

INDEPENDENT AUDITOR'S REPORT

TO

THE SHAREHOLDERS OF

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

SOFIA, BULGARIA

Opinion

We have made an audit of the consolidated financial statements of Tchaikapharma High Quality Medicines Inc. (the Company) containing the statement of financial position as of December 31, 2021 and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year ended on that date, as well as the clarification notes to the consolidated financial statements, containing also summary disclosures of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and its financial results of operations and cash flows for the year ending on that date, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis of the opinion

We have made our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the section "Auditor's responsibilities for the audit of the consolidation financial statements" of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) of International Ethics Standards Board for Accountants (Code of IESBA), together with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated financial statements in Bulgaria, having fulfilled all our other ethical responsibilities in accordance with the IFAA and the Code of IESBA. We believe that the audit evidence we have received is sufficient and appropriate to provide a basis for our opinion.

Key auditors' issues

Key audit issues are those that, in our professional judgment, have been of the highest importance in the audit of the consolidated financial statements for the current period. These issues are addressed as part of our audit of the consolidated financial statements as a whole and for the formation of our opinion thereon, and we do not provide a separate opinion on these issues.

Key auditor's issue	How this key audit issue was addressed in our audit
<p><i>For macroeconomic and internal organizational reasons, the company has identified a risk of cost formation, write-off in consumption and sales, confirmation with inventory checks, possible overestimation of inventory in the consolidated financial statements of the company. The company operates in a dynamic market with strong competitiveness and sometimes unanticipated changes in demand, which necessitates periodic changes in the production program and technology. Inventories have a significant share in the company's assets, and are around 11 million BGN at book value as at 31.12.2021, almost entirely in the form of materials, and to a lesser extent in the form of production and goods.</i></p> <p><i>During the year, turnovers around 44 million BGN are generated from the receipts and write-offs of inventories. Based on the formed cost of production, in which materials are mainly involved, a large part of the company's profit after the sale of production is accumulated. The reliability of the consolidated financial statement depends to a large extent on the formation and write-off of the cost of inventories, the carrying out of an annual inventory and, if necessary, the impairment of individual asset nomenclatures.</i></p> <p><i>Due to the material value of inventories, for us as auditors, this requires special attention and analysis of the proper valuation of inventories in the consolidated financial statements of the</i></p>	<p>During our audit, we have evaluated the adequacy and consistency of the accounting policies applied by the company in relation to the inventories cost formation. During our audit, we have evaluated the adequacy and consistency of the accounting policies applied by the company in relation to inventory write-offs for consumption and sales. During our audit, we have evaluated the adequacy and consistency of the accounting policies applied by the company in relation to the carrying out of inventory checks prior to the preparation of the annual consolidated financial statements.</p> <p>During our audit, we have evaluated the adequacy and consistency of the accounting policies applied by the company in relation to inventory impairment testing.</p> <p>We checked the methodologies used to determine the cost of materials and goods and the cost of production. We checked the methodologies used to write off at the standard cost of materials in use and of products and goods at sale, with subsequent adjustments to the actual cost of acquisition.</p> <p>We checked the inventory-check procedures used before the annual consolidated financial statements preparation, and participated in part of the inspections. We checked the methodologies used for calculating the immobility of inventories and the possibilities for their future use in</p>

<p><i>company at the end of the financial year, and we have identified this issue as a key one.</i></p>	<p>production or sale under dynamic market conditions.</p> <p>We have reviewed for adequacy the market data used by the company in the inventory impairment test. We tested the effectiveness and consistent application of the control procedures put in place by the company related to the current and annual inventory assessment.</p> <p>Based on our procedures, we have not identified any material problems related to cost formation, write-offs for consumption and sales, inventory-check confirmation, possible overestimation of inventories in the company's consolidated financial statements.</p>
---	---

Emphasis of matter

We draw attention to Explanatory Note 22 Events Following the Report Date to the Annual Consolidated Financial Report, which describes the continuing effects of the pandemic during 2022 has a positive tendency for the removal of part of the restrictive measures, implemented by the government. It is possible that additional effects on the company's business activities may arise. Those possible effects depend on factors beyond the influence of the company, which does not allow for the company's management to measure them sufficiently.

Our opinion is not modified in respect of this matter.

We draw attention to Explanatory Note 22 Events Following the Report Date to the Annual Consolidated Financial Report, which describes the management's evaluation of the actual and potential influence of the consequences of the military actions in Ukraine, on the company. Those possible consequences depend on factors beyond the influence of the company, which does not allow for the company's management to measure them sufficiently.

