ANNUAL MANAGEMENT REPORT for 2024

TCHAIKAPHARMA
HIGH QUALITY MEDICINES

GROUP OF TCHAIKAPHARMA HIGH QUALITY MEDICINES INC
10.04.2025

General information about Group of Tchaikapharma High Quality Medicines Inc.

History and development of Tchaikapharma High Quality Medicines Inc.

Legal and corporate name

The legal and corporate name of the parent company is Tchaikapharma High Quality Medicines Inc.

Address details and registration. Unique Identification Code (UIC)

The Company was registered as a joint stock company with the Commercial Register by virtue of Decision dated 14 March 2000 of the Varna District Court on company file 1096/2000 with the corporate name Tchaikapharma High Inc.

By resolution of the General Meeting of Shareholders dated 04 July 2003, registered by virtue of Decision dated 30 July 2003 on company file 1096/2000 of the Varna District Court, the corporate name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is registered with the Commercial Register of the Registry Agency at the Ministry of Justice under **UIC 103524525.** Management address: Republic of Bulgaria, 1172 Sofia, 1 G. M. Dimitrov Blvd

The Tchaikapharma High Quality Medicines Inc. group does not have a parent ultimate entity.

Tchaikapharma High Quality Medicines Inc. did not change its name during the reporting period.

Date of incorporation and duration of the existence

The Group was established in 2020 with the incorporation of a subsidiary, SWYSSI S.R.L., with its registered office and registered address in the Republic of Romania. In 2024, the Bulgarian company Perpettel EAD joined the Group. The existence of the Group is not limited by term.

Shareholding structure as at 31.12.2024

The main shareholder Tihomir Kamenov owns 88.09%, 4.18% are owned by 273 individuals and two legal entity are owned 7.73 %.

Board of Directors

Tchaikapharma High Quality Medicines Inc. has a one-tier management system with a Board of Directors of three members as follows:

Biser Rosenov Georgiev – Executive Director and Member of the Board of Directors

Silviya Slavcheva Patrikova – Chairman of the Board of Directors

Radka Aleksandrova Tsenova – Member of the Board of Directors

The shares held by the members of the Board of Directors as at 31.12.2024 are:

Biser Rosenov Georgiev – 9,732 shares

Silviya Slavcheva Patrikova – 834 shares

Radka Aleksandrova Tsenova – 0 shares

The Articles of Association of Tchaikapharma High Quality Medicines Inc. does not provide for any restrictions on the right of members of the Board of Directors to acquire shares of the Company.

The members of the Board of Directors do not participate with shares in the capital of other companies.

There are no contracts under Article 240b of the CA in 2024.

The provisions of the Company's Articles of Association on the appointment and dismissal of the members of the management bodies of the company and on the amendments and supplements to the Articles of Association require decisions of the General Meeting of Shareholders. In particular, under Article 43 of the Articles of Association of Tchaikapharma High Quality Medicines Inc. the powers of the management bodies of the company, including the right to take decisions for the issue and redemption of company shares, are governed by the company’s Articles of Association. Article 13, para. 3 of the Articles of Association provides

for the possibility of issuing shares of Tchaikapharma High Quality Medicines Inc. Article 13 (3) of the Articles of Association provides for the possibility of redemption of shares of Tchaikapharma High Quality Medicines Inc.
Investor Relations Director is Krasimir Georgiev, tel. 02/9402 64 82, with correspondence address: Sofia, Bulgaria, 1, G. M. Dimitrov Blvd.
Short-term income of the management has been accrued for 2024 according to the contracts signed. The total remuneration of the Board of Directors in the current year is BGN 128 thousand. There are no rewards or other benefits accrued to the members of the governing body. There are no amounts due for the payment of pensions, retirement benefits or other similar benefits to the Board of Directors.

Economic activity

The main activity of a group of Tchaikapharma High Quality Medicines Inc is purchase of substances and formulations for the production and sale of pharmaceuticals in treated or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original, remade or processed type. On second place are barter and commission transactions; trade representation for foreign and domestic individuals and legal entities in the country and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

The group of Tchaikapharma High Quality Medicines Inc. continuously maintains its manufacturing facilities in line with the current European requirements for Good Manufacturing Practice of Medicines. They are focused on the following therapeutic groups: cardiology, respiratory tract, neurology, psychiatry and gastroenterology. At present, over 160 medicinal products are produced in the company's factories. The premises and equipment of the plant are implemented in full compliance with the requirements of the European requirements for the production of sterile medicinal products.
The most significant pharmaceutical products in terms of their contribution to revenue for 2024 are:
Rossta - a generic product used for diseases of the cardiovascular system;
Co-Irbesso – a generic product used for diseases of the cardiovascular system;
Diab MR – a generic product used for diseases of the endocrine system;
Spironolacton - a generic product used for diseases of the cardiovascular system;
Bisor - a generic product used for diseases of the cardiovascular system;
Plaqex - a generic product used for diseases of the cardiovascular system;
Methylprednisolone - generic product used for allergies;
Reverantza - a generic product used for diseases of the cardiovascular system;
Ceftriaxon - generic product used for respiratory diseases;
Lanzacid - generic product used for digestive system diseases.

Research and development activities

In 2024 Tchaikapharma Plovdiv started the production of food additives in Plovdiv plant.
Submitted in 2024 applications for obtaining a MA for new products:
Febuxostad - Tchaikapharma 80 mg film-coated tablets; 120 mg film-coated tablets - IAL-46928/29.10.2024; IAL-46929/29.10.2024
Tadalafil-Tchaikapharma 5 mg; 10 mg; 20 mg film-coated tablets - IAL-53718/10-12-2024; IAL-53720/10-12-2024; IAL-53721/10-12-2024
The following new products have been approved in 2024:
Reducci (lercanidipine) 10 mg film-coated tablets - BG/MA/MP-67115/18.11.2024
Reducci (lercanidipine) 20 mg film-coated tablets - BG/MA/MP-67116/18.11.2024

As on 31.12.2024, the average number of employees in Tchaikapharma High Quality Medicines Inc. is 207 (as against 191 as on 31.12.2023). The table below provides more detailed information on the Company's staff.

Employees	**31.12.2024**	**Share**
Number of employees as of 31.12.2024	**207**	**100%**
Higher education	131	63%
Secondary education	74	36%
Primary education	2	1%
Employees under 30 years	73	35%
Employees 31 - 40 years	75	36%
Employees 41 - 50 years	49	24%
Employees 51 - 60 years	10	5%
Employees over 60 years	0	0%
Women	99	48%
Men	108	52%

Major trading partners

A major customer of a parent company 2024 is Commercial League - GPC AD, with a relative share of 97.00%.

Commercial League GPC AD has its headquarters in Sofia, Bulgaria, 1, G. M. Dimitrov Blvd., with its main activity of medicines trading in the country and abroad. The relationship is regulated by a contract of purchase and sale.

Suppliers whose relative share exceeds 10% of the total costs of services and materials provided in 2024:

Commercial League GPC AD, with a relative share of 46.00 %, with address in Sofia, Bulgaria, 1, G. M. Dimitrov Blvd., with main activity of medicines trading in the country and abroad. The relationship is regulated by a contract of purchase and sale.

Information on the implementation of the program for the application of internationally recognized standards for good corporate governance

The Board of Directors of Tchaikapharma High Quality Medicines Inc. complies with and applies the Corporate Governance Code. The Company periodically discloses corporate governance information in accordance with the “comply or explain” principle. In the event of non-compliance with some of the Code's recommendations, an explanation is provided thereof. The actions of the management of Tchaikapharma High Quality Medicines Inc. are aimed at strengthening the principles of good corporate governance, increasing the confidence of shareholders, investors and persons interested in the management and operations of the company. The Board of Directors of Tchaikapharma High Quality Medicines Inc. complies with the Good Corporate Governance Programme, which is in line with the current regulations, internationally recognised standards of good corporate governance and the National Corporate Governance Code.

The Board of Directors approves the information disclosure policy in accordance with the legal requirements and Articles of Association. The disclosure system ensures equality of information addressees (shareholders, stakeholders, investment community) and does not allow abuse of inside information. The Corporate management ensures that the disclosure system provides complete, timely, accurate and comprehensible information to enable the objective and informed decisions and assessments. The Board of Directors of Tchaikapharma High Quality Medicines Inc. has prepared a remuneration policy for the members of the Board of Directors to be adopted by the General Meeting of Shareholders for the adoption of the Annual

Financial Statements for 2024. The Remuneration policy has been developed in accordance with Ordinance No 48 of 20 March 2013 of the Financial Supervision Commission and the Law on Public Offering of Securities. The remuneration amount and structure are determined by the General Meeting of the Company.

The processes and procedures for General Meetings of Shareholders holding guarantee equal treatment of all shareholders, including minority and foreign shareholders, and protect their interests. The materials related to the General Meeting of Shareholders are available to the shareholders on the day of the announcement of the invitation for its convening in the Commercial Register on the company's website: **www.tchaikapharma.bg** and are provided free to the shareholders upon request. Shareholders entitled to vote may exercise their voting rights at the General Meeting of the company in person or through representatives, as well as by correspondence or by electronic means. The corporate management takes action to encourage the participation of shareholders in the General Meeting of Shareholders, by enabling remote presence through technical means (including the Internet) wherever this is possible and necessary and does not make it more difficult or more expensive to vote.

The Board of Directors believes that conditions have been created for sufficient transparency in the relations with investors, financial media and capital market analysts.

Significant events since the beginning of the year until 31.12.2024

By a decision of the General Meeting of 25.06.2024 the accumulated retained profit in the amount of BGN 7,707,502.56 (Seven million seven hundred and seven thousand five hundred and two levs and 56 st.) shall be distributed as follows. BGN 7,300,000 (Seven million three hundred) and additional reserves BGN 7,552.30 (Seven thousand five hundred and fifty-two leva and 30 st.), BGN 60,000.00 (Sixty thousand leva) remains retained earnings.

- The current capital of the Company is BGN 91,800,000 divided into 91,800,000 ordinary uncertificated shares with voting rights, with a par value of BGN 1 (one) each.

Significant events occurring after the date of the annual financial statement compilation.

There are no significant disclosure events subsequent to December 31, 2024 that would affect material changes in the Company's financial or property position.

New developments and products

In 2024 the company received the following marketing authorizations for the territory of Bulgaria, authorized under national procedure:

- Reducci
- Telmira
- Toraflora

Tchaikapharma High Quality Medicines JSC does not stop investing in the development of new products to expand its product portfolio both at home and abroad.

Expected development of a group

The group of Tchaikapharma High Quality Medicines Inc. is expanding its scope of activities and has focused on conducting clinical trials as part of the creation of new proprietary generic medicines and fixed-dose combinations. The established laboratory shall, on the basis of validated methods, investigate the concentration of various medicinal substances in human plasma in order to assess the bioequivalence of the tested against reference medicinal products. The activity of the laboratory fills a not very well-developed niche on the Bulgarian market, while at the same time preparing for the clinical trials of medicinal products of the company.

The parent company does not stop growing as a company that produces high quality medicines that meet international standards.

Through active marketing policy and competitive prices the company aims to increase the market share of its products on the territory of the country.

The group continues its policy of active partnership with well-established international pharmaceutical companies, mostly European ones, with new companies, as well as expanding the product range of the already established cooperation.

Information on the loan agreements concluded by the parent company

The Company has signed a loan agreement with one bank:

- UBB AD, contractual amount of BGN 7,823 thousand, maturity on 20.12.2025, balance as at 31.12.2024 – BGN 7,817 thousand and BGN 11 thousand of interest.
- UBB AD, contractual amount of BGN 1,955 thousand, maturity on 20.12.2025, balance as at 31.12.2024 – BGN 1,953 thousand and BGN 3 thousand of interest.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from UNITED BULGARIAN BANK Inc. under agreement dated 03.12.2019 with maturity on 30.09.2028, liabilities as at 31.12.2024 for the borrower BGN 12,573 thousand.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre Inc. from POSTBANK Inc. under agreements dated 08.08.2022 contractual amount of EUR 3,600 thousand with maturities on 30.09.2025, liabilities as at 31.12.2024 for the borrower EUR 2,998 thousand.

The Company is a co-borrower a syndicated bank loan to Commercial League - Global Pharmacy Centre Inc. from EUROBANK BULGARIA Inc. and FIRST INVESTMENT BANK Inc. under an agreement dated 04.11.2024 in the amount of EUR 41,790 thousand with maturities on 30.10.2034, liabilities as at 31.12.2024 for the borrower EUR 3,609 thousand.

Information on transactions essential to the business

There were no transactions of material significance for 2024.

Other information according to Annex 10 of Ordinance No 2 on prospects in the public offering and admission to trading on a regulated securities market, and on the disclosure of information by public companies and other securities issuers.

- The Company has no transactions outside its normal course of business, and such deviating from the market conditions. No significant transactions have been made in the current year.
- During the reporting period there were no events and indicators of a nature unusual for the company. Tchaikapharma High Quality Medicines Inc. has no off balance sheet transactions for the reporting period.
- In 2024 there have been no changes in the basic management principles of Tchaikapharma High Quality Medicines Inc.
- The Company has issued 2 300 000 new dematerialised shares. The capital increase with the new issue of shares was entered in the Commercial Register on 21.07.2021.
- Tchaikapharma High Quality Medicines Inc. has not published estimates of its financial result for 2025.
- The Company has no pending court, administrative or arbitration proceedings concerning liabilities or receivables amounting to at least 10 percent of its equity.
- The Company does not have information about arrangements that could result in changes in the relative share held by current shareholders.
- The Company is not informed about takeover offers under Art. 10, para. 1, letters “c”, “d”, “f”, “h” and “i” of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004
- The Company has developed and implements a policy of internal control (preventive, current and follow-up) of all financial operations where there may be a risk for its operations. This system governs the nature and scope of the specialized internal control in Tchaikapharma High Quality Medicines Inc., as well as the status and functions of the persons who carry it out. The internal control is an independent valuation activity covering all Company’s business operations, which is carried out by a specialized internal control service.

- The Company has developed a Risk Management Policy dedicated to help Tchaikapharma High Quality Medicines Inc. achieve its goals and priorities by applying a unified approach to identify, evaluate and limit the negative impact of potential events and situations endangering their achievement.
- A Board of Directors is in place, which meets as necessary and consists of 3 members:
  Biser Rosenov Georgiev
  Silviya Slavcheva Patrikova
  Radka Aleksandrova Tsenova

An Audit Committee has been set up in accordance with the Independent Financial Audit Act, which has supervision functions on:

- Financial reporting
- Internal control
- Internal audit
- Independent Financial Audit

Information on shareholdings and major investments.

By the end of 2024, Tchaikapharma Group does not hold any treasury shares.

Investments made for the period	2022	2023	2024
Tchaikapharma High Quality Medicines Inc			
I. Fixed tangible assets	964	658	1 387
1. Land and Buildings		158	34
2. Machines, facilities and equipment	957	355	1 351
3. Other fixed tangible assets	7	145	2
II. Intangible fixed assets	417	86	10
1. Intellectual property rights	417	47	6
2. Software products		39	4
3. Patents and licenses			
Total amount for the acquisition of TFA and IFA	**1 381**	**744**	**1 397**

Key financial indicators

Indicators	**2024** *BGN '000*	**2023** *BGN '000*
Sales revenue	53 141	48 512
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	7 657	6 764
Net profit	4 490	3 398

	2024 *BGN '000*	**2023** *BGN '000*
Non-current assets	41 543	41 621
Current assets	86 954	80 878
Equity	109 442	105 001
Non-current liabilities	2 141	2 189
Current liabilities	16 914	15 644

	2024	2023
EBITDA/Sales revenue	14%	14%
Net profit/Sales revenue	8%	7%
Called-up capital/Equity	0.17	0.17

Review of the risk factors

Risks related to the Group's business and to the industry in which it operates

- The Parent's company activities could be affected by changes in the regulatory requirements concerning production of pharmaceutical products.
- Amendments to the legislation regulating the Parent's company business are possible, and these could potentially increase the costs of compliance or may have another adverse effect on its operations.
- The production processes of the Parent company are subject to stringent requirements and approvals by regulatory authorities, which may delay or even interrupt the operations of the Company.
- The ability of the Parent's 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 Parent company is exposed to operational risk, which is inherent in its business activities.
- The Parent company is subject to multitude laws and regulations in the field of environmental protection and health and safety work conditions, and is exposed to potential liabilities in relation to environment.
- The Parent company is exposed to strong competition
- The Parent's company operates in active exchange with foreign suppliers and customers. It is therefore exposed to foreign currency risk, mainly against the US dollar. The foreign currency risk is the risk that the exchange rate of US dollar: Bulgarian lev will fluctuate in future and thus, it will have an effect on the foreign currency assets and liabilities. The remaining part of the Company's operations is usually denominated in Bulgarian lev and/or in Euro.

Exchange rate risk

The Parent company is not exposed to any significant exchange rate risk since most of its assets, liabilities and transactions are denominated in BGN or EUR, and the lev is tied to the Euro, according to the Currency board rules. Regular control of balance sheet items is performed to minimize the exposure to exchange rate risk.

Credit risk

There is no significant concentration of credit risk in the Parent company. The Parent company has established policies to ensure that sales are made to a major customer with immediate payment or payment within a reasonable time in accordance with agreements. Credit risk arises principally from cash and cash equivalents and deposits with banks and other financial institutions, as well as from borrowings. For banks and other financial institutions, only institutions with a high credit rating are considered.

Liquidity risk

The prudent management of liquidity risk implies the maintenance of sufficient cash and liquid securities, as well as the possibility of additional credit financing and the closing of market positions. Due to the dynamic nature of core business types, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient unused authorized credit lines.

Risk of changes in cash flows and fair values resulting from changes in interest rates

The Parent's company interest-bearing assets are with fixed and floating interest rates. Variable interest rate loans expose the Company to interest rate risk from changes in future cash flows, and fixed rate loans – to interest rate risk from fair value changes. The Company’s policy is to provide loans mainly at fixed interest rates. As at December 31, 2024 and 2023 the Company does not have interest-bearing assets measured at fair value and therefore is not exposed to the risk of a change in fair value.

Information on the main features of the internal control system applied by the company in the course of financial statements preparation

Under Bulgarian law, the management should prepare an activity report as well as a financial report for each financial year providing a true and fair view of the Company's financial position at the year-end, on the financial performance and cash flows in accordance with the applicable accounting framework. The management's responsibility also includes the implementation of an internal control system to prevent, detect and correct errors and false statements as a result of accounting system actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy disclosed in the financial statements;
- carrying out of all operations in accordance with legal and regulatory acts;
- reflecting all events and transactions in a timely manner with the exact amounts in the appropriate accounts and for the relevant reporting period so as to allow the preparation of the financial statements in accordance with the specific accounting framework set;
- observance of the prudence principle in the valuation of assets, liabilities, income and expenses;
- detection and termination of frauds and errors;
- completeness and regularity of accounting information;
- preparing reliable financial information;
- adherence to international financial reporting standards and to the going concern principle.

Operational results for 2024

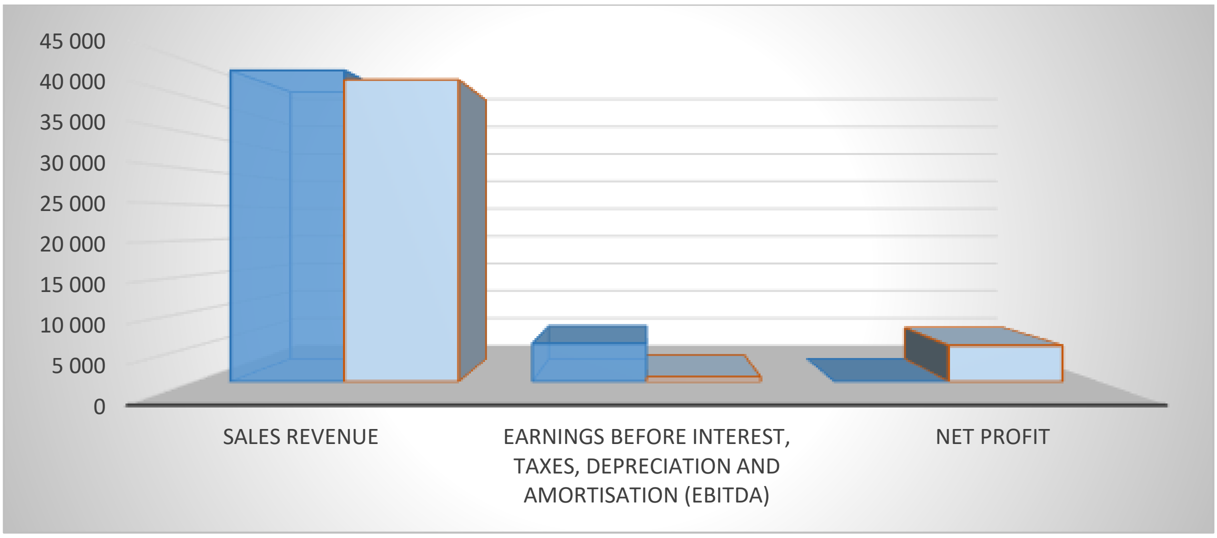
Operating income

Revenues from sales of products in 2024 increased by BGN 4 629 thousand or by 9.54% up to BGN 52,997 thousand, compared to BGN 48,444 thousand in 2023.

