

**INDIVIDUAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM JANUARY 1, 2020 TO DECEMBER 31, 2020  
PREPARED FOLLOWING THE  
INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION**

**TABLE OF CONTENTS**

1. Introduction to individual financial statements of BIOTON S.A.	3
2. Individual income statement	31
3. Individual statement of total income	31
4. Individual balance sheet	32
5. Individual cash flow account	31
6. Individual statement of changes in equity	34
7. Explanatory notes to individual financial statements	35

**INDIVIDUAL FINANCIAL STATEMENTS OF BIOTON S.A. AS OF DECEMBER 31, 2020 WITH COMPARATIVE DATA AS OF DECEMBER 31, 2019, PREPARED FOLLOWING THE INTERNATIONAL FINANCIAL REPORTING STANDARDS IN THE VERSION APPROVED BY THE EUROPEAN UNION.**

**1. INTRODUCTION TO INDIVIDUAL FINANCIAL STATEMENTS OF BIOTON S.A.**

**1.1. Company identification data**

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

The basic subject of the Company's activity, according to PKD, is:

- production of pharmaceuticals and pharmaceutical preparations (PKD 21.2),
- production of pharmaceutical substances (PKD 21.1).

**1.2. Periods for which the financial statements and comparative financial data is presented**

The financial statements cover the accounting period from January 1, 2020, to December 31, 2020. Comparative financial data covers the period from January 1, 2019, to December 31, 2019.

The financial statements were prepared and approved for publication by the Management Board of BIOTON on March 31, 2021.

**1.3. Composition of the Management Board and Supervisory Board of BIOTON S.A.**

The current composition of the Managing Board of BIOTON S.A.:

- o Mr. Jeremy Launders (President of the Management Board from 30.10.2020),
- o Mr. Adam Polonek (Member of the Management Board from 14.05.2020 for the next term of office).

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 reasons for the resignation were personal matters.

The current composition of the Supervisory Board of BIOTON S.A.:

- o Mr. Dariusz Trzeciak (Vice-President of the Council from 07.07.2019),
- o Mr. Ramesh Rejenthiran (Vice-President of the Council from 07.07.2019),
- o Mr. Jubo Liu (Member of the Council from 28.06.2019);
- o Mr. Vaidyanathan Viswanath (Member of the Board since 28.06. 2019),
- o Mr. Nicola Cadei (Member of the Council from 03.12.2019),
- o Mr. Wei Ming Tan (Member of the Council since 03.12. 2019).

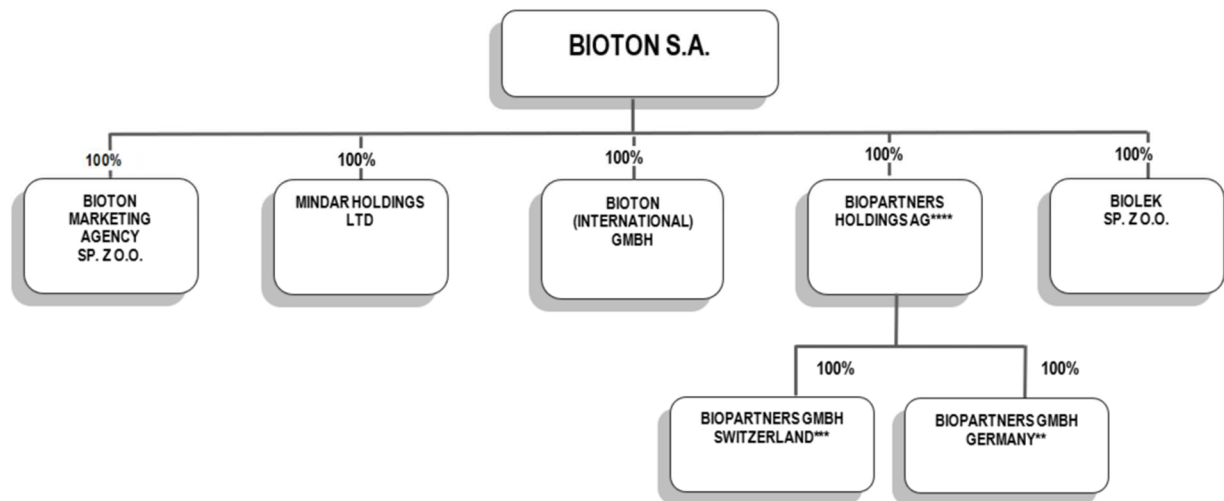
History of changes in the composition of the Supervisory Board since 01.01.2020 until the publication date of the financial statements:

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

**1.4. Information on the annual consolidated financial statements of the Capital Group BIOTON SA**

As of December 31, 2020, BIOTON S.A. has the following structure of the Capital Group:

31.12.2020



\*\* 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 March 13, 2019, Biopartners Holdings AG filed for bankruptcy. Bankruptcy proceedings were completed on May 8, 2019.

**(a) Subsidiaries are directly dependent on BIOTON S.A.**

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

BIOTON S.A. holds 100% shares in the share capital of BIOTON MARKETING AGENCY Sp. z o.o., which gives the right 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 Sp. z o. o. (formerly BIOTON Trade Sp. z o. o.)
Seat and address:	ul. Poznańska 12, Macierzysz, 05-850 Ożarów Mazowiecki
Scope of activity:	Advertising activities

**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 S.A. took control over Biopartners Holdings AG on March 9, 2007. On March 13, 2019, Biopartners Holdings AG filed for bankruptcy. Bankruptcy proceedings were completed on May 8, 2019.

**Mindar Holdings Ltd;**

BIOTON SA is the owner of 100% shares in the share capital of Mindar Holdings Ltd, which entitle to 100% of votes at the 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 Centre, 9th floor, 1065 Nikosia, Cyprus

Scope of activity: Advisory services, management of companies.

#### **Germonta Holdings Ltd.**

BIOTON S.A. was the owner of 100% shares in the share capital of Germonta Holdings Ltd, which gives the 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 Centre, 9th floor, 1065 Nikosia, Cyprus  
Scope of activity: Advisory services, management of companies.

#### **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 Sp. z o. o.  
Seat and address: Macierzysz, ul. Poznańska 12, 05-850 Ożarów Mazowiecki  
Scope of activity: Manufacture of basic pharmaceutical products and pharmaceutical preparations

#### **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  
Scope of activity: Holding rights to registration, distribution, and sale rights as well as selected intellectual property rights.

#### ***(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 the 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 (Switzerland)
Seat and address:	Lindenstrasse 10, 6340, Baar, Switzerland
Scope of activity:	Development, production, and sale of medicinal products.

### **Biopartners GmbH (Germany)**

Biopartners Holdings AG is the owner of 100% shares in the share capital of Biopartners GmbH (Switzerland), which gives the right 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. By the date of publication of the statements, the liquidation of Biopartners GmbH (Germany) has not been completed.

General information Biopartners GmbH (Germany):

Company and legal form:	Biopartners GmbH (Germany)
Seat and address:	Kaiserpassage 11, D-72764 Reutlingen, Germany
Scope of activity:	Development, production, and sale of medicinal products.

## **1.5. Description of the most important accounting principles applied**

### **Statement of conformity**

These individual financial statements have been prepared under the International Financial Reporting Standards ("IFRS") approved by the European Union as of December 31, 2019, and to the extent not covered by the standards – according to the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2018, 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 Company 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.

***Application of new standards and amendments to existing standards and interpretations applied for the first time in the financial statement of the Company for 2020.***

The accounting principles (policy) used to prepare these consolidated financial statements for the financial year ended December 31, 2020, are consistent with those used to prepare the annual consolidated financial statements for the financial year ended December 31, 2019, except for the changes described below.

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

**Changes resulting from changes to IFRS**

From the beginning of the financial year/reporting period, the following new or amended standards and interpretations issued by the International Accounting Standards Board (IASB) or the Audit Committee are in force. Interpretation of International Financial 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. An optional "concentration test" has been added to the standard, which simplifies the assessment of whether the acquired assets and activities constitute a business.

**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 amendments 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 the 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 extending the period of exemption of insurers from the application of IFRS 9 Financial instruments until 1 January 2023

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

**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 effective date was modified in July 2020 and applies to annual periods beginning on January 1, 2023, or later.

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**

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.

**d) 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.

**e) 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,
- 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 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 a significant impact on the financial statements.

### **The basis for preparing the financial statements**

The unconsolidated 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 unit financial statements have been prepared in accordance with the historical cost principle, except for financial instruments that are measured at fair value.

The Company makes estimates for impairment tests. Detailed rules for impairment losses on assets are described in principles „f” and „t”.

Drawing the financial statement up in accordance with the EU IFRS requires that the Management Board makes assessments, estimates, and assumptions that 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 a 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 Company 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. Additionally, in connection with the adjustment of capitalized expenditure, an asset was created for deferred tax, the use of which was included in the assumptions in note 7.47; the Company anticipates that adopted development model and business strategy as well as signed global distribution agreement and the agreement related to the implementation of analogues, and thus results achieved in subsequent years will allow for settling deferred tax assets;
- write-offs for inventories - the Company has inventories of materials and products. A significant part of them is subject to strict regulation - the estimation of the amount of write-offs 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;
- write-offs 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;
- write-offs for R & D - as described in the accounting policy - a write-off for research and development costs is made at the end of each reporting period. The Company 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 tested assets exceeds their recoverable amount, an appropriate write-down is created. When assessing the existence of indications that intangible assets may be impaired, the Company analyses at least prerequisites from external and internal sources;

- provisions - the Company estimates the amount of provisions for liabilities in accordance with 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 analyses 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 asset impairment test, including intangible assets, fixed assets, shares in subsidiaries described in note 7.47.

The Management Board of BIOTON S.A. 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 individual annual financial statements based on the continuance of operation principle 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 of 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 analogues 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 the 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 brand. Bioton will also act as a manufacturer of products all over the world.

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

When preparing consolidated financial statements, the Company applied the same accounting principles as described in the consolidated financial statements as of December 31, 2019.

**a) Property, plant, and equipment**

Property, plant, and equipment include property, plant, and equipment and expenditure on property, plant, 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 property, plant, and equipment include incurred investment outlays. Property, plant, and equipment include important specialist spare parts that function as part of a fixed asset.

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

Property, plant, and equipment under construction created for production, rental or administrative purposes are presented in the statement of financial position at the production cost less recognized impairment losses (principle t). The cost of production includes fees and, for appropriate assets, borrowing costs capitalized in accordance with the accounting principles of the Company (principle y). 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 take 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 Property, plant, and equipment, the linear depreciation method is applied.

Periods of use for individual items in Property, plant, and equipment are as follows:

<b>Generic group</b>	<b>Depreciation period (in years)</b>
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 of 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 a fixed asset are recognized as expenses when incurred. Otherwise, they are capitalized.

**b) 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, the 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 Company 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 Company 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 a 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 the organic development of the currently existing and effectively commercialized product portfolio 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 will be able to use existing distribution channels currently used by the Issuer, i.e. ways of reaching patients and will be able to use existing marketing support instruments - e.g. Key Opinion Leaders (industry experts in the field of medicine that supports the recognition of the product and make its effectiveness effective, inter alia during lectures at conferences, in particular international, in articles and specialist publications) or developed contacts with doctors that allow for the current transfer of specialist information about their products, which in turn creates an 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 defined and clearly defined registration requirements, the Company may prepare the process in such a way that it meets the requirements in the shortest possible time, the probability exceeds 50%);
5. production facilities, or production plants of active substances and/or finished forms of the drug (if the Company has existing production plants that meet GMP certificates and is able to implement active substance and/or finished product manufacturing without major expenditure on fixed assets, probability of over 50% );
6. laboratory facilities with an existing team specialized in preparing the required release methods of active substances and/or finished forms of the drug according to specific rules (if the Company 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 technology for production, if the Company 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 cooperation agreements (if the Company has sufficient financial resources or potential sources of financing, the probability exceeds 50%);
9. obtaining opinions on the implementation of the project by third parties (financial institutions, advisory entities, other entities such as potential distributors) in the form of an independent opinion or signing a distribution agreement and financing agreement for a given project or part (e.g. from funds from the European Union through such institutions as National Centre for Research and Development (if the Company engages in this type of cooperation or obtains such opinion, the probability exceeds 50%).

In the case of projects classified as 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 known on the market, the fulfilment of the above criteria will be minimal and more than 50% will be treated as research work. At the same time, these projects will be subject to an annual assessment according to the same criteria business as well as the requirements set out below in accordance with paragraph 57 of IAS 38.

However, as part of Type 3 development works, biosimilar medicines may also be indicated whose counterparts already exist on the market at the time of their assessment according to the above criteria business as well as the requirements set out below in accordance with paragraph 57 of IAS 38.

*(i) Research and development*

**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, but only recognized in the income statement when 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 company 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 Company conducts a number of development activities related to recombinant human insulin (RHI) and analogues of human insulin.

