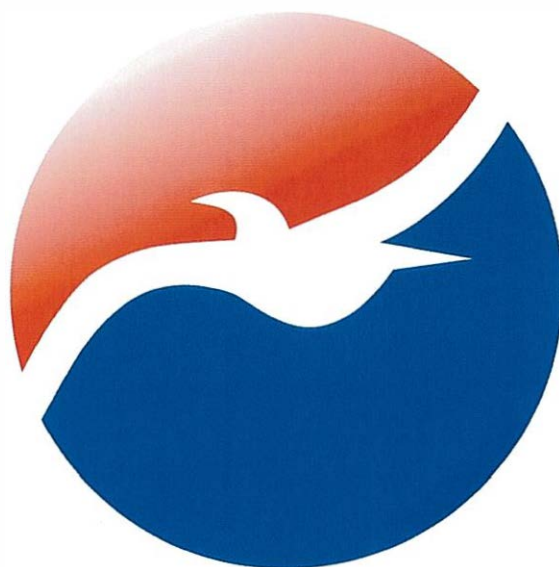


**ANNUAL  
ACTIVITY REPORT  
2016**



***TCHAIKAPHARMA***  
***HIGH QUALITY MEDICINES***

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

25.03.2017

## **General information about Tchaikapharma High Quality Medicines Inc.**

### **History and development of Tchaikapharma High Quality Medicines Inc.**

#### **Legal and commercial name**

The Legal and commercial name of the company is Tchaikapharma High Quality Medicines Inc.

#### **Location and registration. Unique Identification Code (UIC)**

The Company was registered in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the District Court of Varna as as a joint stock company named TCHAIKA PHARMA INC.

By decision of the General Meeting of Shareholders from 04.07.2003, entered by Decision from 30.07.2003 on the company case 1096/2000 of the District Court of Varna, the name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is registered in the Commercial Register of the Registry Agency at the Ministry of Justice with **UIC 103524525**.

#### **Foundation date and duration in time**

The Company was founded and entered in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the District Court of Varna as a joint stock company. The duration of the Company is not limited in time.

#### **Country of Company registration, headquarters and address pursuant to the Statute; legal form; legislation under which the Company operates**

Tchaikapharma High Quality Medicines Inc. is a joint stock company which operates in compliance with the legislation of the Republic of Bulgaria.

The Company was incorporated in the Republic of Bulgaria.

The headquarters and registered office of the Company are: Bulgaria,

1172 Sofia, 1 G.M. Dimitrov Blvd.

Contact Address: 1172 Sofia, 1 G.M. Dimitrov Blvd.

Telephone: (359 2) 960 3634

Internet site: [www.tchaikapharma.com](http://www.tchaikapharma.com)

#### **Shareholding structure as of 31.12.2016**

The main shareholder Tihomir Kamenov owns 95.76 %, and the remaining 4.24 % are owned by 61 individuals and one legal entity..

#### **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

Krasimir Petrov Videllov- Chairman of the Board of Directors

Ivan Boychev Nikolov - Member of the Board of Directors

Shares held by members of the Board of Directors of the Company as of 31.12.2016 are:

Biser Rosenov Georgiev – 6 000 shares

Ivan Boychev Nikolov – 6 177 shares

Krasimir Petrov Videllov – 57 shares

The Statute of Tchaikapharma High Quality Medicines Inc. does not provide for restrictions on the right of the Members of the Board of Directors to acquire shares of the Company.

The Members of the Board of Directors do not hold shares in the capital of other companies.

There were no contracts under Article 240 b of the Commercial Code in 2016.

Director for the Relations with Investors is Biser Ivanov, tel.02/9 603 634, correspondence address - Sofia, 1 G.M. Dimitrov Blvd.

### **Economic activity**

The main activities of Tchaikapharma High Quality Medicines Inc. are purchase of substances and formulations for the production and sale of pharmaceuticals in finished or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original or processed form. Secondly stand barter transactions and commissions; commercial representation of foreign and domestic individuals and legal entities at home and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

Tchaikapharma High Quality Medicines Inc. continuously maintains production facilities in accordance with the modern European standards of Good Manufacturing Practice of pharmaceuticals. Currently the factories of the company produce more than 160 medicinal products. The premises and equipment of the plant are in full compliance with the European requirements for manufacturing of sterile medicinal products.

The most important pharmaceutical products in terms of their contribution to revenues for 2016 are:

Nordipin - generic product used for diseases of the cardiovascular system;

Co - Enalapril - generic product used for diseases of the cardiovascular system;

Co-Irbesso - generic product used for diseases of the cardiovascular system;

Bravylol - generic product used for diseases of the cardiovascular system;

Bisor - generic product used for diseases of the cardiovascular system;

Furoser - generic product-diuretic;

Rossta - generic product used for diseases of the cardiovascular system;

Enalapril - generic product used for diseases of the cardiovascular system.

