

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022  
AND FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022  
PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION**

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**1. INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BIOTON S.A. CAPITAL GROUP**

**1.1 Information about the dominant entity**

BIOTON Spółka Akcyjna (Company) with registered seat in Warsaw, ul. Starościńska 5, 02 -516 Warsaw, is registered under the number 0000214072 at the District Court for the Capital City of of Warsaw in Warsaw, 13th Commercial Division of the National Court Register

There have been no changes in the entity name since the end of the previous reporting period.

The basic object of activity of BIOTON S.A. is manufacturing of medicines and pharmaceutical preparations and production of pharmaceutical substances. The place of business is Macierzysz, ul. Poznańska 12, 05-850 Ożarów Mazowiecki

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

The consolidated financial statements have been prepared as of December 31, 2022 together with comparative data as at December 31, 2021. The consolidated financial statements cover the financial period from 1 January 2022 to 31 December 2022. The comparative accounting period includes financial data for the period from 1 January 2021 to 31 December 2021.

The consolidated financial statements were prepared and approved for publication by BIOTON's Management Board on 31 March 2023.

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

Composition of the Management Board of BIOTON S.A.:

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

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

- Mr Jia Li (Chairman of the Supervisory Board);
- Mr Ramesh Rejenthiran (Vice-Chairman of the Supervisory Board);
- Mr. Dariusz Trzeciak (Vice-Chairman 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);

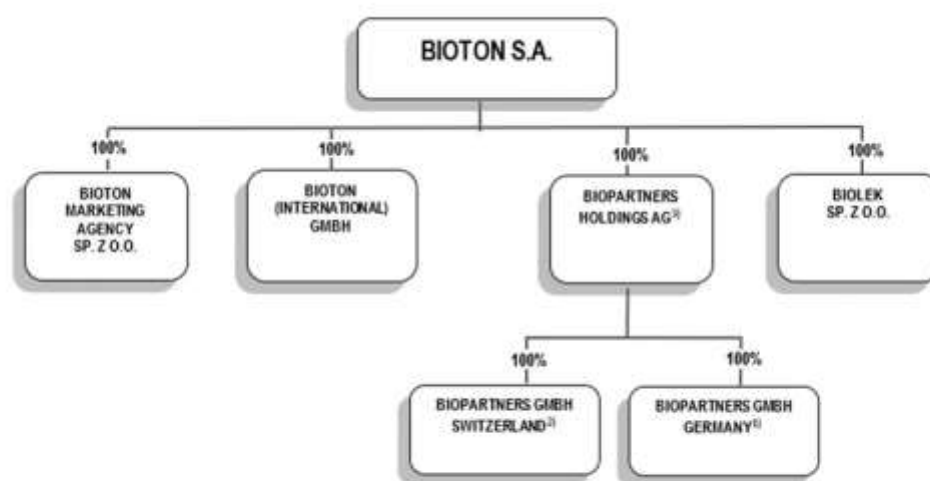
- Mr Vaidyanathan Viswanath (Member of the Supervisory Board);
- Mr Tomasz Siembida (Member of the Supervisory Board).

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 Ms Yuhong Grng from the position of the Member of the Supervisory Board; the reason for the resignation was the need to focus on additional professional duties with his current employer;
- on June 30, 2022, the Ordinary General Meeting appointed Ms Valery Yeo to the Supervisory Board; on June 30, 2022, the Ordinary General Meeting appointed Mr Jia Li to the Supervisory Board;
- on June 30, 2022, the term of office of Mr Khee Wee Hau expired, he was not appointed for a new term.

#### 1.4 Information on the Capital Group

The ownership structure of the BIOTON S.A. Group as of 31 December 2022 was as follows:



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

\*\* On 12 March 2019, Biopartners GmbH Switzerland filed for bankruptcy.

\*\*\* On 13 March 2019, Biopartners Holdings AG filed for bankruptcy. Bankruptcy proceedings regarding Biopartners Holdings AG were closed on 08/05/2019.

#### (a) *Subsidiaries directly dependent from BIOTON S.A.*

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

BIOTON SA holds 100% shares in the share capital of BIOTON MARKETING AGENCY Sp. z o.o., which entitle to 100% votes at the shareholders' meeting of this company. On April 11, 2012, the company changed its name from BIOTON Trade Sp. z o. o. to BIOTON MARKETING AGENCY Sp. z o. o. BIOTON SA obtained control over BIOTON MARKETING AGENCY Sp. z o.o. on July 1, 1998.

General information about BIOTON MARKETING AGENCY Sp. z o.o.:

Company and legal form:	BIOTON MARKETING AGENCY Spółka z ograniczoną odpowiedzialnością (previously BIOTON Trade Sp. z o. o.)
Seat and address:	ul. Poznańska 12, Macierzysz, 05-850 Ożarów Mazowiecki
Scope of business activity:	Advertisement activity

### **Biopartners Holdings AG**

BIOTON S.A. was the owner of 100% shares in the share capital of Biopartners Holdings AG which give 100% of votes at the general meeting of this company.

BIOTON SA took control of Biopartners Holdings AG on March 9, 2007. On March 13 2019 the company Biopartners Holdings AG has filed for bankruptcy. Bankruptcy proceedings was completed on May 8, 2019.

### **Mindar Holdings Ltd**

BIOTON SA was the owner of 100% of shares in the share capital of Mindar Holdings Ltd, which entitled to 100% votes at general meeting of this company. The acquisition of Mindar shares and the acquisition of control took place on March 30, 2006. On March 11, 2022, the liquidation procedure of Mindar Holdings Ltd was commenced and was completed on November 29, 2022.

### **BIOLEK Sp. z o.o.**

BIOTON S.A. holds 100% shares in the share capital of BIOLEK Sp. z o.o., which entitle to 100% votes at the shareholders' meeting of this company.

BIOTON SA gained control over the company BIOLEK Sp. z o.o. on October 19, 2011.

General information about BIOLEK Sp. z o.o:

Company and legal form:	BIOLEK Spółka z ograniczoną odpowiedzialnością
Seat and address:	ul. Poznańska 12, Macierzysz, 05-850 Ożarów Mazowiecki
Scope of business activity:	Production of basic pharmaceutical substances and medications and other pharmaceutical products.

### **BIOTON International GmbH**

BIOTON S.A. holds 100% shares in the share capital of BIOTON International GmbH, which entitles to 100% votes at the shareholders' meeting of this company.

General information about BIOTON International GmbH:

Company and legal form:	BIOTON International GmbH
Seat and address:	Lindenstrasse 10, 6340, Baar, Switzerland
Scope of business activity:	Possession of rights for registration, distribution and sale and selected rights for perpetual property.

### **(b) Indirect subsidiaries by Biopartners Holdings AG**

The bankruptcy proceedings of Biopartners Holdings AG ended on May 8, 2019.

BioPartners GmbH based in Baar (Switzerland) and BioPartners GmbH based in Reutlingen (Germany) were entered in the commercial register as "in liquidation". The process of removing companies from the commercial register is under approval by the relevant authorities.

#### **Biopartners GmbH (Switzerland)**

Biopartners Holdings AG is the owner of 100% shares in the share capital of Biopartners GmbH (Switzerland), which gives right to 100% of votes at the general meeting of this company. BIOTON Group gained control over Biopartners GmbH (Switzerland) as a result of obtaining control over Biopartners Holdings AG on March 9, 2007.

General information Biopartners GmbH (Switzerland):

Company and legal form:	Biopartners GmbH (Szwajcaria)
Seat and address:	Lindenstrasse 10, 6340, Baar, Switzerland
Scope of activity:	Development, production and sale of medicinal products.

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

Biopartners Holdings AG is the owner of 100% shares in the share capital of Biopartners GmbH (Switzerland), which entitle to 100% of votes at the general meeting of this company. The BIOTON Group gained control over Biopartners GmbH (Germany) as a result of obtaining control over Biopartners Holdings AG on March 9, 2007. On November 8, 2018, the management board of GmbH (Germany) adopted a resolution to liquidate the company. Until the date of publication of this report, the liquidation of Biopartners GmbH (Germany) has not been completed.

General information Biopartners GmbH (Germany):

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

## **1.5 Description of significant accounting policies applied**

### **Statement of conformity**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union as of December 31, 2022, and to the extent not covered by the above standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2023, item 120 as amended) and executive regulations issued on its basis.

As of January 1, 2005, the amendment to the Accounting Act (article 45 it. 1a-1c of the Accounting Act) imposed on the Group the obligation to prepare consolidated financial statements in accordance with IFRS, which were approved by the European Union. As of the date of publication of these consolidated financial statements, taking into account the process of adapting IFRS by the European Union, there are no differences in accounting principles adopted by the Group in accordance with IFRS and IFRS, which have been approved by the European Union.

The Group did not use the possibility of early application of new standards and interpretations that have already been published and approved by the European Union or are expected to be approved in the near future and which will take effect after the balance sheet date.

### **The effect of applying new accounting standards and changes in accounting policies**

The accounting policies applied in the preparation of these separate financial statements for the financial year ending December 31, 2022 are consistent with those applied in the preparation of 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.

### **Changes resulting from amendments to IFRS**

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.

- 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 clarify 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 implementation of the standards did not have a material impact on the effects on the financial statements.

### **Changes made by the Company itself**

The Group did not adjust the presentation of the comparatives as of December 31, 2021 and for the financial year ending December 31, 2022 on new accounting standards or policies.

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

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

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

#### **(a) Approved by the IASB for use from January 1, 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 relevance 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
- Amendment to IFRS 17 Insurance Contracts: First-time adoption of IFRS 17 and IFRS 9 - comparative information

#### **(b) Amendments rejected or deferred by the EU (approved by the IASB for application from January 1, 2016).**

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

The Company's Management Board is in the process of identifying these changes but does not anticipate significant impact on the financial statements.

### **Basis for the development of the consolidated financial statement**

The consolidated financial statement is presented in the Polish zloty (PLN), which is the functional currency of the parent company BIOTON SA and subsidiaries BIOTON MARKETING AGENCY Sp. z o. o. and BIOLEK Sp. z o. o. The US dollar (USD) is the functional currency of the subsidiary Biopartners Holdings AG. The functional currency of Biopartners GmbH (Switzerland), Biopartners GmbH (Germany) and BIOTON International GmbH subsidiaries is euro (EUR).

Consolidated annual financial statements of the BIOTON S.A. Group prepared as of 31 December 2022 and for the period from 1st January 2022 to 31 December 2022 includes the financial statements of the following subsidiaries:

- individual financial statements of BIOTON S.A. for the period from January 1, 2022 to December 31, 2022 (parent unit);
- individual annual financial statements of BIOTON MARKETING AGENCY Sp. z o.o., in which BIOTON S.A. holds 100% of the share capital and number of votes at the GM, for the accounting period from January 1, 2022 to December 31, 2022;
- individual financial statements of BIOLEK Sp. z o o, in which BIOTON S.A. holds 100% of the share capital and the number of votes at the GM, for the accounting period from January 1, 2022 to December 31, 2022;
- individual financial statements of BIOTON International GmbH in which BIOTON S.A. owns 100% of the share capital.

Due to the fact that in BIOTON Group there are companies whose net assets of the companies are not material from the point of view of the consolidated financial statements of the Group, and the activities of these companies are limited to holding shares in subsidiaries and affiliates of a lower rank, these companies are not covered by consolidation. The

consolidated financial statements include the above-mentioned lower-level subsidiaries and associates. The company not included in the consolidation is Mindar Holdings Ltd;

The abridged interim separate financial statement was drawn up based on the principle of historical cost, except for financial instruments valued at fair value through the result. The Group makes estimates for impairment testing purposes. Detailed rules for asset impairment losses are described in rule "f" and "t".

Drawing the consolidated financial statement up in accordance with IFRS EU requires that the Managing 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 the current and future periods.

The areas in which significant estimates and judgments are made include:

- estimating the amounts of assets and liabilities from deferred tax - the Group shows the amounts of deferred tax assets and liabilities based on the calculation of temporary differences between the book and balance sheet values of assets and liabilities. Their calculation includes adopted estimates regarding the possibility of implementing positive temporary differences as well as deadlines for settling tax losses. In addition, in connection with the adjustment made to capitalized expenditure, an asset was created on account of deferred tax, the use of which is included in the assumptions in Note 39. The Group predicts that the adopted development model and business strategy as well as the signed global distribution agreement and the agreement related to the implementation of analogues, and thus the results achieved in the following years will allow for the settlement of the deferred tax asset;
- allowances for stocks - the Group has stocks of materials and products. A significant part of them is subject to strict regulation - the estimation of the amount of allowances bringing their value to the recoverable net value (if lower than the purchase price) requires a judgment regarding the possible selling prices of the final product;
- allowances for receivables - as described in the accounting policy - a write-off for bad debts is made using the expected loss method. This method requires estimating the probabilities of debtors' insolvency, and in the case of the simplified model applied to receivables for deliveries of goods and services, assumes that trends from the past will be repeated in the future;
- allowances R & D - as described in the accounting policy - the allowance for research and development costs is made at the end of each reporting period. The Group assesses whether there are any premises indicating that the assets will be impaired due to development works in implementation. If it is found that such prerequisites exist, an appropriate test is carried out. If the carrying amount of the tested assets exceeds their recoverable amount, then an appropriate write-down is created. When assessing the existence of indications that intangible assets may be impaired, the Group analyzes at least prerequisites from external and internal sources;
- the amount of provisions - the Group estimates the amount of provisions for liabilities according to the best knowledge and experience of the management. The amounts actually paid in the future may differ from the amounts shown in the financial statements;
- recognition of revenues - allocation of the transaction price - the Group concludes contracts under which a number of elements are subject to delivery. In the case of such contracts, in accordance with IFRS 15, the Group analyzes and allocates the transaction price from the contract between identified obligations to perform the service. This allocation is based on a set of guidelines defined by the standard as well as on the estimates and judgment of the management board regarding these transactions.

Estimates and assumptions adopted for the impairment test of assets, including intangible assets, fixed assets, shares in subsidiaries described in the note 38.

The Management Board of the parent entity and the Members of the Supervisory Board are responsible for the preparation and reliable presentation of the consolidated annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union and other applicable regulations. In the opinion of the Managing Board and the Supervisory Board it is justified to draw up consolidated annual financial statement based on the principle of continuance of operation in the predictable future. At the end of the reporting year,

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

As 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.

In reference to the situation related to the development of the COVID-19 epidemic, the development of the geopolitical situation related to the war activities in Ukraine which may affect the realisation of the Company's and the Group's individual and consolidated financial results, repayment schedules for liabilities to financial institutions and the repayment date of the loan to UniApek, the Management Board of the Company anticipates that as a result of talks with financial institutions over increasing the current credit limits or granting new debt financing, the Company's financing structure will be changed in 2023 by shifting a part of short-term financing to medium and long-term. The aforementioned events may affect the realisation of the individual and consolidated financial results of the Company and the Group, also in the aspect of the increase in the annual inflation rate, high interest rates, fluctuations in the exchange rates of the USD and EUR against the PLN, the increase in the prices of electricity and natural gas, as well as other raw materials used for the production of insulin.

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

When preparing consolidated financial statements, the Group applied the same accounting principles as described in the consolidated financial statements as at 31 December 2021.

## **Consolidation principles**

### **(i) Business combinations**

Acquisitions of entities and separate parts of operations are accounted for using the purchase method. Each time a payment transferred as a result of a merger of entities is measured at the aggregate fair value (as at the date of payment) of transferred assets, incurred or assumed liabilities and equity instruments issued by the Group in return for taking control over the acquired entity. Costs directly related to the business combinations are recognized in the financial result when incurred.

In certain cases, the payment transferred also includes assets or liabilities resulting from conditional payment measured as at the acquisition date at fair value. Changes in the fair value of conditional payment in subsequent periods are recognized as changes in the cost of the combination only if they can be classified as changes in the measurement period. All other changes are accounted for in accordance with relevant IFRS regulations. Changes in fair value of conditional payment classified as a capital element are not recognized.

Identifiable assets, liabilities and conditional liabilities of the acquired entity that meet the terms of recognition in accordance with IFRS 3 "Business combinations" are recognized at fair value as at the acquisition date, taking into account the exceptions included in IFRS 3.

In the case of acquisition of control following several successive transactions, the shares held by the Group as at the date of taking control are measured at fair value with the reference to the effects in the income statement. The amounts accruing from shares in this entity previously referred to other components of total income are transferred to the income statement.

Goodwill resulting from the acquisition is recognized in assets and initially shows after costs, as the value of acquisition costs exceeding the share of the Group in the net fair value of identifiable assets, liabilities and contingent liabilities. If, after revaluation, the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of a business combination, the surplus is immediately recognized in profit or loss.

## (ii) Investments in subsidiaries

Subsidiaries are units controlled by the parent (which also includes special purpose entities). It is considered that control occurs when the parent company has the possibility to influence the financial and operating policy of the subordinate entity in order to obtain benefits from its operations.

Financial results of subsidiaries acquired or sold during the year are recognized in the consolidated financial statements from / until they are effectively acquired or sold.

In appropriate cases, in the financial statements of subsidiaries, adjustments are made to harmonize the accounting principles applied by a given entity with the principles applied by other Group entities.

All transactions, balances, revenues and costs between related entities covered by consolidation are subject to full consolidation elimination.

Non-controlling shares are presented separately from the Group's equity. Non-controlling shares may be initially measured either at fair value or in proportion to the share in the fair value of the net assets acquired. The choice of one of the above methods is available for each business combination. In subsequent periods, the value of non-controlling shares includes the value recognized initially adjusted for changes in the value of the entity's capital in proportion to the shares held. The total income is allocated to non-controlling shares, even when it causes the negative value of these shares.

Changes in the share in the subsidiary that do not result in the loss of control are recognized as equity transactions. The book values of the Group's share and non-controlling interests are modified accordingly to reflect changes in the share structure. The difference between the value by which the value of minority shares is modified and the fair value of the payment received or transferred is recognized directly in the Group's equity.

In the event of loss of control over a subsidiary, profit or loss on disposal is determined as the difference between: (i) total fair value of the payment received and the fair value of the entity's shares remaining in the Group and (ii) book value of assets (including goodwill), liabilities and non-controlling interests. Amounts recognized in relation to the sold entity, in other components of total income, are reclassified to the income statement. The fair value of shares in the entity remaining in the Group after disposal is recognized as the initial fair value for the purpose of their subsequent recognition in accordance with IAS 39, or the initial cost of shares in affiliates or joint ventures.

## (iii) Investments in affiliates

An affiliate is an entity over which the parent company exercises significant influence, which is not a subsidiary or a share in a joint venture of the parent company. Significant influence means the ability to participate in determining financial and operational policy of the affiliate, without independent or common control over it.

The financial results, assets and liabilities of affiliates are recognized in the financial statements using the equity method, except when the investment is classified as held for sale, when it is recognized in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Pursuant to the equity method, an investment in an associated undertaking is disclosed in consolidated statement of financial position at historical cost, with appropriate adjustment for changes in the associate's net assets less after any acquisition date minus any impairment of individual investments. Losses of associated entities exceeding the value of the Group's share in these entities (including all long-term shares, which in principle form part of the Group's net investment in the associate) are recognized only if the Group has made binding legal or regular commitments or made payments on behalf of the affiliate.

The surplus of the purchase price over the fair value of identifiable net assets of the affiliate as at the acquisition date is recognized as goodwill. Goodwill is included in the carrying value of the investment, and its impairment is measured at the total value of the investment. If, after revaluation, the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of a business combination, the surplus is immediately recognized in profit or loss.

Profits and losses resulting from transactions between the Group and the affiliate are subject to consolidation eliminations to the value of the Group's share in the relevant affiliate.

### Goodwill

Goodwill arising on the acquisition results from the occurrence of the surplus of the sum of the transferred payment, the value of non-controlling interests and the fair value of previously held shares in the acquired entity over the Group's share in the net fair value of identifiable assets, liabilities and conditional liabilities recognized as of the acquisition date.

In the event of a negative value, the Group reviews again the fair value of particular components of the net assets acquired. If as a result of the review the value is still negative, it is immediately recognized in the financial result.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less any accumulated impairment.

For the purpose of impairment testing, goodwill is allocated to individual Group's cash-generating units, which should benefit from the synergies resulting from the combination.

Cash generating units to which goodwill is allocated are tested for impairment annually or more frequently if it is probable that impairment has occurred. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the remaining assets of that center in proportion to the carrying amount of the individual assets of that unit. Impairment loss recognized for goodwill is not reversed in the next period.

At the time of sale of a subsidiary or subject to joint control, the portion of goodwill attributable to that subsidiary is taken into account when calculating the profit / loss on disposal.

(iv) Consolidated adjustments

Balances of internal settlements between the Group's entities, transactions concluded within the Group as well as any resulting unrealized profits or losses, as well as revenues and costs of the Group are eliminated during the preparation of the consolidated financial statements. Unrealized profits and losses resulting from transactions with associates are excluded from the consolidated financial statements in proportion to the Group's share in these entities.