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

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

**TYPE 1 Regulatory expenditure / regulatory approval 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 company is taking steps to register RHI on new markets, including mainly Brazil (the registration process is underway) and China (the registration process has ended, especially regarding the registration of increased production scale, however, the value of accumulated expenditures is not yet amortized). Registration offices require the Company to extend the current dossier and documentation, as well as to perform additional tests, such as stability tests when 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 regulatory registrations/approvals

Regulatory registration/approval fees for the introduction of optimized technological processes to eliminate Triton from the production process in accordance with regulatory requirements in the European Union. From 1 January 2021, the use of Triton in the production process will be banned in accordance with Regulation 2017/999 amending Annex XIV to Regulation (EC) No 1907/2006 of the European Parliament REACH. In this case, the Company develops a modified technology that excludes 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 Company has produced three series of API substances that meet the exemption specification, from which it produced 3 series of the final RHI product. Currently, in accordance with the 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 analogues (SAIA) and long-acting insulin analogues (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 in individual markets - especially in Poland with a market share of recombined 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 (ii) a producer's product model. In order to briefly characterize these three models of cooperation with partners in various markets and the division of responsibility for individual areas from the point of view of the responsibility of Bioton SA, the following table presents:

	<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	

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

1. for the Polish market, the Company will always choose the Direct Model due to the fact that it is present in this market and has appropriate sales and marketing forces and a database of patients with over 18% share in the total insulin market and over 34% market share in recombinant human insulin half of the market in Poland (according to data for 2018); Under this model, the Company will influence all levels of responsibility from production, through registrations to sales and marketing.
2. for other markets, the Company may choose the Intermediate Model - i.e. The company will be the producer of the product and depending on the registration requirements, the strategy on given markets, will cooperate in meeting the requirements of registration processes under the terms of distribution agreements, technology transfer if such are the requirements of registration offices, co-financing and active participation in the registration process. As part of this strategy, the Company has in the past signed a number of agreements regarding insulin 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 his own expense, and the Company is a provider of registration documentation, a license for a given territory or trademark;
3. for markets with high entry barriers such as the US market, the Company 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 Company 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 Company plans to implement all the models of cooperation presented depending on the specificity/potential/registration requirements of a given territory for which the Company is based on the above examples may expect to receive specific fees at the time of signing contracts, indicating that the Company has the opportunity to receive certain economic benefits before receiving the medicine.

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

The company estimates that the development of all three types of work will result in the success and launch of products for sale. The Company has the appropriate knowledge, experience, and human and technical resources necessary to carry out and complete the success of each of these types of development works. In the scope of development works from Types 1 and 2, the

Company, 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 works are aimed at extending registration to new markets, which requires additional documentation and tests, however, due to registration on other markets the probability of refusal is low.
- (ii) In the scope of Type 2 development works, they relate only to changes in the production process guided by registration requirements - the technical feasibility of the project has already been proved by the 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 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 company has already developed the active substance of both insulin analogues SAIA and LAIA in the 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 Company obtained funding from the National Centre for Research and Development under the Intelligent Development Operational Program, under which the Company received an EU subsidy for the development of short- and long-acting insulin analogues at a commercial scale.

As described in the point above, the Company, through the 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 the intangible asset and use or sell thereof;

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

Development works of Type 3 are conducted in accordance with the current strategy of the Company, assuming the development of analogues of insulin, thanks to which the Company will join the group of global leaders in the field of insulin products. The works are covered by a subsidy 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 analogues - 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 Company, through the 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 analogues will help strengthen the Company's position in this area and increase the Company's share in the insulin market. The global insulin market is valued at USD 40 billion per year, while over 70% of the market is owned by the three largest competitors. The share of classic insulin is around 10% in the global market. The growth of the insulin analogue 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 analogues, is significant.

- e) the availability of adequate technical, financial, and other resources used to complete the development and use or sell the intangible asset

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

The company is a beneficiary of financing from the European Union. On 13 March 2017, an agreement was signed with the National Centre for Research and Development for co-financing of the project under the Intelligent Development Operational Program, under which the Company will receive an EU subsidy for the development of short- and long-acting insulin analogues on a commercial scale ("Project"). The total amount of qualified expenses is PLN 50,684,000. The Company will receive co-financing in the amount not exceeding PLN 20,988 thousand. PLN, which constitutes 41.4% of the total expenditure eligible for support, the maximum amount of funding for: (i) industrial research is PLN 1,858 thousand. , (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) ability to reliably measure expenditures attributable to the intangible asset in the course of development works

In order to reliably determine the expenditures for development works, the Company maintains its accounting books by distinguishing individual 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 Company identifies 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;
- remuneration with overheads.

#### 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.

#### The value impairment test

At the end of each reporting period, the Company assesses whether there are any indications 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 write-down is created.

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

In the Company'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 t).

#### *(ii) 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 t).

#### *(iii) Depreciation and amortisation*

Intangible assets are amortized according to the straight-line method in the period of their anticipated use

The estimated period of use is 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 work 5-20 years,
- software integrated IT system 10 years,
- other intangible assets for 5 years,

Intangible assets that meet the 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 aa.

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

#### **c) Cash and cash equivalents**

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

**d) Financial assets and liabilities**

**Financial assets**

*(i) Classification of financial assets*

The Company 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 Company 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 assets valued at fair value through financial result. The Company qualified derivatives not indicated for the hedge accounting principles and the hedged positions which are subject to valuation in accordance with the principles of hedging accountancy.

*(ii) 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 Company has transferred substantially all the risks and rewards of ownership.

*(iii) Valuation for 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 results are recognized as the financial result.

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

The Group uses the effective interest rate method to measure financial assets at amortized 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 fewer than 12 months from the date of creation (i.e. without the element of financing) and not forwarded to factoring, are not discounted and are valued at face value.

*(v) 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 for financial assets measured at amortized cost - other 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. Credit risk is managed by setting credit limits for each client. The use of credit limits is subject to regular control. The company minimizes credit risk by obtaining prepayments for delivered goods from customers. To secure liquidity, the Company uses factoring.

Depending on the classification to individual stages, an 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 analyses 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 the probability of insolvency.

The Company 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.

A simplified model is used by the Company 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.

The 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 company qualifies financial liabilities to one of the following categories:

- valued at amortised cost
- valued at fair value through the financial result
- financial hedging instruments.

To liabilities valued at amortized cost, the Company classifies liabilities for deliveries and services, credits, and loans.

**e) Transactions denominated in foreign currencies**

The functional currency (valuation) and the presentation currency of the Company's financial statements is zloty (PLN).

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

- purchase or sale of currencies used by the bank whose services the Company uses to settle a given transaction - in the case of currency sale or purchase transactions,
- the average fixed by the National Bank of Poland on the day preceding the operation unless a different course has been set in the customs declaration or other document binding on the Company - in the case of other operations.

Foreign exchange gains and losses arising from the translation of assets and liabilities expressed in foreign currencies or as a result of the settlement of a receivable or liability expressed in a foreign currency are recorded as Financial revenues or costs in the income statement. As of the balance sheet date, the Company values the 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 December 31, 2019, the following NBP average exchange rates from table 255/A/NBP/2020 of December 31, 2020:

- EUR 1 is PLN 4.6148
- USD 1 is PLN 3.7584

**f) 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.

**g) Equity**

*(i) Share capital*

The share capital of the Company is shown in the nominal value of registered shares, resulting from the Company's statute and entry into 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).

*(iii) Supplementary capital*

Supplementary capital includes accumulated profits/losses transferred from retained earnings in accordance with the resolutions of the General Meeting of Shareholders of BIOTON S.A.

*(iv) Reserve capital*

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 the settlement of share purchase.

*(v) Retained profit*

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

**h) Taxation**

The income tax of the entity includes currently payable tax and deferred tax.

*(i) 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.

*(ii) Deferred tax*

Deferred tax is calculated using the 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.

The 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 taxable profits will be deductible by recognised negative temporary differences and tax losses or tax credits which can be obtained by the Company. 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 company does not recognize deferred tax on temporary differences resulting from the conversion of loans treated as long-term investments, granted to subsidiaries in foreign currencies to the functional currency.

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

**i) 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 a provision is the best estimate of the 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.

*(i) 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.

*(ii) 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.

**j) Employee benefits**

The Company pays contributions to the state pension scheme with defined premiums. The government program is financed on the basis of "current payments", i.e. The company is obliged to pay premiums only when they become due and if it ceases to employ people covered by the scheme, it will not be required to pay any additional benefits beyond those which employees had in the past. Contributions to the pension scheme with defined contributions are charged to the income statement in the period to which they relate.

Employees of Group companies have the right to retirement bonuses. Retirement severance payments are paid on a one-off basis at the moment of retirement. The amount of retirement benefits is specified in the Labor Code. 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.

**k) Deferred revenues and recognition of received subsidies**

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 7.42).

Subsidies received are recognized as deferred revenues if there is sufficient certainty of the grant and the Company complies with related terms.

Government subsidies received as reimbursement of assets recognized by the Company and related to co-financing new job positions are recognized in the balance sheet as deferred revenues and then systematically recognized as other operating

revenues in the income statement throughout the asset's period of use, or - in the case of new job positions - during the period of settlement of the amount of granted co-financing.

#### ***l) Accruals***

The Company 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.

#### ***m) Revenue***

From January 1, 2018, the Company 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 that impact of the application the following principles on the financial statements will not significantly differ across individual contracts (or performance of obligation).

##### *(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 a contract and are required to perform their obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- The Company is able to identify the payment terms for goods or services to be transferred; the contract has economic content as well
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

##### *(ii) Identifying performance obligations*

At the time of conclusion of the contract, the Company 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 individual or groups of individual 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*

An entity 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 the Company 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 the customer may include fixed amounts, variable amounts, or both.

In order to estimate variable remuneration, the Company 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 Company 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 Company recognizes revenues when it meets (or is in the process of fulfilling) a performance obligation by transferring the promised good or service (ie. an 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 Company 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 Company discounts the receivable from the business party with an interest rate corresponding to its credit risk and the length of the payment period.

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 an analysis of contracts with clients and identified the main categories of contracts:

- a) contracts for the 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 material agreements with the Company containing a right of return or other provisions regarding variable remuneration.

If the contract contains only one performance obligation - the sale of goods, the Company recognizes the revenue at a specified moment, i.e. when the customer gains control over the good.

**Sale of goods and service packages 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 revenues when it meets (or is in the process of fulfilling) a performance obligation by transferring the promised good or service (ie. an asset) to the client (the client gains control over that 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 Company decided to use the practical solution, in accordance with which it does not correctly adjust the promised amount of remuneration with the impact of a significant element of financing if at the time of contract it 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 exceed one year. Therefore, for short-term advance payments, the Company will not individual 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 an individual license entitles the customer to access an intellectual property or to use intellectual property. Depending on this classification, the revenue from the license will be recognized during the license period or once. 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 the intellectual property during the term of the contract.

#### **n) Leasing**

From January 1, 2019, the Company 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 the classification of operational leasing and financial leasing from IAS 17 and introduces a single model for accounting recognition of leasing by the lessee. The Company 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 individually 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 leases and introduces corresponding differences in the accounting recognition.

#### **o) Impairment losses on financial assets**

As of each balance sheet day, the assets of the Company, except for inventories (principle n), assets due to deferred income tax (principle j), and financial assets (principle f), for which other valuation procedures should be used, are analysed for premises for impairment. If such evidence exists, the Company estimates the recoverable amount (the higher of the two: fair value less costs to sell and value in use). 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 income statement.

As of each balance sheet date, the Company 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 (taking into account the depreciation). The reversal of the write-down is recognized in the income statement.

**p) Information on operating segments**

In connection with the entry into force of the IFRS 8 Operating Segments, the Company adjusted the presentation of operating segments in the financial statements to the requirements of this standard. The Company's operations constitute one operational segment. The operating segments are presented in line with the management approach.

**q) 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 reduce the amount of costs of external financing that are subject to capitalization.

All other external financing costs are recognized directly in the income statement 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.

**r) Affiliates**

For the purposes of the financial statements, affiliates include: significant shareholders, subsidiaries and affiliates, members of the Management Boards and Supervisory Boards of the Company, their immediate families, and entities controlled by them.

Shares and stocks in subsidiaries held by the Company are valued in accordance with IAS 27 "Individual financial statements", at historical acquisition cost. If there is objective evidence of impairment of these assets, the amount of impairment is measured as the difference between the current book value of the asset and the estimated recoverable amount.

**s) Investments in subsidiaries, affiliates, and related entities**

The Company values investments in subsidiaries and affiliates at the purchase price less impairment losses (principle o).