### **Scientific research and development**

The Clinical Trials Department to Tchaikapharma High Quality Medicines Inc. was established to develop own dossiers of medicinal products. In 2016 Tchaikapharma High Quality Medicines Inc. received from the BDA its first authorisation to conduct a clinical study on the territory of Bulgaria. Upon successful completion of the clinical, bioanalytical and statistical parts of the study a report summarizing the results was prepared. Based on this work a dossier of generic medicinal product INN irbesartan will be prepared and the holder of the dossier will be Tchaikapharma High Quality Medicines Inc.

The newly created bioanalytical laboratory is aimed to carry the bioanalytical part of clinical trials, which is associated with studies of the kinetics and concentration of medicinal products in the blood. The human plasma will be the main matrix that will be used by the laboratory, which will be supplied from the clinical center where clinical part will be carried. Last year studies related to the development and validation of the method for determining the concentration of irbesartan in human plasma were conducted. A system of Standard operating procedures to ensure the quality and traceability of work in the laboratory was in the process of development. Based on the results of validation and any available Standard operating procedures a procedure for obtaining a GLP certificate from the Bulgarian Accreditation Service will be initiated.

As of 31.12.2016 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 126 (124 as of 31.12.2015). The table below specifies detailed information about the employees in the company.

<b>Employees</b>	<b>31.12.2016</b>	<b>Share</b>
<b>Number of employees as of 31.12.2016</b>	<b>126</b>	<b>100%</b>
Higher education	71	56%
Secondary education	54	43%
Primary education	1	1%
Employees under 30 years	32	25%
Employees 31 - 40 years	52	42%
Employees 41 - 50 years.	27	21%
Employees 51 - 60 years.	10	8%
Employees 60+ years	5	4%
Women	50	40%
Men	76	60%

### **Major trading partners**

The major customer of Tchaikapharma High Quality Medicines Inc. in 2016 Commercial League – National Pharma Centre Inc. with a share of 99.6 % .

Commercial League – National Pharma Centre Inc., registered and head office – Sofia, 1 G. M. Dimitrov Blvd., main activity trade in medicines in the country and abroad. Relations are governed by a sale-purchase contract.

Suppliers whose share exceeds 10% of the total cost of services rendered and materials in 2016:

Commercial League – National Pharma Centre Inc. with 22 % share, registered and head office – Sofia, 1 G. M. Dimitrov Blvd., main activity trade in medicines in the country and abroad. Relations are governed by a sale-purchase contract.

### **Information on implementation of the programme for applying of internationally recognised standards of good corporate governance**

The Board of Directors of Tchaikapharma High Quality Medicines Inc. respects and implements the Code of Corporate Governance. The Company periodically discloses information relating to corporate governance in accordance with the “comply or explain” principle. In the event of non-compliance with the recommendations of the Code an explanation should be submitted.

The activities of the management of Tchaikapharma High Quality Medicines Inc. are aimed at 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. complies with the Programme for Good Corporate Governance, which is in compliance with current regulations, internationally recognized standards of Good Corporate Governance and the National Corporate Governance Code.

The Board of Directors approved the policy on disclosure of information in accordance with legal requirements and regulations. The system of disclosure ensures equal access to information (to shareholders, persons concerned and investment community) and prevents misuse of inside



information. The corporate governance ensure that the system of disclosure provides complete, timely, accurate and understandable information that enables objective and informed decisions and assessments. The Board of Directors of Tchaikapharma High Quality Medicines Inc. formulated a policy for Remuneration of the members of the Board of Directors, which should be approved at the General Meeting of Shareholders to be held to approve the Annual Financial Statements for 2016. The remuneration policy was developed in accordance with Ordinance № 48 of March 20, 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The size and structure of remuneration are determined by the General Meeting of the Company.

The Board of Directors of Tchaikapharma High Quality Medicines Inc. prepared a Report on the implementation of the remuneration policy of the members of the Board of Directors for 2016. The Report reveals the way the remuneration policies are implemented and pays special attention to preventing incentives for excessive risk taking, conflict of interest or other behavior, resulting in adverse effects. The company maintains an English-language version of the corporate website with similar content.

Processes and procedures for holding General Meetings of Shareholders ensure equal treatment of all shareholders, including minority and foreign and defend 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 in the Commercial Register on the company's website: [www.tchaikapharma.bg](http://www.tchaikapharma.bg) and are available on request free of charge to shareholders. Shareholders with voting rights can exercise their right at the General Meeting of Shareholders in person or by representatives and by correspondence or electronically. The Corporate management takes action to encourage the participation of shareholders at the General Meeting of Shareholders, including by allowing remote presence by technical means (including internet) where this is possible and necessary, and not difficult or unnecessary expensive.

The Board of Directors believes that they have created prerequisites for sufficient transparency in the relationships with investors, financial media and analysts in the capital market.

### **Significant events in the period from the beginning of the year until 31.12.2016.**

By Decision of the General Meeting of 23.06.2016 the capital was increased from BGN 49 600 000 to BGN 56 600 000, by issuing 7 000 000 (seven million) new ordinary shares with a nominal value of BGN 1 (one). The capital increase was carried out by capitalization of profits pursuant to Art. 197 of the Commerce Act. No dividend was distributed from the profit for 2015.

