

CONSOLIDATED ACTIVITY REPORT

For the third quarter
of 2022



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

14.11.2022

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 30.09.2022 it has one wholly-owned subsidiary: SWYSSI S.R.L. registered in the Republic of Romania.

4. Board of Directors

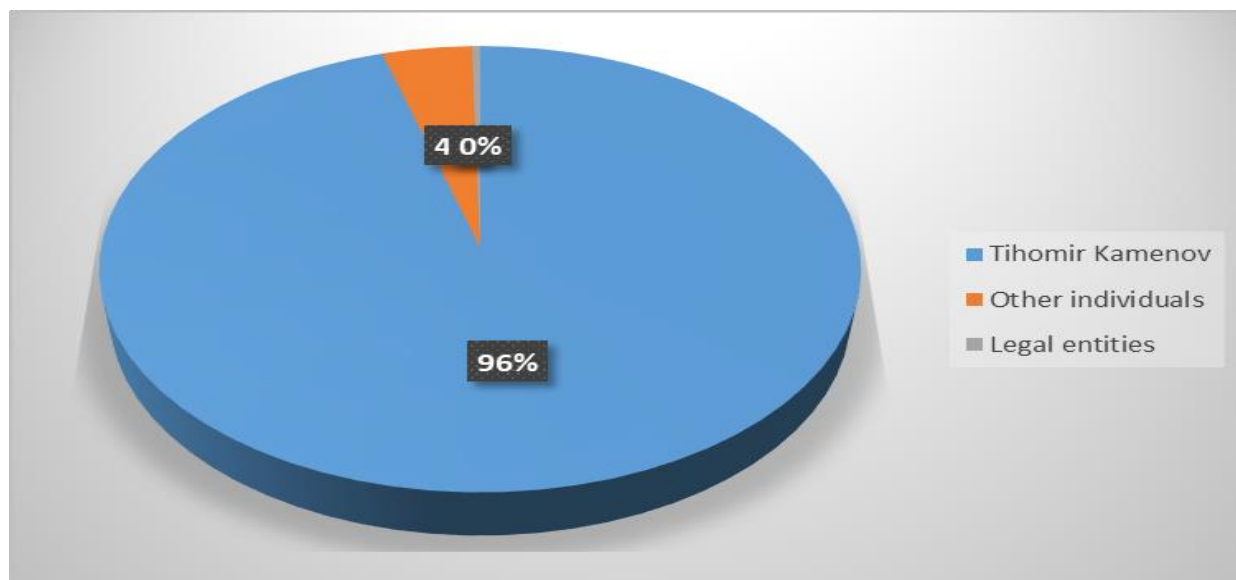
Tchaikapharma High Quality Medicines Inc. has a one-tier management system with a Board of Directors of three members. The management of the parent company in the person of the Board of Directors as of 30.09.2022 is composed of:

Biser Rosenov Georgiev Chairman

Sylvia Slavcheva Patrikova Member

Radka Alexandrova Tsenova Member

5. Shareholding structure 30.09.2022.



6. Employees

As of 30.09.2022, the average number of employees in Tchaikapharma High Quality Medicines Inc. Group is 162 people, who are entirely in the parent company.

II. Development of the activity

Investments

Major investments in the third 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	30.09.2022
Tchaikapharma High Quality Medicines Inc.			
I. Fixed tangible assets	13,861	4,630	856
1. Land and buildings	13,042		
2. Property and equipment	667	4,596	851
3. Other fixed assets	152	34	5
II. Fixed intangible assets	1,152	375	306
1. Industrial property rights	919	307	306
2. Software	9	49	
3. Patents and licenses	224	19	
Total amount of acquisition of fixed tangible and intangible assets	15,013	5,005	1,162

Major investments in progress

In the third 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	01-09/2022	01-09/2021
	BGN '000	BGN '000
Sales revenue	32,572	34,901
Earnings before interest, taxes and depreciation (EBITDA)	6,278	6,863
Net profit	3,128	3,517
	01-09/2022	01-12/2021
	BGN '000	BGN '000
Non-current assets	44,883	46,798
Current assets	75,729	70,659
Equity	120,612	117,457
Non-current liabilities	2,569	2,898
Current liabilities	16,096	15,740
	01-09/2022	01-06/2021

