

**Report of the Management Board of BIOTON  
S.A.  
on the activities of BIOTON S.A. and of BIOTON  
S.A. Capital Group for fiscal year ended  
on 31st December 2022**

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This report of the Management Board of BIOTON S.A. (the "Company") on the activities of BIOTON S.A. Capital Group (the "Group") from 01.01.2022 to 31.12.2022 has been prepared in accordance with § 92 and § 70 point 8.8 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757 as amended), and therefore single report document of the Management Board and of the Group has been prepared.

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

Basic accounting principles and methods, valuation methods for assets and liabilities, measurement of the financial result and the method of preparing the individual and consolidated annual financial statements are presented in point 1.5. annual individual financial statements of the Company and in item 1.5 of the annual consolidated financial statements of the Group for the period from 01.01.2022 to 31.12.2022.

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

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

Fiscal year	Average exchange rate in the period	The minimum exchange rate in the period	The maximum exchange rate in the period	Exchange rate on the last day of the period
2021	4.5775	4.4541	4.7210	4.5994
2022	4.6876	4.4879	4.9647	4.6899

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

SELECTED CONSOLIDATED FINANCIAL DATA	thousand PLN		thousand EUR	
	01.01. 2022 - 31.12. 2022	01.01. 2021 - 31.12. 2021	01.01.2022 - 31.12. 2022	01.01. 2021 - 31.12. 2021
I. Net revenues on sale	233,159	163,034	49,740	35,616
II. Gross operating profit (loss)	21,258	14,342	4,535	3,133
III. Gross profit (loss) before taxation	4,952	8,331	1,056	1,820
IV. Net profit (loss) attributable to the shareholders of the dominant unit	1,421	2,882	303	630
V. Net cash flow from operating activity	56,082	5,522	11,964	1,206
VI. Net cash flow from investment activities	(29,100)	(4,284)	(6,208)	(936)
VII. Net cash flow from financial activity	(26,449)	(14,621)	(5,642)	(3,194)
VIII. Total net cash flows	483	(13,383)	103	(2,924)
	<b>31.12.2022</b>	<b>31.12.2021 restated</b>	<b>31.12.2022</b>	<b>31.12.2021 restated</b>
IX. Total assets	810,326	848,127	172,781	184,399
X. Liabilities and provisions for liabilities	204,266	243,612	43,554	52,966
XI. Non-current liabilities	63,212	77,542	13,478	16,859
XII. Current liabilities	141,054	166,070	30,076	36,107
XIII. Equity capital	606,060	604,515	129,227	131,433
XIV. Share capital	1,717,284	1,717,284	366,166	373,371
XV. Weighted average number of shares	85,864,200	85,864,200	85,864,200	85,864,200
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0.02	0.03	0.00	0.01
XVII. Diluted profit (loss) per ordinary share (in PLN / EUR)	0.02	0.03	0.00	0.01
XVIII. Book value per share (in PLN / EUR)	7.06	7.25	1.51	1.58
XIX. Diluted book value per share (in PLN / EUR)	7.06	7.25	1.51	1.58
XX. Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

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

SELECTED INDIVIDUAL FINANCIAL DATA	in PLN thousand		in EUR thousand	
	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
I. Net revenues on sale	240,311	168,707	51,265	36,856
II. Gross operating profit (loss)	21,043	14,042	4,489	3,068
III. Gross profit (loss) before taxation	4,906	7,527	1,047	1,644
IV. Net profit (loss)	1,801	2,622	384	573
V. Net cash flow from operating activity	55,086	4,281	11,751	935
VI. Net cash flow from investment activity	(28,400)	(3,161)	(6,059)	(691)
VII. Net cash flow from financial activity	(26,270)	(14,380)	(5,604)	(3,142)
VIII. Total net cash flows	416	(13,260)	89	(2,897)
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
IX. Total assets	826,184	881,219	176,162	191,594
X. Liabilities and provisions for liabilities	203,050	241,937	43,295	52,602
XI. Non-current liabilities	62,887	77,056	13,409	16,753
XII. Current liabilities	140,163	164,881	29,886	35,848
XIII. Equity capital	623,135	639,282	132,867	138,993
XIV. Share capital	1,717,284	1,717,284	366,166	373,371
XV. Weighted average number of shares	85,864,200	85,864,200	85,864,200	85,864,200
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0.02	0.03	0.00	0.01
XVII. Diluted profit (loss) per ordinary share (in PLN / EUR)	0.02	0.03	0.00	0.01
XVIII. Book value per share (in PLN / EUR)	7.26	7.45	1.55	1.62
XIX. Diluted book value per share (in PLN / EUR)	7.26	7.45	1.55	1.62
XX. Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

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

As of 31.12.2022, the subsidiary units of BIOTON S.A. were:

- BIOTON MARKETING AGENCY Sp. z o.o. with its registered office in Macierzysz, in which BIOTON S.A. holds 100% of shares,
- BIOLEK Sp. z o.o. with its registered office in Macierzysz, in which BIOTON S.A. holds 100% shares,
- BIOTON (International) GmbH with its registered office in Baar (Switzerland), in which BIOTON S.A. holds 100% shares,
- Mindar Holdings Ltd with its registered office in Nicosia (Cyprus), in which BIOTON S.A. held 100% of shares - the company is not subject to consolidation due to the fact that the net assets and the financial result are not significant from the point of view of the consolidated financial statements. Mindar Holding Ltd based in Nicosia (Cyprus) has completed its liquidation procedure, the information was published in the court register;
- BioPartners GmbH with its registered office in Baar (Switzerland) was entered in the commercial register as "in liquidation" - we are awaiting the completion of the liquidation procedure; BioPartners GmbH based in Reutlingen (Germany) was entered in the commercial register as "in liquidation, however, this company cannot be removed from the commercial register due to a pension liability to an employee. Both companies are still registered in the commercial register, but are no longer active.

## **3. Discussion on basic economic and financial figures disclosed in the annual individual and consolidated financial statements, including the characteristics of the structure of assets and liabilities from the point of view of the liquidity of the Company and the Group, in particular description of factors and events, including atypical ones, with significant impact on the Company's and Group's operations and profits achieved or losses incurred in 2022, as well as discussion on the development prospects of the Company's and the Group's operations at least in the next fiscal year**

An element affecting the comparability of data for 2022 and 2021 was the change in the PLN exchange rate in relation to the main currencies used in the Company compared to 2021 in 2022, the average daily exchange rate:

- USD / PLN decreased by 15.4%, and
- EUR / PLN increased by 2.6%;

The dynamics ratios of individual components of consolidated balance sheet have been calculated by comparing their value as of 31.12.2022 with the values as of 31.12.2021.

