

# **CONSOLIDATED ACTIVITY REPORT**

For the second quarter  
of 2021



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

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

02.08.2021

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

### **1. 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.

### **2. 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.

"Tchaikapharma High Quality Medicines" Inc. is a public company according to the Public Offering of Securities Act of 21.05.2015.

### **3. Controlled companies**

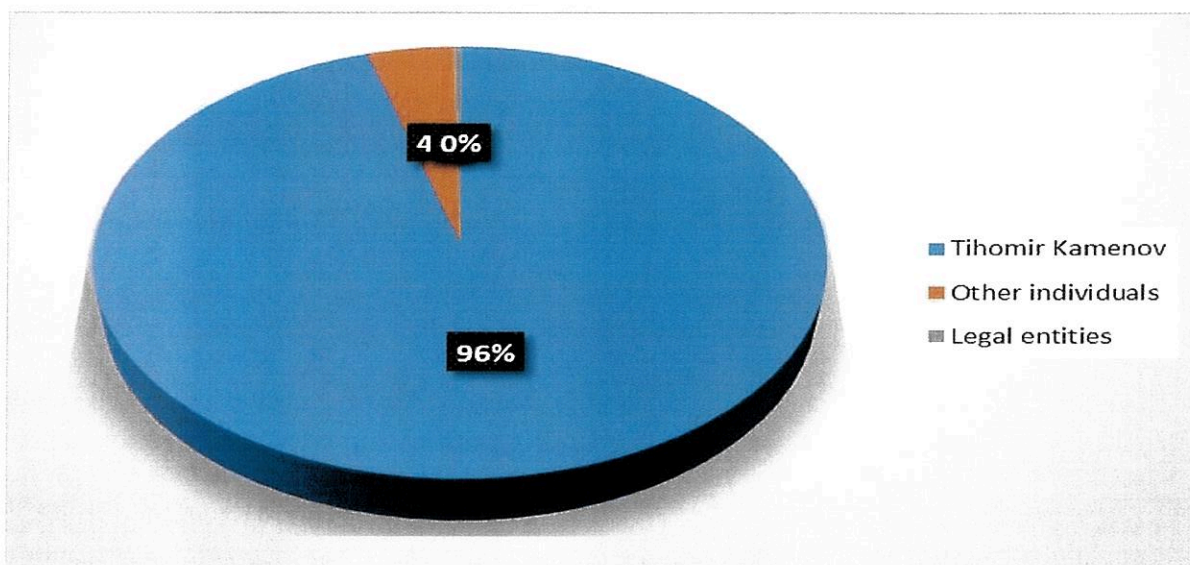
As of 30.06.2021 it has one wholly-owned subsidiary: SWYSSI S.R.L. registered in the Republic of Romania.

### **4. Board of Directors**

Tchaikapharma High Quality Medicines Inc. has a one-tier management system with a Board of Directors of three members. The management of the parent company in the person of the Board of Directors as of 30.06.2021 is composed of:

Biser Rosenov Georgiev	Chairman
Sylvia Slavcheva Patrikova	Member
Radka Alexandrova Tsenova	Member

## 5. Shareholding structure 30.06.2021.



## 6. Employees

As of 30.06.2021, the average number of employees in Tchaikapharma High Quality Medicines Inc. Group is 161 people, who are entirely in the parent company.

## II. Development of the activity

### Investments

#### Major investments in the second quarter of 2021.

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

Investments for the period	2020	30.06.2021
<b>Tchaikapharma High Quality Medicines Inc.</b>		
I. Fixed tangible assets	13 861	922
1. Land and buildings	13 042	
2. Property and equipment	667	336
3. Other fixed assets	152	586

II. Fixed intangible assets	1 152	89
1. Industrial property rights	919	59
2. Software	9	11
3. Patents and licenses	224	19
<b>Total amount of acquisition of fixed tangible and intangible assets</b>	<b>15 013</b>	<b>1 011</b>

### Major investments in progress

In the second quarter of 2021, the expansion of the tablet workshop at Tchaikapharma Plovdiv will continue. New granulation equipment has been 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. Construction of additional storage for format parts has been completed and the premises are ready for commissioning.

With the establishment of a subsidiary in the territory of the Republic of Romania, Tchaikapharma High Quality Medicines Inc. wants to enter the Romanian market permanently.