Our opinion is not modified in respect of this matter.

Other information, different from the consolidated financial statement and the auditor's report thereon

The management is responsible for the other information. Other information consists of an activity report, incl. corporate governance statement and the report on the implementation of the remuneration policy prepared by the management under Chapter Seven of the Accounting Act but does

not include the consolidated financial statement and our audit report thereon that we received before the date of our auditor's report.

Our opinion on the consolidated financial statement does not cover other information, and we do not express any form of security conclusion about it unless explicitly stated in our report and to the extent that it is stated.

In connection with our audit of the consolidated financial statements, it is our responsibility to read the other information and thus evaluate whether that other information is materially inconsistent with the consolidated financial statement or our knowledge acquired during the audit, or otherwise seems to contain material misreporting. If, on the basis of the work we have done, we conclude that there is material misreporting in this other information; we are required to report this fact.

We have nothing to report in this regard.

Responsibilities of the management and the people in charge of the general management for the consolidated financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs applicable in the EU and for such internal control systems as the management deems necessary to ensure the preparation of the consolidated financial statements that do not contain material misstatements, whether due to fraud or mistake.

In the consolidated financial statements preparation, the management is responsible for evaluating the ability of the Company to continue to function as a going concern, disclosing, where applicable, issues related to the going concern assumption and using the accounting basis based on the going concern assumption, unless the management intends to liquidate the Company or to cease its activity, or if the management has practically no alternative but to do so.

The persons in charge of the general management are responsible for the Company's financial reporting process supervision.

Auditor's Responsibilities for the Consolidated Financial Statements Audit

Our goals are to obtain a reasonable degree of certainty as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. A reasonable degree of security is a high degree of certainty, but there is no guarantee that an audit performed in accordance with the Independent Financial Audit Act and ISA will always reveal material misstatement, if available. Misstatements may result from fraud or error and are considered material if it could reasonably be expected that they, alone or as a whole, could influence the economic decisions of consumers made on the basis of this consolidated financial report.

As part of the ISA-compliant audit, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and evaluate the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, develop and implement audit procedures to address those risks, and obtain audit evidence that is sufficient and relevant to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than the risk of material misstatement resulting from an error, as fraud may include collusion, falsification, deliberate omissions, statements to mislead the auditor, as well as neglecting or circumventing internal control.
- obtain an understanding of the internal control relevant to the audit to develop audit procedures that are appropriate in the particular circumstances, but not aimed to express an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of the management's use of accounting basis on the assumption of a going concern and on the audit evidence obtained, whether there is a material uncertainty about events or conditions that could give rise to significant doubts about the Company's ability to continue to operate as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our audit report to the disclosures related to that uncertainty, or if those disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained by the date of our audit report. However, future events or conditions may cause the Company to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way as to achieve fair presentation.

We communicate with the management, among other issues, the intended scope and timing of the audit and the material audit findings, including material deficiencies in the internal control that we identify during our audit.

We also provide the people in charge of the general management with a statement that we have met the applicable ethical requirements regarding independence and that we will communicate with them all relationships and other issues that might reasonably be considered relevant to our independence, and, where applicable, related precautions.

Among the issues communicated with the people in charge of the general management, we identify those matters that were most relevant to the audit of the consolidated financial statements for the current period and which are therefore key audit matters. We describe these issues in our audit report, except in cases where a law or regulation impedes the public disclosure of information about that matter or when, in very rare cases, we decide that a matter should not be communicated in our report, as it would reasonably be expected that the adverse effects of this action would outweigh the public interest benefits of such communication.

Report related to other legal and regulatory requirements
Additional reporting issues stipulated in the Accounting Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting under ISA described above in the section "Other information, different from the consolidated financial statement and the audit report thereon" in respect of the activity report, the corporate governance statement and the report on the implementation of the remuneration policy, we also implemented the procedures added to the ISAs required under the "Guidelines for New and Extended Audit Reports and Auditor Communication" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures concern checks for the availability and format and content of such other information in order to assist us in forming an opinion on whether the other information includes disclosures and reporting, provided for in Chapter Seven of the Accountancy Act and the Public Offering of Securities Act, (Art. 100(n), para. 10 of POSA in connection with Art. 100(n), para. 8, items 3 and 4 of POSA) applicable in Bulgaria.