## 2. INDIVIDUAL INCOME STATEMENT

<i>In PLN thousand</i>	Note	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
		<i>audited</i>	<i>audited</i>
<b>Continuing operations</b>			
Cost of sale of goods	7.2	225 899	206 666
Cost of sales	7.3	(117 945)	(99 229)
Technological idle time and unused production capacity	7.4	(3 409)	(5 979)
<b>Gross profit on sales</b>		<b>104 546</b>	<b>101 458</b>
Other operating revenues	7.5	31 915	3 157
Selling and distribution expenses		(38 054)	(74 163)
Administrative expenses		(37 385)	(36 997)
Research and development costs		(3 999)	(6 836)
Other operating costs	7.6	(9 232)	(6 433)
<b>Gross operating profit / (loss)</b>		<b>47 790</b>	<b>(19 814)</b>
Financial income	7.7	1 644	3 657
Financial costs	7.8	(9 086)	(182 374)
<b>Net finance income / (costs)</b>		<b>(7 442)</b>	<b>(178 717)</b>
<b>Profit / (loss) before income tax</b>		<b>40 348</b>	<b>(198 531)</b>
Income tax expense	7.9	(7 092)	2 547
<b>Net profit / (loss) on continuing operations</b>		<b>33 256</b>	<b>(195 984)</b>
<b>Net profit / (loss) from discontinued operations</b>		-	-
<b>Net profit / (loss) for the period</b>		<b>33 256</b>	<b>(195 984)</b>
<b>Weighted average number of shares (in pcs)</b>	7.24	85 864 200	85 864 200
<b>Diluted weighted potential average number of shares</b>		85 864 200	85 864 200
<b>Profit / (loss) on continuing operations per one share (in PLN)</b>			
<b>Basic and diluted</b>		0,3873	(2.2825)

## 3. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

<i>In PLN thousand</i>	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
	<i>audited</i>	<i>audited</i>
Net profit / (loss) for the reporting period	33 256	(195 984)
Other components of comprehensive income recognized directly in equity	370	(220)
<b>Total comprehensive income for the period</b>	<b>33 626</b>	<b>(196 204)</b>

#### 4. INDIVIDUAL BALANCE SHEET

<i>In PLN thousand</i>	<b>Note</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Rights to use property, plant, and equipment		<i>audited</i>	<i>audited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>732 667</b>	<b>747 787</b>
Property, plant and equipment	7.10	310 017	327 197
Investment properties	7.13	1 357	1 357
Intangible assets	7.11	369 493	374 924
Assets under the right of use	7.12	5 448	5 727
Non-current financial assets	7.14	14 457	-
Investments in subsidiaries and associated entities	7.15	3 965	3 965
Deferred tax assets	7.16	26 872	34 051
Non-current prepayments	7.17	1 057	566
<b>Current assets</b>		<b>150 592</b>	<b>149 592</b>
Inventories	7.18	89 094	78 278
Current financial assets	7.19	1 499	15 341
Trade and other receivables	7.20	37 157	47 569
Cash and cash equivalents	7.21	22 005	7 026
Current prepayments	7.22	838	1 378
Assets classified held for sale	7.23	-	-
<b>TOTAL ASSETS</b>		<b>883 259</b>	<b>897 379</b>
<b>LIABILITIES</b>			
<b>Equity</b>	7.24	<b>636 526</b>	<b>602 901</b>
Share capital		1 717 284	1 717 284
Issued capital from shares above their nominal value		57 131	57 131
Supplementary capital		260 776	260 776
Reserve fund		(268 492)	(268 861)
Retained earnings		(1 130 172)	(1 163 428)
<b>Non-current liabilities</b>		<b>89 917</b>	<b>102 052</b>
Non-current loans and borrowings	7.25	32 000	40 846
Lease liabilities	7.28	6 817	6 840
Employee benefits	7.26	1 566	1 859
Deferred income	7.29	39 191	42 125
Other non-current liabilities	7.27	10 342	10 382
<b>Current liabilities</b>		<b>156 815</b>	<b>192 427</b>
Current loans and borrowings	7.25	70 337	77 523
Lease liabilities	7.28	82	325
Liabilities under deliveries and services and other	7.27	51 557	79 469
Employee benefits	7.26	2 179	2 193
Provisions and deferred income	7.30	32 661	32 917
<b>TOTAL LIABILITIES</b>		<b>883 549</b>	<b>897 379</b>

## 5. INDIVIDUAL CASH FLOW STATEMENT

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b> <i>audited</i>	<b>01.01.2019 - 31.12.2019</b> <i>audited</i>
<b>Cash flow from operational activity</b>		
Profit /(loss) for the period	33 256	(195 984)
Corrections for:		
Depreciation and amortisation	30 983	31 169
Foreign exchange gains)/(losses), net	1 397	(408)
Interest and dividends paid, net:	4 193	4 164
(Gains) / loss on investment activities	(626)	177 474
Income tax in the current period	-	-
Income tax paid	-	-
Other items net	-	-
<b>Net cash from operating activity before changing working capital</b>	<b>69 204</b>	<b>16 415</b>
Change of the working capital:		
(Increase)/decrease in inventories	(10 816)	(3 404)
(Increase)/decrease of trade and other receivables	7 261	16 120
(Increase)/decrease of prepayments and deferred costs	7 141	(674)
Increase / (decrease) in trade and other payables, accruals, and other	(34 577)	24 349
Increase/(decrease) in provisions	(763)	(104)
(Increase) / decrease of deferred income	3 436	(572)
<b>Cash flows from operating activities</b>	<b>40 885</b>	<b>52 129</b>
<b>Cash flow from investing activities</b>		
<b>Inflows:</b>	<b>12</b>	<b>157</b>
Proceeds from the sale of intangible assets and property, plant and equipment	12	157
From financial assets	-	-
Other inflows	-	-
<b>Outflows:</b>	<b>(4 643)</b>	<b>(53 389)</b>
Acquisition of intangible assets and property, plant and equipment	(4 627)	(53 342)
Acquisition of financial assets	(16)	(47)
Other outflows	-	-
<b>Net cash from investment activity</b>	<b>(4 631)</b>	<b>(53 232)</b>
<b>Cash flow from financial activity</b>		
<b>Inflows:</b>	<b>2 050</b>	<b>51 434</b>
Net inflows from the issue of shares	-	-
Credits and loans	-	51 434
Subsidies	2 050	-
<b>Outflows:</b>	<b>(23 326)</b>	<b>(50 444)</b>
Repayment of loans and borrowings	(18 744)	(40 078)
Redemption of debt securities	-	-
Interest	(3 315)	(6 412)
Payments under financial leasing liabilities	(1 267)	(3 954)
Other financial outflows	-	-
<b>Net cash from financing activity</b>	<b>(21 276)</b>	<b>990</b>
<b>Change in net cash (including the change in cash due to exchange foreign currency exchange rate differences)</b>	<b>14 978</b>	<b>(113)</b>
<b>Cash at the beginning of the period</b>	<b>7 026</b>	<b>7 139</b>
<b>Cash at the end of the period</b>	<b>22 005</b>	<b>7 026</b>
<b>Overdrafts</b>	<b>-</b>	<b>-</b>
<b>Cash at the end of the period, excluding cash on the reserved accounts and credits in the current account</b>	<b>22 005</b>	<b>7 026</b>

## 6. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Issued capital from shares above their nominal value	Reserve capital	Reserve fund	Retained profit / (loss)	Total capital
<b>Twelve months ended on 31 December 2019</b>						
<b>As of December 31, 2019, published</b>	<b>1 717 284</b>	<b>57 131</b>	<b>260 775</b>	<b>(268 861)</b>	<b>(1 163 428)</b>	<b>602 901</b>
Net profit / (loss) in the period	-	-	-	-	33 546	33 546
Actuarial valuation of the pension provision - <i>see note 22</i>	-	-	-	456	-	456
Deferred tax asset on actuarial valuation - <i>see note 12</i>	-	-	-	(87)	-	(87)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>370</b>	<b>33 546</b>	<b>33 916</b>
<b>As of 31 December 2020</b>	<b>1 717 284</b>	<b>57 131</b>	<b>260 775</b>	<b>(268 491)</b>	<b>(1 129 882)</b>	<b>636 817</b>

Specification	Share capital	Issued capital from shares above their nominal value	Reserve capital	Reserve fund	Retained profit / (loss)	Total capital
<b>Twelve months ended on December 31, 2018</b>						
<b>As of December 31, 2018, published</b>	<b>1 717 284</b>	<b>57 131</b>	<b>260 775</b>	<b>(268 641)</b>	<b>(967 444)</b>	<b>799 105</b>
Net profit / (loss) in the period	-	-	-	-	(195 984)	(195 984)
Actuarial valuation of the pension provision - <i>see note 22</i>	-	-	-	(271)	-	(271)
Deferred tax asset on actuarial valuation - <i>see note 12</i>	-	-	-	51	-	51
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(220)</b>	<b>(195 984)</b>	<b>(196 204)</b>
<b>As of 31 December 2019</b>	<b>1 717 284</b>	<b>57 131</b>	<b>260 775</b>	<b>(268 861)</b>	<b>(1 163 428)</b>	<b>602 901</b>

## 7. EXPLANATORY NOTES TO INDIVIDUAL FINANCIAL STATEMENTS

### 7.1 Operating segments

The Company's operations constitute one operational segment.

#### Cost of sales of goods - assortment structure (in thous. PLN)

Specification	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	Value	Structure (in %)	Value	Structure (in %)
Insulin	142 646	63,15%	106 123	48.80%
<b>Finished goods</b>	<b>142 646</b>	<b>48.80%</b>	<b>106 123</b>	<b>48.80%</b>
Orally taken anti-diabetic medicines	32 001	14,20%	31 826	15.40%
Other goods PL	13 111	11,20%	24 647	11,93%
Devices	7 351	3.90%	8 757	4.24%
<b>Goods and materials</b>	<b>52 462</b>	<b>29,30%</b>	<b>65 229</b>	<b>31.56%</b>
<b>Services<sup>1)</sup></b>	<b>30 791</b>	<b>21.90%</b>	<b>35 314</b>	<b>17.09%</b>
<b>Total sales revenues</b>	<b>225 899</b>	<b>100,00%</b>	<b>206 666</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 Pharmsynthez; 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

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

On March 27, 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 individual implementation agreements. The Agreement is concluded for a 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 consists in 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 2019 - PLN 1,548 thousand and in 2020 - PLN 1,548 thousand. The remaining amount of PLN 18,962 thousand was recognized in revenues from future periods will be included in the revenues overtime for which the contract is concluded.

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 the 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 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 analogues 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 the 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

**Sales revenues - geographical structure**

*In PLN thousand*

	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
<b>European market, including:</b>	<b>131 291</b>	<b>130 175</b>
Poland	128 788	114 552
Other countries	2 504	15 662
<b>Asian market, including:</b>	<b>67 125</b>	<b>71 660</b>
China	42 040	34 262
Thailand	15 693	-
Singapore	-	21 276
Vietnam	7 689	9 046
Other	1 703	7 073
<b>Other markets</b>	<b>27 483</b>	<b>4 831</b>
<b>Total sales revenues</b>	<b>225 899</b>	<b>206 666</b>

Revenues from sales to geographic segments were allocated based on the customer's location where the sales invoice was issued, not the target sales market.

**Sales revenues - structure by customers**

Sales structure by customers, whose share in total revenues accounted for over 10%

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 30.12.2019</b>
<b>Poland</b>	<b>91 534</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>42 875</b>	<b>4 841</b>
Client 1	25 649	2 583
Client 2	17 226	2 258
<b>Total sales revenues</b>	<b>134 410</b>	<b>79 027</b>

### Explanatory notes regarding seasonality and periodicity

The sale of insulin is characterized by relatively small seasonal fluctuations in relation to the taking of drugs by the patients. Due to the chronic character of the illness and long period of use of the preparations by the patients, the sale of insulin is maintained on a 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 the 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.

## 7.2 Revenues from sales

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
Revenues from sale of finished goods	142 795	106 123
Revenues from the sale of services <sup>1)</sup>	30 792	35 314
Revenues from sale of merchandise	52 312	65 229
	<b>225 899</b>	<b>206 666</b>

<sup>1)</sup>The Company achieves revenues settled in time, balance as of 31.12.2020 is PLN 39 191 thous. PLN; see also note: 7.29.