**Property, plant and equipment**

Property, plant and equipment include fixed assets and expenditure on plant, property and equipment under construction, which the entity intends to use in its operations and for administrative purposes in a period longer than one year, which in the future will cause economic benefits to the entity. Expenditures on plant, property and equipment include incurred investment outlays. Property, plant and equipment include important specialist spare parts that function as part of a Property, plant and equipment.

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

Property, plant and equipment under construction for production, rental or administrative purposes are presented in the statement of financial position at the production cost less any impairment losses recognized. The cost of production includes fees and, for relevant assets, borrowing costs capitalized in accordance with the accounting principles of the Company (principle from). Depreciation for such property, plant and equipment commences the moment they start being used, in accordance with principles applicable to other non-current assets of the Company.

Depreciation and amortisation of fixed assets takes place according to rates reflecting the expected period of their use. Estimates of the period of use are revised annually. For the purposes of depreciation of fixed assets, linear depreciation method is applied.

Periods of use for individual items in fixed assets are as follows:

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

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

As at the balance sheet date, Property, plant and equipment and Property, plant and equipment under construction are valued at net book value. Net book value is understood as the initial value, i.e. the purchase price or manufacturing cost less depreciation and impairment losses.

Expenses incurred for repairs that do not result in an improvement or extension of the useful life of Property, plant and equipment are recognized as expenses when incurred. Otherwise, they are capitalized.

## **Intangible assets**

### ***Criteria for Evaluating the Probability of Commercialization of Projects***

When starting work on a given project, the Company assesses whether the expenses incurred should be qualified as part of the Research Works or Development Works. First of all, the scope of given work is evaluated, which product concerns - generic, biosimilar or innovative medicine, regulatory requirements, market potential at which it is to be commercialized, and evaluates the likelihood of receiving registrations and commercialization opportunities according to the following decision criteria (including criteria mentioned in paragraph 57 of IAS 38). The Group clearly differentiates projects in terms of the probability of their commercialization. As a consequence, it is possible to determine how costs resulting from their implementation will be settled. The costs of projects whose commercialization is uncertain will be included in the costs of the current period, while those for which the commercialization is certain, in accordance with IAS 38 will be capitalized. The Group has set an internal probability level, the achievement of which will indicate that the given project and its outlays will be subject to capitalization - this level has been set at not less than 50% probability.

The decision criteria for assessing probability refer to the following elements:

1. the size and the market trend that a given project concerns (if we are talking about a large market with growing trend, the probability exceeds 50%);
2. compliance of the new project with the current portfolio of the Company (if the project is a consequence of organic development existing at the moment and the product portfolio successfully commercialized by the Company, the probability exceeds 50%);
3. compliance of the new project with the commercial model currently used by the Company (if the new project is able to use smoothly the existing and currently used distribution channels by the Issuer, i.e. methods of reaching patients and will be able to use the existing marketing support instruments - e.g. Key Opinion Leaders (industry experts in the field of medicine who support recognition of the product and give more credibility to its effectiveness, among others during lectures at conferences, in particular international, in articles and specialist publications) or developed contacts with doctors that allow for current transfer of specialist information about their products, which in turn creates information network characterized by high objectivity and authority for other representatives of the environment (doctors, nurses, etc.), the probability exceeds 50%);
4. registration requirements (if a new project has specific and clearly defined registration requirements, the Group may prepare a process in in such a way as to meet the requirements in the shortest possible time, the probability exceeds 50%);
5. production facilities, i.e. plants for the production of active substances and / or finished drug forms (if the Group has existing plants production units that meet GMP certificates and are able to implement the production of active substances and / or finished drug forms without major expenditure on fixed assets, the probability exceeds 50%);
6. laboratory facilities with the existing team specialized in the preparation of the required methods of releasing active substances and / or ready-made forms of the drug according to specific rules (if the Group has existing laboratory facilities with an existing team, the probability exceeds 50%);
7. sufficient resources of specialized employees and laboratories capable of developing and implementing new drug technologies, if the Group has existing laboratory facilities with an existing team, the probability exceeds 50%);
8. Sufficient financial resources or potential sources of financing through existing or future licensing, distribution or on cooperation (if the Group has sufficient financial resources or potential sources of financing, the probability exceeds 50%);
9. obtaining an opinion on the implementation of the project by third parties (financial institutions, advisory entities, other entities, e.g. potential distributors) in the form of an independent opinion or the signing of a distribution agreement and financing agreement for a given project or part (e.g. through funds from the European Union through institutions such as e.g. The National Center for Research and Development (if the Company has obtained this type of cooperation or opinion, the probability exceeds 50%).

In the case of projects classified for development work described below regarding development projects Type 1 and 2 where the probability of registration and commercialization is high, compliance with the above criteria is assessed by the Group as fulfilled.

As part of Type 3 development works (as defined below), it can be indicated that for innovative medicines, new ones, not recognized on the market, meeting the above mentioned criteria at the level of over 50% will be minimal and the Group will treat as those expenses as research work. At the same time, these projects will be subject to annual assessment according to the same business criteria and requirements set out below, compliant paragraph 57 of IAS 38.

However, Type 3 development work may also include biosimilar medicines whose equivalents already exist on the market

at the time of their evaluation according to the above business criteria as well as the requirements indicated below from par. 57 IAS 38.

(i) **Research and Development**

Research works

Expenses incurred at the research stage with the intention of obtaining new scientific or technical knowledge carried out on their own they are not recognized as an intangible asset, they are only recognized in the income statement at the time they are incurred. Examples of research work include: (i) activities aimed at acquiring new knowledge; (ii) search, evaluation and final selection of the use of the results of research or other types of knowledge; (iii) searching for alternative materials, devices, products, processes, systems or services; and (iv) the formulation, design, evaluation and final selection of new or improved materials, devices, products, processes, systems or services.

Development works

Expenditures incurred on development work, the effects of which are used in the development or production of a new or largely improved product are eligible for activation when it is technically possible and economically feasible to generate a new product (or process) and the Group has technical, financial and other necessary funds to complete development work in accordance with paragraph 57 of IAS 38. As part of its core business, the Group conducts a number of development activities related to recombinant human insulin (RHI) and analogs of human insulin.

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

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

TYPE 1 Expenditures on registrations / regulatory approvals for products

Registrations / regulatory approvals for recombinant human insulin (RHI) on non-domestic markets, additional registrations on the domestic market and generic drug registrations on the Polish market. The Group is taking steps to register RHI on new markets, mainly in Brazil (the registration process is underway) and in China (the registration process has ended, especially regarding registration of increased production scale, however the value of accumulated expenditures is not yet depreciated). Registration offices require the Group to extend current dossier and documentation, as well as to perform additional tests, such as stability tests when the products are used in a specific climate, clinical tests of different phases. The Management Board believes that obtaining regulatory approval on the secondary market is a formal requirement. Considerations of mutual recognition and past experience show that authorities in target markets rarely refuse to approve new drugs approved in other markets;

TYPE 2 Expenditures on registrations / regulatory approvals regarding the processes

Expenditures on registrations / regulatory approval fees for the introduction of optimized technological processes aimed at eliminating Triton from the production process in accordance with regulatory requirements in the European Union. Starting from January 1, 2021 the use of Triton in the production process will be prohibited under Regulation 2017/999 amending Annex XIV to Regulation (EC) No 1907/2006 of the European Parliament REACH. In this case, the Group develops a modified technology excluding the use of these substances. According to the Management Board, the activities described are necessary to meet the new requirements related to EU regulations and it is highly likely that the notified registration changes will be approved because the changes in the process are seen as insignificant, while the products remain the same before and after the changes in the production process. The Group has produced 3 series of API substances that meet the exemption specification, from which 3 series of the final RHI product were produced. Currently, in accordance with required subsequent stages of preparation of registration documentation, tests / stability tests are underway: stress, accelerated and long-term tests.

Type 3 Expenditure on the development and registration of biosimilar medicines

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

The Group is already present on individual markets - especially in Poland with a market share of recombinant human insulin exceeding 34% and other countries in the market for diabetic products Thus, the Issuer reaches diabetic patients through various business models, i.e. (i) direct sales and marketing, (ii) an indirect model, and (ii) a producer's product model. In order to briefly characterize them, the three models of cooperation with partners in various markets and the division of responsibility for individual areas from the point of view of responsibility of Bioton S.A. are presented in the

table below:

	Indication of responsibility for particular areas of cooperation on the part of Bioton S.A.	Direct Model	Indirect Model	Manufacturer's Model
1	Product development until the development of technology and the production of the active substance (API) and the form of the finished product for the needs of clinical trials and registration	V	V	V
2	Clinical Trials and Registration Process	V	V Division of Markets and Responsibility	
3	API commercial production and finished product forms	V	V	V
4	Sales and Marketing	V	V Division of Markets and Responsibility	
5	Entity Responsible for the product - registered trademark (brand name)	V	V Division of Markets and Responsibility	

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

1. for the Polish market, the Group will always choose the Direct Model due to the fact that it is present on this market and has the right strength sales and marketing as well as patient base with over 18% share in the total market of all insulins and over 34% share in the recombinant human insulin market, accounting for half of the market in Poland (according to data for 2018); Under this model, the Group will have an impact on all levels of responsibility from production to registrations to sales and marketing.
2. for other markets, the Group may choose the Intermediate Model - i.e. The Group will be the producer of the product and depending on the registration requirements, strategies on given markets, will cooperate in meeting the requirements of registration processes on the basis of distribution agreements, technology transfer, if such are the requirements of registration offices, or co-financing and active participation in the registration process. As part of this strategy, the Group has in the past signed a number of agreements regarding RHI:
  - a. typical distribution agreements;
  - b. cooperation agreements with the transfer of finished form or active substance technology, where future distributors are responsible for the registration process;
  - c. distribution agreements for smaller markets where in many cases the distributor is responsible for the registration process, often at its own expense, and the Group is the supplier of registration documentation, license for a given territory or trademark;
3. for markets with high entry barriers such as the US market, the Group will choose the Producer Model due to the registration requirements indicated by the US FDA Registration Office or an extensive sales and distribution system that includes cooperation with, for example, insurers; as part of such cooperation, the Group may grant a license, transfer the rights, data required by the manufacturer so that the distributor can perform an appropriate range of clinical trials and register the product on a given market - the responsibility for registration lies with the party who is a party to the distribution agreement. The cooperation agreement should include the receipt by the Company of specific fees for the exclusive license for a given market / territories and products / for a period of 10-15 years from the date of commercialization.

In accordance with the adopted strategy described above, the Group plans to implement all the presented models of cooperation, depending on the specificity / potential / registration requirements of a given territory for which the Group based on the above examples receiving specific fees can be expected at the time of signing contracts, which indicates

that the Group may gain certain economic profits even before the medicine is registered.

Paragraph 57 of IAS 38 states that an intangible asset created as a result of development works (or implementation of the development stage of a business venture carried out on its own) is recognized if and only if the entity is able to prove:

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

The Group estimates that the development of all three types of work will result in the success and launch of products for sale. The Group has appropriate knowledge, experience and human and technical resources necessary to carry out and successfully complete each of these types of development works. In the scope of development works from Types 1 and 2, the Group, based on experience from other markets, as well as regularly updated knowledge and experience in cooperation with registration authorities, assesses that obtaining subsequent registrations is highly probable.

- (i) Type 1 development work is intended to extend registration to new markets, which requires additional documentation and testing, however due to obtaining registration in other markets is low probability of refusal.
- (ii) Within the scope of Type 2 development works, they concern only changes in the production process driven by registration and technical requirements registration requirements - the technical feasibility of the project has already been proven by registration of the base product and the changes resulting from the modification of the production process are insignificant, which makes it possible to assess the obtaining of the registration change as very likely.

In the case of Type 3 development works, technical feasibility is proven by the registration of original medicines. The development work includes the implementation on a production scale of products that meet the specification of existing substances in such a way that the final product meets the conditions of the reference medicine. The Group has already developed active substance of both insulin analogs SAIA and LAIA in medium-scale production scale and the target commercial scale, and in the case of SAIA it is in the phase of clinical trials and the registration process. It should be emphasized that the Group obtained funding from the National Center for Research and Development under the Intelligent Development Operational Program, under which the Group received an EU subsidy for the development of short- and long-acting insulin analogs at commercial scale.

As described in the point above, the Group, through adopted and described strategy of cooperation with distributors within all business models, indicates that it is possible to obtain economic benefits from ongoing development works before the stage of receiving registration.

- b) its intention to complete intangible asset and use it or sell it;

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

As for Type 3 development works, they are conducted in accordance with the current strategy of the Group, assuming the development of analogues of insulin, thanks to which the Group will join the group of global leaders in the field of insulin products. The works are co-financed with a subsidy granted under Measure 1.1 "R & D projects of enterprises", sub-measure 1.1.1 "Industrial research and development carried out by enterprises" of the Intelligent Development Operational Program 2014-2020 co-financed from the European Regional Development Fund.

- c) its ability to use or sell the component of intangible assets

In the case of Type 1 and 2 development works - suitable products are already offered on the market, which confirms the possibility of commercialization of this product through entering new markets (Type 1) or meeting regulatory requirements (Type 2).

In the case of Type 3 development works - insulin analogs - the project demonstrates the ability to commercialize from the very beginning, which is reflected in the examples of transactions concluded at each stage of the development of biosimilar products. As described in the point above, the Group, through adopted and described strategy of cooperation with distributors within all business models, indicates that it is possible to obtain economic benefits from ongoing development works before the stage of receiving registration.

- d) the manner in which the intangible asset will generate probable future economic benefits.

In the case of Type 1 and Type 2 development works, economic benefits will result from the possibility of selling existing products on new markets or by complying with European Union regulatory requirements, which will allow for significant expansion of product sales markets through commercialization by granting exclusive licenses in given territories.

In the area of Type 3 development works, the Company is currently the fourth European insulin producer. The introduction of analogs will help strengthen the Group's position in this area and increase the Group's share in the insulin market. Global insulin market is valued at USD 40 billion per year, while over 70% of the market is owned by three largest competitors. The share of classic insulin is around 10% in the global market. The growth of the insulin analog segment will be caused in subsequent years by changes mainly in the lifestyle and aging of the population. The IDF organization

indicates that the world population of people with diabetes will increase from 425 million in 2017 to 629 million in 2045, so the potential for increased antidiabetic requirements, including insulin analogs, is significant.

- e) availability of technical, financial and other means that are to be used to complete development works and use or sale of intangible assets

The Group owns or will have technical and financial resources enabling the completion of ongoing development works. The Group is a beneficiary of financing from the European Union. On 13 March 2017, an agreement was signed with the National Center for Research and Development for co-financing of the project under the Intelligent Development Operational Program, under which the Group will receive an EU subsidy for the development of short- and long-acting insulin analogues on a commercial scale (the "Project"). The total amount of qualified expenses is PLN 50,684 thousand. The Group will receive co-financing in the amount not exceeding PLN 20,988,000, which constitutes 41.4% of total expenses eligible for support, whereas the maximum amount of funding for: (i) industrial research is PLN 1,858,000, (ii) development work is PLN 19,130 thousand. The period of eligibility of costs for the Project begins on August 24, 2016 and ends on the day of submission of the application for final payment, in accordance with applicable annexes.

- f) the possibility of a reliable determination of expenditures incurred during development works that can be assigned to this component of intangible assets

In order to reliably determine expenditures for development works, the Group maintains its accounting books by distinguishing separate account analytics for ongoing projects. Registration of expenditures is carried out with the help of IT systems allowing for detailed identification of expenditures incurred for development works. The Group distinguishes the following categories of expenditures related to development works:

- consumption of materials;
- external services (external tests and services of subcontractors);
- depreciation and amortisation of fixed assets used as part of development works;
- wages and salaries.

#### Development work in progress

The method of documenting the commencement of development work is as follows; (i) Project Manager submits to the Division Director an application for opening a development project, which defines the benefits, budget, completion date and scope of development work (ii) upon approval of the application by the Division Director, the application is submitted for financial approval by the Chief Financial Officer of the Management Board (iii) after acceptance of the application by the Financial Director of a Member of the Management Board, the application is addressed to the President of the Management Board, (iv) after obtaining approval by the President of the Management Board, an order regarding the opening of development work is issued. On the basis of this documentation, the moment is determined from which expenditures in a given project are treated as development works in implementation and are subject to capitalization in the balance sheet assets. Presentation in the financial statements in the item of intangible assets, analytically in the item "development works in progress". This item is not subject to depreciation.

#### Completed development works

A development works project is subject to closure if the following criteria are met: (i) the scope of work resulting from the order to open works was fulfilled, (ii) the works were discontinued, expenditures are charged to other operating costs. The development project, which ended with a positive effect, is transferred to intangible assets and is then presented as costs of completed development works and is subject to depreciation and revaluation write-offs.

#### 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. If it is found that such prerequisites exist, an appropriate test is carried out. In addition, irrespective of whether there are indications of impairment, the Company also performs an appropriate impairment test of the assets due to development work on an annual basis. If the carrying amount of tested assets exceeds their recoverable amount, an appropriate allowance is created. When assessing the existence of premises for impairment of intangible assets, the Group analyzes at least the premises from external and internal sources of information required by IAS 36 "Impairment of Assets".

In the Group's opinion, the development works of each type are met by the following conditions for the capitalization of development works specified in § 57 of IAS 38 "Intangible Assets".

Development costs are recognized as intangible assets and are subject to depreciation charges (see below) and impairment losses (principle x).

(ii) **Other intangible assets**

Other intangible assets are recognized at the purchase price or the costs incurred for their generation less the depreciation write-downs made to date and write-downs due to the loss of their value (principle x).

(iii) **Depreciation**

Intangible assets are depreciated on a straight-line basis over their estimated period of use:

The estimated period of use is as follows:

- the right to use the land for up to 33 years (the right of perpetual usufruct, in accordance with the period for which the right was granted),
- know-how 20 years,
- the costs of development works 5-20 years,
- software integrated IT system 10 years,
- other intangible assets 5 years,

Intangible assets that meet criteria for qualifying them as intended for sale or included in a group for sale are valued in accordance with the principles included in item ab.

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

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

**Cash and cash equivalents**

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

**Financial assets and liabilities**

**(a) Classification of financial assets**

Financial assets

The Group classifies financial assets into the following categories:

- valued at amortised cost
- valued at fair value through the financial result
- valued at fair value through other comprehensive income.

The Group classifies financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.

As assets valued at amortized cost, the Group classifies trade and other receivables, loans granted, other financial receivables as well as cash and cash equivalents and cash and cash equivalents.

To the financial liabilities at fair value through financial result. The Group classifies derivative instruments that are not designated for hedge accounting purposes and hedged items that are subject to valuation in accordance with hedge accounting principles.

(i) Recognition and derecognition

Financial assets are recognized when the Group becomes a party to contractual provisions of the instrument. Financial assets are derecognized from the accounting books when the rights to obtain cash flows from financial assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

(ii) Valuation as of the moment of initial recognition

At the moment of initial recognition, the Group measures a financial asset at fair value increased by, in the case of a financial asset that is not measured at fair value through profit or loss, transaction costs that can be directly attributed to the acquisition of a financial asset. Transaction costs related to financial assets valued at fair value through financial result are recognized the financial result.

(iii) Valuation of financial assets at depreciated cost

The Group uses the effective interest rate method to measure financial assets at depreciated cost. Receivables from deliveries and services after initial recognition are measured at amortized cost using the effective interest rate method, including impairment losses, while receivables from deliveries and services with a maturity of less than 12 months from the date of creation (i.e. without element of financing) and not forwarded to factoring, are not discounted and are valued at face value.

#### (iv) Impairment of financial assets

IFRS 9 introduces a new approach to estimating the impairment of financial assets measured at amortized cost or at fair value through other comprehensive income (with the exception of investments in capital assets and contract assets). The impairment model is based on the calculation of expected losses as opposed to the model used in the years before 2018 in accordance with IAS 39, which was based on the concept of losses incurred. The most important item of financial assets in the Group's financial statements that are subject to the new principles of calculating expected credit losses are trade receivables for deliveries and services.

The Group uses the following models for determining impairment losses:

- general (basic) model,
- simplified model

The general model is applied by the Group to financial assets measured at depreciated cost - other than trade and other receivables and debt instruments valued at fair value through other comprehensive income.

In the general model, the Group monitors the changes in the level of credit risk associated with a given financial asset and classifies financial assets to one of the three stages of impairment losses based on the observation of the change in the credit risk level in relation to the initial recognition of the instrument.

Depending on the classification to individual stages, the impairment loss is estimated in the 12-month horizon (stage 1) or in the life horizon of the instrument (stage 2 and stage 3).

On each day ending the reporting period, the Group analyzes the occurrence of conditions leading to the classification of financial assets for individual stages of determining the impairment write-off. The premises may include changes in the debtor's rating, serious financial problems of the debtor, significant adverse change in its economic, legal or market environment.

For the purposes of estimating the expected credit loss, the Group uses default probability levels of benchmarked financial results of the rated entity to the entity's rating levels implying probability of insolvency.

The Group includes information on the future in the parameters of the expected loss estimation model by calculating the probability of insolvency parameters based on current market quotes.

