

**ABRIDGED INTERIM INDIVIDUAL FINANCIAL STATEMENTS
DONE AS OF 30 JUNE 2021 AND
FOR THE PERIOD BETWEEN 1 JANUARY 2021 AND 30 JUNE 2021**

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1. INTRODUCTION TO THE ABRIDGED INTERIM INDIVIDUAL FINANCIAL STATEMENT

1.1. Company identification data

BIOTON Spółka Akcyjna (Company) with registered office in Warsaw, ul. Starościńska 5, is registered under number 0000214072 in the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register

The basic object of activity of BIOTON S.A. is manufacturing of drugs and pharmaceutical preparations and production of pharmaceutical substances.

1.2. Periods for which the abridged interim individual financial report is presented

The abridged semi-annual individual financial statement of BIOTON SA was prepared as of 30 June 2021 and covers the accounting period from 1 January 2021 to 30 June 2021. Comparative financial data covers the period from 1 January 2020 to 30 June 2020 and the balance sheet as of 31 December 2020.

In accordance with the Regulation of the Minister of Finance of 29 March, 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (J. Journal of Laws from 2018, item 757, as amended) the Company is obliged to publish financial results for the six-month period ending on 30 June 2020, which is the current interim reporting period.

The abridged interim individual financial statement has been approved for publication by the Management Board of the Company on 31 August 2021.

1.3. Composition of the Management Board and the Supervisory Board

Current composition of the Managing Board of BIOTON S.A.:

- Mr. Jeremy Launders (President of the Management Board),
- Mr. Adam Polonek (Member of Management Board)

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

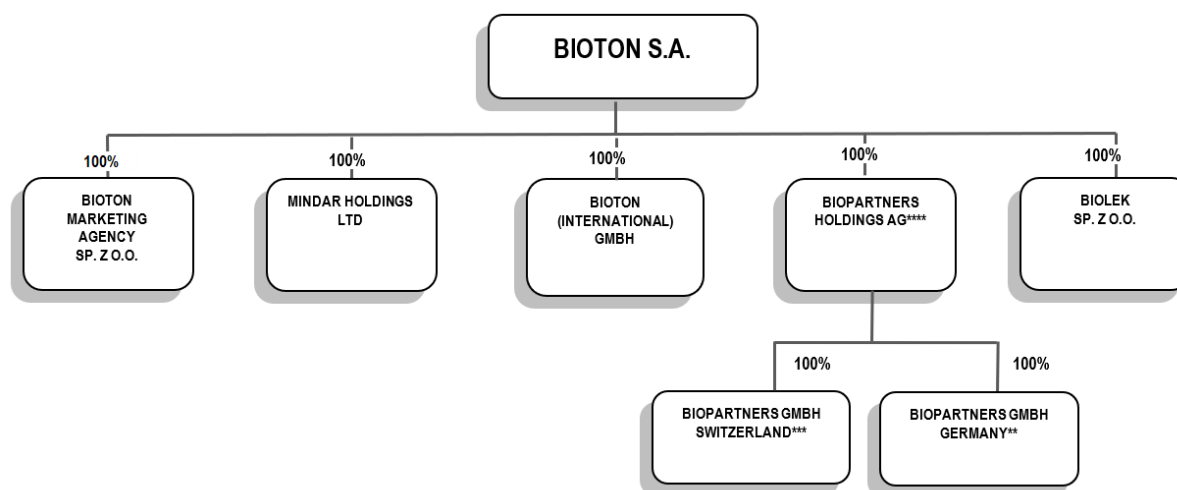
- Mr. Nicola Cadei (Member of the Council from December 3, 2019; Chairman of the Council from May 18, 2021),
- Mr. Ramesh Rejenthiran (Member of the Supervisory Board from June 28, 2019; Vice Chairman of the Supervisory Board from July 7, 2019),
- Mr. Dariusz Trzeciak (Member of the Supervisory Board from June 28, 2019; Vice-Chairman of the Supervisory Board from July 7, 2019),
- Mr. Jubo Liu (Member of the Council from June 28, 2019);
- Mr. Vaidyanathan Viswanath (Member of the Board since June 28, 2019),
- Mr. Khee Wee Hau (Board Member since June 28, 2019);
- Ms Yuhong Geng (Board member since June 28, 2019);
- Mr. Tomasz Siembida (Member of the Supervisory Board from June 28, 2019).

History of changes in the composition of the Supervisory Board since 01.01.2021 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 was personal;
- on June 16, 2021, the Company received the resignation of Mr. Wei Ming Tan from the function of the Supervisory Board Member. The reason for the resignation was personal;
- on June 28, 2021, the Ordinary General Meeting appointed Mr. Khee Wee Hau to the Supervisory Board;
- on June 28, 2021, the Ordinary General Meeting appointed Mrs. Yuhong Geng to the Supervisory Board;
- on June 28, 2021, the Ordinary General Meeting appointed Mr. Khee Wee Hau to the Supervisory Board;

1.4. Ownership structure of BIOTON Capital Group

As of 30 June 2021, the Company has the following structure of the Capital Group, where Bioton SA is a dominant:



** 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. The bankruptcy proceedings were closed on May 8, 2019

1.5. Description of the most important accounting principles applied

1.5.1. Statement of conformity

The abridged interim individual financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting", in accordance with art. 45 item 1a-1c of the Accounting Act (Journal of Laws 2019, item 351) and the implementing regulations issued on its basis and in accordance with the requirements specified in Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by law of a non-member state (J. Journal of Laws from 2018, item 757).

The individual financial statements as of 31 December 2019 were prepared in accordance with the IFRS adopted by the Supervisory Board of International Accounting Standards ("IASB") and interpretations issued by the Interpretation of International Financial Reporting ("IFRIC") operating under the IASB, which have been approved by the European Union. The abridged interim individual statement as of 30 June 2021 should be read together with audited individual financial statement as of December 31, 2020.

Application of new standards and changes to existing standards and interpretations applied for the first time in the Company's financial statements for the period ended 30 June 2021

The accounting principles (policy) used to prepare these consolidated financial statements for the financial year ended December 31, 2021 are consistent with those used to prepare the annual consolidated financial statements for the financial year ended December 31, 2020, except for the changes described below.

The same principles were applied for the current and comparable period.

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 Financial Reporting Committee.

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *The reform of benchmark 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 Company applied the changed standards from January 1, 2021 without affecting the financial statements.

In addition, from June 1, 2021, after adoption by the European Commission in October 2020, the Company 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 amendment introduces a simplification in IFRS 16, which makes it possible not to recognize a modification of a lease agreement when there have been (in the period until June 30, 2021) changes in payments related to the Covid-19 pandemic or lessees were granted other reliefs that changed the original financial terms of the lease contracts due to the pandemic. From January 1, 2021, the amendment to IFRS 4, published on June 25, 2020, also applies - with regard to the extension of the period of exemption of insurers from the application of IFRS 9 Financial Instruments until January 1, 2023, in line with the extended effective date of IFRS 17 Insurance Contracts

Published standards and interpretations that are not yet in effect and have not been applied by the Group 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 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 is 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 the changes will not have a significant impact on the preparation of financial statements.

b) Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as short- and long-term

The amendment to IAS 1 was published on January 23, 2020, then the entry date was modified in July 2020 effective and applicable to annual periods beginning on or after January 1, 2023.

