

**ANNUAL
MANAGEMENT REPORT
for 2021**



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

GROUP OF TCHAIKAPHARMA HIGH QUALITY MEDICINES INC

18.04.2022

General information about Group of Tchaikapharma High Quality Medicines Inc.

History and development of Tchaikapharma High Quality Medicines Inc.

Legal and corporate name

The legal and corporate name of the parent company is Tchaikapharma High Quality Medicines Inc.

Address details and registration. Unique Identification Code (UIC)

The Company was registered as a joint stock company with the Commercial Register by virtue of Decision dated 14 March 2000 of the Varna District Court on company file 1096/2000 with the corporate name Tchaikapharma High Quality Medicines Inc.

By resolution of the General Meeting of Shareholders dated 04 July 2003, registered by virtue of Decision dated 30 July 2003 on company file 1096/2000 of the Varna District Court, the corporate name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is registered with the Commercial Register of the Registry Agency at the Ministry of Justice under **UIC 103524525**. Management address: Republic of Bulgaria, 1172 Sofia,

1 G. M. Dimitrov Blvd

The Tchaikapharma High Quality Medicines plc group does not have a parent ultimate entity.

"Tchaikapharma High Quality Medicines plc did not change its name during the reporting period.

Date of incorporation and duration of the existence

The Group was established in 2020 with the incorporation of a subsidiary, SWYSSI S.R.L., with its registered office and registered address in the Republic of Romania. The existence of the Group is not limited by term.

Country of establishment, head office and registered address pursuant to the Articles of Association; legal form; legislation governing the activity of the Company

Tchaikapharma High Quality Medicines Inc. is a joint stock company, which operates in compliance with the legislation of the Republic of Bulgaria.

The Company is incorporated in the Republic of Bulgaria.

The head office and registered address of the Company is as follows:

Republic of Bulgaria, 1172 Sofia, 1 G. M. Dimitrov Blvd.

Contact Address: 1172 Sofia, 1 G.M. Dimitrov Blvd.

Telephone number: (359 2) 960 3724

Website: www.tchaikapharma.com

Shareholding structure as at 31.12.2021

The main shareholder Tihomir Kamenov owns 95.42% and the rest 4.58% are owned by 259 individuals and one legal entity.

Board of Directors

Tchaikapharma High Quality Medicines Inc. has a one-tier management system with a Board of Directors of three members as follows:

Biser Rosenov Georgiev – Executive Director and Member of the Board of Directors

Silviya Slavcheva Patrikova – Chairman of the Board of Directors

Radka Aleksandrova Tsenova – Member of the Board of Directors

The shares held by the members of the Board of Directors as at 31.12.2021 are:

Biser Rosenov Georgiev – 8,958 shares

Silviya Slavcheva Patrikova – 768 shares

Radka Aleksandrova Tsenova – 0 shares

The Articles of Association of Tchaikapharma High Quality Medicines Inc. does not provide for any restrictions on the right of members of the Board of Directors to acquire shares of the Company.

The members of the Board of Directors do not participate with shares in the capital of other companies.

There are no contracts under Article 240b of the CA in 2021

The provisions of the Company's Articles of Association on the appointment and dismissal of the members of the management bodies of the company and on the amendments and supplements to the Articles of Association require decisions of the General Meeting of Shareholders. In particular, under Article 43 of the Articles of Association of Tchaikapharma High Quality Medicines Inc. the powers of the management bodies of the company, including the right to take decisions for the issue and redemption of company shares, are governed by the company's Articles of Association. Article 13, para. 3 of the Articles of Association provides for the possibility of issuing shares of Tchaikapharma High Quality Medicines Inc. Article 13 (3) of the Articles of Association provides for the possibility of redemption of shares of Tchaikapharma High Quality Medicines Inc.

Investor Relations Director is German Teterekov, tel. 02/9 603 724, with correspondence address: Sofia, Bulgaria, 1, G. M. Dimitrov Blvd.

Short-term income of the management has been accrued for 2021 according to the contracts signed. The total remuneration of the Board of Directors in the current year is BGN 100,000. There are no rewards or other benefits accrued to the members of the governing body. There are no amounts due for the payment of pensions, retirement benefits or other similar benefits to the Board of Directors.

Economic activity

The main activity of a group of Tchaikapharma High Quality Medicines Inc is purchase of substances and formulations for the production and sale of pharmaceuticals in treated or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original, remade or processed type. On second place are barter and commission transactions; trade representation for foreign and domestic individuals and legal entities in the country and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

The group of Tchaikapharma High Quality Medicines Inc. continuously maintains its manufacturing facilities in line with the current European requirements for Good Manufacturing Practice of Medicines. They are focused on the following therapeutic groups: cardiology, respiratory tract, neurology, psychiatry and gastroenterology. At present, over 160 medicinal products are produced in the company's factories. The premises and equipment of the plant are implemented in full compliance with the requirements of the European requirements for the production of sterile medicinal products.