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

#### Analytic balance sheet - assets

	31.12.2022		31.12.2021		changes	
	Total ( thousand PLN)	structure (in %)	total ( thousand PLN)	structure (in %)	( thousand PLN)	(in %)
<b>ASSETS</b>						
<b>A: Fixed assets</b>	<b>673,960</b>	<b>81.6</b>	<b>707,916</b>	<b>80.3</b>	<b>(33,956)</b>	<b>(4.8)</b>
Property, plant and equipment	275,051	33.3	286,551	32.5	(11,500)	(4.0)
Investment properties	1,357	0.2	1,357	0.2	(0)	(0,0)
Intangible assets	362,411	43.9	361,626	41.0	785	0.2
Assets under the right of use	14,740	1.8	16,482	1.9	(1,742)	(10.6)
Non-current financial assets	14,063	1.7	15,227	1.7	(1,164)	(7.6)
Investments in subsidiaries and associated entities	3,965	0.5	3,965	0.4	0	0.0
Deferred income tax assets	1,879	0.2	21,936	2.5	(20,057)	(91.4)
Non-current prepayments	494	<0.1%	772	<0.1%	(278)	(36.0)
<b>B: Current assets</b>	<b>152,224</b>	<b>18.4</b>	<b>173,302</b>	<b>19.7</b>	<b>(21,078)</b>	<b>(12.2)</b>
Inventories	109,308	13.2	124,267	14.1	(14,959)	(12.0)
Current financial assets	1,596	0.2	0	<0.1%	1,596	-
Trade and other receivables	30,939	3.7	39,245	4.5	(8,306)	(21.2)
Cash and cash equivalents	9,160	1.1	8,744	1.0	416	4.8
Accruals	1,221	0.1	1,046	0.1	175	16.7
<b>Total assets</b>	<b>826,184</b>	<b>100.0</b>	<b>881,219</b>	<b>100.0</b>	<b>(55,035)</b>	<b>(6.2)</b>

In 2022, the balance sheet total of the Company decreased by 6.2% compared to 2021. Total property, plant and equipment decreased by 4.8% (PLN 33.9 million), mainly due to (i) the reduction in property, plant and equipment, and (ii) the settlement of the deferred tax asset which resulted from the completion of the tax inspection of Customs and Fiscal Office for 2016 and the filed corrected tax returns for 2017-2021 including changes in the recognition of the settlement of transactions from previous years and the activation of the R&D credit for 2018.

The Company's current assets decreased by 12.2% (PLN 21.07 million). The change in the balance of current assets was significantly influenced by:

- increase in current financial assets by 100% (PLN 1.5 million) due to the reclassification of granted loans from non-current to current receivables;
- decrease in trade and other receivables by 21.2% to the amount of PLN 30.9 million; the decrease in trade receivables was influenced by such issues as a change in presentation of the factoring line (non-recourse factoring - transfer of factoring liabilities to repayment of trade receivables in the amount of PLN 15,467 thousand as at 31.12.2021);
- increase in cash by 60.3 % (PLN 13.26 million) to PLN 8.7 million related to repayment of current liabilities on due dates, without overdue liabilities;

- increase in cash by 4.8 % ( PLN 416,000) to PLN 9.1 million;
- decrease of the level of inventories by 12.0% (PLN 14.9 million) to the level of PLN 109.3 million due to, among other, the exhaustion of previously accumulated inventories following the COVID epidemiological situation and the related extended waiting time for certain raw materials for production, as well as higher inventory turnover associated with year-on-year sales growth;

The share of fixed and current assets in the balance sheet for 2022 amounted to 81.6% and 18.4% of the balance sheet total respectively.

Analytical balance - liabilities

	31.12.2022		31.12.2021		changes	
	total ( thousand PLN)	structure (in %)	total ( thousand PLN)	structure (in %)	( thousand PLN)	(in %)
<b>LIABILITIES</b>						
<b>Equity capital</b>	<b>623,135</b>	<b>75.4</b>	<b>639,282</b>	<b>72.5</b>	<b>(16,146)</b>	<b>(2.5)</b>
Share capital	1,717,284	207.9	1,717,284	194.9	0	0.0
Issue capital of shares above their nominal value	57,131	6.9	57,131	6.5	0	0.0
Inventory capital	260,776	31.6	260,776	29.6	0	0.0
Reserve fund	(268,207)	<0.1	(268,358)	<0.1	151	(0.1)
Retained profit / loss	(1,143,848)	<0.1	(1,127,550)	<0.1	(16,298)	1.4
<b>Non-current liabilities</b>	<b>62,887</b>	<b>7.6</b>	<b>77,056</b>	<b>8.7</b>	<b>(14,170)</b>	<b>(18.4)</b>
Liabilities for credits, loans and other debt instruments	6,809	0.8	16,072	1.8	(9,263)	(57.6)
Lease liabilities	11,670	1.4	13,049	1.5	(1,379)	(10.6)
Employee benefits	1,320	0.2	1,336	0.2	(16)	(1.2)
Deferred income	32,745	4.0	36,257	4.1	(3,512)	(9.7)
Other liabilities	10,342	1.3	10,342	1.2	(0)	(0.0)
<b>Current liabilities</b>	<b>140,163</b>	<b>17.0</b>	<b>164,881</b>	<b>18.7</b>	<b>(24,719)</b>	<b>(15.0)</b>
Liabilities for credits, loans and other debt instruments	54,538	6.6	77,968	8.8	(23,430)	(30.1)
Lease liabilities	2,180	0.3	1,817	0.2	363	20.0
Trade and other payables	37,876	4.6	38,677	4.4	(801)	(2.1)
Employee benefits	1,971	0.2	2,290	0.3	(319)	(13.9)
Accruals	43,597	5.3	44,130	5.0	(533)	(1.2)
<b>LIABILITIES IN TOTAL</b>	<b>826,184</b>	<b>100</b>	<b>881,219</b>	<b>100.0</b>	<b>(55,035)</b>	<b>(6.2)</b>

The Company's equity decreased by 2.5% to PLN 623.1million, which was mainly influenced by the corrected result brought forward due to the completed inspection of the Customs and Fiscal Office.