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

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.

c) Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to the 2018-2020 standards (Annual improvements) Amendments to these standards were published on 14 May 2020 and apply to annual periods beginning on or after January 1, 2022. The changes include introducing a prohibition on reducing costs of production of fixed assets with revenues from the sale of test products created in the process of creating / starting a fixed asset. The Company will apply the changed standards from January 1, 2022. As of the date of preparing these financial statements, it is not possible to reliably estimate the impact of applying the changed standards.

d) 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 put more emphasis on disclosure of significant accounting principles and clarification of the nature of differences between changes in accounting estimates and changes in accounting principles (policy). The Group will apply the changed standards from January 1, 2023. As of the date of preparing these financial statements, it is not possible to reliably estimate the impact of applying the changed standards.

e) Amendment to IFRS 16 Leases: Covid-19 Reliefs The amendment to IFRS 16 was published on March 31, 2021 and applies to annual periods beginning on or after January 1, 2021. The purpose of the standard amendment is only to extend it by one year (up to June 30, 2022) of the period in which the granting of reductions on Covid-19 lease payments does not have to be connected with modification of the leasing contract. This amendment is closely related to the amendment to IFRS 16, already in force, published in May 2020. The Group will apply the amendment to the standard not earlier than from the date indicated by the European Commission in the legal act allowing this change to be applied by EU countries. As at the date of these financial statements, it is not possible to reliably estimate the impact of applying the changed standards.

f) Amendment to IAS 12 Income Taxes: Deferred Tax on assets and liabilities arising in the result of a single transaction The amendment to IAS 12 was published on May 7, 2021 and applies to starting annual periods on or after April 1, 2023. The changes clarify that the exemption for the initial tax recognition of the deferred method does not apply to transactions where, upon initial recognition, equal amounts arise deductible and positive temporary differences, and the entities are required to recognize deferred tax on such transactions, thus clarifying the emerging doubts as to whether this exemption applies to transactions such as leasing and end of life liabilities. The Group will apply the changed standards from January 1, 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 May 18, 2017, except for amendments dated June 25 2020, which are in force in the EU from January 1, 2021,
- Amendment to IAS 1 Presentation of financial statements: Classification of liabilities as short-term and long-term, published on January 23, 2020, as amended on July 15, 2020,
- Amendments to IAS 1 - Disclosure of Accounting Policies and IAS 8 - Definition of Accounting Estimates, published on February 12, 2021.
- Amendment to IFRS 16 Leases - Covid-19 Reliefs granted after June 30, 2021, published on March 31, 2021

- Amendment to IAS 12 Income Taxes: Deferred Tax on assets and liabilities arising in the effect of a single transaction, published on May 7, 2021.

As of the day of preparing this financial statement the amendments have not been yet approved by the European Union. The Company estimates that the above new standards and amendments to the existing standards would have had no material influence on the financial statements had they been applied by the company as at the balance sheet date.

1.5.2. Grounds for preparing the abridged interim individual financial statement

The interim individual financial statements are presented in the zloty (PLN), which is the functional currency of the Company, and all values, unless indicated otherwise, are given in thousands of Polish zloty (thous. PLN). The financial statements have been prepared on the historical cost principle, except for financial instruments that are measured at fair value.

Preparing the financial statement up in accordance with the EU IFRS requires that the Management 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 current and future periods.

The Management Board of BIOTON S.A. and the Members of the Supervisory Board are responsible for the preparation and reliable presentation of the individual 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 Management Board and Supervisory Board it is appropriate to prepare the abridged interim individual annual financial statements based on the principle of going concern in the foreseeable future. Short-term liabilities as at the balance sheet date the companies are lower than the current assets, additionally due to the operational financial results achieved in the second quarter changing the structure of external financing in the form of new financing lines launched by financing banks and signing a long-term cooperation agreement with Yifan Pharmaceuticals in terms of financing the development of analogs, 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.

When preparing the interim individual financial statements, the Company applied the same accounting principles as those described in the individual financial statements as of December 31, 2020, except for changes in accounting policies resulting from the implementation of new standards.

2. ABRIDGED INTERIM INDIVIDUAL INCOME STATEMENT

<i>In thousands PLN</i>	Note	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
		<i>Reviewed</i>	<i>reviewed</i>
Continuing operations			
Sales revenue	7.1	76 20	89 076
Sale own cost		(40 594)	(44 253)
Downtime and unused production power		(1 993)	(1 575)
Gross profit on sales		33 618	43 248
Other operating income		4 525	17 461
Selling costs	7.3	(16 782)	(19 498)
General and administrative expenses		(13 683)	(17 991)
Research and development costs		(2 292)	(1 715)
Other operating cost	7.4	(2 552)	(2 285)
Gross operating profit / (loss)		2 835	19 220
Financial income	7.5	1 743	293
Financial costs	7.6	(2 900)	(5 949)
Net financial income / (costs)		(1 158)	(5 656)
Profit / (Loss) before tax		(1 678)	13 564
Income tax		(2 892)	(1 375)
Net profit / (loss) on continuing operations		(1 214)	12 189
Net profit / (loss) from discontinued operations		-	-
Net profit / (loss) for the reporting period		(1 214)	12 189
Weighted average number of shares (in pcs)	7.18	85 864 200	85 864 200
Number of dilutive potential ordinary shares	7.18	85 864 200	85 864 200
Profit / (Loss) from continuing operations per one share (in PLN)			
Basic and diluted		(0.0141)	0.1420

3. ABRIDGED INTERIM INDIVIDUAL STATEMENT ON COMPREHENSIVE REVENUES

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
	<i>reviewed</i>	<i>reviewed</i>
Net profit / (loss) for the statement period	(1 214)	12 189
Other comprehensive income recognized directly in equity	-	-
Total comprehensive income for the period	(1 214)	12 189

4. ABRIDGED INTERIM INDIVIDUAL BALANCE SHEET

<i>In thousand PLN</i>	Note	30.06.2021	31.12.2020
		<i>reviewed</i>	<i>examined</i>
ASSETS			
Fixed assets		723 712	732 667
Property, plant and equipment	7.8	306 585	310 017
Investment properties	7.11	1 357	1 357
Intangible and legal assets	7.9	365 447	369 493
Assets under the right of use	7.10	5 329	5 448
Non-current financial assets	7.12	16 127	14 457
Investments in subsidiaries and associated entities	7.13	3 965	3 965
Deferred income tax assets	7.14	23 980	26 872
Long-term prepayments	7.16	922	1 057
Current assets		148 389	150 592
Inventories		110 067	89 094
Current financial assets	7.12	-	1 499
Trade and other receivables	7.15	31 553	37 157
Cash and cash equivalents		4 363	22 005
Current prepayments	7.16	2 406	838
Assets held for sale		-	-
TOTAL ASSETS		872 101	883 259
LIABILITIES			
Equity	7.18	635 312	636 526
Share capital		1 717 284	1 717 284
Share premium		57 131	57 131
Inventory capital		260 776	260 776
Reserve fund		(268 492)	(268 492)
Retained profit / (loss)		(1 131 386)	(1 130 172)
Non-current liabilities		101 357	89 917
Current loans and borrowings			
debt instruments	7.19	38 040	32 000
Lease liabilities	7.21	13 684	6 817
Deferred tax liabilities		-	-
Liabilities due to employee benefits	7.22	1 566	1 566
Deferred income	7.23	37 724	39 191
Other liabilities	7.20	10 342	10 342
Current liabilities		135 432	156 815
Current loans and borrowings			
debt instruments	7.19	57 827	70 337
Lease liabilities	7.21	1 679	82
Liabilities on account of deliveries and services and other	7.20	39 305	51 557
Liabilities due to employee benefits	7.22	3 055	2 179
Other prepayments	7.24	33 565	32 661
TOTAL LIABILITIES		872 101	883 259

5. ABRIDGED INTERIM INDIVIDUAL CASH-FLOW STATEMENT

<i>In thousands of zlotys</i>	01/01/2021 - 30/06/2021 <i>reviewed</i>	01/01/2020 - 30/06/2020 <i>reviewed</i>
Cash flow from operational activity		
Net profit / (loss)	(1 214)	12 189
Adjustment by the items:		
Depreciation	15 533	15 641
(Profits) / losses from net exchange rate differences	(1 881)	3 495
Interest and dividends paid, net	1 650	2 064
(Profits) / losses from investment activities	(2 738)	425
Income tax for the current period	-	-
Income tax paid	-	-
Other net items	-	-
Net funds on operating activity		33 814
change in working capital	11 350	
Change of the working capital:		
(Increase)/decrease of inventories		(20 974)
	(10 564)	
(Increase) / decrease in receivables	11 138	7 404
(Increase) / decrease in the balance of accruals		
active	1 459	(319)
Increase / (decrease) in liabilities and		
Prepayment	(16 090)	(2 304)
Increase/(decrease) of reserves	876	732
(Increase) / decrease of deferred		
periods	3 276	8 588
Cash from operating activities	(8 966)	37 352
Cash flow from investing activities		
Inflows:	8 590	-
Sale of intangible and fixed fixed	8 590	-
Expenses:	(8 995)	(13 421)
Acquisition of intangible and fixed assets	(8 995)	(13 405)
Acquisition of financial assets	-	(16)
Other expenses	-	-
Net cash from investing activity	(405)	(13 421)
Cash flows from financing activity		
Inflows:	34 257	-
Net inflows from the issue of shares	-	-
Loans and borrowings	34 257	-
Subsidies	-	-
Expenditures:	(42 529)	(23 572)
Repayment of loans and borrowings	(40 163)	(21 163)
Redemption of debt securities	-	-
Interest	(1 725)	(1 719)
Payments under financial leasing liabilities	(640)	(690)
Other financial expenditures	-	-
Net cash from financial activity	(8 271)	(23 572)
Net cash flow change (incl cash for exchange rate differences)	(17 642)	359
Opening balance of cash	22 005	7 026
Cash at the end of the period	4 363	7 385
Cash at the end of the period after excluding funds on reserved accounts and credits in checking account	4 363	7 385

