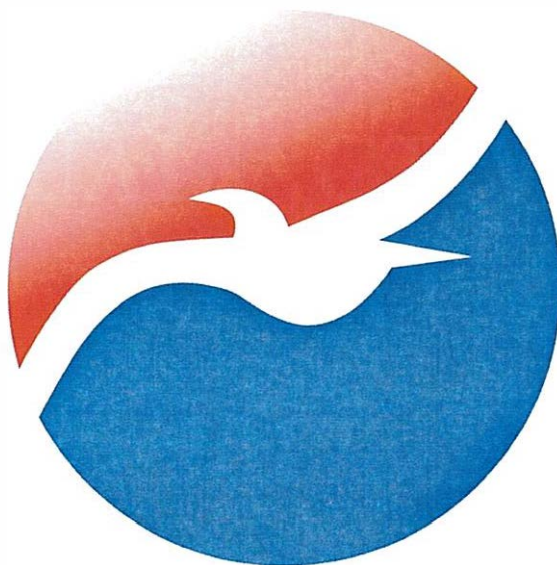


ANNUAL ACTIVITY REPORT 2017



TCHAIKAPHARMA
HIGH QUALITY MEDICINES

TCHAIKAPHARMA HIGH QUALITY MEDICINES AD

23.03.2018

General Information for Tchaikapharma High Quality Medicines AD

History and development of Tchaikapharma High Quality Medicines AD

Legal and business name

The legal and business name of the Company is Tchaikapharma High Quality Medicines AD.

Place and registration. Uniform Identification Code (UIC)

The Company is entered in the Commercial Register by Decision dated March 14, 2000 under company case No. 1096/2000 of the Varna Regional Court as a joint-stock company under the name TCHAIKAPHARMA AD.

By resolution of the General Meeting of Shareholders dated July 4, 2003, registered with a decision dated July 30, 2003 under company case No. 1096/2000 of the Varna Regional Court, the name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES AD.

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

Date of establishment and duration of the activityдейността

The Company is incorporated and entered in the Commercial Register by Decision dated March 14, 2000 under company case No. 1096/2000 of the Varna Regional Court as a joint stock company. The existence of the company is not limited in time.

Country of registration, registered office and address of registration under the statutes; legal form; legislation under which the Company carries out its activities

Tchaikapharma High Quality Medicines is a joint-stock company operating under the laws of the Republic of Bulgaria.

The company is incorporated in the Republic of Bulgaria.

The registered office and the administrative address of the Company is: 1, G. M. Dimitrov Blvd., 1172 Sofia, Republic of Bulgaria

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

Telephone: (359 2) 960 3634

Website on the Internet: www.tchaikapharma.com

Shareholding structure as of December 31, 2017

The main shareholder Tihomir Kamenov holds 95.71% and the remaining 4.29% are owned by 73 individuals and one legal entity.

Board of Directors

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

Biser Rosenov Georgiev - Executive Director and member of the Board of Directors

Krasimir Petrov Videlov - Chairman of the Board of Directors

Ivan Boychev Nikolov - Member of the Board of Directors

The shares held by the members of the Board of Directors as at December 31, 2017 are:

Biser Rosenov Georgiev – 6 816 shares

Ivan Boychev Nikolov – 8 676 shares

Krasimir Petrov Videlov - 65 shares

The Articles of Association of Tchaikapharma High Quality Medicines AD does not provide for any 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 participate by shares in the capital of other companies.

There are no contracts signed under Article 240b of the Commercial Act in 2017.

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 resolutions of the General Meeting of Shareholders. In particular, according to Article 43 of the Articles of Association of Tchaikapharma High Quality Medicines AD. The powers of the management bodies of the company, including the right to take decisions for the issuance and redemption of shares of the company, are regulated in the Articles of Association of the company. Article 13, paragraph 3 of the Articles of Association provides for the possibility of issuing shares of Tchaikapharma High Quality Medicines AD. Article 13, paragraph 3 of the Articles of Association provides for the possibility of redemption of shares of Tchaikapharma High Quality Medicines AD.

Investor Relations Director is Anastas Patarinski, tel. 02 / 9 603 714, address for correspondence – 1, G. M. Dimitrov Blvd., Sofia.

Short-term income is accrued to management in 2017 according to the contracts concluded. The total remuneration of the Board of Directors in the current year is BGN 82 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 Tchaikapharma High Quality Medicines AD is the purchase of substances and pharmaceutical forms for the production and sale of medicines in processed or refined form (after obtaining a permit), primary and secondary packaging of pharmaceutical forms (after obtaining a permit), import, export, re-export and trade in goods in original, processed or refined type. On the

second place are bartering and commissioning deals, trade representation of foreign and local physical and legal persons in the country and abroad, industrial and commercial management, consultancy, marketing, mediation, leasing, licensing, entrepreneurial, transport-forwarding, scientific and research and implementation activities.

