

CONSOLIDATED ACTIVITY REPORT

For the fourth quarter
of 2021



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

25.02.2022

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 31.12.2021 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 31.12.2021 is composed of:

Biser Rosenov Georgiev

Chairman

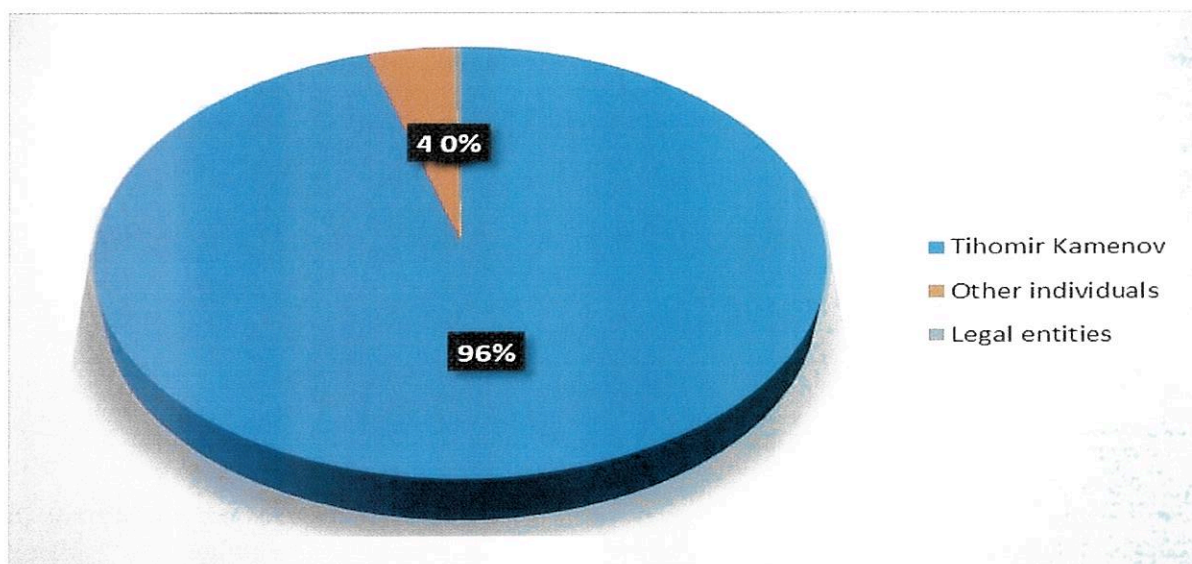
Sylvia Slavcheva Patrikova

Member

Radka Alexandrova Tsenova

Member

5. Shareholding structure 31.12.2021.



6. Employees

As of 31.12.2021, the average number of employees in Tchaikapharma High Quality Medicines Inc. Group is 164 people, who are entirely in the parent company.

II. Development of the activity

Investments

Major investments in the fourth quarter of 2021.

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

Investments for the period	2021	2020
Tchaikapharma High Quality Medicines Inc.		
I. Fixed tangible assets	4 630	13 861
1. Land and buildings		13 042
2. Property and equipment	4 596	667
3. Other fixed assets	34	152

II. Fixed intangible assets	375	939
1. Industrial property rights	307	919
2. Software	49	9
3. Patents and licenses	19	224
Total amount of acquisition of fixed tangible and intangible assets	5 005	14 800

Major investments in progress

In the fourth 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	01-12/2021 BGN '000	01-12/2020 BGN '000
Sales revenue	42 431	40 105
Earnings before interest, taxes and depreciation (EBITDA)	5 505	4 638
Net profit	1 899	604

	01-12/2021 BGN '000	01-12/2020 BGN '000
Non-current assets	45 486	46 306
Current assets	71 016	71 005
Equity	98 803	97 136
Non-current liabilities	3 102	3 064
Current liabilities	14 597	17 111

	01-12/2021 BGN '000	01-12/2020 BGN '000
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 <i>BGN '000</i>	01-12/2020 <i>BGN '000</i>
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 <i>BGN '000</i>	01-12/2020 <i>BGN '000</i>
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	01-12/2020
	BGN '000	BGN '000
Income from rent	27	26
Other income	101	324
Total:	128	350

Financial income	01-12/2021	01-12/2020
	BGN '000	BGN '000
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
	BGN '000	BGN '000
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
	BGN '000	BGN '000
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
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	267	235
Expenses on transactions in financial assets	-	98
Expenses from exchange rate differences	84	53
Other financial expenses	47	50
Total:	398	436

Assets

	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets		
Property, plant and equipment	36 848	37 123
Intangible assets	3 481	4 026
Trade receivables	5 157	5 157
Total non-current assets	45 486	46 306

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	59	64
Total current assets	71 016	71 005
Total Assets	118 157	117 311

	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
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
	BGN '000	BGN '000
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.-Group

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.-Group

	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/