The simplified model is used by the Group for trade and other receivables. In the simplified model, the Group does not monitor changes in the credit risk level during the life of the instrument and estimates the expected credit loss in the horizon up to maturity of the instrument. In particular, for the insolvency event, the Group recognizes that the contractor has not fulfilled the obligation after 90 days from the due date. For the purpose of estimating the expected credit loss, the Group uses a provisioning matrix estimated on the basis of historical levels of repayment and recoveries from receivables from business partners for the last three years.

The Group includes information about the future in the parameters used in the expected loss estimation model, through the management adjustment of the basic insolvency probability ratios. To calculate the expected credit loss, the Group determines the probability of defaults parameter estimated on the basis of the analysis of the number of unpaid invoices in the last three years, and the default rate estimated on the basis of the value of unpaid invoices in the last three years.

Expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of a given receivable.

#### **(b) Financial liabilities**

##### (i) Classification of financial liabilities

The Group qualifies financial liabilities into one of the following categories:

- valued according to amortized cost,
- valued at fair value through financial result,
- hedging financial instruments.

The Group classifies liabilities for deliveries and services, loans and borrowings as liabilities valued at depreciated cost.

### **Foreign currencies**

#### (i) Foreign Currency Transactions

The functional currency (valuation) and the presentation currency of the financial statements of the parent company BIOTON SA is PLN (PLN).

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

- at the buying or selling exchange rate applied by the bank whose services the given unit of the Group uses to settle a given transaction - in the case of currency sell or buy operations,
- for companies using the Polish zloty as the functional currency - at the average exchange rate set for a given currency by the National Bank of Poland on the day preceding the operation, unless a different rate has been set in the customs declaration or other document binding for the given operation - for other operations,
- for companies using a different currency than the Polish zloty as the functional currency - at the average exchange rate set for a given currency by the bank whose services the given unit of the Group uses - for other operations.

Foreign exchange gains and losses arising from the translation of assets and liabilities expressed in foreign currencies or as a result of settlement of a receivable or liability expressed in a foreign currency are booked as financial revenues or expense in the income statement, except for foreign exchange differences arising on long-term loans whose repayment is not planned in the foreseeable future, being part of the net investment in subsidiaries or affiliates. Foreign exchange differences on such loans in accordance with IAS 21 "The Effects of foreign currency exchange" are recognized in the consolidated financial statements under a separate item of equity "Exchange rate differences from subordinated entities".

As of the balance sheet date, the Group values assets and liabilities expressed in foreign currencies at the average exchange rate set by the National Bank of Poland valid for that day.

As of 31 December 2022 assets and liabilities expressed in foreign currencies were converted at average NBP exchange rates table 252/A/NBP/2022 of 30 December 2022, and thus EUR 1 is PLN 4.6899, USD 1 is PLN 4.4018 (as of 31 December 2021, 254/A/NBP/2021 of 31 December 2021; and thus EUR 1 is PLN 4.5994, USD 1 is PLN 4).

#### (ii) Conversion of units operating abroad

Assets and liabilities of entities operating abroad, including goodwill, are translated at the average NBP exchange rate effective as of the balance sheet date. Revenues and costs of entities operating abroad as well as adjustments regarding fair value made at consolidation are translated at the average exchange rate, being the arithmetic average of medium exchange rates announced by the National Bank of Poland as at the day ending each month of the financial year. Exchange differences arising in the conversion are recognized directly in a separate item of equity.

### **Inventories**

Inventories are assets designated for sale in the ordinary course of business, being in the process of production for sale and in the form of materials or raw materials used in the production process or in the rendering of services. Inventories include materials, goods, finished products and production in progress.

Materials and goods are valued at "weighted average". As of the balance sheet date, the valuation of materials and goods is subject to the prudence principle, i.e. these categories are valued at the purchase price or sale price possible to obtain, depending on which one is lower.

Finished products and products in progress are initially valued at the level of the actual manufacturing cost. As of the balance sheet date, the valuation of finished products and work production in progress is carried out according to the principles of prudent valuation.

Inventory value - determined according to the "weighted average", in the case of semi-finished products and finished products, with detailed batch identification.

## **Equity**

### **(i) Share capital**

The share capital of the parent entity is the Group's share capital and is shown in the nominal value of registered shares, resulting from the parent company's statute and entry in the National Court Register.

### **(ii) Issued capital from shares above their nominal value**

Capital from the sale of shares above the nominal value arose from the issue of shares and is reduced by the issue costs (taking into account the impact of income tax).

## **Inventory capital**

Inventory capital includes accumulated profits / losses transferred from retained earnings in accordance with the resolutions of the General Meeting.

## **Reserve fund**

Reserve capital includes the equivalent of payment costs in the form of securities recognized in accordance with IFRS 2, the equity portion of convertible bonds and differences from settlement of share purchase.

## **Retained earnings**

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

## **Taxation**

Income tax of the entity includes currently payable tax and deferred tax.

### **(i) Current tax**

Current tax liability is calculated on the basis of a tax result (tax base) obtained in the given financial year. The tax profit (loss) differs from the accounting net profit (loss) due to the exclusion of taxable revenues and costs not recognized as tax-deductible revenues and items of costs and revenues that will not be taxable. Tax burdens are calculated based on tax rates applicable for the given financial year.

### **(ii) Deferred tax**

Deferred tax is calculated using balance method as tax payable or returnable in the future on differences between balance-sheet asset and liabilities values and corresponding tax values used for calculating tax base.

Deferred tax provision is created against all taxable positive temporary differences, whilst deferred tax asset is recognised to the level at which it is probable that future tax profits will be deductible by recognised negative temporary differences and tax losses or tax credits which can be obtained by the Group. An item of deferred tax assets or provisions is not created if the temporary difference arises from the initial recognition of another asset or liability in a transaction that does not affect either the tax result or the accounting result.

The value of deferred tax assets is subject to analysis as at the balance-sheet date, and in the case when expected future tax profits are insufficient for the realisation of an asset or its part – it is written off.

Deferred tax is calculated using tax rates that will apply when the asset is realized or the liability becomes due.

In the statement of financial position, income tax is recognized after the offsetting in the scope in which it results from the liability that is payable to the same tax office.

The Group does not recognize deferred tax on temporary differences resulting from the conversion into functional currency of loans granted to subsidiaries in foreign currencies treated as long-term investments.

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

## **Provisions**

Provisions are created if the Company has an existing obligation, legal or habitual, resulting from past events, and when it is probable meeting this obligation will result in the outflow of resources embodying economic benefits and a reliable estimate of the amount of such liability, whereas the amounts of this obligation or its due date are not certain.

The amount recognized as provision is the best estimate of consideration required to settle obligation current at the balance sheet date, taking into account risks and uncertainties associated with the obligation. In the case of valuation of

the provision using the method of estimated cash flows necessary to settle the current liability, its carrying amount corresponds to the present value of these cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(i) Services that give rise to obligations**

Current liabilities resulting from contracts generating liabilities are recognized as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**(ii) Restructuring**

A restructuring provision is recognized solely when the Group has developed a detailed formal restructuring plan and has announced to all the stakeholders the intention to implement it or its main features. The valuation of a restructuring provision includes only direct expenditures arising from restructuring, that is the amounts that are both necessarily entailed by restructuring and not associated with current activities of the entity.

**Pensions**

The companies from BIOTON Group operating on the territory of Poland and on the basis of Polish law pay contributions to the state pension program with defined premiums. The government program is financed on the basis of "current payments", i.e. these companies are obliged to pay contributions only when they become due, and in the event that they stop employing people covered by this system will not be required to pay any additional benefits beyond those that were entitled to its employees in the past. Contributions to the pension scheme with defined contributions are charged to the profit and loss account in the period to which they relate. Employees of companies in the Group are entitled to retirement bonuses. Retirement severance payments are paid on a one-off basis at the moment of retirement. The amount of retirement benefits in the case of companies operating in Poland is specified in the Labor Code, while in the case of foreign entities it is determined based on local regulations. The Group creates a provision for future liabilities related to retirement benefits in order to allocate costs to the period they refer to. The amount of the Group's liabilities due to retirement benefits is the current value of the benefits that employees of the Group will receive upon retirement in connection with employment in the Group's companies in the current and previous periods. The value of the liability is based on the projected unit credit method.

**Revenues of future periods and recognition of subsidies obtained**

Deferred revenues include subsidies received under the Sectoral Operational Program Improvement of Competitiveness of enterprises from the European Regional Development Fund, intended for co-financing new investments and co-financing of newly created job positions as well as subsidies from the National Fund for Environmental Protection and Water Management for co-financing sewage treatment plants (note 30).

Subsidies received are recognized as deferred revenues if there is sufficient certainty of their receipt and BIOTON S.A. complies with related terms.

Government subsidies received as reimbursement of assets recognized by the Group and related to co-financing new jobs are recognized in the balance sheet as deferred revenues and then systematically recognized as other operating revenues in the profit and loss account throughout the asset's useful life, or - in the case of new places work - during the period of settlement of the amount of co-financing awarded.

**Accruals**

The Group makes accruals if the incurred costs relate to periods following the period in which they were incurred. Accruals include expenses incurred which in future periods will be treated as operating or financial costs.

Accruals related to operating and financial expenses include costs incurred in a given period, commensurate with the revenues of a given period. Accruals related to operating costs include, among others, provision for unused holidays.

**Revenue**

From 1 January 2018, the Group applies the principles of IFRS 15 "Revenues from contracts with customers" taking into account the 5 steps model in relation to the portfolio of contracts (or performance obligations) with similar characteristics, if the entity reasonably expects the impact on the financial statements of the application the following rules will not significantly differ from individual contracts (or obligations to perform the service).

(i) Requirements to identify the contract with the client

Contracts with customers meet the definition when all of the following criteria are met:

- the parties to the contract have entered into contract and are required to perform their obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group is able to identify the terms of payment for the goods or services to be transferred; the agreement has commercial substance and
  
- it is probable that the Group will receive remuneration to which it is entitled in exchange for goods or services to be provided to the customer.

(ii) Identifying performance obligations

At the time of conclusion of the contract, the Group evaluates the goods or services promised in the contract with the client and identifies as a commitment to perform each promise to transfer to the client: good or service (or a package of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the client is of the same nature.

(iii) Determining transaction price

The Group shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel fee, excise duty). Consideration defined in the contract with customer may include fixed amounts, variable amounts, or both.

In order to estimate variable remuneration, the Group decided to use the most probable value method for contracts with one threshold and the expected value method for contracts where there are more value thresholds from which the customer is granted a rebate.

(iv) Allocation of the transaction price to individual performance obligations

The Group allocated the transaction price to each liability to perform the benefit (or distinct good or service) in an amount that depicts the amount of consideration to which - in accordance with the Group's expectations - it is entitled in exchange for transferring the promised goods or services to the customer.

(v) Recognition of revenues when performance obligations are fulfilled

The Group recognizes revenues when it meets (or is in the process of fulfilling) a performance obligation by transferring the promised good or service (i.e. asset) to the client (the client gains control over that asset). Revenues are recognized as amounts equal to the transaction price that has been assigned to a given performance obligation.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenues over time, if one of the following criteria is met:

- the customer receives and benefits from the obligation when it is being performed,
- as a result of the performance of the obligation an asset is created or improved, and the control over this asset component - as it arises or improves - is exercised by the client,
- as a result of the provision of the service, no alternative component is created for the Group, and the Group has an enforceable right to pay for the performance performed so far.

In standard transactions with clients shown as sales revenues, there is no significant element of financing. In other transactions, if such an element occurs, the Group discounts the receivable from the business party with interest rate corresponding to its credit risk and the length of the payment period.

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

The Group conducted analysis of contracts with clients and identified the main categories of contracts:

- contracts for supply of medicinal products and pharmaceutical substances 90% ,
- contracts for the delivery of goods, including medical devices and dietary supplements related to diabetes therapy account for 6% of revenues,
- other contracts constitute 4%.

### **Sale of goods (medicinal products, pharmaceutical substances, medical devices and dietary supplements)**

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

If the contract contains only one obligation to perform the service - sale of the good, the Group recognizes the revenue at a certain moment, i.e. when the customer gains control over the good.

### **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 Group recognizes revenues when it meets (or is in the process of fulfilling) a performance obligation by transferring the promised good or service (i.e. asset) to the client (the client gains control over that asset).

### **Advances received from customers**

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

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

### **Licenses**

IFRS 15 introduces new principles for recognizing revenue from granted licenses. In accordance with the standard, the Board must determine whether 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 Group grants licenses to distributors. In the Group's opinion, granted licenses constitute the right to use intellectual property during the term of the contract.

### **Leasing**

From January 1, 2019, the Group applies IFRS 16 "Leases", in accordance with which all lease transactions result in the lessee obtaining the right to use the asset and liability for payment. Therefore, IFRS 16 eliminates classification of operational leasing and financial leasing from IAS 17 and introduces a single model for accounting recognition of leasing by the lessee. The Group recognizes: (a) assets and liabilities for all the leasing transactions concluded for the period exceeding 12 months, except for situations where the asset is of low value; and (b) depreciation of the leased asset separately from interest on the leasing obligation in the report on the results.

IFRS 16 to large extent repeats regulations from IAS 17 concerning accounting recognition of lease by the lessor. In consequence, the lessor continues the classification divided into operational and financial lease and introduces corresponding differences in the accounting recognition.

### **Impairment losses on financial assets**

As of each balance sheet day, the assets of the Group, except for inventories (principle h), assets due to deferred income tax (principle o) and financial assets (principle f) to which other valuation procedures should be applied, are analyzed in terms of premises of their impairment. If any such premise exists, the Group estimates recoverable amount (fair value less costs of sales or value in use, whichever is higher). The use value is the sum of discounted future economic benefits that the asset will bring.

If the carrying amount of a given asset exceeds its recoverable amount, impairment is recognized and a write-down is made to adjust its value to the level of the recoverable amount. Revaluation write-downs are charged to the profit and loss account.

As of each balance sheet date, the Group assesses whether there are any premises indicating that the write-down made in previous reporting periods is unnecessary or too high. In this case, the write-down or its part is reversed and the value of the given asset is restored to the amount it would have had if no revaluation write-off had been made (with account for depreciation). The reversal of the write-down is recognized in the income statement.

Revaluation write-offs for balance sheet value are not reversed.

### **Information on business segments**

Segment reporting is presented in relation to operating and geographic segments. The basic reporting model is the division into operating segments and results from the Group's management and internal reporting structure.

The prices used in settlements between individual segments are based on market prices.

The segment's result, its assets and liabilities contain items that relate to it directly as well as relevant items used jointly, which on the basis of rational premises can be assigned to individual segments.

#### **(i) Business segments reporting**

Operational segment is a distinguishable segment of the Group's activity within which the distribution of goods or provision of services takes place and which is subject to risk and characterized with the level of return of incurred outlays different from the one which are proper for other operating segments. For the purposes of financial and management reporting, the Group distinguishes operating segments which are described in the note 1.

#### **(ii) Geographical segment**

The geographic segment presents information about the segment's income and assets. In the case of presenting information broken down by geographical segments, the segment's revenue is based on the geographical distribution of customers. The segment's assets are based on their geographic growth.

### **Costs of external financing**

Costs of external financing related to the purchase or manufacture of fixed asset components that require a longer period of time to prepare them for usage are included in the costs of manufacture of such assets to the point where these assets are essentially ready for the intended use or sale.

Revenues from investments earned through the short-term investment of obtained external funds intended directly to finance the acquisition or production of assets reduces the amount of costs of external financing that are subject to capitalization. All other external financing costs are recognized directly in the profit and loss account in the period in which they were incurred.

The above capitalization principles are not applicable to:

- assets valued at fair value, and
- inventories produced in significant quantities on a continuous basis and characterized by high rotation.

### **Related entities**

For the purposes of the financial statements, affiliated parties include: significant shareholders, associated units, members of Management Boards and Supervisory Boards of companies in the Group, their immediate families and entities controlled by them.

The entity's holdings in subsidiaries are measured in accordance with IAS 27 Separate Financial Statements at historical cost. If there is objective evidence that these assets are impaired, the amount of the impairment is measured as the difference between the current book value of the asset and the estimated recoverable amount

### **Assets held for sale**

Assets held for sale are assets that jointly meet the following criteria:

- the management of the appropriate level has submitted a sales declaration,

- the assets are available for immediate sale in their current state,
- an active search for a potential buyer was initiated,
- the sale transaction is highly probable and it can be settled within 12 months from the decision to sell,
- the selling price is reasonable in relation to the current fair value,
- the probability of introducing significant changes to the sale plan of these assets is small.

The change in classification is reflected in the reporting period in which the eligibility criteria are met. If the criteria for recognizing fixed assets as held for sale after the end of the reporting period are met, the classification of an asset as at the end of the financial year preceding the event is not changed.

When the asset is designated for sale, depreciation is charged. Assets held for sale, excluding, inter alia, financial assets and investment properties, are valued at the lower of two values: book value or fair value less costs to sell.

In the case of later increase of the fair value less sale costs, revenue is recognized, however in the amount not exceeding previously recognized allowances.

## 2. CONSOLIDATED INCOME STATEMENT

Thousand PLN	Nota	1.01.2022 - 31.12.2022 audited	1.01.2021 - 31.12.2021 audited
	3		
Sales revenues		233,159	163,034
Cost of sales	8	(126,239)	(80,334)
Technological idle time and unused production capacity	4	(11,170)	(4,913)
<b>Gross profit on sales</b>		<b>95,750</b>	<b>77,787</b>
Other operating income	5	4,667	5,946
Selling expenses	8	(35,067)	(31,793)
Administrative costs	8	(30,273)	(27,900)
Research and development expenses	8	(5,337)	(4,665)
Other operating costs	6	(8,482)	(5,033)
<b>Profit / (loss) from operating activities</b>		<b>21,258</b>	<b>14,342</b>
Financial revenues			
Financial costs		-	
<b>Net financial revenues / (costs)</b>		<b>(16,306)</b>	<b>(6,011)</b>
<b>Profit / (loss) before tax</b>		<b>4,952</b>	<b>8,331</b>
Income tax		3,531	5,449
<b>Profit / (Loss) from continuing operations</b>		<b>1,421</b>	<b>2,882</b>
<b>Profit / (Loss) from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Net profit / (loss)</b>		<b>1,421</b>	<b>2,882</b>
<i>Attributable</i>			
To equity holders of the parent company		1,421	2,882
To minority shareholders			
<b>Net profit / (loss)</b>		<b>1,421</b>	<b>2,882</b>
<b>Weighted average number of shares (units) See note 24</b>		<b>85,864,200</b>	<b>85,864,200</b>
<b>Diluted weighted average number of shares</b>		<b>85,864,200</b>	<b>85,864,200</b>
<b>Profit / (Loss) per share (in PLN)</b>			
Basic and diluted		0.02	0.03

## 3. CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME

thousand PLN	1.01.2022 - 31.12.2022 audited	1.01.2021 - 31.12.2021 audited
<b>Net profit / (loss) for the reporting period</b>	<b>1,421</b>	<b>2,882</b>
<b>Other elements of total income:</b>		
<b>Components that can be transferred to the profit and loss account:</b>		
Exchange differences on translation of subordinated entities	(49)	17
<b>Components that will not be transferred to the income statement</b>		
Changes due to actuarial valuation	174	194
Deferred tax asset on actuarial valuation		
<b>Total comprehensive income for the period</b>	<b>1,546</b>	<b>3,093</b>
<b>Attributable to:</b>		
To equity holders of the parent company	1,546	3,093
To minority shareholders	-	-

#### 4. CONSOLIDATED BALANCE SHEET

<i>Thousand PLN</i>	<b>Note</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>ASSETS</b>		<i>audited</i>	<i>audited restated</i>
<b>Fixed assets</b>		<b>657,255</b>	<b>673,399</b>
Property, plant and equipment	10	275,051	286,551
Investment properties	14	1,357	1,357
Other intangible assets	12	362,975	362,177
Assets under the right of use	13	15,135	17,019
Non-current receivables	-	-	-
Deferred income tax assets	15	2,228	5,508
Non-current prepayments	16	509,000	787,000
<b>Current assets</b>		<b>153,071</b>	<b>174,728</b>
Inventories	17	111,002	125,131
Current financial assets	-	-	-
Income tax receivables	-	3,000	546,000
Trade and other receivables	18	31,403	39,108
Cash and cash equivalents	19	9,339	8,857
Current prepayments	20	1,324	1,086
Assets held for sale	21	-	-
<b>TOTAL ASSETS</b>		<b>810,326</b>	<b>848,127</b>
<i>Thousand PLN</i>	<b>Note</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>LIABILITIES</b>		<i>audited</i>	<i>audited restated</i>
<b>Equity</b>	22	<b>606,060</b>	<b>604,514</b>
<b>Equity capital attributable to the shareholders of the parent company</b>		<b>606,060</b>	<b>604,514</b>
Share capital		1,717,284	1,717,284
Share premium		57,131	57,131
Inventory capital		260,776	260,776
Other capitals		(266,193)	(266,367)
Reserve capital from transactions between shareholders		(80,844)	(80,844)
Exchange differences on translation of subordinated entities		(214,000)	(165,000)
Retained earnings		(1,081,880)	(1,083,301)
<b>Non-controlling shares</b>		<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>		<b>63,212</b>	<b>77,543</b>
Liabilities for credits, loans and other debt instruments	23	6,810	16,053
Lease liabilities	23	11,845	13,405
Liabilities under employee benefits	24	1,470	1,486
Deferred income	25	32,745	36,257
Deferred tax liabilities	15	-	-
Other liabilities	26	10,342	10,342
<b>Current liabilities</b>		<b>141,054</b>	<b>166,070</b>
Liabilities for credits, loans and other debt instruments	23	55,312	78,623
Lease liabilities	23	2,425	1,994
Trade and other payables	26	36,095	36,932
Income tax liabilities	27	74,000	1,162
Provisions and other accruals	28	44,932	44,885
Employee benefits liability	24	2,216	2,474
<b>TOTAL LIABILITIES</b>		<b>810,326</b>	<b>848,127</b>

