

**ABRIDGED INTERIM INDIVIDUAL FINANCIAL STATEMENTS
DONE AS OF 30 JUNE 2022
AND
FOR THE PERIOD BETWEEN 1 JANUARY 2022 AND 30 JUNE 2022**

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1. INTRODUCTION TO THE ABRIDGED INTERIM INDIVIDUAL FINANCIAL STATEMENT

1.1. Company identification data

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

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

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

The abridged semi-annual individual financial statement of BIOTON SA was prepared as of 30 June 2022 and covers the accounting period from 1 January 2022 to 30 June 2022. Comparative financial data covers the period from 1 January 2021 to 30 June 2021 and the balance sheet as of 31 December 2021.

In accordance with the Regulation of the Minister of Finance of 29 March, 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (J. Journal of Laws from 2018, item 757, as amended) the Company is obliged to publish financial results for the six-month period ending on 30 June 2022, which is the current interim reporting period.

The abridged interim individual financial statement has been approved for publication by the Management Board of the Company on 31 August 2022.

1.3. Composition of the Management Board and the Supervisory Board

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

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

Current composition of the Supervisory Board of BIOTON S.A. appointed for the next term of office which started on 30.06.2022:

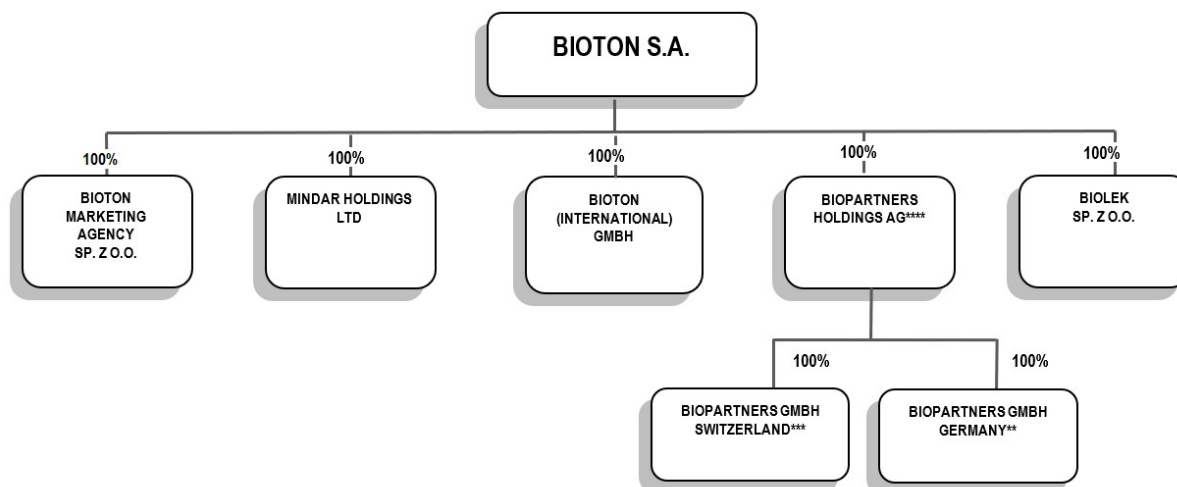
- Mr. Jia Li (the Chairperson of the Supervisory Board),
- Mr. Ramesh Rejenthiran (Vice-Chairperson of the Supervisory Board),
- Mr. Dariusz Trzeciak (Vice-Chairperson of the Supervisory Board),
- Mr. Nicola Cadei (Member of the Supervisory Board),
- Ms. Valery Yeo (Member of the Supervisory Board),
- Mr. Jubo Liu (Member of the Supervisory Board),
- Mr. Vaidyanathan Viswanath (Member of the Supervisory Board),
- Mr. Tomasz Siembida (Member of the Supervisory Board).

History of changes in the composition of the Supervisory Board since 01.01.2022 until the publication date of the financial statements:

- on April 26, 2022, the Company received the resignation of Ms. Yuhong Geng from the function of the Supervisory Board Member. The reason for the resignation was a decision to focus on additional work duties with the current employer.

1.4. Ownership structure of BIOTON Capital Group

As of 30 June 2022, the Company has the following structure of the Capital Group, where Bioton SA is a dominant:



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

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

³⁾ On 13 March 2019, Biopartners Holdings AG filed for bankruptcy. The bankruptcy proceedings as to Biopartners Holdings AG were closed on 08.05.2019

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

1.5. Description of the most important accounting principles applied

1.5.1. Statement of conformity

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

The individual financial statements as of 31 December 2021 were prepared in accordance with the IFRS adopted by the Supervisory Board of International Accounting Standards ("IASB") and interpretations issued by the Interpretation of International Financial Reporting ("IFRIC") operating under the IASB, which have been approved by the European Union. The abridged interim individual statement as of 30 June 2022 should be read together with audited individual financial statement as of December 31, 2022.

Application of new standards and changes to existing standards and interpretations applied for the first time in the Company's financial statements for the period ended 30 June 2022

The accounting principles (policy) used to prepare these consolidated financial statements for the financial year ended December 31, 2022 are consistent with those used to prepare the annual consolidated financial statements for the financial year ended December 31, 2021, except for the changes described below.

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

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

Committee:

- Amendments to IFRS 3 "Business Combinations" - updated references to the Conceptual Framework
- Amendments to IAS 16 "Property, plant and equipment" - revenue from products produced while preparing property, plant and equipment for commissioning
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - clarification on the costs recognised in the analysis of whether a contract is an onerous contract
- Annual Improvements Programme 2018-2020 - the amendments provide clarifications and further refine the standards' guidance on recognition and measurement: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and for illustrative examples to IFRS 16 "Leases"

The Company applied the changed standards from January 1, 2022 without affecting the financial statements.

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

In this financial report the Company decided not to apply the following published standards, interpretations or amendments to existing standards prior to the date of their entry into force.

The following standards and interpretations have been issued by the International Accounting Standards Board or the Committee for the Interpretations of International Financial Reporting, and have not yet come into force on the balance sheet date:

Approved by the IASB for use from 1 January 2023

- - IFRS 17, "Insurance contracts" and amendments to IFRS 17
- - Amendments to IAS 1 Presentation of Financial Statements - classification of liabilities as current or non-current
- - Amendments to IAS 1, "Presentation of Financial Statements" and the IFRS Board's Guidance on Disclosure of Accounting Policies in Practice - the issue of significance in relation to accounting policies
- - Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - definition of estimates
- - Amendments to IAS 12 "Income taxes" - obligation to recognise deferred tax on transactions i.e. leases
- - Amendments to IFRS 17, "Insurance Contracts" - first-time adoption of IFRS 17 and IFRS 9 - comparative information

Amendments rejected or deferred by the EU (approved by the IASB for application from 1 January 2016)

- - IFRS 14 "Regulatory accruals"
- - Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates" regarding the sale or contribution of assets between an investor and its associates or joint ventures

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

1.5.2. Grounds for preparing the abridged interim individual financial statement

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

Preparing the financial statement up in accordance with the EU IFRS requires that the Management Board makes

assessments, estimates and assumptions which affect the adopted principles and presented values of assets, liabilities, revenues and costs.

Estimates and assumptions related thereto are based on historical experience and other factors considered reasonable under given circumstances and their results are the grounds for assessment as regards the carrying value of assets and liabilities, which does not result directly from other sources. The actual value may be different from the estimated value.

The estimates and assumptions based on them are subject to ongoing verification. The change of accounting estimates is recorded in time when such revaluation is made or in the current and future periods, if it pertains to both current and future periods.

The Management Board of BIOTON S.A. and the Members of the Supervisory Board are responsible for the preparation and reliable presentation of the individual annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union and other applicable regulations. In the opinion of the Management Board and Supervisory Board it is appropriate to prepare the abridged interim individual annual financial statements based on the principle of going concern in the foreseeable future. Short-term liabilities as at the balance sheet date the companies are lower than the current assets, additionally due to the operational financial results achieved in the August 2022 changing the structure of external financing through the provision of a new two-year debt financing agreement (with simultaneous repayment of the short-term agreement at Bank of China) and signing a long-term cooperation agreement with Yifan Pharmaceuticals in terms of financing the development of analogs, in the opinion of the Management Board, there are no circumstances that would indicate a threat to its continued operations.

