

**INDIVIDUAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2021 TO DECEMBER 31, 2021
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	29
3.	INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME	30
4.	INDIVIDUAL BALANCE SHEET	30
5.	INDIVIDUAL CASH FLOW STATEMENT	31
6.	INDIVIDUAL STATEMENT OF CHANGES IN EQUITY	32
7.	EXPLANATORY NOTES TO INDIVIDUAL FINANCIAL STATEMENTS	34

INDIVIDUAL FINANCIAL STATEMENTS OF BIOTON S.A. AS OF DECEMBER 31, 2021 WITH COMPARATIVE DATA AS OF DECEMBER 31, 2020, 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, 2021, to December 31, 2021. Comparative financial data covers the period from January 1, 2020, to December 31, 2020.

The financial statements were prepared and approved for publication by the Management Board of BIOTON on March 31, 2022.

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.:

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

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

- Mr Nicola Cadei (Member of the Board since 03.12.2019; President of the Board since 18.05.2021),,
- Mr Ramesh Rejenthiran (Member of the Board since 28.06.2019; Vice-President of the Board since 07.07.2019),
- Mr. Dariusz Trzeciak (Member of the Board since 28.06.2019; Vice-President of the Board since 07.07.2019)
- Mr Jubo Liu (Member of the Board since 28.06.2019);
- Mr Vaidyanathan Viswanath (Member of the Board since 28.06.2019),
- Mr Khee Wee Hau (Member of the Board since 28.06.2021),
- Ms Yuhong Geng (Member of the Board since 28.06.2021),
- Mr Tomasz Siembida (Member of the Board since 28.06.2021).

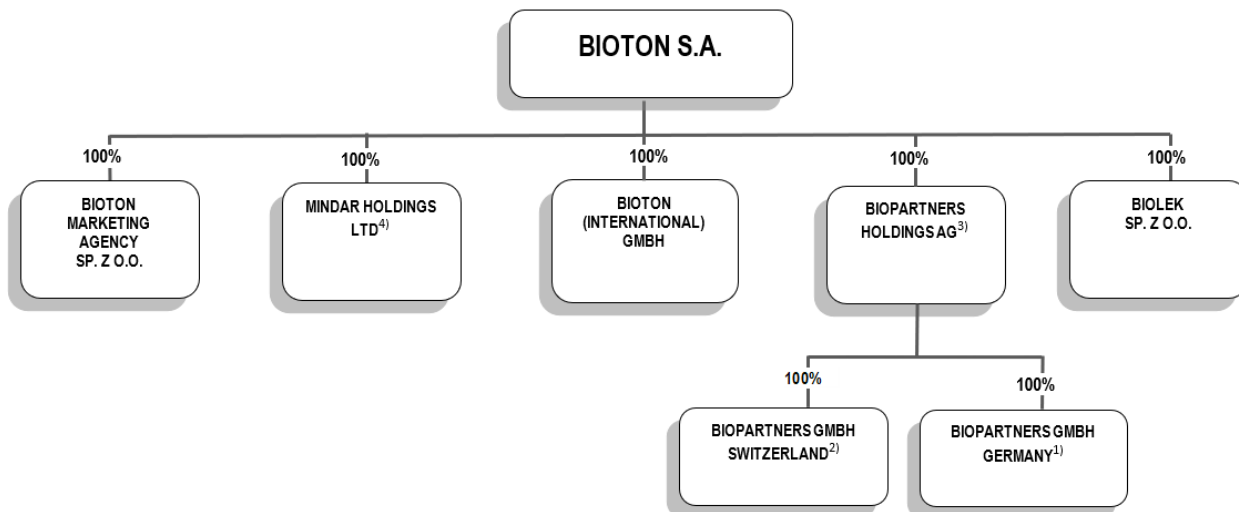
History of changes in the composition of the Supervisory Board since 01.01.2021 until the publication date of the financial statements:

- on March 16, 2021, the Company received the resignation of Dr. Hao Fan from the position of the Chairman of the Supervisory Board. The reasons for the resignation were personal matters;
- on June 16, 2021, the Company received the resignation of Mr Wei Ming Tan from the position of the Member of the Supervisory Board. The reasons for the resignation were personal matters;
- on June 28, 2021, the Ordinary General Meeting appointed Mr Khee Wee Hau to the Supervisory Board;

- on June 28, 2021, the Ordinary General Meeting appointed Ms Yuhong Geng to the Supervisory Board;
- on June 28, 2021, the Ordinary General Meeting appointed Mr Tomasz Siembida to the Supervisory Board.

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

As of December 31, 2021, BIOTON S.A. has the following structure of the Capital Group:



¹⁾ The Management Board of Biopartners GmbH Germany adopted a resolution to liquidate the company on November 8, 2018.

²⁾ On 12 March 2019, Biopartners GmbH Switzerland filed for bankruptcy.

³⁾ On March 13, 2019, Biopartners Holdings AG filed for bankruptcy. Bankruptcy proceedings regarding Biopartners Holdings AG 08.05.201 were completed on 08.05.2019.

⁴⁾ On 11 March 2022, the process of liquidation of Mindar Holdings Ltd commenced.

(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. On 11 March 2022, the process of liquidation of Mindar Holdings Ltd commenced.

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, 2021, 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.

Effect of applying new accounting standards and changes in accounting policies.

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

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

Changes resulting from changes to IFRS

From the beginning of the financial year, 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.

- **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 Company has applied the amended standards from 1 January 2021 with no impact on the financial statements.

In addition, from January 1, 2021, after adoption by the European Commission in October 2020, the Company applies the Amendment to IFRS 16 Leasing: Covid-19 Reliefs. The change was published on May 28, 2020, and is effective for annual periods beginning on or after June 1, 2020, with early application permitted. The change introduces in IFRS 16 a simplification, allowing not to recognize a modification of a lease agreement when (for the period ending on 30 June 2021) there were changes on Covid-19 pandemic payments or other reliefs have been granted to lessees that alter the original financial terms of the leases because of the pandemic.

Also, effective from January 1, 2021 is an amendment to IFRS 4 published on 25 June 2020 - in terms of extending the exemption of insurers from the application of IFRS 9 Financial Instruments until 1 January 2023 in line with the extended effective date of IFRS 17 Insurance Contracts.

The implementation of the standards did not have a significant impact on the effects on the financial statements.

- **Amendments made by the Company itself**

The Company has not adjusted the presentation of the comparatives as at December 31, 2020 and for the financial year ended December 31, 2020.

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 Company 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 Company 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 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 Company 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.

e) Amendment to IFRS 16 Leases - Covid-19 related reliefs granted after June 30, 2021

The amendment to IFRS 16 was published on March 31, 2021 and applies to annual periods beginning on or after April 1, 2021.

The purpose of the amendment to the standard is solely to extend by one year (to June 30, 2022) the period during which the grant of lease payment concessions related to Covid-19 need not involve a modification of the lease agreement. This amendment is closely related to the already effective amendment to IFRS 16 published in May 2020.

The Company will apply the amendment to the standard no earlier than January 1, 2022. As of the date of these financial statements, no significant impact on the financial statements is expected.

f) Amendment to IAS 12 Income Taxes: Deferred Tax on assets and liabilities arising from a single transaction

The amendment to IAS 12 was published on May 7, 2021 and applies to annual periods beginning on or after April 1, 2023. The amendments clarify that the exemption for initial recognition of deferred tax does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, and entities are required to recognise deferred tax on such transactions, thus clarifying the doubt that has arisen as to whether the exemption applies to transactions such as leases and decommissioning liabilities.

The Company will apply the amendment to the 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 amended standard.

g) Amendment to IFRS 17 Insurance Contracts: First-time adoption of IFRS 17 and IFRS 9 - comparative information

The amendment to IFRS 17 was issued on December 9, 2021 and applies to annual periods beginning on or after April 1, 2023. The amendment includes a transitional option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The Company will apply the amendment to the standard from January 1, 2023. As at the date of these financial statements, the application of the amended standard will have no impact on the Company's statements.

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:

- 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,
- Amendment to IAS 12 Income Taxes: deferred tax on assets and liabilities arising from a single transaction published on May 7, 2021,

- Amendment to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information, published on December 9, 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 Polish 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 7.48; 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 analogs, 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 7.48.

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 do not exceed the current assets and due to the operating financial results, bank financing signed, global distribution agreement signed and signing a long-term cooperation agreement with Yifan Pharmaceuticals in the aspect of financing the development of analogs, in the opinion of the Management Board, there are no circumstances that would indicate a threat to its continued operations.

As 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 2022 by shifting a part of short-term financing to medium and long-term.

With reference to the situation related to the development of the geopolitical situation in connection with the military actions on the territory of Ukraine, which may affect the realisation of the individual and consolidated financial results of the Company and the Group, mainly in the aspect of the increase in the prices of electricity and natural gas, as well as other raw materials used for the production of insulin.

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

When preparing consolidated financial statements, the Company applied the same accounting principles as described in the consolidated financial statements as of December 31, 2020.

