

ACTIVITY REPORT

For the third quarter
of 2023



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

25.10.2023

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) 402 64 82

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 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.
- By Decision of the General Assembly of 20.06.2023 the profit of 2022 in the amount of BGN 1,791,019.53. (One million seven hundred and ninety-one thousand nineteen leva and 53 st.) shall be allocated as follows BGN 271,101.95 (Two hundred and seventy one thousand one hundred and one levs and 95 Sts.) to be allocated to reserves and BGN 2,499,194.65 (Two Million four hundred and ninety-nine thousand one hundred and ninety four levs and 65 Sts.) together with the retained earnings for 2021 in the amount of BGN 1,800,805.35 (One million eight hundred thousand eight hundred and five levs and 35 st.) to increase the capital of the company. The increase of the capital has not yet been entered in the Commercial Register, and therefore is not reflected in current reports.
- 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: 2021, 2022 and 2023.

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

Investments for the period	2021	2022	2023
Tchaikapharma High Quality Medicines Inc.			
I. Fixed tangible assets	4 630	964	1 026
1. Land and buildings			
2. Property and equipment	4 596	957	228
3. Other fixed assets	34	7	798
II. Fixed intangible assets	375	417	283
1. Industrial property rights	307	417	253
2. Software	49		30
3. Patents and licenses	19		
Total amount of acquisition of fixed tangible and intangible assets	5 005	1 381	1 309

Major investments in progress

The installed new granulation equipment - mixer-granulator, vortex dryer and regranulator - has started to work, already at normal rates.

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:

Submitted renewals:

Zornichka 12,5 mg; 25 mg tablets - IAL-30311/14-07-2023; IAL-30312/14-07-2023

Methylprednisolone-Tchaikapharma 40 mg powder and solvent for solution for injection - IAL-40024/21-09-2023

Submitted variations:

ContaMedia Ioh 350 mg I/ml solution for injection – var. Type IB - IAL-33361/04-08-2023

ContaMedia Ioh 350 mg I/ml solution for injection – var. Type IB/Type IB - IAL-33360/04-08-2023

ContaMedia Ioh 350 mg I/ml solution for injection –group var. Type IAin; IB; IB; IA; IB; IB; IB - IAL-33358/04-08-2023

Remifentanil-Tch 5 mg powder for conc. for sol. for injection/infusion – group var. Type II; IB; IB - IAL-33357/04-08-2023

Methylprednisolone-Tchaikapharma 40 mg powder and solvent for solution for injection - notif. Art 61.3 - IAL-36810/30-08-2023

Rossta 10 mg; 20 mg film-coated tablets - notif. Art 61 (3) - IAL-40022/21-09-2023; IAL-40023/21-09-2023

Spirolacton-Tchaikapharma 25 mg; 50 mg; 100 mg film-coated tablets - notif. Art 61 (3) - IAL-40015/21-09-2023; IAL-40018/21-09-2023; IAL-40019/21-09-2023

Pantoprazole-Tchaikapharma 40 mg powder for solution for injection/infusion - Type IA; IA - IAL-40026/21-09-2023

LanzAcid 30 mg gastro-resistant capsules, hard - notif. Art 61 (3) - IAL-40014/21-09-2023

Co-Paxene 2 mg/0,625 mg; 4 mg/1,25 mg tablets - group var. IA; IB – IAL-40760/27.09.2023

Total: 10

Approved MA's from BDA:

Approved MA's of new products:

Approved variations:

Cordacare Plus 10 mg/12.5 mg; 20 mg/12.5 mg tablets - var. Type IB - IAL-30061/13-07-2023; IAL-30062/13-07-2023

Vancocin CP 1 g powder for solution for infusion - group var IB- IAL-33329/04-08-2023

Vorifungal 200 mg powder for solution for infusion – var. Type Iain - BG/MA/MP-62944/06-07-2023

Reverantza 20 mg/5 mg; 40 mg/5 mg film-coated tablets - notif. Art 61.3 - IAL-32774/01-08-2023; IAL-32771/01-08-2023

Methylprednisolone-Tchaikapharma 40 mg powder and solvent for solution for injection – var. Type II - IAL-37117/31-08-2023

Irbesso 150 mg; 300 mg film-coated tablets - var. Type II - IAL-36503/28-08-2023; IAL-36504/28-08-2023