Tchaikapharma High Quality Medicines AD has continuously maintained its manufacturing facilities in accordance with the contemporary European requirements for Good Manufacturing Practice of Medicines. They are focused on the following therapeutic groups: cardiology, respiratory tract, neurology, psychiatry and gastroenterology. Currently over 160 medicinal products are produced in the company's plants. The premises and equipment of the plant are fully compliant with the requirements of European requirements for the production of sterile medicinal products.

The most significant pharmaceutical products in terms of their contribution to the amount of revenue for 2017 are:

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

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

Bravilol - a generic product used for diseases of the cardiovascular system;

Bizor - a generic product used for diseases of the cardiovascular system;

Furoser - generic product - diuretic;

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

Spironolactone - a generic product used for diseases of the cardiovascular system;

Co-Olsart - a generic product used for diseases of the cardiovascular system.

Research and Development

After the successful completion of the clinical, bioanalytical and statistical part of the first clinical trial and the preparation of a report summarizing the results, Modules 2.4, 2.5, 2.6, 2.7, Module 4 and Module 5 were developed which will be part of the dossier of the medicinal product INN Irbesartan, owned by Tchaikapharma High Quality Medicines AD. Modules 2.4, 2.5, 2.6, 2.7 of a dossier of INN Ceftriaxone have been developed. The necessary documents, such as Protocol, Researchers' Brochure, Patient Clinical Card, etc., were prepared for authorization to conduct a second clinical trial to demonstrate the bioequivalence of a fixed combination of irbesartan / hydrochlorothiazide with the CoAprovel reference product. The development and validation of methods for investigating the concentration of drug substances in human plasma is a major task of the bioanalytical laboratory. Standard operating procedures are in process of development to ensure the quality of work and the reliability of the results in the bioanalytical laboratory. Validation of the first method developed in the bioanalytical laboratory was carried out in accordance with the requirements of the current EMA and FDA guides. A quality system is developed in the bioanalytical laboratory in accordance with the requirements of Good Laboratory Practice (GLP). Planned Development. The second clinical trial to

demonstrate the bioequivalence of a fixed combination of irbesartan / hydrochlorothiazide with CoAprovel reference product is expected to be completed in 2018. Based on its results and the prepared final report, Modules .4, 2.5, 2.6, 2.7, Module 4 and Module 5 of a fixed combination dossier with INN Irbesartan / Hydrochlorothiazide will be developed. Based on the build-up quality system in the bio-analytical laboratory, it will also be possible to initiate a procedure for certifying the compliance with GLP.

As at December 31, 2017 the average number of employees of Tchaikapharma Haigh Quality Medicines AD was 133 (while as of December 31, 2016 this number was 126). The table below details the company's staffing information.

Workers and Employees	31.12.2017	Relative share
Number of employees as of December 31, 2017	133	100%
University degree	72	55%
Secondary education	60	44%
Primary education	1	1%
Employees to 30 years	35	27%
Employees 31 - 40 years	53	40%
Employees 41 - 50 years	31	24%
Employees 51 - 60 years	9	6%
Employees over 60 years	5	3%
Women	51	39%
Men	82	61%

Main Business Partners

Main client of Tchaikapharma High Quality Medicines AD for 2017 is Commercial League Healthcare Group AD with a relative share of 99.5%.

The administrative address of Commercial League Healthcare Group AD is at 1, G. M. Dimitrov Blvd., Sofia, with main activity trading in medicines in the country and abroad. The relationships are regulated by a contract of purchase and sale.

Suppliers whose relative share exceeds 10% of the total cost of services and materials provided for 2017:

Commercial League Healthcare Group AD with a relative share of 12%, with administrative address at 1, G. M. Dimitrov Blvd., Sofia, with main activity trading in medicines in the country and abroad. The relationships are 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 AD adheres and applies the Corporate Governance Code. The Company periodically discloses corporate governance information in accordance with the "comply or explain" principle. In case of non-compliance with some of the Code's recommendations, an explanation is provided.

The actions of the management of Tchaikapharma High Quality Medicines AD are in the direction of promoting the principles of good corporate governance, increasing the confidence of shareholders, investors and stakeholders in the management and operation of the company. The Board of Directors of Tchaikapharma High Quality Medicines AD follows the Program of Good Corporate Governance, which is in line with the current regulatory framework, the internationally recognized standards for good corporate governance and the National Corporate Governance Code.

The Board of Directors approves disclosure policy in accordance with statutory requirements and statutes. The disclosure system ensures that addressees of information (shareholders, stakeholders, investment community) are not discriminated and do not allow abuse of inside information. Corporate governance ensures that the disclosure system provides complete, timely, accurate and comprehensible information that enables objective and informed decisions and assessments. The Board of Directors of Tchaikapharma High Quality Medicines AD 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 Statement for 2017. The Remuneration Policy was developed in accordance with Regulation No. 48 of 20 March 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The amount and structure of remuneration shall be determined by the General Meeting of the Company.

The Board of Directors of Tchaikapharma High Quality Medicines AD prepared a Report on the Implementation of the Remuneration Policy of the Members of the Board of Directors for 2017. The report reveals how the Remuneration Policy is applied, paying particular attention to avoiding the creation of incentives for excessive risk taking, conflict of interest, or other conduct that leads to adverse consequences. The company also maintains an English-language version of the corporate website with similar content.

