

## CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2020

FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

PREPARED ACCORDING TO

INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE  
EUROPEAN UNION

### TABLE OF CONTENTS

Introduction to the consolidated financial statements of the BIOTON S.A. Capital Group 3

Consolidated income statement	33
Consolidated total comprehensive income statement	34
Consolidated balance sheet	35
Consolidated cash-flow statement	37
Consolidated statement of changes in equity	38
Explanatory notes to the consolidated financial report	40

### 1.1 CONSOLIDATED FINANCIAL STATEMENTS OF BIOTON S.A. CAPITAL GROUP AS OF 31 DECEMBER 2020 WITH COMPARATIVE DATA AS OF 31 DECEMBER 2019, PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS VERSION APPROVED BY THE EUROPEAN UNION.

#### INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BIOTON S.A. CAPITAL GROUP

##### 1.1.1 Information about the dominant entity

BIOTON Spółka Akcyjna (Company) with registered seat in Warsaw, ul. Starościeńska 5, 02 -516 Warsaw, is registered under the number 0000214072 at the District Court for the Capital City of of Warsaw in Warsaw, 13th Commercial Division of the National Court Register

There have been no changes in the entity name since the end of the previous reporting period.

The basic object of activity of BIOTON S.A. is manufacturing of medicines and pharmaceutical preparations and production of pharmaceutical substances. The place of business is Macierzysz, ul. Poznańska 12, 05-850 Ożarów Mazowiecki

##### 1.1.2 Periods for which consolidated financial statements and comparative financial data is presented

The consolidated financial statements have been prepared as of December 31, 2020 together with comparative data as at December 31, 2019. The consolidated financial statements cover the accounting period from 1st January 2020 to 31 December 2020. The comparative fiscal period covers financial data for the period from 1st January 2019 to 31st December 2019. The consolidated financial statements have been approved for publication by the BIOTON Management Board on March 31, 2021

##### 1.1.3 Composition of the Managing Board and Supervisory Board of BIOTON S.A.

###### Composition of the Management Board of BIOTON S.A.:

Mr. Jeremy Launders (President of the Management Board)

Mr. Adam Polonek (Member of the Management Board).

The history of changes in the composition of the Management Board in the financial year 2020, until the date of publication of this statements:

- on October 30, 2020, Mr. Robert Neymann resigned from the position of the President of the Management Board of the Company. The reason for the resignation were personal matters.

###### Current composition of the Supervisory Board of BIOTON S.A.:

- Mr. Dariusz Trzeciak (Vicepresident of the Supervisory Board who meets the criteria referred to in § 18 it. 1 points 2 - 4 of the Company's Articles of Association);
- Mr. Ramesh Rajentheran (Vicepresident of the Supervisory Board who meets the criteria referred to in § 18 it. 1 points 2 - 4 of the Company's Articles of Association);
- Mr. Jubo Liu (Member of the Supervisory Board);
- Mr. Vaidyanathan Viswanath (Member of the Supervisory Board);
- Ms Nicola Cadei (Member of the Supervisory Board);
- Mr. Wei Ming Tan (Member of the Supervisory Board);

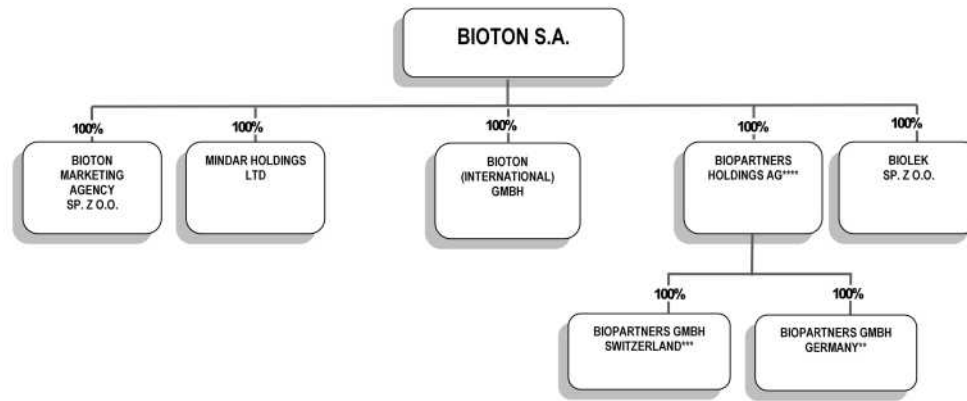
History of changes in the composition of the Supervisory Board since 01.01.2020 until the publication date of the financial statements:

- on March 16, 2021, the Company received the resignation of Dr. Hao Fan from the position of the Chairman of the Supervisory Board. The reason for the resignation were personal matters.

##### 1.1.4

##### Information on the Capital Group

The ownership structure of the BIOTON S.A. Group as of 31 December 2020 was as follows:



\* On 14 December 2018, the Extraordinary General Meeting of Shareholders of Germonta Holdings Ltd adopted a resolution on the liquidation of the company.

\*\* The Management Board of Biopartners GmbH Germany adopted a resolution to liquidate the company on November 8, 2018.

\*\*\* On 12 March 2019, Biopartners GmbH Switzerland filed for bankruptcy.

\*\*\*\* On 13 March 2019, Biopartners Holdings AG filed for bankruptcy. Bankruptcy proceedings regarding Biopartners Holdings AG were closed on 08/05/2019.

Germonta Holdings Ltd with its seat in Nicosia (Cyprus), in which BIOTON SA held 100% of shares, was liquidated on September 26, 2020.

**(a) Subsidiaries directly dependent from BIOTON S.A.**

**BIOTON MARKETING AGENCY Sp. z o.;**

BIOTON SA holds 100% shares in the share capital of BIOTON MARKETING AGENCY Sp. z o.o., which entitle to 100% votes at the shareholders' meeting of this company. On April 11, 2012, the company changed its name from BIOTON Trade Sp. z o. o. to BIOTON MARKETING AGENCY Sp. z o. o. BIOTON SA obtained control over BIOTON MARKETING AGENCY Sp. z o.o. on July 1, 1998.

General information about BIOTON MARKETING AGENCY Sp. z o.o.:

Company and legal form: →BIOTON MARKETING AGENCY Limited liability company

(previously BIOTON Trade Sp. z oo)

Seat and address: ul. Poznańska 12, Macierzysz, 05-850 Ożarów Mazowiecki

Scope of business activity: Advertisement activity

**Biopartners Holdings AG**

BIOTON S.A. was the owner of 100% shares in the share capital of Biopartners Holdings AG, which give 100% of votes at the general meeting of this company. BIOTON SA took control of Biopartners Holdings AG on March 9, 2007. On March 13 2019 the company

Biopartners Holdings AG has filed for bankruptcy. Bankruptcy proceedings was completed on May 8, 2019.

General information about Biopartners Holdings AG:

Company and legal form: Biopartners Holdings AG

Seat and address: Lindenstrasse 10, 6340, Baar, Switzerland

Scope of activity: In 2019, the company did not conduct any operating activities..

**Mindar Holdings Ltd**

BIOTON SA is the owner of 100% of shares in the share capital of Mindar Holdings Ltd, which entitle to 100% votes at general meeting of this company. The acquisition of Mindar shares and the acquisition of control took place on March 30, 2006.

General information about Mindar Holdings Ltd:

Company and legal form: Mindar Holdings Limited

Seat and address 2-4 Arch.Makarios III Avenue. Capital Center, 9th floor, 1065 Nicosia, Cyprus  
Cyprus

Scope of activity: Advisory services, company management.

**Germonta Holdings Ltd.**

BIOTON S.A. was the owner of 100% shares in the share capital of Germonta Holdings Ltd, which gives right to 100% of votes at the general meeting of this company. The acquisition of shares in Germonta Holdings Ltd. and the acquisition of control took place on December 29, 2006. On December 14, 2018, the Extraordinary General Meeting of Shareholders of Germonta Holdings Ltd. adopted a resolution on the liquidation of the company. The company was liquidated on September 26, 2020.

General information about Germonta Holdings Ltd:

Company and legal form: Germonta Holdings Limited

Seat and address: 2-4 Arch. Makarios III Avenue. Capital Center, 9th floor, 1065 Nikosia, Cyprus  
Cyprus

Scope of activity: Advisory services, company management.

**BIOLEK Sp. z o.o.**

BIOTON S.A. holds 100% shares in the share capital of BIOLEK Sp. z o.o., which entitle to 100% votes at the shareholders' meeting of this company. BIOTON SA gained control over the company BIOLEK Sp. z o.o. on October 19, 2011.

General information about BIOLEK Sp. z o.o.:

Company and legal form: BIOLEK Spółka z ograniczoną odpowiedzialnością

Seat and address: Macierzysz, ul. Poznańska 12, 05-850 Ożarów Mazowiecki

Subject of activity: Production of basic pharmaceutical substances and medications and other pharmaceutical products.

**BIOTON International GmbH**

BIOTON S.A. holds 100% shares in the share capital of BIOTON International GmbH, which entitles to 100% votes at the shareholders' meeting of this company. Until September 18, 2018 Germonta Holdings Limited was the owner of 100% shares in BIOTON International GmbH. The transfer of shares took place as a result of the agreement between BIOTON S.A. and Germonta Holdings Limited for the transfer of shares of BIOTON International GmbH.

General information about BIOTON International GmbH:

Company and legal form: BIOTON International GmbH

Seat and address: Lindenstrasse 10, 6340, Baar, Switzerland

Subject of activity: Possession of rights for registration, distribution and sale and selected rights for perpetual property.

**(b) Indirect subsidiaries by Biopartners Holdings AG**

The bankruptcy proceedings of Biopartners Holdings AG ended on May 8, 2019.

BioPartners GmbH based in Baar (Switzerland) and BioPartners GmbH based in Reutlingen (Germany) were entered in the commercial register as "in liquidation". The process of removing companies from the commercial register is under approval by the relevant authorities.

**Biopartners GmbH (Switzerland)**

Biopartners Holdings AG is the owner of 100% shares in the share capital of Biopartners GmbH (Switzerland), which gives right to 100% of votes at the general meeting of this company. BIOTON Group gained control over Biopartners GmbH (Switzerland) as a result of obtaining control over Biopartners Holdings AG on March 9, 2007.

General information Biopartners GmbH (Switzerland):

Company and legal form: Biopartners GmbH (Szwajcaria)

Seat and address: Lindenstrasse 10, 6340, Baar, Switzerland

Scope of activity: Rozwój, produkcja i sprzedaż produktów leczniczych.

**Biopartners GmbH (Germany)**

Biopartners Holdings AG is the owner of 100% shares in the share capital of Biopartners GmbH (Switzerland), which entitle to 100% of votes at the general meeting of this company. The BIOTON Group gained control over Biopartners GmbH (Germany) as a result of obtaining control over Biopartners Holdings AG on March 9, 2007. On November 8, 2018, the management board of GmbH (Germany) adopted a resolution to liquidate the company. Until the date of publication of this report, the liquidation of Biopartners GmbH (Germany) has not been completed.

General information Biopartners GmbH (Germany):

Company and legal form: Biopartners GmbH (Niemcy)

Seat and address: Kaiserpassage 11, D-72764 Reutlingen, Germany

### 1.1.4 Statement of conformity

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union as of December 31, 2020, and to the extent not covered by the above standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351 as amended) and executive regulations issued on its basis.

As of January 1, 2005, the amendment to the Accounting Act (article 45 it. 1a-1c of the Accounting Act) imposed on the Group the obligation to prepare consolidated financial statements in accordance with IFRS, which were approved by the European Union. As of the date of publication of these consolidated financial statements, taking into account the process of adapting IFRS by the European Union, there are no differences in accounting principles adopted by the Group in accordance with IFRS and IFRS, which have been approved by the European Union.

The Group did not use the possibility of early application of new standards and interpretations that have already been published and approved by the European Union or are expected to be approved in the near future and which will take effect after the balance sheet date.

#### **(a) New standards and changes to existing standards applied for the first time in the Group's financial statements in 2020**

The following new or amended standards and interpretations have been in force since the beginning of the financial year issued by the International Accounting Standards Board (IASB) or the Interpretation of International Finnish Reporting.

##### **a) Amendment to IFRS 3 Business Mergers**

The amendment to IFRS 3 was published on 22 October, 2018 and applies to annual periods beginning on or after 1 January 2020.

The purpose of the amendment was to clarify the definition of a project *business* and easier to distinguish between acquisitions of "ventures" on groups of assets for the purpose of settling mergers.

##### **b) Amendments to IAS 1 and IAS 8: Definition of "material"**

The amendment to IAS and IAS 8 were published on 31 October, 2018 and apply to annual periods starting on or after 1 January 2020.

The purpose of the changes was to clarify the definition of "materiality" and facilitate its practical application.

##### **c) Reform of reference interest rates (reference rates) - Amendments to IFRS 9, IAS 39 and IFRS 7**

The amendment to IFRS 9 and IAS 39 and IFRS 7 were published on 26 September 2019 and apply to annual periods starting on or after 1 January 2020

The changes modify the detailed requirements of hedge accounting in order to minimize (eliminate) potential effects of uncertainty related to the benchmark (interbank) interest rate reform. Also, units will be obligated to add additional disclosures about those hedging relationships directly affected by the uncertainty related to the reform.

In addition, from June 1, 2020, after adoption by the European Commission in October 2020, the Group applies the Amendment to IFRS 16 Leasing: Covid-19 Reliefs. The change was published on May 28, 2020 and is effective for annual periods beginning on or after June 1, 2020, with early application permitted. The change introduces in IFRS 16 a simplification, allowing not to recognize a modification of a lease agreement when, for example, there were changes on Covid-19 pandemic payments.

#### **Published standards and interpretations that are not yet in effect and have not been applied by the Company before**

In this financial report the Company decided not to apply the following published standards, interpretations or amendments to existing standards prior to the date of their entry into force. The following standards and interpretations have been issued by the International Accounting Standards Board or the International Committee for the Interpretations of International Financial Reporting, and have not yet come into force on the balance sheet date:

##### **a) IFRS 17 Insurance Contracts.**

The new standard was published on 18 May 2017, and then changed on 25 June 2020 and has applicable to annual periods beginning on or after 1 January 2023. It is allowed to apply it earlier (on condition that IFRS 15 and IFRS 9 are applied simultaneously). The standard replaces the existing regulations relating to insurance contracts (IFRS 4). On 25 June 2020, IFRS 4 was also amended - with regard to extension of the period of exemption of insurers from the application of IFRS 9 *Financial Instruments* until 1 January 2023

The Company will apply IFRS 17 after it has been approved by the European Union, but does not expect the amendments to have a significant impact on the preparation of financial statements.

##### **b) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures**

Amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016 (the date of entry into force has now been postponed without indicating the initial date). The changes specify the accounting of transactions in which the parent company loses control over the subsidiary that is not a 'business' as defined in IFRS 3, Business Mergers, by sale all or part of the interest in that subsidiary to an associate or joint venture accounted for using the equity method.

The Group will apply the amendments to the standards not earlier than the date set by the European Union as the effective date of this standard. Currently, the European Commission has decided to postpone the formal approval procedure for the amended standards.

##### **c) Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as current and non-current**

The amendment to IAS 1 was published on 23 January, 2020 and applies to annual periods starting on or after 1 January 2022.

The change redefines the criteria that must be met to be considered current. The change can affect the change in the presentation of liabilities and their reclassification between current and non-current liabilities.

The company will apply the revised standard from 1 January 2022 or from 1 January 2023 in connection with the planned shift of entry into force of this standard.

##### **d) Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to the 2018-2020 standards**

Amendments to these standards were published on May 14, 2020 and apply to annual periods beginning on or after January 1, 2022. The changes include, among others prohibition of reducing the cost of production of fixed assets by revenues from the sale of test products created in the process of creating / starting a fixed asset.

The Group will apply the changed standards from 1 January 2022. As of the date of preparing these financial statements, it is not possible to reliably estimate the impact of applying the changed standards.

**e) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of reference interest rates (reference rates) - Phase 2**

Amendments to these standards were published on August 27, 2020 and supplement the first phase of changes in reporting resulting from the reform of interbank reference rates of September 2019. The amendments apply to annual periods beginning on or after January 1, 2021. The changes in the second phase focus on the impact they will have on the valuation of, for example, financial instruments, leasing liabilities, and the replacement of the existing reference rate with a new rate resulting from the reform.

The Group will apply the changed standards from 1 January 2021. As of the date of preparing these financial statements, it is not possible to reliably estimate the impact of applying the changed standards.

**f) Amendments to IAS 1 - Disclosure of Accounting Policies and IAS 8 - Definition of Accounting Estimates**

Amendments to these standards were published on February 12, 2021 and apply to annual periods beginning on or after January 1, 2023. The purpose of these changes is to place greater emphasis on the disclosure of significant accounting principles and to clarify the nature of the differences between changes in accounting estimates and changes in accounting policies.

The Group will apply the changed standards from 1 January 2023. As of the date of preparing these financial statements, it is not possible to reliably estimate the impact of applying the changed standards.

The IFRS as approved by the EU do not currently differ significantly from the regulations adopted by the Council of International Accounting Standards (IASB), with the exception of the following standards, interpretations and amendments to which as of the date of approval of these financial statements for publication have not yet been adopted for use by EU countries:

- IFRS 17 Insurance Contracts, published on 18 May 2017, as amended on 25 June 2020,
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture published on 11 September 2014 (process suspended for acceptance for use by EU countries),
- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current published on 23 January 2020,
- Amendments to IFRS 3, IAS 16, IAS 37 and the annual amendments to the 2018-2020 standards published on May 14, 2020.
- Amendments to IAS 1 - Disclosure of Accounting Policies and IAS 8 - Definition of Accounting Estimates, published on February 12, 2021.

The Company's Management Board is in the process of identifying these changes but does not anticipate significant impact on the financial statements.

**1.1.5 Description of the most important accounting principles applied**

**(a) Basis for the development of the consolidated financial statement**

The consolidated financial statement is presented in the Polish zloty (PLN), which is the functional currency of the parent company BIOTON SA and subsidiaries BIOTON MARKETING AGENCY Sp. z o. o. and BIOLEK Sp. z o. o. The US dollar (USD) is the functional currency of the subsidiaries Biopartners Holdings AG, Mindar Holdings Ltd and Germonta Holdings Ltd. The functional currency of Biopartners GmbH (Switzerland), Biopartners GmbH (Germany) and BIOTON International GmbH subsidiaries is euro (EUR).

Consolidated annual financial statements of the BIOTON S.A. Group prepared as of 31 December 2020 and for the period from 1st January 2020 to 31 December 2020 includes the financial statements of the following subsidiaries:

- individual financial statements of BIOTON S.A. for the period from January 1, 2020 to December 31, 2020 (parent unit);
- individual annual financial statements of BIOTON MARKETING AGENCY Sp. z o.o., in which BIOTON S.A. holds 100% of the share capital and number of votes at the GM, for the accounting period from January 1, 2020 to December 31, 2020;
- individual financial statements of BIOLEK Sp. z o o, in which BIOTON S.A. holds 100% of the share capital and the number of votes at the GM, for the accounting period from January 1, 2020 to December 31, 2020;
- individual financial statements of BIOTON International GmbH, in which BIOTON S.A. owns 100% of the share capital and the number of votes at the GM through Germonta Holdings Ltd, for the period from January 1, 2020 to 31 December 2020, BIOTON International GmbH is controlled by BIOTON S.A. due to the fact that BIOTON S.A. controls Germonta Holdings Ltd, which in turn controls BIOTON International GmbH.

Due to the fact that in BIOTON Group there are companies whose net assets of the companies are not material from the point of view of the consolidated financial statements of the Group, and the activities of these companies are limited to holding shares in subsidiaries and affiliates of a lower rank, these companies are not covered by consolidation. The consolidated financial statements include the above-mentioned lower-level subsidiaries and associates. The above-mentioned companies not included in the consolidation are:

- Mindar Holdings Ltd;
- Germonta Holdings Ltd.

The abridged interim separate financial statement was drawn up based on the principle of historical cost, except for financial instruments valued at fair value through the result. Drawing the consolidated financial statement up in accordance with IFRS EU requires that the Managing Board makes assessments, estimates and assumptions which affect the adopted principles and presented values of assets, liabilities, revenues and costs.

Estimates and assumptions related thereto are based on historical experience and other factors considered reasonable under given circumstances and their results are the grounds for assessment as regards the carrying value of assets and liabilities, which does not result directly from other sources. The actual value may be different from the estimated value. The estimates and assumptions based on them are subject to ongoing verification. The change of accounting estimates is recorded in time when such revaluation is made or in the current and future periods, if it pertains to both the current and future periods. The areas in which significant estimates and judgments are made include:

- estimating the amounts of assets and liabilities from deferred tax - the Group shows the amounts of deferred tax assets and liabilities based on the calculation of temporary differences between the book and balance sheet values of assets and liabilities. Their calculation includes adopted estimates regarding the possibility of implementing positive temporary differences as well as deadlines for settling tax losses. In addition, in connection with the adjustment made to capitalized expenditure, an asset was created on account of deferred tax, the use of which is included in the assumptions in Note 39; The Group predicts that the adopted development model and business strategy as well as the signed global distribution agreement

and the agreement related to the implementation of analogues, and thus the results achieved in the following years will allow for the settlement of the deferred tax asset;

- allowances for stocks - the Group has stocks of materials and products. A significant part of them is subject to strict regulation - the estimation of the amount of allowances bringing their value to the recoverable net value (if lower than the purchase price) requires a judgment regarding the possible selling prices of the final product;
- allowances for receivables - as described in the accounting policy - a write-off for bad debts is made using the expected loss method. This method requires estimating the probabilities of debtors' insolvency, and in the case of the simplified model applied to receivables for deliveries of goods and services, assumes that trends from the past will be repeated in the future;
- allowances R & D - as described in the accounting policy - the allowance for research and development costs is made at the end of each reporting period. The Group assesses whether there are any premises indicating that the assets will be impaired due to development works in implementation. If it is found that such prerequisites exist, an appropriate test is carried out. If the carrying amount of the tested assets exceeds their recoverable amount, then an appropriate write-down is created. When assessing the existence of indications that intangible assets may be impaired, the Group analyzes at least prerequisites from external and internal sources;
- the amount of provisions - the Group estimates the amount of provisions for liabilities according to the best knowledge and experience of the management. The amounts actually paid in the future may differ from the amounts shown in the financial statements;
- recognition of revenues - allocation of the transaction price - the Group concludes contracts under which a number of elements are subject to delivery. In the case of such contracts, in accordance with IFRS 15, the Group analyzes and allocates the transaction price from the contract between identified obligations to perform the service. This allocation is based on a set of guidelines defined by the standard as well as on the estimates and judgment of the management board regarding these transactions.

Estimates and assumptions adopted for the impairment test of assets, including intangible assets, fixed assets, shares in subsidiaries described in the note 39.

The Management Board of the parent entity and the Members of the Supervisory Board are responsible for the preparation and reliable presentation of the consolidated annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union and other applicable regulations. In the opinion of the Managing Board and the Supervisory Board it is justified to draw up consolidated annual financial statement based on the principle of continuance of operation in the predictable future. At the end of the reporting year, the Company's current liabilities exceed the current assets, however, due to the operating financial results, bank financing, significant cash inflow as compensation under the terminated distribution agreement with Harbin Gloria, cash inflow from compensation from Nemera and signing a long-term cooperation agreement with Yifan Pharmaceuticals in the aspect of financing the development of analogues, in the opinion of the Management Board, there are no circumstances that would indicate a threat to its continued operations.

As at the publication date, the financial covenants indicated in the terms of loan agreements concluded by BIOTON SA were met as at the balance sheet date.

In reference to the situation related to the development of the COVID-19 epidemic, which may affect the implementation of the Group's consolidated financial results, repayment schedules for liabilities to financial institutions and the repayment date of the loan to UniApek, the Management Board of the Company anticipates that as a result of talks with financial institutions over increasing the current credit limits or granting new debt financing, the Company's financing structure will be changed in 2021 by shifting a significant part of short-term financing to medium and long-term. The Management Board also anticipates a potential change in the repayment dates of the loan from UniApek as part of the change in the structure of debt financing.

