

ANNUAL MANAGEMENT REPORT for 2018



ЧАЙКАФАРМА
ВИСОКОКАЧЕСТВЕНИТЕ ЛЕКАРСТВА

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC

25.03.2019

General information about 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 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 TCHAIKA PHARMA 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**

Date of incorporation and duration of the existence

The Company was incorporated as a joint stock company and registered with the Commercial Register by virtue of Decision dated 14 March 2000 on company file 1096/2000 of the Varna District Court. The existence of the Company is of unlimited duration.

Country of establishment, head office and registered address pursuant to the Articles of Association; legal form; legislation governing the activity of the Company

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

The Company is incorporated in the Republic of Bulgaria.

The head office and registered address of the Company is as follows:

Republic of Bulgaria, 1172 Sofia, 1 G. M. Dimitrov Blvd.

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

Telephone number: (359 2) 960 3714

Website: www.tchaikapharma.com

Shareholding structure as at 31.12.2018

The main shareholder Tihomir Kamenov owns 95.65% and the rest 4.35% are owned by 109 individuals and two legal entities.

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 Videlov – Chairman of the Board of Directors

Ivan Boichev Nikolov – Member of the Board of Directors

The shares held by the members of the Board of Directors as at 31.12.2018 are:

Biser Rosenov Georgiev – 7,653 shares

Ivan Boychev Nikolov – 11,365 shares

Krasimir Petrov Videlov – 679 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 2018

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 Anastas Patarinski, tel. 02/9 603 714, with correspondence address: Sofia, Bulgaria, 1, G. M. Dimitrov Blvd.

Short-term income of the management has been accrued for 2018 according to the contracts signed. The total remuneration of the Board of Directors in the current year is BGN 97,000. 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 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.

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 2018 are:

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

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

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

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

Spironolactone – a generic product used for diseases of the cardiovascular system.

Bisor – a generic product used for diseases of the cardiovascular system;

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

Ceftriaxon – a generic product used for diseases of the respiratory system;

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

Bravillol – a generic product used for diseases of the cardiovascular system;

Research and development activity

After the successful completion of the clinical, bioanalytical and statistical part of the first clinical study 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 file of the medicinal product INN Irbesartan, owned by Tchaikapharma High Quality. Modules 2.4, 2.5, 2.6, 2.7, of a dossier of a medicinal product with INN Ceftriaxone were developed. The necessary documents, such as Protocol,

Investigator's Brochure, Patient's Clinical Card, etc., required to obtain authorisation to conduct a second clinical trial to demonstrate the bioequivalence of a fixed combination of irbesartan/hydrochlorothiazide with the CoAprovel reference product have been prepared. The development and validation of methods for investigation of the concentration of drug substances in human plasma is a major task of the bio analytical laboratory. The creation of standard operating procedures to ensure the quality of the work and the reliability of the results of the bio analytical laboratory is under way. The validation of the first method was made, which has been developed by the bio analytical laboratory in compliance with the requirements of current manuals EMA and FDA, is in progress. A quality system is developed in the bio-analytical laboratory in accordance with the requirements of Good Laboratory Practice (GLP). Foreseen 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 the file of the fixed combination with INN Irbesartan/Hydrochlorothiazide will be developed. Based on the quality system currently being developed in the bio analytical laboratory, it will also be possible to initiate a Good laboratory practice (GLP) compliance verification procedure.

As of 31.12.2018 the average number of employees in Tchaikapharma High Quality Medicines Inc was 133 (133 as of 31.12.2017). In the table below, detailed information about the employees in the company is provided.

Employees	31.12.2018	Share
Number of employees as of 31.12.2018	133	100%
Higher education	79	59%
Secondary education	53	40%
Primary education	1	1%
Employees under 30 years	38	29%
Employees 31 - 40 years	54	41%
Employees 41 - 50 years	30	23%
Employees 51 - 60 years	8	6%
Employees over 60 years	3	2%
Women	59	44%
Men	74	56%

Major trading partners

A major customer of Tchaikapharma High Quality Medicines Inc. for 2018 is Commercial League - NPC AD, with a relative share of 99.5%.

