

# **ACTIVITY REPORT**

For the first quarter  
of 2020



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

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

27.04.2020

## **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 listed in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the Varna District Court as a joint stock company 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 Varna District Court, the name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is listed 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 Varna District Court 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:

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

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

Telephone: (359 2) 960 3724

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

## Important events in the development of the business of the Company

Important events in the development of the Issuer for the last three years:

- Tchaikapharma High Quality Medicines Inc. was not transformed.
- Tchaikapharma High Quality Medicines Inc. was not transferred or pledged.
- There were no significant changes in the scope of activity of Tchaikapharma High Quality Medicines Inc.
- There were no filed claims for opening of insolvency proceedings.
- 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 increase of the capital was done by capitalization of profits pursuant to Art. 197 of the Commercial Code. The capital increase was entered in the Commercial Register of 19.07.2016
- By Decision of the General Meeting of 08.06.2017 the capital was increased from BGN 56 600 000 to BGN 64 300 000, by issuing 7 700 000 (seven million and seven hundred) new ordinary shares with a nominal value of BGN 1 (one). The increase of the capital was done by capitalization of profits pursuant to Art. 197 of the Commercial Code. The capital increase was entered in the Commercial Register of 11.07.2017
- By 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 7 900 000 (seven million and nine hundred) new ordinary shares with a nominal value of BGN 1 (one). The increase of the capital was done by capitalization of profits pursuant to Art. 197 of the Commercial Code. The capital increase was entered in the Commercial Register of 29.05.2018
- By Decision of the General Meeting of 08.04.2019 the capital was increased from BGN 72 200 000 to BGN 82 200 000, by issuing 10 000 000 (ten million) new ordinary shares with a nominal value of BGN 1 (one). The increase of the capital was done by capitalization of profits pursuant to Art. 197 of the Commercial Code. The capital increase was entered in the Commercial Register of 10.05.2019
- The current capital of the Company is BGN 82 200 000 distributed in 82 200 000 ordinary dematerialized voting shares with a par value of BGN 1 (one) each.

Tchaikapharma High Quality Medicines Inc. is one of the fastest growing Bulgarian company specialized in manufacturing high quality and affordable generic and original medicines. The production facilities of the company are built in accordance with European requirements. The company is focused of quality and safety of the production of medicinal products for human medicine. In the years in which the company has been on the market it has proved its honesty and patient care.

## Investments

**Major investments for each of the following financial years: 2017, 2018 and 2019.**

Overview of the investments in fixed assets by type and year is presented in the following table.

<b>Investments for the period</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Tchaikapharma High Quality Medicines Inc.</b>			
I. Fixed tangible assets	2 762	924	2 715
1. Plant, property and equipment	2 760	924	2 617
2. Other fixed assets	2		98
II. Fixed intangible assets	743	274	661
1. Industrial property rights	726	274	637
2. Software	4		10
3. Patents and licenses	43		14
<b>Total amount of acquisition of fixed tangible and intangible assets</b>	<b>3 505</b>	<b>1 198</b>	<b>3 376</b>

## Major investments in progress

In the first quarter of 2020 there were no major investments.

## Economic activity

The entered in the Commercial Register activity of the Company is: purchase of substances and formulations for the production and sale of pharmaceuticals in finished or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original or processed form; barter transactions and commissions; commercial representation of foreign and domestic individuals and legal entities at home and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

Currently the main scope of activity of the Company can be summarized as follows:

- Production
- Packaging (primary and secondary)

- Marketing and promotion of medicines
- Research and Development

Tchaikapharma High Quality Medicines Inc. continuously maintains production facilities in accordance with the modern European standards of Good Manufacturing Practice of pharmaceuticals. Currently the factories of the company produce more than 150 medicinal products. The premises and equipment of the plant are in full compliance with the European requirements for manufacturing of sterile medicinal products.

Qualification was completed and a third tablet machine was put into operation at the Tchaikapharma Plovdiv tablet factory.

The reconstruction of the Chaykafarma tablet factory in Plovdiv has been started in order to increase production capacity.

Laboratory testing of the GraVir and MoriVir products has begun.