On July 16, 2019 the Management Board concluded an agreement with Yifan Pharmaceutical Co., Limited ("Yifan"), the subject of which is the mutual cooperation of the parties in the scope of active substances of insulin analogs and final medicinal product (in finished form), from their production to commercialization ("Agreement"). The Agreement provides financing for the entire project, since all costs related to the purchase and installation of equipment needed to implement each stage of the Agreement, purchase of raw materials and auxiliary substances necessary to manufacture products in the scope of relevant orders will be covered by Yifan. If the result of works shows that the commercial production line is adapted to the production of the drug product in the finished form Bioton will be granted the right to use Yifan's intellectual property as well as right to manufacture, distribute, market, offer and sell the product exclusively on the territory of Poland for 25 years; Bioton will be also granted priority right to receive the right for use in European countries under its own brand. Bioton will also act as a manufacturer of products all over the world

Therefore, drawing up annual separate financial statements on the basis of the principle of continuance of operation is deemed justified.

When preparing consolidated financial statements, the Group applied the same accounting principles as described in the consolidated financial statements as at 31 December 2019, except for changes in accounting principles resulting from the implementation of new standards.

#### **(b) Consolidation principles**

##### **(i) Business combinations**

Acquisitions of entities and separate parts of operations are accounted for using the purchase method. Each time a payment transferred as a result of a merger of entities is measured at the aggregate fair value (as at the date of payment) of transferred assets, incurred or assumed liabilities and equity instruments issued by the Group in return for taking control over the acquired entity. Costs directly related to the business combinations are recognized in the financial result when incurred.

In certain cases, the payment transferred also includes assets or liabilities resulting from conditional payment measured as at the acquisition date at fair value. Changes in the fair value of conditional payment in subsequent periods are recognized as changes in the cost of the combination only if they can be classified as changes in the measurement period. All other changes are accounted for in accordance with relevant IFRS regulations. Changes in fair value of conditional payment classified as a capital element are not recognized.

Identifiable assets, liabilities and conditional liabilities of the acquired entity that meet the terms of recognition in accordance with IFRS 3 "Business combinations" are recognized at fair value as at the acquisition date, taking into account the exceptions included in IFRS 3.

In the case of acquisition of control following several successive transactions, the shares held by the Group as at the date of taking control are measured at fair value with the reference to the effects in the income statement. The amounts accruing from shares in this entity previously referred to other components of total income are transferred to the income statement.

Goodwill resulting from the acquisition is recognized in assets and initially shows after costs, as the value of acquisition costs exceeding the share of the Group in the net fair value of identifiable assets, liabilities and contingent liabilities. If, after revaluation, the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of a business combination, the surplus is immediately recognized in profit or loss.

##### **(ii) Investments in subsidiaries**

Subsidiaries are units controlled by the parent (which also includes special purpose entities).

It is considered that control occurs when the parent company has the possibility to influence the financial and operating policy of the subordinate entity in order to obtain benefits from its operations.

Financial results of subsidiaries acquired or sold during the year are recognized in the consolidated financial statements from / until they are effectively acquired or sold.

In appropriate cases, in the financial statements of subsidiaries, adjustments are made to harmonize the accounting principles applied by a given entity with the principles applied by other Group entities.

All transactions, balances, revenues and costs between related entities covered by consolidation are subject to full consolidation elimination.

Non-controlling shares are presented separately from the Group's equity. Non-controlling shares may be initially measured either at fair value or in proportion to the share in the fair value of the net assets acquired. The choice of one of the above methods is available for each business combination. In subsequent periods, the value of non-controlling shares includes the value recognized initially adjusted for changes in the value of the entity's capital in proportion to the shares held. The total income is allocated to non-controlling shares, even when it causes the negative value of these shares.

Changes in the share in the subsidiary that do not result in the loss of control are recognized as equity transactions. The book values of the Group's share and non-controlling interests are modified accordingly to reflect changes in the share structure. The difference between the value by which the value of minority shares is modified and the fair value of the payment received or transferred is recognized directly in the Group's equity.

In the event of loss of control over a subsidiary, profit or loss on disposal is determined as the difference between: (i) total fair value of the payment received and the fair value of the entity's shares remaining in the Group and (ii) book value of assets (including goodwill), liabilities and non-controlling interests. Amounts recognized in relation to the sold entity, in other components of total income, are reclassified to the income statement. The fair value of shares in the entity remaining in the Group after disposal is recognized as the initial fair value for the purpose of their subsequent recognition in accordance with IAS 39, or the initial cost of shares in affiliates or joint ventures.

#### (iii) Investments in affiliates

An affiliate is an entity over which the parent company exercises significant influence, which is not a subsidiary or a share in a joint venture of the parent company. Significant influence means the ability to participate in determining financial and operational policy of the affiliate, without independent or common control over it.

The financial results, assets and liabilities of affiliates are recognized in the financial statements using the equity method, except when the investment is classified as held for sale, when it is recognized in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Pursuant to the equity method, an investment in an associated undertaking is disclosed in consolidated statement of financial position at historical cost, with appropriate adjustment for changes in the associate's net assets less after any acquisition date minus any impairment of individual investments. Losses of associated entities exceeding the value of the Group's share in these entities (including all long-term shares, which in principle form part of the Group's net investment in the associate) are recognized only if the Group has made binding legal or regular commitments or made payments on behalf of the affiliate.

The surplus of the purchase price over the fair value of identifiable net assets of the affiliate as at the acquisition date is recognized as goodwill. Goodwill is included in the carrying value of the investment, and its impairment is measured at the total value of the investment. If, after revaluation, the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of a business combination, the surplus is immediately recognized in profit or loss.

Profits and losses resulting from transactions between the Group and the affiliate are subject to consolidation eliminations to the value of the Group's share in the relevant affiliate.

#### Goodwill

Goodwill arising on the acquisition results from the occurrence of the surplus of the sum of the transferred payment, the value of non-controlling interests and the fair value of previously held shares in the acquired entity over the Group's share in the net fair value of identifiable assets, liabilities and conditional liabilities recognized as of the acquisition date.

In the event of a negative value, the Group reviews again the fair value of particular components of the net assets acquired. If as a result of the review the value is still negative, it is immediately recognized in the financial result.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less any accumulated impairment.

For the purpose of impairment testing, goodwill is allocated to individual Group's cash-generating units, which should benefit from the synergies resulting from the combination. Cash generating units to which goodwill is allocated are tested for impairment annually or more frequently if it is probable that impairment has occurred. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the remaining assets of that center in proportion to the carrying amount of the individual assets of that unit. Impairment loss recognized for goodwill is not reversed in the next period.

At the time of sale of a subsidiary or subject to joint control, the portion of goodwill attributable to that subsidiary is taken into account when calculating the profit / loss on disposal.

#### (iv) Consolidated adjustments

Balances of internal settlements between the Group's entities, transactions concluded within the Group as well as any resulting unrealized profits or losses, as well as revenues and costs of the Group are eliminated during the preparation of the consolidated financial statements. Unrealized profits and losses resulting from transactions with associates are excluded from the consolidated financial statements in proportion to the Group's share in these entities.

#### (c) Property, plant and equipment

Property, plant and equipment include fixed assets and expenditure on plant, property and equipment under construction, which the entity intends to use in its operations and for administrative purposes in a period longer than one year, which in the future will cause economic benefits to the entity. Expenditures on plant, property and equipment include incurred investment outlays. Property, plant and equipment include important specialist spare parts that function as part of a Property, plant and equipment.

Property, plant and equipment and Property, plant and equipment under construction are initially included in the purchase price or production cost. Separate components are also included as separate items of property, plant and equipment.

Property, plant and equipment under construction for production, rental or administrative purposes are presented in the statement of financial position

at the production cost less any impairment losses recognized. The cost of production includes fees and, for relevant assets, borrowing costs capitalized in accordance with the accounting principles of the Company (principle from). Depreciation for such property, plant and equipment commences the moment they start being used, in accordance with principles applicable to other non-current assets of the Company.

Depreciation and amortisation of fixed assets takes place according to rates reflecting the expected period of their use. Estimates of the period of use are revised annually. For the purposes of depreciation of fixed assets, linear depreciation method is applied.

Periods of use for individual items in fixed assets are as follows:

Generic group	Depreciation period (in years)
Buildings and premises	from 40 to 100
Civil and water engineering structures	from 10 to 100
Boilers and energy machines	from 14 to 50
Machines, devices and apparatus for general use	from 3 to 28
Specialized machines, devices and apparatuses	from 10 to 28
Technical devices	from 10 to 50
Means of transportation	from 5 to 14
Tools, movables and equipment	from 10 to 28

Profits or losses from the sale / liquidation or cessation of use of items of property, plant and equipment are determined as the difference between sales revenue and the carrying amount of these items and are recognized in the income statement.

As at the balance sheet date, Property, plant and equipment and Property, plant and equipment under construction are valued at net book value. Net book value is understood as the initial value, i.e. the purchase price or manufacturing cost less depreciation and impairment losses.

Expenses incurred for repairs that do not result in an improvement or extension of the useful life of Property, plant and equipment are recognized as expenses when incurred. Otherwise, they are capitalized.

**(d) Intangible assets**

**Criteria for Evaluating the Probability of Commercialization of Projects**

When starting work on a given project, the Company assesses whether the expenses incurred should be qualified as part of the Research Works or Development Works. First of all, the scope of given work is evaluated, which product concerns - generic, biosimilar or innovative medicine, regulatory requirements, market potential at which it is to be commercialized, and evaluates the likelihood of receiving registrations and commercialization opportunities according to the following decision criteria (including criteria mentioned in paragraph 57 of IAS 38). The Group clearly differentiates projects in terms of the probability of their commercialization. As a consequence, it is possible to determine how costs resulting from their implementation will be settled. The costs of projects whose commercialization is uncertain will be included in the costs of the current period, while those for which the commercialization is certain, in accordance with IAS 38 will be capitalized. The Group has set an internal probability level, the achievement of which will indicate that the given project and its outlays will be subject to capitalization - this level has been set at not less than 50% probability.

The decision criteria for assessing probability refer to the following elements:

1. the size and the market trend that a given project concerns (if we are talking about a large market with growing trend, the probability exceeds 50%);
2. compliance of the new project with the current portfolio of the Company (if the project is a consequence of organic development existing at the moment and the product portfolio successfully commercialized by the Company, the probability exceeds 50%);
3. compliance of the new project with the commercial model currently used by the Company (if the new project is able to use smoothly the existing and currently used distribution channels by the Issuer, i.e. methods of reaching patients and will be able to use the existing marketing support instruments - e.g. Key Opinion Leaders (industry experts in the field of medicine who support recognition of the product and give more credibility to its effectiveness, among others during lectures at conferences, in particular international, in articles and specialist publications) or developed contacts with doctors that allow for current transfer of specialist information about their products, which in turn creates information network characterized by high objectivity and authority for other representatives of the environment (doctors, nurses, etc.), the probability exceeds 50%);
4. registration requirements (if a new project has specific and clearly defined registration requirements, the Group may prepare a process in in such a way as to meet the requirements in the shortest possible time, the probability exceeds 50%);
5. production facilities, i.e. plants for the production of active substances and / or finished drug forms (if the Group has existing plants production units that meet GMP certificates and are able to implement the production of active substances and / or finished drug forms without major expenditure on fixed assets, the probability exceeds 50%);
6. laboratory facilities with the existing team specialized in the preparation of the required methods of releasing active substances and / or ready-made forms of the drug according to specific rules (if the Group has existing laboratory facilities with an existing team, the probability exceeds 50%);
7. sufficient resources of specialized employees and laboratories capable of developing and implementing new drug technologies, if the Group has existing laboratory facilities with an existing team, the probability exceeds 50%);
8. Sufficient financial resources or potential sources of financing through existing or future licensing, distribution or on cooperation (if the Group has sufficient financial resources or potential sources of financing, the probability exceeds 50%);
9. obtaining an opinion on the implementation of the project by third parties (financial institutions, advisory entities, other entities, e.g. potential distributors) in the form of an independent opinion or the signing of a distribution agreement and financing agreement for a given project or part (e.g. through funds from the European Union through institutions such as e.g. The National Center for Research and Development (if the Company has obtained this type of cooperation or opinion, the probability exceeds 50%).

In the case of projects classified for development work described below regarding development projects Type 1 and 2 where the probability of registration and commercialization is high, compliance with the above criteria is assessed by the Company as fulfilled.

As part of Type 3 development works (as defined below), it can be indicated that for innovative medicines, new ones, not recognized on the market, meeting the above mentioned criteria at the level of over 50% will be minimal and the Group will treat as those expenses as research work. At the same time, these projects will be subject to annual assessment according to the same business criteria and requirements set out below, compliant paragraph 57 of IAS 38.

#### Research works

Expenses incurred at the research stage with the intention of obtaining new scientific or technical knowledge carried out on their own **they are not recognized as an intangible asset, they are only recognized in the income statement at the time they are incurred.** Examples of research work include: (i) activities aimed at acquiring new knowledge; (ii) search, evaluation and final selection of the use of the results of research or other types of knowledge; (iii) searching for alternative materials, devices, products, processes, systems or services; and (iv) the formulation, design, evaluation and final selection of new or improved materials, devices, products, processes, systems or services.

#### Development works

Expenditures incurred on development work, the effects of which are used in the development or production of a new or largely improved product are eligible for activation when it is technically possible and economically feasible to generate a new product (or process) and the Group has technical, financial and other necessary funds to complete development work in accordance with paragraph 57 of IAS 38. As part of its core business, the Group conducts a number of development activities related to recombinant human insulin (RHI) and analogs of human insulin.

The Company's development works are divided into three kinds (types):

1. Expenditures on registrations / regulatory approvals for products
2. Expenditures on regulatory registrations / approvals
3. Expenditure on the development and registration of biosimilar medicines

#### TYPE 1 Expenditures on registrations / regulatory approvals for products

Registrations / regulatory approvals for recombinant human insulin (RHI) on non-domestic markets, additional registrations on the domestic market and generic drug registrations on the Polish market. The Group is taking steps to register RHI on new markets, mainly in Brazil (the registration process is underway) and in China (the registration process has ended, especially regarding registration of increased production scale, however the value of accumulated expenditures is not yet depreciated). Registration offices require the Group to extend current dossier and documentation, as well as to perform additional tests, such as stability tests when the products are used in a specific climate, clinical tests of different phases. The Management Board believes that obtaining regulatory approval on the secondary market is a formal requirement. Considerations of mutual recognition and past experience show that authorities in target markets rarely refuse to approve new drugs approved in other markets;

#### TYPE 2 Expenditures on registrations / regulatory approvals regarding the processes

Expenditures on registrations / regulatory approval fees for the introduction of optimized technological processes aimed at eliminating Triton from the production process in accordance with regulatory requirements in the European Union. Starting from January 1, 2021 the use of Triton in the production process will be prohibited under Regulation 2017/999 amending Annex XIV to Regulation (EC) No 1907/2006 of the European Parliament REACH. In this case, the Group develops a modified technology excluding the use of these substances. According to the Management Board, the activities described are necessary to meet the new requirements related to EU regulations and it is highly likely that the notified registration changes will be approved because the changes in the process are seen as insignificant, while the products remain the same before and after the changes in the production process. The Group has produced 3 series of API substances that meet the exemption specification, from which 3 series of the final RHI product were produced. Currently, in accordance with required subsequent stages of preparation of registration documentation, tests / stability tests are underway: stress, accelerated and long-term tests.

#### Type 3 Expenditure on the development and registration of biosimilar medicines

Expenditure on the development and registration of biosimilar medicines: short-acting insulin analogs (SAIA) and long-acting insulin analogs (LAIA), which refer to drugs existing on the market that are outside the patent protection period. The aim of development works is their registration and introduction to the market as medicines similar to reference medicines.

The Company is already present on individual markets - especially in Poland with a market share of recombinant human insulin exceeding 34% and other countries in the market for diabetic products. Thus, the Issuer reaches diabetic patients through various business models, i.e. (i) direct sales and marketing, (ii) an indirect model, and (iii) a producer's product model. In order to briefly characterize them, the three models of cooperation with partners in various markets and the division of responsibility for individual areas from the point of view of responsibility of Bioton S.A. are presented in the table below:

	<b>Indication of responsibility for particular areas of cooperation on the part of Bioton S.A.</b>	<b>Direct Model</b>	<b>Indirect Model</b>	<b>Manufacturer's Model</b>
1	Product development until the development of technology and the production of the active substance (API) and the form of the finished product for the needs of clinical trials and registration	V	V	V
2	Clinical Trials and Registration Process	V	V Division of Markets and Responsibility	
3	API commercial production and finished product forms	V	V	V
4	Sales and Marketing	V	V Division of Markets and Responsibility	
5	Entity Responsible for the product - registered trademark (brand name)	V	V Division of Markets and Responsibility	

In accordance with strategy of cooperation with distributors adopted for years, the Group may be a part of any cooperation model, depending on the cooperation schemes in a given market, i.e. in particular:

1. for the Polish market, the Group will always choose the Direct Model due to the fact that it is present on this market and has the right strength sales and marketing as well as patient base with over 18% share in the total market of all insulins and over 34% share in the recombinant human insulin market, accounting for half of the market in Poland (according to data for 2018); Under this model, the Group will have an impact on all levels of responsibility from production to registrations to sales and marketing.
2. for other markets, the Group may choose the Intermediate Model - i.e. The Group will be the producer of the product and depending on the registration requirements, strategies on given markets, will cooperate in meeting the requirements of registration processes on the basis of distribution agreements, technology transfer, if such are the requirements of registration offices, or co-financing and active participation in the registration process. As part of this strategy, the Group has in the past signed a number of agreements regarding RHI:
  - a. typical distribution agreements;
  - b. cooperation agreements with the transfer of finished form or active substance technology, where future distributors are responsible for the registration process;
  - c. distribution agreements for smaller markets where in many cases the distributor is responsible for the registration process, often

- at its own expense, and the Group is the supplier of registration documentation, license for a given territory or trademark;
3. for markets with high entry barriers such as the US market, the Group will choose the Producer Model due to the registration requirements indicated by the US FDA Registration Office or an extensive sales and distribution system that includes cooperation with, for example, insurers; as part of such cooperation, the Group may grant a license, transfer the rights, data required by the manufacturer so that the distributor can perform an appropriate range of clinical trials and register the product on a given market - the responsibility for registration lies with the party who is a party to the distribution agreement. The cooperation agreement should include the receipt by the Company of specific fees for the exclusive license for a given market / territories and products / for a period of 10-15 years from the date of commercialization.

In accordance with the adopted strategy described above, the Group plans to implement all the presented models of cooperation, depending on the specificity / potential / registration requirements of a given territory for which the Group based on the above examples receiving specific fees can be expected at the time of signing contracts, which indicates that the Group may gain certain economic profits even before the medicine is registered.

Paragraph 57 of IAS 38 states that an intangible asset created as a result of development works (or implementation of the development stage of a business venture carried out on its own) is recognized if and only if the entity is able to prove:

- a) technical feasibility of completing the intangible asset so that it will be available for use or sale

The Group estimates that the development of all three types of work will result in the success and launch of products for sale. The Group has appropriate knowledge, experience and human and technical resources necessary to carry out and successfully complete each of these types of development works. In the scope of development works from Types 1 and 2, the Group, based on experience from other markets, as well as regularly updated knowledge and experience in cooperation with registration authorities, assesses that obtaining subsequent registrations is highly probable.

- (i) Type 1 development work is intended to extend registration to new markets, which requires additional documentation and testing, however due to obtaining registration in other markets is low probability of refusal.
- (ii) Within the scope of Type 2 development works, they concern only changes in the production process driven by registration and technical requirements registration requirements - the technical feasibility of the project has already been proven by registration of the base product and the changes resulting from the modification of the production process are insignificant, which makes it possible to assess the obtaining of the registration change as very likely.

In the case of Type 3 development works, technical feasibility is proven by the registration of original medicines. The development work includes the implementation on a production scale of products that meet the specification of existing substances in such a way that the final product meets the conditions of the reference medicine. The Group has already developed active substance of both insulin analogs SAIA and LAIA in medium-scale production scale and the target commercial scale, and in the case of SAIA it is in the phase of clinical trials and the registration process. It should be emphasized that the Group obtained funding from the National Center for Research and Development under the Intelligent Development Operational Program, under which the Group received an EU subsidy for the development of short- and long-acting insulin analogs at commercial scale.

As described in the point above, the Group, through adopted and described strategy of cooperation with distributors within all business models, indicates that it is possible to obtain economic benefits from ongoing development works before the stage of receiving registration.

- b) its intention to complete intangible asset and use it or sell it;

In the scope of Type 1 and 2 development works, the Group maintains the intention to complete the work, and obtaining formal registration is only an administrative act so that the Group can implement its global strategy.

As for Type 3 development works, they are conducted in accordance with the current strategy of the Group, assuming the development of analogues of insulin, thanks to which the Group will join the group of global leaders in the field of insulin products. The works are co-financed with a subsidy granted under Measure 1.1 "R & D projects of enterprises", sub-measure 1.1.1 "Industrial research and development carried out by enterprises" of the Intelligent Development Operational Program 2014-2020 co-financed from the European Regional Development Fund.

- c) its ability to use or sell the component of intangible assets

In the case of Type 1 and 2 development works - suitable products are already offered on the market, which confirms the possibility of commercialization of this product through entering new markets (Type 1) or meeting regulatory requirements (Type 2).

In the case of Type 3 development works - insulin analogs - the project demonstrates the ability to commercialize from the very beginning, which is reflected in the examples of transactions concluded at each stage of the development of biosimilar products. As described in the point above, the Group, through adopted and described strategy of cooperation with distributors within all business models, indicates that it is possible to obtain economic benefits from ongoing development works before the stage of receiving registration.

- d) the manner in which the intangible asset will generate probable future economic benefits.

In the case of Type 1 and Type 2 development works, economic benefits will result from the possibility of selling existing products on new markets or by complying with European Union regulatory requirements, which will allow for significant expansion of product sales markets through commercialization by granting exclusive licenses in given territories.

In the area of Type 3 development works, the Company is currently the fourth European insulin producer. The introduction of analogs will help strengthen the Group's position in this area and increase the Group's share in the insulin market. Global insulin market is valued at USD 40 billion per year, while over 70% of the market is owned by three largest competitors. The share of classic insulin is around 10% in the global market. The growth of the insulin analog segment will be caused in subsequent years by changes mainly in the lifestyle and aging of the population. The IDF organization indicates that the world population of people with diabetes will increase from 425 million in 2017 to 629 million in 2045, so the potential for increased antidiabetic requirements, including insulin analogs, is significant.

- e) availability of technical, financial and other means that are to be used to complete development works and use or sale of intangible assets

The Group owns or will have technical and financial resources enabling the completion of ongoing development works.

The Group is a beneficiary of financing from the European Union. On 13 March 2017, an agreement was signed with the National Center for Research and Development for co-financing of the project under the Intelligent Development Operational Program, under which the Group will receive an EU subsidy for the development of short- and long-acting insulin analogues on a commercial scale (the "Project"). The total amount of qualified expenses is PLN 50,684 thousand. The Group will receive co-financing in the amount not exceeding PLN 20,988,000, which constitutes 41.4% of total expenses eligible for support, whereas the maximum amount of funding for: (i) industrial research is PLN 1,858,000, (ii) development work is PLN 19,130 thousand. The period of eligibility of costs for the Project begins on August 24, 2016 and ends on the day of submission of the application for final payment, in accordance with applicable annexes.

- f) The possibility of a reliable determination of expenditures incurred during development works that can be assigned to this component of intangible assets

In order to reliably determine expenditures for development works, the Group maintains its accounting books by distinguishing separate account analytics for ongoing projects. Registration of expenditures is carried out with the help of IT systems allowing for detailed identification of expenditures incurred for development works. The Group distinguishes the following categories of expenditures related to development works:

- consumption of materials;
- external services (external tests and services of subcontractors);

-depreciation and amortisation of fixed assets used as part of development works;

- wages and salaries.

