

**Report of the Management Board of BIOTON
S.A.
on the activities of BIOTON S.A. and
of BIOTON S.A. Capital Group
for fiscal year ended on 31st December 2020**

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This report of the Management Board of BIOTON S.A. (the "Company") on the activities of BIOTON S.A. Capital Group (the "Group") from 01.01.2020 to 31.12.2020 has been prepared in accordance with § 92 and § 70 point 8.8 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2009, No. 33, item 259 as amended), and therefore single report document of the Management Board and of the Group has been prepared.

1. Rules for preparing the individual and consolidated annual financial statements

Basic accounting principles and methods, valuation methods for assets and liabilities, measurement of the financial result and the method of preparing the individual and consolidated annual financial statements are presented in point 1.5. annual individual financial statements of the Company and in item 1.1.5 of the annual consolidated financial statements of the Group for the period from 01.01.2020 to 31.12.2020.

1.1. Average PLN exchange rates in the period covered by the annual consolidated financial statements and comparative data in relation to EUR

announced by the National Bank of Poland in relation to EUR, in the periods covered with the consolidated financial statements and consolidated comparative financial data, are presented in the table below.

Fiscal year	Average exchange rate in the period	The minimum exchange rate in the period	The maximum exchange rate in the period	Exchange rate on the last day of the period
2019	4.2988	4.2406	4.3891	4.2585
2020	4.4742	4.2279	4.6330	4.6148

1.2. Basic items of the consolidated balance sheet, consolidated income statement and consolidated cash and cash equivalents flow statement from the consolidated annual financial statements and consolidated comparative data converted into EUR

SELECTED CONSOLIDATED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
I. Net revenues on sale	221 788	202 032	49 570	46 997
II. Gross operating profit (loss)	48 580	(163 543)	10 858	(38 044)
III. Gross profit (loss) before taxation	41 611	(162 101)	9 300	(37 708)
IV. Net profit (loss) attributable to the shareholders of the dominant unit	33 920	(126 692)	7 581	(29 471)
V. Net cash flow from operating activity	41 949	46 707	9 376	10 865
VI. Net cash flow from investment activities	(4 685)	(53 802)	(1 047)	(12 516)
VII. Net cash flow from financial activity	(22 203)	6 526	(4 962)	1 518
VIII. Total net cash flows	15 062	(568)	3 366	(132)
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
IX. Total assets	867 107	885 479	187 897	207 932
X. Liabilities and provisions for liabilities	247 462	299 756	53 624	70 390
XI. Non-current liabilities	90 116	102 718	19 528	24 121
XII. Current liabilities	157 346	197 038	34 096	46 269
XIII. Equity capital	619 645	585 723	134 273	137 542
XIV. Share capital	1 717 284	1 717 284	372 125	403 260
XV. Weighted average number of shares	85 864 200	85 864 200	85 864 200	85 864 200
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0.40	(1.48)	0.09	(0.34)
XVII. Diluted profit (loss) per ordinary share (in PLN / EUR)	0.40	(1.48)	0.09	(0.34)
XVIII. Book value per share (in PLN / EUR)	7.22	6.82	1.56	1.60
XIX. Diluted book value per share (in PLN / EUR)	7.22	6.82	1.56	1.60
XX. Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

1.3. Basic items of the individual balance sheet, individual income statement and individual cash flow statement from the individual annual financial statements and individual comparative data translated into EUR

SELECTED INDIVIDUAL FINANCIAL DATA	in PLN thousand		in EUR thousand	
	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
I. Net revenues on sale	225 899	206 666	50 489	48 075
II. Gross operating profit (loss)	47 790	(19 814)	10 681	(4 609)
III. Gross profit (loss) before taxation	40 348	(198 531)	9 018	(46 183)
IV. Net profit (loss)	33 256	(195 984)	7 433	(45 590)
V. Net cash flow from operating activity	40 885	52 129	9 138	12 126
VI. Net cash flow from investment activity	(4 631)	(53 232)	(1 035)	(12 383)
VII. Net cash flow from financial activity	(21 276)	990	(4 755)	230
VIII. Total net cash flows	14 978	(113)	3 348	(26)
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
IX. Total assets	883 259	897 379	191 397	210 727
X. Liabilities and provisions for liabilities	246 732	294 478	53 465	69 151
XI. Non-current liabilities	89 917	102 052	19 484	23 964
XII. Current liabilities	156 815	192 426	33 981	45 186
XIII. Equity capital	636 526	602 901	137 932	141 576
XIV. Share capital	1 717 284	1 717 284	372 125	403 260
XV. Weighted average number of shares	85 864 200	85 864 200	85 864 200	85 864 200
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0.39	(2.28)	0.09	(0.53)
XVII. Diluted profit (loss) per ordinary share (in PLN / EUR)	0.39	(2.28)	0.09	(0.53)
XVIII. Book value per share (in PLN / EUR)	5.66	7.02	1.61	1.65
XIX. Diluted book value per share (in PLN / EUR)	5.66	7.02	1.61	1.65
XX. Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

2. Description of the organization of the Company and the Group with indication of entities subject to consolidation and description of changes in the organization of the Group including their reasons

As of 31.12.2020, the subsidiary units of BIOTON S.A. were:

- BIOTON MARKETING AGENCY Sp. z o.o. with its registered office in Macierzysz, in which BIOTON S.A. held 100% of shares,
- BIOLEK Sp. z o.o. with its registered office in Macierzysz, in which BIOTON S.A. held 100% shares,
- BIOTON (International) GmbH with its registered office in Baar (Switzerland), in which BIOTON S.A. held 100% shares
- Mindar Holdings Ltd with its registered office in Nicosia (Cyprus), in which BIOTON S.A. held 100% of shares - the company is not subject to consolidation due to the fact that the net assets and the financial result are not significant from the point of view of the consolidated financial statements;
- BioPartners GmbH with its registered office 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.

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

3. Discussion on basic economic and financial figures disclosed in the annual individual and consolidated financial statements, including the characteristics of the structure of assets and liabilities from the point of view of the liquidity of the Company and the Group, in particular description of factors and events, including atypical ones, with significant impact on the Company's and Group's operations and profits achieved or losses incurred in 2019, as well as discussion on the development prospects of the Company's and the Group's operations at least in the next fiscal year

An element affecting the comparability of data for 2020 and 2019 was the change in the PLN exchange rate in relation to the main currencies used in the Company compared to 2019 in 2020, the average daily exchange rate:

- USD / PLN increased by 1.6%, and
- EUR / PLN increased by 3.4%;

The dynamics ratios of individual components of consolidated balance sheet have been calculated by comparing their value as of 31.12.2020 with the values as of 31.12.2019.

3.1. Basic items of the Company's individual annual financial statements

Analytic balance sheet - assets

	31.12.2020		31.12.2019		changes	
	Total (in thous. PLN)	structure (in %)	total (in thous. PLN)	structure (in %)	(in thous. PLN)	(in %)
ASSETS						
A: Fixed assets	732 666	83,0	747 787	83.3	(15 121)	(2.0)
Property, plant and equipment	310 017	35.1	327 197	36.5	(17 180)	(5,3)
Investment properties	1 357	0.2	1 357	0.2	0	0.0
Intangible assets	369 493	41.8	374 924	41.8	(5 431)	1 (4)
Assets under the right of use	5 447	0.6	5 727	0.6	(280)	(4,9)
Non-current financial assets	14 457	1.6	0	< 0.1 %	14 457	-
Investments in subsidiaries and associated entities	3 965	0.4	3 965	0.4	0	0.0
Receivables under deliveries and services and other	0	< 0.1 %	0	< 0.1 %	0	-
Deferred income tax assets	26 872	3.0	34 051	3.8	(7 179)	(21.1)
Non-current prepayments	1 057	0.1	566	< 0.1 %	491	86.8
B: Current assets	150 592	17.0	149 592	16.7	1000	0.7
Inventories	89 094	10.1	78 278	8,7	10 816	13,8
Current financial assets	1 499	0.2	15 341	1.7	(13 842)	(90.2)
Trade and other receivables	37 157	4.2	47 569	5.3	(10 412)	(21.9)
Cash and cash equivalents	22 005	2.5	7 026	0.8	14 979	213.2
Accruals	838	< 0.1 %	1 378	0.2	(540)	(39.2)
Total assets	883 259	100.0	897 379	100.0	(14 120)	(1,6)

In 2020, the balance sheet total of the Company decreased by 1.6% compared to 2019. Total property, plant and equipment decreased by 2.0% (PLN 15.1 million).

The Company's current assets decreased by 0.7% (PLN 1 million). The change in the balance of current assets was significantly influenced by:

- decrease in current receivables by 90.2% (PLN 13.8 million) due to the reclassification of granted loans into non-current receivables;
- decrease in trade and other receivables by 21.9% (PLN 10.4 million) to the amount of PLN 37.1 million related to more effective collection of receivables and prepayments made by SciGen related to sales to international markets;
- increasing the level of inventories by 13.8% (PLN 10.8 million) to the level of PLN 89 million due to temporary stockpiling due to a regulatory change (ban on using Triton) and the epidemiological situation in the world;

The share of fixed and current assets in the balance sheet for 2020 amounted to 83% and 17% of the balance sheet total respectively.

Analytical balance - liabilities

	31.12.2020		31.12.2019		changes	
	total (in thous. PLN)	structure (in %)	total (in thous. PLN)	structure (in %)	(in thous. PLN)	(in %)
LIABILITIES						
Equity capital	636 526	72.1	602 901	67.2	33 626	5,6
Share capital	1 717 284	194.4	1 717 284	191.4	0	0.0
Issue capital of shares above their nominal value	57 131	6.5	57 131	6.4	0	0.0
Inventory capital	260 776	29,5	260 776	29.1	0	0.0
Reserve fund	(268 492)	<0,1	(268 861)	<0,1	370	(0.1)
Retained profit / loss	(1 130 172)	<0,1	(1 163 428)	<0,1	33 256	(2.9)
Non-current liabilities	89 917	10,2	102 052	11.4	(12 135)	(11.9)
Liabilities for credits, loans and other debt instruments	32 001	3.6	40 847	4.6	(8 846)	(21.7)
Lease liabilities	6 817	0.8	6,840	0.8	(23)	(0.3)
Employee benefits	1 566	0.2	1 859	0.2	(293)	(15.8)
Deferred income	39 191	4.4	42 125	4.7	(2 934)	(7,0)
Other liabilities	10 342	1.2	10 382	1.2	(40)	(0,4)
Current liabilities	156 815	17.8	192 426	21.4	(35 610)	(18,5)
Liabilities for credits, loans and other debt instruments	70 337	8,0	77 523	8.6	(7 186)	(9.3)
Lease liabilities	82		325		(243)	(74,8)
Trade and other payables	51 557	5.8	79 469	8.9	(27 912)	(35.1)
Employee benefits	2 179	0.2	2 193	0.2	(14)	(0,6)
Accruals	32 661	3.7	32 916	3.7	(255)	(0,8)
LIABILITIES IN TOTAL	883 259	100	897 379	100.0	(14 120)	(1,6)

The Company's equity increased by 5.6% to PLN 636.5 million, which was mainly due to the current year's profit in the amount of PLN 33.2 million.

The share of equity in the structure of liabilities increased to 72.1%.

Moreover, the following items were noted as liabilities:

- decrease in liabilities due to credits, loans and other debt instruments by PLN 7.2 million, which is caused by a decrease in debt in financial institutions repaid in accordance with the schedules indicated in loan agreements and leases,
- decrease in trade and other payables by PLN 27.9 million,

Dynamics ratios of individual components of income statement were calculated by comparing their values in 2020 with values for 2019.

Analytical income statement

	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019		changes	
	(in thous. PLN)	share of sales	(in thous. PLN)	share of sales	(in thous. PLN)	(in %)
Revenues from sales	225 899	100.0%	206 666	100.0%	19 233	9.3%
Cost of sales	(117 945)	52%	(99 229)	48,0%	(18 716)	18,9%
Costs of idle time and unused power	(3 409)	2%	(5 979)	2.9%	2 570	(43,0%)
Gross profit on sales	104 546	46%	101 458	49.1%	3 088	3.0%
Other operating revenues	31 915	14%	3 157	1.5%	28 758	910.9%
Selling expenses	(38 054)	17%	(74 163)	35.9%	36 109	(48,7%)
Administrative expenses	(37 385)	17%	(36 997)	17.9%	(388)	1.0%
Research and development costs	(3 999)	2%	(6 836)	3.3%	2 837	(41.5%)
Other operating costs	(9 232)	4%	(6 433)	3.1%	(2 799)	43,5%
Gross profit on operating activity	47 790	21.2%	(19 814)	9.6%	67 604	(341.2%)
Financial revenues	1 644	1%	3 657	1.8%	(2 013)	(55,0%)
Financial costs	(9 086)	4%	(182 374)	88.2%	173 288	(95,0%)
Profit / (loss) before taxation	40 348	17.9%	(198 531)	96.1%	238 879	(120,3%)
Income tax	(7 092)	3%	2 547	1.2%	(9 639)	(378.5%)
Net profit (loss) from discontinued operations	0	0	0	0.0%	0	n/a
Net profit / loss	33 256	15%	(195 984)	94.8%	229 240	(117,0%)

Revenues from sales

In 2020, the Company achieved sales revenues of PLN 225.9 million, the largest share of which was the sale of insulin forms. In the comparable period of 2019, sales revenues amounted to PLN 206.7 million, which means that revenues in 2020 were higher by 9.3% compared to the previous year.

The difference in sales revenues was positively influenced by the increase in sales between 2020 and 2019 by 34.4%, i.e. from PLN 106.1 million in 2019 to PLN 142.6 million in 2020, and the settlement of the analog project for the amount of 22.4 PLN million.

On the other hand, the following events recorded in the first half of the previous year had a negative impact on the difference in sales revenues between 2020 and 2019:

- 1) revenue from a service contract (assessment of the technological feasibility of the possibility of implementing production)
- 2) one-off recognition of revenue resulting from the termination of the contract with Harbin Gloria.

In the structure of other operating revenues, the largest items are:

- income from damages from Gloria (PLN 15.7 million);
- income from damages from Nemera (PLN 10.0 million);
- subsidy from the Voivodeship Labor Office in connection with COVID 19 (PLN 1.9 million);
- termination of the provision for leaves (PLN 1.7 million);
- termination of the provision for employee leaves (PLN 1.4 million).

In turn, other operating costs mainly contain:

- allowances and liquidation of goods and materials (PLN 5.1 million);

- provision for leaves (PLN 1.7 million);
- written off, redeemed receivables (PLN 1.0 million);
- provision for employee severance payments (PLN 1.0 million),

The value of financial revenues / costs was mostly influenced by negative exchange differences (PLN 3.9 million) in 2020. In 2020, financial costs are mainly interest on credits, loans, operating lease, late payment (PLN 4.0 million), discounts and factoring commissions from BOŚ (PLN 1 million), loan commissions (PLN 0.2 million).

3.2. Basic items of the Group's consolidated annual financial statements

Consolidated analytical balance - assets

	31.12.2020		31.12.2019		changes	
	total	structure	total	structure		
	(in thous. PLN)	(in %)	(in thous. PLN)	(in %)	(in thous. PLN)	in %
ASSETS	867 107	100.0	885 079	100.0	(17 972)	(2)
A: Plant, property and equipment	715 819	82.6	747 620	84.4	(31 801)	(4,3)
1. Plant, property and equipment	310 017	35.8	327 197	37.0	(17 180)	(5,3)
2. Investment properties	1 357	0.2	1 357	0.2	0	0.0
3. Other intangible assets	370 223	42.7	376 565	42.5	(6 342)	(1.7)
4. Assets under the right of use	5 608	0.6	6 603	0.7	(995)	(15,1)
5. Deferred income tax assets	27 541	3,2	35 315	4.0	(7 774)	(22,0)
6. Non-current prepayments	1 073	0.1	583	0.1	490	84,0
B: Current assets	151 288	17.4	137 459	15.5	13 829	10.1
1. Inventories	90 017	10,4	79 726	9,0	10 291	12,9
2. Income tax receivables	279	0.0	0.0	0.0	279	-
3. Trade and other receivables	37 894	4.4	48 528	5.5	(10 634)	(21,9)
4. Cash and cash equivalents	22 239	2.6	7 177	0.8	15 062	209,9
5. Current prepayments	860	0.1	2 028	0.2	(1 168)	(57,6)
6. Plant, property and equipment intended for sale	0	0.0	0	0.0	0	-

In 2020, the balance sheet total of the Group dropped by 2% (PLN 18.1 million).

Plant, property and equipment fell by 4.3% (PLN 31.8 million). The following factors had the biggest impact on the change in plant, property and equipment:

- decrease in intangible assets by 1.7% (PLN 6.3 million),
- decrease in plant, property and equipment by 5.3% (PLN 17.2 million)
- decrease in deferred tax asset by 22% (PLN 7.8 million) mainly due to the use of the tax loss;

The Group's current assets increased by 10.1% (PLN 13.8 million). Change in the balance of current assets was significantly influenced by:

- increase in the level of inventories by 12.9% (PLN 10.2 million) to PLN 90 million, as a result of the temporary collection of products related to the regulatory change (ban on using Triton) as well as resulting from the epidemiological situation in the world,
- decrease in trade and other receivables by 21.9% (PLN 10.6 million) to PLN 37.9 million, as a result of more effective debt collection;

The ratio of fixed assets to current assets was 82.6% to 17.4%.

Consolidated analytical balance - liabilities

	31.12.2020		31.12.2019		changes	
	total	structure	total	structure		
	(in thous. PLN)	(in %)	(in thous. PLN)	(in %)	(in thous. PLN)	in %
LIABILITIES	867 107	100.0	885 079	100.0	(17 971)	(2)
A: Equity	619 645	71.5	585 723	66.1	33 923	5.8
1. Stock capital	1 717 284	198,0	1 717 284	194	0	0.0
2. Capital on issue of shares above their nominal value	57 131	6,6	57 131	6.5	0	0.0
3. Inventory capital	260 776	30.1	260 775	29,5	1	0.0
4. Reserve capital	(266 561)	(30,7)	(267 119)	(30.2)	558	(0.2)
5. Revaluation capital	0	0.0	0	0.0	0	-
6. Reserve capital from transactions between shareholders	(80 844)	(9.3)	(80 844)	(9.1)	0	(0.0)
7. Exchange differences on translation of subordinate units	(182)	(0.0)	(29)	(0.0)	(153)	527.2
8. Retained profit	(1 067 958)	(123.2)	(1 101 878)	(124.5)	33 920	(3.1)
B: Non-current liabilities	90 116	10,4	102 718	11.6	(12 602)	(12.3)
1. For credits, loans and debt instruments	32 004	3.7	40 847	4.6	(8 843)	(21,6)
2. Due to leasing	6 817	0.8	6 976	0.8	(159)	(2,3)
2. Due to employee benefits	1 762	0.2	2 226	0.3	(464)	(20,9)
4. Deferred revenues	39 191	4.5	42 125	4.8	(2 934)	(7,0)
5. Due to deferred tax	0	0.0	162	0.0	(162)	(100,0)
7. Other liabilities	10 342	1.2	10 382	1.2	(40)	(0,4)
C: Current liabilities	157 346	18,1	197 041	22.3	(39 695)	(20.1)
1. For credits, loans and debt instruments	70 985	8.2	78 178	8.8	(7 193)	(9.2)
2. Due to leasing	295	0.0	1 437	0.2	(1 142)	(79,5)
3. For supplies and services and others	49 971	5.8	77 693	8.8	(27 722)	(35,7)
4. For income tax	5	0.0	121	0.0	(116)	(95,9)
5. Other accruals	36 090	4.2	39 612	4.5	(3 522)	(8.9)
D: Liabilities related to assets intended for sale	0	0.0	0	0.0	0	-

The Group's equity increased by 5,8% to PLN 619.9 million.

Non-current liabilities decreased by 12.3% (PLN 12.6 million) to the level of PLN 90.1 million, mainly as a result of the reduction of indebtedness in financial institutions repaid in accordance with the schedules specified in the credit agreements.

Current liabilities amounted to PLN 157.3 million and decreased by 20.1% (PLN 39.6 million) compared to the previous year, mainly as a result of a decrease in liabilities from credits, loans and debt and trade instruments, as well as other accruals related to mainly settlement of prepayments received for an analog project.

The share of current liabilities in the structure of total liabilities was 18.1% and was lower than in the previous year (22.3%).

Dynamics ratios of individual components of consolidated income statement were calculated by comparing their value in 2020 with the values for 2019.

Consolidated analytical income statement

	01.01-31.03.2020		01.01 - 31.12.2019		changes	
	total (in thous. PLN)	structure (in %)	total (in thous. PLN)	structure (in %)	(in thous. PLN)	(in %)
1. Revenues from sales	221 788	100.0	202 032	100.0	19 756	8.9
2. Own cost of sales	(113 681)	51.3	(93 889)	46.5	(19 792)	17.4
3. Costs of idle time and unused power	(3 409)	1.5	(5 979)	3.0	2 570	(75,4)
4. Gross profit on sales	104 699	47.2	102 164	50.6	(2 535)	(2,4)
5. Selling and distribution expenses	(34 985)	15.8	(69 828)	34.6	34 843	(99,6)
6. Administration expenses	(38 751)	17.5	(38 638)	19.1	(113)	0.3
7. Research and development costs	(3 999)	1.8	(6 837)	3.4	2 838	(70,9)
8. Total operating costs (2 +3 +5 +6 +7)	(194 824)	87.8	(215 171)	106.5	(20 347)	10,4
9. Profit on sales	26 964	12.2	(13 139)	6.5	(40 103)	(148.7)
10. Other operating revenue	32 711	14.7	3 938	1.9	28 773	88.0
11. Other operating costs	(11 094)	5,0	(154 342)	76.4	143 248	(1,291.2)
12. Gross profit on operating activity	48 580	21,9	(163 543)	80.9	(212 123)	(436.6)
13. Financial revenues	1 143	0.5	9 207	4.6	(8 065)	(705.9)
14. Financial costs	(8 112)	3.7	(7 765)	3.8	(347)	4.3
15. Share in the financial result of entities accounted for using the equity method	0	0.0	0	0.0	0	not applicable
16. Gross profit	41 611	18.8	(162 101)	80.2	(203 712)	(489.6)
17. Income tax	7 691	3,5	35 409	17.5	(27 718)	(360.4)
18. Net profit on continued operations	33 920	15.3	(126 692)	62.7	(160 612)	(473.5)

In 2020 the Group generated sales revenues in the amount of PLN 221.8 million, compared to total sales revenues of PLN 202.0 million in 2019. The increase in sales revenues compared to the previous year amounted to PLN 19.8 million.

In 2020, the Group achieved a gross profit on sales of PLN 104.7 million compared to PLN 102.2 million in 2019, which means that they increased year-on-year by PLN 2.5 million, i.e. 2.4 points interest.

In 2020, the Group's selling costs decreased by 99.6% (PLN 34.8 million). General and administrative expenses in 2020 were at the same level as in 2019 and amounted to PLN 38.7 million.

Research and development costs decreased from PLN 6.8 million in 2019 to PLN 4.0 million in 2020.

Other operating revenues in the Group in 2020 amounted to PLN 32.9 million. The largest items in the revenue structure include:

- income from damages from Gloria (PLN 15.7 million);
- income from damages from Nemera (PLN 10.0 million);
- subsidy from the Voivodeship Labor Office in connection with COVID 19 (PLN 1.9 million);
- termination of the provision for leaves (PLN 1.7 million);
- termination of the provision for employee leaves (PLN 1.4 million).

Other operating costs in the Group in 2020 amounted to PLN 11.3 million. The largest items in the cost structure include:

- allowances and liquidation of goods and materials (PLN 5.1 million);

- provision for leaves (PLN 1.7 million);
- written off, redeemed receivables (PLN 1.0 million);
- provision for employee severance payments (PLN 1.0 million),

In 2020 financial revenues in the Group amounted to PLN 1.1 million. Their level was significantly influenced by exchange rate differences recorded in 2020. The Group's financial costs in 2020 amounted to PLN 8.1 million, including the main items: interest and bank commission expenses.

Net profit for 2020 amounted to PLN 33.9 million. In 2019, the Group recorded a loss of PLN 126.7 million.

4. Description of significant off-balance items on subjective, objective and value basis

In 2020, there were no significant off-balance sheet items in the Company and the Group, apart from those indicated in the financial statements of the Company and the Group.

5. Description of significant risk factors and threats, including the extent of exposure for the Company and the Group

Risk related to the refusal or delays in the admission of the Company's and Group's products to trading

New products of the Company and of the Group may be admitted to trading on a given market only after obtaining relevant permit in accordance with applicable law. Preparing documentation required to obtain a permit for a given product requires a lot of work and time, in particular on certain markets. Also the procedure itself for obtaining such a permit can also be extremely time-consuming. The foregoing applies in particular to the central registration procedure for biotechnology products, which may additionally be extended by frequent changes in regulations and corresponding interpretative doubts. These factors may cause significant delays in the introduction of new products by the Company and the Group on the market. Refusal or delay in the admission of the Company's and the Group's products to trading may have significant adverse impact on the Company's and Group's operations, financial position or results of operations. Threat - high.

The risk associated with occurrence of side effects, interactions with other drugs or lack of quality of specific products of the Company and the Group

It cannot be ruled out that unpredicted side effects, as well as interactions with other drugs, will occur during use of the medicine, after it is released into the market. Such situations may also take place with the use of drugs available on the market for a long time and may lead to specific actions being taken by the relevant authorities. For example, in Poland, if an unexpected, serious, undesirable side effect of a medicinal product threatening human life or health, lack of declared therapeutic efficacy or detriment to the therapeutic effect is found, the Minister of Health will revoke the authorization of placing the product on the market. In addition, if there is a justified suspicion that a medicinal product does not meet the requirements set for it, the Main Pharmaceutical Inspector issues a decision to suspend specific batches of a medicinal product within their trading activity. The occurrence of any of the above-mentioned factors may have a material adverse effect on the Group's and the Company's operations, financial position or results of operations. Risk - medium.

The risk of failing to achieve intended results of development works in the segment of biotechnological drugs

A significant part of expenditures and costs incurred by the Company and the Group is allocated to financing development works, including in the scope of biotechnology products. Development of activity on the market of biotechnology products requires incurring significant costs, whereas the risk of failing to achieve intended results of research and development works in the scope of biotechnology products is higher than in the case of generic drugs. Failure of development works financed by the Company and by the Group could result in the lack of possibility to recover incurred costs and expenses through the sale of biotechnology products developed as a result of financed development works, which may have significant adverse effect on the Company's or the Group's operations, financial position or results. Threat - high.

Risk related to the strategy of commercialization of the Company's and the Group's products on key markets

The Company's and the Group's strategy in the scope of commercialization of products on key markets is based on cooperation with international pharmaceutical concerns under long-term distribution agreements. In 2018, the Company signed a global contract for the distribution of classic human insulin - Yifan International Ltd, amended in January 2020 as part of the signed Novation Agreement. It is unsure whether sales levels established by the distribution partner on individual markets will be reached, and thus whether the volume of production and sales of the group will be reached at expected levels. The amount of expenditures on marketing and sales of the Group's products incurred by distribution partners, their resources on selected foreign markets, as well as knowledge and experience in the scope of promotion and sale of pharmaceutical products on a given market may not be sufficient

to achieve assumed sales volumes. Given the above, there is no certainty that the Company's and the Group's operations on selected foreign markets will bring expected results. It cannot be ruled out that distribution partners will not be able to achieve their goals and their marketing strategy in some export markets will not be effective. The occurrence of any of the above-mentioned factors may have a material adverse effect on the Group's and the Company's operations, financial position or results of operations. Threat - medium.

The risk related to the change of drug reimbursement rules

In most of the countries in which the Company and the Group operate, the market of drugs, including reimbursed drugs, is regulated in detail by relevant legal regulations. On the basis of these provisions, a list of reimbursed drugs, the scope of refunds, including prices, limits and the level of reimbursement, is established. Unfavorable changes in legal provisions regulating the drug market, for example deleting the Company's and the Group's medicinal products from the list of refundable medicines, introducing a separate higher price limit for refunding competitive products, changing the price limit or lowering the reimbursement rate of a given drug may negatively affect the competitiveness of the Company's and the Group's products, may have a material adverse effect on the Company's and the Group's operations, financial position or results of operations. Risk - medium.

