

ACTIVITY REPORT

For the fourth quarter
of 2021



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

25.01.2022

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 603 702.40 BGN (Six hundred and three thousand seventy two leva and 40 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 541 325.33 (Five hundred and forty-one thousand three hundred and seventy-seven leva and 7 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: 2019, 2020 and 2021.

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

Investments for the period	2019	2020	2021
Tchaikapharma High Quality Medicines Inc.			
I. Fixed tangible assets	2 715	13 861	4 630
1. Land and buildings	2 617	13 042	
2. Property and equipment		667	4 596
3. Other fixed assets	98	152	34
II. Fixed intangible assets	661	939	375
1. Industrial property rights	637	919	307
2. Software	10	9	49
3. Patents and licenses	14	224	19
Total amount of acquisition of fixed tangible and intangible assets	3 376	14 800	5 005

Major investments in progress

In the fourth 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:

Semefro 50 mg/850 mg; 50 mg/1000 mg – MA – IAL-58565-58567/09-12-2021

Submitted variations:

Pizona 15 mg; 30 mg; 45 mg tablets, var. type IB - IAL-48675/13.10.2021

Metformin-Tchaikapharma 850 mg film-coated tablets – var. type IA - IAL-49896/20.10.2021

Pisizif 1.5 mg prolonged release tablets – var. type IAin - IAL-50427/22.10.2021

Kefadim 1 g powder for sol. for inj. – gr. var. type IA; IA - IAL-50951/26-10-2021

Ivabenor 5 mg; 7.5 mg film-coated tablets – var. type IB - IAL-56640/26.11.2021

Co-Irbesso 150mg/12.5mg; 300mg/12.5mg film-coated tablets var. type IB - IAL-56641/26.11.2021

Bilamcar 8 mg/5 mg; 8 mg/10 mg; 16 mg/10 mg hard capsules (DCP) – gr. var. type IB; IB - IAL-50422/22.10.2021

Bilamcar 8 mg/5 mg; 8 mg/10 mg; 16 mg/10 mg hard capsules (DCP) – gr. var. type IB; IA – IAL-47749/07.10.2021

Pizona Combi 15 mg/ 850 mg film-coated tablets – var. type IB – IAL-58562/09-12-2021
PlaquEx Combi 75 mg/75 mg hard capsules – var. type IB – IAL – 58564/09-12-2021
Telsart 80 mg tablets – var. type IA – IAL-58561/09-12-2021
Zornichka 12,5 mg tablets – gr. var. type IA; IA – IAL – 61330/22-12-2021
PlaquEx Combi 75 mg /75 mg hard capsules – var. type IAin – IAL – 61333/22-12-2021
Rossta 10 mg; 20 mg; 40 mg film-coated tablets (DCP) – gr. var. type IA – 61937/29.12.2021
Reverantza 20 mg/5 mg; 40 mg/5 mg film-coated tablets (DCP) – var. type IB – IAL – 61916/29.12.2021

Approved MA's from BDA:

Approved MA's of new products:

TromBye 100 mg tablets – MA – BG/MA/MP-56984/08.12.2021

Approved renewals:

Approved variations:

Levor 500 mg film-coated tablets – var. type IAin - IAL-45885/27.09.2021
Pizona 15 mg; 30 mg; 45 mg tablets – var. type IB - BG/MA/MP-56733-32-31/18.11.2021
Pisizif 1.5 mg prolonged release tablets – var. type IAin - BG/MA/MP-56848/03.12.2021
Apiri 100 mg gastro-resistant tablets – notif. Art. 61(3) - IAL-54785/17.11.2021
Lifurox 500 mg film-coated tablets – var. type IAin - IAL-48504/12.10.2021
Klacar 500 mg film-coated tablets – var. type IA - IAL-48503/12.10.2021
Alonet 400 mg film-coated tablets – var. type IA - IAL-48653/13.10.2021
Coolsart 20 mg/12,5 mg; 40 mg/12,5 mg film-coated tablets – var. type IAin - IAL-47180-81/05.10.2021
ContaMedia Ioh 350 mg I/ml solution for injection – gr. var. type IA; IB - IAL-53976/11.11.2021
Klacar 500 mg film-coated tablets – gr. var. type IB; IAin - IAL-56541/03.11.2021
Rossta 10 mg; 20 mg film-coated tablets (DCP) – gr. var. type IB; IB; IA - IAL-48364-66/12.10.2021

