

ACTIVITY REPORT

For the second quarter
of 2022



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

26.07.2022

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 BGN 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 BGN 603,702.40. (62,377.07 (Sixty-two thousand three hundred and seventy-seven levs and 07 st.) to be allocated to reserves and BGN 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.
- By Decision of the General Assembly of 20.06.2022 the profit of 2021 in the amount of BGN 1,399,422.40. (One million three hundred and ninety-nine thousand four hundred and twenty-two leva and 24 st.) shall be allocated as follows BGN 139,942.22 (One Hundred and Thirty Nine Thousand Nine Hundred and Forty Two Levs and 22 Sts.) to be allocated to reserves and BGN 1,259,480.02 (One Million Two Hundred and Fifty Nine Thousand Four Hundred and Eighty Levs and 02 Sts.) to be allocated to Retained Earnings.
- 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 second 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:

Prostanorm 6 mg/0,4 mg modified-release tablets - IAL-17079/14.04.2022
RosstAacy 5mg/100mg; 10mg/100mg; 20mg/100mg capsules, hard - IAL-25676/14-06-2022;
IAL-25677/14.06.2022; IAL-25678/14.06.2022

Submitted variations:

Remifentanil-Tch 5 mg powder for conc. for sol. for injection/infusion – var. Type IAin - IAL-15897/07.04.2022
Co-Hypertonic 50 mg/12.5 mg film-coated tablets – gr. var. Type IB; IA – IAL-17080/14.04.2022
Coolsart 20 mg/12.5 mg; 40 mg/12.5 mg film-coated tablets – var. Type IA - IAL-18541/27.04.2022
Olsart 10mg; 20 mg; 40 mg film-coated tablets – var. Type IA - IAL-18543/27.04.2022
Lifurox 1.5 g powder for solution for injection/infusion – gr. var. Type IB; IB; IB; IA - IAL-18917/29.04.2022
ParaCeta 500 mg tablets – var. Type IAin - IAL-18915/29.04.2022
Sotapiryn 300mg/250mg/2mg effervescent tablets – var. Type IAin - IAL-18914/29.04.2022
Cefotaxime-Tchaikapharma 1 g powder for solution for injection - notif. Art 61.3 - IAL-18918/29.04.2022

Irbesso 150 mg; 300mg film-coated tablets – var. Type IB - IAL-20555/12.05.2022
Irbesso 150 mg; 300mg film-coated tablets – gr. var. Type IA; IB; IA - IAL-20562/12.05.2022
Co-Irbesso 150/12,5 mg; 300/12,5 mg film-coated tablets – gr. var. Type IA; IB; IA - IAL-24238/06.06.2022
Pizona Combi 15 mg/850 mg film-coated tablets – var. Type IA - IAL-24236/06.06.2022
Levor 500 mg film-coated tablets – var. Type IB; IA - IAL-24235/06.06.2022
Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules, hard – gr. var. Type IA; IA - IAL-24002/03.06.2022
Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules – var. Type IA - IAL-24003/03.06.2022
Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules – gr. var. Type IA; IA; IA; IA - IAL-24004/03.06.2022
Methylprednisolone-Tch 40 mg powd. and solvent for sol. for inj. – var. Type IAin - IAL-24448/07.06.2022
Cordacare 10mg; 20mg tablets – var. Type IB - IAL-24929/09.06.2022
Lifurox 1.5 g powder for solution for injection/infusion – var. Type IA - IAL-26411/17.06.2022
Pizona 15mg; 30mg; 45mg tablets – var. Type IA - IAL-26408/17.06.2022
Tamayra Plus 5/5/12.5mg; 5/5/25mg; 10/5/25mg hard capsules – var. Type IAin - IAL-26415/17.06.2022
Nordipine 5mg; 10mg tablets – var. Type IAin - IAL-26417/17.06.2022
AllDone 100 mg effervescent tablets – var. Type IAin – IAL-27872/27-06-2022

Total: 23

Approved MA's from BDA:

Approved variations:

Pantoprazole-Tch 40 mg powder for sol. for injection/infusion – var. Type II - IAL-15782/06.04.2022
Reverantza 20 mg/5 mg, 40 mg/5 mg film-coated-tablets (DCP)– var. Type IB - IAL-23287/31.05.2022; IAL-23288/31.05.2022
CentroQueen 100 mg; 200 mg film-coated tablets – gr. var. Type IB; IAin – IAL - 17109/14.04.2022; IAL-17118/14.04.2022
Dexketoprofen-Tchaikapharma 50 mg/2 ml sol. for injection or concentrate for sol. for inf. – var. Type II - IAL-16932/13.04.2022
PlaquEx 75 mg hard capsules – var. Type IB - BG/MA/MP-53142/07.06.2022
Vancocin CP 1 g powder for solution for infusion – var. Type IAin - BG/MA/MP-58552/06.04.2022
TromBye 100 mg tablets - notif. Art 61.3 - IAL-16740/13.04.2022
Pizona Combi 15 mg/850 mg film-coated tablets – gr. var. Type IA; IA - IAL-17168/14.04.2022