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. The materials related to the General Meeting of Shareholders are available to the shareholders from the day of the announcement of the invitation for its convening in the Commercial Register, on the website of the

company: www.tchaikapharma.bg and upon request they are provided free of charge to the shareholders. Shareholders entitled to vote shall have the right to 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 governance 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 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 investor relations, financial media and capital market analysts.

Significant events for the period from the beginning of the year to December 31, 2017.

By resolution of the General Meeting dated June 8, 2017 the capital was increased from BGN 56,600,000 to BGN 64,300,000 by issuing new 7,700,000 (seven million seven hundred thousand) ordinary dematerialized shares with a nominal value of BGN 1 (one) each. The increase of the capital was made by capitalizing the profit according to Art. 197 of the Commerce Act. No dividends were distributed from profit for 2016.

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

From the beginning of the year to the date of the Annual Activity Report no significant events have occurred.

New developments and products

In 2017, the company received the following marketing authorizations for the territory of Bulgaria, authorized under a national procedure:

- Lidocaine-Tchaikapharma 10 mg/ml solution for injection
- Lidocaine-Tchaikapharma 20 mg/ml solution for injection
- Bortezomib-Tchaikapharma 3.5 mg powder for solution for injection
- Pemetrexed-Tchaikapharma 500 mg powder for concentrate for solution for infusion
- Ivabonor 5 mg film-coated tablets
- Ivabonor 7.5 mg film-coated tablets

Tchaikapharma High Quality Medicines AD, in its role as a high-quality manufacturer of medicinal products, except that it registered in the territory of the EU and received authorizations for more than 7 territories only in decentralized procedures, has also focused its attention on Kosovo, where the company adds to its portfolio in 2017 the following medicinal products: Aroba, Co-Telsart, Metformin-Tchaikapharma, Pisona, Rossta, Co-Valstor, Diab, Diab MR.

Planned development

Tchaikapharma High Medicines AD extends its scope of activities and focuses on the implementation of clinical trials as part of the creation of new own generic medicinal products and fixed combinations. In this connection, a laboratory is established which, based on validated methods, examines the concentration of different drug substances in human plasma to assess the bioequivalence of the investigational medicinal products to original medicinal products. The activity of the laboratory fills one not very developed niche on the Bulgarian market, whereby at the same time carrying out the preparations for conducting clinical trials of medicinal products of the company.

Tchaikapharma High Quality Medicines AD continues to develop itself as a company producing high quality medicines meeting the international standards.

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

The company continues the policy of active partnership with well-established international pharmaceutical companies, mostly European only, with new companies, as well as expanding the product range of already established collaborations.

Information on the loan agreement concluded by the company

The Company has signed a loan agreement with one bank:

- CIBANK EAD, agreed amount BGN 7,823 thousand, maturing on December 20, 2021, balance as at December 31, 2017 BGN 7,823 thousand
- CIBANK EAD, agreed amount BGN 1,956 thousand, maturing on December 20, 2021, balance as at December 31, 2017 BGN 1,956 thousand

Information on transactions that are essential to the business

During the reporting period there are no major transactions and significant transactions for the business of the company.

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

- The Company has no related parties under IAS, so it does not prepare a Consolidated Activity Report.
- The Company does not have transactions outside its normal course of business and those that deviate from market conditions.
- During the reporting period there are no events and indicators with an unusual nature for the company. Tchaikapharma High Quality Medicines AD has no off-balance-sheet transactions for the reporting period.

- In 2017, there have been no changes in the basic principles of management of Tchaikapharma High Quality Medicines AD.
- The Company has a new issue of securities. At the General Meeting of Shareholders it was decided from the profit for 2016, which amounted to BGN 8 585 166.63, to put into circulation 7 700 000 new dematerialized shares. Share issue funds are used to acquire fixed tangible and intangible assets and for expenses for the main production activity.
- Tchaikapharma High Quality Medicines AD has not published estimates of its financial result for 2017.
- During the reporting period there is no change in the management bodies of the company.
- 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 may result in changes in the relative share held by existing shareholders.
- The Company does not have any information on the takeover proposals referred to in Article 10 (1) "c", "d", "e", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004.
- The Company has developed and implements a policy of internal control (preventive, ongoing and follow-up) of all financial operations where a risk can occur to its operations. This system regulates the nature and scope of the specialized internal control in Tchaikapharma High Quality Medicines AD, as well as the status and functions of the persons who carry it out. Internal control is an independent valuation activity covering all the economic operations of the Company, which is carried out by a specialized internal control unit.
- The Company has developed a Risk Management Policy that is designed to help Tchaikapharma High Quality Medicines AD to achieve its goals and priorities by applying a unified approach to identifying, assessing and limiting the negative impact of potential events and situations endangering their achievement.
- A Board of Directors functions, which meets when necessary and consists of

3 members:

Biser Rosenov Georgiev

Krasimir Petrov Videlov

Ivan Boychev Nikolov

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

- Financial reporting

- Internal control
- Internal audit
- Independent financial audit

Information on shareholdings and major investments.