The most significant pharmaceutical products in terms of their contribution to revenue for 2021 are:

Co-Irbesso – a generic product used for diseases of the cardiovascular system;

Bacteripime - a generic product used for diseases of the respiratory system;

Rossta – a generic product used for diseases of the cardiovascular system;

Diab MR – a generic product used for diseases of the endocrine system;

Ceftriaxon – a generic product used for diseases of the respiratory system;

PlaquEx – a generic product used for diseases of the cardiovascular system;

Spironolacton - a generic product used for diseases of the cardiovascular system;

Aroba - a generic product used for diseases of the endocrine system;

Tamayra – a generic product used for diseases of the cardiovascular system;

Bisor - a generic product used for diseases of the cardiovascular system;

Research and development activities

In 2021 Reconstruction of Tchaikapharma Plovdiv tablet workshop completed for production capacities. New equipment for granulation-mixer-granulator, vortex dryer and reggranulator was installed. Qualification of the equipment and training of the staff was carried out. The qualification of the premises and a change in the production permit are forthcoming.

Submitted in 2021 applications for obtaining a MA for new products:

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

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

The following products have been submitted for termination:

Atenolol-Tchaikapharma 50 mg tablets - IAL-7859/17.02.2021

Bortezomib-Tchaikapharma 3,5 mg powder for solution for injection - IAL-7863/17.02.2021

Cardesart 8 mg, 16 mg, 32 mg tablets - IAL-7867/17.02.2021

Climox 875 mg/125 mg film-coated tablets - IAL-7865/17.02.2021

Corabace 10 mg film-coated tablets - IAL-7868/17.02.2021

Corabace-Co 10 mg/12,5 mg, 20 mg/12,5 mg film-coated tablets - IAL-7869/17.02.2021

Diltiazem-Tchaikapharma 60 mg, 90 mg prolonged-released tablets - IAL-7872/17.02.2021

Ketoprofen-Tchaikapharma 100 mg/2 ml solution for injection - IAL-7871/17.02.2021

Pemetrexed-Tchaikapharma 500 mg powder for solution for infusion - IAL-7874/17.02.2021

Valstor 160 mg film-coated tablets - IAL-15014/24.03.2021

Co-Valstor 160 mg/12.5 mg film-coated tablets - IAL-15012/24.03.2021

Pipetazon 4 g/0.5 g powder for solution for injection / infusion - IAL-15009/24.03.2021

Hypertonic 50 mg film-coated tablets - IAL-15004/24.03.2021

Klacar 250 mg film-coated tablets - IAL-15003/24.03.2021

Cilapenem 500 mg/500 mg powder for solution for infusion - IAL-14998/24.03.2021

Lidocaine-Tchaikapharma 5 mg/ml solution for injection - IAL-14996/24.03.2021

Isosorb 60 mg prolonged-release tablets - IAL-14991/24.03.2021

Linezolid-Tchaikapharma 2 mg/ml solution for infusion - IAL-14987/24.03.2021

Ibodria 3 mg/ 3 ml solution for injection in pre-filled syringe - IAL-14985/24.03.2021

Ibodria 6 mg/6 ml concentrate for solution for infusion - IAL-14985/24.03.2021

Flecainide-Swyssi 50 mg, 100 mg prolonged-release capsules, hard – DCP- Rejection of MA for BG - IAL-1421/13.01.2021

Actions for climate protection

In line with the overall reduction targets for the plant, two steam generators providing hot water and steam switched from diesel to natural gas (methane) in February 2021.

In addition to being a more environmentally friendly source of energy, the changeover also resulted in an increase in the installed capacity of the equipment.

Another measure contributing to the reduction of emissions was the installation of additional inverters to the water cooling towers. The installation of these inverters allows a 50% reduction in electricity consumption at night and on non-working days. Gradually, the fluorescent lighting in all the rooms on the production site is being replaced by LED light sources with significantly lower power consumption, which in turn also results in a reduction in emissions.

As on 31.12.2021, the average number of employees in Tchaikapharma High Quality Medicines Inc. is 164 (as against 147 as on 31.12.2020). The table below provides more detailed information on the Company's staff.

Employees

Number of employees as of 31.12.2021

	31.12.2021	Share
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 over 60 years	1	1%
Women	74	45%
Men	90	55%

Major trading partners

A major customer of a parent company 2021 is Commercial League - GPC AD, with a relative share of 98.67%.

Commercial League GPC AD has its headquarters in Sofia, Bulgaria, 1, G. M. Dimitrov Blvd., with its main activity of medicines trading in the country and abroad. The relationship is regulated by a contract of purchase and sale.

