

ACTIVITY REPORT

For the second quarter
of 2021



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

29.07.2021

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

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.
- By Decision of the General Meeting of 14.06.2021 the profit of 2020 in the amount of 623 070.65 BGN (Six hundred twenty-three thousand and seventy leva and 65 st.) shall be allocated as follows 62 377.07 (Sixty-two thousand three hundred and seventy-seven levs and 07 st.) to be allocated to reserves and 561 393.58 (Five hundred and sixty-one thousand three hundred and ninety-three levs and 58 st.) to be allocated to the Retained Earnings Fund. The capital increase with the 2019 profit is expected to be registered in the Commercial Register with the issuance of new 2 300 000 (Two million and three hundred thousand) ordinary dematerialised shares with a nominal value of BGN 1 (one).
- 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.

Investments for the period	2018	2019	2020
Tchaikapharma High Quality Medicines Inc.			
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	
Total amount of acquisition of fixed tangible and intangible assets	1 198	3 376	14 800

Major investments in progress

In the second 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.

The redevelopment of Tchaikapharma Plovdiv's tablet workshop to increase production capacity is nearing completion and the premises are waiting to become operational.

Submitted documentation to BDA (Bulgarian Drug Agency):

Submitted applications for MA for new products:

Fluidoro 10 mg film-coated tablets - IAL-18210/08.04.2021

Submitted renewals:

Lidocaine-Tchaikapharma 10 mg/ml solution for injection - IAL-20921/22.04.2021

Lidocaine-Tchaikapharma 20 mg/ml solution for injection - IAL-20922/22.04.2021

Submitted variations:

Spironolacton-Tchaikapharma 25 mg, 50 mg, 100 mg film-coated tablets – Var. type II - IAL-21432/26.04.2021

ContaMedia Ioh 350 mg I/ml solution for injection – Var. Type IAin - IAL-27045/01.06.2021

Telsart 80 mg tablets – Var. Type IB - IAL-27048/01.06.2021

Bisor 5 mg; 10 mg tablets – Grouped variation type IAin; IAin - IAL-28525/09.06.2021

Spironolacton-Tchaikapharma 25 mg, 50 mg film-coated tablets – Grouped variation type IAin; IAin; IA - IAL-28523/09.06.2021

Apiri 100 mg gastro-resistant tablets – Grouped variation type IAin; IAin – IAL – 31398/25.06.2021

Diclofenac-Tchaikapharma 50 mg gastro-resistant tablets – Grouped variation type IA; IA; IA – IAL 31400/25.06.2021

Total: 7

Approved rejections of MA's:

Atenolol-Tchaikapharma 50 mg tablets - 30A-0326/07.05.2021

Bortezomib-Tchaikapharma 3,5 mg powder for solution for injection - 30A-0334/13.05.2021

Cardesart 8 mg, 16 mg, 32 mg tablets - 30A-0360/19.05.2021

Climox 875 mg/125 mg film-coated tablets - 30A-0335/13.05.2021

Corabace 10 mg film-coated tablets - 30A-0336/13.05.2021

Corabace-Co 10 mg/12,5 mg, 20 mg/12,5 mg film-coated tablets - 30A-0337/13.05.2021

Diltiazem-Tchaikapharma 60 mg, 90 mg prolonged-released tablets - 30A-0355/19.05.2021

Ketoprofen-Tchaikapharma 100 mg/2 ml solution for injection - 30A-0351/18.05.2021

Pemetrexed-Tchaikapharma 500 mg powder for solution for infusion - 30A-0348/18.05.2021

Valstor 160 mg film-coated tablets - 30A-0375/28.05.2021

Co-Valstor 160 mg/12.5 mg film-coated tablets - 30A-0376/28.05.2021

Pipetazon 4 g/0.5 g powder for solution for injection/infusion - 30A-0377/28.05.2021

Hypertonic 50 mg film-coated tablets - 30A-0356/19.05.2021

Klacar 250 mg film-coated tablets - 30A-0358/19.05.2021

Cilapenem 500 mg/500 mg powder for solution for infusion - 30A-0357/19.05.2021

Lidocaine-Tchaikapharma 5 mg/ml solution for injection - 30A-0354/19.05.2021

Isosorb 60 mg prolonged-release tablets - 30A-0359/19.05.2021

Linezolid-Tchaikapharma 2 mg/ml solution for infusion - 30A-0350/18.05.2021

Ibodria 3 mg/ 3 ml solution for injection in pre-filled syringe - 30A-0349/18.05.2021

Ibodria 6 mg/6 ml concentrate for solution for infusion - 30A-0349/18.05.2021

Total: 20

Approved stopped rejections of MA's:

Aripipa 15 mg tablets, рег.номер 20150363

ParaCeta 500 mg tablets, рег.номер 20100504

Lifurox 750 mg powder for solution for injection/infusion, рег.номер 20100103

Verapamil-Tchaikapharma 40 mg film-coated tablets, рег.номер 20011219

Total: 4

Approved MA's from BDA:

Approved variations:

Isosorb 40 mg prolonged-release tablets – Var. Type II - IAL-17472/05.04.2021

Aroba 100 mg tablets – grouped var. IB + IB - BG/MA/MP-54297/23.04.2021

Aroba 100 mg tablets – Var. type IAin - IAL-25225/20.05.2021

Klacar XL 500 mg prolonged-release tablets – Grouped var. type IB + IAin - BG/MA/MP-54532/18.05.2021

Bacteripime 1 g powder for solution for injection/infusion – Grouped var. type IA + IB - IAL-37532/03.06.2021

Aroba 100 mg tablets – Var. type IAin - IAL-26862/31.05.2021

Spironolacton-Tchaikapharma 25 mg, 50 mg, 100 mg film-coated tablets – Var. type II - IAL-29408/14.06.2021