6. INTERIM ABRIDGED INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Capital from the issue of shares above their nominal	Inventory capital	Reserve capital	Profits / (Losses) retained	Total capital
Six months ended on 30 June 2021						
As of 31 December 2020 published	1 717 284	57 131	260 776	(268 492)	(1 130 172)	636 526
Net profit / (loss) in the period	-	-	-	-	(1 214)	(1 214)
Actuarial valuation of the provision pension- <i>see note</i>	-	-	-	-	-	-
Deferred tax asset on actuarial valuation - <i>Look note 12</i>	-	-	-	-	-	-
Total comprehensive income recognized for the period	-	-	-	-	(1 214)	(1 214)
As of 30 June 2021	1 717 284	57 131	260 776	(268 492)	(1 131 386)	635 312

Specification	Share capital	Capital from the issue of shares above their nominal	Inventory capital	Reserve capital	Profits / (Losses) retained	Total capital
Twelve months ended on 31 December 2020						
As of 31 December 2019 published	1 717 284	57 131	260 775	(268 861)	(1 163 428)	602 901
Net profit / (loss) in the period	-	-	-	-	33 256	33 256
Actuarial valuation of the pension provision- <i>see note</i>	-	-	-	456	-	456
Deferred tax asset on actuarial valuation - <i>Look note 12</i>	-	-	-	(87)	-	(87)
Total comprehensive income recognized for the	-	-	-	370	33 256	33 625
As of 31 December 2020	1 717 284	57 131	260 775	(268 491)	(1 130 172)	636 526

7. EXPLANATORY NOTES TO THE ABBREVIATED INTERIM INDIVIDUAL FINANCIAL STATEMENT

7.1. Operating segments

The Company's operations constitute a single operational segment.

Sales revenues - assortment structure (in thous. PLN)

Specification	01.01.2021-30.06.2021		01.01.2020-30.06.2020	
	Value	Structure (in %)	Structure (in %)	Value
Insulin	53 850	70.66%	56 734	48.80%
Finished goods	53 850	70.66%	56 734	48.80%
Orally taken anti-diabetic drugs	4 045	5.31%	13 239	14,20%
Other goods PL	4 039	5.30%	5 643	11,20%
Injectors	3 110	4,08%	3 896	3.90%
Goods and materials	11 195	14.69%	22 777	29,30%
Services¹⁾	11 161	14,65%	9 565	21.90%
Total sales revenues	76 205	100,00%	89 076	100%

¹⁾in the Services category, the Company presents, among others: revenues received under license agreements (upfront) concluded with Pharmasyntez and Yifan International;

Agreement with Yifan International Pharmaceutical Co. Ltd

On 27 March 2018 the Company entered into a framework agreement with Yifan International Pharmaceutical Co., Ltd. based in Hong Kong (YIFAN) for the 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"). The 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 Company, 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 is development and promotion related to the sales of the Company's products aimed at improving the financial result of the Company and its Capital Group. For granting the Right, the Company received a remuneration of USD 6.8 million. The payment received in advance on the basis of the above agreement: (i) gives the YIFAN distributor the exclusive right to import goods, (ii) causes actions to transfer or change the existing distribution agreements of the Company in the distribution territory established in the Agreement, (iii) grants the YIFAN distributor the right to use of trademarks of BIOTON S.A. related to products solely for the purpose and in connection with the advertising, promotion, distribution and sale of products on the territory specified in the Agreement. For 2018, the Company recognized revenue, in accordance with the requirements under IFRS 15, in the amount of PLN 1,161 thousand in the year 2019, in 2020 the amount of PLN 1,548 thousand and in the first half of 2021 the amount of PLN 774 thousand. The remaining amount of 18 188 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 16 July, 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 drug 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 in 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.

The company closely and continuously cooperates with Yifan in the process of analog development, unfortunately, due to the COVID-19 pandemic, there have been some delays in this process, e.g. delays in the delivery of materials and some filter systems that occurred at suppliers also due to COVID-19, which had an impact on the Company and the ability of technical experts to travel to the registered office of the Company. The company also indicates that it is in contact with the project manager at Yifan, which currently, is reviewing the data held by the Company and products, including the registration of these products. The company is awaiting the opinion of the project manager at Yifan on the status of the analogs, after the review and conducting own research / experiments.

Sales revenues - geographical structure

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
European market, including:	45 176	58 685
Poland	44 794	53 665
Other countries	381	5 021
Asian market, including:	25 787	23 102
China	13 046	7 634
Thailand	5 206	8 571
Vietnam	5 728	3 594
Other	1 807	3 303
Other markets	5 242	7 289
Total sales revenues	76 205	89 076

Sales revenues to the geographical structure were allocated based on the target sales market.

Sales revenues - structure by customers

Sales structure by customers, whose share in total revenues accounted for over 7%

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Poland	30 057	37 370
Customer 1	12 303	23 188
Customer 2	10 868	8 132
Customer 3	6 886	6 049
Asian market	14 189	14 676
Customer 1	8 461	8 559
Customer 2	5 728	6 117
Total sales revenues	44 246	52 046

IFRS 15 Revenue from Contracts with Customers

In accordance with IFRS 15, revenues are recognized in the amount of remuneration that is due in exchange for the transfer of promised goods or services to the customer.

The Company operates in the area of production and sale of insulin preparations as well as research and development in this field. The Company conducted analysis of contracts with customers and identified the main categories of contracts:

- a) contracts for the supply of drug products and pharmaceutical substances 90% ,
- b) contracts for the supply 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 (drug 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 customer 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 material agreements with the Company containing a right of return or other provisions regarding variable remuneration.

If the contract contains only one liability to perform the benefit – the sale of goods, the Group recognizes the revenues in defined moment, i.e. when the customer obtains the control over the goods.

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 Company recognizes revenue when the performance obligation is met (or in the course of meeting) by transferring the promised good or service (i.e. an asset) to the customer (the customer obtains control over this asset).

Advances received from customers

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

In accordance with IFRS 15, the Company 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 customer until payment for the good or service by the customer will not more than one year. Therefore, for short-term advances, the Group will not distinguish a significant element of financing.

Licences

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 Company grants licenses to distributors. In the Company's opinion, the licenses granted constitute the right to use intellectual property during the term of the contract.

7.2. Explanatory notes regarding seasonality and periodicity

The sale of insulin is characterized by relatively small seasonal fluctuations in relation to the taking drugs by the patients. 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 of the new

diabetes is diagnosed when the patient has an infection. 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.

7.3 Other operating revenues

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
a) profit on disposal of non-financial assets	2 654	-
a) sales of materials	258	-
b) dissolution of provisions for employee benefits	1 018	1 030
c) reversal of impairment losses on fixed assets and intangible and legal values	86	169
d) other, including:	508	16 262
- compensation ¹⁾	93	15 696
- subsidies	375	376
- other	40	190
Total	4 525	17 461

¹⁾Income in 2020 from termination of the contract with Harbin Gloria

7.4 Other operating costs

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
a) a) loss on sale of non-financial fixed assets ¹⁾	-	9
b) Revaluation of non-financial assets, including:	506	-
- non-financial current assets due to:	506	-
- revaluation allowance for inventories	506	-
c) created provisions under:	876	732
- provision for unused holiday leaves	876	732
d) other, including:	1 170	1 544
- contributions to the organisation	5	20
- donations	118	105
- liquidation of current assets	142	709
- writing off receivables / liabilities	-	181
- penalties and damages	95	-
other costs	810	529
Total	2 552	2 285

7.5. Financial revenues

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
A. Financial revenues from interest, including:	201	293
a) for granted loans, including:	201	290
- from related entities	201	290
b) other interest	0	3
- from other units ⁴⁾	0	3
B. Profit on disposal of financial assets	-	-
C. Other financial revenues, including:	1 541	-
a) positive foreign currency exchange rate differences	1 541	-
Total financial revenues	1 743	293

7.6 Financial costs

<i>In PLN thousand</i>	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
D. Financial costs under interest, including:	2 445	2 669
a) on loans and borrowings	1 331	2 190
- for related parties	425	690
- to other entities	906	1 500
b) other interest and commissions	1 114	479
- to other entities	1 114	479
G. Other financial costs, including:	455	3 280
a) negative foreign currency exchange rate differences	-	2 765
b) others, including:	455	515
- other	455	515
Total financial costs	2 900	5 949
	2 900	5 949
Net financial revenues/ (costs)	(1 157)	(5 656)

7.7. Changes in the structure of the Company

7.7.1. Discontinued operations

In the period 01 January - 30 June 2021.