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

When preparing the interim individual financial statements, the Company applied the same accounting principles as those described in the individual financial statements as of December 31, 2021, except for changes in accounting policies resulting from the implementation of new standards.

2. ABRIDGED INTERIM INDIVIDUAL INCOME STATEMENT

<i>in thousands PLN</i>	Note	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
		<i>reviewed</i>	<i>reviewed</i>
Continuing operations			
Sales revenue	7.2	102,488	76,205
Cost of goods sold	7.3	(59,252)	(40,594)
Downtime and unused production power	7.4	(4,061)	(1,993)
Gross profit on sales		39,175	33,618
Other operating income	7.5	3,394	4,525,
Selling costs		(16,850)	(16,782)
General and administrative expenses		(14,031)	(13,683)
Research and development costs		(2,463)	(2,292)
Other operating cost	7.6	(2,429)	(2,552)
Gross operating profit / (loss)		6,797	2,835
Financial income	7.7	430	1,743
Financial costs	7.8	(7,366)	(2,900)
Net financial income / (costs)		(6,937)	(1,158)
Profit / (Loss) before tax		(140)	1,678
Income tax		(1,053)	(2,892)
Net profit / (loss) on continuing operations		(1193)	(1,214)
Net profit / (loss) from discontinued operations		-	-
Net profit / (loss) for the reporting period		(1,193)	(1,214)
Weighted average number of shares (in pcs)	7.24	85,864,200	85,864,200
Number of dilutive potential ordinary shares	7.24	85,864,200	85,864,200
Profit / (Loss) from continuing operations per one share (in PLN)			
Basic and diluted		(0.0139)	(0.0141),

3. ABRIDGED INTERIM INDIVIDUAL STATEMENT ON COMPREHENSIVE REVENUES

<i>In PLN thousand</i>	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
	<i>audited</i>	<i>audited</i>
Net profit / (loss) for the statement period	(1,193)	(1,214)
Other comprehensive income recognized directly in equity	-	-
Total comprehensive income for the period	(1,193)	(1,214)

4. ABRIDGED INTERIM INDIVIDUAL BALANCE SHEET

<i>In thousand PLN</i>	Note	30.06.2022	31.12.2021
ASSETS		<i>reviewed</i>	<i>audited</i>
Fixed assets		692,849	707,916
Property, plant and equipment	7.10	280,826	286,551
Investment properties	7.13	1,357	1,357
Intangible and legal assets	7.11	364,757	361,626
Assets under the right of use	7.12	15,463	16,482
Non-current financial assets	7.14	14,116	15,227
Investments in subsidiaries and associated entities	7.15	3,965	3,965
Deferred income tax assets	7.16	11,725	21,936
Long-term prepayments	7.17	640	772
Current assets		153,002	173,303
Inventories	7.18	118,213	124,267
Current financial assets	7.19	1,567	-
Trade and other receivables	7.20	23,030	39,245
Cash and cash equivalents	7.21	7,601	8,744
Current prepayments	7.22	2,591	1,046
TOTAL ASSETS		845,851	881,219
LIABILITIES			
Equity			
Share capital	7.24	628,932	639,282
Share premium		1,717,284	1,717,284
Inventory capital		57,131	57,131
Reserve fund		260,776	260,776
Retained profit / (loss)		(268,358)	(268,358)
Non-current liabilities		(1,137,901)	(1,127,550)
Loans, borrowings and other debt instruments liabilities		67,597	77,056
Lease liabilities	7.25	9,362	16,072
Liabilities due to employee benefits	7.26	1,336	1,336
Deferred income	7.29	34,212	36,257
Other liabilities	7.27	10,342	10,342
Current liabilities		149,322	164,881
Loans, borrowings and other debt instruments liabilities	7.25	65,729	77,968
Lease liabilities	7.28	1,965	1,817
Liabilities on account of deliveries and services and other	7.27	37,974	38,677
Liabilities due to employee benefits	7.26	2,846	2,290
Other prepayments	7.30	40,808	44,130
TOTAL LIABILITIES		845,851	881,219

5. ABRIDGED INTERIM INDIVIDUAL CASH-FLOW STATEMENT

<i>in thousands of zlotys</i>	01.01.2022 – 30.06.2022	01.01.2021 – 30.06.2021
	<i>reviewed</i>	<i>reviewed</i>
Cash flow from operational activity		
Net profit / (loss)	(1,193)	(1,214)
Adjustment by the items:		
Depreciation	17,272	15,533
(Profits) / losses from net exchange rate differences	1,266	(1,881)
Interest and dividends paid, net	2,491	1,650
(Profits) / losses from investment activities	311	(2,738)
Income tax for the current period	-	-
Income tax paid	-	-
Other net items	-	-
Net funds from operating activities before changes in working capital	20,147	11,350
Change of the working capital:		
(Increase)/decrease of inventories	6,054	(20,974)
(Increase) / decrease in receivables	4,761	11,138
(Increase)/decrease in prepaid expenses	(360)	1,459
Increase/(decrease) in accounts payable and accrued liabilities	(2,014)	(16,090)
Increase/(decrease) of reserves	557	876
Increase/(decrease) in deferred income	(4,057)	3,276
Funds from operating activities	25,090	(8,966)
Cash flow from investing activities		
Inflows:	471	8,590
Sale of intangible and fixed fixed	471	8,590
From financial assets	-	-
Other inflows	-	-
Expenses:	(16,429)	(8,995)
Acquisition of intangible and fixed assets	(16,429)	(8,995)
Acquisition of financial assets	-	-
Other expenses	-	-
Net funds from investing activity	(15,958)	(405)
Cash flows from financing activity		
Inflows:	5,749	34,257
Net inflows from the issue of shares	-	-
Loans and borrowings	5,749	34,257
Subsidies	-	-
Expenses:	(16,024)	(42,529)
Repayment of loans and borrowings	(12,466)	(40,163)
Redemption of debt securities	-	-
Interest	(2,293)	(1,725)
Payments under financial leasing liabilities	(1,264)	(640)
Other financial expenses	-	-
Net funds from financial activity	(10,274)	(8,271)
Net change in funds, (including change in funds due to exchange rate differences)	(1,143)	(17,642)
Opening balance of funds	8,744	22,005
Funds at the end of the period	7,601	4,363
Overdraft facility		-
Funds at end of period after exclusion of funds in restricted accounts and overdrafts	7,601	4,363

6. INTERIM ABRIDGED INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Capital from the issue of shares above their nominal	Inventory capital	Reserve capital	Profits / (Losses) retained	Total capital
Twelve months ended on 31 December 2021						
As of 31 December 2021 published	1,717,284	57,131	260,776	(268,358)	(1,127,550)	639,282
Correction of income tax of previous years ¹⁾	-	-	-	-	(9,158)	(9,158)
As at 31 December 2021 as corrected	1,717,284	57,131	260,776	(268,358)	(1,136,708)	630,125
Net profit / (loss) in the	-	-	-	-	(1,193)	(1,193)
Actuarial valuation of the provision pension- see note	-	-	-	-	-	-
Deferred tax asset on actuarial valuation - Look note 12	-	-	-	-	-	-
Total comprehensive income recognized for the period	-	-	-	-	(1,193)	(1,193)
As of 30 June 2022	1,717,284	57,131	260,776	358	(1,137,901)	628,932

¹⁾ Corrections relating to the accounting for changes in deferred tax relating to complex corrections related to the capitalisation of tax costs of R&D development and the R&D tax credit recognised, inter alia, in complex corrections to CIT returns for 2017-2020.

Specification	Share capital	Capital from the issue of shares above their nominal value	Inventory capital	Reserve capital	Profits / (Losses) retained	Total capital
Twelve months ended on 31 December 2020						
As of 31 December 2020 published	1,717,284	57,131	260,776	(268,492)	(1,130,172)	636,526
Net profit / (loss) in the	-	-	-	-	2,622	2,622
Actuarial valuation of the pension provision- see note 7.26	-	-	-	165	-	165
Deferred tax asset on actuarial valuation - Look note 7.16	-	-	-	(31)	-	(31)
Total comprehensive income recognized for the	-	-	-	134	2,622	2,756
As of 31 December 2021	1,717,284	57,131	260,776	(268,358)	(1,127,550)	639,282

7. EXPLANATORY NOTES TO THE ABBREVIATED INTERIM INDIVIDUAL FINANCIAL STATEMENT

7.1. Operating segments

The Company's operations constitute a single operational segment.