Bacteripime 1g powder for sol. For inj./inf. – var. Type IA - IAL-17394/15.04.2022
Akinestat 2mg tablets – var. Type IB - IAL-17577/18.04.2022
MoriVid 200 mg film-coated tablets – var. Type II - IAL-25626/14.06.2022
Co-Hypertonic 50 mg/12.5 mg film-coated tablets – gr. var. Type IB; IA - IAL-22735/27.05.2022
Coolsart 20 mg/12.5 mg; 40 mg/12.5 mg film-coated tablets – var. Type IA - IAL-22158/23.05.2022; IAL-22159/23.05.2022
Olsart 10mg; 20 mg; 40 mg film-coated tablets – var. Type IA - IAL-22137/23.05.2022; IAL-22139/23.05.2022; IAL-22140/23.05.2022
ParaCeta 500 mg tablets – var. Type IAin - BG/MA/MP-59171/13.06.2022
Sotapiryn 300mg/250mg/2mg effervescent tablets – var. Type IAin - BG/MA/MP59195/14.06.2022
Cefotaxime-Tchaikapharma 1 g powder for solution for injection - notif. Art 61.3 – IAL-23356/31.05.2022
Irbesso 150 mg; 300mg film-coated tablets – gr. var. Type IA; IB; IA - IAL-24753/09.06.2022; IAL-24756/09.06.2022
Reverantza 20mg/5mg; 40mg/5mg film-coated tablets - notif. Art 61.3 (DCP) - IAL-25283/10.06.2022; IAL-25287/10.06.2022
Pizona Combi 15 mg/850 mg film-coated tablets – var. Type IA – IAL-27760/27-06-2022
Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules, hard – var. Type IA – IAL-27731/24.06.2022; IAL-27733/24.06.2022; IAL-27735/24.06.2022
Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules, hard – gr. var. Type IA; IA; IA; IA – IAL-27703/24.06.2022; IAL-27708/24.06.2022; IAL-27706/24.06.2022
Amarhyton 50 mg; 100 mg; 150 mg prolonged-release capsules, hard – gr. var. Type IA; IA - IAL-27775/27.06.2022; IAL-27776/27.06.2022; IAL-27777/27.06.2022
Remifentanil-Tch 5 mg powder for conc. for sol. for injection/infusion – var. Type IAin - BG/MA/MP-59367/27.06.2022
Dilatrend 6.25 mg; 12.5 mg; 25 mg tablets – gr. var. Type II; II - BG/MA/MP-59371/27.06.2022; 59372/27.06.2022; 59373/27.06.2022
Aripipa 15 mg tablets – Rejection of MA – 05.04.2022

Total: 26

Kosovo

Approved renewals:

Bisor 5 mg tablets – Renewal – RMA-2852/26/05/2022
Metformin-Tchaikapharma 850 mg film-coated tablets - Renewal - RMA-2853/26/05/2022

Submitted variations:

Rossta 10 mg; 20 mg film-coated tablets – gr. var. Type IA; IB; IB – 05/2022
Rossta 10 mg; 20 mg; 40 mg – var. Type IAin – 05/2022

Total: 2

Approved variations:

Georgia

Submitted

Submitted applications of MA's for new products:

Ceftriaxon-Tchaikapharma 1 g powder for solution for injection/infusion – 05/2022

Approved renewals:

Leflogard 500 mg film-coated tablets – 06/2022

Submitted variations:

Ukraine

Submitted applications of MA's for new products:

Amarhyton 50 mg; 100 mg prolonged-release capsules, hard – CPP – IAL-23999/03.06.2022;
IAL-24000/03

Employees

As of 30.06.2022 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 162 (164 as of 31.12.2021). In the table below detailed information about the employees in the company is provided

	30.06.2022	Share
Number of employees as of 30.06.2022	162	100%
Higher education	104	65%
Secondary education	57	34%
Primary education	1	1%
Employees under 30 years	59	36%
Employees 31 - 40 years	62	38%
Employees 41 - 50 years.	40	25%
Employees 51 - 60 years.	1	1%
Employees 60+ years	0	0%
Women	73	45%
Men	89	55%

