAL-15006/24.03.2021  
(withdrawn- in April)

Hypertonic 50 mg film-coated tablets - IAL-15004/24.03.2021

Klacar 250 mg film-coated tablets - IAL-15003/24.03.2021

Cilapenem 500 mg/500 mg powder for solution for infusion - IAL-14998/24.03.2021

Lidocaine-Tchaikapharma 5 mg/ml solution for injection - IAL-14996/24.03.2021

Isosorb 60 mg prolonged-release tablets - IAL-14991/24.03.2021

Linezolid-Tchaikapharma 2 mg/ml solution for infusion - IAL-14987/24.03.2021

Ibodria 3 mg/ 3 ml solution for injection in pre-filled syringe - IAL-14985/24.03.2021

Ibodria 6 mg/6 ml concentrate for solution for infusion - IAL-14985/24.03.2021

Verapamil-Tchaikapharma 40 mg film coated tablets - IAL-14982/24.03.2021 (withdrawn- in April)

Flecainide-Swyssi 50 mg, 100 mg prolonged-release capsules, hard – DCP- Rejection of MA for BG - IAL-1421/13.01.2021

To Kosovo:

Approved changes:

Ceftriaxon-Tchaikapharma 1 g powder for solution for injection/infusion – CPP – IAL - 4468/29.01.2021

Ceftriaxon-Tchaikapharma 2 g powder for solution for injection/infusion (Kosovo) – CPP - IAL-4468/29.01.2021

Tamayra 5 mg/5 mg hard capsules (Kosovo) – CPP - IAL-4468/29.01.2021

Tamayra 10 mg/5 mg hard capsules (Kosovo) – CPP - IAL-4468/29.01.2021

Bilamcar 8 mg/5 mg hard capsules (Kosovo) – CPP - IAL-4468/29.01.2021

Bilamcar 16 mg/5 mg hard capsules (Kosovo) – CPP - IAL-4468/29.01.2021

## Employees

As of 31.03.2021 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 150 (147 as of 31.12.2020). In the table below detailed information about the employees in the company is provided

	31.03.2021	Share
<b>Number of employees as of 31.03.2021</b>	<b>150</b>	<b>100%</b>
Higher education	92	62%
Secondary education	54	37%
Primary education	1	1%
Employees under 30 years	47	31%
Employees 31 - 40 years	59	39%
Employees 41 - 50 years.	41	27%
Employees 51 - 60 years.	2	1%
Employees 60+ years	1	1%
Women	67	45%
Men	83	55%

## Significant events since the beginning of the year until 31.03.2021

In the first quarter of 2021 there were no significant events.

## Key financial indicators

Indicators	01-03/2021 BGN '000	01-03/2020 BGN '000	Change %
Sales revenue	13 388	10 848	23.40%
Earnings before interest, taxes and depreciation (EBITDA)	4 223	3 142	34.41%
Net profit	3 054	1 979	54.33%

	01-03/2021 BGN '000	01-12/2020 BGN '000	Change %
Non-current assets	45 510	46 325	-1.76%
Current assets	74 266	70 986	4.62%

Equity	100 190	97 136	3.14%
Non-current liabilities	3 437	3 064	12.17%
Current liabilities	16 149	17 111	-5.62%

	01-03/2021	01-03/2020
EBITDA/Sales revenue	31%	29%
Net profit/Sales revenue	23%	18%

## Review of the risk factors

- The Company's activities could be affected by any change in the regulatory requirements for the production of pharmaceutical products.
- Changes to the legislation regulating the Company's business are possible, and these can potentially increase the costs of compliance or have another effect on its operations.
- The production processes of the Company are subject to stringent requirements and approvals by regulatory authorities which may delay or 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 conditions and is exposed to potential liabilities related to the environment.
- The Company is exposed to strong competition.
- The Company operates in active exchange with foreign suppliers and customers. It is therefore exposed to currency risk, mainly against the US dollar. Currency risk is related to the adverse movement in the exchange rate of the US dollar against the Bulgarian lev in future business operations, recognized foreign currency assets and liabilities. The rest of the company's operations are usually denominated in Bulgarian lev and/or in euros.

## Sales by types of dosage forms

Revenue by dosage forms	01-03/2021 <i>BGN '000</i>	01-03/2020 <i>BGN '000</i>
Tablets	9 908	9 405
Ampules	245	235
Vials	3 226	1 199
<b>Total:</b>	<b>13 379</b>	<b>10 839</b>

<b>Revenue by therapeutic groups</b>	<b>01-03/2021</b>	<b>01-03/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Cardiovascular system	8 673	8 223
Musculoskeletal system and connective tissue	35	-
Respiratory system and antibiotics	1 954	941
Nervous system	632	302
Endocrine system	1 022	757
Other products	337	298
Digestive system and metabolism	725	318
Oncology	-	-
<b>Total:</b>	<b>13 379</b>	<b>10 839</b>