### **Significant events after the date of drawing up the Annual Financial Statements.**

From the beginning of the year by the date of the Annual Activity Report there were no significant events.

### **New developments and products**

The Company continues to develop its traditionally strong portfolio, and in 2016 was granted Marketing Authorisations in Bulgaria for new medicinal products as follows:

- Cisaxa 2 mg/ml solution for injection/infusion - muscle relaxants;
- Levor 5 mg/ml solution for infusion – antibacterial agents;

- Atorva 40 mg film-coated tablets - statin - medicine that regulates the lipids (fats);
- Ibodria 3 mg/3 ml solution for injection - bisphosphonates, helps reduce the risk of bone fractures;
- Tamayra 5 mg/5 mg hard capsules; Tamayra 10 mg/5 mg hard capsules - ACE inhibitor;
- Linezolid-Tchaikapharma 2 mg/ml solution for infusion - oxazolidin that stops the growth of certain bacteria (microbes) that cause infections;
- Cilapenem 500 mg/500 mg powder for solution for infusion - carbapenem antibiotic.

One of the main objectives of Tchaikapharma High Quality Medicines Inc. includes the company's development in the European market, the main orientation is towards the markets of the Member States. In pursuance of the policy of the company, in 2016 the first decentralised procedure (DCP) for the medicinal product Tamayra hard capsules, to which Bulgaria was the reference country, was completed, where Tchaikapharma High Quality Medicines Inc. received Marketing Authorisations in Bulgaria, the Czech Republic and Slovakia. Marketing Authorisations for Romania, Greece, Portugal and Austria are expected.

After completion of the national phase of the decentralised procedure for the medicinal product Candesartan/Hydrochlorothiazide, in 2016 Tchaikapharma High Quality Medicines Inc. received Marketing Authorisations in Greece, Poland and Portugal.

Tchaikapharma High Quality Medicines Inc., besides its role as a high quality manufacturer of medicinal products registered in the EU, has focused its attention on Kosovo, where the company received four new authorisations for the medicinal products Bazor, Cardifriend, Nordipin and Pisizif SR. Marketing Authorisation for another 7 new products in this territory are expected.

### **Envisaged development**

Tchaikapharma High Quality Medicines Inc. will expand its scope of activities directed towards the implementation of clinical trials as part of the creation of new branded generic drugs and fixed combinations. In this connection a new laboratory was established and on the basis of validated methods various concentrations of drugs in human plasma will be examined to assess the bioequivalence of medicinal products tested to original medicines. The activities of the new laboratory will seek to fill a niche not very developed on the Bulgarian market while at the same time it is preparing to conduct the first clinical trial of a medicinal product of the company.

Tchaikapharma High Quality Medicines Inc. will continue to develop as a company producing high-quality medicines that meet international standards.

Through active marketing policy and competitive prices, the Company will aim to increase the market share of its products in the country.

The company continues its the policy of active partnership with established international pharmaceutical companies, mainly European, new companies and expansion of the product portfolio of the already established collaborations.

### **Information on the Company's concluded loan agreements**

The Company has entered into loan agreements with two banks:

- CIBANK EAD, agreed amount BGN 7 823 thousand, maturity 19.12.2017, balance as of 31.12.2016 BGN 7 823 thousand

- CIBANK EAD, agreed amount BGN 1 956 thousand, maturity 19.12.2017, balance as of 31.12.2016 BGN 1 956 thousand

- UNICREDIT BULBANK AD, agreed amount BGN 2 347 thousand, maturity 30.03.2018, balance as of 31.12.2016 BGN 1 565 thousand.

The Company has entered into a financial lease contract with Commercial League –National Pharma Centre Inc, which as of 31.12.2016 had a balance of BGN 24 thousand.

### **Information on transactions essential for the activity**

For the reporting period there were no major transactions and such of material importance for the company.

### **Other information in accordance with Annex 10 of Ordinance No 2 on the prospectuses for the public offering and admission to trading on a regulated market of securities and disclosure of information by public companies and other issuers of securities.**

The Company has no related parties described in IAS and due to this it does not prepare a consolidated report on the activity.

The Company has no transactions outside the usual activity and activities, which deviate from the market conditions.

During the reporting period, there were no events and indicators of unusual nature for the company.

Tchaikapharma High Quality Medicines Inc. has no off-balance sheet transactions for the reporting period.

In 2016 there were no changes in the basic principles of management of Tchaikapharma High Quality Medicines Inc.

The Company issued new securities. The General Meeting of Shareholders decided from the profit for 2015, which amounted to BGN 7 780 010.40, 7 000 000 new dematerialized shares to be issued.

Tchaikapharma High Quality Medicines Inc. has not published estimates on its financial result for 2016

During the reporting period there were no changes in the Management bodies of the Company.

The Company has no pending legal, administrative and arbitration proceedings relating to liabilities or receivables amounting to at least 10 percent of its equity.



The Company has no information about any agreements that may result in changes in the holding of shares by existing shareholders.

### Information on shareholdings and major investments.

Tchaikapharma High Quality Medicines Inc. does not hold shares in other companies and has not acquired such for 2016.