Revenues from sales on the European market represents 5% of total revenues of the company and amount to BGN 2,336 thousand.

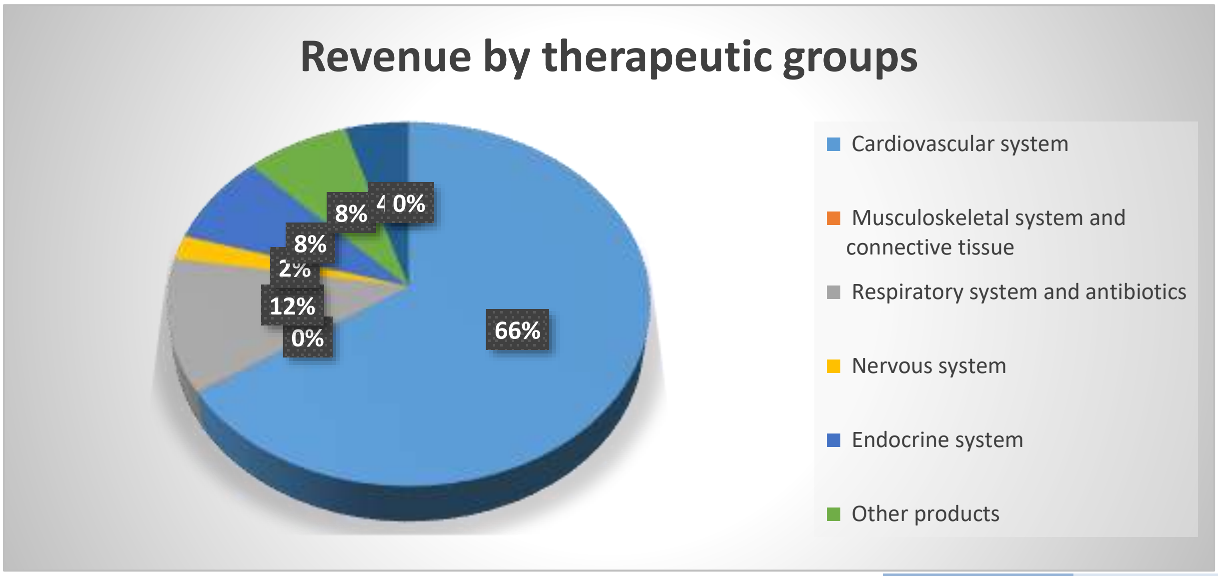
Sales by types of dosage forms

Revenue by dosage forms	**2024**	**2023**
	BGN '000	***BGN '000***
Tablets	43 981	42 635
Ampules	5 434	655
Vials	3 582	5 154
Total:	**52 997**	**48 444**



Revenue by therapeutic groups

	2024 *BGN '000*	2023 *BGN '000*
Cardiovascular system	34 636	34 516
Musculoskeletal system and connective tissue	49	50
Respiratory system and antibiotics	6 223	3 802
Nervous system	1 104	1 827
Endocrine system	4 252	4 172
Other products	4 032	1 876
Digestive system and metabolism	2 432	1 950
Nutritional supplements	31	-
Oncology	238	252
Total:	**52 997**	**48 444**



Changes in the stock of products and work in progress	**(77)**	**(233)**

Other operating income and services

	2024	2023

	BGN '000	BGN '000
Rental income	66	63
Services income		5
Other income	309	67
Total:	**375**	**135**

Operating expenses

Operating expenses

	2024	2023
	BGN '000	*BGN '000*
Carrying amount of goods sold	2 251	862
Materials	13 552	12 172
Hired services	19 792	20 269
Personnel expenses	7 944	6 198
Social security expenses	1 434	1 135
Impairment and reimbursement expenses for financial assets		3
Depreciation / amortisation expenses	2 519	2 809
Other expenses	534	896
Total:	**48 103**	**44 344**

Material costs

	2024	2023
	BGN '000	*BGN '000*
Main materials	12 064	10 731
Electricity	796	804
Fuel and lubricants	147	92
Spare parts and laboratory materials	211	169
Water	24	20
Other materials	310	356
Total:	**13 552**	**12 172**

The cost of materials increased by BGN 1,380 thousand to 13,552 in 2024.

Costs of hired services

	2024	2023
	BGN '000	*BGN '000*
Security	632	632
Insurance	30	24
Telephone and postage expenses	34	35
Equipment maintenance and subscription	261	186
Fees	323	285
Transport costs	48	64
Other costs of hired services	18 464	19 045
Total:	**19 792**	**20 271**

Financial Income and Expenses

Financial income	2024	2023
	BGN '000	*BGN '000*
Interest income	477	462
Income from currency exchange differences	51	75

Income from operations with financial assets	1	-
Total:	**529**	**537**

Financial expenses	**2024**	**2023**
	BGN '000	***BGN '000***
Interest expenses	585	549
Expenses on currency exchange differences	138	83
Other financial expenses	45	44
Total:	**768**	**676**

Assets

	2024	**2023**
Non-current assets	***BGN '000***	***BGN '000***
Property, plant and equipment	33 304	33 083
Intangible assets	2 836	3 560
Trade receivables	5 403	4 978
Total of non-current assets	**41 543**	**41 621**

	2024	**2023**
Current assets	***BGN '000***	***BGN '000***
Inventories	15 862	14 303
Trade and other receivables	70 823	66 490
Current corporate tax	129	12
Cash and cash equivalents	140	73
Total of current assets	**86 954**	**80 878**
Total of Assets	**128 497**	**122 499**

	2024	**2023**
	BGN '000	***BGN '000***
Property, plant and equipment		
Land and buildings	23 848	23 954
Machinery, equipment and facilities	9 167	9 045
Other	6	13
Under acquisition	283	71
Total:	**33 304**	**33 083**

Inventories	**2024**	**2023**
	BGN '000	***BGN '000***
Materials	14 318	13 103
Finished products	265	423
Goods	1 279	777
Total:	**15 862**	**14 303**

Equity and liabilities

	2024	**2023**
	BGN '000	***BGN '000***

	2024	2023
Registered (share) capital	91 800	84 500
Statutory reserve	13 097	12 800
Retained earnings	4 545	7 701
Total Equity	**109 442**	**105 001**

Liabilities

	2024	2023
Non-current liabilities	*BGN '000*	*BGN '000*
Long-term loans	675	879
Deferred tax liabilities	1 198	1 113
Retirement benefit liabilities	268	197
Total non-current liabilities	**2 141**	**2 189**

	2024	2023
Current liabilities	*BGN '000*	*BGN '000*
Trade and other payables	6 337	4 768
Short-term loans	9 784	9 791
Current portion of long-term loans	670	507
Other tax liabilities	123	243
Total current liabilities	**16 914**	**15 309**
Total liabilities	**19 055**	**17 498**
Total equity and liabilities	**128 497**	**122 499**

Cash flows

	2024	2023
	BGN '000	*BGN '000*
Net cash flows from operating activities	3 363	2 864
Net cash flows from investment activities	(2 168)	(1 912)
Net cash flows from financing activities	(1 128)	(1 021)
Net increase/decrease in cash and cash equivalents	**67**	**(69)**
Cash and cash equivalents on 1 January	**73**	**142**
Cash and cash equivalents on 31 December	**140**	**73**

Financial indicators

	2024	2023
Return on equity	0.041	0.032
Return on assets	0.035	0.028
Assets turnover ratio	0.42	0.40
Current liquidity ratio	5.14	5.28
Fast liquidity ratio	4.20	4.35
Debt factor	0.17	0.17

Financial autonomy ratio	5.74	6.00

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total number of the issued shares as at 31.12.2024 is 91,800,000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible according to the Company's Articles of Association. All issued shares are of one class. Each share grants equal rights to its holder, proportional to the nominal value of the share. According to the Company's Articles of Association, there are no restrictions on the transfer of the securities, restrictions on the possession of securities or the need for approval by the company or another shareholder. There are no shareholders with special control rights. There is no need for a system of control over the exercise of voting rights in cases where employees of the company are also its shareholders and when the control is not directly exercised by them because there are no such cases. There are no restrictions on voting rights such as limitations on the voting rights of shareholders with a certain percentage or number of votes, the deadline for the exercise of voting rights, or systems where, with the cooperation of the company, the financial rights attaching to the shares are separated from the shares' ownership.

The shares of "Tchaikapharma High Quality Medicines Inc." are traded on the official market of BSE-Sofia AD. The Company is not informed about arrangements (including after the end of the financial year), as a result of which changes in the relative portion of shares or bonds of current shareholders may occur in the future. The Company has no information about shareholders' agreements known to the Company and which may result in restrictions on the transfer of shares or voting rights.

There are no contracts of the company having effect, changing or being terminated due to a change in the control of the company in the implementation of a mandatory tender offer and the consequences thereof.

Significant indicators for the shares of Tchaikapharma High Quality Medicines Inc

	2024	2023
Total number of issued shares	91 800 000	84 500 000
Number of shares in circulation at the end of the period	91 800 000	84 500 000
Net profit per share in BGN	0.05	0.04
Price per share at the end of the period in BGN	18.00	17.00
Book value per share in BGN	1.19	1.24
Price per share/Net profit per share	367.85	420.28
Price per Share/Book Value per Share	15.10	13.68
Market capitalization at the end of the period in BGN	1 652 400 000	1 436 500 000

http://www.infostock.bg/infostock/control/graphics/7TH

Biser Georgiev
/ Executive Director /

Tchaikapharma High Quality Medicines Inc.
Consolidated Statement of financial position
as of 31 december 2024

	2024	**2023**
Non-current assets	**BGN’000**	**BGN’000**
Property, plant and equipment	33 304	33 083
Intangible Assets and Goodwill	2 836	3 560
Trade receivables	5 403	4 978
Non-current assets	**41 543**	**41 621**
Inventories	15 862	14 303
Trade and other receivables	70 823	66 490
Current tax assets	129	12
Cash and cash equivalents	140	73
Current Assets	**86 954**	**80 878**
Assets	**128 497**	**122 499**
Issued capital	91 800	84 500
Statutory reserve	13 097	12 800
Retained earnings	4 545	7 701
Equity	**109 442**	**105 001**
Equity Attributable to owners of the parent company	***109 442***	***105 001***
Non-controlling interest in equity	-	-
Long term borrowings	675	879
Deferred tax liabilities	1 198	1 113
Non-current provisions for employee benefits	268	197
Non-current liabilities	**2 141**	**2 189**
Trade and other payables	6 337	4 768
Short term borrowings	10 454	10 298
Current payables on Social Security and taxes	123	243
Current liabilities	**16 914**	**15 309**
Liabilities	**19 055**	**17 498**
Equity and liabilities	**128 497**	**122 499**

Date of preparation: 10.04.2025

Executive director: Biser Rosenov Georgiev Digitally signed by Biser Rosenov Georgiev Date: 2025.04.29 07:12:16 +03'00'

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Petya Moneva

Date of certification: 28.04.2025

Audit company "ECOVIS AUDIT BULGARIA" Ltd,
Audit Firm No. 114
auditor responsible for the engagement
Georgi Trenchev, Diploma No. 647, Registered Auditor

Georgi Stoyanov Trenchev Digitally signed by Georgi Stoyanov Trenchev Date: 2025.04.29 11:34:56 +02'00'

Tchaikapharma High Quality Medicines Inc.
Consolidated statement of comprehensive income
as of 31 december 2024

	2024 BGN'000	**2023 BGN'000**
Revenue	53 141	48 512
Other income	231	74
Raw materials and consumables used	(13 552)	(12 172)
Services expens	(19 792)	(20 271)
Depreciation and amortisation expense	(2 519)	(2 809)
Employee benefits expense	(9 378)	(7 333)
Other expense by nature	(534)	(899)
Cost of sales	(2 251)	(862)
Changes in inventories of finished goods and work in progress	(77)	(233)
Finance income	529	537
Finance costs	(768)	(676)
Profit Loss before tax	**5 030**	**3 868**
Current tax expense income	(540)	(470)
Profit Loss	**4 490**	**3 398**
Profit Loss attributable to owners of the parent company	4 490	3 398
Profit Loss attributable to non-controling interests	-	-
Other Comprehensive income before tax gains	-	-
Other Comprehensive income net of tax	(6)	(6)
Revaluation of defined benefit pension funds	(48)	27
Changes due to deferred tax for pension funds	5	(3)
Other comprehensive income	**(49)**	**18**
Profit Loss attributable to owners of the parent company	(49)	18
Profit Loss attributable to non-controling interests	-	-
Comprehensive income	**4 441**	**3 416**
Profit Loss attributable to owners of the parent company	***4 441***	***3 416***
Profit Loss attributable to non-controling interests	-	-
Earnings per share / in BGN per 1 share /	0.05	0.04

Date of preparation: 10.04.2025 г.

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Tchaikapharma High Quality Medicines Inc.
Consolidated Cash flow statement
as of 31 december 2024

	2024 BGN'000	2023 BGN'000
Cash flows from operating activities		
Receipts from sales of goods and rendering of services	40 546	33 521
Payments to suppliers for goods and services	(20 988)	(18 139)
Payments to and on behalf of employees	(9 193)	(6 580)
Effect of exchange rate changes on cash and cash equivalents	(48)	(23)
Income taxes paid classified as operating activities	(573)	(393)
Other cash receipts from operating activities	-	-
Other cash payments from operating activities	(6 381)	(5 522)
Cash flows from used in operating activities	**3 363**	**2 864**
Cash flows from investing activities		
Purchase of other longterm assets classified as investing activities	(2 168)	(1 912)
Cash flows from used in investing activities	**(2 168)**	**(1 912)**
Cash flows from financial activities		
Dividents paids classified as financing activities	(601)	(499)
Proceeds from borrowings classified as financing activities	592	527
Repayments of borrowings classified as financing activities	(597)	(527)
Payments of lease liabilities classified as financing activities	(522)	(522)
Cash flows from used in financial activities	**(1 128)**	**(1 021)**
Increase/Decrease in cash and cash equivalents	**67**	**(69)**
Cash and cash equivalents	73	**142**
Cash and cash equivalents	**140**	**73**

Date of preparation: 10.04.2025

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Date of certification: 28.04.2025

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Tchaikapharma High Quality Medicines Inc.
Consolidated statement on changes in equity
as of 31 december 2024

	Issued capital	Property plant and equipment revaluation surplus	Legal reserves	Retained earnings	Equity abstract	*Equity Attributable to owners of the parent company*	*Non-controlling interest in equity*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 01.01.2023	**84 500**	**4 351**	**8 147**	**4 587**	**101 585**	**101 585**	-
Profit Loss	-	-	-	3 398	**3 398**	**3 398**	-
Other comprehensive income	-	18	-	-	**18**	**18**	-
Comprehensive income	-	**18**	-	**3 398**	**3 416**	**3 416**	-
Increase/Decrease through appropriation of retained earnings	-	-	284	(284)	-	-	-
Total income expense	-	-	**284**	**(284)**	-	-	-
Balance as of 31.12.2023	**84 500**	**4 369**	**8 431**	**7 701**	**105 001**	**105 001**	-
Balance as of 01.01.2024	**84 500**	**4 369**	**8 431**	**7 701**	**105 001**	**105 001**	-
Profit Loss	-	-	-	4 490	**4 490**	**4 490**	-
Other comprehensive income	-	(49)	-	-	**(49)**	**(49)**	-
Comprehensive income	-	**(49)**	-	**4 490**	**4 441**	**4 441**	-
Increase/Decrease through appropriation of retained earnings	7 300	-	347	(7 647)	-	-	-
Total income expense	**7 300**	-	**347**	**(7 647)**	-	-	-
Balance as of 31.12.2024	**91 800**	**4 319**	**8 778**	**4 545**	**109 442**	**109 442**	-

Date of preparation: 10.04.2025

Executive director: Biser Rosenov Georgiev — Digitally signed by Biser Rosenov Georgiev Date: 2025.04.29 07:11:20 +03'00'
Biser Georgiev

Prepared by: PETYA GEORGIEVA MONEVA — Digitally signed by PETYA GEORGIEVA MONEVA Date: 2025.04.29 07:10:48 +03'00'
Petya Moneva

Date of certification: 28.04.2025

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TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

Accounting Policy and Explanatory notes
To the Annual Consolidated Financial Statements
At 31 December 2024

NOTES TO THE ANNUAL FINANCIAL STATEMENT

I.Corporate information

Summary of activity

The group's principal activity is to manufacture and sell pharmaceuticals in processed or reprocessed form.

Tchaikapharma High Quality Medicines Inc. is a public company listed on the Bulgarian Stock Exchange Sofia AD. Registered office and registered address. The registered office and registered address of the company are bul."G. M. Dimitroc No 1, with UIC 103524525.

In 2024, another company, Perpetel EAD, registered in the Republic of Bulgaria, joined the Tchaikapharma High Quality Medicines Inc.

The subsidiaries SWYSSI S.R.L. and Perpetel Inc. did not carry out any active business activity in 2024.

The Tchaikapharma High Quality Medicines Group has no ultimate parent company.

Tchaikapharma High Quality Medicines Inc. has not changed its name.

The capital of the company amounts to BGN 91,800,000 (ninty one million eight hundred thousand), split into 91,800,000 ordinary registered shares with nominal value of BGN 1 each.

II. Significant accounting policies of the Group

The significant accounting policies applied in the preparation of the financial statements are described below. The Group's accounting policies have been consistently applied to all years presented unless otherwise specifically stated.

1. Basis of preparation of the consolidated financial statements

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union. The Company has prepared these separate financial statements for the purposes of their presentation to shareholders, tax authorities and the Commercial Register in compliance with the requirements of the Bulgarian legislation.The financial statements have been prepared on a historical cost basis, which is limited in cases of revaluation of certain items of property, plant and equipment, investment property, financial assets held for sale, and financial assets and liabilities carried at fair value through profit or loss.

The Company's financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS), which consist of: the Financial Reporting Standards and IFRS Interpretations Committee Interpretations (IFRIC) approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC) approved by the International Accounting Standards Board (IASB), which are effective 1 January 2022 and which have been adopted by the Commission of the European Union. IFRS as adopted by the EU is the common name for the general-purpose accounting framework equivalent to the framework introduced by the definition under § 1, item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards" (IAS) .

The Group's management applies IFRS/IAS as the basis for the current reporting and preparation of the annual financial statements. In preparing the annual financial statements for the current year, management has complied with the following standards and interpretations:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current, effective 1 January 2024, as adopted by the EU;

Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities Linked to Financial Performance, effective 1 January 2024, as adopted by the EU

Amendments to IFRS 16 Leases: Lease Obligation on Sale and Leaseback, effective no earlier than 1 January 2024, as adopted by the EU;

Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures: Vendor Financing Arrangements, effective from 1 January 2024, as adopted by the EU;

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but have not been effective or adopted by the EU for the financial year beginning 1 January 2024 and have not been previously adopted by the Company. They are not expected to have a material impact on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policies in the first period beginning after the effective date. A list of the changes in standards is provided below:

- Amendments to IAS 21 The Effects of Changes in Exchange Rates: No Convertibility, effective January 1, 2025, have not yet been adopted by the EU;
- Annual improvements, effective 1 January 2026, not yet adopted by the EU;
- Amendments to classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7), effective 1 January 2026, not yet adopted by the EU;
- IFRS 18 Presentation and Disclosures in Financial Statements, effective 1 January 2027, not yet adopted by the EU;
- IFRS 19 Subsidiaries without Public Reporting: Disclosures, effective 1 January 2027, not yet adopted by the EU.

2. Investments in subsidiaries, associates and other enterprises.

The requirements of IFRS 12 Disclosure of Interests in Other Entities are complied with when reporting shares held in subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. Information about the significant judgments and assumptions determining the control, joint control, significant influence and the type of joint venture is disclosed.

For interests in subsidiaries, information about the composition of the group, the interests of non-controlling shareholdings, the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, the nature of, and changes in, the risks associated with its interests in consolidated structured entities, and other requirements, is disclosed. For a subsidiary, the name of the subsidiary, the principal place of business, the proportion of ownership interests held by non-controlling interests, the profit or loss allocated to non-controlling interests, accumulated non-controlling interests of the subsidiary at the end of the reporting period, and summarised financial information are disclosed. The nature and extent of significant restrictions are disclosed as well.

For participations in consolidated structured entities, information on the nature and extent and nature of the risks shall be disclosed. Qualitative and quantitative information shall be disclosed on the nature of the participations. Additional information shall be disclosed on the nature of the risks.

Investments are accounted for using the cost method, under which participating interests are carried at cost less accumulated impairment losses. Income from investments is recognised in the statement of comprehensive income only to the extent that a share of the accumulated profits of the investee company is received in the form of dividends.