#### Development work in progress

The method of documenting the commencement of development work is as follows; (i) Project Manager submits to the Division Director an application for opening a development project, which defines the benefits, budget, completion date and scope of development work (ii) upon approval of the application by the Division Director, the application is submitted for financial approval by the Chief Financial Officer of the Management Board (iii) after acceptance of the application by the Financial Director of a Member of the Management Board, the application is addressed to the President of the Management Board, (iv) after obtaining approval by the President of the Management Board, an order regarding the opening of development work is issued. On the basis of this documentation, the moment is determined from which expenditures in a given project are treated as development works in implementation and are subject to capitalization in the balance sheet assets. Presentation in the financial statements in the item of intangible assets, analytically in the item "development works in progress". This item is not subject to depreciation.

#### Completed development works

A development works project is subject to closure if the following criteria are met: (i) the scope of work resulting from the order to open works was fulfilled, (ii) the works were discontinued, expenditures are charged to other operating costs. The development project, which ended with a positive effect, is transferred to intangible assets and is then presented as costs of completed development works and is subject to depreciation and revaluation write-offs.

#### Value impairment test

At the end of each reporting period, the Group assesses whether there are any premises indicating that impairment of assets due to development works in progress may have occurred. If it is found that such prerequisites exist, an appropriate test is carried out. If the carrying amount of tested assets exceeds their recoverable amount, an appropriate allowance is created.

When assessing the existence of premises for impairment of intangible assets, the Group analyzes at least the premises from external and internal sources of information required by IAS 36 "Impairment of Assets".

In the Group's opinion, the development works of each type are met by the following conditions for the capitalization of development works specified in § 57 of IAS 38 "Intangible Assets".

Development costs are recognized as intangible assets and are subject to depreciation charges (see below) and impairment losses (principle x).

#### *(i) Other intangible assets*

Other intangible assets are recognized at the purchase price or the costs incurred for their generation less the depreciation write-downs made to date and write-downs due to the loss of their value (principle x).

#### *(ii) Depreciation*

Intangible assets are depreciated on a straight-line basis over their estimated useful life as follows:

- the right to use the land for up to 33 years (the right of perpetual usufruct, in accordance with the period for which the right was granted),
- know how 20 years,
- the costs of development works 5-20 years,
- software integrated IT system 10 years,
- other intangible assets 5 years,

Intangible assets that meet criteria for qualifying them as intended for sale or included in a group for sale are valued in accordance with the principles included in item ab.

Gains or losses from sale / liquidation or cessation of use of items of property, plant and equipment are determined as the difference between sales revenue and the carrying amount of these items and are recognized in the income statement.

As of the balance sheet date, intangible assets are valued at the purchase price less depreciation charges and any impairment losses..

#### **(e) Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand, short-term deposits.

#### **(f) Financial assets and liabilities**

##### Financial assets

The Group classifies financial assets into the following categories:

- valued at amortised cost
- valued at fair value through the financial result
- valued at fair value through other comprehensive income.

The Group classifies financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.

As assets valued at amortized cost, the Group classifies trade and other receivables, loans granted, other financial receivables as well as cash and cash equivalents and cash and cash equivalents.

To the financial liabilities at fair value through financial result. The Group classifies derivative instruments that are not designated for hedge accounting purposes and hedged items that are subject to valuation in accordance with hedge accounting principles.

#### **(i) Recognition and derecognition**

Financial assets are recognized when the Group becomes a party to contractual provisions of the instrument. Financial assets are derecognized from the accounting books when the rights to obtain cash flows from financial assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

#### **(ii) Valuation as of the moment of initial recognition**

At the moment of initial recognition, the Group measures a financial asset at fair value increased by, in the case of a financial asset that is not measured at fair value through profit or loss, transaction costs that can be directly attributed to the acquisition of a financial asset. Transaction costs related to financial assets valued at fair value through financial result are recognized the financial result.

**(iii) Valuation of financial assets at depreciated cost**

The Group uses the effective interest rate method to measure financial assets at depreciated cost.

Receivables from deliveries and services after initial recognition are measured at amortized cost using the effective interest rate method, including impairment losses, while receivables from deliveries and services with a maturity of less than 12 months from the date of creation (i.e. without element of financing) and not forwarded to factoring, are not discounted and are valued at face value.

**(iv) Impairment of financial assets**

IFRS 9 introduces a new approach to estimating the impairment of financial assets measured at amortized cost or at fair value through other comprehensive income (with the exception of investments in capital assets and contract assets). The impairment model is based on the calculation of expected losses as opposed to the model used in the years before 2018 in accordance with IAS 39, which was based on the concept of losses incurred. The most important item of financial assets in the Group's financial statements that are subject to the new principles of calculating expected credit losses are trade receivables for deliveries and services.

The Group uses the following models for determining impairment losses:

- general (basic) model,
- simplified model

The general model is applied by the Group to financial assets measured at depreciated cost - other than trade and other receivables and debt instruments valued at fair value through other comprehensive income.

In the general model, the Group monitors the changes in the level of credit risk associated with a given financial asset and classifies financial assets to one of the three stages of impairment losses based on the observation of the change in the credit risk level in relation to the initial recognition of the instrument.

Depending on the classification to individual stages, the impairment loss is estimated in the 12-month horizon (stage 1) or in the life horizon of the instrument (stage 2 and stage 3).

On each day ending the reporting period, the Group analyzes the occurrence of conditions leading to the classification of financial assets for individual stages of determining the impairment write-off. The premises may include changes in the debtor's rating, serious financial problems of the debtor, significant adverse change in its economic, legal or market environment.

For the purposes of estimating the expected credit loss, the Group uses default probability levels of benchmarked financial results of the rated entity to the entity's rating levels implying probability of insolvency.

The Group includes information on the future in the parameters of the expected loss estimation model by calculating the probability of insolvency parameters based on current market quotes.

The simplified model is used by the Group for trade and other receivables. In the simplified model, the Group does not monitor changes in the credit risk level during the life of the instrument and estimates the expected credit loss in the horizon up to maturity of the instrument. In particular, for the insolvency event, the Group recognizes that the contractor has not fulfilled the obligation after 90 days from the due date. For the purpose of estimating the expected credit loss, the Group uses a provisioning matrix estimated on the basis of historical levels of repayment and recoveries from receivables from business partners for the last three years.

The Group includes information about the future in the parameters used in the expected loss estimation model, through the management adjustment of the basic insolvency probability ratios. To calculate the expected credit loss, the Group determines the probability of defaults parameter estimated on the basis of the analysis of the number of unpaid invoices in the last three years, and the default rate estimated on the basis of the value of unpaid invoices in the last three years.

Expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of a given receivable.

**Financial liabilities**

(i) Classification of financial liabilities

The Group qualifies financial liabilities into one of the following categories:

- valued according to amortized cost,
- valued at fair value through financial result,
- hedging financial instruments.

The Group classifies liabilities for deliveries and services, loans and borrowings as liabilities valued at depreciated cost.

**(g) Foreign currencies (i) Foreign Currency Transactions**

The functional currency (valuation) and the presentation currency of the financial statements of the parent company BIOTON SA is PLN (PLN).

Business operations expressed in foreign currencies are recognized in the books of account as at the date of their execution, as appropriate:

- at the buying or selling exchange rate applied by the bank whose services the given unit of the Group uses to settle a given transaction - in the case of currency sell or buy operations,
- for companies using the Polish zloty as the functional currency - at the average exchange rate set for a given currency by the National Bank of Poland on the day preceding the operation, unless a different rate has been set in the customs declaration or other document binding for the given operation - for other operations,
- for companies using a different currency than the Polish zloty as the functional currency - at the average exchange rate set for a given currency by the bank whose services the given unit of the Group uses - for other operations.

Foreign exchange gains and losses arising from the translation of assets and liabilities expressed in foreign currencies or as a result of settlement of a receivable or liability expressed in a foreign currency are booked as financial revenues or expense in the income statement, except for foreign exchange differences arising on long-term loans whose repayment is not planned in the foreseeable future, being part of the net investment in subsidiaries or affiliates. Foreign exchange differences on such loans in accordance with IAS 21 "The Effects of

foreign currency exchange "are recognized in the consolidated financial statements under a separate item of equity" Exchange rate differences from subordinated entities ".

As of the balance sheet date, the Group values assets and liabilities expressed in foreign currencies at the average exchange rate set by the National Bank of Poland valid for that day.

As of 31 December 2020 assets and liabilities expressed in foreign currencies were converted at average NBP exchange rates table 255/A/NBP/2020 of 31 December 2020; and thus EUR 1 is PLN 4.6148, USD 1 is PLN 3.7584 (as of December 31, 2019 table 251/A/NBP/2019 of December 31, 2019, and EUR 1 is PLN 4.2585, USD 1 is PLN 3.7977).

(ii) Conversion of units operating abroad

Assets and liabilities of entities operating abroad, including goodwill, are translated at the average NBP exchange rate effective as of the balance sheet date. Revenues and costs of entities operating abroad as well as adjustments regarding fair value made at consolidation are translated at the average exchange rate, being the arithmetic average of medium exchange rates announced by the National Bank of Poland as at the day ending each month of the financial year. Exchange differences arising in the conversion are recognized directly in a separate item of equity.

#### **(h) Inventories**

Inventories are assets designated for sale in the ordinary course of business, being in the process of production for sale and in the form of materials or raw materials used in the production process or in the rendering of services. Inventories include materials, goods, finished products and production in progress.

Materials and goods are valued at "weighted average". As of the balance sheet date, the valuation of materials and goods is subject to the prudence principle, i.e. these categories are valued at the purchase price or sale price possible to obtain, depending on which one is lower.

Finished products and products in progress are initially valued at the level of the actual manufacturing cost. As of the balance sheet date, the valuation of finished products and work production in progress is carried out according to the principles of prudent valuation.

Inventory value - determined according to the "weighted average", in the case of semi-finished products and finished products, with detailed batch identification.

#### **(i) Equity**

(i) Share capital

The share capital of the parent entity is the Group's share capital and is shown in the nominal value of registered shares, resulting from the parent company's statute and entry in the National Court Register.

(ii) Issued capital from shares above their nominal value

Capital from the sale of shares above the nominal value arose from the issue of shares and is reduced by the issue costs (taking into account the impact of income tax).

#### **(j) Inventory capital**

Inventory capital includes accumulated profits / losses transferred from retained earnings in accordance with the resolutions of the General Meeting.

#### **(k) Reserve fund**

Reserve capital includes the equivalent of payment costs in the form of securities recognized in accordance with IFRS 2, the equity portion of convertible bonds and differences from settlement of share purchase.

#### **(l) Retained earnings**

Retained earnings are accumulated profits / losses that have not been divided by the General Meeting of Shareholders.

#### **(m) Taxation**

Income tax of the entity includes currently payable tax and deferred tax.

#### **(n) Current tax**

Current tax liability is calculated on the basis of a tax result (tax base) obtained in the given financial year. The tax profit (loss) differs from the accounting net profit (loss) due to the exclusion of taxable revenues and costs not recognized as tax-deductible revenues and items of costs and revenues that will not be taxable. Tax burdens are calculated based on tax rates applicable for the given financial year.

#### **(o) Deferred tax**

Deferred tax is calculated using balance method as tax payable or returnable in the future on differences between balance-sheet asset and liabilities values and corresponding tax values used for calculating tax base.

Deferred tax provision is created against all taxable positive temporary differences, whilst deferred tax asset is recognised to the level at which it is probable that future tax profits will be deductible by recognised negative temporary differences and tax losses or tax credits which can be obtained by the Group. An item of deferred tax assets or provisions is not created if the temporary difference arises from the initial recognition of another asset or liability in a transaction that does not affect either the tax result or the accounting result.

The value of deferred tax assets is subject to analysis as at the balance-sheet date, and in the case when expected future tax profits are insufficient for the realisation of an asset or its part – it is written off.

Deferred tax is calculated using tax rates that will apply when the asset is realized or the liability becomes due.

In the statement of financial position, income tax is recognized after the offsetting in the scope in which it results from the liability that is payable to the same tax office.

The Group does not recognize deferred tax on temporary differences resulting from the conversion into functional currency of loans granted to subsidiaries in foreign currencies treated as long-term investments.

The Group offsets deferred tax assets and deferred tax liabilities for presentation purposes.

**(p) Provisions**

Provisions are created if the Company has an existing obligation, legal or habitual, resulting from past events, and when it is probable meeting this obligation will result in the outflow of resources embodying economic benefits and a reliable estimate of the amount of such liability, whereas the amounts of this obligation or its due date are not certain.

The amount recognized as provision is the best estimate of consideration required to settle obligation current at the balance sheet date, taking into account risks and uncertainties associated with the obligation. In the case of valuation of the provision using the method of estimated cash flows necessary to settle the current liability, its carrying amount corresponds to the present value of these cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(q) Services that give rise to obligations**

Current liabilities resulting from contracts generating liabilities are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**(r) Restructuring**

A restructuring provision is recognized solely when the Group has developed a detailed formal restructuring plan and has announced to all the stakeholders the intention to implement it or its main features. The valuation of a restructuring provision includes only direct expenditures arising from restructuring, that is the amounts that are both necessarily entailed by restructuring and not associated with current activities of the entity.

**(s) Pensions**

The companies from BIOTON Group operating on the territory of Poland and on the basis of Polish law pay contributions to the state pension program with defined premiums. The government program is financed on the basis of "current payments", i.e. these companies are obliged to pay contributions only when they become due, and in the event that they stop employing people covered by this system will not be required to pay any additional benefits beyond those that were entitled to its employees in the past. Contributions to the pension scheme with defined contributions are charged to the profit and loss account in the period to which they relate. Employees of companies in the Group are entitled to retirement bonuses. Retirement severance payments are paid on a one-off basis at the moment of retirement. The amount of retirement benefits in the case of companies operating in Poland is specified in the Labor Code, while in the case of foreign entities it is determined based on local regulations. The Group creates a provision for future liabilities related to retirement benefits in order to allocate costs to the period they refer to. The amount of the Group's liabilities due to retirement benefits is the current value of the benefits that employees of the Group will receive upon retirement in connection with employment in the Group's companies in the current and previous periods. The value of the liability is based on the projected unit credit method.

**(o) Revenues of future periods and recognition of subsidies obtained**

Deferred revenues include subsidies received under the Sectoral Operational Program Improvement of Competitiveness of enterprises from the European Regional Development Fund, intended for co-financing new investments and co-financing of newly created job positions as well as subsidies from the National Fund for Environmental Protection and Water Management for co-financing sewage treatment plants (note 30).

Subsidies received are recognized as deferred revenues if there is sufficient certainty of their receipt and BIOTON S.A. complies with related terms.

Government subsidies received as reimbursement of assets recognized by the Group and related to co-financing new jobs are recognized in the balance sheet as deferred revenues and then systematically recognized as other operating revenues in the profit and loss account throughout the asset's useful life, or - in the case of new places work - during the period of settlement of the amount of co-financing awarded.

**(u) Accruals**

The Group makes accruals if the incurred costs relate to periods following the period in which they were incurred. Accruals include expenses incurred which in future periods will be treated as operating or financial costs.

Accruals related to operating and financial expenses include costs incurred in a given period, commensurate with the revenues of a given period. Accruals related to operating costs include, among others, provision for unused holidays.

**(v) Revenue**

From 1 January 2018, the Group applies the principles of IFRS 15 "Revenues from contracts with customers" taking into account the 5 steps model in relation to the portfolio of contracts (or performance obligations) with similar characteristics, if the entity reasonably expects the impact on the financial statements of the application the following rules will not significantly differ from individual contracts (or obligations to perform the service).

*(i) Requirements to identify the contract with the client*

Contracts with customers meet the definition when all of the following criteria are met:

- the parties to the contract have entered into contract and are required to perform their obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group is able to identify the terms of payment for the goods or services to be transferred; the agreement has commercial substance and • it is probable that the Group will receive remuneration to which it is entitled in exchange for goods or services to be provided to the customer.

*(ii) Identifying performance obligations*

At the time of conclusion of the contract, the Group evaluates the goods or services promised in the contract with the client and identifies as a commitment to perform each promise to transfer to the client: good or service (or a package of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the client is of the same nature.

*(iii) Determining transaction price*

The Group shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel fee, excise duty). Consideration defined in the contract with customer may include fixed amounts, variable amounts, or both.

In order to estimate variable remuneration, the Group decided to use the most probable value method for contracts with one threshold and the expected value method for contracts where there are more value thresholds from which the customer is granted a rebate.

*(iv) Allocation of the transaction price to individual performance obligations*

The Group allocated the transaction price to each liability to perform the benefit (or distinct good or service) in an amount that depicts the amount of consideration to which - in accordance with the Group's expectations - it is entitled in exchange for transferring the promised goods or services to the customer.

*(v) Recognition of revenues when performance obligations are fulfilled*

The Group recognizes revenues when it meets (or is in the process of fulfilling) a performance obligation by transferring the promised good or service (i.e. asset) to the client (the client gains control over that asset). Revenues are recognized as amounts equal to the transaction price that has been assigned to a given performance obligation.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenues over time, if one of the following criteria is met:

- the customer receives and benefits from the obligation when it is being performed,
- as a result of the performance of the obligation an asset is created or improved, and the control over this asset component - as it arises or improves - is exercised by the client,
- as a result of the provision of the service, no alternative component is created for the Group, and the Group has an enforceable right to pay for the performance performed so far.

In standard transactions with clients shown as sales revenues, there is no significant element of financing. In other transactions, if such an element occurs, the Group discounts the receivable from the business party with interest rate corresponding to its credit risk and the length of the payment period.

The Group operates in the area of production and sale of insulin preparations as well as research and development in this area.

The Group conducted analysis of contracts with clients and identified the main categories of contracts:

- a) contracts for supply of medicinal products and pharmaceutical substances 90% ,
- b) contracts for the delivery of goods, including medical devices and dietary supplements related to diabetes therapy account for 6% of revenues,
- c) other contracts constitute 4%.

**Sale of goods (medicinal products, pharmaceutical substances, medical devices and dietary supplements)**

In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes part or all of the variable remuneration in the transaction price only to such extent, in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized cumulative revenues when the uncertainty about the amount of variable remuneration has ceased. There are no significant agreements in the Group containing right of return or other provisions regarding variable remuneration.

If the contract contains only one obligation to perform the service - sale of the good, the Group recognizes the revenue at a certain moment, i.e. when the customer gains control over the good.

**Sale of package of goods and services or package of several services provided in different periods**

In accordance with IFRS 15, the transaction price is assigned to each obligation to perform the service on the basis of a proportional individual selling price.

The Group recognizes revenues when it meets (or is in the process of fulfilling) a performance obligation by transferring the promised good or service (i.e. asset) to the client (the client gains control over that asset).

**Advances received from customers**

The Group presents advances received from customers in the item "Other non-financial liabilities". In accordance with the current accounting policy (principles), the Group does not recognize interest expenses on advances received, including long-term ones.

In accordance with IFRS 15, the Group assesses whether the contract contains a significant element of financing. The Group decided to use a practical solution, in accordance with which it does not correct the promised amount of remuneration for the impact of a significant element of financing, if at the time of contract expects that the period from the transfer of the promised good or service to the client until payment for the good or service by the client will not more than one year. Therefore, for short-term advances, the Group will not distinguish a significant element of financing.

**Licenses**

IFRS 15 introduces new principles for recognizing revenue from granted licenses. In accordance with the standard, the Board must determine whether a separate license entitles the customer to access intellectual property or to use intellectual property. Depending on this classification, the revenue from the license will be recognized during the license period or one time. In the course of its operations on foreign markets, the Group grants licenses to distributors. In the Group's opinion, granted licenses constitute the right to use intellectual property during the term of the contract.

**(w) Leasing**

From January 1, 2019, the Group applies IFRS 16 "Leases", in accordance with which all lease transactions result in the lessee obtaining the right to use the asset and liability for payment. Therefore, IFRS 16 eliminates classification of operational leasing and financial leasing from IAS 17 and introduces a single model for accounting recognition of leasing by the lessee. The Group recognizes: (a) assets and liabilities for all the leasing transactions concluded for the period exceeding 12 months, except for situations where the asset is of low value; and (b) depreciation of the leased asset separately from interest on the leasing obligation in the report on the results.

IFRS 16 to large extent repeats regulations from IAS 17 concerning accounting recognition of lease by the lessor. In consequence, the lessor continues the classification divided into operational and financial lease and introduces corresponding differences in the accounting recognition.

**(x) Impairment losses on financial assets**

As of each balance sheet day, the assets of the Group, except for inventories (principle h), assets due to deferred income tax (principle o) and financial assets (principle f) to which other valuation procedures should be applied, are analyzed in terms of premises of their impairment. If any such premise exists, the Group estimates recoverable amount (fair value less costs of sales or value in use, whichever is higher). The use value is the sum of discounted future economic benefits that the asset will bring.

If the carrying amount of a given asset exceeds its recoverable amount, impairment is recognized and a write-down is made to adjust its value to the level of the recoverable amount. Revaluation write-downs are charged to the profit and loss account.

As of each balance sheet date, the Group assesses whether there are any premises indicating that the write-down made in previous reporting periods is unnecessary or too high. In this case, the write-down or its part is reversed and the value of the given asset is restored to the amount it would have had if no revaluation write-off had been made (with account for depreciation). The reversal of the write-down is recognized in the income statement.

Revaluation write-offs for balance sheet value are not reversed.

**(y) Information on business segments**

Segment reporting is presented in relation to operating and geographic segments. The basic reporting model is the division into operating segments and results from the Group's management and internal reporting structure.

The prices used in settlements between individual segments are based on market prices.

The segment's result, its assets and liabilities contain items that relate to it directly as well as relevant items used jointly, which on the basis of rational premises can be assigned to individual segments.

**(i) Business segments reporting**

Operational segment is a distinguishable segment of the Group's activity within which the distribution of goods or provision of services takes place and which is subject to risk and characterized with the level of return of incurred outlays different from the one which are proper for other operating segments. For the purposes of financial and management reporting, the Group distinguishes operating segments which are described in the note 1.

**(ii) Geographical segment**

The geographic segment presents information about the segment's income and assets. In the case of presenting information broken down by geographical segments, the segment's revenue is based on the geographical distribution of customers. The segment's assets are based on their geographic growth.

**(z) Costs of external financing**

Costs of external financing related to the purchase or manufacture of fixed asset components that require a longer period of time to prepare them for usage are included in the costs of manufacture of such assets to the point where these assets are essentially ready for the intended use or sale.

Revenues from investments earned through the short-term investment of obtained external funds intended directly to finance the acquisition or production of assets reduces the amount of costs of external financing that are subject to capitalization. All other external financing costs are recognized directly in the profit and loss account in the period in which they were incurred.

The above capitalization principles are not applicable to:

- assets valued at fair value, and
- inventories produced in significant quantities on a continuous basis and characterized by high rotation.

**(aa) Costs of external financing**

For the purposes of the financial statements, affiliated parties include: significant shareholders, associated units, members of Management Boards and Supervisory Boards of companies in the Group, their immediate families and entities controlled by them.

**(ab) Assets held for sale**

Assets held for sale are assets that jointly meet the following criteria:

- the management of the appropriate level has submitted a sales declaration,
- the assets are available for immediate sale in their current state,
- an active search for a potential buyer was initiated,
- the sale transaction is highly probable and it can be settled within 12 months from the decision to sell,
- the selling price is reasonable in relation to the current fair value,
- the probability of introducing significant changes to the sale plan of these assets is small.

The change in classification is reflected in the reporting period in which the eligibility criteria are met. If the criteria for recognizing fixed assets as held for sale after the end of the reporting period are met, the classification of an asset as at the end of the financial year preceding the event is not changed.