The main investments in the last three years are as follows:

Investments for the period	2014	2015	2016
<b>Tchaikapharma High Quality Medicines Inc.</b>			
<b>I. Tangible assets</b>	199	2 906	1 331
1. Machinery and equipment	196	2 782	1 312
2. Other tangible assets	3	124	19
<b>II. Intangible assets</b>	1 031	532	547
1. Industrial property rights	1 031	531	495
2. Software		1	9
3. Patents and licenses			43
<b>Total amount of acquisition of TA and IA</b>	<b>1 230</b>	<b>3 438</b>	<b>1 878</b>

### Key financial indicators

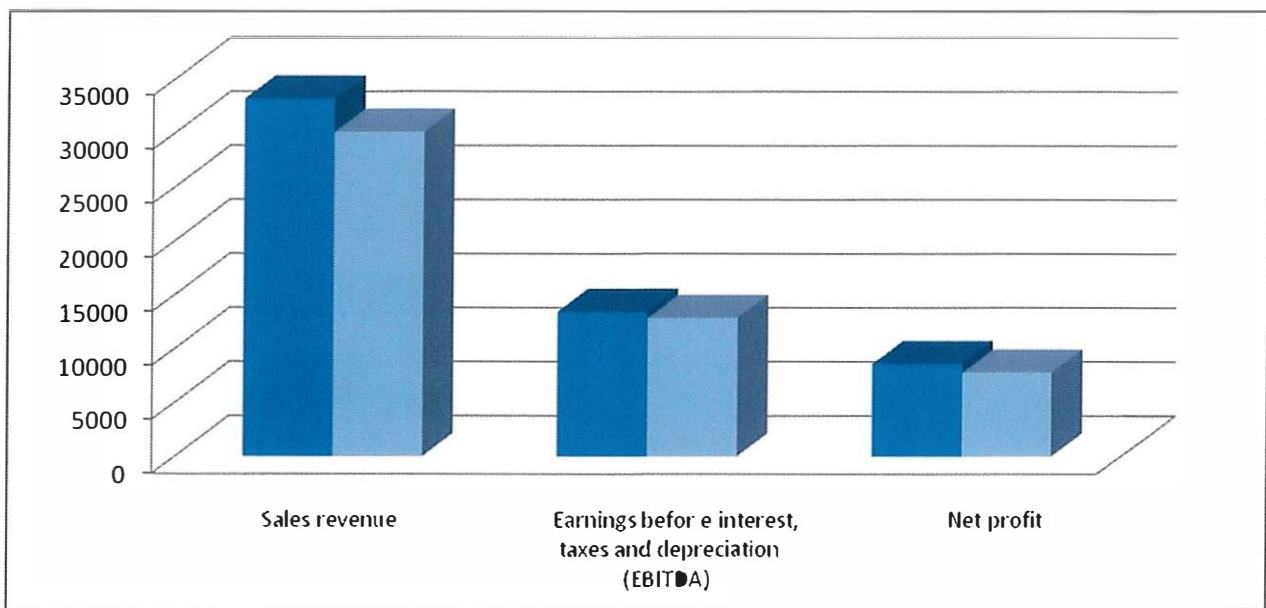
Indicators	01-12/2016 BGN '000	01-12/2015 BGN '000	change %
Sales revenue	33 087	30 029	10.2%
Earnings before interest, taxes and depreciation (EBITDA)	13 382	12 841	4.2%
Net profit	8 585	7 780	10.4%

	31.12.2016 BGN '000	31.12.2015 BGN '000	change
Non-current assets	35 558	37 208	- 4.4%
Current assets	55 529	43 066	28.9%
Equity	72 995	63 972	14.1%
Non-current liabilities	2 366	2 912	-18.7%
Current liabilities	15 726	13 390	17.4%

	01-12/2016	01-12/2015	change
EBITDA/Sales revenue	40%	43%	-3.0%
Net profit/Sales revenue	26%	26%	0.0%
Borrowed capital /Equity	0.25	0.25	0.0



## Review of the risk factors

### Risks associated with the Company's business and the industry in which the Company operates

- The Company's activities could be affected by any change in the regulatory requirements for the production of pharmaceutical products.
- Changes to the legislation regulating the Company's business are possible, and these can potentially increase the costs of compliance or have another effect on its operations.
- The production processes of the Company are subject to stringent requirements and approvals by regulatory authorities which may delay or interrupt the operations of the Company.
- The ability of the Company to pay dividends depends on a number of factors and there is no guarantee that in a year it will be able to pay dividends in accordance with its dividend policy.
- The Company is exposed to operational risk, which is inherent in its business activities.
- The Company is subject to many laws and regulations in the field of environmental protection and health and safety conditions and is exposed to potential liabilities related to the environment.
- The Company is exposed to strong competition
- The Company operates in active exchange with foreign suppliers and customers. It is therefore exposed to currency risk, mainly against the US dollar. Currency risk is related to the adverse movement in the exchange rate of the US dollar against the Bulgarian lev in future business operations, recognized foreign currency assets and liabilities. The rest of the company's operations are usually denominated in Bulgarian lev and/or in Euros.