Sales revenues - assortment structure (in thous. PLN)

Specification	01.01.2022-30.06.2022		01.01.2021-30.06.2021	
	Value	Structure (in %)	Value	Structure (in %)
Insulin	79,187	77.26%	53,850	70.66%
Finished goods	79,187	77.26%	53,850	70.66%
Orally taken anti-diabetic drugs	5,852	5.71%	4,045	5.31%
Other goods PL	3,794	3.70%	4,039	5.30%
Injectors	6,851	6.68%	3,110	4.08%
Goods and materials	16,498	16.10%	11,195	14.69%
Services¹⁾	6,803	6.64%	11,161	14.65%
Total sales revenues	102,488	100.00%	76,205	100%

¹⁾in the Services category, the Company presents, among others: revenues received under license agreements (upfront) concluded with Pharmasintez and Yifan International and recognition of revenue from the implementation of the agreement with Yifan for the analog project;

Agreement with Yifan International Pharmaceutical Co. Ltd

On 27 March 2018 the Company entered into a framework agreement with Yifan International Pharmaceutical Co., Ltd. based in Hong Kong (YIFAN) for the distribution, sales and marketing of the Company's products, granting exclusive right (the Right) to use BIOTON trademarks in association with advertising, promotion, distribution and sale of products in the territories covered by the agreement ("Agreement"). The detailed conditions for the cooperation of the Parties on a given market will be determined in separate implementation agreements. The Agreement was concluded for the period of 15 years. The contract has been concluded under Hong Kong law and any disputes related to it will be resolved by courts with jurisdiction over YIFAN. The cooperation of the Parties on terms specified in the contract is associated with significant benefits for the Company, mainly related to taking over by the distribution partner registration costs, costs of commercial and marketing activities, and also in particular the costs of building a distribution sales network on individual markets. The main task of the distribution partner is development and promotion related to the sales of the Company's products aimed at improving the financial result of the Company and its Capital Group. For granting the Right, the Company received a remuneration of USD 6.8 million. The payment received in advance on the basis of the above agreement: (i) gives the YIFAN distributor the exclusive right to import goods, (ii) causes actions to transfer or change the existing distribution agreements of the Company in the distribution territory established in the Agreement, (iii) grants the YIFAN distributor the right to use of trademarks of BIOTON S.A. related to products solely for the purpose and in connection with the advertising, promotion, distribution and sale of products on the territory specified in the Agreement. For 2018-2021, the Company recognized revenue, in accordance with the requirements under IFRS 15, in the amount of PLN 5,805 thousand and in the first half of 2022, the amount of PLN 774 thousand. The remaining amount of 16,640 thousand was recognized in revenues from future periods will be included in the revenues over time for which the contract is concluded.

Agreement with Yifan Pharmaceutical Co.

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

Bioton will be also granted priority right to receive the right for use in European countries under its own brand. Bioton will also act as a manufacturer of products all over the world.

The continuation of the Analog project is underway. Both Yifan and Bioton are working together on the transfer, scale-up and registration of all products.

With regard to the long-acting insulin analog, Glargine, the Company has progressed to the early stage industrialisation phase; the Company is currently undertaking laboratory scale trials with the aim of completing a batch of the drug substance at clinical scale in Q4 2022 - Q1 2023. The manufacturing facility is currently being upgraded to accommodate the new process.

With regard to the Lispro insulin analog, Bioton is not currently working on this project and is awaiting the final Yifan study report and the preparation of an IND application.

Work on all three insulin analogs includes the following scenario:

- Research phase - 2019 - 2024
- Development and registration phase - 2021 - 2025
- Commercialisation phase - 2025 – 2026

The Company expects revenues from the first product to reach the market in 2025; however, it should be taken into account that the timeline for this type of project is difficult to predict, as unforeseen technical issues may arise during implementation, and clinical trial/registration processes may experience some delays.

Due to the fact that the Company is a subcontractor of Yifan in the ongoing insulin analog implementation project, the Company keeps Yifan informed of the progress of the analog project, monitors the next stages of the project and, consequently, the introduction of products on a commercial scale.

Sales revenues - geographical structure

<i>In PLN thousand</i>	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Poland	53,441	44,794
China	23,290	5,093
Vietnam	10,324	5,728
Bangladesh	2,127	0
Libya	1,677	0
the Philippines	1,421	392
Yemen	1,109	929
Ukraine	714	792
Other	4,988	13,534
Project Analog services	3,396	4,944
Total sales revenues	102,488	76,205

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

Sales revenues - structure by customers

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

<i>in PLN thousand</i>	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Poland	31,126	30,057
Customer 1	15,526	12,303
Customer 2	8,472	10,868
Customer 3	7,128	6,886
Asian market	42,590	14,189
Customer 1	42,590	8,461
Customer 2	-	5,728
Total sales revenues	73,715	44,246

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

Advances received from customers

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

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

Licences

IFRS 15 introduces new principles for recognizing revenue from granted licenses. In accordance with the standard, the Board must determine whether a separate license entitles the customer to access intellectual property or to use intellectual

property. Depending on this classification, the revenue from the license will be recognized during the license period or one time. In the course of its operations on foreign markets, the Company grants licenses to distributors. In the Company's opinion, the licenses granted constitute the right to use intellectual property during the term of the contract.

7.2. Explanatory notes regarding seasonality and periodicity

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

7.3. Other operating revenues

<i>in PLN thousand</i>	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
a) profit on disposal of non-financial assets	,435,	2,654,
a) sales of materials	9	258
b) dissolution of provisions for employee benefits	`170,	1,018
c) reversal of impairment losses on fixed assets and intangible and legal values	-	86
c) liquidation of current assets	24	-
d) other, including:	2,756	508
- compensation ¹⁾	112	,93
- subsidies	2,548	375
- inventory of liabilities	89	-
- other	6	40
Total	3,394	4,525

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

7.4. Other operating costs

<i>in PLN thousand</i>	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
a) a) loss on sale of non-financial fixed assets ¹⁾	-	-
b) Revaluation of non-financial assets, including:	-	506
- non-financial current assets due to:	-	506
– revaluation allowance for inventories		506
c) created provisions under:	557	876
- provision for unused holiday leaves	557	876
d) other, including:	1,872	1 170
- contributions to the organisation	5	5
- donations	301	118
- liquidation of current assets		142
- writing off receivables / liabilities	1,265	-
- penalties and damages	-	95
other costs	301	810
Total	2,429	2,552

7.5. Financial revenues

<i>in PLN thousand</i>	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
A. Financial revenues from interest, including:	430	201
a) for granted loans, including:	430	201
- from related entities	430	201
- from other units	-	-
b) other interest ¹⁾	0	0
- from other units ¹⁾	0	0
B. Profit on disposal of financial assets	-	
C. Other financial revenues, including:	-	1,541
a) positive foreign currency exchange rate differences (realised and unrealised)	-	1,541
Total financial revenues	430	1,743

7.6. Financial costs

in PLN thousand

	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
D. Financial costs under interest, including:	2,930	2,445
a) on loans and borrowings	2,266	1,331
- for related parties	650	425
- to other entities	1,616	906
b) other interest and commissions	664	1,114
- to other entities	664	1,114
G. Other financial costs, including:	4,436	455
a) negative foreign currency exchange rate differences (realised and unrealised)	3,113	-
b) others, including:	1,323	455
- financial instruments	740	-
- other	583	455
Total financial costs	7,366	2,900
	7,366	2,900
Net financial revenues/ (costs)	(6,936)	(1,157)

7.7. Changes in the structure of the Company

Discontinued operations

In the period 01 January - 30 June 2022.

In the first half of 2022 there were no discontinued operations.

In the period 01 January - 30 June 2021.

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

Mergers, acquisitions, sale and liquidation of subsidiaries

In the period 01 January - 30 June 2022

In the first half of 2022 there were no mergers or acquisitions of subsidiaries.