The risk of changes in the foreign currency exchange rate

Part of the Company's and the Group's revenue comes from the export of medicines, and part of the components needed to manufacture the medicines by the Company and the Group and the delivery of contract products are imported. Given the above, part of the Group's and the Company's revenues and a part of costs are generated or incurred in foreign currencies. In addition, the majority of the Company's and the Group's export revenues are expressed in US dollars, while the distribution of imports is mainly done in USD and EUR. In the event of an imbalance between costs and revenues as well as in the case of imbalance between revenues and costs in the same foreign currency, fluctuations in currency exchange rates may have a material adverse effect on the Group's and the Company's operations, financial position or results of operations. Threat - high.

Risk related to changes in the law

The Company and the Group are exposed to the risk of changes in the legal and regulatory environment in the countries in which they operate. The legal and regulatory environment in the countries in which they operate has been subject to frequent changes and is still being implemented in a uniform manner by the courts and public administration bodies. In the case of the Polish market, the scope of these factors has significantly expanded due to Poland's accession to the EU in May 2004, as a result of which Poland was obliged to adopt and implement all EU legal acts and *acquis communautaire* (legal provisions and case law of the European Court of Justice, which bind all EU Member States). Threat - low.

Risk related to changes in tax law in Poland

The Company and the Group are exposed to the risk of changes in legal and tax environment in Poland. Changing legal and tax environment has been subject to and will continue to be subject to frequent changes, and in addition, the law is not applied uniformly by courts and tax administration bodies. Risk - medium.

Risk related to changes in tax law

The company and the Group are exposed to the risk of changes in the regulation of value added tax, corporate income tax and social security charges which are subject to frequent changes. Frequent changes result in lack of relevant reference points, inconsistent interpretations and scarce number of applicable precedents. The binding provisions also contain ambiguities, which cause differences in opinions as to the legal interpretation of tax regulations. Tax settlements and other areas of activity may be subject to control by authorities that are entitled to impose high penalties and fines, and any additional tax liabilities resulting from control must be paid with interest. As a consequence, the amounts shown and disclosed in financial statements can be changed in the future, as a result of the ultimate decision by a tax audit authority. Amendments to the Tax Code were introduced on 15 July 2016 in order to reflect the provisions of the General Anti-Abuse Regulation (GAAR). The purpose of GAAR is to prevent emergence and use of fake legal structures created in order to avoid paying taxes in Poland. GAAR defines tax avoidance as activity undertaken in the first place in order to achieve tax advantage contrary, under given circumstances, to the subject and aim of the provisions of tax laws. New regulations will require significantly more assessment in the scope of tax consequences of particular transactions. Risk - medium.

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

6.1. "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.

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

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

The company verifies the legal possibilities of the grounds for appealing against the arbitration award and the grounds for obtaining the enforceability of the arbitration award by HLST also in Poland. The company has taken legal steps to reach an amicable settlement. The Company established a provision for the above-mentioned liabilities in previous years.

6.3. Arbitration proceedings against LG Chem, Ltd.

On 25.05.2017 Biopartners GmbH with its registered office in Baar, Switzerland ("Biopartners"), in which the Company - via Biopartners Holdings AG with its registered office in Baar, Switzerland - holds 100% of shares, filed an application to initiate arbitration proceedings before the arbitration tribunal of the International Chamber of Commerce, in which it will demand from LG Chem, Ltd. with its registered office in Seoul, Korea ("LG Chem") compensation for the failure by LG Chem to meet its obligations under the Development and License of October 16, 2001 (the "Agreement"). The Agreement was terminated by Biopartners in a letter dated 23.05.2017. The Agreement specified, among others principles of cooperation between the parties in the development and commercialization of an innovative endocrine product - prolonged release growth hormone ("Valtropin SR"). On 05.08.2013, as a result of development works and

registration processes conducted on the basis of the Agreement, a registration certificate was obtained enabling the sale and distribution of Valtropin SR in the European Union. Due to LG Chem's failure to provide Biopartners with a ready-to-market product, Valtropin SR has not been commercialized.

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

On February 28, 2018, in accordance with the Schedule included in Procedural Regulation No. 2 of the International Chamber of Commerce of November 16, 2017, LG Chem sent a response (Defense Memorial) to the Biopartners' Memorial of Claim. According to the Schedule, Biopartners sent a reply (Reply Memorial) to LG Chem and supported witness statements on June 7, 2018. At the beginning of October, the hearings of the Parties took place. On 3.01.2019, the Company received information that the Court of Arbitration of the International Chamber of Commerce has dismissed the claim for damages to Biopartners GmbH. In its arbitration award, the Tribunal awarded Biopartners with costs in the amount of USD 315000 plus legal costs USD 2 802 305 with interest of 5.33% from 2 January 2019. Biopartners did not appeal to the aforementioned arbitration award.

Biopartners GmbH (Switzerland) filed for bankruptcy on 12 March 2019 and Biopartners Holdings AG filed for bankruptcy on 13 March 2019. Bankruptcy procedure was initiated on 21 March 2019. The companies were marked in the commercial register as "in liquidation". Companies cannot conduct business activity and do not have access to bank accounts. Biopartners Holdings AG was removed from the commercial register on 8 May, 2019. The liquidation of Biopartners GmbH (Switzerland) and BioPartners GmbH (Germany) is pending approval by the relevant authorities.

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

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

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

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

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

On October 24, 2019, Bioton S.A. received a non-final decision of the Court Referendary for the District Court for the capital city of Warsaw in Warsaw about the designation of Grant Thornton Polska sp. z o.o. with its registered office in Poznań as a special auditor of Bioton S.A. Bioton S.A. filed a complaint. On 18.11.2019, the Company received a decision rejecting the complaint against the referendary's decision regarding the appointment of an auditor for special matters. On 25.11.2019, Bioton S.A. appealed against the decision rejecting the complaint against the court referendary's decision to appoint a special auditor. On 18 February 2020, the court dismissed Bioton S.A.'s complaint against the decision rejecting the complaint against court referendary's decision to appoint a special auditor (the

decision is final). The company concluded an agreement for the performance of the activities of an auditor for special matters with Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań on 25.08.2020, the works started from 27 August 2020. The company is waiting for the final report from the auditor for special matters. On November 3, 2020, the company received a statutory auditor's report for individual cases. The report is positive for the Company and raises no objections or doubts. Currently, the Company is seeking a refund of the amount of PLN 369,408.36 paid as remuneration for the works of the statutory auditor for special matters.

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

7. Information on basic products, goods or services, including their value and quantity determination and the share of individual products, goods and services (if relevant) or their groups in total Company and Group sales, as well as changes in this scope in a given fiscal year

The main products and goods of the Company and the Group are:

- recombinant human insulin in the form of pharmaceutical substance and injection preparations,
- oral anti-diabetic medications,
- other goods (strips for measuring sugar in blood, OTC preparations for diabetics),
- devices (pens, strips, needles)

7.1. Basic items for the Company

Sales on domestic market is carried out directly by the Company. Sales outside Poland is conducted mainly on the basis of a cooperation agreement with SciGen and other sales agreements concluded directly with foreign partners. In the case of foreign trade partners, the cooperation mainly regards direct exports. In the case of domestic trade partners in the scope of export, the products are delivered by the Company to places defined by trade partners responsible for delivering products abroad.

The Company's sales structure by product range (by value)

Sales revenues - assortment structure	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	(in thous. PLN)	structure (in %)	(in thous. PLN)	structure (in %)
	Insulin	142 646	63,15%	106 123
Finished goods	142 646	63,15%	106 123	51.35%
OAD PL	32 001	14,17%	31 826	15.40%
Other goods PL	13 111	5,80%	24 647	11,93%
Devices	7 351	3,25%	8 757	4.24%
Goods and materials	52 462	23,22%	65 229	31.56%
Services¹⁾	30 792	13,63%	35 314	17.09%
Total sales revenues	225 899	100,00%	206 666	100,00%

In 2020 the Company achieved sales revenues in the amount of PLN 225.9 million, in which the largest share was the sale of insulin forms in the amount of PLN 142.6 million. In the comparable period of 2019, sales revenues amounted to PLN 206.7 million, of which insulin sales amounted to PLN 106.1 million, which means that revenues in 2020 were higher by 9.3% compared to the previous year.

In the analyzed period, the company achieved a gross margin on sales of 46.3%, compared to 49.1% in the corresponding period of 2019. The decrease in the margin was mainly influenced by the writing of the products and the change in the product structure.

7.2. Basic items for the Group

The Group's sales structure by product range (by value)

Sales revenues - assortment structure	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	(in thous. PLN)	structure (in %)	(in thous. PLN)	structure (in %)
Insulin	142 646	64,32%	106 123	52.53%
Finished goods	142 646	64,32%	106 123	52.53%
OAD PL	32 001	14,43%	31 826	15.75%
Other goods PL	13 582	6,12%	25 564	12.65%
Devices	4 253	1,92%	4 648	2.30%
Goods and materials	49 835	22,47%	62 038	30.71%
Services¹⁾	29 307	13,21%	33 871	16.77%
Total sales revenues	221 788	100,00%	202,031	100,00%

The Group's sales revenues in 2020 amounted to PLN 221.8 million and were higher by 9.8% than in the corresponding period of 2019. The value of revenues in 2020 was influenced in 64.3% by sales of Insulin on the Polish market and on other international markets.

The gross margin on sales at the consolidated level was 47.2% and was lower by 3 pp compared to the comparative period.

8. Information on sales markets, with regard for the division into domestic and foreign markets, and information on sources of supply of materials for production, goods and services, with indication of dependence on one or more recipients and suppliers, and in the case where the participation of one recipient or supplier reaches at least 10% of total sales revenues - the name (business name) of the supplier or recipient, its share in sales or supplies and its formal links with the Group

8.1. The Company's sales structure on domestic and foreign market

In 2020 the Company generated revenues from domestic sales in the amount of PLN 128.8 million, which means that revenues were lower than in 2019 by 12.4%.

In 2020, the company achieved revenues from the sale of insulin on the Polish market in terms of sales to pharmaceutical wholesalers in the amount of PLN 79.7 million. The company achieved a 34.6% share in the market of classic insulins in terms of quantity in Poland. The company implemented a cooperation program with distributors and terminated the cooperation agreement with Biomed Lublin and terminated its cooperation with Merck Sharp & Dohme.

Sales structure of BIOTON S.A. on domestic market

Sales revenues - assortment structure PL	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	(in thous. PLN)	structure (in %)	(in thous. PLN)	structure (in %)
	Insulin	79 668	61.86%	52 153
Finished goods	79 668	61.86%	52 153	45.53%
OAD PL	32 001	24.85%	31 826	27.78%
Other goods PL	11 090	8.61%	21,937	19.15%
Devices	3 436	2.67%	4 502	3.93%
Goods and materials	46 527	36,13%	58 264	50.86%
Services¹⁾	2 593	2,01%	4 134	3.61%
Total sales revenues	128 788	100,00%	114 552	100,00%

In 2020, the largest percentage share in the Company's sales was recorded by three pharmaceutical wholesalers operating on the domestic market: NEUCA SA (36%), HURTOWNIA FARMACEUTYCZNA Farmacol SA (19%) and POLSKA GRUPA FARMACEUTYCZNA SA (16%). Mutual relations are regulated by relevant trade agreements.

Sales structure of BIOTON S.A. on foreign markets

Sales revenues - assortment structure	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	(in thous. PLN)	structure (in %)	(in thous. PLN)	structure (in %)
	Insulin	62 978	48,90%	53 969
Finished goods	62 978	48,90%	53 969	47,11%
OAD PL	0	0.00%	0	0.00%
Other goods PL	2 021	1.57%	2 710	2.37%
Devices	3 915	3.04%	4 255	3,71%
Goods and materials	5 935	4,61%	6 965	6,08%
Services¹⁾	28 199	21.90%	31 180	22.
Total sales revenues	97 112	75,40%	92 114	80,41%

In 2020 the Company generated revenues from export sales in the amount of PLN 97.1 million, which is an increase by 5.4% compared to 2019. The increase resulted from higher sales mainly to Asian markets - Thailand and Vietnam.

8.2. The Group's sales structure on individual foreign markets

The Group's sales structure divided into geographic markets

Sales revenues - geographical structure of the recipient's market	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	(in thous. PLN)	structure	(in thous. PLN)	structure
		(in %)		(in %)
China	18 618	19,08%	33 842	36,38%
Thailand	15 693	16,08%	17 166	18,45%
Vietnam	11 737	12,03%	9 046	9,72%
Libya	7 407	7,59%	5 683	6,11%
Argentina	3 851	3,95%	5 000	5,37%
Ukraine	3 173	3,25%	3 928	4,22%
Russian Federation	2 504	2,57%	0	0,00%
Malta	1 703	1,75%	52	0,06%
Yemen	833	0,85%	455	0,49%
Other	32 065	32,86%	17 857	19,20%
Total sales revenues	97 583	100,00%	93 030	100,00%

In 2020, the Company achieved revenues from export sales in the amount of PLN 97.6 million, which is an increase of 4.9% compared to 2019.

8.3. Sources of supply

Geographical structure of purchases of individual materials for production in 2019 included, by value:

- active substances - active substances were supplied from own production of BIOTON S.A.,
- auxiliary substances - approx. 50% were bought from domestic companies the majority of which are distributors of imported raw materials; the rest came from Europe and from non-European countries.
- packaging - the largest suppliers of direct packaging (i.e. vials, capsules, corks, cartons, leaflets and labels) came from EU countries (approx. 60%), while domestic supplies accounted for approx. 40%.

The share of neither supplier reached 10% of the Company's and the Group's sales revenues. Mutual relations are governed by relevant commercial contracts or commercial offers.

9. **Information on concluded agreements significant for the Company's and the Group's operations, including agreements concluded between shareholders, insurance contracts, cooperation contracts**

9.1. Termination of the Agreement and Distribution by Harbin Gloria Pharmaceuticals Co., Ltd

On January 12, 2020 the Company received a signed Binding Letter of Intent ("BLOI") from Harbin Gloria Pharmaceuticals Co., Ltd ("Gloria") and SciGen PTE.Ltd. Based on BLOI, Harbin Gloria Pharmaceuticals Co., Ltd is required to pay the Company a settlement amount of US 9 million by way of a final settlement regarding all disputes between the parties related to the Supply and Distribution Agreement of August 23, 2015 and Annex I to the Agreement of December 31, 2016 (hereinafter jointly as "SDA"). Gloria paid the Company the first tranche of USD 3 million (minus withholding tax) within 10 days of signing BLOI, i.e. January 21, 2020. The final amount of USD 6 million (minus withholding tax) Gloria paid to the Company on February 11, 2020. After receiving full payment, BIOTON S.A. and Gloria agree to release one another from any contractual obligations and any other legal obligations arising from or related to the SDA and terminate the SDA. For the avoidance of doubt, after receiving full payment, BIOTON S.A. waives any actual or potential actions, claims, demands of any nature arising from or related to the SDA. If Gloria fails to fully comply with its obligations under the BLOI, the BLOI shall terminate and become ineffective, and the Company will still have the right to initiate deliberate arbitration proceedings against Gloria in respect of any losses or damages

arising under the SDA. BLOI is subject to the laws of Hong Kong. Any disputes will be resolved at Hong Kong International Arbitration Center ("HKIAC") and settled in accordance with HKIAC's arbitration rules as of the date of submission of the request for arbitration.

9.2. Conclusion of a cooperation agreement between Yifan Pharmaceutical Co., Limited and Bioton S.A.

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 is a framework agreement. Individual activities and conditions related to the implementation of its stages will be regulated in detail in separately concluded orders. All costs related to the purchase and installation of equipment needed to implement each stage of the Agreement, the purchase of raw materials and auxiliaries necessary for the manufacture of products in the scope of relevant orders will be covered by Yifan. As a rule, the Agreement does not provide for the acquisition of intellectual rights of the parties, except for the grant of a license to the extent that allows the performance of the Agreement. If, however, the result of works shows that the commercial production line is adapted to the production of the drug product in the finished form, Bioton will be granted the right to use Yifan's intellectual property as well as right to manufacture, distribute, market, offer and sell the product exclusively on the territory of Poland for 25 years; Bioton will be also granted priority right to receive the right for use in European countries under its own brand. Bioton will also act as a manufacturer of products all over the world. Details of cooperation in this area will be the subject of a separate agreement. Bioton and Yifan are entitled to terminate the Agreement (or orders made on its basis) immediately after notifying the other party if: (i) the other party commits a material breach of the provisions regarding the execution of stages, intellectual property, confidentiality, assignment of the Agreement, (ii) the other party submits an application for bankruptcy, liquidation or a similar process or is a party to an agreement with creditors or ceases to conduct business, (iii) the other party violates two or more agreements concluded with the terminating party (including orders under this Agreement), and (iv) there was a case of changes in control. Yifan may also terminate individual stages of work, but in such a case it is obliged to reimburse Bioton for the costs incurred. The agreement was concluded under the law of Singapore and the place of settlement of disputes will be the arbitral court in Singapore.

9.3. Conclusion of the assignment agreement (Novation Agreement)

On January 16, 2020, Bioton concluded an assignment agreement (Novation Agreement) with effect from January 1, 2020 to the Global Exclusive License Framework Agreement of March 27, 2018, as amended, between the Company, YIFAN INTERNATIONAL PHARMACEUTICAL CO., LTD. with its registered office in Hong Kong ("Assignor") and SCIGEN PTE. LTD. with its registered office in Singapore ("Assignee"), in which Bioton granted the Assignor the exclusive right to import and distribute Bioton products on the Territory (all countries except Poland). The Assignor and Bioton intend to facilitate global sales of products, therefore in order to execute the contractual obligations it was necessary to assign the rights and obligations under the Agreement. In addition, the Assignee is a wholly-owned subsidiary of the Assignor, it is a professional and experienced entity in the sale of pharmaceutical products on the global market. Further cooperation regarding the Agreement is important for improving global sales of Bioton products. The Agreement was concluded for a period of 15 years with an automatic option of extension for 5 more years, unless either party submits a written termination of the Contract at least 12 months before the end of the period for which the Agreement was concluded. The Agreement may be terminated by either party with a 30-day notice if: i) one of the parties violates the provisions of the Agreement and this violation has not been remedied within 30 days of receipt of the request to stop the violation; (ii) one of the parties becomes insolvent or a bankruptcy proceeding is initiated against either party. The parties' liability under the Agreement is limited to actual damage. The Agreement is subject to the law of Singapore and potential disputes will be settled by the arbitration court in Singapore. The Agreement specifies mutual obligations of the parties, as well as the basic terms and conditions of distribution. The terms of the Agreement do not differ from generally used market practices. The Company estimates that revenues under the Agreement over the next three years will amount to approximately PLN 250 million. In addition, the Chinese market was opened for distribution due to termination of Bioton insulin delivery and distribution agreement on the Chinese market by Harbin Gloria Pharmaceuticals Co., Ltd.

9.4. Cooperation between Bioton S.A. and Biomed-Lublin S.A.

On 11.05.2020 Bioton S.A. received from Biomed Lublin S.A. ("Biomed-Lublin") the termination of the cooperation agreement in distribution and promotion of Distreptaza with immediate effect. Bioton informed Biomed-Lublin, that the planned result of sales and resale to the patient will be significantly affected by the appearance of a new one competitor offering a significantly lower price for the patient, which will certainly translate into sales volume. No reaction and direct actions by Biomed-Lublin caused a growing problem in product sales. The above additionally was affected by an epidemiological emergency followed by a COVID-19 associated pandemic. The abovementioned resulted in the inability to promote and sell the product, treatments and planned visits to the medical offices were cancelled. Bioton presented explanations and an action plan and in March 2020 turned to Biomed-Lublin with a proposal to take talks to amend the contract. Bioton will settle negotiations in connection with the termination of cooperation. Parties have reached an agreement on the terms of termination of the contract, including on a financial basis, making each other mutual concessions due to the situation related to the Covid-19 pandemic. Based on the

agreement concluded on 20 July 2020, the Company is obliged to pay Biomed compensation in the amount of PLN 327 600. The company will pay the amount of 327 PLN 600 in 5 monthly instalments of PLN 65,520 each, payable by the 15th day of each month, starting from September 2020. After meeting the conditions set out in the agreement, Biomed shall waive any claims against the Company.

9.5. Negotiations with FINANCIERE N: (i) on the amendment to the cooperation agreement concluded with Copernicus sp. z o.o. with its registered office in Szczecin on June 12, 2014 and (ii) on the rights granted to the issuer related to the share in the share capital of Copernicus sp. z o.o. with its registered office in Szczecin

The Management Board of BIOTON S.A. (the "Issuer") informs that on 17 July 2020 it decided to delay the disclosure of confidential information to the public in accordance with Art. 17 it. 4 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC. The subject of confidential information were negotiations with FINANCIERE N ("Nemera"): (i) on amendments to the cooperation agreement concluded with Copernicus Sp. z o.o. with its registered office in Szczecin ("Copernicus") on June 12, 2014 (the Issuer informed about the content of the agreement in the current report No. 17/2014 of June 13, 2014) (The "Supply Agreement") and (ii) in the scope of rights granted to the Issuer related to the share in the share capital of Copernicus ("Agreement"). The reason for the disclosure of delayed confidential information is that Nemera finalizes the acquisition of Copernicus shares, so the negotiated amendments are binding. Pursuant to the Supply Agreement, for a period of 4 years from August 28, 2020, the Issuer will be granted the exclusive right to distribute reusable pens in versions for the Issuer: (i) dedicated to the administration of recombinant human insulin (RHI), including on the Polish and Chinese markets, and (ii) dedicated to the administration of insulin analogs - only on the Polish and Chinese markets. After 4 years from August 28, 2020, the Issuer will be granted the worldwide exclusive right to distribute reusable pens in versions dedicated to the Issuer: (i) intended for administration of liquid dosage forms of recombinant human insulin (RHI) and (ii) intended for administration of liquid insulin analogs. During the term of the Supply Agreement, the Issuer will not purchase from entities other than Copernicus any other reusable pens intended for sale or distribution of such pens by the Issuer on any market. In addition, Copernicus grants the Issuer, provided that the Event occurs (from the Supply Agreement "Triggering Event"), an irrevocable, non-exclusive license to produce, sell, distribute, publish and advertise under its trademarks, reusable pens in versions dedicated to the Issuer. The license will be granted for the type of pens and territories in which the exclusive right of the Issuer is currently in force, from the moment of the Event (from the Supply Agreement "Triggering Event") until the validity or termination of the Supply Agreement. No separate license fees will be charged from the Issuer. Events (from the Supply Agreement "Triggering Event") are: (i) acquisition of Copernicus by a competitor and suspension of supply, (ii) no deliveries for six months; (iii) a force majeure event lasting more than six months; or (iv) the Copernicus liquidation process. The Supply Agreement is valid until December 31, 2024, and then it is automatically extended for a period of two years, unless one of the parties terminates the Supply Agreement by giving written notice to the other party 12 months before the expiry of the Supply Agreement. Moreover, the Issuer negotiated an amendment to the terms of the Supply Agreement in terms of increasing the flexibility of placing orders. The issuer may indicate the value of orders for the next year. The other provisions of the Supply Agreement have not been materially changed. Under the Agreement, the Issuer waives all rights related to participation in the share capital of Copernicus, including the pre-emptive right to Copernicus shares. For making changes specified in the Supply Agreement and for services related to the waiver of the Issuer's rights described above to Nemera, Nemera shall pay the Issuer the amount of PLN 10,000,000 gross (ten million PLN) less withholding tax on this payment (if withholding tax is applicable). Nemera informed the Issuer about the transfer. The Management Board points out that the purchase is in the interest of the Issuer, as the Issuer is gaining a strong partner in the production and delivery of reusable pens dedicated to insulin administration (published in the current report No. 17/2020).

9.6. Epidemiological situation caused by SARS-COV-2 virus

The indicated information on the epidemiological situation caused by the SARS virus is presented in point 7.50 of the company's annual separate financial statements and in point 41 of the annual consolidated financial statements of the Group for the period from 01/01/200 to 31/12/2020.

10. Information on organizational or capital links of BIOTON S.A. and the Group with other entities and determination of its main domestic and foreign investments (securities, financial instruments, intangible assets and real estate), including capital investments made outside its group of affiliates and description of their financing methods.

10.1. BioPartners Holdings AG with its registered office in Switzerland

On 09.03.2007, the Company concluded an agreement with the entities from the DLJ Merchant Banking Partners group for the acquisition of a 100% interest in the share capital of BioPartners Holding AG with its registered office in Switzerland ("BioPartners") (the "Agreement"). On the date of the Agreement, BioPartners was the owner of 100%

shares in the following companies: (i) BioPartners GmbH with its registered office in Switzerland and (ii) BioPartners GmbH with its registered office in Germany, operating in the biotechnology industry. BioPartners received the verdict of the Court of Arbitration of the International Chamber of Commerce dismissing the claim for damages. In its arbitration ruling, the Tribunal awarded Biopartners with costs in the amount of USD 315,000 plus legal costs PLN 2 802 305 with interest of 5.33% from January 2, 2019. The BioPartners' Management Board at the meeting discussed the actions taken in connection with the received verdict and decision not to appeal against the judgment against the procedural requirements. On March 13, 2019, BioPartners Holding AG filed for bankruptcy. The bankruptcy procedure began on March 21, 2019. The companies were entered in the commercial register as "in liquidation". The Company does not have the possibility to conduct the activity and does not have access to bank accounts. The entire proceeding was completed and on May 8, 2019, BioPartners Holding AG was removed from companies register due to lack of assets. The liquidation of Biopartners GmbH (Switzerland) and BioPartners GmbH (Germany) is pending approval by the relevant authorities.

10.2. BIOLEK Sp. z o.o. with its registered office in Macierzysz

On April 20, 2012 and on November 22, 2012, the Company concluded a sales agreement of 176 and 262 shares ("Shares") of BIOLEK Sp. z oo with its registered office in Macierzysz ("Biolek"), constituting in total 49.89% of share capital and entitling to 49.89% of votes at the Shareholders' Meeting of Biolek with Troqueera Enterprises Limited with its registered office in Nicosia ("the Seller"). The transaction was a continuation of the Company's involvement in Biolek, initiated on the basis of the agreement of August 31, 2011, concerning the acquisition of 50.11% of Biolek's shares. After the acquisition of the Shares, the Company holds a total of 100% in the share capital and the number of votes at the General Meeting of Biolek.

10.3. Investments in plant, property and equipment and intangible assets

At the end of the reporting period, expenditures for plant, property and equipment under construction of Bioton S.A. in total amounted to PLN 11,571 thousand and were related to tasks performed by the Company associated with, among others, expenditures included in machinery and equipment worth PLN 6,032 thousand, buildings and structures worth PLN 1,456 thousand PLN (as of 31 December 2019, expenditures amounted to PLN 15 781 thousand) and, respectively, for the aforementioned category PLN 8,724 thousand and PLN 1,500 thousand).

At the end of the reporting period, expenditure on plant, property and equipment under construction amounted to the total of PLN 11,571 thousand (as of December 31, 2019 PLN 15,781 thousand) and were related to tasks carried out by the Group associated with, among others, expenditures included in machinery and equipment worth 6,032 thousand and buildings and structures worth PLN 1,456 thousand .

10.4. Outlays for research and development

At the end of the reporting period, expenditures for development works and intangible assets in progress of Bioton S.A. amounted to a total of PLN 120,314 thousand and were associated with, among others, costs of product registrations, including classic insulin registration procedures due to the increase in the production scale and their registration in other territories and implementation of classic insulin production technology without Triton (as of 31 December 2019, the total amount was PLN 114,874 thousand).

Capitalized expenditures of the Group for development works in progress at the end of 2020 amounted to PLN 120,656 thousand, including:

- Company – PLN 120 314 thousand, concerning min. outlays on product registration, including registration procedures for classical insulin due to the increase in production scale and their registration in other territories
- BIOLEK Sp. z o. o. - PLN 342 thousand, mainly related to expenditures on product registration.