The Company owns a minority stake in Tchaikapharma High Quality Medicines Available for Everyone AD with an insignificant amount of BGN 1 thousand.

In 2017, Tchaikapharma High Quality Medicines AD has bought 1,025 own shares.

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

Investments made for the period	2015	2016	2017
Chaikapharma High Quality Medicines AD			
I. Fixed tangible assets	2 906	1 331	2 762
1. Machinery, plant and equipment	2 782	1 312	2 760
2. Other fixed tangible assets	124	19	2
II. Long-term intangible assets	532	547	743
1. Industrial property rights	531	495	726
2. Software products	1	9	4
3. Patents and licenses		43	13
Total amount for acquisition of fixed tangible assets and long-term intangible assets	3 438	1 878	3 505

The investments in the two factories of Tchaikapharma High Quality Medicines AD for 2017 is the system of serialization and tamperevidence, which corresponds to the requirements of the European Directive 2011/62/EU. As of February 9, 2019 every package of a medicinal product will have to be sold within the EU with unique coding and tamperevidence. The system is implemented in cooperation with SoftGroup AD, with the installation of 5 machines for printing and checking of 2D matrix code (with the unique box code) tamperevidence system in each cardboard machine, server: central and local, software for generating of individual codes, their storage and sending to the European hub.

A small investment in the factory in Plovdiv is the system for optimizing the energy costs for heating and cooling of the production ventilation system.

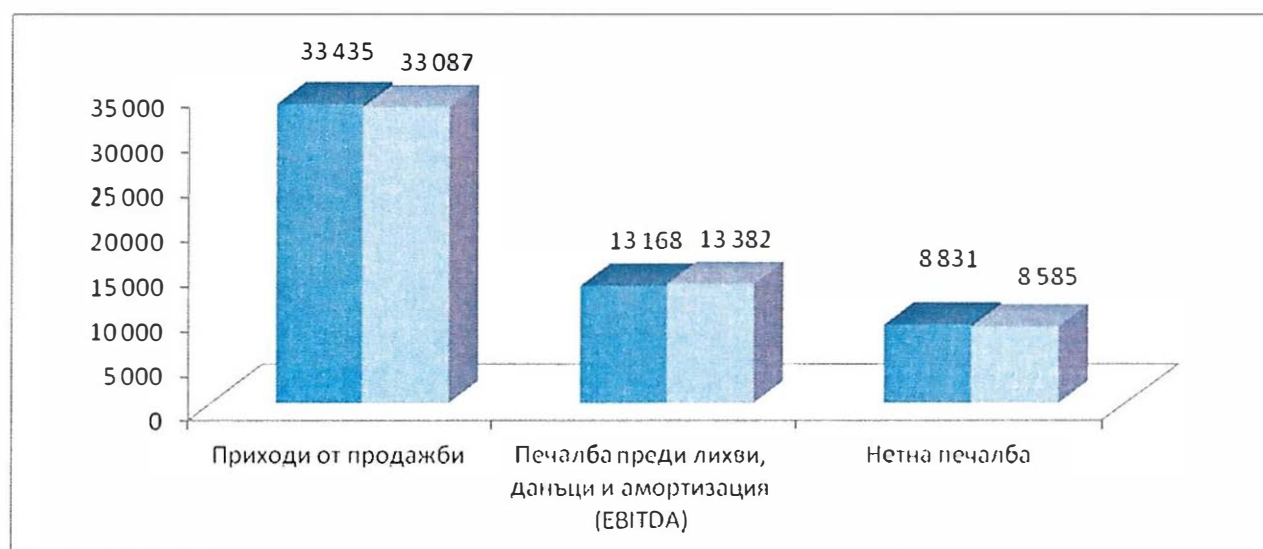
Key Financial Indicators

Indicators	01-12/2017 BGN '000	01-12/2016 BGN '000	change %
Income from sales	33 435	33 087	1.0%

EBITDA	13 168	13 382	2.0%
Net profit	8 831	8 585	2.9%

	31.12.2017 BGN '000	31.12.2016 BGN '000	change
Noncurrent assets	35 762	35 558	0.57%
Current assets	61 220	55 529	10.25%
Equity	82 303	72 995	12.75%
Noncurrent liabilities	1 981	2 366	-16.27%
Current liabilities	12 698	15 726	-19.25%

	01-12/2017	01-12/2016	change
EBITDA/Income from sales	39%	40%	-3.0%
Net profit/Income from sales	26%	26%	0.0%
Borrowed capital/Equity	0.18	0.25	-28.0%



Income from sales

EBITDA

Net profit

Review of Risk Factors

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

- The possible regulatory change in the requirements for the production of pharmaceutical products could influence on the activity of the company.
- It is possible a change in the legislation regulating the business of the Company and this could lead to a possible increase in compliance costs or otherwise have an impact on its operations.