In the period 01 January - 30 June 2021

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

Liquidation of Biopartners GmbH and Biopartners Holdings AG

Biopartners GmbH (Switzerland) filed for bankruptcy on 12 March, 2019 and Biopartners Holdings AG filed for bankruptcy on 13 March, 2019. Bankruptcy procedure was initiated on 21 March 2019. The companies were marked in the commercial register as "in liquidation". The companies cannot conduct business activity and do not have access to bank accounts. The bankruptcy proceedings regarding Biopartners Holdings AG were closed on 8 May 2019 due to the lack of assets, while Biopartners GmbH is still pending. Following the end of bankruptcy proceedings, the companies will be removed from the commercial register.

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

Liquidation of Mindar Holdings Ltd

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

7.8. Property, plant and equipment

<i>in PLN thousand</i>	Buildings, premises and civil engineering works	Technical equipment and machinery	Means of transport	Other plant, property and equipment	Plant, property and equipment under construction	Total plant, property and equipment
Gross value of tangible assets as at 1 January 2022	194,522	255,432	1,145	24,894	9,412	485,405
Increases (for):	490	1,593	3	1,191	1,700	4,977
- outlays	-	-	-	-	1,700	1,700
- transfer from plant, property and equipment under construction	490	1,593	-	1,180	-	3,263
- other	-	-	3	11	-	14
Decreases (for):	-	-	476	134	3,852	4,462
- sales	-	-	240	-	-	240
- transfer to plant, property and equipment and intangible assets	-	-	-	-	3,736	3,736
- liquidation	-	-	-	37	116	152
- other	-	-	236	97	-	333
Gross value of tangible assets as at 30 June 2022 r.	195,012	257,024	672	25,951	7,260	485,920
Umorzenie oraz odpisy z tytułu utraty wartości na 1 stycznia 2022r.	(37,015)	(148,994)	(979)	(10,892)	(974)	(198,855)
Zwiększenia (z tytułu)	(1,261)	(4,714)	(37)	(698)	-	(6,711)
- depreciation	(1,261)	(4,714)	(37)	(698)	-	(6,711)
Zmniejszenia (z tytułu):	-	-	(441)	(30)	-	(471)
- sales	-	-	(206)	-	-	(206)
- liquidation	-	-	-	(30)	-	(30)
- other	-	-	(236)	-	-	(236)
Redemption and impairment losses as at 30 June 2022	(38,276)	(153,708)	(575)	(11,561)	(974)	(205,095)
Net value of tangible assets as at 30 June 2022	156,736	103,317	97	14,391	6,286	280,825

Plant, property and equipment under construction

At the end of the reporting period, expenditures for fixed assets under construction in total amounted to PLN 6,286 thousand and pertained to tasks performed by the Company related to, among others, expenditure classified as machinery and equipment with a value of PLN 5,259 thousand; and to buildings and structures with a value of PLN 949 thousand (as of 31 December 2021, expenditures amounted to PLN 8,438 thousand) .

7.9. Intangible and legal assets

<i>in thousand PLN</i>	Costs of completed development works	Concessions, patents, licenses, computer software	Other intangible values	Development works under realization	Intangible assets total
Gross value as of 1 January 2021	57,527	20,902	325,763	109,907	514,099
Increases (for):	101,430	-	-	12,320	113,750
- purchase	-	-	-	3,308	3,308
- in-house development work	101,430	-	-	9,012	110,442
Decreases (for):	-	-	-	101,430	101,430
- settlement of development work	-	-	-	101,430	,101,430
Gross value as of 30 June 2022	158,957	20,902	325,763	20,797	526,419
Accumulated depreciation and impairment losses					
Accumulated depreciation and impairment losses as at 1 January 2022	(28,671)	(16,302)	(107,501)	-	(152,475)
Increases under:	(2,326)	(934)	(5,929)	-	(9,189)
- depreciation	(2,326)	(934)	(5,929)	-	(9,189)
Accumulated depreciation and impairment losses as at 30 June 2022	(30,997)	(17,235)	(113,431)	-	(161,663)
Net value as at 30 June 202	127,960	3,667	212,332	20,797	364,756

Development work in progress

At the end of the reporting period the outlays for developmental works and intangible assets in realization amounted to in total PLN 20,798 thousand and were associated with, among others, costs of product registrations, including classic insulin registration procedures due to the increase in the production scale of the finished form and their registration in other territories (as of 31 December 2021, the total amount was PLN 109,907 thousand).

Value impairment test

At the end of each reporting period, the Group assesses whether there are any premises indicating that impairment of assets due to development works in progress may have occurred.

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

As of 30 June 2022, the Company has analyzed whether there are any premises for impairment of its intangible assets. As a result of the analysis, no write-offs of development works were made.

7.10. Assets under the right of use

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

<i>in PLN thousand</i>	IFRS 16	
	30.06.2022	01.01.2022
Means of transport	801	576
Technical equipment and machinery	9,448	10,655
Perpetual usufruct right to land	5,213	5,252
Total	15,463	16,482

<i>in PLN thousand</i>	Means of transport	Perpetual usufruct right to land	Technical equipment and machinery	Total
Balance as of 01.01.2022	576	5,252	10,655	16,483
Additions - new leases	353	-	-	353
Termination of leasing contracts	-	-	-	-
Depreciation	(128)	(39)	(1,206)	(1,373)
Balance as at 30.06.2022 - IFRS 16 net	801	5,213	9,448	15,463

7.11. Investment properties

<i>in thousand PLN</i>	30.06.2022	31.12.2021
The perpetual land use	1,357	1,357
	1,357	1,357

7.12. Financial assets

Non-current financial assets

<i>in PLN thousand</i>	30.06.2022	31.12.2021
a) loans to related entities, including:	14,116	15,227
- to subsidiaries	14,116	15,227
	14,116	15,227

Change in non-current financial assets

<i>in PLN thousand</i>	30.06.2022	31.12.2021
Balance at the beginning of the statement period	15,227	14,457
Increases under:	-	1,525
c) reclassification from current	-	1,525
Decrease for:	(1,111)	(756)
a) settlement of mutual claims, including:	414	(756)
- capital	-	(362)
- interest	414	(394)
c) reclassification to current	(1,525)	-
Closing balance	14,116	15,227

Current financial assets

<i>in thousand PLN</i>	30.06.2022	31.12.2021
a) in affiliated units,	1,567	-
- loans granted	1,567	-
	1,567	-

Change in current financial assets

<i>in thousand PLN</i>	30.06.2022	31.12.2021
As at the beginning of the period	-	1,499
Increases (for):	21	30
a) in related entities, including:	21	30
- interest on loans	21	30
Decreases for:	1,546	(1,529)
a) in related entities	1,546	(1,529)
- reclassification into non-current	1,525	(1,525)
- valuation of loans to related parties	22	4
As at the end of the period	1,567	-

7.13. Investments in subsidiaries and associated entities

<i>In PLN thousand</i>	30.06.2022	31.12.2021
Investments in subsidiaries and affiliates, including:	3 965	3 965
- in subsidiaries	3 965	3 965
	3 965	3 965

As of 31 December 2021 and 30 June 2022 there were no hedges for investments in subsidiaries and affiliates.

7.14. Deferred tax assets

As of 30 June 2022, in the balance of deferred tax assets, the amount of PLN 10,866 thousand is a deferred tax asset for tax losses for 2018 (submitted corrections to income tax returns increasing tax losses related to the activation of R&D development tax costs and R&D relief included, inter alia, in submitted corrections to CIT returns for 2017-2020) and the amount of PLN 859 thousand on other titles (as of 31 December 2021, the deferred tax asset for tax losses amounted to PLN 8,213 thousand and PLN 13,722 thousand to other titles). The Company did not create a write-down for tax losses asset since it assumes that those assets will be realized. See also note 7.29.