Bisor 5 mg; 10 mg tablets – Grouped variation type IAin; IAin - IAL-30494-95/18.06.2021

Spironolacton-Tchaikapharma 25 mg, 50 mg film-coated tablets – Grouped variation type IAin; IAin; IA - IAL-30490-91/18.06.2021

Telsart 80 mg tablets – Var. Type IB - IAL-31037/23.06.2021

Total: 10 variations

Kosovo

Submitted

Submitted applications of MA's for new products:

Ceftriaxon-Tchaikapharma 1 g powder for solution for injection/infusion – AM0221/270521

Ceftriaxon-Tchaikapharma 2 g powder for solution for injection/infusion – AM0223/270521

MoriVid 200 mg film-coated tablets – AM0222/270521

Tamayra 5 mg/5 mg hard capsules – AM0240/110621

Tamayra 10 mg/5 mg hard capsules - AM0241/110621

Bilamcar 8 mg/5 mg hard capsules – AM0238/110621

Bilamcar 16 mg/5 mg hard capsules – AM0239/110621

Submitted renewals:

Bisor 5 mg tablets – 19/04/2021

Cardifriend 5 mg tablets – 19/04/2021

Submitted variations:

Bisor 5 mg tablets – new CEP from a new manufacturer - 19/04/2021

Employees

As of 30.06.2021 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 161 (147 as of 31.12.2020). In the table below detailed information about the employees in the company is provided

	30.06.2021	Share
Number of employees as of 30.06.2021	161	100%
Higher education	99	62%
Secondary education	61	37%
Primary education	1	1%
Employees under 30 years	52	33%
Employees 31 - 40 years	63	39%
Employees 41 - 50 years.	42	26%
Employees 51 - 60 years.	3	2%
Employees 60+ years	1	1%
Women	71	44%
Men	90	56%

Significant events since the beginning of the year until 30.06.2021

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

Key financial indicators

Indicators	01-06/2021	01-06/2020	Change
	BGN '000	BGN '000	%
Sales revenue	22 323	21 633	3.19%

Earnings before interest, taxes and depreciation (EBITDA)	4 994	5 029	-0.70%
Net profit	2 716	2 926	-0.07%

	01-06/2021	01-12/2020	Change
	BGN '000	BGN '000	%
Non-current assets	45 300	46 325	-2.21%
Current assets	72 697	70 986	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%

	01-06/2021	01-06/2020
EBITDA/Sales revenue	23%	23%
Net profit/Sales revenue	14%	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

Revenue by dosage forms	01-06/2021 <i>BGN '000</i>	01-06/2020 <i>BGN '000</i>
Tablets	18 266	18 536
Ampules	441	301
Vials	3 581	2 708
Total:	22 288	21 547

Revenue by therapeutic groups	01-06/2021 <i>BGN '000</i>	01-06/2020 <i>BGN '000</i>
Cardiovascular system	14 903	15 475
Musculoskeletal system and connective tissue	62	516
Respiratory system and antibiotics	3 226	1 994
Nervous system	1 001	505
Endocrine system	1 619	1 609
Other products	627	658
Digestive system and metabolism	651	675
Oncology	199	114
Total:	22 288	21 547

Changes in the inventories of products and work in progress	613	(541)
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Other operating income	01-06/2021 <i>BGN '000</i>	01-06/2020 <i>BGN '000</i>
Income from rent	14	12
Other income	21	74
Total:	35	86

Financial income	01-06/2021 <i>BGN '000</i>	01-06/2020 <i>BGN '000</i>
Income from interest	-	-
Income from exchange rate differences	11	32
Other financial income	-	-
Total:	11	32

Core activity expenses

Operating expenses	01-06/2021 <i>BGN '000</i>	01-06/2020 <i>BGN '000</i>
Book value of sold products	462	554
Materials	7 828	6 457
External services	6 639	6 666

Salaries	2 289	1 894
Social security costs	402	353
Depreciation costs	2 037	1 910
Other	282	85
Total:	19 939	17 919

Cost of materials	01-06/2021	01-06/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Basic material	7 280	5 968
Electricity	204	163
Fuels and lubricants	48	16
Spare parts and laboratory materials	83	102
Water	12	8
Other materials	201	200
Total:	7 828	6 457

Costs of external services	01-06/2021	01-06/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Rents	-	-
Security	201	201
Insurance	12	15
Telephone and postage expenses	9	14
Equipment maintenance and subscription	77	125
Fees	214	88
Transport costs	16	30
Other costs for external services	6 110	6 193
Total:	6 639	6 666

Financial expenses	01-06/2021	01-06/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	145	103
Expenses from exchange rate differences	37	67
Other financial expenses	14	19
Total:	196	189

Assets

	01-06/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets		
Property, plant and equipment	36 643	37 123
Intangible assets	3 376	3 816
Investments with minority interest	105	210

Trade receivables	5 176	5 176
Total non-current assets	45 300	46 325
Current assets		
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	27	45
Total current assets	72 697	70 986
Total Assets	117 997	117 311

	01-06/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment		
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
	36 643	37 123

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

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
Total Equity	99 852	97 136

Liabilities

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

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
Total current liabilities	14 866	17 111
Total liabilities	18 145	20 175
Total equity and liabilities	117 997	117 311

Financial indicators

	01-06/2021	01-06/2020
Leverage ratio	0.18	0.19
Financial autonomy ratio	5.50	5.21

Information on the shares of Tchaikapharma High Quality Medicines Inc.

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.

	1-06/2021	1-06/2020
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	14.30	12.50
Market capitalization at the end of the period in BGN	1 175 460 000	1 027 500 000

Biser Georgiev

/Executive Director/