## 5. CONSOLIDATED CASH FLOW STATEMENT

<i>thousand PLN</i>			
		1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
	Note		
<b>Cash flow from operational activity</b>			
Net profit / (loss)		1,421	2,882
Adjustments for items:			
Depreciation	8	34,403	31,638
Net (profit) / loss resulting from foreign currency exchange rate differences		3,020	(198)
Net interest paid		7,270	4,785
(Profit) / loss from investment activities	36.3	1,069	(2,586)
Income tax in the current period		292	364
Income tax paid for		(1,470)	(636)
Other items, net		-	-
<b>Net cash from operating activity before changing working capital</b>		<b>46,005</b>	<b>36,249</b>
(Increase)/decrease of receivables		(3,218)	4,067
(Increase)/decrease in inventories		14,130	(35,115)
Increase / (decrease) of liabilities and passive accruals		(1,180)	(15,928)
(Increase)/decrease of prepayments		3,160	5,113
Increase / (decrease) of reserves		139	(128)
Increase / (decrease) of deferred income (including the analog project)		(2,954)	11,264
<b>Cash flows from operating activities</b>		<b>56,082</b>	<b>5,522</b>
<b>Cash flow from investing activities</b>			
<b>Inflows:</b>		<b>478,000</b>	<b>8,608</b>
Sale of intangible assets and property, plant and equipment		478	8,608
Sale of financial assets		-	-
Sale of subsidiaries less cash		-	-
Other inflows		-	-
<b>Expenditure:</b>		<b>29,578</b>	<b>12,892</b>
Acquisition of intangible assets and property, plant and equipment		29,578	12,892
Purchase of financial assets		-	-
Other expenses		-	-
<b>Net cash from investment activity</b>		<b>(29,100)</b>	<b>(4,284)</b>
<b>Cash flow from financial activity</b>			
<b>Inflows:</b>		<b>15,468</b>	<b>33,812</b>
Credits and loans	30.3	15,468	33,812
Net proceeds from issue of shares	30.3	-	-
Subsidies	30.3	-	-
<b>Wydatki:</b>		<b>41,967</b>	<b>48,433</b>
Repayment of credits and loans	30.3	32,463	43,128
Interests and other fees	30.3	6,798	3,780
Payments under financial leasing liabilities	30.3	2,706	1,525
Other	30.3	-	-
<b>Net cash from financial activity</b>		<b>(26,499)</b>	<b>(14,621)</b>
<b>Net change in cash, including:</b>		<b>483</b>	<b>(13,383)</b>
<i>change in cash due to exchange rate differences</i>			
<b>Cash at the beginning of the period</b>		<b>8,857</b>	<b>22,239</b>
Cash in assets held for sale		-	-
Cash at the beginning of the period (carrying amount)		8,857	22,239
Cash at the end of the period		9,339	8,857
<b>Overdraft</b>		<b>-</b>	<b>-</b>
<b>Cash at the end of the period, after excluding credits in current account</b>		<b>8,857</b>	<b>22,239</b>

## 6. CONSOLIDATED SUMMARY OF CHANGES IN THE EQUITY CAPITAL

	Capital capital	Capital from the issue of shares above their intangible	Capital capital	Other capitals	Revaluation capital	Reserve capital from transactions between shareholders	Exchange differences on translation of foreign operations	Retained profits	Equity capital attributable to the shareholders of the parent company	Minority shares	Capital total
<i>thousand PLN</i>											
<b>Equity as of 01.01.2022</b>	1,717,284	57,131	260,776	(266,367)	-	(80,844)	(165)	(1,065,076)	622,739		622,739
Correction of income tax of previous years*								(18,225)	(18,225)		(18,225)
<b>Equity as of 01.01.2022</b>	1,717,284	57,131	260,776	(266,367)	-	(80,844)	(165)	(1,083,301)	604,514	-	604,514
Profit (loss) for the period								1,421			1,421
Other components of total income							(49)				(49)
Actuarial changes				174							174
<b>Total comprehensive income recognised for the period 01.01.2022 - 31.12.2022</b>	-	-	-	174	-	-	(49)	1,421	1,546	-	1,546
<b>Equity as at 31.12.2022</b>	1,717,284	57,131	260,776	(266,193)	-	(80,844)	(214)	(1,081,880)	606,060	-	606,060
	Share capital	Share premium account	Reserve capital	Other capital	Revaluation reserve	Reserve capital from transactions between shareholders	Exchange differences on translation of subordinated entities	Retained earnings	Equity attributable to equity holders of the parent company	Minority interest	Total capital
<b>Equity as at 31.12.2021</b>	1,717,284	57,131	260,776	(266,561)	-	(80,844)	(182)	(1,067,958)	619,646	-	619,646
Profit / (loss) for the period	-	-	-	-	-	-	-	2,882			2,882
Other elements of total income	-	-	-	-	-	-	17	-		-	17
Actuarial changes				194							194
<b>Total incomes recognized for the period from 01.01.2021 – 31.12.2021</b>	-	-	-	194	-	-	17	2,882	3,093	-	3,093
<b>Equity as of 31.12.2021</b>	1,717,284	57,131	260,776	(266,367)	-	(80,844)	(165)	(1,065,076)	622,739	-	622,739

\* Adjustments to account for changes in deferred tax relating to the corrections made relating to the capitalization of R&D development tax costs and the R&D tax credit included, among other things, in the corrections made to the 2017-2020 CIT returns and the correction - write-down of Biolek's intangible assets

## 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Operating segments

Since 1 January 2009 there have been applied IFRS 8 *Operating segments* which had replaced the so far IAS 14 *Reporting concerning operating segments*. This standard requires disclosure of information on the segments based on the components of the Group monitored by the managers within taking operating decisions. Operating segments are the components of the Group, for which there is available separate financial information regularly reviewed by the persons taking key decisions as regards allocation of the resources and reviewing operation of the Group.

For management purposes, the BIOTON SA Group was divided into operating segments based on capital groups and companies being members of the BIOTON SA Group. The following reporting segments were separated:

- BIOTON S.A. and BIOTON MARKETING AGENCY Sp. z o.o. (jointly BIOTON PL);
- BIOLEK Sp. z o.o.;
- BIOTON International GmbH;

The accounting principles of the operating segments are the same as the accounting principles of the Group.

The Management Board monitors the operating results of the segments separately mainly for the purpose of taking decisions concerning allocation of the resources, assessment of the effects of the allocation and operating results. The assessment of individual segments is made to the level of profit / loss on operating activities and the level of EBITDA achieved.

The Group's financing (including the costs and financial revenues) and income tax are monitored at the Group level and are not subject to allocation.

The Group reports the segments by geographical location. Below is the list of the most important countries as regards operation of the Group:

- Poland
- China,
- Vietnam,

### OPERATING SEGMENTS - BIOTON S.A. Group

For the period from January 1, 2022 to December 31, 2022 and as of December 31, 2022.

thousand PLN	BIOTON PL*	BIOLEK	BIOTON INTERNATIONAL	Reconciling items	TOTAL
<b>Revenue</b>					
Total external revenues	228,464	4,696			233,159
Intersegment revenue	-	3,884		(3,884)	-
<b>Total segment revenue</b>	<b>228,464</b>	<b>8,58</b>		<b>(3,884)</b>	<b>233,159</b>
Segment result	<b>97,562</b>	<b>2,409</b>		(4,221)	95,75
Other operating revenues	4,622	45			4,667
Other operating costs	8,436	46			8,483
Selling expenses	36,684	1,095		(2,712)	35,067
Administrative expenses	30,301	346	1,135	(1,509)	30,274
Research and development costs	5,337				5,337
<b>Gross operating profit / (loss)</b>	<b>21,426</b>	<b>967</b>	<b>(1,135)</b>	-	<b>21,258</b>
Financial income	1,534		14	(1,548)	0
Financial costs	17,33	1,553	89	(2,666)	16,306
<b>Net finance income / (costs)</b>	<b>(15,796)</b>	<b>(1,553)</b>	<b>(75)</b>	<b>1,118</b>	<b>(16,306)</b>
<b>Profit / (loss) before income tax</b>	<b>5,63</b>	<b>(586)</b>	<b>(1,210)</b>	<b>1,118</b>	<b>4,952</b>
Income tax	3,487	44			3,531
<b>Net profit (loss)</b>	<b>2,143</b>	<b>(631)</b>	<b>(1,210)</b>	<b>1,118</b>	<b>1,42</b>
<b>Depreciation</b>	<b>34,4</b>	<b>3</b>			<b>34,403</b>
<b>EBITDA**</b>	<b>55,826</b>	<b>970</b>	<b>(1,135)</b>	-	<b>55,661</b>

\*Revenues settled over time refer to BIOTON PL segment and are described in Notes 26, 28. Other revenues are recognised when earned.

\*\*EBITDA is gross profit/loss on operating activities plus depreciation.

Thousand PLN	BIOTON PL*	BIOLEK	BIOTON INTER-NATIONAL	Reconciling items	TOTAL
<b><u>Segment assets</u></b>					
Property, plant and equipment	275,051				27,051
Other intangible assets	362,411	564			362,975
Inventories	110,071	931			111,002
Receivables due to deliveries and services	30,875	528	-		31,403
Cash and cash equivalents	9261	73	5		9,339
Other assets	42,36	767		(22,569)	20,558
<b>Total assets</b>	<b>830,028</b>	<b>2,863</b>	<b>5</b>	<b>(22,569)</b>	<b>810,326</b>
<b><u>Segment liabilities</u></b>					
Non-current liabilities	63,212	-	-		63,212
Current liabilities	138,57	2,442	41	(6)	141,054

## OPERATING SEGMENTS – BIOTON S.A. Group

For the period from January 1, 2021 to December 31, 2021 and as of December 31, 2021.

thousand PLN	BIOTON PL*	BIOLEK	BIOTON INTERNATIONAL	Reconciling items	TOTAL continued operations
<b><u>Revenue</u></b>					
Total external revenues	157,544	5,489	-		163,034
Intersegment revenue	-	3,877	-	(3,877)	-
<b>Total segment revenue</b>	<b>161,421</b>	<b>5,489</b>	<b>-</b>	<b>(3,877)</b>	<b>163,034</b>
Segment result	<b>79,072</b>	<b>2,953</b>	<b>-</b>	<b>(4,238)</b>	<b>77,787</b>
Other operating revenues	5,876	70	-		5,946
Other operating costs	4,964	69	-		5,033
Selling expenses	33,534	988	-	(2,729)	31,793
Administrative expenses	28,077	357	975	(1,509)	27,901
Research and development costs	4,665	-	-		4,665
<b>Gross operating profit / (loss)</b>	<b>13,708</b>	<b>1,609</b>	<b>(975)</b>		<b>14,342</b>
Financial income	552		5	(557)	-
Financial costs	6,952	553	55	(1,548)	6,011
<b>Net finance income / (costs)</b>	<b>-6,4</b>	<b>-553</b>	<b>(50)</b>	<b>991</b>	<b>(6,011)</b>
<b>Profit / (loss) before income tax</b>	<b>8,496</b>	<b>-132</b>	<b>(1,025)</b>	<b>991</b>	<b>8,331</b>
Income tax	5,33	118			5,449
<b>Net profit (loss)</b>	<b>3,166</b>	<b>-250</b>	<b>(1,025)</b>	<b>991</b>	<b>2,882</b>
<b>Depreciation</b>	<b>31,635</b>	<b>3</b>			<b>31,638</b>
<b>EBITDA**</b>	<b>46,531</b>	<b>424</b>	<b>(975)</b>		<b>45,98</b>

\*Revenues settled over time refer to BIOTON PL segment and are described in Notes 26, 28. Other revenues are recognised when earned.

\*\*EBITDA is gross profit/loss on operating activities plus depreciation.

thousand PLN	BIOTON PL	BIOLEK	BIOTON INTERNATIONAL	Reconciling items	TOTAL
<b><u>Segment assets</u></b>					
Property, plant and equipment	286,551				286,551
Other intangible assets	361,626	551			362,177
Inventories	124,896	235			125,131
Receivables due to deliveries and services	43,83	877	-	(5,599)	39,108
Cash and cash equivalents	8,774	64	18		8,857
Other assets	47,215	797	-	(21,708)	26,303
<b>Total assets</b>	<b>872,892</b>	<b>2,524</b>	<b>18</b>	<b>(27,307)</b>	<b>848,127</b>
<b><u>Segment liabilities</u></b>					
Non-current liabilities	77,561	-	-	(19)	77,542
Current liabilities	164,172	1,885	14	-	166,07

## GEOGRAPHICAL STRUCTURE

### Group BIOTON SA

Thousand PLN	01.01.2022 - 31.12.2022	01.01.2021-31.12.2021
European market, including:	<b>114,449</b>	<b>102,642</b>
Poland	99,737	98,142
Other countries	14,713	4,500
Asian market, including:	<b>72,335</b>	<b>28,139</b>
China	47,090	7,271
Vietnam	17,154	10,365
Other*	8,091	17,311
Other markets*	<b>34,086</b>	<b>15,764</b>
Analog project	12,289	9,682
Total sales revenues	<b>233,159</b>	<b>163,035</b>

\* - Includes Transfer Price settlement and re-invoicing of services

## 2. Explanatory notes pertaining to the seasonal character or cyclical nature of activity of the Group

The sale of insulin is characterized by relatively small seasonal fluctuations in relation to the patients taking drugs. 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 new cases of diabetes are diagnosed during the time when the patient is suffering from infections. 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.

## 3. Revenues from sales

Thousand PLN	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
Revenue from sale of finished goods	185,978	120,429
Revenue from sale of goods	27,680	24,819
Revenue from sale of services <sup>1)</sup>	19,501	17,785
Total	<b>233,159</b>	<b>163,034</b>

<sup>1)</sup> The Group earns deferred revenue, the balance as at 31.12.2022 is PLN 32,745 thousand, see also note: 25.

## ASSORTMENT STRUCTURE

### BIOTON S.A. Group

Revenues from sales – assortment structure	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	structure (thousand PLN)	structure (in %)	structure (thousand PLN)	structure (in %)
Insulin	185,967	79.76%	120,456	73.88%
Finished products	<b>185,967</b>	<b>79.76%</b>	<b>120,456</b>	<b>73.88%</b>
Diabetes medicines	12,094	5.19%	9,929	6.09%
Other goods PL	9,243	3.96%	12,064	7.40%
Injectors	6,161	2.64%	2,795	1.71%
Goods and materials	<b>27,498</b>	<b>11.79%</b>	<b>24,788</b>	<b>15.20%</b>
Services <sup>1)</sup>	<b>19,693</b>	<b>8.45%</b>	<b>17,789</b>	<b>10.91%</b>
Total sales revenues	<b>233,159</b>	<b>100.00%</b>	<b>163,034</b>	<b>100.00%</b>

<sup>1)</sup> in the Services category, the Company presents, inter alia: revenues received under license agreements (upfront contracts) concluded with

Pharmasynthez; and revenues from the settlement of the analogue project were recognized in accordance with the agreement with Yifan Pharmaceutical Co;

### Information about main recipients

For the period from January 1, 2022 to December 31, 2022 there were 3 recipients whose revenues exceeded 4.8% of the Group's revenues.

<i>thousand PLN</i>	<b>01.01.2022 - 31.12.2022</b>	<b>01.01.2021 - 31.12.2021</b>
<b>Poland</b>	<b>99,737</b>	<b>98,142</b>
Client 1	24,515	33,488
Client 2	29,357	24,138
Client 3	11,259	15,148
Other clients	34,606	25,368
<b>Asian market</b>	<b>133,422</b>	<b>23,785</b>
Client 1	47,090	13,282
Client 2	15,747	10,503
Other foreign clients	70,585	41,107
<b>Total sales revenues</b>	<b>233,159</b>	<b>163,034</b>

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

On March 27, 2018 the Company entered into a framework agreement with Yifan International Pharmaceutical Co., Ltd. based in Hong Kong (YIFAN) for global 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"). 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 consists in development and promotion related to the sales of 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 mentioned agreement: (i) gives YIFAN distributor exclusive right to import goods, (ii) causes actions the purpose of which is to transfer or change existing distribution agreements of the Company in the distribution territory determined in the Agreement, (iii) grants YIFAN distributor the right to use of trademarks of BIOTON S.A. related to products solely for the purpose and in connection with advertising, promotion, distribution and sale of products on the territory specified in the Agreement. For years 2018-2021 the Company recognized revenue of PLN 5,804 thousand, and in 2022 – PLN 1,548 in accordance with the requirements of IFRS 15.

The remaining amount of PLN 15,866 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 July 16, 2019 the Management Board concluded an agreement with Yifan Pharmaceutical Co., Limited ("Yifan"), the subject of which is the mutual cooperation of the parties in the scope of active substances of insulin analogs and final medicinal product (in finished form), from their production to commercialization ("Agreement"). The Agreement provides financing for the entire project, since all costs related to the purchase and installation of equipment needed to implement each stage of the Agreement, purchase of raw materials and auxiliary substances necessary to manufacture products in the scope of relevant orders will be covered by Yifan. If the result of works shows that the commercial production line is adapted to the production of the drug product in the finished form Bioton will be granted the right to use Yifan's intellectual property as well as 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 work

The continuation of the Analog project is underway. Both Yifan and Bioton are working together on the transfer, scaling and registration of all products. For the long-acting insulin analog, Glargine, the Company has completed laboratory-scale batch runs with the intention to produce a clinical-scale batch of the drug substance in Q2 2023. The manufacturing facility is currently being upgraded to accommodate the new process.

Regarding the Lispro insulin analog, Bioton is still not working on this project and is still awaiting the final Yifan's study report. Some delays occurred due to the extensive periods of restrictions imposed in China due to the COVID-19 pandemic in 2022, which in particular delayed the progress of the IND filing and testing. Subsequently, it became apparent that there were some technological issues with Lispro, where Yifan found that the batches produced for Testing had a slight difference in content from the reference drug, so three further batches will need to be produced for Lispro Testing.

The completion date for the Lispro analog project is delayed by approximately 1-2 years, but it should be taken into account that the schedule for this type of project is difficult to predict as unforeseen technological issues may arise in the course of the project and the clinical trial/registration processes may be subject to some delays.

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

#### 4. Idle time and unused production capacity

<i>Thousand PLN</i>	<b>1.01.2022 - 31.12.2022</b>	<b>1.01.2021 - 31.12.2021</b>
Idle time	11,170	4,913
Unused production capacity	-	-
	<b>11,170</b>	<b>4,913</b>

#### 5. Other operating revenues

<i>Thousand PLN</i>	<b>1.01.2022-31.12.2022</b>	<b>01.01.2021-31.12.2021</b>
a) profit on disposal of non-financial assets	16	2,656
b) release of write-downs on current assets	296	-
c) release of fixed asset write-downs	24	-
d) dissolution of provisions	318	1,306
e) others, of which:	4,012	1,985
- sale of materials, packaging	537	567
- damages	-	577
- subsidies <sup>1)</sup>	2,923	751
- provision for severance payments	14	-
- reimbursed court fees	300	-
-redemption of liabilities	115	-
- other	122	89
	<b>4,667</b>	<b>5,946</b>

<sup>1)</sup> The amount of PLN 2,173 thousand refers to the closure and settlement of the National Research and Development Centre grant in Bioton ; see also note: 30

## 6. Other operating costs

thousand PLN	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
a) loss on disposal and liquidation of non-financial assets	618	-
b) revaluation of non-financial assets	2,747	1,596
c) created provisions for:	144	356
- retirement benefits	84	172
- provision for severance payments	-	170
- provision for leaves	61	14
- others	-	-
d) other, including:	4,973	3,081
- donations	454	272
- liquidation of current assets	2,455	603
- contributions to the organization	15	15
- costs of selling materials	6	11
- costs of litigation	-	40
- other costs, including:	856	892
- penalties and damages	1,189	1,248
- advisory services	-	-
	<b>8,482</b>	<b>5,033</b>

## 7. Net financial revenues/(costs)

Thousand PLN	1.01.2021 - 31.12.2021	1.01.2020 - 31.12.2020
A. Financial income on account of interest, including	-	-
a) other interest	-	-
- from other undertakings	-	-
B. Gain on disposal of financial assets	-	-
C. Other financial income, of which:	-	-
a) foreign exchange gains	-	-
b) other	-	-
- Financial income total	-	-
D. Financial costs due to interest, including:	<b>7,858</b>	<b>4,539</b>
a) on loans and borrowings	5,818	2,884
- for affiliated companies	1,672	976
- for other companies	4,146	1,908
b) other interest	2,040	1,655
- for other undertakings	2,040	1,655
E. Other financial costs, including:	<b>8,448</b>	<b>1,473</b>
a) loss on disposal of associates	-	-
b) other, including	8,448	1,473
- exchange rate differences	7,862	1,372
- commissions on credits and bonds	-	-
- other	586	100
Financial costs total	<b>16,306</b>	<b>6,011</b>
Net financial revenues/(costs)	<b>(16,306)</b>	<b>(6,011)</b>

### Accounting period from 01.01.2022 to 31.12.2022

In the current reporting period, the BIOTON S.A. Group did not generate any profit on disposal of financial assets.