- The Company's production processes are subject to strict requirements and approvals by regulatory bodies that may delay or interrupt the operations of the Company.
- The Company's ability to pay dividends depends on a number of factors and there is no guarantee that in a given year it will be able to pay dividends in accordance with its dividend policy.
- The Company is exposed to operational risk that is inherent in its business activities.
- The Company is subject to numerous laws and regulations in the field of environmental protection and health and safety at work and is exposed to potential environmental responsibilities.
- The Company is exposed to strong competition.
- The Company carries out its activities in active exchange with foreign suppliers and customers. Therefore, it is exposed to currency risk, mainly against the US dollar. Currency risk is related to the negative movement of the US dollar exchange rate against the Bulgarian lev in future business operations, on recognized foreign currency assets and liabilities. The rest of the company's operations are usually denominated in Bulgarian leva and/or in Euro.

Currency exchange rate risk

The Company is not exposed to a significant exchange rate risk because most of its assets, liabilities and transactions are denominated in Bulgarian leva or Euro and the Bulgarian lev 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.

Credit risk

Credit risk arises mainly from cash and cash equivalents and deposits with banks and other financial institutions as well as from loans granted. Only institutions with a high credit rating are accepted for banks and other financial institutions.

Liquidity risk

The prudent management of liquidity risk implies the maintenance of sufficient cash and liquid securities, as well as opportunities for additional financing with loans and for 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 interest-earning assets of the Company 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 interest rate risk from a change in fair value. The policy of the Company is to provide loans mainly at fixed interest rates. As at 31 December 2017 and 2016, the Company does not hold interest-bearing assets at fair value and is therefore 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 process of preparing the financial statements

Under the Bulgarian law, the management should prepare an activity report and financial statements for each financial year that gives a true and fair view of the Company's financial position at the year-end, of the financial performance and cash flows in accordance with the applicable accounting framework.

Management's responsibility also includes the implementation of an internal control system to prevent, detect and correct mistakes and false statements as a result of the accounting system's actions. In this respect, the management observes the following basic principles in its activities:

- adherence to a particular management and accounting policy that is disclosed in the financial statements;
- carrying out all operations in compliance with legal and regulatory acts;
- reflecting all events and operations in a timely manner with the exact size of the 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 precautionary principle in the valuation of assets, liabilities, income and expense;
- detection and termination of frauds and errors;
- completeness and correctness of accounting information;
- preparation of reliable financial information;
- adhering to international financial reporting standards and adherence to the going concern principle.

Operational results for 2017

Operating income

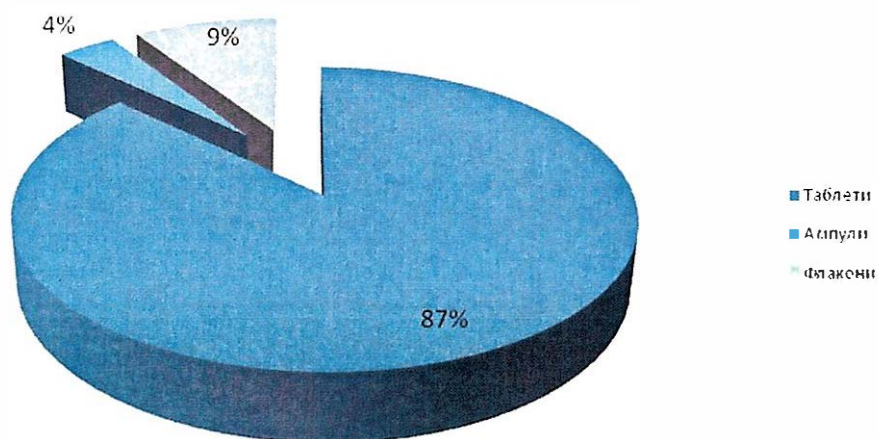
Revenues from sales of production in 2017 increased by BGN 348 thousand or by 1.05%, to BGN 33 435 thousand, compared to BGN 33 087 thousand in 2016.

Revenue from sales on the European market is relatively small because the Company is still in the process of registering its products on the foreign market.

Sales in the domestic market increased by BGN 348 thousand compared to 2016. The products with the largest share of sales in the country are: Nordipin, Co-Irbeso, Bravilol, Spironolactone, Bizer, Furozer, Rossta, Co - Olsart.