In the first half of 2021 there were no discontinued operations.

In the period 01 January - 30 June 2020.

In the first half of 2020 there were no discontinued operations.

7.7.2. Mergers, acquisitions, sale and liquidation of subsidiaries

In the period 01 January - 30 June 2021.

In the first half of 2021 there were no mergers or acquisitions of subsidiaries.

In the period 01 January - 30 June 2020.

In the first half of 2020 there were no mergers or acquisitions of subsidiaries.

Liquidation of Biopartners GmbH and Biopartners Holdings AG

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". The companies cannot conduct business activity and do not have access to bank accounts. The bankruptcy proceedings regarding Biopartners Holdings AG were closed on 8 May 2019 due to the lack of assets, while Biopartners GmbH is still pending. Following the end of bankruptcy proceedings, the companies will be removed from the commercial register.

In connection with the periods after previous write-downs, the liquidation of Biopartners GmbH (Switzerland) and Biopartners Holdings AG does not affect the result of the reporting period.

7.8. Property, plant and equipment

<i>In PLN thousand</i>	Buildings premises and objects of land engineering	Technical devices and machines	Means of transporta tion	Other plants, property and equipme nt	Plant, property and equipme nt under construc tion	Plant, property and equipme nt under construct ion
Gross value of fixed assets assets as of 1 January 2021	194 238	270 971	2 133	23 895	12 545	503 781
Increases (for):	-	12 062	334	-	1 563	13 903
- outlays	-	-	-	-	1 507	1 507
- financial leasing	-	12 062	-	-	-	12 062
- redemption from leasing	-	-	334	-	-	334
Decreases (for):	-	17 534	963	6	56	18 559
- outlays	-	17 534	-	-	56	17 590
- transfer to plant, property and equipment	-	-	-	-	-	-
- liquidation	-	-	963	-	-	963
- others	-	-	-	6	-	6
Gross value of plant, property and equipment as of 30 June 2021.	194 238	265 499	1 504	23 889	13 996	499 126
Redemption and impairment losses as of 1 January 2020.	(34 500)	(146 878)	(1 824)	(9 588)	(974)	(193 764)
Increases (under):	(1 258)	(5 716)	201.	(652)	-	(7 827)
- depreciation and amortisation	(1 258)	(5 716)	201.	(652)	-	(7 827)
Decreases (for):	-	(8 087)	(963)	-	-	(9 050)
- sale	-	-	-	-	-	-
- liquidation	-	(8 087)	(963)	-	-	(9 050)
- other	-	-	-	-	-	-
Redemption and impairment losses impairment as of June 30 2021.	(35 758)	(144 507)	(1 062)	(10 240)	(974)	(192 541)
Net worth of funds as of 30 June 2021.	158 480	120 992	441	13 649	13 022	306 584

Plant, property and equipment under construction

At the end of the reporting period, expenditures for fixed assets under construction in total amounted to PLN 13 022 thousand and pertained to tasks performed by the Company related to, among others, expenditure classified as machinery and equipment with a value of PLN 7 225 thousand; and to buildings and structures with a value of PLN 1 627 thousand (as of 31 December 2020, expenditures amounted to PLN 11 571 thousand) .

7.9. Intangible and legal assets

<i>In thousand PLN</i>	Costs of completed developmental works	Concessions, patents, licenses, computer software	Other intangible values	Developmen tal works under realization	Intangible assets total
Gross value as of 1 January 2021	41 341	19 052	325 764	120 314	506 472
Increases (for):	16 186	-	-	6 561	22 747
- purchase	-	-	-	941	941
- developmental works run in own scope	16 186	-	-	5 534	21 720
- others	-	-	-	86	86
Decreases (for):	-	-	-	19 206	19 206
- settlement of works developmental	-	-	-	19 206	19 206
Gross value at 30 June 2021	57 527	19 052	325 764	107 670	510 013
Cumulative depreciation and impairment write-offs assets					
Cumulative depreciation and impairment write-offs as of 1 January 2021	(26 540)	(14 800)	(95 640)	-	(136 979)
Increases under:	(902)	(751)	(5 934)	-	(7 587)
- depreciation and amortisation	(902)	(751)	(5 934)	-	(7 587)
Reductions	-	-	-	-	-
- liquidation	-	-	-	-	-
Cumulative depreciation and impairment write-offs as of 30 June. 2021 .	(27 442)	(15 551)	(101 574)	-	(144 566)
Net value as of June 30 2021	30 085	3 502	224 190	107 670	365 447

Development work in progress

At the end of the reporting period the outlays for developmental works and intangible assets in realization amounted to in total PLN 107 670 thous. 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 2020, the total amount was PLN 120 314 thousand).

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.

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

As of 30 June 2021, the Company has analyzed whether there are any premises for impairment of its intangible assets. As a result of the analysis, no write-offs of development works were made.

7.10. Assets under the right of use

Individual balance sheet contains a separate item "Assets under the right of use", which includes the following assets by class:

<i>in PLN thousand</i>	IFRS 16 30.06.2021	IFRS 16 31.12.2020
Means of transport	39	119
Perpetual usufruct right to land	5 290	5 329
Total	5 329	5 448

<i>in PLN thousand</i>	Means of transport	Right of perpetual land use	Total
Balance as of 01.01.2021	119	5 329	5 448
Depreciation	(80)	(39)	(119)
Balance as at December 31, 2021 - IFRS 16 net	39	5 290	5 329

7.11. Investment properties

<i>In thousand PLN</i>	30.06.2021	31.12.2020
The perpetual land use	1 357	1 357
	1 357	1 357

7.12. Financial assets

Non-current financial assets

<i>In PLN thousand</i>	30.06.2021	31.12.2020
a) loans to related entities, including:	16 127	14 457
- to subsidiaries	16 127	14 457
	16 127	14 457

Change in non-current financial assets

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Balance at the beginning of the statement period	14 457	-
Increases under:	1 669	14 457
a) in related entities	186	-
- interest on loans	186	-
c) reclassification to current	1 483	14 457
- loans granted	1,212	11 693
- interest on loans	272	2 764
Closing balance	16 127	14 457

Current financial assets

<i>In thousand PLN</i>	30.06.2021	31.12.2020
a) in affiliated units,	-	1 499
- loans granted	-	1 499
	-	1 499

Change in current financial assets

<i>In thousand PLN</i>	30.06.2021	31.12.2020
As at the beginning of the period	1 499	15 341
Increases (for):	-	615
a) in related entities, including:	16	615
- loans granted - exchange rate differences	16	-
	25	-
- interest on loans	10	520
- valuation of loans to related entities	-	95
Reductions due to:	(1 483)	(14 457)
a) in related entities	(1 483)	(14 457)
- reclassification into long-term	(1 483)	(14 457)
As at the end of the period	-	1 499

7.13. Investments in subsidiaries and associated entities

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Investments in subsidiaries and affiliates, including:	3 965	3 965
- in subsidiaries	3 965	3 965
	3 965	3 965

As of 31 December 2020 and 31 June 2021 there were no hedges for investments in subsidiaries and affiliates.

7.14. Deferred tax assets

As of 30 June 2021, in the balance of deferred tax assets, the amount of PLN 10 525 thousand is a deferred tax asset for tax losses for 2018, and 2019 and the amount of PLN 13 455 thousand on other titles (as of 31 December 2020, the deferred tax asset for tax losses amounted to PLN 11 807 thousand and PLN 15 065 thousand to other titles). The Company did not create a write-down for tax losses asset since it assumes that those assets will be realized.