7.15. Trade and other receivables**Short-term receivables**

<i>In PLN thousand</i>	30.06.2022	31.12.2021
a) from related entities	15,066	8,419
- receivables under deliveries and services ¹⁾	15,066	8,419
- other	-	-
b) receivables from other entities	7,963	30,826
- receivables under deliveries and services	5,619	27,911
- tax liabilities, including:	1,938	2,791
- VAT tax	1,922	2,761
- other taxes	16	30
others, including:	406	124
- from sale of property, plant and equipment, and intangible assets	267	-
- advances paid for supplies and services	39	6
- receivables for shares sold	-	-
- receivables from employees	100	118
- other	-	-
	23,030	39,245

¹⁾ Change in the presentation of the factoring line (from 2022 non-recourse factoring - transfer of factoring liabilities to repayment of trade receivables for an amount of PLN 15,467 thousand as at 31.12.2021)

7.16. Accruals - assets**Long-term prepayments**

<i>in PLN thousand</i>	30.06.2022	31.12.2021
a) current prepayments, including:	640	772
- registration of drug products	70	104
- costs of updating IT systems	448	537
- insurance	17	19
- financial costs	-	2
- other deferred costs	105	110
	640	772

Short-term prepayments

<i>in PLN thousand</i>	30.06.2022	31.12.2021
a) current prepayments, including:	2,591	1,046
- taxes and fees	792	4
- registration of drug products	1	87
- insurance	767	503
- costs of updating IT systems	289	182
- costs of validating/maintaining production systems	290	-
- validation	117	128
- financial costs	224	28
- other deferred costs	111	114
	2,591	1,046

7.17. Write-downs on assets

In the period between 1 January 2022 and 30 June 2022 the balances of assets write-downs changed by the following amounts:

- write-offs for inventories: decrease by 742 thousand PLN,
- write-downs on intangible assets: no change ,
- write-offs for receivables: no write-off was created,
- write-offs for fixed assets: no write-off was created.

7.18. Equity**Share capital**

in thousands of shares

	Ordinary shares	
	30.06.2022	31.12.2021
Number of shares at the beginning of the statement period	85,864	85,864
Number of shares at the end of the period (fully paid-up)	85,864	85,864
Face value of 1 share	PLN 20	PLN 20

Structure of the share capital of BIOTON S.A. as at 30.06.2022

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

¹⁾ Yifan Pharmaceutical Co., Ltd. is entitled indirectly through Dongren Singapore PTE LTD. 16.989.289 dematerialised shares of the Company

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constituting 19.79% of the Company's share capital. Yifan Pharmaceutical Co., Ltd. is a dominant in relation to Dongren Singapore PTE LTD.

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

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

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

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

Net profit (loss)

The net loss for the first half of 2022 amounted to PLN 1,193 thousand.

On June 30, 2022, the Ordinary General Meeting of Bioton S.A adopted Resolution No.2 on approval of the financial statements of Bioton S.A. for 2021 and Resolution No. 5 on the distribution of profit for 2021. Net profit for the financial year 2021 was intended to cover losses from previous years.

Profit / (loss) per share

The calculation of basic loss per share was made on the basis of a net loss of PLN 1,193 thousand and the weighted average number of shares as at the date of preparing the financial statements in the number of 85,864 200 items.

Weighted average number of shares in the period from 01 January 2022 till 30 June 2022

Shares series	Number in pcs	Number in pcs cumulatively	Period	Number of days	Weighted average number of shares
A	85 864 200	85 864 200	01.01.2022	181	85 864 200
-			<u>30.06.2022</u>		
Total	85 864 200			181	85 864 200

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

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

In the first half of 2022 the Company did not pay any dividends.

7.19. Liabilities for credits, loans and other debt instruments

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

Non-current liabilities

<i>in PLN thousand</i>	30.06.2022	31.12.2021
Credits	9,362	16,046
Canceled loans from related parties	-	-
Lease liabilities (not applicable to IFRS 16)	-	26
Non-current liabilities in total	9,362	16,072

Current liabilities

	30.06.2022	31.12.2021
Credit and loans liabilities, including:	64,939	77,950
- other credits and loans, including:	, 64,939	77,950
- from related entities	27,597	27,712
- from other entities ¹⁾	37,342	50,239
Long-term credits reclassified to short-term ²⁾	-	-
Lease liabilities (not applicable to IFRS 16)	34	17
Credit card liabilities	16	1
Liabilities from derivatives	740	-
Current liabilities, total	65,729	77,968

¹⁾ change in presentation regarding the factoring line (from 2022 non-recourse factoring - transfer of factoring liabilities to repayment of trade liabilities for an amount of PLN 15,467 thousand as at 31.12.2021)

²⁾ as at the publication date, the financial covenants indicated in the terms of credit agreements concluded by BIOTON SA were satisfied

List of loans and credits

<i>in thousand PLN</i>	Currency	Amount by agreement	Date of payment by agreements	Interest rate terms	Amount in PLN as of 30.06.2022
ING Bank Śląski S.A	PLN	20,000	Apr 25	Variable interest - rate WIBOR 1M plus margin	14,529
ING Bank Śląski SA overdraft in current account	PLN	20,000	May 23	Variable interest - rate WIBOR 1M plus margin	19,546
Bank of China	EUR	12,000	Jan 23	Variable interest - rate EURIBOR 3M plus margin	12,629
UniApek S.A.	USD	7,000	Dec 22	Variable interest - rate 3M LIBOR for USD plus margin	27,597
Total in PLN		40,000			34,075
Total in EUR		12,000			12,629
Total in USD		7,000			27,597
In total					74,301

Hedge of credits resulting from the agreements:

- joint contractual mortgage on perpetual usufruct rights to land real estate with ownership rights of the buildings located on them,
- registered pledge on a set of machines and devices,
- Assignment of insurance policy
- transfer of receivables under the factoring agreement,
- registered pledge on inventories,
- sureties of subsidiaries granted as collateral for the Company's credit at the Bank of China - a total of EUR 18,000,000 (in

connection with the full repayment of the loan on 26.08.2022. BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A. with its registered office in Luxembourg, acting through BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A. (SPÓŁKA AKCYJNA) BRANCH IN POLAND with its registered office in Warsaw after the balance sheet date, the sureties granted have expired).

- declaration on the establishment of an enforcement order until December 31, 2038.

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

A collateral in the form of 5% of the shares of Bioton S.A. owned by UNIAPEK S.A. has been deposited with Bank Of China (Luxembourg) S.A. (Joint Stock Company) Branch in Poland. In connection with the full repayment of the loan on 26.08.2022. BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A., Luxembourg, acting through BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A. (SPÓŁKA AKCYJNA) BRANCH IN POLAND with its registered office in Warsaw after the balance sheet date, the pledged collateral in the form of 5% of Bioton SA shares owned by UNIAPEK S.A. expires. At ING Commercial Finance Polska SA and ING Lease (Polska) Sp. z o. o. the company submitted three blank promissory notes together with promissory note declarations securing the Agreements and one promissory note to the agreement with ING Lease (Polska) Sp. z o.o., which was signed after the balance sheet date, i.e. 12.07.2022.

The Company:

- on 10.05.2022 signed an extension of the Factoring Agreement with ING Commercial Finance Polska S.A. for a further one-year period, until 9.05.2023.

By the date of publication of the financial statements, the Company had signed the following agreements:

- on 17.08.2022, the Company concluded Annex No. 1 to the Multi-product Agreement with ING Bank Śląski S.A. extending the repayment date of the sub-limit of PLN 20m until 09.05.2024;
- on 17.08.2022, the Company concluded Annex No. 1 to the Registered Pledge Agreement with ING Bank Śląski S.A. dated 24.06.2021, amending the provisions of the Basic Terms and Conditions section of the Agreement;
- on 23.08.2022, the Company entered into an Overdraft Agreement with BNP Paribas Bank Polska Spółka Akcyjna for PLN 15 million. The Agreement is valid until 23.08.2024; with the use in the first instance for the full repayment of the exposure to BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A., based in Luxembourg, acting through BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A. (SPÓŁKA AKCYJNA) BRANCH IN POLAND with its registered office in Warsaw
- on 25.08.2022, the Company entered into a Factoring Agreement (without recourse) with BNP Paribas Faktoring Sp. z o.o. with an exposure limit of PLN 10 million. The agreement was concluded for an indefinite period of time.