### Foreign exchange risk

The Company is not exposed to significant risks associated with foreign exchange rates, as most of its assets, liabilities and transactions are denominated in BGN or Euro and BGN is pegged to the euro, according to the rules of the Currency Board. Regular monitoring is carried out on the items of the balance sheet in order to minimize exposure to foreign exchange risk.

## **Credit risk**

The Credit risk arises mainly from cash and cash equivalents and deposits with banks and other financial institutions, as well as loans granted. For banks and other financial institutions are only accepted institutions with high credit ratings.

## **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as opportunities for additional funding through loans and closing market positions. Due to the dynamic nature of the principal business, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient unused credit lines.

## **Risk of changes in cash flows and fair values due to changes in interest rates**

The interest bearing assets of the Company have fixed and floating interest rates. Loans with floating interest rates expose the Company to interest rate risk of changes in future cash flows and loans with fixed interest rate – expose to interest rate risk from changes in fair value. The Company's policy is to provide loans mainly with fixed interest rates. As of December the 31<sup>st</sup> 2016 and 2015, the Company has no interest bearing assets at fair value and therefore is not exposed to risk from changes in fair value.

## **Information on core characteristics of the internal control system applied by the Company in the preparation of the Financial Statements**

According to the Bulgarian legislation the Management should prepare Activity Report and Financial Statements for each financial year which should provide a true and fair view of the financial position of the Company at year-end, financial performance and cash flows in accordance with applicable accounting framework. Management's responsibility includes implementing the internal control system for the prevention, detection and rectification of errors and false statements resulting from the action of the accounting system. In this regard, the Management observes the following principles:

- adherence to certain management and accounting policy disclosed in the financial statements;
- performance of all operations in accordance with the laws and regulations;
- coverage of all events and operations in a timely manner with accurate amounts in the appropriate accounts for the reporting period so as to permit preparation of financial statements in accordance with a specific accounting framework set;
- adherence to the principle of prudence in the valuation of assets, liabilities, income and expenses;
- identification and elimination of fraud and errors;
- completeness and correctness of accounting information;
- preparation of reliable financial information;
- adherence to international financial reporting standards and the principle of going concern..

## Operating results for 2016

### Operating income

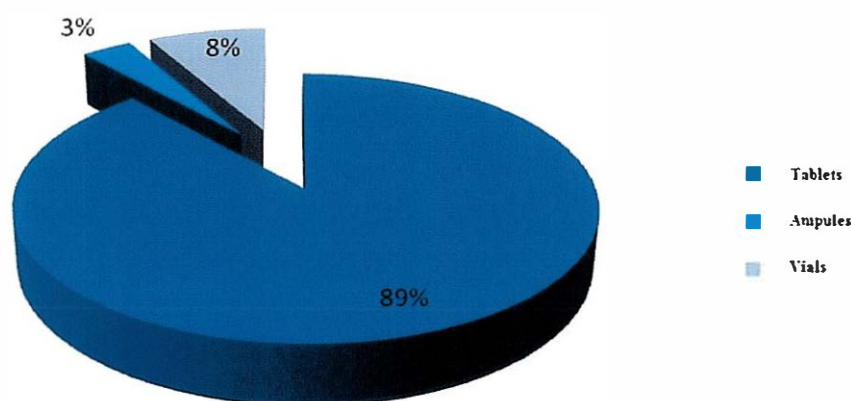
Revenues from sales of products in 2016 increased by BGN 3 058 thousand or by 10.2 % to BGN 33 087 thousand, compared to BGN 30 029 thousand in 2015.

Revenues from sales in the European market are relatively small because the company is still in the process of registration of its products on the foreign markets.

Domestic sales increased by BGN 3 058 thousand compared to 2015. The products with the largest share of sales in the country are: Nordipin, Co-Enalapril, Co-Irbesso, Bravilol, Spironolactone, Bisor, Furoser.