7.15. Trade and other receivables

Short-term receivables

<i>In PLN thousand</i>	30.06.2021	31.12.2020
a) from related entities	5 296	352
- receivables under deliveries and services	5 296	352
b) receivables from other entities	26 257	36 805
- receivables under deliveries and services	21 910	33 886
- tax liabilities, including:	4 027	2 462
VAT tax	4 027	2 462
others, including:	320	458
- advances paid for supplies and services	216	290
- receivables from employees	104	168
	31 553	37 157

7.16. Accruals - assets

Long-term prepayments

<i>In PLN thousand</i>	30.06.2021	31.12.2020
a) current prepayments, including:	922	1 057
- registration of drug products	139	186
- costs of updating IT systems	627	716
- financial costs	16	29
- insurance	23	-
- other deferred costs	117	126
	922	1 057

Current prepayments

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Prepayments, including:	2 406	838
- taxes and charges	735	4
- registration of drug products	121	179
- property insurance	682	98
- validations	137	52
- financial costs	225	126
- other deferred costs	506	380
	2 406	838

7.17. Impairment losses on assets

In the period between 1 January 2021 and 30 June 2021 the balances of assets write-downs changed by the following amounts:

- write-offs for inventories: decrease by 3 623 thousand PLN,
- write-downs on intangible assets: decrease by PLN 86 thousand ,
- write-offs for receivables: no write-off was created,
- write-offs for fixed assets: no write-off was created.

7.18. Equity**Share capital**

<i>In thousands of shares</i>	Ordinary shares	
	30.06.2021	31.12.2020
Number of shares at the beginning of the statement period	<u>85 864</u>	<u>85 864</u>
Number of shares at the end of the period (fully paid-up)	<u>85 864</u>	<u>85 864</u>
Face value of 1 share	<u>20 PLN</u>	<u>20 PLN</u>

As at the date of the last general meeting of the Company on June 28, 2021, the ownership structure in the Company was as follows:

Shareholder	Number of shares / votes (in	% of the share capital
1 Dongren Singapore PTE LTD. ¹⁾	16,989,289	19.79
2 Perfect Trend Ventures Ltd. ²⁾	10,245,922	11.93
3 Troqueera Enterprises Ltd.	8 480 570	9.88
4 Basolma Holding Ltd. ³⁾	6,151,852	7.16
5 AIS Investment 2 Sp. z o. o.	5,151,852	6.00
5 UniApek S.A. ⁴⁾	4,293,210	5.00
7 Other shareholders with <5%	34,551,505	40.24
Total	<u>85 864 200</u>	<u>100</u>

¹⁾ Yifan Pharmaceutical Co., Ltd. is entitled indirectly through Dongren Singapore PTE LTD. 16.989.289 dematerialised shares of the Company constituting 19.79% of the Company's share capital.. Yifan Pharmaceutical Co., Ltd. is a dominant in relation to Dongren Singapore PTE LTD.

²⁾ Yifan Pharmaceutical Co., Ltd. is allowed directly by Perfect Trend Ventures Limited 10,186,419 dematerialised shares of the Company constituting 11.86% of the Company's share capital. Yifan Pharmaceutical Co., Ltd. is a dominant in relation to Perfect Trend Ventures Limited.

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

³⁾ Basolma Holding Ltd is the dominant for AIS Investment 2 Sp. z o. o.

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

Net profit (loss)

The net loss for the first half of 2021 amounted to PLN 1 214 thousand.

On June 28, 2021, the Ordinary General Meeting of Bioton S.A adopted Resolution No.2 on approval of the financial statements of Bioton S.A. for 2020 and Resolution No. 5 on the distribution of profit for 2020. Net profit for the financial year 2020 was intended to cover losses from previous years.

Profit / (loss) per share

The calculation of basic loss per share was made on the basis of a net loss of PLN 1 214 thousand and the weighted average number of shares as at the date of preparing the financial statements in the number of 85,864 200 items.

Weighted average number of shares in the period from 01 January 2021 till 30 June 2021

Shares series	Number in pcs	Number in pcs cumulatively	Period	Number of days	Weighted average Number of shares
A	85 864 200	85 864 200	01.01.2021	181	85 864 200
			<u>30.06.2021</u>		
Total	85 864 200			181	85 864 200

Weighted average number of shares in the period from 01 January 2020 till 30 June 2020

Shares series	Number in pcs	Quantity in pieces	Period	Number of days	Weighted average the
A	85 864 200	85 864 200	01.01.2020-	181	85 864 200
			<u>30.06.2020</u>		
Total	85 864 200			181	85 864 200

In the first half of 2021 the Company did not pay any dividends.

7.19. Liabilities for credits, loans and other debt instruments

The note presents the Company's liabilities for credits, loans and other debt instruments.

Non-current liabilities

In PLN thousand	30.06.2021	31.12.2020
Credits	26 601	31 962
Canceled loans from related parties	11 411	-
Lease liabilities (not applicable to IFRS 16)	29	39
Non-current liabilities in total	38 041	32 000

Current liabilities

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Credit and loans liabilities, including:	57 772	70 137
- other credits and loans, including:	57 772	70 137
- from related entities	15 752	26 739
- from other entities	42 021	43 399
Long-term credits reclassified to short-term ¹⁾	-	-
Lease liabilities (not applicable to IFRS 16)	54	199
Credit card liabilities	-	1
Current liabilities, total	57 827	70 337

¹⁾ as at the publication date, the financial covenants indicated in the terms of credit agreements concluded by BIOTON SA were satisfied

List of loans and credits

<i>In thousand PLN</i>	Currency	Amount by agreement	Date of payment by	Conditions of interest	Amount PLN as of 30.06.2021
agreements and contracts					
ING Bank Śląski S.A	PLN	20 000	Apr.25	Variable interest - rate WIBOR 1M plus margin	19 490
ING Bank Śląski SA overdraft in checking account	PLN	20 000	May.23	Variable interest - rate WIBOR 1M plus margin	14 257
ING Commercial Finance Polska SA (factoring line)	PLN	10 000	May.22	Variable interest - rate WIBOR 1M plus margin	8 498
Bank of China	EUR	12 000	Jan.23	Variable interest - rate EURIBOR 3M plus margin	26 377
UniApek S.A.	USD	7 000	Nov.22	Variable interest - rate 3M LIBOR for USD plus margin	27 162
Total in PLN		50 000			42 245
Total in EUR		12 000			26 377
Total in USD		7 000			27 162
In total					95 784

Hedge of credits resulting from the agreements:

- joint contractual mortgage on perpetual usufruct rights to land real estate with ownership rights of the buildings located on them,
- registered pledge on a set of machines and devices,
- Assignment of insurance policy
- transfer of receivables under the factoring agreement,
- registered pledge on inventories,

- sureties of subsidiaries granted as collateral for the Company's credit at the Bank of China - a total of EUR 18,000,000 .
- declaration on the establishment of an enforcement order until December 31, 2038.

At ING Bank Śląski SA, ING Commercial Finance Polska SA and Bank Of China (Luxemburg) SA (Joint Stock Company) Branch in Poland, powers of attorney to dispose of the funds accumulated on the accounts of BIOTON SA run by these banks have been submitted.

In Bank Of China (Luxemburg) SA (Spółka Akcyjna) Branch in Poland, collateral in the form of 5% of Bioton shares was placed S.A. owned by UNIAPEK SA

At ING Commercial Finance Polska SA and ING Lease (Polska) Sp. z o. o. the company submitted three blank promissory notes together with promissory note declarations securing the Agreements.