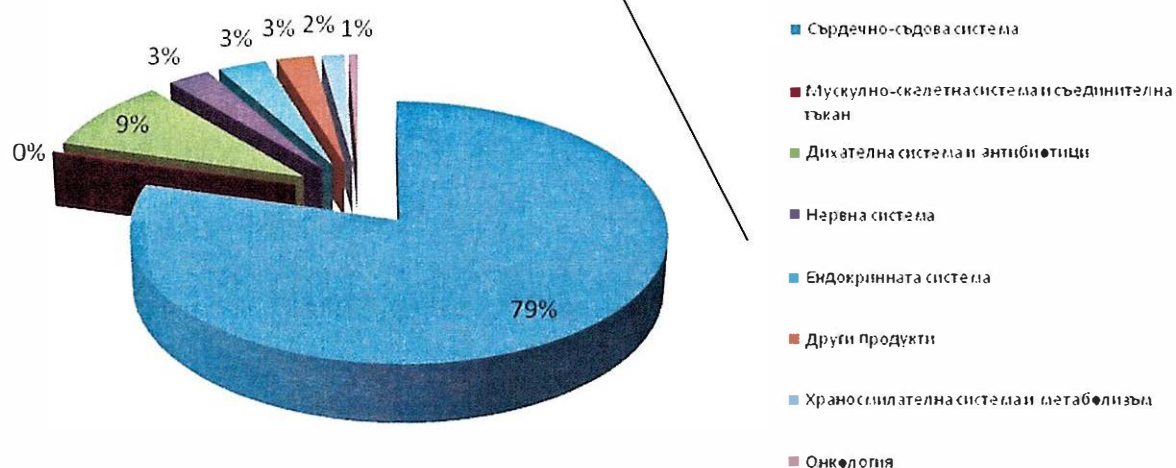
Sales by pharmaceutical forms

Income by pharmaceutical forms	01-12/2017 BGN '000	01-12/2016 BGN '000	change %
Tablets	28 980	29 263	-0.97%
Ampoules	1 231	1 114	10.50%
Bottles	3 076	2 602	18.22%
Total:	33 287	32 979	0.93%



Income by therapeutic groups

	01-12/2017 BGN '000	01-12/2016 BGN '000	change %
Cardiovascular system	26 414	26 358	0.2%
Musculoskeletal system and connective tissue	72	249	-71.1%
Respiratory system and antibiotics	3 098	2 863	8.2%
Nervous system	986	1 103	-10.6%
Endocrine system	1 118	912	22.6%
Other products	858	795	7.9%
Digestive system and metabolism	528	302	74.8%
Oncology	213	396	-46.2%
Total:	33 287	32 979	0.9%



Change in inventories of production and work in progress

432

-107

Other operating income

	01-12/2017 BGN '000	01-12/2016 BGN '000	change %	Relative share 2017
Rental income	47	43	9.3%	36%
Other income	82	65	26.2%	64%
Total:	129	108	19.4%	100%

Operating expenses

Operating expenses

	01-12/2017 BGN '000	01-12/2016 BGN '000	change %	Relative share 2017
Carrying amount of sold goods	1 719	3 379	-49.1%	7%
Materials	9 703	8 275	17.3%	41%
Hired services	4 023	4 022	0.1%	17%
Wage costs	2 950	2 723	8.3%	12%
Social security costs	594	520	14.2%	2%
Depreciation costs	3 084	3 532	-12.7%	13%
Other	1 692	553	205.9%	7%
Total:	23 765	23 004	3.3%	100%

Cost of materials

	01-12/2017 BGN '000	01-12/2016 BGN '000	change %	Relativs share 2017
Basic materials	8 760	7 513	16.6%	90.3%
Electricity	397	322	23.3%	4.1%
Fuels and lubricants	63	40	57.5%	0.6%
Spare parts and laboratory materials	158	187	-15.5%	1.6%
Water	19	13	46.2%	0.2%
Other materials	306	200	53.0%	3.2%
Total:	9 703	8 275	17.3%	100%

The cost of materials increased by BGN 1 428 thousand to BGN 9 703 thousand in 2017, which is the result of the increase in the cost of basic materials and electricity.

Expenses for hired services

	01-12/2017	01-12/2016	change	Relative share
	BGN '000	BGN '000	%	2017
Rents	220	181	21.5%	5.5%
Security	212	115	84.3%	5.3%
Insurances	29	55	-47.3%	0.7%
Telephone and postal expenses	32	40	-20.0%	0.8%
Maintenance of equipment and subscription	76	55	38.2%	1.9%
Taxi expenses	82	82	0.0%	2.0%
Transport expenses	43	49	-12.2%	1.1%
Other expenses for hired services	3 329	3 445	-3.4%	82.7%
Total:	4 023	4 022	0.0%	100%

Financial income and expenses

Financial income

	01-12/2017	01-12/2016	change	Relative share of expenses
	BGN '000	BGN '000	%	2017
Income from interests	-	139	-100%	0.0%
Income from currency exchange differences	88	38	131.6%	100.0%
Other financial income	-	-	0.0%	0%
Total:	88	177	-50.3%	100%

Financial expenses

	01-12/2017	01-12/2016	change	Relative share of income
	BGN '000	BGN '000	%	2017
Expenses for interests	275	425	-35.3%	72.2%
Expenses from currency exchange differences	48	81	-40.7%	12.6%
Other financial expenses	58	83	-30.1%	15.2%
Total:	381	589	-35.3%	100%

Assets

	31.12.2017	31.12.2016	change	Relative share
	BGN '000	BGN '000	%	2017
Non-current assets				
Property, plant and equipment	26 803	25 888	3.5%	74.9%