Suppliers whose relative share exceeds 10% of the total costs of services and materials provided in 2021:

Commercial League GPC AD, with a relative share of 43.83 %, with address in Sofia, Bulgaria, 1, G. M. Dimitrov Blvd., with main activity of medicines trading in the country and abroad. The relationship is regulated by a contract of purchase and sale.

Information on the implementation of the program for the application of internationally recognized standards for good corporate governance

The Board of Directors of Tchaikapharma High Quality Medicines Inc. complies with and applies the Corporate Governance Code. The Company periodically discloses corporate governance information in accordance with the “comply or explain” principle. In the event of non-compliance with some of the Code's recommendations, an explanation is provided thereof.

The actions of the management of Tchaikapharma High Quality Medicines Inc. are aimed at strengthening the principles of good corporate governance, increasing the confidence of shareholders, investors and persons interested in the management and operations of the company. The Board of Directors of Tchaikapharma High Quality Medicines Inc. complies with the Good Corporate Governance Programme, which is in line with the current regulations, internationally recognised standards of good corporate governance and the National Corporate Governance Code.

The Board of Directors approves the information disclosure policy in accordance with the legal requirements and Articles of Association. The disclosure system ensures equality of information addressees (shareholders, stakeholders, investment community) and does not allow abuse of inside information. The Corporate management ensures that the disclosure system provides complete, timely, accurate and comprehensible information to enable the objective and informed decisions and assessments. The Board of Directors of Tchaikapharma High Quality Medicines Inc. has prepared a remuneration policy for the members of the Board of Directors to be adopted by the General Meeting of Shareholders for the adoption of the Annual Financial Statements for 2021. The Remuneration policy has been developed in accordance with Ordinance No 48 of 20 March 2013 of the Financial Supervision Commission and the Law on Public Offering of Securities. The remuneration amount and structure are determined by the General Meeting of the Company.

The Board of Directors of Tchaikapharma High Quality Medicines Inc. drafted a Report on the implementation of the remuneration policy of the members of the Board of Directors for 2021. The report reveals how the remuneration policy is applied, paying particular attention to the avoidance of the creation of incentives for excessive risk-taking, conflict of interest or other behaviour leading to adverse consequences. The company also maintains an English-language version of the corporate website with similar content.

The processes and procedures for General Meetings of Shareholders holding guarantee equal treatment of all shareholders, including minority and foreign shareholders, and protect their interests. The materials related to the General Meeting of Shareholders are available to the shareholders on the day of the announcement of the invitation for its convening in the Commercial Register on the company's website: www.tchaikapharma.bg and are provided free to the shareholders upon request. Shareholders entitled to vote may exercise their voting rights at the General Meeting of the company in person or through representatives, as well as by correspondence or by electronic means. The corporate management takes action to encourage the participation of shareholders in the General Meeting of Shareholders, by enabling remote presence through technical means (including the Internet) wherever this is possible and necessary and does not make it more difficult or more expensive to vote.

The Board of Directors believes that conditions have been created for sufficient transparency in the relations with investors, financial media and capital market analysts.

Significant events since the beginning of the year until 31.12.2021

By a 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 new 2,300,000 (two million and three hundred thousand) ordinary dematerialized shares with a par value of BGN 1 (one). The capital increase was entered in the Commercial Register on 21.07.2021. No dividend has been distributed from 2019 and 2020 earnings.

By decision of the General Assembly of 14.06.2021, BGN 63,000 were set aside for a legal reserve. The remaining part of the profit for 2020 was taken as retained earnings. No dividend was distributed.

Significant events occurring after the date of the annual financial statement compilation.

Since the beginning of the year to the date of the Annual Report, there have been significant events directly affecting the Company's operations. With the onset of Russia's aggression in Ukraine on 24.02.2022, a number of our suppliers have notified us of impending increases in their supply of active substances, packaging and ancillary materials. Currently, we have not experienced any delivery refusals and there have been no material delays in the lead times for orders placed.

Tchaikapharma High Quality Medicines Inc. has the resources to meet consumer demand for medicines for 4 months ahead, which it hopes will offset the delay in supply and that these events will not materially impact the Company's drive to supply the market with vital medicines.