Commercial League NPC 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 2018:

Commercial League NPC AD, with a relative share of 26 %, 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 promoting the good corporate governance principles, 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 Inc. is in compliance with the Corporate Governance Program, which is in line with the current regulations, internationally recognized standards for 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 2018. 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 Board of Directors of Tchaikapharma High Quality Medicines Inc. drafted a Report on the implementation of the remuneration policy of the members of the Board of Directors for 2018. The report reveals how the remuneration policy is applied, paying particular attention to the avoidance of the creation of incentives for excessive risk-taking, conflict of interest or other behaviour leading to adverse consequences. The company also maintains an English-language version of the corporate website with similar content.

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 31.12.2018

By a decision of the General Meeting of 30.04.2018 the capital was increased from BGN 64,300,000 to BGN 72,200,000 by issuing new 7,900,000 (seven million and nine hundred thousand) ordinary dematerialized shares with a par value of BGN 1 (one). The capital increase was effected by profit capitalization under Art. 197 of the Commerce Act. No dividend was distributed from the profit for 2017.

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

No major events have occurred since the beginning of the year until the date of the Annual Report on the Company Activity.

New developments and products

In 2018, the company received the following marketing licences for the territory of Bulgaria, authorized under a national procedure:

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

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC, in its role as a high-quality manufacturer of medicines, apart from registering in the EU and having received authorizations for more than 7 territories under decentralized procedures only, has also focused on Kosovo, where the company added

to its portfolio in 2018 the following medicinal products: Aroba, Co-Telsart, Metformin-Tchaikapharma, Pisona, Rossta, Co-Valstor, Diab, Diab MR.

Foreseen development

Tchaikapharma High Quality Medicines Inc. is expanding its scope of activities and has focused on the implementation of clinical trials as part of the creation of new own generic medicines 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 tested medicinal products to original ones. The laboratory's activity fills an underdeveloped niche on the Bulgarian market, simultaneously preparing for the carrying out of clinical trials of the company's medicinal products.

Tchaikapharma High Quality Medicines Inc. continues to grow as a company producing high quality medicines meeting international standards.

Through its 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 established international pharmaceutical companies, mostly European, with new companies, as well as expanding the product range of already established collaborations.

Information on the loan agreements concluded by the company

The Company has signed a loan agreement with one bank:

- CIBANK EAD, contractual amount of BGN 7,822 thousand, maturity on 20.12.2021, balance as at 31.12.2018 – BGN 7,823 thousand
- CIBANK EAD, contractual amount of BGN 1,955 thousand, maturity on 20.12.2021, balance as at 31.12.2018 – BGN 1,956 thousand

Information on transactions essential to the business

During the reporting period, there are no large transactions and such significant for the company.

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 related parties with control under IAS, so it does not prepare a Consolidated Activity Report.
- 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 2018 there have been no changes in the basic management principles of Tchaikapharma High Quality Medicines Inc.
- The Company has a new issue of securities. The General Meeting of Shareholders decided to put into circulation 7 900 000 new dematerialized shares out of the profit for 2017, which amounts to BGN 8 830 797.25. The funds from the shares issue were used to acquire fixed tangible and intangible assets and for expenses on the main production activity.
- Tchaikapharma High Quality Medicines Inc. has not published estimates of its financial result for 2019.
- During the reporting period there was no change in the company's management bodies.
- 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 VL AD, 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

Krasimir Petrov Videlov

Ivan Boychev Nikolov

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.

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

In 2018, Tchaikapharma High Quality Medicines Inc. redeemed 729 of its own shares and sold 1488 own shares.