When the asset is designated for sale, depreciation is charged. Assets held for sale, excluding, inter alia, financial assets and investment properties, are valued at the lower of two values: book value or fair value less costs to sell.

In the case of later increase of the fair value less sale costs, revenue is recognized, however in the amount not exceeding previously recognized allowances.

**CONSOLIDATED INCOME STATEMENT**

In PLN thousand	Note	1.01.2020 - 31.12.2020	1.01.2019 - 31.12.2019	
			Published	
Sales revenues	3	221 788	202 032	
Cost of sales	8	(113 681)	(93 889)	
Technological idle time and unused production capacity	4	(3 409)	(5 979)	
<b>Gross profit on sales</b>		<b>104 699</b>	<b>102 164</b>	
Other operating income		32 711	3 938	
Selling and distribution expenses		(34 985)	(69 828)	
Administrative costs		(38 751)	(38 638)	
Research and development expenses, including:	8	(3 999)	(6 837)	

Costs of analogs project		(3 913)	(1 398)
Other research and development costs		(86)	(5 439)
Other operating costs	6	(11 094)	(154 342)
<b>Profit / (loss) from operating activities</b>		<b>48 580</b>	<b>(163 543)</b>
Financial income		1 143	9 207
Financial costs		(8 112)	(7 765)
<b>Net finance income / (costs)</b>	7	<b>(6 969)</b>	<b>1 442</b>
<b>Profit/(loss) before income tax</b>		<b>41 611</b>	<b>(162 101)</b>
Income tax expense	9	7 691	(35 409)
<b>Profit / (Loss) on continuing activity</b>		<b>33 920</b>	<b>(126 692)</b>
<b>Profit / (loss) from discontinued operations</b>		-	
<b>Net profit / (loss)</b>		<b>33 920</b>	<b>(126 692)</b>
<i>Attributable to</i>			
Equity holders of the parent		33 920	(126 692)
Non-controlling shareholders			
<b>Net profit / (loss)</b>		<b>33 920</b>	<b>(126 692)</b>
<b>Weighted average number of shares (in pcs) See note 24</b>		<b>85 864 200</b>	<b>85 864 200</b>
<b>Weighted average number of shares</b>		<b>85 864 200</b>	<b>85 864 200</b>
<b>Profit / (Loss) per one share (in PLN)</b>			
Basic		0.40	(1.48)
Diluted		0.40	(1.48)

#### CONSOLIDATED STATEMENT COMPREHENSIVE TOTAL INCOME

<i>In PLN thousand</i>	<b>1.01.2020</b>	<b>- 1.01.2019 -</b>
	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Net profit / (loss) for the reporting period</b>	33 920	(126 692)
<b>Other elements of total income:</b>		
<b>Components that can be transferred to the profit and loss account:</b>		
Exchange differences on translation of foreign operations	(153)	(3 822)
<b>Components that can be transferred to the income statement</b>		
Changes due to actuarial valuation	558	280
<b>Total comprehensive income for the period</b>	<b>34 325</b>	<b>(130 793)</b>
<b>Attributable to:</b>		
Shareholders of dominant entity	34 325	(130 793)
Minority shareholders		

#### CONSOLIDATED BALANCE SHEET

	<b>Note</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<i>In thousands of zlotys</i>			<b>Reviewed converted</b>
<b>ASSETS</b>			
<b>Fixed assets</b>		<b>715 819</b>	<b>747 620</b>
Property, plant and equipment	12	310017	327197
Investment properties		1 357	1 357
Other intangible assets	14	370 223	376 565
Assets under the right of use		5 608	6 603
Non-current receivables	15		
Deferred income tax assets	16	27 541	35 315
Non-current prepayments	17	1 073	583
<b>Current assets</b>		<b>151288</b>	<b>137 459</b>
Inventories	18	90 017	79 726
Current financial assets	19	0	
Income tax receivables		279	-
Trade and other receivables	20	37 894	48 528
Cash and cash equivalents	21	22 239	7 177
Current prepayments	22	860	2 028
Assets held for sale	23		
<b>TOTAL ASSETS</b>		<b>867 107</b>	<b>885 079</b>

<i>In PLN thousand</i>	Note	31.12.2020	31.12.2019 Reviewed transformed
<b>LIABILITIES</b>			
<b>Equity</b>	24	<b>619 645</b>	<b>585 320</b>
<i>Equity capital attributable to the shareholders of the parent company</i>		<i>619 645</i>	<i>585 723</i>
Share capital		1 717 284	1 717 284
Share premium		57 131	57 131
Inventory capital		260 776	260 775
Other capitals		(266 561)	(267 119)
Reserve capital from transactions between shareholders		(80 844)	(80 844)
Exchange differences on translation of foreign operations		(182)	(29)
Retained earnings		(1 067 958)	(1 101 878)
<i>Non-controlling shares</i>			
<b>Non-current liabilities</b>		<b>90 116</b>	<b>102 718</b>
Liabilities for credits, loans and other debt instruments	25	32 004	40 847
Lease liabilities		6 817	6 976
Liabilities under employee benefits	26	1 762	2 226
Deferred income	27	39 191	42 125
Deferred tax liabilities	16	0	162
Other liabilities	28	10 342	10 382
<b>Current liabilities</b>		<b>157 346</b>	<b>197 341</b>
Liabilities for credits, loans and other debt instruments	25	70 985	78 178
Lease liabilities		295	1 437
Trade and other payables	28	49 971	77 693
Income tax liabilities	10	5	121
Provisions and other accruals	29	36 090	39 612
Liabilities related to assets held for sale	23		
<b>TOTAL LIABILITIES</b>		<b>867 107</b>	<b>885 079</b>

#### CONSOLIDATED CASH FLOW STATEMENT

<i>In PLN thousand</i>	Note	1.01.2020 - 31.12.2020	1.01.2019 - 31.12.2019 Published
<b>Cash flow from operational activity</b>			
Net profit / (loss)		33 920	(126 693)
Adjustments for items: Depreciation	8	31 731	32 281
Net (profit) / loss resulting from foreign currency exchange rate differences		1 361	(531)
Net interest and dividends paid		4 735	4 892
(Profit) / loss from investment activities	36.3	438	144 311
Income tax in the current period		198	620
		(941)	(534)
Income tax paid for Other items, net			
<b>Net cash from operating activity before changing working capital</b>		<b>71 442</b>	<b>54 347</b>
(Increase)/decrease of receivables		3 554	9 998
(Increase)/decrease in inventories		(10 290)	(1 943)
Increase / (decrease) of liabilities and passive accruals		(33 218)	19 470
(Increase)/decrease of prepayments		8 067	(1 498)
Increase / (decrease) of reserves		(694)	(33 050)
Increase / (decrease) of deferred income		3 089	(616)
<b>Cash flows from operating activities</b>		<b>41 949</b>	<b>46 708</b>
<b>Cash flow from investing activities</b>			
<b>Inflows:</b>		<b>14</b>	<b>(307)</b>
Sale of intangible assets and property, plant and equipment		14	158
Sale of financial assets		-	-
Sale of subsidiaries less cash		0	(465)
Other inflows		-	-
<b>Expenditures:</b>		<b>4 699</b>	<b>(53 495)</b>
Acquisition of intangible assets and property, plant and equipment		4 683	(53 457)
Purchase of financial assets		16	(38)
<b>Other expenses</b>		<b>(4 684)</b>	<b>(53 802)</b>
<b>Net cash from investment activity</b>		<b>(4 684)</b>	<b>(53 802)</b>
<b>Cash flow from financial activity</b>			
<b>Inflows:</b>		<b>2 362</b>	<b>51 434</b>
Credits and loans	30.3		51 434
Net inflows from the issue of shares	30.3	311	
Subsidies	30.3	2 050	
<b>Expenditures:</b>		<b>24 565</b>	<b>(44 908)</b>
Repayment of credits and loans	30.3	18 764	(33 760)
Interests and other fees	30.3	3 315	(6 412)
Payments under financial leasing liabilities	30.3	2 486	(4 736)
<b>Net cash from financial activity</b>		<b>(22 203)</b>	<b>6 526</b>
<b>Net change in cash, including:</b>		<b>15 062</b>	<b>(568)</b>

change in cash due to exchange rate differences

Cash at the beginning of the period	21	7 177	7 745
Cash in assets held for sale			
Cash at the beginning of the period (carrying amount)	21	7 177	7 745
Cash at the end of the period	21	22 239	7 177
Overdraft			
Cash at the end of the period, after excluding credits in current account	21	22 239	7 177

CONSOLIDATED SUMMARY OF CHANGES IN THE EQUITY CAPITAL

In PLN thousand	Capital capital	Capital from the issue of shares above their intangible	Capital capital	Other capitals	Revaluation capital	Reserve capital from transactions between shareholders	Exchange differences on translation of foreign operations	Retained profits	Equity capital attributable to the shareholders of the parent company	Minority shares	Capital total
Equity as of 31.12.2019	1 717 284	57 131	260 775	(267 130)		(81 857)	(29)	(1 104 175)	582 000		582 000
adjustment*				11		1013		2 296	3 320		3 320
Equity as of 01/01/2020 adjusted	1 717 284	57 131	260 775	(267 119)		(80 844)	(29)	(1 101 879)	585 320		585 320
Profit (loss) in the period								33 920	33 920		33 920
Other elements of total income							(153)		(153)		(153)
Actuarial changes				558					558		558
Total incomes recognized for the period from 01.01.2020 to 31.03.2020				558			(153)	33 920	34 325		34 325
Equity as of 31.12.2020	1 717 284	57 131	260 775	(266 561)		(80 844)	(182)	(1 067 959)	619 645		619 645
Equity as of 01.01.2019 published	1 717 284	57 131	260 775	(266 850)		(81 857)	3,792	(977,482)	712 793		712 793
Profit / (loss) for the period								(126 693)			(126 693)
Other elements of total income							(3 821)		(3 821)		(3 821)
Actuarial changes				(280)					(280)		(280)
Total incomes recognized for the period from 01.01.2019 to 31.12.2019							(3 825)	(126 693)	(130 794)		(130 793)
Equity as of 31.12.2019	1 717 284	57 131	260 775	(267 130)		(81 857)	(29)	(1 104 175)	582 000		582 000

\* correction of incorrect settlement of the sale of the company and deferred tax plus reclassification of the settlement from the reserve capital from transactions between shareholders and the result from previous years

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Operating segments

Since 1 January 2009 there have been applied IFRS 8 *Operating segments* which had replaced the so far IAS 14 *Reporting concerning operating segments*. This standard requires disclosure of information on the segments based on the components of the Group monitored by the managers within taking operating decisions. Operating segments are the components of the Group, for which there is available separate financial information regularly reviewed by the persons taking key decisions as regards allocation of the resources and reviewing operation of the Group.

For management purposes, the BIOTON SA Group was divided into operating segments based on capital groups and companies being members of the BIOTON SA Group. The following reporting segments were separated:

- BIOTON S.A. and BIOTON MARKETING AGENCY Sp. z o.o. (jointly BIOTON PL);
- BIOLEK Sp. z o.o.;
- BIOTON International GmbH;

The accounting principles of the operating segments are the same as the accounting principles of the Group.

The Management Board monitors the operating results of the segments separately mainly for the purpose of taking decisions concerning allocation of the resources, assessment of the effects of the allocation and operating results. The assessment of individual segments is made to the level of profit / loss on operating activities and the level of EBITDA achieved.

The Group's financing (including the costs and financial revenues) and income tax are monitored at the Group level and are not subject to allocation.

The Group reports the segments by geographical location. Below is the list of the most important countries as regards operation of the Group:

- Poland
- China,
- Thailand,
- Libya,
- Vietnam,
- Argentina,
- The Russian Federation

-Ukraine,  
-Malta,  
Yemen

**OPERATING SEGMENTS - BIOTON S.A. Group**

2020 and as of December 31, 2020.

For the period from January 1, 2020 to December

	BIOTON PL * BIOLEK	INTERNATIONAL	BIOTON	Reconciliating items	TOTAL business continuing	Total
<b>Revenue</b>						
Total external revenues	221317	471			221 788	221 788
Intersegment revenue	247	3 281		(3 528)	0	0
<b>Total segment revenue</b>	<b>245 945</b>	<b>3 752</b>		<b>(3 528)</b>	<b>221 788</b>	<b>221 788</b>
<b>Result</b>						
Segment result	106321	(1 622)			104 699	104 699
Other operating revenues	32 711	0			32 873	32 873
Other operating costs	10 179	915			11 257	11 257
Selling expenses	34 952	33			34 985	34 985
Administrative expenses	37 512	223	1 016		38 752	38 752
Research and development costs	3 999				3 999	3 999
<b>Gross operating profit / (loss)</b>	<b>52 390</b>	<b>(2 793)</b>	<b>(1 016)</b>		<b>48 580</b>	<b>48 580</b>
Financial income				1 142	1 142	1 142
Financial costs				8 112	8 112	8 112
<b>Net finance income / (costs)</b>				<b>(6 970)</b>	<b>(6 970)</b>	<b>(6 970)</b>
<b>Profit / (loss) before income tax</b>	<b>52 390</b>	<b>(2 793)</b>	<b>(1 016)</b>	<b>(6 970)</b>	<b>41 611</b>	<b>41 611</b>
Income tax				7 691	7 691	7 691
<b>Net profit (loss)</b>	<b>52 390</b>	<b>(2 793)</b>	<b>(1 016)</b>	<b>(14 661)</b>	<b>33 920</b>	<b>33 920</b>
<b>Depreciation</b>	<b>31 677</b>	<b>54</b>			<b>31 731</b>	<b>31 731</b>
<b>EBITDA**</b>	<b>84 067</b>	<b>(2 739)</b>	<b>(1 016)</b>		<b>80 311</b>	<b>80 311</b>

\*Revenues settled over time relate to BIOTON PL segment and are described in notes 26, 28. Other revenues are recognized when they are earned. \*\* EBITDA is gross profit / (loss) on operating activities increased by depreciation.

In PLN thousand

	BIOTON PL	BIOLEK	BIOTON INTERNATIONAL	Reconciliating items	Total
<b>Segment assets</b>					
Property, plant and equipment	310017				310017
Other intangible assets	369 493	730			370 223
Inventories	89 661	356			90 017
Receivables due to deliveries and services	37 317	577			37 894
Cash and cash equivalents	22 197	33	9		22 239
Other assets	36 348	855		(485)	36 718
<b>Total assets</b>	<b>865 033</b>	<b>2 551</b>	<b>9</b>	<b>(485)</b>	<b>867 107</b>
<b>Segment liabilities</b>					
Non-current liabilities	90 113		3		90 116
Current liabilities	155 379	1 973		(6)	157 346

**GEOGRAPHICAL STRUCTURE Group BIOTON SA**

For the period from January 1, 2020 to December 31, 2020. and for the period from January 1, 2019 to December 31, 2019.

Sales revenues - assortment structure	01.01.2020 - 31.12.2020		01.01.2020 - 31.12.2020	
	(in thous. PLN)	structure (in %)	(in thous. PLN)	structure (in %)
Poland	124 205	62.61%	109 001	53,95%
China	42 040	9,39%	33 842	16,75%
Thailand	15 693	7,91%	17 166	8,50%
Libya	11 737	5,92%	9 046	4,48%
Vietnam	7 689	3,88%	5 683	2,81%
Argentina	7 407	3,73%	5 000	2,47%
Russian Federation	3 851	1,94%	3 928	1,94%
Ukraine	3 173	1,60%	0	0,00%
Malta	2 504	1,26%	52	0,03%
Yemen	1 703	0,86%	455	0,23%

Other	1 787	0,90%	17 857	8,84%
Total segment revenue	221 788	100,00%	202 031	100,00%

#### OPERATING SEGMENTS - BIOTON S.A. Group

For the period from January 1, 2019 to December 31, 2019 and as of December 31, 2019.

<i>In PLN thousand</i>	BIOTON PL*	BIOLEK	BIOTON INTER NATIONAL	Reconciling items	TOTAL business continuing	Total
<b>Revenue</b>						
Sales to external customers.	201 115	917			202 032	202 032
Sales between segments	52153	4 247			56 400	56400
<b>Total segment revenue</b>	<b>253,268</b>	<b>5 164</b>		<b>0</b>	<b>258 432</b>	<b>258 432</b>
<b>Result</b>						
Segment result	104,197	(2 033)			102164	102164
Other operating revenues	3,912	26			3 938	3 938
Other operating costs	7,827	146 514			154342	154342
Selling expenses	69,736	92			69 828	69 828
Administrative expenses	37 431	316	890		38 638	38 638
Research and development costs	6 836	1			6 836	6 836
<b>Gross operating profit / (loss)</b>	<b>(13 721)</b>	<b>(148 930)</b>	<b>(890)</b>		<b>(163 542)</b>	<b>(163 542)</b>
Financial revenues				9 207	9 207	9 207
Financial costs				7 766	7 766	7 766
<b>Net finance income / (costs)</b>				<b>1 441</b>	<b>1 441</b>	<b>1 441</b>
<b>Profit / (loss) before income tax</b>	<b>(13 721)</b>	<b>(148 930)</b>	<b>(890)</b>	<b>1 441</b>	<b>(162 101)</b>	<b>(162 101)</b>
Income tax				(35 409)	(35 409)	(35 409)
<b>Net profit (loss)</b>	<b>(13 721)</b>	<b>(148 930)</b>	<b>(890)</b>	<b>36,850</b>	<b>(126 693)</b>	<b>(126 693)</b>
<b>Depreciation</b>	<b>32 227</b>	<b>54</b>			<b>32 281</b>	<b>32 281</b>
<b>EBITDA**</b>	<b>18,506</b>	<b>(148,876)</b>	<b>(890)</b>		<b>(131 261)</b>	<b>(131 261)</b>

\*Revenues settled over time relate to BIOTON PL segment and are described in notes 26, 28. Other revenues are recognized when they are earned. \*\* EBITDA is gross profit / (loss) on operating activities increased by depreciation.

<i>In PLN thousand</i>	BIOTON PL	BIOLEK	BIOTON INTERNATIONAL	Reconciling items	Total
<b>Segment assets</b>					
Property, plant and equipment	327197				327197
Other intangible assets	374924	1 641			376 565
Inventories	79,478	248			79 726
Receivables due to deliveries and services	47,604	920	4		48 528
Cash and cash equivalents	7 069	92	17		7 178
Other assets	44,880	877	-	128	45 885
<b>Total assets</b>	<b>881 152</b>	<b>3 778</b>	<b>21</b>	<b>128</b>	<b>885 079</b>
<b>Segment liabilities</b>					
Non-current liabilities	102 718				102 718
Current liabilities	194,273	2,380	50	338	197 041

## 2. Explanatory notes pertaining to the seasonal character or cyclical nature of activity of the Group

The sale of insulin is characterized by relatively small seasonal fluctuations in relation to the patients taking drugs. Due to chronic character of the illness and long period of use of the preparations by the patients, the sale of insulin is maintained on similar level during all months in a year (except for vacation months which are traditionally the least advantageous for the pharmaceutical industry). However, it should be noted that most new cases of diabetes are diagnosed during the time when the patient is suffering from infections. The infections may also disturb metabolic balance in patients who are already treated for diabetes. Therefore, the patients are most likely to change the method of treatment in spring and in autumn, and it is then that most of the new cases of diabetes are diagnosed. Fluctuations in quarterly sales may occur in relation to sales to distributors who are customers of the Group and make purchases according to specific orders, which differ in their size and value, which causes fluctuations in sales in particular months or quarters.

## 3. Revenues from sales

<i>In PLN thousand</i>	1.01.2020 - 31.12.2020	1.01.2019 - 31.12.2019
Revenue from the sale of finished products.	142 646	106123
Revenue from the sale of goods.	49 836	62 038
Revenue from the sale of a service	29 306	33 871
<b>In total</b>	<b>221788</b>	<b>202 032</b>

<sup>1)</sup>The Company generates revenues settled in time, the balance on 31.12.2019 is PLN 39 191 thousand; see also note: 7.29.

#### ASSORTMENT STRUCTURE Group BIOTON SA

For the period from January 1, 2020 to December 31, 2020 and as of December 31, 2020.

01.01.2020-31.12.2020 01.01.2019-31.12.2019

In PLN thousand

	Issue	Structure (in %)	Issue	structure (in%)
Insulin	142 646	64,32%	106123	52.53%
<b>Finished goods</b>	<b>142 646</b>	<b>64,32%</b>	<b>106 123</b>	<b>52.53%</b>
OAD	32 001	14,43%	31 826	15.75%
Other goods	13 582	6,12%	25 564	12.65%
Devices	4 253	1.9%	4 648	2.30%
<b>Goods and materials</b>	<b>49 835</b>	<b>22,47%</b>	<b>62 038</b>	<b>30.71%</b>
<b>Services<sup>1)</sup></b>	<b>29 307</b>	<b>13,21%</b>	<b>33 871</b>	<b>16.77%</b>
<b>Adjustments related to terminating contracts</b>				
<b>Total sales revenues</b>	<b>221788</b>	<b>100,00%</b>	<b>202,031</b>	<b>100,00%</b>

<sup>1)</sup>In the Services category, the Company presents, inter alia: revenues received under license agreements (upfront contracts) concluded with Yifan International and Pharmasynthez; in 2020, revenues from the settlement of the analogue project were recognized in accordance with the agreement with Yifan Pharmaceutical Co; in 2019, FAA revenue (technological feasibility assessment) and a one-off deferred income adjustment relating to the agreement with Harbin Gloria

#### Information about main recipients

For the period from January 1, 2020 to December 31, 2020 there were 3 recipients whose revenues exceeded 10% of the Group's revenues.

In PLN thousand

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
<b>Poland</b>	<b>124 205</b>	<b>74 186</b>
Client 1	46 372	27 870
Client 2	24 939	24 390
Customer 3	20 224	21 926
<b>Asian market</b>	<b>97 583</b>	<b>4 841</b>
Client 1	17 226	2 258
Client 2	9 919	2 258
<b>Total sales revenues</b>	<b>221788</b>	<b>79 027</b>

#### Contract with Harbin Gloria Pharmaceuticals Co. Ltd.

In connection with the statement of the management board of Harbin Gloria Pharmaceuticals Co., Ltd. received from the contractor on August 16, 2019 regarding the termination of the Supply and Distribution Agreement concluded between the parties on September 23, 2015 together with Annex I of December 31, 2016 (hereinafter jointly the "Agreement") and cancellation on August 16, 2019 of orders for delivery made on April 8, 2019 to be completed in August 2019 (collectively the "Declaration"), payments received at the time of signing the Agreement, which in accordance with previous approach of the Management Board were recognized as revenue in proportion to the performance of the Agreement (volumes ordered by the contractor), were recognized one-time as revenue in 2019 in the amount of PLN 13,047 thousand.

#### Agreement with Yifan International Pharmaceutical Co. Ltd

On March 27, 2018 the parent Company entered into a framework agreement with Yifan International Pharmaceutical Co., Ltd. based in Hong Kong (YIFAN) for global distribution, sales and marketing of the Company's products, granting exclusive right (the Right) to use BIOTON trademarks in association with advertising, promotion, distribution and sale of products in the territories covered by the agreement ("Agreement"). Detailed conditions for the cooperation of the Parties on a given market will be determined in separate implementation agreements. The Agreement was concluded for the period of 15 years. The contract has been concluded under Hong Kong law and any disputes related to it will be resolved by courts with jurisdiction over YIFAN. The cooperation of the Parties on terms specified in the contract is associated with significant benefits for the Group, mainly related to taking over by the distribution partner registration costs, costs of commercial and marketing activities, and also in particular the costs of building a distribution sales network on individual markets. The main task of the distribution partner consists in development and promotion related to the sales of parent Company's products, aimed at improving the financial result of the Company and its Capital Group. For granting the Right, Bioton Company received a remuneration of USD 6.8 million. The payment received in advance on the basis of the above mentioned agreement: (i) gives YIFAN distributor exclusive right to import goods, (ii) causes actions the purpose of which is to transfer or change existing distribution agreements of the parent Company in the distribution territory determined in the Agreement, (iii) grants YIFAN distributor the right to use of trademarks of BIOTON S.A. related to products solely for the purpose and in connection with advertising, promotion, distribution and sale of products on the territory specified in the Agreement. For 2018 the Group recognized revenue of PLN 1,161 thousand, in 2019 - PLN 1,548 thousand, and in 2020 - PLN 1,548 in accordance with the requirements of IFRS 15. The remaining amount of PLN 18 962

thousand was recognized in revenues from future periods will be included in the revenues over time for which the contract is concluded.