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:

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

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

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

The company is already present 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 (iii) 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:

Indication of responsibility for particular areas of cooperation on the part of Bioton S.A.	Direct Model	Indirect Model	Manufacturer's Model
---------------------------------------------------------------------------------------------	--------------	----------------	----------------------

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	√	√	√
2	Clinical Trials and Registration Process	√	√ Division of Markets and Responsibility	
3	API commercial production and finished product forms	√	√	√
4	Sales and Marketing	√	√ Division of Markets and Responsibility	
5	Entity Responsible for the product - registered trademark (brand name)	√	√ 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 37% market share in recombinant human insulin (according to data for December 2021); 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 analogs 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 analogs 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 analogs 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 analogs - the project demonstrates the ability to commercialize from the very beginning, which is reflected in the examples of transactions concluded at each stage of the development of biosimilar products. As described in the point above, the 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 analogs 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 analog segment will be caused in subsequent years by changes mainly in the lifestyle and aging of the population. The IDF organization indicates that the world population of people with diabetes will increase from 425 million in 2017 to 629 million in 2045, so the potential for increased antidiabetic requirements, including insulin analogs, is significant.

e) 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 analogs on a commercial scale ("Project"). The total amount of qualified expenses is PLN 50,684,000. The Company will receive cofinancing 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 writedowns 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, 2021, the following NBP average exchange rates from table 254/A/NBP/2021 of December 31, 2021:

- EUR 1 is PLN 4. 5994
- USD 1 is PLN 4.0600

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 balancesheet 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 longterm 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 cofinancing 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 longterm 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>Thousand PLN</i>	Note	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
		<i>audited</i>	<i>audited</i>
Continuing operations			
Cost of sale of goods	7.2	168 707	225 899
Cost of sales	7.3	(85 844)	(117 945)
Technological idle time and unused production capacity	7.4	(4 913)	(3 409)
Gross profit on sales		77 950	104 546
Other operating revenues	7.5	5 744	31 915
Selling and distribution expenses		(33 955)	(38 054)
Administrative expenses		(26 621)	(37 385)
Research and development costs		(4 665)	(3 999)
Other operating costs	7.6	(4 410)	(9 232)
Gross operating profit / (loss)		14 042	(47 790)
Financial income	7.7	415	1 644
Financial costs	7.8	(6 931)	(9 086)
Net finance income / (costs)		(6 516)	(7 442)
Profit / (loss) before income tax		7 527	(40 348)
Income tax expense	7.9	(4 905)	7 092
Net profit / (loss) on continuing operations		33 256	(195 984)
Net profit / (loss) from discontinued operations		-	-
Net profit / (loss) for the period		2 622	(33 256)
Weighted average number of shares (in pcs)	7.24	85 864 200	85 864 200
Diluted weighted potential average number of shares	7.24	85 864 200	85 864 200
Profit / (loss) on continuing operations per one share (in PLN)			
Basic and diluted		0.0305	(0.3873)

3. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

Thousand PLN	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
	<i>audited</i>	<i>audited</i>
Net profit / (loss) for the reporting period	2 622	(33 256)
Other components of comprehensive income recognized directly in equity	134	370
Total comprehensive income for the period	2 756	33 626

4. INDIVIDUAL BALANCE SHEET

Thousand PLN	Note	31.12.2021	31.12.2020
		<i>audited</i>	<i>audited</i>
ASSETS			
Non-current assets		707 916	732 667
Property, plant and equipment	7.10	286 551	310 017
Investment properties	7.13	1 357	1 357
Intangible assets	7.11	361 626	369 493
Assets under the right of use	7.12	16 482	5 448
Non-current financial assets	7.14	15 227	14 457
Investments in subsidiaries and associated entities	7.15	3 965	3 965
Deferred tax assets	7.16	21 936	26 872
Non-current prepayments	7.17	772	1 057
Current assets		173 303	150 592
Inventories	7.18	124 267	89 094
Current financial assets	7.19	-	1 499
Trade and other receivables	7.20	39 245	37 157
Cash and cash equivalents	7.21	8 744	22 005
Current prepayments	7.22	1 046	838
TOTAL ASSETS		881 219	883 259
LIABILITIES			
Equity		639 282	636 526
Share capital	7.24	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		(1 127 550)(1 130 172)	(1 127 550)
Non-current liabilities		77 056	89 917
Non-current loans and borrowings	7.25	16 072	32 000
Lease liabilities	7.28	13 049	6 817
Employee benefits	7.26	1 336	1 566
Deferred income	7.29	36 257	39 191
Other non-current liabilities	7.27	10 342	10 382342
Current liabilities		164 881	156 815
Current loans and borrowings	7.25	77 968	70 337
Lease liabilities	7.28	1 817	82
Liabilities under deliveries and services and other	7.27	38 677	51 557
Employee benefits	7.26	2 290	2 179
Provisions and deferred income	7.30	44 130	32 661
TOTAL LIABILITIES		881 219	883 259

5. INDIVIDUAL CASH FLOW STATEMENT

<i>Thousand PLN</i>	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
	<i>audited</i>	<i>audited</i>
Cash flow from operational activity		
Profit /(loss) for the period	2 622	33 256
Corrections for:		
Depreciation and amortisation	31 427	30 983
Foreign exchange gains)/(losses), net	(192)	1 397
Interest and dividends paid, net:	4 340	4 193
(Gains) / loss on investment activities	(2 738)	(626)
Net cash from operating activity before changing workin	35 460	69 204
Change of the working capital:		
(Increase)/decrease in inventories	(35 174)	(10 816)
(Increase)/decrease of trade and other receivables	3 445	7 261
(Increase)/decrease of prepayments and deferred costs	5 014	7 141
Increase / (decrease) in trade and other payables, accruals	(15 729)	(34 577)
Increase/(decrease) in provisions	(119)	(763)
Increase) / decrease of deferred income	11 385	3 436
Cash flows from operating activities	4 281	40 885

Cash flow from investing activities:

Inflows:	9 731	12
Proceeds from the sale of intangible assets and property, plant and equipment	8 591	12
From financial assets	1 140	-
Outflows:	(12 892)	(4 643)
Acquisition of intangible assets and property, plant and equipment	(12 892)	(4 627)
Acquisition of financial assets	-	(16)
Other outflows	-	-
Net cash from investment activity	(3 161)	(4 631)

Cash flow from financial activity

Inflows:	33 812	2 050
Credits and loans	33 812	-
Subsidies	-	2 050
Outflows:	(48 192)	(23 326)
Repayment of loans and borrowings	(43 123)	(18 744)
Interest	(3 779)	(3 315)
Payments under financial leasing liabilities	(1 290)	(1 267)
Net cash from financing activity	(14 380)	(21 276)
Net change in cash (including change in cash due to exchange differences)	(13 260)	14 978
Cash at the beginning of the period	22 005	7 026
Cash at the end of the period	8 744	22 005
Overdrafts	-	-
Cash at end of period excluding funds in restricted accounts and overdrafts	8 744	22 005

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
Twelve months ended on 31 grudnia 2020 r.						
As of December 31, 2020, published	1 717 284	57 131	260 776	(268 492)	(1 130 172)	636 526
Net profit / (loss) in the period	-	-	-	-	2 622	2 622
Actuarial valuation of the pension provision - see note 7.26	-	-	-	165	-	165
Deferred tax asset on actuarial valuation - see note 7.16	-	-	-	(31)	-	(31)
Total comprehensive income for the period	-	-	-	134	2 622	2 756

As of December 31, 2021	1 717 284	57 131	260 776	(268 358)	(1 127 550)	639 282
-------------------------	-----------	--------	---------	-----------	-------------	---------

Specification	Share capital	Issued capital from shares above their nominal value	Reserve capital	Reserve fund	Retained profit / (loss)	Total capital
Twelve months ended on 31 December 2019						
As of December 31, 2019, published	1 717 284	57 131	260 775	(268 861)	(1 163 428)	602 901
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)
Total comprehensive income for the period	-	-	-	370	33 546	33 916
As of 31 December 2020	1 717 284	57 131	260 775	(268 491)	(1 129 882)	636 817

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 (thousand PLN)

Specification	01.01.2021 - 31.12.2021		01.01.2020- 31.12.2020	
	Value	Structure (in %)	Value	Structure (in %)
Insulin	120 456	71.40	142 646	63,15%
Finished goods	120 456	48.80%	142 646	48.80%
Orally taken anti-diabetic medicines ²⁾	9 929	14.20%	32 001	15.40%
Other goods PL	12 064	11.20%	13 111	11.20%
Injectors	6 974	3.90%	7 351	3.90%
Goods and materials	28 967	29.30%	52 462	29.30%
Services¹⁾	19 283	21.90%	30 791	21.90%
Total sales revenues	168 707	100.00%	225 899	100.00%

¹⁾ in the Services category, the Company presents, inter alia: revenues received under license agreements (upfront contracts) concluded with Pharmasynthez and revenues from the settlement of the analog project were recognized in accordance with the agreement with Yifan Pharmaceutical Co;

²⁾ The decrease in revenue between 2021 and 2020 was negatively impacted by: the termination at the end of 2020 of the agreement for the Ristfor and Ristaben products with MSD for the Polish market, and the termination of cooperation with Biomed Lublin for the promotion of the Distreptaza product (a decrease of PLN 23.8 million).

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 years 2018-2020, the Company recognized revenue, in accordance with the requirements under IFRS 15, in the amount of PLN 4,257 thousand, and in 2021 - PLN 1,548 thousand. The remaining amount of PLN 17,414 thousand was recognized in revenues from future periods will be included in the revenues overtime for which the contract is concluded.

Agreement with Yifan Pharmaceutical Co.

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

The continuation of the Analog project is underway. Both Yifan and Bioton are collaborating on the transfer, scaling and registration of all products.

Clinical trial batches for Lispro were produced in Q3 2021, Yifan is currently in the process of testing these clinical batches to ensure Biosimilarity prior to submitting an Investigational New Drug (IND) application, which is expected in late 2022. The Company indicates that the transfer process regarding Lispro is advanced and is in the Process characterisation phase. In addition, it also requires a GMP inspection assessment prior to batch production to confirm validation of the manufacturing process.