As at 31.12.2024, the following companies are included in the Group:

1. Tchaikapharma High Quality Medicines Inc. – Sofia, Bulgaria

3. SWYSSI S.R.L. - Romania.
4. Perpetel Inc. – Bulgaria.

Tchaikapharma High Quality Medicines Inc. was entered in the Commercial Register by the Decision of 14.03.2000 under the Commercial Register No. 1096/2000 of the Varna District Court as a joint stock company with the name Tchaikapharma High Quality Medicines Inc.

According to the decision of the General Meeting of Shareholders dated 04.07.2003, registered by the Decision dated 30.07.2003 in f.d. No. 1096/2000 of Varna District Court, the name was changed to "TCHAIKAPHARMA HIGH QUALITY MEDICINES" INC. registered by the Decision of the General Meeting dated 14 March 2000.

As of 31.12.2024 the Company has a capital of BGN 91,800,000, distributed in 91,800,000 ordinary shares with 1 voting right with a nominal value of BGN 1 each. The Company as at 31.12.2023 has a capital of BGN 84,500,000, distributed in 84,500,000 ordinary shares with 1 voting right with a nominal value of BGN 1 each. The principal activity is the wholesale of medicinal products

SWYSSI S.R.L. was registered with the Registry Agency of the Republic of Romania on 26.10.2020. The company had a capital of RON 45,000 as at 31.12.2024. The main activity of the company is the provision of consultancy services.

Perpetel Inc. was entered in the Commercial Register on 21.02.2024 with the subject of activity acquisition, development, design, construction, operation, maintenance and sale of power generating facilities. The company has a capital of BGN 50,000 as of 31.12.2024.

5. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment reflects the provision of products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments. The reporting by segments is required for presentation in the non-consolidated financial statement of an enterprise quoting financial instruments on the stock exchange.

6. Foreign currency transactions

(1) Functional currency and presentation currency

The separate components of the Company’s financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Bulgarian lev (BGN), which is the functional currency. According to the currency board regime introduced in Bulgaria, since 1 January 1999 the exchange rate of the Bulgarian lev has been anchored to the Euro.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Major exchange rates:	**31 December 2024**
	BGN
USD 1 is equal to	1.8826
EUR 1 is equal to	1.95583
GBP 1 is equal to	2.35875
CHF 1 is equal to	2.07802

Changes in the fair value of monetary securities denominated in foreign currencies and classified as available-for-sale financial assets are analysed and split into a result from changes in their amortised cost and from other changes in their carrying amount. Any foreign exchange differences relating to changes in the amortised cost are recognised in profit or loss, while other changes in the carrying amount are recognised in the equity.

Foreign exchange differences from restatement of non-monetary assets and liabilities, such as shares carried at fair value through profit or loss, are recognised in profit or loss as part of the profit or loss relating to their restatement at fair value. Foreign exchange differences on investments held to maturity are recognised in the statement of comprehensive income.

7. Property, plant and equipment (PPE)

Land and buildings (except for investment property) are measured at fair value. When fair values are used, the requirements and rules of IFRS 13 Fair Value Measurement are observed. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the most advantageous market for the asset or liability, including transportation costs and excluding other transaction costs.

Fair value measurement

Management applies the fair value hierarchy, and if possible the assessment is at Level 1 according to market prices in active markets. If Level 1 cannot be used, it is proceeded to Level 2 - directly or indirectly observable prices. The last option is Level 3, at which hypotheses are developed. All assets and liabilities are categorised within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement.

The most appropriate valuation technique is used in the fair value measurement. The market approach uses current market prices, recent market prices or adjusted market prices of a similar item. It is applied to investment properties, debt or equity instruments on a stock exchange /shares and bonds/, investments outside the stock exchange and biological assets. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset with a new asset; the age and condition of the asset, and its economic obsolescence. It is applicable to fixed tangible assets and non-current intangible assets. The income approach employs direct methods for calculating cost savings, premium pricing, exemption from licensing fees, excessive profits, or indirect methods of return on assets, residual profit, to align the assumptions for cash flows and discount rate. It is applicable to impairment of non-financial liabilities, financial instruments and cash-generating units.

Management discloses reporting items whose fair value is reported in the balance sheet. When necessary and materially, the fair value of reporting items that are not included in the balance sheet is disclosed as well. The fair value is assessed based on regular assessments by an independent external valuer, less any subsequent depreciation of buildings. The depreciation accumulated at the date of revaluation is eliminated against the asset’s book value and the resulting net amount is adjusted by the asset’s revalued amount. Any other plant and equipment are stated at historical cost, less any accumulated depreciation and impairment. The historical cost includes all expenses directly related to the acquisition of the asset.

The other groups of property, plant and equipment (excluding land and buildings) are presented in the annual financial statements using the acquisition cost model. From the book value, the depreciation charged to date, as well as the accumulated depreciation of the assets, are deducted.

The materiality level set by the Company with respect to items of property, plant and equipment is BGN 700.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Any other repair and maintenance costs are recognised in the income statement in the period in which they were incurred.

Increases in the carrying amounts resulting from revaluation of land and buildings are taken to the revaluation reserve. A decrease reversing a previous increase for the same asset is charged against the revaluation reserve, any other decrease in value is taken to the statement of comprehensive income. When revalued assets are derecognised, the accumulated revaluation reserve is transferred into retained earnings carried forward.

Land is not depreciated. Machinery with a significant effect on the production volume is depreciated using the functional method, based on the number of operation hours per machine against the total number of hours per machine under the technical specification. Depreciation of items of property, plant and equipment is charged using the straight-line depreciation method so as to allocate the difference between the carrying amount and the residual value over the estimated useful life of the assets. The following depreciation rates (in percentage) are applied:

Buildings and constructions	4%
Plant and equipment	30%
Hardware and peripherals	50%
Fixture and fitting	15%

The residual value and useful lives of the assets are and are adjusted as at each date of financial statements, as necessary.

The asset's residual value is reduced immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (Note 2.8).

Gains and losses on disposal of PPE are determined by comparing the sale proceeds with the carrying amount, and are included in the operating result.

Borrowings costs for PPE are expensed as current expenses in the period to which they relate.

8. Investment property

Investment properties are most frequently associated with buildings or parts of buildings that are not used, but are held by the Company to earn rentals under operating leases. Investment properties are measured at fair value, which is the market price determined by independent valuers annually or at longer periods, if there is a significant change in their fair values. Any changes in fair values are recognised in the statement of comprehensive income as part of other income. The company held no investment property at the end of the current year.

9. Intangible assets

Costs of acquisition of patents, licences, software and trademarks are reported as an asset and measured at historical cost, less any accumulated amortisation and impairment. They are amortised under the straight-line method over their useful lives of not more than 20 years. Intangible assets are not subject to revaluation. Management carries out annual reviews of assets subject to impairment and if the asset's carrying amount exceeds its recoverable amount, the asset is written down to its recoverable amount.

The materiality level set by the Company with respect to items of property, plant and equipment is BGN 700.

The following amortisation rates, in percentage, are applied:

Intellectual property rights	15%
Software	50%
Other intangible assets	15%

Impairment of assets

Depreciable / amortisable assets, as well as investments in subsidiaries and associates, are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. The excess of the carrying amount over the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value less the costs to make the sale and the value in use. In estimating the value in use, assets are grouped in the smallest possible identifiable cash generating units.

10. Financial assets and liabilities and impairment

Financial assets and financial liabilities have been reclassified on initial application of IFRS 9 from 01.01.2019.

The classification of financial assets is based on the following two conditions:

(a) the entity's business model for managing financial assets;

(b) the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if the following two conditions are met:

(a) the financial asset is held within a business model whose objective is to hold the assets to collect contractual cash flows; and

(b) under the contractual terms of the financial asset, cash flows that are solely payments of principal and interest on the outstanding principal amount arise on specific dates.

The amortised cost of a financial asset or financial liability is a defined term for the amount at which financial assets or financial liabilities are measured at initial recognition, less any repayments of principal, plus or minus the accumulated amortisation of the difference between that initial amount and the maturity amount, calculated using the effective interest method and, for financial assets, adjusted for any allowance for losses. At amortised cost, the Group elects to measure trade receivables, trade payables, other receivables, other payables, loans granted, loans received, government securities and other assets and liabilities.

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:

(a) the financial asset is held within a business model whose objective is both the collection of contractual cash flows and sales of financial assets;

(b) under the contractual terms of the financial asset, cash flows that are solely payments of principal and interest on the outstanding principal amount arise on specific dates.

The fair value of the financial asset at initial recognition is taken as the principal amount. Interest comprises the remuneration for the time value of money, for the credit risk associated with the amount of principal outstanding over a period of time and for other principal risks and credit costs, as well as a profit margin. At fair value through other comprehensive income, the Group elects to measure shares in equity of companies, other financial instruments in equity, government securities, financial instruments-liabilities, other assets and liabilities.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or fair value through other comprehensive income. However, on initial recognition, an entity may make an irrevocable election for specific investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. At fair value through profit or loss, an election is made to measure shares in equity of companies, other financial instruments in equity, financial instruments-liabilities, other assets and liabilities.

An entity may, on initial recognition, irrevocably designate a financial asset as at fair value through profit or loss if doing so would eliminate or reduce significantly the measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from the measurement of assets or liabilities or the recognition of gains and losses from them on different bases.

For a financial asset to be measured at amortised cost, the key condition is that the assets must be held for collection in order to collect the contractual cash flows. For a financial asset to be measured at fair value through other comprehensive income, the key condition is that the assets are held both to collect the contractual cash flows and for sale. To measure a financial asset at fair value through profit or loss, the primary condition is that the assets are not measured under one of the other two business models, i.e. held for sale as the primary objective.

In order to properly measure financial assets, management has developed a business model. The business model identifies the different types of financial assets and their membership of the classification groups according to the designated purpose under IFRS 9. The entity determines the specific composition of financial asset groups according to the objectives set out in the business model. Assets with a stated objective of receiving contractual cash flows are assigned to the group 'Financial assets carried at amortised cost'. Assets with a contractual cash flow objective and a disposal objective are included in the group 'Financial assets at fair value through other comprehensive income'. Assets held for sale (and any other assets outside the previous two groups, if any) are included in the group 'Financial assets at fair value through profit or loss.

The entity classifies all financial liabilities as subsequently measured at amortised cost, except:

(a) financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, are subsequently measured at fair value;

(b) financial liabilities that arise from the transfer of a financial asset that does not qualify for derecognition or where the continuing involvement approach is applied;

(c) financial guarantee contracts. After initial recognition, the issuer of such a contract subsequently measures it at the higher of:

(i) the loss allowance determined in accordance with Section 5.5; and

(ii) the amount initially recognised less, where appropriate, the cumulative amount of revenue recognised in accordance with this Standard;

(d) commitments to lend at below-market interest rates. The issuer of such a commitment subsequently measures it at the higher of:

(i) the value of the loss allowance determined in accordance with Section 5.5; and

(ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15;

(e) contingent consideration recognised by the acquirer in a business combination to which IFRS 3 applies. Such contingent consideration is subsequently measured at fair value, with changes recognised in profit or loss.

Subsequent measurement of financial assets and financial liabilities is performed by the entity in accordance with the standard under review. After initial recognition, an entity shall measure a financial asset at:

(a) amortised cost;

(b) fair value through other comprehensive income;

(c) fair value through profit or loss.

An entity applies the impairment requirements to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income.

The final impairment allowances under IAS 39 are reconciled to the initial impairment allowances under IFRS 9, classified by measurement category. There was no material change in the current year's results compared to the prior year financial year.

The accounting for impairment differs for groups of financial assets. Where there is an impairment of financial assets in the 'Financial assets carried at amortised cost' group, the difference to the carrying amount is recognised in profit or loss. If there is an impairment of financial assets in the 'Financial assets at fair value through other comprehensive income' group, the difference to carrying amount is recognised in other comprehensive income (revaluation reserve).

At each reporting date, an entity assesses a loss allowance for a financial instrument equal to the expected credit losses over the life of the instrument if the credit risk of that financial instrument has increased significantly since initial recognition. The objective of the impairment requirements is to recognise expected credit losses over the life of all financial instruments whose credit risk has increased significantly since initial recognition, whether individually or collectively, taking into account all reasonable and supportable information, including that for future periods.

A credit-impaired financial asset is a defined term for a financial asset when one or more events have occurred that adversely affect the estimated future cash flows of that financial asset. Observable evidence of the following events may serve as evidence of credit impairment of a financial asset:

(a) significant financial distress of the issuer/issuer or obligor;

(b) a breach of contract such as default or delinquency;

(c) the lender(s), for economic or contractual reasons related to the financial distress of the borrower, makes a concession to the borrower that the lender(s) would not otherwise have made;

(d) it becomes likely that the borrower will be declared bankrupt or otherwise subject to financial reorganisation;

(e) an active market for that financial asset disappears because of financial difficulties; or

(f) the purchase or initial origination of a financial asset at a large discount that reflects incurred credit losses.

If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, an entity shall measure an allowance for losses on that financial instrument equal to the expected credit losses for 12 months. If, in the previous reporting period, it measured a loss allowance for a financial instrument equal to the expected credit losses over the life of the instrument but, at the current reporting date, the entity determines that the conditions in paragraph 5.5.3 are no longer met, it measures a loss allowance equal to the expected credit losses for 12 months at the current reporting date.

12-month expected credit losses is a defined term for the portion of the expected credit losses over the life of the instrument that represents the expected credit losses that result from defaults on a financial instrument that are likely to occur within 12 months after the reporting date.

Credit loss is a defined term for the difference between all contractual cash flows due to an entity under a contract and all cash flows that the entity expects to receive (ie the entire cash shortfall), discounted at the original effective interest rate (or the credit loss-adjusted effective interest rate for purchased or originated financial assets with credit impairment). An entity shall estimate cash flows taking into account all contractual terms of the financial instrument (eg early repayment options, extension options, call options and similar options) for the expected life of that financial instrument. The cash flows considered include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. It is assumed that the expected life of the financial instrument can be estimated reliably. However, in the rare case that the expected life of a financial instrument cannot be estimated reliably, an entity uses the remaining contractual life of the financial instrument.

Expected credit losses is a defined term for the weighted average of credit losses, with the respective risks of default serving as weights. Expected credit losses over the life of the instrument are the expected credit losses that result from all possible events of default over the expected life of the financial instrument. The allowance for losses is the allowance for expected credit losses on financial assets measured in accordance with the requirements of the standard, lease receivables and contract assets, accumulated impairment for financial assets and the allowance for expected credit losses on loan commitments and financial guarantee contracts.

An entity shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or recoveries) necessary to bring the allowance for losses to the reporting date of the amount to be recognised in accordance with this Standard.

At each reporting date, an entity shall assess whether the credit risk of a financial instrument has increased significantly since initial recognition. In making its assessment, an entity considers the change in the risk of default over the expected life of the financial instrument, not the change in the amount of expected credit losses. To make this assessment, an entity compares the risk of default of the financial instrument at the reporting date and at the date of initial recognition and considers reasonable and supportable information, available without undue cost or effort, that evidences a significant increase in credit risk after initial recognition.

If there is reasonable and supportable forward-looking information available without undue cost or effort, an entity shall not rely solely on past-due information in determining whether credit risk has increased significantly since initial recognition. However, when it is not possible to provide information that relates to future developments rather than the status of defaults (on an individual or collective basis) without incurring undue cost or effort, an entity may use default information to determine whether there has been a significant increase in credit risk since initial recognition. Regardless of how an entity assesses a significant increase in credit risk, there is a rebuttable presumption that the credit risk of a financial asset has increased significantly after initial recognition when contractual payments are more than 30 days past due. An entity may rebut that presumption if it has reasonable and supportable information, available without undue cost or effort, that demonstrates that credit risk has not increased significantly since initial recognition even though contractual payments are more than 30 days past due. If an entity determines that there is a significant increase in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

If the contractual cash flows of a financial asset have been renegotiated or modified and the financial asset has not been derecognised, the entity assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

(a)the risk of default at the reporting date (based on the modified contractual terms); and

(b) the risk of default at the date of initial recognition (based on the original, unmodified contractual terms).

(c)Adjusted for credit losses, the effective interest rate is a defined term for the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the amortised cost of the financial asset that is purchased or initially originated with a credit impairment. In calculating the credit-loss-adjusted effective interest rate, an entity estimates the expected cash flows, taking into account any contractual terms of the financial asset (for example, prepayment options, extension options, call options and similar options) and the expected credit losses. The calculation includes all fees and other consideration paid to or received from counterparties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums and discounts. It is assumed that the cash flows and expected life of the Group from such financial instruments can be estimated reliably. However, in the rare case that the cash flows or remaining life of a financial instrument (or group of financial instruments) cannot be estimated reliably, an entity uses the contractual cash flows over the full contractual life of the financial instrument (or group of financial instruments).

(d)At each reporting date, the entity recognises in profit or loss the amount of the change in expected credit losses over the life of the instrument as an impairment gain or loss. An entity shall recognise favourable changes in expected credit losses over the life of the instrument as an impairment gain even if the expected credit losses over the life of the instrument are less than the amount of expected credit losses that were included in the estimated cash flows at initial recognition.

(e)An entity always measures an allowance for losses equal to the expected credit losses over the life of the instrument for:

(f)trade receivables or contract assets that arise from transactions within the scope of IFRS 15 and that:

(g)do not contain a significant financing component (or, where the entity applies a practicable measure for contracts with a term of one year or less) in accordance with IFRS 15 ;

(h)contain a significant financing component in accordance with IFRS 15 if the entity has elected as its accounting policy to measure an allowance for losses equal to the expected credit losses over the life of the instrument.

(i)This accounting policy shall be applied to all such trade receivables or contract assets, but may also be applied separately to trade receivables and contract assets;

(j)lease receivables that arise from transactions within the scope of IFRS 17 if the entity has elected as its accounting policy to measure an allowance for losses equal to the expected credit losses over the life of the instrument. This accounting policy shall be applied to all lease receivables, but may be applied separately to finance lease receivables and operating lease receivables.

(k)An entity shall estimate the expected credit losses on a financial instrument so that it is taken into account:

(l)the amount determined on an unbiased and probability-weighted basis by assessing the range of possible outcomes;

(m)the time value of money; and

(n)reasonable and supportable information, available without undue cost or effort at the reporting date, about past events, current conditions and projected future economic conditions.

The maximum term that is considered in estimating expected credit losses is the maximum term of the contracts (including extension options) to which the entity is exposed to credit risk, not a longer term, even if it is consistent with business practice. However, some financial instruments include both a loan and an unused loan commitment, and the entity's contractual rights to require repayment and cancellation of the unused loan commitment do not limit the entity's exposure to credit losses to the contractual notice period. It is only for such financial instruments that an entity estimates expected credit losses for the period that the entity is exposed to credit risk, and expected credit losses cannot be reduced by credit risk management measures even if that period exceeds the maximum contractual term.

Impairment of financial assets under IFRS 9 is linked to expected credit losses. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, an entity shall measure an allowance for losses on that financial instrument equal to the expected credit losses for 12 months. An entity shall recognise changes in expected credit losses over the life of the instrument once there has been a significant increase in credit risk.

No changes in accounting policies are necessary or have been made to modify, discontinue or derecognise financial assets. The entity's financial assets are mainly trade receivables and trade payables. An impairment model policy has been established for trade receivables.

Interest income for financial assets is calculated using the effective interest method. Interest income is presented separately for assets measured at amortised cost and for assets measured at fair value through other comprehensive income.

The measurement at amortised cost of financial assets is carried out as required by the standard. Interest income is calculated using the effective interest method. In this calculation, the effective interest rate is applied to the gross carrying amount of the financial asset, except for:

(a)purchased or originated financial assets with credit impairment. For those financial assets, an entity shall apply the effective interest rate adjusted for credit losses to the amortised cost of the financial asset at initial recognition;

(b) financial assets that are not purchased or originally originated financial assets with credit impairment but subsequently become financial assets with credit impairment. For those financial assets, an entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

(c)The effective interest method is a defined term for the method used in calculating the amortised cost of a financial asset or financial liability and in allocating and recognising interest income or interest expense in profit or loss during the period. Effective interest rate is a defined term for the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. In calculating the effective interest rate, an entity estimates the expected cash flows by taking into account any contractual terms of the financial instrument (for example, prepayment options, extension options, call options and similar options) but does not take into account expected credit losses. The calculation includes all fees and other consideration paid or received by the counterparties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts. It is assumed that the cash flows and expected term of a group of of such financial instruments can be estimated reliably. However, in the rare case that the cash flows or expected life of a financial instrument (or group of financial instruments) cannot be estimated reliably, an entity uses the contractual cash flows over the full contractual life of the financial instrument (or group of financial instruments).

(d) Impairment losses on financial assets are calculated using a model consistent with the standard's main requirements. These charges are presented in a separate line item in profit or loss. Recoveries of impairment losses are also presented in a separate line item in the statement.