The share of equity in the structure of liabilities increased to 75.4%.

Moreover, the following items were noted as liabilities:

- decrease in non-current liabilities due to credits, loans and other debt instruments by PLN 14.1million, which is caused by a decrease in debt in financial institutions repaid in accordance with the schedules indicated in loan agreements and leases, as well as the reclassification to current liabilities,
- decrease in trade and other payables by PLN 801 thousand,

- decrease in leasing liabilities by PLN 1.0 million ( non-current and current) resulting mainly due to repayment of liabilities in accordance with the schedules indicated in the agreements.

Dynamics ratios of individual components of income statement were calculated by comparing their values in 2022 with values for 2021.

#### Analytical income statement

	01.01.2022 - 31.12.2022		01.01.2021 - 31.12.2021		changes	
	(thousand PLN)	share of sales	(thousand PLN)	share of sales	(thousand PLN)	(in %)
Revenues from sales	240,311	100.0%	168,707	100.0%	71,604	42.4%
Cost of sales	(133,224)	55.4%	(85,844)	50.9%	(47,380)	55.2%
Costs of idle time and unused power	(11,170)	4.6%	(4,913)	2.9%	(6,257)	127.4%
<b>Gross profit on sales</b>	<b>95,916</b>	<b>39.9%</b>	<b>77,950</b>	<b>46.2%</b>	<b>17,966</b>	<b>23.0%</b>
Other operating revenues	4,579	1.9%	5,744	3.4%	(1,165)	(20.3%)
Selling expenses	(37,105)	15.4%	(33,955)	20.1%	(3,150)	9.3%
Administrative expenses	(28,769)	12.0%	(26,621)	15.8%	(2,148)	8.1%
Research and development costs	(5,337)	2.2%	(4,665)	2.8%	(672)	14.4%
Other operating costs	(8,241)	3.4%	(4,410)	2.6%	(3,831)	86.9%
<b>Gross profit on operating activity</b>	<b>21,043</b>	<b>8.8%</b>	<b>14,043</b>	<b>8.3%</b>	<b>7,001</b>	<b>49.9%</b>
Financial revenues	1,103	0.5%	415	0.2%	688	165.8%
Financial costs	(17,240)	7.2%	(6,931)	4.1%	(10,309)	148.7%
<b>Profit / (loss) before taxation</b>	<b>4,906</b>	<b>2.0%</b>	<b>7,527</b>	<b>4.5%</b>	<b>(2,621)</b>	<b>(34.8%)</b>
Income tax	(3,105)	1.3%	(4,905)	2.9%	1,800	(36.7%)
<b>Net profit / loss</b>	<b>1,801</b>	<b>0.7%</b>	<b>2,622</b>	<b>1.6%</b>	<b>(821)</b>	<b>(31.3%)</b>

#### Revenues from sales

In 2022, the Company achieved sales revenues of PLN 240.3 million, the largest share of which was the sale of insulin forms. In the comparable period of 2021, sales revenues amounted to PLN 168.7 million, which means that revenues in 2022 were lower by 42.4% compared to the previous year.

The difference in sales revenue was mainly positively impacted by a 54.4% increase in Insulin sales between 2022 and 2021, i.e. from PLN 120.5 million in 2021 to PLN 186.0 million in 2022 mainly in foreign markets, such as China, Ukraine or Vietnam. In addition, sales of insulin injectors on the Polish market (group sales between Bioton S.A. and Bioton Marketing Agency Sp. z o.o.) and in China had a positive impact.

Other operating income in 2022 amounted to PLN 4.6 million and was lower by PLN 1.2 million compared to 2021.

Other operating expenses in 2022 amounted to PLN 8.2 million and were higher by PLN 3.8 million compared to 2021, and included the following items:

- write-downs, write-offs and liquidation of goods and materials;
- provision for leaves;
- written off, redeemed receivables;
- provision for employee severance payments.

The value of financial revenues / costs was mostly influenced by exchange differences (PLN 7.8 million) in 2022, part of which is due to the final repayment of the agreement at Bank of China and partial loan repayments at Uniapek. In 2022, financial costs are mainly interest on credits, loans, operating lease, late payment, discounts and factoring commissions which were higher in 2022 mainly due to higher interest rates on loans and advances denominated in PLN, USD and EUR.

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

#### Consolidated analytical balance - assets

	31.12.2022		31.12.2021 restated		changes	
	total	structure	total	structure		
	(thousand PLN)	(in %)	(thousand PLN)	(in %)	(thousand PLN)	in %
<b>ASSETS</b>	<b>810,326</b>	<b>100.0</b>	<b>848,127</b>	<b>100.0</b>	<b>(37,801)</b>	<b>(4.5)</b>
<b>A: Plant, property and equipment</b>	<b>657,255</b>	<b>81.1</b>	<b>673,399</b>	<b>79.4</b>	<b>(16,144)</b>	<b>(2.4)</b>
1. Plant, property and equipment	275,051	33.9	286,551	33.8	(11,500)	(4.0)
2. Investment properties	1,357	0.2	1,357	0.2	(0)	(0.0)
3. Other intangible assets	362,975	44.8	362,177	42.7	798	0.2
4. Assets under the right of use	15,135	1.9	17,019	2.0	(1,884)	(11.1)
5. Deferred income tax assets	2,228	0.3	5,508	0.6	(3,280)	(59.5)
6. Non-current prepayments	509	0.1	787	0.1	(278)	(35.4)
<b>B: Current assets</b>	<b>153,071</b>	<b>18.9</b>	<b>174,728</b>	<b>20.6</b>	<b>(21,656)</b>	<b>(12.4)</b>
1. Inventories	111,002	13.7	125,131	14.8	(14,130)	(11.3)
2. Income tax receivables	3	0.0	546	0.1	(543)	(99.5)
3. Trade and other receivables	31,403	3.9	39,108	4.6	(7,705)	(19.7)
4. Cash and cash equivalents	9,339	1.2	8,857	1.0	482	5.4
5. Current prepayments	1,324	0.2	1,086	0.1	239	22.0

In 2022, the balance sheet total of the Group dropped by 4.5% (PLN 37.8 thousand).