Impact of the Covid pandemic on the company's operations

Since the onset of the Kovid 19 pandemic in the early 2020s, problems have emerged with lack of predictability and access to medicines in the country. The supply of essential raw materials (active substances) for pharmaceutical production has been hampered, and the sharp increase in demand for medicines has provoked regular shortages of whole groups of products in the pharmacy network. This made it necessary to stock up on larger quantities of materials required for the production of the product list of Tchaikapharma High Quality Medicines Inc.. Also, the company created a strategy for action in an unprecedented situation, which aims to ensure the continuity of production and provision of therapies for chronically ill patients with monthly prescriptions - over 1.5 million people in the country. Chronic diseases exacerbated as a result of infection were even more demanding of timely diagnosis and precise drug treatment. Recent studies have shown multiple long-term negative effects on the health status of COVID-19 survivors (the so-called "Post-Covida Syndrome"), especially in these patient groups. The other way in which Tchaikapharma High Quality Medicines Inc. helped to tackle the pandemic was to

provide a basic range of drugs to counter the virus. At the beginning of the pandemic, when there were still no established treatment protocols, Tchaikapharma High Quality Medicines Inc., as the only manufacturer of cephalosporins in the country, provided Bulgarian doctors with therapeutic solutions to meet the first two waves. With limited access to healthcare facilities, this was key to limiting complications from the infection and preserving patients' lives.

In early 2022, the declared epidemiological situation continues with a positive trend towards the removal of some of the restrictive measures imposed by governments. Additional effects on the Company's operations may occur.

New developments and products

In 2021 the company received the following marketing authorizations for the territory of Bulgaria, authorized under national procedure:

- Chlortalidone 50mg tablets
- Tilmacar 80mg and 100mg for Romania and Austria
- Reverantza 20/5mg capsules
- Reverantza 40/5mg capsules
- Pretimectal 35mg
- Tamayra 5/5mg
- Tamayra 10/5mg

Expected development of a group

The group of Tchaikapharma High Quality Medicines Inc. is expanding its scope of activities and has focused on conducting clinical trials as part of the creation of new proprietary generic medicines and fixed-dose combinations. The established laboratory shall, on the basis of validated methods, investigate the concentration of various medicinal substances in human plasma in order to assess the bioequivalence of the tested against reference medicinal products. The activity of the laboratory fills a not very well-developed niche on the Bulgarian market, while at the same time preparing for the clinical trials of medicinal products of the company.

The parent company does not stop growing as a company that produces high quality medicines that meet international standards.

Through active marketing policy and competitive prices the company aims to increase the market share of its products on the territory of the country.

The group continues its policy of active partnership with well-established international pharmaceutical companies, mostly European ones, with new companies, as well as expanding the product range of the already established cooperation.

Information on the loan agreements concluded by the company

The Company has signed a loan agreement with one bank:

- UBB AD, contractual amount of BGN 7,826 thousand, maturity on 20.12.2022, balance as at 31.12.2021 – BGN 7,822 thousand and 4 thousand of interest.
- UBB AD, contractual amount of BGN 1,954 thousand, maturity on 20.12.2022, balance as at 31.12.2021 – BGN 1,954 thousand and 1 thousand of interest.
- UBB AD, contractual amount of BGN 23,470 thousand, where Tchaikapharma High Quality Medicines Inc. is a co-borrower, but will take up this function after the General Meeting of Shareholders. As of the end of 2021, the loan drawdown has not yet commenced.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from UNITED BULGARIAN BANK AD under agreements dated 12.04.2019 and 03.12.2019 with maturities on 30.07.2024 and 30.09.2028, liabilities as at 31.12.2021 for the borrower BGN 28,692 thousand.

Information on transactions essential to the business

There were no transactions of material significance for 2021.

Other information according to Annex 10 of Ordinance No 2 on prospects in the public offering and admission to trading on a regulated securities market, and on the disclosure of information by public companies and other securities issuers.

- The Company has no transactions outside its normal course of business, and such deviating from the market conditions. No significant transactions have been made in the current year.
- During the reporting period there were no events and indicators of a nature unusual for the company. Tchaikapharma High Quality Medicines Inc. has no off balance sheet transactions for the reporting period.
- In 2021 there have been no changes in the basic management principles of Tchaikapharma High Quality Medicines Inc.
- The Company has issued 2 300 000 new dematerialised shares. The capital increase with the new issue of shares was entered in the Commercial Register on 21.07.2021.
- Tchaikapharma High Quality Medicines Inc. has not published estimates of its financial result for 2022.
- At the meeting held on 14.06.2021. The General Meeting of Shareholders on 14.20.2021 resolved to change the composition of the Board of Directors. Mr. Krasimir Petrov Videlov was removed from the Board of Directors of Tchaikapharma High Quality Medicines Inc. and in his place Sylviya Slavcheva Patrikova was elected as a new member of the Board of Directors of Tchaikapharma High Quality Medicines Inc.. Excludes from the Board of Directors of Tchaikapharma High Quality Medicines Inc. the independent member Mr. Ivan Boychev Nikolov, and in his place elects as a new independent member of the Board

of Directors of Tchaikapharma High Quality Medicines Inc. Dr. Radka Alexandrova Tsenova.