### The accounting period from 01.01.2021 to 31.12.2021

In the current reporting period, BIOTON S.A. Group has not generated a profit on disposal of financial assets.

## 8. Expenses by type

<i>thousand PLN</i>	Note	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
<i>Continuing operations</i>			
Depreciation and amortisation, of which:		34,403	31,638
- depreciation of property, plant and equipment		13,371	14,265
- intangible assets		17,976	15,499
-depreciation of fixed assets in leasing		206	208
-intangible and legal assets in leasing		2,851	1,667
Use of raw materials and energy		63,866	45,961
Taxes and charges		3,765	3,914
Outsourced services		21,132	38,71
Wages and salaries		44,699	43,656
Employee benefits		10,819	10,601
Other, including:		10,805	9,788
-Advertising and representation		8,282	7,256
-Royalties	-	-	-
- Insurance expenses		2,094	2,385
-Business travels		61	17
- Other		368	129
<b>Total costs by type</b>		<b>189,489</b>	<b>184,267</b>
Sales costs (negative value)		(35,16)	(31,793)
Overhead expenses (negative value)		(30,274)	(27,90)
Research and development costs (negative value)		(5,337)	(4,665)
Change in inventories of products		101,265	22,049
Cost of standstill and unused production capacity		(11,17)	(4,913)
Cost producing goods for internal use (negative value)		(103,067)	(74,182)
<b>Cost of products sold</b>		<b>105,746</b>	<b>62,864</b>
Cost of goods and materials sold		<b>20,492</b>	<b>17,469</b>
<b>Cost of sales</b>		<b>126,238</b>	<b>80,334</b>

### Salaries and employee benefits

Thousand PLN	1.01.2022- 31.12.2022	1.01.2021 - 31.12.2021
Continuing operations	44,699	43,656
Salaries	7,453	7,309
Social security	3,366	3,292
Other benefits	<b>55,518</b>	<b>54,256</b>

For salaries paid or payable to the members of the management and supervisory bodies, see note 36.

## 9. Income tax

### Income tax within the income statement

<i>Thousand PLN</i>	1.01.2022 - 31.12.2022	1.01.2021 - 31.12.2021
<b>Current income tax</b>		
Income tax for current year	293	364
<b>Deferred tax</b>		
Creation/reversal of temporary differences	3,238	5,085
<b>Total income tax</b>	<b>3,531</b>	<b>5,449</b>
<i>Falling for:</i>		
Continuing operations	3,531	5,449

## Effective tax rate

Thousand PLN	01.01.2022 - 31.12.2022		01.01.2021 - 31.12.2021	
	%	amount	%	amount
Profit / (Loss) from continuing operations		1,421		2,882
Profit / (Loss) from discontinued operations		-		-
Income tax		3,531		5,449
<b>Profit / (Loss) before taxation</b>		<b>4,952</b>		<b>8,331</b>
Tax based on the applicable tax rate	19% and 9%	1,056	19% and 9%	1,583
Difference between expected tax and tax in profit and loss account		(2,475)		(3,866)
<b>Explanation of the absence of an effective rate</b>				
Tax revenues not constituting accounting revenue		3,378		4,18
Non-taxable accounting income		(4,293)		-
Permanent differences on non-taxable expenses:		<b>7,49</b>		<b>4,517</b>
- financing of the subsidiary		1,173		1,069
- depreciation of costs not being tax deductible		2,59		1,955
- other costs not being tax deductible		3,727		1,493
Deferred tax asset/liability written off (not included in current tax)		<b>7,229</b>		<b>11,651</b>
- adjustment of tax for previous years		6,335		11,651
- write-downs on the intangible assets not reducing the tax deductible expenses		894		
<b>Total</b>		<b>13,803</b>		<b>20,347</b>
Tax representing the difference	19% and 9%	2,476	19% and 9%	3,866
<b>Tax at effective tax rate</b>	<b>71.31%</b>	<b>3,531</b>	<b>65.16%</b>	<b>5,449</b>

## 10. Property, plant and equipment

thousand PLN	Buildings, premises and civil engineering structures	Technical equipment and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total fixed assets
Gross value of fixed assets						
Gross value as of 1 January 2022	<b>194,521</b>	<b>255,432</b>	<b>1,146</b>	<b>24,894</b>	<b>9,413</b>	<b>485,406</b>
Additions (of the title):	<b>577</b>	<b>3,63</b>	<b>3</b>	<b>2,29</b>	<b>3,672</b>	<b>10,172</b>
- purchase					3 672	3 672
- transfer from construction in progress	525	3,548	-	2,279	-	6,352
- effect of movement in exchange rates	-	-	-	-	-	-
- other	52	82	3	11	-	148
Reductions (for):	<b>19</b>	<b>1,349</b>	<b>476</b>	<b>213</b>	<b>7,210</b>	<b>9,267</b>
- sale		5	172	37	114	328
- transfer from construction in progress					5,219	6,832
- liquidation	19	1,344	304	-	106	1,931
- Other			-	176	-	176
Gross value as of December 31, 2022	<b>195,079</b>	<b>257,713</b>	<b>673</b>	<b>26,971</b>	<b>5,875</b>	<b>486,311</b>

## Depreciation and impairment losses

thousand PLN	Buildings, premises and civil engineering structures	Technical equipment and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total fixed assets
Depreciation and impairment losses as at 1 January 2022	<b>37,015</b>	<b>148,994</b>	<b>980</b>	<b>10,892</b>	<b>974</b>	<b>198,855</b>
Increases ( from )	<b>3,422</b>	<b>9,385</b>	<b>51</b>	<b>1,42</b>	-	<b>14,273</b>
- depreciation	2,524	9,385	51	1,42	-	13,375
- other - write-off	898	-	-	-	-	898
Decreases ( from ):	<b>19</b>	<b>1,212</b>	<b>443</b>	<b>195</b>	-	<b>1,869</b>
- sale	-	-	138	36	-	174
- other	-	-	-	-	-	-
- liquidation	19	1,212	305	159	-	1,695
Depreciation and impairment losses as at 31 December 2022	<b>40,418</b>	<b>157,167</b>	<b>588</b>	<b>12,112</b>	<b>974</b>	<b>211,259</b>
Net value						
as at 1 January 2022	157,506	106,438	166	14,002	8,439	286,551
as at 31 December 2022	154,661	100,546	85	14,859	4,901	275,051

## **Property, plant and equipment (cont'd)**

As of December 31, 2022 the Group has analyzed the premises for impairment of plant, property and equipment. As a result of conducted analysis, there were no premises for impairment and need for allowances.

Fixed bank collateral is established on certain plant, property and equipment (see note 25). At the end of the reporting periods, the value of collateral was as follows:

- 31 December 2022 - in the amount of PLN 43,924 thousand collateral on loans,
- December 31, 2021 – 37,740 thousand and EUR 18,000 thousand collateral on loans

### Plant, property and equipment under construction

At the end of the reporting period, expenditure on plant, property and equipment under construction totalled PLN 4,901 thousand and were related to tasks performed by the Company associated with, among others, expenditures included in machinery and equipment worth PLN 2,142 thousand, buildings and structures worth PLN 947 thousand (as of December 31, 2021 PLN 8,439 thousand and for the following categories PLN 4,077 thousand, PLN 1,456 thousand respectively).

## **11. Goodwill**

At the end of December 31, 2022 and December 31, 2021, goodwill is zero.

## 12. Other intangible assets

<i>thousand PLN</i>	Costs finished developmental works	Concessions, patents, licenses, computer software	Other intangible assets	Developmen t work in progress	Other intangible assets in total
Gross value as of December 31, 2021	<b>57,724</b>	<b>21,248</b>	<b>592,972</b>	<b>516,221</b>	<b>1,188,165</b>
adjustment - write-down of intangible assets of Biolek		<b>-160</b>			
Gross value as of January 1, 2022	<b>57,724</b>	<b>21,088</b>	<b>592,972</b>	<b>516,221</b>	<b>1,188,005</b>
Increases due to:	<b>101,430</b>	<b>129</b>	-	<b>18,628</b>	<b>120,187</b>
- purchase	-	129	-	4,671	4,800
- other	-	-	-	-	-
- in-house development	101,430	-	-	13,957	115,387
- reclassification	-	-	-	-	-
Decreases due to:	<b>171</b>	<b>488</b>	<b>113</b>	<b>101,413</b>	<b>102,185</b>
- liquidation	171	-	113	-	284
- impairment	-	-	-	-16	-16
- settlement of development work	-	488	-	101,429	101,917
Gross value at December 31, 2022	<b>158,983</b>	<b>20,729</b>	<b>592,859</b>	<b>433,436</b>	<b>1,206,007</b>

### Accumulated depreciation and impairment write-offs

Accumulated depreciation and impairment losses on January 1, 2022	<b>28,854</b>	<b>16,485</b>	<b>374,503</b>	<b>405,986</b>	<b>825,827</b>
Additions (for):	<b>5,639</b>	<b>1,867</b>	<b>10,471</b>	-	<b>17,977</b>
- depreciation	5,639	1,867	10,471	-	17,977
- liquidation	-	-	-	-	-
- impairment	-	-	-	-	-
Reductions for:	<b>171</b>	<b>488</b>	<b>114</b>	-	<b>773</b>
- liquidation	171	488	114	-	773
Accumulated depreciation and impairment write-offs as of December 31, 2022	<b>34,322</b>	<b>17,864</b>	<b>384,860</b>	<b>405,986</b>	<b>843,032</b>
Net value					
as of 1 January 2022	28,870	4,603	218,469	110,235	362,177
31 December 2022	124,661	2,865	207,999	27,450	362,975

Amortization costs for intangible assets are allocated to the cost of sales, general and administrative expenses, costs of sales and research and development costs.

In 2022, due to such issues as changes in technology, the RHI licence, the Novation Agreement signed, the Company has extended and standardised depreciation rates for RHI technology-related assets

### **Development work in progress**

At the end of the reporting period, expenditures for development works and intangible assets in progress amounted to a total of PLN 27,450 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 2021, the total amount was PLN 110,235 thousand). In 2022, a scale-up of the finished form production line was carried out and thus the ability to make 1500L finished formulation of insulin was achieved. The process was carried out in accordance with cGMP (current Good Manufacturing Practice) guidelines and confirmed by Process Validation. The manufacturing scale change was submitted to the Registration Office for Medicinal Products. The registration documentation and the entire change was approved by the Office. Increasing the production scale results in a reduction in manufacturing costs, an increase in production capacity and consequently, ensures patients' access to a life-saving medicine. Locating the active substance and finished form factory in Poland also increases the country's security in

emergency situations.

### Impairment test

At the end of each reporting period, the Group assesses whether there is any indication that unfinished development work may be impaired. In assessing whether there is any indication that intangible assets may be impaired, the Company analyses at least the indications from external and internal sources of information required by IAS 36 "Impairment of Assets". The Group has analysed whether there are any indications of impairment of its intangible assets. As a result of the analysis, no indications of impairment and the need for write-downs were identified.

Development work in progress (thousand PLN)	31.12.2022	31.12.2021
<b>BIOTON S.A.:</b>	<b>27,107</b>	<b>109,907</b>
-registration procedures of classic insulin, due to the increased manufacturing and its registration in other territories	27,107	109,907
<b>BIOLEK Sp. z o. o.</b>	<b>342</b>	<b>326</b>
-registrations	342	326
	<b>27,450</b>	<b>110,233</b>

### 13. Assets under the right of use

The consolidated balance sheet includes a separate line item for "Right-of-use assets", which includes the following assets by class:

<i>thousand PLN</i>	IFRS16 31.12.2022	IFRS 16 31.12.2021
Technical equipment and machinery	8,595	10,655
Means of transportation	1,365	1,112
Perpetual usufruct right to land	5,175	5,252
<b>Total</b>	<b>15,135</b>	<b>17,019</b>

<i>thousand PLN</i>	Perpetual usufruct right of land	Means of transport	Technical equipment and machinery	Total
Balance as of 01.01.2022	5,252	1,112	10,655	17,019
Additions - new lease agreements	-	796	384	1,180
Termination of lease contracts	-	(12)	-	(12)
Depreciation	(77)	(531)	(2,444)	(3,052)
<b>Balance as of 31.12.2022 - IFRS 16</b>	<b>5,175</b>	<b>1,365</b>	<b>8,595</b>	<b>15,135</b>

### 14. Investment properties

thousand PLN	31.12.2022	31.12.2021
Right of perpetual usufruct of land	1,357	1,357
	<b>1,357</b>	<b>1,357</b>

## 15. Deferred tax assets and liabilities - deferred tax

Deferred tax assets result from the following balance sheet items:

	<b>Tax assets</b>	
<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Property, plant and equipment	356	-
Intangible assets	7,514	7,597
Inventories	235	296
Receivables	3	-
Loans and borrowings	1,400	823
Liabilities	882	734
Employee benefits	790	1,259
Provisions	2,637	2,398
Cash and cash equivalents	59	39
Deferred income	3,618	4,032
Miscellaneous:	(494)	(495)
<b>Total</b>	<b>17,000</b>	<b>16,684</b>
Unsettled tax losses <sup>1)</sup>	1,478	4,226
Compensation of deferred tax	(16,249)	(15,402)
<b>Net deferred tax assets</b>	<b>2,228</b>	<b>5,508</b>

<sup>1)</sup> Current tax losses relate to the year 2018 (the amount of PLN 7,781 thousand). In 2018-2021, the Company used the losses from 2016- 2018 in the amount of PLN 78,846 thousand. Unsettled losses The Company plans to settle in subsequent financial years;

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

Deferred tax assets result from the following balance sheet items:

	<b>Tax liabilities</b>	
<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Plant, property and equipment	11,265	11,762
Intangible assets	3,606	2,822
Receivables	211	24
Loans and borrowings	1,092	766
Liabilities	75	26
Employee benefits	-	-
Cash and cash equivalents	-	2
<b>Total</b>	<b>16,249</b>	<b>15,402</b>
Compensation of deferred tax	(16,249)	(15,402)
<b>Net deferred tax liabilities</b>	<b>0</b>	<b>0</b>

Deferred tax in the individual reporting periods was calculated according to the statutory tax rate of 19%, applicable in Poland.

## Deferred tax assets and liabilities

thousand PLN	Balance as of 01.01.2022, restated	Changes recognized in the financial result	Changes in equity	Balance as of December 31, 2022
Property, plant and equipment	(11,762)	853	-	(10,909)
Intangible assets	4,789	(883)	-	3,907
Inventories	282	(44)	-	239
Receivables	15	(226)	-	(211)
Cash and cash equivalents	(2)	61	-	59
Loans and borrowings	57	251	-	308
Other	(495)	-	-	(495)
Employee benefits	1,259	(498)	30	791
Deferred income	4,032	(415)	-	3,618
Liabilities	708	99	-	807
Provisions	2,397	239	-	2,636
Unsettled tax losses	4,228	-	-	1,478
<b>Total</b>	<b>5,509</b>	<b>(3,311)</b>	<b>30</b>	<b>2,228</b>

### 16. Non-current prepayments

thousand PLN	31.12.2022	31.12.2021
a) accruals and prepayments, including:	509	786
- foreign registrations	25	104
- costs of updating IT systems	358	536
- financial costs	-	2
- other deferred costs	126	144
	<b>509</b>	<b>786</b>

### 17. Inventories

thousand PLN	31.12.2022	31.12.2021
a) raw materials	41,250	29,086
b) semi-finished goods and products in progress	39,764	55,437
c) finished goods	6,614	10,951
d) goods	22,396	29,281
e) prepayments for deliveries	978	376
<b>Total inventories net</b>	<b>111,002</b>	<b>125,131</b>
Allowances for inventories	1,255	1,511
<b>Total gross inventories</b>	<b>112,257</b>	<b>126,642</b>

As at the end of the reporting period, the Group does not secure its loan commitments with a registered pledge on inventory.

At the end of the 2021, collateral on inventories due to loans amounted to PLN 4,576 thousand (for products, the value of collateral is calculated at selling prices).

## Change in inventories revaluation allowances

<i>thousand PLN</i>	31.12.2022	31.12.2021
<b>Balance at the beginning of the statement period</b>	<b>1,511</b>	<b>4,552</b>
Increases	1,121	1,470
- created	1,121	1,470
- effect of movement in exchange rates	-	-
Reductions	(1,376)	(4,510)
- effect of movement in exchange rates	-	-
- utilisation	(1,376)	(4,510)
<b>Balance as at the end of period:</b>	<b>1,256</b>	<b>1,511</b>

An increase in the impairment allowance of PLN 1,121 thousand was recognised in other operating expenses (in 2021, the amount of the allowance was PLN 1,470 thousand).

The value of inventories recognised as cost of products and sales of goods in the income statement amounted to PLN 126,239 thousand (2021: PLN 80,334 thousand).

## 18. Income tax, trade and other receivables

<i>thousand PLN</i>	31.12.2022	31.12.2021
a) receivables from affiliated companies B (non-consolidated)	20,352	7,922
b) receivables from other entities	11,054	31,732
- the title of supplies and services	4,841	27,945
- tax liabilities, including:	5,121	3,514
- VAT	5,096	2,938
- CIT tax	9	546
- other taxes	16	30
- other, including:	1,092	273
- advances for fixed assets under construction	759	-
- receivables from employees (loans from ZFŚS and advances)	221	37
-prepayments for deliveries	6	7
- other	106	228
	<b>31,406</b>	<b>39,653</b>

The note presents the Company's receivables for deliveries and services, tax receivables and others. Information on foreign currency exchange rate risk and interest rate risk to which the Company is exposed is presented in the note 29.5 and 29.6.

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

## Change in revaluation allowances for current receivables

At the end of the reporting period, write-downs on receivables amount to PLN 1,528 thousand (in 2021, there were no write-offs for receivables).

When determining impairment losses, the Group applied the model of expected credit losses. Individually for each customer, the Group assesses the status of overdue receivables, taking into account the reason for their overdue, the financial condition of the debtor, and the level of probability of repayment by the customer. The Group decides to create a write-off for receivables based on the analyzes carried out and based on appropriate premises that the client is unable to pay off outstanding debts in the foreseeable future. Each time after the age structure has been drawn up for the reporting moment, the Group analyzes the receivables based primarily on individual approach to each receivable, but also taking into account the principles described above.

## Maturity structure of current trade receivables from unrelated parties

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Current receivables due to gross deliveries and services with a repayment period:	6,276	26,156
-current up to 30 days	3,824	9,755
-current from 31 to 60 days	2,398	16,400
-current from 61 to 90 days	54	-
-current from 91 to 80 days	-	-
-current from 181 to 365 days	-	-
Allowance for current trade receivables	-	-
Net current trade receivables	<b>6,276</b>	<b>26,156</b>
Gross overdue trade receivables with payment terms:	93	1,790
- overdue up to 30 days	(1)	1,501
- overdue from 31 to 60 days	2	71
- overdue from 61 to 90 days	-	1
-overdue from 91 to 180 days	(1)	6
-overdue from 81 to 365 days	3	3
- overdue over 365 days	90	207
Revaluation allowances on overdue receivables for deliveries and services	(1,528)	-
Net overdue receivables for deliveries and services	<b>(1,435)</b>	<b>1,790</b>
Total net receivables under deliveries and services	<b>4,841</b>	<b>27,945</b>

## 19. Cash and cash equivalents

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash in hand	-	-
Cash at bank	9,339	8,857
Deposits	-	-
Total cash and cash equivalents (carrying amount)	<b>9,339</b>	<b>8,857</b>
Cash within assets held for sale	0	0
Cash and cash equivalents at the end of the period (amount presented in cash flow)	<b>9,339</b>	<b>8,857</b>
Overdrafts	0	0
Cash within assets held for sale	0	0
Cash and cash equivalents at the end of the period excluding overdrafts and cash within assets held for sale	<b>9,339</b>	<b>8,857</b>

Cash in bank accounts is accrued at variable interest rates, the amount of which corresponds to the rate of interest on overnight bank deposits. Term deposits are short-term, they are established for various periods, from one day to three months, depending on the Group's current demand for cash and bear interest at the interest rates set for them (*see also note 30*).

Cash on bank accounts and term deposits are accumulated on bank accounts in banks where the Group uses loans (*see also note 25*).