### KEY FINANCIAL INDICATORS

Indicators	01-06/2021		Change %
	BGN '000		
Sales revenue	22 323		
Earnings before interest, taxes and depreciation (EBITDA)	4 994		
Net profit	2 716		
	01-06/2021	01-12/2020	
	BGN '000		
Non-current assets	45 281	46 306	-2.21%
Current assets	72 716	71 005	2.41%
Equity	99 852	97 136	2.80%
Non-current liabilities	3 279	3 064	7.02%
Current liabilities	14 866	17 111	-13.12%

	<b>01-06/2021</b>
EBITDA/Sales revenue	23%
Net profit/Sales revenue	14%

## 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

<b>Revenue by dosage forms</b>	<b>01-06/2021</b> <i>BGN '000</i>
Tablets	18 266
Ampules	441
Vials	3 581
<b>Total:</b>	<b>22 288</b>

<b>Revenue by therapeutic groups</b>	<b>01-06/2021</b> <i>BGN '000</i>
Cardiovascular system	14 903
Musculoskeletal system and connective tissue	62

Respiratory system and antibiotics	3 226
Nervous system	1 001
Endocrine system	1 619
Other products	627
Digestive system and metabolism	651
Oncology	199
<b>Total:</b>	<b>22 288</b>

<b>Changes in the inventories of products and work in progress</b>	<b>613</b>
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<b>Other operating income</b>	<b>01-06/2021</b> <b>BGN '000</b>
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Income from rent	14
Other income	21
<b>Total:</b>	<b>35</b>

<b>Financial income</b>	<b>01-06/2021</b> <b>BGN '000</b>
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Income from interest	-
Income from exchange rate differences	11
Other financial income	-
<b>Total:</b>	<b>11</b>

## Core activity expenses

<b>Operating expenses</b>	<b>01-06/2021</b> <b>BGN '000</b>
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Book value of sold products	462
Materials	7 828
External services	6 639
Salaries	2 289
Social security costs	402
Depreciation costs	2 037
Other	282
<b>Total:</b>	<b>19 939</b>

<b>Cost of materials</b>	<b>01-06/2021</b> <b>BGN '000</b>
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Basic material	7 280
Electricity	204
Fuels and lubricants	48

Spare parts and laboratory materials	83
Water	12
Other materials	201
<b>Total:</b>	<b>7 828</b>

**Costs of external services** **01-06/2021**  
*BGN '000*

Rents	-
Security	201
Insurance	12
Telephone and postage expenses	9
Equipment maintenance and subscription	77
Fees	214
Transport costs	16
Other costs for external services	6 110
<b>Total:</b>	<b>6 639</b>

**Financial expenses** **01-06/2021**  
*BGN '000*

Interest expenses	145
Expenses from exchange rate differences	37
Other financial expenses	14
<b>Total:</b>	<b>196</b>

**Assets**

	<b>01-06/2021</b>	<b>01-12/2020</b>
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Non-current assets</b>		
Property, plant and equipment	36 643	37 123
Intangible assets	3 376	3 816
Investments with minority interest	105	210
Trade receivables	5 157	5 157
<b>Total non-current assets</b>	<b>45 281</b>	<b>46 306</b>
<b>Current assets</b>		
Inventories	10 736	10 842
Trade and other receivables	61 920	60 084
Treasury shares redeemed	14	14
Current corporate income tax	-	1
Cash and cash equivalents	46	64
<b>Total current assets</b>	<b>72 716</b>	<b>71 005</b>
<b>Total Assets</b>	<b>117 997</b>	<b>117 311</b>

	01-06/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Property, plant and equipment</b>		
Land and buildings	23 755	23 985
Machinery and equipment	8 308	9 503
Other	308	272
In the process of acquisition	4 272	3 363
	<b>36 643</b>	<b>37 123</b>

	01-06/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Inventories</b>		
Materials	8 613	9 592
Production	1 027	639
Goods	304	294
Unfinished production	792	-
Work in progress	-	317
<b>Total:</b>	<b>10 736</b>	<b>10 842</b>

### Equity and liabilities

	01-06/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	82 200	82 200
Statutory reserve	12 094	12 032
Undistributed profit	5 558	2 904
<b>Total Equity</b>	<b>99 852</b>	<b>97 136</b>

### Liabilities

	01-06/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Non-current liabilities</b>		
Long-term loans	1 946	1 731
Deferred tax liabilities	1 139	1 139
Liabilities to employees on retirement	194	194
<b>Total non-current liabilities</b>	<b>3 279</b>	<b>3 064</b>

### Current liabilities

Trade and other liabilities	4 461	6 583
Short term loans	9 782	9 783
Current part of long-term loans	479	541
Current corporate income tax		
Other tax liabilities	144	204
<b>Total current liabilities</b>	<b>14 866</b>	<b>17 111</b>
<b>Total liabilities</b>	<b>18 145</b>	<b>20 175</b>
<b>Total equity and liabilities</b>	<b>117 997</b>	<b>117 311</b>



## Financial indicators

01-06/2021

Leverage ratio	0.18
Financial autonomy ratio	5.50

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

The total amount of shares issued as of 30.06.2021 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.-Group

	1-06/2021
Total number of issued shares	82 200 000
Number of shares in circulation at end of period	82 200 000
Price per share at the end of the period in BGN	14.30
Market capitalization at the end of the period in BGN	1 175 460 000

Biser Georgiev

/Executive Director/