- The Company has no pending court, administrative or arbitration proceedings concerning liabilities or receivables amounting to at least 10 percent of its equity.
- The Company does not have information about arrangements that could result in changes in the relative share held by current shareholders.
- The Company is not informed about takeover offers under Art. 10, para. 1, letters “c”, “d”, “f”, “h” and “i” of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004
- The Company has developed and implements a policy of internal control (preventive, current and follow-up) of all financial operations where there may be a risk for its operations. This system governs the nature and scope of the specialized internal control in Tchaikapharma High Quality Medicines Inc., as well as the status and functions of the persons who carry it out. The internal control is an independent valuation activity covering all Company’s business operations, which is carried out by a specialized internal control service.
- The Company has developed a Risk Management Policy dedicated to help Tchaikapharma High Quality Medicines Inc. achieve its goals and priorities by applying a unified approach to identify, evaluate and limit the negative impact of potential events and situations endangering their achievement.
- A Board of Directors is in place, which meets as necessary and consists of 3 members:

Biser Rosenov Georgiev

Silviya Slavcheva Patrikova

Radka Aleksandrova Tsenova

An Audit Committee has been set up in accordance with the Independent Financial Audit Act, which has supervision functions on:

- Financial reporting
- Internal control
- Internal audit
- Independent Financial Audit

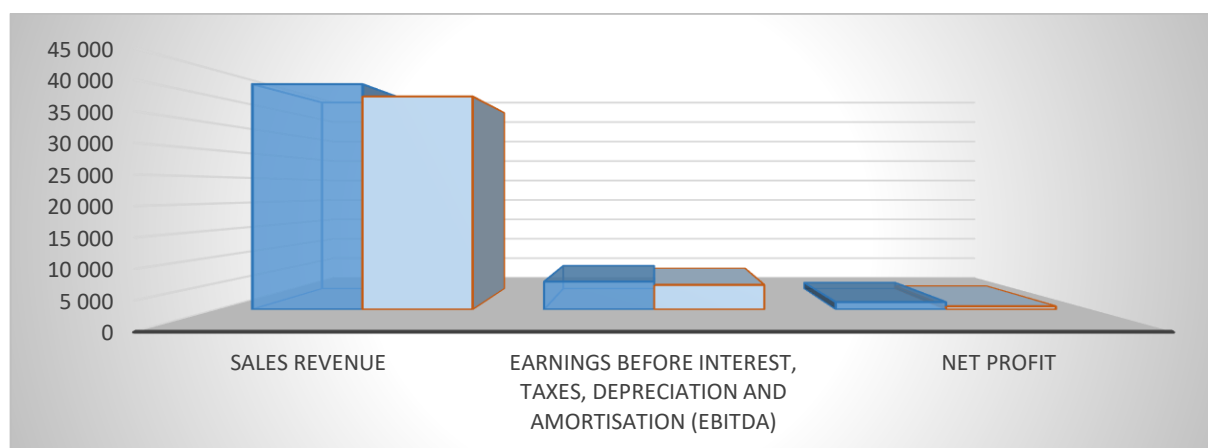
Information on shareholdings and major investments.

By the end of 2021, Tchaikapharma Group does not hold any treasury shares.

Investments made 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		13 042	
2. Machines, facilities and equipment	2 617	667	4 596
3. Other fixed tangible assets	98	98	34
II. Intangible fixed assets	661	939	375
1. Intellectual property rights	637	919	307
2. Software products	10	9	49
3. Patents and licenses	14		19
Total amount for the acquisition of TFA and IFA	3 376	14 800	5 005

Key financial indicators

Indicators	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Sales revenue	42 431	40 105
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5 254	4 638
Net profit	1 396	604



	31.12.2021	31.12.2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets	46 798	46 325

Current assets	70 659	70 986
Equity	98 819	97 136
Non-current liabilities	2 898	3 064
Current liabilities	15 740	17 111

	01-12/2021	01-12/2020
EBITDA/Sales revenue	12%	12%
Net profit/Sales revenue	3%	2%
Called-up capital/Equity	0.19	0.21

Review of the risk factors

Risks related to the Group's business and to the industry in which it operates

- The Parent's company activities could be affected by changes in the regulatory requirements concerning production of pharmaceutical products.
- Amendments to the legislation regulating the Parent's company business are possible, and these could potentially increase the costs of compliance or may have another adverse effect on its operations.
- The production processes of the Parent company are subject to stringent requirements and approvals by regulatory authorities, which may delay or even interrupt the operations of the Company.
- The ability of the Parent's 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 Parent company is exposed to operational risk, which is inherent in its business activities.
- The Parent company is subject to multitude laws and regulations in the field of environmental protection and health and safety work conditions, and is exposed to potential liabilities in relation to environment.
- The Parent company is exposed to strong competition
- The Parent's company operates in active exchange with foreign suppliers and customers. It is therefore exposed to foreign currency risk, mainly against the US dollar. The foreign currency risk is the risk that the exchange rate of US dollar: Bulgarian lev will fluctuate in future and thus, it will have an effect on the foreign currency assets and liabilities. The remaining part of the Company's operations is usually denominated in Bulgarian lev and/or in Euro.