Plant, property and equipment fell by 2.4% (PLN 16.1 million). The following factors had the biggest impact on the change in plant, property and equipment:

- decrease in the right of use by 11.1% (PLN 1.8 million),
- decrease in plant, property and equipment by 4.0% (PLN 11.5 million)
- decrease in deferred tax asset by 59.5% (PLN 3.2 million) mainly due to the use of the tax loss;

The Group's current assets decreased by 12.4% (PLN 21.6 million). Change in the balance of current assets was significantly influenced by:

- decrease in the level of inventories by 11.3% (PLN 14.1 million) to PLN 111.0 million as a result of the exhaustion of previously accumulated inventories related to the COVID epidemiological situation and the associated extended waiting time for certain raw materials for production, as well as inventory turnover related to year-on-year sales growth,
- decrease in trade and other receivables by 19.7% (PLN 7.7 million);

- the decrease in trade receivables was influenced by such matters as by the change in presentation of the factoring line (non-recourse factoring - transfer of factoring liabilities to the repayment of trade receivables for the amount of PLN 15,467 thousand as of 31.12.2021)

The ratio of fixed assets to current assets was 81.1% to 18.9%.

*Consolidated analytical balance - liabilities*

	31.12.2022		31.12.2021 reviewed restated		changes	
	total	structure	total	structure		
	(thousand PLN)	(in %)	(thousand PLN)	(in %)	(thousand PLN)	in %
<b>LIABILITIES</b>	<b>810,326</b>	<b>100.0</b>	<b>848,127</b>	<b>100.0</b>	<b>(37,800)</b>	<b>(4.5)</b>
<b>A: Equity</b>	<b>606,060</b>	<b>74.8</b>	<b>604,514</b>	<b>71.3</b>	<b>1,546</b>	<b>0.3</b>
1. Stock capital	1,717,284	211.9	1,717,284	202.5	0	0.0
2. Capital on issue of shares above their nominal value	57,131	7.1	57,131	6.7	0	0.0
3. Inventory capital	260,776	32.2	260,776	30.7	0	0.0
4. Reserve capital	(266,193)	(32.9)	(266,367)	(31.4)	174	(0.1)
5. Revaluation capital	0	0.0	0	0.0	0	0.0
6. Reserve capital from transactions between shareholders	(80,844)	(10.0)	(80,844)	(9.5)	0	(0.0)
7. Exchange differences on translation of subordinate units	(214)	(0.0)	(165)	(0.0)	(50)	30.1
8. Retained profit	(1,081,880)	(133.5)	(1,083,301)	(127.7)	1,421	(0.1)
<b>B: Non-current liabilities</b>	<b>63,212</b>	<b>7.8</b>	<b>77,543</b>	<b>9.1</b>	<b>(14,331)</b>	<b>(18.5)</b>
1. For credits, loans and debt instruments	6,810	0.8	16,053	1.9	(9,243)	(57.6)
2. Due to leasing	11,845	1.5	13,405	1.6	(1,560)	(11.6)
3. Due to employee benefits	1,470	0.2	1,486	0.2	(16)	(1.1)
4. Deferred revenues	32,745	4.0	36,257	4.3	(3,512)	(9.7)
5. Deferred tax	0	0.0	0	0.0	0	0.0
6. Other liabilities	10,342	1.3	10,342	1.2	0	0.0
<b>C: Current liabilities</b>	<b>141,054</b>	<b>17.4</b>	<b>166,070</b>	<b>19.6</b>	<b>(25,016)</b>	<b>(15.1)</b>
1. Overdrafts	29,164	3.6	13,812	1.6	15,352	111.2
2. For credits, loans and debt instruments	26,148	3.2	64,811	7.6	(38,663)	(59.7)
3. Due to leasing	2,425	0.3	1,994	0.2	431	21.6
4. For supplies and services and others	36,095	4.5	36,932	4.4	(837)	(2.3)
5. For income tax	74	0.0	1,162	0.1	(1,088)	(93.6)
6. Other accruals	47,148	5.8	47,359	5.6	(212)	(0.4)
<b>D: Liabilities related to assets intended for sale</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>-</b>

The Group's equity increased by 0.3% to PLN 606.0 million.

Non-current liabilities decreased by 18.5% (PLN 14.3 million) to the level of PLN 63.2 million, mainly as a result of the reduction of indebtedness in financial institutions repaid in accordance with the schedules specified in the credit agreements.

Current liabilities amounted to PLN 141.0 million and decreased by 15.1% (PLN 25.0 million) compared to the previous year, mainly as a result of short-term loans, reclassification of factoring liability to trade receivables (factoring - non-recourse), as well as other accruals related to mainly settlement of prepayments received for an analog project.

The share of current liabilities in the structure of total liabilities was 17.4% and was lower than in the previous year (19.6%).

Dynamics ratios of individual components of consolidated income statement were calculated by comparing their value in 2022 with the values for 2021.

*Consolidated analytical income statement*

	01.01-31.03.2022		01.01 - 31.12.2021		changes	
	total (thousand PLN)	structure (in %)	total (thousand PLN)	structure (in %)	( thousand PLN)	(in %)
1. Revenues from sales	233,159	100.0	163,034	100.0	70,126	43.0%
2. Own cost of sales	(126,239)	54.1	(80,334)	49.3	(45,905)	57.1%
3. Costs of idle time and unused power	(11,170)	4.8	(4,913)	3.0	(6,258)	127.4%
<b>4. Gross profit on sales</b>	<b>95,751</b>	<b>41.1</b>	<b>77,787</b>	<b>47.7</b>	<b>(17,964)</b>	<b>23.1%</b>
5. Selling and distribution expenses	(35,067)	15.0	(31,793)	19.5	(3,274)	10.3%
6. Administration expenses	(30,273)	13.0	(27,900)	17.1	(2,373)	8.5%
7. Research and development costs	(5,337)	2.3	(4,665)	2.9	(672)	14.4%
8. Total operating costs (2 +3 +5 +6 +7)	(208,086)	89.2	(149,604)	91.8	58,482	39.1%
<b>9. Profit on sales</b>	<b>25,073</b>	<b>10.8</b>	<b>13,429</b>	<b>8.2</b>	<b>(11,644)</b>	<b>86.7%</b>
10. Other operating revenue	4,667	2.0	5,946	3.6	(1,279)	(21.5%)
11. Other operating costs	(8,482)	3.6	(5,033)	3.1	(3,450)	68.5%
<b>12. Gross profit on operating activity</b>	<b>21,258</b>	<b>9.1</b>	<b>14,343</b>	<b>8.8</b>	<b>(6,916)</b>	<b>48.2%</b>
13. Financial revenues	0	0.0	0	0.0	0	n/d
14. Financial costs	(16,306)	7.0	(6,012)	3.7	(10,295)	171.2%
<b>16. Gross profit</b>	<b>4,952</b>	<b>2.1</b>	<b>8,331</b>	<b>5.1</b>	<b>3,379</b>	<b>(40.6%)</b>
17. Income tax	3,531	1.5	5,449	3.3	(1,918)	(35.2%)
<b>18. Net profit on continued operations</b>	<b>1,421</b>	<b>0.6</b>	<b>2,882</b>	<b>1.8</b>	<b>1,461</b>	<b>(50.7%)</b>