## 20. Current prepayments

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
a) current prepayments, including:	1,324	1,085
- insurance	542	503
- foreign and domestic registrations	48	87
- taxes and charges	15	44
- validations	155	128
- costs of updating IT systems	347	182
- financial costs	2	28
- other	216	113
	<b>1,324</b>	<b>1,085</b>

## 21. Assets held for sale

As of December 31, 2022 and December 31, 2021 there were no assets held for sale due to the lack of compliance with requirements from IFRS 5 "Non-current assets held for sale and discontinued operations".

## 22. Equity

### Share capital

thousands of shares	Ordinary shares	
Number of shares at the beginning of the statement period	31.12.2021	31.12.2020
Series A shares after resplit	<b>85,864</b>	<b>85,864</b>
Number of shares at the end of the period {fully paid up, after consolidation}	85,864	85,864
Nominal value of 1 share {after consolidation}	<b>85,864</b>	<b>85,864</b>
Number of shares at the beginning of the statement period	<b>PLN 20</b>	<b>PLN 20</b>

BIOTON S.A. did not issue shares in 2022.

## Structure of share capital BIOTON SA on December 31, 2022

Shareholder	Number of shares / votes (in pcs)	% share capital
1 Dongren Singapore PTE LTD. <sup>1)</sup>	16,989,289	19.79
2 Perfect Trend Ventures Ltd. <sup>2)</sup>	10,434,852	12.15
3 Troqueera Enterprises Ltd.	8,480,570	9.88
4 Basolma Holding Ltd. <sup>3)</sup>	6,151,852	7.16
5 AIS Investment 2 Sp. z o. o.	5,151,852	6.00
6 UniApek S.A. <sup>4)</sup>	4,293,210	5.00
7 Other shareholders with <5%	34,362,575	40.02
	<b>85,864,200</b>	<b>100</b>

<sup>1)</sup> Yifan Pharmaceutical Co., Ltd. is entitled indirectly through Dongren Singapore PTE LTD. to 16,989,289 dematerialized shares of the Company representing 19.79% of the share capital of the Company. Yifan Pharmaceutical Co., Ltd. is the dominant of Dongren Singapore PTE LTD.

<sup>2)</sup> Yifan Pharmaceutical Co., Ltd. is indirectly entitled through Perfect Trend Ventures Limited to 10,186,419 dematerialized shares in the Company, representing 11.86% of the Company's share capital. Yifan Pharmaceutical Co., Ltd. is the dominant of Perfect Trend Ventures Limited.

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

<sup>3)</sup> Basolma Holding Ltd is the parent company of AIS Investment 2 Sp. z o. o.

<sup>4)</sup> Dongren Investment Co., Ltd. of Ningbo Free Trade Zone is entitled indirectly through UniApek 4.293.210 dematerialized shares of the Company representing 5% of the Company's share capital. 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.

## Share premium

thousand PLN

Issues	Issue value	Number of shares (in pcs)	Issue price of 1 share (in PLN)	Nominal value related to share capital	Expenses of the issue	Share premium
C	44 000	16 000 000	2,75	16 000	4 239	<b>23 761</b>
D	2 873	298 358	9,63	298	1 979	<b>596</b>
E	14 952	2 020 579	7,40	2 021	2 249	<b>10 682</b>
F	85 000	8 500 000	10	8 500	868	<b>75 632</b>
G	356 456	1 697 408 406	0,21	339 482	9 258	<b>7 716</b>
H	-	-	-	-	48	<b>(48)</b>
I	183 352	81 489 729	2,25	16 298	157	<b>166 897</b>
J	244 971	272 190 000	0,90	54 438	4 424	<b>186 109</b>
K	34 250	32 619 428	1,05	6 524	207	<b>27 519</b>
L	35 067	33 082 033	1,06	6 616	70	<b>28 381</b>
M	60 000	300 000 000	0,20	60 000	3 955	<b>(3 955)</b>
N	96 641	483 206 610	0,20	96 641	4 126	<b>(4 126)</b>
O	-	-	-	-	179	<b>(179)</b>
P	-	-	-	-	8	<b>(8)</b>
R	93 501	467 505 200	0,20	93 501	1 654	<b>(1 654)</b>
S	26 974	134 870 120	0,20	26 974	192	<b>(192)</b>
T	50 000	250 000 000	0,20	50 000	277	<b>(277)</b>
U	119 000	595 000 000	0,20	119 000	722	<b>(722)</b>
W	19 684	89 474 460	0,22	17 895	109	<b>1 680</b>
Y	20 000	100 000 000	0,20	20 000	120	<b>(120)</b>
Z	-	-	-	-	476	<b>(476)</b>
A1	52 196	260 980 086	0,20	52 196	295	<b>(295)</b>
AA	319 117	1 595 585 570	0,20	319 117	1 834	<b>(1 834)</b>
AB	250 000	1 250 000 000	0,20	250 000	1 335	<b>(1 335)</b>
AC	1	3 688	0,20	1	201	<b>(201)</b>
AC	-	-	-	-	31	<b>(31)</b>
Coverage loss from 2008						<b>(68 591)</b>
Coverage loss from 2009						<b>(387 798)</b>
<b>Total</b>	<b>2 108 035</b>	<b>-</b>	<b>-</b>	<b>1 555 502</b>	<b>39 013</b>	<b>57 131</b>

## Inventory capital

The reserve capital recognizes divided profits and the supplementary capital covers losses, in accordance with the resolutions of the General Meeting. Reserve capital also includes the valuation of financial

instruments available for sale.

As of December 31, 2022 the reserve capital amounted to PLN 260 775 thousand (as of December 31, 2021 - PLN 260,776 thousand).

In 2022, BIOTON S.A. did not pay dividend. BIOTON S.A. does not plan to pay dividend in 2023.

### Profit / (loss) per share

Calculation of basic losses per share was based on the net profit of PLN 2,882 thousand and the weighted average number of shares in the period from January 1, 2022 to December 31, 2022 in the first number 85 864 200.

	<b>01.01.2022 - 31.12.2022</b>
Weighted average number of shares (in pcs)	85,864,200
Diluted weighted average number of shares (in pcs)	85,864,200
Zysk / (Loss) per share from continuing operations (in PLN)	0.02
Basic	0.02
Diluted	0.02

Weighted average number of shares in the period from January 1, 2022 to December 31, 2022.

Shares series	Number in pcs	Cumulative quantity in pcs	Period	Number of days	Weighted average number of shares
A, AA, AB, AC	85 864 200	85 864 200	01.01.2022–31.12.2022	365	85 864 200
	85 864 200	-		365	85 864 200

*Weighted average number of shares From 1 January until 31 December 2021*

Shares series	Number in pcs	Cumulative quantity in pcs	Period	Number of days	Weighted average number of shares
A, AA, AB, AC	85 864 200	85 864 200	01.01.2021–31.12.2021	365	85 864 200
	85 864 200	-		365	85 864 200

As of December 31, 2022 there were no dilutive shares.

## 23. Liabilities for credits, loans and other debt instruments

The note presents the Company's liabilities for credits, loans and other debt instruments. Information on exchange rate risk and interest rate risk to which the Company is exposed is presented in the note 30.

### Non-current liabilities

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Bank credits	6,810	16,053
Liabilities towards related entities	-	-
Lease liabilities	11,845	13,405
<b>Non-current liabilities in total</b>	<b>18,655</b>	<b>29,458</b>

### Current liabilities

*thousand PLN*

	<b>31.12.2022</b>	<b>31.12.2021</b>
loans and borrowings		
-from affiliates B (not consolidated)	55,196	78,622
- from other entities	20,147	27,712
Credit card liabilities	35,049	50,911
Lease liabilities	116	1
<b>Current liabilities, total</b>	<b>2,425</b>	<b>1,994</b>
<i>thousand PLN</i>	<b>57,738</b>	<b>80,617</b>

<sup>1)</sup> In accordance with IAS 1 par 74, the BIOTON SA Group verified long-term loans, the covenants were met;

### Credits and loans (long- and sort-term)

<i>Thousand PLN</i>	<b>Currency</b>	<b>Nominal amount according to the agreement at the of granting</b>	<b>Type and amount of interest</b>	<b>Repayment date by contract</b>	<b>Amount in PLN as of 31.12.2022</b>
ING Bank Śląski S.A	PLN	20 000	Variable interest rate - WIBOR 1M plus	kwi.25	12,005
ING Bank Śląski S.A overdraft	PLN	20 000	Variable interest rate - WIBOR 1M plus	maj.24	15,224
BNP Paribas Bank Polska S.A. overdraft	PLN	20 000	Variable interest rate - WIBOR 1M plus	sie.24	13,941
UniApek S.A.	USD	7 000	Variable interest rate - USD 3M LIBOR plus	cze.23	20,147
Other					805
<b>Total in PLN</b>	-	-	-	-	<b>20,147</b>
<b>Total in USD</b>	-	-	-	-	<b>41975</b>
<b>Total</b>					<b>62,122</b>
Including:					
Long-term credits and loans					6,810
Short-term credits and loans					55,313

### Hedge of credits resulting from the agreements:

- promissory note,
- mortgage,
- assignment of rights under an insurance policy,
- transfer of receivables under a factoring agreement,

- registered pledge,
- power of attorney to dispose of funds accumulated on BIOTON S.A. accounts,
- declaration on establishing a writ of execution.

In Bank ING Bank Śląski S.A., ING Commercial Finance Polska S.A. powers of attorney to dispose of the funds accumulated on the BIOTON S.A. accounts kept by these banks were submitted.

At Bank ING Commercial Finance Polska S.A., ING Lease (Polska) Sp. z o.o. and BNP Paribas Faktoring Sp. z o.o., the parent company submitted blank promissory notes together with promissory note declarations securing the Agreements.

By the date of publication of the Statement, the Company had deposited two blank promissory notes at BNP Paribas Leasing Services Sp. z o.o., together with the promissory note declarations securing the Agreements

Bioton S.A. Company:

- on 10 May 2022, the Factoring Agreement with ING Commercial Finance Polska S.A. with an exposure limit of PLN 20 million was extended for a further one-year period, i.e. until May 9, 2023;
- on 17.08.2022, the Company concluded an Annex No. 1 to the Multi-Product Agreement with ING Bank Śląski S.A., extending the repayment date of the sublimit of PLN 20 million until 09.05.2024;
- on 17.08.2022, the Company concluded an Annex No. 1 to the Registered Pledge Agreement dated 24.06.2021 with ING Bank Śląski S.A. amending the provisions of the part Basic Terms of the Agreement
- on 23.08.2022, the Company entered into an Overdraft Agreement with BNP Paribas Bank Polska Spółka Akcyjna with a limit of PLN 15 million. The Agreement is valid until 23 August 2024. Pursuant to the provisions of the Credit Agreement, the use of the credit facility was firstly intended for the full repayment of the exposure with 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.
- on 25.08.2022, the Company entered into a Factoring Agreement (full factoring with assignment of receivables under an insurance agreement) 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.
- on 26.08.2022, the Company made a full repayment of principal instalments with interest due 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 14.12.2022, the Company concluded an Annex No. 2 to the Multi-Product Agreement with ING Bank Śląski S.A. amending the part concerning collateral and the Company's representations and obligations towards the bank.
- on 01.12.2022, the Company concluded Annex No. 4 to the Loan Agreement with UNIAPEK S.A. extending the loan repayment period to 30.06.2023 and setting the repayment schedule for the period from 30.12.2022 to 30.06.2023 Other provisions of the agreement remained unchanged.

From the balance sheet date to the date of publication of the financial statements, the Company partially repaid loans and credits:

- ING Bank Śląski S.A, credit instalment in the amount of PLN 1,277 thousand.
- Uniapek loan instalment USD 1,050 thousand

## 24. Employee benefits

<i>Thousand PLN</i>	31.12.2022	31.12.2021
Provision for retirement benefits	<b>1,748</b>	<b>1,978</b>
non-current	1,470	1,486
current	278	492
Provision for unused annual holidays	1,938	1,981
	<b>3,686</b>	<b>3,959</b>
Non-current total	<b>1,470</b>	<b>1,486</b>
Current total	<b>2,216</b>	<b>2,474</b>

As of 31 December 2022, provisions for retirement severance payments amounted to PLN 1,748 thousand including PLN 1,597 thousand for BIOTON S.A. and PLN 151 thousand for other entities.

Every year, the Company creates a provision for retirement benefits based on external actuary valuation. Assumptions adopted to estimate the provision in 2022 include: retirement age for men 65 years for women 60 years, long-term annual

growth rate of remuneration at 5%, discount rate 6.8%, i.e. on the expected level of profitability of the safest long-term securities listed on Polish capital market (ten- and twenty-year treasury bonds).

In 2021, the following assumptions were made: retirement age for men 65 years, for women 60 years, long-term annual growth rate of remuneration at 5% in the first year and 3.5% in each subsequent year, i.e. on the expected level of profitability of the safest long-term securities listed on the Polish capital market (ten- and twenty-year government bonds).

As part of the amendments to IAS 19 from January 1, 2013, the so-called "Corridor method" was eliminated, therefore the full amount of the deficit or financial surplus of the program is recognized by the Company in its financial statements. The possibility of a different presentation of profits and losses related to the defined benefit program was also eliminated. Staff costs and financial costs are recognized in the result, and the effects of revaluation in other comprehensive income, thanks to which they are presented separately from changes resulting from the current operations of the entity. The disclosure requirements for defined benefit plans have been extended to better reflect the nature of these programs and resulting risks.

### Changes in retirement benefit obligations

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
<i>Provision for retirement benefits - opening balance</i>	1,978	2,045
Decreases - release of provisions included in the profit and loss account	210	214
Reductions - actuarial losses recognized in equity	(215)	(240)
Increase – costs included in the profit and loss account	29	28
Benefits paid out	(254)	(69)
<b>Total:</b>	<b>1,749</b>	<b>1,978</b>
Provision for retirement benefits - closing balance, including:	<b>1,749</b>	<b>1,978</b>
a) non-current	1,470	1,486
b) current	278	492

### 25. Deferred income

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Received upfront payments for sales of rights (upfront) <sup>1)</sup>	16,859	19,042
Subsidies from MG (see note 31.1)	13,560	14,200
Subsidies from NFOŚiGW (see note 31.2)	2,326	2,437
Subsidies from NCBiR (see note 31.3)	-	579
	<b>32,745</b>	<b>36,257</b>

<sup>1)</sup> See also Note 3

### 26. Trade and other payables

#### Long term liabilities

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
a) to other entities	10,342	10,341
- other, including:	10,342	10,341
- liabilities due to the purchase of shares in the BIOLEK company	10,342	10,341
- liabilities under the purchase of fixed assets	-	-
	<b>10,342</b>	<b>10,341</b>

## Current liabilities

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
a) to related entities of the category B	-	35
a) to other entities	38,520	36,891
- for deliveries and services, of maturity date:	24,573	24,192
- up to 12 months	24,573	24,192
- over 12 months	-	-
- for salaries and wages	2,393	2,317
- for taxes, including:	3,135	5,745
- social security liabilities	2,168	4,469
- personal income tax on natural tax	728	876
- VAT	208	372
- PFRON (The State Fund for Rehabilitation of the Disabled Persons)	31	28
- other taxes	-	-
- other, including:	5,558	4,637
- liabilities under supply of non-financial fixed assets	606	437
- payables arising from non-invoiced deliveries	4,521	4,086
- other	432	114
b) special funds (by titles)	436	6
- Company Social Benefit Fund	436	6
	<b>36,095</b>	<b>36,932</b>

Balance sheet values of trade liabilities and other liabilities are considered to be the same as their fair values due to their short-term nature.

### 27. Income tax liabilities

The income tax liability as of December 31, 2022 is in the amount of PLN 74 thousand - the liability entirely relates to Bioton Marketing Agency Sp. z o.o. (as of December 31, 2021 the liability after restatement - PLN 1,162 thousand).

### 28. Provisions and other accruals

<i>thousand PLN</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Current prepayments	<b>44,932</b>	<b>44,88</b>
a) settlement of costs between the periods	<b>3,427</b>	<b>3,937</b>
- provision for utilities	88	30
- provision for legal/advisory fees	76	167
- provision for discounts to be granted in subsequent period	250	171
- audit fees	30	25
- reserve for royalties	86	1,066
- employee benefits	-	-
- provision for wage costs including surcharges	2,523	2,026
- provision for other costs by nature	67	195
- provision for other operating costs	254	239
- provision for financial costs	10	10
- provision for marketing expenditures	53	-
- other	-	8
b) accruals and deferred income	<b>41,505</b>	<b>40,947</b>
- received upfront payments <sup>1)</sup>	2,183	2,183
- subsidies from the Ministry of Economy (see note 30.1)	640	640
- subsidies from NFOŚ (see note 30.2)	111	111
- grants from the National Center for Research and Development (see note 30.3)	-	1,560
- other (advances received for deliveries and analogue project)	38,571	36,453

<sup>1)</sup> See also note 3

## 29. Financial instruments

### 29.1 General information in financial instruments as of 31 December 2022

	Bank deposits and cash on bank accounts	Bank credits and loans granted	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Financial liabilities	Trade and other receivables	Trade and other payables
b) Scope and nature of the instrument	No-risk or low risk current investments	Bank credits, short-term loans, including factoring line	See details below	See details below
c) The carrying amount of the instrument ( <i>thousand PLN</i> )	9,339	Bank loans 41,170 Loans 20,147	Trade receivables 31,403 Non-current receivables -	Liabilities: 36, 095 RMB: 4,069
d) Value of the instrument in foreign currency ( <i>in thousands</i> )	USD 1,289 EUR 669	Loans 4,576 USD	USD 4,577 EUR 2	USD 1,591 EUR 150 CHF 8
e) Sale or issue price	Placing Free Funds	Credits for current operations	Current operations	Current operations
f) Amount constituting base for future payments	Total deposits	Nominal value	Face value	Nominal value
g) The sum and date of future revenues or cash payments	Interest depending on the duration	Interest paid on monthly basis	According to the nominal value	According to the nominal value
h) Pricing date, maturity date, expiry date or exercise date of the instrument	Liquid instruments of overnight type and up to 3M	Repayment of capital within deadlines resulting from the agreements	According to the agreements	According to the agreements
i) Possibility of earlier settlement	Any	Exists	Exists	Exists
(j) Instrument performance target or range	By face value and interest	By nominal value and interest	By nominal value	By nominal value
k) Possibility of replacement or exchange for another asset or liability	None	None	None	None
l) Specified rate or amount of interest, dividend or other revenues and their due date	Variable, WIBID minus the bank's margin. Payment date upon completion	Bank credit – for PLN WIBOR + bank margin, for currency LIBOR + bank margin Due date – monthly and quarterly	According to the agreements	According to the agreements
m) Hedging related to the instrument, accepted, or submitted	None	Specified in note 25	None	None

n) The above-mentioned information for the instrument for which the given instrument may be exchanged	n/a	n/a	n/a	n/a
o) Other conditions related to the given instrument	None	Bank credit – min. use of credits according to the agreements	None	None
p) Type of risk related to the instrument	Interest rate, credit of financial institution	Interest rate and liquidity risk	Interest rate, exchange rate and credit of recipients	Currency
q) Total existing liabilities for items seized in the instruments	None	None	None	None
r) Fair value of the instrument	Equal to carrying value	Equal to carrying value ING Bank Śląski - PLN 16,145 thousand	Equal to carrying value	Equal to carrying value
s) Method of establishing fair value	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) The category of financial instruments from January 1, 2018 according to IFRS 9	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost

Information on trade receivables is included in note 20, whereas information on trade payables in note 28.

As of 31.12.2021

	Bank deposits and cash on bank accounts	Bank credits and loans granted	Receivables	Liabilities
a) Qualification	Cash and cash equivalents	Financial liabilities	Trade and other receivables	Trade and other payables
b) Scope and nature of the instrument	No-risk or low risk current investments	Bank credits, short-term loans, including factoring line	See details below	See details below
c) The carrying amount of the instrument (thousand PLN)	8,846	Bank loans 66,285 Loans 28,367	Trade receivables 39,108 Non-current receivables	Liabilities : 36,932 RMB: 3,937 Leasing obligations: 15,399
d) Value of the foreign currency (in thousands)	USD 5 EUR 867	Credits EUR 4,372 Loans USD 6,825	USD 2,083 EUR 590	USD 1,237 EUR 315
e) Sale or issue price	Placing Free Funds	Credits for current operations	Current operations	Current operations
f) Amount constituting base for future payments	Total deposits	Face value	Face value	Nominal value

g) The sum and date of future revenues or cash payments	Interest depending on the duration	Interest paid on monthly basis	According to the nominal value	According to the nominal value
h) Date of establishing prices, due dates, dates of expiry or execution of an instrument	Liquid instruments of overnight type and up to 3M	Repayment of capital within deadlines resulting from the agreements	According to the agreements	According to the agreements
i) Possibility of earlier settlement	Any	Exists	Exists	Exists
(j) Instrument performance target or range	According to face value and percentage	By nominal value and interest	By nominal value	By nominal value
k) Possibility of replacement or exchange for another asset or liability	None	None	None	None
l) Specified rate or amount of interest, dividend or other revenues and their due date	Variable, WIBID minus the bank's margin. Payment date upon completion	Bank credit – for PLN WIBOR + bank margin, for currency LIBOR + bank margin Due date – monthly and quarterly	According to the agreements	According to the agreements
m) Hedging related to the instrument, accepted, or submitted	None	Specified in note 25	None	None
n) The above-mentioned information for the instrument for which the given instrument may be exchanged	n/a	n/a	n/a	n/a
o) Other conditions related to the given instrument	None	Bank credit – min. use of credits according to the agreements	None	None
p) Type of risk related to the instrument	Interest rate, credit of financial institution	Interest rate and liquidity risk	Interest rate, exchange rate and credit of recipients	Currency
q) Sum of existing liabilities due to the seized	None	None	None	None
r) Fair value of the instrument	Equal to carrying value	Equal to carrying value ING Bank Śląski – PLN 16,145 thousand	Equal to carrying value	Equal to carrying value
s) Method of establishing fair value	Discounted cash flows	Discounted cash flows	Depreciated cost	Depreciated cost
t) The category of financial instruments from January 1, 2018 according to IFRS 9	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost	Financial Assets Carried at Amortised Cost	Financial liabilities valued at depreciated cost

Information on trade receivables is included in note 18, whereas information on trade payables in note 26.