Until now, Bioton and Yifan have carried out the drug substance work and drug product development for Lispro, including bringing the project to clinical scale. The next steps include the submission of an IND (marketing authorisation) application, process validation and phase I studies to prepare for the submission of an IND application for the biological product by the end of 2023.

Regarding the long-acting insulin analog, Glargine, the Company is in the process of preparing for an early stage industrialisation phase. In October 202, Yifan proposed a new process to increase the productivity and efficiency of the production scale, and Bioton subsequently made appropriate capital investments in the Production Plant in order to complete the clinical series of the drug substance in Q3 2022.

The work on all three insulin analogs assumes the following steps:

- - Research phase - 2019-2023;
- - Development and registration phase - years 2021-2025;
- - Commercialisation phase - from 2025-2026.

The Company expects revenues from the first product on the market in early 2025, however, it should be taken into account that the timing of this type of project is difficult to predict as unforeseen technical issues may arise during the project, and the clinical trial/registration processes may be subject to certain delays.

As the Company is Yifan's subcontractor in the ongoing project to introduce insulin analogs, the Company keeps Yifan informed of the progress of work in the analog project and monitors the next stages of the project, and eventually the introduction of products on a commercial scale.

Sales revenues - geographical structure

<i>Thousand PLN</i>	01.01.2021-31.12.2021	01.01.2020-31.12.2020
European market, including:	108 388	131 291
Poland	103 888	128 788
Other countries	4 501	2 504
Asian market, including:	29 782	67 125
China	7 271	18 618
Thailand	10 503	15 693
Vietnam	10 365	7 689
Other	1 644	1 703
Other markets	20 855	27 483
Analog project	9 682	23 422
Total sales revenues	168 707	225 899

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 6%

<i>thousand PLN</i>	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Poland	72 774	91 534
Client 1	33 488	46 372
Client 2	24 138	24 939
Client 3	15 148	20 224
Asian market	23 785	42 875
Client 1	13 282	25 649
Client 2	10 503	17 226
Total sales revenues	96 559	134 409

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>thousand PLN</i>	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Revenues from sale of finished goods	120 429	142 795
Revenues from the sale of services ¹⁾	19 283	30 792
Revenues from sale of merchandise	28 995	52 312
	168 707	225 899

Thousand PLN ¹⁾The Company achieves revenues settled in time, balance as of 31.12.2021 is PLN 36 257thousand; see also note: 7.29.

7.3 Costs by type

<i>thousand PLN</i>	Note	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Depreciation and amortisation, including:		31 428	30 983
- depreciation of property, plant, and equipment		14 265	16 127
- amortisation of intangible assets		15 496	14 856
-right to use		1 667	-
Use of raw materials and energy		45 511	48 245
Taxes and charges		3 383	3 219
Third-party services		56 435	41 101
Payroll		36 638	36 602
Employee benefits		9 029	8 576
Other, including:		2 558	1 723
Total costs by type		184 982	170 449
Selling expenses (negative value)		(33 955)	(38 054)
Administrative expenses (negative value)		(26 621)	(37 385)
Research and development costs (negative value)		(4 665)	(3 999)
Technological idle time and unused production capacity		(4 913)	(3 409)
Change in inventories of products		22 209	74 444
Cost producing goods for internal use (negative value)		(74 182)	(78 165)
Cost of finished products sold		62 856	83 881
Cost of goods for resale and materials sold		22 989	34 064
Cost of sales		85 844	117 945

Payroll and employee benefits

<i>thousand PLN</i>	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Wages and salaries ¹⁾	36 638	36 602
Social insurance	6 046	6 299
OHS benefits	54	234
Training and further education	150	93

Other	2 779	1 950
Total	45 667	45 177

¹⁾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

Thousand PLN	01.01.2020 - 31.12.2020	01.01.2020 - 31.12.2020
Technological idle time	4 820	2 859
Unused production capacity	93	550
	4 913	3 409

7.5 Other operating income

thousand PLN	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
a) gain on disposal of non-financial assets	2 655	-
b) sales of materials	557	70
c) termination of provisions for employee benefits	1 177	1 426
d) termination of allowances of non-financial assets	-	170
e) other, including:	1 355	30 249
- compensation ¹⁾	518	25 696
- subsidies	751	751
- writing down obligations	-	883
- other	86	2 919
Total	5 744	31 915

¹⁾ in 2020, income from the termination of the contract with Harbin Gloria and from the contract with FINANCIERE N ("Nemera")

7.6 Other operating costs

thousand PLN	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
a) loss from sales of non-financial property, plant, and equipment ¹⁾	-	422
b) revaluation of non-financial assets, including:	1 565	5 410
- non-financial current assets due to:	1 565	5 410
- Inventory write-offs	1 564	4 362
- other write-offs	1	1 049
c) created provisions under:	314	1 100
- retirement benefits	144	-
- unused holiday leaves	-	91
- severance payments	170	1 008
d) other, including:	2 531	2 300
- contributions to the organisation	15	29
- donations	272	198

- cost of sale of raw materials	-	-
- liquidation of current assets	603	748
- writing off receivables/liabilities	40	0
- penalties and damages	1 249	415
- other costs	353	910
Total	4 410	9 232

7.7 Financial income

<i>thousand PLN</i>	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
A. Financial income from interest, including:	415	504
a) for granted loans, including:	415	501
- from related entities	415	501
- from other entities	-	-
b) other interest	0	3
- from other entities	0	3
B. Profit on disposal of financial assets	-	1 140
Total financial income	415	1 644

7.8 Financial costs

<i>thousand PLN</i>	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
D. Financial costs under interest, including:	4 506	5 233
a) on loans and borrowings	2 851	4 094
- to related entities	976	1 209
- to other entities	1 875	2 885
b) other interest and commissions	1 655	1 139
- to other entities	1 655	1 139
G. Other financial costs, including:	2 426	3 852
a) negative foreign currency exchange rate differences	1 328	2 685
b) others, including:	1 097	1 168
- other ¹⁾	1 097	1 168
Total financial costs	6 931	9 086
	6 931	9 086
Net finance income / (costs)	(6 516)	(7 442)

For the period from January 1 - December 31, 2021.

1) in the amount of PLN 1,097 thousand, the amount of PLN 1,069 thousand comes from the financing of the operations of the subsidiaries - Bioton International GmbH and Mindar Holdings Ltd (including liquidation costs).

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

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

7.9 Income tax expenses

Income tax expenses within the income statement

<i>thousand PLN</i>	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Current tax		
Income tax for the current year		-
Deferred income tax		
Recognition /reversal of temporary differences	4 905	7 092
Total income tax expenses	4 905	7 092

In 2021 and 2020, the Company did not pay corporate tax.

Effective tax rate

<i>thousand PLN</i>	31.12.2021		31.12.2020	
	%	amount	%	amount
Profit (loss) from continuing operations		7 527		40 348
Profit (loss) from discontinued operations		-		-
Profit / (loss) before taxation		7 527		40 348,00
Tax based on the applicable tax rate	19	1 430	19	7 666,12
Difference between expected tax and tax in the loss and profit account		(3 475)		574
<u>Explanation of the absence of an effective rate</u>				
Tax revenues not constituting accounting revenue		2 508		2 673
Tax-exempt income		-		4 709
Permanent differences on costs not constituting tax costs:		4 128		1 630
- financing of the subsidiary		1 069		1 058
- amortisation of other costs not being tax deductible		1 955		2 437
- other costs not being tax deductible		1 104		(1 865)
				-
Deferred tax assets / liabilities written off (not included in current tax)		11 651		(2 616)
- adjustment of tax for previous years		11 651		(2 616)
Total		18 287		(3 022)
Tax representing the difference		3 475		(574)

Tax rate after explanation of the changes	65, 16	4 905	17 ,5 8	7 092
-------------------------------------------	-----------	-------	---------------	-------

7.10 Property, plant, and equipment

<i>thousand PLN</i>	Buildings, property and objects of civil engineering	Technical devices and machines	Means of transportation	Other property, premises, and equipment	Property, plant and equipment under construction	Total property, plant, and equipment
Gross value of property, plant and equipment as of January 1, 2021	194 238	270 971	2 133	23 887	12 545	503 773
Increases (under):	284	2 006	88	1 018	2 307	5 703
- expenditures	-	-	-	-	2 307	2 307
- transfer from property, plant and equipment construction	284	2 006	33	1 018	-	3 340
- other	-	-	56	-	-	56
Decreases (under):	-	17 545	1 076	11	5 439	24 071
- sales	-	17 533	-	-	114	17 647
- transfer to property, plant, equipment and intangible assets	-	-	-	-	5 219	5 219
- liquidation	-	12	-	-	106	118
- other	-	-	1 076	11	-	1 087
Gross value of property, plant and equipment as of December 31, 2021 r.	194 522	255 432	1 145	24 894	9 412	485 405
Depreciation and impairment losses as of January 1, 2021r.	(34 500)	(146 878)	(1 824)	(9 588)	(974)	(193 764)
Increases (under)	(2 515)	(10 214)	(232)	(1 304)	-	(14 265)
- depreciation	(2 515)	(10 214)	(232)	(1 304)	-	(14 265)
Decreases (under):	-	(8 098)	(1 076)	-	-	(9 174)
- liquidation	-	(8 098)	-	-	-	(8 098)
- other	-	-	(1 076)	-	-	(1 076)
Depreciation and impairment losses as of December 31, 2021 r.	(37 015)	(148 994)	(980)	(10 892)	(974)	(198 855)

Net value of property, plant and equipment as of December 31,2021	157 507	106 438	165	14 002	8 438	286 551
--------------------------------------------------------------------------	----------------	----------------	------------	---------------	--------------	----------------

As of December 31, 2021, 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 7.48.