Reverantza 20 mg/5 mg; 40 mg/5 mg film-coated tablets (DCP) – var. type IB – IAL - 50189-50191/21.10.2021

Tamayra 5 mg/5 mg; 10 mg/5 mg hard capsules (DCP) – var. type IB – IAL - 55252-55254/18.11.2021

Coolsart 20 mg/ 12.5 mg; 40 mg/12.5 mg – var. type IB – IAL – 58432/08-12-2021

Bilamcar 8 mg/5 mg; 8 mg/10 mg; 16 mg/10 mg hard capsules (DCP) – gr. var. type IB; IB – BG/MA/MP-57022-23-24-25/13.12.2021

Bilamcar 8 mg/5 mg; 8 mg/10 mg; 16 mg/10 mg hard capsules (DCP) - notif. Art. 61(3) – IAL – 59392-93-96-97/14.12.2021

Rossta 10 mg; 20 mg; 40 mg (DCP) - notif. Art. 61(3) – IAL – 58753-54-55/10.12.2021

Kefadim 1 g powder for sol. for inj. – gr. var. type IA; IA - IAL-59021/10-12-2021

Metformin-Tchaikapharma 850 mg film-coated tablets – var. type IA – IAL – 61049/21-12-2021

Kosovo

Submitted

Submitted applications of MA's for new products:

Approved MA's for new products:

Ceftriaxon-Tchaikapharma 1 g powder for solution for injection/infusion – MA – 0249/18/11/2021

Ceftriaxon-Tchaikapharma 2 g powder for solution for injection/infusion – MA-0250/18/11/2021

Bilamcar 8 mg/ 5 mg hard capsules – MA-0248/18/11/2021

Bilamcar 16 mg/5 mg hard capsules – MA-0251/18/11/2021

MoriVid 200 mg film-coated tablets – MA-0212/15/10/2021

Submitted renewals:

Co-Telsart 80 mg/12.5 mg tablets – 10/2021

Rossta 10 mg; 20 mg; 40 mg film-coated tablets – 11/2021

Diab MR 30 mg modified-release tablets – 11/2021

Aroba 100 mg tablets – 11/2021

Approved renewals:

Cardifriend 5 mg tablets – RMA No: 2654/13/12/2021

Submitted variations:

Co-Telsart 80 mg/12.5 mg tablets – Var. type IAin – 10/2021

Rossta 10 mg; 20 mg; 40 mg film-coated tablets – Var.type IA – 11/2021

Rossta 10 mg; 20 mg; 40 mg film-coated tablets – Var.type IAin – 11/2021

Rossta 10 mg; 20 mg; 40 mg film-coated tablets – Var.type IA – 11/2021

Diab MR 30 mg modified-release tablets – Var.type IAin – 11/2021

Diab MR 30 mg modified-release tablets – Var.type IB – 11/2021

Diab MR 30 mg modified-release tablets – Var.type IB – 11/2021

Aroba 100 mg tablets – Var.type IAin – 11/2021

Aroba 100 mg tablets – Var.type IAin – 11/2021

Aroba 100 mg tablets – Var.type IAin – 11/2021

Aroba 100 mg tablets – Var.type IA – 11/2021

Aroba 100 mg tablets – Var.type IB – 11/2021

Aroba 100 mg tablets – Var.type IB – 11/2021

Aroba 100 mg tablets – Var.type IB – 11/2021

Approved variations:

Bisor 5 mg tablets – var. type IAin; IAin – 11/2021

Employees

As of 31.12.2021 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 164 (147 as of 31.12.2020). In the table below detailed information about the employees in the company is provided

	31.12.2021	Share
Number of employees as of 31.12.2021	164	100%
Higher education	105	64%
Secondary education	58	35%
Primary education	1	1%
Employees under 30 years	57	35%
Employees 31 - 40 years	62	38%
Employees 41 - 50 years.	43	25%

Employees 51 - 60 years.	1	1%
Employees 60+ years	1	1%
Women	74	45%
Men	90	55%

Significant events since the beginning of the year until 31.12.2021

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

Key financial indicators

Indicators	01-12/2021 <i>BGN '000</i>	01-12/2020 <i>BGN '000</i>	Change %
Sales revenue	42 431	40 105	5.80%
Earnings before interest, taxes and depreciation (EBITDA)	5 505	4 638	18.67%
Net profit	1 899	604	214.26%

