

ACTIVITY REPORT

For the third quarter
of 2021



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

28.10.2021

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 leva and 07 st.) to be allocated to reserves and 561 393.58 (Five hundred and sixty-one thousand three hundred and ninety-three leva 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). On 21.07.2021 the capital increase of Tchaikapharma High Quality Medicines AD was registered.
- The current capital of the Company is BGN 84 500 000 distributed in 84 500 000 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	224
Total amount of acquisition of fixed tangible and intangible assets	1 198	3 376	15 013

Major investments in progress

In the third quarter of 2021, the expansion of the tablet workshop at Tchaikapharma Plovdiv will continue. The installed new granulation equipment-mixer-granulator, vortex dryer and regranulator is in testing period. Qualification of the equipment and staff training has been carried out. Qualification of the premises and a change in the production permit is pending. Construction of additional storage for format parts has been completed and the premises are ready for commissioning by the end of the year.

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:

Submitted renewals:

Ivabenor 5 mg; 7,5 mg film-coated tablets - IAL-32982-32983/05.07.2021

Submitted variations:

ContaMedia Ioh 350 mg I/ml solution for injection – var. type IA - IAL-32981/05.07.2021

Lidocaine-Tchaikapharma 10 mg/ml; 20 mg/ml solution for injection – grouped variations type IA; IA - IAL-35812/22.07.2021

Isosorbe 40 mg PRT – var. type IA - IAL-35808/22.07.2021

Isosorbe 40 mg PRT – var. type IB - IAL-35810/22.07.2021

Pretimectal 35 mg modified-release tablets – var. type IB - IAL-37175/30.07.2021

Methylprednisolone-Tchaikapharma 40 mg powd. and solvent for sol. for inj. – var. type IA - IAL-37176/30.07.2021

RAH-Tch 5/5/12.5mg; 5/5/25mg; 10/5/25mg hard capsules – var. type IB - IAL-37179/30.07.2021

Ceftriaxon-Tchaikapharma 1 g & 2 g powder for solution injection/infusion – gr. var. type IAin - IAL-35813-35811/22.07.2021

Vorifungal 200 mg powder for solution for infusion – var. type IB - IAL-37745/03.08.21

Bilamcar 8mg/5mg; 8mg/10mg; 16 mg/5mg; 16mg/10mg hard capsules (DCP) – var. type IB - IAL-37749/03.08.2021

Tamayra 5mg/5mg; 10mg/5mg hard capsules (DCP) – var. Type IA - IAL-39981/18.08.2021

Levor 500 mg film-coated tablets – var. type IAin - IAL-39986/18.08.2021

Coolsart 20 mg/12,5 mg; 40 mg/12,5 mg film-coated tablets – var. type IAin - IAL-39984/18.08.2021

CentroQueen 100 mg; 200 mg film-coated tablets – gr.var.type IB; IAin - IAL-33547/08.07.2021

Ivabenor 5 mg; 7,5 mg film-coated tablets – var. type II IAL-43863/14.09.21

Coolsart 20 mg/12,5 mg; 40 mg/12,5 mg film-coated tablets – var. type IB - IAL-43864/14.09.2021

Alonet 400 mg film-coated tablets – var. type IA - IAL-44800/20.09.21

Klacar 500 mg film-coated tablets – var. type IA - IAL-44795/20.09.21

Klacar XL 500 mg prolonged-release tablets – var. type IA - IAL-44793/20.09.21

Lifurox 500 mg film-coated tablets – var. type IA - IAL-44791/20.09.21

Apiri 100 mg gastro-resistant tablets – var. notification Art. (61.3) - IAL-46128/28.09.2021

Total: 21

Approved MA's from BDA:

Approved MA's of new products:

Ramipril/Amlodipine/Hydrochlorothiazide-Tch 5mg/5mg/12.5mg; 5mg/5mg/25mg; 10mg/5mg/25mg hard caps - BG/MA/MP-55340-41-42/21.07.2021