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

- Bank Of China (Luxembourg) S.A. (Joint Stock Company) Branch in Poland, total indebtedness of EUR 2,700 thousand, including an amount of EUR 900 thousand from a loan with BNP Paribas Bank Polska Spółka Akcyjna.
- ING Bank Śląski S.A, loan instalments in the amount of PLN 851 thousand;

7.20. Liabilities from deliveries and services and other**Long-term liabilities**

<i>In PLN thousand</i>	30.06.2022	31.12.2021
others, including:	10 342	10 342
- liabilities due to the purchase of BIOLEK shares ¹⁾	10 342	10 342
Non-current liabilities in total	10 342	10 382

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

Current liabilities

<i>In PLN thousand</i>	30.06.2022	31.12.2021
a) to related entities - <i>see principle(s)</i>	4,649	5,192
for deliveries and services, of maturity date:	4,649	5,192
- up to 12 months	4,649	5,192
b) to other entities	33,136	33,484
for deliveries and services, of maturity date:	23,362	22,956
- up to 12 months	23,362	22,956
- tax liabilities, including:	3,637	4,971
- social security liabilities	2,008	4,208
-PFRON (The State Fund for Rehabilitation of the Disabled	23	21
- personal income tax payable	859	742
- property tax,	747	-
- customs and tax liability	-	-
- payroll payables	1,912	1,971
- others, including:	4,225	3,586
- liabilities due to the supply of non-financial fixed assets	59	437
- payables arising from non-invoiced deliveries	3,555	3,062
- insurance liabilities	516	87
- others	94	87
c) special funds, including:	190	-
- Employee Benefit Fund	190	-
Current liabilities, total	37,974	38,677

7.21. Lease liabilities

<i>in thousand zlotys</i>	IFRS 16 31.12.2022	IFRS 16 30.06.2021
Lease liabilities (IFRS 16):	14,310	14,865
long-term part	12,345	13,049
short-term part	1,965	1,817
Lease liabilities in total	14,310	14,865

7.22. Employee benefits

<i>in PLN thousand</i>	30.06.2022	31.12.2021
Long-term retirement severance payments provision	1,336	1,336
Short-term retirement severance payments provision	491	491
	1,827	1,827

Provisions for retirement benefits

<i>in PLN thousand</i>	30.06.2022	31.12.2021
Provision for retirement benefits - opening balance, including:	1,827	1,847
a) long-term	1,336	1,336
b) short-term – <i>see note 25</i>	491	491
Decrease - release of the provision recognized in the profit and loss account	-	214
Increase - costs recognized in the income statement	-	-
Decrease - actuarial profits included in equity	-	(165)
Increase - actuarial losses recognized in equity	-	-
Benefits paid out	-	(69)
Provision for retirement benefits - closing balance, including:	1,827	1,827
a) long-term	1,336	1,336
b) short-term – <i>see note 25</i>	491	491

Holiday reserve

<i>In PLN thousand</i>	30.06.2022	31.12.2021
Provision for holidays at the beginning of the period	1,799	1,897
Changes recognized in the profit and loss account, including:	556	-98
- reduction - dissolution of the provision	(1,033)	(1,848)
- increase - creation of a provision	1,589	1,750
Provision for holidays at the end of the period	2,355	1,799

7.23. Deferred income - short-term

<i>in PLN thousand</i>	30.06.2022	31.12.2021
Subsidies from the Ministry of Economy	13,880	14,200
Subsidies from the NFEPWM	2,382	2,437
Subsidies from the National Center for Research and Development	-	578
Received upfront payments for sales of rights (upfront) ¹⁾	17,951	19,042
	34,212	36,257

¹⁾See also note: 7.1

7.24. Prepayments and accruals (liabilities)

<i>in thousand PLN</i>	30.06.2022	31.12.2021
a) accruals of costs	1,872	3,183
- provision for costs, including:	1,422	2,762
* provision for utility costs	37	30
* provision for marketing costs	-	-
* provision for legal/consulting costs	161	167
* audit provision	-	-
* provision for financial fees	90	-
* provision for salary costs with overheads	1,033	1,423
* provision for capital expenditures	17	1,066
* provision for other prime costs	84	77
- provision for other operating expenses	47	239
- provision for rebates granted in the next period	403	171
- provision for legal costs	-	10
b) accruals and deferred income	38,936	40,947
- subsidies from the Ministry of Economy	640	640
- subsidies from the National Fund for Environmental Protection and Water Management	111	111
- subsidies from the National Center for Research and Development	-	1,560
- received payments for the sale of rights (upfront)	2,183	2,183
- other (advances on supplies) ¹⁾	36,002	36,453
	40,808	44,130

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

7.25. Financial instruments – general information in financial instruments**General data on financial instruments as of 30 June 2022**

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Loans granted	Financial liabilities	Financial liabilities	Receivables due to supplies and services and others	Liabilities due to supplies and services and others
b) The scope and character of the instrument	Risk-free or low risk short-term investments	2 long-term loans	3 bank credits	2 loans, of which one is the factoring line	Details see below	Details see below
c) The carrying amount of the instrument (<i>in thousands of zlotys</i>)	7,856	15,683	46,704	27,597	23,029	Liabilities: 37,974 RMB: 1,872
d) Value of the instrument in foreign currency (<i>in thousands</i>)	EUR 1,017 USD 521	EUR 334	EUR 2,698	USD 6,157	EUR 102 USD 3,772	EUR 977 USD 1,435
e) The purpose of acquisition or issue	Placing free means	Financing subsidiaries	Credit for the current activity, refinancing investment	Loans for current activity	Current operations	Current operations
f) Amount (amount) being the basis for calculating future payments	Total deposits	Nominal value / to be repaid	Nominal value / to be repaid	Nominal value / to be repaid	Face value	Face value
g) Sum and dates of deferred income or cash payments	Time dependent interest	Interest depending on the repayment date	interest payable monthly	interest payable monthly and quarterly	By nominal value	By nominal value
h) Date for establishing prices, maturity, expiry or performance of the instrument	Liquid type instruments overnight and up to 3M	According to agreements	Capital repayment on the dates resulting from agreements	Capital repayment on dates resulting from agreements	According to the agreements	According to the agreements
i) Earlier possible settlements	Any	Exists	Exists	Exists	Exists	Exists

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

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

General data on financial instruments as of 31 December 2021

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Loans granted	Financial liabilities	Financial liabilities	Receivables due to supplies and services and others	Liabilities due to supplies and services and others
b) The scope and character of the instrument	Risk-free or low risk short-term investments	2 long-term loans	3 bank credits and a factoring line	1 loans	Details see below	Details see below
c) The carrying amount of the instrument (<i>in thousands of zlotys</i>)	8,774	15,227	66,284	27,712	39,245	Liabilities: 38,677 RMB: 3,183 Leasing liabilities: 14,866
d) Value of the instrument in foreign currency (<i>in thousands</i>)	EUR 864 USD 5	EUR 321	EUR 4,372	USD 6,826	EUR 590 USD 2,086	EUR 315 USD 1,221
e) The purpose of acquisition or issue	Placing free means	Financing subsidiaries	Credit for the current activity, refinancing investment	Loans for current activity	Current operations	Current operations
f) Amount (amount) being the basis for calculating future payments	Total deposits	Nominal value / to be repaid	Nominal value / to be repaid	Nominal value / to be repaid	Face value	Face value

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

	Bank deposits and funds in the bank on bank accounts	Loans granted	Bank credits	Loans received	Receivables	Liabilities
p) The type of risk associated with instrument	Foreign exchange rates interest, credit of the financial institution	Foreign exchange rates, credit cards of borrowers	Interest rate and liquidity	Foreign interest rate and liquidity	Foreign interests rate and credit of the recipient	Foreign currency
q) Sum of existing liabilities for the positions taken in instruments	none	none	none	none	none	none
r) Fair instrument value	Equal to balance sheet value	PLN 9,575 thousand	Equal to balance sheet value ING Bank Śląski S.A – PLN 16,145 thousand	Equal to balance sheet value	Equal to balance sheet value	Equal to balance sheet value
s) Method of determining value fair	Discounted cash flows	Discounted cash flows	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) category of financial instruments from 01/01/2018 according to IFRS 9	Financial assets valued according to amortized cost	Financial assets valued according to amortized cost	Financial liabilities valued at amortized cost	Financial liabilities valued in amortized cost	Financial assets valued according to amortized cost	Financial liabilities valued in amortized cost

7.26. Contingent liabilities

The contingent liabilities that were binding on the Company as of 31 December 2021 are also effective as at the balance sheet date.