In 2022, the Group generated sales revenues in the amount of PLN 233.1 million, compared to total sales revenues of PLN 163.0 million in 2021. The increase in consolidated sales revenues compared to the previous year amounted to PLN 70.1 million, mainly in foreign markets, such as China, Ukraine or Vietnam.

In 2022, the Group achieved a gross profit on sales of PLN 95.8 million compared to PLN 77.8 million in 2021, which means that they increased year-on-year by PLN 18.0 million. The level of gross margin in % terms reached 41.0% compared to 47.7% in 2021. The main impact on the decrease in margin in % terms was the higher cost of downtime and unused capacity related to the longer downtime and planned preparations for the substance production lines to be used by the analog project, as well as the significant increase in energy and gas costs, the increase in the cost of substances and materials used in production. In addition, the margin value was

affected by the structure of the products and devices sold, in particular the increase in sales in international markets which achieve lower margins as compared to the domestic market.

In 2022, the Group's selling costs increased by 10.3% (PLN 3.3 million). General and administrative expenses in 2022 were at the level of PLN 30.3 million and were by PLN 2.4 million higher than in 2021.

Research and development costs increased from PLN 4.7 million in 2021 to PLN 5.3 million in 2022.

Other operating revenues in 2022 amounted to PLN 4.7 million and was lower by PLN 1.3 million as compared to 2021.

Other operating costs in 2022 amounted to PLN 8.5 million and were higher by PLN 3.5 million in 2022 as compared to 2021. Other operating revenues included the following items:

- write-offs and reversals of write-downs and liquidation of goods and materials;
- provision for leaves;
- written off, redeemed receivables;
- provision for employee severance payments ,

There is no Financial Income recorded in the Group in 2022. The Group's financial costs in 2022 amounted to PLN 16.3 million, including the main items: exchange differences, interest and bank commission expenses.

Net profit for 2022 amounted to PLN 1.4 million. While in 2021, the Group recorded a profit of PLN 2.9 million.

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

In 2022, there were no significant off-balance sheet items in the Company and the Group, apart from those indicated in the financial statements of the Company and the Group.

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

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

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

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

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

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

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

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

The Company's and the Group's strategy in the scope of commercialization of products on key markets is based on cooperation with international pharmaceutical concerns under long-term distribution agreements. In 2018, the Company signed a global contract for the distribution of classic human insulin - Yifan International Ltd, amended in January 2020 as part of the signed Novation Agreement. It is unsure whether sales levels established by the distribution partner on individual markets will be reached, and thus whether the volume of production and sales of the group will be reached at expected levels. The amount of expenditures on marketing and sales of the Group's products incurred by distribution partners, their resources on selected foreign markets, as well as knowledge and experience in the scope of promotion and sale of pharmaceutical products on a given market may not be sufficient to achieve assumed sales volumes. Given the above, there is no certainty that the Company's and the Group's operations on selected foreign markets will bring expected results. It cannot be ruled out that distribution partners will not be able to achieve their goals and their marketing strategy in some export markets will not be effective. The occurrence of any of the above-mentioned factors may have a material adverse effect on the Group's and the Company's operations, financial position or results of operations. Threat - medium.

### **The risk related to the change of drug reimbursement rules**

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

### **The risk of changes in the foreign currency exchange rate**

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

### **Risk related to changes in the law**

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

### **Risk related to changes in tax law in Poland**

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

### **Risk related to changes in tax law**

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

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

The indicated information concerning proceedings pending before a court, a competent authority for arbitration proceedings or a public administration authority is presented in point 7.50 of the Company's annual separate financial statements and in point 40 of the Group's annual consolidated financial statements for the period from 01.01.2022 to 31.12.2022.

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

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

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

### 7.1. Basic items for the Company

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

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

Sales revenues - assortment structure	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	(thousand PLN)	structure	(thousand PLN)	structure
		(in %)		(in %)
Insulin	185,967	77.39%	120,456	71.40%
<b>Finished goods</b>	<b>185,967</b>	<b>77.39%</b>	<b>120,456</b>	<b>71.40%</b>
Oral antidiabetic drugs	12,094	5.03%	9,929	5.89%
Other goods PL	9,243	3.85%	12,064	7.15%
Injectors	11,804	4.91%	6,974	4.13%
<b>Goods and materials</b>	<b>33,141</b>	<b>13.79%</b>	<b>28,967</b>	<b>17.17%</b>
<b>Services</b>	<b>21,203</b>	<b>8.82%</b>	<b>19,283</b>	<b>11.43%</b>
<b>Total sales revenues</b>	<b>240,311</b>	<b>100.00%</b>	<b>168,707</b>	<b>100.00%</b>

In 2022, the Company achieved sales revenues in the amount of PLN 240.3 million, in which the largest share was the sale of insulin forms in the amount of PLN 186.0 million. In the comparable period of 2021, sales revenues amounted to PLN 168.7 million, of which insulin sales amounted to PLN 120.4 million, which means that revenues in 2022 were higher by 42.4% as compared to the previous year. The increase in revenue in Poland (in the segment of oral antidiabetic drugs) between 2022 and 2021 was positively impacted by the increase in sales of Avamina SR.

In the analyzed period, the company achieved a gross margin on sales of 39.9% and was lower by 6.3 p.p. as compared to the corresponding period of 2021. The main reasons for the decrease in the % gross margin value were higher costs of downtime and unused product capacity related to the longer downtime and scheduled preparations for the substance production lines to be used by the analog project, as well as a significant increase in energy and gas costs, an increase in the cost of substances and materials used in production. In addition, the margin value was affected by the structure of the products and devices sold, in particular the increase in sales in international markets which have lower margins as compared to the domestic market.