11. Information on significant transactions concluded by BIOTON or its subsidiary with affiliates on terms other than market conditions, including their amounts and information defining the nature of these transactions

In 2020 the Company and its subsidiaries did not conclude transactions with affiliates on terms other than market terms.

12. Information on loans and credits contracted and terminated in a given fiscal year, including at least their amount, type and amount of interest rate, currency and maturity

Detailed information on credits and loans of Company is presented in note 25 to the Company's annual financial statements and note 25 to the Group's annual consolidated financial statements for the period from 01.01.2020 to 31.12.2020.

12.1. Credits

The Company was financed in 2020 with a short - and long - term bank debt. The obligations of the Company and the Group resulting from credit agreements are repaid on an ongoing basis.

On April 22, 2020, the Company concluded a "Consent Letter" to the agreement 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 to a special use account (DSRA) in the period from April 23, 2020 to June 23, 2020, on July 21, 2020, concluded a "Consent Letter" to the agreement 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 to a special use account (DSRA) in the period from July 21, 2020 to September 24, 2020. On October 22, 2020, the Company concluded a "Consent Letter" to the agreement with BANK OF CHINA (LUXEMBOURG) SA operating by the 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 October 23, 2020 to December 23, 2020. On 21 January 2021, the Company concluded a "Consent Letter" to the contract with BANK OF CHINA (LUXEMBOURG) SA operating by Bank Of China (Luxemburg) SA (Spółka Akcyjna) Branch in Poland, changing the schedule of payment of the loan instalment amount to a special use account (DSRA) in the period from 22 January 2021 to 23 March 2021

On March 30 and on June 30, 2020 the Company concluded Annex No. 4 and 5 to the non-renewable loan agreement No. S / 184/06/2013/1157 / K / POŻ / HIP with Bank BOŚ SA, concerning the suspension of repayment of principal instalments in the months of: from March to August. The credit period was not changed.

On March 30 and on June 30, 2020 concluded with Annex No. 5 to the non-renewable loan agreement No. S/14/1/2014/1157/K/INW/EKO Bank BOŚ SA, concerning the suspension of repayment of principal instalments in the months of: June, July and August. The credit period was not changed.

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

On April 30, 2020 the Company concluded annex No. 25 to the contract for factoring line No. S / 120/04/2012 / K / FAK with Bank BOŚ SA, changing the funding period to 31/03/2021. Other provisions of the Agreement were not changed. On March 22, 2021 the company received a positive decision of the Bank regarding the technical extension for the factoring line until April 30, 2021;

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

The Company

Analysis of maturity categories as of 31.12.2020

Expected loans amount and interest on loans from December 31, 2020 - in thous. PLN	up to 1 year	from 1 up to 2 years	from 3 up to 5 years	above 5 years	Total
BOŚ S.A. (PLN 4 million) revolving loan	4 011	-	-	-	4 011
BOŚ S.A. (PLN 3.1 million) investment loan	362	358	864	0	1 584
Kredyt Bank of China (Luxembourg) SA Branch in Poland (EUR 12 million)	13 887	15 793	4 145	0	33 825
Uniapek S.A. (USD 7 million) mortgage loan	26 739	-	-	-	26 739
BOŚ S.A. (PLN 25.9 million) mortgage loan	2 985	3 042	7 760	-	13 787
BOŚ S.A. loan (PLN 30 million) factoring line	22 153				22 153
Total	70 137	19 192	12 770	0	102 099

12.2. Loans

Loans for the amount of USD 7 million repayable within twelve months from disbursement date with interest. In November 2019 the Company signed Annex to the loan agreement, extending the repayment date to November 2021.

In 2020 BIOTON S.A. did not terminate any loan agreements.

12.3. Exchange rates

The expected result on exchange differences on the valuation of credits and loans received expressed in foreign currencies granted to the Company by Bank Of China and UniApek will be reflected in financial costs / revenues in the consolidated financial statements of the Group and in the separate financial statements of BIOTON S.A.

In the following months, the main assumptions of the Company in the exchange rate policy will be to hedge the exchange rate of foreign currency inflows (in USD). The Company plans to hedge trade receipts in USD by entering into forward hedging transactions. As of December 31, 2020 BIOTON S.A. did not have any open transactions hedging foreign currency exchange rate risk.

In 2020, the average exchange rate of the National Bank of Poland for USD / PLN increased by 1.6%, and the EUR / PLN exchange rate increased by 3.4% compared to the average exchange rate of 2019. BIOTON S.A. bears foreign currency exchange rate risk related primarily to credit and loans in foreign currencies, as well as with sale of finished products and purchases of raw materials, which are made in foreign currencies.

The compliance of applied instruments with foreign currency position is only meant to secure foreign currency exchange rate risk occurring in commercial activities of BIOTON S.A. company.

13. Information on loans granted in a given fiscal year, with particular reference to loans granted to affiliates of BIOTON S.A., including at least their amount, type and amount of interest rate, currency and maturity date

13.1. Loans granted to affiliates

On 31.01.2012 BIOTON S.A., as a lender, concluded with BIOLEK Sp. z o.o. with its registered office in Macierzysz ("Biolek"), as a borrower, a loan agreement in the amount of PLN 2.0 million ("BSA Loan") to finance the activities of Biolek. The BSA loan was made available for an unlimited period. The interest rate on the BSA loan is based on variable WIBOR rate plus margin. On 18/12/2020, BIOTON S.A. concluded Annex No. 17 ordering the legal status of the loan repayment terms. In 2020, BIOTON S.A. did not conclude an annex with Biolek changing the amount of the BSA Loan agreement. The total loan amount is PLN 13.6 million.

On 31.01.2012, BIOTON S.A., as the lender, concluded with Bioton (International) GmbH based in Turmstrasse 28, CH-6312 Steinhausen Switzerland (former Actavis Bioton GmbH) as the borrower ("BSA Loan"), intended for financing of development works and internal administrative costs. On 04/06/2020, BIOTON S.A. concluded Annex No. 1 extending the term of the contract by 9 years from the date of this annex. On January 25, 2021, BIOTON S.A. concluded Annex No. 2 extending the term of the contract by 11 years from the date of this annex. The total amount of the loan is EUR 268 thousand.

On 14.03.2014 BIOTON MARKETING AGENCY Sp. z o.o., as a lender, concluded with BIOLEK Sp. z o.o. with its registered office in Macierzysz ("Biolek"), as a borrower, a loan agreement in the amount of PLN 1.3 million ("BMA Loan") to finance the activities of Biolek. The BMA loan was made available for an unlimited period. The interest rate on the BMA loan is based on variable WIBOR rate plus margin. In 2020 BIOTON MARKETING AGENCY Sp. z o. o. did not conclude an annex to the BMA loan agreement with Biolek. The total amount of loan is PLN 5.7 million.

14. Information on sureties and guarantees granted and received for a given fiscal year, with particular emphasis on sureties and guarantees granted to affiliates of BIOTON S.A.

Total value of existing loan sureties / loan and guarantees granted by the Company or its subsidiary does not exceed 10% of the Company's equity, with the following exceptions.

BANK OF CHINA S.A.'s claims towards the Company under the Loan will be secured with, among others: a corporate guarantee granted by Bioton Marketing Agency Sp. z o.o. and Biolek Sp. z o.o. (Guarantors); and a financial and registered pledge on shares in Bioton Marketing Agency Sp. z o.o. and Biolek Sp. z o.o.;

15. In the case of issue of securities in the period covered by the Statement - a description of ways in which the Company and the Group use proceeds from the issue until the date of this statement

In 2020 neither the Company nor the Group carried out transactions in securities.

16. Explanation of differences between financial results disclosed in the annual report and previously published forecasts of results for a given year

The Company nor the Group did not publish forecasts of results for 2020.

17. Assessment, together with its justification, of management of financial resources with particular emphasis on the ability to meet the obligations, identification of possible threats and actions that the Company and the Group have undertaken or intend to undertake in order to counteract these threats

17.1. Basic financial performance indicators of the Company

Basic financial performance indicators

Profitability ratios:		2020 in thous. PLN	2019 in thous. PLN
1.	Sales profitability ratios net ($ROS = Profit\ net / Revenues\ on\ sales\ net$)	14,7%	(94.8%)
2.	Assets profitability ratio ($ROA = Net\ Profit / Assets$)	3,8%	-21.8%

Liquidity and turnover ratios:		2020 in thous. PLN	2019 in thous. PLN
1.	Current liquidity ratios ($Working\ assets / Current\ liabilities$)	121.3%	93.8%
2.	Quick liquidity ratio ($(Current\ assets - Inventories - Prepayments) / Current\ liabilities$)	48,9%	43.8%
3.	Average trade receivables	42 363	58 933
3.a.	Trade receivables turnover ratio ($Revenues\ on\ sales\ net / Average\ receivables$)	5.33	3.69
3.b.	Collection cycle of trade receivables in days ($360 / Receivables\ turnover\ ratio$)	68	97
4.	Average inventory	83 686	76 576
4.a.	Inventory turnover rate ($Net\ sales\ revenue / Average\ inventories$)	2.7	2.7
4.b.	Inventory in days ($360 / Inventory\ turnover\ ratio$)	133	133
5.	Average state of trade payables	65 513	67 174
5.a.	Trade payables turnover ratio ($Net\ sales\ revenue / Average\ trade\ payables$)	3.4	3.1
5.b.	Regulation of trade payables in days ($360 / Trade\ payables\ ratio$)	104	117

Debt ratios:		2020 in thous. PLN	2019 in thous. PLN
1.	Debt-to-asset ratio ($(Noncurrent\ liabilities + Current\ liabilities) / Liabilities$)	24,2%	29.1%
2.	Equity to assets ratio ($Equity / Liabilities$)	72,1%	67.2%
3.	Debt to equity ratio [times] ($(Non-current\ liabilities + Current\ liabilities) / Equity$)	0.34	0.43

In 2020 the net sales profitability rate was -14.7%, and the assets profitability rate 3.8%.

The average trade receivables ratio increased to 5.33 in 2020 (in 2019: 3.69), which indicates an increase in the receivables turnover cycle. The time of regulation of trade payables increased to 104 days (from 117 days in 2019). The basic indicator assessing the ability to pay current liabilities increased from 93.8% to 121.3% in comparison to

2019. The quick liquidity ratio increased to 48.9% (from 43.8% in 2019). The average inventory in 2020 increased by PLN 7.1 million and was sufficient for 133 days of sale.

Share of external financing in property (referred to by the asset burden ratio) increased to 24.2% (from 29.1% in 2019).

The structure of financing of the property

		2020 in thous. PLN	2019 in thous. PLN
1.	Equity	636 526	602 901
2.	Non-current liabilities	89 916	102 052
3.	Total fixed capital (1 + 2)	726 442	704 953
4.	Fixed assets	732 666	747 787
5.	Fixed capital for financing working assets	-6 224	-42 834
7.	Current assets	150 592	149 592
8.	Coverage of current assets with current liabilities	156 816	192 426
9.	The percentage of coverage of current assets:		
9.a.	by fixed capital	(4,1%)	(28.6%)
9.b.	by current liabilities	104,1%	128.6%
9.c.	by reserves	0.0%	0.0%

Fixed assets coverage capital ratio (<i>Equity / Fixed assets</i>)	0.87	0.81
Coverage ratio of current assets with foreign capital (<i>(Non-current liabilities + Coverage of current assets with current liabilities) / Current assets</i>)	1.64	1.97
Capital structure indicator (<i>Equity / Foreign capital</i>)	2,58	2.05
Assets structure indicator (<i>Fixed assets/ Current assets</i>)	4.87	5.00

The level of equity was lower by 13,1% from the value of plant, property and equipment (in 2019 it was lower by 19,4%). The capital structure ratio indicates that all the liabilities can be covered from equity, which confirms the Company's credibility in business dealings.

17.2. Basic financial performance indicators of the Group

Profitability ratios:		2020 in thous. PLN	2019 in thous. PLN
1.	Sales profitability ratios net (<i>ROS = Profit net / Revenues on sales net</i>)	15.3%	(62.7%)
2.	Return on assets ratio (ROA = Net profit / Assets)	3,9%	-14,3%
2a.	Adjusted return on assets (ROA = (Net profit - Interest payable * (1-Tax)) / Assets)	3,4%	-14.9%
3.	Return on Equity (ROE = Net Profit / Equity)	4.8%	-19.0%
4.	Financial leverage (ROE ratio - Adjusted ROE)	1.4%	-4,1%
Liquidity and turnover ratios:		2020 in thous. PLN	2019 in thous. PLN
1.	Current liquidity ratio (<i>Current assets / Current liabilities</i>)	124,8%	87,6%
2.	Quick liquidity ratio (<i>(Current assets - Inventories - Prepayments) / Current liabilities</i>)	49,8%	35.6%

3.	Average trade receivables	43 211	55 271
3.a.	Trade receivables turnover ratio (<i>Net sales revenues / Average receivables</i>)	5.13	3.66
3.b.	Collection cycle of trade receivables in days (<i>360 / Receivables turnover ratio</i>)	70	98
4.	Average inventory	84 871	78 755
4.a.	Inventory turnover rate (<i>Revenues on sale net / Average inventory</i>)	2.6	2.6
4.b.	Inventories status in days (<i>360 / Inventory turnover ratio</i>)	138	140
5.	Average state of trade payables	63 832	66 286
5.a.	Trade payables turnover ratio (<i>Net sales revenue / Average trade payables</i>)	3,5	3.0
5.b.	Regulation of trade payables in days (<i>360 / Trade payables ratio</i>)	104	118
Debt ratios:		2020 in thous. PLN	2019 in thous. PLN
1.	Debt-to-asset ratio(<i>(Non-current liabilities + Current liabilities) / Liabilities</i>)	22.3%	26,9%
2.	Equity to assets ratio (<i>Equity / Liabilities</i>)	73,9%	69,0%
3.	Debt to equity ratio [times] (<i>(Non-current liabilities + Current liabilities) / Equity</i>)	0.30	0.39

Profitability ratios improved significantly: sales profitability for 2020 was 15.3%, ROA 3.9%, ROE 4.8%), which was mainly due to the lack of revaluation of assets (not cash), which took place in 2019.

The trade receivables turnover ratio decreased in comparison to 2019, reaching 70 days (98 days in 2019). The time of regulation of trade payables increased to 104 days (from 117 days in 2019). Current liquidity ratio increased from 87.6% in 2019 to 124.8% in 2020. The quick liquidity ratio reached the level of 49.8% in 2020 (35.6% in 2019). The average inventory balance as at December 31, 2020 increased to PLN 84.9 million, compared to PLN 78.7 million in 2019, which did not change the inventory turnover ratio to 2.6 both in 2019 and in 2020. The turnover ratio in days reached 138 days (140 days in 2019).

Share of foreign financing in property (referred to by the asset burden ratio) in 2020 amounted to 22.3%. In 2020 the amount of liabilities in relation to equity was 0.3%.

The structure of financing of the property

		2020 in thous. PLN	2019 in thous. PLN
1.	Equity	700 671	666 596
2.	Non-current liabilities	90 115	102 718
3.	Total fixed capital (1 + 2)	790 786	769 314
4.	Fixed assets	715 819	747 620
5.	Fixed capital for financing working assets	74 967	21 694
7.	Current assets	151 288	137 859
8.	Coverage of current assets with current liabilities	76 321	116 165
9.	The percentage of coverage of current assets:		
9.a.	by fixed capital	49,6%	15,7%
9.b.	by current liabilities	50.4%	84,3%
9.c.	by reserves	0.0%	0.0%
Fixed assets equity coverage ratio (<i>Equity / Fixed assets</i>)		0,98	0.89
Coverage ratio of current assets with foreign capital (<i>(Non-current liabilities + Coverage of current assets with current liabilities)</i>)		1.10	1.59

	2020 in thous. PLN	2019 in thous. PLN
Capital structure ratio (<i>Equity / Foreign capital</i>)	4.21	3.05
Assets structure ratio (<i>Fixed assets / Current assets</i>)	4.73	5.42

18. Assessment of the feasibility of investment plans, including capital investments, compared to the amount of funds held, including possible changes in the financing structure of this activity

The company has finished continues the process of changing loan agreements, which is a milestone in the completion of the process of changing the structure of the Company's bank debt, consisting primarily of converting short-term debt into long-term debt. In 2020, the Company concluded a number of annexes to the existing credit agreements with BOS Bank SA and Bank of China, and also fully repaid credit agreements with HSBC Bank Polska SA. The details of the debt were described in the separate and consolidated financial statements and in pt. 12 above, aimed at adjusting the terms of these credits to the financial conditions and the results achieved by the Company as well as changing market conditions.

The Company signed an Annex extending the loan agreement with the shareholder UniApek by two years, until November 2021.

The Company and the Group are financed with a financial surplus and bank debt, in accordance with existing agreements with banks.

19. Assessment of factors and unusual events affecting the results of the Company's and the Group's operations for the fiscal year, with indication of the degree of impact of these factors or unusual events on the result achieved

In the last year, the shareholding structure of BIOTON S.A. significantly changed. Changes in the shareholding structure resulted in changes in the Group's business strategy, which assumes, among others, optimization the Group's product portfolio and strengthening its position on the global pharmaceutical market, as well as further increasing the sales of insulins manufactured by the Company, both on markets where the Company's product is already commercialized and on new foreign markets.

In 2020 the Company continued activities implemented in previous years related to increasing the level of sales of the Company's and Group's products as well as maintaining operating costs at a sustainable level.

These activities were focused on the following key areas:

1. consolidation of the product portfolio aimed at accelerating the commercialization effects of the Company's key product - recombinant human insulin - and focusing development activity on products with the highest market potential, including mainly long- and short-acting analogs of human insulin,
2. reduction of operating costs and adjustment of existing infrastructure to new requirements for strategy implementation on selected markets,
3. focusing the Group's strategic activities on specific key competences, that is:
 - the production of high quality biotechnology products,
 - research and development of new biotechnology products,
 - activities in the field of registration of biotechnology products on key global markets for later commercialization in cooperation with leading pharmaceutical concerns operating on the global market,
4. reducing debt and increasing the stability of the Group's financing structure,
5. developing product portfolio of diabetology and cardiology products.

On 27 March 2018 the Company entered into a framework agreement with Yifan International Pharmaceutical Co., Ltd. based in Hong Kong (YIFAN) for the distribution, sales and marketing of the Company's products, granting exclusive right (the Right) to use BIOTON trademarks in association with advertising, promotion, distribution and sale of products in the territories covered by the agreement ("Agreement"). The cooperation of the Parties on terms specified in the agreement is associated with significant benefits for the Company, mainly related to taking over

registration costs, costs of commercial and marketing activities, and also in particular the costs of building a distribution sales network on individual markets by the distribution partner. The main task of the distribution partner is development and promotion related to the sales of the Company's products aimed at improving the financial result of the Company and its Capital Group.

On January 16, 2020, Bioton concluded an assignment agreement (Novation Agreement) with effect from January 1, 2020 to the Global Exclusive License Framework Agreement of March 27, 2018, as amended, between the Company, YIFAN INTERNATIONAL PHARMACEUTICAL CO., LTD. based in Hong Kong ("Assignor") and SCIGEN PTE. LTD. with its registered office in Singapore ("Assignee"), in which Bioton granted the Assignor the exclusive right to import and distribute Bioton products on the Territory (all countries except Poland). The Assignor and Bioton intend to facilitate global sales of products, therefore in order to execute the contractual obligations it was necessary to assign the rights and obligations under the Agreement. In addition, the Assignee is a wholly-owned subsidiary of the Assignor, it is a professional and experienced entity in the sale of pharmaceutical products on the global market. Further cooperation regarding the Agreement is important for improving global sales of Bioton products. The Agreement was concluded for a period of 15 years with an automatic option of extension for 5 more years, unless either party submits a written termination of the Agreement at least 12 months before the end of the period for which the Agreement was concluded. The Agreement may be terminated by either party with a 30-day notice if: i) one of the parties violates the provisions of the Agreement and this violation has not been remedied within 30 days of receipt of the request to stop the violation; (ii) one of the parties becomes insolvent or a bankruptcy proceeding is initiated against either party. The parties' liability under the Agreement is limited to actual damage. The Agreement is subject to the law of Singapore and potential disputes will be settled by the arbitration tribunal in Singapore. The Agreement specifies mutual obligations of the parties, as well as the basic terms and conditions of distribution. The terms of the Agreement do not differ from generally used market practices. The Company estimates that revenues under the Agreement over the next three years will amount to approximately PLN 250 million. In addition, the Chinese market was opened for distribution due to termination of Bioton insulin delivery and distribution agreement on the Chinese market by Harbin Gloria Pharmaceuticals Co., Ltd,

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 medicinal product in the finished form Bioton will be granted the right to use Yifan's intellectual property as well as right to manufacture, distribute, market, offer and sell the product exclusively on the territory of Poland for 25 years; Bioton will be also granted priority right to receive the right for use in European countries under its own brand. Bioton will also act as a manufacturer of products all over the world

20. Characteristics of external and internal factors significant for the development of BIOTON S.A. and the Group and description of development perspectives of the Company and the Group at least until the end of 2021, including elements of market strategy developed by the Company and the Group

Product range of the Group

The product range of the Group includes, among others recombinant human insulin, as well as other pharmaceutical products, including biotechnology. Competition on the market of biotechnology products is much smaller than on the markets of other pharmaceutical products due to a much smaller number of competitors and significant barriers to entry into this market. Margins on the market of biotechnology products belong to the highest on the pharmaceutical market.

Confirmed experience in the development of new biotechnology products and their introduction from the level of the laboratory to industrial production

The company has documented experience in the development of biotechnology products. -The company has an indefinite license for the production of human insulin using a patented, genetically modified strain of bacteria *E. coli* as well as technology for the production of insulin and its ready-to-use forms on a laboratory scale. The company has developed the full-scale industrial production of active substance and ready-made human insulin and has obtained registration in Poland. The Company's specialists worked on increasing the efficiency of the insulin production process. The production of insulin, due to its scale and complexity, is one of the most complex production processes for biotechnology products. Documented experience in developing highly effective processes for manufacturing biotechnology products is one of the most important competitive advantages of the Company.

Opportunities to develop new products

Thanks to well-educated and experienced staff and cooperation with a number of experienced associates it is likely that planned investments in development will result in the introduction of new biotechnology products. Under the agreement with Yifan Pharmaceutical Co., Limited, the Company is working on insulin analogs.

Highly qualified and experienced specialists

As the only Polish company producing biotechnology products, BIOTON S.A. is able to attract leading biotechnology specialists in Poland.

Strong marketing in Poland

In 2020 the Company became market leader in the classic insulin segment in Poland, responsible for sharing information with doctors and patients.

Cooperation aimed at entering new markets

In accordance with the strategy, on 27 March 2018, the Company concluded a framework agreement for the global distribution of sales and marketing of the Company's products with Yifan International Pharmaceutical Co., Ltd with its registered office in Hong Kong (Yifan). The detailed conditions for the cooperation of the Parties on a given market will be determined in separate implementation agreements. The Agreement was concluded for the period of 15 years. The contract has been concluded under Hong Kong law and all disputes related to it will be resolved by courts with competent 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 the acquisition by the distribution partner of registration costs, costs of commercial and marketing activities, in particular the costs of building a distribution sales network on individual markets. The main task of the distribution partner is development and promotion related to the sales of the Company's products aimed at improving the financial result of the Company and its Capital Group.

On January 16, 2020, Bioton concluded an assignment agreement (Novation Agreement) with effect from January 1, 2020 to the Global Exclusive License Framework Agreement of March 27, 2018, as amended, between the Company, YIFAN INTERNATIONAL PHARMACEUTICAL CO., LTD. based in Hong Kong ("Assignor") and SCIGEN PTE. LTD. with its registered office in Singapore ("Assignee"), in which Bioton granted the Assignor the exclusive right to import and distribute Bioton products on the Territory (all countries except Poland). The Assignor and Bioton intend to facilitate global sales of products, therefore in order to execute the contractual obligations it was necessary to assign the rights and obligations under the Agreement. The Company estimates that revenues under the Agreement over the next three years will amount to approximately PLN 250 million. In addition, the Chinese market was opened for distribution due to termination of Bioton insulin delivery and distribution agreement on the Chinese market by Harbin Gloria Pharmaceuticals Co., Ltd,

Insulin quality / modern production technology

The company is the only one in Poland and one of the few producers of human insulin in the world using recombinant DNA technology.

The Insulin produced by the Company is characterized by high quality. Both insulin and pre-filled pens are manufactured in accordance with the GMP principles and meet the recommendations of the European Pharmacopoeia. The analysis of insulin products in a wide range is carried out using validated chemical, biochemical and microbiological analytical methods. Quality control system meeting the EU recommendations has been introduced in production plants and quality control laboratories.

21. Changes in the basic management rules of BIOTON S.A. and the Group

In 2020 there were no changes in the management rules of BIOTON S.A. and the Group.

22. All agreements concluded between BIOTON S.A. and managing persons providing for compensation in the event of their resignation or dismissal from the position held without a valid reason or if their dismissal or dismissal occurs due to the merger of the Company by takeover

In accordance with the concluded employment agreement (including the act of appointing the Commercial Companies Code) with the members of the Management Board, in the event of termination of the Agreement / dismissal of the Manager by the Company, except when the Agreement is terminated due to the employee's dismissal from the Management Board or due to a serious breach of basic obligations of an employee / manager, a member of the Management Board is entitled to severance pay in the amount of 3 (three) times the basic salary. The severance pay is payable within 30 days from the date of termination of this Agreement.

In 2020, an agreement was concluded to terminate the employment agreement, in which it was agreed that the employee will be entitled to severance pay in the amount of 6 (six) monthly base salary. The severance pay will be paid within 30 days from the date of termination of the agreement.

23. The value of remuneration, bonuses or benefits, including those resulting from incentive or bonus schemes based on the capital of BIOTON S.A., including programs based on bonds with pre-emptive rights, convertible, subscription warrants (in cash, in kind or in any other form), paid out, due or potentially due, separately for each person managing and supervising the Company in the enterprise BIOTON S.A., regardless of whether they were properly included in costs, or resulted from the distribution of profit and information on the value of remuneration and awards received for performing functions in the authorities subordinated units

Information on remuneration, bonuses and benefits of persons managing and supervising BIOTON S.A. is presented in note 7.46 of annual financial statements of the Company and in the note 36 of the annual financial statements of the Company of the consolidated annual financial statements of the Group for the period from 01.01.2020 to 31.12.2020.

Persons belonging to management and supervisory bodies of the parent company do not receive remuneration or other benefits for performing functions in the authorities of subordinated entities.

24. Determination of the total number and nominal value of all shares of BIOTON S.A. and shares and stakes in affiliated entities of the Company held by managing and supervising persons (separately for each person)

According to information held by Bioton S.A., as of the date of publication of this report:

- supervising personnel of Bioton S.A. does not hold shares of the Company,
- members of the Management Board of Bioton S.A. do not hold any shares of the Company,
- managing and supervising personnel of BIOTON S.A. did not have any shares in the affiliated entities of the Company.

25. Information on agreements known to BIOTON S.A. (including those concluded after the balance sheet date), as a result of which future changes may occur in the proportions of shares held by existing shareholders and bondholders

On August 14, 2013, the Company concluded with Troqueera Enterprises Limited with its registered office in Nicosia ("**Troqueera**") the agreement regarding the acquired by the Company on the basis of: (i) the agreement of 31.08.2011, (ii) the agreement of 20.04.2012 and (iii) the agreement of 22.11.2012 (collectively "**Agreements**") Shares of BIOLEK Sp. z o.o. with its registered office in Macierzysz ("**Biolek**", „ **Agreement**"). In accordance with the Troqueera Agreement, as the significant shareholder of the Company, it gave up all payments due to the occurrence of Biolek events and the admission to the sale of its products in Biolek, provided for in the Agreements and due to Troqueera ("**Bonus**"), with the exception of payments for obtaining by Biolek profit before deducting interest on loans drawn, taxes and depreciation (EBITDA) in the amount of PLN 30 million ("**Event**"). The event bonus was set at PLN 10,635,542.00. Payment of the Bonus will take place in a non-cash form by issuing Company shares, taking into account that if the market price of one Company's shares as at the Event's occurrence is lower than the nominal value of the Company's shares, the Company will be required to issue additional shares to Troqueera in a number representing the difference between the amount of the Bonus and the market value of the shares on the day preceding the occurrence of the Event, while the total market value of the shares issued to cover the amount of the Bonus will be equal to the value of the Bonus. Payment of the Bonus, at the Company's option, may also be made in cash (partly or in full).