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, 2021 - in the amount of PLN 37,740 thousand and EUR 18,000 thous. collateral on loans,
- December 31, 2020 - in the amount of PLN 61,774 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 8,438 thousand and related to tasks carried out by the Company related to, inter alia, with outlays classified as machines and devices of value PLN 4,077 thousand., to buildings and structures worth 1,456 thou. PLN, (as of December 31, 2020, the expenditure amounted to PLN 11,571 thousand. and, respectively, for the aforementioned category PLN 6,032 thousand, PLN 1,456 thousand).

7.11 Intangible assets

<i>thousand PLN</i>	Costs of completed development works	Concessions, patents, licenses, computer software	Other intangible assets	Development work in progress	Intangible assets in total
Gross value as of January 1, 2021	41 342	19 053	325 763	120 314	506 472
Increases under:	16 186	1 850	-	5 864	23 900
- acquisition	-	1 850	-	2 332	4 182
- own development works	16 186	-	-	3 446	19 632
- other (rozw. Odpisu akt.)	-	-	-	86	86
Decreases under:	-	-	-	16 272	16 272
- settlement of development work	-	-	-	16 272	16 272
Gross value as of December 31, 2021	57 527	20 902	325 763	109 907	514 099
Accumulated depreciation and impairment write-offs					
Accumulated depreciation and impairment write-offs on January 1,2021	(26 540)	(14 799)	(95 638)	-	(136 979)
Increases under:	(2 131)	(1 502)	(11 863)	-	(15 496)

- depreciation	(2 131)	(1 502)	(11 863)	-	(15 496)
Decreases	-	-	-	-	-
- liquidation	-	-	-	-	-
Accumulated depreciation and impairment write-offs as of December 31, 2021	(28 671)	(16 301)	(107 501)	-	(152 475)
Net value as of December 31, 2021	28 857	4 601	218 262	109 907	361 626

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 109,907 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, 2020, the total amount was PLN 120,314 thousand). On 4 January 2021, the Company successfully obtained approval for registration of its Triton-free classic insulin with the Office of Registration in Medicinal Products and continued responding to additional inquiries from the Office for Registration of Medicinal Products completed in Q4 2021, as well as obtained approvals for registrations in most foreign markets, including China, during 2021. The development work has been settled at the date of this report.

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, no evidence of impairment and the need for write-offs was identified.

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>thousand PLN</i>	MSSF 16	
	31.12.2021	31.12.2020
Technical equipment and machinery	10 655	-
Means of transportation	576	119
Perpetual usufruct right to land	5 252	5 329
Total	16 482	5 448

<i>thousand PLN</i>	Technical equipment and machinery	Means of transportation	Perpetual usufruct right to land	Total
Balance as of 01.01.2021	-	119	5 329	5 448
Additions - new lease agreements	12 062	640	-	12 702
Termination of lease contracts	-	-	-	-

Depreciation	(1 407)	(183)	(77)	(1 667)
Balance as of 31.12.2021 - MSSF 16 netto	10 655	576	5 252	16 482

7.13 Investment properties

<i>thousand PLN</i>	31.12.2021	31.12.2020
Perpetual usufruct right to land	1 357	1 357
	1 357	1 357

7.14 Non-current financial assets

<i>Thousand PLN</i>	31.12.2021	31.12.2020
a) loans to related entities, including:	15 227	14 457
- to subsidiaries	15 227	14 457
	15 227	14 457

Change in non-current financial assets

<i>thousand PLN</i>	31.12.2021	31.12.2020
Balance at the beginning of the statement period	14 457	-
Increases under:	1 525	14 457
c) reclassification from current assets	1 525	14 457
Decreases under:	(755)	-
a) settlement of mutual claims, including:	(755)	-
- capital	(362)	-
- interest	(394)	-
Closing balance	15 227	14 457

Long-term loans as at December 31, 2021. (thousand PLN)

Borrower	Currency	Type and amount of interest	Amount in currency	Amount in PLN	Repayment period
BIOLEK Sp. z o.o.	PLN	WIBOR 3M plus margin	13 702	13 702	Principal and interest repayment one year from the summons
BIOTON International GmbH	EUR	EURIBOR 3M dla EUR plus margin	321	1 525	Payment of capital and interest January 2023.
Total in PLN			13 702	13 702	
Total i EUR			321	1 525	
Overall long-term			15 227	15 227	<i>See also note 7.25</i>

In accordance with the requirements of IFRS 9, the Company carried out the loan impairment test taking into account the significant increases in product sales between 2023 and 2025 related to the expansion of the business into new markets and the introduction of new products in the gastrology segment. The Management Board is of the opinion that the assumptions made in the impairment test are reasonable and therefore no impairment loss on the loans is required.

7.15 Investments in subsidiaries and associated entities

<i>thousand PLN</i>	31.12.2021	31.12.2020
Investments in subsidiaries and affiliates, including:	3 965	3 965
- in subsidiaries	3 965	3 965
	3 965	3 965

Change in investments in subsidiaries and affiliates

<i>Thousand PLN</i>	31.12.2021	31.12.2020
Balance at the beginning of the statement period	3 965	3 965
Closing balance	3 965	3 965

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

7.16 Deferred tax assets and liabilities - deferred tax

Deferred tax assets arising from the following balance sheet items:

<i>thousand PLN</i>	Tax assets	
	31.12.2021	31.12.2020
Inventories	282	860
Receivables	-	-
Intangible assets	20 117	20 117
Loans and borrowings	480	429
Liabilities	774	605
Property, plant and equipment	-	-
Employee benefits	1 202	1 387
Provisions	2 020	3 964
Deferred income	4 033	4 448
Cash and cash equivalents	39	-
Total	28 945	31 809
Unsettled tax losses ¹⁾	8 213	11 807
Compensation of deferred tax	(15 223)	(16 744)
Total after compensation	21 936	26 872

¹⁾ current tax losses refer to the years 2018 (total amount of PLN 51,621 thousand) and 2019 (total amount of PLN 16,871 thousand). . In 2021, the Company used the losses from 2016, 2017, and 2018 in the amount of PLN 82,742 thousand. Other unsettled losses the Company plans to settle in subsequent financial years.

The Management Board anticipates that the Company will generate profits in future years to allow the realisation of tax losses recognised in deferred income tax.

Deferred tax assets arising from the following balance sheet items:

thousand PLN	Pasywa podatkowe	
	31.12.2021	31.12.2020
Property, plant and equipment	11 762	13 030
Intangible assets	2 822	2 399
Receivables	24	672
Cash and cash equivalents	2	14
Credits and loans	613	630
Total	15 223	16 744
Compensation of deferred tax	(15 223)	(16 744)
Total after compensation	-	-

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

thousand PLN	Balance as of 01.01.2021	Changes recognized in the financial result	Changes included in equity ¹⁾	Balance as of 31.12.2021
Property, plant, and equipment	(13 030)	1 268	-	(11 762)
Intangible assets	17 718	(423)	-	17 294
Inventories	860	(579)	-	282
Receivables	(672)	687	-	15
Cash and cash equivalents	(14)	12	-	(2)
Credits and loans	(200)	67	-	(133)
Employee benefits	1 387	(217)	31	1 202
Deferred income	4 448	(415)	-	4 032
Liabilities	605	169	-	774
Provisions	3 964	(1 944)	-	2 019
Tax losses	11 807	(3 594)	-	8 213
Total	26 872	(4 970)	31	21 936

7.17 Non-current prepayments and accruals

Thousand PLN	31.12.2021	31.12.2020
--------------	------------	------------

a) current prepayments, including:	772	1 057
- registration of medicinal products	104	186
- costs of updating IT systems	537	716
- financial costs	2	29
- other costs settled over time	129	126
	772	1 057

7.18 Inventories

<i>Thousand PLN</i>	31.12.2021	31.12.2020
a) raw materials	28 669	19 429
b) semi-finished goods and products in progress	55 214	38 047
c) finished goods	10 950	4 594
d) goods	29 271	26 009
e) prepayments for deliveries	164	1 015
Total inventories net	124 267	89 094
		4
Allowances for inventories	1 486	527
Total gross inventories	125 754	93 621

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, 2020, PLN 4,576 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>Thousand PLN</i>	31.12.2021	31.12.2020
Balance at the beginning of the statement period	4 527	335
- created	1 470	4 362
- used	(4 511)	(170)
Balance as at the end of period:	1 486	4 527

Increase in impairment write-down in the amount of PLN 1,470 thousand was recognized in other operating costs (in 2020, the amount of write-down - PLN 4,362 thousand).

The value of inventories recognized as the cost of products and sales of goods in the income statement was PLN 85,844 thousand (2020: PLN 117,945 thousand).

7.19 Current financial assets

<i>thousand PLN</i>	31.12.2021	31.12.2020
---------------------	-------------------	-------------------

a) in related entities,	-	1 499
- loans granted	-	1 499
	-	1 499

Change in current financial assets

<i>thousand PLN</i>	31.12.2021	31.12.2020
Balance at the beginning of the statement period	1 499	15 341
Increases under:	30	615
a) in related entities, including:	30	615
- interest on loans	30	520
- valuation of loans to related entities	-	95
Decreases under:	(1 529)	(14 457)
a) in related entities	(1 529)	(14 457)
- reclassification into non-current	(1 525)	(14 457)
- valuation of loans to related entities	(4)	-
Closing balance	-	1 499

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>thousand PLN</i>	31.12.2021	31.12.2020
a) from related entities	8 419	352
- for deliveries and services	8 419	352
b) receivables from other entities	30 826	36 805
- for deliveries and services	27 911	33 886
- tax liabilities, including:	2 791	2 462
- VAT	2 761	2 462
- other taxes	30	-
- other, including:	124	458
- advances paid for supplies and services	6	290
- receivables from employees	118	168
	39 245	37 157

Receivables from related entities mainly comprise accrued income from services provided.