The Company:

- The Company concluded a Multi-Product Agreement with ING Bank Śląski SA for the provision of Revolving Credits in Bank Accounts for the total amount of PLN 40 million, in the amount of the sublimit of PLN 20 million under Revolving Loans in the Bank Account with the credit repayment date until May 09, 2023 and in the sublimit amount of PLN 20 million under Revolving Loans in the Credit Account with repayment in monthly installments until April 30, 2025.
- on May 26, 2021 concluded with ING Lease (Polska) Sp. z o. o. Financial Leasing Agreement for a period of 60 months with the net value of PLN 8 million.
- On May 10, 2021 concluded a Factoring Agreement with ING Commercial Finance Polska SA with an exposure limit of PLN 10 million. The agreement is valid until May 9, 2022.
- On July 29, it concluded with ING Commercial Finance Polska SA. Annex No. 1 to the Factoring Agreement increasing the limit involvement of up to PLN 20 million. The non-recourse factoring agreement is valid up to the amount of protection of the insurance claim provided by COFACE.
- on January 21, 2021, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxemburg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan installment amount to a special use account (DSRA) in the period from 22 January 2021 to 23 March 2021
- on 22 April 202, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxemburg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan installment amount to a special use account (DSRA) in the period from 23 April 2021 to 23 June 2021
- on May 7, 2021 the Company concluded a "Consent Letter" to the Loan Agreement with BANK OF CHINA expressing consent for the BANK OF CHINA to refinance the debt in Bank BOŚ SA and incur new financial debt within new financing at ING Bank on the terms specified in the document.
- on 22 April 202, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxemburg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan installment amount to a special use account (DSRA) in the period from 23 April 2021 to 23 June 2021
- on June 14, 2021 the Company concluded Annex 2 to the Loan Agreement with UNIAPEK SA extending the repayment period of the loans until 05/12/2022 and setting the repayment schedule for the period from November 30, 2021 until November 30, 2022

On May 18, 2021 the Company has fully repaid the claims of Bank BOŚ SA under the loan agreement of non-renewable loan number: S/14/1/2014/1157/K/INW/EKO, non-renewable loan agreement no. S/184/06/2013/1157/K/POŻ/HIP, revolving loan agreement No. 2/2007 and factoring line agreement No. S/120/04/2012/K/FAK.

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

- Bank Of China (Luxemburg) SA (Spółka Akcyjna) Branch in Poland, capital installment in the amount of 750 thousand EUR
- ING Bank Śląski SA, loan installments in the amount of PLN 851 thousand ;

7.20. Liabilities from deliveries and services and other

Long-term liabilities

In PLN thousand	30.06.2021	31.12.2020
others, including:	10 342	10 342
- liabilities due to the purchase of BIOLEK shares ¹⁾	10 342	10 342
Non-current liabilities in total	10 342	10 382

¹⁾ payment of the last bonus to Troqueera for the purchase of shares in BIOLEK Sp. z o. o. Compliance with the cumulative EBITDA result at the level of PLN 30 million in BIOLEK Sp. z o. o. will not happen in the next 12 months from the balance sheet date.

Current liabilities

In PLN thousand	30.06.2021	31.12.2020
a) to related entities - see principle(s)	6 321	7 857
for deliveries and services, of maturity date:	6 321	7 857
- up to 12 months	6 321	7 857
b) to other entities	32 984	43 700
for deliveries and services, of maturity date:	18 800	29 076
- up to 12 months	18 800	29 076
- tax liabilities, including:	7 653	8 063
- social security liabilities	5 997	7 098
- PFRON (The State Fund for Rehabilitation of the Disabled)	22	21
- personal income tax payable	909	784
- property tax,	725	5
- customs and tax liability	-	155
- payroll payables	2 020	2 057
- others, including:	4 511	4 504
- liabilities due to the supply of non-financial fixed assets	108	779
- payables arising from non-invoiced deliveries	3 679	3 609
- others	724	116
Current liabilities, total	39 305	51 557

7.21. Lease liabilities

<i>In thousand zlotys</i>	IFRS 16 30.06.2021	IFRS 16 31.12.2020
Lease liabilities (IFRS 16):	15 363	6 899
long-term part	13 684	6 817
short-term part	1 679	82
Lease liabilities in total	15 363	6 899

In the first half of 2021, the Company terminated the lease agreements relating to means of transport and concluded one leasing agreement for production machines for the amount of PLN 12,062 thousand.

7.22. Employee benefits

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Long-term retirement severance payments provision	1 566	1 566
Short-term retirement severance payments provision	282	282
	1 847	1 847

Provisions for retirement benefits

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Provision for retirement benefits - opening balance, including:	1 847	2 245
a) long-term	1 566	1 859
b) short-term – see note 25	282	387
Decrease - release of the provision recognized in the profit and loss account	-	269
Increase - costs recognized in the income statement	-	-
Decrease - actuarial profits included in equity	-	(456)
Increase - actuarial losses recognized in equity ³⁾	-	-
Benefits paid out	-	(211)
Provision for retirement benefits - closing balance, including:	1 847	1 847
a) long-term	1 566	1 566
b) short-term – see note 25	282	282

Holiday reserve

<i>In PLN thousand</i>	30.06.2021	31.12.2020
Provision for holidays at the beginning of the period	1 897	1 806
Changes recognized in the profit and loss account, including:	876	91
- reduction - dissolution of the provision	(858)	(1 702)
- increase - creation of a provision	1 734	1 793
Provision for holidays at the end of the period	2 773	1 897

7.23. Deferred income - short-term

<i>In PLN thousand</i>	31.12.2020	31.12.2020
Subsidies from the Ministry of Economy	14 520	14 839
Subsidies from the NFEPWM	2 493	2 548
Subsidies from the National Center for Research and Development	578	578
Received upfront payments for sales of rights (upfront) ¹⁾	20 134	21 225
	37 724	39 191

¹⁾See also note: 7.1

7.24. Prepayments and accruals (liabilities)

<i>In thousand PLN</i>	30.06.2021	31.12.2020
a) accruals of costs	2 193	6 032
- provision for costs, including:	1 867	4 341
* provision for marketing costs	1	31
* provision for legal costs	39	50
* provision for salary costs with overheads	687	2 102
* provision for capital expenditures	1 026	2 051
* provision for other prime costs	115	107
- provision for other operating expenses	60	896
- provision for rebates granted in the next period	247	786
- provision for legal costs	19	8
b) accruals of costs	31 372	26 629
- subsidies from the Ministry of Economy	640	640
- grants from the National Fund for Environmental Protection and Water Management	111	111
- grants from the NCBR	1 560	1 560
- received payments for the sale of rights (upfront)	2 183	2 183
- other (advances on supplies and services) ¹⁾	26 878	22 134
	33 565	32 661

¹⁾ advance payments for services relate to the MSA contract with Yifan Pharmaceuticals (analog project)

7.25. Financial instruments – general information in financial instruments**General data on financial instruments as of 30 June 2021**

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Loans granted	Financial liabilities	Financial liabilities	Receivables due to supplies and services and others	Liabilities due to supplies and services and others
b) The scope and character of the instrument	Risk-free or low risk short-term investments	2 long-term loans	3 bank credits	2 loans, of which one is the factoring line	Details see below	Details see below
c) The carrying amount of the instrument (<i>in thousands of zlotys</i>)	4 362	16 126	60 124	35 660	31 553	Liabilities: 39 305 RMB: 2,193 Leasing liabilities: 15 363
d) Value of the instrument in foreign currency (<i>in thousands</i>)	EUR 810 USD 87	EUR 328	EUR 5 835	USD 7 114	EUR 801 USD 692	EUR 662 USD 8 555
e) The purpose of acquisition or issue	Placing free means	Financing subsidiaries	Credit for the current activity, refinancing investment	Loans for current activity	Current operations	Current operations
f) Amount (amount) being the basis for calculating future payments	Total deposits	Nominal value / to be repaid	Nominal value / to be repaid	Nominal value / to be repaid	Face value	Face value
g) Sum and dates of deferred income or cash payments	Time dependent interest	Interest depending on the repayment date	interest payable monthly	interest payable monthly and quarterly	By nominal value	By nominal value
h) Date for establishing prices, maturity, expiry or performance of the instrument	Liquid type instruments overnight and up to 3M	According to agreements	Capital repayment on the dates resulting from agreements	Capital repayment on dates resulting from agreements	According to the agreements	According to the agreements
i) Earlier possible settlements	Any	Exists	Exists	Exists	Exists	Exists