On 24.07.2015, the Company received a notification from Troqueera that on 23.07.2015 Troqueera and Bimeda Holding Limited with its registered office in Nicosia (Cyprus) entered into a conditional agreement for the sale of 3,385,709 shares of the Company, representing 3.94% of the share capital and entitling to exercise 3.94% of the total number of votes at the General Meeting of the Company.

26. Information on the employee share ownership scheme

Until the publication of this report, the Company did not issue any shares under the incentive scheme.

27. Information on the certified auditor

Information on the certified auditor is presented in note 7.47 of annual financial report of the Company and in the note 38 of the annual consolidated financial statements of the Group for the period from 01.01.2020 to 31.12.2020.

28. Declaration of the Management Board of BIOTON S.A. on the compliance

The Management Board of BIOTON S.A. declares that to the best of its knowledge:

1. annual individual financial statements of BIOTON S.A. as of 31.12.2020 and the annual consolidated financial statements of the Capital Group of BIOTON S.A. as of 31.12.2020 were prepared in accordance with the International Financial Reporting Standards, which apply to annual statements and which had been approved by the European Union, hereinafter referred to as "IFRS EU", and to the extent not covered by the above standards, as required by the Accounting Act of 29 September 1994 on accountancy and enforcement provisions issued on its basis

IFRS EU contain all International Accounting Standards, International Financial Reporting Standards and related Interpretations, in addition to the following Standards and Interpretations, which await approval by the European Union as well as Standards and Interpretations, which had been approved by the European Union, but not yet entered into force.

The Company and Capital Group BIOTON S.A. decided not to yet use new Standards and Interpretations, which have already been published and approved by the European Union, and which shall enter into force after the balance sheet date. Moreover, as of the balance sheet date, Capital Group BIOTON S.A. is in the process of identifying these changes, however it does not anticipate significant impact on the financial statements of the Group for the period in which they will be applied for the first time.

2. the above-mentioned statements reflect in a true, reliable and clear manner property and financial situation of the Company and the Group, as well as its financial results,
3. report of the Management Board of BIOTON S.A. on the operations of the Company and the operations of the BIOTON S.A. Capital Group in the period from 01.01.2020 until 31.12.2020 presents a true image of the development and achievements of the Company and the Group, including a description of basic threats and risks.

29. Declaration of the Management Board of BIOTON S.A. on appointing an auditor

The Management Board of BIOTON S.A. declares that pursuant to art. 66, it. 4 of the Act of 29 September 1994 on accounting and on pursuant to § 21 it. 1 point 1) of the Articles of Association of BIOTON S.A., the Supervisory Board of the Company, by a resolution of 14.05.2020, appointed BDO Spółka with limited liability sp.k. with its registered office in Warsaw, ul. Postępu 12, 00-676 Warsaw ("BDO"), as an entity reviewing and auditing the Company's financial statements for the fiscal 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 S.A. of agreements in this scope.

The Management Board of BIOTON S.A. informs that this entity and the certified auditors performing the review meet the conditions for issuance of impartial and independent audit reports, as required by International Standards on Audit in Financial Statements issued by the International Federation of Accountants, Chapter 7 of the Act of 29 September 1994 on accounting and national auditing standards, issued by the National Council of Statutory Auditors in Poland.

30. Declaration of the Management Board of BIOTON S.A. on the application of corporate governance principles

- 30.1. Indication of the set of corporate governance rules to which the Company is subject and the place where the text of the set of rules is publicly available.

BIOTON S.A. is subject to the "Code of Best Practice for WSE Listed Companies" in the version effective from January 1, 2016. The text of "Best Practices of WSE Listed Companies" is available, among others, on the website of the Warsaw Stock Exchange S.A. dedicated to the issues of corporate governance - www.corp-gov.gpw.pl.

30.2. Indication of the provisions of the set of corporate governance rules from which BIOTON S.A. withdrew, explanation of the circumstances and reasons for the withdrawal and the manner in which the Company intends to remove potential consequences of not applying the provision or what steps it intends to take in order to reduce the risk of not applying the provision in the future

The Management Board of BIOTON S.A. informs that since it shares the ideas and assumptions underlying individual principles of the "Best Practices of WSE Listed Companies" - in the view of the practice or provisions of the Statute adopted by the Company, requiring departure from the governance and supervision model provided for by some corporate governance rules - it cannot apply in a permanent manner and to the full extent of the principles set out below.

The Management Board of the Company would like to emphasize that departing from this model or expressing certain reservations with regard to specific rules does not adversely affect the transparency of the supervision and management rules of BIOTON S.A. as well as the implementation of good practices, and thus does not violate the assumptions underlying corporate governance. The Management Board of BIOTON S.A. will evaluate the management and supervision principles introduced in the Company on an on-going basis as well as will examine investors' expectations as to the position of the Company regarding the non-accepted principles of good practice, and when changes are deemed necessary, a decision will be taken to adopt specific rules in the wording proposed by the Warsaw Stock Exchange. In the case where the application of such rules will require a decision of another Company's body, the Management Board of the Company will apply to it to make the appropriate decision.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
<p>Information on the status of the Company's application of the recommendations and principles contained in the Collection of Good Practices of Companies Listed at WSE 2016</p> <p>According to the current status of compliance with the Best Practices, the Company does not apply 3 recommendations: III.R.1., IV.R.2., VI.R.1.</p> <p>According to the current status of compliance with the Best Practices, the Company does not apply 8 detailed rules: IZ1.15., IZ1.16., IZ1.20., III.Z.2., III.Z.3., IV.Z.2., IV.Z.13., VI.Z.4.</p>		
I.	<p>Information policy and communication with investors</p> <p>A listed company cares for proper communication with investors and analysts, pursuing a transparent and effective information policy. To this end, it provides easy and non-discriminatory access to the disclosed information, using a variety of communication tools.</p>	
I.R.1	In a situation where the company becomes aware of the dissemination of false information in the media, which significantly affects its assessment, immediately after becoming aware of such knowledge, it publishes on its website a message containing its position regarding this information - unless, in the company's opinion, the nature of the information and the circumstances of its publication provide grounds to consider adopting a different solution more appropriate.	The recommendation is applied.
I.R.2.	If the company conducts sponsorship, charity or other activities of a similar nature, it publishes information on the policy conducted in this respect in its annual activity report.	The recommendation does not apply to the company. The Company's comment: The Company does not conduct sponsorship, charity or other activities of a similar nature.
I.R.3	The company should enable investors and analysts to ask questions and obtain - taking the prohibitions resulting from applicable law - explanations on topics of interest to these people into account. The implementation of this recommendation may take place in the formula of open meetings with investors and analysts or in any other form provided for by the company.	The recommendation is applied.
I.R.4	The company should make every effort, including taking all steps necessary in advance to prepare a periodic report, to enable investors to get acquainted with its financial results as soon as possible after the end of the reporting period.	The recommendation is applied.
I.Z.1.	The company runs a corporate website and publishes it, in a readable form and a separate place, in addition to the information required by law:	

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I.Z.1.1	<ul style="list-style-type: none"> • basic corporate documents in particular the articles of association of the company, 	The rule is applied.
I.Z.1.2.	<ul style="list-style-type: none"> • The composition of the company's Management Board and the Supervisory Board, as well as professional CVs of the members of these bodies, together with the information on the compliance with the independence criteria by the members of the Supervisory Board. 	The rule is applied. In terms of compliance by the members of the Supervisory Board of the Company with the independence criterion - see explanation to II.Z.3.
I.Z.1.3	<ul style="list-style-type: none"> • Scheme of the division of tasks and responsibilities between the members of the Management Board, drawn up in accordance with Rule II.Z.1. 	The rule is applied.
I.Z.1.4	<ul style="list-style-type: none"> • the current shareholding structure, indicating shareholders holding at least 5% of the total number of votes in the company - based on information provided to the company by shareholders in accordance with applicable regulations, 	The rule is applied.
I.Z.1.5.	<ul style="list-style-type: none"> • current and periodic reports as well as issue prospectuses and information memoranda with annexes, published by the company within at least the last 5 years, 	The rule is applied.
I.Z.1.6	<ul style="list-style-type: none"> • a calendar of corporate events resulting in the acquisition or restriction of rights on the part of a shareholder, a calendar of publication of financial reports and other events important from the investors' point of view - in a timeframe enabling investors to make investment decisions, 	The rule is applied.
I.Z.1.7	<ul style="list-style-type: none"> • information materials published by the company on the company's strategy and its financial results, 	The rule is applied.
I.Z.1.8	<ul style="list-style-type: none"> • lists of selected financial data of the company for the last 5 years of operation, in a format enabling the processing of such data by their recipients 	The rule is applied.
I.Z.1.9	<ul style="list-style-type: none"> • information on the planned dividend and dividend paid by the company in the last 5 fiscal years, including data on the dividend record date, payment dates and the amount of dividends - in total and per share, 	The rule is applied.

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I.Z.1.10	<ul style="list-style-type: none"> financial forecasts - if the company has decided to publish them - published at least in the last 5 years, along with information on the degree of their implementation, 	The rule is applied.
I.Z.1.11	<ul style="list-style-type: none"> information about the content of the company's internal rule of changing the entity authorized to audit financial statements, or information about the absence of such rule, 	The rule is applied.
I.Z.1.12	<ul style="list-style-type: none"> the company's statement on the application of corporate governance included in the last published annual report, 	The rule is applied.
I.Z.1.13	<ul style="list-style-type: none"> information on the status of the company's application of the recommendations and principles contained in this document, consistent with the information that the company should provide on the basis of relevant regulations, 	The rule is applied.
I.Z.1.14	<ul style="list-style-type: none"> materials provided to the general meeting, including assessments, reports and positions indicated in rule II.Z.10, submitted to the general meeting by the supervisory board, 	The rule is applied.
I.Z.1.15.	<ul style="list-style-type: none"> The information containing the description of the company's diversity policy in relation to the management of the company and its key managers; the description should take such elements of diversity policy as gender, education, age, professional experience into account, as well as indicate the objectives of diversity policy and the manner of its implementation in the reporting period; if the company has not been developing the diversity policy, it shall publish an explanation of such a decision on its website. 	<p>The rule is not applied.</p> <p>The company does not have a formal diversity policy, nonetheless it makes every effort to ensure that its authorities and management are diverse due to gender, age, education, work experience, etc. The company cannot guarantee full compliance with the principles of diversity policy by all the bodies that choose the Company's authorities, in particular the General Meeting.</p>
I.Z.1.16.	<ul style="list-style-type: none"> the information on the planned broadcast of the General Meeting - no later than 7 days before the date of the General Meeting. 	<p>The rule is not applied.</p> <p>Company's comment: See the explanation to IV.R.2.</p>
I.Z.1.17.	<ul style="list-style-type: none"> justifications for draft resolutions of the general meeting concerning matters and decisions significant or likely to raise doubts among shareholders - within the time limit enabling the participants of the 	The rule is applied.

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	<p>general meeting to become acquainted with them and adopting the resolution with due knowledge,</p>	
I.Z.1.18	<ul style="list-style-type: none"> information on the reasons for cancelling the general meeting, changing the date or agenda, as well as information on breaks in the general meeting and the reasons for ordering the break 	The rule is applied.
I.Z.1.19	<ul style="list-style-type: none"> shareholders' questions addressed to the management board pursuant to Art. 428 § 1 or § 6 of the Commercial Companies Code, together with the management board's answers to the questions asked, or a detailed indication of the reasons for not providing the answer, in accordance with rule IV.Z.13, 	The rule is applied.
I.Z.1.20.	<ul style="list-style-type: none"> record of the proceedings of the general meeting, in the form of audio or video, 	<p>The rule is not applied.</p> <p>The previous practice in the Company, as well as the practice of many public companies, does not support the need to register and make public the record of the General Meeting. The Company is of the opinion that the information on the convening and the course of the General Meeting published by the Company, provided for in the legal regulations, allows for an exhaustive understanding of the matters raised at the General Meeting by shareholders who do not participate in the deliberations and other interested parties.</p>
I.Z.1.21	<ul style="list-style-type: none"> contact details of persons responsible in the company for communication with investors, indicating the name and surname and e-mail address or telephone number. 	The rule is applied.
I.Z.2	<p>A company whose shares are classified in the WIG20 or mWIG40 stock exchange indices shall also ensure that its website is available in English, at least to the extent indicated in rule IZ1. This rule should also be applied by companies outside the above indices if it is justified by their shareholding structure or the nature and scope of their business.</p>	The rule is applied.
II.	<p style="text-align: center;">Management Board and Supervisory Board</p> <p>A listed company is managed by the management board, its members act in the company's interest and are responsible for its activities. The management board is responsible, in particular, for leadership in the company, commitment to setting its strategic goals and their implementation, as well as ensuring the company's efficiency and security.</p>	

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	The company is supervised by an effective and competent supervisory board. Members of the supervisory board act in the interest of the company and follow the independence of their opinions and judgments in their conduct. The supervisory board, in particular, gives opinions on the company's strategy and verifies the work of the management board in terms of achieving the established strategic goals and monitors the company's results.	
III.R.1.	In order to achieve the highest standards with regard to the performance of their obligations by the management board and the supervisory board in an effective manner, persons representing high qualifications and experience are appointed to the management board and the supervisory board.	The recommendation is applied.
II.R.2	Decision-makers on the selection of management board or supervisory board members should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience.	The recommendation is applied. Company's comment: See the explanation to I.Z.1.15.
II.R.3	Performing a function on the company's management board is the main area of professional activity of a management board member. Additional professional activity of a management board member may not lead to such involvement of time and workload as to adversely affect the proper performance of the function in the company. In particular, a management board member should not be a member of the governing bodies of other entities, if the time devoted to performing functions in other entities prevents them from performing their obligations in the company in a reliable manner.	The recommendation is applied.
II.R.4	Supervisory board members should be able to devote the necessary amount of time to performing their obligations.	The recommendation is applied.
II.R.5	In the event of resignation or inability to perform activities by a supervisory board member, the company shall immediately take appropriate steps to supplement or change the composition of the supervisory board.	The recommendation is applied.
II.R.6	The supervisory board, being aware of the expiry of the term of office of members of the management board and their plans for further functions in the management board, takes steps in advance to ensure the effective functioning of the company's management board.	The recommendation is applied.
II.R.7	The company provides the supervisory board with the possibility of using professional, independent advisory services which, in the opinion of the board, are necessary for the supervisory board to exercise effective supervision in the	The recommendation is applied.

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	company. When selecting an entity providing advisory services, the supervisory board takes the company's financial situation into account.	
II.Z.1	Internal division of responsibilities for particular areas of the company's operations between members of the Management Board should be formulated in a clear and transparent manner, and the division pattern is available on the company's website.	The rule is applied.
II.Z.2.	Members of the company's management board serving on management boards or supervisory boards of companies from outside the capital group of the company require the consent of the supervisory board.	The rule is applied. Company's comment: The Company currently has no internal regulations regulating this issue and applies the provisions of Art. 380 of the Commercial Companies Code.
II.Z.3	At least two members of the supervisory board meet the independence criteria referred to in principle II.Z.4.	The rule is applied. The company agrees that good corporate practice includes the participation of independent members in the Supervisory Board. Due to the detailed provisions contained in § 18 of the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands. In accordance with § 18 of the Company's Articles of Association: "1. One of the members of the Supervisory Board appointed by the General Meeting should meet all the following conditions: 1) has been elected in the manner referred to in it. 3; 2) cannot be an Affiliate of the Company or a subsidiary of the Company; 3) may not be an Entity Affiliated with the parent entity or another subsidiary of the parent entity, or 4) may not be a person who is in any relationship with the Company or any of the entities listed in point 2) and 3), which could significantly affect the ability of such a person as a member of the Supervisory Board to make impartial decisions. 2. For the avoidance of doubt, the affiliations referred to in it. 1 point 2) -4) do not apply to membership in the Supervisory Board of the Company. 3. Election of a member of the Supervisory Board who is to meet the conditions described in it. 1, takes place in a separate vote. Subject to it. 4, the right to propose candidates for a member of the Supervisory Board meeting the conditions set out in it. 1 is vested in shareholders present at the General Meeting whose subject matter is the election of a member

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		<p>of the Supervisory Board referred to in it. 1. Submission is made to the Chairman of the General Meeting in writing together with a written statement of the candidate concerned that he / she is in compliance with the conditions set out in it. 1 point 2)-4). If the candidatures in the manner provided for in the preceding sentence are not reported by shareholders, candidates for the Supervisory Board meeting the conditions described in it. 1 point 2)-4), are reported by the Supervisory Board. " In addition, according to § 21 it. 2 of the Statute, "resolutions on matters specified in it. 1 point 1 require for their validity a vote for their acceptance by a member of the Supervisory Board who meets the conditions set out in § 18 it. (1) hereof." Whereas on accordance with § 21 it. 1 point 1 of the Articles of Association, these resolutions include resolutions regarding: "appointing the entity auditing or reviewing the consolidated and separate financial statements of the Company, consenting to enter into agreements with such entity or its subsidiaries, subordinated entities, parent entities or subsidiaries or subordinated entities of its parent entities, and any other activities that may adversely affect the independence of such an entity in carrying out the audit or review of the Company's financial statements".</p>
II.Z.4.	<p>As regards the independence criteria of members of the supervisory board, Annex II to European Commission Recommendation 2005/162 / EC of February 15, 2005 on the role of non-executive directors or supervisory board members of listed companies and on the (supervisory) board committees applies. Notwithstanding the provisions of point 1 let (b) of the document referred to in the preceding sentence, an employee of the company, subsidiary or affiliate, as well as a person associated with these entities by an agreement of a similar nature, cannot be deemed to meet the criteria of independence. Relationship with a shareholder precluding the independence of a Supervisory Board member within the meaning of this rule shall also mean actual and significant relationships with a shareholder having at least 5% of the total number of votes in the company.</p>	<p>The rule is applied.</p> <p>The company agrees that good corporate practice includes the participation of independent members in the Supervisory Board. Due to the detailed provisions contained in § 18 of the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands. In accordance with § 18 of the Company's Articles of Association:</p> <p><i>„1. One of the members of the Supervisory Board appointed by the General Meeting should meet all of the following conditions:</i></p> <ol style="list-style-type: none"> <i>1) was selected in the mode referred to in it. 3;</i> <i>2) cannot be an Affiliate of the Company or a subsidiary of the Company;</i> <i>3) cannot be an Affiliate with a dominant entity or another subsidiary of the dominant entity, or</i>

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		<p>4) cannot be a person who remains in any connection with the Company or any of the entities listed in point 2) and 3), which could significantly affect the ability of such a person as a member of the Supervisory Board to make impartial decisions.</p> <p>2. For the avoidance of doubt, the affiliations referred to in it. 1 point 2) -4) do not apply to membership in the Supervisory Board of the Company.</p> <p>3. Election of a member of the Supervisory Board who is to meet the conditions described in it. 1, takes place in a separate vote. Subject to it. 4, the right to propose candidates for a member of the Supervisory Board meeting the conditions set out in it. 1 is vested in shareholders present at the General Meeting whose subject matter is the election of a member of the Supervisory Board referred to in it. 1. Submission is made to the Chairman of the General Meeting in writing together with a written statement of the candidate concerned that he / she is in compliance with the conditions set out in it. 1 point 2)-4). If the candidatures in the manner provided for in the preceding sentence are not reported by shareholders, candidates for the Supervisory Board meeting the conditions described in it. 1 point 2) -4), are reported by the Supervisory Board. "</p> <p>In addition, according to § 21 it. 2 of the Articles of Association "resolutions on matters referred to in it. 1 point 1 require for their validity a vote for their acceptance by a member of the Supervisory Board who meets the conditions set out in § 18 it. (1) hereof."</p> <p>Whereas on accordance with § 21 it. 1 point 1 of the Articles of Association, these resolutions include resolutions regarding: "appointing the entity auditing or reviewing the consolidated and separate financial statements of the Company, consenting to enter into agreements with such entity or its subsidiaries, subordinated entities, parent entities or subsidiaries or subordinated entities of its parent entities, and any other activities that may adversely affect the independence of such an entity in carrying out the audit or review of the Company's financial statements".</p>
II.Z.5.	A member of the supervisory board provides the other members of the board and the company's management board with a statement on the fulfilment of the independence criteria set out in rule II.Z.4.	The rule is applied. Company's comment: See the explanation to II.Z.4.

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II.Z.6.	The Supervisory Board assesses whether there are relationships or circumstances, which may affect the fulfilment of the independence criteria by a board member. Evaluation of meeting the independence criteria by the Supervisory Board member is presented by the board in accordance with rule II.Z.10.2.	The rule is applied. Company's comment: See the explanation to II.Z.4.
II.Z.7.	Within the scope of tasks and functioning of committees operating on the supervisory board, the provisions of Annex I to the Recommendation of the European Commission, referred to in principle II.Z.4, apply. In the event when the function of the audit committee is performed by the supervisory board, the above rules apply accordingly.	The rule is applied. Company's comment: See the explanation to II.Z.4.
II.Z.8	The chairman of the audit committee meets the independence criteria indicated in principle II.Z.4.	The rule is applied.
II.Z.9	In order to allow for realizing the tasks by the supervisory board, the management board assures for the board the access to the information on the issues concerning the company.	The rule is applied.
II.Z.10.	In addition to activities resulting from the law, once a year, the supervisory board prepares and presents to the ordinary general meeting:	
II.Z.10.1	<ul style="list-style-type: none"> • assessment of the company's situation, including the assessment of internal control systems, risk management, compliance and the internal audit function; this assessment covers all significant control mechanisms, including in particular those relating to financial reporting and operating activities; 	The rule is applied.
II.Z.10.2.	<ul style="list-style-type: none"> • a report on the activities of the supervisory board, including at least information on: <ul style="list-style-type: none"> ▪ the composition of the board and its committees, ▪ the fulfilment of the independence criteria by the board members, ▪ the number of sessions of the Board and its committees during the reporting period, ▪ self-assessment of the work of the supervisory board; 	The rule is applied. Company's comment: In terms of compliance by the members of the Supervisory Board of the Company with the independence criterion - see explanation to II.Z.4.
II.Z.10.3	<ul style="list-style-type: none"> ▪ assessment of the manner in which the company complies with the disclosure obligations regarding the application of corporate governance rules set out in the Stock Exchange Regulations and the 	The rule is applied.

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	provisions on current and periodic information provided by issuers of securities;	
II.Z.10.4	<ul style="list-style-type: none"> ▪ Assessment of the rationality of the company's policy referred to in recommendation I.R.2, or information about the absence of such a policy. 	The rule is applied.
II.Z.11.	The supervisory board considers and gives opinions on matters that are to be the subject of resolutions of the general meeting.	<p>The rule is applied.</p> <p>Company's comment: The Company shares the need for the Supervisory Board to consider and give opinions on matters that are to be the subject of resolutions of the General Meeting. The Company cannot, however, guarantee that in every matter that is to be the subject of a resolution of the General Meeting, the opinion of the Supervisory Board will be obtained before the General Meeting in time allowing shareholders to become acquainted with it. Sometimes practical reasons may speak for the necessity of a quick holding of the General Meeting, and the Supervisory Board itself will not have enough time to draw up an opinion before the General Meeting or to consult experts before preparing the opinion.</p>
III.	<p>Internal systems and functions</p> <p>A listed company maintains effective systems of: internal control, risk management and supervision of compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of its activities.</p>	
III.R.1.	The company distinguishes in its structure the units responsible for the implementation of tasks in particular systems or functions, unless the separation of organizational units is not justified due to the size or type of activity conducted by the company.	<p>The recommendation is not applied.</p> <p>Company's comment: The company does not have separate units in its structure responsible for the implementation of internal control systems, risk management, compliance and internal audit.</p>
III.Z.1	Implementation and maintenance of effective systems of internal control, risk management, compliance and functions of internal audit are the responsibility of the company's Management Board.	The rule is applied.
III.Z.2.	Subject to Rule III.Z.3, persons responsible for risk management, internal audit, and compliance report directly to the president or other Management Board member,	<p>The rule is not applied.</p> <p>Company's comment: See the explanation to III.R.1.</p>

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	and also have the opportunity of reporting directly to the Supervisory Board or the audit committee.	
III.Z.3.	With regard to the person in charge of internal audit and other persons responsible for carrying out tasks, the independence principles set out in the universally recognised international standards of professional practice of internal audit shall apply.	The rule is not applied. Company's comment: See the explanation to III.R.1.
III.Z.4.	At least once a year, the person responsible for internal audit (if such a position has been separated in the company) and the Management Board provide the Supervisory Board with their own assessment of the effectiveness of systems and functions referred to in Rule III.Z.1, together with a suitable report.	The rule is not applied. Company's comment: See the explanation to III.R.1.
III.Z.5	The supervisory board monitors the effectiveness of the systems and functions referred to in principle III.Z.1, based on, inter alia, reports periodically provided to it directly by the persons responsible for these functions and the company's management board, and performs an annual assessment of the effectiveness of these systems and functions, in accordance with rule II.Z.10.1. If an audit committee operates in the company, it monitors the effectiveness of the systems and functions referred to in principle III.Z.1, however, this does not release the supervisory board from making an annual assessment of the effectiveness of these systems and functions.	The rule is applied.
III.Z.6	In the event that the company has no separate function of internal audit, the audit committee (or Supervisory Board, if it acts as an audit committee) annually assesses whether there is a need to make such a separation.	The rule is applied.
IV.	General meeting and relations with shareholders The management board of a listed company and its supervisory board should encourage shareholders to become involved in the company's affairs, primarily through active participation in the general meeting. The general meeting should respect the rights of shareholders and should strive to ensure that the adopted resolutions do not infringe the legitimate interests of individual groups of shareholders. Shareholders participating in the general meeting exercise their rights in a manner that does not violate decency.	

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IV.R.1	The company should strive to hold an ordinary general meeting as soon as possible after the publication of the annual report, setting this date taking the relevant legal provisions into account.	The recommendation is applied.
IV.R.2.	<p>If it is justified due to the shareholder structure or the expectations of shareholders proposed to the company, if the company is able to provide the technical infrastructure necessary for the smooth conduct of the general meeting by means of electronic communication, it should enable shareholders to participate in the general meeting using such means, in particular through:</p> <ol style="list-style-type: none"> 1) transmission of the general meeting in real time, 2) two-way real-time communication, whereby shareholders can speak during the general meeting, staying in a place other than the venue of the general meeting, 3) exercising, in person or through a proxy, the right to vote during the general meeting. 	<p>The recommendation is not applied.</p> <p>Company's comment: In the Company's opinion, the risk of disruptions to the proper course of the meeting, caused by technical and logistical problems, the elimination of which the Company cannot guarantee completely, exceeds the benefits for shareholders from the application of the above principle. The company is of the opinion that the currently binding rules of participation in General Meetings allow for the proper and effective implementation of rights arising from shares and sufficiently protect the interests of all shareholders, including minority shareholders.</p>
IV.R.3.	The company aims to ensure that, when securities issued by the company are traded in different countries (or on different markets) and under different legal systems, the execution of corporate events related to the acquisition of rights on the shareholder's side occurred on the same dates in all countries in which they are quoted.	<p>The recommendation does not apply to the company.</p> <p>The Company's comment: The Company's shares are listed only on the Warsaw Stock Exchange</p>
IV.Z.1	The company sets the place and date of the general meeting in a way that allows the participation of the largest possible number of shareholders.	The rule is applied.
IV.Z.2.	If this is justified due to the shareholding structure of the company, the company shall provide a widely accessible broadcast of the General Meeting in real time.	<p>The rule is not applied.</p> <p>Company's comment: See the explanation to IV.R.2.</p>
IV.Z.3.	Representatives of the media are allowed to attend general assemblies.	<p>The rule is not applied.</p> <p>Company's comment: The Company generally recognizes the assumptions behind this rule and considers it to be good corporate practice. In its activities, the Company undertakes numerous efforts to have good contacts with the media and to conduct an effective information policy. However, it cannot be ruled out that the Company will not provide media representatives with the possibility of being</p>

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		present at the General Meeting due to the need to ensure an efficient course of the meeting.
IV.Z.4	If the management board receives information about the convening of the general meeting pursuant to Art. 399 § 2 - 4 of the Commercial Companies Code, the management board shall immediately perform the activities which it is obliged to perform in connection with the organization and conduct of the general meeting. The rule also applies when a general meeting is convened on the basis of an authorization issued by the registry court in accordance with Art. 400 § 3 of the Commercial Companies Code;	The rule is applied.
IV.Z.5.	Regulations of the general meeting, as well as the manner of conducting the meeting and adopting resolutions cannot hinder the participation of shareholders in the general meeting and exercise of their rights. Amendments to the rules of the general meeting should take place at the earliest from the next general meeting.	The rule is applied. Company's comment: The previous practice in the Company as well as the practice of many public companies does not support the need to introduce the regulations of the General Meeting, which would include in detail the rules of conducting the General Meeting. Therefore, the Company is of the opinion that a sufficient basis for the smooth running of the General Meeting in the Company, including voting in separate groups, are the relevant provisions of the Code of Commercial Companies.
IV.Z.6	The company makes every effort to ensure that the cancellation of the general meeting, change of the date or ordering a break in the meeting do not prevent or restrict the exercise of the shareholders' right to participate in the general meeting.	The rule is applied.
IV.Z.7	A break in a general meeting may only take place in special situations, each time indicated in the justification of the resolution on the break, prepared on the basis of the reasons presented by the shareholder requesting the break.	The rule is applied.
IV.Z.8	The resolution of the general meeting on ordering a break clearly indicates the date of resuming the meeting, but this date cannot be a barrier to the participation in the resumed meeting by the majority of shareholders, including minority shareholders.	The rule is applied.
IV.Z.9	The company makes every effort to ensure that the draft resolutions of the general meeting contain a justification, if it will make it easier for the shareholders to adopt the resolution with due diligence. If an item is placed on the agenda of the general meeting at the request of a shareholder or shareholders, the management board	The rule is applied.