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

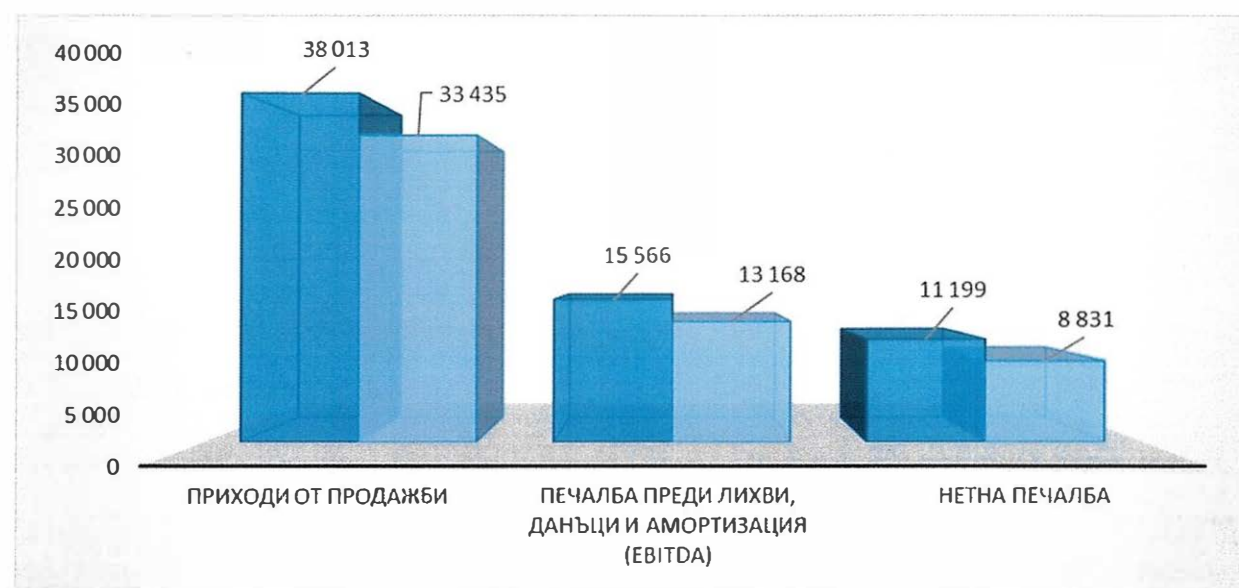
Investments made for the period	2016	2017	2018
Tchaikapharma High Quality Medicines Inc			
I. Fixed tangible assets	1 331	2 762	924
1. Machines, facilities and equipment	1 312	2 760	924
2. Other fixed tangible assets	19	2	
II. Intangible fixed assets	547	743	274
1. Intellectual property rights	495	726	274
2. Software products	9	4	
3. Patents and licenses	43	13	
Total amount for the acquisition of TFA and IFA	1 878	3 505	1 198

The investments in the two plants of TCHAIKAPHARMA HIGH QUALITY MEDICINES INC. for 2018 are the system of serialization and tamperevidance, to meet the requirements of European Directive 2011/62/EU. From 9.02.2019 every package of a medicinal product will have to be sold within the EU with a unique coding and tamperevidance. The system is implemented in cooperation with Softgroup AD, with 5 machines for printing and verification of 2D matrix code (with the unique box code), a system for tamperevidance in each cardboard packing machine, server: central and local, software for generation of individual codes, their storage and dispatch to the European hub.

A small investment in the plant in Plovdiv is the system to optimize the energy costs for heating and cooling of the production ventilation system.

Key financial indicators

Indicators	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Sales revenue	38 013	33 435	14%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	15 566	13 168	18%
Net profit	11 199	8 831	26%



	31.12.2018 BGN '000	31.12.2017 BGN '000	change
Non-current assets	33 594	35 762	-6.06%
Current assets	77 445	61 220	26.50%
Equity	94 000	82 303	14.21%
Non-current liabilities	1 563	1 981	-21.10%
Current liabilities	15 476	12 698	-21.88%

	01-12/2018	01-12/2017	change
EBITDA/Sales revenue	41%	39%	3.7%
Net profit/Sales revenue	29%	26%	11.3%
Called-up capital/Equity	0.18	0.18	0.0%

Review of the risk factors

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

- The Company's activities could be affected by changes in the regulatory requirements concerning production of pharmaceutical products.
- Amendments to the legislation regulating the Company's 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 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 Company to pay dividends depends on a number of factors and there is no guarantee that in a year it will be able to pay dividends in accordance with its dividend policy.
- The Company is exposed to operational risk, which is inherent in its business activities.
- The Company is subject to multitude laws and regulations in the field of environmental protection and health and safety work conditions, and is exposed to potential liabilities in relation to environment.
- The Company is exposed to strong competition
- The 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 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