7.27. Information on transactions with related entities**Subject of the transaction - turnover in the period (in thousands of PLN)**

Name of the business entity	Object of transaction	Net value	
		01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
BIOLEK Sp. z o. o.	Sales, including:	124	124
	Our services	124	124
	Purchase, including:	917	809
	commodities	718	809
	Services	199	-
BIOTON MARKETING AGENCY Sp. z o. o.	Sales, including:	4,272	2,733
	services	631	631
	commodities	3,641	2,102
	Purchase, including:	10,472	9,635
	services	10,472	9,635
Yifan Pharmaceutical Co. Ltd.	Sales, including:	-	4 944
	services	-	4 944
SciGen Ltd (Singapore)	Sales, including:	42,590	23,738
	commodities	40,486	21,164
	services	2,104	2,574

Outstanding balances

Name of the business entity	Balance due to:	value in thousands of PLN	
		30.06.2022	31.12.2021
BIOTON International GmbH	Receivables for:	1,638	1,605
	-supplies, works and services	71	64
	-loans	1,567	1,541
BIOLEK Sp. z o. o.	Receivables for:	16,926	16,637
	-supplies, works and services	456	304
	-loans	16,063	15,649
	-revaluation write-downs for loan	-1,947	-1,947
	Liabilities for:	407	684
	-supplies, works and services	407	684
BIOTON MARKETING AGENCY Sp. z o. o.	Receivables for:	986	129
	-supplies, works and services	986	129
	Liabilities for:	4,242	4,508
	-supplies, works and services	4,242	4,508

Name of the business entity	Balance due to:	value in thousands of PLN	
		30.06.2022	31.12.2021
Yifan Pharmaceutical Co. Ltd.	Receivables for:	11,693	7,481
	-supplies, works and services	11,693	7,481
SciGen Pte. Ltd.	Receivables for:	1,861	440
	-supplies, works and services	1,861	440
UniApek SA	Liabilities for:	27,597	27,712
	-loans	27,597	27,712

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

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

"Macierzysz Resort Property" real estate

In matters relating to real estate to which the Company has the right of perpetual usufruct and which belonged to the former "Macierzysz Resort Property", hereinafter referred to as "Real Estate", no administrative proceedings are pending regarding the assessment of whether the above real properties were subject to the provisions of the decree of the Polish Committee of National Liberation of 6.09.1944 on the implementation of land reform (Journal of Laws of 1945, No. 3, item 13, as amended). All proceedings ended with valid and final rulings issued by administrative courts, which confirmed the arguments of the heirs of the former owners that the Real Properties were not subject to the provisions of the above Decree. The last of the court and administrative cases conducted in the above scope, on the basis of the complaint submitted by IBA with the participation of BIOTON S.A., completed legally and finally on 16.01.2018. Currently one administrative proceeding is pending before the Mazovian Voivodship, initiated at the request of the heirs of the former owners of the Real Estate of 14.04.2009, regarding the annulment of the decision of the Head of the Commune Ożarów Mazowiecki of 15.04.1988 on taking over for the State Treasury a part of Real Estate in the form of two plots with total area of 78,87 ha, issued on the basis of the act of 12 March 1958 on the sale of state agricultural real estate and the arrangement of some issues connected with the implementation of the farm reform and agricultural settlement („Act of 1958”), and the decision of the Head of the Ożarów Mazowiecki Commune of 19.03.1990 on transferring to the management of the Institute of Biotechnology and Antibiotics („IBA”) plots with total area of 77,83 ha. In the opinion of the Company, in the light of the previous jurisprudence and in particular in the light of the Constitutional Tribunal’s ruling of 20.02.1991, the probability of the Company suffering damage as a result of recognising possible claims of the heirs of the former owners of “Macierzysz Resort Property” by the proper bodies seems to be small. In the Company's opinion, the previous decisions in cases regarding whether the real estate from "Macierzysz Resort Property" were subject to the provisions of the PKWN Decree, although inconsistent with the Company's legal position, are not essential for its legal situation, as the right to the property is derived from the contract for transfer of the perpetual usufruct right concluded with IBA. Possible consequences in the situation of the Company may be caused however by the decision on stating invalidity of the decision issued on the basis of the Act of 1958 by the Head of the Commune Ożarów Mazowiecki of 15.04.1988 on takeover for the State Treasury two plots with total area of 78,87 ha and the decision of the Head of the Commune Ożarów Mazowiecki of 19.03.1990 on transferring for the management of IBA plots with total area of 77,83 ha. In the event of the decision of the Governor of Masovia regarding the annulment of the decision of the Head of the Commune Ożarów Mazowiecki of 15.04.1988 and 19.03.1990 consistent with the position of heirs, the Company will be entitled to a further appeal, including a complaint to the Provincial Administrative Court and a cessation complaint. Completion of the administration proceedings itself, even inconsistent with the position of the Company will not have an influence on the property relations of the Company, whose possible change may take place only after the final judgment on the claims of heirs by civil courts. In such a situation, the Company, in relation to plot No. 4/43, will be entitled to the claim against IBA, which in the agreement of 06.11.1997 stated that any claims of the third persons

will be charged to the IBA. On May 10, 2021, the Mazowiecki Voivode issued a decision refusing to declare invalidity of the decisions of the Head of the Ożarów Mazowiecki Commune of April 15, 1988 and March 19, 1990. The opposing party appealed against the above decision. The case was referred to the Ministry of Agriculture and Rural Development of the Republic of Poland as the authority of second instance.

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

The Company was a party to an arbitration proceeding for the payment of USD 1,500,000 with interest to China International Economic and Trade Arbitration Commission ("CIETAC") by Hefei Life Science & Technology Park Investments & Development Co Ltd. ("HLST") against the Company and SciGen Ltd. resulting from the prolonging negotiation of repayment of the net amount of mutual settlements between the parties. HLST also requested that the Company and SciGen Ltd. pay an unpaid part of the royalties in the amount of USD 194,286, which was paid by 30.06.2016. The source of the dispute is an agreement concluded on October 21, 2011 (with later annexes) between the Company, SciGen Ltd., HLST and Mr. Gao Xiaoming. Mutual settlements of the parties under the agreement are recognized in the financial statements of the Company, starting from financial statements for 2011. The company contested the basis for HLST's claim for the disputed amount. On September 1, 2017, the Company received information about the arbitration award issued by CIETAC. Arbitration Court awarded HLST the amount of USD 1,500,000 with interest and payment of USD 146.80 in royalties for the third quarter of 2015 year and USD 184,549.82 of interest on overdue payments from Q1 2013 within 15 days, the date of entry into force of this judgment. Moreover, the Court obliged the Company to pay the claim fee and part of the arbitration fee. The company considered the legal possibilities of justifying the appeal against the arbitration award and the grounds for obtaining enforceability of an arbitration award by HLST also in Poland. The company created a provision for the above liabilities in previous years.

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

On 6 August, 2018 (published Current Report No. 23/2018), the Company received a copy of the statement of claim filed by AIS Investment 2 sp. z o.o. in Warsaw ("Plaintiff") against the Issuer for revocation of Resolution No. 2 from the District Court of the 16th Commercial Division in Warsaw regarding the consent to the sale transaction of SciGen Ltd with its registered office in Singapore and the determination of basic conditions for the transaction taken on 11 June, 2018 by the Issuer's Ordinary General Meeting (see current report No. 12/2018 dated 11 June 2018). The issuer did not agree with the allegations sought and dismissed it. Several hearings were held, at which witnesses and parties were interrogated. On 17 February 2020 the District Court in Warsaw, 16th Commercial Division dismissed the claim of AIS Investment 2 Sp. z o.o. against the Company to repeal the Resolution number 2 on expressing the consent for the transaction to sell SciGen Ltd with its registered office in Singapore and defining basic conditions for transactions, made on 11 June 2018 by the Ordinary Meeting of Shareholders of the Company. On 17 August 2020, the Company's Management Board received information about the receipt of an appeal from AIS Investment 2 Sp. z o.o. The company filed a response to the appeal on August 28, 2020. The company is awaiting the announcement of the judgment on March 31, 2021. On March 31, 2021, the Appeal Court in Warsaw dismissed the appeal submitted by AIS Investment 2 Sp. z o.o. The judgment of the Court of Appeal in Warsaw is final, however on 07.09.2021, AIS Investment 2 filed a cassation complaint which was received by Bioton on 09.09.2021, and on 23.09.2021, the Company submitted a response to the cassation complaint. The court refused to accept the cassation appeal for examination. This order is not subject to appeal.