#### Agreement with Yifan Pharmaceutical Co.

On July 16, 2019 the Management Board concluded an agreement with Yifan Pharmaceutical Co., Limited ("Yifan"), the subject of which is the mutual cooperation of the parties in the scope of active substances of insulin analogs and final medicinal product (in finished form), from their production to commercialization ("Agreement"). The Agreement provides financing for the entire project, since all costs related to the purchase and installation of equipment needed to implement each stage of the Agreement, purchase of raw materials and auxiliary substances necessary to manufacture products in the scope of relevant orders will be covered by Yifan. If the result of works shows that the commercial production line is adapted to the production of the drug product in the finished form Bioton will be granted the right to use Yifan's intellectual property as well as right to manufacture, distribute, market, offer and sell the product exclusively on the territory of Poland for 25 years; Bioton will be also granted priority right to receive the right for use in European countries under its own brand. Bioton will also work

as a manufacturer of products all over the world.

#### 4. Idle time and unused production capacity

<i>In PLN thousand</i>	1.01.2020 - 31.12.2020	1.01.2019 - 31.12.2019
Idle time	3 409	5 837
Unused production capacity		142
	<b>3 409</b>	<b>5 979</b>

#### 5. Other operating revenues

<i>In PLN thousand</i>	1.01.2020- 31.12.2020	1.01.2019 - 31.12.2019
a) profit on disposal of non-financial assets		
b) sales of materials	70	688
c) dissolution of impairment losses updating the value of non-financial assets	170	222
d) dissolution of provisions	1 905	850
e) others, of which:	30 566	2 866
- damages	25 696	594
- subsidies	751	751
- redemption of liabilities	883	0
- other	3 236	833
	<b>32 711</b>	<b>3 938</b>

#### 6. Other operating costs

<i>In PLN thousand</i>	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
a) loss on disposal and liquidation of non-financial assets	1 341	1 402
b) revaluation of non-financial assets	5 435	91 182
c) revaluation of goodwill		55 534
d) created provisions for:		2 427
- retirement benefits	1 160	
- provision for severance payments	60	
- provision for leaves	1 008	1 950
- others	92	
e) other, including:		477
- donations	3 159	3 797
- liquidation of current assets - contributions to the organization	198	160
- costs of selling materials - costs of litigation	748	533
- other costs, including:	29	19
- penalties and damages		524
- advisory services	1 769	25
	415	1 769
		<b>800</b>
	<b>11 095</b>	<b>154 342</b>

#### 7. Net finance income / (costs)

*In PLN thousand*

##### A. Financial revenues from interest, including:

a) other interest - on other units

**B. Profit on disposal of financial assets**

##### C. Other financial revenues, including:

a) positive exchange rate differences

b) others

##### -Total financial revenues

##### D. Financial costs under interest, including:

a) on credits and loans - for related entities - for other entities

b) other interest

- for other entities

##### E. Other financial costs, including:

a) loss on disposal of affiliates

b) other, including:

- exchange losses

- commissions on credits and bonds

- other 4

	1.01.2020- 31.12.2020	1.01.2019 - 31.12.2019
	3	1 667
	3	1 667
	3	1 667
	<b>1 140</b>	<b>7 540</b>
	<b>1 142</b>	<b>9 207</b>
	<b>5 072</b>	<b>6 535</b>
	4 158	5 376
	1 209	1 567
	2 949	3 809
	914	1 159
	914	1 159
	<b>3 040</b>	<b>1 230</b>
	3 040	1 230
	2 686	104
		550
	<b>354</b>	<b>576</b>

The accounting period from 01.01.2020 to 31.12.2020.

In the current reporting period, BIOTON S.A. Group generated a profit on disposal of financial assets in the amount of PLN 1,140 thousand.

The accounting period from 01.01.2019 to 31.12.2019.

In the current reporting period, BIOTON S.A. Group generated a profit on disposal of financial assets in the amount of PLN 7,540 thousand. This amount includes PLN 6,163 thousand due to loss of control over the Biopartners group.

**8. Expenses by type***In PLN thousand*

Note	1.01.2020- 31.12.2020	1.01.2019 - 31.12.2019
<i>Continuing operations</i>		
Depreciation and amortisation, of which:	31 731	32 281
- depreciation of property, plant and equipment	16 127	14 056
- intangible assets	14910	14936
-depreciation of fixed assets in leasing	694	3 213
-intangible and legal assets in leasing		77
Use of raw materials and energy	48 542	38831
Taxes and charges	3 725	3 667
Outsourced services	23 362	37 913
Wages and salaries	43 925	51 661
Employee benefits	10382	11 675
Other, including:	9 883	26 621
-Advertising and representation	8 122	22 715
-Royalties		1 080
- Insurance expenses	1 680	1 757
-Business travels	8	899
- Other	73	170
Total costs by type	171 550	202 649
Sales costs (negative value)	(34 985)	(69 828)
Overhead expenses (negative value)	(38 751)	(38 638)
Research and development costs (negative value)	(3 999)	(6 837)
Change in inventories of products	71 662	41 006
Cost of standstill and unused production capacity	(3 409)	(5 979)
Cost producing goods for internal use (negative value)	(78 165)	(68 825)
Cost of products sold	83 903	53 548
Cost of goods and materials sold	29 780	40 341
Cost of sales	113 680	93 889

## Salaries and benefits for employees

*In PLN thousand**Continuing operations*

	1.01.2019 - 31.12.2019	1.01.2018- 31.12.2018
Wages and salaries	51 661	62 198
Social insurance	8,558	9,844
Other benefits	3,117	6 807
Total	63,336	78 849

Wages and salaries paid or due to persons who are members of management and supervisory bodies - see note 36. 9. Income tax

**9. Income tax within the income statement***In PLN thousand*

Note	1.01.2020- December 31, 2020	1.01.2019 - 31.12.2019
<i>Continuing operations</i>		
Current income tax		
Income tax for current year	210	620
Deferred tax		
Creation/reversal of temporary differences	7 481	(36 029)
Total income tax	7 691	(35 409)
<i>Falling for:</i>		
Continuing operations	7 691	(35 409)

Effective tax rate

*In PLN thousand*

	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	%	amount	%	amount
Profit / (Loss) from continuing operations Profit /		33 920		(126 693)
(Loss) from discontinued operations				

Income tax		7 691		(35 409)
Profit / (loss) before taxes		41 611		(162 102)
Tax based on applicable tax rate	19.00	7 906	19.00	(30 799)
Difference resulting from applying tax rates from foreign jurisdictions	0.35	146	(0.38)	610
Costs other than tax deductible revenues	7.80	3 246	3.65	(5 923)
Non-taxable revenues	(2.72)	(1 132)	0.39	(633)
Current year losses not recognized in deferred tax	(0)		(0.14)	225
Utilization of tax losses not recognized in previous years	0.24	100	(0.06)	90
Tax revenues not constituting accounting revenue	2.19	913	(0.30)	481
Tax cost not recognized as profit or loss				
Other	(8.38)	(3 488)	(0.33)	540
Tax at effective tax rate	18.48	7 691	21.84	(35 09)

10. Property, plant and equipment

<i>In PLN thousand</i>	Buildings, premises technical land engineering	Devices facilities and machinery	Means of transportation	Other fixed plant property	Plant, property and equipment under construction	Mean s plant total
<b>Gross value of plant, property and equipment:</b>						
Gross value as of 1 January 2020	193 566	269 495	3 005	24 547	67 155	507 367
Additions (of the title):	672	1 906	80	262	3567	6 487
- purchase					3565	3 565
- transfer from construction in progress	672	1 906	13	218		2 809
- effect of movement in exchange rates						
- other			67	44	2	113
Reductions (for):		430	952	914	7 777	10 073
- sale		1	102	755	3 465	4 323
- transfer from construction in progress					2 907	2 907
- liquidation		429		159	1174	1762
- Other			850		231	1 081
Gross value as of December 31, 2020	194237	270971	2 133	23 895	12 545	503 781

**Depreciation and impairment losses**

Redemption and impairment losses as of 1 January 2020	31995	135 834	2 167	9 201	974	180 171
Additions (for):	2 505	11 471	567	1 290		15 883
- depreciation	2 505	11 471	567	1 290		15 883
- effect of movement in exchange rates						
Reductions (for):		427	910	903		2 240
- sale			102			102
- liquidation		427	808	903		2 138
Redemption and impairment losses as of 31 December 2020	34 500	146 878	1824	9 588	974	193 764

**Net value**

as of 1 January 2020	161570	133 661	838	15 346	15 781	327196
31 December 2020	159 737	124093	309	14 307	11 571	310017

Plant, property and equipment (continued)

As of December 31, 2020 the Group has analyzed the premises for impairment of plant, property and equipment. As a result of conducted analysis, there were no premises for impairment and need for allowances.

Fixed bank collateral is established on certain plant, property and equipment (see note 25). At the end of the reporting periods, the value of collateral was as follows:

~ 31 December 2020 - in the amount of PLN 61 774 thousand and EUR 18,000 thous. collateral on loans,  
~ December 31, 2019 - 67 647 thousand and EUR 18,000 thous. collateral on loans,

Plant, property and equipment under construction

At the end of the reporting period, expenditure on plant, property and equipment under construction totalled PLN 11,571 thousand. PLN (as at December 31, 2019, PLN 15 781 thousand and, respectively, for the above category PLN 8 724 thousand. PLN 1,501 thousand and were related to tasks performed by the Company associated with, among others, expenditures included in machinery and equipment worth PLN 6,032 thousand, buildings and structures worth PLN 1,456 thousand .

11. Goodwill

At the end of December 31,2020 and December 31,2019, goodwill is zero.

In the first half of 2019, the Bioton management board, in connection with the world's incurable, highly contagious viral swine known as ASF (a ram's pest), which is currently the greatest risk in breeding in many countries in the world, in the largest Chinese market, decided to make the revaluation of the loans in BI OLEK Sp. z o o, the subsidiary of Bioton ("BI OLEK").

ASF causes much less readiness of breeders to invest in new products and thus makes large veterinary companies or companies producing feed / feed additives unwilling to promote products that require additional individual intervention, i.e. manual use for each piglet.

BIOLEK's portfolio includes one innovative product for use in pig farming called Suilectin ("Suilectin"), which was registered in the central procedure in the EU ("EFSA Registration"). Suilectin registration on the most promising Chinese market has not been obtained to this day despite the agreement signed with Beijing Smile Feed Sci & Tech Co. The Chinese market is estimated to over 55% of the global market, which in 2018 amounted to around 769 million population (the breeding cycle is six months, so the volume of breeding is about twice as high).

According to the available estimates of the Ministry of Agriculture of China published in July 2019 (information available on the website <https://www.pigprogress.net/Health/Articles/2019/7/ASF-China-Pig-herd-shrinks-26-stricter-checks-announced-451827E/>), the Chinese pig population decreased by 25.8% year to year, while according to the report prepared by Rabobank (information available on the Reuters website <https://www.reuters.com/article/us-china-swinefever-pig/chinas-pig-herd-may-shrink-by-50-due-to-african-swine-fever-rabobank-idUSKCN1UP068>) the decline in China is estimated at 40% year on year, and could reach 50% by the end of 2019 on a year-on-year basis. ASF disease also affects other countries in which BIOLEK held business talks regarding future commercialization, which means that the Management Board of BIOLEK is not able to indicate possible realizable revenues from commercialization of Suilectin on individual markets, including the Chinese market.

Due to the above premises, as at the balance sheet date, the Group performed an impairment test in relation to the value of investment in a subsidiary Biolek, which showed an update of the estimated value based on the discounted method of possible future cash flows in the amount of PLN 173,471 thousand, as a result of which impairment in the said amount was recognized.

In connection with the above premises, the Group performed an impairment test on 30/06/2019 in relation to goodwill and intangible assets, which showed:

(i) write-off of the carrying amount of the license to sell products under the agreement with Beijing Smile Feed Sci & Tech. Co., LTD to the value in use of the license estimated on the basis of the discounted method of obtainable future cash flows in the amount of PLN 87,294 thousand. PLN, and

(ii) partial adjustment to the goodwill of BIOLEK ("goodwill") estimated on the basis of the discounted future cash flow method in the amount of PLN 30,000 thousand PLN

As at the balance sheet date, December 31, 2019, according to the report of the Management Board published on April 10, 2019, the Management Board of the Company due to the rapid spread of the COVID-19 coronavirus around the world, in particular with regard to the Chinese market, its serious impact on the global economy, and thus it is associated with the possible impact on the operations of the subsidiary Biolek, after conducting further analyzes and testing for the loss of goodwill generated in 2011 at the time of taking up by Bioton SA control over Biolek Sp. z o.o. decided to make an additional write-off of the value of assets in BIOLEK - up to the final value equal to zero. The current socio-economic and business environment affects the aspects of BIOLEK's operations through:

(a) reducing sales to end users, and (b) continuation of the lack of expected sales of veterinary products, including Suilectin, due to the reasons indicated in the condensed financial statements for the first half of 2019, and (c) the time of entering new markets and introducing new products causes that there are reasons to write off the remaining goodwill of BIOLEK ("Goodwill") created upon the acquisition of the company in the consolidated financial statements of the BIOTON Capital Group. An additional write-off in 2019 in the consolidated profit and loss account amounted to PLN 25 534 thousand PLN.

BIOLEK takes various measures to mitigate the negative impact of the COVID-19 pandemic, including: marketing activities aimed directly at potential patients, extending the target to include diabetic patients, accelerating the development of new products, accelerating the preparation of registration documentation, increasing communication with current and potential product distributors developed after the acquisition and new products planned to be introduced in the future.

The Company has identified key assumptions, based on the experience and best knowledge of BIOLEK and the Company; the most important assumptions include:

(i) expected increase in the value of sales of Intesty / Energast human products on the market in Poland and other markets, (ii) competitive position (including market sales prices), (iii) signing contracts with distributors on new markets, including the EU, regarding human products, (iv) expected volume of sales of veterinary products to the Brazilian market, (v) assumptions regarding the required working capital, (vi) production costs on based on signed contract production contracts together with accepted delivery prices, (vii) pre-tax discount rate (WACC) and tax rate (CGU Biolek).

## 12. Other intangible assets

<i>In PLN thousand</i>	Costs finished develop mental works	Concessions, patents, licenses, computer software	Other intangible assets	Develop ment work in progress	Other intangible assets in total
Gross value as of 1 January 2020	41 233	19 048	593 152	521 329	1 174 762
Additions (for):	648	3 050	211	5 570	9 479
- purchase		3 050		3 857	7 118
- others			211	45	45
- own development works	648			1 668	2 316
- reclassification					
Reductions for:					
- development work settlement	342	2 700	391	254	3 687
- liquidation		2 700			2 700
- impairment	342			167	900
- revaluation allowance			391	87	87
Gross value as of December 31, 2020	41 539	19 398	592 972	526 645	1 180 554
Accumulated depreciation and impairment write-offs					
Accumulated depreciation and impairment losses on January 1, 2020.	25 200	16 208	350 802	405 986	798 196
Additions (for):	1 520	1 475	98 388		105 874
- depreciation	1 520	1 475	11 108		14 938
- liquidation					3 656
- impairment					87 280
Reductions for:		2 700			3 545
- liquidation		2 700			
Accumulated depreciation and impairment write-offs as of December 31, 2020	26 720	14 983	362 640	405 986	810 329
Net value					
as of 1 January 2020	16,033	2 840	242 350	115 343	376 566
31 December 2020	14 819	4 415	230 332	120 659	370 225

Amortization costs for intangible assets are allocated to the cost of sales, general and administrative expenses, costs of sales and research and development costs.

## Development work in progress

At the end of the reporting period, expenditures for development works and intangible assets in progress amounted to a total of PLN 120,659 thousand and were associated with, among others, costs of product registrations, including classic insulin registration procedures due to the increase in the production scale and their registration in other territories and implementation of classic insulin production technology without Triton (as of 31 December 2019, the total amount was PLN 115 343 thousand).

The company has analyzed whether there are any premises for impairment of its intangible assets. As a result of the analysis, the development work was written off in the amount of PLN 86 thousand. This is mainly due to the abandonment of projects introducing new products to foreign markets due to general market changes.

Development work in progress (in PLN thousand)	31.12.2020	31.12.2019
<b>BIOTON S.A.:</b>	<b>120315</b>	<b>114 874</b>
-registration procedures of classic insulin, due to the increased manufacturing and its registration in other territories	120315	114874
<b>BIOLEKSp. zoo.</b>	<b>344</b>	<b>469</b>
-registrations	344	469
	<b>120 659</b>	<b>115 343</b>

### 13. Assets under the right of use

The consolidated balance sheet includes a separate item "Right-of-use asset" includes: the following assets:

<i>in PLN thousand</i>	IFRS16	IFRS 16
	31.12.2020	31.12.2019
Means of transportation	279	1 197
Perpetual usufruct right to land	5 329	5 406
<b>Total</b>	<b>5 608</b>	<b>6 603</b>

<i>in PLN thousand</i>	Perpetual usufruct right of land	Means of transport	Total
	Balance as of 01.01.2020	5 406	1 197
Additions - new lease agreements		260	260
Termination of lease contracts		(190)	(190)
Depreciation	(77)	(987)	(1 064)
<b>Balance as of 31.12.2020 - IFRS 16</b>	<b>5 326</b>	<b>279</b>	<b>5 608</b>

### 14. Investment properties

<i>In PLN thousand</i>	31.12.2020	31.12.2019
Right of perpetual usufruct to land	1 357	1 357
	<b>1 357</b>	<b>1 357</b>

### 15. Deferred tax assets and liabilities - deferred tax

Deferred tax assets result from the following balance sheet items:

<i>In PLN thousand</i>	Tax assets	
	31.12.2020	31.12.2019
Property, plant and equipment		0
Intangible assets	20527	16 499
Inventories	860	64
Receivables		0,293
Loans and borrowings	897	880
Liabilities	605	657
Employee benefits	1 471	1 495
Provisions	4 224	4817
Cash and cash equivalents	0	7
Deferred income	4 544	4862
Miscellaneous:	(495)	3 332
<b>Total</b>	<b>32 632</b>	<b>32 613</b>
Unsettled tax losses <sup>1)</sup>	11 807	19 210
Compensation of deferred tax	(16 898)	-16 508
<b>Net deferred tax assets</b>	<b>27 541</b>	<b>35 315</b>

tax losses relate to the years 2016, 2017, 2018 and 2019, in total, the amount of PLN 128 586 thousand. In 2018-2020, the Company used the losses from 2016, 2017 and 2018 in the amount of PLN 66 444 thousand. Unsettled losses The Company plans to settle in subsequent financial years;

Deferred tax assets result from the following balance sheet items:

<i>In PLN thousand</i>	Tax liabilities	
	31.12.2020	31.12.2019

Plant, property and equipment	13 030	13 439
Intangible assets	2 399	1 973
Receivables	672	595
Loans and borrowings	783	627
Liabilities		36
Employee benefits	0	
Cash and cash equivalents	14	
<b>Total</b>	<b>16 898</b>	<b>16 670</b>
Compensation of deferred tax	(16 898)	(16 508)
<b>Net deferred tax liabilities</b>	<b>0</b>	<b>162</b>

#### Deferred tax assets and liabilities

In thousands of zlotys	Balance as of 01.01.2020	Changes recognized in the financial result	Changes in equity	in December 31, 2020
Property, plant and equipment	-13 439	247	0	-13 192
Intangible assets	14526	-328	0	14 198
Inventories	64	795	0	859
Receivables	-595	-77	0	-672
Cash and cash equivalents	7	-21	0	-14
Loans and borrowings	253	-17	0	236
Other	3 332		1	3 333
Employee benefits	1 495	-66	42	1 471
Deferred income	4862	-415	0	4 447
Liabilities	621	594	0	1 215
Provisions	4817	-1 059	0	3 758
Unsettled tax losses	19 210	-7 3067	0	11 903
<b>Total</b>	<b>35 153</b>	<b>(7 655)</b>	<b>43</b>	<b>27 541</b>

#### 16. Non-current prepayments

In PLN thousand

	31.12.2020	31.12.2019
a) current prepayments, including:	1 073	583
- foreign registrations 6	186	364
-costs of the competition ban		219
-other deferred costs	887	0
	<b>1 073</b>	<b>583</b>

#### 17. Inventories

In PLN thousand

	31.12.2020	31.12.2019
a) raw materials	19 874	16 483
b) semi-finished goods and products in progress	38 392	38 471
c) finished goods	4594	3 832
d) goods	26 019	19 937
e) prepayments for deliveries	1 137	1 003
<b>Total inventories net</b>	<b>90 017</b>	<b>79 726</b>
Allowances for inventories	3 495	312
<b>Total gross inventories</b>	<b>93 512</b>	<b>80 038</b>

At the end of the reporting period, collateral on inventories due to loans amounted to PLN 4 576 thousand. (for products the value of collateral is calculated according to sale prices) (as of December 31, 2019, PLN 7,600 thousand). The difference in the value of collateral results from the decrease in the amount of collateral in one of the banks financing the Group.

#### Change in inventories revaluation allowances in thousand PLN

	31.12.2020	31.12.2019
<b>Balance at the beginning of the statement period</b>	<b>335</b>	<b>312</b>
Increases	4 386	244
- created	4 386	244
- effect of movement in exchange rates		-
Reductions	(170)	(221)
- effect of movement in exchange rates		
- reversed	(170)	(221)
<b>Balance as at the end of period:</b>	<b>4 552</b>	<b>335</b>

Allowances was recognized in other operating costs in the amount of PLN 4 386 thousand. (in 2019 the amount of PLN 244 thousand), reversal of the impairment write-down was recognized in other operating income in the amount of PLN 221 thousand. In 2019, and will be used in 2020 in the amount of PLN 170 thousand. The value of inventories recognized as the cost of products and sales of goods in the profit and loss account was PLN 113 680 thousand (2019, the amount of 93 889 thousand.)

## 18. Trade and other receivables

<i>In PLN thousand</i>	31.12.2020	31.12.2019
a) receivables from affiliates	0	7 329
a) receivables from other entities	38 184	41 199
- the title of supplies and services	34 253	30 072
- tax liabilities, including:	3 026	6 734
- VAT	2 747	6 734
- CIT tax	279	
- others, including:	894	4 393
- receivables from employees (loans from ZFŚS and advances)	196	125
- prepayments for deliveries	568	3 965
- other	130	303
	<u>38 172</u>	<u>48 528</u>

The note presents the Company's receivables for deliveries and services, tax receivables and others. Information on foreign currency exchange rate risk and interest rate risk to which the Company is exposed is presented in the note 29.5 | 29.6 and .

**Change in revaluation allowances for current receivables.**

At the end of the reporting period and at the end of the previous period, there were no write-offs for receivables.

