

CONSOLIDATED ACTIVITY REPORT

For the first quarter
of 2023



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

29.05.2023

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

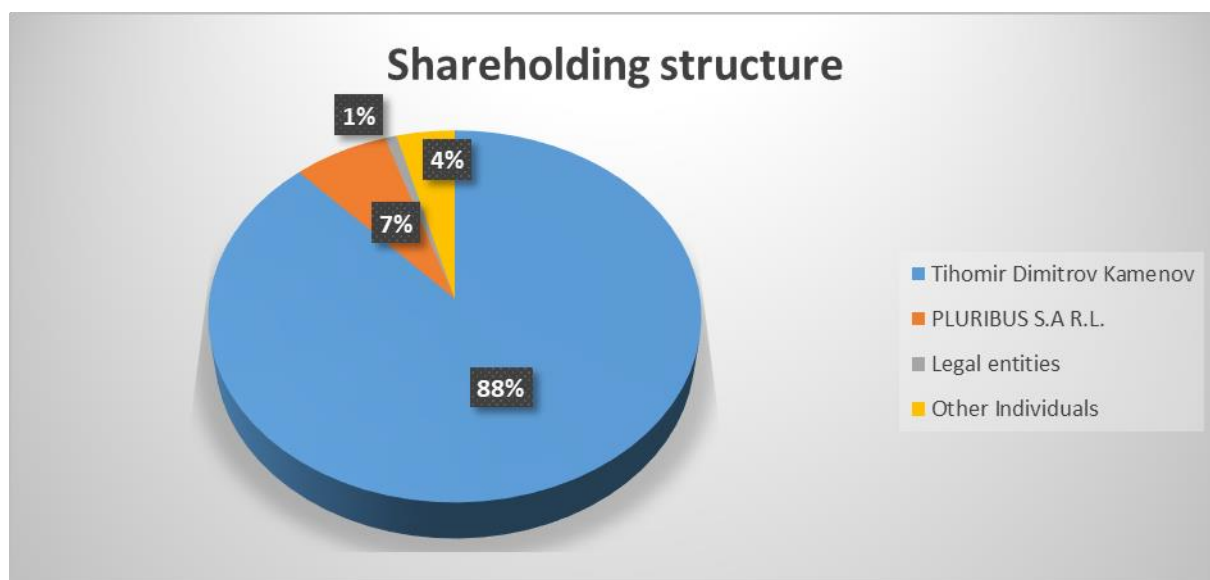
As of 31.03.2023 it has one wholly-owned subsidiary: SWYSSI S.R.L. registered in the Republic of Romania.

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 31.03.2023 is composed of:

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

5. Shareholding structure 31.03.2023.



6. Employees

As of 31.03.2023, 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 first quarter of 2023.

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

Investments for the period	2020	2021	2022
Tchaikapharma High Quality Medicines Inc.			
I. Fixed tangible assets	13,861	4,630	964
1. Land and buildings	13,042		
2. Property and equipment	667	4,596	957
3. Other fixed assets	152	34	7
II. Fixed intangible assets	1,152	375	417
1. Industrial property rights	919	307	417
2. Software	9	49	
3. Patents and licenses	224	19	
Total amount of acquisition of fixed tangible and intangible assets	15,013	5,005	1,381

Major investments in progress

In the first quarter of 2023, 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	01-03/2023	01-03/2022
	BGN '000	BGN '000
Sales revenue	13,610	12,778
Earnings before interest, taxes and depreciation (EBITDA)	3,060	2,970
Net profit	1,939	1,877
	01-03/2023	01-12/2022
	BGN '000	BGN '000
Non-current assets	43,604	44,156
Current assets	77,018	75,705
Equity	120,622	119,861
Non-current liabilities	2,524	2,632
Current liabilities	14,574	15,644
	01-03/2023	01-03/2022