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	or the chairman of the general meeting requests presentation of the justification for the proposed resolution. In significant matters or which may raise doubts of shareholders, the company will provide justification, unless it otherwise provides shareholders with information that will ensure that the resolution is adopted with due diligence.	
IV.Z.10	The exercise of shareholders' rights and the manner of exercising their rights may not hinder the proper operation of the company's bodies.	The rule is applied.
IV.Z.11	Members of the management board and supervisory board participate in the sessions of the general meeting in the composition enabling them to provide substantive answers to questions asked during the general meeting.	The rule is applied.
IV.Z.12	The management board should present to participants of an ordinary general meeting the company's financial results and other relevant information contained in the financial statements subject to approval by the general meeting.	The rule is applied.
IV.Z.13	If a shareholder submits a request for information about the company, the company's management board is obliged to respond to the shareholder's request or inform him or her about the refusal to provide such information no later than within 30 days, if the management board has made such a decision pursuant to Art. 428 § 2 or § 3 of the Commercial Companies Code.	The rule is not applied. Company's comment: Pursuant to Art. 428 par. 6 of the Commercial Companies Code, the Company is not required to answer shareholder questions asked outside the General Meeting, which means that it may, but does not have to answer questions asked in such a manner. In the opinion of the Management Board, the right to request information is sometimes abused by asking detailed questions aimed at actual control over the Company's bodies, to which a shareholder of a joint-stock company is not entitled. In the reality of the Company, it may also be used in disputes between shareholders, while the Company wants to maintain a neutral position.
IV.Z.14	Resolutions of the general meeting should ensure that the necessary time interval is maintained between decisions resulting in specific corporate events and the dates on which the shareholders' rights resulting from these corporate events are established.	The rule is applied.
IV.Z.15	A resolution of the general meeting on the issue of shares with pre-emptive rights should specify the issue price or the mechanism for its determination, or oblige the	The rule is applied.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
	authorized body to determine it before the subscription right day, within the time limit enabling an investment decision to be made.	
IV.Z.16	The dividend date and the dividend payment dates should be set so that the period between them is no longer than 15 business days. Setting a longer period between these dates requires justification.	The rule is applied.
IV.Z.17	A resolution of the general meeting on the payment of a conditional dividend may only contain conditions whose possible fulfilment will take place before the dividend record date.	The rule is applied.
IV.Z.18	The resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of shares at a level lower than PLN 0.50 that could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of a listed company.	The rule is applied.
V.	Conflict of interest, and transactions with affiliates	
	For the purposes of this chapter, the definition of an affiliate is adopted as specified in the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The company should have transparent procedures for preventing conflicts of interest and concluding transactions with affiliates in conditions of a possible conflict of interest. Procedures should provide for ways to identify, disclose and manage such situations.	
V.R.1	Member of the management board or the supervisory board should avoid undertaking professional or non-professional activity which could result in creating a conflict of interest or affect negatively their reputation as a member of the company's body and in case of creating a conflict of interest should immediately disclose it.	The recommendation is applied.
V.Z.1	No shareholder should be privileged in relation to other shareholders as regards transactions concluded by the company with shareholders or their related parties.	The rule is applied.
V.Z.2	A member of the management board or supervisory board shall inform the management board or the supervisory board, respectively, of the conflict of interest or the possibility of its arising, and shall not participate in voting on a	The rule is applied.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
	resolution on a matter in which a conflict of interest may arise in relation to his person.	
V.Z.3	A member of the management board or supervisory board may not accept benefits that could affect the impartiality and objectivity in making decisions or adversely affect the assessment of the independence of his opinions and judgments.	The rule is applied.
V.Z.4	If a member of the management board or the supervisory board finds that the decision of the management board or supervisory board, respectively, is contrary to the interests of the company, they may request that their position on this subject be included in the minutes of the management board or supervisory board meeting.	The rule is applied.
V.Z.5.	Before the company enters into a valid agreement with a shareholder having at least 5% of the total number of votes in the company or affiliate, the Management Board asks the Supervisory Board to agree to such a transaction. The supervisory board assesses the impact of such a transaction on the interest of the company before giving its consent. The above obligation does not apply to typical transactions and concluded on market terms as part of its operating activities by the company with entities forming part of the company's capital group. In the event that a decision on the company concluding a valid agreement with an affiliate is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest.	The rule is applied. The Company shares the view that it is necessary for the Management Board to approve the Supervisory Board's approval of the Company's conclusion of a significant agreement with an affiliate. Due to the detailed provisions contained in the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands. Pursuant to § 21 it. 1 of the Articles of Association of the Company, the competence of the supervisory board include: <i>"2) expressing the consent to the conclusion by the Entities Affiliated with the Company of agreements or other activities for Entities associated with the Company, if the value of such contracts or activities exceeds in the next 12 (twelve months) the amount of EUR 500,000 or the equivalent of this amount in other currencies, with the exception of typical and routine activities, carried out on market terms between affiliates, the nature and conditions of which result from current operations, conducted by the Company or its subsidiary. "</i>
V.Z.6	In its internal regulations, the company determines the criteria and circumstances, that can result in the conflict of interest in the company, as well as the rules of conduct in the face of such a conflict of interest or the possibility of its occurrence. Internal regulations of the company take the ways of prevention, identification and resolving of conflicts of interest, as well as rules for writing-off a member of the Management Board or Supervisory Board from the participation in dealing with matters covered by or at risk of conflict of interest into account.	The rule is applied.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
VI.	Remuneration	
	The company has a remuneration policy at least for members of the company's governing bodies and key managers. The remuneration policy specifies in particular the form, structure and method of determining the remuneration of members of the company's governing bodies and its key managers.	
VI.R.1.	The remuneration of members of the company's governing bodies and key managers should result from the adopted remuneration policy.	<p>The recommendation is applied.</p> <p>The Company's comment: The Company does not have a formal remuneration policy. Due to the detailed provisions contained in the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands.</p> <p>Pursuant to § 23 it. 3 of the Articles of the Company "<i>The remuneration of the Members of the Management Board is determined by the Supervisory Board.</i>"</p> <p>However, the remuneration of Members of the Supervisory Board, in accordance with art. 392 § 1 of the Code of Commercial Companies, is determined by a resolution of the General Meeting of the Company.</p>
VI.R.2.	The remuneration policy should be closely related to the company's strategy, its short and long-term goals, long-term interests and results, and should include solutions to avoid discrimination on any grounds.	<p>The recommendation is applied.</p> <p>Company's comment: See the explanation to VI.R.1.</p>
VI.R.3.	If there is a remuneration committee in the supervisory board, the principle II.Z.7 applies to its functioning.	<p>The recommendation is not applied.</p> <p>Company's comment: See the explanation to II.Z.4.</p>
VI.R.4	The level of remuneration of members of the management board and supervisory board as well as key managers should be sufficient to recruit, retain and motivate people with competences necessary for the proper management and supervision of the company. Remuneration should be adequate to the scope of tasks entrusted to individual persons and should take additional functions, such as work in supervisory board committees into account.	The recommendation is applied.
VI.Z.1	Incentive programmes should be designed to make the remuneration of the company's Management Board members and its key managers conditional on the actual, long-term financial situation of the company, and the long-term value growth for shareholders and the stability of the enterprise's operations.	The rule is applied.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
VI.Z.2	In order to link the remuneration of board members and executives with a company's long-term business and financial objectives, the period between options or other instruments connected to a company's shares granted under the incentive program and the possibility of their exercising should be at least 2 years.	The rule is applied.
VI.Z.3	Remuneration of members of the supervisory board should not depend on options and other derivatives or any other variable components, and should not depend on the company's performance.	The rule is applied.
VI.Z.4.	<p>In its activity report, the company presents a report on the remuneration policy including at least:</p> <ol style="list-style-type: none"> 1) general information on the company's remuneration system, 2) information on conditions and the amount of remuneration of each of the Management Board members, broken down into fixed and variable components of remuneration, including the key parameters for determining the variable components of remuneration and rules of severance payment and other payments due to termination of employment, and order or other legal relationship of a similar nature – separately for the company and for each entity within the capital group, 3) information on the non-financial components of remuneration available to individual Management Board members and key managers, 4) indication of significant changes made in remuneration policy in the past fiscal year, or information on lack thereof, 5) assessment of the functioning of the remuneration policy for the implementation of its objectives, in particular, the long-term value growth for shareholders, and stability of the enterprise. 	<p>The rule is not applied.</p> <p>Company's comment: The Company will accept and publish a report on the implementation of the Remuneration Policy in accordance with the Act on Public Offering and the adopted Remuneration Policy.</p>
Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
I.	Information policy and communication with investors	
I.R.2.	If the company conducts sponsorship, charity or other activities of a similar nature, it publishes information on the policy conducted in this respect in its annual activity report.	The recommendation does not apply. The company does not conduct any sponsorship, charity or other activities of a similar nature.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
I.Z.1.	The company runs a corporate website and publishes it, in a readable form and a separate place, in addition to the information required by law:	
I.Z.1.2.	<ul style="list-style-type: none"> The composition of the company's Management Board and the Supervisory Board, as well as professional CVs of the members of these bodies, together with the information on the compliance with the independence criteria by the members of the Supervisory Board. 	In terms of compliance by the members of the Supervisory Board of the Company with the independence criterion - see explanation to II.Z.3.
I.Z.1.15.	<ul style="list-style-type: none"> The information containing the description of the company's diversity policy in relation to the management of the company and its key managers; the description should take such elements of diversity policy as gender, education, age, professional experience into account, as well as indicate the objectives of diversity policy and the manner of its implementation in the reporting period; if the company has not been developing the diversity policy, it shall publish an explanation of such a decision on its website. 	The company does not have a formal diversity policy, nonetheless it makes every effort to ensure that its authorities and management are diverse due to gender, age, education, work experience, etc. The company cannot guarantee full compliance with the principles of diversity policy by all the bodies that choose the Company's authorities, in particular the General Meeting.
I.Z.1.16.	<ul style="list-style-type: none"> the information on the planned broadcast of the General Meeting - no later than 7 days before the date of the General Meeting. 	See explanation to IV.R.2.
I.Z.1.20.	<ul style="list-style-type: none"> record of the proceedings of the general meeting, in the form of audio or video, 	The previous practice in the Company, as well as the practice of many public companies, does not support the need to register and make public the record of the General Meeting. The Company is of the opinion that the information on the convening and the course of the General Meeting published by the Company, provided for in the legal regulations, allows for an exhaustive understanding of the matters raised at the General Meeting by shareholders who do not participate in the deliberations and other interested parties.
II.	Management Board and Supervisory Board	
II.R.2	Decision-makers on the selection of management board or supervisory board members should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience.	See explanation to I.Z.1.15.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
II.Z.2.	Members of the company's management board on board or supervisory boards of companies from outside the capital group of the company require the consent of the supervisory board.	The company currently does not have internal regulations regulating this issue and applies the provisions of art. 380 of the Commercial Companies Code.
II.Z.4.	As regards the independence criteria of members of the supervisory board, Annex II to European Commission Recommendation 2005/162 / EC of February 15, 2005 on the role of non-executive directors or supervisory board members of listed companies and on the (supervisory) board committees applies. Notwithstanding the provisions of point 1 let (b) of the document referred to in the preceding sentence, an employee of the company, subsidiary or affiliate, as well as a person associated with these entities by an agreement of a similar nature, cannot be deemed to meet the criteria of independence. Relationship with a shareholder precluding the independence of a Supervisory Board member within the meaning of this rule shall also mean actual and significant relationships with a shareholder having at least 5% of the total number of votes in the company.	<p>The company agrees that good corporate practice includes the participation of independent members in the Supervisory Board. Due to the detailed provisions contained in § 18 of the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands. In accordance with § 18 of the Company's Articles of Association:</p> <p>„1. <i>One of the members of the Supervisory Board appointed by the General Meeting should meet all of the following conditions:</i></p> <ol style="list-style-type: none"> 1) <i>was selected in the mode referred to in it. 3;</i> 2) <i>cannot be an Affiliate of the Company or a subsidiary of the Company;</i> 3) <i>cannot be an Affiliate with a dominant entity or another subsidiary of the dominant entity, or</i> 4) <i>cannot be a person who remains in any connection with the Company or any of the entities listed in point 2) and 3), which could significantly affect the ability of such a person as a member of the Supervisory Board to make impartial decisions.</i> <p>2. <i>For the avoidance of doubt, the affiliations referred to in it. 1 point 2) -4) do not apply to membership in the Supervisory Board of the Company.</i></p> <p>3. <i>Election of a member of the Supervisory Board who is to meet the conditions described in it. 1, takes place in a separate vote. Subject to it. 4, the right to propose candidates for a member of the Supervisory Board meeting the conditions set out in it. 1 is vested in shareholders present at the General Meeting whose subject matter is the election of a member of the Supervisory Board referred to in it. 1. Submission is made to the Chairman of the General Meeting in writing together with a written statement of the candidate concerned that he / she is in compliance with the conditions set out in it. 1 point 2)-4). If the candidatures in the manner provided for in the preceding sentence are not reported by shareholders,</i></p>

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
		<p><i>candidates for the Supervisory Board meeting the conditions described in it. 1 point 2) -4), are reported by the Supervisory Board. "</i></p> <p>In addition, according to § 21 it. 2 of the Articles of Association "<i>resolutions on matters referred to in it. 1 point 1 require for their validity a vote for their acceptance by a member of the Supervisory Board who meets the conditions set out in § 18 it. (1) hereof.</i>"</p> <p>Whereas on accordance with § 21 it. 1 point 1 of the Articles of Association, these resolutions include resolutions regarding: "<i>appointing the entity auditing or reviewing the consolidated and separate financial statements of the Company, consenting to enter into agreements with such entity or its subsidiaries, subordinated entities, parent entities or subsidiaries or subordinated entities of its parent entities, and any other activities that may adversely affect the independence of such an entity in carrying out the audit or review of the Company's financial statements</i>".</p>
II.Z.5.	A member of the supervisory board provides the other members of the board and the company's management board with a statement on the fulfilment of the independence criteria set out in rule II.Z.4.	See explanation to II.Z.4.
II.Z.6.	The Supervisory Board assesses whether there are relationships or circumstances, which may affect the fulfilment of the independence criteria by a board member. Evaluation of meeting the independence criteria by the Supervisory Board member is presented by the board in accordance with rule II.Z.10.2.	See explanation to II.Z.4.
II.Z.7.	Within the scope of tasks and functioning of committees operating on the supervisory board, the provisions of Annex I to the Recommendation of the European Commission, referred to in principle II.Z.4, apply. In the event when the function of the audit committee is performed by the supervisory board, the above rules apply accordingly.	See explanation to II.Z.4.
II.Z.10.	In addition to activities resulting from the law, once a year, the supervisory board prepares and presents to the ordinary general meeting:	
II.Z.10.2.	<ul style="list-style-type: none"> • a report on the activities of the supervisory board, including at least information on: <ul style="list-style-type: none"> ▪ the composition of the board and its committees, 	In terms of compliance by the members of the Supervisory Board of the Company with the independence criterion - see explanation to II.Z.4.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
	<ul style="list-style-type: none"> ▪ the fulfilment of the independence criteria by the board members, ▪ the number of sessions of the Board and its committees during the reporting period, ▪ self-assessment of the work of the supervisory board; 	
II.Z.11.	The supervisory board considers and gives opinions on matters that are to be the subject of resolutions of the general meeting.	The Company shares the need for the Supervisory Board to consider and give opinions on matters that are to be the subject of resolutions of the General Meeting. The Company cannot, however, guarantee that in every matter that is to be the subject of a resolution of the General Meeting, the opinion of the Supervisory Board will be obtained before the General Meeting in time allowing shareholders to become acquainted with it. Sometimes practical reasons may speak for the necessity of a quick holding of the General Meeting, and the Supervisory Board itself will not have enough time to draw up an opinion before the General Meeting or to consult experts before preparing the opinion.
III.	Internal systems and functions	
III.R.1.	The company distinguishes in its structure the units responsible for the implementation of tasks in particular systems or functions, unless the separation of organizational units is not justified due to the size or type of activity conducted by the company.	The company does not have separate units in its structure responsible for the implementation of internal control systems, risk management, compliance and internal audit.
III.Z.2.	Subject to Rule III.Z.3, persons responsible for risk management, internal audit, and compliance report directly to the president or other Management Board member, and also have the opportunity of reporting directly to the Supervisory Board or the audit committee.	See explanation to III.R.1.
III.Z.3.	With regard to the person in charge of internal audit and other persons responsible for carrying out tasks, the independence principles set out in the universally recognised international standards of professional practice of internal audit shall apply.	See explanation to III.R.1.
III.Z.4.	At least once a year, the person responsible for internal audit (if such a position has been separated in the company) and the Management Board provide the Supervisory Board with their own assessment of the effectiveness of systems and functions referred to in Rule III.Z.1, together with a suitable report.	See explanation to III.R.1.

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
IV.	General meeting and relations with shareholders	
IV.R.2.	<p>If it is justified due to the shareholder structure or the expectations of shareholders proposed to the company, if the company is able to provide the technical infrastructure necessary for the smooth conduct of the general meeting by means of electronic communication, it should enable shareholders to participate in the general meeting using such means, in particular through:</p> <ul style="list-style-type: none"> 4) transmission of the general meeting in real time, 5) two-way real-time communication, whereby shareholders can speak during the general meeting, staying in a place other than the venue of the general meeting, 6) exercising, in person or through a proxy, the right to vote during the general meeting. 	<p>In the Company's opinion, the risk of disruptions to the proper course of the meeting, caused by technical and logistical problems, the elimination of which the Company cannot guarantee completely, exceeds the benefits for shareholders from the application of the above principle. The company is of the opinion that the currently binding rules of participation in General Meetings allow for the proper and effective implementation of rights arising from shares and sufficiently protect the interests of all shareholders, including minority shareholders.</p>
IV.R.3.	<p>The company aims to ensure that, when securities issued by the company are traded in different countries (or on different markets) and under different legal systems, the execution of corporate events related to the acquisition of rights on the shareholder's part occurred on the same dates in all countries in which they are quoted.</p>	<p>The recommendation does not apply. The Company's shares are listed only on the Warsaw Stock Exchange</p>
IV.Z.2.	<p>If this is justified due to the shareholding structure of the company, the company shall provide a widely accessible broadcast of the General Meeting in real time.</p>	<p>See explanation to IV.R.2.</p>
IV.Z.3.	<p>Representatives of the media are allowed to attend general assemblies.</p>	<p>The Company generally accepts the assumptions behind this rule and considers it a good corporate practice. In its activities, the Company undertakes numerous efforts to have good contacts with the media and to conduct an effective information policy. However, it cannot be ruled out that the Company will not provide media representatives with the possibility of being present at the General Meeting due to the need to ensure an efficient course of the meeting.</p>
IV.Z.5.	<p>Regulations of the general meeting, as well as the manner of conducting the meeting and adopting resolutions cannot hinder the participation of shareholders in the general meeting and exercise of their rights. Amendments to the rules of the general meeting should take place at the earliest from the next general meeting.</p>	<p>The previous practice in the Company as well as the practice of many public companies does not support the need to introduce the regulations of the General Meeting, which would include in detail the rules of conducting the General Meeting. Therefore, the Company is of the opinion that a sufficient basis for the smooth running of the General Meeting in the Company, including voting in separate groups, are the relevant provisions of the Code of Commercial Companies.</p>

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
V.	Conflict of interest, and transactions with affiliates	
V.Z.5.	<p>Before the company enters into a valid agreement with a shareholder having at least 5% of the total number of votes in the company or affiliate, the Management Board asks the Supervisory Board to agree to such a transaction. The supervisory board assesses the impact of such a transaction on the interest of the company before giving its consent. The above obligation does not apply to typical transactions and concluded on market terms as part of its operating activities by the company with entities forming part of the company's capital group. In the event that a decision on the company concluding a valid agreement with an affiliate is made by the general meeting, before making such a decision, the company provides all shareholders with access to information necessary to assess the impact of this transaction on the company's interest.</p>	<p>The Company shares the view that it is necessary for the Management Board to approve the Supervisory Board's approval of the Company's conclusion of a significant agreement with an affiliate. Due to the detailed provisions contained in the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands. Pursuant to § 21 it. 1 of the Articles of Association of the Company, the competence of the supervisory board include:</p> <p><i>"2) expressing the consent to the conclusion by the Entities Affiliated with the Company of agreements or other activities for Entities associated with the Company, if the value of such contracts or activities exceeds in the next 12 (twelve months) the amount of EUR 500,000 or the equivalent of this amount in other currencies, with the exception of typical and routine activities, carried out on market terms between affiliates, the nature and conditions of which result from current operations, conducted by the Company or its subsidiary. "</i></p>
VI.	Remuneration	
VI.R.1.	<p>The remuneration of members of the company's governing bodies and key managers should result from the adopted remuneration policy.</p>	<p>The company does not have a formal remuneration policy. Due to the detailed provisions contained in the Company's Articles of Association, the Company cannot accept the principle in its entirety as it currently stands.</p> <p>Pursuant to § 23 it. 3 of the Articles of Association of the Company <i>"The remuneration of the Members of the Management Board is determined by the Supervisory Board. "</i></p> <p>However, the remuneration of Members of the Supervisory Board, in accordance with art. 392 § 1 of the Code of Commercial Companies, is determined by a resolution of the General Meeting of the Company.</p>
VI.R.2.	<p>The remuneration policy should be closely related to the company's strategy, its short and long-term goals, long-term interests and results, and should include solutions to avoid discrimination on any grounds.</p>	<p>See explanation to VI.R.1.</p>
VI.R.3.	<p>If there is a remuneration committee in the supervisory board, the principle II.Z.7 applies to its functioning.</p>	<p>See explanation to II.Z.4.</p>

Identification of recommendations or detailed rules	A recommendation or a detailed rule, the application of which the Company cannot guarantee on a permanent or full scale	Explanation
VI.Z.4.	<p>In its activity report, the company presents a report on the remuneration policy including at least:</p> <ul style="list-style-type: none"> 6) general information on the company's remuneration system, 7) information on conditions and the amount of remuneration of each of the Management Board members, broken down into fixed and variable components of remuneration, including the key parameters for determining the variable components of remuneration and rules of payment of gratuity and other payments due to termination of employment, and order or other legal relationship of a similar nature – separately for the company and for each entity within the capital group, 8) information on the non-financial components of remuneration available to individual Management Board members and key managers, 9) indication of significant changes made in remuneration policy in the past fiscal year, or information on lack thereof, 10) assessment of the functioning of the remuneration policy for the implementation of its objectives, in particular, the long-term value growth for shareholders, and stability of the enterprise. 	See explanation to VI.R.1.

30.3. Description of the main features of internal control and risk management systems applied in the Company's enterprise in relation to the process of preparing separate and consolidated financial statements

The internal control and risk management system in the process of preparing financial statements at BIOTON S.A. is based on:

- internal regulations specifying the obligations, rights and responsibilities of individual organizational units, including those involved in the process of preparing financial statements,
- internal procedures defining the circulation of financial and accounting documents (including document control rules),
- keeping accounting books in the IT system,
- the activity of the Audit Committee appointed as part of the Company's Supervisory Board, including, among others preliminary assessment of the reports of the Management Board on the operations of the Company and the Group as well as the annual financial statements of the Company and the Group and giving opinions on the basic principles of the system existing in the Company internal control and risk management and presenting to the Supervisory Board motions and recommendations regarding the legitimacy of changing it, as well as informing the Supervisory Board of significant irregularities known to the Committee or risks related to its organization and functioning,
- audit and review of financial statements by an independent certified auditor appointed by the Supervisory Board of the Company based on the recommendation of the Audit Committee.

30.4. Indication of shareholders owning, directly or indirectly, significant blocks of shares of BIOTON S.A. with an indication of the number of shares held by these entities, their percentage share in the share capital, the number of votes resulting therefrom and their percentage share in the total number of votes at the general meeting

According to information held by BIOTON S.A. based on shareholder notifications, the ownership structure of the share capital of BIOTON S.A., by as of the day of publication of this report, is presented in the table below:

No	Shareholder	Number of shares / votes (in pcs)	% of share capital / votes
1.	Dongren Singapore PTE LTD. ¹	16,989,289	19.79%
2.	Perfect Trend Ventures Limited 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%
6.	UniApek SA ⁴	4,293,210	5.00%
7.	Others	34,551,505	40.24%
	Total	85,864,200	100,00%

30.5. Indication of holders of any securities that give special control rights in relation to BIOTON S.A., along with a description of these rights

As of the date of publication of these financial statements, no controlling rights are vested in any shareholder under the Company's Articles of Association.

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 parent company 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 parent company 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.

³ Basolma Holding Ltd is the parent company of 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.

30.6. Indication of any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

According to art. 411 it. 1 of the Commercial Companies Code, one share gives the right to one vote at the General Meeting. The right to vote is vested to shareholders from the date of full coverage of shares.

As of the date of publication of these financial statements, the Company's Articles of Association do not provide for any restrictions on the exercise of voting rights.

30.7. Indication of any restrictions on the transfer of ownership of BIOTON S.A. securities

According to art. 337 § 1 of the Commercial Companies Code, shareholders have the right to sell shares without restrictions.

30.8. Description of rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or buyout of shares

The Management Board of the Company consists of not more than 4 people, including the President and the Vice-President. The number of Management Board members is determined by the Supervisory Board.

Currently, members of the Management Board are appointed and dismissed by the Supervisory Board. Members of the Management Board are appointed for a three-year term, if the Management Board is multi-person, the Company is represented by two members of the Management Board acting jointly, a member of the Management Board acting jointly with the proxy.

The competencies of the Management Board include the matters provided for in the Commercial Companies Code and the Articles of Association. The Management Board manages the Company's affairs and represents the Company.

According to art. 444 of the Code of Commercial Companies and § 11 it. 1 and 2 of the Articles of Association, the Management Board of the Company was authorized to increase the share capital of BIOTON S.A. by issuing new shares with a total nominal value not exceeding of PLN 209,099,909.20 through one or several subsequent increases in share capital within the limits set above (target capital). As part of the authorization to increase the share capital within the target capital, the Management Board is authorized to issue subscription warrants referred to in art. 453 § 2 of the Commercial Companies Code, with the date of exercising the right to subscribe expiring not later than the period for which the authorization was granted.