## 7.2. Basic items for the Group

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

Sales revenues - assortment structure	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	(thousand PLN)	structure	(thousand PLN)	structure
		(in %)		(in %)
Insulin	185,967	79.76%	120,456	73.88%
<b>Finished goods</b>	<b>185,967</b>	<b>79.76%</b>	<b>120,456</b>	<b>73.88%</b>
Oral antidiabetic drugs	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%
<b>Goods and materials</b>	<b>27,498</b>	<b>11.79%</b>	<b>24,788</b>	<b>15.20%</b>
<b>Services</b>	<b>19,693</b>	<b>8.45%</b>	<b>17,789</b>	<b>10.91%</b>
<b>Total sales revenues</b>	<b>233,159</b>	<b>100.00%</b>	<b>163,034</b>	<b>100.00%</b>

The Group's sales revenues in 2022 amounted to PLN 233.2 million and were higher by 43.0% than in the corresponding period of 2021. The value of revenues in 2022 was influenced in 79.8% by sales of Insulin on the Polish market and on other international markets, as shown above.

The gross margin on sales at the consolidated level was 41.1% and was lower by 6.6 p.p. compared to the corresponding period due to the aforementioned reasons.

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

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

In 2022, the Company generated revenues from domestic sales in the amount of PLN 106.9 million, which means that revenues were lower than in 2020 by 19.3%.

In 2022, the company achieved revenues from the sale of insulin on the Polish market in terms of sales to pharmaceutical wholesalers in the amount of PLN 77.8million. The company achieved a 35.2% share in the market of classic insulins in terms of quantity in Poland.

*Sales structure of BIOTON S.A. on domestic market*

Sales revenues - assortment structure PL	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	(thousand PLN)	structure	(thousand PLN)	structure
		(in %)		(in %)
Insulin	77,818	72.80%	79,685	76.70%
<b>Finished goods</b>	<b>77,818</b>	<b>72.80%</b>	<b>79,685</b>	<b>76.70%</b>
Oral antidiabetic drugs	12,094	11.31%	9,929	9.56%
Other goods PL	6,732	6.30%	7,773	7.48%
Injectors	7,985	7.47%	4,553	4.38%
<b>Goods and materials</b>	<b>26,812</b>	<b>25.08%</b>	<b>22,256</b>	<b>21.42%</b>
<b>Services</b>	<b>2,258</b>	<b>2.11%</b>	<b>1,947</b>	<b>1.87%</b>
<b>Total sales revenues</b>	<b>106,888</b>	<b>100.00%</b>	<b>103,888</b>	<b>100.00%</b>

In 2022, the largest percentage share in the Company's sales was recorded by three pharmaceutical wholesalers operating on the domestic market: HURTOWNIA FARMACEUTYCZNA Neuca S.A. (29,62%), Farmacol SA (24.8%) and POLSKA GRUPA FARMACEUTYCZNA SA (11.4%). Mutual relations are regulated by relevant trade agreements.

*Sales structure of BIOTON S.A. on foreign markets*

Sales revenues - assortment structure EXP	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	(thousand PLN)	structure	(thousand PLN)	structure
		(in %)		(in %)
Insulin	108,149	81.06%	40,772	62.90%
<b>Finished goods</b>	<b>108,149</b>	<b>81.06%</b>	<b>40,772</b>	<b>62.90%</b>
Other goods PL	2,510	1.88%	4,290	6.62%
Injectors	3,818	2.86%	2,421	3.73%
<b>Goods and materials</b>	<b>6,328</b>	<b>4.74%</b>	<b>6,711</b>	<b>10.35%</b>
<b>Services</b>	<b>18,945</b>	<b>14.20%</b>	<b>17,337</b>	<b>26.75%</b>
<b>Total sales revenues</b>	<b>133,422</b>	<b>100.00%</b>	<b>64,819</b>	<b>100.00%</b>

In 2022, the Company generated revenues from export sales in the amount of PLN 133.4 million, which is an increase by 105.8% as compared to 2021. The increase resulted from higher sales mainly in China, Ukraine, the Philippines and Vietnam, and also thanks to new markets such as Sudan.

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

The Group's sales structure divided into geographic markets

Sales revenues - geographical structure of the recipient's market EXP	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	(thousand PLN)	structure	(thousand PLN)	structure
		(in %)		(in %)
China	47,090	20.20%	7,271	6.44%
Vietnam	17,154	7.36%	10,365	6.36%
Ukraine	9,113	3.91%	2,185	1.34%
Sudan	4,434	1.90%	0	0.00%
Bangladesh	3,932	1.69%	389	0.24%
the Philippines	3,649	1.57%	1,350	0.83%
Other*	35,761	20.15%	33,577	14.35%
<b>Analog projekt</b>	12,289	5.27%	9,682	5.94%
<b>Total sales revenues</b>	<b>133,422</b>	<b>57.22%</b>	<b>64,819</b>	<b>39.76%</b>
* - Includes Transfer Price settlement and re-invoicing of services				

In 2022, the Company achieved revenues from export sales in the amount of PLN 133.4 million, which is an increase by 105.8% as compared to 2021, mainly due to the increase of sales in China, the Philippines, Ukraine, Sudan and Bangladesh as well as an increase in sales of Services from PLN 9.7 million to PLN 12.3 million related to higher realization of service revenues from the analog project than in 2021.

## 8.3. Sources of supply

Geographical structure of purchases of individual materials for production in 2022 included, by value:

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

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

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

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

On July 16, 2019 the Management Board concluded an agreement with Yifan Pharmaceutical Co., Limited ("Yifan"), the subject of which is the mutual cooperation of the parties in the scope of active substances of insulin analogs and final medicinal product (in

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

### 9.2. Conclusion of the assignment agreement (Novation Agreement)

On January 16, 2020, Bioton concluded an assignment agreement (Novation Agreement) with effect from January 1, 2020 to the Global Exclusive License Framework Agreement of March 27, 2018, as amended, between the Company, YIFAN INTERNATIONAL PHARMACEUTICAL CO., LTD. with its registered office in Hong Kong ("Assignor") and SCIGEN PTE. LTD. with its registered office in Singapore ("Assignee"), in which Bioton granted the Assignor the exclusive right to import and distribute Bioton products on the Territory (all countries except Poland). The Assignor and Bioton intend to facilitate global sales of products, therefore in order to execute the contractual obligations it was necessary to assign the rights and obligations under the Agreement. In addition, the Assignee is a wholly-owned subsidiary of the Assignor, it is a professional and experienced entity in the sale of pharmaceutical products on the global market.