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 from unrelated entities

Current receivables

<i>thousand PLN</i>	31.12.2021	31.12.2020
Current receivables due to gross deliveries and services with a repayment period:		
- up to 30 days	9 721	17 067
- from 31 to 60 days	16 400	12 612
- from 61 to 90 days	-	754
- from 91 to 180 days	-	1 220
Allowances for current receivables for deliveries and services	-	-
Net current trade receivables	26 122	31 653

Overdue receivables

<i>thousand PLN</i>	31.12.2021	31.12.2020
Gross overdue trade receivables with payment terms:		
- overdue up to 30 days	1 501	2 007
- overdue from 31 to 60 days	71	-
- overdue from 61 to 90 days	1	112
- overdue from 91 to 180 days	6	1
- overdue from 181 to 365 days	3	5
- overdue over 365 days	207	107
Net overdue trade and other payables	1 790	2 233

7.21 Cash and cash equivalents

<i>Thousand PLN</i>	31.12.2021	31.12.2020
Cash at bank	8 744	4 519
Deposits	-	17 485
Cash and cash equivalents in total	8 744	22 005
Overdrafts	-	-
Cash, value disclosed in the cash flow statement	8 744	22 005

Cash at bank accounts is subject to interest at volatile interest rates, the amount of which depends on the interest rate on oneday 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>thousand PLN</i>	31.12.2021	31.12.2020
Accruals and deferred income, including:	1 046	838
- taxes and charges	4	4
- registration of medicinal products	87	179
-property insurance	503	98
- costs of updating IT systems	182	351
- validations	128	52
- financial costs	28	126
- other costs settled over time	114	29
	1 046	838

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

As of December 31, 2021, and December 31, 2020, 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".

7.24 Equity

Share capital

<i>in thousands of shares</i>	Akcje zwykłe	
	31.12.2021	31.12.2020
Number of shares at the beginning of the statement period	85 864	85 864
Series A shares after resplit	85 864	85 864
Number of shares at the end of the period (fully paid-up)	85 864	85 864
Nominal value of each share (after resplit)	20 zł	20 zł

In 2021 the Company did not issue any shares.

Structure of the share capital of BIOTON S.A. as of 31.12.2021.

Shareholder	Number of shares/votes (in pcs)	% of the share capital
1 Dongren Singapore PTE LTD. ¹⁾	16 989 289	19,79
2 Perfect Trend Ventures Ltd. ²⁾	10 245 922	11,93
3 Troqueera Enterprises Ltd.	8 480 570	9,88
4 Basolma Holding Ltd. ³⁾	6 151 852	7,16
5 AIS Investment 2 Sp. z o. o.	5 151 852	6,00

5 UniApek S.A. ⁴⁾	4 293 210	5,00
7 Pozostali akcjonariusze posiadający < 5%	34 551 505	40,24
	85 864 200	100

¹⁾ 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. ²⁾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.

^{1) and 2)} 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.

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

⁴⁾ 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

Thousand PLN

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	-	-	-	-	-	(387 799)
	2 108 035	-	-	1 555 502	39 012	57 131

Thousand PLN

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)
	2 108 035	-	-	1,555,502	39 013	57 131

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, 2021, the reserve capital amounted to PLN 260 775 thousand (as of December 31, 2020 - PLN 260 776 thousand).

In 2021, the Company did not pay dividends. The Company does not plan to pay a dividend in 2022.

Reserve capital

The reserve capital includes the costs of payments in the form of securities for the management, as of December 31, 2021 - PLN 28,632 thousand (as of December 31, 2020 - PLN 28,632 thousand), capital from the settlement of acquisition of shares in BIOLEK Sp. z o.o, as of December 31, 2021 - negative amount of PLN 297,099 thousand (as of December 31, 2020 - negative amount of PLN 297,099 thousand) and actuarial valuations for provisions for pension benefits, a negative amount of PLN 109 thousand (as of December 31, 2020 - negative amount of PLN 24 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 2,622 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, 2021.

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	01.01.2021–31.12.2021	365	85 864 200
	85 864 200			365	85 864 200

The weighted average number of shares in the period from January 1 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
	85 864 200			365	85 864 200

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>thousand PLN</i>	31.12.2021	31.12.2020
Credits	16 046	31 962
Waived loans from related parties	-	-
Lease liabilities (not applicable to IFRS 16)	26	39
Non-current liabilities in total	16 072	32 000

Thousand PLN

Current liabilities

<i>thousand PLN</i>	31.12.2021	31.12.2020
Credit and loans liabilities, including:	77 950	70 37
- other credits and loans, including:	77 950	70 137
- from related entities - interest	27 712	26 739
- from other entities	50 238	43 399
Lease liabilities (not applicable to IFRS 16)	17	199

Credit card liabilities	1	1
Current liabilities in total	77 968	70 337

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

Thousand PLN

List of loans and credits

thousand PLN	Currency	Amount agreement	per	Repayment period according to the agreement	Interest terms	The amount of PLN as of December 31, 2021
ING Bank Śląski S.A	PLN	20 000		kwi.25	Variable interest rate – WIBOR 1M plus margin	17 032
ING Bank Śląski S.A overdraft	PLN	20 000		maj.23	Variable interest rate - WIBOR 1M plus margin	13 812
ING Commercial Finance Polska S.A. factoring facility)	PLN	20 000		maj.22	Variable interest rate – WIBOR 1M plus margin	15 467
Bank of China	EUR	12 000		sty.23	Variable interest rate – EURIBOR 3M plus margin	19 973
UniApek S.A.	USD	7 000		gru.22	Variable interest rate – LIBOR 3M for USD plus margin	27 712
Total in PLN				60 000		46 311
Total in EUR				12 000		19 973
Total in USD				7 000		27 712
Total						93 996

Hedge of credits resulting from the agreements:

- joint contractual mortgage on perpetual usufruct right to land property together with ownership right to buildings situated thereon,
- registered pledge on a collection of technical equipment and machinery,
- assignment of insurance policy rights,
- transfer of receivables under a factoring agreement,
- registered pledge on inventories
- sureties of subsidiaries granted as collateral for the Company's credit at the Bank of China - a total of EUR 18,000,000,
- a declaration of enforceability until December 31, 2038.

At ING Bank Śląski S.A., ING Commercial Finance Polska S.A. and the Bank of China China (Luxemburg) S.A. (Joint Stock Company) Branch in Poland powers of attorney were submitted to dispose of the funds accumulated on the BIOTON S.A. accounts held with these banks.

At Bank Of China (Luxemburg) S.A. (Joint Stock Company) Branch in Poland, a collateral in the form of 5% of Bioton S.A. shares owned by UNIAPEK S.A. has been deposited.

At banks ING Commercial Finance Polska S.A. and ING Lease (Polska) Sp. z o.o., the Company submitted three blank promissory notes along with promissory note declarations securing the Agreements.

Company:

- on May 10, 2021, concluded with ING Bank Śląski S.A. a Multi-Product Agreement for providing Working Capital Credits in Bank Accounts for the total amount of PLN 40 million, in the amount of a sublimit of PLN 20 million within Working Capital Credits in Bank Accounts with the deadline of repayment of the Credits by May 9, 2023, and in the amount of a sublimit of PLN 20 million within Working Capital Credits in Bank Accounts with repayment in monthly instalments by April 30, 2025,
- on May 26, 2021, concluded with ING Lease (Polska) Sp. z o. o. a Finance Leasing Agreement for a period of 60 months with the net value of PLN 8 million;
- on May 10, 2021, concluded a Factoring Agreement with the exposure limit of PLN 10 million with ING Commercial Finance Polska S.A. The agreement is valid until May 9, 2022;
- on July 29, concluded Annex No. 1 to the Factoring Agreement with ING Commercial Finance Polska S.A., increasing the limit of engagement to the amount of PLN 20 million. The Non-Recourse Factoring Agreement is valid up to the amount of the insurance protection of receivables provided by COFACE
- on January 21, 2021, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxembourg) SA (Joint Stock Company) Branch in Poland, amending the schedule for the payment of the loan instalment amount to the special use account (DSRA) during the period from January 22, 2021 to March 23, 2021
- on April 22, 2021, concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxemburg) SA (Joint Stock Company) 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 2021 to 23 June 2021;
- on May 7, 2021, the Company concluded a "Consent Letter" to the Loan Agreement with BANK OF CHINA expressing BANK OF CHINA's consent to refinance the indebtedness with Bank BOŚ S.A. and incur new financial indebtedness under the new financing with ING Bank on the terms and conditions set out in the document;
- on July 22, 2021, it concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA, operating through Bank Of China (Luxemburg) 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 July 2021 to 23 September 2021;
- on June 14, 2021, concluded Annex No. 2 to the Loan Agreement with UNIAPEK S.A. extending the repayment period of the loan until 05.12.2022, and setting out the repayment schedule for the period from 30.11.2021 to 30.11.2022;
- On November 30, 2021, the Company concluded Annex No. 3 to the Loan Agreement with UNIAPEK S.A., changing the loan repayment schedule until 05.12.2022.

On 18.05.2021, the Company repaid in full the liabilities to the Bank BOŚ S.A. under the non-revolving credit agreement no: S/14/1/2014/1157/K/INW/EKO, non-revolving credit agreement no. S/184/06/2013/1157/K/POŻ/HIP, Renewable Credit Agreement no. 2/2007 and a factoring facility agreement no. S/120/04/2012/K/FAK.