Opinion in connection with Art 37, para. 6 of the Accounting Act

Based on the procedures performed, our opinion is that:

- a) The information included in the activity report for the financial year the consolidated financial statement was prepared for is consistent with the consolidated financial statement.
- b) The activity report has been prepared in accordance with the requirements of Chapter Seven of the Accounting Act and of Art. 100(n), para. 7 of the Public Offering of Securities Act.
- c) The corporate governance statement for the financial year the consolidated financial statements have been prepared for presents the information required under Chapter Seven of the Accounting Act and Art. 100(n), para. 8 of the Law on Public Offering of Securities.
- d) The report on the implementation of the remuneration policy for the financial year for which the consolidated financial statements are drawn up has been submitted and complies with the requirements laid down in the regulation referred to in Article 116c(l). 116(1) of the Public Offering of Securities Act.

Opinion under Art. 100(n), para. 10 in connection with Art. 100(n), para. 8, items 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding of the enterprise's activities and the environment in which it operates, in our opinion, the description of the main features of the entity's internal control and risk management systems in relation to the financial reporting

process, which is part of the activity report (as an element of the contents of the corporate governance statement) and the information 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 April 21, 2004 on takeover proposals do not contain cases of material misreporting.

Additional reporting on the audit of the consolidated financial statements in connection with Art. 100(n), para. 4, item 3 of the Public Offering of Securities Act

Statement regarding Art 100(n), para. 4, item 3, "b" of the Public Offering of Securities Act

Information concerning related party transactions is disclosed in the Appendix to the consolidated financial statements. Based on our audit procedures for related party transactions as part of our audit of the consolidated financial statements as a whole, we are not aware of facts, circumstances, or other information that may lead us to conclude that related party transactions have not been disclosed in the accompanying consolidated financial statements for the year ended December 31, 2021, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures for related party transactions are considered by us in the context of forming our opinion on the consolidated financial statements as a whole, and not for the purpose of expressing a separate opinion on related party transactions.

Statement regarding Art. 100(n), para. 4, item 3,1. "C" of the Public Offering of Securities Act

Our audit responsibilities for the consolidated financial statements as a whole, described in the section of our report titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements", include evaluating whether the consolidated financial statements present material transactions and events in a way to achieve fair presentation. Based on our audit procedures for the material transactions underlying the consolidated financial statements for the year ended December 31, 2021, we are not aware of any facts, circumstances or other information from which we can conclude that there are cases of material misstatement and disclosure in accordance with the applicable IFRS requirements adopted by the European Union. The results of our audit procedures for the material transactions and events of the Company are considered by us in the context of the formation of our opinion on the consolidated financial statements as a whole, and not for the purpose of expressing a separate opinion on those material transactions.

Reporting in accordance with the electronic format of the consolidated financial report, included in the annual consolidated financial report in connection with Art. 100(n), para. 5 of the Public Offering of Securities Act in regards with the requirements of the ESEF Regulation.

We have performed and engagement to obtain a reasonable degree of certainty in regards to the conformity between the electronic format of the consolidated financial report of Tchaikapharma High Quality Medicines Inc. for the year ending on the 31st of December 2021, attached in the electronic file "5299003VDHTK75D1JE38-20211231-BG-CON", and the requirements of the Commission Delegated

Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation). Our statement addresses solely the electronic format of the consolidated financial statement and does not cover any other information included in the consolidated financial statement in connection to the Art. 100(n), para. 5. of the Public Offering of Securities Act.

Description of the subject and the applicable criteria

The management has prepared a electronic format of the consolidate financial statement of the group for the year ending on the 31st December 2021 accordance with the ESEF Regulation in order to comply with the requirements of the Public Offering of Securities Act. The rules for preparing of a consolidated financial statement in this electronic format are stated in the ESEF Regulation and in our opinion have the characteristics of suitable criteria to form a statement of reasonable degree of certainty.

Management's responsibilities and the people in charge of the general management

The group's management is responsible for the implementation of the requirements of the ESEF Regulation when preparing the electronic format of the consolidated financial statement in XHTML. These responsibilities include the selection and application of the suitable iXBRL tagging, using the ESEF Regulation's taxonomy, as well as the introduction and application of such a system of internal control that the management considers as necessary for the preparation of the electronic format of the group's annual consolidated financial statement, which will not contain significant deviations from the requirements of the ESEF Regulation.