## 7.3 Costs by type

<i>In PLN thousand</i>	<b>Note</b>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
Depreciation and amortisation, of which:		30 983	31 169
- depreciation of property, plant, and equipment	8	16 127	16 210
- amortisation of intangible assets	9	14 856	14 959
Use of raw materials and energy		48 245	37 743
Taxes and charges		3 219	3 087
Third-party services, including:		41 101	80 705
- marketing		22 848	50 367
- advisory		5 912	9 223
- product testing		1 879	6 738
- IT		2 252	2 330

- other	8 211	12 048
Payroll	36 602	39 329
Employee benefits	8 576	8 846
Other, including:	1 723	6 108
- advertisement	116	2 631
- royalties	0	0
- insurance	1 536	1 525
- other	71	1 953
<b>Total costs by type</b>	<b>170 449</b>	<b>206 988</b>
Selling expenses (negative value)	(38 054)	(74 163)
Administrative expenses (negative value)	(37 385)	(36 997)
Research and development costs (negative value)	(3 999)	(6 836)
Technological idle time and unused production capacity	(3 409)	(5 979)
Change in inventories of products	74 444	39 296
Cost producing goods for internal use (negative value)	(78 165)	(68 825)
<b>Cost of finished products sold</b>	<b>83 881</b>	<b>53 485</b>
<b>Cost of goods for resale and materials sold</b>	<b>34 064</b>	<b>45 745</b>
<b>Cost of sales</b>	<b>117 945</b>	<b>99 229</b>

#### Payroll and employee benefits

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
Wages and salaries <sup>1)</sup>	36 602	39 329
Social insurance	6 299	6 511
OHS benefits	234	244
Training and further education	93	198
Other	1 950	1 894
<b>Total</b>	<b>45 177</b>	<b>48 176</b>

<sup>1)</sup>Wages and salaries paid or due to the persons included in the composition of the managing and supervising bodies –see note 7.45

#### 7.4 Technological idle time and unused production capacity

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
Technological idle time	2 859	5 838
Unused production capacity	550	142
	<b>3 409</b>	<b>5 979</b>

#### 7.5 Other operating income

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
a) gain on disposal of non-financial assets	70	165
b) termination of provisions for employee benefits	1 426	647
c) termination of allowances of non-financial assets	170	222
d) other, including:	30 249	2 123
- compensation <sup>1)</sup>	25 696	568
- subsidies	751	751

- writing down obligations	883	
- other	2 919	804
<b>Total</b>	<b>31 915</b>	<b>3 157</b>

<sup>1)</sup> income from the termination of the contract with Harbin Gloria and from the contract with FINANCIERE N ("Nemera")

## 7.6 Other operating costs

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
a) loss from sales of non-financial property, plant, and equipment <sup>1)</sup>	422	1402
b) revaluation of non-financial assets, including:	5 410	246
- non-financial current assets due to:	5 410	246
-Inventory write-offs	4 362	245
-other write-offs	1 049	1
c) created provisions under:	1 100	1554
- retirement benefits	-	-
- unused holiday leaves	91	-
- severance payments	1 008	1554
d) other, including:	2 300	3 231
- contributions to the organisation	29	19
- gifts	198	160
- cost of sale of raw materials	-	-
- liquidation of current assets	748	533
- writing off receivables/liabilities	-	-
- penalties and damages	415	-
- other costs	910	2519
<b>Total</b>	<b>9 232</b>	<b>6 433</b>

## 7.7 Financial income

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
<b>A. Financial income from interest, including:</b>	<b>504</b>	<b>2 280</b>
a) for granted loans, including:	501	614
- from related entities	501	614
b) other interest	3	1 666
- from other entities <sup>1)</sup>	3	1 666
<b>B. Profit on disposal of financial assets</b>	<b>1 140</b>	<b>1 195</b>
<b>C. Other financial income, including:</b>	<b>-</b>	<b>182</b>
a) positive foreign currency exchange rate differences	-	181
b) others, including:	-	1
- other	-	1
<b>Total financial income</b>	<b>1 644</b>	<b>3 657</b>
	<b>1 644</b>	<b>3 657</b>

<sup>1)</sup>Termination of discounting of the sale of subsidiary - SciGen Ltd in 2019

## 7.8 Financial costs

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
------------------------	--------------------------------	--------------------------------

<b>D. Financial costs under interest, including:</b>	<b>5 233</b>	<b>6 789</b>
a) on loans and borrowings	4 094	5 357
- for related parties	1 209	1 566
- to other entities	2 885	3 791
b) other interest and commissions	1 139	1 432
- to other entities	1 139	1 432
<b>G. Other financial costs, including:</b>	<b>3 852</b>	<b>175 585</b>
a) negative foreign currency exchange rate differences	2 685	-
b) others, including:	1 168	175 585
- allowances on shares in Biolek	-	173 471
- other	1 168	2 114
<b>Total financial costs</b>	<b>9 086</b>	<b>182 374</b>
	<b>9 086</b>	<b>182 374</b>
<b>Net finance income / (costs)</b>	<b>(7 442)</b>	<b>(178 717)</b>

**For the period from January 1 - December 31, 2020.**

<sup>2)</sup> in the amount of PLN 1 168 thousand the amount of PLN 1,508 thousand comes from financing the operations of the subsidiary Bioton International GmbH.

**State for the period from January 1 to December 31, 2019**

in the amount of PLN 2 114 thousand, the amount of PLN 1,508 thousand comes from financing the operations of the subsidiary Bioton International GmbH.

## 7.9 Income tax expenses

### Income tax expenses within the income statement

<i>In PLN thousand</i>	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
<b>Current tax</b>		
Income tax for the current year	-	-
<b>Deferred income tax</b>		
Recognition /reversal of temporary differences	7 092,00	(2 547)
<b>Total income tax expenses</b>	<b>7 092,00</b>	<b>(2 547)</b>

In 2020 and 2019 the Company did not pay corporate tax.

### Effective tax rate

<i>In PLN thousand</i>	<b>31.12.2020</b>		<b>31.12.2019</b>	
	%	kwota	%	kwota
Profit (loss) from continuing operations		40 348		(198 531)
Profit (loss) from discontinued operations		-		-
<b>Profit / (loss) before taxation</b>		<b>40 348</b>		<b>(198 531)</b>
<b>Tax base</b>	<b>19</b>	<b>7 666</b>	<b>19</b>	<b>(37 721)</b>

Tax-exempt income	(1 007)	(471)
Tax revenues not constituting accounting revenue	839	277
Tax cost not recognized as profit or loss	-	-
Non-deductible expenses, including:	3 081	34 828
- allowances for development works	-	266
- discount on SciGen rights	-	-
- impairment of loans	-	425
- impairment of shares	-	32 959
- costs of financing for companies	201	286
- depreciation and amortisation	321	201
- other non-tax-deductible expenses	2 559	691
Losses from previous years settled with capital revenues	-	-
Other items	-	541
<b>Income tax using effective tax rate</b>	<b>17.58</b>	<b>(3 488) 1,28</b>
		<b>(2 547)</b>

## 7.10 Property, plant, and equipment

<i>In PLN thousand</i>	Buildings, premises, and objects of civil engineering	Technical devices and machines	Means of transportation	Other property, plant, and equipment	Property, plant, and equipment under construction	Total property, plant, and equipment
<b>Gross value of property, plant and equipment as of January 1, 2020.</b>	<b>193 566</b>	<b>269,495</b>	<b>3,004</b>	<b>24,547</b>	<b>16,755</b>	<b>507 367</b>
<b>Increases (under):</b>	<b>672</b>	<b>1 906</b>	<b>81</b>	<b>262</b>	<b>3 566</b>	<b>6 487</b>
- expenditures					3 564	3 564
- transfer from property, plant and equipment construction	672	1 906	13	218		2 809
- other			67	44	2	113
- transfer of property plant and equipment in accordance with IFRS16						-
<b>Decreases (under):</b>	<b>-</b>	<b>430</b>	<b>952</b>	<b>914</b>	<b>7 777</b>	<b>10 073</b>
- sales		1	102	755	3 465	4 323
- transfer to property, plant, and equipment					2 907	2 907
- liquidation		429		159	1 174	1 762
- other	-		850	-	231	1 081
<b>Gross value of property, plant and equipment as of December 31, 2020.</b>	<b>194 238</b>	<b>270 971</b>	<b>2 133</b>	<b>23 895</b>	<b>12 545</b>	<b>503 781</b>
<b>Depreciation and impairment losses as of 1 January 2020</b>	<b>(31 995)</b>	<b>(135 834)</b>	<b>(2,167)</b>	<b>(9,201)</b>	<b>(974)</b>	<b>(180,171)</b>
<b>Increases (under):</b>	<b>(2 505)</b>	<b>(11 471)</b>	<b>(567)</b>	<b>(1 290)</b>		<b>(15 833)</b>
- depreciation	(2 505)	(11 471)	(567)	(1 290)		(15 833)
<b>Decreases (under):</b>	<b>-</b>	<b>(427)</b>	<b>910)</b>	<b>(903)</b>		<b>(2 240)</b>
- sales			(102)			(102)
- redemption transfer in accordance with IFRS16						-
- liquidation		(427)	(808)	(903)		(2 138)
- other	-	-				-

Depreciation and impairment losses as of December 31, 2020	(34 500)	(146 878)	(1 824)	(9 588)	(974)	(193 764)
Gross value of property, plant and equipment as of December 31, 2020.	159 738	124 093	308	14 307	11 571	310 017

As of December 31, 2020, the Company analysed the premises for impairment of tangible property, plant, and equipment. As a result of the conducted analysis, there were no premises for impairment and need for write-offs. See also note 7.47.

Fixed bank collateral is established on a certain property, plant, and equipment. See also note 7.25. At the end of the reporting periods, the value of the collateral was as follows:

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

### Property, plant, and equipment under construction

At the end of the reporting period, expenditures for fixed assets under construction in total amounted to PLN 11,571 thousand and related to tasks carried out by the Company related to, inter alia, with outlays classified as machines and devices of value 6 032 thousand., to buildings and structures worth 1 456 thou. PLN, (as of December 31, 2019, the expenditure amounted to PLN 15,781 thousand. and, respectively, for the aforementioned category PLN 15,785 thousand, PLN 1,501 thousand ).

### 7.11 Intangible assets

<i>In PLN thousand</i>	Costs of completed development works	Concessions, patents, licenses, computer software	Other intangible assets	Development work in progress	Intangible assets in total
<b>Gross value as of 1 January 2020</b>	<b>40 694</b>	<b>18,703</b>	<b>325,552</b>	<b>114,875</b>	<b>499 824</b>
<b>Increases under:</b>	<b>648</b>	<b>3 050</b>	<b>211</b>	<b>5 525</b>	<b>9 434</b>
- acquisition	-	3 050	211	3 857	7 118
- own development works	648			1 668	2 316
- effect of movement in exchange rates	-	-	-	-	-
- other	-	-	-	-	-
<b>Decreases for:</b>	<b>-</b>	<b>2 700</b>	<b>-</b>	<b>86</b>	<b>2 786</b>
- development work settlement		2 700			2 700
- revaluation write-off				86	86
<b>Gross value as of December 31, 2020</b>	<b>41 342</b>	<b>19 053</b>	<b>325 763</b>	<b>120 314</b>	<b>506 472</b>
<b>Accumulated depreciation and impairment write-offs</b>					
<b>Accumulated depreciation and impairment write-offs on January 1, 2020.</b>	<b>(25 074)</b>	<b>(16 024)</b>	<b>(83 800)</b>	<b>-</b>	<b>(124,900)</b>
<b>Increases under:</b>	<b>(1 466)</b>	<b>(1 475)</b>	<b>(11 838)</b>	<b>-</b>	<b>(14 779)</b>
- depreciation	(1 466)	(1 475)	(11 838)	-	(14 779)

<b>Reductions</b>	-	(2 700)	-	-	(2 700)
- liquidation		(2 700)		-	(2 700)
<b>Accumulated depreciation and impairment write-offs as of December 31, 2020</b>	(26 540)	(14 799)	(95 638)	-	(136 979)
<b>Gross book value as of December 31, 2020</b>	<b>14 801</b>	<b>4 253</b>	<b>230 125</b>	<b>120 314</b>	<b>369 493</b>

### 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 120,314 thousand and concerned, 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 December 31, 2019, the total amount was PLN 114,875 thousand ).

### The value impairment test

At the end of each reporting period, the Company 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 analyses at least the indications from external and internal sources of information required by IAS 36 "Impairment of Assets".

The company has analysed 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.