29.2 Effective interest rates and schedule of repayments as of December 31, 2022

**LIABILITIES**

thousand PLN

	Effective percentage rate	up to 1 year	from 1 up to 2 years	from 2 to 5 years	above 5 years	total
ING Bank Śląski S.A overdraft <sup>1)</sup>		-	15,224	-	-	<b>15,224</b>
ING Bank Śląski S.A	7.66%	5,197	5,106	1,702	-	<b>12,005</b>
BNP Paribas Bank Polska S.A. overdraft <sup>2)</sup>		-	13,941	-	-	<b>13,941</b>
Loan Uniapek S.A. (USD 7 million) mortgage	4.73%	20,147	-	-	-	<b>20,147</b>
ING Commercial Finance Polska S.A. (factoring)		0	-	-	-	<b>0</b>
Other		805				<b>805</b>
		<b>26,149</b>	<b>34,271</b>	<b>1,702</b>		<b>62,122</b>

<sup>1)</sup> ageing according to the agreement term 09.05.2024.

<sup>2)</sup> ageing according to the agreement term 23.08.2024.

## 29.3

## Settlement of financial liabilities

	Note	01.01.2022	Cash flows from financial activity			Interest paid	Calculation of interest and commissions	Incurring Reclassification	Non-pecuniary changes recognised in connection with implementation of IFRS16 taking into account discount	Differences in exchange rate	31.12.2022
			Incurring	Repayment							
<i>thousand PLN</i>											
Credits	25	50,817	15,353	(23,751)	(5,405)	4,809	-	-	(1,362)	<b>40,459</b>	
Loans, including:	25	43,857	-	(8 711)	(1,393)	1,705	(15,467)	(22)	868	<b>20,836</b>	
-from related parties	25	27,712	-	(8,711)	(1,393)	1,672	-	-	868	<b>20,147</b>	
- from other entities	25	16,145	-	-	-	33	(15,467)	(22)	-	<b>689</b>	
Derivative Instruments	25	-	-	-	-	-	-	-	-	-	
Credit cards liabilities	25	1	116	-	-	-	(1)	-	-	<b>116</b>	
Leasing	25	15,399	-	(2,706)	-	-	1,752	(176)	-	<b>14,269</b>	
		<b>110,074</b>	<b>15,468</b>	<b>(35,169)</b>	<b>(6,798)</b>	<b>6,513</b>	<b>(13,716)</b>	<b>(198)</b>	<b>(494)</b>	<b>75,702</b>	

#### 29.4 Credit risk

Credit risk is the risk of financial loss for the BIOTON Group in the event that the client or the counterparty being a party to the transaction in relation to the financial instrument fails to meet its obligations. The risk in the case of BIOTON Group refers to long-term and short-time financial assets and trade receivables. Maturity analysis of receivables and changes in impairment losses on receivables is presented in note 20. In 2022, BIOTON S.A. continued to insure receivables resulting from the sale of goods in the trade credit system with a deferred payment date. The object of insurance consisted in cash receivables due to BIOTON S.A. from domestic partners. The limit of the insurer's liability due to the insurance concluded calculated on the basis of the paid premium in the given insurance period was PLN 25,538 thousand. In addition, BIOTON S.A. signed a factoring agreement with ING Commercial Finance Polska SA and in 2022, a factoring agreement with BNP Paribas Bank Polska S.A. regarding domestic receivables, which had a positive impact on financial liquidity. In 2022, Group BIOTON SA did not continue the contract for the insurance of foreign receivables due to the distribution contract signed with Scigen Ltd. Due to the large dispersion of contractors on the domestic and foreign market, there is no concentration risk in the Group, and because domestic trade receivables are insured up to the credit limits granted by the insurer and the Group sells within these limits, the credit risk of receivables is minimal. The majority of foreign trade is carried out on a prepaid basis. In the opinion of the Management Board, due to the terms of repayment of receivables - insurance and prepayment - indicates that there have been no significant changes from the previous year.

The value of unsecured trade receivables as of 31.12.2022 includes receivables from other parties (amount of PLN 4,792 thousand). In the opinion of the Management Board, the risk of non-receipt of the above receivables is low.

#### 29.5 Interest rate risk

The loans and credits with fixed interest granted and incurred by the BIOTON Group are exposed to the risk of changes in fair value as a result of changes in interest rates. On the other hand, loans and credits with variable interest rate granted and incurred are exposed to the risk of changes in cash flows as a result of changes in interest rates. Investments in capital instruments and current receivables and liabilities are not exposed to the interest rate risk. The Group did not enter into any interest rate hedging transactions at the date of publication of this report. In the opinion of the Management Board, in the case of loans bearing interest in PLN, in the last 12 months there was a significant increase in the reference rate by the National Bank of Poland, which is associated with higher amounts of interest instalments payable on loans denominated in PLN in 2022 compared to 2021. The loan and credit denominated in USD and EUR which bear interest at a variable interest rate are also exposed to the effects of decisions of market regulators (FED and ECB) on the increase in reference rates in the recent period. Details of the interest rates on the borrowings are shown in note 23.

#### 29.6 Currency risk

The Group bears the foreign exchange risk related primarily to the sale of finished goods and purchases of raw materials, which are made in foreign currencies and loans granted in foreign currencies. The Group monitors currency exchange rates on an on-going basis and analyzes macroeconomic reports and forecasts received from financial institutions in relation to cash flows in foreign currencies. Due to the inflows received in foreign currencies and expenses in these currencies, BIOTON SA in 2022 secured the risks by natural hedging, which allows to limit the exchange rate risk in the conducted activity. Bioton entered into one forward instrument in the period 2022 which was settled during the calendar year and the result was recognised in financing activities. The Group monitors the level of foreign currency receivables on an ongoing basis, adapting to them and forecasting expenditure in foreign currencies.

The average NBP exchange rate for the PLN/USD currency pair in 2022 was PLN 4.46, compared with the average rate in 2021 of PLN 3.86. In 2022, the average exchange rate ranged between PLN 3.92 and PLN 5.04 per USD, compared with PLN 3.25 and PLN 4.19 in 2021. In 2022, the average NBP exchange rate for the PLN/EUR pair was PLN 4.69, compared with PLN 4.57 in 2021. In 2022, the average exchange rate ranged between PLN 4.49 and PLN 4.96 per EUR, compared with PLN 4.45 and PLN 4.72 in 2021.

Total value of assets denominated in foreign currencies (mainly USD and EUR) as of 31 December 2022 amounted to PLN 30,248 thousand (including loans in the amount of PLN 1,596 thousand trade and other receivables in the amount of PLN 19,704 thousand and cash and bank deposits - PLN 9,127 thousand Total value of liabilities denominated in foreign currencies (mainly USD and EUR) as of December 31, 2022

amounted to PLN 64,867 thousand (credits and loans - PLN 20,147 thousand, trade and other liabilities - PLN 6,794 thousand and other accruals PLN 37,926 thousand).

#### 29.7 Liquidity risk

The Group manages liquidity through ongoing monitoring of the level of due liabilities, forecasting cash flows and proper cash management. The Group invests cash in safe, current financial instruments (bank deposits) that can be used to service liabilities. The expected amounts and terms of payment of financial liabilities held by the Group (current and non-current) in respect of loans and advances received have been presented in the table below, according to repayment terms resulting from agreements. In the opinion of the Management Board, there was a change in the financing structure due to the full repayment of short-term liabilities of BIOTON S.A. in Bank of China through the conclusion of agreements with Bank BNP Paribas SA which significantly increased the available credit limit levels (a long-term agreement, factoring line), which increased the liquidity of the Company and the Group.

However, for all trade liabilities, payment dates are up to one year and do not bear interest.

Expected loans amount and interest on loans from December 31, 2022 - in thousands	up to 1 year	from 1 up to 2 years	from 2 up to 5 years	above 5 years	Total
ING Bank Śląski S.A overdraft <sup>1)</sup>	-	15,224	-	-	<b>15,224</b>
ING Bank Śląski S.A	5,197	5,106	1,702	-	<b>12,005</b>
BNP Paribas Bank Polska S.A. overdraft <sup>2)</sup>	-	13,941	-	-	<b>13,941</b>
Loan Uniapek S.A. (USD 7 million)	20,147	-	-	-	<b>27,147</b>
ING Commercial Finance Polska S.A. (factoring facility)	-	-	-	-	-
Other	805	-	-	-	<b>805</b>
<b>Total</b>	<b>26,149</b>	<b>34,271</b>	<b>1,702</b>	-	<b>62,122</b>

<sup>1)</sup> ageing according to the agreement term 09.05.2024.

<sup>2)</sup> ageing according to the agreement term 23.08.2024.

Pursuant to IAS 1 par 74, the Group did not reclassify long-term loans, as all of them were met.

Trade liabilities of the Group are regulated in extended payment terms. Their due dates do not exceed one year. The analysis of these dates and new liabilities for the obligations and liabilities for the full purpose of the Group's liquidity risk is presented in the note. 29.2.

#### 29.8 Hedging transactions

As of December 31, 2022 and December 31, 2021, the Group did not have transactions hedging currency risk from trade inflows.

As of December 31, 2022 and December 31, 2021, the Group did not have any interest rate hedging transactions.

Due to the non-application of hedge accounting, all changes in the fair value of contracts are recognized in the income statement.

As of the balance sheet date, the Group has no other risk hedging transactions.

#### 29.9 Operational risk

Operational risk is the risk of incurring direct or indirect losses, of which various reasons are related to the Group's processes, personnel, technology and infrastructure, as well as caused by external factors, other than credit risk, market risk and liquidity risk, such as legal requirements or other regulations or generally accepted standards of corporate behavior. Operational risks arise from all the Group's activities due to the epidemiological situation related to COVID-19 and geopolitical developments related to the war activities in Ukraine, and macroeconomic factors have a significant impact on the Group's operating activities.

The Group's goal is to manage operational risk in such a way as to offset the minimization of possible financial losses and possible damage to the Group's reputation with overall operational efficiency, while eliminating control procedures limiting initiative and creativity.

The primary responsibility for the development and implementation of controls regarding operational risk is assigned to senior management of each organisationally separate business activity. The performance of duties in this area is supported by the development of general management standards by the Group of operational risk, which include:

- requirements for appropriate segregation of duties, including independent transaction authorization,
- requirements for reconciliation and monitoring of transactions,
- compliance with legal requirements and other regulations,
- documenting controls and procedures,
- ongoing analysis of the causes of operational results and reconciliation of remedies in the event of operating losses or the likelihood of significant operational risk being realized,
- training and professional development,
- ethical and business standards,
- minimizing and isolation of risk, including safety, if effective.

Compliance with the risk management principles by the Group is verified through periodic reviews. The results of the reviews are discussed with the management of a given operating segment, while the results are summarized and reported to senior management.

#### 29.10 Capital management

The Management Board's policy consists in maintaining good capital base in order to maintain the confidence of investors, lenders and the market as well as to ensure the future development of business operations. The Group's overarching goal is to develop the Group and for this purpose the Group wants to allocate funds primarily to build long-term value for shareholders. The Management Board monitors the balance of capital using the leverage ratio, which is calculated as the ratio of net debt to the sum of capitals increased by net borrowing. Net debt includes loans and borrowings, trade and other payables. Net debt is reduced by cash. The capital comprises the equity attributable to the Group's shares. Decisions affecting the share capital are preceded by analyzes of the financial situation of the Group in the context of its current development and investment needs, the structure of its balance sheet as well as the price of its shares on the stock exchange and subject to adoption by the General Meeting.

<i>Thousand PLN</i>	31.12.2022	31.12.2021
Liabilities due to credits, loans and other debt instruments	62,122	94,675
Liabilities due to deliveries and services and other	36,095	36,932
Cash and cash equivalents in total	(9,339)	(8,857)
Net debt	88,879	122,751
Equity	606,060	604,515
Equity and net debt	694,939	727,266
Leverage ratio	12.79%	16.88%

### 30. Contractual obligations

#### 30.1 Agreement between the Minister of Economy and BIOTON S.A.

In September 2008, BIOTON S.A. completed an investment project (Project) under the name "Construction of manufacturing base for the production of medicines obtained through biotechnology", implemented as part of Sectoral Operational Program Improvement of the competitiveness of enterprises, 2004-2006, Priority 2 Direct support of enterprises, Measure 2.2 Support product and technological competitiveness of enterprises, Sub-measure 2.2.1 Support

for enterprises making new investments, on the basis of an agreement (Agreement) concluded on September 14, 2005 with the Minister of Economy.

In February 2009 BIOTON received funding in the amount of PLN 13,735 thousand.

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

- PLN 23,473 thousand (PLN 9,738 thousand by December 31, 2008) for capital expenditures, amounts to 25% of eligible costs for capital expenditures,
- 566 thousand PLN for employment costs.

Expenditure incurred and subsidies received in the years from 2005 to 31.12.2009 (thousand PLN).

Year	Outlays, including:				Subsidies received, including:		
	Total	Plant, property and equipment, including:		New job posts	Total	Plant, property and equipment	New job posts
		Eligible outlays	Not eligible outlays				
2005	14 959	2,348	12,554	57	-	-	-
2006	13,789	12,169	1,478	142	407	293	114
2007	58,478	50,879	6,037	1,562	6 466	6 466	-
2008	48,557	28,496	18,595	1,466	3,431	2,979	452
2009	-	-	-	-	13 735	13 735	-
<b>Total</b>	<b>135,783</b>	<b>93,892</b>	<b>38,664</b>	<b>3,227</b>	<b>24,039</b>	<b>23,473</b>	<b>566</b>

Settled subsidies in the years from 2006 to December 31, 2022 (thousand PLN).

Year	Total	Plant, property and equipment	New job posts
2006 - 2017	6 641	6,075	566
2018	640	640	-
2019	639	639	-
2020	640	640	-
2021	640	640	-
2022	639	639	-
<b>Total settled</b>	<b>9,839</b>	<b>9,273</b>	<b>566</b>
<b>It remains to be settled (see notes 25 and 28)</b>	<b>14,200</b>	<b>14,200</b>	-

Revenues from settled subsidies have been included in other operating costs. Subsidies for fixed assets are settled commensurate with the depreciation of subsidized fixed assets.

30.2 Agreement between the National Fund for Environmental Protection and Water Management and BIOTON S.A. In June 2008, BIOTON S.A. completed an investment project (Project) under the name "Construction of a sewage treatment plant to reduce the load of pollutants discharged with sewage", implemented under the Sectoral Operational Program Improvement of enterprises' competitiveness, 2004-2006, Priority 2 Direct support of enterprises, Measure 2.4 Support for undertakings in the scope of adapting enterprises to environmental protection requirements, based on an agreement (Agreement) concluded on December 29, 2006 with the National Fund for Environmental Protection and Water Management (NFEPWM).

In July 2009, the ecological effect was confirmed by a Certified Laboratory.

Year	Expenses incurred	Received subsidy for fixed assets
2007	5,508	267
2008	11,129	3,783
<b>Total</b>	<b>16 637</b>	<b>4 050<sup>1*</sup></b>

<sup>1)</sup> including from the European Fund of regional Development 3 037.5 thous. PLN and 1 012.5 thous. PLN from NFOŚiGW.

Subsidies settled in the years from 2006 to December 31, 2022 (thousand PLN<sup>1</sup>).

Year	Plant, property and equipment
2008-2017	1,056
2018	111
2019	112
2020	111
2021	112
2022	111
<b>Total settled</b>	<b>1,613</b>
<b>It remains to be settled</b> (see notes 28)	<b>2,437</b>

Revenues from settled subsidies have been included in other operating costs. The subsidy is settled commensurate with the depreciation of subsidized fixed assets.

### 30.3 Agreement between the National Center for Research and Development and BIOTON S.A.

On March 13, 2017, BIOTON S.A. signed an agreement with the National Center for Research and Development for co-financing of the project under Intelligent Development Operational Program. The agreement refers to the project "Development of innovative technology for the production of short and long-acting insulin analogues applicable to the treatment of diabetes" ("Project") as part of the R & D projects of enterprises of the Intelligent Development Operational Program 2014-2020 co-financed by the European Regional Development Fund. The total cost of the Project is PLN 50 684 thous. The total amount of qualified expenses is PLN 50,684,000 . BIOTON S.A. will receive co-financing in the amount not exceeding PLN 20,988 thousand, which constitutes 41.4% of total expenses eligible for support, whereas the maximum amount of funding for: (i) industrial research is PLN 1,858,000 , (ii) development work is PLN 19,130 thousand . The expenditure incurred and the value of received subsidies in the table below. The period of eligibility of costs for the Project begins on August 24, 2016 and ends on the date of submission of the final payment application. Referring to the assumptions of the Project, including the duration of the Program, which includes the completion of all activities under the project by the end of 2023 (i.e. obtaining the assumed effects), the Company, after several consultations with representatives of the National Center for Research and Development, decided to submit an application for final payment and end accounting for an analog project under the Project.

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

Notwithstanding the above, the Company continues to work on the analog project with Yifan Pharmaceutical Co., Limited ("Yifan") under the agreement entered into, the subject of which is the mutual cooperation of the parties in the development of the active substances of insulin analogs and the final medicinal product (in finished form) from their production to commercialisation, the conclusion of which the Company informed in Current Report No. 17/2019 dated 16 July 2019 and plans to use the said patent No. P.426225 in this work.

Expenditure incurred in 2022 and grants received from 24 August 2016 to 31 December 2022 were as follows:

Year	Expenses incurred	Subsidies received	Advances obtained for subsidies
2017	0 1)	500	300
2018	0 1)	364	- 291
2019	1,397	1,251	- 1
2020	1,638	20	- 5
2021	98	0	0
2022	0	38	- 3
<b>Total</b>	<b>3,133</b>	<b>2,173</b>	<b>0</b>
<b>Closure of grants</b>	0	<b>-2,173</b>	<b>0</b>
In total (see notes 28)	3,133	2,135	3

<sup>1)</sup> the net amount after accounting for the write-down made in 2018. Before submitting the application for co-financing (until August 2016) The Company incurred expenditures on analogs in the amount of PLN 52,785 thousand. . In 2018, the Company adjusted the approach to accounting for expenditures on the analogue development project, treats costs as research and development costs referred to the result of the period, for the tax purposes the project is treated as an intangible and legal value.

### 31. Contingent liabilities

Nature of conditional liability	Name of the beneficiary	Amount of the liability	Expiry date
Blank promissory note along with the promissory note declaration related to the commercial contract	AVantor Performance Materials Poland S.A.	PLN 150 thousand .	Indefinite time
Blank promissory note along with the promissory note declaration related to the commercial contract	Merck Life Science Sp. z o. o. (before: MERCK Sp. z o. o.)	PLN 350 thousand .	Indefinite time
Own blank bill of exchange with a promissory note, related to co-financing agreement under the Operational Program. 01.01.01-00-05 7 9/16 see also note 31.3	National Centre for Research and Development	PLN 20,988,43 thousand	November 30, 2025

On January 24, 2013 Actavis Group PTC based in Iceland ("Actavis") notified BIOTON of the termination of a joint-venture agreement regarding cooperation in the scope of development and commercialization of insulins on the markets of the European Union, the United States and Japan ("Agreement"). Pursuant to the terms of termination of the Agreement, BIOTON is obliged to return 50% of the remuneration from 50% of profits generated in the future from commercialization of the Company's insulins on the markets of the European Union, the United States and Japan up to the amount of EUR 11,275,000 . The obligation is indefinite.

Contingent liabilities arose from past events but are not recognised as a liability in the financial statements. In the opinion of the Management Board, it is not plausible that in the foreseeable future it will be necessary to expend resources embodying economic benefits in order to fulfil the aforementioned obligation.