Further cooperation regarding the Agreement is important for improving global sales of Bioton products. The Agreement was concluded for a period of 15 years with an automatic option of extension for 5 more years, unless either party submits a written termination of the Contract at least 12 months before the end of the period for which the Agreement was concluded. The Agreement may be terminated by either party with a 30-day notice if: i) one of the parties violates the provisions of the Agreement and this violation has not been remedied within 30 days of receipt of the request to stop the violation; (ii) one of the parties becomes insolvent or a bankruptcy proceeding is initiated against either party. The parties' liability under the Agreement is limited to actual damage. The Agreement is subject to the law of Singapore and potential disputes will be settled by the arbitration court in Singapore. The Agreement specifies mutual obligations of the parties, as well as the basic terms and conditions of distribution. The terms of the Agreement do not differ from generally used market practices. The Company estimated that revenues under the Agreement over the next three years will amount to approximately PLN 250 million. Realised revenues between 2020 and 2022 amounted to PLN 221.7 million. In addition, the Chinese market was opened for distribution due to termination of Bioton insulin delivery and distribution agreement on the Chinese market by Harbin Gloria Pharmaceuticals Co., Ltd.

### 9.3. The economic and political situation in Ukraine

The indicated information on the economic and political situation in Ukraine is presented in point 7.53 of the company's annual separate financial statements and in point 42 of the annual consolidated financial statements of the Group for the period from 01/01/2022 to 31/12/2022.

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

### 10.1. BioPartners Holdings AG with its registered office in Switzerland

On 09.03.2007, the Company concluded an agreement with the entities from the DLJ Merchant Banking Partners group for the acquisition of a 100% interest in the share capital of BioPartners Holding AG with its registered office in Switzerland ("BioPartners") (the "Agreement"). On the date of the Agreement, BioPartners was the owner of 100% shares in the following companies: (i) BioPartners GmbH with its registered office in Switzerland and (ii) BioPartners GmbH with its registered office in Germany, operating in the biotechnology industry. BioPartners received the verdict of the Court of Arbitration of the International Chamber of Commerce dismissing the claim for damages. In its arbitration ruling, the Tribunal awarded BioPartners with costs in the amount of USD 315,000

plus legal costs PLN 2 802 305 with interest of 5.33% from January 2, 2019. The BioPartners' Management Board at the meeting discussed the actions taken in connection with the received verdict and decision not to appeal against the judgment against the procedural requirements. On March 13, 2019, BioPartners Holding AG filed for bankruptcy. The bankruptcy procedure began on March 21, 2019. The companies were entered in the commercial register as "in liquidation". The Company does not have the possibility to conduct the activity and does not have access to bank accounts. The entire proceeding was completed and on May 8, 2019, BioPartners Holding AG was removed from companies register due to lack of assets. BioPartners GmbH with its registered office in Baar (Switzerland) has been entered in the commercial register as "in liquidation" - we are awaiting the completion of the liquidation procedure. BioPartners GmbH with its 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 pension liability to an employee. Both companies are still registered in the commercial register, but are no longer active.

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

The Company holds a total of 100% in the share capital and the number of votes at the General Meeting of Biolek.

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

At the end of the reporting period, expenditures for plant, property and equipment under construction of Bioton S.A., and thus in the Group, in total amounted to PLN 4,900 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 PLN (as of 31 December 2021, expenditures amounted to PLN 8,438 thousand) and, respectively, for the aforementioned category PLN 4,077 thousand and PLN 1,456 thousand).

#### 10.4. Outlays for research and development

At the end of the reporting period, expenditures for development works and intangible assets in progress of Bioton S.A. amounted to a total of PLN 27,107 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 (as of 31 December 2021, the total amount was PLN 109,907 thousand).

Capitalized expenditures of the Group for development works in progress at the end of 2022 amounted to PLN 27,450 thousand, including:

- Company – PLN 27,107 thousand, concerning min. outlays on product registration, including registration procedures for classical insulin due to the increase in production scale and their registration in other territories, including for registrations in Brazil amounting to PLN 11.1 million and expenses incurred for the Yifan analog development project amounting to PLN 11.8 million also related to the change of the active substance production line;
- BIOLEK Sp. z o. o. - PLN 343 thousand, mainly related to expenditures on product registration.

The continuation of the Analog project is underway. Both Yifan and Bioton are working together to transfer, scale and register all products.

Regarding the long-acting insulin analog, Glargine, the has completed laboratory-scale runs with the aim of producing a clinical-scale batch of the drug substance in Q2 2023. The manufacturing facility is currently being upgraded to accommodate the new process.

As for the Lispro insulin analog, Bioton is still not working on this project and is still awaiting the final Yifan study report. Some delays occurred due to the significant periods of restrictions imposed in China triggered by the COVID-19 pandemic in 2022 which delayed the progress of the IND submission and testing in particular. 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.

Lispro analog project completion date is delayed by approximately 1-2 years; however, it should be taken into account that the timetable for this type of project is difficult to predict as unforeseen technological issues may arise during the project implementation and the clinical trial/registration processes may be subject to certain delays.

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

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

In 2022, the Company and its subsidiaries did not conclude transactions with affiliates on terms other than market terms.

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

Detailed information on credits and loans of Company is presented in note 25 to the Company's annual financial statements and note 25 to the Group's annual consolidated financial statements for the period from 01.01.2022 to 31.12.2022.

### 12.1. Credits

In 2022, the Company was financed with a short - and long - term bank debt and a loan from Uniapek S.A. shareholder. The obligations of the Company and the Group resulting from credit agreements are repaid on an ongoing basis.

The debt under loan agreements as of 31.12.2022 at ING Bank Śląski S.A. and BNP Paribas Bank Polska S.A. totalled PLN 41.17 million. As of 31.12.2022, the debt under the shareholder loan was PLN 20.15 million. As of 31.12.2022, the value of utilised factoring limits under agreements with ING Commercial Finance Polska S.A. Agreement and BNP Paribas Faktoring Sp. z o.o. amounted to PLN 20.75 million.