<b>Changes in the inventories of products and work in progress</b>	<b>332</b>	<b>(150)</b>
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<b>Other operating income</b>	<b>01-03/2021</b>	<b>01-03/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Income from rent	7	7
Other income	2	52
<b>Total:</b>	<b>9</b>	<b>59</b>

<b>Financial income</b>	<b>01-03/2021</b>	<b>01-03/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Income from interest		
Income from exchange rate differences	1	14
Other financial income	-	-
<b>Total:</b>	<b>1</b>	<b>14</b>

## Core activity expenses

<b>Operating expenses</b>	<b>01-03/2021</b>	<b>01-03/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Book value of sold products	147	145
Materials	4 047	3 512
External services	3 740	2 773
Salaries	1 145	920
Social security costs	200	179
Depreciation costs	1 072	1 021
Other	199	42
<b>Total:</b>	<b>10 550</b>	<b>8 592</b>
<b>Cost of materials</b>	<b>01-03/2021</b>	<b>01-03/2020</b>

	<i>BGN '000</i>	<i>BGN '000</i>
Basic material	3 890	3 246
Electricity	81	82
Fuels and lubricants	33	11
Spare parts and laboratory materials	8	65
Water	7	4
Other materials	28	104
<b>Total:</b>	<b>4 047</b>	<b>3 512</b>

<b>Costs of external services</b>	<b>01-03/2021</b>	<b>01-03/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Rents	-	-
Security	100	100
Insurance	6	5
Telephone and postage expenses	4	6
Equipment maintenance and subscription	33	34
Fees	40	74
Transport costs	6	14
Other costs for external services	3 551	2 540
<b>Total:</b>	<b>3 740</b>	<b>2 773</b>

<b>Financial expenses</b>	<b>01-03/2021</b>	<b>01-03/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	83	52
Expenses from exchange rate differences	12	41
Other financial expenses	8	10
<b>Total:</b>	<b>103</b>	<b>103</b>

## Assets

	<b>01-03/2021</b>	<b>01-12/2020</b>
<b>Non-current assets</b>	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment	36 392	37 123
Intangible assets	3 784	3 816
Investments with minority interest	158	210
Trade receivables	5 176	5 176
<b>Total non-current assets</b>	<b>45 510</b>	<b>46 325</b>

## Current assets

Inventories	9 967	10 842
Trade and other receivables	64 271	60 084
Treasury shares redeemed	-	14

Current corporate income tax	-	1
Cash and cash equivalents	28	45
<b>Total current assets</b>	<b>74 266</b>	<b>70 986</b>
<b>Total Assets</b>	<b>119 776</b>	<b>117 311</b>

	01-03/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Property, plant and equipment</b>		
Land and buildings	23 870	23 985
Machinery and equipment	8 807	9 503
Other	325	272
In the process of acquisition	3 390	3 363
	<b>36 392</b>	<b>37 123</b>

	01-03/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Inventories</b>		
Materials	8 868	9 592
Production	810	639
Goods	289	294
Work in progress	-	317
<b>Total:</b>	<b>9 967</b>	<b>10 842</b>

## Equity and liabilities

	01-03/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	82 200	82 200
Statutory reserve	12 032	12 032
Undistributed profit	5 958	2 904
<b>Total Equity</b>	<b>100 190</b>	<b>97 136</b>

## Liabilities

	01-03/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Non-current liabilities</b>		
Long-term loans	2 104	1 731
Deferred tax liabilities	1 139	1 139
Liabilities to employees on retirement	194	194
<b>Total non-current liabilities</b>	<b>3 437</b>	<b>3 064</b>

## Current liabilities

Trade and other liabilities	5 430	6 583
Short term loans	9 782	9 783
Current part of long-term loans	492	541
Current corporate income tax		
Other tax liabilities	445	204
<b>Total current liabilities</b>	<b>16 149</b>	<b>17 111</b>

<b>Total liabilities</b>	<b>19 586</b>	<b>20 175</b>
<b>Total equity and liabilities</b>	<b>119 776</b>	<b>117 311</b>

## Financial indicators

01-03/2021 01-12/2020

Leverage ratio	0.19	0.21
Financial autonomy ratio	5.12	4.81

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

The total amount of shares issued as of 31.03.2021 was 82 200 000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible under the Statute of the Company. All issued shares are of the same type. Each share gives equal rights to its owner in proportion to the nominal value of the share. The shares of Tchaikapharma High Quality Medicines Inc. are traded on the official market of the Bulgarian Stock Exchange-Sofia.

## Essential information on the shares of Tchaikapharma High Quality Medicines Inc.

	<b>1-03/2021</b>	<b>1-12/2020</b>
Total number of issued shares	82 200 000	82 200 000
Number of shares in circulation at end of period	82 200 000	82 200 000
Price per share at the end of the period in BGN	14.00	13.50
Market capitalization at the end of the period in BGN	1 150 800 000	1 109 700 000

Biser Georgiev

/Executive Director/