(e)Trade receivables are grouped for impairment purposes. Groups are identified for historical analysis and calculation of specific impairment amounts according to payment terms, periods of delinquency, customer relationship in terms of relatedness and other additional factors.

(f)The entity does not have any transactions that are exposures to hedged item risks. Where such transactions are required, an accounting policy of not applying the hedge accounting requirements of IFRS 9 has been selected.

11. Inventories

Inventories are evaluated at the lower of the acquisition cost and net realizable value. Costs incurred to prepare the product for sale in a given state and location are included in the cost (acquisition price). These costs include:

(a) materials and goods – all delivery costs, including import duties and fees, transport costs, non-recoverable taxes and other costs which contribute to bringing the materials and goods into ready-to-use form;

(b) production and work in progress – the direct costs of materials and labour and a deductible proportion of indirect production costs under normal capacity of production facilities. The basis for allocating the total Productive Cost by Products is the amount of output produced.

When writing off for use and sale, inventories are valued using the standard cost method. The standard cost takes into account normal levels of materials and supplies, labour, efficiency and capacity utilization. They are reviewed regularly and, if necessary, recalculated according to the new conditions. Deviations from standard cost to actual cost are currently written off for the sold products and goods and also at the end of each reporting period.

The net realizable value is the estimated selling price of an asset in the normal course of business, less the estimated service cost. It is determined on the basis of information used from external or internal sources, taking into account the specifics of different types of inventories.

When inventories are sold, their carrying amount is recognized as an expense in the period in which the respective revenue was recognized. The amount of any impairment of inventories to their net realizable value, as well as any material inventory losses, is recognized as an expense for the period of impairment or the occurrence of losses. The amount of any possible reversal of the value of the impairment of inventories arising from the increase in net realizable value is recognized as a reduction in the amount of recognized cost of inventories during the period in which the recovery has occurred.

12. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank accounts, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are recognised in the balance sheet as a short-term liability under the heading of short-term loans.

13. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

When the Company redeems its treasury shares, the amount paid, including any relevant, directly related additional costs (net of income tax effects), is deducted from the capital held by the Company’s owners until the shares redeemed are cancelled, sold or re-issued. When these shares are sold or re-issued on a later stage, income, net of any relevant, directly related additional transaction costs and the corresponding tax effects, is added to the capital held by the Company's owners.

14. Current and deferred taxesdeferred taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date, which relate to the periods when it is expected that the related temporary tax differences will reverse..

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary tax differences can be utilised.

13. Employee benefits

According to a defined contribution plan, the Company pays instalments to State-run pension and social insurance plans on mandatory basis. Once the instalments have been paid, the Company has no further payment obligations. Instalments are recognised as personnel expenses when they become due. Prepaid instalments are recognised as an expense in a future period to the extent that the amounts will be deducted from future payments or refunded.

Since 2015 Tchaikapharma High Quality Medicines Inc. has been setting aside provisions for retirement benefits of personnel in compliance with the requirements of Article 222 of the Labour Code. International Accounting Standard (IAS) 19 - Employee Benefits treats this requirement as an employer's long-term liability for defined severance pay and requires the application of actuarial methods for calculating the employer's liability. The standard requires that the present value of the employer's future obligations to pay defined benefits is determined by applying the projected unit credit method.

An estimate is made, on an individual basis, for all employees hired by the employer under employment agreements, based on the completed and expected length of service. The total obligation is distributed over the employee's expected length of service with the employer. The amount of the obligation at the time of the assessment is proportionate to the completed years of service. Each unit – a completed year of service, is measured separately to determine the final amount of the liability. Based on the employees' structure by sex and age, statistical probabilities have been applied, which assume that the individuals may not survive to the age required for them to be entitled to a pension or that they may resign on other grounds before becoming eligible to a contributory-service and retirement-age pension.

The calculation of these liabilities requires the participation of qualified actuaries in order to determine their present value at the date of the financial statements on which they are presented in the statement of financial position and the respective change in their amount is recognised in the statement of comprehensive income whereas: a) the current and past service costs, interest expenses and the effects of redundancies and settlements are recognised immediately in the period in which they arise and are presented in the current profit or loss under item "personnel expenses", and b) the effects of subsequent valuations of obligations, which essentially represent actuarial gains and losses, are recognised immediately in the period in which they arise and are presented as part of other components of comprehensive income in item "subsequent valuations of defined benefit pension plans". Actuarial gains and losses originate from changes in the actuarial assumptions and experience.

At the date of each set of annual financial statements, the Company appoints certified actuaries, who issue a report with calculations of the long-term retirement benefit obligations. For the purpose, they apply the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the future cash flows expected to be paid within the maturity of that obligation and using the interest rates on long-term government bonds with similar duration quoted in Bulgaria, where the company itself functions.

Since the provisions for personnel compensation are of a long-term nature of commitment, they are recognised as non-current liabilities in the statement of the financial position of Tchaikapharma High Quality Medicines Inc.

The demographic assumptions reflect the probability that individuals appointed under an employment contract will still be with the employer at the time of contributory-service and retirement-age pension entitlement, and that an obligation to pay them compensation will arise. Individuals may drop out before retirement for various reasons: resignation, staff cuts, disease, death, and other similar. The demographic assumptions reflect specific probabilities that are based on statistical information on the population and are relating to the staff structure by sex and age at the time of the assessment.

The mortality table reflects the probability that the individuals will survive to the age required for them to be entitled to a pension. It is calculated individually for each person based on his/her sex and age at the time of the assessment. The table showing the mortality rates and average life expectancy of the population in Bulgaria of the National Statistical Institute has been used.

Based on the information provided for the staff turnover in the last four years and the expected restructuring of the company over the next two years, the probability of retirements or impending personnel reduction is reflected. This probability is applied to the existing staff structure according to the sex and age of the individuals at the time of the assessment.

Financial assumptions are applied to the development of cash flow over time and affect the size of future commitment and determination of its present value. The interest rates applied are an essential part of the evaluation process as they are used for discounting the expected future cash flows, as a result of which the capitalized value of future payments is calculated. The financial assumptions reflect real expectations for the development and future size of some basic parameters, such as return on investment, salary growth, inflation rates, and others. In determining the financial parameters, the long-term nature of the obligation to the majority of employees should be borne in mind, according to the time when the liability to pay compensation will arise.

The rate of wage growth applied is essential for determining the amount of the obligation at the time of its occurrence. This rate has been determined on the basis of statistics on salary growth in the company over the past five years and the forecasted expectations for the coming years, according to the expected level of inflation. Given the statistics on income and inflation, and employer’s expectations, the projected salary growth is calculated. The projected salary growth is 2 percent a year.

According to the standard requirement, the rate at which the obligation will be discounted should correspond to the market yields of high quality corporate bonds at the balance sheet date. Provided that there is no matured capital market, the market yields of government bonds should be used. Moreover, it is convenient the future rate of return on assets to be used as a discount rate. Due to the long-term nature of the obligation and the lack of such financial instruments covering fixed income for a longer period, it has been judged that the expected rate of return on instruments with longer maturities may be used as a discount rate, following the requirements of IAS 19. The discount rate, which has been used in calculating the liability of TCHAIKAPHARMA HIGH QUALITY MEDICINES INC. as of 31.12.2024 The discount rate is 1 per cent per year over the entire duration of the liability.

In determining the time of retirement for all persons working under an employment contract with the company, it is presumed that they will retire according to the requirement for a contributory-service and retirement-age pension for employees working under the third category of labour.

Provisions to cover its obligation to pay retirement benefits to its staff were set aside by TCHAIKAPHARMA HIGH QUALITY MEDICINES INC. as of 31 December 2024 and they have been reflected in the annual statements.

14.Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely (than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When several similar liabilities exist, the probability for outflows for their settlement is measured for the whole class of similar liabilities. A provision is recognised even in the cases when the probability for an outflow to settle certain liability in this class is unlikely.

15.Lease contracts

The Company as lessor

The lessor classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset and as an operating lease if it does not transfer substantially all the risks and rewards of ownership of the underlying asset.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction and not on the form of the contract. The main criteria that, individually or in combination, generally result in a lease being classified as a finance lease are, for example:

(a) the lease transfers ownership of the underlying asset to the lessee at the end of the lease term;

(b) the lessee has an option to purchase the underlying asset at a price that is expected to be sufficiently lower than fair value at the date on which the option is exercisable to be reasonably certain at the date of exercise that the option will be exercised;

(c) the term of the lease covers most of the economic life of the underlying asset even if title has not transferred;

(d) at the date of introduction, the present value of the lease payments is substantially equal to at least the entire fair value of the underlying asset;

(e) the underlying asset is so specific that only the lessee can use it without substantial modification.

The Company as lessee

IFRS 16 Leases has a completely changed concept. It introduces new principles for the recognition, measurement and presentation of leases by imposing a new model to provide a more reliable and appropriate presentation of these transactions, particularly for the lessee. For lessees, the guiding principle of the new standard is the introduction of a one-type lease accounting treatment model - for all leases with an effective lease term of more than 12 months, an asset will be recognised in the form of a 'right-of-use' that will be amortised over the term of the lease and, accordingly, a financial liability will be recognised for the obligation under those leases. This is also a significant change from current accounting practice. An exception is made for short-term or very low cost leases and the current practice is maintained. To the extent that the new standard provides a more comprehensive concept, a more detailed analysis of the terms of the contracts has been made by them to allow for the possibility that reclassification of certain leases may occur. The new standard requires expanded disclosures. Management has performed a study and determined that the changes through the new standard have an impact on the accounting policies and on the values and classification of the assets, liabilities, operations and results of the Company in respect of some of the operating lease contracts as the Company is a lessee.

The Company considers a lease to be a contract or part of a contract under which the right to use an asset (the underlying asset) for a specified period of time is transferred for consideration. A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset. An operating lease is a lease that does not transfer substantially all the risks and rewards of ownership of a fixed asset.

A lessee may elect not to apply the right-of-use asset recognition requirements to:

(a) short-term leases;

(b) leases under which the underlying asset is of low value when new.

A lease of a major asset does not qualify as a low-value lease if the nature of the asset is such that, when new, the asset is not normally low-value. For example, a car lease would not qualify as a low-value asset lease because a new car is not normally low-value. Major low-value assets could be, for example, tablets and personal computers, small office furniture and telephone sets. An entity sets a precise minimum threshold in leva for assets that will not be treated under the basic recognition and reporting framework set out in the standard - £9,000. The lessee also elects not to apply the requirements to leases expiring within 12 months of the date of initial application.

For the contracts referred to in the above paragraph, the lessee shall recognise the related lease payments as an expense on a straight-line basis over the term of the lease or on another systematic basis. The lessee shall apply another systematic basis when that basis more accurately reflects the lessee's benefits. A low-value fixed asset is presumed to exist if the lessee can benefit from its use alone or together with other resources that are readily available to the lessee and is not highly dependent on, or closely related to, other assets.

At the inception of the contract, the entity assesses whether the contract constitutes or contains elements of a lease. A contract is, or contains, elements of a lease if the contract transfers, for consideration, the right to control the use of an asset for a specified period of time. For a contract that contains a lease component and one or more additional lease or non-lease components, the lessee allocates the contract consideration for each lease component based on the relative unit cost of the lease component and the aggregate unit cost of the non-lease components. The relative unit cost of the lease and non-lease components is determined on the basis of the price that the lessor or a similar supplier would charge the entity for that or a similar component separately. If an observable stand-alone price is not readily available, the lessee estimates the unit price using observable data to the maximum extent possible.

An entity determines the term of the lease as the non-cancellable period of the lease, together with:

(a) the periods for which there is an option to extend the lease if it is reasonably certain that the lessee will exercise that option;

(b) the periods for which there is an option to terminate the lease if it is reasonably certain that the lessee will exercise that option.

In assessing whether it is reasonably certain that the lessee will or will not exercise the option to extend or terminate the lease term, an entity shall consider all facts and circumstances that create an economic incentive for the lessee to exercise the option to extend or not exercise the option to terminate the lease term.

At the inception date, the lessee recognises the right-of-use asset. At the inception date, the lessee recognises the lease liability simultaneously. At the inception date, the lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;

(b) the lease payments made on or before the commencement date, less incentives received under the lease;

(c) the initial direct costs incurred by the lessee (sales commissions, legal fees, etc.);

(d) an estimate of the costs the lessee will incur to dismantle and relocate the underlying asset, restore the site on which the asset is located, or restore the underlying asset to the condition required under the terms and conditions of the lease, unless those costs are incurred to produce inventory. The obligation for those costs is borne by the lessee at the commencement date or, as a consequence of the use of the underlying asset, over a specified period.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments outstanding at that date. Lease payments are discounted at the interest rate specified in the lease if that rate is readily determinable. If that rate is not readily determinable, the lessee shall use the lessee's differential rate. At the inception date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are unpaid at the inception date:

(a) fixed payments less incentives receivable under the lease;

(b) variable lease payments dependent on an index or rate that are valued according to the value of the index or rate at the inception date;

(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a call option if it is reasonably certain that the lessee will exercise that option;
(e) termination penalty payments if the lease term reflects the lessee's exercise of a termination option.
When applying the cost model, the lessee shall measure the right-of-use asset at cost:
(a) less any accumulated depreciation and any accumulated impairment losses;
(b) adjusted for any revaluation of the lease liability.

A lessee applies the depreciation requirements in IAS 16 Property, Plant and Equipment when depreciating a right-of-use asset. If ownership of the asset is transferred to the lessee under the lease until the end of the term of the lease, or if the cost of the right-of-use asset reflects the lessee's exercise of an option to purchase, the lessee depreciates the right-of-use asset from the inception date until the end of the useful life of the underlying asset. Otherwise, the lessee depreciates the right-of-use asset from the inception date until the end of the useful life of the right-of-use asset or the expiry of the lease, whichever is earlier. The lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment losses identified.

If the underlying asset in a lease meets the definition of investment property, the company applies IAS 40 to account for the right-of-use asset. The same subsequent measurement policy is applied to owned and leased investment property. The same subsequent measurement policy is not required for owned and leased property, plant and equipment. The Company applies the cost model to land and buildings which it classifies as right-of-use assets, as opposed to owned land and buildings to which the revalued cost model is applied.

After the commencement date, the lessee remeasures the lease liability to reflect changes in lease payments. The lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the lessee recognises the remaining amount of the remeasurement in profit or loss.

The lessee shall remeasure the lease liability by discounting the adjusted lease payments at an adjusted discount rate in the following cases:

(a) there is a change in the term of the lease. The lessee determines the adjusted lease payments based on the adjusted lease term;

(b) there is a change in the valuation of an option to purchase the underlying asset made in accordance with the events and circumstances relating to the option to purchase. The lessee determines the adjusted lease payments to reflect the change in amounts due under the purchase option.

A lessee accounts for a lease amendment as a separate lease if it simultaneously:

(a) the amendment increases the scope of the lease by adding the right to use one or more major assets;

(b) the consideration under the lease is increased by an amount commensurate with the stand-alone cost of the increase in scope and any adjustments to that cost to reflect the circumstances of the particular contract.

A second option is that the lease amendment is not accounted for as a separate lease at the effective date of the amendment. In this case, the lessee:
(a) allocates the consideration in the amended contract;
(b) determine the term of the amended lease;
(c) remeasure the lease liability by discounting the adjusted lease payments at an adjusted discount rate.

If an amendment to a lease is not accounted for as a separate lease, the lessee accounts for the remeasurement of the lease liability as:

(a) reducing the carrying amount of the right-of-use asset to reflect the partial or complete termination of the lease, for lease amendments reducing its scope. The lessee shall recognise in profit or loss any income or loss associated with the partial or complete termination of the lease;

(b) make appropriate adjustments to the right-of-use asset for any other amendments to the lease.

16.Revenue and costs recognition

The company-specific accounting policies have been developed in accordance with the principles of IFRS 15 on the enterprise's main revenue flows. When applying the standard, the enterprise analyses the following stages:

1. Identification of the contract with a customer.
2. Identifying the individual execution obligations in the customer contract.
3. Determination of the transaction price in the contract with the customer.
4. If necessary, apportion of the transaction price to the individual execution obligations in the customer contract.
5. Recognition of revenue, including upon the satisfaction of any individual obligation in the customer contract.

The enterprise reports a contract with a customer which is within the scope of this standard only when all of the following criteria are met:

(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other normal commercial practices) and are determined to fulfil their respective obligations;

(b) the enterprise can identify the rights of either party in respect of the goods or services to be transferred;

(c) the enterprise can identify the payment terms for the goods or services to be transferred;

(d) the contract has a commercial nature (i.e. the contract is expected to change the risk, timing, or the amount of the enterprise's future cash flows); and

(e) the enterprise is likely to receive the remuneration to which it is entitled in return for the goods or services to be transferred to the customer. When assessing the likelihood of the remuneration being received, the enterprise takes into account only the ability and intent of the customer to pay the amount of the remuneration within the required term. The amount of the remuneration to which the enterprise will be entitled may be lower than the price specified in the contract if the remuneration is variable, as the enterprise may offer the customer a discount.

The enterprise does not apply this standard retrospectively using the full retrospective method in accordance with IAS 8 Accounting Policies, changes in the accounting approximate estimates and errors, by calculation of cumulative effect as at 01.01.2017. The transition method applied is the modified retrospective method used in accordance with paragraph C3b of the standard. This method only applies to contracts which have not been executed as at 01.01.2018 – the date of the initial application of the standard. The cumulative effect of the initial application of this standard in adjusting the retained earnings balance at the beginning of the annual reporting period is recognized, i.e. as of 01.01.2018. This method does not make adjustments to the previous comparative period in the annual financial statements.

Additional disclosures about the amount of impact which the IFRS 15 implementation has in the current reporting period on each separate article in the financial statements over the requirements applied to date and an explanation of the reasons for material changes are presented below:

There are no material changes in the recognition of revenue during the current financial year compared to the accounting policy applied in the previous financial year.

The enterprise recognizes revenue when (or as) the enterprise satisfies the performance obligation by transferring the promised product or service (i.e. asset) to the customer. An asset is transferred when (or as) the customer assumes the control over that asset.

Identifying and meeting performance obligations results in the application of a method of revenue recognizing at a certain point in time. No method of revenue recognizing over time is applied. The methods used for revenue recognizing are retained compared to the previous financial year. When a method for revenue recognizing over time has to be applied, estimated amounts are calculated for possible warranties, maintenance services, pre-paid fees and pre-production costs.

Only when needed, appropriate methods are used to approximately estimate the unit sale price of a product or service including, but is not limited to the following:

(a) adjusted market valuation approach – the enterprise could assess the market on which it sells its goods or services and approximately estimate the price that the customer on that market would be willing to pay for the goods or services. This approach may also include a reference to prices for similar goods or services offered by competitors of the enterprise and adjustment of those prices as necessary to reflect the costs and margins of the enterprise;

(b) estimated cost-plus-margin approach – the enterprise could predict its expected costs related to meeting the obligation to execute and then add an appropriate margin for that good or service;

(c) Residual approach – the enterprise can estimate approximately the unit sale price by referring to the total transaction price minus the sum of observed unit sales prices of other goods or services promised in the contract.

When assessing performance obligations to meet timing, revenue is recognized when the enterprise's business does not create an asset with an alternative use for the enterprise and it has a guaranteed payment entitlement for the business performed at that date.

If an obligation to execute is not satisfied over time, the enterprise satisfies the obligation at a certain point in time. In order to determine the moment a particular customer receives control of the promised asset and the enterprise satisfies the obligation to execute, the enterprise takes the control requirements into account. In addition, the enterprise takes account of the signs for transfer of control, which include, without limitation, the following:

(a) the enterprise has an existing payment entitlement to the asset – if the customer is currently required to pay for the asset, this may mean that in return the customer has been given the opportunity to manage the use and receive substantially all other benefits from the asset;

(b) the customer has the legal right to ownership on the asset – the legal right to ownership may indicate which party may direct the use of the asset and obtain substantially all the other benefits thereof or restrict the access of other enterprises to those benefits. Therefore, the transfer of legal ownership of an asset may mean that the customer has received control over the asset. If the enterprise retains the legal right of ownership only as protection against non-payment by the customer, those company rights do not prevent the customer from gaining control over the asset;

(c) the enterprise has transferred the physical possession of the asset – the physical possession of the asset may indicate that the customer has the ability to manage the use and receive substantially all other benefits of the asset or to restrict the access of other entities to those benefits. However, physical possession may not coincide with the control of an asset. For example, in some repurchase agreements and consignment contracts, the customer or the recipient may have physical possession of the asset the enterprise controls. Conversely, in some billing and retention arrangements, the enterprise can retain the physical possession of an asset controlled by the customer. Examples include repurchase agreements, consignment agreements and billing and retention arrangements;

(d) the customer carries the significant risks and benefits from the ownership on the asset – the transfer to the customer of the significant risks and benefits of ownership on the asset may indicate that it has been given the opportunity to manage the use and obtain substantially all other benefits of the asset. However, when assessing the risks and rewards of ownership of the pledged asset, the enterprise excludes any risks which give rise to a separate performance obligation in addition to the performance obligation associated with the transfer of the asset. For example, the enterprise may have transferred the control over the asset to the customer but has not yet satisfied the additional performance obligation associated with the provision of maintenance services in respect of the transferred asset;

(e) the customer has accepted the asset – the asset acceptance by the customer may indicate that it has been given the opportunity to manage the use and receive substantially all the other benefits of the asset.