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 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 Company's 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, 2018 and 2017 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 2018

Operating income

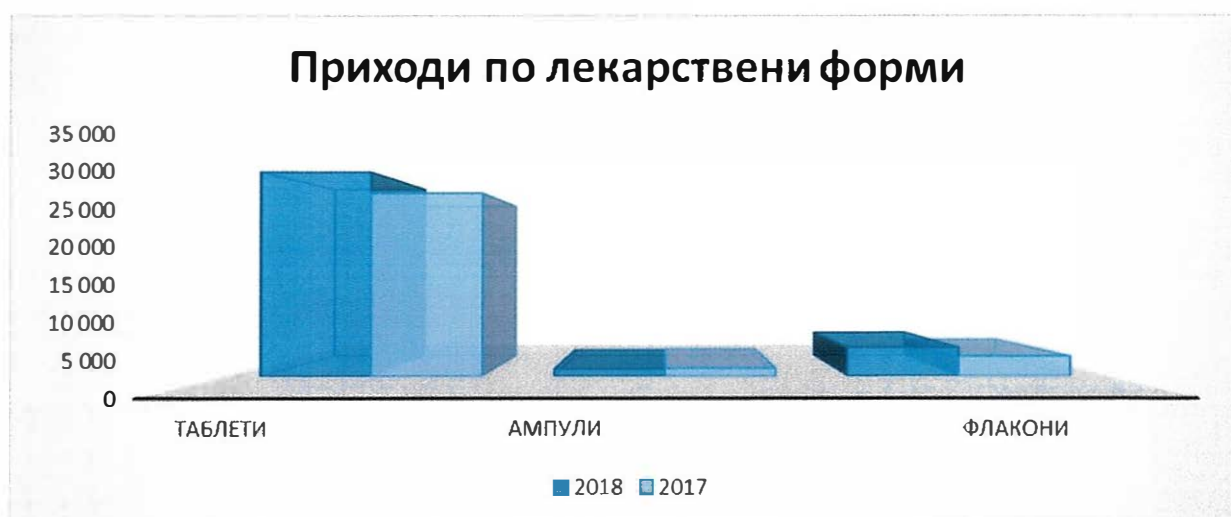
Revenues from sales of products in 2018 increased by BGN 3,990 thousand or by 15% up to BGN 31,797 thousand, compared to BGN 27,807 thousand in 2017

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

Nearly all sales are for the domestic market, increasing by BGN 3,990,000 compared to 2017. The products with the largest share of sales in the country are: Nordipin, Co-Irbeso, Bravilol, Spironolactone, Bazor, Rossta, Co-Enalapril, Plakex, Co-Telsart, Ceftriaxon.

Sales by types of dosage forms

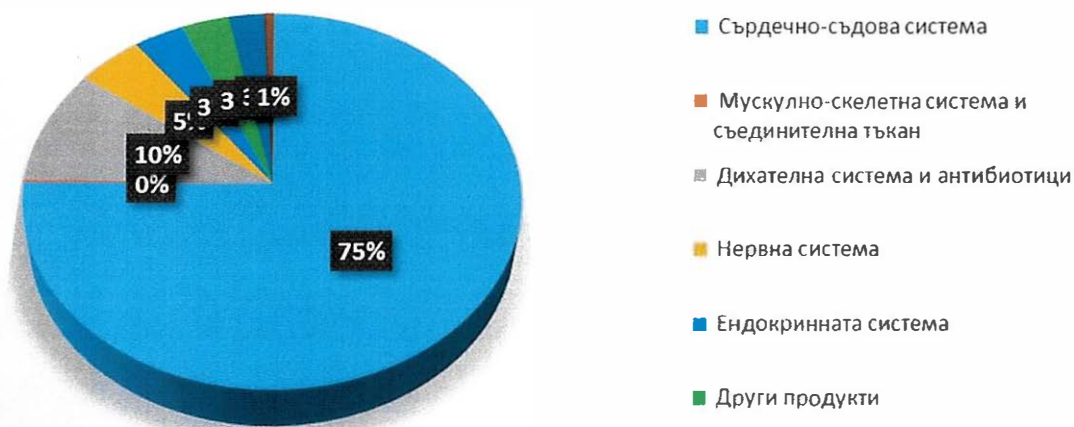
Revenue by dosage forms	01-12/2018 <i>BGN '000</i>	01-12/2017 <i>BGN '000</i>	change %
Tablets	32 307	28 980	11.48%
Ampules	1 126	1 231	-8.53%
Vials	4 483	3 076	45.74%
Total:	37 916	33 287	13.91%



