

CONSOLIDATED ACTIVITY REPORT

For the first quarter
of 2022



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

17.05.2022

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

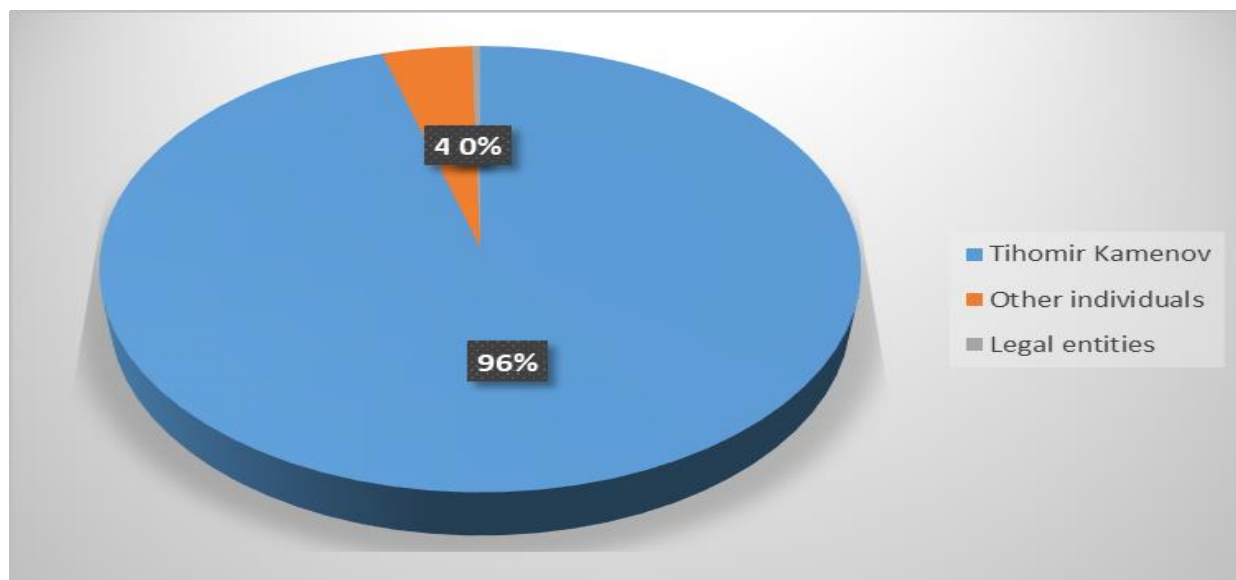
As of 31.03.2022 it has one wholly-owned subsidiary: SWYSSI S.R.L. registered in the Republic of Romania.

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 31.03.2022 is composed of:

Biser Rosenov Georgiev	Chairman
Sylvia Slavcheva Patrikova	Member
Radka Alexandrova Tsenova	Member

5. Shareholding structure 31.03.2022.



6. Employees

As of 31.03.2022, 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 first quarter of 2022.

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

Investments for the period	2020	2021	31.03.2022
Tchaikapharma High Quality Medicines Inc.			
I. Fixed tangible assets	13,861	4,630	91
1. Land and buildings	13,042		
2. Property and equipment	667	4,596	88
3. Other fixed assets	152	34	3
II. Fixed intangible assets	1,152	375	30
1. Industrial property rights	919	307	30
2. Software	9	49	
3. Patents and licenses	224	19	
Total amount of acquisition of fixed tangible and intangible assets	15,013	5,005	121

Major investments in progress

In the first quarter of 2022, the tablet workshop at the Plovdiv plant was finally completed. The new granulation equipment: mixer-granulator, vortex dryer and regranulator was commissioned.