The enterprise recognizes the revenue at the control transfer by acting as a principal as it controls the goods and services before transferring them to the customer. According to the contractual agreements with the customers, the enterprise is not an agent in the sale.

In determining the transaction price, the enterprise adjusts the promised amount of remuneration to the impact of the value of money over time if the time of payment agreed (directly or indirectly) by the parties to the contract gives rise to a significant benefit to the customer or the enterprise upon the financing of the transfer of goods or services to the customer. Under these circumstances, the contract contains a significant component of funding. A significant component of funding may exist regardless of whether the promised funding is explicitly specified in the contract or is implied by the payment arrangements agreed by the parties to the contract. In the ordinary course of business, there is no significant component of financing in customer contracts.

When determining the transaction price, the enterprise takes into account the terms of the contract and its usual business practices. The transaction price is the amount of the consideration the enterprise expects to be entitled to in exchange for the transfer of the promised goods or services to the customer, except for amounts collected on behalf of third parties (such as sales tax). The remuneration promised in the contract with the customer may include fixed amounts, variable amounts, or both.

The nature, timelines, and the amount of the remuneration promised by the customer affect the approximate transaction price. When determining the transaction price, the enterprise shall take into account the impact of all of the following:

(a) variable remuneration;

(b) variable remuneration estimates, containing limitations;

(c) the existence of a significant component of financing in the contract;

(d) non-cash consideration; and

(e) remuneration owed to a customer.

There is no need to allocate the transaction price to the individual execution obligations. Where necessary, relative standalone sales prices apply. An estimation method based on the use of observable input data is applied as a last resort.

Assets under contracts with customers reflect receivables from recognized sales revenue. During the reporting period, cash was received as a result of the repayment of receivables on sold products, goods and services with transfer of control. Liabilities under contracts with customers reflect the liabilities for advances received for future sales. During the reporting period, received advances for sales of products, goods and services with transfer of control are also recognized as income and current income. At the end of the financial year, the assets under contracts with customers were adjusted by an appropriate pattern of expected credit loss under IFRS 9.

The disclosure of revenue by categories reflects the nature, timing, and uncertainty of revenue and cash flows, with an understanding of the main factors. The same applies to the disclosure of the expected credit loss. The main disclosures are presented below in the appendices.

The revenue includes the fair value of the goods and services sold, net of value added tax and rebates granted.

Expenses are recognized at the time they arise on the basis of documentary evidence. The principles of current accrual and revenue comparability are respected.

Future periods expenses are deferred for recognition as current expense for the period in which the contracts to which they relate are executed. The economic benefit of deferred expenses is tied to a subsequent reporting period.

17.Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the financial statements in the period in which the dividends were approved.

The revenue from dividends is recognised when the right of payment receipt is established.

18.Significant accounting estimates and judgments

Accounting estimates and judgments are based on experience gained and other factors including expectations of future events given the existing circumstances. The trustworthiness of accounting estimates and assumptions is reviewed regularly.

Significant accounting estimates and assumptions

19.Significant accounting estimates and assumptions

The Company makes estimates and judgements for the purpose of accounting and disclosures which may differ from the actual results. Significant accounting estimates that have a considerable risk of causing material adjustments to the carrying amounts of the respective assets or liabilities in subsequent reporting periods are discussed herein below:

(a) Income taxes

The Company is a tax entity under the tax jurisdiction. Significant judgment is required in order to determine the tax provision. There are many transactions and calculations for which the final tax due cannot be specified in the normal course of business. The Company recognises liabilities for anticipated tax liabilities based on management judgment. When the final tax due as a result of such events differs from the original liabilities, such differences will affect the current and deferred tax assets and liabilities in the period of tax audits.

In the income tax determination the requirements of IAS 12 Income Taxes are met.

(b) Fair value of financial instruments

The fair values of investments quoted in active markets are based on current market prices. If there is no active market for a financial instrument, the Company calculates the fair prices using valuation techniques. Such techniques include the use of recent transactions concluded at fair values, discounted cash flows, option valuation models, and other techniques employed by market participants. Valuation models reflect current market conditions at the valuation date, which may not be representative of market conditions before and after that date. At the balance sheet date, management conducts a review of its models in order to ensure that they appropriately reflect current market conditions, including relative market liquidity and credit spread.

In the determination of the fair value of financial instruments the requirements of IFRS 13 Estimation on fair value are met.

(c) Impairment of receivables

In carrying out an impairment of the receivables, the Company's management estimates the amount and timing of expected future cash flows relating to the receivables based on its experience with receivables of similar nature, taking into account also the current circumstances for claims tested for impairment.

In the determination of the credit risk on receivables and other financial instruments the requirements of IFRS 9 Financial Instruments are met.

(d) provisions for compensations at personnel retirement

International Accounting Standard (IAS) 19 – Employee income treats this requirement as a long-term liability of the employer for defined income payments upon resignation and requires the application of actuarial methods to calculate the employer's liability. The standard requires that the present value of future employer's defined benefit obligations be determined by applying the projected unit credit method.

The calculations are made individually for all employees recruited under an employment contract with the employer on the basis of their work experience and their upcoming work experience. The total liability is allocated throughout the employee's expected length of service for the employer, with the amount of the liability at the time of the valuation being a pro rata part relating to the years of service.

(e) provisions for compensated personnel leave

International Accounting Standard (IAS) 19 – Employee income treats this requirement as a long-term liability of the employer for the payment of defined benefits when using paid leave and requires the application of accurate, appropriate methods to calculate the employer's liability. The standard requires that the present value of the employer's future payroll obligations be defined.

The calculations are made individually for all employees hired under an employment contract with the employer on the basis of the unused days of compensated leave and the actual value of the amount of remuneration and insurance for the employer. The insurance is formed on the basis of the state's adopted regulations for the following year.

20.Reporting by segments

Segment operating information is required under IFRS 8.

The enterprise is public and falls within the scope of disclosure requirements for segment information.

An operating segment is a component of the enterprise:

(a) undertaking business activities from which it may generate revenue and incur costs (including revenue and expenses relating to transactions with other components of the same enterprise);

(b) the operating results of which are regularly reviewed by the chief operating decision maker when deciding on the resources to be allocated to the segment and evaluating the results of its operations;

(c) for which separate financial information is available.

An operating segment may engage in business activities which are not yet revenue-generating, for example, business creation operations can be an operating segment before earning revenue.

The enterprise separately reports information about each operating segment which: has been identified or results from the aggregation of two or more of these segments and exceeds the quantitative thresholds in paragraph 13 of IFRS 8.

Operating segments often show similar long-term performance if they have similar economic features. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics are similar. Two or more operating segments may be grouped into one operating segment if the consolidation is consistent with the basic principle of this IFRS, the segments have similar economic features and are similar in each of the following respects:

(a) the nature of the products and services;

(b) the nature of the production processes;

(c) the type or class of customers for their products and services;

(d) the methods used to distribute their products or to provide their services.

The business activities of the company from which it receives revenue and incurs costs should be treated as a single operating segment – production and marketing of pharmaceutical forms. The operational results are regularly reviewed by the enterprise's chief operating decision maker in deciding about the resources to be allocated to the segment and evaluating its performance. There is separate financial information for pharmaceutical forms.

In this respect, the revenues, expenses, financial result, assets and liabilities presented in the financial report refer to a single operating segment – production and marketing of pharmaceutical forms in Bulgaria. There is no possibility and need to distinguish other operating segments.

21. Earnings per share

The Company presents basic and diluted earnings per share data for its common stock. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares of the Company during that period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the effects of any dilutive potential ordinary shares, which include convertible bonds and share options granted to employees. There are no factors that result in a diluted earnings per share calculation.

III. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Property, plant and equipment

	Land and buildings	Plant and equipment	Fixtures, fittings and motor vehicles	Others	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2023					
Book (revaluated) value	25 791	38 861	865	75	65 592
Accumulated depreciation	(1 690)	(28 813)	(653)	(54)	(31 210)
Carrying amount	**24 101**	**10 048**	**212**	**21**	**34 382**
At 31 December 2023					
Carrying amount at the beginning of the period	24 101	10 048	212	21	34 382
Newly acquired	158	355	57	-	570

Written off on Carrying amount Revaluation		(133)			(133)
Depreciation cost	(499)	(1 584)	(55)	(8)	(2 146)
Depreciation written off		132			(132)
Carrying amount at the end of the period	**23 760**	**8 818**	**214**	**13**	**32 805**
At 31 December 2023					
Book (revaluated) value	25 949	39 083	922	75	66 029
Accumulated depreciation	(2 189)	(30 265)	(708)	(62)	(33 224)
Carrying amount	**23 760**	**8 818**	**214**	**13**	**32 805**
At 1 January 2024					
Book (revaluated) value	25 949	39 083	922	75	66 029
Accumulated depreciation	(2 189)	(30 265)	(708)	(62)	(33 224)
Carrying amount	**23 760**	**8 818**	**214**	**13**	**32 805**
At 31 December 2024					
Carrying amount at the beginning of the period	23 760	8 818	214	13	32 805
Newly acquired	34	1 351	2		1 387
Written off on Carrying amount Revaluation					
Depreciation cost	(504)	(1 322)	(55)	(8)	(1 889)
Depreciation written off					
Carrying amount at the end of the period	**23 290**	**8 847**	**160**	**5**	**32 302**
At 31 December 2024					
Book (revaluated) value	25 983	40 434	923	75	68 186
Accumulated depreciation	(2 693)	(31 587)	(763)	(70)	(35 113)
Carrying amount	**23 290**	**8 847**	**160**	**5**	**32 302**

The amount does not indicate the amounts representing costs of acquisition of tangible fixed assets. The specified assets are BGN 521 thousand as at 31.12.2022, as at 31.12.2023 are BGN 71 thousand and BGN 283 thousand as at 31.12.2024.

As at 31 December of the current year, the property, machines and equipment include, on Carrying amount, land for BGN 13,359 thousand and buildings for BGN 9,931 thousand and buildings with right of use BGN 590 thousand. As at the end of the previous year the indicators are 13,359 thousand BGN and 10,401 thousand BGN respectively and buildings with right of use BGN 194 thousand.

Assets with right of use under operating lease contracts are classified into the following groups with values as at 31.12.2024:

Asset group	**Carrying amount**	**Depreciation**	**Carrying amount**
	BGN'000	***BGN'000***	***BGN'000***
Buildings	593	562	31
Transport means	140	19	121
Machinery and equipment	38	38	0
Total	**771**	**619**	**152**

Assets with right of use under operating lease contracts are classified into the following groups with values as at 31.12.2023:

Asset group	**Carrying amount** *BGN'000*	**Depreciatio** *BGN'000*	**Carrying amount** *BGN'000*
Buildings	593	399	194
Machinery and equipment	38	25	13
Total	**631**	**424**	**207**

The land and buildings are valued at the end of the year at fair value based on reports of licensed valuers. No revaluation of the Group's properties was carried out in 2024. The remaining assets in the Property, Plant and Equipment group are valued at an annual estimate – cost less accumulated depreciation. According to the company management, the carrying amount of all the stated assets is not less than their recoverable amount and therefore there is no need for impairment.

2. Intangible assets

	Rights on industrial property *BGN'000*	**Software** *BGN'000*	**Total** *BGN'000*
At 1 January 2023			
Book (revaluated) value	5 992	833	6 825
Accumulated depreciation	(4 337)	(832)	(5 169)
Carrying amount	**1 655**	**1**	**1 656**
At 31 December 2023 г.			
Carrying amount at the beginning of the period	1 655	1	1 656
Newly acquired	47	39	86
Revaluation			
Depreciation cost	(447)	(7)	(454)
Carrying amount at the end of the period	**1 255**	**33**	**1 288**
At 31 December 2023			
Book (revaluated) value	6 039	873	6 912
Accumulated depreciation	(4 784)	(840)	(5 624)
Carrying amount	**1 255**	**33**	**1 288**
At 1 January 2024			
Book (revaluated) value	6 039	873	6 912
Accumulated depreciation	(4 784)	(840)	(5 624)
Carrying amount	**1 255**	**33**	**1 288**
At 31 December 2024			
Carrying amount at the beginning of the period	1 255	33	1 288
Newly acquired	6	4	10
Revaluation			
Depreciation cost	(381)	(20)	(401)
Depreciation written off			
Carrying amount at the end of the period	**880**	**17**	**897**
At 31 December 2024			
Book (revaluated) value	6 045	877	6 922
Accumulated depreciation	(5 165)	(860)	(6 025)
Carrying amount	**880**	**17**	**897**

The value does not include amounts that represent acquisition costs for intangible fixed assets. The assets shown are BGN 2,105 thousand as at 31.12.2022, BGN 2,272 thousand as at 31.12.2023 and BGN 1,940 thousand as at 31.12.2024. Expenses for acquisition of intangible fixed assets include expenses for acquisition of intellectual property rights which are expected to be used in future operations.

Intangible assets are valued with annual valuation - acquisition cost less accumulated amortization. In the opinion of the Company's management, the carrying amount of the assets is not less than their recoverable amount and therefore no impairment is required.

3. Investments with minority interest

The Company has no investments in other companies.
Own shares purchased
At the end of the current year there were no treasury shares (31 December of the previous year). Treasury shares are valued at annualised fair value based on a stock exchange quotation as assessed by an investment firm.

4. Non-current loans granted and non-current trade receivables

Non-current loans granted and non-current trade receivables	**2024** *BGN'000*	**2023** *BGN'000*
The long-term receivables' maturity is as follows:		
Up to one year	0	0
Between and three years	5 403	4 978
Over three years		
Total	**5 403**	**4 978**

The balance value of long-term receivables and loans has been denominated in the following currencies:

	2024 *BGN'000*	**2023** *BGN'000*
Euro		
Bulgarian lev	5 403	4 978
Total	**5 403**	**4 978**

The Company management considers that the fair value of long-term receivables and loans granted is approximately equal to their Carrying amount.
The receivables in BGN are valued at the cost of their occurrence. An impairment review is made by the company management at the end of each year and, if there is any indication of such impairment, losses are recognized in the statement of comprehensive income.
The company management considers that the receivables presented are collectible and there is no need to charge for impairment of receivables from previous years amounting to BGN 5,403 thousand , for which an agreement has been concluded until the end of 2025.

4A. Financial assets and financial liabilities

Categories in	**31 December 2024** *BGN'000*	**31 December 2023** *BGN'000*
Financial assets, reported at fair value through profit or loss, showing separately:		

i) those designated as such on initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9	-	-
ii) those evaluated at fair value through profit or loss in accordance with IFRS 9	-	-
Financial liabilities reported at fair value through profit or loss, showing separately		
i) those designated as such on initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9	-	-
ii) those meeting the definition of 'held for trading' in IFRS 9	-	-

Financial assets evaluated at depreciated cost:		
Receivables from counterparties	75 075	70 856
Impairment of receivables from counterparties	(72)	(73)
Receivables on loans granted	-	-
Impairment of receivables on loans granted	-	-
Total	**75 003**	**70 783**

Financial liabilities evaluated at depreciated cost:		
Payables to suppliers	6 337	3 503
Loans from enterprises	1 345	1 386
Loans from banks	9 784	9 791
Total	**17 466**	**14 680**

Financial assets evaluated at fair value through other comprehensive income, showing separately

i) financial assets evaluated at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9	-	-
ii) investments in equity instruments designated as such on initial recognition in accordance with paragraph 5.7.5 of IFRS 9	-	-

5. Inventories, trade and other receivables

	2024	2023
	BGN'000	***BGN'000***
Trade receivables	64 612	61 036
Impairment for credit risk	(72)	(73)
Advances from suppliers	6 244	5 437
Loans granted		
Other receivables	9	9
Taxes for recovery	129	12
Deferred expenses	29	81
Total of trade and other receivables	**70 951**	**66 502**

Inventories	**2024**	**2023**

	BGN'000	BGN'000
Production	14 318	13 103
Goods	265	423
Work in progress	1 279	777
Total of inventories	**15 862**	**14 303**

The age structure of trade receivables is shown for the non-mature (regular) trade receivables. There are no overdue trade receivables for which an age structure has been provided.

The Company applies IFRS 9's simplified approach to measuring expected credit losses on trade receivables by recognising expected losses over the life of the instrument for all trade receivables. The allowance for impairment of receivables is determined on this basis.

In determining the transaction price, the entity adjusts the promised amount of consideration for the time value of money effect if the timing of payment agreed (directly or indirectly) by the parties to the contract gives rise to a significant benefit to the customer or the entity from financing the transfer of the goods or services to the customer. In these circumstances, the contract contains a significant financing component. Interest income on financial assets is calculated using the effective interest method.

6.Cash and cash equivalents

	2024	**2023**
	BGN'000	***BGN'000***
Cash in hand in BGN and foreign currency	1	
Bank accounts in BGN and foreign currency	139	73
Total	**140**	**73**

The carrying amounts of cash and cash equivalents of the Company are denominated in the following currencies:

	2024	**2023**
	BGN'000	***BGN'000***
Bulgarian lev	99	53
Foreign Currency	41	20
Total	**140**	**73**

Cash funds in BGN are evaluated at their nominal value and cash in foreign currency – at the closing exchange rate of BNB at 31 December of the current year and the preceding year. For the purposes of the cash flow statement preparation, cash and cash equivalents include all available cash in hand and banks.

7.Share capital

	Shares in thousand pcs.	**Ordinary Shares** ***BGN'000***
At 31 December 2022 г.	84 500	84 500
At 31 December 2023 г.	84 500	84 500
At 31 December 2024 г.	91 800	91 800

The registered ordinary shares are 91,800,000 pieces (in 2023 – 84,500,000 pcs, in 2022 – 84,500, 000 pcs) with a nominal value of BGN 1 (one) per share (2024: 1 (one) BGN per share). The issued shares are fully paid. All shares give equal rights to shareholders.

8. Revaluation and other reserves, retained profit

	Reserve of revaluation of IMG	Legal and additional reserve	Reserve from revaluation of pension funds	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Balance at 1 January 2023	**4 350**	**8 147**	**1**	**12 498**
Changes from revaluation			26	26
Deferred taxes	(5)		(3)	(8)
Other comprehensive income	**(5)**		**23**	**18**
Profit distribution		284		284
Balance at 31 December 2023	**4 345**	**8 431**	**24**	**12 800**
Balance at 1 January 2024	**4 345**	**8 431**	**24**	**12 800**
Changes from revaluation			(48)	(48)
Deferred taxes	(7)		5	(2)
Other comprehensive income	**(7)**		**(43)**	**(50)**
Profit distribution		347		347
Balance at 31 December 2024	**4 338**	**8 777**	**(19)**	**13 097**

In 2024 no revaluation of the group's buildings has been made.
Land and building revaluation reserves are not distributable as dividends.
The legal reserve is formed according to the requirements of the Commercial Act and is not subject to distribution under the current legislation. Additional reserves are formed by decision of the General Assembly of Shareholders with a source from the accumulated earnings.
Pension revaluation reserves are formed as a result of the effects of subsequent estimates of liabilities which, in essence, are actuarial profits and losses as reported by a licensed actuary's report. The report is by Angel Terziev, license №03-AO/19.04.2007, dated 04.02.2025.
Reserves from actuarial revaluations are not subject to distribution in the form of dividends.

9.Loans

	2024	2023
	BGN'000	***BGN'000***
Non-current lease liabilities	675	879
Current finance lease liabilities	670	507
Short-term loan	9 784	9 791
Total	**11 129**	**11 177**

The conditions of short-term bank loans as at 31.12.2024 are as follows:

Creditor bank:	UNITED BULGARIAN BANK AD
Contractual amount of the loan:	7,826 thousand BGN (4,000 thousand EUR)
Annual interest:	3-months EURIBOR+margin of 2 points
Maturity:	20.12.2025
Collateral:	Mortgages and pledges
Purpose of the loan	Refinancing of an existing loan and for working capital

Liability as at the end of the current year:	BGN 7,817 thousand, principal and BGN 11 thousand interest
Creditor bank:	UNITED BULGARIAN BANK AD
Contractual amount of the loan:	1,955 thousand BGN(, 000 thousand EUR)
Annual interest:	3-months EURIBOR+margin of 2 points
Maturity:	20.12.2025 година
Collateral:	Mortgages and pledges
Purpose of the loan	Working capital
Liability as at the end of the current year:	BGN 1,953 thousand, principal and BGN 3 thousand interest

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from UNITED BULGARIAN BANK AD under agreements dated 12.04.2019 with maturities on 30.09.2028, liabilities as at 31.12.2024 for the borrower BGN 12,573 thousand.