### 32. Information on transactions with affiliates

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

32.1 The accounting period from 01.01.2022 to 31.12.2022 and from 01.01.2021 to 31.12.2021.

Object of transaction – turnover in the period

Name of the entity with which the transaction was concluded	Object of transaction	Net value thousand PLN	
		01.01.2022-31.12.2022	01.01.2021-31.12.2021
YIFAN INTERNATIONAL	Sales, including:	<b>12,289</b>	<b>9,682</b>
	-services	12,289	9,682
Scigen Ltd (Singapur)	Purchase, including:	<b>45</b>	-
	-services	45	-
SciGen Ltd (Singapore)	Sales, including:	<b>94,600</b>	<b>44,847</b>
	- services	5,904	4,930
	- goods	88,696	39,917

Open items on accounts

Name of the entity with which the transaction was concluded	Object of transaction	Net value thousand PLN	
		31.12.2022	31.12.2021
Yifan Pharmaceutical Co. Ltd	Receivables, title:	<b>18,763</b>	<b>7,481</b>
	-supplies, works and services	18,763	7,481
Scigen Pte Ltd	Liabilities due to:	<b>1,590</b>	<b>440</b>
	supplies, works and services	1,590	440
Scigen (Beijing) Biotech. Co Ltd	Liabilities due to:	-	<b>34</b>
	supplies, works and services	34	34
UniApek S.A.	Liabilities due to:	<b>20,147</b>	<b>27,712</b>
	- loans	20,147	<b>27,712</b>

Balances of open settlement positions will be settled by cash payments. Occasionally, the Group may settle settlements by mutual offsetting of receivables.

32.3 Financial data on the subsidiary BIOTON MARKETING AGENCY Sp. z o. o.

Data as of 31 December 2022 and for the period from 01.01.2022 to 31.12.2022 BIOTON MARKETING AGENCY Sp. z o. o.

	<i>Thousand PLN</i>
Assets	12,662
Liabilities	3,302
Equity capital	9,360
Revenues from business activity	22,636
Profit	732

32.4 Key financial data of BIOLEK Sp. z o. o.

Data as of December 31, 2022 and for the period January 1, 2022 - December 31, 2022. BIOLEK Sp. z o. o

	<i>Thousand PLN</i>
Assets	2,863
Liabilities	23,855
Equity capital	(22,977)
Revenues from business activity	3,884
Profit	(1,022)

### 32.5 Key financial data of BIOTON International GmbH

Data as of December 31, 2022 and for the period 01/01/2022 - 31/12/2022 BIOTON International GmbH

	thousand PLN	EUR exchange rate	thousand PLN
Assets	1	4.6889	5
Liabilities	603	4.6889	2,828
Equity capital	-602	4.6889	-2,823
Revenues from business activity	-	4.6883	-
Loss	401	4.6883	1,88

The value of assets and liabilities was calculated according to the exchange rate of 4. 6889 from the table No. 252 / A / NBP / 2022 from December 30, 2022. The items of the income statement were converted at the exchange rate being the arithmetic average of the average EUR exchange rates announced by the NBP on the day ending each month of the period - this rate is PLN 4. 6883.

### 33. Acquisition of subsidiaries

In the current period, there were no takeovers of subsidiaries.

### 34. Acquisition of non-controlling interests

No non-controlling interests were purchased in the current period.

### 35. Average number of workers

	31.12.2022	31.12.2021
Average employment in non-manual positions	237	251
Average employment in blue-collar positions	121	120
	<b>358</b>	<b>371</b>

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

	thousand PLN	31.12.2022	31.12.2021
<b>A. Managing persons:</b>		3,219	2,681
1. Launders Jeremy		2,200	1,820
2. Polonek Adam		1,019	861
<b>B. Supervising persons:</b>		<b>236</b>	<b>216</b>
1. Liu Jubo		24	24
2. Trzeciak Dariusz		36	36
3. Vaidyanathan Viswanath		24	24
4. Siembida Tomasz		24	12
5. Cadei Nicola		36	39
6. Rajentheran Ramesh		36	36
7. Tan Wen Ming		-	11
8. Hao Fan		-	10
9. Khee Wee Hau		12	12
10. Yuhong Geng		8	12
11. Valery Yeo		12	-
12. Li Jia		24	-
<b>C Total</b>		<b>3,455</b>	<b>2,897</b>

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

<i>Thousand PLN</i>	<u>31.12.2022</u>	<u>31.12.2021</u>
mandatory audit of annual financial statements (consolidated and individual)	180	225
obligatory audit of annual financial statements (consolidated and individual)	70	90
other attestation services	23	31
	<u>273</u>	<u>346</u>

By resolution of 20.04.2022, the Supervisory Board of the Bioton Company appointed UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with headquarters in Warsaw ("UHY"), as an entity auditing financial statements as of December 31, 2022, December 31, 2023 and December 31, 2024 as well as the review of the financial statements as of June 30, 2022, June 30, 2023 and June 30, 2024 (individual and consolidated). The Supervisory Board approved the Company's conclusion of agreements in this regard.

### 38. Estimates and assumptions made in the financial statement

The estimates and assumptions are subject to periodic verification and are based on historical data, market data and the best knowledge of the Group as at the date of the estimation. The Group makes estimates and assumptions concerning the future. The results of such estimates, usually are not equal to the actual results. The estimates and assumptions that may affect the carrying amount of assets and liabilities to the greatest extent relate to the measurement of investments in subsidiaries and intangible assets and the value of non-current assets required for production and sales. In order to determine recoverable amount of these assets, the Group projects cash flows and checks the expected net sale price.

The Group identified key assumptions the change in which has the greatest impact on the estimation of the recoverable amount of assets mainly in terms of sensitivity to change in pre-tax discount rate (WACC), commencement and volume of analog sales in each year, as well as the assumptions made for the rotation of receivables, payables and acceleration of inventory turnover.

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

	<b>CGU Bioton</b>
	<b>(assets related to insulin and analogs)</b>
Valuation	PLN 1, 047 billion
Value range (Sensitivity analysis)	(WACC +/- 2%) change by (171,6) /+ 228.3 million Sales volume of analogues (+/- 40%) change by +/- PLN 277.5 million.
Carrying amount as of 31.12.2021	<ol style="list-style-type: none"> <li>1. Tangible Fixed Assets - PLN 285.9 million</li> <li>2. RHI Intangible assets - PLN 367.6million</li> <li>3. Assets due to deferred income tax - PLN 1.9 million.</li> </ol> Total: PLN 655.4 million
Assumptions	The cash flow projections were based on experience and the best knowledge of the Company, whereas the most important assumptions include: <ol style="list-style-type: none"> <li>1. predicted growth of insulin and analog market,</li> <li>2. insulin registration schedule on the markets (assumed entry on individual markets)</li> <li>3. competitive position (including sales prices on the market)</li> <li>4. possible sales volume and market shares</li> <li>5. signed agreements with distributors and a global distribution of insulin contract, including Chinese market,</li> <li>6. assumptions regarding required working capital, including the efficient use of inventory levels in subsequent years,</li> <li>7. finalizing the development and registration of the contract with Yifan on insulin logs</li> <li>8. investments in the development of the production base and the required capital expenditure,</li> <li>9. production costs based on existing factories for the production of finished substances and forms along with the adopted outlays for the maintenance of the machine park</li> <li>10. settlement of assets related to deferred income tax</li> </ol>
The projection period	2023-2032 and Residual Value based on 0% growth rate
Discount rate (WACC)	16.16%

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

In 2022 and in 2021, the Company did not implement new IFRS standards.

**40. 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 (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 Voivode of Masovia regarding the annulment of the decision of the Head of the Commune of Ożarów Mazowiecki of April 15, 1988 and March 19, 1990, consistent with the position of heirs, the Company will be entitled to a further appeal, including a complaint to the Provincial Administrative Court and a complaint cassation. At the same time, the end of administrative proceedings, even if inconsistent with the position of the Company, will not affect the property relations of the Company, whose possible change may take place only after the final judgment on the claims of heirs by civil courts. In such a situation, the Company, in relation to plot No. 4/43, will be entitled to a claim against IBA, which in a contract dated November 6, 1997 declared that any claims of third parties would be charged to IBA. On 10 May 2021, the Voivode of Masovia issued a decision refusing to declare the decisions of the Head of the Ożarów Mazowiecki Commune of 15 April 1988 and 19 March 1990 invalid. The case was forwarded to the Ministry of Agriculture and Rural Development of the Republic of Poland as the body of second instance. By the decision of the Minister of Agriculture and Rural Development of 09.02.2023, the appealed decision was revoked in its entirety and the case was referred back to the authority of first instance.

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

The Bioton Company was a party to arbitration proceedings for payment of USD 1,500,000 with interest paid to the China International Economic and Trade Arbitration Commission ("CIETAC") by Hefei Life Science & Technology Park Investments & Development Co., Ltd. ("HLST") against the Company and SciGen Ltd. resulting from the prolonging negotiation of repayment of the net amount of mutual settlements between the parties. HLST also requested that the Company and SciGen Ltd. pay an unpaid part of the royalties in the amount of USD 194,286, which was paid by 30.06.2016. The dispute has its source in the agreement concluded on 21.10.2011 (with later annexes) between the Company, SciGen Ltd., HLST and Mr. Gao Xiaoming. Mutual settlements of parties resulting from the agreement are recognized in the Company's financial 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 with interest, as well as the payment of USD 146.80 for royalties for the third quarter of 2015 and USD 184,549.82 for interest on overdue payments from the first quarter of 2013 within 15 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 Bioton Company considered the legal possibilities of justifying the appeal against the arbitration award and the grounds for HLST to obtain the enforceability of the arbitration award also in Poland. The Bioton Company has made a provision for the above liabilities in previous years.

#### **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 tribunal Arbitration of the International Chamber of Commerce, in which he will demand from LG Chem, Ltd. seated in Seoul, Korea ("LG Chem") compensation for the failure by LG Chem to meet its obligations under the Development and License Agreement (en. License and Development Agreement) of October 16,

2001 (the "Agreement"). The contract was terminated by Biopartners in a letter dated 23.05.2017. The contract specified, among others principles of cooperation between the parties in the development and commercialization of an innovative endocrine product - prolonged release 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 to this date.

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 Report of BIOTON S.A. Management Board on the activities of BIOTON Capital Group

S.A. in the period from 01.01.2021 to 30.06.2021. 24 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 28 February 2018, in accordance with the Schedule included in Procedural Regulation No. 2 of the International Chamber of Commerce of 16 November 2017, LG Chem sent a response (Defense Memorial) to the Biopartners' Memorial of Claim. According to the Schedule, Biopartners issued a Reply Memorial to LG Chem and supported the testimony of witnesses on 7 June 2018. The Court will issue a final ruling on the claim of Biopartners after the hearing of the Parties, which is to be held on October 2 - 10, 2018. The Issuer is of the opinion that there are premises for a positive settlement of the dispute for Biopartners. At the beginning of October, hearings of the Parties took place. On 3.01. 2009, 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 PLN 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. BioPartners GmbH with its registered office in Baar (Switzerland) has been entered in the commercial register as "in liquidation" - we await the completion of the liquidation procedure. BioPartners GmbH with registered office in Reutlingen (Germany) has been entered in the commercial register as "in liquidation", however, this company cannot be removed from the commercial register due to a contractual obligation with an employee who is currently drawing a pension. Both companies are still registered in the commercial register but are no longer active.

#### **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 Bioton 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. On 17 August 2020, the Management Board of the Company received information about the receipt of an appeal from AIS Investment 2 Sp. z o.o. The Company filed its reply to the appeal on 28 August 2020. On 31.03.2021 the Court of Appeal in Warsaw dismissed the appeal filed by AIS Investment 2 Sp. z o.o. The judgment of the Court of Appeal in Warsaw is legally binding, however, on 07.09.2021, AIS Investment 2 filed a cassation complaint, which was received by Bioton on 09.09.2021, and on 23.09.2021 the Company has filed a response to the cassation complaint. The Court refused to accept the cassation appeal for hearing. This order is not subject to appeal. The information is published for the last time.

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

On 29 October 2018 (published in Current Report No. 30/2018), the Bioton 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 Bioton Company is waiting for the final report from the auditor for special matters. On November 3, 2020, the Company received an auditor for special matters' report. The report is positive for the Company and raises no objections or doubts. 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. 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, on June 25, 2022, submitted a reply. The Court dismissed the Applicant's complaint against the decision to return the security which means that the decision is final. The information is published for the last time.

### **Inspection of the Customs and Fiscal Office in Kielce**

On 10.12.2018, the Company received an authorization to conduct a customs and fiscal inspection issued by the Head of the Świętokrzyskie Customs and Fiscal Office in Kielce with respect to corporate income tax for 2016. On June 14, 2022 the Company received the result of the customs and fiscal inspection and submitted a response to it. Subsequently, on July 5, 2022 the Head of the Office issued an order converting the customs and fiscal inspection into a tax procedure. The Company requested a panel of recognised experts in the field of tax law to provide an opinion to assist the Company with regard to the outcome of the inspection. The Company received two positive and independent expert opinions. In addition, in the first half of 2022, the Company filed corrections to its 2017-2020 CIT returns related to such matters as the activation of R&D tax costs and R&D tax credits for 2018.

The Company received the Decision of the Head of the Świętokrzyskie Customs and Fiscal Office in Kielce dated September 28, 2022 which adjusts both tax revenue and tax expenses, resulting in a reduction of the tax loss in 2016 from PLN 35.1 million to PLN 24.9 million.

In connection with the aforementioned Decision, on October 12, 2022, the Company filed corrected tax returns for the consecutive years 2017-2021 which, after taking into account the corrected tax returns filed in the first half of 2022, result in the following changes in tax income/loss:

- reduction of the tax loss for 2017 by an amount of PLN 4.1 million;
- an increase in the tax loss for 2018 by an amount of PLN 6.2 million, and a tax liability of 1.2 million caused by a lower amount of used loss carry-forwards; this liability was paid on 12.10.2022;
- reduction of the tax loss for 2019 by PLN 19.8 million thus setting the tax profit at PLN 2.9 million which was covered by the tax loss from previous years;
- an increase in tax profit for 2020 by PLN 45 thousand;
- an increase in tax profit for 2021 by PLN 11 thousand;

In a letter dated October 12, 2022, the Company notified the Head of the Świętokrzyskie Customs and Fiscal Office in Kielce of the corrected tax returns filed. The corrected deferred tax from the changes above was recognised by the Company in the Q4 2022 as a corrected result brought forward, resulting in a restatement of data in the Company's Balance Sheet for the previous financial year 2021.

#### 41. The epidemiological situation caused by the SARS-COV-2 virus

The Group constantly monitors the situation related to COVID-19 and its impact on operations. The Company strives to secure production by increasing the supply of raw materials - in the pharmaceutical industry, most of the raw materials and components for production come from a limited number of suppliers. Each of them is exposed to inhibited delivery of supplies and the situation may deteriorate as the infection spreads, which requires introducing preventive measures related to increasing inventories to 6 months for all key components and placing orders for the next 6 to 12 months. The Company is securing products for the market in Poland and for foreign markets. The priority for the Company is to ensure the continuity of production and we are taking all the measures to that end.

The Group analyses risks associated with the current situation in the following main areas:

- risk of employee absence - as of the date of publication, the Company has not recorded significant disruptions in its day-to-day operations and has not observed significantly increased employee absence.
- risk of price levels, foreign currency exchange rate fluctuations and supplies of raw materials and auxiliary materials required for the production of finished substances and forms of insulin, as well as supplies of products sold on the Polish market, where many deliveries are made from abroad - the Company is in contact with suppliers of raw materials and auxiliary materials to confirm complex orders in terms of timely deliveries as well as the possibility of securing their availability or earlier delivery.
- risk related to restrictions related to the possibility of logistic delivery of products to foreign markets - the Company asked foreign customers to place orders for product delivery in the following months due to possible extension of the delivery date by changing e.g. the method of delivery from air to sea.
- risk of limiting financial liquidity - during 2021, the Company signed financing agreements with ING Bank Śląski S.A. in the total nominal amount of PLN 60m (loan agreements and factoring agreement).. The Company is in financial talks on increasing credit limits or granting a new debt loan so that your energy is changed in 2022 by shifting a part of the short-term carrier to medium and long-term.

The Bioton's Management Board constantly monitors potential impact of COVID -19 on day-to-day operations and will take all possible steps to mitigate any impact and at the same time seize new opportunities.

#### 42. Economic and political situation in Ukraine

The Bioton Company continues to monitor the development of the geopolitical situation related to military actions on the territory of Ukraine, the Company provides up-to-date 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 their products or goods directly in Belarus or Ukraine. However, the Group sells insulin (finished forms) and injectors through distributors operating on the Belarusian and Ukrainian markets. According to sales data, in 2022, sales in Ukraine amounted to PLN 9.1 million (3.91% of the Group's consolidated revenues) and PLN 1.06 million (0.45% of consolidated revenues) in Belarus under tenders won by the distributor which, in the opinion of the Group's Management Board, this does not represent a significant share of the Group's revenue. At the same time, the Group is executing 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.

As at the date of publication of this report, the Company's Management Board has identified the following risks for the Group's operations related to the conflict:

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

- a significant rise in inflation with an impact on the increase in prices of raw materials, expectations of wage increases, as well as the costs of distributing products to countries around the world.
- possible disruptions related to logistics channels, as well as extended periods of delivery of raw materials and materials required for production of the substance and finished form of insulin;
- significant fluctuations in the USD/PLN and EUR/PLN exchange rates affecting the purchase costs of raw materials and materials required for the production of the substance and finished form of insulin.

The Management Board monitors the situation regarding the risks outlined above on an ongoing basis and takes decisions to ensure the continuation of the Company's and the Group's operations.

#### **43. Performance of 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 fundamental breach under the Agreement and could form the basis for Pharmasyntez to claim liquidated damages of USD 3 million, plus further damages (including lost profits, if any). In addition, following a notice of breach and the after 90 days, Pharmasyntez could arguably also terminate the Agreement for substantial breach. In summary, Bioton would face significant risks in the event of an unreasonable refusal to perform the Agreement including the supply of API substances. In view of the above, Bioton has sold 90,190 grams of API to Pharmasyntez under the Agreement in Q3 2022, and as of the date of this report, the entire 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 of the date of publication of this report, the Management Board of the Company, i. a. due to the dynamics of changes in external conditions and the implementation of the development strategy in other markets, does not foresee a possible revaluation of assets related to operations in Russia. In case of occurrence of premises to update the value of assets related to operations in Russia, the Management Board will monitor the situation on an ongoing basis.

The aforementioned judgement has been prepared to the best knowledge of the Management Board of the Group Companies at the date of publication of this statement.

#### **44. Distribution agreement with Menarini Diagnostics S.R.L.**

On 12.09.2022, the Company signed a distribution agreement with Menarini Diagnostics S. R. L., based in Italy, which will allow the launch of a new device for continuous glucose monitoring, the GlucoMenDay System - CGM, for patients with diabetes. This Agreement is valid until December 31, 2023, with the possibility of extension. The product launch is delayed due to supply issues on the part of Menarini Diagnostics, and Bioton has decided not to launch the product until these supply issues are resolved.

Bioton is committed to working out comprehensive solutions for diabetes management which includes such devices which help our patients measure, track and record their blood glucose levels. Continuous Glucose Monitoring (CGM) is one of the most important recent developments in diabetes technology for better diabetes control. CGM is a subcutaneous continuous glucose monitoring system that measures blood glucose levels in real time, supporting the patient significantly.

#### **45. Significant events after the balance sheet date**

##### **Agreement with the National Fund for Environmental Protection and Water Management**

On February 9, 2023, the Company (the "Beneficiary") entered into an Agreement with the State Treasury - Minister of Development and Technology represented by the National Fund for Environmental Protection and Water Management ("NFOŚiGW"/"Programme Operator") for the granting of state aid in connection with the increase in electricity and natural gas prices (the Agreement). The Programme Operator granted aid to the Beneficiary in the amount of PLN 5,214,331.77 under the terms of the Agreement. The amount of aid granted is based on the costs incurred by the

Beneficiary for the purchase of gas or electricity. By 31.03.2023, within the scope of settling the Aid, the Beneficiary shall submit a report to the Programme Operator on the settlement of the aid along with a report on the performance of the attestation service by an independent auditor.

#### **Real estate sales agreement**

On 29.03.2023, the Company entered into a conditional agreement of sale of an undeveloped land property constituting a plot of land with the registration number 3/51 (three/fifty-one) and the area of 1 (one) hectare 5,116 (five thousand one hundred and sixteen) square metres, located in Łódź at Aleja marsz. Józefa Piłsudskiego no. 141 (one hundred and forty one), for which the District Court for Łódź-Śródmieście in Łódź, 16th Land and Mortgage Register Division keeps the Land and Mortgage Register LD1M/00091170/0, hereinafter referred to as "Property", for the gross price of PLN 3,644,165.28 (three million six hundred and forty-four thousand one hundred and sixty-five zlotys and twenty-eight groszy), including an advance payment of PLN 1,000,000.00 zł (one million zlotys) which has been paid to the Company on the condition that the City of Łódź will not exercise its preemptive right under Article 109.1 of the Real Estate Management Act of 21 August 1997.

Signatures of all the Members of the Management Board

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

Date and signature of the person entrusted with bookkeeping

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

Warsaw, 31 March 2023