Revenue by therapeutic groups

	01-12/2018 <i>BGN '000</i>	01-12/2017 <i>BGN '000</i>	change %
Cardiovascular system	28 479	26 414	7.82%
Musculoskeletal system and connective tissue	100	72	38.89%
Respiratory system and antibiotics	3 704	3 098	19.56%
Nervous system	1 783	986	80.83%
Endocrine system	1 342	1 118	20.04%
Other products	1 290	858	50.35%
Digestive system and metabolism	979	528	85.42%
Oncology	239	213	12.21%
Total:	37 916	33 287	13.91%

Приходи по терапевтични групи



Changes in the stock of products and work in progress

-118	432
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Other operating income

	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Rental income	51	47	8.51%
Other income	18	82	-78.05%
Total:	69	129	-46.51%

Operating expenses

Operating expenses

	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Carrying amount of goods sold	2 326	1 719	35.31%
Materials	9 380	9 703	-3.33%
Hired services	4 225	4 023	5.02%
Personnel expenses	3 287	2 950	11.42%
Social security expenses	588	594	-1.01%
Depreciation / amortisation expenses	3 273	3 084	6.13%
Other expenses	2 435	1 692	43.91%
Total:	25 514	23 765	7.36%

Costs of materials

	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Main materials	8 281	8 760	-5.47%
Electricity	440	397	10.83%

Fuel and lubricants	67	63	6.35%
Spare parts and laboratory materials	138	158	-12.66%
Water	19	19	0%
Other materials	435	306	42.16%
Total:	9 380	9 703	-3.33%

The cost of materials decreased by BGN 323 thousand to 9,380 in 2018, which is a result of the decrease in the cost of the basic materials.

Costs of hired services

	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Rents	228	220	3.64%
Security	212	212	0.00%
Insurance	25	29	-13.79%
Telephone and postage expenses	32	32	0.00%
Equipment maintenance and subscription	165	76	117.11%
Fees	108	82	31.71%
Transport costs	36	43	-16.28%
Other costs of hired services	3 419	3 329	2.67%
Total:	4 225	4 023	5.02%

Financial Income and Expenses

Financial income

	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Interest income	451	-	
Income from currency exchange differences	14	88	-84.09%
Income from operations with financial assets	3	-	
Total:	468	88	431.8%

Financial expenses

	01-12/2018 BGN '000	01-12/2017 BGN '000	change %
Interest expenses	325	275	18.18%
Expenses on currency exchange differences	54	48	12.50%
Other financial expenses	58	58	-30.1%
Expenses on transactions with financial assets	39		

Total:	476	381	24.93%
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Assets

	31.12.2018	31.12.2017	change
	<i>BGN '000</i>	<i>BGN '000</i>	<i>%</i>
Non-current assets			
Property, plant and equipment	25 754	26 803	-3.91%
Intangible assets	2 871	2 998	-4.24%
Investments with minority interest	1	1	0.0%
Non-current loans granted			0.0%
Trade receivables	4 968	5 960	-16.64%
Total of non-current assets	33 594	35 762	6.06%
Current assets			
	<i>BGN '000</i>	<i>BGN '000</i>	<i>%</i>
Inventories	5 491	5 190	5.8%
Trade and other receivables	71 608	55 998	27.88%
Current corporate tax	92	-	
Redemption of own shares	4	8	-50.0%
Cash and cash equivalents	250	24	941.67%
Total of current assets	77 445	61 220	26.5%
Total of Assets	111 039	96 982	14.49%