The Company is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from EUROBANK BULGARIA AD under agreements dated 08.08.2022 in the amount of EUR 3,600 thousand with maturities on 07.08.2024, liabilities as at 31.12.2024 for the borrower EUR 2,998 thousand.

The Company is a co-borrower a syndicated bank loan to Commercial League - Global Pharmacy Centre AD from EUROBANK BULGARIA AD and FIRST INVESTMENT BANK AD under an agreement dated 04.11.2024 in the amount of EUR 41,790 thousand with maturities on 30.10.2034, liabilities as at 31.12.2024 for the borrower EUR 3,609 thousand.

Mortgages include landed property with a material interest of 3,575 thousand BGN.Pledges include machines and equipment with material interest of 4,609 thousand BGN.

Liabilities under finance lease contracts are denominated in euro. The gross amount to be repaid includes the principal of 2,508 thousand BGN and the interest payable under the repayment schedule.

10.Deferred taxes

Deferred income taxes are reported for all temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at a tax rate of 10% (for the previous year: 10%) applicable to the year in which they are expected to occur retroactively.

Movement in deferred taxes:

Deferred taxes	**2024**	**2023**
	BGN'000	***BGN'000***
At the beginning of the year	(1 113)	(1 042)
(Income)/expenses in the statement of comprehensive income	(84)	(63)
(Income)/expenses in the equity statement	(1)	(20)
At the end of the year	**(1 198)**	**(1 113)**

Deffered tax liabilities	**Land and buildings revaluation**	**Depreciation of assets**	**Total**
	BGN'000	***BGN'000***	***BGN'000***
At 1 January 2023	**(460)**	**(645)**	**(1 105)**

Debit/(credit) in equity due to changes in temporary differences	(6)		(6)
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences		(53)	(53)
At 31 December 2023	**(466)**	**(698)**	**(1 164)**
Debit/(credit) in equity due to changes in temporary differences	(6)		(6)
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences		(104)	(104)
At 31 December 2024	**(472)**	**(802)**	**(1 274)**

Deferred tax assets	**Leave and pension compensations**	**Income and impairment**	**Total**
At 1 January 2023	**56**	**7**	**63**
(Cost)/revenue in the comprehensive income statement	(13)	1	(12)
At 31 December 2023	**43**	**8**	**51**
(Cost)/revenue in the comprehensive income statement	26	(1)	25
At 31 December 2024	**69**	**7**	**76**

The total amount of deferred tax assets and liabilities is a liability of BGN 1,198 thousand (2023: a liability of BGN 1,113 thousand).

The deferred tax assets and liabilities are offset as they relate to the same tax authority.

Payables to personnel Long-term retirement benefits

	2024	**2023**
	BGN'000	***BGN'000***
Payables to personnel long-term retirement benefits	268	197
Total	**268**	**197**

The Company appointed certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For the purpose, they apply the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the future cash flows expected to be paid within the maturity of that liability using the interest rates on long-term government bonds with similar duration quoted in Bulgaria, where the company itself is operatingpayables to personnel.

11.Trade and other payables

	2024	**2023**
	BGN'000	***BGN'000***
Payables to suppliers	3 332	3 503
Payables to personnel	911	874
Taxes and social insurance contributions	289	259
Current corporate income tax	-	-
Other liabilities	1 805	132
Provisions	123	243

Total	**6 337**	**5 011**

Trade and other liabilities are denominated in:		
Bulgarian lev	3 701	1 355
Euro	2 002	2 707
Rumenian Leu	-	-
US Dollars	634	949
	6 337	**5 011**

The BGN liabilities are measured at the value of their occurrence, and those denominated in foreign currency are measured at the closing exchange rate of BNB on 31 December 2024.

Trade liabilities are carried at original cost, at the nominal value of the Bulgarian lev and the equivalent of the foreign currency at the exchange rate of BNB.

All trade and other payables are denominated and measured at the BGN nominal value. The Company's management is of the opinion that there is no need to charge provisions in relation to claims or commitments to interest, penalties and other payment obligations.

12. Revenue

	2024	2023
	BGN'000	***BGN'000***
Sales of finished products	47 619	45 715
Sales of goods	5 378	2 729
Sales of services	144	68
Other revenue	231	74
Total	**52 997**	**48 586**

The sales of finished products and goods are related to dosage forms. They take place throughout the country.

Revenue is measured at the fair value of the payment or consideration received or receivable, and are stated at the BGN nominal value. Other income includes government funding of BGN 102 thousand. (2023 - BGN 33 thousand)

Revenue categories of production and goods in BGN'000	**2024**	**2023**
a) type of production and goods	***BGN'000***	***BGN'000***
Medicinal products	52 997	48 444
Other production and goods	-	-
Total revenue	**52 997**	**48 444**
b) geographic region		
Bulgaria	50 661	47 050
Export to third countries	733	558
Europian Union	1 603	836
Total revenue	**52 997**	**48 444**

13.Operating expenses

	2024	2023
	BGN'000	***BGN'000***
Carrying amount of goods sold	(2 251)	(862)
Changes in stock of finished products and work in progress	(77)	(233)
Materials	(13 552)	(12 172)

Hired services	(19 792)	(20 271)
Salary expenses	(7 944)	(6 198)
Social insurance expenses	(1 434)	(1 135)
Depreciation / amortisation expenses (Appendix 5,6)	(2 519)	(2 809)
Other expenses	(534)	(899)
Total	**(48 103)**	**(44 579)**

Operating expenses are related to production and sales of dosage forms.

Expenses are measured at the fair value of the consideration paid or payable, and are stated at the BGN nominal value or at the BGN equivalent of the foreign currency, by applying the exchange rate of BNB on the date of the transaction.

A significant share of material costs is occupied by tablets (BGN 5,091 thousand) and substances (BGN 5,209 thousand).

A major share of the costs of external services is attributed to the marketing of goods –BGN 15,349 thousand.

The cost of depreciation is mainly formed by the depreciation of machinery and equipment BGN 1,351 thousand. The remuneration under labour relations is an essential part of the salary costs –BGN 7,424 thousand.

14.Finance income and costs

14.1 Finance income	**2024** ***BGN'000***	**2023** ***BGN'000***
Interest income	477	462
Revenue from exchange rate differences	51	75
Revenue from operations with financial instruments	1	-
Total	**529**	**537**

Income generated from the use by other persons of interest-bearing assets of the Company, and from other financial transactions, has been recognised when it is probable that future economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

Income from transactions with financial instruments includes adjustment of impairment of financial instruments accrued in previous years - BGN 1 thousand. (2023 - BGN 0 thousand)

14.2 Finance costs	**2024** ***BGN'000***	**2023** ***BGN'000***
Interest expenses	(585)	(549)
Foreign currency losses	(138)	(83)
Other finance costs	(45)	(44)
Total	**(768)**	**(676)**

Expenses arising out of the use by the Company of interest-bearing assets of other persons, and of other financial transactions, have been recognised when it is probable that the Company will be able to reduce the economic benefits associated with the transaction and the amount of expense can be measured reliably.

15.Tax expense and other comprehensive income for the period	**2024** ***BGN'000***	**2023** ***BGN'000***
Current income tax expense	(456)	(407)

Deferred taxes	(84)	(63)
Total	**(540)**	**(470)**

For 2024 the tax rate remains unchanged at 10% (2023 - 10%) according to the requirements of the Corporate Income Tax Act.

The Company's corporate income tax differs from the theoretical amount that would have been calculated had the applicable tax rate been applied to the accounting result before tax, as follows:

	2024 *BGN'000*	**2023** *BGN'000*
Profit before taxes	5 030	3 868
Profit before taxes 10% (2023: 10%)	(456)	(407)
Correction due to unrecognised income and expense	(84)	(63)
Correction of deferred tax assets and liabilities		
Tax expense in the income statement	**(540)**	**(470)**

	2024 *BGN'000*	**2023** *BGN'000*
Other comprehensive income from revaluation of FTAs	-	-
Other comprehensive income from deferred tax on revaluation of FTAs	(6)	(6)
Other comprehensive income from revaluation of defined benefit pension funds	(50)	27
Other comprehensive income from deferred tax on revaluation of defined benefit pension funds	6	(3)
Total other comprehensive income	**(49)**	**18**

As a result of the revaluation of defined benefit pension funds another comprehensive income of BGN (50) thousand was realised from actuarial assumptions according to the report of a licensed actuary. The tax effect of revaluation of pension funds is BGN 6 thousand as the impact of deferred corporate tax.

16.Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing net profit distributable to majority shareholders by the weighted average number of ordinary shares issued during the year, of which the average number of ordinary shares redeemed by the Company is subtracted.

Diluted earnings per share

For the purposes of calculating diluted earnings per share, the weighted average number of issued ordinary shares is adjusted by all securities potentially convertible into ordinary shares. Convertible securities were not issued as of 31 December of the current year and previous year.

	2024 *BGN'000*	**2023** *BGN'000*
Profit subject to distribution (in thousands of BGN)	4 490	3 398
Weighted average number of shares in circulation (in thousand BGN)	91 800	84 500
Basic earnings per share (in BGN per share)	0.05	0.04

17.Dividends per share

Dividends to be paid are accounted for only after they have been voted at the annual general meeting of shareholders. The General Meeting of Shareholders is expected to be held by the end of June 2025. Therefore, these financial statements do not reflect the dividend to be paid which will be accounted for in the statement of capital as a result distribution for the year ending on December 31, 2025.

At the General Meeting held in June 2020, it was decided that BGN 2,300 of the profit for 2019 would go to increase the capital, BGN 268 thousand to increase the reserves. No dividend was distributed. The capital increase has not been entered in the Commercial Register and therefore it is not reflected in the annual accounts.

At the General Meeting held in June 2021, it was decided that BGN 2,300 of the profit for 2019 would go to capital increase, BGN 63 thousand of the profit for 2020 would go to increase reserves and BGN 541 thousand would go to retained earnings. No dividend was distributed.

At the General Meeting held in June 2022, it was decided that BGN 140 thousand of the profit for 2021 would go to increase reserves and BGN 1,399 thousand would go to retained earnings. No dividend was distributed.

At the General Meeting held in June 2023, it was decided that BGN 284 thousand of the profit for 2022 would go to increase reserves and BGN 4,308 thousand would go to retained earnings. No dividend was distributed.

At the General Meeting held on 25.06.2024 it was decided that BGN 7 300 thousand of the retained earnings will go to capital increase, BGN 60 thousand will remain as retained earnings, BGN 347 thousand will go to increase the reserves. The current capital is BGN 91 800 thousand. No dividend was distributed.

18.Contingent liabilities

Currently, there are lawsuits, which are expected to have a positive outcome for the enterprise. The Company has no other contingent liabilities and commitments of a substantial nature under the contracts concluded, the lawsuits and other documents.

The Group is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from UNITED BULGARIAN BANK AD under agreement dated 03.12.2019 with maturity on 30.09.2028, liabilities as at 31.12.2024 for the borrower BGN 12,573 thousand.

The Group is a co-borrower on a loan to Commercial League - Global Pharmacy Centre AD from UNITED BULGARIAN BANK AD under agreements dated 08.08.2022 for the borrower EUR 3,600 thousand with maturities on 30.09.2025, liabilities as at 31.12.2024 for the borrower EUR 2,998 thousand.

The Group is a co-borrower a syndicated bank loan to Commercial League - Global Pharmacy Centre AD from EUROBANK BULGARIA AD and FIRST INVESTMENT BANK AD under an agreement dated 04.11.2024 in the amount of EUR 41,790 thousand with maturities on 30.10.2034, liabilities as at 31.12.2024 for the borrower EUR 3,609 thousand.

19.Taxation

The tax authorities have carried out a full audit of the Company up to and including 2019. No significant violations or observations have been identified.

The tax authorities may at any time audit the accounts and records within five consecutive years from 1 January of the year following the year in which the tax liability was payable and impose additional tax liabilities or penalties. Management of the Company is not aware of any circumstances that could give rise to a material liability in this area.

20.Transactions with related parties

As of December 31, 2024, the Company has one entity with the existence of control. This is the company SWYSSI S.R.L. registered in Repulica Romania and the Bulgarian company Perpetel Inc.

Transactions with related parties

No related party transactions.

Transactions with non-controlling interests

In the current year, purchases from related parties with non-controlling interests amounted to BGN 15,695 thousand.

In the previous year purchases amounted to BGN 18,231 thousand.

As at 31.12.2024 there are liabilities to related companies with non-controlling interests in the amount of BGN 0 thousand.

At the end of the previous year the same indicator was BGN 0 thousand.

In the current year, sales to related parties with non-controlling interests amounted to BGN 51,141 thousand. In the previous year sales amounted to BGN 47,594 thousand.

As at 31.12.2024 there are receivables from related companies in the amount of 68,730 thousand BGN.

At the end of the previous year the same indicator was BGN 65,218 thousand.

During the current year and in the previous year there were no transactions with the members of the Board of Directors and the Executive Director.

21.Remuneration to key management staff

Short-term income of the management in 2024 amounting to BGN 128 thousand were accrued according to the concluded contracts.

22. Independent financial audit costs

Accrued expenses for auditing in 2024 amounted to BGN 17 thousand under the concluded contract.

23.Financial risk management

In carrying out its activities, the Company is exposed to a variety of financial risks. The Company's comprehensive risk management program focuses on the unpredictability of the trading markets and aims to reduce any adverse effects on the financial result of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Currency risk

The Company is not exposed to a significant exchange rate risk because its assets, liabilities and transactions are denominated in BGN or EUR, and the BGN is tied to the Euro, according to the Currency board rules. Regular control of balance sheet items is performed to minimize exposure to exchange rate risk.

(b) Price risk

The Company is not exposed to the risk of a change in the price of financial instruments, as it does not have such with significant value. The Company is at risk of a change in production and commodity prices. For the purpose of managing the price risk arising from sales of services, the Company systematically monitors the market prices, optimizes its costs and seeks for suitable core customers.

With the start of Russia's aggression in Ukraine on 24.02.2022, many of our suppliers have notified us of upcoming increases in their supply of active substances, packaging and auxiliary materials. We currently have no delivery refusals and no significant delays in lead times for orders placed.

(c) Interest rate risk

The interest-bearing assets of the Company may have fixed and floating interest rates. Variable interest rate loans expose the Company to interest rate risk from changes in future cash flows, and fixed rate loans – to an interest rate risk from fair value changes. The policy of the Company is to borrow and provide loans by minimizing the interest rate risk. As at 31 December of the current and the previous year, the Company does not have interest-bearing assets and liabilities reported at fair value and is therefore not exposed to the risk of a change in cash flows and fair value.

(d) Credit risk

There is no significant concentration of credit risk in the Company. The Company has established policies to ensure that sales to a major customer are promptly paid or payable within a reasonable period of time under agreements. The credit risk arises mainly from cash and cash equivalents in banks and other financial institutions, as well as from loans granted. Only banks and other financial institutions with a high credit rating are accepted. The management does not expect losses as a result of non-performance of their counterparty obligations.

All financial assets are with counterparties which do not have an external credit rating and have no past performance defaults.

(e) Liquidity risk

The careful liquidity risk management requires the maintenance of sufficient cash and other liquid assets. Due to the dynamic nature of the underlying types of business, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient cash and trade receivables to be used to liquidate liabilities within a reasonable timeframe.

Capital risk management

The Company's objectives in capital management are to protect the ability of the Company to continue as a going concern in order to provide returns to shareholders and maintain an optimal capital structure.

In order to maintain or change the capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares, or sell assets to repay debts. In addition, managing the liquidity and capital structure, the Company can increase equity capital as well as take loans.

24.Events after the reporting date

There are no significant disclosure events subsequent to December 31, 2024 that would affect material changes in the Company's financial or property position.

Actions for climate protection

In line with the overall reduction targets for the plant, two steam generators providing hot water and steam switched from diesel to natural gas (methane) in February 2021.

In addition to being a more environmentally friendly source of energy, the changeover also resulted in an increase in the installed capacity of the equipment.

Another measure contributing to the reduction of emissions was the installation of additional inverters to the water cooling towers. The installation of these inverters allows a 50% reduction in electricity consumption at night and on non-working days. Gradually, the fluorescent lighting in all the rooms on the production site is being replaced by LED light sources with significantly lower power consumption, which in turn also results in a reduction in emissions.

Date of preparation: 10 April 2025

Prepared by:....................................... Executive Directop:…………………………

(Petya Moneva) (Biser Georgiev)

DECLARATION
for corporate governance
in accordance with Article 40 of the Accounting Act and Article 100n, paragraph 8 of the PCCC Act
of the TCHAIKAPHARMA GROUP

The undersigned Biser Rosenov Georgiev, in my capacity as Executive Director of "Tchaikapharma High Quality Medicines" Inc. declare the following:

I. Information on compliance as appropriate:
(a) the Corporate Governance Code approved by the Deputy Chairman of the Financial Supervision Commission, or
(b) information on the corporate governance practices applied by Tchaikapharma High Quality Medicines Inc. (the Company) in addition to the code referred to in (a) .

The public companies of the Tchaikapharma Group have adopted and continue to comply with the National Corporate Governance Code (NCGC), established in October 2007 and subsequently amended in 2012 and 2016 and approved by the Deputy Chairman of the Financial Supervision Commission.

Good corporate governance is a set of balanced relationships between the Group's Board of Directors, its shareholders and all its stakeholders- employees, business partners, the Company's creditors, potential and future investors and society at large.
In addition to the principles, which are recommendatory in nature, the Group's public companies have established a set of requirements for good corporate governance practices, compliance with which is mandatory for their boards and which relate to:
- Protection of shareholders' rights;
- Ensuring fair treatment of all shareholders regardless of the number of shares they hold;
- Recognising the rights of stakeholders and promoting cooperation between companies and stakeholders;
- Ensuring timely and accurate disclosure of information on all matters relating to companies, including the financial position, performance, ownership and governance of companies;
- Supporting the strategic management of the companies, oversight of management's activities and accountability to the company and shareholders.
- The Corporate Governance Code is applied on a "comply or explain" basis. This means that its recommendations are complied with, and whether or not there is any deviation from them, the Parent Company's management periodically disclose information on corporate governance.
- The actions of their management are in the direction of promoting the principles of good corporate governance, enhancing the confidence of shareholders, investors and persons interested in the management and operations of the Group.
- The management of the Parent Company complies with the Corporate Governance Programme, which is in line with the applicable regulations, internationally recognised standards of good corporate governance and the National Corporate Governance Code.

1.Management of the parent company "Tchaikapharma " Inc. - Board of Directors

1.1. Functions and duties
The Board of Directors of Tchaikapharma Inc. shall independently and responsibly manage the Company in accordance with the established vision, objectives and strategies of the Company and the interests of the shareholders. The members of the Board of Directors give a guarantee for their management in the amount of their quarterly gross remuneration.
During their term of office, the members of the Board of Directors are guided in their activities by generally accepted principles of integrity, managerial and professional competence.

1.2. Election and dismissal of members of the Board of Directors

The provisions of the Company's Articles of Association concerning the appointment and dismissal of members of the Company's Board of Directors and concerning the making of amendments to the Articles of Association require resolutions to be taken by the General Meeting of Shareholders.
Structure and competence
The number of members and the structure of the Board of Directors are set out in the Articles of Association of the Company, which is managed and represented by a Board of Directors consisting of three natural persons meeting the requirements of Article 234 of the Commercial Companies Code and Article 116a(2) of the Public Offering of Securities Act.
The composition of the Board of Directors elected by the General Meeting is structured in such a way as to ensure the professionalism, impartiality and independence of the decisions and actions of its members in relation to the management of the Group.
The powers, rights and duties of the members of the Board of Directors follow the requirements of the law, the constitutive acts and the standards of good professional and management practice.

1.3. Remuneration of the members of the Board of Directors

The Parent Company's Board of Directors has prepared and implemented a Remuneration Policy which is approved by the General Meeting of Shareholders. The Remuneration Policies have been developed in accordance with Regulation No. 48 dated 20 March 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The amount and structure of remuneration is determined by the General Meeting of Shareholders.
The disclosure of information on the remuneration of the members of the Board of Directors is in accordance with the legal norms and the articles of association of public companies.
Shareholders have easy access to the company's adopted remuneration policy and the remuneration and bonuses of the members of the Board, as well as to information on the annual remuneration and additional incentives received by them. Information on the remuneration of the members of the Board of Directors is presented in the Annual Financial Report, in the Report on the implementation of the Remuneration Policy of the Board of Directors and is published on the websites of the parent company.

1.4. Conflicts of interest

Board members shall endeavour to avoid and prevent actual or potential conflicts of interest.
The procedures for avoiding and disclosing conflicts of interest are regulated in the articles of association of the companies and in internal documents and rules.
Board members shall endeavour to disclose conflicts of interest promptly and to provide shareholders with access to information about transactions between the company and board members or persons related to them.
Any conflict of interest shall be disclosed to the governing bodies.
A potential conflict of interest exists when the company intends to enter into a transaction with a legal entity in which a member of the governing bodies or persons related (interested) to that member have a financial interest.
Transactions of a public company involving interested persons, other than those referred to in par. 144 of the Securities Act, shall be subject to prior approval by the management body of the public company.