Rivaroxaban-Tchaikapharma 10 mg; 15 mg; 20 mg film-coated tablets - BG/MA/MP-55428-29-30/27.07.2021

Approved variations:

Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules, hard – grouped variations type IA - IAL-37902; IAL-37903; IAL-37904/04-08-2021

Diclofenac-Tchaikapharma 50 mg gastro-resistant tablets – Grouped variation type IA; IA; IA – IAL-36992/29.07.2021

Apiri 100 mg gastro-resistant tablets – Grouped variation type IAin; IAin – IAL-36991/29.07.2021

ContaMedia Ioh 350 mg I/ml solution for injection – var. type IA - IAL-40531/23.08.2021

Lidocaine-Tchaikapharma 10 mg/ml; 20 mg/ml solution for injection – grouped variations type IA; IA - IAL-41379/30-08-2021; IAL-41381/30-08-2021.

Isosorbe 40 mg PRT – var. type IA - IAL-40767/25.08.2021

Pretimectal 35 mg modified-release tablets – var. type IB - IAL-38742/10.08.2021

Methylprednisolone-Tch 40 mg powd. and solvent for sol. for inj. – var. type IA - IAL-55998/09.09.2021

RAH-Tch 5/5/12.5mg; 5/5/25mg; 10/5/25mg hard capsules – var. type IB - BG/MA/MP-55949-50-51/03.09.2021

Ceftriaxon-Tchaikapharma 1 g & 2 g powder for solution injection/infusion – gr. var. type IAin - BG/MA/MP-55895-55894/31.08.2021

Vorifungal 200 mg powder for solution for infusion – var. type IB - IAL-41501/30.08.21

Ivabenor 5 mg; 7,5 mg film-coated tablets – var.type II- IAL-32655-56/02.07.2021

Tamayra 5mg/5mg; 10mg/5mg hard capsules (DCP) – var. Type IA - IAL-45913/27.09.2021

Total: 13

Kosovo

Submitted

Submitted applications of MA's for new products:

Approved MA's for new products:

Tamayra 5mg/5mg hard capsules - MA-0205/24/09/2021

Tamayra 10mg/5mg hard capsules - MA-0206/24/09/2021

Submitted renewals:

Metformin-Tchaikapharma 850 mg film-coated tablets – 19/08/2021

Pizona 15 mg; 30 mg tablets – 09/2021

Approved renewals:

Bravylol 5 mg tablets – 15/07/2021

Employees

As of 30.09.2021 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 166 (147 as of 31.12.2020). In the table below detailed information about the employees in the company is provided

	30.09.2021	Share
Number of employees as of 30.09.2021	166	100%
Higher education	108	65%
Secondary education	57	34%
Primary education	1	1%
Employees under 30 years	56	34%
Employees 31 - 40 years	62	37%
Employees 41 - 50 years.	44	27%
Employees 51 - 60 years.	3	2%
Employees 60+ years	1	1%
Women	75	45%
Men	91	55%

Significant events since the beginning of the year until 30.09.2021

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

Key financial indicators

Indicators	01-09/2021	01-09/2020	Change
	BGN '000	BGN '000	%
Sales revenue	34 923	32 665	6.74%
Earnings before interest, taxes and depreciation (EBITDA)	6 863	7 487	-8.33%
Net profit	3 517	3 945	-0.11%

	01-09/2021	01-12/2020	Change
	BGN '000	BGN '000	%
Non-current assets	46 113	46 325	-0.46%
Current assets	72 044	70 986	1.49%
Equity	100 653	97 136	3.62%
Non-current liabilities	3 254	3 064	6.20%
Current liabilities	14 250	17 111	-16.72%

	01-09/2021	01-09/2020
EBITDA/Sales revenue	20%	23%
Net profit/Sales revenue	10%	12%

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	01-09/2021 BGN '000	01-09/2020 BGN '000
Tablets	28 190	28 144
Ampules	567	584
Vials	6 124	3 892
Total:	34 881	32 620