EBITDA/Sales revenue	22%	23%
Net profit/Sales revenue	14%	15%

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	01-03/2023 BGN '000	01-03/2022 BGN '000
Tablets	10,089	10,278
Ampules	918	-
Vials	2,594	2,041
Total:	13,601	12,769

Revenue by therapeutic groups	01-03/2023 BGN '000	01-03/2022 BGN '000
Cardiovascular system	11,197	9,445
Musculoskeletal system and connective tissue	-	31
Respiratory system and antibiotics	13	1,683
Nervous system	688	141
Endocrine system	702	1,081
Other products	75	166

Digestive system and metabolism	621	222
Oncology	305	-
Total:	13,601	12,769
Changes in the inventories of products and work in progress	(257)	(560)
Other operating income	01-03/2023	01-03/2022
	BGN '000	BGN '000
Income from rent	9	9
Other income	30	54
Total:	39	63
Financial income	01-03/2023	01-03/2022
	BGN '000	BGN '000
Income from interest		
Income from exchange rate differences	27	5
Other financial income	-	-
Total:	27	5

Core activity expenses

Operating expenses	01-03/2023	01-03/2022
	BGN '000	BGN '000
Book value of sold products	709	102
Materials	3,189	4,397
External services	4,384	3,338
Salaries	1,311	1,135
Social security costs	256	236
Depreciation costs	867	940
Other	468	73
Total:	11,184	10,221
Cost of materials	01-03/2023	01-03/2022
	BGN '000	BGN '000
Basic material	2,799	3,952
Electricity	220	272
Fuels and lubricants	23	21
Spare parts and laboratory materials	60	24
Water	5	13
Other materials	82	115
Total:	3,189	4,397

Costs of external services	01-03/2023	01-03/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Security	158	113
Insurance	6	6
Telephone and postage expenses	7	5
Equipment maintenance and subscription	66	25
Fees	46	148
Transport costs	28	10
Other costs for external services	4,073	3,031
Total:	4,384	3,338

Financial expenses	01-03/2023	01-03/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	114	63
Expenses from exchange rate differences	26	20
Other financial expenses	7	6
Total:	147	89

Assets

	01-03/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets		
Property, plant and equipment	34,834	35,319
Intangible assets	3,694	3,761
Trade receivables	5,076	5,076
Total non-current assets	43,604	44,156
Current assets		
Inventories	12,383	13,480
Trade and other receivables	64,510	62,056
Current corporate income tax	27	27
Cash and cash equivalents	98	142
Total current assets	77,018	75,705
Total Assets	120,622	119,861

	01-03/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment		
Land and buildings	24,319	24,493
Machinery and equipment	9,637	10,073
Other	240	232
In the process of acquisition	638	521

	34,834	35,319
Inventories	01-03/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Materials	8,824	10,974
Production	3,421	2,025
Goods	138	481
Total:	12,383	13,480

Equity and liabilities

	01-03/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	84,500	84,500
Statutory reserve	12,498	12,498
Undistributed profit	6,526	4,587
Total Equity	103,524	101,585

Liabilities

	01-03/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current liabilities		
Long-term loans	1,291	1,399
Deferred tax liabilities	1,042	1,042
Liabilities to employees on retirement	191	191
Total non-current liabilities	2,524	2,632
Current liabilities		
Trade and other liabilities	3,773	5,080
Short term loans	9,780	9,785
Current part of long-term loans	554	620
Other tax liabilities	467	159
Total current liabilities	14,574	15,644
Total liabilities	17,098	18,276
Total equity and liabilities	120,622	119,861

Financial indicators

	01-03/2023	01-03/2022
Leverage ratio	0.17	0.18
Financial autonomy ratio	6.05	5.67

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

The total amount of shares issued as of 31.03.2023 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

	1-03/2023	1-12/2022
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	16.50	16.10
Market capitalization at the end of the period in BGN	1,394,250,000	1,360,450,000

Biser Georgiev

/Executive Director/