2. Independent financial audit and internal control

The Audit Committee of Tchaikapharma Inc. and its members, as the persons charged with general management, provide oversight of internal audit activities and monitor the overall relationship with the external auditor, including the nature of non-audit services provided by the Group's auditor.
The management of the Parent Company, assisted by the Audit Committee, shall provide written reasons to the General Meeting for its proposal for the selection of the auditor, guided by established professionalism requirements.
The managements of the companies in the Tchaikapharma Group ensure compliance with the applicable law regarding independent financial auditing, and the public companies also apply the provisions of special laws.
The companies in the Tchaikapharma Group have an established system of internal controls, which, among other things, identifies the risks inherent in their activities and supports their effective management. It ensures the effective functioning of reporting and disclosure systems and its complexity is dictated by the specific nature of the respective company's operations.

3. Protection of shareholders' rights

The managements of the public companies in the Tchaikapharma Group shall ensure the equal treatment of all shareholders, including minority and foreign shareholders, by protecting their rights and facilitating their exercise within the limits permitted by the current legislation and in accordance with the provisions of the Companies' constitutive acts. The directors shall ensure that all shareholders are informed of their rights.

3.1.General meeting of shareholders

Information on the rules under which General Meetings of Shareholders are convened and held, including voting procedures, is available to all shareholders. The managements of the public companies in the Tchaikapharma Group provide sufficient and timely information on the date and place of the General Meetings, as well as full information on the matters to be considered and resolved at the meetings.
All shareholders have the right to participate in the General Meeting of Shareholders of the relevant public company of the Group and to express their opinions:
- Shareholders with voting rights have the opportunity to exercise their voting rights at the General Meeting of the company in person or by proxy, as well as by correspondence or electronically;

- The management exercises effective control by making the necessary arrangements for the proxy holders to vote, in accordance with shareholders' instructions or by the means permitted by law;
- Management organizes and conducts the Company's Ordinary and Extraordinary General Meetings of Shareholders in accordance with the procedures established by law, which guarantee equal treatment of all shareholders and the right of each shareholder to express his or her opinion on the items on the agenda of the General Meeting;
- Management shall organise the procedures and arrangements for the General Meeting of Shareholders in a manner that does not unduly burden or burden the voting process;
- Management shall take action to encourage shareholder participation in the General Meeting of Shareholders, including by enabling remote attendance by technical means (including the internet) where this is possible and necessary and does not contravene the NCGC.
- The management of the Tchaikapharma Group believes that the prerequisites for sufficient transparency in relations with investors, financial media and capital market analysts have been established.
- The processes and procedures for holding General Meetings of Shareholders ensure equal treatment of all shareholders, including minority and foreign shareholders, and protect their interests.

All members of Management endeavour to attend the Company's General Meetings of Shareholders.

3.2. Materials for the General Shareholders' Meeting

The materials relating to the General Shareholders' Meeting are available to shareholders from the day of the announcement of the invitation to convene it in the Commercial Register. They shall be made available to the Financial Supervision Commission and published on the Company's website and in the relevant media at least 30 days before the date of the General Meeting and shall be made available to shareholders free of charge upon request.
The texts in the written materials relating to the agenda of the General Meeting shall be specific and clear and shall not be misleading. All proposals concerning major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

3.3. The management of the public company in the Tchaikapharma Group guarantees the shareholders' right to be informed about the decisions taken at the General Meeting of Shareholders.

The minutes of the General Meetings of Shareholders are published within the statutory timeframe, in compliance with the provisions on the requirements for maximum publicity and transparency of the information provided, its simultaneous publication using sufficiently accessible information disclosure platforms, including the companies' own websites. All materials of the general meetings of shareholders shall be kept available to shareholders and all interested parties for a period specified in the Securities Act.

3.4. Equal treatment of shareholders of the same class

All shareholders of a class shall be treated equally.All shares within a class confer the same rights on shareholders of the same class. The management of a public company in the Tchaikapharma Group shall ensure that sufficient information is provided to investors regarding the rights conferred by all shares of each class prior to their acquisition.

3.5. Remuneration Policy

The Board of Directors of the public company in the Group shall prepare a Report on the implementation of the remuneration policy for the members of the Board of Directors in 2024. The report shall disclose how the Remuneration Policy is applied, with particular focus on avoiding the creation of incentives for excessive risk-taking, conflicts of interest or other conduct leading to adverse consequences. The amount and structure of remuneration shall be determined by the General Meeting of the Company.

4. Disclosure of information

- Corporate management shall establish the disclosure policy in accordance with legal requirements and the articles of incorporation.
- In accordance with the adopted information disclosure policy, the corporate management shall establish and maintain an information disclosure system.
- The disclosure system ensures equality of information recipients (shareholders, stakeholders, investment community) and prevents insider abuse.
- Corporate management shall ensure that the disclosure system provides complete, timely, accurate and understandable information that enables objective and informed decisions and assessments.
- Corporate management shall establish and monitor compliance with internal rules for the preparation of annual and interim reports and disclosure arrangements in a manner that ensures compliance with paragraph 15.
- As part of the information disclosure system, Tchaikapharma High Quality Medicines Inc. maintains a website of the Parent Company with approved content, scope and frequency of information disclosure. The Company's website is: www.tchaikapharma.com.

- Information disclosed through the Company's website includes:
• basic, Company-identifying business and corporate information;
• up-to-date information on the shareholding structure.
• the Company's constitutive acts and adopted policies relevant to the Company's business and operations.

• information on the structure and composition of the Company's management and supervisory bodies, and basic information on their members, including information on committees.
• financial statements for the last 5 years.

- the materials for the forthcoming general meetings of the Company's shareholders, as well as any additional ones received in accordance with the law.
- Information on resolutions passed at general meetings of shareholders for at least the last three years, including information on dividends distributed by the Company during that period.
- information on the auditors.
- information on forthcoming events.
- information on shares issued and other financial instruments.
- important information relating to the Company's business.
- information on the rights of shareholders, including sufficient information on the right of shareholders to request the inclusion of matters and to propose resolutions on matters already included in the agenda of the General Meeting pursuant to Article 223a of the Companies Act.
- contact information for the Company's Investor Relations Director.

5. Interested parties

Corporate governance ensures effective interaction with stakeholders. This category refers to certain groups of people who are directly affected by the Parent Company and who may in turn influence its activities, including suppliers, customers, employees, creditors, public pressure groups and others. The Parent Company identifies which stakeholders are relevant to its operations based on their degree and spheres of influence, role and relationship to its sustainable development.

In its stakeholder policy, corporate management complies with legal requirements and the principles of transparency, accountability and business ethics.

Corporate management maintains effective stakeholder relations. Periodically, in accordance with legal standards and good international practice for disclosure of non-financial information, the Parent Company informs stakeholders about economic, social and environmental issues.

6. An explanation of which parts of the Corporate Governance Code referred to in paragraph 1(a) or (b) of Article 100(n)(8) are not being complied with and the reasons for doing so, respectively, where the issuer has decided not to rely on any of the rules of the Corporate Governance Code - the reasons for doing so

The public companies in the Tchaikapharma Group comply with all parts of the Corporate Governance Code under item 1(a).

7. A description of the main features of the issuer's internal control and risk management systems in relation to the financial reporting process

The internal control system of financial reporting and accountability of the Group companies is a set of behavioural and technical principles, rules, tools, procedures and control actions that are specifically designed and adapted to the specifics of the companies, their activities and reporting system. It is aimed at:

-ensuring ongoing monitoring and targeting of reporting activities against the Group's objectives, the expectations of its various users and achieving their required effectiveness and efficiency, including in the use of the resources employed;

- ensuring the effectiveness and efficiency of the financial and accounting process, including consolidation and documentary substantiation;
- there is a high degree of security in safeguarding and maintaining the assets of the Group companies, including the prevention of fraud and error; and
- there is an assurance of reliable, quality and timely financial and operational information for internal and external users.

The main components of the internal control system on financial reporting and accountability include:

1. adoption and compliance with the ethical principles and rules of conduct that have been adopted by the Code of Conduct for the employees of the Tchaikapharma Group and with respect to financial reporting and accountability and all related processes, procedures and actions of all personnel of the Company;
2. development and definition of an optimal structure of units involved in the processes related to financial reporting, with clearly defined responsibilities and delegations, powers and duties, including through developed written internal documents;
3. developing policies for the selection, training and development of staff involved in accounting and financial reporting processes;
4. development, implementation and maintenance of control procedures and rules for each stage of the accounting, financial reporting and accountability processes, with priority given to the progressive introduction of formalised written procedures;

8.Information pursuant to Article 10(1)(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids

8.1. Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC;
None.

8.2. Holders of any securities with special control rights and a description of those rights;

There are no securities with special rights in Tchaikapharma Inc. and its subsidiary. Pursuant to the Articles of Association of the Group companies, all shares issued by them are of one class, registered, dematerialised, ordinary and indivisible. Each share entitles the holder to one vote in the General Meeting of Shareholders, the right to a dividend and to a liquidation share proportionate to the nominal value of the share.

8.3. Any restrictions on voting rights, such as limitations on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems whereby, through cooperation with the company, the financial rights attached to the securities are separated from the holding of the securities;

There are no restrictions on voting rights in the Parent Company and for the other public companies in the Group.

8.4. The rules governing the appointment or replacement of board members and the amendment of the articles of incorporation.

Members of the Board of Directors may be natural persons and legal entities meeting the requirements of Article 234 of the Commercial Companies Code and Article 116a, paragraph 2 of the Public Offering of Securities Act.
Where a member of the Board of Directors is a legal entity, it shall appoint representative(s) to perform its duties on the Board. The legal entity shall be jointly and severally liable with the other members of the Board for the obligations arising from the actions of its representative.
The natural persons who represent the legal persons - members of the Board of Directors, must meet the requirements of Article 234, paragraph 2 of the Commercial Companies Code.
Persons who were members of the management or control body of a company dissolved due to insolvency during the last two years preceding the date of the decision declaring the insolvency may not be members of the Board of Directors if there are unsatisfied creditors.
No person shall be a member of the Board who has been a director, member of the management or supervisory body of a company which has been found by a final penalty order to have failed to

comply with its obligations to establish and maintain specified levels of reserves under the Petroleum and Petroleum Products Reserves Act.
At least one third of the members of the Board of Directors must be independent persons. The independent member of the Board may not be:
- an employee of the public company;
- a shareholder who holds, directly or through related parties, at least 25 per cent of the votes in the general meeting or is a person related to the company;
- a person who has a lasting business relationship with the public company;
- a member of a management or supervisory body, a procurator or an employee of a commercial company or other legal person.
- a person related to another member of the management or control body of the public company.
Members of the Board of Directors may be re-elected without limitation.
In the event of changes in legislation, a resolution shall be passed at the next General Meeting of Shareholders to amend the Articles of Association in order to bring its provisions into line with those of the current regulations. Until such a decision is taken, the affected texts of the Articles of Association shall be interpreted in accordance with the Constitution and the laws of the country.

8.5.The powers of board members, in particular the right to issue or redeem shares.

The powers of the Board of Directors are regulated in the Articles of Association of the Parent Company. Approval to issue bonds is a decision that the Board of Directors may take by a qualified majority of 2/3 of its members.

9. Composition and functioning of the administrative, management and supervisory bodies and their committees

9.1. Members of the Board of Directors of Tchaikapharma Inc:

The Parent Company is managed and represented by a Board of Directors consisting of three natural persons meeting the requirements of Article 234 of the Commercial Companies Code and Article 116a, paragraph 2 of the Public Offering of Securities Act. The composition of the Board of Directors may be changed by the General Meeting at any time.
The composition of the Board of Directors is described in item I. General Information on Tchaikapharma Inc. in the Report on Operations.
Pursuant to Article 116a(2) of the Public Offering of Securities Act, at least one third of the members of the Board of Directors must be independent persons. In this case it is:

Radka Aleksandrova Tsenova

Members of the Board of Directors shall become familiar with the rights and obligations associated with their position.

9.2. Order of business of the Board of Directors

Tchaikapharma Inc. has developed Rules of Procedure for the Board of Directors, which are consistent with and an extension of the principles set out in the Corporate Governance Programme. The Articles of Association of the Company are in compliance with the requirements of the Securities Act, and the shareholders' right to timely notification on various matters is upheld.
The Board of Directors meets in regular meetings at least once a month.

9.3. Minutes

Minutes shall be kept of the decisions of the Board of Directors and shall be signed by all members present at the meeting.
The minutes shall be kept by the Investor Relations Director of the Company in a special register in accordance with the provision of Article 116d, paragraph 1. 3(3) of the Securities Act.

9.4. Liability

The members of the Board of Directors must give a cash bond for their management in an amount to be determined by the General Meeting, but not less than 3 months of their gross remuneration.
The members of the Board of Directors shall be jointly and severally liable for the damages they have caused to the Company.
Any member of the Board of Directors may be discharged from liability if it is established that he/she is not at fault for the damage caused. The General Meeting may discharge a member of the Board of Directors from liability at an ordinary annual general meeting in the presence of annual accounts for the preceding year and interim accounts for the period from the beginning of the current year to the date of the general meeting certified by a registered auditor.
The Board of Directors shall report on its activities to the General Meeting of Shareholders.

9.5. Role of the Board of Directors in implementing the principles of good corporate governance

The Board of Directors decides on all matters relating to the Parent Company's business, except those which, under the applicable law and the Articles of Association, are the exclusive competence of the General Meeting. According to the structure and composition of the Board of Directors of each of the Group companies, their functions are allocated accordingly to the portfolios that exist within them. The manner in which the management and supervisory bodies function is aimed at aligning the management of each company with the strategic objectives set, both for the company itself and for the Group.
The Board of Directors delegates the execution of its decisions and the performance of the Company's operational management functions to one of its members
/Executive Director/. The Managing Director may be replaced at any time.

9.6. Duty of care. Avoidance of conflict of interest

Members of the Board of Directors shall:
- Perform their functions with the care of a good trader, be loyal to the Company and act in the best interests of its shareholders;
- perform their duties with the skill, diligence and responsibility of a professional and in a manner they reasonably believe to be in the best interests of all shareholders of the Company, using only information they reasonably believe to be reliable, complete and timely;
- to prefer the interest of the Company and the Company's investors to their own interest and not to use for the benefit of themselves or others at the expense of the Company and its shareholders facts and circumstances which they have become aware of in the course of their official and professional duties;
- to avoid direct or indirect conflicts between their own interest and the interest of the Company, and if such conflicts arise, to disclose them promptly and fully and not to participate in or influence other members of the Board in making decisions in such cases;
- not to disclose information about the deliberations and decisions of the Board of Directors' meetings, as well as other non-public information about the Company, including after they cease to be members of the Board of Directors, until the Company publicly discloses the relevant circumstances;

- provide and disclose information to shareholders and investors as required by the Company's regulations and bylaws.

The Board of Directors is assisted by an Audit Committee which, in accordance with the Independent Financial Audit Act and International Standards on Auditing, performs the following functions:

-oversees the financial reporting processes of the entity;

-monitors the effectiveness of the entity's internal control systems;

-monitor the effectiveness of the entity's risk management systems;

-monitor the independent financial audit of the entity;

-review the independence of the entity's registered auditor in accordance with the requirements of the law and the Code of Ethics for Professional Accountants, including overseeing the provision of additional services by the registered auditor to the audited entity.

10.04.2025

Sofia
Biser Georgiev
Executive Director

REPORT "COMPLY OR EXPLAIN"

of the National Corporate Governance Code

pursuant to Article 100 N, para. 4, item 3 of POSA

The Group of Tchaikapharma High Quality Medicines Inc. adopted and complied with the National Corporate Governance Code since May 2015. The compliance with the Code is reported based on the principle "comply or explain", which means that the recommendations of the Code are respected and where there is variation thereof or non-compliance, the management explains the reasons for this.

The actions of the Management of the Group towards strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and those interested in the management and operations of the Company.

The Board of Directors of Tchaikapharma High Quality Medicines Inc. respects the Programme for good corporate governance, which complies with current regulations, internationally recognized standards of good corporate governance and the National Corporate Governance Code.

The Board of Directors approves the Policy on disclosure of information in accordance with legal requirements and statutes.

Corporate Management - Board of Directors

1. Functions and duties

1.1. The Board of Directors of Tchaikapharma High Quality Medicines Inc. manages independently and responsibly the Company in accordance with the established vision, goals and strategies of the Company and shareholders' interests. The Members of the Board of Directors provide guarantee for their management in the amount of their gross quarterly remuneration determined by the General Meeting of Shareholders.

1.2. The Board of Directors of Tchaikapharma High Quality Medicines Inc. establishes and oversees the strategic directions of development of the Company.

1.3. The Board of Directors of Tchaikapharma High Quality Medicines Inc. establishes the Risk management policy of the Company and controls the development and functioning of the internal control and risk management.

1.4. The Board of Directors of Tchaikapharma High Quality Medicines Inc. ensures the compliance with the legal, regulatory and contractual obligations of the Company under the approved Statute and Rules of the Board.

1.5. The Board of Directors is responsible for the establishment and proper functioning of the financial information system of the Group.

1.6. The Board of Directors provides guidelines, approves and monitors the implementation of the Business plan; the Group's material transactions and other activities set out in the statutes of the Group.

1.7. The Board of Directors defines the Group's policies of disclosure of information and investor relations; controls and is responsible for the timely delivery to the shareholders of any information they are entitled to in accordance with the requirements of the law and the statutes of the Group.

Tchaikapharma High Quality Medicines Inc. discloses the regulated information for investors and the public through – www.x3news.com; www.infostock.bg; www.investor.bg; and on the web site of the Company www.tchaikapharma.com

1.8. During its mandate, the Board of Directors is guided in its activities by the generally accepted principles of integrity, management and professional competence. The Board of Directors observes the Code of Ethics of the Company.

1.9. The Board of Directors of Tchaikapharma High Quality Medicines Inc. reports its activities to the General Meeting of Shareholders and prepares an Annual Activity Report and submits it for approval by the General Meeting of Shareholders.

2. Appointment and dismissal of members of the Board of Directors:

2.1. The General Meeting of Shareholders elects and dismisses the members of the Board of Directors of Tchaikapharma High Quality Medicines Inc., according to the law and the statutes of the Company, in compliance with the principles of continuity and stability of the Board of Directors. All members meet the legal requirements for taking their position

2.2. In the concluded Management contracts with the Members of the Board of Directors their duties and tasks, the criteria for their remuneration, their duties of loyalty to the Group and grounds for dismissal are defined. The Management contracts with the Members of the Board of Directors, respectively the Executive Director comply with the Statute of the Company and the Remuneration policy for the Members of the Board of Directors.

3. Structure and competencies:

3.1. The number of members and structure of the Board of Directors are set out in the Statute of the Company. The Company is managed and represented by a Board of Directors, which consists of three individuals meeting the requirements of Article 234 of the Commerce Code and Article 116a, para 2 of the Public Offering of Securities Act.

3.2. The composition of the elected by the General Meeting Board of Directors is structured in a way that ensures professionalism, impartiality and independence of the decisions and actions of its members in connection with the management of the Group.

3.3. The Board of Directors ensures proper division of tasks and responsibilities among its members. The main function of the independent directors is to control the actions of the executive management and to participate effectively in the work of the Company in the interests of the shareholders. The main functions of the Members of the Board of Directors and the number of the independent members are laid down in the Statute of the Company. There is one independent member in the Board of Directors of Tchaikapharma High Quality Medicines Inc.

3.4. The competencies, rights and obligations of the Members of the Board of Directors are in accordance with the requirements of the law, statutes and standards of good professional and management practices.

3.5. The Members of the Board of Directors of Tchaikapharma High Quality Medicines Inc. have the appropriate knowledge and experience required for their position. After their appointment, the new members of the Board of Directors are introduced to the fundamental legal and financial issues related to the activity of the Company. The Group stimulates training of the Members of the Board of Directors.

3.6. The Members of the Board of Directors have sufficient time to perform their duties and responsibilities. In the Statute of the Company the number of companies in which the Members of the Board of Directors can occupy managerial positions is not specified, because the activities of the Members of the Board of Directors can not be restricted.

3.7. The appointment of the Members of the Board of Directors of the Company is a transparent procedure which ensures timely and sufficient information on the personal and professional qualities of the candidates. The number of consecutive mandates of the Members of the Board of Directors ensures efficient operation of the Company and compliance with the legal requirements.

According to the Statute of the Company the Members of the Board of Directors can be reelected without limitation.

3.8. The Group applies a diversity policy applied to the Board of Directors in relation to aspects such as age, gender or education and professional experience. The aim of this devesity policy is equality of persons. The method of application is in the competent assessment of all persons. The results during the reporting period confirm the correctness of the diversity policy.

4. Remuneration:

4.1. The Board of Directors of Tchaikapharma High Quality Medicines Inc. prepared a Remuneration policy for determining the remuneration of the members of the Board of Directors, which is to be approved by the General Meeting of Shareholders. The Remuneration policy has been drafted in accordance with Ordinance no.48 from March the 20^{th}, 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The amount and structure of remuneration are determined by the General Meeting of the Company.