The people in charge of the general management are responsible for conducting the supervision over the process of preparation of the group's annual consolidated financial statement, including the implementation of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion for a reasonable degree of certainty in regards to the matter of the compliance of the electronic format of the consolidated financial statement with the requirements of the ESEF Regulation. For this purpose we implemented the "Instructions regarding the basis of auditor's opinion in relation to the implementation of the application of the European Single Electronic Format (ESEF) for the financial statements of companies with securities listed on a European Union (EU) regulated market" by the professional organization of the statutory auditors of Bulgaria, The Institute of Certified Public Accountants (ICPA) and we preformed an engagement for expressing of a reasonable degree of certainty in accordance with ISAE 3000 (revised) "Assurance engagements other than audits or reviews of historical financial information" (ISAE 3000 (revised)). This standard requires of us to comply with the ethical requirements, to plan and perform the suitable procedures, in order for

us to reach a reasonable degree of certainty in regards to the preparation of the of the electronic format of the group's consolidated financial statement in compliance in all aspects with the applicable criteria, stated above. The character, time period and range of the selected procedures depend on our professional judgment, including the estimation of the risk of significant deviations from the requirements of the ESEF Regulation, regardless of whether they are due to fraudulence or mistake.

The reasonable degree of certainty is a high degree of certainty but it is not a guarantee that an engagement performed in conformity with the ISAE 3000 (revised) will always reveal the significant deviation from the requirements, when such exists.

Requirements for quality control

We apply the requirements of the International Quality Control Standards (IQCS) 1 and we maintain an extensive quality control system, including documented policies and procedures regarding the compliance with the ethical requirements, the professional standards and the applicable statutory and regulatory requirements to the registered auditors in Bulgaria.

We meet the ethical requirements for independence of The International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (the Code of IESBA), adopted by the Institute of Certified Public Accountants (ICPA) through the Independent Financial Audit Act.

Summary of the performed procedures

The purpose of the planned and performed by us procedures was the reaching of a reasonable degree of certainty that the electronic format of the consolidated financial statement is prepared in all material respects in compliance with the requirements of the ESEF Regulation. As part of the evaluation of the compliance with the requirements of the ESEF Regulation in regards to the electronic (XHTML) format for reporting of the group's consolidated financial statement, we maintained our professional skepticism and used professional judgment. We also have:

- Achieved an understanding regarding the internal control and the processes related to the implementation of the ESEF Regulation in regards to the group's consolidated financial statement and including the preparation of the group's consolidated financial statement in XHTML format and its tagging in machine-readable language (iXBRL);
- Verified that applied XHTML format is valid;
- Verified that the human-readable part of the electronic format of the consolidated financial statement corresponds with the audited consolidated financial statement;
- Judged the completeness of the tags in the group's consolidated financial statement when using the machine-readable language (iXBRL) in accordance with the ESEF Regulation;
- Judged the relevance of the used iXBRL tags, chosen from the general taxonomy, as well as the creation of an element of the large-scale taxonomy in accordance with the ESEF Regulation, in the case of missing appropriate element in the general taxonomy;

We judge the appropriateness of the correspondence (fixing) of the elements of the large-scale taxonomy in relation to the ESEF Regulation.

We consider that the evidence gathered by us is sufficient and appropriate to secure our basis of our opinion.

Statement regarding the conformity of the electronic format of the consolidated financial statement with the requirements of the ESEF Regulation

Based on the preformed procedures, our opinion is that the electronic format of the group's consolidated financial statement ending on the 31st December 2021, contained in the attached file "5299003VDHTK75D1JE38-20211231-BG-CON", is completed in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting under Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we further report the information below.

- Asen Kitov was appointed as a statutory auditor of the consolidated financial statements for the year ending December 31, 2021 at Tchaikapharma High Quality Medicines Inc. at the General Meeting of Shareholders held on 14.06.2021 for a period of one year.
- The audit of the consolidated financial statements for the year ended December 31, 2021 of the Company is the first commitment to statutory audit of that entity as a business of public interest, carried out by us.
- We confirm that our auditor's opinion is in accordance with the supplementary report submitted to the Audit Committee of the Company in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided the prohibited services specified in Art. 64 of the Independent Financial Audit Act outside the audit.
- We confirm that in the course of our audit we have maintained our independence from the Company.
- For the period covered by our statutory audit, apart from the audit, we have not provided additional services to the Company that are not specified in the Company's activity report or consolidated financial statements.

Sofia, Bulgaria
21.04.2022

Registered Auditor:
/Asen Kitov /

35 Trakia Str., floor 2, office 6
Tel: +359 (0) 879660818;
E-mail: akconsult.audit@gmail.com ;
akc@techno-link.com