Exchange rate risk

The Parent company is not exposed to any significant exchange rate risk since most of its assets, liabilities and transactions are denominated in BGN or EUR, and the lev is tied to the Euro, according to the Currency board rules. Regular control of balance sheet items is performed to minimize the exposure to exchange rate risk.

Credit risk

There is no significant concentration of credit risk in the Parent company. The Parent company has established policies to ensure that sales are made to a major customer with immediate payment or payment within a reasonable time in accordance with agreements. Credit risk arises principally from cash and cash equivalents and deposits with banks and other financial institutions, as well as from borrowings. For banks and other financial institutions, only institutions with a high credit rating are considered.

Liquidity risk

The prudent management of liquidity risk implies the maintenance of sufficient cash and liquid securities, as well as the possibility of additional credit financing and the closing of market positions. Due to the dynamic nature of core business types, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient unused authorized credit lines.

Risk of changes in cash flows and fair values resulting from changes in interest rates

The Parent's company interest-bearing assets are with fixed and floating interest rates. Variable interest rate loans expose the Company to interest rate risk from changes in future cash flows, and fixed rate loans – to interest rate risk from fair value changes. The Company's policy is to provide loans mainly at fixed interest rates. As at December 31, 2021 and 2020 the Company does not have interest-bearing assets measured at fair value and therefore is not exposed to the risk of a change in fair value.

Information on the main features of the internal control system applied by the company in the course of financial statements preparation

Under Bulgarian law, the management should prepare an activity report as well as a financial report for each financial year providing a true and fair view of the Company's financial position at the year-end, on the financial performance and cash flows in accordance with the applicable accounting framework. The management's responsibility also includes the implementation of an internal control system to prevent, detect and correct errors and false statements as a result of accounting system actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out of all operations in accordance with legal and regulatory acts;
- reflecting all events and transactions in a timely manner with the exact amounts in the appropriate accounts and for the relevant reporting period so as to allow the preparation of the financial statements in accordance with the specific accounting framework set;
- observance of the prudence principle in the valuation of assets, liabilities, income and expenses;
- detection and termination of frauds and errors;
- completeness and regularity of accounting information;
- preparing reliable financial information;

- adherence to international financial reporting standards and to the going concern principle.

Operational results for 2021

Operating income

Revenues from sales of products in 2021 increased by BGN 2,366 thousand or by 5,91 up to BGN 42,404 thousand, compared to BGN 40,038 thousand in 2020

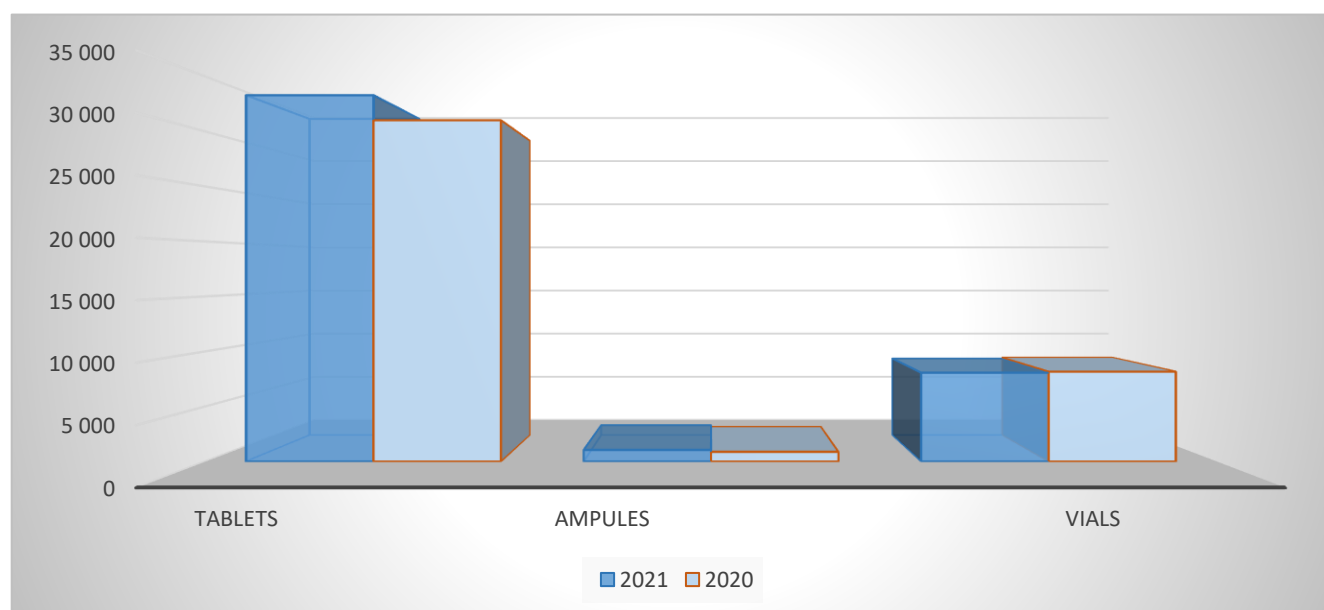
Revenues from sales on the European market represents 1,33% of total revenues of the company and amount to BGN 564 thousand.