Modules 2.4, 2.5, 2.6, 2.7, module 4 and module 5 of the dossier for Cefotaxime and Ceftazidime medicinal products, owned by Tchaikapharma High Quality Medicines AD, are in preparation. Clinical data summaries have been prepared for the following products: Aripipa, Coolsart, Olsart, and Remifentanil-Tchaikapharma.

The renewal procedures of the medicinal products Dexketoprofen, Eesomeprazole, Aripipa, Coolsart, Olsart and Remifentanil-Tchaikapharma for Bulgaria and for the Co-Irbesso, PlaquEx and Irbesso products for Kosovo have been submitted. The Cilostal product is ready for submission in Bulgaria.

Two meta-analyzes are underway to administer chlortalidone in patients with hypertension.

The dossier for a medicinal product with INN hydroxyghloroquine was evaluated.

An audit was conducted in the first months of 2020 to verify compliance with the principles of Good Laboratory Practice by the laboratory. On the basis of the positive evaluation it prepares documents for applying for a certificate certifying compliance with Good Laboratory Practice by the Bulgarian Accreditation Service. Preparations are underway to validate two more analytical methods to be included in the laboratory portfolio.

## Employees

As of 31.03.2020 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 146 (146 as of 31.12.2019). In the table below detailed information about the employees in the company is provided

	<b>31.03.2020</b>	<b>Share</b>
<b>Number of employees as of 31.03.2020</b>	<b>146</b>	<b>100%</b>

Higher education	91	62%
Secondary education	54	37%
Primary education	1	1%
Employees under 30 years	43	29%
Employees 31 - 40 years	57	39%
Employees 41 - 50 years.	38	26%
Employees 51 - 60 years.	5	3%
Employees 60+ years	3	2%
Women	65	45%
Men	81	55%

### Significant events since the beginning of the year until 31.03.2020

In the first quarter of 2020 there were no significant events.

### Key financial indicators

Indicators	01-03/2020 BGN '000	01-03/2019 BGN '000	промяна %
Sales revenue	10 900	9 332	16.80%
Earnings before interest, taxes and depreciation (EBITDA)	3 142	4 337	-27.55%
Net profit	1 979	3 153	-37.23%
	01-03/2020 BGN '000	01-12/2019 BGN '000	промяна %
Non-current assets	34 602	35 056	-1.30%
Current assets	81 838	82 824	-1.19%
Equity	98 522	96 543	2.05%
Non-current liabilities	3 311	3 504	-5.51%
Current liabilities	14 607	17 833	-18.09%
	01-03/2020	01-03/2019	
EBITDA/Sales revenue	29%	47%	
Net profit/Sales revenue	18%	34%	

### Review of the risk factors

- The Company's activities could be affected by any change in the regulatory requirements for the production of pharmaceutical products.

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

### Sales by types of dosage forms

<b>Revenue by dosage forms</b>	<b>01-03/2020</b>	<b>01-03/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Tablets	9 405	8 555
Ampules	235	-
Vials	1 199	769
<b>Total:</b>	<b>10 839</b>	<b>9 324</b>

<b>Revenue by therapeutic groups</b>	<b>01-03/2020</b>	<b>01-03/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Cardiovascular system	8 223	7 573
Musculoskeletal system and connective tissue	-	33
Respiratory system and antibiotics	941	710
Nervous system	302	241
Endocrine system	757	767
Other products	298	-
Digestive system and metabolism	318	-
Oncology	-	-
<b>Total:</b>	<b>10 839</b>	<b>9 324</b>

Changes in the inventories of products and work in progress	150	(454)
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Other operating income	01-03/2020 BGN '000	01-03/2019 BGN '000
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Income from rent	7	8
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Other income	52	-
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<b>Total:</b>	<b>59</b>	<b>8</b>
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Financial income	01-03/2020 BGN '000	01-03/2019 BGN '000
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Income from interest		
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Income from exchange rate differences	14	2
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Other financial income	-	-
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<b>Total:</b>	<b>14</b>	<b>2</b>
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## Core activity expenses