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
j) The price or range of the instrument	At nominal value and percentage	By nominal value and percentage	At nominal value and interest	By nominal value and interest	By nominal value	By nominal value
k) Possibility to change or exchange to another asset or liabilities	None	none	none	none	none	none
l) Fixed rate or amount of interest, dividends or other revenues and their dates of payment	Variable, WIBID - margin of the bank Payment term on completion	For PLN WIBOR + margin, for foreign exchange LIBOR or EUROIBOR + margin or fixed interest rates. Repayment date - according to contracts upon completion	Bank loan - for PLN WIBOR + margin bank, for foreign exchange EUROIBOR + margin bank Repayment terms - monthly and quarterly	Variable interest - rate 3M LIBOR for USD plus margin	According to the agreements	According to the agreements
m) Collateral related to instrument, accepted or complex	none	none	specified in note 7.19	specified in note 7.19	none	none
n) Above information for the instrument, for which the instrument can be converted	n/a	n/a	n/a	n/a	n/a	n/a
o) Other accompanying conditions for a given instrument	none	none	Bank loan - min. use of credits according to contracts	none	none	none
p) The type of risk associated with instrument	Foreign exchange rates interest, credit of the financial institution	Foreign exchange rates, credit cards of borrowers	Interest rate and liquidity	Foreign interest rate and liquidity	Foreign interests rate and credit of the recipient	Foreign currency
q) Sum of existing liabilities for the positions taken in instruments	none	none	none	none	none	none
r) Fair instrument value	Equal to balance	Equal to balance	Equal to balance	Equal to balance	Equal to balance	Equal to balance

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
s) Method of determining fair value	Discounted cash flow	Discounted cash flows	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) category of financial instruments from 01/01/2018 according to IFRS 9	Financial assets valued according to amortized cost	Financial assets valued according to depreciated cost	Financial liabilities valued at amortized cost	Financial liabilities valued in amortized cost	Financial assets valued according to depreciated cost	Financial liabilities valued in amortized cost

General data on financial instruments as of 31 December 2020.

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Loans granted	Financial liabilities	Financial liabilities	Receivables due to supplies and services and others	Liabilities due to supplies and services and others
b) The scope and character of the instrument	Risk-free or low risk short-term investments	1 long-term loan and 1 short-term loan	4 bank credits	3 loans, of which one is the factoring line	Details see below	Details see below
c) The carrying amount of the instrument (<i>in thousands of zlotys</i>)	22 005	15 956	39 420	62 679	37 157	Liabilities: 51 557 RMB: 6 032 Leasing liabilities: 6,899
d) Value of the instrument in foreign currency (<i>in thousands</i>)	EUR 862 USD 96	EUR 325	EUR 7 387	USD 7 114	EUR 1 170 USD 3,772	EUR 2 311 USD 2 031
e) The purpose of acquisition or issue	Placing free means	Financing subsidiaries	Credit for the current activity, refinancing investment	Loans for current activity	Current operations	Current operations
f) Amount (amount) being the basis for calculating future payments	Total deposits	Nominal value / to be repaid	Nominal value / to be repaid	Nominal value / to be repaid	Face value	Face value

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
g) Sum and dates of deferred income or cash payments	Time dependent interest	Interest depending on the repayment date	interest payable monthly	interest payable monthly and quarterly	By nominal value	By nominal value
h) Date for establishing prices, maturity, expiry or performance of the instrument	Liquid type instruments overnight and up to 3M	According to agreements	Capital repayment on the dates resulting from agreements	Capital repayment on dates resulting from agreements	According to the agreements	According to the agreements
i) Earlier possible settlements	Any	Exists	Exists	Exists	Exists	Exists
j) The price or range of the instrument	At nominal value and percentage	By nominal value and percentage	At nominal value and interest	By nominal value and interest	By nominal value	By nominal value
k) Possibility to change or exchange to another asset or liabilities	None	none	none	none	none	none
l) Fixed rate or amount of interest, dividends or other revenues and their dates of payment	Variable, WIBID - margin of the bank Payment term on completion	For PLN WIBOR + margin, for foreign exchange LIBOR or EUROIBOR + margin or fixed interest rates. Repayment date - according to agreements on completion	Bank loan - for PLN WIBOR + margin bank, for foreign exchange EUROIBOR + margin bank Repayment terms - monthly and quarterly	Variable WIBOR / LIBOR + margin	According to the agreements	According to the agreements
m) Collateral related to instrument, accepted or complex	none	none	specified in note 7.25	specified in note 7.25	none	none
n) Above information for the instrument, for which the instrument can be converted	n/a	n/a	n/a	n/a	n/a	n/a
o) Other accompanying conditions for a given instrument	none	none	Bank loan - min. use of credits according to contracts	none	none	none

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
p) The type of risk associated with instrument	Foreign exchange rates interest, credit of the financial institution	Foreign exchange rates, credit cards of borrowers	Interest rate and liquidity	Foreign interest rate and liquidity	Foreign interests rate and credit of the recipient	Foreign currency
q) Sum of existing liabilities for the positions taken in instruments	none	none	none	none	none	none
r) Fair instrument value	Equal to balance	Equal to balance	Equal to balance	Equal to balance	Equal to balance	Equal to balance
s) Method of determining value fair	Discounted cash flows	Discounted cash flows	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) category of financial instruments from 01/01/2018 according to IFRS 9	Financial assets valued according to amortized cost	Financial assets valued according to amortized cost	Financial liabilities valued at amortized cost	Financial liabilities valued in amortized cost	Financial assets valued according to amortized cost	Financial liabilities valued in amortized cost

7.26. Contingent liabilities

The contingent liabilities that were binding on the Company as of 31 December 2020 are also effective as at the balance sheet date.

7.27. Information on transactions with related entities

Subject of the transaction - turnover in the period (in thous.

PLN)

Name of the business entity	Object of transaction	Net value	
		01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
BIOLEK Sp. z o. o.	Sales, including:	124	124
	Our services	124	124
	Purchase, including:	809	1 054
	commodities	809	1 054
BIOTON MARKETING AGENCY Sp. z o. o.	Sales, including:	2 733	2 148
	services	631	631
	commodities	2 102	1 518
	Purchase, including:	9 635	10 713
	services	9 635	10 713
Yifan Pharmaceutical Co. Ltd.	Sales, including:	4 944	774
	services	4 944	774
YIFAN INTERNATIONAL	Sales, including:	-	373
	services	-	373
SciGen Ltd (Singapore)	Sales, including:	23 738	17 467
	commodities	21 164	11 996
	services	2 574	5 471

Outstanding balances

Name of the business entity	Balance due to:	value in thous. PLN	
		30.06.2021	31.12.2020
BIOTON International GmbH	Receivables for:	1 543	1 558
	-supplies, works and services	60	59
	-loans	1 483	1 499
BIOLEK Sp. z o. o.	Receivables for:	17 927	17 770
	-supplies, works and services	444	292
	-loans	16 590	16 404
	-revaluation write-downs for loan	-1 947	-1 947
	Liabilities for:	892	1 073
	-supplies, works and services	892	1 073
BIOTON MARKETING AGENCY Sp. z o. o.	Receivables for:	446	-
	-supplies, works and services	446	-
	Liabilities for:	4 083	3 967
	-supplies, works and services	4 083	3 967

Yifan Pharmaceutical Co. Ltd.	Receivables for:	4 346	-
	-supplies, works and services	4 346	-
SciGen Pte. Ltd.	Liabilities for:	1 346	2 815
	-supplies, works and services	1 346	2 815
UniApek SA	Liabilities for:	27 162	26 739
	-loans	27 162	26 739

Open items on the accounts will be settled with cash payments. Occasionally, the Company may settle settlements by mutual offsetting of receivables.

7.28. 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 (Journal of Laws of 1945, No. 3, item 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 of the court and administrative cases conducted in the above scope, on the basis of the complaint submitted by IBA with the participation of BIOTON S.A., completed legally 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 14.04.2009, regarding the annulment of the decision of the Head of the Commune Ożarów Mazowiecki of 15.04.1988 on taking over for the State Treasury a part of Real Estate in the form of two plots with total area of 78,87 ha, issued on the basis of the act of 12 March 1958 on the sale of state agricultural real estate and the arrangement of some issues connected with the implementation of the farm reform and agricultural settlement („Act of 1958”), and the decision of the Head of the Ożarów Mazowiecki Commune of 19.03.1990 on transferring to the management of the Institute of Biotechnology and Antibiotics („IBA”) plots with 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 ruling of 20.02.1991, the probability of the Company suffering damage as a result of recognising possible claims of the heirs of the former owners of “Macierzysz Resort Property” by the proper bodies seems to be small. In the Company's opinion, the previous decisions in cases regarding whether the real estate from "Macierzysz Resort Property" 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 situation of the Company may be caused however by the decision on stating invalidity of the decision issued on the basis of the Act of 1958 by the Head of the Commune Ożarów Mazowiecki of 15.04.1988 on takeover for the State Treasury two plots with total area of 78,87 ha and the decision of the Head of the Commune Ożarów Mazowiecki of 19.03.1990 on transferring for the management of IBA plots with total area of 77,83 ha. In the event of the decision of the Governor of Masovia regarding the annulment of the decision of the Head of the Commune Ożarów Mazowiecki of 15.04.1988 and 19.03.1990 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 cessation complaint. Completion of the administration proceedings itself, even inconsistent with the position of the Company will not have an influence on 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 the claim against IBA, which in the agreement of 06.11.1997 stated that any claims of the third persons

will be charged to the IBA. On May 10, 2021, the Mazowiecki Voivode issued a decision refusing to declare invalidity of the decisions of the Head of the Ożarów Mazowiecki Commune of April 15, 1988 and March 19, 1990.