Nearly all sales are for the domestic market, reduction by BGN 2,701 thousand compared to 2020. The products with the largest share of sales in the country are: Co-Irbesso, Coolsart, Rossta, Tamayra, Ceftriaxon, Diab MR, PlaquEx, Spironolacton, Bacteripime, Aroba and Bisor.

Sales by types of dosage forms

Revenue by dosage forms

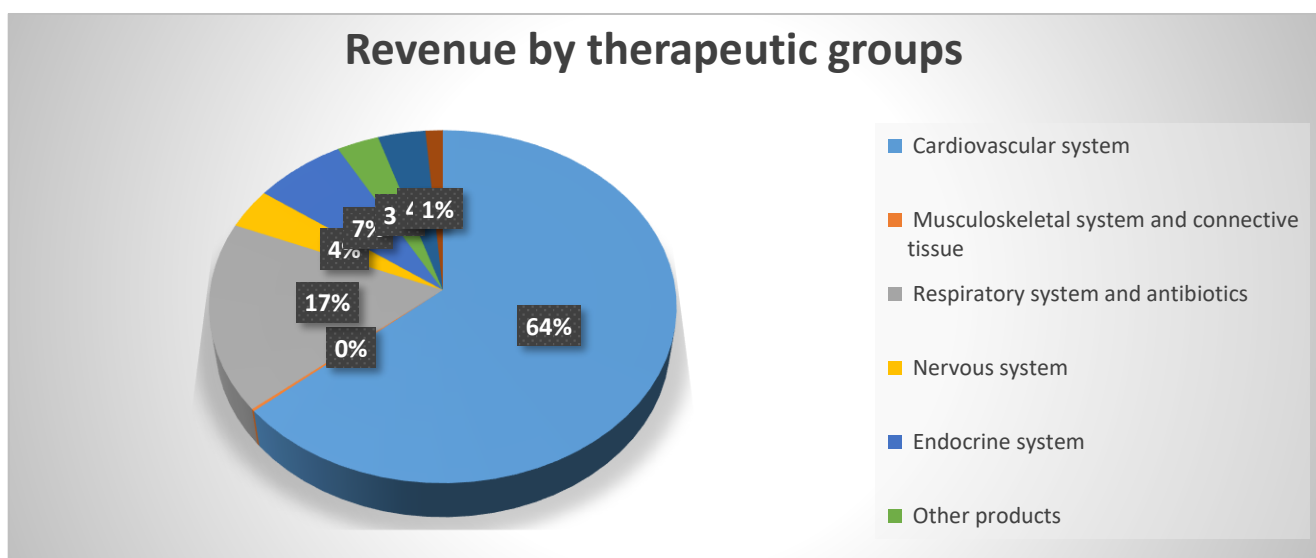
	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Tablets	33 280	30 999
Ampules	1 054	876
Vials	8 070	8 163
Total:	42 404	40 038



Revenue by therapeutic groups

	01-12/2021	01-12/2020
	<i>BGN '000</i>	<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 stock of products and work in progress	1 020	(784)
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Other operating income and services

	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Rental income	27	26
Services income	-	41
Other income	124	283
Total:	151	350

Operating expenses

Operating expenses

	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Carrying amount of goods sold	1 105	817
Materials	15 583	14 320
Hired services	15 097	14 085
Personnel expenses	4 833	4 208
Social security expenses	847	752
	-	50
Impairment and reimbursement expenses for financial assets		
Depreciation / amortisation expenses	3 877	4 231
Other expenses	776	602
Total:	42 118	39 065

Material costs

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

The cost of materials increased by BGN 1,263 thousand to 15,583 in 2021, which is a result of the decrease in the cost of the basic materials.