From the balance date to the date of publication of the financial statements, the Company partially repaid credits in the following banks:

- Bank of China (Luxembourg) SA (Joint Stock Company) Branch in Poland, capital instalment in the amount of EUR 750 thousand.
- ING Bank Śląski S.A. loan instalments in the amount of PLN 1,277 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 5% in the first year and 3.5% in each subsequent year, a discount rate 3.9%, 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 2020, the following assumptions were made: retirement age for men 65 years, for women 60 years, long-term annual growth rate of remuneration at 2%, a discount rate 1.5%, 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.

thousand PLN

	31.12.2021	31.12.2020
Non-current retirement severance payments provision	1 336	1 566
Current retirement severance payments provision	491	282
	1 827	1 847

Changes in liabilities due to employee benefits - pension provisions

thousand PLN

	31.12.2021	31.12.2020
Provision for retirement benefits - opening balance, including:	1 847	2 245
a) non-current	1 566	1 859
b) current	282	387
Decrease - release of the provision recognized in the income statement	214	269
Reductions - actuarial losses recognized in equity	(165)	(456)
Benefits paid out	(69)	(211)
Provision for retirement benefits - closing balance, including:	1 827	1 847
a) non-current	1 336	1 566
b) current	491	282

Maturity of provisions for employee benefits (values discounted actuarially)

	31.12.2021	31.12.2020
From 1 to 3 years	554	564
From 4 to 5 years old	120	89
Over 5 years	1 153	1 194
Total	1 827	1 847

Changes in liabilities due to employee benefits - holiday allowance

<i>thousand PLN</i>	31.12.2021	31.12.2020
Provision for holidays at the beginning of the period	1 897	1 806
Changes recognized in the income statement, including:	(98)	91
- reduction - dissolution of the provision	(1 848)	(1 702)
- increase - creation of a provision	1 750	1 793
Provision for holidays at the end of the period	1 799	1 897

7.27 Trade and other payables

Non-current liabilities

<i>thousand PLN</i>	31.12.2021	31.12.2020
- other, including:	10 342	10 342
- liabilities due to purchase of BIOLEK shares	10 342	10 342
Non-current liabilities in total	10 342	10 342

Current liabilities

<i>thousand PLN</i>	31.12.2021	31.12.2020
a) to related entities - <i>see principle (y)</i>	5 192	7 857
- for deliveries and services, of maturity date:	5 192	7 857
- up to 12 months	5 192	7 857
b) to other entities	33 485	43 700
- or deliveries and services, of maturity date:	22 956	29 076
- up to 12 months	22 956	29 076
- tax liabilities, including:	4 971	8 063
- social security liabilities	4 208	7 098
- PFRON (the State Fund for Rehabilitation of the Disabled Persons)	21	21
- personal income tax payable	742	784
- property tax	-	5
- customs and tax liability	-	155
- payroll payables	1 971	2 057
- other, including:	3 587	4 504
- liabilities under supply of non-financial fixed assets	437	779
- payables arising from non-invoiced deliveries	3 062	3 609
- other	88	116
Current liabilities in total	38 677	51 557

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, 2021, lease liabilities amounted to PLN 14,866 thous. , including long-term liabilities of PLN 13,049 thousand. The leasing liabilities shown in this item arise from the implementation of IFRS 16 mainly for transactions involving the right of perpetual usufruct to land.

<i>thousand PLN</i>	MSSF 16 31.12.2021	MSSF 16 31.12.2020
Lease liabilities (IFRS 16)	14 865	6 899
long-term part	13 049	6 817
short-term part	1 817	82
Lease liabilities in total	14 865	6 899

Thousand PLN In 2021, the Company concluded one sale-and-lease-back agreement for 5 factory machines for the amount of PLN 12,062 thousand and car lease agreements.

7.29 Deferred income

<i>thousand PLN</i>	31.12.2021	31.12.2020
Subsidies from the Ministry of Economy	14 200	14 839
Subsidies from the NFEPWM	2 437	2 548
Subsidies from the National Centre for Research and Development	578	578
Received upfront payments for sales of rights (upfront) ¹⁾	19 042	21 225
	36 257	39 191

¹⁾See also note 7.1.

7.30 Other accruals

<i>thousand PLN</i>	31.12.2021	31.12.2020
a) settlement of costs between the periods	3 183	6 032
- reserve for costs, including:	2 762	4 341
* provision for utilities	30	-
* provision for marketing expenditures	-	31
* provision for legal/advisory fees	167	50
* provision for costs of payroll including overheads	1 423	2 102
* provision for capital expenditure	1 066	2 051
* provision for other costs by nature	77	107
- provision for other operating costs	239	896
- provision for discounts to be granted in subsequent periods	172	786
- provision for financial costs	10	8
b) settlement of accruals	40 947	26 629
- 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	1 560

- received upfront payments (upfront) ¹⁾	2 183	2 183
- other (advances received for deliveries and analogue project)	36 453	22 134
	44 130	32 661

¹⁾ See also note: 7.1

-

7.31 Financial instruments

General data on financial instruments as of 31 December 2021.

	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	2 long-term loans	3 bank credits and factoring facility	1 loans	See details below	See details below
c) Carrying amount of the instrument (in thousands PLN)	8,744	15,227	66,284	27,712	39,245	Liabilities: 38,677 RMB: 3,183 Leasing obligations: 14,866
d) Value of the instrument in foreign currency (in thousands)	EUR 864 USD 5	EUR 321	EUR 4,372	USD 6,826	EUR 590 USD 2,086	EUR 315 USD 1,221
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	Nominal value	Nominal 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
	Bank deposits and cash on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
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	For PLN WIBOR + margin, for foreign currency LIBOR or EURIBOR + margin or fixed interest rates.	Bank credit – for PLN WIBOR + bank margin, for currency EUROIBOR + bank margin	Variable interest rate - USD LIBOR plus margin	According to the agreements	According to the agreements
	Due date upon completion	Date of payment - by the contract upon completion	Due date – monthly and quarterly			
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 financial institution	Foreign currency, interest rate, borrower credit	Interest rate and liquidity	Foreign exchange, interest rate, and liquidity	Foreign currency, interest rate and credit of the recipient	Foreign currency
q) Total existing liabilities for items seized in the instruments	none	none	none	none	none	none

r) Fair instrument value	Equal to carrying value	PLN 9,575 thousand	Equal to carrying value ING Bank Śląski S.A – PLN 16,145 thousand	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
	Bank deposits and cash on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
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 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 Liabilities : 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	Nominal value	Nominal 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 foreign 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, financial institution credit	Foreign currency, interest rate, borrower credit	Interest rate and liquidity	Foreign exchange, interest rate, and liquidity	Foreign currency, interest rate and credit of the recipient	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>thousand PLN</i>	Effective interest rate	up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
A loan to BIOTON International GmbH (EUR 268 thousand)	2.14%	1 525	-	-	-	1 525
A loan to BIOLEK (PLN 13,640 thousand) ¹⁾	2.81%	-	322	9 170	6 156	15 649
A write-down on the value of the loan to Biolek		-	(40)	(1 141)	(766)	(1 947)
		1 525	282	8 029	5 390	15 227

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

LIABILITIES

<i>thousand PLN</i>	Effective interest rate	up to 1 year	1 to 2 years	3 to 5 years	Total
ING Bank Śląski S.A overdraft		13 812	-	-	13 812
ING Bank Śląski S.A	3,53%	5 117	5 106	6 809	17 032
Bank of China loan (EUR 12 million)	2,41%	15 842	4 131	-	19 973
Uniapek loan (USD 7 million)	2,74%	27 712	-	-	27 712
ING Commercial Finance Polska S.A. (factoring facility)		15 467	-	-	15 467
		77 950	9 238	6 809	93 996

Information on financial liabilities is included in note 7.25.

7.33 Reconciliation of obligations arising from financial activities

<i>thousand PLN</i>	Cash flow			Non-cash flows				Foreign currency exchange rate valuation	31.12.2021
	Incurring	Repayment	Interest paid	Interest / Commissions accrued	Incurring	Discount			
01.01.2021									31.12.2021
Credits	39 420	33 812	(21 600)	(2 014)	2 069	-	-	(869)	50 817
Loans, including:	62 679	-	(21 523)	(1 114)	1 079			2 058	43 179
- from related entities	26 739		(947)	(1 114)	976			2 058	27 712
- from other entities	35 940	-	(20 576)	-	103			-	15 467
Leasing	6 899		(1 290)	(651)		9 083	824		14 865
Financial instruments	0		-	-					-
Combined	108 998	33 812	(44 413)	(3 779)	3 148		824	1 189	108 861
Total			(14 380)			(5 161)			

Information on financial liabilities is included in note 7.25.

7.34 Details of financial instruments

<i>thousand PLN</i>	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Revenues from:	981	2 405
- interest on financial assets, including:	415	504
- from bank deposits	0	3
- loans granted	415	501
- profit on disposal of financial assets (reversal of provision)	-	570
- exchange differences on receivables, loans granted, and cash on bank accounts	256	1 331
- exchange differences on liabilities	310	-
Costs arising from:	4 745	7 126
- interest on financial liabilities, including:	2 851	4 094
- on bank loans	1 875	2 885
- from loans received	976	1 209
- exchange differences on loans and credits received	1 894	2 878
- exchange differences on liabilities	-	154

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 2021, 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 22,638 thousand. In addition, the Company entered into a factoring agreement with ING Commercial Finance Polska S.A. regarding domestic receivables, which had a positive impact on financial liquidity. In 2021, the Company did not continue 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 and as receivables in domestic trade are insured up to the credit limits granted by the insurer and the Company sells within these limits, the credit risk of receivables is minimal. The majority of foreign trade is carried out on the basis of prepayments. In the opinion of the Management Board, due to the terms of repayment of receivables - insurance and prepayment - indicates that there have been no significant changes compared to the previous year.