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

The Company was a party to an arbitration proceeding for the payment of USD 1,500,000 with interest to 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 source of the dispute is an agreement concluded on October 21, 2011 (with later annexes) between the Company, SciGen Ltd., HLST and Mr. Gao Xiaoming. Mutual settlements of the parties under the agreement are recognized in the financial statements of the Company, starting from financial statements for 2011. The company contested the basis for HLST's claim for the disputed amount. On September 1, 2017, the Company received information about the arbitration award issued by CIETAC. Arbitration Court awarded HLST the amount of USD 1,500,000 with interest and payment of USD 146.80 in royalties for the third quarter of 2015 year and USD 184,549.82 of interest on overdue payments from Q1 2013 within 15 days, the date of entry into force of this judgment. Moreover, the Court obliged the Company to pay the claim fee and part of the arbitration fee. The company verifies the legal possibilities of justifying the appeal against the arbitration award and the grounds for obtaining enforceability of an arbitration award by HLST also in Poland. The company has taken legal steps to amicable settlement of the dispute. The company created a provision for the above liabilities in previous years.

Claim for revocation of the resolution of the Ordinary General Meeting of Bioton SA of 11 June, 2018 regarding expressing consent to the sale transaction of SciGen Ltd

On 6 August, 2018 (published Current Report No. 23/2018), the Company received a copy of the statement of claim filed by AIS Investment 2 sp. z o.o. in Warsaw ("Plaintiff") 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 11 June, 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 allegations sought and dismissed it. 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 the Resolution number 2 on expressing the consent for the transaction to sell SciGen Ltd with its registered office in Singapore and defining basic conditions for transactions, made on 11 June 2018 by the Ordinary Meeting of Shareholders of the Company (invalid judgment). On 17 August 2020, the Company's Management Board received information about the receipt of an appeal from AIS Investment 2 Sp. z o.o. the Company prepares the reply to the appeal (published with the Current Report number 16/2020). The company filed a response to the appeal on August 28, 2020. The company is awaiting the announcement of the judgment on March 31, 2021. The company will provide information in a separate report. On March 31, 2021, the Appeal Court in Warsaw dismissed the appeal submitted by AIS Investment 2 Sp. z o. o. The judgment of the Court of Appeal in Warsaw is final, however, AIS Investment 2 has the right to lodge a cassation appeal.

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

On 29 October 2018 (published Current Report No. 30/2018) the Company received from the District Court 13th Commercial Division in Warsaw a copy of the application submitted by AIS Investment 2 sp. z o.o. in Warsaw and Basolma Holding Limited („Applicants”) for designation, pursuant to art. 85 it. 1 of the Act on Public offer, the auditor for special issues. The content of the application is consistent with the draft resolution no. 2 being the subject of the Extraordinary meeting

of the General Meeting on September 26, 2018, which was not adopted by the EGM (see 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. obtained invalid decision of the Court Referendary of the District Court for the Capital City Warsaw in Warsaw about the designation of Grant Thornton Polska sp. z o. o. spółka komandytowa with its registered office in Poznań as 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 auditor for special matters. On 25.11.2019, Bioton SA appealed against the decision rejecting the complaint against the court referendary's decision to appoint special auditor. On February 18, 2020 dismissed the complaint of S.A. against the decision rejecting the complaint against the court referendary's decision to appoint special auditor (The decision is final and valid). The company concluded with Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań on 25.08. 2020 the agreement for the performance of the activities of the auditor for special issues, the works started on 27 August 2020. 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 work 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.

Control of the Customs and Tax Office in Kielce

On December 10, 2018, the company received the authorization to carry out a customs and tax inspection issued by the Head of the Świętokrzyski Customs and Tax Office in Kielce in the field of corporate income tax for 2016. Until the date of signing the report, the Company has not received the report or the result of the inspection, and the proceedings are pending. According to Company, at this stage of the inspection, it would be premature to decide about the possible impact of the inspection findings on the tax liabilities in the balance sheet of the Group and the Company. Nevertheless, in the opinion of the Company, taking into account all the circumstances of the case, there are no basis for identifying tax risks that may have a significant impact on the Company's or the Group's tax liabilities.

7.29. Events after the balance sheet

date

Cooperation with the KRKA company

On August 31, 2021, the Management Board of Bioton SA concluded a Contract Manufacturing Agreement ("Agreement") with the KRKA company, tovarna zdravil, dd, Novo mesto. The agreement concerns the contractual production of its products by Bioton SA for KRKA in accordance with the technology and materials provided by KRKA.

7.30. 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 effect on the condition of the economy, including global economy. Therefore, the Polish government is concerned about a significant decline in economic growth, adopted an act amending the act on special solutions related to prevention, counteracting and combating COVID-19, other infectious diseases and emergencies caused by them, and some other acts (the "Anti-Crisis Shield"), which contain a number of facilities for entrepreneurs, including the possibility of real estate tax exemptions: land, buildings and structures related to running a business economic, by means of a resolution adopted by a given commune council, to the indicated groups of entrepreneurs whose

financial liquidity worsened due to negative economic consequences due to COVID-19. 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 Company constantly monitors the situation related to COVID-19 and its impact on operations. The Company 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. The current situation may also be worsened by the fact that many European countries are currently considering introducing a number of restrictions related to the possible return of the SARS-Cov-2 coronavirus pandemic. These restrictions disturb the Company's operation, over which the Company has no control and it is obliged to comply with introduced legal provisions, including recommendations of government administration bodies aimed at limiting the spread of SARS-Cov-2 coronavirus infection cases. The priority for the Company 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) risk of employee absence - as of the date of publication, the Group has not recorded significant disruptions in its day-to-day operations and has not observed significantly increased employee absence.
- (ii) risk of price levels, foreign currency exchange rate fluctuations and supplies of raw materials and auxiliary materials required for the production of finished substances and forms of insulin, as well as supplies 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 to confirm complex orders in terms of timely deliveries as well as the possibility of securing their availability or earlier delivery. The increase in prices and their possible volatility will have an impact on the achieved future margins.
- (iii) risk related to restrictions related to the possibility of logistic delivery of products to foreign markets - the Company asked foreign customers to place orders for product delivery in the following months due to possible extension of the delivery date by changing e.g. the method of delivery from air to sea.
- (iv) risk of limiting financial liquidity - BIOTON SA changed the structure of debt financing while increasing access to higher credit lines - as of the date of publication of the report, BIOTON SA signed loan agreements with ING Bank Śląski with which fully repaid the companies in Bank Ochrony Środowiska, signed an annex with Bank of China changing the schedule of the installment repayment paid to an escrow account.
- (v) risk related to demand constraints on goods sold by the Group - the risk does not apply to the Company's products, due to the fact that insulin is a life-saving drug and therefore must be administered regardless of existing circumstances related to COVID-19. However, in terms of other goods sold by the company and its subsidiary, BIOLEK, the development of the coronavirus may have an impact on future financial results.

At the same time, the Management Board believes that current situation, however difficult, may 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 monitors the market situation on an ongoing basis, in particular focusing its attention on the factors that protect the operating activity and the financial result of the Company in the long term, as well as preventive measures.

Taking the above into account, in the opinion of the Management Board, the situation related to COVID-19 does not pose a threat to the continued operations of the Company.

The above judgment was prepared according to the best knowledge of the Management Board of the Company as at the

date of publication of this report. 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 Management Board	

Date and signature of the person entrusted with bookkeeping

Name and surname	Position	Signature
Renata Prokopczyk	Chief Accountant	

Warsaw, 31 August 2021