Revenue by therapeutic groups	01-09/2021 BGN '000	01-09/2020 BGN '000
Cardiovascular system	22 987	23 241
Musculoskeletal system and connective tissue	62	34
Respiratory system and antibiotics	5 273	3 240
Nervous system	1 298	1 034
Endocrine system	2 461	2 480

Other products	1 185	1 524
Digestive system and metabolism	1 414	949
Oncology	202	118
Total:	34 881	32 620

Changes in the inventories of products and work in progress	(135)	397
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Other operating income	01-09/2021	01-09/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Income from rent	20	19
Other income	22	80
Total:	42	99

Financial income	01-09/2021	01-09/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Income from interest	-	-
Income from exchange rate differences	14	52
Other financial income	-	-
Total:	14	52

Core activity expenses

Operating expenses	01-09/2021	01-09/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Book value of sold products	912	719
Materials	11 614	9 843
External services	11 181	10 594
Salaries	3 448	2 932
Social security costs	611	543
Depreciation costs	2 960	3 169
Other	360	137
Total:	31 086	27 937

Cost of materials	01-09/2021	01-09/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Basic material	10 601	9 085
Electricity	467	284
Fuels and lubricants	63	23
Spare parts and laboratory materials	148	143
Water	18	14
Other materials	317	294

Total:	11 614	9 843
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Costs of external services	01-09/2021	01-09/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Security	339	285
Insurance	18	22
Telephone and postage expenses	17	20
Equipment maintenance and subscription	149	164
Fees	333	227
Transport costs	26	51
Other costs for external services	10 299	9 825
Total:	11 181	10 594

Financial expenses	01-09/2021	01-09/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	206	183
Expenses from exchange rate differences	63	92
Other financial expenses	20	27
Total:	289	302

Assets

	01-09/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets		
Property, plant and equipment	37 016	37 123
Intangible assets	3 837	3 816
Investments with minority interest	84	210
Trade receivables	5 176	5 176
Total non-current assets	46 113	46 325
Current assets		
Inventories	9 651	10 842
Trade and other receivables	62 357	60 084
Treasury shares redeemed	-	14
Current corporate income tax	-	1
Cash and cash equivalents	36	45
Total current assets	72 044	70 986
Total Assets	118 157	117 311

	01-09/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment		
Land and buildings	23 639	23 985

Machinery and equipment	10 581	9 503
Other	305	272
In the process of acquisition	2 491	3 363
	37 016	37 123

Inventories	01-09/2021	01-12/2020
	BGN '000	BGN '000
Materials	9 013	9 592
Production	540	639
Goods	98	294
Work in progress	-	317
Total:	9 651	10 842

Equity and liabilities

	01-09/2021	01-12/2020
	BGN '000	BGN '000
Registered capital	84 500	82 200
Statutory reserve	12 094	12 032
Undistributed profit	4 059	2 904
Total Equity	100 653	97 136

Liabilities

	01-09/2021	01-12/2020
	BGN '000	BGN '000
Non-current liabilities		
Long-term loans	1 921	1 731
Deferred tax liabilities	1 139	1 139
Liabilities to employees on retirement	194	194
Total non-current liabilities	3 254	3 064

Current liabilities

Trade and other liabilities	3 989	6 583
Short term loans	9 782	9 783
Current part of long-term loans	363	541
Current corporate income tax		
Other tax liabilities	116	204
Total current liabilities	14 250	17 111
Total liabilities	17 504	20 175
Total equity and liabilities	118 157	117 311

Financial indicators

	01-09/2021	01-09/2020
Leverage ratio	0.17	0.17

Financial autonomy ratio

5.75

5.86

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total amount of shares issued as of 30.09.2021 was 84 500 000 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.

	1-09/2021	1-09/2020
Total number of issued shares	84 500 000	82 200 000
Number of shares in circulation at end of period	84 500 000	82 200 000
Price per share at the end of the period in BGN	14.50	12.90
Market capitalization at the end of the period in BGN	1 225 250 000	1 060 380 000

Biser Georgiev

/Executive Director/