The value of unsecured trade receivables as at 31.12.2021 is receivables from related parties (amount of PLN 8,419 thousand), receivables from other parties (amount of PLN 163 thousand) and receivables from a loan granted to a related party (amount of PLN 13,702 thousand). In the opinion of the Management Board, the risk of failing to collect the above receivables is low.

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.

The Company has not entered into any interest rate hedging transactions as at the date of publication of this report. In the opinion of the Management Board, in the case of loans bearing interest in PLN, in the last 6 months there has been a significant increase in the reference rate by the National Bank of Poland (NBP), which is associated with higher amounts of interest instalments payable on loans denominated in PLN in 2022 as compared to 2021. The loan and credit denominated in USD and EUR, which bear interest at a variable interest rate, are also exposed to the effects of decisions of market regulators (FED and ECB) on the increase in reference rates in the recent period. For details on the interest rates of the borrowings, see note 7.25

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 2021 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 periods of expenditure in foreign currencies.

The average NBP exchange rate for the PLN/USD currency pair in 2021 was PLN 3.86, compared with the average rate in 2020 of PLN 3.90. In 2021, the average exchange rate ranged between PLN 3.65 and PLN 4.19 per USD, compared with PLN 3.62 and PLN 4.26 in 2020. In 2021, the average NBP exchange rate for the PLN/EUR pair was PLN 4.57, compared with PLN 4.45 in 2020. In 2021, the average exchange rate ranged between PLN 4.45 and PLN 4.72 per EUR, compared with PLN 4.23 and PLN 4.63 in 2020. The total value of assets denominated in foreign currencies (mainly USD and EUR) as of December 31, 2021 amounted to PLN 16,668 thousand (including loans in the amount of PLN 1,525 thousand, trade and other receivables in the amount of PLN 11,164 thousand and cash and bank deposits - PLN 3,979 thousand). The total value of assets denominated in foreign currencies (mainly USD and EUR) as of December 31, 2021, amounted to PLN 53,890 thousand (including loans and credits - PLN 47,685 thousand and trade and other liabilities - PLN 6,205 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.

In the opinion of the Management Board, there was a change in the financing structure due to the full repayment of the Company's short- and long-term exposure in BOŚ Bank SA (credit lines and factoring) by concluding a series of agreements with ING BANK Śląski which significantly increased the available levels of credit limits (short- and long-term agreements, factoring facility and sale-leaseback of machines), thus increasing the liquidity of the Company and the Group.

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, 2021 – thousand PLN.	do roku	od 1 do 2 lat	od 3 lat do 5 lat	Razem
ING Bank Śląski S.A overdraft	13 812	-	-	13 812
ING Bank Śląski S.A	5 117	5 106	6 809	17 032
Bank of China (Luxembourg) S.A. Oddział w Polsce loan (EUR 12 million)	15 842	4 131	-	19 973
Uniapek S.A. loan(USD 7 million)	27 712	-	-	27 712
ING Commercial Finance Polska S.A. (factoring facility)	15 467			15 467
Total	77 950	9 238	6 809	93 996

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, 2021, and December 31, 2020, the Company did not have transactions hedging currency risk from trade inflows.

As at December 31, 2021 and December 31, 2020, the Company did not have any interest rate hedging.

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 which, in the opinion of the Management Board, due to the COVID-19 epidemiological situation in 2020 and 2021, did not significantly change during the periods indicated..

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>thousand PLN</i>	31.12.2021	31.12.2020
Liabilities for credits, loans and other debt instruments	93 996	102 337
Trade and other payables	38 677	51 557
Cash and cash equivalents in total	(8 744)	(22 005)
Net debt	123 929	131 889
Equity	639 282	636 526
Equity and net debt	763 211	768 415
Leverage ratio	16,24%	17,16%

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 (thousand PLN).

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	-
Total	135,783	93,892	38,664	3,227	24,039	23,473	566

Settled subsidies in the years from 2006 by 31.12.2021 thousand PLN).

Year	Total	Fixed assets	New job posts
2006-2017	6 641	6 075	566
2018	640	640	-
2019	639	639	-
2020	640	640	-
2021	640	640	-
Total settled	9 200	8 634	566
Remains to be settled (see also notes 7.29 and 7.30)	14 839	14 839	-

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
Total	16,637	4,050¹⁾

¹⁾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 31.12.2021 (thousand PLN).

Year	Fixed assets
2008-2017	10 056
2018	111
2019	112
2020	111
2021	112
Total settled	1 502
Remains to be settled (see also notes 7.29 and 7.30)	2 548

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 analogs 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 Company received information that the project was considered completed. As part of the completed project, the Company received a patent for a crystalline form of insulin glargine with stoichiometric zinc content and method for its preparation (P.426225), and received a patent for a crystalline zinc-free form of insulin glargine and method of its preparation (P. 426224), of which the Company informed in Current Report No. 2/2022 of 14 March 2022 and Current Report No. 3/2022 of 16 March 2022. The above data should be taken together with the information that the outlays amount in total to PLN 3,035 thousand, the received subsidies amount in total to PLN 2,135 thousand and the received advance payments on account of subsidies amount in total to PLN 3 thousand. The table concerning the performance of the agreement between the National Centre for Research and Development and the Issuer is indicated below.

Notwithstanding the above, the Company continues to work on the analogue project with Yifan Pharmaceutical Co., Limited ("Yifan") under the terms of the agreement, the subject of which is mutual cooperation between the parties in the development of the active substances of insulin analogues and the final medicinal product (finished form) from their production to

commercialisation the conclusion of which the Company announced in Current Report No. 17/2019 dated 16 July 2019 and plans to use the said patent No. P.426225 in this work.

Expenditure incurred in 2021 and grants received from 24.08.2016 to 31.12.2021 amounted to:

Year	Expenses incurred	Subsidies received	Advances obtained for subsidies
2017	0 ¹⁾	500	300
2018	0 ¹⁾	364	-291
2019	1 397	1 251	-1
2020	1 638	20	-5
2021	98	0	0
Total (see also Notes 7.29 and 7.30)	3 133	2 135	3

¹⁾ net amounts after accounting for the write-down made in 2018. Before submitting the application for co-financing (until August 2016) The Company incurred expenditures on analogs in the amount of PLN 52,785 thousand. . In 2018, the Company adjusted the approach to accounting for expenditures on the analog 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.

7.43 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.	PLN 150 thousand	Indefinite time
Blank promissory note along with the promissory note declaration related to the commercial contract	Merck Life Science Sp. z o.o. (before: MERCK Sp. z o.o.)	PLN 350 thousand	Indefinite time
Blank promissory note along with the promissory note declaration under co-financing agreement under the Operational Program.01.01.01-00-0579 / 16	National Centre of Research and Development ¹⁾	PLN 20,988.43 thousand	November 30, 2025

¹⁾ See note 7.42

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. Conditional liabilities arose from past events but are not recognised as a liability in the financial statements. In the opinion of the Management Board, it is not plausible that in the foreseeable future it will be necessary to expend funds containing economic benefits in order to fulfil the above-mentioned obligation.

7.44 Information on transactions with affiliates

The object of the transaction - turnover in the period (thousand 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	
		01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
BIOLEK Sp. z o. o.	Sales, including:	247	247
	Services	247	247
	Purchase, including:	3 877	3 280
	commodities	3 877	3 280
BIOTON MARKETING AGENCY Sp. z o. o.	Sales, including:	5 441	4 359
	services	1 262	1 261
	commodities	4 179	3 098
	Purchase, including:	20 491	20 021
	services	20 491	20 021
Yifan Pharmaceutical Co.Ltd	Sales, including:	9 682	18 863
	services	9 682	18 863
YIFAN INTERNATIONAL	Sales, including:	0	-665
	services	0	-665
SciGen Ltd. (Singapor)	Sales, including:	44 846	54 920
	services	39 917	41 557
	commodities	4 930	13 363

Open account balances

Name of the entity	Balance due to:	Wartość w tys. PLN	
		31.12.2021	31.12.2020
BIOTON International GmbH	Receivables for:	1 605	1 558
	-supplies, works and services	64	59
	-loans	1 541	1 499
BIOLEK Sp. z o. o.	Receivables for:	16 637	17 770
	-supplies, works and services	304	292
	-loans	15 649	16 404
	-revaluation write-downs for loans	-1 947	-1 947
	Liabilities for:	684	1 073
	-supplies, works and services	684	1 073
BIOTON MARKETING AGENCY Sp. z o. o.	Receivables for:	129	-
	- supplies, works and services	129	-
	Liabilities for:	4 508	3 967
	-supplies, works and services	4 508	3 967
Yifan Pharmaceutical Co.Ltd	Receivables for:	7 481	-

	-supplies, works and services	7 481	-
SciGen Pte.Ltd	Receivables for:	440	2 815
	- supplies, works and services	440	2 815
UniApek S.A.	Liabilities for:	27 712	26 739
	-loans	27 712	26 739

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

7.45 Average employment

full-time employment

	31.12.2021	31.12.2020
Average number of white-collar workers	200	198
Average number of blue-collar workers	120	165
	320	363

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

thousand PLN

No	Specification	31.12.2021	31.12.2020
A.	Managing persons:	2 681	2 344
1.	Neymann Robert	-	996
2.	Launders Jeremy	1 820	488
3.	Polonek Adam	861	860
B.	Supervising persons:	216	213
1.	Liu Jubo	24	24
2.	Trzeciak Dariusz	36	36
3.	Vaidyanathan Viswanath	24	24
4.	Khee Wee Hau	12	-
5.	Yuhong Geng	12	-
6.	Siembida Tomasz	12	-
7.	Cadei Nicola	39	24
8.	Rajentheran Ramesh	36	33
9.	Tan Wen Ming	11	24
10.	Hao Fan	10	48
C.	Total	2 897	2 557

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

thousand PLN

31.12.2021	31.12.2020
-------------------	-------------------

a) Mandatory audit of the annual financial statements ¹⁾	135	135
b) obligatory review of the semi-annual financial statements	90	90
c) other attestation services	23	45
d) tax advisory services	8	8
e) other services	-	-
Total	256	315

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.

