

CONSOLIDATED ACTIVITY REPORT

For the third quarter
of 2023



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

13.11.2023

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

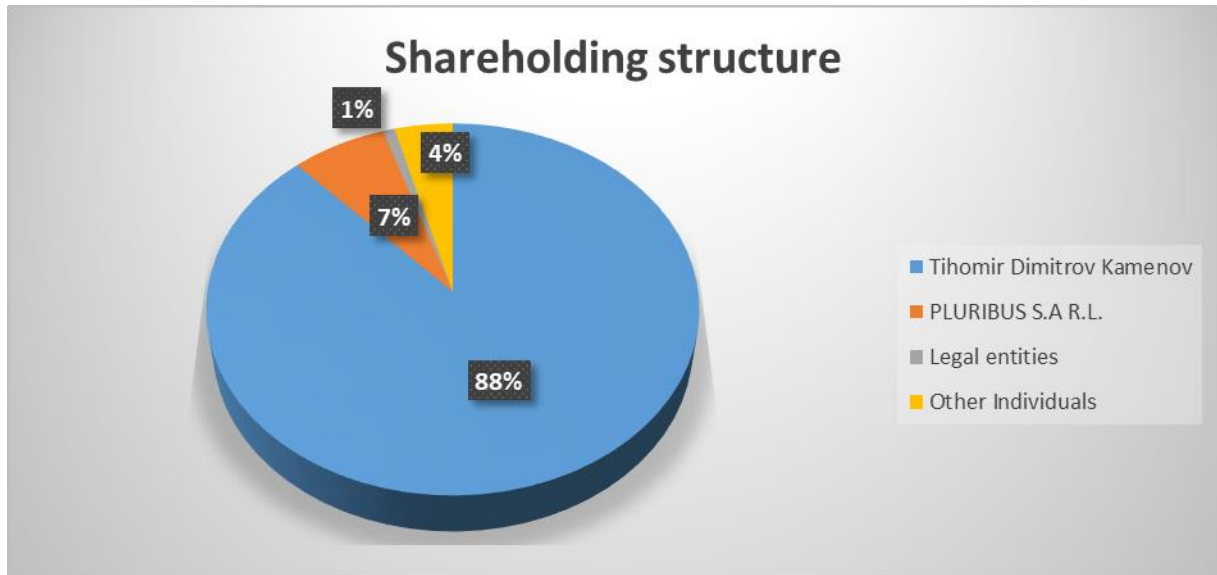
As of 30.09.2023 it has one wholly-owned subsidiary: SWYSSI S.R.L. registered in the Republic of Romania.

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 30.09.2023 is composed of:

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

5. Shareholding structure 30.09.2023.



6. Employees

As of 30.09.2023, the average number of employees in Tchaikapharma High Quality Medicines Inc. Group is 189 people, who are entirely in the parent company.

II. Development of the activity

Investments

Major investments in the third quarter of 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 is working, now at normal rates.

KEY FINANCIAL INDICATORS

Indicators	01-09/2023	01-09/2022
	BGN '000	BGN '000
Sales revenue	39,076	32,572
Earnings before interest, taxes and depreciation (EBITDA)	7,343	6,278
Net profit	4,404	3,128
	01-09/2023	01-12/2022
	BGN '000	BGN '000
Non-current assets	43,267	44,156
Current assets	78,615	75,705
Equity	121,882	119,861
Non-current liabilities	2,094	2,632
Current liabilities	13,799	15,644
	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	01-09/2022
	<i>BGN '000</i>	<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	01-09/2022
	<i>BGN '000</i>	<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
	BGN '000	BGN '000

Income from rent	21	23
Other income	39	132
Total:	60	155

Financial income	01-09/2023	01-09/2022
	BGN '000	BGN '000

Income from exchange rate differences	46	23
Other financial income	-	-
Income from financing	30	470
Total:	76	493

Core activity expenses

Operating expenses	01-09/2023	01-09/2022
	BGN '000	BGN '000

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
	BGN '000	BGN '000

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
Trade receivables	5,076	5,076
Total non-current assets	43,267	44,156
Current assets		
Inventories	12,129	13,480
Trade and other receivables	66,400	62,056
Current corporate income tax		27
Cash and cash equivalents	86	142
Total current assets	78,615	75,705
Total Assets	121,882	119,861
	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

Inventories	01-09/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
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
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	84,500	84,500
Statutory reserve	12,782	12,498
Undistributed profit	8,707	4,587
Total Equity	105,989	101,585

Liabilities

	01-09/2023	01-12/2022
	<i>BGN '000</i>	<i>BGN '000</i>
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	2,949	5,080
Short term loans	9,788	9,785
Current part of long-term loans	631	620
Other tax liabilities	431	159
Total current liabilities	13,799	15,644
Total liabilities	15,893	18,276
Total equity and liabilities	121,882	119,861

Financial indicators

	01-09/2023	01-12/2022
Leverage ratio	0.15	0.18
Financial autonomy ratio	6.67	5.56

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

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.-Group

	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/