Intangible assets	2 998	3 644	-17.7%	8.4%
Investments with minority interest	1	1	0.0%	0%
Non-current loans granted			0.0%	0%
Trade receivables	5 960	6 025	-1.1%	16.7%
Total non-current assets	35 762	35 558	0.6%	
	31.12.2017	31.12.2016	change	Relative
	BGN '000	BGN '000	%	share
Current assets				2017
Inventories	5 190	5 082	2.1%	8.5%
Trade and other receivables	55 998	50 373	11.2%	91.5%
Financial assets with maturity	-	24	-100.0%	0%
Own shares purchased	8		100.0%	0%
Cash and cash equivalents	24	50	-52.0%	0%
Total current assets	61 220	55 529	10.2%	63.1%
Total assets	96 982	91 087	6.5%	100%

Trade receivables increased by BGN 5,625 thousand, in the part of receivables from customers as of 31.12.2016

	31.12.2017	31.12.2016	change	Relative
	BGN '000	BGN '000	%	share
				2017
Property, machinery and equipment				
Land and buildings	11 676	11 568	0.9%	43.6%
Machinery, equipment and facilities	13 076	13 988	-6.5%	48.8%
Other	191	261	-26.8%	0.7%
Under aquisition	1 860	71	2 519.7%	6.9%
Total:	26 803	25 888	3.5%	100%

	31.12.2017	31.12.2016	change	Relative
	BGN '000	BGN '000	%	share
				2017
Inventories				
Materials	4 384	4 629	-5.3%	84.5%
Production	542	138	292.8%	10.4%
Goods	229	192	19.3%	4.4%
Unfinished production	35	123	-71.5%	0.7%
Total:	5 190	5 082	2.1%	100%

Equity and liabilities

	31.12.2017	31.12.2016	change	Relative
	BGN '000	BGN '000	%	share
				2017
Registered capital	64 300	56 600	13.6%	78.1%

Statutory reserves	9 172	7 810	17.4%	11.1%
Retained profit	8 831	8 585	2.9%	10.7%
Total equity	82 303	72 995	12.8%	100%

Liabilities	31.12.2017	31.12.2016	change	Relative share
	BGN '000	BGN '000	%	2017
Non-current liabilities				
Long-term loans	590	1 015	-41.9%	29.8%
Deferred tax liabilities	1 308	1 284	1.9%	66.0%
Payables to staff upon retirement	83	67	23.9%	4.2%
Total non-current liabilities	1 981	2 366	-16.3%	
Current liabilities				
Trade and other liabilities	2 134	2 909	-26.6%	16.8%
Short-term loans	9 784	11 349	-13.8%	77.1%
Current part of long-term loans	491	869	-43.5%	3.9%
Current corporate tax	78	55	41.8%	0.6%
Other tax liabilities	211	544	-61.2%	1.7%
Total current liabilities	12 698	15 726	-19.3%	86.5%
Amount of liabilities	14 679	18 092	-18.9%	15.1%
Total equity and liabilities	96 982	91 087	6.5%	100%

The share capital increased by BGN 9,308 thousand or 13% reaching BGN 82,303 thousand at the end of 2017, compared to BGN 72,995 thousand at the end of 2016, mainly as a result of the transfer of the current profit to an increase in the share capital of the Company, which from BGN 56,600 thousand at the end of 2016 reached BGN 64,300 thousand at the end of 2017.

Non-current liabilities decreased by BGN 385 thousand or 16.3%, to BGN 1,981 thousand at the end of 2017 compared to BGN 2,366 thousand at the end of 2016 mainly due to a decrease in long-term liabilities under leasing contracts.

Current liabilities decreased by BGN 3,028 thousand or 19.3%, to BGN 12,698 thousand at the end of 2017 compared to BGN 15,726 thousand at the end of 2016. This is due to a decrease in short-term bank loans with BGN 1,565 thousand. Total exposure to bank loans of the Company as of 31.12.2016 decreased by BGN 1,565 thousand compared to 31 December 2016.

Cash flows

	31.12.2017	31.12.2016
	BGN '000	BGN '000
Net cash flows from operating activities	5 395	321
Net cash flows from investing activities	-2 757	-1 070
Net cash flows from financing activities	-2 664	759
Net increase / decrease in cash and cash equivalents	-26	10

Cash and cash equivalents on 1 January	50	40
Cash and cash equivalents on 31 December	24	50

Net cash flows decreased by BGN 26 thousand for 2017 as a result of which the cash equivalents are BGN 24 thousand.

Financial indicators

	31.12.2017	31.12.2016	change %
Return on equity	0.11	0.12	-8.8%
Return on assets	0.09	0.1	-3.4%
Asset rate ratio	0.34	0.36	-5.1%
Curren liquidity ratio	4.82	3.53	36.5%
Rapid liquidity ratio	4.41	3.21	37.6%
Debt factor	0.18	0.25	-28.0%
Financial autonomy ratio	5.61	4.03	38.9%

Information about the shares of Tchaikapharma High Quality Medicines AD

The total number of issued shares as at December 31, 2017 is equal to 64 300 000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible according to the Articles of Association of the Company. All issued shares are of one class. Each share gives equal rights to its holder, proportional to the nominal share value. According to the Company's Articles of Association, there are no restrictions on the transfer of securities, restrictions on the possession of securities or the need for approval by the Company or other shareholder. There are no shareholders with special control rights. There is no need for a system of control over the exercise of the voting right 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, 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 ownership of the shares.