Costs of hired 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 of hired services	13 886	13 112
Total:	15 097	14 085

Financial Income and Expenses

Financial income	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Interest income	457	452
Income from currency exchange differences	20	69
Income from operations with financial assets	30	0
Total:	507	521

Financial expenses	01-12/2021	01-12/2020
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	270	235
Expenses on currency exchange differences	82	98
Other financial expenses	48	53
Expenses on transactions with financial assets	-	50
Total:	400	436

Assets

	31.12.2021	31.12.2020
Non-current assets	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment	38 071	37 333
Intangible assets	3 451	3 816
Trade receivables	5 276	5 157
Total of non-current assets	46 798	46 306

	31.12.2021	31.12.2020
Current assets	<i>BGN '000</i>	<i>BGN '000</i>
Inventories	11 342	10 842
Trade and other receivables	59 220	60 084
Current corporate tax	40	14
Redemption of own shares		1

Cash and cash equivalents	57	64
Total of current assets	70 659	71 005
Total of Assets	117 457	117 311

Trade receivables decreased by BGN 864 thousand in the part of receivables from customers, compared to 31.12.2020

	31.12.2021	31.12.2020
	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment		
Land and buildings	25 187	24 182
Machinery, equipment and facilities	11 713	9 746
Other	32	42
Under acquisition	1 139	3 363
Total:	38 071	37 333

	31.12.2021	31.12.2020
	<i>BGN '000</i>	<i>BGN '000</i>
Inventories		
Materials	10 480	9 592
Finished products	162	639
Goods	131	294
Other inventories	569	317
Total:	11 342	10 842

Equity and liabilities

	31.12.2021	31.12.2020
	<i>BGN '000</i>	<i>BGN '000</i>
Registered (share) capital	84 500	82 200
Statutory reserve	12 382	12 032
Retained earnings	1 937	2 904
Total Equity	98 819	97 136

Liabilities

	31.12.2021	31.12.2020
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current liabilities		

Long-term loans	1 717	1 731
Deferred tax liabilities	1 030	1 139
Retirement benefit liabilities	151	194
Total non-current liabilities	2 898	3 064
	31.12.2021	31.12.2020
Current liabilities	BGN '000	BGN '000
Trade and other payables	4 721	6 583
Short-term loans	9 781	9 783
Current portion of long-term loans	990	541
Current corporate income tax	125	-
Other tax liabilities	123	204
Total current liabilities	15 740	17 111
Total liabilities	18 638	20 175
Total equity and liabilities	117 457	117 311

Cash flows

	31.12.2020	31.12.2021
	BGN '000	BGN '000
Net cash flows from operating activities	2 023	3 486
Net cash flows from investment activities	-1 573	-2 907
Net cash flows from financing activities	-457	-555
Net increase/decrease in cash and cash equivalents	-7	-24
Cash and cash equivalents on 1 January	67	40
Cash and cash equivalents on 31 December	57	64

Financial indicators

	31.12.2021	31.12.2020
Return on equity	0.014	0.006

Return on assets	0.012	0.005
Assets turnover ratio	0.60	0.34
Current liquidity ratio	4.49	4.15
Fast liquidity ratio	3.77	3.51
Debt factor	0.19	0.21
Financial autonomy ratio	5.30	4.81

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total number of the issued shares as at 31.12.2021 is 84,500,000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible according to the Company's Articles of Association. All issued shares are of one class. Each share grants equal rights to its holder, proportional to the nominal value of the share. According to the Company's Articles of Association, there are no restrictions on the transfer of the securities, restrictions on the possession of securities or the need for approval by the company or another shareholder. There are no shareholders with special control rights. There is no need for a system of control over the exercise of voting rights in cases where employees of the company are also its shareholders and when the control is not directly exercised by them because there are no such cases. There are no restrictions on voting rights such as limitations on the voting rights of shareholders with a certain percentage or number of votes, the deadline for the exercise of voting rights, or systems where, with the cooperation of the company, the financial rights attaching to the shares are separated from the shares' ownership.

The shares of "Tchaikapharma High Quality Medicines Inc." are traded on the official market of BSE-Sofia AD. The Company is not informed about arrangements (including after the end of the financial year), as a result of which changes in the relative portion of shares or bonds of current shareholders may occur in the future. The Company has no information about shareholders' agreements known to the Company and which may result in restrictions on the transfer of shares or voting rights.

There are no contracts of the company having effect, changing or being terminated due to a change in the control of the company in the implementation of a mandatory tender offer and the consequences thereof. There are no agreements between the company and its management bodies or employees to pay compensation on leaving or dismissal without a legal basis or upon termination of the employment relationship for reasons related to a tender offering.

Significant indicators for the shares of Tchaikapharma High Quality Medicines Inc

	31.12.2021	31.12.2020
Total number of issued shares	84 500 000	82 200 000
Number of shares in circulation at the end of the period	84 500 000	82 200 000
Net profit per share in BGN	0.02	0.007
Price per share at the end of the period in BGN	14.90	13.50
Book value per share in BGN	1.17	1.18
Price per share/Net profit per share	748.54	1 928.57
Price per Share/Book Value per Share	12.74	11.42
Market capitalization at the end of the period in BGN	1 259 050 000	1 109 700 000



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Biser Georgiev

/ Executive Director /