### Sales by types of dosage forms

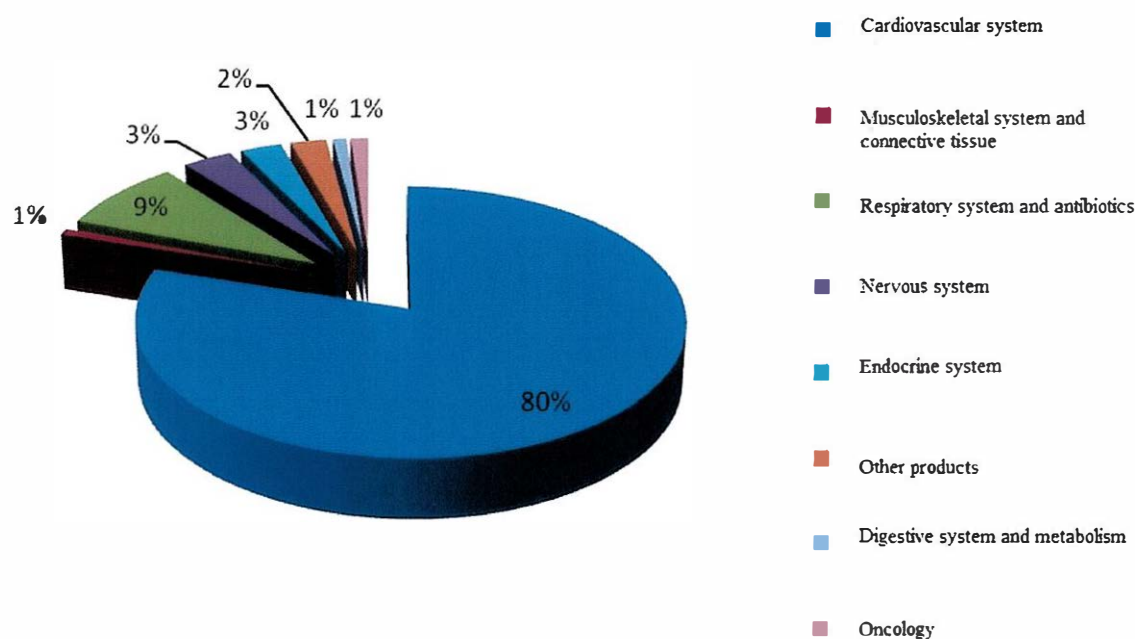
Revenue by dosage forms	01-12/2016	01-12/2015	Change %
	BGN '000	BGN '000	
Tablets	29 263	24 835	17.8%
Ampoules	1 114	1 506	-26.0%
Vials	2 602	3 605	-27.8%
<b>Общо:</b>	<b>32 979</b>	<b>29 946</b>	<b>10.1%</b>





## Revenue by therapeutic groups

	01-12/2016 <i>BGN '000</i>	01-12/2015 <i>BGN '000</i>	промяна %
Cardiovascular system	26 358	22 478	17.3%
Musculoskeletal system and connective tissue	249	185	34.6%
Respiratory system and antibiotics	2 863	3 539	-19.1%
Nervous system	1 103	1 430	-22.9%
Endocrine system	912	736	23.9%
Other products	795	537	48.0%
Digestive system and metabolism	302	385	-21.6%
Oncology	396	656	-39.6%
<b>Total:</b>	<b>32 979</b>	<b>29 946</b>	<b>10.1%</b>



		Change %
Changes in the inventories of products and work in progress	-107	46.5%

## Other operating revenue

	01-12/2016 <i>BGN '000</i>	01-12/2015 <i>BGN '000</i>	change %	share 2016
Income from rent	43	42	2.3%	40%
Other income	65	41	83.7%	60%
<b>Total:</b>	<b>108</b>	<b>83</b>	<b>71.9%</b>	<b>100%</b>

## Operating expenses

### Operating expenses

	01-12/2016	01-12/2015	change	share
	BGN '000	BGN '000	%	2016
Book value of sold products	3 379	1 986	70.1%	15%
Materials	8 275	7 878	5.0%	36%
External services	4 022	2 891	39.1%	17%
Salaries	2 723	3 088	-11.8%	12%
Social security costs	520	561	-7.3%	2%
Depreciation costs	3 532	3 652	-3.3%	15%
Other	553	239	131.4%	2%
<b>Total:</b>	<b>23 004</b>	<b>20 592</b>	<b>11.7%</b>	<b>100%</b>

### Cost of materials

	01-12/2016	01-12/2015	change	share
	BGN '000	BGN '000	%	2016
Basic material	7 513	7 220	4.1%	90.8%
Electricity	322	238	35.3%	3.9%
Fuels and lubricants	40	86	-53.5%	0.5%
Spare parts and laboratory materials	187	181	3.3%	2.3%
Water	13	6	116.7%	0.2%
Other materials	200	147	36.1%	2.4%
<b>Total:</b>	<b>8 275</b>	<b>7 878</b>	<b>5.0%</b>	<b>100%</b>

Cost of materials increased by BGN 397 thousand to BGN 8 275 thousand for 2016, which is a result of the increase in the cost of basic materials and electricity.

### Costs of external services

	01-12/2016	01-12/2015	change	share
	BGN '000	BGN '000	%	2016
Rents	181	187	-3.2%	4.5%
Security	115	82	40.2%	2.9%
Insurance	55	58	-5.2%	1.4%
Telephone and postage expenses	40	61	-34.4%	1.0%
Equipment maintenance and subscription	55	38	44.7%	1.4%
Fees	82	59	39.0%	2.0%
Transport costs	49	32	53.1%	1.2%
Other costs for external services	3 445	2 374	45.1%	85.7%
<b>Total:</b>	<b>4 022</b>	<b>2 891</b>	<b>39.1%</b>	<b>100%</b>

## Financial income and expenses

### Financial income

	01-12/2016	01-12/2015	change	Share of income
	BGN '000	BGN '000	%	2016
Interest income	139	10	1 290%	78.5%
Income from exchange rate differences	38	11	245.5%	21.5%
Other financial income	-	-	0.0%	0%
<b>Total:</b>	<b>177</b>	<b>21</b>	<b>742.9%</b>	<b>100%</b>