Trade receivables increased by BGN 15 610 thousand in the part of receivables from customers, compared to 31.12.2017

	31.12.2018	31.12.2017	change
	<i>BGN '000</i>	<i>BGN '000</i>	<i>%</i>
Property, plant and equipment			
Land and buildings	11 830	11 676	1.32%
Machinery, equipment and facilities	11 759	13 076	-15.87%
Other	123	191	-35.6%
Under acquisition	2 042	1 860	9.78%
Total:	25 754	26 803	-3.91%

Inventories	31.12.2018	31.12.2017	change
	<i>BGN '000</i>	<i>BGN '000</i>	<i>%</i>
Materials	5 065	4 384	15.53%
Finished products	219	542	-59.59%
Goods	40	229	-82.53%

Work in progress	167	35	377.14%
Total:	5 491	5 190	5.80%

Equity and liabilities

	31.12.2018 BGN '000	31.12.2017 BGN '000	change %
Registered (share) capital	72 200	64 300	12.29%
Statutory reserve	10 601	9 172	15.58%
Retained earnings	11 199	8 831	26.81%
Total Equity	94 000	82 303	14.21%

Liabilities

	31.12.2018 BGN '000	31.12.2017 BGN '000	change %
Non-current liabilities			
Long-term loans	180	590	-69.49%
Deferred tax liabilities	1 264	1 308	-3.36%
Retirement benefit liabilities	119	83	43.37%
Total non-current liabilities	1 563	1 981	-21.10%

	31.12.2018 BGN '000	31.12.2017 BGN '000	change %
Current liabilities			
Trade and other payables	4 186	2 134	96.16%
Short-term loans	9 785	9 784	-0.01%
Current portion of long-term loans	409	491	-16.7%
Current corporate income tax	217	78	178.21%
Other tax liabilities	879	211	316.59%
Total current liabilities	15 476	12 698	21.88%
Total liabilities	17 039	14 679	16.08%
Total equity and liabilities	111 039	96 982	14.49%

Shareholders' equity increased by BGN 11,697 thousand or by 14% to BGN 94,000 thousand by the end of 2018, compared to BGN 82,303 thousand at the end of 2017, mainly as a result of the transfer of the current profit to an increase in the share capital of the company, which from BGN 64 300 thousand at the end of 2017, increased to BGN 72 200 thousand at the end of 2018.

Non-current liabilities decreased by BGN 418 thousand or 21% to BGN 1,563 thousand at the end of 2018, compared to BGN 1,981 thousand at the end of 2017, mainly due to a decrease in long-term liabilities under leasing contracts.

Current liabilities increased by BGN 2,778 thousand or 22%, to BGN 15,476 thousand at the end of 2018, compared to BGN 12,698 thousand at the end of 2017. This is due to the increase in tax liabilities at the end of the year, which are repaid in January 2019. The total exposure of the Company on loans to financial institutions as at 31.12.2018 decreased by BGN 81 thousand compared to 31.12.2017.

Cash flows

	31.12.2018 BGN '000	31.12.2017 BGN '000
Net cash flows from operating activities	2 342	5 395
Net cash flows from investment activities	-1 399	-2 757
Net cash flows from financing activities	-717	-2 664
Net increase/decrease in cash and cash equivalents	226	-26
Cash and cash equivalents on 1 January	24	50
Cash and cash equivalents on 31 December	250	24

Net cash flows increased by BGN 226 thousand in 2018, as a result of which the cash equivalents amounted to BGN 250 thousand.

Financial indicators

	31.12.2018	31.12.2017	change %
Return on equity	0.12	0.11	11.03%
Return on assets	0.10	0.09	10.76%
Assets turnover ratio	0.34	0.34	0.00%
Current liquidity ratio	5.00	4.82	3.79%
Fast liquidity ratio	4.64	4.41	5.24%
Debt factor	0.18	0.18	0.0%
Financial autonomy ratio	5.52	5.61	-1.61%

Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total number of the issued shares as at 31.12.2018 is 72 200 000 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

