

CONSOLIDATED ACTIVITY REPORT

For the third quarter
of 2021



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

25.11.2021

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 30.09.2021 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 30.09.2021 is composed of:

Biser Rosenov Georgiev

Chairman

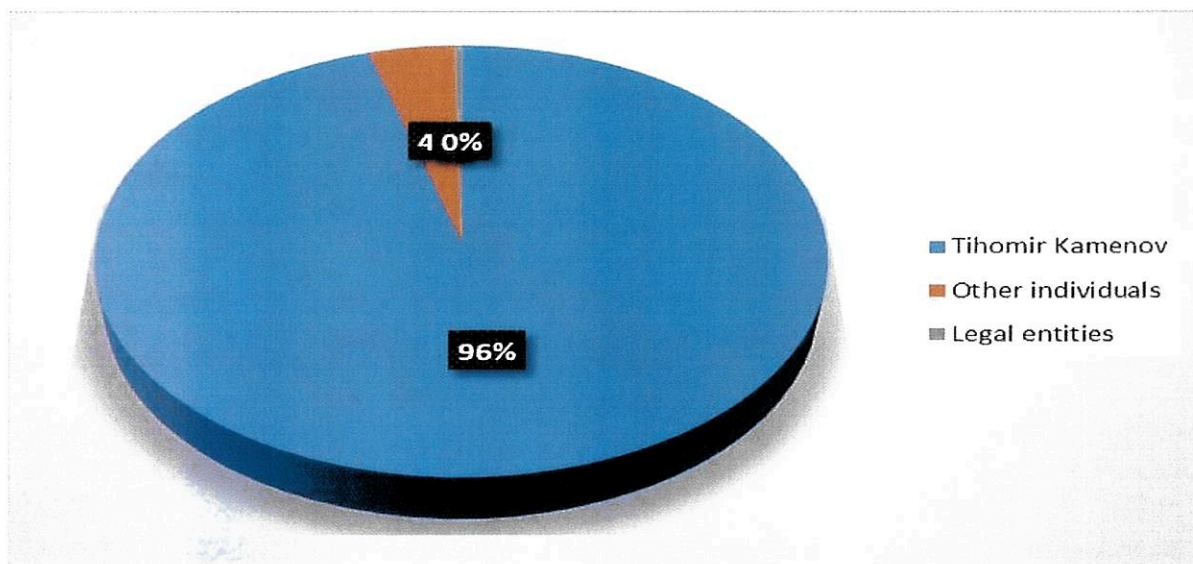
Sylvia Slavcheva Patrikova

Member

Radka Alexandrova Tsenova

Member

5. Shareholding structure 30.09.2021.



6. Employees

As of 30.09.2021, the average number of employees in Tchaikapharma High Quality Medicines Inc. Group is 166 people, who are entirely in the parent company.

II. Development of the activity

Investments

Major investments in the third 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	30.09.2021
Tchaikapharma High Quality Medicines Inc.		
I. Fixed tangible assets	13 861	3 749
1. Land and buildings	13 042	
2. Property and equipment	667	3 163
3. Other fixed assets	152	586

II. Fixed intangible assets	1 152	243
1. Industrial property rights	919	213
2. Software	9	11
3. Patents and licenses	224	19
Total amount of acquisition of fixed tangible and intangible assets	15 013	3 992

Major investments in progress

In the third 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	01-09/2021		Change %
	BGN '000		
Sales revenue	34 923		
Earnings before interest, taxes and depreciation (EBITDA)	6 863		
Net profit	3 517		
	01-09/2021	01-12/2020	
	BGN '000		
Non-current assets	46 113	46 306	-2.21%
Current assets	72 063	71 005	2.41%
Equity	100 653	97 136	2.80%
Non-current liabilities	3 254	3 064	7.02%
Current liabilities	14 250	17 111	-13.12%
	01-09/2021		
EBITDA/Sales revenue	20%		
Net profit/Sales revenue	10%		

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
Tablets	28 190
Ampules	567
Vials	6 124
Total:	34 881

Revenue by therapeutic groups	01-09/2021 BGN '000
Cardiovascular system	22 987
Musculoskeletal system and connective tissue	62
Respiratory system and antibiotics	5 273
Nervous system	1 298
Endocrine system	2 461
Other products	1 185
Digestive system and metabolism	1 414
Oncology	202

Total: 34 881

Changes in the inventories of products and work in progress (135)

Other operating income 01-09/2021
BGN '000

Income from rent 20

Other income 22

Total: 42

Financial income 01-09/2021
BGN '000

Income from interest -

Income from exchange rate differences 14

Other financial income -

Total: 14

Core activity expenses

Operating expenses 01-09/2021
BGN '000

Book value of sold products 912

Materials 11 614

External services 11 181

Salaries 3 448

Social security costs 611

Depreciation costs 2 960

Other 360

Total: 31 086

Cost of materials 01-09/2021
BGN '000

Basic material 10 601

Electricity 467

Fuels and lubricants 63

Spare parts and laboratory materials 148

Water 18

Other materials 317

Total: 11 614

Costs of external services	01-09/2021
	BGN '000
Security	339
Insurance	18
Telephone and postage expenses	17
Equipment maintenance and subscription	149
Fees	333
Transport costs	26
Other costs for external services	10 299
Total:	11 181

Financial expenses	01-09/2021
	BGN '000
Interest expenses	206
Expenses from exchange rate differences	63
Other financial expenses	20
Total:	289

Assets

	01-09/2021	01-12/2020
	BGN '000	BGN '000
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	5 157	5 157
Total non-current assets	46 094	46 306
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	55	64
Total current assets	72 063	71 005
Total Assets	118 157	117 311

	01-09/2021	01-12/2020
	BGN '000	BGN '000
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
	<i>BGN '000</i>	<i>BGN '000</i>
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
	<i>BGN '000</i>	<i>BGN '000</i>
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
	<i>BGN '000</i>	<i>BGN '000</i>
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
Leverage ratio	0.17
Financial autonomy ratio	5.75

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

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.-Group

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

Biser Georgiev

/Executive Director/