## 7.12 Assets under the right of use

The individual balance sheet contains an individual item "Assets under the right of use", which includes the following assets by class:

<i>in PLN thousand</i>	<b>IFRS16 31.12.2020</b>	<b>IFRS16 31.12.2019</b>
Means of transportation	119	321
Perpetual usufruct right to land	5 329	5 406
<b>Total</b>	<b>5 448</b>	<b>5 727</b>

<i>in PLN thousand</i>	<b>Means of transportation</b>	<b>Perpetual usufruct right to land</b>	<b>Total</b>
Balance as of 01.01.2020	<b>321</b>	<b>5 406</b>	<b>5 727</b>
Additions - new lease agreements	108	-	108
Termination of lease contracts	(158)	-	(158)
Depreciation	(152)	(77)	(229)
<b>Balance as of December 31, 2020 - IFRS 16 net</b>	<b>119</b>	<b>5 329</b>	<b>5 448</b>

## 7.13 Investment properties

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

#### 7.14 Non-current financial assets

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
a) loans to related entities, including:	14 457	-
- to subsidiaries	14 457	-
	<b>14 457</b>	<b>-</b>

#### Change in non-current financial assets

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Balance at the beginning of the statement period	0	0
Increases under:	14 457	-
c) reclassification to current	14 457	-
<b>Closing balance</b>	<b>14 457</b>	<b>-</b>

#### Long-term loans as at December 31, 2020. (in thousands of zlotys)

Borrower	Currency	Type and amount of interest	Amount in currency	Amount in zł	Deadline
BIOLEK Sp. z o.o.	PLN	WIBOR 3M plus marża	14 457	14 457	Principal and interest repayment one year from the summons
<b>Total in PLN</b>			<b>14 457</b>	<b>14 457</b>	
<b>Overall long-term</b>				<b>14 457</b>	<i>See also note 26</i>

#### 7.15 Investments in subsidiaries and associated entities

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Investments in subsidiaries and affiliates, including:	3 965	3 965
- in subsidiaries	3 965	3 965
	<b>3 965</b>	<b>3 965</b>

#### Change in investments in subsidiaries and affiliates

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Balance at the beginning of the statement period	3 965	3 965
Decreases for:	-	-
- revaluation write-offs for shares in Biolek <sup>1)</sup>	-	-
<b>Closing balance</b>	<b>3 965</b>	<b>3 965</b>

As of December 31, 2020, and December 31, 2019, there were no hedges for investments in subsidiaries and affiliates.

### **1) Impairment loss on shares in Biolek Sp. z o. o**

At the end of each reporting period, the Company 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 analyses at least the indications from external and internal sources of information required by IAS 36 "Impairment of Assets".

As at December 31, 2019, the value of the investment was entirely related to the acquisition of BIOLEK Sp. z o.o, on November 1, 2011, the Company recognized investment in the subsidiary Biolek in the amount of PLN 173,471 thousand.

In the first half of 2019, the Management Board of Bioton, in connection with the world's incurable, highly contagious viral disease of pigs known as ASF (African swine fever), which is currently the greatest risk associated with breeding in many countries in the world, including the largest Chinese market, decided to update the value of assets in BIOLEK Sp. z o. o., a subsidiary of Bioton ("BIOLEK").

ASF causes much less readiness of breeders to invest in new products and thus makes large veterinary companies or companies producing feed/fodder 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 available estimates of the Chinese Ministry of Agriculture published in July 2019 (information available at <https://www.pigprogress.net/Health/Articles/2019/7/ASF-China-Pig-herd-shrinks-26-stricter-checks-announced-451827E/>), the pig population decreased by 25.8% year on 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 population in China is estimated at 40% year on year, and can reach 50% by the end of 2019 on a year-over-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 the 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 the 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.

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).

## **7.16 Deferred tax assets and liabilities - deferred tax**

Deferred tax assets arising from the following balance sheet items:

**Tax assets**

---

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Inventories	860	64
Intangible assets <sup>1)</sup>	20 117	20 100
Proceeds from loans and borrowings	429	471
Liabilities	605	46
Employee benefits	1 387	1 226
Provisions	3 964	4 780
Deferred income <sup>3)</sup>	4 448	4 862
Cash and cash equivalents	-	7
<b>Total</b>	<b>31 809</b>	<b>31 556</b>
Unsettled tax losses <sup>2)</sup>	11 807	19 003
Compensation of deferred tax	(16 744)	(16 508)
<b>Together after compensation</b>	<b>26 872</b>	<b>34 051</b>

<sup>1)</sup>tax losses refer to the years 2016, 2017, and 2018 - 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 66 444 thousand. Unsettled losses The Company plans to settle in subsequent financial years;

Deferred tax assets arising from the following balance sheet items:

<i>In PLN thousand</i>	<b>Tax liabilities</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Property, plant and equipment	13 030	13 277
Intangible assets	2 399	1 973
Receivables	672	595
Liabilities	-	36
Cash and cash equivalents	14	-
Credits and loans	630	627
Total	16 744	16 508
Compensation of deferred tax	(16 744)	(16 508)

Deferred tax in individual reporting periods has been calculated in accordance with the statutory tax rate applicable in Poland of 19%.

#### Deferred tax assets and liabilities

<i>In PLN thousand</i>	<b>Balance as of 01.01.2020</b>	<b>Changes recognized in the financial result</b>	<b>Changes included in equity<sup>1)</sup></b>	<b>Balance as of December 31, 2019</b>
Property, plant, and equipment	(13 277)	247	-	(13 030)
Intangible assets	18 127	(409)	-	17 718
Inventories	64	795	-	860
Trade and other Receivables	(595)	(77)	-	(672)
Cash and cash equivalents	7	(21)	-	(14)
Credits and loans <sup>1)</sup>	(156)	(44)	-	(200)
Employee benefits <sup>2)</sup>	1 226	75	86	1 387
Deferred income <sup>4)</sup>	4 862	(415)	-	4 448
Liabilities	10	595	-	605
Provisions	4 780	(817)	-	3 851
Tax losses <sup>3)</sup>	19 003	(7 196)	-	11 807
<b>Total</b>	<b>34 051</b>	<b>(7 266)</b>	<b>86</b>	<b>26 872</b>

Differences on which no deferred tax is calculated

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Differences regarding subsidiaries, including:		
-allowances on SciGen loans	-	-
- allowances on receivables	-	-
- allowances for shares in Biolek <sup>1)</sup>	-	(173 471)
- valuation of SciGen loans	-	-
<b>Total</b>	<b>-</b>	<b>(173 471)</b>

<sup>1)</sup>no intention to sell Biolek in the near future

### 7.17 Non-current prepayments and accruals

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
a) current prepayments, including:	1 057	566
- registration of medicinal products	186	392
- costs of updating IT systems	716	-
- financial costs	29	-
- other costs settled over time	126	174
	<b>1 057</b>	<b>566</b>

### 7.18 Inventories

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
a) raw materials	19 429	15 367
b) semi-finished goods and products in progress	38 047	38 234
c) finished goods	4 594	3 832
d) goods	26 009	19 927
e) prepayments for deliveries	1 015	918
<b>Total inventories net</b>	<b>89 094</b>	<b>78 278</b>
Allowances for inventories	4 527	335
<b>Total gross inventories</b>	<b>93 621</b>	<b>78 613</b>

At the end of the reporting period, collateral on inventories due to loans amounted to PLN 4,576,000 (for products the value of the 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 Bioton S.A.

### Change in inventories allowances

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Balance at the beginning of the statement period</b>	<b>335</b>	<b>312</b>
- created	4 362	244
- used	(170)	-
- reversed	-	(221)

**Balance as at the end of period:** **4 527** **335**

Allowances for loss of value was recognized in other operating costs in the amount of PLN 3377 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 the use 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 income statement was PLN 117 945 thousand PLN (2019: 99 229 thousand. ).

#### 7.19 Current financial assets

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
a) in related entities	1 499	15 341
- loans granted	1 449	15 341
	<b>1 449</b>	<b>15 341</b>

#### Change in current financial assets

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Balance at the beginning of the statement period	15 341	13 405
Increases under:	615	1 936
a) in related entities, including:	615	1 936
- reclassification from non-current	-	1 327
- loans granted	-	8
- interest on loans	520	614
- valuation of loans to related entities	95	(13)
b) in other entities	-	-
- financial instruments - forwards	-	-
Decreases for:	(14 457)	-
a) in related entities	(14 457)	-
- reclassification into non-current	(14 457)	1 327
- allowances ( <i>see also notes 6 and 34</i> )	-	-
b) in other entities	-	-
- settlement of financial instruments - forwards	-	-
Closing balance	<b>1 499</b>	<b>15 341</b>

#### Short-term loans as of December 31, 2020 (*in thousands of zlotys*)

The Borrower	Currency	Type and amount of interest	Amount in currency	Amount in zł	Deadline
BIOTON International GmbH	EUR	EURIBOR 3M for EUR plus margin	321	1 499	Repayment of capital and interest January 2023.
<b>Total in EUR</b>			<b>321</b>	<b>1 499</b>	<i>See also note 26</i>
<b>Total USD</b>			-	-	

## 7.20 Trade and other receivables

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 7.36 and 7.37.

### Current receivables

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>a) from related entities</b>	<b>352</b>	<b>7 583</b>
- for deliveries and services	352	7 579
- others	-	4
<b>b) receivables from other entities</b>	<b>36 805</b>	<b>39 986</b>
- for deliveries and services	33 886	29 844
- tax liabilities, including:	2 462	6 052
- VAT tax	2 462	6 031
- other taxes	-	21
- others, including:	458	4 090
- prepayments for construction in progress	0	0
- advances paid for supplies and services	290	3 965
- receivables for sold shares	-	-
- receivables from employees	168	125
- other	-	-
	<b>37 157</b>	<b>47 569</b>

### Change in allowance for current receivables.

There are no allowances for receivables at the end of the reporting period.

In determining the impairment allowances, the Company applied a model of expected credit losses, the Company individually evaluates the status of overdue receivables for each client, taking into account the reason for their overdue, financial condition of the debtor and the probability of the customer paying off the receivables. The Company decides to create a write-off for receivables based on the analyses 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 unit analyses the receivables based primarily on individual approach to each receivable, but also taking into account the principles described above.

### The maturity structure of short-term receivables for supplies and services

### Current receivables

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Current receivables due to gross deliveries and services with a repayment period:		
- up to 30 days	17 067	5 999
- from 31 to 60 days	12 612	6 272
- from 61 to 90 days	754	11 578
- from 91 to 180 days	1 220	1 427
- from 181 to 365 days	-	-
- current above 365 days		-
Allowances for current receivables for deliveries and services		-
<b>Net current trade receivables</b>	<b>31 653</b>	<b>25 276</b>

### Overdue receivables

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Gross overdue trade receivables with payment terms:		
- overdue up to 30 days	2 007	4 046
- overdue from 31 to 60 days		423
- overdue from 61 to 90 days	112	3
- overdue from 91 to 180 days	1	13
- overdue from 181 to 365 days	5	6
- overdue over 365 days	107	76
Allowance for overdue receivables for deliveries and services <sup>1)</sup>		-
<b>Net overdue trade and other payables</b>	<b>2 233</b>	<b>4 568</b>

### 7.21 Cash and cash equivalents

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Cash in hand	-	-
Cash at bank	4 519	5 394
Deposits	17 485	1 632
<b>Cash and cash equivalents in total</b>	<b>22 005</b>	<b>7 026</b>
Overdrafts	-	-
<b>Cash, value disclosed in the cash flow statement</b>	<b>22 005</b>	<b>7 026</b>

Cash at bank accounts is subject to interest at volatile interest rates, the amount of which depends on the interest rate on one-day bank deposits. Deposits are of short-term nature, they are established for various periods, from one day to three months, depending on the Company's current demand for cash, and bear interest at specified interest.

Cash on bank accounts and term deposits are accumulated on bank accounts in banks where the Company has credits (see also note 7.25).

### 7.22 Current accruals

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Prepayments, including:	838	1 378

- taxes and charges	4	-
- registration of medicinal products	179	269
-property insurance	98	341
- costs of the competition ban	-	374
- validations	52	169
- financial costs	126	
- other costs settled over time	380	225
	<b>838</b>	<b>1 378</b>

### 7.23 Assets held for sale, takeover, and disposal of subsidiaries

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 entered into the agreement on May 15, 2018 ("the Investment Agreement"). The sale was carried out as a call for the purchase of all SciGen shares, announced by the Investor. As part of the Transaction, the Investor's condition was that some of SciGen's debt to the Company would be redeemed.

The Company made a write-off of the remitted debt as of 4 December 2017. The 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 the 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 the conditional return of rights was recognized by the Company as an intangible asset in the same amount of PLN 89,914 thousand and 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 PLN 5,054 thousand in 2018, and from January 1, 2019, to February 14, 2019, in the amount of PLN 1,660 thousand in the current year.

The transaction consists of 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 the global diabetology market. Sales of SciGen will allow reducing the Company's debt with maintaining current distribution cooperation and preserving sales rights, which will have a 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.

## 7.24 Equity

### Share capital

*in thousands of shares*

	Ordinary shares	
	31.12.2020	31.12.2020
<b>Number of shares at the beginning of the statement period</b>	<b>85 864</b>	<b>85 864</b>
Series A shares after resplit	85 864	85 864
<b>Number of shares at the end of the period (fully paid-up)</b>	<b>85 864</b>	<b>85 864</b>
<b>Nominal value of each share (after resplit)</b>	<b>20 PLN</b>	<b>20 PLN</b>

In 2020 the Company did not issue any shares.