Co-Irbesso 150 mg/12,5 mg; 300 mg/12,5 mg film-coated tablets - var. Type II - IAL-36501/28-08-2023; IAL-36502/28-08-2023

PlaquEx Combi 75 mg/75 mg hard capsules - var. Type IA - BG/MA/MP -63080/19-07-2023

Vancocin CP 1 g powder for solution for infusion - group var. Type IB, Type IB - IAL-29723/11-07-2023

Metlinka 50 mg/850 mg film-coated tablets/ 50 mg/1000 mg film-coated tablets - var. Type IA - IAL-29482/10-07-2023; IAL-29484-10-07-2023

Methylprednisolone-Tchaikapharma 40 mg powder and solvent for solution for injection – var. Type IA - IAL -33288/03-08-2023

Kefadim 1 g powder for solution for injection - notif. Art 61.3 - IAL-30637/17-07-2023

Vancocin CP 1 g powder for solution for infusion - notif. Art 61.3 - IAL-30651/17-07-2023

Lifurox 1,5 g powder for solution for injection/infusion - notif. Art 61.3 - IAL-30620/17-07-2023

Bacteripime 1 g powder for solution for injection/infusion - notif. Art 61.3 - IAL-30595/17-07-2023

Cefotaxime-Tchaikapharma 1 g powder for solution for injection - notif. Art 61.3 - IAL-30635/17-07-2023

TromBye 100 mg tablets - var. Type IA - IAL-34548/14-08-2023

Sotapirin 300+250+2 mg effervescent tablets - Type Iain - IAL-34507/14-08-2023

Buto-Asma 0,1 mg/dose pressurised inhalation, suspension - - var. Type IA - IAL-36557/29-08-2023

Sinepar 200 mg/50 mg prolonged-release tablets - var. Type Iain - BG/MA/MP-63310/17-08-2023

Klacar XL 500 mg prolonged-release tablets - var. Type IB - BG/MA/MP-63432/01-09-2023

Metformin-Tchaikapharma 850 mg film-coated tablets – var. Type IA - IAL-40527/26-09-2023

TromBye 100 mg tablets- var. Type II- IAL-40356/25-09-2023

Reverantza 20 mg/5 mg; 40 mg/5 mg film-coated tablets – notif. Art 61.3 - IAL-40028/21-09-2023; IAL-40095/21-09-2023

Cefotaxime-Tchaikapharma 1 g powder for solution for injection – var. Type II - IAL-39962/20-09-2023

Pizona Combi 15 mg/850 mg film-coated tablets – var. Type IA - IAL-40522/26-09-2023

Total: 26

Kosovo

Approved variations:

Co-Irbesso 150/12,5 mg/ - var. Type Iain - 06.07.2023

Co-Irbesso 150/12,5 mg; 300/12,5 mg - var. Type IB - 06.07.2023

Co-Irbesso 300/12,5 mg - var. Type Iain - 10.07.2023

Irbesso 150 mg; 300 mg film-coated tablets - var. Type Iain - 06.07.2023

Irbesso 150 mg; 300 mg film-coated tablets - var. Type Iain - 24.07.2023

Irbesso 150 mg; 300 mg film-coated tablets - var. Type IB - 06.07.2023

Total: 6

Employees

As of 30.09.2023 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 189 (163 as of 31.12.2022). In the table below detailed information about the employees in the company is provided

	30.09.2023	Share
Number of employees as of 30.09.2023	189	100%
Higher education	117	64%
Secondary education	71	35%
Primary education	1	1%
Employees under 30 years	62	33%
Employees 31 - 40 years	73	39%
Employees 41 - 50 years.	48	25%
Employees 51 - 60 years.	5	3%
Employees 60+ years	1	1%
Women	89	47%
Men	100	53%

Significant events since the beginning of the year until 30.09.2023

In the third quarter of 2023 there were no significant events.