When determining impairment losses, the Group applied the model of expected credit losses. Individually for each customer, the Group assesses the status of overdue receivables, taking into account the reason for their overdue, the financial condition of the debtor, and the level of probability of repayment by the customer. The Group decides to create a write-off for receivables based on the analyzes carried out and based on appropriate premises that the client is unable to pay off outstanding debts in the foreseeable future. Each time after the age structure has been drawn up for the reporting moment, the Group analyzes the

## Maturity structure of current receivables for supplies and services

<i>In PLN thousand</i>	31.12.2020	31.12.2021
Current receivables due to gross deliveries and services with a repayment period:	30 073	25 390
- current up to 30 days	17 434	5 999
- current from 31 to 60 days	12 612	6 272
- current from 61 to 90 days	754	11 692
- current from 91 to 80 days	1 220	1 427
- current from 181 to 365 days	0	0
Allowance for current trade receivables	0	0
Net current trade receivables	<u>32 020</u>	<u>25 390</u>
Gross overdue trade receivables with payment terms:	2 233	5 903
- overdue up to 30 days	2 007	4 201
- overdue from 31 to 60 days		423
- overdue from 61 to 90 days	112	117
- overdue from 91 to 180 days	1	13
- overdue from 81 to 365 days	5	6
- overdue over 365 days	107	1 143
Revaluation allowances on overdue receivables for deliveries and services	0	0
Net overdue receivables for deliveries and services	<u>2 233</u>	<u>5 903</u>
Total net receivables under deliveries and services	<u>34 253</u>	<u>31,294</u>

## 19. Cash and cash equivalents

<i>In PLN thousand</i>	31.12.2020	31.12.2019
Cash in hand		
Cash at bank	22 239	5 454
Deposits		1 723
Total cash and cash equivalents (carrying amount)	<u>22 239</u>	<u>7 177</u>
Cash within assets held for sale	0	0

Cash and cash equivalents at the end of the period (amount presented in cash flow)	22 239	7 177
Overdrafts	0	0
Cash within assets held for sale	0	0
Cash and cash equivalents at the end of the period excluding overdrafts and cash within assets held for sale	22 239	7 177

Cash in bank accounts is accrued at variable interest rates, the amount of which corresponds to the rate of interest on overnight bank deposits. Term deposits are short-term, they are established for various periods, from one day to three months, depending on the Group's current demand for cash and bear interest at the interest rates set for them (see also note 30).

Cash on bank accounts and term deposits are accumulated on bank accounts in banks where the Group uses loans (see also note 25).

#### 20. Current prepayments

<i>In PLN thousand</i>	31.12.2020	31.12.2019
a) current prepayments, including:	860	2 028
- insurance	98	341
- foreign and domestic registrations	179	269
- taxes and charges	25	640
- validations	52	169
- costs of the competition ban		374
- other	506	235
	860	2 028

#### 21. Assets held for sale

As of December 31, 2020 and December 31, 2019 there were no assets held for sale due to the lack of compliance with requirements from IFRS 5 "Non-current assets held for sale and discontinued operations".

#### Sale of the subsidiary - SciGen Ltd. in 2018 and settlement in 2019

On May 15, 2018, after consideration of the available alternatives to the BIOTON S.A. investment in a subsidiary SciGen Ltd. with its registered office in Singapore ("SciGen"), a public company listed on the Australian Stock Exchange, the Management Board of BIOTON S.A. adopted a resolution to conclude conclusion with Yifan International Pharmaceutical Co., Ltd. ("Investor") the investment agreement by virtue of which the Investor undertook to purchase all SciGen shares from the Company, and the Company undertook to sell all of its SciGen shares ("Transaction"). The parties concluded the agreement on May 15

2018 year ("Investment Agreement"). The sale was carried out as a call for purchase of all SciGen shares, announced by the Investor. As part of the Transaction, the first condition was that the part for the debt of SciGen towards the Company was cancelled.

The Company made a write-off of the remitted debt as of 4 December 2017. Total value of the Transaction amounts to USD 56,658,787. The price of SciGen share package owned by the Company is USD 26,758,787, in accordance with average NBP currency exchange rate for USD of June 30, 2018 the value in PLN is 100,184,898.53. The parties agreed that as a part of the Transaction, the Company will purchase from SciGen (i) rights to conduct commercial activity on a number of markets, mainly in eastern Asia, involving trading in products based on recombinant human insulin ("the Trade Agreement") and (ii) rights to a number of SciLin trademarks.

The license agreement taken over from SciGen of April 1, 2002 ("SciGen License Agreement") and technology transfer agreement of May 5, 2003 ("Technology Transfer Agreement") have changed due to the conclusion on May 15, 2018 by the Company, of Annexes to existing license agreements for insulins produced by BIOTON S.A. as indicated in current report RB 9/2018 of May 15, 2018. Under the Annexes the Company received unlimited rights to the non-exclusive right to manufacture, sell and distribute the Product, including continuous, perpetual and non-exclusive right to use and perform production processes on the basis of originally received rights throughout the world. Along with the conclusion of Annexes, the Company was exempted from paying additional license fees on specified markets. The Annexes result in the earlier termination of existing ones and conclusion of new license agreements regarding the rights originally covered by License Agreement, SciGen License Agreement and Technology Transfer Agreement (see current report RB 9/2018 of 15.05.2018).

Subsequently, on February 14, 2019, SciGen PTE Ltd. (formerly SciGen Ltd.) passed on December 29, 2011 resolutions allowing SciGen to, among others, terminate the license agreement and agreement on profit distribution of December 29, 2011, to terminate the agreement on profit distribution of January 3, 2016, on the transfer of rights to a number of trademarks and transfer of market access rights granted to SciGen under agreements of April 1, 2002 and May 5, 2003 (the "Resolutions"). Adoption of the Resolutions was the last of the conditions for settlement of the transaction covered with the agreements of May 15, 2018, in the scope of settlement of SciGen's liabilities towards the Issuer under the loans granted, in the amount of USD 29,900,000, which at the time of adopting the Resolutions was fully satisfied. Therefore, in February 2019, the right arising from the exchange of receivables from conditional return of rights was recognized by the Company as intangible asset in the same amount of PLN 89,914 thousand; the Company also recognized revenue from the development of discount of receivables from SciGen for the period from July 1, 2018 to December 31, 2018 in the amount of 5,054 thousand in 2018 and from January 1, 2019 to February 14, 2019

2019 in the amount of 1 660 thousand in the current year.

The transaction consists an important element of ordering the organizational structure of the BIOTON S.A. Capital Group (the "Group") with the view of building an integrated diabetes care system and strengthening the Group's position on global diabetology market. Sales of SciGen will allow to reduce the Company's debt with maintaining current distribution cooperation and preserving sales rights, which will have positive impact on the achieved results and the possibility of financing crucial, from the point of view of the Issuer, projects associated with introducing insulin analogue into the market.

#### 24. Equity

##### Share capital

*in thousands of shares*

	Ordinary shares	
	31.12.2020	31.12.2019
Number of shares at the beginning of the statement period	85 864	85 864
Series A shares after resplit	85 864	85 864
Number of shares at the end of the period (fully paid up, after consolidation) Nominal value of 1 share (after consolidation)	85 864	85 864
	20 PLN	20 PLN

In 2019 BIOTON S.A. did not issue any shares.

Shareholder	Number of shares / votes (in pcs)	% share capital
1 Dongren Singapore PTE LTD. <sup>^</sup>	16 989 289	19.79
2 Perfect Trend Ventures Ltd.	10 245 922	11.93
3 Troqueera Enterprises Ltd.	8 480 570	9.88
4 Basolma Holding Ltd. <sup>3^</sup>	6 151 852	7.16
5 AIS Investment 2 Sp. z o. o.	5 151 852	6.00
6 UniApek S.A. <sup>41</sup>	4 293 210	5.00
7 Other shareholders with <5%	3 455 1505	40.24
	85 864 200	100

<sup>^</sup>Yifan Pharmaceutical Co., Ltd. is entitled indirectly through Dongren Singapore PTE LTD. to 16,989,289 dematerialized shares of the Company representing 19.79% of the share capital of the Company. Yifan Pharmaceutical Co., Ltd. is the dominant of Dongren Singapore PTE LTD.

<sup>2)</sup> Yifan Pharmaceutical Co., Ltd. is indirectly entitled through Perfect Trend Ventures Limited to 10,186,419 dematerialized shares in the Company, representing 11.86% of the Company's share capital. Yifan Pharmaceutical Co., Ltd. is the dominant of Perfect Trend Ventures Limited.

<sup>1)</sup> and <sup>2)</sup> Yifan Pharmaceutical Co., Ltd. indirectly holds 27,175,708 shares of the Company, which represent 31.65% of the Company's share capital and entitle to 27,175,708 votes at the Company's General Meeting of Shareholders, representing 31.65% of the total number of votes at the Company's General Meeting of Shareholders. The final beneficiary of 42.34% of the shares from the above number of 31.65% is Mr. Cheng Xian Feng.

<sup>3)</sup> Basolma Holding Ltd is the parent company of AIS Investment 2 Sp. z o. o.

<sup>41/5)</sup> Dongren Investment Co., Ltd. of Ningbo Free Trade Zone is entitled indirectly through UniApek 4,293,210 dematerialized shares of the Company representing 5% of the Company's share capital. Wenjun Cui is entitled indirectly through Dongren Investment Co., Ltd. of Ningbo Free Trade Zone and UniApek SA to 4,239,210 dematerialized shares of the Company constituting 5% of the share capital of the Company.

## Share premium

in PLN thousand

Issues	Issue value	Number of shares (in pcs)	Issue price of 1 share (in PLN)	Nominal value related to share capital	Expenses of the issue	Share premium
C	44,000	16,000,000	2.75	16,000	4,239	23,761
D	2,873	298,358	9.63	298	1,979	596
E	14952	2 020579	7.40	2,021	2,249	10,682
F	85,000	8,500,000	10	8,500	868	75,632
G	356,456	1,697,408,406	0.21	339,482	9,258	7,716
H					48	(48)
1	183 352	81,489,729	2.25	16,298	157	166,897
J	244,971	272,190,000	0.90	54 438	4424	186 109
K	34,250	32,619,428	1.05	6,524	207	27,519
L	35,067	33,082,033	1.06	6,616	70	28381
M	60 000	300,000,000	0.20	60 000	3 955	(3,955)
N	96 641	483,206,610	0.20	96 641	4 126	(4,126)
O					179	(179)
P					8	(8)
R	93 501	467,505,200	0.20	93 501	1 654	(1 654)
S	26 974	134,870,120	0.20	26 974	192	(192)
T	50 000	250,000,000	0.20	50 000	277	(277)
U	119 000	595,000,000	0.20	119 000	722	(722)
W	19,684	89,474,460	0.22	17,895	109	1 680
Y	20 000	100,000,000	0.20	20 000	120	(120)
Z					476	(476)
AI	52 196	260980086	0.20	52 196	295	(295)
AA	319117	1 595 585 570	0.20	319117	1834	(1 834)
AB	250 000	1,250,000,000	0.20	250 000	1 335	(1 335)
AC	1	3,688	0.20	1	201	(201)
AC					31	(31)
Coverage loss from 2008						(68,591)
Coverage loss from 2009						(387 798)
Total	2 108 035			1 555 502	39 013	57 131

## Inventory capital

The reserve capital recognizes divided profits and the supplementary capital covers losses, in accordance with the resolutions of the General Meeting. Reserve capital also includes the valuation of financial instruments available for sale.

As of December 31, 2020 the reserve capital amounted to PLN 260 775 thousand (as of December 31, 2019 - PLN 260,775 thousand).

In 2020 BIOTON S.A. did not pay dividend. BIOTON S.A. does not plan to pay dividend in 2021.

## Profit / (loss) per share

Calculation of basic losses per share was based on the net profit of 33 920 thousand PLN and the weighted average number of shares in the period from January 1, 2020 to December 31, 2020 in the first number 85 864 200.

	01.01.2020- 31.12.2020
Weighted average number of shares (in pcs)	85 864 200
Diluted weighted average number of shares (in pcs)	85 864 200
Zysk / (Loss) per share from continuing operations (in PLN)	0,40
Basic	0,40
Diluted	0,40

Weighted average number of shares in the period from January 1, 2020 to December 31, 2020.

Shares series	Number in pcs	Cumulative quantity in pcs	Period	Number of days	Weighted average number of shares
A, AA, AB, AC	85 864 200	85 864 200	01.01.2020 - 31.12.2020	365	85 864 200
	<b>85 864 200</b>			<b>365</b>	<b>85 864 200</b>

Weighted average number of shares From 1 January until 31 December 2018

Shares series	Number in pcs	Cumulative quantity in pcs	Period	Number of days	Weighted average number of shares
A, AA, AB, AC	85 864 200	85 864 200	01.01.2019 - 31.12.2019	365	85 864 200
	<b>85 864 200</b>			<b>365</b>	<b>85 864 200</b>

As of December 31, 2020 there were no dilutive shares.

### 23. Liabilities for credits, loans and other debt instruments

The note presents the Company's liabilities for credits, loans and other debt instruments. Information on exchange rate risk and interest rate risk to which the Company is exposed is presented in the note 30.

#### Non-current liabilities

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Bank credits	31 965	40 569
Towards related entities		26 584
Lease liabilities	6 857	278
<b>Non-current liabilities in total</b>	<b>38 822</b>	<b>40 847</b>

#### Current liabilities

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
loans and borrowings	70 786	45 506
-from affiliates B	26 739	187
- from other entities	44 047	46 319
- non-current bank loans reclassified to current liabilities <sup>1)</sup>		31 035
Derivatives		10
Credit card liabilities		47
Lease liabilities	580	580
<b>Current liabilities, total</b>	<b>71 280</b>	<b>78 178</b>

<sup>1)</sup> In accordance with IAS 1 par 74, the BIOTON SA Group verified long-term loans, the covenants were met;

#### Credits and loans (long- and short-term)

<i>In PLN thousand</i>	Currency Type and amount of interest	Repayment date by contract	Amount in PLN
BOŚ S.A.	Variable interest rate - WIBOR 3M plus margin	06.2020	4011
BOŚ S.A. mortgage loan	Variable interest rate - WIBOR 3M plus margin	05.2025	13 787
BOŚ S.A. investment credit	Variable interest rate - WIBOR 3M plus margin	05.2025	1 584
BOŚ S.A. (factoring facility)	Variable interest rate - WIBOR 3M plus margin	04.2020	22 153
Bank of China	EUR Variable interest rate - WIBOR 3M plus margin	01.2023	33 825
UniApekS.A.	USD Variable interest rate - LIBOR USD 3M plus margin	11.2021	26 739
Other			652
<b>Total in PLN</b>			<b>41 535</b>
<b>Total in EUR</b>			<b>33 825</b>
<b>Total in USD</b>			<b>26 739</b>
<b>Total</b>			<b>102 751</b>

Hedge of credits resulting from the agreements:

mortgages on real estate of PLN 144,000 thousand and EUR 18,000 thous. (as of 31 December 2019, the amount of PLN 144 000 000 thousand and EUR 18,000 thousand) ) along with the assignment of rights under the insurance policy

registered pledge on property, plant and equipment in the amount of PLN 67,647 thousand and EUR 18,000 thous. (as of 31 December 2018 - 67 647 thousand and EUR 18,000 thous. ) along with the assignment of rights under the insurance policy

register pledge on inventories in the amount of PLN 6 000 thous. and EUR 18,000 thous. (as of 31 December 2019 - 6,000 thousand and EUR 18,000 thous. ) along with the assignment of rights under the insurance policy

sureties of subsidiaries granted as collateral for the Company's credit at the Bank of China - a total of EUR 18,000,000 EUR (in 2019 the amount of 18,000 thousand ).

In BOŚ S.A., HSBC Bank Polski S.A. and the Bank of China powers of attorney are submitted to dispose of the accounts of BIOTON S.A. with these banks.

At BOŚ SA, the Company submitted four blank promissory notes along with promissory note declarations securing credit agreements and factoring agreement. On December 8, 2020 the Company submitted a declaration establishing an enforcement order of up to PLN 6,000,000 with the deadline of June 30, 2024 in connection with Annex to the revolving credit agreement.

#### BIOTON S.A.

on April 30, 2020 concluded with Bank BOŚ SA Annex No. 25 to the factoring line agreement No. S / 120/04/2012 / K / FAK, changing the financing period until March 31, 2021; the other provisions of the Agreement have not changed; on March 22, 2021 The company received a positive decision of the Bank regarding the technical extension for the factoring line until April 30, 2021;

on June 30, 2020 concluded Annex No. 23 to the loan agreement No. 2/2007 changing the loan period until September 30, 2020; on 30/09/2020 an annex was signed extending the loan period for one month until 30/10/2020; on October 30, 2020, the Company concluded an annex changing the loan period until November 30, 2020. On November 30, 2020. The company concluded the annex No. 26 changing the credit period until April 30, 2021

- on March 30, 2020 concluded with Bank BOŚ SA Annex No. 4 to the non-revolving loan agreement No. S / 14/1/2014/1157 / K / INW / EKO on the suspension repayment of principal instalments in March, April, and May. The loan period has not changed.

- on March 30, 2020 concluded with Bank BOŚ SA Annex No. 4 to the non-renewable loan agreement No. S / 184/06/2013/1157 / K / POŻ / HIP, concerning the suspension of repayment of principal instalments in the months of: March, April, and May. The loan period has not changed.

- on March 30, 2020 concluded with Bank BOŚ SA Annex No. 4 to the non-revolving loan agreement No. S / 14/1/2014/1157 / K / INW / EKO on the suspension repayment of principal instalments in June, July and August. The loan period has not changed.

- on March 30, 2020 concluded with Bank BOŚ SA Annex No. 4 to the non-renewable loan agreement No. S / 184/06/2013/1157 / K / POŻ / HIP, concerning the suspension of repayment of principal instalments in the months of: June, July and August. The loan period has not changed.

- on January 14, 2019, it signed a loan agreement with BANK OF CHINA (LUXEMBOURG) SA, operating by Bank Of China (Luxembourg) SA (Company Akcyjna) Branch in Poland for the amount of EUR 12 million;

on 22 April 2020, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxembourg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan instalment amount to a special use account (DSRA) in the period from 23 April 2020 to 23 June 2020

- on July 21, 2020, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA, operating through Bank Of China (Luxembourg) SA (Spółka Akcyjna) Branch in Poland, changing the ha rm, he will limit the payment of the loan instalment to the special use account (DSRA) in the period from July 21, 2020 to September 24, 2020.

- on 22 October 2020, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxembourg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan instalment amount to a special use account (DSRA) in the period from 23 April 2020 to 23 December 2020

- on 21 January 2021, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxembourg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan instalment amount to a special use account (DSRA) in the period from 22 January 2021 to 23 March 2021

- on December 27, 2019, for the agreement with HSBC Bank Polska SA, an annex to the non-renewal loan agreement changing the repayment schedule of the remaining part of the loan and the release of collateral on the insulin supply, on March 31, 2020 concluded Annex No. 8 changing the repayment schedule of the remaining part of the loan, on June 02, 2020 concluded Annex No. 9 extending the loan repayment date to September 30, 2020 and changing the repayment schedule of the remaining part credit;

On September 30, 2020, in accordance with the schedule, the company repaid its principal installments with interest due at HSBC Bank.

Until the date of publication of the financial statements, the Company partially repaid credits in the following banks:

- BOŚ Banku S.A. total loan installments in the amount of PLN 826 thousand.

- Bank of China , capital instalment in the amount of EUR 750 thousand .

#### 24. Employee benefits

In PLN thousand	31.12.2020	31.12.2019
Provision for retirement benefits	2 045	2 615

a) non-current	<u>1 762</u>	<u>2 226</u>
b) current	283	389
Provision for unused annual holidays	<u>2 209</u>	
	<u>4 254</u>	<u>2 615</u>

As of 31 December 2020, provisions for retirement severance payments amounted to PLN 2, 045 thous. including PLN 1 847 thousand for BIOTON S.A. and PLN 198 thousand for other entities.

Every year, the Company creates a provision for retirement benefits based on external actuary valuation. Assumptions adopted to estimate the provision include: retirement age for men 65 years for women 60 years, long-term annual growth rate of remuneration at 3.5%, discount rate 2.0% , i.e. on the expected level of profitability of the safest long-term securities listed on Polish capital market (ten- and twenty-year treasury bonds).

In 2019 the following assumptions were made: retirement age for men 65 years, for women 60 years, long-term annual growth rate of remuneration at 3.5%, discount rate 3.0%, i.e. on the expected level of profitability of the safest long-term securities listed on the Polish capital market (ten- and twenty-year government bonds).

As part of the amendments to IAS 19 from January 1, 2013, the so-called "Corridor method" was eliminated, therefore the full amount of the deficit or financial surplus of the program is recognized by the Company in its financial statements. The possibility of a different presentation of profits and losses related to the defined benefit program was also eliminated. Staff costs and financial costs are recognized in the result, and the effects of revaluation in other comprehensive income, thanks to which they are presented separately from changes resulting from the current operations of the entity. The disclosure requirements for defined benefit plans have been extended to better reflect the nature of these programs and resulting risks.

#### Changes in provision for employee benefits

In PLN thousand	31.12.2020	31.12.2019
<i>Provision for retirement benefits - opening balance</i>	2 614	4 637
Foreign currency exchange rate differences		
Decreases - release of provisions included in the profit and loss account	269	(62)
Reductions - actuarial losses recognized in equity	(697)	
Increase - actuarial losses recognized in equity		332
Decreases - reversal of provisions in income statement, liquidation of Biopartners		(2 004)
Increases - costs included in the income statement	60	(228)
Benefits paid out	(211)	(61)
Other		
<b>Total:</b>	<b>2 045</b>	<b>2 614</b>

#### 27. Deferred income

In PLN thousand	31.12.2020	31.12.2019
Received upfront payments for sales of rights (upfront) <sup>1)</sup>	21 225	23 408
Subsidies from MG (see notes 29 and 31.1)	14 839	15 479
Subsidies from NFOŚiGW (see notes 29 and 31.2)	2 548	2 660
Subsidies from NCBR (see notes 29 and 31.3)	578.5	578
	<u>39 191</u>	<u>42 125</u>

<sup>1)</sup> See also Notes 17 and 29

#### 28. Trade and other payables

##### Non-current liabilities

In thousands of zlotys	31.12.2020	31.12.2019
a) to other entities	<u>10 342</u>	<u>10 382</u>
- other, including:	10 342	10 382
- liabilities due to the purchase of shares in the BIOLEK company	10 342	10 382
- liabilities under the purchase of fixed assets		40
	<u>10 342</u>	<u>10 382</u>

##### Current liabilities

In PLN thousand	31.12.2020	31.12.2019
(a) to related entities of the category B	2 848	39
a) to other entities	47 123	77 604
-for deliveries and services, of maturity date:	30 472	59 082
-up to 12 months	30 472	59 082
-over 12 months	0	0
-for salaries and wages	2 312	3 161
- for taxes, including:	8 615	6 641
- social security liabilities	7 321	4 872
- Personal income tax on natural tax - VAT tax	898	1 060
	<u>215</u>	<u>655</u>

-PFRON (The State Fund for Rehabilitation of the Disabled Persons)	26	52
-other taxes	155	2
-others, including:	5 723	8 720
-liabilities under supply of non-financial fixed assets	779	4 139
-payables arising from non-invoiced deliveries	3 609	3 641
-others	1 335	940
b) special funds (by titles)	0	50
-Company Social Benefit Fund		50
	<u>49 970</u>	<u>77 693</u>

Balance sheet values of trade liabilities and other liabilities are considered to be the same as their fair values due to their short-term nature.

## 29. Income tax liabilities

Income tax liability in the amount of PLN 5 thousand (PLN 118,000 as of 31 December 2019) is the amount due to the tax office for current period. The entire liability applies to Biolek Sp. z o.o.

## 30. Provisions and other accruals

<i>In PLN thousand</i>	31.12.2020	31.12.2019
Current prepayments	36 090	39 612
a) settlement of costs between the periods	9 341	18 884
- provision for unused holiday leaves	2 209	2 223
- provision for utilities		167
- provision for legal fees	50	35
-provision for discounts to be granted in subsequent period		5 000
- audit fees	25	0
- reserve for royalties	2 051	0
- provision for purchase of plant, property and equipment	0	1 361
-provision for transportation fees		18
- retirement benefits	283.05	387
- employee benefits	786	0
- provision for marketing expenditures		0
- provision for remuneration expenditures with charges	2 827	4 388
-provision for other costs by nature	107	2 449
-provision for other operating costs	896	1 554
- provision for financial costs	8	0
-provisions for taxes		0
-provision for marketing expenditures	50	1 302
- other	49	0
b) settlement of accruals	26 749	20 728
- received upfront payments <sup>1)</sup>	2 183	2 183
-SUBSIDIES from the Ministry of Economy (see note 31.1)	640	640
- subsidies from NFOŚ (see note 31.2)	111	111
- grants from the National Center for Research and Development (see note 31.3) - advance payment for deliveries	1 560	1 545
- other	22 255	16 249

<sup>1)</sup>See also note: 27.