### Financial expenses

	01-12/2016	01-12/2015	change	Share of expenses
	BGN '000	BGN '000	%	2016
Interest expenses	425	586	-27.5%	72.1%
Expenses from exchange rate differences	81	17	376.5%	13.8%
Other financial expenses	83	42	97.6%	14.1%
<b>Total:</b>	<b>589</b>	<b>645</b>	<b>-8.7%</b>	<b>100%</b>

## Assets

	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
<b>Non-current assets</b>				
Property, plant and equipment	25 888	27 145	-4.6%	72.8%
Intangible assets	3 644	3 962	-8.0%	10.2%
Investments with minority interest	1	1	0.0%	0%
Non-current loans granted			0.0%	0%
Trade receivables	6 025	6 100	-1.2%	17.0%
<b>Total non-current assets</b>	<b>35 558</b>	<b>37 208</b>	<b>-4.4%</b>	

	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
<b>Current assets</b>				
Inventories	5 082	4 711	7.9%	9.2%
Trade and other receivables	50 373	38 199	31.9%	90.7%
Financial assets with maturity	24	116	-79.3%	0%
Cash and cash equivalents	50	40	25.0%	0.1%
<b>Total current assets</b>	<b>55 529</b>	<b>43 066</b>	<b>28.9%</b>	<b>61.0%</b>
<b>Total Assets</b>	<b>91 087</b>	<b>80 274</b>	<b>13.5%</b>	<b>100%</b>

The trade receivables from customers have increased by BGN 12 174 thousand compared to 31.12.2015

	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
<b>Property, plant and equipment</b>				
Land and buildings	11 568	11 505	0.5%	44.7%
Machinery and equipment	13 988	15 116	-7.5%	54.0%
Other	261	254	2.8%	1.0%
In the process of acquisition	71	270	-73.7%	0.3%
<b>Total:</b>	<b>25 888</b>	<b>27 145</b>	<b>-4.6%</b>	<b>100%</b>

<b>Inventories</b>	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
Materials	4 629	4 211	9.9%	91.1%
Production	138	152	-9.2%	2.7%
Goods	192	95	102.1%	3.8%
Work in progress	123	253	-51.4%	2.4%
<b>Total:</b>	<b>5 082</b>	<b>4 711</b>	<b>7.9%</b>	<b>100%</b>

## Equity and liabilities

	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
Registered capital	56 600	49 600	14.1%	77.5%
Statutory reserve	7 810	6 592	18.5%	10.7%
Undistributed profit	8 585	7 780	10.4%	11.8%
<b>Total Equity</b>	<b>72 995</b>	<b>63 972</b>	<b>14.1%</b>	<b>100%</b>

## Liabilities

<b>Non-current liabilities</b>	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
Long-term loans	1 015	1 653	-38.6%	42.9%
Deferred tax liabilities	1 284	1 210	6.1%	54.3%
Liabilities to employees upon retirement	67	49	36.7%	2.8%
<b>Total non-current liabilities</b>	<b>2 366</b>	<b>2 912</b>	<b>-18.8%</b>	

<b>Current liabilities</b>	31.12.2016	31.12.2015	change	share
	BGN '000	BGN '000	%	2016
Trade and other liabilities	2 909	2 551	14.0%	18.5%
Short term loans	11 349	8 420	34.8%	72.2%
Current part of long-term loans	869	1 790	-51.5%	5.5%
Current corporate income tax	55	121	-54.5%	0.3%
Other tax liabilities	544	508	7.1%	3.5%
<b>Total current liabilities</b>	<b>15 726</b>	<b>13 390</b>	<b>17.4%</b>	<b>86.9%</b>
<b>Total liabilities</b>	<b>18 092</b>	<b>16 923</b>	<b>6.9%</b>	<b>19.9%</b>
<b>Total equity and liabilities</b>	<b>91 087</b>	<b>72 629</b>	<b>25.4%</b>	<b>100%</b>



*Equity* increased by BGN 9 023 thousand or by 14% reaching BGN 72 995 thousand at the end of 2016, against BGN 63 972 thousand at the end of 2015, mainly as a result of the transfer of profit to share capital increase of the company, which from BGN 49 600 thousand at the end of 2015 became BGN 56 600 thousand at the end of 2016.

*Non-current liabilities* decreased by BGN 546 thousand or 18.8%, to BGN 2 366 thousand at the end of 2016 compared to BGN 2 912 thousand at the end of 2015, mainly due to the reduction of long-term obligations under lease agreements.

*Current liabilities* increased by BGN 2 336 thousand or 17.4%, to BGN 15 726 thousand at the end of 2016 compared to BGN 13 390 thousand at the end of 2015. This is due to the increase in short-term bank loans by BGN 2 929 thousand. The total exposure to bank loans of the Company as of 31.12.2016 increased by BGN 2929 thousand compared to 31.12.2015.

