

ACTIVITY REPORT

For the first quarter
of 2022



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

26.04.2022

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**. With registered office. 1 G. M. Dimitrov Bld .

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 Assembly of 14.06.2021 the profit of 2020 in the amount of 603 702.40 BGN. (62,377.07 (Sixty-two thousand three hundred and seventy-seven levs and 07 st.) to be allocated to reserves and 541,325.33 (Five hundred and forty-one thousand three hundred and twenty-five levs and 33 st.) to be allocated to the Retained Earnings Fund. On 21.07.2021 the capital increase of Tchaikapharma High Quality Medicines Inc. 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		13 042	
2. Property and equipment	2 617	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 first quarter of 2022, the expansion of the tablet workshop at Tchaikapharma Plovdiv will continue. The installed new granulation equipment - mixer-granulator, vortex dryer and regranulator - has started to work, but still at a very slow pace.

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.

Submitted documentation to BDA (Bulgarian Drug Agency):

Submitted applications for MA for new products:

Clopasa 0.5 mg tablets -IAL-8575/21.02.2022

Propipin 75 mg; 110 mg; 150 mg hard capsules -

Submitted renewals:

Submitted variations:

Pantoprazole-Tch 40 mg powder for sol. for injection/infusion gr.var. type II; IB; IA - IAL-62034/29-12-2021

Tamayra 5 mg/5 mg; 10 mg/5 mg hard capsules – DCP - IAL-62281/30.12.2021

Vorifungal 200 mg powder for solution for infusion – var. Type IB - IAL-1883/14-01-2022

Amarhyton 50mg; 100mg; 150mg prolonged-release capsuled, hard – var.Type IB - IAL-2218/18-01-2022

Coolsart 20mg/12.5mg; 40mg/12.5mg film-coated tablets – var. type IAin - IAL-2219/18-01-2022

Olsart 10mg; 20mg; 40mg film-coated tablets – var. type IAin - IAL-2216/18-01-2022

Dexketoprofen-Tchaikapharma 50 mg/2 ml sol. for injection or concentrate for sol. for inf. – var. Type II - IAL-4433/28-01-2022

MoriVid 200 mg film-coated tablets – var. type IAin - IAL-5641/03-02-2022

Dilatrend 6.25 mg; 12.5 mg; 25 mg – gr. var. type IA, type IA - IAL-5639/03.02.2022

Coolsart 20mg/12.5mg; 40mg/12.5mg film-coated tablets – var. type IA - IAL-6061/07-02-2022

Olsart 10mg; 20mg; 40mg film-coated tablets – var. type IA - IAL-6062/07-02-2022

Spirolacton-Tchaikapharma 25mg; 50mg; 100mg – var. type IAin - IAL-6065/07-02-2022

PlaquEx 75 mg hard capsules – var. type IB - IAL-6059/07-02-2022

Vancocin CP 1 g powder for solution for infusion var. type IAin - IAL-9251/24-02-2022

Dilatrend 6.25 mg; 12.5 mg; 25 mg - type II+type II - IAL-9930/01-03-2022

Reverantza 20 mg/5 mg; 40 mg/5 mg film-coated tablets (DCP) – var. type IAin - IAL-9933/01-03-2022

Doxazosin-Tchaikapharma 2 mg; 4 mg tablets – var. type IA - IAL-9931/01-03-2022

Rossta 10 mg; 20 mg; 40 mg film-coated tablets – gr.var. type IA - IAL-61937/29.12.2021

TromBye 100 mg tablets – art. 61 (3) - IAL-12762/18.03.2022

Pizona Combi 15 mg/850 mg film-coated tablets – var. Type IA, Type IA - IAL-12763/18.03.2022

Bacteripime 1g powder for sol. for inj./inf. – var. type IA - IAL-12767/18.03.2022

Akinestat 2 mg tablets – var. type IB - IAL-12768/18.03.2022

MoriVid 200 mg film-coated tablets – var.type II - IAL-13440/23-03-2022

Total: 23

Approved MA's from BDA:

Approved MA's of new products:

Approved renewals:

Ivabenor 5 mg; 7,5 mg film-coated tablets - BG/MA/MP-57396-13.01.2022

Lidocaine-Tchaikapharma 10 mg/ml solution for injection - BG/MA/MP-57699/04.02.2022

Lidocaine-Tchaikapharma 20 mg/ml solution for injection - BG/MA/MP-57700/04.02.2022

Approved variations:

Tamayra 5 mg/5 mg; 10 mg/5 mg hard capsules (DCP) – notif. Art. 61(3) - IAL-5666-5670/03-02-2022

Letrofemin 2,5 mg film-coated tablets – var. type IB - BG/MA/MP-57560/26-01-2022

Zornichka 12,5 mg; 25 mg tablets – gr.var type IA; IA - IAL-3576/25-01-2022; IAL-3574/25-01-2022