## 29. Financial instruments 31.1 General information

in financial instruments

As of 31 December 2020

	Bank deposits and cash on bank accounts	Bank credits and loans granted	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Financial liabilities	Trade and other receivables	Trade and other payables
b) Scope and nature of the instrument	No-risk or low risk current investments	Bank credits, short-term loans, including factoring line	See details below	See details below
c) The carrying amount of the instrument ( <i>in thousands of zlotys</i> )	22 239	Bank loans 39,420 Loans 35,940	Trade receivables 37,894 Non-current receivables	Liabilities: RMB 49,971: 6,850 Leasing obligations: 8,413
d) Value of the instrument in foreign currency ( <i>in thousands</i> )	\$ 96 866 EUR	Credits 7 387 EUR Loans USD	\$ 1,811 EUR 1 170	\$ 1,408 2 311 EUR
e) Sale or issue price	Placing Free Funds	Credits for current operations	Current operations	Current operations
f) Amount constituting base for future payments	Total deposits	Nominal value	Face value	Nominal value
g) The sum and date of future revenues or cash payments	Interest depending on the duration	Interest paid on monthly basis	According to the nominal value	According to the nominal value

establishing prices, due dates, dates of expiry or execution of an instrument	Liquid instruments of overnight type and up to 3M	Repayment of capital within deadlines resulting from the agreements	According to the agreements	According to the agreements
i) Possibility of earlier settlement	Any	Exists	Exists	Exists
j) Instrument performance target or range	By face value and interest	By nominal value and interest	By nominal value	By nominal value
k) Possibility of replacement or exchange for another asset or liability	None	None	None	None
l) Specified rate or amount of interest, dividend or other revenues and their due date	Variable, WIBID minus the bank's margin. Payment date upon completion	Bank credit – for PLN WIBOR + bank margin, for currency LIBOR + bank margin Due date – monthly and quarterly	According to the agreements	According to the agreements
m) Hedging related to the instrument, accepted, or submitted	None	Specified in note 25	None	None
n) The above-mentioned information for the instrument for which the given instrument may be exchanged	n/a	n/a	n/a	n/a
o) Other conditions related to the given instrument	None	Bank credit – min. use of credits according to the agreements	None	None
p) Type of risk related to the instrument	Interest rate, credit of financial institution	Interest rate and liquidity risk	Interest rate, exchange rate and credit of recipients	Currency
q) Total existing liabilities for items seized in the instruments	None	None	None	None
r) Fair value of the instrument	Equal to carrying value	Equal to carrying value	Equal to carrying value	Equal to carrying value
s) Method of establishing fair value	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) The category of financial instruments from January 1, 2018 according to IFRS 9	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost

Information on trade receivables is included in note 20, whereas information on trade payables in note 28.

As of 31.12.2019

Information on trade receivables is included in note 20, whereas information on trade payables in note 28.

	Bank deposits and cash on bank accounts	Bank credits and loans granted	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Financial liabilities	Trade and other receivables	Trade and other payables
b) Scope and nature of the instrument	No-risk or low risk current investments	Bank credits, short-term loans, including factoring line	See details below	See details below
c) The carrying amount of the instrument (in thousands of zlotys)	7 177	Bank loans 53 446 Loans 64 663	Trade receivables 41 794 Non-current receivables	Liabilities : 77 355 RMB: 18 884 Leasing obligations: 8,413
d) Value of the instrument foreign currency (in thousands)	USD 537 EUR 4,738	Credits EUR 10,252 Loans USD 7,049	USD 60 EUR 96,071	1 943 USD EUR 10,300
e) Sale or issue price	Placing Free Funds	Credits for current operations	Current operations	Current operations
f) Amount constituting base for future payments	Total deposits	Face value	Face value	Nominal value
g) The sum and date of future revenues or cash payments	Interest depending on the duration	Interest paid on monthly basis	According to the nominal value	According to the nominal value
h) Date of establishing prices, due dates, dates of expiry or execution of an instrument	Liquid instruments of overnight type and up to 3M	Repayment of capital within deadlines resulting from the agreements	According to the agreements	According to the agreements
i) Possibility of earlier settlement	Any	Exists	Exists	Exists
j) Instrument performance target or range	According to face value and percentage	By nominal value and interest	By nominal value	By nominal value
k) Possibility of replacement or exchange for another asset or liability	None	None	None	None
l) Specified rate or amount of interest, dividend or other revenues and their due date	Variable, WIBID minus the bank's margin. Payment date upon completion	Bank credit – for PLN WIBOR + bank margin, for currency LIBOR + bank margin Due date – monthly and quarterly	According to the agreements	According to the agreements
m) Hedging related to the instrument, accepted, or submitted	None	Specified in note 25	None	None
n) The above-mentioned information for the instrument for which the given instrument may be exchanged	n/a	n/a	n/a	n/a
o) Other conditions related to the given instrument	None	Bank credit – min. use of credits according to the agreements	None	None
p) Type of risk related to the instrument	Interest rate, credit of financial institution	Interest rate and liquidity risk	Interest rate, exchange rate and credit of recipients	Currency
q) Sum of existing liabilities due to the seized	None	None	None	None

Currencies of the instrument	Equal to carrying value	Equal to carrying value	Equal to carrying value	Equal to carrying value
s) Method of establishing fair value	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) The category of financial instruments from January 1, 2018 according to IFRS 9	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost

#### 29.2 Effective interest rates and schedule of repayments as of December 31, 2020 LIABILITIES

<i>In PLN thousand</i>	Effective percentage rate	up to 1 year	from 1 up to 2 years	from 2 to 5 years	above 5 years	total
BOŚ S.A. revolving loan	5.81%	4 001				4 001
BOŚ S.A. mortgage loan	4.94%	2 985	3 042	7 760		13 787
BOŚ S.A. investment credit	4.99%	362	358	864		1 584
BOŚ S.A. (factoring facility)		22 153				22 153
BankofChina Credit	1.51%	13 887	15 793	4 145		33 825
UniApekS.A.	5.83%	26 739				26 739
Other		848				891
		<b>70 985</b>	<b>19 235</b>	<b>12 770</b>		<b>102 990</b>

#### 29.3 Reconciliation of financial obligations

<i>Data in thousands</i>	Note	01.01.2020	Cash flows from financial activity		Interest paid	of interest commission	and Non-pecuniary changes Recognized in in connection with implementation of IFRS16 taking into account discount	Differences in exchange rate	
			Incurring	Repayment					
Credits	25	54013		(17 324)	(2 361)	2 117		3 224	39 669
Loans, including:	25	64661		(1 393)	(954)	1 260		(254)	63 321
-from related parties	25	26 770			(954)	1 209		(287)	26 739
- from other entities	25	37 891		(1 393)		51		33	36 583
Derivative Instruments	25	10		(10)					
Credit cards liabilities	25	42		(37)					5
Leasing	25	8,413		(2 486)			1 185		7 112
		<b>128553</b>		<b>(21 250)</b>	<b>(3 315)</b>	<b>3 377</b>	<b>1 185</b>	<b>2 970</b>	<b>110 7</b>

#### 29.4 Credit risk

Credit risk is the risk of financial loss for the BIOTON Group in the event that the client or the counterparty being a party to the transaction in relation to the financial instrument fails to meet its obligations. The risk in the case of BIOTON Group refers to long-term financial assets and trade receivables. Maturity analysis of receivables and changes in impairment losses on receivables is presented in note 20. In 2020 BIOTON S.A. continued to insure receivables resulting from the sale of goods in the trade credit system with a deferred payment date. The object of insurance consisted in cash receivables due to BIOTON S.A. from domestic partners. The limit of the insurer's liability due to the insurance concluded calculated on the basis of the paid premium in the given insurance period was PLN 12 873 thousand . In addition, BIOTON S.A. continued a factoring agreement with BOŚ SA regarding domestic receivables, which had a positive impact on financial liquidity. In 2020, Group BIOTON SA did not continue the contract for the insurance of foreign receivables due to the distribution contract signed with Scigen Ltd .. Due to the large dispersion of contractors on the domestic and foreign market, the Company does not have any risk of concentration

#### 29.5 Interest rate risk

The loans and credits with fixed interest granted and incurred by the BIOTON Group are exposed to the risk of changes in fair value as a result of changes in interest rates. On the other hand, loans and credits with variable interest rate granted and incurred are exposed to the risk of changes in cash flows as a result of changes in interest rates. Investments in capital instruments and current receivables and liabilities are not exposed to the interest rate risk. In connection with the concluded long-term loan agreements, BIOTON SA concluded at the end of 2016 with one of the financial banks, market conditions securing the interest rate risk to secure BIOTON SA against an increase in market interest rates in the period until June 2020. The decision to conclude the transaction in question was made by the Company BIOTON SA based on the available forecasts of interest rates in the coming years and on the basis of the applicable repayment schedule credit. This transaction was settled at the end of June 2020.

#### 29.6 Currency risk

The Group bears the foreign exchange risk related primarily to the sale of finished goods and purchases of raw materials, which are made in foreign currencies and loans granted in foreign currencies. The Group monitors currency exchange rates on an on-going basis and analyzes macroeconomic reports and forecasts received from financial institutions in relation to cash flows in foreign currencies. Due to the inflows received in foreign currencies and expenses in these currencies, BIOTON SA in 2020 secured the risks by natural

hedging, which allows to limit the exchange rate risk in the conducted activity. The Group monitors the level of foreign currency receivables on an ongoing basis, adapting to them and forecasting expenditure in foreign currencies.

Total value of assets denominated in foreign currencies (mainly USD and EUR) as of 31 December 2020 amounted to PLN 21 077 thousand (including loans in the amount of PLN 1,498 thousand trade and other receivables in the amount of PLN 9,576 thousand and cash and bank deposits - PLN 3,3 thous. Total value of liabilities denominated in foreign currencies (mainly USD and EUR) as of December 31, 2020 amounted to PLN 78,861 thousand (credits and loans - PLN 60,564 thousand, trade and other liabilities - PLN 18,297 thousand).

#### 29.7 Liquidity risk

The Group manages liquidity through ongoing monitoring of the level of due liabilities, forecasting cash flows and proper cash management. The Group invests cash in safe, current financial instruments (bank deposits) that can be used to service liabilities. The expected amounts and terms of payment of financial liabilities held by the Group (current and non-current) in respect of loans and advances received have been presented in the table below, according to repayment terms resulting from agreements. However, for all trade liabilities, payment dates are up to one year and do not bear interest.

Expected loans amount and interest on loans from December 31, 2020 - in thous. .	up to 1 year	from 1 up to 2 years	from 2 up to 5 years	above 5 years	Total
BOŚ S.A. (PLN 4 million) revolving loan	4011				4011
BOŚ S.A. (PLN 3.1 million) investment loan	362	358	864		1 584
Kredyt Bank of China SA Branch in Poland (EUR 12 million) see also note 25	13 887	15 793	4 145		33 825
Uniapek S.A. (USD 7 million) mortgage loan	26 739				26739
BOŚ S.A. (PLN 25.9 million) mortgage loan	2 985	3 042	7 760		13 787
BOŚ S.A. loan (PLN 30 million) factoring line	22 153				22 153
Total	70 137	19 192	12 270		102 099

Pursuant to IAS 1 par 74, the Group did not reclassify long-term loans, as all of them were met.

Trade liabilities of the Group are regulated in extended payment terms. Their due dates do not exceed one year. The analysis of these dates and new liabilities for the obligations and liabilities for the full purpose of the Group's liquidity risk is presented in the note. 29.2.

#### 29.8 Hedging transactions

The Group partially hedges currency risk and interest rate risk by concluding risk hedging transactions.

As of December 31, 2020 and December 31, 2019, the Group did not have transactions hedging currency risk from trade inflows.

As at December 31, 2020, the Group did not have any interest rate hedging transactions (as at December 31, 2019, the Company had IRS transactions hedging the interest rate risk for a loan from HSBC Bank Polska SA, the valuation of open transactions was PLN 10,000). .

Due to the non-application of hedge accounting, all changes in the fair value of contracts are recognized in the income statement.

As of the balance sheet date, the Group has no other risk hedging transactions.

#### 29.9 Operational risk

Operational risk is the risk of incurring direct or indirect losses, of which various reasons are related to the Group's processes, personnel, technology and infrastructure, as well as caused by external factors, other than credit risk, market risk and liquidity risk, such as legal requirements or other regulations or generally accepted standards of corporate behavior. Operational risks arise from all the Group's operations.

The Group's goal is to manage operational risk in such a way as to offset the minimization of possible financial losses and possible damage to the Group's reputation with overall operational efficiency, while eliminating control procedures limiting initiative and creativity.

The primary responsibility for the development and implementation of controls regarding operational risk is assigned to senior management of each organisationally separate business activity. The performance of duties in this area is supported by the development of general management standards by the Group of operational risk, which include:

- requirements for appropriate segregation of duties, including independent transaction authorization,
- requirements for reconciliation and monitoring of transactions,
- compliance with legal requirements and other regulations,
- documenting controls and procedures,
- ongoing analysis of the causes of operational results and reconciliation of remedies in the event of operating losses or the likelihood of significant operational risk being realized,
- training and professional development,
- ethical and business standards,
- minimizing and isolation of risk, including safety, if effective.

Compliance with the risk management principles by the Group is verified through periodic reviews. The results of the reviews are discussed with the management of a given operating segment, while the results are summarized and reported to senior management.

#### 29.10 Capital management

The Management Board's policy consists in maintaining good capital base in order to maintain the confidence of investors, lenders and the market as well as to ensure the future development of business operations. The Group's overarching goal is to develop the Group and for this purpose the Group wants to allocate funds primarily to build long-term value for shareholders. The Management Board monitors the balance of capital using the leverage ratio, which is calculated as the ratio of net debt to the sum of capitals increased by net borrowing. Net debt includes loans and borrowings, trade and other payables. Net debt is reduced by cash. The capital comprises the equity attributable to the Group's shares. Decisions affecting the share capital are preceded by analyzes of the financial situation of the Group in the context of its current development and investment needs, the structure of its balance sheet as well as the price of its shares on the stock exchange and subject to adoption by the General Meeting.

In PLN thousand	31.12.2020	31.12.2019
Liabilities due to credits, loans and other debt instruments	102 990	101 438
Liabilities due to deliveries and services and other	49 971	82 450

Cash and cash equivalents in total	(22 239)	(7 676)
<b>Net debt</b>	130 722	176 212
<b>Equity</b>	619 645	585 723
<b>Equity and net debt</b>	750 367	761935
<b>Leverage ratio</b>	17,42%	23,13%

### 31. Contractual obligations

#### 30.1 Agreement between the Minister of Economy and BIOTON S.A.

In September 2008, BIOTON S.A. completed an investment project (Project) under the name "Construction of manufacturing base for the production of medicines obtained through biotechnology", implemented as part of Sectoral Operational Program Improvement of the competitiveness of enterprises, 2004-2006, Priority 2 Direct support of enterprises, Measure 2.2 Support product and technological competitiveness of enterprises, Sub-measure 2.2.1 Support for enterprises making new investments, on the basis of an agreement (Agreement) concluded on September 14, 2005 with the Minister of Economy.

In February 2009 BIOTON received funding in the amount of PLN 13,735 thousand.

BIOTON S.A., under the Agreement, obtained co-financing in the total amount of PLN 24,039 thousand, including:

- PLN 23,473 thousand (PLN 9,738 thousand by December 31, 2008) for capital expenditures, amounts to 25% of eligible costs for capital expenditures,
- 566 thousand PLN for employment costs.

Expenditure incurred and subsidies received in the years from 2005 to 31.12.2009 (in PLN thousand).

Year	Outlays, including:				Subsidies received, including:		
	Total	Plant, property and equipment, including:		New job posts	Total	Plant, property and equipment	New job posts
		Eligible outlays	Not eligible outlays				
2005	14 959	2,348	12,554	57	-	-	-
2006	13,789	12,169	1,478	142	407	293	114
2007	58,478	50,879	6,037	1,562	6 466	6 466	-
2008	48,557	28,496	18,595	1,466	3,431	2,979	452
2009	-	-	-	-	13 735	13 735	-
<b>Total</b>	<b>135,783</b>	<b>93,892</b>	<b>38,664</b>	<b>3,227</b>	<b>24,039</b>	<b>23,473</b>	<b>566</b>

Settled subsidies in the years from 2006 to December 31, 2020 (in PLN thousands).

Year	Total	Plant, property and equipment	New job posts
2006 - 2017	6 641	6,075	566
2018	640	640	-
2019	639	639	-
2020	640	640	-
<b>Total settled</b>	<b>8 560</b>	<b>7 994</b>	<b>566</b>
<b>It remains to be settled (see notes 27 and 29)</b>	<b>15 479</b>	<b>15 479</b>	-

Revenues from settled subsidies have been included in other operating costs. Subsidies for fixed assets are settled commensurate with the depreciation of subsidized fixed assets.

#### 30.2 Agreement between the National Fund for Environmental Protection and Water Management and BIOTON S.A.

In June 2008, BIOTON S.A. completed an investment project (Project) under the name "Construction of a sewage treatment plant to reduce the load of pollutants discharged with sewage", implemented under the Sectoral Operational Program Improvement of enterprises' competitiveness, 2004-2006, Priority 2 Direct support of enterprises, Measure 2.4 Support for undertakings in the scope of adapting enterprises to environmental protection requirements, based on an agreement (Agreement) concluded on December 29, 2006 with the National Fund for Environmental Protection and Water Management (NFEPPWM).

In July 2009, the ecological effect was confirmed by a Certified Laboratory.

Year	Expenses incurred	Received subsidy for fixed assets
2007	5,508	267
2008	11,129	3,783
<b>Total</b>	<b>16 637</b>	<b>4 050<sup>1*</sup></b>

<sup>1\*</sup>Including from the European Fund of regional Development 3 037.5 thous. PLN and 1 012.5 thous. PLN from NFOŚiGW.

Subsidies settled in the years from 2006 to December 31, 20120 (in PLN thousands).

Year	Plant, property and equipment
2008-2017	1,056
2018	111
2019	112
2020	111
<b>Total settled</b>	<b>1 390</b>
<b>It remains to be settled (see notes 27 and 29)</b>	<b>2 660</b>

Revenues from settled subsidies have been included in other operating costs. The subsidy is settled commensurate with the depreciation of subsidized fixed assets.

#### 30.3 Agreement between the National Center for Research and Development and BIOTON S.A.

On March 13, 2017, BIOTON S.A. signed an agreement with the National Center for Research and Development for co-financing of the project under Intelligent Development Operational Program. The agreement refers to the project "Development of innovative technology for the production of short and long-acting insulin analogues applicable to the treatment of diabetes" ("Project") as part of the R & D projects of enterprises of the Intelligent Development Operational Program 2014-2020 co-financed by the European Regional Development Fund. The total cost of the Project is PLN 50 684 thousand. The total amount of qualified expenses is PLN 50,684,000. BIOTON S.A. will receive co-financing in the amount not exceeding PLN 20,988 thousand, which constitutes 41.4% of total expenses eligible for support, whereas the maximum amount of funding for: (i) industrial research is PLN 1,858,000, (ii) development work is PLN 19,130 thousand. The expenditure incurred and the value of received subsidies in the table below.

The period of eligibility of costs for the Project begins on August 24, 2016 and ends on the date of submission of the final payment application.

In 2020 the Company received an advance payment of PLN 20 thousand.

Expenditure incurred and subsidies received from August 24, 2016 to December 31, 2020.

Year	Expenses incurred	Subsidies received	Advances obtained for subsidies
2016	4,450	-	-
2017	15,886	500	300
2018	31,268	372	(300)
2019	1 397		1,265
2020	5 198		20
In total (see notes 27 and 29)	58 199	872	1 285

Before submitting the application for co-financing (until August 2016) The Company incurred expenditures on analogs in the amount of PLN 52,785 thousand. In 2018, the Company adjusted the approach to accounting for expenditures on the analogue development project, treats costs as research and development costs referred to the result of the period, for the tax purposes the project is treated as an intangible and legal value.

### 33. Contingent liabilities

Nature of conditional liability	Name of the beneficiary	Amount of the liability	Expiry date
Blank promissory note along with the promissory note declaration related to the commercial contract	AN/ANTOR PERFORMANCE MATERIALS POLAND S.A.	150 thousand.	Indefinite time
Blank promissory note along with the promissory note declaration related to the commercial contract	MERCK Sp. z o. o.	350 thousand.	Indefinite time
Blank promissory note along with the promissory note declaration related to the commercial contract	PGNiG S.A.	270 thousand.	Indefinite time
Own blank bill of exchange with a promissory note, related to co-financing agreement under the Operational Program. 01.01.01-00-05 7 9/16 see also note 31.3	National Centre for Research and Development	PLN 20,988,43 thousand.	November 30, 2025

On January 24, 2013 Actavis Group PTC based in Iceland ("Actavis") notified BIOTON of the termination of a joint-venture agreement regarding cooperation in the scope of development and commercialization of insulins on the markets of the European Union, the United States and Japan ("Agreement"). Pursuant to the terms of termination of the Agreement, BIOTON is obliged to return 50% of the remuneration from 50% of profits generated in the future from commercialization of the Company's insulins on the markets of the European Union, the United States and Japan up to the amount of EUR 11,275,000. The obligation is indefinite.

In July 2019 BIOTON S.A. made the last payment related to leasing contract number RD 0698/1. In August 2019 a promissory note with a promissory

### 34. Information on transactions with affiliates

Transactions with affiliates are typical transactions for deliveries and services resulting from operating activities and concluded on conditions not significantly differing from market conditions.

The accounting period from 01.01.2020 to 31.12.2020.

#### 34.1. Object of transaction – turnover in the period

Name of the entity with which the transaction was concluded	Object of transaction	Net value in PLN thousand
	services	(665)
YIFAN INTERNATIONAL		
Yifan Pharmaceutical Co. Ltd.	Sales, including:	18 863
	-services	18 863
SciGen Ltd (Singapore)	Sales, including goods	13 363
SciGen Ltd (Singapore)	including goods	41 557

#### 34.1.b Open items on accounts

Name of the entity with which the transaction was concluded	Object of transaction	Net value in PLN thousand
	Receivables, title:	0
	-supplies, works and services	0
Name of the entity with which the transaction was concluded	Object of transaction	Net value in PLN thousand
YIFAN INTERNATIONAL	Receivables, title:	0
	-supplies, works and services	

Name of the entity with which the transaction was concluded	Object of transaction	Net value in PLN thousand
SciGen Pte. Ltd.	Liabilities due to supplies, works and services	2 815
SciGen (Beijing) Biotech. Co.,Ltd.	Liabilities due to supplies, works and services	31
UniApekS.A.	Liabilities for:	26 739
	-loans	26 739

34.The accounting period from 01.01.2019 to 31.12.2019.

34.2. Object of transaction – turnover in the period

Name of the entity with which the transaction was concluded	Object of transaction	Net value in PLN thousand
Yifan Pharmaceutical Co. Ltd.	Sales, including:	219
	-services	219
SciGen Ltd (Singapore)	Sales, including: commodities	4 336

34.2. Outstanding balances

Name of the entity with which the transaction was concluded	Object of transaction	Net value in PLN thousand
Yifan Pharmaceutical Co. Ltd.	Receivables, title:	6 262
	-supplies, works and services	6 262
YIFAN INTERNATIONAL	Receivables, title:	1 067
	-supplies, works and services	1 067
SciGen Pte. Ltd.	Liabilities due to supplies, works and services	1
	Liabilities due to supplies, works and services	38
UniApekS.A.	Liabilities for:	26 338
	-loans	26 338

Open items on the accounts will be settled with cash payments. Occasionally, the Group may settle settlements through mutual settlements

deduction of receivables.