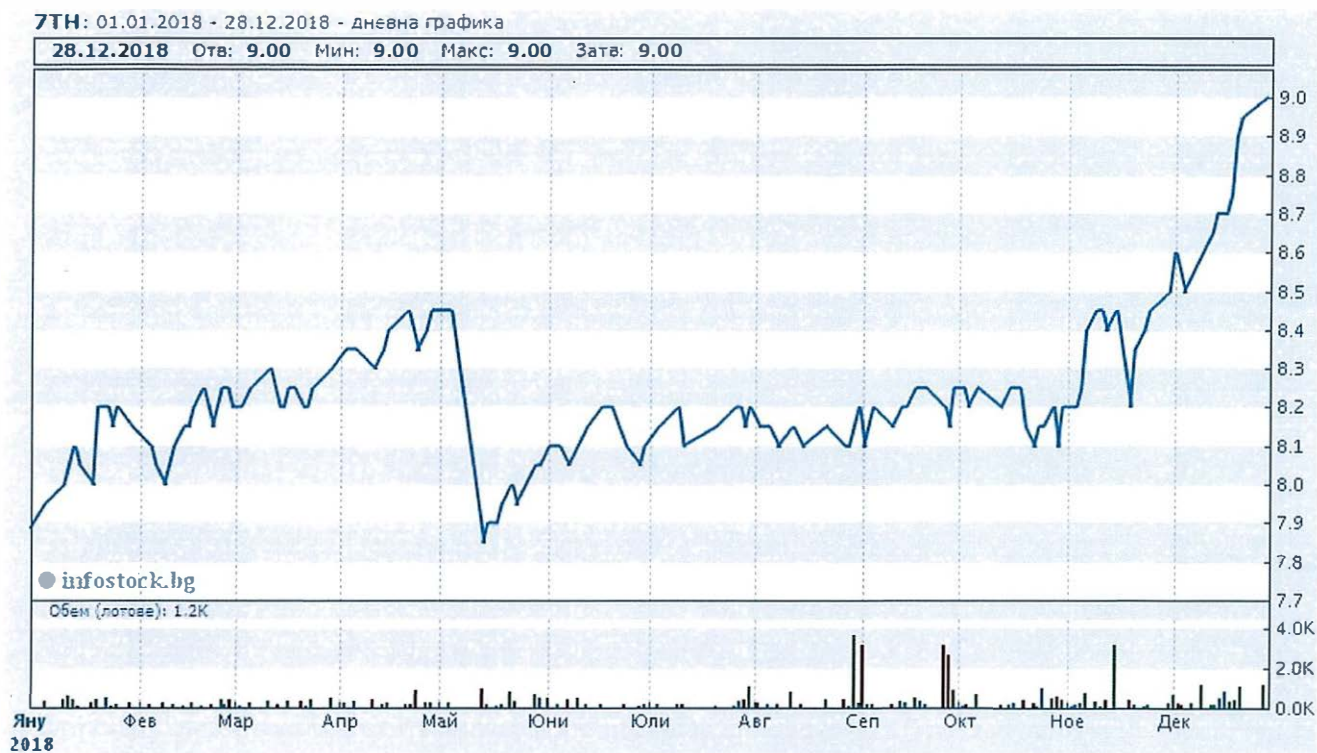
exercised by them because there are no such cases. There are no restrictions on voting rights such as limitations on the voting rights of shareholders with a certain percentage or number of votes, the deadline for the exercise of voting rights, or systems where, with the cooperation of the company, the 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. There are no agreements between the company and its management bodies or employees to pay compensation on leaving or dismissal without a legal basis or upon termination of the employment relationship for reasons related to a tender offering.

Significant indicators for the shares of Tchaikapharma High Quality Medicines Inc

	31.12.2018	31.12.2017
Total number of issued shares	72 200 000	64 300 000
Number of shares in circulation at the end of the period	72 200 000	64 300 000
Net profit per share in BGN	0.16	0.15
Price per share at the end of the period in BGN	9.00	7.89
Book value per share in BGN	1.30	1.28
Price per share/Net profit per share	56.25	52.60
Price per Share/Book Value per Share	6.91	6.16
Market capitalization at the end of the period in BGN	649 800 000	507 327 000



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Biser Georgiev

/ Executive Director /