Significant events since the beginning of the year until 30.06.2022

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

Key financial indicators

Indicators	01-06/2022 <i>BGN '000</i>	01-06/2021 <i>BGN '000</i>	Change %
Sales revenue	22 668	22 302	1.64%
Earnings before interest, taxes and depreciation (EBITDA)	4 717	4 994	-5.54%
Net profit	2 587	2 716	-4.74%
	01-06/2022 <i>BGN '000</i>	01-12/2021 <i>BGN '000</i>	Change %
Non-current assets	45 580	46 817	-2.64%
Current assets	74 105	70 642	4.90%
Equity	119 685	117 459	1.90%
Non-current liabilities	2 678	2 898	-7.59%
Current liabilities	15 598	15 739	-0.90%
	01-06/2022	01-06/2021	
EBITDA/Sales revenue	21%	22%	
Net profit/Sales revenue	11%	12%	

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	01-06/2022 BGN '000	01-06/2021 BGN '000
Tablets	18 760	18 266
Ampules	106	441
Vials	3 760	3 581
Total:	22 626	22 288

Revenue by therapeutic groups	01-06/2022 BGN '000	01-06/2021 BGN '000
Cardiovascular system	15 497	14 903
Musculoskeletal system and connective tissue	31	62
Respiratory system and antibiotics	2 713	3 226
Nervous system	748	1 001
Endocrine system	2 173	1 619
Other products	782	627
Digestive system and metabolism	682	651
Oncology	-	199
Total:	22 626	22 288

Changes in the inventories of products and work in progress	(626)	613
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Other operating income	01-06/2022 BGN '000	01-06/2021 BGN '000
Income from rent	15	14
Other income	133	21
Total:	148	35

Financial income	01-06/2022 BGN '000	01-06/2021 BGN '000
Income from interest		
Income from exchange rate differences	23	11
Other financial income	-	-
Total:	23	11

Core activity expenses

Operating expenses	01-06/2022 BGN '000	01-06/2021 BGN '000
Book value of sold products	329	462

Materials	7 667	7 828
External services	6 627	6 639
Salaries	2 308	2 289
Social security costs	461	402
Depreciation costs	1 825	2 037
Other	198	282
Total:	19 415	19 939

Cost of materials	01-06/2022	01-06/2021
	BGN '000	BGN '000
Basic material	6 758	7 280
Electricity	611	204
Fuels and lubricants	48	48
Spare parts and laboratory materials	52	83
Water	8	12
Other materials	190	201
Total:	7 667	7 828

Costs of external services	01-06/2022	01-06/2021
	BGN '000	BGN '000
Security	226	201
Insurance	12	12
Telephone and postage expenses	12	9
Equipment maintenance and subscription	62	77
Fees	252	214
Transport costs	19	16
Other costs for external services	6 044	6 110
Total:	6 627	6 639

Financial expenses	01-06/2022	01-06/2021
	BGN '000	BGN '000
Interest expenses	125	145
Expenses from exchange rate differences	59	37
Other financial expenses	12	14
Total:	196	196

Assets

	01-06/2022	01-12/2021
	BGN '000	BGN '000
Non-current assets		
Property, plant and equipment	36 842	38 071
Intangible assets	3 443	3 451
Investments with minority interest	19	19

Trade receivables	5 276	5 276
Total non-current assets	45 580	46 817
Current assets		
Inventories	8 990	11 342
Trade and other receivables	65 089	59 220
Treasury shares redeemed		40
Cash and cash equivalents	26	40
Total current assets	74 105	70 642
Total Assets	119 685	117 459

	01-06/2022	01-12/2021
	BGN '000	BGN '000
Property, plant and equipment		
Land and buildings	24 840	25 187
Machinery and equipment	11 005	11 450
Other	262	295
In the process of acquisition	735	1 139
	36 842	38 071

	01-06/2022	01-12/2021
	BGN '000	BGN '000
Inventories		
Materials	8 378	10 480
Production	436	162
Goods	176	131
Work in progress	-	569
Total:	8 990	11 342

Equity and liabilities

	01-06/2022	01-12/2021
	BGN '000	BGN '000
Registered capital	84 500	84 500
Statutory reserve	12 522	12 382
Undistributed profit	4 387	1 940
Total Equity	101 409	98 822

	01-06/2022	01-12/2021
	BGN '000	BGN '000
Liabilities		
Non-current liabilities		
Long-term loans	1 499	1 717
Deferred tax liabilities	1 030	1 030
Liabilities to employees on retirement	149	151
Total non-current liabilities	2 678	2 898

Current liabilities

Trade and other liabilities	4 518	4 720
Short term loans	9 783	9 781
Current part of long-term loans	865	990
Current corporate income tax	-	125
Other tax liabilities	432	123
Total current liabilities	15 598	15 739
Total liabilities	18 276	18 637
Total equity and liabilities	119 685	117 459

Financial indicators

01-06/2022 01-12/2021

Leverage ratio	0.18	0.19
Financial autonomy ratio	5.55	5.30

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total amount of shares issued as of 30.06.2022 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.

	1-06/2022	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	15.30	14.90
Market capitalization at the end of the period in BGN	1 292 850 000	1 259 050 000

Biser Georgiev

/Executive Director/