Unless the provisions of the Commercial Companies Code or the Articles of Association state otherwise, the Management Board takes decisions in all matters related to the increase of share capital as part of the authorized capital. The Chairman of the Supervisory Board approves of the issue price and the issue of shares in exchange for non-cash contributions. In addition, with the consent of the Supervisory Board, the Management Board may partially or entirely exclude or limit the shareholders' pre-emptive right with respect to subscription shares or warrants issued within the target capital

30.9. Description of the rules for amending the Articles of Association of BIOTON S.A.

The change in the Articles of Association requires a resolution of the General Meeting and an entry in the register. The resolution on amending the Articles of Association requires a majority of 3/4 of votes. In addition, pursuant to art. 415 § 3 of the Commercial Companies Code, the resolution regarding an amendment to the Articles of Association, increasing the benefits of shareholders or reducing the rights granted personally to shareholders, requires the consent of all shareholders involved.

30.10. The manner of operation of the general meeting and its basic powers as well as a description of shareholders' rights and the manner of exercising them, in particular rules resulting from the regulations of the general meeting, if such regulations have been adopted, unless the information in this respect stems directly from the provisions of law

Convening General Meetings

Pursuant to the Code of Commercial Companies, general meetings may be ordinary (Ordinary General Meetings) or extraordinary (Extraordinary General Meetings).

Entities entitled to convene the General Meeting

The General Meeting is convened by the Management Board. The Supervisory Board may convene an Ordinary General Meeting if the Management Board fails to convene it within six months from the end of the fiscal year of the Company, and an Extraordinary General Meeting, if it deems it necessary. The right to convene an Extraordinary General Meeting is also vested in shareholders of the Company representing at least half of the Company's share capital or at least half of the total votes in the Company. In such a case, the Company's shareholders appoint the chairman of the General Meeting.

In addition, a shareholder or shareholders of the Company representing at least one twentieth of the Company's share capital may request that an Extraordinary General Meeting be convened and that certain matters be included in the agenda of such a General Meeting. The request to convene an Extraordinary General Meeting should be submitted to the Management Board in writing or in the electronic form. If, within two weeks from the date of submission of the request to the Management Board, the Extraordinary General Shareholders Meeting is not convened, the registry court may authorize the shareholders of the Company to submit the request to convene the Extraordinary General Meeting. The court appoints the chairman of this General Meeting.

The method of convening the General Meeting

The General Meeting is convened by an announcement on the Company's website and in the manner specified for the provision of current information in accordance with the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to an organized trading system and on public companies ("**Act on Public Offer**") and Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state ("**Regulation on Current and Periodic Information**"). The announcement should be made at least twenty-six days before the date of the General Meeting. The announcement on the General Meeting should contain in particular: (i) the date, time and place of the General Meeting and the detailed agenda, (ii) a precise description of the procedures for participation in the General Meeting and the exercise of voting rights, (iii) the day of registration of participation in the General Meeting, (iv) information that the right to participate in the General Meeting is only available to persons who are shareholders of the Company on the day of registration of participation in the General Meeting, (v) an indication of where and how the person entitled to participate in the General Meeting may obtain the full text of the documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or Supervisory Board regarding matters included in the agenda of the General Meeting or issues to be included in the agenda prior to the date of the General Meeting and (vi) indication of the website address and on which information about the General Meeting will be made available.

In accordance with the Regulation on Current and Periodic Information, the Company is required to provide in the form of a current report, among others the date, time and place of the General Meeting together with its detailed agenda. In addition, in the event of a planned amendment to the Statute, the current provisions, the content of the proposed amendments and if, due to a large scope of intended changes, the Company makes a decision to prepare a new consolidated text, the new uniform text of the Articles of Association together with the calculation of its new provisions. The content of draft resolutions and attachments to projects that are to be the subject of the General Meeting, relevant to the resolutions adopted shall also be announced in the form of a current report.

The right to put specific matters on the agenda of the General Meeting

A shareholder or shareholders of the Company representing at least one twentieth of the Company's share capital may request that specific matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the General Meeting. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days prior to the scheduled date of the General Meeting, changes to the agenda, introduced at the request of the Company's shareholders. The announcement is made in a manner appropriate for convening the General Meeting.

The right to submit draft resolutions to the Company

A shareholder or shareholders of the Company representing at least one-twentieth of the share capital may before the date of the General Meeting submit to the Company, in writing or via electronic communication, draft resolutions regarding matters added to the agenda of the General Meeting or matters to be included in the agenda. The company immediately announces draft resolutions on its website.

The right to request the list of shareholders and copies of applications

The Company's shareholder may request that the list of shareholders entitled to participate in the General Meeting be sent to him free of charge via e-mail, providing the e-mail address to which the list should be sent. In addition, each shareholder of the Company has the right to demand copies of motions on issues included in the agenda of the next General Meeting. Such a request should be submitted to the Management Board. The copies of applications should be issued no later than one week prior to the General Meeting.

Participation in the General Meeting

The method of participation in the General Meeting and the manner of exercising the right to vote

A shareholder of the Company may participate in a General Meeting and exercise their right to vote in person or through their representatives. A shareholder of the Company intending to participate in the General Meeting via a proxy must give the proxy powers of attorney in writing or in electronic form. The form of the power of attorney is provided by the Company in the announcement on convening the General Meeting. The Company takes all appropriate actions in order to identify the Shareholder and the proxy for the purpose of checking the validity of power of proxy granted in an electronic form. A detailed description of the manner of verifying the validity of the power of attorney granted in electronic form is contained in the content of the announcement on convening the General Meeting.

A shareholder of the Company holding shares registered on more than one securities account may appoint separate proxies to exercise the rights attached to shares registered on each account.

If the shareholder's representative at the General Meeting is a member of the Management Board, a member of the Supervisory Board, liquidator, employee of the Company or a member of the bodies or employee of the company's subsidiary or cooperative, the power of attorney may authorize to represent only one General Meeting. The proxy is obliged to disclose to the shareholder of the Company circumstances indicating the existence or the possibility of a conflict of interest. In this case, granting a further power of attorney is not admissible. The proxy referred to above votes in accordance with the instructions given by the shareholder of the Company. A proxy may represent more than one shareholder of the Company and vote differently from the shares of each shareholder of the Company.

A shareholder of the Company may not vote in person or by proxy on adopting resolutions regarding their liability towards the Company for any reason, including granting a vote of acceptance, exemption from liability to the Company and a dispute between him and the Company. The above restriction does not apply to voting by a shareholder of the Company as a proxy of another shareholder when adopting resolutions regarding the person referred to above.

Persons entitled to participate in the General Meeting and exercise the right to vote

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (day of registration of participation in the General Meeting) have the right to participate in the General Meeting.

In order to participate in the General Meeting, those entitled to dematerialized bearers' shares of the Company should request the entity maintaining their securities account to issue a personal certificate of the right to participate in the General Meeting. The demand should be presented not earlier than after the announcement of convening the General Meeting and no later than on the first weekday after the date of registration of participation in the General Meeting.

Persons entitled under inscribed shares and temporary certificates and pledgees and usufructuaries who are entitled to vote, have the right to participate in the General Shareholders Meeting provided that they are entered in the share register on the Registration Date.

The list of persons authorized to participate in the General Meeting is determined by the Company on the basis of the list prepared by the entity maintaining the securities depository pursuant to the Act from on July 29, 2005 on trading in financial instruments ("**The Act on Trading in Financial Instruments**") and the state disclosed in the Company's share register on the day of registering participation in the General Meeting. The above list is displayed in the office of the Management Board for three weekdays preceding the day of the General Meeting.

A shareholder of the Company may transfer shares in the period between the date of registration of participation in the General Meeting and the date of closing the General Meeting.

Competences of General Meetings

Pursuant to the provisions of the Commercial Companies Code, all types of resolutions may be adopted by shareholders at the Extraordinary General Meeting, with the exception of certain resolutions that require adoption at the Ordinary General Meeting.

Pursuant to the provisions of the Code of Commercial Companies, the agenda of the Ordinary General Meeting includes: (i) reviewing and approval of the financial statements for the previous fiscal year and the Management Board's report on the Company's operations, (ii) adopting a resolution regarding the distribution of profit or loss

coverage, and (iii) adopting a resolution regarding the acknowledgment of the fulfilment of obligations by the members of the Management Board and the Supervisory Board.

Resolutions of the General Meeting are usually adopted by an absolute majority of votes cast, subject to the provisions of the Articles of Association and the mandatory provisions of the Code of Commercial Companies providing for a qualified majority.

Pursuant to the provisions of the Code of Commercial Companies, the following matters require resolutions of the General Meeting:

- amendments to the Articles of Association, redemption of shares, increase of share capital, reduction of the Company's share capital, issue of convertible bonds and bonds with pre-emptive rights, sale of the company and liquidation of the Company (requires a majority of three-fourths of votes),
- appointing, dismissing and suspending members of the Supervisory Board in their obligations,
- making changes to the Articles of Association in order to authorize the Management Board to increase the Company's share capital within the target capital (requires a three-fourths majority of persons present at the meeting with shareholders representing at least one third of the share capital); if the General Meeting convened for the purpose of adopting resolutions in the abovementioned case is not held due to the lack of a quorum, the next General Meeting may adopt such resolutions regardless of the number of shareholders present at this General Meeting,
- making a significant change to the subject of the Company's operations (requires a two-thirds majority of votes regardless of the number of shareholders present at such General Meeting),
- merger with other companies, which requires a two-thirds majority of votes cast, unless the Statute provides for more stringent requirements,
- division of the Company and ordering a break in the General Meeting (requires a two-thirds majority of votes),
- issuing subscription warrants (requires a majority of four fifths of votes),
- depriving shareholders of the pre-emptive right in whole or in part (requires a majority of four fifths of votes at the General Meeting),
- amendment to the Articles of Association increasing the benefits of shareholders or reducing the rights granted personally to individual shareholders (in accordance with art. 354 of the Commercial Companies Code, the consent of all shareholders affected by the change is required),
- the conclusion by the Company of a credit, loan, guarantee or other similar agreement with a member of the Management Board, Supervisory Board, proxy, liquidator or for the benefit of any of these persons requires the consent of the General Meeting.
- Pursuant to the provisions of the Articles of Association, the following resolutions of the General Meeting require a three-fourths majority of votes cast:
 - resolution on the redemption of shares in the case referred to in art. 415 § 4 of the CCC,
 - resolutions on the purchase of shares (own shares) that are to be offered to employees or persons who have been employed by the Company or its subsidiaries for at least three years,
 - resolution on authorization to purchase own shares in the case referred to in art. 362 § 1 point 8 of the Commercial Companies Code,
 - resolutions on mergers with other public companies.
- Pursuant to the provisions of the Articles of Association, a resolution of the General Meeting cancelling or suspending the activities of some or all of the members of the Management Board requires a majority of four fifths of the votes cast.

Voting rights

One share gives the right to one vote at the General Meeting. The right to vote is vested to shareholders from the date of full coverage of shares. A shareholder may vote on each share held in a different way.

The right to sell shares

According to art. 337 § 1 of the Commercial Companies Code, shareholders have the right to sell shares without restrictions. In addition, shareholders have the right to charge shares with pledge or use.

Other rights of shareholders

In addition, shareholders have the following rights:

- the right to subscribe for new issue shares in relation to the number of shares held (pre-emptive right). In accordance with art. 433 of the Commercial Companies Code, shareholders have the right of priority to subscribe for new shares in relation to the number of shares held, with the pre-emptive right also for the issue of securities convertible into shares or incorporating the right to subscribe for shares,

- the right to demand the election of the Supervisory Board in separate groups. According to art. 385 §3 of the Commercial Companies Code, at the request of shareholders representing at least 1/5 of the share capital, the Supervisory Board should be elected by the next General Meeting by voting in separate groups, even if the Company's Articles of Association provide for a different manner of appointing the Supervisory Board,
- the right to request information about the Company. In accordance with art. 428 of the Commercial Companies Code during the General Meeting, the Management Board is obliged to provide the shareholder, at their request, with information regarding the Company, if it is justified to assess the matter covered by the agenda of the General Meeting. The Management Board refuses to provide information if it could cause damage to the Company, a company with an affiliated company or a subsidiary company or cooperative, in particular by disclosing technical, commercial or organizational secrets of the company. A member of the Management Board may refuse to provide information if the provision of information could be the basis of their criminal, civil or administrative liability. In justified cases, the Management Board may provide information to the shareholder also in writing, not later than within two weeks from the date of closing the General Meeting. The Management Board may also provide the shareholder with information concerning the Company outside the General Meeting, but they should be subsequently disclosed by the Management Board in writing in the materials submitted to the nearest General Shareholders Meeting. A shareholder who has been refused disclosure of the information requested during the General Meeting and who has objected to the minutes may, within one week from the date of closing the General Meeting, submit an application to the Registry Court to oblige the Management Board to provide such information. A shareholder may also submit an application to the Registry Court for obliging the Company to publish information provided to another shareholder outside the General Meeting. Pursuant to § 38 it. 1 point 12 and 13 of the Regulation on Current and Periodic Information, information provided to a shareholder outside the general meeting pursuant to art. 428 § 5 or 6 of the Commercial Companies Code and pursuant to 429 § 1 of the Commercial Companies Code, based on the Management Board's obligation to provide information to the shareholder who objected to the protocol on refusal to disclose information requested at the General Meeting, as well as information to which the Issuer was announced obliged, pursuant to art. 429 § 2 of the Commercial Companies Code, by the Registry Court, and which have been granted to another shareholder outside the General Meeting, are subject to disclosure to the public information in the form of a current report,
- the right to submit a claim for repealing or annulment of a resolution of the General Meeting. According to art. 422 of the Code of Commercial Companies, a resolution of the General Meeting that is contrary to the Statute, or morality and combating the interests of the Company or aimed at harming a shareholder may be appealed against by the action brought against the Company for repealing the resolution. An action for repealing a resolution should be filed within one month of receipt of the information about the resolution, however not later than three months from the date of adopting the resolution. According to art. 425 of the Commercial Companies Code, the resolution of the General Meeting may also be appealed against by means of an action brought against the Company for annulment of a resolution of the General Meeting contrary to the Act, however, the action should be brought within thirty days from the date of its publication, but not later than one year from the day of its adoption of the resolution. The expiration of these dates does not exclude the possibility of raising the objection of invalidity of a resolution contrary to the Act. The following resolutions are entitled to bring actions for annulment or annulment of a resolution of the General Shareholders Meeting: (i) a shareholder who voted against the resolution, and after it has demanded that the objection be minuted, (ii) a shareholder who was groundlessly not allowed to participate in the General Meeting, and (iii)) a shareholder who was not present at the General Meeting only in the case of a faulty convening of the General Meeting or adopting a resolution regarding a matter not covered by the agenda. The Code of Commercial Companies provides for certain modifications to the general rules in the scope of appealing against resolutions regarding the merger, division and transformation of companies, which are provided for by Articles. 509, art. 544 and art. 567 KSH,
- the right to share in the profit shown in the financial statements audited by the statutory auditor, which was designated by the General Meeting for payment to shareholders. In accordance with art. 347 § 2 of the Commercial Companies Code, the profit is distributed in relation to the number of shares held, and if the shares are not fully covered, the profit is distributed in relation to the payments made for shares,
- the right to demand, in accordance with art. 6 of the Commercial Companies Code, so that a commercial company which is a shareholder of the Company provides information whether it remains in a relation of domination or dependence towards a specific commercial company being a shareholder of the Company. The authorized entity may also demand disclosure of the number of shares or votes such a commercial company holds in the capital company referred to above, including as a lien or, user or on the basis of agreements with other persons. The answers to the questions set out above should be provided to the authorized entity and the relevant capital company within ten days of receiving the request. If the demand for reply was received by the addressee later than two weeks before the day on which the general meeting was convened, the period for its termination shall commence on the day following the date on which the shareholders' meeting or the general meeting ended. From the day of commencement of the deadline for replying to the date of its delivery, the obliged commercial company cannot exercise rights from shares or shares in the capital company referred to above,

- the right to demand, in accordance with art. 410 of the Commercial Companies Code, vested in shareholders holding one-tenth of the share capital represented at a given General Meeting, verified by a committee elected for this purpose, composed of at least three persons on the attendance list at the General Meeting,
- the right to bring an action to repair the damage caused to the Company, in accordance with art. 486 of the CCC, if the Company does not bring an action to repair the damage caused to it within one year from the date of disclosure of the act causing the damage,
- the right to participate in the assets in the event of the Company's liquidation. According to art. 474 of the Commercial Companies Code, the assets remaining after satisfying or securing the Company's creditors are divided among the shareholders in relation to the payments made for each share capital by each of them.

30.11. Composition and changes that have occurred in it during the last fiscal year and a description of the activities of management and supervisory bodies of BIOTON S.A. and their committees

Management Board:

Composition of the Management Board as at the date of publication of this report:

- Mr. Jeremy Lauanders (President of the Management Board from October 30, 2020),
- Mr. Adam Polonek (Member of the Management Board from May 14, 2020 for the next term of office).

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

On October 30, 2020 Mr. Robert Neymann resigned from the position of the President of the Management Board of the Company.

Description of the actions of the Management Board

The following persons are authorized to make statements and sign on behalf of the Company: President of the Management Board with another Member of the Management Board or proxy jointly, or Vice President of the Management Board with another member of the Management Board or proxy jointly.

The competencies of the Management Board include the matters provided for in the Commercial Companies Code and the Articles of Association. The Management Board manages the Company's affairs and represents the Company. The work of the Management Board is regulated in detail in the Regulations of the Management Board adopted by the Supervisory Board. Pursuant to the Regulations, the meetings of the Management Board are convened and conducted by the President of the Management Board, and in his absence by the Vice-President of the Management Board. The meetings of the Management Board may be attended by invited persons from outside the Management Board, after prior arrangement with the person convening the meeting. Meetings of the Management Board are held as needed within the time limit set by the President of the Management Board and in the event of his absence by the Vice President of the Management Board, however not less frequently than twice a month. Pursuant to the Regulations of the Management Board, the Management Board defines the development strategy and objectives of the Company's operations and their implementation, which are approved by the Supervisory Board. According to the Regulations, the Management Board is obliged to submit to the Supervisory Board at least quarterly reports on significant events in the Company's operations. The report also includes a report on revenues, costs, financial result, liabilities and basic balance sheet data of the Company. The Management Board will also inform the Supervisory Board of any changes in the strategy and objectives of the Company's operations.

Supervisory Board:

Composition of the Supervisory Board as of the date of publication of this report with an indication of their functions:

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

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

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

Description of the operation of the Supervisory Board:

The Supervisory Board consists of 5 to 13 members, including the Chairman and two vice-chairmen. Members of the Supervisory Board are appointed and dismissed by the General Meeting. Pursuant to §18 of the Articles of Association, one of the members of the Supervisory Board appointed by the General Meeting should meet all of the following conditions: (i) was elected in accordance with the procedure provided for in § 18 of the Articles of Association; (ii) cannot be an affiliated party (as defined in the Articles of Association) with the Company or with a subsidiary of the Company; (iii) cannot be an entity affiliated to the parent company of the Company or another subsidiary of the parent company of the Company (according to the definition provided for in the Statute); or (iv) cannot be a person who is in any connection with the Company or any of the entities listed in points (ii) and (iii) above, which could significantly affect the ability of such a person as a member of the Supervisory Board to make impartial decisions. The number of members of the Supervisory Board is determined by the General Meeting. In the case of voting in separate groups, the number of members of the Supervisory Board is 13. The Supervisory Board, which, as a result of the expiration of the mandates of certain members of the Supervisory Board (for reasons other than dismissal), is less than the number specified by the General Meeting, however, at least 5 members are capable of adopting valid resolutions until the composition is completed. The Supervisory Board members are appointed for a common term of office of three years.

For the validity of resolutions of the Supervisory Board, it is required to invite all and attend at least half of its members, including the Chairman or Vice-President. Resolutions of the Supervisory Board are adopted by an absolute majority of votes. Resolutions of the Supervisory Board regarding the suspension of members of the Management Board are adopted by a majority of four-fifths of votes cast. In the event of an equal number of votes, the Chairman's vote shall prevail. If necessary, resolutions of the Supervisory Board may be adopted in writing or using a means of distance communication. In this case, they become binding after being signed by at least half of the members of the Supervisory Board, including by the Chairman. Members of the Management Board of the Company as well as other invited persons may participate in the meetings of the Supervisory Board, depending on the needs. The Supervisory Board acts collectively, which does not exclude the possibility of permanently or temporarily delegating individual Members of the Supervisory Board to perform specific supervisory activities.

The competences of the Supervisory Board include matters provided for in the Commercial Companies Code. The Supervisory Board exercises permanent supervision over all areas of the Company's operations, in particular, evaluates the Management Board's report on the Company's operations, financial statements for the previous financial year and proposals of the Management Board regarding distribution of profit or coverage of losses and presents the Annual Meeting with annual reports on the results of each of the above assessments. The Supervisory Board may also suspend, for important reasons, individual or all members of the Management Board in their obligations. The powers of the Supervisory Board may be extended under the Articles of Association.

In addition, pursuant to the Articles of Association, the Supervisory Board (i) appoints an entity that audits or reviews the consolidated and unit financial statements of the Company and agrees to enter into agreements with such an entity, and (ii) agrees to enter into agreements or transactions by entities affiliated with the Company or make other activities for entities affiliated with the Company in the event that the value of such contracts or activities exceeds PLN 500,000 during the next 12 months. EUR or the equivalent of this amount in other currencies, except for typical and routine operations performed on market terms between related parties, the nature and conditions of which result from the current operating activities of the Company or its subsidiary. Resolutions on matters referred to in point (i) require for their validity a vote in favor of their adoption by a member of the Supervisory Board elected by the General Meeting in the manner specified in the Articles of Association, which does not remain with the Company in any relationship that could significantly affect the ability of such a person as a member of the Supervisory Board to make impartial decisions, in particular he is not an affiliate of the Company. The Supervisory Board determines the remuneration of Management Board members.

In accordance with the Regulations of the Supervisory Board, members of the Supervisory Board should participate in the General Meeting of the Company in a composition allowing for substantive answers to questions asked during the General Meeting. Pursuant to the Regulations, members of the Supervisory Board should take appropriate actions to receive from the Management Board regular and complete information on all material matters concerning the Company's operations and about the risk related to the business and ways of managing such risk. The Chairman and the Vice-Chairman of the Supervisory Board are in particular responsible for maintaining contacts with the Management Board and for representing the Supervisory Board in relations with third parties.

The Audit Committee in the period from January 1, 2020 to the date of publication of these statements was composed of:

- - Mr. Dariusz Trzeciak - as the Chairman of the Audit Committee of the Company's Supervisory Board,
- - Mr. Jubo Liu - as the Vice-Chairman of the Audit Committee of the Company's Supervisory Board,
- - Mr. Ramesh Rejentharan - as a member of the Audit Committee of the Company's Supervisory Board.

The number of the Committee members is determined by the Supervisory Board. Members of the Committee, including its Chairman and Vice-Chairmen, are appointed by the Supervisory Board from among its members. The composition of the Audit Committee must meet the conditions set out in Article 129 of the Act on Statutory Auditors, Audit Firms and Public Oversight ("Act on Statutory Auditors").

In the Audit Committee, Mr. Dariusz Trzeciak and Mr. Ramesh Rajentheran meet independence criteria within the meaning of art. 129 (3) of the Act on Certified Auditors.

In the Audit Committee, Mr. Ramesh Rajentheran meets the requirements of the Act on Certified Auditors regarding knowledge and skills in the scope of accounting or auditing of financial statements. Mr. Ramesh Rajentheran holds an MBA diploma in finance from London Business School and a title from Newcastle Medical School in Newcastle, UK. He is the founder of AlleleHealth Pte Ltd, Singapore. From 2015 to August 2018 he was the Financial Director in the Singapore Capital Group named Fullerton Health (FHC). From 2017 to 2018 he was the Operations Director in the FHC Capital Group, and from April 2018 to August 2018 he worked there as the Chief Operating Officer for Investments. From 2011 to 2015 he was employed as Managing Director of Asian Investment Banking Health Care in the Division of Investment Banking in Singapore / Hong Kong at Barclays. Between 2010 and 2011, he was Director of Markets and Shares, as well as senior adviser to the president of the board at Hong Leong Group, Kuala Lumpur, Malaysia. From 2009 to 2010, he worked at Barclays Capital, London, United Kingdom, as the Chief Operating Officer for Global Specialized Healthcare Industry. In the years 2006–2009 he was the Executive Director for Global sales of specialized health care in Morgan Stanley, London, UK.

The terms set out in the Act on Certified Auditors in the scope of knowledge and skills in the field in which the Company operates are met by Mr. Jubo Liu. Mr. Jubo Liu has an education in the industry in which the Company operates - he obtained a bachelor's degree in pharmacy at the Pharmaceutical Faculty of the Shenyang Pharmaceutical University and Ph.D. in pharmaceutical sciences (Ph.D.) at the Faculty of Pharmaceutical Sciences of the University of Toronto. Mr. Jubo Liu gained experience in the field in which the company operates in, among others: (i) Cogenes Biotechnology Incorporation (specializing in research and development, activities in the scope of manufacturing and marketing of in vitro diagnostic products), of which he is the founder and president, (ii) NovoTek Pharmaceuticals Limited (Hong Kong) of which he is the president, (iii) Beijing NovoTek Medicinal Technology Development Co. Ltd (Beijing) (an international platform intended to introduce health care products into trade in China and abroad) of which he is the president, (iv) Pharmaceuticals Inc. with its registered office in the United States (New York, United States of America) (conducting international activity in the scope of clinical tests in China) where he performs the function of Clinical Trial Liaison, (v) Boston Vertex Pharmaceuticals Inc. (activity in the scope of developing the composition and method of administration of treatment products) where he was a scientist, (vi) JCS Biopolytech Incorporation (conducting activity in the scope of research and development and introducing modified polymers into trade used in administering treatment products and nanotechnology) of which he was co-founder and where he performed the function of business development director, (vii) Beijing Huayuanlong Medicinal Technology Development Co. Ltd., Beijing, China, where he worked as director of marketing and registration. In addition, Mr. Jubo Liu is the author and co-author of publications on medical and biological issues.

The manner of operation of the Audit Committee is determined by the Regulations of the Audit Committee. The tasks of the Audit Committee include in particular: (i) monitoring the financial reporting process, (ii) monitoring the effectiveness of internal control systems and risk management systems and internal audit, including financial reporting, (iii) monitoring the performance of auditing activities, in particular conducting an audit by the audit firm, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the audit firm, (iv) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when provided to the Company by an audit firm other services than the audit, (v) informing the Company's supervisory board about the results of the audit and explaining how this research contributed to the reliability of financial reporting in the Company, and what was the role of the audit committee in the process research, (vi) assessing the independence of the auditor and consenting to the provision of permitted non-audit services in the Company, (vii) developing a policy of selecting an audit firm to conduct the audit, (viii) developing a policy for the audit firm conducting audit by entities associated with this auditing company and by a member of the auditing company's network of permitted non-audit services, (ix) determination of the audit company's choice procedure, (x) submission of recommendations to the supervisory board regarding the appointment of statutory auditors or audit firms, in accordance with policies developed by the audit committee, (policy of choosing an audit firm, policy of providing permitted non-audit services), (xi) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

The Company has a policy of selecting audit company, a policy of selecting audit company to conduct the audit and a policy for the audit firm conducting the audit by entities related to that auditing company and by a member of the auditing company's network of permitted non-audit services. The main assumptions of the developed policy for selecting audit company to carrying out statutory audit and the policy of providing by the audit firm conducting the audit of non-audit services constitute compliance with principles related to: (i) maintaining the independence of the certified auditor, (ii) avoiding conflicts of interest, (iii) proper preparation of documentation in bidding procedure, (iv) non-discriminatory process of selecting audit company during the bidding procedure, (v) reliable assessment of the

experience of the audit company as well as the audit team and the key statutory auditor, (vi) determining appropriate remuneration of the audit firm for provided services, (vii) ensuring proper rotation auditing companies.