EBITDA/Sales revenue	19%	22%
Net profit/Sales revenue	10%	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	01-09/2022 BGN '000	01-09/2021 BGN '000
Tablets	26,896	28,190
Ampules	181	567
Vials	5,446	6,124
Total:	32,523	34,881

Revenue by therapeutic groups	01-09/2022 BGN '000	01-09/2021 BGN '000
Cardiovascular system	22,311	22,987
Musculoskeletal system and connective tissue	96	62
Respiratory system and antibiotics	3,517	5,273
Nervous system	1,032	1,298
Endocrine system	2,952	2,461
Other products	1,407	1,185

Digestive system and metabolism	1,208	1,414
Oncology	-	202
Total:	32,523	34,881

Changes in the inventories of products and work in progress	(276)	(135)
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Other operating income	01-09/2022	01-09/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Income from rent	23	20
Other income	132	22
Total:	155	42

Financial income	01-09/2022	01-09/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Income from interest		
Income from exchange rate differences	23	14
Other financial income	-	-
Income from financing	470	
Total:	493	14

Core activity expenses

Operating expenses	01-09/2022	01-09/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Book value of sold products	614	912
Materials	10,984	11,614
External services	10,942	11,181
Salaries	3,456	3,448
Social security costs	688	611
Depreciation costs	2,691	2,960
Other	320	360
Total:	29,695	31,086

Cost of materials	01-09/2022	01-09/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Basic material	9,356	10,601
Electricity	1,200	467
Fuels and lubricants	73	63
Spare parts and laboratory materials	84	148
Water	12	18
Other materials	259	317

Total:	10,984	11,614
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Costs of external services	01-09/2022	01-09/2021
	<i>BGN '000</i>	<i>BGN '000</i>

Security	339	339
Insurance	17	18
Telephone and postage expenses	17	17
Equipment maintenance and subscription	163	149
Fees	307	333
Transport costs	34	26
Other costs for external services	10,065	10,299
Total:	10,942	11,181

Financial expenses	01-09/2022	01-09/2021
	<i>BGN '000</i>	<i>BGN '000</i>

Interest expenses	189	206
Expenses from exchange rate differences	149	63
Other financial expenses	16	20
Total:	354	289

Assets

	01-09/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>

Non-current assets

Property, plant and equipment	36,250	38,071
Intangible assets	3,357	3,451
Trade receivables	5,276	5,276
Total non-current assets	44,883	46,798

Current assets

Inventories	10,173	11,342
Trade and other receivables	65,521	59,220
Current corporate income tax	-	40
Cash and cash equivalents	35	57
Total current assets	75,729	70,659
Total Assets	120,612	117,457

	01-09/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>

Property, plant and equipment

Land and buildings	24,666	25,187
Machinery and equipment	10,537	11,450
Other	247	295

In the process of acquisition	800	1,139
	36,250	38,071

Inventories	01-09/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Materials	9,305	10,480
Production	786	162
Goods	82	131
Work in progress	-	569
Total:	10,173	11,342

Equity and liabilities

	01-09/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	84,500	84,500
Statutory reserve	12,522	12,382
Undistributed profit	4,925	1,937
Total Equity	101,947	98,819

Liabilities

	01-09/2022	01-12/2021
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current liabilities		
Long-term loans	1,390	1,717
Deferred tax liabilities	1,030	1,030
Liabilities to employees on retirement	149	151
Total non-current liabilities	2,569	2,898

Current liabilities

Trade and other liabilities	4,932	4,721
Short term loans	9,783	9,781
Current part of long-term loans	802	990
Current corporate income tax	-	125
Other tax liabilities	579	123
Total current liabilities	16,096	15,740
Total liabilities	18,665	18,638
Total equity and liabilities	120,612	117,457

Financial indicators

	01-09/2022	01-12/2021
Leverage ratio	0.18	0.19
Financial autonomy ratio	5.46	5.30

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

The total amount of shares issued as of 30.09.2022 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

	1-09/2022	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/