7.48 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), launch and sales volume of analogues in the relevant years, as well as the assumptions made for the rotation of receivables, payables and acceleration of inventory turnover.

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

	CGU Bioton (assets related to insulin and analogs)
Value from the valuation	PLN 1,028 billion
Value range (Sensitivity analysis)	(WACC +/- 2%) change by (173.5) / + PLN 235.3 million Analog sales volume (+/- 40%) change by +/- PLN 264.1 million Inventory turnover in days (+/- 80 days p.a.) change by +/- PLN 71.2 million
Carrying amount as of 31.12.2021	1. Tangible Fixed Assets - PLN 299.1 million 2. RHI Intangible assets - PLN 366.9 million 3. Assets from deferred income tax – PLN 21.9 million Total: PLN 687.9 million

Assumptions	<p>The cash flow projections were based on experience and the best knowledge of the Company, whereas the most important assumptions include:</p> <ol style="list-style-type: none"> 1. predicted growth of insulin and analog market, 2. insulin registration schedule on the markets (assumed entry on individual markets), 3. competitive position (including sales prices on the market), 4. sales volumes and market shares are achievable 5. signed agreements with distributors and a global distribution of insulin contract, including Chinese market, 6. assumptions regarding required working capital, including the efficient use of stock levels in subsequent years, 7. financing development and registration of insulin analogs based on agreements with Yifan, 8. investments in the development of the production basis and the required capital expenditure, 9. production costs based on existing production factories of substances and ready-made forms along with expenditures on the maintenance of the machine park, 10. settlement of assets related to deferred income tax.
The projection period	2022-2031 and Residual Value based on 0% growth rate
Discount rate (WACC)	14.89%

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

In 2021, 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.

7.50 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. On May 10, 2021, the Mazovian Voivode issued a decision refusing to annul the decisions of the Head of the Ożarów Mazowiecki Commune of 15 April 1988 and 19 March 1990. The case was forwarded to the Ministry of Agriculture and Rural Development of the Republic of Poland as the body of second instance.

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

The Company was 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 statement, starting from the financial statements for 2011. The company questioned the basis for HLST demanding the disputed amount. On 11 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 with 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 considered the legal possibilities of justifying the appeal against the arbitration award and the grounds for HLST to obtain the enforceability of the arbitration award also in Poland. The Company has made a provision for the above 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 did 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. 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 filed its response to the appeal on 28 August 2020. On 31.03.2021, the Court of Appeal in Warsaw dismissed the appeal filed by AIS Investment 2 Sp. z o.o. The judgment of the Court of Appeal in Warsaw is legally binding, however, on 07.09.2021, AIS Investment 2 filed a cassation complaint which was received by Bioton on 09.09.2021, and on 23.09.2021, the Company filed a response to the cassation complaint and is awaiting a decision.

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 an auditor for special matters' report. The report is positive for the Company and raises no objections or doubts. The Company sought a refund of the amount of PLN 369,408.36 paid as remuneration for the works of the statutory auditor for special matters and proceedings are underway. In the opinion of the Management Board, apart from the settlement of the remuneration for the auditor for special matters, there is no significant risk of an outflow of economic benefits from the Company in relation to the above matter.

Inspection of the Customs and Fiscal Office in Kielce

On 10.12.2018, the Company received an authorization to conduct a customs and fiscal inspection issued by the Head of the Swietokrzyskie Customs and Fiscal Office in Kielce with respect to corporate income tax for 2016. As at the date of signing of the report, the Company has not received the protocol or the result of the inspection, and the proceedings are pending. In the Company's opinion, at this stage of the inspection it would be premature to decide on the possible impact of the inspection findings on tax liabilities in the balance sheet of the Group and the Company. Nevertheless, in the Company's opinion, taking into account all circumstances of the case, there are no grounds to identify any tax risks that may significantly affect the Company's tax liabilities.

7.51 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:

- 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.
- 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.
- 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.
- risk of limiting financial liquidity - during 2021, the Company signed financing agreements with ING Bank Śląski S.A. in the total nominal amount of PLN 60m (loan agreements and factoring agreement).. The Company is in financial talks on increasing credit limits or granting a new debt loan so that your energy is changed in 2022 by shifting a part of the short-term carrier to medium and long-term.
- 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.

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.

7.52 Economic and political situation in Ukraine

Due to the development of the geopolitical situation related to military actions on the territory of Ukraine, Bioton S.A. ("Company") provides information on the current impact of the conflict on the activities of Bioton SA and indirectly on the BIOTON Group ("Group"), as well as the main conclusions from the analysis of the potential impact of the conflict on the activities of the Company and the Group in the future.

The Group does not sell its products or goods directly in Belarus, Russia or Ukraine. However, the Group sells insulin (finished forms) and injectors through distributors operating on the Belarusian and Ukrainian markets. According to sales data, in 2021, sales in the above markets accounted for a total of 1.94% of the Group's consolidated revenues, while the share of sales in Ukraine in the revenues amounted to 1.31%, in Belarus - 0.62%, in Russia - 0.01%. In the opinion of the Group's Management Board, this does not represent a significant share of the Group's revenue.

On the Russian market, the Company has an agreement with Pharmasyntez-Nord JSC (see current report 36/2016) under which it is obliged to transfer the technology of the finished form of insulin and is obliged to provide the active substance for its production. As of the date of publication of this report, this technology has not been implemented at the Pharmasyntez plant in Russia. It should be noted that the law applicable to the Agreement is Swiss law and disputes should be resolved by Swiss arbitration. The Company commissioned a Swiss law firm to make a legal assessment of the Agreement and to present the most favourable legal solutions. As a result of the analysis of this opinion and the resulting recommendations, in order to minimise the legal risk, the Company has decided, in consultation with the law firm, to first call upon Pharmasyntez to fulfil the outstanding contractual obligations. The Company will inform about the next key steps in subsequent financial reports.

As at the date of publication of this report, the Company's Management Board was unable to determine the long-term prospects for operations on the markets of Belarus, Russia and Ukraine. At the same time, the Management Board of the Company has identified the following risks for the Group's operations in the short term related to the conflict:

- a decline in sales (or lack thereof) to distributors from Ukraine due to the ongoing war in that country, and its consequences for the economy and the healthcare sector in that country;
- decline in sales (or lack thereof) on Russian and Belarusian markets, i. a. due to economic sanctions and their impact on the condition of the Russian and Belarusian economies, including depreciation of local currencies translating into an increase in purchase prices of products settled in USD, administrative limitations in financial settlements between Russian and Belarusian entities and foreign entities;
- the perception of foreign companies by public customers in Russia and Belarus and local regulators, difficulties in product logistics and the expected increase in transport costs to these markets;
- reduction or suspension of payment of trade liabilities by distributors in Russia, Ukraine and Belarus;
- the impact of changes in the prices of raw materials, gas and electricity used to manufacture the substance and finished form of insulin, as well as the costs of distributing products to countries around the world.

The Group's long-term intention is to continue its operations in the Ukrainian market mainly due to the nature of its business and the supply of life-saving medicines while limiting risks (including financial risks) associated with this. At the same time, the Management Board of the Company does not exclude, taking into account the current situation, changes in operations, especially on the markets of Belarus and Russia.

As of the date of publication of this report, the Management Board of the Company, i. a. due to the dynamics of changes in external conditions and the implementation of the development strategy in other markets, does not foresee a possible revaluation of assets related to operations in Russia. In case of occurrence of premises to update the value of assets related to operations in Russia, the Management Board will monitor the situation on an ongoing basis.

As at the date of publication of this report, the Group's Management Board does not identify any direct impact of the above situation on the Group's activities in the area of employment. As of the day of publication of this report, the Management Board of the Group monitors whether the reports made available by the Issuer to the public through the Electronic System for Transmission of Information (hereinafter referred to as "ESPI") are transferred only by persons authorized to do so. The Management Board of the Group verified the number of active ESPI accounts. The Group's Management Board will provide information on the actual and potential impact of the political and economic situation in Ukraine on the Group's operations in subsequent quarterly and mid-year periodic reports in 2022.

7.53 Significant events after the balance sheet date

Cooperation with KRKA

On August 31, 2021, the Management Board of Bioton S.A. entered into a Contract Manufacturing Agreement ("Agreement") with KRKA, tovarna zdravil, d.d., Novo mesto. The Agreement concerns contract manufacturing by Bioton S.A. for KRKA of its own products in accordance with technology and materials provided by KRKA.

Based on business decisions made by KRKA on February 28, 2022 KRKA terminated the Agreement. According to the provisions of the Agreement, KRKA had the right to terminate it at any phase of the transfer.

Signatures of all the Members of the Management Board

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

Date and signature of the person entrusted with bookkeeping

Name and surname	Position	Signature
Renata Prokopczyk	Chief Accountant	

Warsaw, 31 March 2022