4.2. In accordance with the legal requirements and best practice of corporate governance in determining the size and structure of remuneration the following are taken into account:

4.2.1. The responsibilities and contribution of each member of the Board of Directors in the activities and results of the Group. The Members of the Board of Directors receive fixed remuneration as determined by the General Meeting of Shareholders and the amount is paid under the terms and conditions of the Management contracts concluded between them and the Company.

4.2.2. The ability to select and retain qualified and loyal members of the Board of Directors of Tchaikapharma High Quality Medicines Inc. These requirements are applied through the Remuneration policy of the Board of Directors.

4.2.3. The conformity of the interests of the Members of the Board of Directors and the long-term interests of the Group are a necessity. The remunerations of the Members Board of Directors are formed based on the results of the Company and are consistent with the business strategy, objectives, values and long-term interests of the Company.

4.3. The Executive member of the Board of Directors receives fixed remuneration as determined by the General Meeting of Shareholders and the amount is paid under the terms and conditions of the Management contract concluded between him and the Company.

4.3.1. The remuneration and tantiemmes of the members of the Board of Directors and the Executive Director of the Company should be determined by the General Meeting of Shareholders.

4.4. The members of the Board of Directors receives fixed remuneration as determined by the General Meeting of Shareholders and the amount is paid under the terms and conditions of the Management contracts concluded between them and the Company.

4.5. The disclosure of the remuneration of the Members of the Board of Directors is in accordance with the legal regulations and statutes of the Company:

4.5.1. The remuneration of the Members of the Board is presented in the financial statements, the Report on implementation of the Remuneration policy of the Board of Directors and is published on the website: www.tchaikapharma.com

5. Conflict of interests

5.1. The Members of the Board of Directors should endeavor to avoid and prevent real or potential conflict of interest.

5.2. The procedures for preventing and detecting conflicts of interest are regulated by the Statute of Tchaikapharma High Quality Medicines Inc., the Code of Ethics of the Company, as well as the Instructions and clarifications on the duties and responsibilities of insiders possessing inside information of Tchaikapharma High Quality Medicines Inc. in accordance with the requirements of the Measures Against Market Abuse With Financial Instruments Act.

5.3. The Members of the Board of Directors seek to immediately disclose conflicts of interest and provide shareholders access to information about transactions between the Company and members of the Board of Directors or related parties.

5.4. Any conflict of interests in the Company should be disclosed to the Board of Directors.

5.5. Potential conflict of interest exists when the Company intends to carry out a transaction with a legal entity in which:

5.5.1. Member of the Board of Directors or related (interested) parties have a financial interest.

5.5.2. Member of the Board is a member of the Management Board, Supervisory Board or Board of Directors.

6. Committees

6.1. The work of the Board of Directors is assisted by committees and the Board of Directors determines the need for their establishment according to the specifics of the Company.

6.2. In accordance with the requirements of applicable law and based on its rules the Board of Directors proposes to the General Meeting of Shareholders to appoint an Audit Committee with composition that complies with the legal requirements and the particular needs of the Company.

6.3. Committees are formed on the basis of written terms of references of the structure, scope, tasks, working methods and reporting procedures. The Audit Committee of Tchaikapharma High Quality Medicines Inc. has three members with 5-year term determined by the GMS. The members of the Audit Committee meet the requirements of Article 40, para 3 and 4 of the Independent Financial Audit Act.

Audit and Internal Control

7. The corporate management of the Group of Tchaikapharma High Quality Medicines Inc., assisted by the Audit Committee, guided by the requirements for professionalism in writing substantiates its proposal for appointment of an auditor before the General Meeting.

8. Rotation in selecting and appointing an external auditor is applied. The auditors are appointed by the General Meeting for each financial year.

9. The Group established an internal control system that identifies risks associated with the operation of the Companies and assists effective management.

10. The system guarantees the effective functioning of the reporting and disclosure of information systems.

Protection of shareholders' rights

11. Protecting the rights of shareholders the Corporate management of a group guarantees equal treatment of all shareholders, including minority and foreign shareholders and protects their right.

12. General Meeting of Shareholders

12.1. All shareholders are entitled to participate in the General Meeting of Shareholders and to express their opinions:

12.1.1. The Shareholders with voting rights are able to exercise their voting right in the General Meeting of the Company in person or by proxy and by correspondence or electronically.

12.1.2. The corporate management exercise effective control and establishes the necessary voting organization for the authorized persons in accordance with the instructions of the shareholders or in authorised by the law manner.

12.1.3. The corporate management drawn up rules for the organization and conduct of regular and extraordinary General Meetings of Shareholders of the Company, which ensure equal treatment of all shareholders and the right of each shareholder to express their views on the items on the agenda of the General Meeting.

12.1.4. The corporate management organizes the procedures and conditions for holding the General Meeting of Shareholders in a manner that does not impede or unnecessarily increase the cost of the vote.

12.1.5. The corporate management takes action to encourage the participation of shareholders at the General Meeting of Shareholders, incl. by allowing remote presence by technical means (incl. Internet) where this is possible and necessary, and does not contradict the item 12.1.4 of this Code.

12.2. All members of the corporate management try to attend the General Meetings of Shareholders.

12.3. Materials for the General Meeting of Shareholders:

12.3.1. The texts of written materials related to the agenda of the General Meeting are specific, clear and not misleading shareholders. Any suggestions on major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

12.3.2. The corporate management assists the shareholders authorised by the court to include additional items on the agenda of the General Meeting.

12.4. The corporate management guarantees the right of shareholders to be informed about the decisions of the General Meeting of Shareholders.

Disclosure of information

13. The corporate management approves the policy for disclosure in accordance with legal requirements and statutes.

14. In accordance with the approved policy for disclosure of information the corporate management establishes and maintains a system for disclosure of information.

15. The system of disclosure ensures equal access to information (shareholders, stakeholders and investment community) and prevents misuse of insider information.

16. The corporate management ensures that the system for disclosure of information provides complete, timely, accurate and understandable information that enables objective and informed decisions and evaluations

17. The corporate management approves and monitors the compliance with internal rules for the preparation of Annual and Interim Reports and procedures for disclosing information in a manner that ensures compliance with item 15.

18. As part of the system for disclosure of information, Tchaikapharma High Quality Medicines Inc. maintains a web page of the Company with an approved content, scope and frequency of the disclosed information. The website of the Company is: www.tchaikapharma.com.

The information disclosed on the Parent's company web site includes:

¬ basic, commercial and corporate information identifying the Company;

¬ up to date information on the shareholding structure;

¬ statutes of the Company and the approved policies relating to the operation and functioning of the group;

¬ information on the structure and composition of the management bodies of the Company, as well as basic information about their members, including information about committees;

¬ Financial Statements for the last 5 years;

¬ materials for the upcoming General Meetings of Shareholders of the Company, as well as additional ones entered legally;

¬ information on decisions of the General Meetings of Shareholders at least for the last three years, including information on Company's dividend distribution by the company dividends for this period;

¬ audit information;

¬ information on the upcoming events;

¬ information on issued shares and other financial instruments;

¬ important information related to the Company;

¬ information on shareholders' rights including sufficient information on the right of shareholders to request inclusion of items and propose decisions on already included in the agenda issues of the General Meeting under article 223a of the Commerce Code.

¬ contact information of the Director of Investor Relations of the Company.

18.1. The company maintains and English-language version of the corporate website with similar content.

19. The Company periodically discloses information relating to corporate governance. The disclosure of information on corporate governance is in accordance with the principle “comply or explain” and in case of non-compliance with the any of the recommendations of the Code an explanation is presented. This Report “comply or explain” is an integral part of the Annual Financial Statements of the Company.

Stakeholders

20. The corporate governance provides effective interaction with stakeholders. This category includes certain groups of persons directly affected by the Company and who in turn could affect its activities, including suppliers, customers, employees, creditors, civil society groups and others. The Company identifies the stakeholders with stakes in its activities based on their degree of influence, role and relationship to sustainable development.

21. In its policy towards stakeholders corporate governance complies with the legal requirements and principles of transparency, accountability and business ethics.

22. The corporate management maintains effective relationships with stakeholders. Periodically in accordance with the law and international best practice for disclosure of non-financial information the Company informs about economic, social and environmental issues concerning the stakeholders.

Biser Georgoev

Executive Director

REPORT

FOR THE IMPLEMENTATION OF THE REMUNERATION POLICY FOR

THE MEMBERS OF THE BOARD OF DIRECTORS

OF GROUP OF TCHAIKAPHARMA HIGH MEDICINES INC. IN 2024

The Report was prepared pursuant to Art. 12, para. 1 of Ordinance No. 48 of the Financial Supervision Commission from the 20th of March, 2013 and Art. 6.1. of the Remuneration policy for the Board of Directors of Group of Tchaikapharma High Quality Medicines Inc. drafted by the Board of Directors, which will be submitted to the General Meeting of Shareholders in 2025.

In this Report the Company discloses the way in which it applies the policy of remuneration of the Board of Directors and the Executive Director, paying particular attention to preventing incentives for excessive risk taking, conflict of interest or other conduct leading to adverse effects..

1. Information on the process of decision making when determining the remuneration policy, including if applicable, information on the mandate and composition of the remuneration committee, the names of external consultants whose services have been used in the determination of the policy of remuneration.

The Remuneration policy was adopted in accordance with Ordinance No. 8 form the 20th of March, 2013 and the provisions of the Public Offering of Securities Act on the remuneration of the members of the management and supervisory bodies of a public company.

The remunerations of the Board of Directors are formed based on the results of the Company and are consistent with the business strategy, objectives, values and long-term interests of the Company and non-discrimination, conflict of interest and unequal treatment of persons in determining remuneration.

There is no remuneration committee established in the company. Hired consultants were not used in the preparation of the policy of remuneration of members of the Board of Directors.

In 2024 the Group of Tchaikapharma High Quality Medicines Inc. applied remuneration policy for the Members of the Board of Directors in accordance with the legal requirements and the recommendations of the National Corporate Governance Code.

2. Information on the relative weight of variable and fixed remuneration of the members of management and supervisory bodies.

According to the Remuneration Policy, the Members of the Board of Directors and the Executive Director are entitled to remunerations, the type, amount and period for which they are payable should be determined by the General Meeting and should be paid on the terms and conditions of the management contracts concluded between them and the Company.

During the reporting financial year, two members of the Board of Directors of Tchaikapharma High Quality Medicines Inc. received only fixed monthly remuneration, the specific amount of which was determined by the General Meeting of Shareholders. The third member of the Board of Directors has received also additional incentive besides the monthly fees.

3. Information on performance criteria based on which options were granted on shares, shares of the company or other type of variable remuneration and explanation how the criteria of art. 14, para. 2 and 3 of Ordinance 48 contribute to the long-term interests of the company.

The current Remuneration Policy for the Members of the Board of Directors does not provide granting remuneration to the Members of the Board of Directors in the form of shares, stock options or other rights to acquire shares. It does not provide for compensations based on changes in the share price of the Company.

4. Explanation of methods used to assess whether the performance criteria are met.

The remuneration of the Members of the Board of Directors is consistent with the achieved economic results during the reporting period. The concluded on behalf of the Company management contracts with the Members of the Board of Directors and management contract with the Executive Director have to contain a clause allowing the Company to reclaim variable remuneration paid, which is set at up to one percent of the net profit of the Company. Amounts granted on the basis of data which subsequently proved to be false should be refunded. The decision on refunding is taken by the General Meeting of Shareholders.

5. Principal payments and justification of the annual scheme for the payment of bonuses and/or any other non-cash additional allowances

No additional remuneration was paid to members of the Board of Directors in 2024.

6. Description of the main characteristics of the supplementary voluntary pension insurance and information about paid and/or contributions due by the Company for the benefit of the Director for the financial year, where applicable

Concerning the Members of the Board of Directors of the group of Tchaikapharma High Quality Medicines Inc. the Company has no commitments related to supplementary voluntary pension insurance of the Members of the Board of Directors and the Company has no obligations for payment of contributions for the benefit of the Director for the financial year.

7. Information on the periods of deferral of the payment of variable remunerations

According to the Statute of the Company, there is no reason to defer the payment of variable remuneration.

8. Information on the policy of compensations upon termination of the contracts

In case of early termination of a management contract with a Member of the Board of Directors or the Executive Director, the total amount of compensation payable in connection with the early termination as well as payments related to the period of notice or provided for in the clause prohibiting competitive activity are regulated in the Management and control contract concluded with the company.

9. Information for the period in which the shares can not be transferred and stock options can not be exercised in variable compensations based on shares

The current Remuneration policy for the Members of the Board of Directors does not provide for this type of compensations.

10. Information related to the policy of maintaining a certain number of shares until the end of the mandate of the members of management and supervisory bodies after the period noted in item 10

The current Remuneration policy for the Members of the Board of Directors does not provide such possibility.

11. Information on the contracts of the members of management and supervisory bodies, including the duration of each contract, the notice period on termination and details on compensations and/or other payments due in the event of early termination

The contracts of the Members of the Board of Directors provide notice period, compensations or other payments due in the event of early termination. The Contract with the Executive Director is signed for five years with effect from 2012. At the General Meeting of Shareholders in June 2021, a resolution was passed to replace two of the members of the Board of Directors. The current members have open-ended contracts starting in 2021. The new members are elected until the expiry of the term of the Board of Directors. At a general meeting held on 21.10.2024, the term of office of the members of the Board of Directors was increased by a further 5 years to 09.11.2027.

12. Full remuneration and other incentives to the members of management and supervisory bodies for the financial year

Total accrued remuneration of the Members of the Board of Directors for the current financial year amounted to BGN 128,106. Accrued remuneration of the Executive Director for the current financial year amounted to BGN 99,270.

13. Information on the remuneration of each person who was a member of the management or supervisory body in a public company for a certain period during the financial year:

a) The full remuneration of the person paid and/or accrued for the financial year.

In 2024 the Members of the Board of Directors have not received non-monetary benefits. The Company has no deferred or contingent liabilities arising during the year, even if the remuneration is due at a later stage. As of the 31.12.2024 The group of Tchaikapharma High Quality Medicines Inc. did not owe amounts for payment of pensions or retirement benefits. For the reporting period the Members of the Board of Directors received permanent monthly remuneration as follows:

Silviya Patrikova – BGN 1,460 (One thousand four hundred and sixty leva);

Radka Tsenova – BGN 870 (Eigh hundred and seventy leva);

Executive Director BGN 7 800 / seven thousand and eight hundred leva/ as determined by the General Meeting of Shareholders.

b) remuneration and other material benefits and perquisites earned by the person from companies of the same group

c) the remuneration received by persons in the form of profit sharing and/or bonuses and the reasons for providing them

In 2024, no member of the Board of Directors of the group of Tchaikapharma High Quality Medicines Inc. has received remuneration from the Company in the form of profit sharing and/or other bonuses.

d) all additional payments for services provided by the persons outside their normal functions when such payments are eligible under the contracts signed

The contracts with the Members of the Board of Directors of the group of Tchaikapharma High Medicines Inc. do not provide additional payments for services provided by persons outside their usual functions.

e) paid and/or accrued compensation for the termination of his/her duties during the last financial year

In 2024, there was no termination of contract of any Member of the Board of Directors of Tchaikapharma High Quality Medicines Inc..

f) overall assessment of all non-monetary benefits equated to remunerations other than those specified in "a" – "e"

In 2024 no member of the Board of Directors of the group of Tchaikapharma High Quality Medicines Inc. has received non-monetary benefits equated to remunerations other than those specified in "a" – "e".

g) information on all loans, payment of welfare costs and guarantees by the company or its subsidiaries or other companies that are subject to consolidation in its annual financial report, including data on the remaining outstanding and interest.

In 2024, no member of the Board of Directors of the group of Tchaikapharma High Quality Medicines Inc. has received loans, payment of welfare costs and guarantees by the company or its subsidiaries or other companies that are subject to consolidation in its annual financial report.

No social costs of the Executive Director and members of the Board of Directors were accrued..

14. Information concerning the shares and/or stock options and/or other incentive schemes based on shares:

a) the number of stock options or shares granted by the company during the financial year and the conditions under which were proposed, respectively provided;

b) the number of stock options exercised during the financial year and for each of them, number of shares and the price of the exercised option or the value of the interest of the incentive scheme based on equity at the end of the financial year;

c) the number of unexercised stock options at the end of the financial year, including data on their price and date of exercise and the essential conditions for the exercise of rights;

d) any changes in the terms and conditions of existing share options adopted during the financial year.

In the current Remuneration policy for the Members of the Board of Directors of the group of vTchaikapharma High Quality Medicines inc. stock options, shares of the Company or other incentive schemes based on shares of the members of the corporate management are not provided and such were neither paid nor provided.

15. Annual variation in the remuneration, performance of the company and average remuneration on a full-time equivalent basis of the company's employees who are not directors over at least the preceding five financial years, presented together in a comparable manner.

Year	Net salaries in thousands BGN	Net revenue in thousands of BGN	Average remuneration in BGN

2019	3 592	34 724	2 050
2020	4 065	40 388	2 304
2021	4 698	42 555	2 506
2022	4 998	43 151	2 755
2023	5 156	48 553	2 923
2024	7 944	53 270	3 124

16. Information on the exercise of the option to claim back the variable remuneration

According to the current Remuneration Policy for the members of the Board of Directors of the group of Tchaikapharma High Quality Medicines Plc, there is no provision for the possibility of requesting subsequent return of variable remuneration.

17. Information on any deviations from the procedure for the application of the remuneration policy in relation to extraordinary circumstances pursuant to Art. 11, para. 13, including an explanation of the nature of the exceptional circumstances and an indication of the specific components not applied

Exceptional circumstances are circumstances where the non-application of part of the policy is necessary and related to the long-term interests and sustainability of the public company or its viability. The company does not provide for deviations from the procedure for applying the remuneration policy in relation to exceptional circumstances.

Programme for the implementation of the remuneration policy for the next financial year.

In this Policy the guiding principles of the Commission Recommendation 2009/386/EC complementing Recommendations 2004/913/EC and Recommendation 2005/162/EC regarding the regime for the remuneration of directors of listed companies whose securities are admitted to trading on regulated market established by Ordinance 48 from the 20th of March, 2013 of the Financial Supervision Commission were adopted.

The Board of Directors believes that the principles enshrined currently in the Remuneration policy are effective in view of the financial results achieved during the reporting period.

As of the date of preparation of this report the Board of Directors has not proposed changes in the adopted and approved by the General Meeting of Shareholders Remuneration Policy.

The Board of Directors is responsible for the timely publication of the approved by the General Meeting of Shareholders Remuneration policy and the subsequent amendments to it in a clear and accessible way.

The Company prepares an Annual Report on the remuneration of the Board of Directors, which is a separate document to the Financial Statements. The report contains the information referred to in Article 13 of Ordinance 48 of the FSC and after its adoption by the General Meeting of Shareholders shall be published on the website of the Company –www.tchaikapharma.com.

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Executive Director Biser Georgiev

DECLARATION

<u>Concerning the accuracy of the data disclosed in the Annual Consolidated for 2024</u>

The undersigned:

1. Biser Rosenov Georgiev, in his capacity as Executive Director of Tchaikapharma High Quality Medicines Inc.,
2. Petya Georgieva Moneva, in his capacity as Chief Accountant of Tchaikapharma high quality medicines Inc.,

DECLARE that :

1. Tchaikapharma High Quality Medicines Inc. Group has no ultimate parent company either at home or abroad.

2.Tchaikapharma High Quality Medicines Inc. did not change its name during the reporting period.

10.04.2025
Sofia

DECLARANTS:

....
/ Biser Rosenov Georgiev /

....
/ Petya Georgieva Moneva /

DECLARATION

pursuant to Art. 100m, para. 4, it. 4 of the Public Offering of Securities Act

We, the undersigned:

3. Biser Rosenov Georgiev, in his capacity as Executive Director of Tchaikapharma high quality medicines Inc.,
4. SIlviya Slavcheva Patrikova – Chairman of the Board of Directors of Tchaikapharma high quality medicines Inc.,
5. Radka Aleksandrova Tsenova – member of the Board of Directors of Tchaikapharma high quality medicines Inc.,
6. Petya Georgieva Moneva, in his capacity as Chief Accountant of Tchaikapharma high quality medicines Inc.,

DECLARE that to the best of our knowledge:

1. The Annual Consolidated Financial Statements for 2024 are drawn up in accordance with applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and profit of Tchaikapharma High Quality Medicines Inc;

2. The Activity Report includes a fair review of the development and performance of Tchaikapharma High Quality Medicines Inc, together with a description of the principal risks and uncertainties facing the company.

10.04.2025
Sofia

DECLARANTS:

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/ Biser Rosenov Georgiev /

....
/ Silvia Slavcheva Patrikova /

....
/ Radka Aleksandrova Tsenova /

....
/ Petya Georgieva Moneva /