### 34.3 Financial data on the subsidiary BIOTON MARKETING AGENCY Sp. z o. o.

Data as of 31 December 2020 and for the period from 01.01.2020 to 31.12.2020 BIOTON MARKETING AGENCY Sp. z o. o.

	<i>In PLN thousand</i>
Assets	11 820
Liabilities	3 802
Equity capital	8 018
Revenues from business activity	20 45
Profit	1 143

### 34.4 Key financial data of BIOLEK Sp. z o. o.

Data as of December 31, 2020 and for the period January 1, 2020 - December 31, 2020. BIOLEK Sp. z o. o

	<i>In thousands zlotys</i>
Assets	3 546
Liabilities	25 179
Equity capital	(21 633)
Revenues from business activity	3 753
Loss	(557)

### 34.5

#### Key financial data of BIOTON International GmbH

Data as of December 31, 2020 and for the period 01/01/2020 - 31/12/2020 BIOTON International GmbH

	<i>In EUR thous.</i>	<i>EUR</i>	<i>In PLN thousand</i>
Assets	2	4.6148	9
Liabilities	781	4.6148	3,604
Equity capital	(779)	4.6148	(3 595)
Revenues from business activity		4.4742	
Loss	(234)	4.4742	(1 047)

The value of assets and liabilities was calculated according to the exchange rate of 4.6148 from the table No. 251 / A / NBP / 2020 from December 31, 2020. The items of the income statement were converted at the exchange rate being the arithmetic average of the average EUR exchange rates announced by the NBP on the day ending each month of the period - this rate is PLN 4.4742.

### 35. Acquisition of subsidiaries

In the current period, there were no takeovers of subsidiaries.

### 36. Acquisition of non-controlling interests

No non-controlling interests were purchased in the current period.

### 37. Average number of workers

	<b>31.12.2020</b>	<b>31.12.2019</b>
Average employment in non-manual positions	198	365
Average employment in blue-collar positions	165	162
	<b>363</b>	<b>527</b>

### 38. Remuneration paid out or due to members of managing or supervisory bodies (net, VAT excl.)

*in PLN thousand*

	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>A. Managing persons:</b>	<b>2 344</b>	<b>3 796</b>
1. Neymann Robert	996	1 263
2. Launders Jeremy	488	
3. Dziki Marek		987
4. Polonek Adam	860	853
5. Kociński Bogusław		693
<b>B. Supervising persons:</b>	<b>213</b>	<b>189</b>
1. Liu Jubo	24	46
2. Trzeciak Dariusz	36	36
3. Borowy Paweł	0	0
4. Chiang Ming-Tso Mark		22
5. He Gary		22
6. VaidyanathanViswanath	24	24
7. Qi Bo		22
8. Cadei Nicola	24	2
9. Rajentheran Ramesh	33	13

10.	Tan Wen Ming	24	2
11.	Hao Fan	48	
C.	Total	<u>2557</u>	<u>3 985</u>

### 37. Consideration paid out and due to certified auditor or to entity entitled to carry out the audit of financial statements

In PLN thousand

	31.12.2020	31.12.2019
a) mandatory audit of annual financial statements (consolidated and individual) 1)	135	189
b) obligatory audit of annual financial statements (consolidated and unit) 1)	90	105
c) other attestation services	50	
d) tax advisory services		
e) other services		
Total	<b>315</b>	<b>294</b>

On May 14, 2020, the Supervisory Board of the Company appointed BDO Spółka z ograniczoną odpowiedzialnością sp.k. with headquarters in Warsaw, ul. Postępu 12, 00-676 Warsaw ("BDO"), as an entity reviewing and auditing the Company's financial statements for the financial years ended 31 December 2020 and 31 December 2021 and the review of the financial statements as of 30 June 2020 and 30 June 2021 (individual and consolidated) and gave consent to the conclusion by BIOTON SA of agreements in this scope.

### 38. Estimates and assumptions made in the financial statement

The estimates and assumptions are subject to periodic verification and are based on historical data, market data and the best knowledge of the Group as at the date of the estimation. The Group makes estimates and assumptions concerning the future. The results of such estimates, usually are not equal to the actual results. The estimates and assumptions that may affect the carrying amount of assets and liabilities to the greatest extent relate to the measurement of investments in subsidiaries and intangible assets and the value of non-current assets required for production and sales. In order to determine recoverable amount of these assets, the Group projects cash flows and checks the expected net sale price.

The Group identified key assumptions the change in which has the greatest impact on the estimation of the recoverable amount of assets mainly in terms of sensitivity to change in pre-tax discount rate (WACC).

Basic information on key valuation assumptions are presented in the table below:

	CGU Bioton (assets related to insulin and analogs)
Valuation	PLN 1.14 billion
Value range (Sensitivity analysis)	(WACC +/- 2%) change by (210.5) / + PLN 295 million Sales volume of analogues (+/- 40%) change by +/- 315.5 million PLN
Carrying amount as of 31.12.2020	1. Tangible Fixed Assets - PLN 311.5 million 2. RHI Intangible assets - PLN 374.8 million 3. Assets due to deferred income tax - PLN 27.2 million. Total: PLN 713.5 million
Assumptions	The cash flow projections were based on experience and the best knowledge of the Company, whereas the most important assumptions include: 1. predicted growth of insulin and analog market, 2. insulin registration schedule on the markets (assumed entry on individual markets) 3. competitive position (including sales prices on the market) 4. possible sales volume and market shares 5. signed agreements with distributors and a global distribution of insulin contract 6. assumptions regarding required working capital 7. finalizing the development and registration of the contract with Yifan on insulin logs 8. production costs based on existing factories for the production of finished substances and forms along with the adopted outlays for the maintenance of the machine park 9. settlement of assets related to deferred income tax
The projection period	2020-2030 and Residual Value based on 0% growth rate
Discount rate (WACC)	13,12%

As of December 31, 2018 the Group reclassified pre-paid payments relating to charges related to the distribution of profit on the Chinese market to other intangible assets in the amount of PLN 51,267 thousand. The payments resulted from the agreement concluded on October 21, 2011 with subsequent annexes between BIOTON S.A. and its former subsidiary, SciGen Ltd., and Hefei Life Science & Technology Park Investments & Development Co. Ltd. and Mr. Gao Xiaoming. From the fourth quarter of 2018, the Group settles the paid fees successively with sale results on the Chinese market. As at December 31, 2020 the value of other intangible assets to be settled in the future amounted to PLN 94 811 thousand. The Group made a cash flow projection to determine recoverable amounts of these assets based on the following factors: (i) no time limit associated with the settlement, (ii) there is a change of distributor on the Chinese market and assumptions regarding possible volumes for sale broken down by individual years are adopted, (iii) there is a fixed rate for one piece of product sold, (iv) term of global distribution agreement signed with SciGen Ltd, (v) pre tax discount rate (WACC) at the level of 9.62%. Based on the adopted sales assumptions, asset settlement is planned until the end of 2027. The Group performed a sensitivity analysis based on the discount rate adopted and with the increase of the pre tax rate (WACC) to the level of 15.06% the recoverable amount is equal to the value of the asset on the balance sheet.

### 39. Figures ensuring comparability of data of the financial statement for the previous periods (published) with data for the current accounting period.

In 2020, the Company did not implement new IFRS standards. 16 Leasing from 01/01/2019 .. The numerical information in the financial statements ensures the comparability of the data to the previous period.

**40. Indication of proceedings pending before a court, a competent arbitration authority or a public administration body**

**Macierzysz Resort Property" real estate**

In matters relating to real estate to which the Company has the right of perpetual usufruct and which belonged to the former "Macierzysz Resort Property", hereinafter referred to as "Real Estate", no administrative proceedings are pending regarding the assessment of whether the above real properties were subject to the provisions of the decree of the Polish Committee of National Liberation of 6.09.1944 on the implementation of land reform (J. of L. 1945 No. 3, it. 13 as amended). All proceedings ended with valid and final rulings issued by administrative courts, which confirmed the arguments of the heirs of the former owners that the Real Properties were not subject to the provisions of the above Decree. The last court and administrative case, conducted in the above scope, based on a complaint lodged by IBA with the participation of BIOTON S.A., ended validly and finally on 16/01/2018. Currently, one administrative proceeding is pending before the Mazovian Voivodship, initiated at the request of the heirs of the former owners of the Real Estate of April 14, 2009, regarding the annulment of the decision of the Head of the Commune of Ożarów Mazowiecki of April 15, 1988 on taking over part of the Real Estate for the Treasury, in the form of two plots with a total area of 78.87 ha, issued on the basis of the Act of March 12, 1958 on the sale of state agricultural real estate and the arrangement of some matters related to the implementation of agricultural reform and agricultural settlement ("Act of 1958"), and the decision of the Head of the Ożarów Mazowiecki Commune of 19.03.1990 on transfer to the management of the Institute Biotechnology and Antibiotics ("IBA") plots with a total area of 77.83 ha. In the opinion of the Company, in the light of the previous jurisprudence, and in particular in the light of the Constitutional Tribunal's decision of 20.02.1991, the probability of the Company suffering damage as a result of recognizing possible claims of the heirs of the former owners of "Dobra Macierzysz Ośrodek" property seems to be small. In the Company's opinion, the previous decisions in cases regarding whether the real estate from "Macierzysz Ośrodek" were subject to the provisions of the PKWN Decree, although inconsistent with the Company's legal position, are not essential for its legal situation, as the right to the property is derived from the contract for transfer of the perpetual usufruct right concluded with IBA. Possible consequences in the Company's situation may, however, lead to the decision to annul the decision issued on the basis of the Act of 1958 by the Head of the Ożarów Mazowiecki Commune of 15 April 1988 on taking over two plots with a total area of 78.87 ha to the State Treasury and decision of the Head of the Ożarów Mazowiecki Commune of 19.03.1990 on the transfer of plots of land to the IBA management with a total area of 77.83 ha. In the event of the decision of the Voivod of Masovia regarding the annulment of the decision of the Head of the Commune of Ożarów Mazowiecki of April 15, 1988 and March 19, 1990, consistent with the position of heirs, the Company will be entitled to a further appeal, including a complaint to the Provincial Administrative Court and a complaint cassation. At the same time, the end of administrative proceedings, even if inconsistent with the position of the Company, will not affect the property relations of the Company, whose possible change may take place only after the final judgment on the claims of heirs by civil courts. In such a situation, the Company, in relation to plot No. 4/43, will be entitled to a claim against IBA, which in a contract dated November 6, 1997 declared that any claims of third parties would be charged to IBA.

**Dispute with Hefei Life Science & Technology Park Investments & Development Co., Ltd.**

The company also informs that it is a party to arbitration proceedings for payment of USD 1,500,000 with interest paid to the China International Economic and Trade Arbitration Commission ("CIETAC") by Hefei Life Science & Technology Park Investments & Development Co., Ltd. ("HLST") against the Company and SciGen Ltd. resulting from the prolonging negotiation of repayment of the net amount of mutual settlements between the parties. HLST also requested that the Company and SciGen Ltd. pay an unpaid part of the royalties in the amount of USD 194,286, which was paid by 30.06.2016. The dispute has its source in the agreement concluded on 21.10.2011 (with later annexes) between the Company, SciGen Ltd., HLST and Mr. Gao Xiaoming. Mutual settlements of parties resulting from the agreement are recognized in the Company's financial statements, starting from the financial statements for 2011. The company questioned the basis for HLST demanding the disputed amount. On 1 September 2017, the Company received information about the arbitration award issued by CIETAC. The Arbitration Court awarded HLST the amount of USD 1,500,000 and the corresponding interest, as well as the payment of USD 146.80 for royalties for the third quarter of 2015 and USD 184,549.82 for interest on overdue payments from the first quarter of 2013 within 15 business days from the date of entry into force of this ruling. In addition, the Court obliged the Company to pay a fee for the claim and part of the arbitration fee. The company verifies the legal possibilities of the grounds for appealing against the arbitration award and the grounds for obtaining the enforceability of the arbitration award by HLST also in Poland. The company has taken legal steps to reach an amicable settlement. The Company established a provision for the above-mentioned liabilities in previous years.

**Arbitration proceedings against LG Chem, Ltd.**

On 25.05.2017 Biopartners GmbH with its registered office in Baar, Switzerland ("Biopartners"), in which the Company - via Biopartners Holdings AG with its registered office in Baar, Switzerland - holds 100% of shares, filed an application to initiate arbitration proceedings before the tribunal Arbitration of the International Chamber of Commerce, in which he will demand from LG Chem, Ltd. seated in Seoul, Korea ("LG Chem") compensation for the failure by LG Chem to meet its obligations under the Development and License Agreement (en. License and Development Agreement) of October 16, 2001 (the "Agreement"). The contract was terminated by Biopartners in a letter dated 23.05.2017. The contract specified, among others principles of cooperation between the parties in the development and commercialization of an innovative endocrine product - prolonged release hormone ("Valtropin SR"). On 05.08.2013, as a result of development works and registration processes conducted on the basis of the Agreement, a registration certificate was obtained enabling the sale and distribution of Valtropin SR in the European Union. Due to LG Chem's failure to provide Biopartners with a ready-to-market product, Valtropin SR has not been commercialized.

Due to the fact that the lack of product delivery by LG caused that the product was not placed on the market, the registration certificate in accordance with the regulations expired in November 2017. With the annual report for 2015, the Company and the Capital Group announced a revaluation write-down for the value of the license granted to the Agreement to a nil value. In the arbitration proceedings, Biopartners requests compensation from LG Chem in an amount not lower than six million US dollars. The final value of the damage suffered by Biopartners, and thus - the amount of compensation claimed from LG Chem - will be determined in the course of the arbitration proceedings. Biopartners prepared a preparatory letter (Memorial of Claim), which was submitted on January 4, 2018. to the Arbitration Court of the International Chamber of Commerce.

On 28 February 2018, in accordance with the Schedule included in Procedural Regulation No. 2 of the International Chamber of Commerce of 16 November 2017, LG Chem sent a response (Defense Memorial) to the Biopartners' Memorial of Claim. According to the Schedule, Biopartners issued a Reply Memorial to LG Chem and supported the testimony of witnesses on 7 June 2018. The Court will issue a final ruling on the claim of Biopartners after the hearing of the Parties, which is to be held on October 2 - 10, 2018. The Issuer is of the opinion that there are premises for a positive settlement of the dispute for Biopartners. At the beginning of October, hearings of the Parties took place. On 3.01. 2009, the Company received information that the Court of Arbitration of the International Chamber of Commerce has dismissed the claim for damages to Biopartners GmbH. In its arbitration award, the Tribunal awarded Biopartners with costs in the amount of USD 315000 plus legal costs PLN 2 802 305 with interest of 5.33% from 2 January 2019. Biopartners did not appeal to the aforementioned arbitration award. Biopartners GmbH (Switzerland) filed for bankruptcy on 12 March 2019 and Biopartners Holdings AG filed for bankruptcy on 13 March 2019. Bankruptcy procedure was initiated on 21 March 2019. The companies were marked in the commercial register as "in liquidation". Companies cannot conduct business activity and do not have access to bank accounts. Biopartners Holdings AG was removed from the commercial register on 8 May, 2019. The liquidation of Biopartners GmbH (Switzerland) and BioPartners GmbH (Germany) is pending approval by the relevant authorities.

**Claim for the annulment of the resolution of Ordinary General Meeting of Bioton S.A. of 11 June 2018 on the consent to the transaction of sale of SciGen Ltd.**

On August 6, 2018, the Company received a copy of the statement of claim filed by AIS Investment 2 sp. z o.o in Warsaw ("Plaintiff") (published in Current Report No. 23/2018) against the Issuer for revocation of Resolution No. 2 from the District Court of the 16th Commercial Division in Warsaw regarding the consent to the sale transaction of SciGen Ltd with its registered office in Singapore and the determination of basic conditions for the transaction taken on June 11, 2018 by the Issuer's Ordinary General Meeting (see current report No. 12/2018 dated 11 June 2018). The Issuer does not agree with the pleas of the lawsuit and asked for its dismissal. Several hearings were held, at which witnesses and parties were interrogated.

On 17 February 2020, the District Court in Warsaw, 16th Commercial Division, dismissed the claim of AIS Investment 2 Sp. z o.o. against the Company to repeal Resolution No. 2 on the consent to the transaction of sale of SciGen Ltd based in Singapore and determining the basic conditions for the transaction, adopted on 11 June 2018 by the Ordinary General Meeting of the Company (non-final judgment). On 17 August 2020, the Management Board of the Company received information about the receipt of an appeal from AIS Investment 2 Sp. z o.o. The company is preparing a response to the appeal (published in Current Report No. 16/2020). The company responded to the appeal on August 28, 2020. The company is waiting for the judgment to be announced on March 31, 2021. The company will provide information in a separate report.

**Request for appointment by the Court of the auditor for special matters**

On 29 October 2018 (published in Current Report No. 30/2018), the Company received from the District Court XIII Commercial Division in Warsaw a copy of the application submitted by AIS Investment 2 sp. z o.o. in Warsaw and Basolma Holding Limited (the "Applicants") for designation, pursuant to art. 85 it. 1 of the Act on Public Offering, the Auditor for Special Matters. The content of the application is consistent with the draft resolution No. 2 on the agenda of the Extraordinary General Meeting on September 26, 2018, which was not adopted by the EGM (see the current report No. 28/2018). Bearing in mind the position of the EGM, the Issuer requested refusal to appoint an auditor for special matters.

On October 24, 2019, Bioton S.A. received a non-final decision of the Court Referendary for the District Court for the capital city of Warsaw in Warsaw about the designation of Grant Thornton Polska sp. z o.o. with its registered office in Poznań as a special auditor of Bioton S.A. Bioton S.A. filed a complaint. On 18.11.2019, the Company received a decision rejecting the complaint against the referendary's decision regarding the appointment of an auditor for special matters. On 25.11.2019, Bioton S.A. appealed against the decision rejecting the complaint against the court referendary's decision to appoint a special auditor. On 18 February 2020, the court dismissed Bioton S.A.'s complaint against the decision rejecting the complaint against court referendary's decision to appoint a special auditor (the decision is final). The company concluded an agreement for the performance of the activities of an auditor for special matters with Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań on 25.08.2020, the works started from 27 August 2020. The company is waiting for the final report from the auditor for special matters. On November 3, 2020, the company received a statutory auditor's report for individual cases. The report is positive for the Company and raises no objections or doubts. Currently, the Company is seeking a refund of the amount of PLN 369,408.36 paid as remuneration for the works of the statutory auditor for special matters.

In the opinion of the Management Board, apart from the settlement of the remuneration for the special-purpose auditor, there is no significant risk of an outflow of economic benefits from the Company in relation to the above matter.

#### 41. Epidemiological situation caused by SARS-COV-2 virus

On 11 March, 2020, World Health Organization announced SARS-Cov-2 coronavirus pandemic. Therefore, we are currently dealing with a situation where SARS-Cov-2 coronavirus is present in almost all countries of the world and it is recommended to introduce radical measures to reduce the effects of a widespread pandemic that may have a significant impact on the condition of the economy, including global economy.

In consequence, Polish government, in fear of significant decline in economic growth, adopted act amending act on specific solutions related to preventing, counteracting and combatting COVID-19, other infectious diseases and emerging crisis situations as well as some other acts ("Anti-crisis Shield"), which contains a number of facilitations for entrepreneurs, including the possibility of exemption from real estate tax on: land, buildings and structures related to conducting business activities, by way of resolution adopted by a commune councils, to specified groups of entrepreneurs the financial liquidity of which has deteriorated due to adverse economic consequences of COVID-1. The spreading SARS-Cov-2 coronavirus causing disease called COVID-19 currently causes a number of difficulties in the world and in Poland, which disrupt normal working mode of enterprises and deteriorate their liquidity.

It should be in the first place emphasized that the Group constantly monitors the situation related to COVID-19 and its impact on operations. The Group strives to secure production by increasing the supply of raw materials - in the pharmaceutical industry, most of the raw materials and components for production come from a limited number of suppliers. Each of them is exposed to inhibited delivery of supplies and the situation may deteriorate as the infection spreads, which requires introducing preventive measures related to increasing inventories to 6 months for all key components. The components are manufactured by a small group of suppliers that meet high requirements of pharmaceutical production. In current crisis, most of these producers receive increased orders from their customers. If today most companies, as a rule, optimize inventories on a daily basis, then in current situation of necessary intervention increase in inventories to 4-6 months all the suppliers will be on the border of production capacity, which we already hear from our suppliers. Securing products on the Polish market and problems with organization of product shipments to foreign markets may also, in the short term, cause problems with collection of foreign debts. Current situation is also aggravated by the fact that currently all European countries are introducing a number of restrictions because of spreading SARS-Cov-2 coronavirus pandemic. Due to these restrictions, the Group's work is disrupted, over which the Group has no influence and is obliged to comply with the introduced legal regulations, including any recommendations of government administration bodies in order to limit the spread of corona infection with SARS-Cov-2. The priority for the Group is to ensure the continuity of production and we are taking all the measures to that end.

The Company monitors risks associated with current situation in the following main areas:

- (i) the risk of absenteeism of employees - as at the publication date, the Group did not notice any significant disruptions in the current activities and did not observe any significantly increased absenteeism of employees.
- (ii) the risk of the level of prices, volatility of exchange rates and the supply of raw materials and auxiliary materials required for the production of substances i ready-made insulin forms and deliveries of products sold on the Polish market, where many deliveries are made from abroad - the Group is in contact with suppliers of raw materials and auxiliary materials in order to confirm placed orders in terms of timely deliveries and the possibility of securing their availability or earlier delivery. As of the day of publication, there have been some cases of increased prices for the supply of raw materials for production, including one case of increase in the purchase price by 400%, which will affect future margins if the tendency continues.
- (iii) risk related to limitations related to the logistic delivery of products to foreign markets - the Group asked the recipients foreign companies for placing orders for the delivery of products in the following months due to the possible extension of the delivery date by changing, for example, the method of delivery from air to sea.
- (iv) risk of limiting financial liquidity - BIOTON SA has started talks with banks in the aspect of suspension and change of the schedule repayment of capital instalments in March, April and May - as at the date of publication of this report, BIOTON SA has already signed Annexes to loan agreements with Bank Ochrony Środowiska and Bank HSBC changing the repayment schedules of capital instalments and is currently in talks with Bank of China so that in the near term, maximize the level of available cash. The Group has initiated discussion about changing dates and payment methods for deliveries of already ordered products to foreign markets, mainly insulin for foreign customers, which are to be delivered in the next 3-6 months.
- (v) risk related to demand limitations for goods sold by the Group - this risk does not apply to the Company's products, due to the fact that Insulin is a life-saving drug, so it must be taken regardless of the existing COVID-19 circumstances. However, in the aspect of e.g. veterinary products, as indicated in published current statements on April 10, 2020, this risk may relate to products sold by BIOLEK subsidiary.

At the same time, the Management Board believes that current situation, however difficult, can create entirely new opportunities for the possibility of increasing sales and gaining market shares in Poland and on foreign markets, as well as increasing effectiveness of work in the organization, and also creates new opportunities to use digital solutions.

The Management Board will continue to monitor potential impact of COVID-19 on day-to-day operations and will take all possible steps to mitigate any impact and at the same time seize new opportunities.

#### 42. Significant events after the balance sheet date

There were no significant events after the balance sheet date, apart from those indicated in Note 41.

Signatures of all the Members of the Management Board

Name and surname	Position	Signature
Jeremy Launders	Chairman of the Board	
Adam Polonek	Member of the Board	

Date and signature of the person entrusted with bookkeeping

Name and surname	Position	Signature
Renata Prokopczyk	Chief Accountant	

Warsaw, 31 March 2021