### Cash flows

	31.12.2016	31.12.2015
	<i>BGN '000</i>	<i>BGN '000</i>
Net cash flows from operating activities	321	4 685
Net cash flows from investing activities	-1 070	-1 027
Net cash flows from financial activities	759	-3 676
<b>Net increase/decrease in cash and cash equivalents</b>		
Cash and cash equivalents on the 1 <sup>st</sup> of January		
Cash and cash equivalents on the 31 <sup>st</sup> of December		

Net cash increased by BGN 10 thousand in 2016 and as a result the cash equivalents are BGN 50 thousand.

### Financial indicators

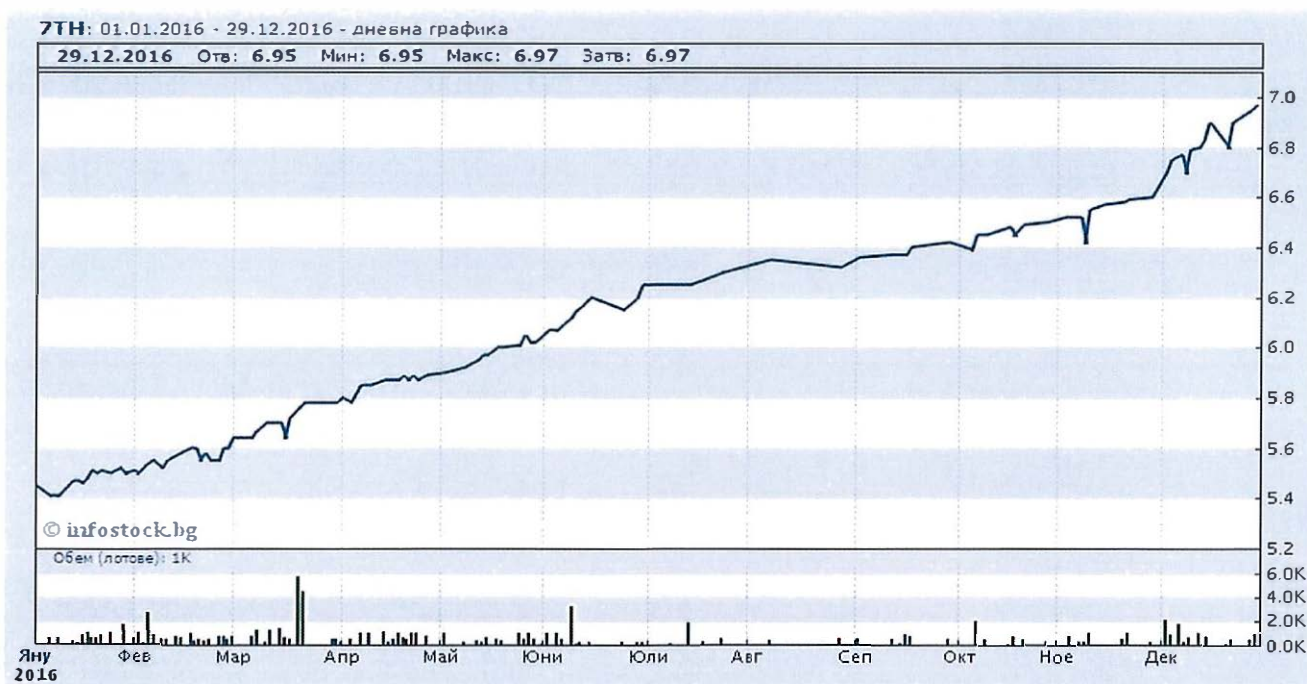
	31.12.2016	31.12.2015	Change %
Return on equity	0.12	0.12	0.00%
Return on assets	0.1	0.1	0.00%
Asset turnover ratio	0.36	0.37	-0,03%
Liquidity ratio	3.53	3.22	9.63%
The quick liquidity ratio	3.21	2.85	12.63%
Gearing ratio	0.25	0.25	0.00%
Financial autonomy ratio	4.03	3.92	2.81%

## Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total amount of shares issued as of 31.12.2016 was 56 600 000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible under the Statute of the Company. All issued shares are of the same type. Each share gives equal rights to its owner in proportion to the nominal value of the share. The shares of Tchaikapharma High Quality Medicines Inc. are traded on the official market of the Bulgarian Stock Exchange-Sofia.

## Essential information on the shares of Tchaikapharma High Quality Medicines Inc.

	31.12.2016	31.12.2015
Total number of issued shares	56 600 000	49 600 000
Number of shares in circulation at end of period	56 600 000	49 600 000
Net profit per share in BGN	0.16	0.16
Price per share at the end of the period in BGN	6.97	5.45
Book value per share in BGN	1.29	1.29
Price per share/Net profit per share	43.56	34.06
Price per share/Book value per share	5.40	n/a
Earning from the sale of one share in BGN	0.61	0.61
Price of one share/Earning from the sale of one share	8.93	n/a
Market capitalization at the end of the period in BGN	394 502 000	270 320 000



<http://www.bse-sofia.bg/?page=QuotesInfo&target=MarketInformation&code=7TH&compnum=347>

Biser Georgiev

/Executive Director/