### Structure of the share capital of BIOTON S.A. as of 31.12.2020.

Shareholder	Number of shares/votes (in pcs)	% of the share capital
1 Dongren Singapore PTE LTD. <sup>1)</sup>	16,989,289	19.79
2 Perfect Trend Ventures Ltd. <sup>2)</sup>	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
5 UniApek SA <sup>4)</sup>	4 293 210	5.00
7 Other shareholders with <5%	34,551,505	40.24
	<b>85 864 200</b>	<b>100</b>

<sup>1)</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) and 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 entity for AIS Investment 2 Sp. z o. o.

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

### Issued capital from shares above their nominal value

*In PLN thousand*

Issue	Issue value	Number of shares (in pcs)	Issue price of 1 share (in PLN)	Nominal value related to share capital	Cost of the issue	Capital from issuance of shares above their nominal value
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	14,952	2,020,579	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)
I	183,352	81,489,729	2.25	16,298	157	166,897
J	244,971	272,190,000	0.90	54,438	4,424	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	28,381
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	-	-	-	-	475	(475)
A1	52 196	260,980,086	0.20	52 196	295	(295)
AA	319 117	1,595,585,570	0.20	319 117	1,834	(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)
Covering loss from 2009	-	-	-	-	-	(387 798)
	<b>2 108 035</b>	-	-	<b>1,555,502</b>	<b>39 013</b>	<b>57 131</b>

### Supplementary 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 260 776 thousand ).

In 2020 the Company did not pay dividends. The Company does not plan to pay a dividend in 2021.

### Reserve capital

The reserve capital includes the costs of payments in the form of securities for the management, as of December 31, 2020 - PLN 28,632 thousand (as of December 31, 2019 - PLN 28,632 thousand ), capital from the settlement of acquisition of shares in BIOLEK Sp. z o.o, as of December 31, 2020 - negative amount of PLN 297,099 thousand (as of December 31, 2019 - negative amount of PLN 297,099 thousand ) and actuarial valuations for provisions for pension benefits, a negative amount of PLN 24 thousand (as of December 31, 2019 - negative amount of PLN 394 thousand PLN)

### Profit / (loss) per share

The calculation of the basic loss per share was made on the basis of a net profit of PLN 33 256 thous. and the weighted average number of shares as at the date of preparing the financial statements in the number of 85,864 200 items.

**The 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>

**The weighted average number of shares in the period from January 1, 2019, to December 31, 2019.**

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>

**7.25 Liabilities for credits, loans, and other debt instruments**

The note presents the Company's liabilities for credits, loans, and other debt instruments. Information on foreign currency exchange rate risk and interest rate risk to which the Company is exposed is presented in note 7.31.

**Non-current liabilities**

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Credits	31 962	13 983
Waived loans from related parties	-	26 584
Lease liabilities (not applicable to IFRS 16)	39	279
<b>Non-current liabilities in total</b>	<b>32 000</b>	<b>40 846</b>

**Current liabilities**

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Credit and loans liabilities, including:	<b>70 137</b>	<b>45 877</b>
- other credits and loans, including:	70 137	45 877
- from related entities - interest	26 739	187
- from other entities	43 399	45 690
Non-current credits reclassified to current credits <sup>1)</sup>	-	31 035
Lease liabilities (not applicable to IFRS 16)	199	580
Credit card liabilities	1	22
Derivatives payables	-	10
<b>current liabilities, total</b>	<b>70 337</b>	<b>77 523</b>

<sup>1)</sup> in accordance with IAS 1 par 74, the Company verified non-current loans, the covenants were met;

**List of loans and credits**

<i>In PLN thousand</i>	Currency	Amount by the agreement	Repayment date by contract	Interest terms	The amount of PLN as of December 31, 2020
------------------------	----------	-------------------------	----------------------------	----------------	-------------------------------------------

BOŚ S.A.	PLN.	4 000	Apr21	Variable interest rate – WIBOR 1M plus margin	4 011
BOŚ S.A. mortgage loan	PLN.	25 900	May25	Variable interest rate - WIBOR 3M plus margin	13 787
BOŚ S.A. investment credit	PLN.	3 100	May25	Variable interest rate - WIBOR 3M plus margin	1 584
BOŚ S.A. (factoring facility)	PLN.	30 000	Mar.21	Variable interest rate – WIBOR 1M plus margin	22 153
Bank of China	EUR	12 000	Jan23	Variable interest rate – EURIBOR 3M plus margin	33 825
UniApek SA	USD	7 000	Nov21	Variable interest rate – LIBOR 3M for USD plus margin	26 739
<b>Total in PLN</b>		<b>101 000</b>			<b>41 535</b>
<b>Total in EUR</b>		<b>12 000</b>			<b>33 825</b>
<b>Total in USD</b>		<b>7 000</b>			<b>26 739</b>
<b>Total</b>					<b>102 099</b>

Hedge of credits resulting from the agreements:

- real estate mortgages worth 144,000 thousand and EUR 18,000 thous. EUR (as of December 31, 2019, the amount of PLN 144,000,000 thousand and PLN 18,000 thousand) ) along with the assignment of rights under the insurance policy
- registered pledge on tangible assets in the amount 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
- registered pledge on inventories in the amount of 6,000 thousand and EUR 18,000 thous. EUR (as of December 31, 2019, the amount of PLN 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 EUR 18,000 thousand) ).

In BOŚ 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 agreements. On December 8, 2019, 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.

Company:

- 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 Bank S.A. total loan installments in the amount of PLN 826 thousand.
- Bank of China , capital instalment in the amount of EUR 750 thousand .

## 7.26 Employee benefits

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%, a 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%, a 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 individually 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.

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Non-current retirement severance payments provision	1 566	1 859
Current retirement severance payments provision	282	387
	<b>1 847</b>	<b>2 245</b>

#### Changes in liabilities due to employee benefits - pension provisions

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Provision for retirement benefits - opening balance, including:	2 245	2 263
a) non-current	1 859	1 983
b) current – see note 25	387	280
Decrease - release of the provision recognized in the income statement	269	-
Increase - costs recognized in the income statement		(228)
Reductions - actuarial losses recognized in equity	(456)	-
Increase - actuarial losses recognized in equity <sup>1)</sup>	-	271
Benefits paid out	(211)	(61)
<b>Provision for retirement benefits - closing balance, including:</b>	<b>1 847</b>	<b>2 245</b>
a) non-current	<b>1 566</b>	<b>1 859</b>
b) current – see note 25	<b>282</b>	<b>387</b>

#### Changes in liabilities due to employee benefits - holiday allowance

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Provision for holidays at the beginning of the period	1 806	2,164
Changes recognized in the income statement, including:	91	358
- reduction - dissolution of the provision	(1 702)	(1 616)
- increase - creation of a provision	1 793	1 974
<b>Provision for holidays at the end of the period</b>	<b>1 897</b>	<b>1 806</b>

#### Maturity of provisions for employee benefits (values discounted actuarially)

	<b>31.12.2020</b>	<b>31.12.2019</b>
From 1 to 3 years	564	766
From 4 to 5 years old	89	70
Over 5 years	1 194	1 409

<b>Total</b>	<b>1 847</b>	<b>2 245</b>
--------------	--------------	--------------

## 7.27 Trade and other payables

### Non-current liabilities

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
- receivables for deliveries and services with a maturity period exceeding 12 months		
- others, including:	10 342	10 382
- payables arising from the purchase of shares in BIOLEK <sup>1)</sup>	10 342	10 342
- payables arising from the purchase of tangible assets	-	40
<b>Non-current liabilities in total</b>	<b>10 342</b>	<b>10 382</b>

### Current liabilities

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
a) to related entities - <i>see principle (y)</i>	7 857	8 979
- for deliveries and services, of maturity date:	7 857	8 979
- up to 12 months	7 857	8 979
b) to other entities	43 700	70 442
- for deliveries and services, of maturity date:	29 076	54 773
- up to 12 months	29 076	54 773
- tax liabilities, including:	8 063	4 816
- social security liabilities	7 098	3 962
- PFRON (The State Fund for Rehabilitation of the Disabled Persons)	21	41
- personal income tax payable	784	812
- property tax,	5	-
- customs and tax liability	155	-
- payroll payables	2 057	2 516
- others, including:	4 504	8 337
- liabilities under supply of non-financial fixed assets	779	4 139
- payables arising from non-invoiced deliveries	3 609	3 641
- others	116	557
c) special funds, including:	-	47
- Company Social Benefit Fund	-	47
<b>Current liabilities, total</b>	<b>51 557</b>	<b>79 469</b>

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.

## 7.28 Lease liabilities

As of December 31, 2020 lease liabilities amounted to PLN 6 899 thous. , including long-term liabilities of PLN 6,817 thousand. The leasing liabilities shown in this item in 2019 and 2020 arise from the implementation of IFRS 16 mainly for transactions involving the right of perpetual usufruct to land.

<i>In PLN thousand</i>	<b>IFRS16 31.12.2020</b>	<b>IFRS16 31.12.2019</b>
Lease liabilities (IFRS 16):	6 899	7 165
long-term part	6 817	6 840
short-term part	82	325
<b>Lease liabilities in total</b>	<b>6 899</b>	<b>7 165</b>

In the first half of 2020, the Company concluded one lease agreement for a forklift for the amount of PLN 49 thousand.

## 7.29 Deferred income

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Subsidies from the Ministry of Economy	14 839	15 479
Subsidies from the NFEPWM	2 548	2 659
Subsidies from the National Centre for Research and Development	578	578
Received upfront payments for sales of rights (upfront) <sup>1)</sup>	21 225	23 408
	<b>39 191</b>	<b>42 124</b>

<sup>1)</sup>See also note 7.1.

## 7.30 Other accruals

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>a) settlement of costs between the periods</b>	<b>6 032</b>	<b>12 658</b>
- reserve for costs, including:	4 341	4 743
*provision for utilities	-	167
*provision for marketing expenditures	31	97
*provision for legal fees	50	35
*provision for audit	-	-
*provision for transportation fees	-	18
*provision for costs of payroll including overheads	2 102	2 574
* provision for capital expenditure	2,051	
*provision for other costs by nature	107	1 851
- provision for other operating costs	896	1 554
- provision for discounts to be granted in subsequent periods	786	5 000
- provision for financial costs	8	1 361
- provision for liabilities arising from the purchase of non-financial fixed assets	-	-
<b>b) settlement of accruals</b>	<b>26 629</b>	<b>20 259</b>
- subsidies from the Ministry of Economy	640	640
- subsidies from the NFEPWM	111	111
- subsidies from the National Centre for Research and Development	1 560	1 545
- received upfront payments (upfront) <sup>1)</sup>	2 183	2 183
- other (advances for deliveries)	22 134	15 781
	<b>32 661</b>	<b>32 917</b>

<sup>1)</sup>See also note 7.1.

### 7.31 Financial instruments

#### General data on financial instruments as of 31 December 2020.

	Bank deposits and cash on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Loans granted	Financial liabilities	Financial liabilities	Trade and other receivables	Trade and other payables
b) The scope and character of the instrument	No-risk or low risk short-term investments	1 long-term loan and 1 short-term loan	4 bank credits	3 loans, one of which is a factoring line	See details below	See details below
c) Carrying amount of the instrument (in thousands PLN)	22 005	15 956	39 420	62 679	37 157	Liabilities: 51 557 RMB: 6 032 Leasing obligations: 6 899
d) Value of the instrument in foreign currency (in thousands)	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	Investment of available funds	Financing of subsidiaries	Credit for current operations, refinancing of investments	Loans for current operations	Current operations	Current operations
f) Amount constituting base for future payments	Total deposits	Nominal / payable value	Nominal / payable value	Nominal / payable value	Face value	Face value
g) The sum and date of future revenues or cash payments	Interest depending on the duration	Interest depending on the date of repayment	interest paid on a monthly basis	interest paid on a monthly and quarterly basis	By nominal value	By 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	According to the agreements	Repayment of capital within deadlines resulting from the agreements	Repayment of capital within deadlines resulting from the agreements	According to the agreements	According to the agreements
i) Possibility of earlier settlement	free earlier settlement	exists	Exists	Exists	Exists	Exists
j) Price or price range of execution of the instrument	By nominal value and interest	By nominal value and interest	By nominal value and interest	By nominal value and interest	By nominal value	By nominal value