In 2020 the auditing company auditing the Company's financial statements did not provide permitted non-audit services to the Company.

In 2020, 5 meetings of the Audit Committee were held (January 10, 2020, April 6, 2020, April 8, 2020, August 28, 2020 and December 16, 2020). Their main purpose was to discuss the financial results of the Company and its Capital Group. The members of the Audit Committee were constantly in touch as regards the discussed issues. Resolutions of the Committee may be adopted by using means of direct distant communication.

31. Declaration on the non-financial information of the Company and BIOTON S.A. Capital Group

31.1. Legal requirements

The statement contains information on the following issues: employees, respect for human rights, counteracting corruption, social and natural environment. The legal basis for this statement is the Accounting Act, the requirements of which regarding the statement were included primarily in Article 55.

This statement contains selected indicators prepared on the basis of the Global Reporting Initiative (GRI Standards) Guidelines for Sustainable Development Reports. The list of applied indicators is provided in pt. 6.

The Statement features non-financial information for key Companies of the Capital Group: BIOTON S.A., BIOLEK Sp. z o.o. and BIOTON MARKETING AGENCY Sp. z o.o.

31.2. Description of the business model of the entity.

BIOTON S.A. is the first in Poland and one of the eighth global manufacturers of active human insulin obtained in biotechnological manner, as well as the manufacturer of finished treatment forms of insulin products allocated for patients. It's research and development activity adds to continuous development of Polish biotechnology.

The aim of BIOTON S.A. Capital Group is to achieve the status of preferred provider of comprehensive diabetological solutions for patients, doctors and diabetological community. To this end, qualified specialists continuously develop and improve production technologies, thus responding to current needs of patients and the market. The combination of strong competences and laboratory surface equipped with most up to date research equipment allows complete transfer of developed technology for commercial purposes.

Foundations of BIOTON S.A. and the Capital Group's activities:

Each day, we build our global success by increasing our diabetological and biotechnological expertise. Each day, we increase our operational perfection thanks to having an open mind as well as thanks to target-based approach and team work.

By implementing the objectives and taking the foundations of operations into account, BIOTON S.A. Group cares for the quality of health and life of patients through production of pharmaceutical substances of the highest quality, safe and effective medicinal products and medical devices.

As of 31.12.2020 the Group consisted of the following companies:

- BIOTON S.A.;
- BIOTON MARKETING AGENCY Sp. z o.o.;
- BIOLEK Sp. z o.o.;
- BIOTON International GmbH;
- Mindar Holdings Ltd;
- Biopartners Holdings AG Capital Group - Biopartners Holdings AG filed for bankruptcy in March 2019 - the procedure process was completed in May 2019.

The key companies within the Group are Polish companies. The parent company of the Capital Group is BIOTON S.A. - a company responsible for the production of recombinant human insulin (active substance), as well as ready-made forms of medicinal insulin products, sale of finished products, goods and services both through its own pharmaceutical warehouse and other pharmaceutical wholesalers and pharmacies on the Polish market and foreign distribution based on cooperation agreements and sales contracts concluded with foreign and domestic partners. BIOTON S.A. has modern research facilities enabling scientific work and continuous product development. BIOTON MARKETING AGENCY Sp. z o.o. (BMA) is responsible for the Group's marketing activities on the Polish market. Whereas BIOLEK Sp. z o.o., using the Group's research facilities, specializes

in innovative veterinary products and food for special medical purposes for patients with diseases of the digestive system.

Other companies in the Group are special purpose companies, including Biopartners Holdings AG and BIOTON International GmbH, which are responsible for development and sale of medicinal products on foreign markets. As a result of initiated bankruptcy proceedings, in the first quarter of 2019 BIOTON S.A. Group lost control over Biopartners Holdings AG Capital Group. Bankruptcy procedures were completed in May 2019.

Since 2018 business model of BIOTON S.A. Capital Group has been simplified. In mid-2018 SciGen Ltd. subsidiary was sold by the Group. The transaction was associated with the decision to reorganize the Group in terms of building an integrated diabetes care system, and thanks to the funds obtained and improved liquidity situation, it allowed to focus on key projects related to the launch of its own insulin analog.

History

BIOTON S.A. commenced operations in June 1993 from the purchase of raw materials for the production of injection cephalosporins and the sale of their pharmaceutical forms. From that moment, the BIOTON S.A. Group has been developing very dynamically, introducing innovative products and entering new markets. The most important "milestones" in the Group's development are:

- 1993, June - commencement of activity of BIOTON Sp. z o.o.
- 1997, July - takeover of BIOTON PRIM Sp. z o.o. in Macierzysz and transformation into Production Facility No 1 (production of ready-made forms).
- 1999, June - Good Manufacturing Practice certificate (GMP) obtained by Production Facility No. 1.
- 1999, December - finalization of the registration process in Poland for 17 products from the series Gensulin.
- 2001, January - acquisition of IBATECH Sp. z o.o in Macierzysz and transformation into the Department of Biotechnology (production of active substance), obtaining a certificate of Good Manufacturing Practice (Good Manufacturing Practice, GMP) by the Biotechnology Department.
- 2001, May - commencement by BIOTON Sp. z o. o. sales of human insulin in Poland.
- 2004, August - transformation of BIOTON Sp. z o.o. into a joint-stock company BIOTON S.A., the first listing of BIOTON S.A. shares on the Warsaw Stock Exchange took place on March 31, 2005 - BIOTON S.A. became the first biotechnology company listed on the Polish stock exchange.
- Years 2004 - 2006 - expansion into eastern markets (Russia, Kazakhstan, Ukraine).
- 2005, January - start of acquisition of SciGen Ltd. - a biotechnology company based in Singapore operating on the Asian market since 1988, listed on the Australian Stock Exchange (ASX) since 2002). Obtaining control over SciGen in March 2006 (90.54% shares at the end of 2006, 95.57% at the end of 2010). Expansion of activities in Asian markets.
- Years 2007 - 2008, entering the Swiss and Italian market through acquisitions of Companies operating on these markets.
- 2009 - signing a 15-year contract with Bayer HealthCare for the sale of insulins in China (agreement terminated at the end of 2015).
- 2011 - increasing the sales of own insulin on the market in Poland and launching new products related to diabetes therapy.
- 2011 - 2014 - further development of the portfolio of generic medicines and medical devices related to diabetes therapy.
- 2014 - signing commercial contracts with Merck Sharp & Dohme (MSD) regarding the certification and distribution of innovative medicinal products.
- 2015 - obtaining the EC Certificate in accordance with Directive 93/42 / EEC for the GensuPen Improve insulin pen and the Certificate for the Quality Management System compliant with the EN ISO 13485: 2012 standard.
- 2015 - signing a 10-year contract with Harbin Gloria Pharmaceuticals Co Ltd. for the supply and distribution of insulins in China.
- 2016 - extension of activity in the field of the production of automatic insulin pens for the GensuPen2 product.
- 2016, June - decision to sell Mindar Holdings Ltd in connection with the withdrawal of shares from a subsidiary in Ukraine.
- 2017, April - sales of companies from the TRICEL SA group operating on the Italian market.
- 2018 - introduction of the GensuCare glucometer - it is one of the most modern glucometers in the world, enabling, among others, integration with the user's smartphone and the ability to monitor measurements by caregivers.
- 2018, March - signing a 15-year contract with Yifan International Pharmaceutical Co., Ltd. global distribution of sales and marketing of BIOTON products.
- 2018, May - sale of SciGen Ltd. shares under an investment agreement with Yifan International Pharmaceutical Co., Ltd.

- 2018 - receiving Quality Management System Certificate in accordance with EN ISO 13485: 2016
- 2019 - establishing cooperation with Yifan International Pharmaceutical Co., Ltd. in the scope of development and commercialization of insulin analogs and their global distribution. The contract provides financing for the entire project, i.e. covering the costs associated with purchase and installation of equipment needed to implement each stage of the contract, as well as purchasing raw materials and auxiliary substances necessary to manufacture the products.
- 2020, October - amendment to the cooperation agreement concluded with Copernicus Sp. z o.o. due to Financiere N Namera's finalization of the acquisition of shares in Copernicus Sp. z o. o

Innovativeness

What distinguishes BIOTON S.A. and BIOTON S.A. Capital Group from the competition is undoubtedly their orientation towards innovation and development. Therefore, a lot of effort is directed at seeking opportunities in various scientific and research projects. Past experience, potential of specialists and consistent implementation of a long-term investment strategy have created an environment open to new areas of activity, the common denominator of which is to improve the quality of health and life for patients suffering from civilization diseases.

BIOTON S.A. and Capital Group have modern, technologically advanced R & D facilities, which employ highly qualified and experienced specialists conducting research on biotechnological products and development of new forms of medicines, as well as implementing research program in the following areas:

- Genetic engineering: works focus on finding new plasmids in wild bacterial strains, isolating them and constructing new, highly expressive vectors; cloning genes encoding recombinant proteins. The aim of these works is to develop a methodology for creating effective, stable, genetically modified microorganisms which can be used in the industrial production of therapeutic protein substances.
- Biotechnology: the purpose of studying the processes of production, isolation and modification of proteins with a biological effect is to optimize the selection of methods for the processing of recombinant protein substances and their production.
- Manufacturing of finished forms: The aim is to increase the production scale enabling the reduction of production costs and increase the company's production capacity, as well as to develop the process of manufacturing ready-made products of analog forms of insulin.

Existing production facilities create a unique opportunity to implement solutions developed on laboratory scale to manufacturing scale. One measurable effect is the improvement in the efficiency of the production of insulin products. Works on new manufacturing processes started in 2017 allowed to increase the production of active substance from the same amount of raw materials. By 2019 the production increased by 78%. In 2018 attempts were made to optimize the production process and adapt it to European guidelines regarding elimination of certain substances from the process. As a continuation of these activities, in 2019 development, implementation and validation of new active substance production process without Triton were completed. As a result, the efficiency of the production process was improved, and it was also possible to start research necessary to register the change in the production process and registration of human insulin for new markets. In 2020, Bioton submitted an application for registration of a change in the production process, obtaining the consent of the Office for Registration of Medicinal Products.

In order to remain competitive, the Group's Management continuously engages in activities aimed at expanding current product offer. Projects implemented in the scope of creating modern technological line, based on unique and innovative solutions and intended for the production of active substances from the group of insulin analogs are the result of this strategy. The aim of the project is to develop the first installation for the production of insulin analogs in Poland, the introduction of insulin analogs while maintaining highest global therapeutic parameters of the product and better access for patients to the latest anti-diabetic therapies. As part of this project, in 2019 an agreement was signed with Yifan Pharmaceuticals, covering cooperation in the production and commercialization of active substances for three insulin analogs.

As part of the cooperation, technology has been transferred on a laboratory scale for three insulin analogs, and the production of the first analog was scaled up to a semi-industrial and industrial scale. Scaling up production ended with the production of the active substance of the first analog in the GMP standard. This material will be used to produce a sterile ready-made form, which will be used for the purposes of clinical trials. For this purpose, work was undertaken to adapt the production line of the ready-made form to the needs of the production of analog-ready forms.

The agreement with Yifan Pharmaceuticals puts the Group in extremely favorable position, both due to the reduction of research costs as well as future market opportunities arising from this cooperation. Therefore, BIOTON S.A. Group has good environment to fully use its inventive potential.

The scale of the organization's activity

The Group has two production plants: Production Facility No 1 dealing with the production of ready-made forms and the Department of Biotechnology producing the active substance. Both plants are located in the parent company venue in Macierzysz.

In 2020 BIOTON S.A. Capital Group delivered over 10.80 million products (including over 8.4 million Gensulin and over 91 thousand pens and glucometers), of which 10.78 million were provided by BIOTON S.A., thanks to which generated net revenues from the sale of the Company reached the value of over 225.9 million PLN. After excluding mutual revenues, BIOTON S.A. Capital Group generated net sales revenues in the amount of PLN 221.8 million. The largest markets for the Group's products in 2020 were: Poland (56% of revenues), China (8%), Thailand (7%) and Vietnam (5%). and at the end of 2020, the Capital Group BIOTON S.A. employed 418 people.

The adopted business model allows to achieve satisfactory financial and non-financial results as well as effective implementation of strategic goals resulting from the Group's mission.

Monetary value of financial assistance received from countries in which the Group operates in the statements period is as follows:

Financial aid obtained from the state by BIOTON S.A. (in thous. PLN)		
	2019	2018
Tax reliefs and tax credits	-	-
Subsidies	2 071*	1,265*
Investment grants, research and development grants and other relevant types of grants	-	-
Prizes	-	-
Periods exempt from royalties	-	-
Financial assistance from state lending institutions	-	-
Financial incentives;	-	7
Other financial benefits received or due from the state for any kind of activity	-	-
Total (in thous. PLN)	2 071	1 265

* NCRD - a project related to the development of innovative technology for the production of short and long-acting insulin analogs applied in treatment of diabetes 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 State Treasury holds shares in the ownership structure of BIOTON S.A.: BGK - 1.07%, IBA - 2.96%.

The basic financial data illustrating how the Group creates value for its stakeholders are presented as follows:

The direct economic value generated by the BIOTON Group (in thous. PLN)				
	BIOTON S.A.		BIOTON Capital Group	
	2020	2019	2020	2019
Economic value generated:				
Net revenues on sale	225 899	206 666	221 788	202 032
Other operating revenues	31 915	3 157	32 873	3 938
Financial revenues	1 074	3 657	573	9 207
Divided economic value:				
Operating costs*	159 408	155 725	152 074	135 647
Other operating expenses**	7 867	5 074	9 159	9 180
Remunerations and employee benefits	45 177	48 175	51 812	63 336
Payments to capital providers - dividend	-	-	-	-
Financial costs	9 086	182 374	8 112	7 766
Payments to the state	2 060	2 957	2 544	3 957
Investments in the community	198	160	-	160
The retained economic value:				

The direct economic value generated by the BIOTON Group (in thous. PLN)				
	BIOTON S.A.		BIOTON Capital Group	
	2020	2019	2020	2019
Direct economic value generated (revenues) less economic divided value	35 092	- 180 985	31 533	- 4 869

* Calculation of operating costs items was decreased by remunerations, employee benefits, taxes and fees.

** Other operating expenses were decreased by the value of penalties, damages and donations.

31.3. Risk management

Risk management in BIOTON S.A. and BIOTON S.A. Capital Group is an integral part of effective organization management. The analysis of risk factors covers all areas of activity, including economic, social and environmental aspects.

The adopted practice in the area of risk management includes the following elements:

- Identification of risks;
- risk analysis;
- risk assessment,
- risk handling;
- risk monitoring and review;

The organization identified key risks that are subject to analysis and assessment. For each of them, activities limiting the risk in the event of their materialization were defined. A set of tasks was also prepared aimed at safeguarding the Company in the event of an emergency (crisis management).

In accordance with the adopted methodology, each risk includes:

- description of identified threats having both indirect and direct impact on the given risk;
- a description of the security mechanisms aimed at reducing the identified risk;
- assignment of the risk owner's role - person responsible for, among others, monitoring and periodical risk review.

This approach allows to determine risk appetite, i.e. acceptable level of risk that companies belonging to BIOTON S.A. Capital Group are able to take to effectively perform key business tasks. Due to the fact that risk management process is a continuous process, every effort is made to ensure that both risks as well as control mechanisms protecting against their occurrence are regularly reviewed.

The current approach to risk management was described in the first quarter of 2018 by introduction Security Policy and Compliance. Thanks to this, the risk management area was structured and formalized, which is a comprehensive and multilevel process that gives the basis for more effective making of key business decisions.

For BIOTON S.A. - the parent company and at the same time the entity most exposed to risk from among the Group's companies, due to its size and character of the activity, a risk map was prepared. This map graphically presents the results of the risk assessment. This assessment is performed on a 5-point scale that takes into account the probability and effect of a given risk.

The description of significant risk factors and threats (directly related to the financial situation) to which the Group is exposed is featured in previous chapters of the Report of the Management Board of BIOTON S.A. on the operations of BIOTON S.A. Capital Group.

Key risks and threats related to conducted business activity and at the same time affecting sustainability issues include:

- the risk of terms of employment;
- the risk of violation of employee rights;
- the risk of ensuring business continuity;
- the risk of non-compliance with legal requirements, good practices and internal regulations;
- the risk of abuse
- the risk associated with side effects, interactions with other drugs, or qualitative deficiencies.

Basic principles and standards of conduct in the scope of the above-mentioned risks, including safety of working conditions and supervision over their assurance, respecting ethical legal norms and internal operating standards, information security, reacting to extraordinary events (failures, disasters, natural disasters) and outsourced processes were described and implemented under Security and Compliance Policy, as well as in other policies, such as *Policy of*

counteracting corruption threats and conflicts of interest, Compliance Policy and Code of Ethics, described in subsequent parts of the Declaration.

31.4. Ethics management

For the sake of transparency of the Company's operations and emphasizing that ethical activities are fundamental for the operations of BIOTON S.A. and BIOTON S.A. Capital Group, Code of Ethics was introduced. It is an official summary of the standards of conduct expected of all employees of the Company, containing its key values.

Code of Ethics BIOTON S.A. describes:

- the goal and foundations of the organization;
- commitments to customers and business partners;
- liabilities towards employees;
- liabilities towards the Company;
- commitment to the environment;
- social engagement;
- care for the safety of products and consumers;
- privacy and data protection.

Each new employee of BIOTON S.A. and of the Capital Group is required to get acquainted with the Code. The document is also available to employees in electronic form as well as in traditional form.

Respect for business ethics is also expressed by the principles of business ethics described in *BIOTON Good Marketing Practices Policy*, which primarily relate to the activity of BIOTON MARKETING AGENCY Sp. z o. o. (BMA) - a subsidiary responsible for marketing activities. This document describes in a very detailed manner the requirements of law and principles of conduct in the framework of advertising, promotional, educational and image activities in relation to medicinal products, medical devices, dietary supplements and cosmetics. The obligation to comply with the provisions of the Policy rests with all BMA employees and all other persons involved in conducting marketing activities. In 2020 there were no withdrawals or comments from the Chief Pharmaceutical Inspectorate (CPI) and Chief Sanitary Inspectorate (CSI) in relation to marketing information about BIOTON S.A. products. In 2020, we recommended 1 batch of the product for recall on the Vietnamese market, the recall was the responsibility of MAH (marketing authorization holder). BIOTON S.A. informed about the GIF situation.

31.5. Policies and procedures in the scope of social responsibility, their results and key non-financial performance indicators

31.5.1. Policies and indicators related to employee issues

Each employee who is a part of the BIOTON S.A. Group is treated as part of the team, takes active part in the development of the organization and has a real impact on its future. The Group creates a work environment that is favorable to development, with respect to all legal provisions in this area. Not only the qualifications, knowledge and experience of employees are important, but also the ability to work in a team or engagement.

Due to the fact that human capital is the most important factor for the BIOTON S.A. Group that builds organizational value and culture, it focuses on open dialogue and meeting the expectations and needs of employees. Equal opportunities policy, access to numerous training courses, clear remuneration policies, ethical principles and respect for human rights are tools that enable this.

Employee issues have been regulated in policies and procedures of BIOTON S.A.:

- *Work Regulations;*
- *Staff Remuneration Regulations;;*
- *Occupational Health & Safety Policy Statement;*
- *Training procedure;*
- *Procedure for recruitment and employment;*

These are policies and procedures common for key companies in the Group, i.e. Polish companies. At the same time, there are also separate *Work Regulations* and *Payroll regulations* for BMA. Due to the different nature of operations and different legal environment, other subsidiaries have not been included in the above policies.

Employment and decent work practices

Recruitment processes are based on an approved employment plan for a given year. New employees are sought in the first step in the organization. In the absence of a person with required competencies and skills, a decision is made to launch external recruitment.

Every effort is made to create a working environment in which differences between employees, such as gender, age, culture, disability and lifestyle are valued in accordance with Diversity & Inclusion standards adopted by the market. Employees' unique skills and experience yield greater creativity and innovation, which in turn translates into better understanding of market needs and improvement of business results. Issues regarding the diversity policy in BIOTON S.A. Group are formally reflected in the Code of Ethics and the Group's Compliance Policy.

The Capital Group makes every effort to ensure that the Company's authorities and its key managers are diverse in terms of gender, education, age and professional experience. The process of selecting people for management and supervising positions includes such elements as: adequate education, professional experience and competences. Candidates are not disqualified on the grounds of their sex or age.

At the end of 2020 the Group employed 418 people.

Data on employment in BIOTON S.A., BIOTON MARKETING AGENCY Sp. z o. o. (BMA), and the Capital Group by gender, age, type of employment contract and type of employment is presented below. Data on the subsidiary BIOLEK Sp. z o. o. have been omitted, because as at December 31, 2020, the Company did not employ any employees.

	Gender	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group	
		2020	2019	2020	2019	2020	2019
Number of employees (contract of employment) at the end of 2020	Women	202	217	42	87	244	304
	Men	162	173	12	34	174	207
	Total	364	390	54	121	418	511

Data broken down by type of employment contract and type of employment for 2020:

Total number of employees by the type of employment contract and by gender (BIOTON Group)							
Number of employees (contract of employment) for:	Gender	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group	
		2020	2019	2020	2019	2020	2019
indefinite period of time	Women	189	207	40	80	229	287
	Men	133	163	11	32	144	195
	Total	322	370	51	112	373	482
definite period of time	Women	9	9	1	5	10	14
	Men	29	10	0	2	29	12
	Total	38	19	1	7	39	26
time specified for replacement	Women	4	1	1	2	5	3
	Men	0	0	1	0	1	0
	Total	4	1	2	2	6	3
TOTAL	Women	202	217	42	87	244	304
	Men	162	173	12	34	174	207
	Total	364	390	54	121	418	511

Total number of employees by type of employment and by gender (BIOTON Group)				
Number of employees (contract of	Gender	BIOTON S.A.	BMA Sp. z o.o.	BIOTON Capital Group

employment) for:		2020	2019	2020	2019	2020	2019
full-time	Women	200	216	2	87	202	303
	Men	161	169	2	33	163	202
	Total	361	385	4	120	365	505
part time	Women	2	1	40	0	42	1
	Men	1	4	10	1	11	5
	Total	3	5	50	1	53	6
TOTAL	Women	202	217	42	87	244	304
	Men	162	173	12	34	174	207
	Total	364	390	54	121	418	511

Data on new employees and employee turnover by age and gender is presented below:

Total number and new employees rate as well as employee turnover by age and gender (BIOTON Group)						
			The number of departures of employees	Employee turnover ratio*	Number of newly employed employees:	Index employment**
2020	Women	below 30	4	22%	8	44%
		from 30 to 50	50	27%	17	9%
		over 51	5	11%	2	5%
	Men	below 30	4	25%	9	56%
		from 30 to 50	39	30%	26	20%
		over 51	14	47%	1	3%
2019	Women	below 30	14	70%	8	40%
		from 30 to 50	69	29%	19	8%
		over 51	10	21%	0	0%
	Men	below 30	6	46%	7	54%
		from 30 to 50	44	29%	12	8%
		over 51	15	34%	1	2%

*Number of employees leaving in a given category by gender / number of all employees in a given category by gender as of 31.12.2020.

**Number of employees employed in a given category by gender / number of all employees; in a given category by gender as of 31.12.2020.

Including for the parent entity BIOTON S.A.:

Total number and employment rates of new employees and employee turnover by age and gender (BIOTON S.A.)						
			The number of employees leaving the company	Employee turnover ratio*	Number of newly employed employees:	Employment ratio**
2020	Women	below 30	4	25%	8	50%
		from 30 to 50	29	20%	15	11%
		over 51	3	7%	2	5%
	Men	below 30	4	25%	9	56%
		from 30 to 50	27	23%	23	20%

		over 51	13	43%	1	3%
2019	Women	below 30	12	80%	7	47%
		from 30 to 50	48	31%	14	9%
		over 51	9	20%	0	0%
	Men	below 30	6	46%	7	54%
		from 30 to 50	34	29%	10	8%
		over 51	13	32%	1	2%

*Number of employees leaving in a given category by gender / number of all employees in a given category by gender as of 31.12.2020.

**Number of employees employed in a given category by gender / number of all employees; in a given category by gender as of 31.12.2020.

Before starting work each employee gets acquainted with Work Regulations, which specifies the obligations of the employer and the rights and obligations of employees. New employees are required to undergo a training series the purpose of which is to get them acquainted with safety rules applied at the workplace, policies and procedures, also in the scope of human rights and business secrets. Detailed on-the-job training is also conducted, which aims to provide the employees with information about dangerous, harmful and onerous factors occurring in a given workplace and in its immediate surroundings.

Being a reliable employer, the companies in BIOTON S.A. Group offer employment under a contract of employment. Moreover, employees are provided with a number of additional benefits tailored to local standards, such as additional life insurance, medical package and sports card. The scope of changes introduced in 2019 can testify to the continuous improvement of the remuneration policy in the Group. As part of the implemented strategy, a decision was made to adjust the remuneration of most positions of the Company's Operating Division by an average of 7%. As a company for which concern for human health is a priority, we offer attractive medical package. BIOTON S.A. and BIOTON Capital Group offer their employees insurance in the international health program Best Doctors, which covers the cost of treatment of chronic diseases up to 200,000 EUR worldwide. Responding to the needs of its employees, BIOTON Group also launched a "Senior Package", which is a medical package that can also be used by employees' close relatives up to 85 years of age.

BIOTON management believes that the key to business success lies in the dialogue with employees, which is why it is cyclical and implemented at each level of the company community. The employees have an ongoing opportunity to submit comments and suggestions for changes - via electronic system, as well as in the form of traditional notifications submitted to dedicated boxes. Proactive attitude of employees should be appreciated and rewarded, which is why a "10% Program" was initiated, in accordance with which, employee can be awarded with 10% of the value of the completed project for each implemented project.

The organization makes every effort in order to provide its employees with optimum conditions for developing their careers, which is why it gives them the opportunity to participate in general training, certification and specialized courses, e.g. in the scope of biotechnology, or as a grant for doctoral studies. Employees can also submit their ideas for interesting professional projects.

Making decisions sometimes requires taking decisive steps necessary to achieve the set goals. Understanding the difficult situation of people made redundant by an employer's decision and not attributable to the employee, the employer provides for the possibility of receiving additional remuneration, depending on the length of employment and position, thus offering the employee additional time to adapt to change. In the case of people in the pre-retirement age, a protection period is applied, and retiring entails the award of additional remuneration. As a token of appreciation for the employees, additional benefits are provided, which exceed statutory ones and are subject to internal procedures of the Group.

Occupational Health and Safety

The priority in the organization's everyday operations is to maintain a high standard of working conditions, ensure safety and protect the health of employees.

This is particularly important in the case of production companies in which employees are exposed to increased risk in relation to a given job position. Therefore, this area is very well regulated in *Health and Safety at Work Policy* as well as systematic actions are taken to increase the level of occupational health and safety, including through:

- Training in the field of health and safety, aimed at raising awareness and qualifications of employees (educational activities);
- Striving for continuous improvement of working conditions and improvement of activities aimed at improving safety - effective implementation of corrective and preventive actions;
- Ongoing identification and compliance with legal requirements in the area of safety and health;

- Preventive information and consultation campaigns regarding possible threats and related risks among company employees and external employees.

The main goal of the organization in this area is to achieve a zero rate of accident and occurrence of occupational diseases. This is possible thanks to cyclical monitoring and identification of threats that may affect the safety and health of employees, as well as actions undertaken to improve safety, including employees of external companies carrying out work on the company's premises.

Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees of the BIOTON S.A. Group						
	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group	
	2020	2019	2020	2019	2020	2019
Number of fatal accidents	0	0	0	0	0	0
<i>Women</i>	0	0	0	0	0	0
<i>Men</i>	0	0	0	0	0	0
Number of accidents at work in total	4	6	0	2	4	8
<i>Women</i>	2	2	0	2	2	4
<i>Men</i>	2	4	0	0	2	4
Accident frequency rate*	11	15	0	17	10	16
<i>Women</i>	10	9	0	23	8	13
<i>Men</i>	12	23	0	0	11	19
Total number of days of inability to work due to accidents at work	69	211	0	25	69	236
<i>Women</i>	44	39	0	25	44	64
<i>Men</i>	25	172	0	0	25	172
Accident severity indicator **	17	35	0	13	17	30
<i>Women</i>	22	20	0	13	22	16
<i>Men</i>	12,5	43	0	0	12,5	43
Number of confirmed occupational diseases	0	0	0	0	0	0
<i>Women</i>	0	0	0	0	0	0
<i>Men</i>	0	0	0	0	0	0

* Total number of accidents / employment * 1000.