KEY FINANCIAL INDICATORS

Indicators	01-03/2022	01-03/2021
	BGN '000	BGN '000
Sales revenue	12,778	13,388
Earnings before interest, taxes and depreciation (EBITDA)	2,970	4,223
Net profit	1,877	3,054
	01-03/2022	01-12/2021
	BGN '000	BGN '000
Non-current assets	46,114	46,798
Current assets	70,885	70,659
Equity	116,999	117,457
Non-current liabilities	2,790	2,898
Current liabilities	13,513	15,740
	01-03/2022	01-03/2021

EBITDA/Sales revenue	23%	31%
Net profit/Sales revenue	15%	23%

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	01-03/2022 BGN '000	01-03/2021 BGN '000
Tablets	10,728	728
Ampules	-	245
Vials	2,041	3,226
Total:	12,769	13,379

Revenue by therapeutic groups	01-03/2022 BGN '000	01-03/2021 BGN '000
Cardiovascular system	9,445	8,673
Musculoskeletal system and connective tissue	31	35
Respiratory system and antibiotics	1,683	1,954
Nervous system	141	632
Endocrine system	1,081	1,022
Other products	166	337

Digestive system and metabolism	222	725
Oncology	-	-
Total:	12,769	13,379
Changes in the inventories of products and work in progress	(560)	332
Other operating income	01-03/2022	01-03/2021
	BGN '000	BGN '000
Income from rent	9	7
Other income	54	2
Total:	63	9
Financial income	01-03/2022	01-03/2021
	BGN '000	BGN '000
Income from interest		
Income from exchange rate differences	5	1
Other financial income	-	-
Total:	5	1

Core activity expenses

Operating expenses	01-03/2022	01-03/2021
	BGN '000	BGN '000
Book value of sold products	102	147
Materials	4,397	4,047
External services	3,338	3,740
Salaries	1,135	1,145
Social security costs	236	200
Depreciation costs	940	1,072
Other	73	199
Total:	10,221	10,550
Cost of materials	01-03/2022	01-03/2021
	BGN '000	BGN '000
Basic material	3,952	3,890
Electricity	272	81
Fuels and lubricants	21	33
Spare parts and laboratory materials	24	8
Water	13	7
Other materials	115	28
Total:	4,397	4,047

Costs of external services	01-03/2022	01-03/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Security	113	100
Insurance	6	6
Telephone and postage expenses	5	4
Equipment maintenance and subscription	25	33
Fees	148	40
Transport costs	10	6
Other costs for external services	3,031	3,551
Total:	3,338	3,740

Financial expenses	01-03/2022	01-03/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	63	83
Expenses from exchange rate differences	20	12
Other financial expenses	6	8
Total:	89	103

Assets

	01-03/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets		
Property, plant and equipment	36,945	38,071
Intangible assets	3,893	3,451
Trade receivables	5,276	5,276
Total non-current assets	46,114	46,798
Current assets		
Inventories	8,616	11,342
Trade and other receivables	62,164	59,220
Current corporate income tax	40	40
Cash and cash equivalents	65	57
Total current assets	70,885	70,659
Total Assets	116,999	117,457

	01-03/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment		
Land and buildings	25,013	25,187
Machinery and equipment	10,906	11,450
Other	280	295
In the process of acquisition	746	1,139

	36,945	38,071
Inventories	01-03/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Materials	8,012	10,480
Production	518	162
Goods	86	131
Work in progress	-	569
Total:	8,616	11,342

Equity and liabilities

	01-03/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	84,500	84,500
Statutory reserve	12,382	12,382
Undistributed profit	3,814	1,937
Total Equity	100,696	98,819

Liabilities

	01-03/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current liabilities		
Long-term loans	1,609	1,717
Deferred tax liabilities	1,030	1,030
Liabilities to employees on retirement	151	151
Total non-current liabilities	2,790	2,898
Current liabilities		
Trade and other liabilities	2,156	4,721
Short term loans	9,781	9,781
Current part of long-term loans	927	990
Current corporate income tax	125	125
Other tax liabilities	524	123
Total current liabilities	13,513	15,740
Total liabilities	16,303	18,638
Total equity and liabilities	116,999	117,457

Financial indicators

	01-03/2022	01-12/2021
Leverage ratio	0.16	0.19
Financial autonomy ratio	6.18	5.30

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

The total amount of shares issued as of 31.03.2022 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

	1-03/2022	1-12/2021
Total number of issued shares	84,500 000	84,500 000
Number of shares in circulation at end of period	84,500 000	84,500 000
Price per share at the end of the period in BGN	15.20	14.90
Market capitalization at the end of the period in BGN	1,284,400,000	1,259,050,000

Biser Georgiev

/Executive Director/