	<b>Bank deposits and cash on bank accounts</b>	<b>Loans granted</b>	<b>Bank credits</b>	<b>Loans received</b>	<b>Receivables</b>	<b>Liabilities</b>
k) Possibility of replacement or exchange for another asset or liability	none	none	none	none	none	none
l) Specified rate or amount of interest, dividend or other revenues and their due date	Variable, WIBID - bank's margin  Due date upon completion	For PLN WIBOR + margin, for foreign currency LIBOR or EURIBOR + margin or fixed interest rates.  Date of payment - by the contract upon completion	Bank credit – for PLN WIBOR + bank margin, for currency EUROIBOR + bank margin  Due date – monthly and quarterly	Variable WIBOR / LIBOR + margin	According to the agreements	According to the agreements
m) Hedging related to the instrument, accepted, or submitted	none	none	specified in note 21	specified in note 21	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	n/a	n/a
o) Other conditions related to the given instrument	none	none	Bank credit – min. use of credits according to the agreements	none	none	none
p) Type of risk related to the instrument	Foreign currency, interest rate, credit risk for the financial institution	Foreign currency, interest rate, credit risk for the borrowers	Interest rate and liquidity	Foreign exchange, interest rate, and liquidity	Foreign exchange, interest rate, credit risk for the borrowers	Foreign exchange
q) Total existing liabilities for items seized in the instruments	none	none	none	none	none	none
r) Fair instrument value	Equal to carrying value	Equal to carrying value	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	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost

	<b>Bank deposits and cash on bank accounts</b>	<b>Loans granted</b>	<b>Bank credits</b>	<b>Loans received</b>	<b>Receivables</b>	<b>Liabilities</b>
t) The category of financial instruments from January 1, 2018, according to IFRS 9	Financial Assets Carried at Amortised Cost	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost	Financial liabilities valued at depreciated cost	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost

**General data on financial instruments as of 31 December 2019.**

	<b>Bank deposits and cash on bank accounts</b>	<b>Loans granted</b>	<b>Bank credits</b>	<b>Loans received</b>	<b>Receivables</b>	<b>Liabilities</b>
a) Qualification	Cash and cash equivalents	Loans granted	Financial liabilities	Financial liabilities	Trade and other receivables	Trade and other payables
b) The scope and character of the instrument	No-risk or low risk short-term investments	1 long-term loan and 1 short-term loan	4 bank credits	3 loans, one of which is a factoring line	See details below	See details below
c) Carrying amount of the instrument (in thousands PLN)	7 026	15 341	53 447	70 401	37 552	Liabilities: 82,471 RMB: 12 658 Leasing Liabilities : 7 515
d) Value of the instrument in foreign currency (in thousands)	EUR 736 USD 537	EUR 318	EUR 10 252	USD 7 049	EUR 1 011 USD 539	EUR 4,284 USD 1,933
e) The purpose of acquisition or issue	Investment of available funds	Financing of subsidiaries	Credit for current operations, refinancing of investments	Loans for current operations	Current operations	Current operations
f) Amount constituting base for future payments	Total deposits	Nominal / payable value	Nominal / payable value	Nominal / payable value	Face value	Face value
g) The sum and date of future revenues or cash payments	Interest depending on the duration	Interest depending on the date of repayment	interest paid on a monthly basis	interest paid on a monthly and quarterly basis	By nominal value	By 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	According to the agreements	Repayment of capital within deadlines resulting from the agreements	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	Exists	Exists
j) Price or price range of execution of the instrument	By nominal value and interest	By nominal value and interest	By nominal 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	none	none
l) Specified rate or amount of interest, dividend or other revenues and their due date	Variable, WIBID - bank's margin  Due date upon completion	For PLN WIBOR + margin, for foreign currency LIBOR or EURIBOR + margin or fixed interest rates.  Date of payment - by the contract upon completion	Bank credit – for PLN WIBOR + bank margin, for currency EUROIBOR + bank margin  Due date – monthly and quarterly	Variable WIBOR / LIBOR + margin	According to the agreements	According to the agreements
m) Hedging related to the instrument, accepted, or submitted	none	none	specified in note 7.25	specified in note 7.25	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	n/a	n/a
o) Other conditions related to the given instrument	none	none	Bank credit – min. use of credits according to the agreements	none	none	none
p) Type of risk related to the instrument	Foreign currency, interest rate, credit risk for the financial institution	Foreign currency, interest rate, credit risk for the borrowers	Interest rate and liquidity	Foreign exchange, interest rate, and liquidity	Foreign exchange, interest rate, credit risk for the borrowers	Foreign exchange
q) Total existing liabilities for items seized in the instruments	none	none	none	none	none	none
r) Fair instrument value	Equal to carrying value	Equal to carrying value	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	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 Assets Carried at Amortised Cost	Financial liabilities valued at depreciated 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 7.20, whereas information on trade liabilities note 7.27.

### 7.32 Effective interest rates and schedule of repayments as of December 31, 2018

#### ASSETS

<i>In PLN thousand</i>	Effective percentage rate	up to 1 year	from 1 up to 2 years	from 2 up to 5 years	Over 5 years	Total
A loan to BIOTON International GmbH (EUR 268 thousand EUR)	2,14%	1 499	-	-	-	1 499
A loan to BIOLEK (PLN 13,640 thousand PLN)	2,81%	957	900	11 750	2 813	16 404
A write-down on the value of the loan to Biolek		(114)	(107)	(1 395)	(334)	(1 947)
		<b>2 342</b>	<b>793</b>	<b>10 355</b>	<b>2 479</b>	<b>15 956</b>

Information on short-term financial assets is included in note 7.19.

#### LIABILITIES

<i>In PLN thousand</i>	Effective percentage rate	up to 1 year	from 1 up to 2 years	from 3 up to 5 years	Over 5 years	Total
BOŚ S.A. (PLN 4 million) revolving loan	4,83%	4 011	-	-	-	4 011
BOŚ S.A. (PLN 3.1 million) investment loan	4,49%	362	358	864	-	1 584
The Bank of China loan (EUR 12 million)	2,41%	13 887	15 793	4 145	-	33 825
Uniapek loan (USD 7 million)	3,36%	26 739	-	-	-	26 739
BOŚ S.A. (PLN 25.9 million) mortgage loan	4,75%	2 985	3 042	7 760	-	13 787
BOŚ SA loan (PLN 39 million) factoring facility		22 153	-	-	-	22 153
		<b>70 137</b>	<b>19 192</b>	<b>12 770</b>	<b>-</b>	<b>102 099</b>

Information on financial liabilities is included in note 7.25.

### 7.33 Reconciliation of obligations arising from financial activities

	01.01.2020	Cash flow			Non-cash flows			31.12.2020
		Incurring	Repayment	Interest paid	Interest / Commissions accrued	Discount	Foreign currency exchange rate valuation	
Credits	53 446	-	(17 342)	(2 025)	2 117	-	3 224	39 420
Loans, including:	64 033	2	(1 393)	(955)	1 245		(253)	62 679
- from related entities	26 771		-	(955)	1 209		(287)	26 739
- from other entities	37 263	2	(1 393)	-	36		33	35 940
Leasing <sup>1)</sup>	7 165		(1 267)	(335)		1 336		6 899
Financial instruments	10		(10)					0
<b>Total</b>	<b>119 875</b>	<b>2</b>	<b>(20 012)</b>	<b>(3 315)</b>	<b>3 362</b>	<b>1 336</b>	<b>2 971</b>	<b>108 997</b>
<b>Total</b>			<b>(23 325)</b>			<b>7 669</b>		

Information on financial liabilities is included in note 7.25.

### 7.34 Details of financial instruments

	<b>01.01.2020 - 31.12.2020</b>	<b>01.01.2019 - 31.12.2019</b>
<b>Revenues from:</b>	<b>2 405</b>	<b>3 870</b>
- interest on financial assets, including:	504	2 281
- from bank deposits	3	7
- loans granted	501	614
- discount on non-current receivables	0	1 660
- derivatives	0	0
- profit on disposal of financial assets (reversal of provision)	570	1 196
- exchange differences on receivables, loans granted, and cash on bank accounts	1 331	237
- exchange differences on liabilities	-	113
- exchange differences on loans and credits received	-	45
<b>Costs arising from:</b>	<b>7 126</b>	<b>178 828</b>
- interest on financial liabilities, including:	4 094	5 357
- on bank loans	2 885	3 791
- from loans received	1 209	1 566
- losses on disposal of financial assets, including:	0	0
- SciGen shares	0	0
- revaluation write-offs on financial assets:	-	173 471
- loan write-downs	-	-
- write-downs on shares	-	173 471
- exchange differences on loans and credits received	2 878	0
- exchange differences on receivables, loans granted, and cash on bank accounts	0	0
- exchange differences on liabilities	154	0

### 7.35 Credit risk

Credit risk is the risk of financial loss for the Company 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. This risk, in the case of the Company, relates to long- and short-term financial assets and trade receivables. The age analysis of receivables is presented in note 7.20. In 2020 the Company S.A. continued to insure receivables resulting from the sale of goods in the trade credit system with deferred payment date. The object of insurance consisted in cash receivables due to the Company from domestic counterparties. 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 thous . In addition, the Company continued a factoring agreement with BOŚ S.A. regarding domestic receivables, which had a positive impact on financial liquidity. In 2019 the Company did not continued the contract for insurance of receivables from foreign contractors, due to signed global distribution which reduces the credit risk. Due to the large dispersion of contractors on the domestic and foreign market, the Company does not have any risk of concentration

### 7.36 Interest rate risk

The loans and credits with fixed interest granted and incurred by the Company 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 rates 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 short-term receivables and liabilities are not exposed to the interest rate risk. In connection with the concluded long-term loan agreements, at the end of 2016, the Company concluded with one of the financing banks, on market terms a transaction hedging the interest rate risk. This transaction is aimed at securing the Company against the increase of market interest rates until June 2020. The decision to conclude the transaction in question was made by the Company based on the available forecasts of the interest rate level in the coming years and based on the current repayment schedule. This transaction was settled at the end of June 2020.

### 7.37 Currency risk

The Company bears foreign exchange risk related primarily to loans granted in foreign currencies and to the sale of finished products and purchases of raw materials that are made in foreign currencies. The Company monitors foreign currency exchange rates on an on-going basis and analyses macroeconomic reports and forecasts received from financial institutions in relation to cash flows in foreign currencies. In connection with the received inflows in foreign currencies and expenditures in those currencies, in 2020 the Company hedged risks through hedging transactions that allowed to reduce the foreign exchange risk in its operations. The Company monitors the level of foreign currency receivables on an ongoing basis, adapting to them and forecasting expenditure in foreign currencies.

The total value of assets denominated in foreign currencies (mainly USD and EUR) as of December 31, 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 19,576 thousand and cash and bank deposits - PLN 3,300 thous. ). The total value of assets denominated in foreign currencies (mainly USD and EUR) as of December 31, 2020, amounted to PLN 78,861 thousand (including loans and credits - PLN 60,564 thousand and trade and other liabilities - PLN 18,297 thousand ).

### 7.38 Liquidity risk

The Company manages liquidity through ongoing monitoring of the level of due liabilities, forecasting cash flows, and proper cash management. The Company invests cash in safe, short-term financial instruments (bank deposits) that can be used to service liabilities. The expected amounts and terms of payment of financial liabilities held by the Company (short-term and long-term) 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 loan amounts and interest on loans from December 31, 2020 - in thous. PLN.	up to 1 year	from 1 up to 2 years	from 3 up to 5 years	above 5 years	Total
BOŚ S.A. (PLN 4 million) revolving loan	4 011	-	-	-	4 011
BOŚ S.A. (PLN 3.1 million) investment loan	362	358	864	0	1 584
Kredyt Bank of China (Luxembourg) SA Branch in Poland (EUR 12 million)	13 887	15 793	4 145	0	33 825
Uniapek S.A. (USD 7 million) mortgage loan	26 739	-	-	-	26 739

BOŚ S.A. (PLN 25.9 million) mortgage loan	2 985	3 042	7 760	-	<b>13 787</b>
BOŚ S.A. loan (PLN 30 million) factoring line	22 153				<b>22 153</b>
<b>Total</b>	<b>70 137</b>	<b>19 192</b>	<b>12 770</b>	<b>0</b>	<b>102 099</b>

In accordance with IAS 1 par 74, the Company did not reclassify long-term loans, as the covenants were met for all of them; The commercial liabilities are settled by the Company in extended payment terms. Their due dates do not exceed one year. An analysis of the maturity dates of financial liabilities for the purposes of a full analysis of the Company's liquidity risk is presented in notes 7.14 and 7.19.

### 7.39 Hedging transactions

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

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

As at December 31, 2020, the Company did not have any interest rate hedging transactions (as of 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 Company has no other risk hedging transactions.

### 7.40 Operational risk

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

The Company'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 Company'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 individual 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 risk, including through insurance, if effective.

Compliance with the risk management principles by the Company 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.

#### 7.41 Capital management

The Management Board's policy consists of maintaining a 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 Company's overarching goal is to develop the Company and for this purpose, the Company 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 capital increased by net borrowing. Net debt includes loans and borrowings, trade, and other payables. Net debt is reduced by cash. Equity includes equity attributable to the Company's shareholders.

Decisions affecting share capital are preceded by analyses of the financial situation of the Company 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.