** Number of days of inability to work due to accident / number of accidents.

Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees of subcontractors working on the premises of BIOTON Group, by gender		
	2020	2019
Number of fatal accidents	0	0
<i>Women</i>	0	0
<i>Men</i>	0	0
Number of accidents at work in total	0	0
<i>Women</i>	0	0
<i>Men</i>	0	0

In 2020, only minor individual accidents were recorded, mainly due to trips or slips. No serious, fatal or collective accidents were reported.

The main hazards identified as likely to cause serious accidents among employees or employees of subcontractors working on the premises are chemical burns, thermal burns with hot water or steam, electric shock.

Due to the nature of the operations of BIOTON S.A. and the Capital Group, Health and Safety Policy is adapted to changes in the work environment. All accidents that occurred during the implementation of employee tasks are reported by the superiors to the Chief Specialist for Health and Safety, who prepares post-accident documentation after analyzing the circumstances and causes of the accident by the Post-accident Team. The Post-accident Team consists of: Chief Specialist Health and Safety and Crew Representative. After each accident, an analysis is carried out to assess the implementation of additional safeguards that would prevent similar events in the future.

The information on occupational health and safety together with the relevant policy regulating this area is passed on to employees during initial training - each employee must undergo such training before starting activities at a given workplace. In addition

in the case of implementing or updating security procedure, training for employees to whom those policies will apply is required. Additionally, training courses for management to discuss are organized at least once a year

and shaping safe working conditions, as well as making employees aware of the consequences of tolerating inappropriate behavior and working methods. In the case of using external companies' services, their employees are informed before starting work on, among others, general security rules (regulated in Health and Safety Policy), guidelines for environment protection (contained in Environmental Policy and potential hazards and emergency situations.

Information security

The basis of the internal control system over the IT environment is *Information Security Policy* specifying standards, rules and requirements regarding the IT environment security area, including, among others:

- safety principles;
- classification of processed information;
- security of IT resources;
- physical and environmental security;
- formal and legal security.

The standards in force in this field are used to create and develop information security principles (e.g. ISO 27001) and experience from proven practical solutions.

Personal data protection

The principles of personal data protection applied by BIOTON S.A. and BIOTON S.A. Capital Group are set out in *Personal data protection policies*. The document is a source of internal regulations covering such issues as: analysis and risk assessment in relation to the processing of personal data, security rules, how to respond to incidents related to the protection of personal data. The rules for the processing of personal data are also described in *Privacy policy* and made available on the organization's website.

All these principles are in accordance with the applicable legal provisions imposing an obligation to protect certain types of information, including business secrets and personal data.

It is worth emphasizing that all employees are obliged to undergo dedicated training in information security. In addition, employees sign a declaration confirming that they have become acquainted with the information security rules in force at the Company.

In the reporting period, there were no legitimate complaints regarding breaches of customer privacy. There were also no leaks, theft or loss of customer data.

31.5.2. Policies and indicators related to issues of respecting human rights

BIOTON S.A. and Capital Group exercise due diligence in order to ensure equal treatment in all areas of activity, guided by the principle that their own interests cannot contradict good practices of corporate social responsibility. Therefore, all business activities and objectives are carried out with regard for the following values:

- providing high quality products and services,
- customer trust and satisfaction;
- respect and kindness for all customers;
- responsibility towards stakeholders and the business environment;
- conditions of employment;
- employee development;
- respect for employees;
- promotion of team work.

Counteracting discrimination and mobbing

BIOTON Group cares to create appropriate work organization with high culture of conflict resolution. To this end, the employer created appropriate procedures to prevent mobbing and discrimination. Preventing and counteracting mobbing and discrimination at BIOTON S.A. is implemented in the following three areas:

- internal regulations in force within the Company;
- management practice;
- work organization ethics and culture.

Counteracting discrimination and mobbing in BIOTON S.A. is regulated in Policy for anti-mobbing and counteracting discrimination, which describes the manner of reporting incidents of discrimination and mobbing and contains information on actions that can be undertaken if the complaint is considered justified (e.g. transfer of an employee to a different position, punishment, reprimand or termination work without notice).

It is a common policy for key Group companies, i.e. Polish companies. Due to different nature of operations and different legal environments, other subsidiaries have not been included in the above policies.

The regulations are introduced during initial training to all new employees, who confirm in writing that they are acquainted with them. There is also periodic training refreshing the knowledge of employees in this area and communicating the changes that have occurred in the field of mobbing, discrimination and equal treatment in the workplace. The training is carried out online and the employee is required to electronically confirm participating in the training.

** All the new employees in a given year have been trained.*

The total number of training hours of employees of BIOTON Group in the scope of respect for human rights, including the percentage of trained employees - training in the scope of anti-mobbing policy and counteracting discrimination.				
	BIOTON S.A.		BIOTON Capital Group	
	2020	2019	2020	2019
Total number of hours devoted to training	65	78	75	90
Percentage of all employees who have been trained in a given year	100%	100%*	100%	100%*

** All the new employees in a given year have been trained.*

In addition, in 2020, a training was held for all employees of the Bioton Group, entitled: "Mobbing and discrimination training 2020".

It is worth noting that in 2020 there were no formal reports of cases of discrimination, nor formal complaints regarding the impact on respect for human rights within the formal mechanisms allowing for lodging a complaint.

31.5.3. Policies and indicators related to anti-corruption issues

Anti-Corruption Policy

Bioton S.A. as a public company listed on the Warsaw Stock Exchange (WSE), in order to effectively protect the Company's reputation and assets, valuing integrity and transparency, applies the principle of "zero tolerance for fraud" at all levels of management. To emphasize how important this aspect is in the first quarter of 2018, in BIOTON S.A. there was introduced *Policy of counteracting corruption threats and conflicts of interest*, in which the hitherto applied practices in the area of counteracting corruption threats and conflicts of interest were formalized.

It is a common policy for key Group companies, i.e. Polish companies. Due to different nature of operations and different legal environments, other subsidiaries have not been included in the above policies.

It is worth noting that in 2020 there were no cases of corruption, nor cases of violations of the rules of free competition and monopolistic practices, nor were there penalties and sanctions for non-compliance with laws and regulations. Moreover, no formal complaints regarding social impact were reported in the reporting period.

Procedure for Anonymous Reporting of Violations of Law

In 2020, the Management Board of BIOTON S.A. adopted the Procedure for anonymous reporting of legal infringements. The procedure in particular concerns violations of the provisions of:

- the Act of July 29, 2005 on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies;
- Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published in connection with a public offering of securities or their admission to trading on a regulated market and repealing Directive 2003/71 / EC ("Regulation 2017/1129 ");
- procedures and ethical standards in force in BIOTON S.A., including those related to the management of conflicts of interest and the prevention of disclosure and use of confidential information or information constituting a professional secret.

The procedure is applicable to infringements of the law committed by employees or other persons related to BIOTON S.A. with an obligation relationship of a similar nature, in the scope of activities of Bioton and entities of the Bioton Capital Group from November 30, 2019.

It is worth noting that in 2020 there were no cases of notifications under the above Procedure.

31.5.4. Policies and indicators related to social issues

BIOTON S.A. and the Capital Group are trying to effectively communicate with the public, including local communities. The priority in social activities is primarily education and broadening the awareness of diabetes and healthy lifestyle. Due to the continuous nature of the process, BIOTON S.A. makes every effort to ensure that the quality of activities is systematically raised, thus guaranteeing their timeliness and adequacy in relation to the external environment.

In 2020 over 23 thousand educational materials, nutrition guides in the area of diabetology and a healthy lifestyle were delivered. The publications included such materials as:

- "Sugar? No, thanks! - Some facts about diabetes";
- "Healthy doesn't mean expensive";
- "Leaflet - Dear patient, remember - Diet in hypertension";
- "Leaflet - Dear patient, remember - physical effort in hypertension";
- "Nutritional guide - recipes for spring"
- "Nutritional guide - recipes for summer"
- "Nutrition guide - tasty desserts"
- ICE card for the Gensucare patient

As part of the local communities development program, BIOTON S.A. meets the needs and expectations of patients. The effect of this is the cooperation of BIOTON S.A. with the Zielona Góra Agreement, as part of the nationwide Diabetes School program.

Other examples of undertaken social actions initiatives include:

- Educational helpline "Ask a Specialist". For the sake of the health of patients with diabetes, we have created the "Ask a Specialist" platform, thanks to which each patient can benefit from the education of our specialists (doctors, diabetes nurses, dietitians) and obtain professional support in a safe way.
- Diabetes Consultation Points - free campaigns in which patients have the opportunity to take advantage of free specialist consultations conducted by doctors.
- Donations of medicinal products passed to medical entities.
- Free samples of medicinal products.
- Donations of medical devices: GensuPen pens and Gensucare glucometers for patients with diabetes.

The standards and rules for building business relationships with customers and conducting promotional and educational activities, for which BMA is responsible, have been presented

in a number of documents, in particular in the Policy of Good Marketing Practices BIOTON. In 2019 the process of digitizing the Policy in PDPM Electronic Document Circulation system was initiated. These activities will be also continued in 2020. Electronic circulation of documents leads to even greater efficiency of BMA in the framework of conducted meetings and promotional and educational activities with representatives of medicinal entities, persons

trading in medicinal products and dietary supplements in accordance with medical law, as well as health education addressed to patients.

Quality management and product responsibility

The foundation, and at the same time the key value of the activities of BIOTON S.A. and the Capital Group is the highest possible care for the patient's safety through the production of high-quality medicinal products. As Group, we feel responsible and we pay a lot of attention to keeping medicinal products manufactured by BIOTON S.A. safe, effective and durable.

In order to be able to achieve these goals we have developed Quality Policy, which features the goals of BIOTON S.A. and the Capital group as well as commitment to meet the requirements and maintain the effectiveness of quality management system.

Organizational structure of BIOTON S.A. (the company responsible for production) includes Quality Department consisting of over 50 qualified and trained employees responsible for the functioning of implemented quality system (in accordance with legal requirements) and for conducting research and quality assessment of manufactured end products.

Each of manufactured medicinal products meets restrictive requirements included in quality specification and marketing authorization. Manufacturing medicinal products and active substances takes place in accordance with requirements of Marketing Authorization, and with observance of standards set out in Good Manufacturing Practice. Meeting these requirements is confirmed by constantly maintained certificates of Good Manufacturing Practice (GMP), issued by Chief Pharmaceutical Inspector (CPI) based on the conducted inspections. The certificate covers production plants producing active substances (recombinant human insulin) and medicinal products, as well as quality control and warehouses in which they are stored. Compliance with the Good Manufacturing Practice requirements is also confirmed by certificates issued by agencies of other countries on the basis of inspections carried out: National Agency of Health Surveillance ANVISA from Brazil, National Drug Authority from Uganda, Government of National Accord Ministry of Health from Libya.

In the case of medical devices, quality management system of BIOTON S.A. is compliant with ISO 13485:2016 standard, as confirmed by obtaining relevant certificate in 2019. The validity of the certificate is confirmed by the certification body during annual surveillance audits. In December 2018 Bioton S.A. also obtained Certificate of Conformity issued for Gensupen 2 by Conformity assessment body of the Ukrainian State Association "Polytekhnmed".

In the case of medicinal products and active substance, quality management process is carried out through a formally introduced set of policies and procedures, supply chain management, supervision over individual stages of manufacturing and products. This also applies to the analysis of deviations from defined procedures and specifications. The efficiency and effectiveness of the quality management system is regularly assessed (once in a quarter). For this purpose, key quality indicators have been developed, which, thanks to continuous evaluation and due to ongoing supervision of the implementation of quality subprocesses (including the assessment of progress in achieving the set goals), or the introduction of improvements, result in a steady increase in the efficiency of the implemented quality system.

Taking care of the quality and safety of manufactured medical devices, they developed Quality Book, the aim being presenting the current state of the organization, its activities and demonstrate the ability to meet the needs of clients and legal requirements. The Book of Quality covers the quality management system in a comprehensive manner, the entire product manufacturing process (so-called main processes), i.e. from the design stage, through the product implementation, to the storage stage. Each of these stages is regulated by additional detailed procedures and instructions.

In order to assess the ongoing compliance of processes with the requirements and effectiveness of the quality management system, internal audits are carried out. Internal audits are planned on annual basis, based on risk analysis carried out in accordance with adopted internal regulations. In 2020, there were 15 such audits carried out. They focused mainly on such areas as:

- Production plants;
- Quality Department;
- Technical Department;
- Pharmaceutical Warehouse and Wholesale.

As a result, any irregularities are captured and corrected on an ongoing basis.

Quality control in the supply chain

BIOTON S.A. and the Capital Group also ensure that suppliers and business partners act in accordance with the best practices of social responsibility. The supply chain built in this way takes social issues into account while limiting adverse impact on the environment. Already at the stage of supplier selection, detailed verification is carried out,

using questionnaires (depending on the type of cooperation or service) that contain a detailed list of issues to be assessed. Tested aspects include:

- training for employees, including training on hygiene and protective clothing;
- approach to quality management (including quality control);
- the origins of the products;
- supplier qualification procedure.

The analysis of the dedicated questionnaire along with verification of certificates confirming implementation of quality management system (e.g. ISO 9001, ISO 15378, HACCP, ISO 22000, ISO 13485, GMP) are the framework for the initial potential evaluation process of a potential new supplier.

Verification of the quality management system implemented at suppliers is performed not only during the initial assessment of the new supplier but also as part of the periodic assessment and during regular audits. Internal audits are planned on an annual basis, based on a risk analysis carried out in accordance with the adopted internal regulations. The main criterion for selecting areas to be audited is the assessment of the occurrence of potential threats. The audits are carried out by internal auditors specialized in a given area, and all observations are presented in the audit report.

Cyclic audits concern suppliers of starting and packaging materials, service providers as well as contract manufacturers with which BIOTON S.A. concluded agreements for manufacturing medicinal products and medical devices. In 2020, 3 audits were carried out at suppliers of materials and services. The observations made during the audits were included in the recovery plan.

By implementing a sustainable development strategy in the supply chain a significant portion of expenses on services and products is carried out at local suppliers. The value of liabilities towards domestic suppliers constitutes over 60% of all liabilities towards suppliers.

The percentage of expenditures on local suppliers in the main locations of BIOTON Group activity						
Location of the activity:	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group	
	2020	2019	2020	2019	2020	2019
Poland	58,7%	60%	99.5%	99.6%	61,2%	62%

Bioton S.A. and Capital Group understand that cooperation with suppliers from immediate environment is an important factor supporting local economy and maintaining good relations with local community.

Care for quality and safety of offered products is crucial for the organization, which is why the Group has a number of documents in place setting out principles and standards in the scope of safety and labeling of manufactured medicinal products. Safeguarding of medicinal products has been implemented in order to allow for verification of their authenticity. Therefore, the requirements of Directive 2011/62/EU of the European Parliament and of the Council on the prevention of the entry into the legal supply chain of falsified medicinal products have been met. Through the implemented quality management system, the organization ensures that the products are safe and fulfil the assumed function to satisfactory extent. In the course of manufacturing process all relevant product categories are subject to an assessment of their impact on patient's health and safety. The products are marked in a reliable way and contain information related to issues in the scope of sustainable development.

In 2020 there were no incidents of non-compliance with regulations regarding the impact of products on health and safety in BIOTON S.A. and the Capital Group. There were also no incidents of non-compliance with regulations regarding information and product labeling.

The required procedures and imposed legal regulations ensure proper labeling of products.

The type of information on products and services required under the procedures and the percentage of relevant categories of products and services subject to such requirements		
	YES	NO
The origin of the product components or service	✓*	
Composition, especially for substances that may have an impact on the environment or society	✓	
Safety of using a product or service	✓	
Product disposal and environmental / social impact	✓	
Percentage of significant categories of products and services subject to such requirements	100%	

* In the case of contract suppliers, the origin of the components is given in the product registration trace, and during post-registration changes. In such situations, on the packaging of the product, there is information on who is its supplier.

Permanent aspect of the operations of the Companies from BIOTON S.A. Group in this area are regular surveys on customer satisfaction, thanks to which feedback on products is obtained. The results of these surveys are crucial for the long-term success of the organization. In 2020, such a study was conducted for the medical device GensuPen 2.

User opinions were collected in a total of 68 surveys. According to the information received, the products were rated highly.

The assessment of individual features of the pen showed that: in 18 cases the product met the customer's requirements in 100%, in 52 cases (76% of respondents) the requirements were met in the range from 100% to 90%, in 67 cases (99% of respondents) the requirements were met ranging from 80% to 100%. One respondent assessed that the product met his expectations below 80%.

The vast majority of respondents (64 people, 94% of respondents) answered that Gensupen 2 is easy and convenient to use. None of the respondents expressed a negative opinion on this issue.

The vast majority of respondents (49 people, 72% of respondents) replied that they would recommend Gensupen 2 to a person using a different pen. None of the respondents expressed a negative opinion on this issue. As the reason for recommending the pen, the respondents indicated the following features: automatism, portability, intuitiveness, ease of use, easy dosing, convenient administration, green dot signalling the end of injection, several colours.

31.5.5. Policies and indicators related to environmental issues

As the main manufacturing company BIOTON S.A. may have the greatest impact on the natural environment. However, due to the fact that all Polish companies use shared facilities and rooms, the data presented below regarding energy consumption, water, materials and raw materials, generated waste, sewage and emissions relate to the operations and Groups at the plant in Macierzysz.

BIOTON S.A. manufactures, among others modern insulin preparations from recombinant human insulin, while ensuring the highest level of environmental protection, which is a priority for the company. By constantly investing in production technologies, improving the quality of management systems and increasing the level of environmental awareness of employees, the Company is able to limit the negative impact on the environment. The developed technologies of new drugs take into account the necessary elements to improve environmental effects. Implemented production of human insulin analogs eliminates the use of raw materials the process residues of which have so far required utilizing.

BIOTON S.A. and the Capital Group have implemented an Environmental policy which defines the framework of environmental management system and sets out objectives and main tasks in the scope of environment protection. These objectives include:

- Management of rational consumption of water and electricity by making regular measurements and introducing innovative solutions in the production process;

- Limiting the amount of generated waste by preventing its formation, segregation and their transfer to companies with appropriate rights;
- Raising the level of employee awareness by providing information on environmental protection and regular training;
- Promoting pro-environmental behaviors at subcontractors.

It is a common policy for key Group companies, i.e. Polish companies. Due to different nature of operations and different legal environments, other subsidiaries have not been included in the above policies.

The environmental policy is communicated to all employees during initial training and in the course of all actions aimed at encouraging pro-ecological behavior.

The monitoring of tasks in the field of environmental protection is the responsibility of Specialists for Environment Protection. The specialists, in consultation with the Management Board of BIOTON S.A., identify and fulfil all the legal requirements regarding environment protection on an ongoing basis. The correctness of activities in the scope of environment protection is confirmed by the results of energy audit conducted by Riktning Group in the second half of 2017. Next energy audit is scheduled for 2021.

In 2020, BIOTON S.A. implemented several innovative ideas bringing measurable benefits for the natural environment and financial benefits for the Company itself.

1. A new substance production technology was implemented, which reduced the consumption of raw materials, electricity and the amount of generated waste.
2. The need to cool the condensate effluent has been eliminated, resulting in significant savings in cooling water and electricity consumption.
3. The rationalizing idea of heat recovery in the boiler room was applied, which made it possible to reduce heat energy consumption.
4. The radiator valves were replaced with programmable ones, which had a positive effect on the control of the consumed heat and significantly reduced its consumption.

Over a half of paper packaging used by the Company and introduced to the market in 2019 was produced from renewable raw materials. At the same time, 88.2% of waste was sent for recycling in the same period.

Changes in the volume of consumed energy, from non-renewable to renewable sources, prove that BIOTON S.A. and the Capital Group make efforts to minimize its impact on the environment.

Energy consumption in the organization (in kWh)			
	2020	2019	% change
The use of energy from non-renewable sources (coal, lignite, natural gas)	11 810 162	11 040 509	7
Energy consumption from renewable sources (biomass, hydropower, wind energy, solar energy)	4 368 142	4 265 787	2
Total energy consumption	16 178 304	15 306 296	6

Total water intake by source:

Water intake by source (in m³)		
	2020	2019
Surface waters, including water from wetlands, rivers, lakes and oceans		-

Statements of the Management Board of BIOTON S.A. on the activities of BIOTON S.A. and BIOTON S.A. Capital Group for the fiscal year ended on December 31, 2020.

Ground water	132 674	119 844
Rainwater directly collected and stored by the organization		-
Sewage from another organization		-
Supplies of municipal water and supplies from other water companies		-
Total water intake (in m³)	132 674	119 844

The organization does not generate greenhouse gases in the production processes; carbon dioxide emissions result from generation of heat.

GHG emission intensity		
	2020	2019
Metric tons of generated CO ₂	3 628	3 364
Metric tonnes of generated CO ₂ per sales revenue	0.000016	0.000016

*Value of net revenues from sales from continued operations of BIOTON S.A. (as the main production unit)

As part of the activity, only volatile organic compounds (VOCs) are emitted.

Emissions of nitrogen oxides, sulphur oxides and other significant emissions to air (in kg) *		
	2020	2019
Nitrogen oxides	-	-
Oxides, Sulphur	-	-
Other Persistent Organic Pollutants (POPs)	-	-
Volatile organic compounds (VOCs)	3 905	1 446
Hazardous air pollution (HAP)	-	-
Particulate Matter (PM)	-	-
Other standard categories of air emissions identified in the applicable legislation	-	-
Total emissions (in kg)	3 905	1 446

*Data was prepared on the basis of own estimates, carried out as part of the "Balance of VOC".

The increase in VOC emissions results from the high use of disinfectants by the Company in 2020 in connection with the COVID-19 pandemic.

The place of destination of the discharged water is a receiver of treated wastewater, located in the Ożarów Canal.

Total sewage volume (in m³)		
	2020	2019
The amount of treated wastewater discharged to Ożarowski Canal (in m ³):	140 221	122 897

The increase in the amount of discharged treated wastewater results from the increase in production in 2020.

The organization makes every effort to ensure that waste from production exerts as little impact on the environment as possible. Therefore, the collection of waste is made by a company authorized for this purpose, and the methods used are the least invasive:

Total weight of waste by type of waste and methods of waste treatment (in Mg)				
	2020		2019	
	<i>hazardous</i>	<i>non-hazardous</i>	<i>hazardous</i>	<i>non-hazardous</i>
Repeated use				

Processing				
Composting				
Recovery (including energy recovery)	1 321	117	171	101
Combustion (mass combustion)				
Placing into deep wells				
Storage at landfills				
Storage at the plant	-	-	-	-
Disposal	17	176	18	17
Total weight of waste (in Mg)	1 338	293	189	118
Total weight of waste (in Mg)	1 631		307	

The increase and change in the characteristics of the generated waste is combined with an increase in production.

It is also worth noting that in 2020 there were no leaks of chemicals, oil, fuel or waste. During this period, no formal complaints regarding environmental impact were recorded.

Total expenditure on environmental protection and investments:

The costs of waste treatment and treatment, emission cleaning and remedial actions (in thous. PLN)		
	2020	2019
Utilization Services	411*	245
Purification of emissions	-	-
Expenses on purchase and use of emission certificates	-	-
Liability insurance in the event of damage to the environment	Yes	Yes
The total cost (in thous. PLN)	245	245

* The increase in waste disposal costs is mainly related to the drastic increase in waste management costs, which, on the other hand, results from changes in the waste law. An additional reason for the increase in costs, in this aspect, is the increase in production by the Company

In 2020 BIOTON S.A. and the Capital Group also incurred costs related to damage prevention and management of environmental protection, the total value of which amounted to approximately PLN 40 thous. The most important components include: research and development (PLN 18 thous.), additional expenditure on purchases related to environment protection (PLN 10 thous.), external services related to environmental management (PLN 7,4 thous.) and other costs of environmental management (PLN 5 thous.). The Group uses free training in the field of environmental protection organized by the central and local government administration.

31.6. List of indicators

This declaration contains performance indicators regarding the following issues: employees matters, respect for human rights, counteracting corruption, social and environmental matters. Selected indicators have been prepared on the basis of the Global Reporting Initiative (GRI Standards) guidelines for sustainable development reports. A list of indicators together with reference to a given Standard can be found below.

Name of the indicator	The number of the indicator according to GRI Standards	Name of the GRI standard
Chapter 2. Description of the business model of the unit		

Name of the indicator	The number of the indicator according to GRI Standards	Name of the GRI standard
Organization scale	102-7	GRI 102: General Disclosures 2016
Financial aid received from the state	201-4	GRI 201: Economic Performance 2016
Economic value generated	201-1	GRI 201: Economic Performance 2016
Chapter 5.1. Policies and indicators related to employee issues		
Number of employees by type of employment contract and by gender, by type of employment and by gender	102-8 (a, c)	GRI 102: General Disclosures 2016
Total number and employment rates of new employees and employee turnover by age and gender	401-1	GRI 401: Employment 2016
Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees	not applicable	not applicable
Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees of subcontractors working on the premises	not applicable	not applicable
Number of legitimate complaints regarding breaches of customer privacy and loss of customer data (none)	418-1	GRI 418: Customer Privacy 2016
Chapter 5.2. Policies and indicators related to issues of respecting human rights		
The total number of staff training hours for policies that respect human rights or procedures that take into account human rights aspects that are relevant to the organization's activities, including the percentage of trained employees.	412-2	GRI 412: Human Rights Assessment 2016
Total number of cases of discrimination (discriminatory incidents) and corrective actions taken (none)	406-1	GRI 406: Non-discrimination 2016
Chapter 5.3. Policies and indicators related to anti-corruption issues		
Confirmed cases of corruption and actions taken (missing)	205-3	GRI 205: Anti-corruption 2016
Total number of legal actions taken against the organization regarding cases of violations of free competition rules, monopolistic practices and their consequences (none)	206-1	GRI 206: Anti-competitive Behavior 2016
The amount of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations (none)	419-1	GRI 419: Socioeconomic Compliance 2016
Chapter 5.4. Policies and indicators related to social issues		
The percentage of significant categories of products and services for which their impact on health and safety is assessed	416-1	GRI 416: Customer Health and Safety 2016
Total number of cases of non-compliance with regulations and voluntary codes on the health and safety impact of products and services (none)	416-2	GRI 416: Customer Health and Safety 2016
The type of information on products and services required under the procedures and the percentage of relevant categories of products and services subject to such requirements	417-1	GRI 417: Marketing and Labeling 2016
Total number of cases of non-compliance with regulations and voluntary codes on information and labeling of products and services by type of impact	417-2	GRI 417: Marketing and Labeling 2016
The percentage of expenditures on local suppliers in the main locations of conducting the activity.	204-1	GRI 204: Procurement Practices 2016
Chapter 5.5. Policies and indicators related to environmental issues		
Total energy consumption from non-renewable and renewable sources	302-1 (a, b)	GRI 302: Energy 2016
Total water withdrawal by source	not applicable	not applicable
GHG emission intensity	305-4 (a, b)	GRI 305: Emissions 2016
Emissions of nitrogen oxides, sulphur oxides and other significant emissions to air.	305-7 (a)	GRI 305: Emissions 2016

Name of the indicator	The number of the indicator according to GRI Standards	Name of the GRI standard
Total sewage volume by quality and destination.	306-1	GRI 306: Effluents and Waste 2016
Total weight of waste by type of waste and methods of waste treatment.	306-2 (a, b)	GRI 306: Effluents and Waste 2016
Total number and volume of significant spills (none)	306-3	GRI 306: Effluents and Waste 2016
The costs of waste treatment and treatment, emission cleaning and remedial actions	not applicable	not applicable

Signatures of all members of the BIOTON S.A. Management Board

Name and surname	Role	Signature
Jeremy Lauenders	President of the Management Board	
Adam Polonek	Member of the Management Board	

Date: March 31, 2021