	01-12/2021 <i>BGN '000</i>	01-12/2020 <i>BGN '000</i>	Change %
Non-current assets	45 505	46 325	-1.77%
Current assets	70 997	70 986	0.02%
Equity	98 803	97 136	1.72%
Non-current liabilities	3 102	3 064	1.24%
Current liabilities	14 597	17 111	-14.69%

	01-12/2021	01-12/2020
EBITDA/Sales revenue	13%	12%
Net profit/Sales revenue	4%	2%

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	01-12/2021 BGN '000	01-12/2020 BGN '000
Tablets	33 280	30 999
Ampules	1 054	876
Vials	8 070	8 163
Total:	42 404	40 038

Revenue by therapeutic groups	01-12/2021 BGN '000	01-12/2020 BGN '000
Cardiovascular system	27 036	27 536
Musculoskeletal system and connective tissue	88	59
Respiratory system and antibiotics	7 325	4 420
Nervous system	1 564	1 166
Endocrine system	2 947	3 227
Other products	1 357	2 448
Digestive system and metabolism	1 530	980
Oncology	555	203
Total:	42 404	40 038

Changes in the inventories of products and work in progress	1 021	(784)
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Other operating income	01-12/2021 BGN '000	01-12/2020 BGN '000
Income from rent	27	26
Other income	101	324
Total:	128	350

Financial income	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Income from interest	457	452
Income from exchange rate differences	16	69
Other financial income	28	-
Total:	501	521

Core activity expenses

Operating expenses	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Book value of sold products	1 105	817
Materials	15 583	14 320
External services	15 074	14 085
Salaries	4 611	4 208
Social security costs	829	752
Depreciation costs	3 795	4 231
Other	759	652
Total:	41 757	39 065

Cost of materials	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Basic material	14 011	13 251
Electricity	806	420
Fuels and lubricants	92	34
Spare parts and laboratory materials	218	187
Water	23	21
Other materials	433	407
Total:	15 583	14 320

Costs of external services	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Security	452	385
Insurance	25	28
Telephone and postage expenses	24	26
Equipment maintenance and subscription	186	199
Fees	492	271
Transport costs	32	64
Other costs for external services	13 863	13 112
Total:	15 074	14 085

Financial expenses	01-12/2021	01-12/2020
	BGN '000	BGN '000
Interest expenses	267	235
Expenses from exchange rate differences	84	53
Other financial expenses	47	148
Total:	398	436

Assets

	01-12/2021	01-12/2020
	BGN '000	BGN '000
Non-current assets		
Property, plant and equipment	36 848	37 123
Intangible assets	3 481	4 026
Trade receivables	5 176	5 176
Total non-current assets	45 505	46 325
Current assets		
Inventories	10 773	10 842
Trade and other receivables	60 184	60 084
Treasury shares redeemed	-	14
Current corporate income tax	-	1
Cash and cash equivalents	40	45
Total current assets	70 997	70 986
Total Assets	116 502	117 311

	01-12/2021	01-12/2020
	BGN '000	BGN '000
Property, plant and equipment		
Land and buildings	23 524	23 985
Machinery and equipment	11 504	9 503
Other	293	272
In the process of acquisition	1 527	3 363
	36 848	37 123

Inventories	01-12/2021	01-12/2020
	BGN '000	BGN '000
Materials	8 604	9 592
Production	2 038	639
Goods	131	294
Work in progress	-	317
Total:	10 773	10 842

Equity and liabilities

	01-12/2021	01-12/2020
	BGN '000	BGN '000

Registered capital	84 500	82 200
Statutory reserve	12 094	12 032
Undistributed profit	2 209	2 904
Total Equity	98 803	97 136

Liabilities	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current liabilities		
Long-term loans	1 769	1 731
Deferred tax liabilities	1 139	1 139
Liabilities to employees on retirement	194	194
Total non-current liabilities	3 102	3 064
Current liabilities		
Trade and other liabilities	4 350	6 583
Short term loans	9 781	9 783
Current part of long-term loans	342	541
Current corporate income tax		
Other tax liabilities	124	204
Total current liabilities	14 250	17 111
Total liabilities	17 504	20 175
Total equity and liabilities	116 502	117 311

Financial indicators

	01-12/2021	01-12/2020
Leverage ratio	0.18	0.21
Financial autonomy ratio	5.58	4.81

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total amount of shares issued as of 31.12.2021 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.

	1-12/2021	1-12/2020
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	14.90	13.50
Market capitalization at the end of the period in BGN	1 259 050 000	1 109 700 000

Biser Georgiev

/Executive Director/