<i>In PLN thousand</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Liabilities for credits, loans and other debt instruments	102 337	118 370
Trade and other payables	51 597	79 469
Cash and cash equivalents in total	(22 005)	(7 026)
<b>Net debt</b>	<b>131 929</b>	<b>190 813</b>
<b>Equity</b>	<b>636 540</b>	<b>602 901</b>
<b>Equity and net debt</b>	<b>768 469</b>	<b>793 714</b>
<b>Leverage ratio</b>	<b>17,17%</b>	<b>24.04%</b>

## 7.42 Contractual obligations

### 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.

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

- PLN 23 473 thousand PLN 9 738 thousand PLN to December 31, 2008) for capital expenditures, which is 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	Fixed assets, including:		New job posts	Total	Fixed assets	New job posts
		Qualified expenditure	Unqualified expenditure				
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 by 31.12.2020 (in thous. ).

Year	Total	Fixed assets	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 also notes 7.29 and 7.30)</b>	<b>15 479</b>	<b>15 479</b>	<b>-</b>

Revenues from settled subsidies have been included in other operating costs. Subsidies for property, plant and equipment are settled commensurate with the depreciation of subsidized property plant and equipment.

### 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 (NFEPWM).

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 Regional Development Fund 3 037,5 thousand. PLN and 1 022.5 thousand PLN from NFEPWM

Settled subsidies in the years from 2008 to 31.12.2020 (in thous. ).

Year	Fixed assets
2008-2017	10,056
2018	111
2019	112
2020	111
<b>Total settled</b>	<b>1 390</b>
<b>It remains to be settled (see also notes 7.29 and 7.30)</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.

#### Agreement between the National Centre for Research and Development and BIOTON SA

On March 13, 2017, the Company signed an agreement with the National Centre for Research and Development for co-financing of the project under the 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 thous.; the total amount of qualified expenses is PLN 50,684,000. The Company will receive co-financing in the amount not exceeding PLN 20,988 thousand. PLN, which constitutes 41.4% of the total expenditure eligible for support, the maximum amount of funding for: (i) industrial research is PLN 1,858 thousand. , (ii) development work is PLN 19,130 thousand. The eligibility period for costs for the Project commences on August 24, 2016, and ends on the day of lodging the application for final payment and finalization of the settlement of the analog project under the project.

The above additionally was affected by an epidemiological emergency followed by a COVID-19 in Poland and on the global market. The company also announces that it is continuing the analogue development project based on the contract signed with Yifan Pharmaceuticals Co. Limited of July 16, 2019, regarding the implementation of analogues in accordance with the implementation schedule adopted and agreed between the parties, including the possibility of joining the team of experts and researchers from Asian countries who were to support the Company in research activities. Additionally, the Company experienced delays or suspension of deliveries of raw materials, materials and other components by our suppliers. In the area of pharmaceutical projects, the whole world has redirected its powers and priorities to projects to develop a vaccine against COVID-19, which has resulted in significant disruptions to business

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

Expenditure incurred and subsidies received from 24.08.2016 to 31.12.2020.

Year	Expenses incurred	Subsidies received	Advances obtained for subsidies
2017	0	500	300
2018	0	364	(291)

2019	1 397	1 251	(1)
2020	1 638	20	(5)
<b>In total (see also Notes 7.29 and 7.30)</b>	<b>3 035</b>	<b>2 135</b>	<b>3</b>

Before submitting the application for co-financing (until August 2016) The Company incurred expenditures on analogues 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.

### Conditional 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	AVANTOR PERFORMANCE MATERIALS POLAND S.A.	150 thousand PLN.	Indefinite time
Blank promissory note along with the promissory note declaration related to the commercial contract	MERCK Sp. z o. o.	350 thousand PLN.	Indefinite time
Blank promissory note along with the promissory note declaration related to the commercial contract	PGNiG S.A.	270 thousand PLN.	Indefinite time
Own blank bill of exchange with a promissory note, related to co-financing agreement under the Operational Program.01.01.01-00-0579 / 16 see also notes 5, 9, 12, 27.3 and 35	National Centre of Research and Development	PLN 20,988,43 thousand PLN.	November 30, 2025

On January 24, 2013, Actavis Group PTC ehf 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.

### 7.43 Information on transactions with affiliates

#### The object of the transaction - turnover in the period (in thous. PLN)

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

Name of the entity	Object of transaction	Net value	
		01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
BIOLEK Sp. z o. o.	<b>Sales, including:</b>	<b>247</b>	<b>251</b>
	Services	247	251
	<b>Purchase, including:</b>	<b>3 280</b>	<b>4 246</b>
	commodities	3 280	4 245
	advances for the supply of goods	0	0
	Services	-	1
Biopartners GmbH	<b>Sales, including:</b>	-	-
	services	-	1
	revaluation write-off	-	-1
BIOTON MARKETING AGENCY Sp. z o. o.	<b>Sales, including:</b>	<b>4 359</b>	<b>5 374</b>
	services	1 261	1 262

	commodities	3 098	4 109
	<b>Purchase, including:</b>	<b>20 021</b>	<b>46 532</b>
	services	20 021	46 532
Yifan Pharmaceutical Co. Ltd.	<b>Sales, including:</b>	<b>18 863</b>	<b>219</b>
	services	18 863	219
YIFAN INTERNATIONAL	<b>Sales, including:</b>	<b>-665</b>	<b>-</b>
	services	-665	-
SciGen Ltd (Singapore)	<b>Sales, including:</b>	<b>54 920</b>	<b>4 336</b>
	services	41 557	
	commodities	13 363	4 336
	<b>Purchase, including:</b>	<b>-</b>	<b>-</b>
	services	-	-
SciGen Ltd (Beijing)	<b>Purchase, including:</b>	<b>-</b>	<b>-</b>
	Services	-	-

### Outstanding balances

Name of the entity	Balance due to:	value in thous. PLN.	
		31.12.2020	31.12.2019
BIOTON International GmbH	<b>Receivables for:</b>	<b>1 558</b>	<b>1 413</b>
	-supplies, works and services	59	60
	-loans	1 499	1 353
BIOLEK Sp. z o. o.	<b>Receivables for:</b>	<b>17 770</b>	<b>14 178</b>
	-supplies, works and services	292	190
	-loans	16 404	15 935
	-revaluation write-downs for loans	-1 947	-1 947
	<b>Liabilities for:</b>	<b>1 073</b>	<b>-</b>
	-supplies, works and services	1 073	-
Biopartners Holdings AG	<b>Receivables for:</b>	<b>-</b>	<b>4</b>
	- others	-	4
	<b>Liabilities for:</b>	<b>3 967</b>	<b>8 972</b>
	-supplies, works and services	3 967	8 972
Yifan Pharmaceutical Co. Ltd.	<b>Receivables for:</b>	<b>0</b>	<b>155</b>
	-supplies, works and services	0	155
YIFAN INTERNATIONAL	<b>Receivables for:</b>	<b>0</b>	<b>1 067</b>
	-supplies, works and services	0	1 067
SciGen Pte. Ltd.	<b>Liabilities for:</b>	<b>2 815</b>	<b>1</b>
	-supplies, works and services	2 815	1
SciGen (Beijing) Biotech. Co., Ltd.	<b>Liabilities for:</b>	<b>0</b>	<b>6</b>
	-supplies, works and services	0	6
UniApek SA	<b>Liabilities for:</b>	<b>26 739</b>	<b>26 771</b>
	-loans	26 739	26 771

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

#### 7.44 Average employment

<i>full-time employment</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
Average number of white-collar workers	198	262
Average number of blue-collar workers	165	162
	<b>363</b>	<b>424</b>

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

<i>in PLN thousand</i>			
No	Specification	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>A.</b>	<b>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.</b>	<b>Supervising persons:</b>	<b>213</b>	<b>189</b>
1.	Liu Jubo	24	46
2.	Trzeciak Dariusz	36	36
3.	Borowy Paweł	-	-
3.	Chiang Ming-Tso Mark	-	22
4.	He Gary	-	22
5.	Vaidyanathan Viswanath	24	24
6.	Qi Bo	-	22
7.	Cadei Nicola	24	2
8.	Rajentheran Ramesh	33	13
9.	Tan Wen Ming	24	2
10.	Hao Fan	48	-
<b>C.</b>	<b>Total</b>	<b>2 557</b>	<b>3 985</b>

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

<i>in PLN thousand</i>			
		<b>31.12.2020</b>	<b>31.12.2019</b>
a)	Mandatory audit of the annual financial statements <sup>1)</sup>	135	189
b)	obligatory review of the semi-annual financial statements	90	105
c)	other attestation services	45	-
d)	tax advisory services	-	-
e)	other services	8	-
	<b>Total</b>	<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.

#### 7.47 Estimates and assumptions made in the financial statement

The estimates and assumptions are subject to constant verification and are based on historical data and best knowledge as at the date of estimate. The Company makes estimates and assumptions concerning the future. The results of such estimates, usually are not equal to the actual results. Estimates and assumptions that may most significantly affect the carrying amount of assets and liabilities relate to the valuation of investments in subsidiaries and the valuation of intangible assets with indefinite period of use. In order to determine the recoverable amount of these assets, the Company projects cash flows and checks the expected net sale price.

The Company 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 the pre-tax discount rate (WACC).

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

	<b>CGU Bioton</b> <b>(assets related to insulin and analogues)</b>
Value from the valuation	PLN 1.14 billion
Value range (Sensitivity analysis)	(WACC +/- 2%) change by (210.5) / + PLN 295.2 million Analogue sales volume (+/- 40%) change by +/- PLN 315.5 million
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 from deferred income tax - 27,2 million PLN 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: <ol style="list-style-type: none"> <li>1. predicted growth of insulin and analogue market,</li> <li>2. insulin registration schedule on the markets (assumed entry on individual markets),</li> <li>3. competitive position (including sales prices on the market),</li> <li>4. sales volumes and market shares are achievable</li> <li>5. signed agreements with distributors and a global distribution of insulin contract</li> <li>6. assumptions regarding required working capital,</li> <li>7. financing development and registration of insulin analogues based on agreements with Yifan,</li> <li>8. production costs based on existing production factories of substances and ready-made forms along with expenditures on the maintenance of the machine park,</li> <li>9. settlement of assets related to deferred income tax.</li> </ol>
The projection period	2020-2030 and Residual Value based on 0% growth rate
Discount rate (WACC)	13,12%

As of December 31, 2018 the Company 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 Company settles the paid fees successively with sale results on the Chinese market. As of December 31, 2020 the value of other

intangible assets to be settled in the future amounted to PLN 49 811 thousand. . The Company 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 9.26%. Based on the adopted sales assumptions, asset settlement is planned until the end of 2027. The Company conducted 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.

**7.48 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.

**7.49 Proceedings pending before a court, body competent for arbitration proceedings or body of public administration.**

**"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.

**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.

### **7.50 The epidemiological situation caused by the SARS-COV-2 virus**

On 11 March 2020, World Health Organization announced the 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 the global economy.

In consequence, the Polish government, in fear of significant decline in economic growth, adopted act amending the 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 resolutions adopted by commune councils, to specified groups of entrepreneurs the financial liquidity of which has deteriorated due to adverse economic consequences of COVID-1. The spreading of the SARS-Cov-2 coronavirus causing the disease called COVID-19 currently causes a number of difficulties in the world and in Poland, which disrupt the 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 the high requirements of pharmaceutical production. In the 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 the 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 the organization of product shipments to foreign markets may also, in the short term, cause problems with the collection of foreign debts. The current situation is also aggravated by the fact that currently, all European countries are introducing a number of restrictions because of the spread 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 the current situation in the following main areas:

- (i) risk of employee absence - as of the date of publication, the Company 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 Company 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.
- (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 - The company entered into talks with banks regarding the suspension and change in the repayment schedule of capital installments in the period March-August 2020 - as at the publication date of the report, the Company signed Annexes to loan agreements with Bank Ochrony Środowiska, changing repayments of capital installments and Bank of China in terms of quarterly changes in schedule of payments to the DSRA, so as to maximize the level of available cash in the nearest future. The company is in financial talks on increasing credit limits or granting a new debt loan so that your energy is changed in 2021 by shifting a significant part of the short-term carrier 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.
- (v) risk related to demand constraints on goods sold by the Company - 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 the aspect of non-prescription products, such as OTC drugs, the current epidemiological situation related to the limited mobility of people may affect the sales volume of products by the Company and the Group.

At the same time, the Management Board believes that the 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.

**7.51 Significant events after the balance sheet date**

There were no significant events after the balance sheet date, apart from those indicated in Note 7.50

Signatures of all the Members of the Management Board

<b>Name and surname</b>	<b>Position</b>	<b>Signature</b>
Jeremy Launders	Chairman of the Board	
Adam Polonek	Member of the Management Board	

Date and signature of the person entrusted with bookkeeping

<b>Name and surname</b>	<b>Position</b>	<b>Signature</b>
Renata Prokopczyk	Chief Accountant	

Warsaw, 31 March 2021