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

On 29 October 2018 (published Current Report No. 30/2018) the Company received from the District Court 13th Commercial Division in Warsaw a copy of the application submitted by AIS Investment 2 sp. z o.o. in Warsaw and Basolma Holding Limited

(„Applicants”) for designation, pursuant to art. 85 it. 1 of the Act on Public offer, the auditor for special issues. The content of the application is consistent with the draft resolution no. 2 being the subject of the Extraordinary meeting of the General Meeting on September 26, 2018, which was not adopted by the EGM (see current report No. 28/2018). Bearing in mind the position of the EGM, the Issuer requested refusal to appoint an auditor for special matters. On October 24, 2019, Bioton S.A. obtained invalid decision of the Court Referendary of the District Court for the Capital City Warsaw in Warsaw about the designation of Grant Thornton Polska sp. z o. o. spółka komandytowa with its registered office in Poznań as special auditor of Bioton S.A. Bioton S.A. filed a complaint. On 18.11.2019, the Company received a decision rejecting the complaint against the referendary's decision regarding the appointment of auditor for special matters. On 25.11.2019, Bioton SA appealed against the decision rejecting the complaint against the court referendary's decision to appoint special auditor. On February 18, 2020 dismissed the complaint of S.A. against the decision rejecting the complaint against the court referendary's decision to appoint special auditor (The decision is final and valid). The company concluded with Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań on 25.08. 2020 the agreement for the performance of the activities of the auditor for special issues, the works started on 27 August 2020. On November 3 2020, the company received a report of a statutory auditor for special matters . The report is positive for the Company and raises no objections or doubts. The Company requested a refund of the amount of PLN 369,408.36 paid as remuneration for the work of the statutory auditor for special matters. On 18.05.2022, the Court decided to forfeit the security in the amount of PLN 300,332 in favour of Bioton S.A. and discontinued the proceedings for the remainder. The Applicant filed a complaint, to which Bioton submitted a reply on 25.07.2022. The Court dismissed the Applicant's complaint against the decision to return the security amount which means that the decision is legally valid.

7.29. Inspection of the Customs and Tax Office in Kielce

On December 10, 2018, the company received the authorization to carry out a customs and tax inspection issued by the Head of the Świętokrzyski Customs and Tax Office in Kielce in the field of corporate income tax for 2016. On 14 June 2022, the Company received the result of the customs and tax inspection and submitted a response to it. Subsequently, on 5 July 2022, the Head of the Office issued an order to convert the customs and tax inspection into tax proceedings, which are pending. The Company requested an opinion from a panel of recognised experts in the field of tax law to assist the Company with regard to the outcome of the inspection. The Company received two positive and independent expert opinions. In addition, the Company submitted corrections to its CIT returns for 2017-2020 related to the activation of R&D development tax costs and R&D tax relief for 2018 during the first half of 2022.

In the opinion of the Company, taking into account all the circumstances of the case, there are no basis for identifying tax risks that may have a significant impact on the Company's or the Group's tax liabilities.

7.30. Economic and political situation in Ukraine

The Company is continuously monitoring the geopolitical developments related to the warfare on the territory of Ukraine; below, the Company provides updated information on the current impact of the conflict on the activities of Bioton S.A. and indirectly on the BIOTON Group ("Group").

The Company and the Group do not sell products and goods directly on the territory of Belarus, Russia, or Ukraine. On the other hand, the Group sells insulin (finished forms) and injectors through distributors operating on the Belarusian and Ukrainian markets. According to sales data, in H1 2022, sales were made only to the Ukrainian market in the amount of PLN 714 thousand (0.70% of the Company's standalone revenue and 0.73% of the Group's consolidated revenue for H1 2022) which, in the opinion of the Group's Management Board, does not represent a significant share of revenue. At the same time, the Group is fulfilling all orders received from the distributor in the Ukrainian market and has also donated some products. The Group's long-term intention is to continue to operate in the Ukrainian market mainly due to the nature of the business and the supply of life-saving medicines while assuming that the risks (including financial risks) associated with this will be mitigated.

At the date of publication of this report, the Management Board identified the following conflict-related risks to the Group's business:

- a decrease in sales (or lack thereof) to distributors from Ukraine due to the ongoing war in that country and its consequences for the economy and the healthcare sector in that country;
- a decrease in sales (or lack thereof) on the Russian and Belarusian markets, inter alia, due to economic sanctions and their impact on the condition of the Russian and Belarusian economies, including the depreciation of local currencies translating into an increase in purchase prices of products settled in USD, administrative restrictions in financial settlements between Russian and Belarusian entities and foreign entities;
- difficulties in the logistics of products and the expected increase in transport costs to the above-mentioned markets;
- restriction or suspension of payment of commercial obligations by distributors in Ukraine, Russia, and Belarus;
- a significant increase in the prices of gas and electricity used to produce the substance and finished form of insulin supplied by entities on the Polish and European markets;
- a significant increase in inflation affecting the growth of prices of raw materials, expectations of growth of remunerations and costs of distribution of products to countries all over the world.
- possible disruptions related to logistics channels, as well as extended delivery periods of raw materials and materials required for production of the substance and finished form of insulin;
- significant fluctuation of USD/PLN and EUR/PLN exchange rates affecting the costs of purchase of raw materials and materials required for production of the substance and finished form of insulin.

The Management Board is constantly monitoring the situation in relation to the risks identified above and takes decisions on an ongoing basis to ensure the continuation of the Company's and the Group's operations.

7.31. Performance of the contract with Pharmasyntez-Nord JSC

In the Russian market, the Company has an agreement with Pharmasyntez-Nord JSC (see current report 36/2016), under which it is obliged to transfer the technology of the finished form of insulin and is obliged to supply the active substance for its production. As of the date of publication of this report, this technology has not been implemented at the Pharmasyntez plant in Russia. It should be noted that the law applicable to the Agreement is Swiss law and disputes should be resolved by Swiss arbitration. The Company commissioned a Swiss law firm to make a legal assessment of the Agreement and to present the most favourable legal solutions. As a result of the analysis of this opinion, the refusal to perform the obligation to supply the API substance could constitute a material breach within the meaning of the Agreement and could be the basis for Pharmasyntez to claim liquidated damages of USD 3 million, plus further damages (including lost profits, if any). In addition, after a notice of breach and the expiry of 90 days, Pharmasyntez could arguably terminate the Agreement for material breach. In summary, Bioton would face significant risk in the event of an unreasonable refusal to perform the Agreement including the supply of API substances. In view of the above, Bioton will sell 90,190 grams of Pharmasyntez API under the Agreement in the second half of 2022 and, as of the date of this report, half of the aforementioned volume has been delivered. The Company has received prepayment in full prior to shipment. In addition, according to the opinion received from a reputable Polish legal firm, the international sanctions imposed by many countries on Russia do not apply to drugs and technology transfer for insulin production.

As at the date of publication of this report, the Management Board of the Company, due to the dynamics of changes in external conditions and the implementation of the development strategy in other markets, amongst other reasons, does not anticipate a possible revaluation of assets related to operations in Russia. In the event that there are indications for an update of the value of assets related to operations in Russia, the Management Board will monitor the situation on an ongoing basis.

The above judgment was prepared according to the best knowledge of the Management Board of the Company as at the date of publication of this report.

7.32. Events after the balance sheet date

The Company declares that after the balance sheet date and up to the date of publication of these interim individual financial statements, apart from the above-mentioned events, no events have occurred that would have a material impact on the interim abridged individual financial statements for the first half of 2022.

Signatures of all Management Board Members

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

Date and signature of the person entrusted with bookkeeping

Name and surname	Position	Signature
Renata Prokopczyk	Chief Accountant	

Warsaw, 30 August 2022