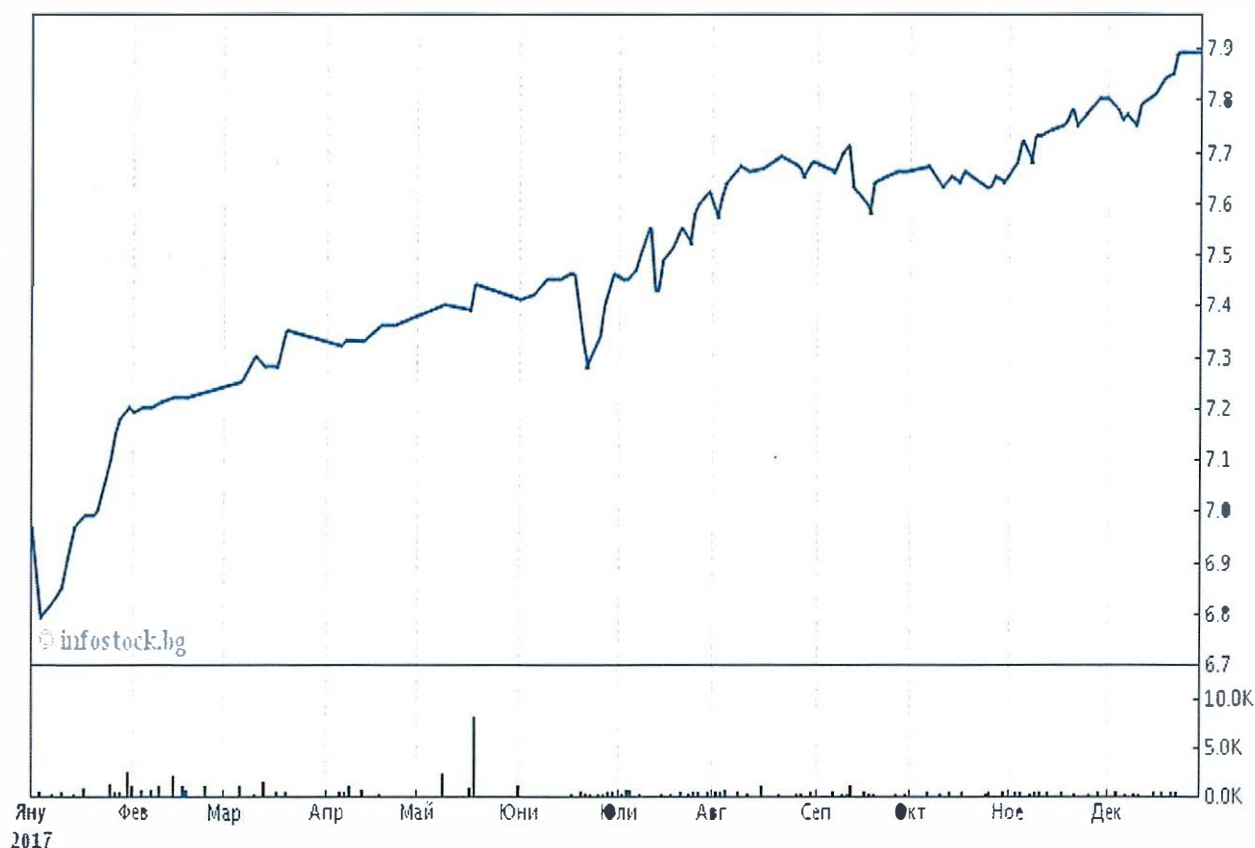
The shares of Tchaikapharma High Quality Medicines AD are traded on the official market of BSE-Sofia AD. The Company does not have information about arrangements (including after the end of the financial year), as a result of which changes in the relative share of shares or bonds of current shareholders may occur in the future. The Company does not have information about shareholders'

agreements that are 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 that have effect, are changed or are terminated due to a change in the control of the Company in the implementation of a mandatory tender offering and the consequences thereof. There are no agreements between the Company and its management bodies or employees to pay compensation on leaving or dismissing without legal basis or upon termination of the employment relationship for reasons related to tender offering.

Significant indicators for the shares of Tchaikapharma High Quality Medicines AD

	31.12.2017	31.12.2016
Total number of issued shares	64 300 000	56 600 000
Number of shares in circulation at the end of the period	64 300 000	56 600 000
Net profit per share in BGN	0.11	0.16
Price per share at the end of the period in BGN	7.89	6.97
Book value per share in BGN	1.28	1.29
Price per share / Net profit per share	71.73	43.56
Price per share / Book value per share	6.16	5.40
Market capitalization at the end of the period in BGN	507 327 000	394 502 000



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

Biser Georgiev 
/Executive Director/