Key financial indicators

Indicators	01-09/2023	01-09/2022	Change
	BGN '000	BGN '000	%
Sales revenue	39 076	32 572	19.97%
Earnings before interest, taxes and depreciation (EBITDA)	7 343	6 278	16.96%
Net profit	4 404	3 128	40.79%
	01-09/2023	01-09/2022	Change
	BGN '000	BGN '000	%
Non-current assets	43 286	44 175	-2.01%
Current assets	78 599	75 689	3.84%
Equity	121 885	119 864	1.69%
Non-current liabilities	2 094	2 632	-20.44%
Current liabilities	13 798	15 643	-11.79%

	01-09/2023	01-09/2022
EBITDA/Sales revenue	19%	19%
Net profit/Sales revenue	11%	13%

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	01-09/2023 <i>BGN '000</i>	01-09/2022 <i>BGN '000</i>
Tablets	33 759	26 896
Ampules	531	181
Vials	4 760	5 446
Total:	39 050	32 523

Revenue by therapeutic groups	01-09/2023 <i>BGN '000</i>	01-09/2022 <i>BGN '000</i>
Cardiovascular system	27 984	22 311
Musculoskeletal system and connective tissue	52	96
Respiratory system and antibiotics	2 943	3 517

Nervous system	1 456	1 032
Endocrine system	2 477	2 952
Other products	2 119	1 407
Digestive system and metabolism	1 762	1 208
Oncology	258	-
Total:	39 050	32 523

Changes in the inventories of products and work in progress	509	(276)
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Other operating income	01-09/2023	01-09/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Income from rent	21	23
Other income	39	132
Total:	60	155

Financial income	01-09/2023	01-09/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Income from exchange rate differences	46	23
Incomes from financing for fixed assets	30	470
Total:	76	493

Core activity expenses

Operating expenses	01-09/2023	01-09/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Book value of sold products	775	614
Materials	8 971	10 984
External services	15 951	10 942
Salaries	4 005	3 456
Social security costs	768	688
Depreciation costs	2 198	2 691
Other	775	320
Total:	33 443	29 695

Cost of materials	01-09/2023	01-09/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Basic material	7 901	9 356
Electricity	624	1 200
Fuels and lubricants	61	73
Spare parts and laboratory materials	128	84
Water	16	12
Other materials	241	259
Total:	8 971	10 984

Costs of external services	01-09/2023	01-09/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Security	474	339
Insurance	17	17
Telephone and postage expenses	23	17
Equipment maintenance and subscription	147	163
Fees	253	307
Transport costs	54	34
Other costs for external services	14 983	10 065
Total:	15 951	10 942

Financial expenses	01-09/2023	01-09/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	391	189
Expenses from exchange rate differences	70	149
Other financial expenses	19	16
Total:	480	354

Assets

	01-09/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Non-current assets		
Property, plant and equipment	34 486	35 319
Intangible assets	3 705	3 761
Investments with minority interest	19	19
Trade receivables	5 076	5 076
Total non-current assets	43 286	44 175

Current assets		
Inventories	12 129	13 480
Trade and other receivables	66 400	62 056
Treasury shares redeemed	-	27
Cash and cash equivalents	70	126
Total current assets	78 599	75 689
Total Assets	121 885	119 864

	01-09/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment		
Land and buildings	23 971	24 493
Machinery and equipment	8 973	10 073
Other	223	232
In the process of acquisition	1 319	521

	34 486	35 319
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Inventories

01-09/2023 **01-12/2022**
BGN '000 *BGN '000*

Materials	11 305	10 974
Production	574	2 025
Goods	250	481
Total:	12 129	13 480

Equity and liabilities

01-09/2023 **01-12/2022**
BGN '000 *BGN '000*

Registered capital	84 500	84 500
Statutory reserve	12 782	12 498
Undistributed profit	8 711	4 591
Total Equity	105 993	101 589

Liabilities

01-09/2023 **01-12/2022**
BGN '000 *BGN '000*

Non-current liabilities

Long-term loans	861	1 399
Deferred tax liabilities	1 042	1 042
Liabilities to employees on retirement	191	191
Total non-current liabilities	2 094	2 632

Current liabilities

Trade and other liabilities	2 948	4 205
Short term loans	9 788	9 785
Current part of long-term loans	631	620
Other tax liabilities	431	159

Total current liabilities **13 798** **15 643**

Total liabilities **15 892** **18 275**

Total equity and liabilities **121 885** **119 864**

Financial indicators

01-09/2023 **01-09/2022**

Leverage ratio	0.15	0.18
Financial autonomy ratio	6.67	5.56

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total amount of shares issued as of 30.09.2023 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.

	1-09/2023	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	17.10	16.10
Market capitalization at the end of the period in BGN	1 444 950 000	1 360 450 000

Biser Georgiev

/Executive Director/