Operating expenses	01-03/2020 BGN '000	01-03/2019 BGN '000
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Book value of sold products	145	35
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Materials	3 512	2 750
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External services	2 773	1 307
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Salaries	920	836
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Social security costs	179	154
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Depreciation costs	1 021	944
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Other	42	335
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<b>Total:</b>	<b>8 592</b>	<b>6 361</b>
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Cost of materials	01-03/2020 BGN '000	01-03/2019 BGN '000
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Basic material	3 246	2 433
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Electricity	82	97
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Fuels and lubricants	11	14
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Spare parts and laboratory materials	65	32
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Water	4	6
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Other materials	104	168
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<b>Total:</b>	<b>3 512</b>	<b>2 750</b>
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Costs of external services	01-03/2020 BGN '000	01-03/2019 BGN '000
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Rents	-	57
Security	100	65
Insurance	5	7
Telephone and postage expenses	6	8
Equipment maintenance and subscription	34	21
Fees	74	47
Transport costs	14	15
Other costs for external services	2 540	1 087
<b>Total:</b>	<b>2 773</b>	<b>1 307</b>

<b>Financial expenses</b>	<b>01-03/2020</b>	<b>01-03/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Interest expenses	52	56
Expenses from exchange rate differences	41	23
Other financial expenses	10	11
<b>Total:</b>	<b>103</b>	<b>90</b>

## Assets

	<b>01-03/2020</b>	<b>01-12/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Non-current assets</b>		
Property, plant and equipment	26 633	26 981
Intangible assets	2 671	2 725
Assets with usable assets	368	420
Trade receivables	4 930	4 930
<b>Total non-current assets</b>	<b>34 602</b>	<b>35 056</b>
<b>Current assets</b>		
Inventories	7 839	8 763
Trade and other receivables	73 855	74 020
Treasury shares redeemed	-	-
Current corporate income tax	1	1
Cash and cash equivalents	143	40
<b>Total current assets</b>	<b>81 838</b>	<b>82 824</b>
<b>Total Assets</b>	<b>116 440</b>	<b>117 880</b>

	<b>01-03/2020</b>	<b>01-12/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Property, plant and equipment</b>		
Land and buildings	11 280	11 390
Machinery and equipment	11 473	11 971

Other	155	164
In the process of acquisition	3 725	3 456
	<b>26 633</b>	<b>26 981</b>

<b>Inventories</b>	<b>01-03/2020</b>	<b>01-12/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Materials	5 330	6 473
Production	804	891
Goods	621	250
Work in progress	1 084	1 149
<b>Total:</b>	<b>7 839</b>	<b>8 763</b>

## Equity and liabilities

	<b>01-03/2020</b>	<b>01-12/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
Registered capital	82 200	82 200
Statutory reserve	11 775	11 775
Undistributed profit	4 547	2 568
<b>Total Equity</b>	<b>98 522</b>	<b>96 543</b>

## Liabilities

	<b>01-03/2020</b>	<b>01-12/2019</b>
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Non-current liabilities</b>		
Long-term loans	1 844	2 037
Deferred tax liabilities	1 308	1 308
Liabilities to employees on retirement	159	159
<b>Total non-current liabilities</b>	<b>3 311</b>	<b>3 504</b>

## Current liabilities

Trade and other liabilities	3 944	7 095
Short term loans	9 784	9 784
Current part of long-term loans	654	616
Current corporate income tax	-	142
Other tax liabilities	225	196
<b>Total current liabilities</b>	<b>14 607</b>	<b>17 833</b>
<b>Total liabilities</b>	<b>17 918</b>	<b>21 337</b>
<b>Total equity and liabilities</b>	<b>116 440</b>	<b>117 880</b>

## Financial indicators

	<b>01-03/2020</b>	<b>01-03/2019</b>
Debt ratio	0.18	0.16

Financial autonomy ratio

5.50

6.08

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

The total amount of shares issued as of 31.03.2020 was 82 200 000 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.

	1-03/2020	1-03/2019
Total number of issued shares	82 200 000	72 200 000
Number of shares in circulation at end of period	82 200 000	72 200 000
Price per share at the end of the period in BGN	11.60	9.50
Market capitalization at the end of the period in BGN	953 520 000	685 900 000

Biser Georgiev

/Executive Director/