Bilamcar 8mg/5mg; 8mg/10mg;16mg/5mg;16mg/10mg hard capsules (DCP) – gr. var. type IB;IAin - IAL-2375/18.01.2022; IAL-2377/18.01.2022; IAL-2380/18.01.2022; IAL-2381/18.01.2022"

Co-Irbesso 150mg/12.5mg; 300mg/12.5mg film-coated tablets – var.Type IB - BG/MA/MP-57441-57442/14.01.2022

Ivabenor 5 mg; 7,5 mg film-coated tablets – var.type IB - BG/MA/MP-57682/03-02-2022; BG/MA/MP-57683/03-02-2022

Pizona Combi 15 mg/850 mg film-coated tablets – var.type IB - BG/MA/MP-57611/01-02-2022

PlaquEx Combi 75 mg/ 75 mg hard capsules – var.type IB - BG/MA/MP-57612/01.02.2022

Telsart 80 mg tablets – var.type IA - IAL-4005/26-01-2022

Diclofenac-Tchaikapharma 50 mg gastro-resistant tablets – var.type IB - IAL-4460/28.01.2022

PlaquEx Combi 75 mg/ 75 mg hard capsules - type IAin - IAL-6063/07.02.2022

Doxazosin-Tchaikapharma 2 mg; 4 mg tablets – var. type IA- IAL-12563/17.03.2022 (2 mg) IAL-12564/17.03.2022 (4 mg)

Rossta 10 mg; 20 mg; 40 mg film-coated tablets – gr.var. type IA - IAL-10760/07.03.2022 (10 mg); IAL-10765/07.03.2022 (20 mg); IAL-10766/07.03.2022 (40 mg)

Total: 13

Kosovo

Submitted

Submitted applications of MA's for new products:

Approved MA's for new products:

Submitted renewals:

Diab 80 mg tablets – 02/2022

Approved renewals:

Submitted variations:

Diab 80 mg tablets – type IAin – 02/2022

Diab 80 mg tablets – type IB – 02/2022

Total: 2

Approved variations:

Georgia

Submitted

Submitted applications of MA's for new products:

Approved MA's for new products:

Submitted renewals:

Leflogard 500 mg film-coated tablets – 02/2022

Approved renewals:

Submitted variations:

Var. update of PI to reference PI- 02/2022

Employees

As of 31.03.2022 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 164 (164 as of 31.12.2021). In the table below detailed information about the employees in the company is provided

	31.03.2022	Share
Number of employees as of 31.03.2022	164	100%
Higher education	105	65%
Secondary education	58	34%
Primary education	1	1%
Employees under 30 years	59	36%
Employees 31 - 40 years	62	38%
Employees 41 - 50 years.	41	25%
Employees 51 - 60 years.	1	1%
Employees 60+ years	1	1%
Women	75	46%
Men	89	54%

Significant events since the beginning of the year until 31.03.2022

In the first quarter of 2022 there were no significant events.

Key financial indicators

Indicators	01-03/2022 <i>BGN '000</i>	01-03/2021 <i>BGN '000</i>	Change %
Sales revenue	12 778	13 388	-4.54%
Earnings before interest, taxes and depreciation (EBITDA)	2 970	4 223	-29.67%
Net profit	1 877	3 054	-38.54%
	01-03/2022 <i>BGN '000</i>	01-12/2021 <i>BGN '000</i>	Change %
Non-current assets	46 133	46 817	-1.46%
Current assets	70 868	70 642	0,32%
Equity	117 001	117 459	-0,39%
Non-current liabilities	2 790	2 898	- 3.73%
Current liabilities	13 512	15 739	-14.15%
	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 BGN '000	01-03/2021 BGN '000
Income from rent	9	7
Other income	54	2
Total:	63	9

Financial income	01-03/2022 BGN '000	01-03/2021 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 BGN '000	01-03/2021 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
	BGN '000	BGN '000
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
	BGN '000	BGN '000
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
	BGN '000	BGN '000
Non-current assets		
Property, plant and equipment	36 945	38 071
Intangible assets	3 893	3 451
Investments with minority interest	19	19

Trade receivables	5 276	5 276
Total non-current assets	46 133	46 817
Current assets		
Inventories	8 616	11 342
Trade and other receivables	62 164	59 220
Treasury shares redeemed	40	40
Cash and cash equivalents	48	40
Total current assets	70 868	70 642
Total Assets	117 001	117 459

	01-03/2022	01-12/2021
	BGN '000	BGN '000
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	37 123

	01-03/2022	01-12/2021
	BGN '000	BGN '000
Inventories		
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
	BGN '000	BGN '000
Registered capital	84 500	84 500
Statutory reserve	12 382	12 382
Undistributed profit	3 817	1 940
Total Equity	100 699	98 822

Liabilities

	01-03/2022	01-12/2021
	BGN '000	BGN '000
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	2 155	4 720
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	13 512	15 739
Total liabilities	16 302	18 637
Total equity and liabilities	117 001	117 459

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.

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.

	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/