The Company secures domestic receivables subject to factoring agreements through an agreement with Compagnie Francaise D'assurance Pour Le Commerce Exterieur SA branch in Poland (Coface).

In 2022, the following changes to the agreements with banks occurred:

- on May 10, 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 of 24.06.2021 with ING Bank Śląski S.A., amending the provisions of the Basic Terms and Conditions section of the Agreement
- on 23.08.2022, the Company entered into an Overdraft Agreement with BNP Paribas Bank Polska Spółka Akcyjna with a limit of PLN 15 million. The agreement is valid until 23 August 2024. Pursuant to the provisions of the Overdraft Agreement, the use of the credit facility was firstly earmarked for the full repayment of the exposure with Bank of China (EUROPE formerly: LUXEMBOURG) S.A. based in Luxembourg, acting through Bank of China (EUROPE formerly: LUXEMBOURG) S.A. (SPÓŁKA AKCYJNA) Branch in Poland with its registered office in Warsaw
- on 25.08.2022, the Company entered into a Factoring Agreement with BNP Paribas Faktoring Sp. z o.o. (full factoring with assignment of receivables under an insurance agreement) 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 full repayment of principal instalments, together with interest due, to 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 14.12.2022, the Company concluded an Annex No. 2 to the Multi-product Agreement with ING Bank Śląski S.A., amending the parts relating to collateral as well as the Company's representations and obligations towards the bank.

By the date of publication of the financial statements, the Company had repaid instalments of the loan in the amount of PLN 1,277 thousand at ING Bank Śląski S.A.

Analysis of maturity categories as of 31.12. 2022 by loan agreement term and repayment schedule:

Expected loans amount and interest on loans from December 31, 2022 - thousand PLN	up to 1 year	from 1 up to 2 years	from 3 up to 5 years	Total
ING Bank Śląski S.A overdraft facility	-	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 facility	-	13,941	-	<b>13,941</b>
Uniapek S.A. (USD 7 million) loan	20,147	-	-	<b>20,147</b>
<b>Total</b>	<b>25,344</b>	<b>34,271</b>	<b>1,702</b>	<b>61,317</b>

## 12.2. Loans

On 01.12.2022, the Company signed Annex No. 4 to the Loan Agreement with UNIAPEK S.A. extending the repayment date to 30.06.2023 and setting out the repayment schedule for the period from 30.12.2022 to 30.06.2023. Other provisions of the agreement remain unchanged.

In 2022, BIOTON S.A. did not terminate any loan agreements.

By the date of publication of the financial statements, the Company had repaid the loan instalment of USD 1,050 thousand.

## 12.3. Exchange rates

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

In the following months, the main assumptions of the Company in the exchange rate policy will be to hedge the exchange rate of foreign currency inflows (in USD). The Company plans to hedge trade receipts in USD by entering into forward hedging transactions. As of December 31, 2022, BIOTON S.A. did not have any open transactions hedging foreign currency exchange rate risk.

BIOTON S.A. bears foreign currency exchange rate risk related primarily to a loan in foreign currencies, as well as with sale of finished products, services and purchases of raw materials, which are made in foreign currencies.

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

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

### 13.1. Loans granted to affiliates

On 31.01.2012, BIOTON S.A., as a lender, concluded with BIOLEK Sp. z o.o. with its registered office in Macierzysz ("Biolek"), as a borrower, a loan agreement in the amount of PLN 2.0 million ("BSA Loan") to finance the activities of Biolek. The BSA loan was made available for an unlimited period. The interest rate on the BSA loan is based on variable WIBOR rate plus margin. On August 5, 2021, BIOTON S.A. concluded Annex No. 18 regarding a partial loan repayment and repayment of interests. On December 30, 2022, the Company concluded Annex No. 19 regarding the payment of interest on the Loan. W 2022, BIOTON S.A. did not conclude an annex with Biolek changing the amount of the BSA Loan agreement. The total loan amount is PLN 13.3 million.

On 31.01.2012, BIOTON S.A., as the lender, concluded with Bioton (International) GmbH based in Turmstrasse 28, CH6312 Steinhausen Switzerland (former Actavis Bioton GmbH) as the borrower ("BSA Loan"), intended for financing of development works and internal administrative costs. On 04/06/2020, BIOTON S.A. concluded Annex No. 1 extending the term of the contract by 9 years from the date of this annex. On January 25, 2021, BIOTON S.A. concluded Annex No. 2 extending the term of the contract by 11 years from the date of this annex. The total amount of the loan is EUR 268 thousand.

On 14.03.2014 BIOTON MARKETING AGENCY Sp. z o.o., as a lender, concluded with BIOLEK Sp. z o.o. with its registered office in Macierzysz ("Biolek"), as a borrower, a loan agreement in the amount of PLN 1.3 million ("BMA Loan") to finance the activities of Biolek. The BMA loan was made available for an unlimited period. The interest rate on the BMA loan is based on variable WIBOR rate plus margin. The total amount of loan is PLN 5.7 million. On 09.03.2022, BIOTON MARKETING AGENCY SP Z. O.O. concluded an annex changing the loan repayment term from 14 days to 12 months after the call.

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

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

BANK OF CHINA S.A.'s claims towards the Company under the Loan have been secured with, among others: a corporate guarantee granted by Bioton Marketing Agency Sp. z o.o. and Biolek Sp. z o.o. (Guarantors); and a financial and registered pledge on shares in Bioton Marketing Agency Sp. z o.o. and Biolek Sp. z o.o. Due to the full repayment of the exposure on 26.08.2022, the sureties, financial and registered pledge and corporate guarantees under the loan agreement 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, were released on the basis of a Release Statement issued by the above-mentioned Lender.

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

In 2022, neither the Company nor the Group carried out transactions in securities.

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

The Company nor the Group did not publish forecasts of results for 2022.

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

17.1. Basic financial performance indicators of the Company

*Basic financial performance indicators*

Profitability ratios:		2022 thousand PLN	2021 thousand PLN
1.	Sales profitability ratios net ( $ROS = Profit\ net / Revenues\ on\ sales\ net$ )	0.7%	1.6%
2.	Assets profitability ratio ( $ROA = Net\ Profit / Assets$ )	0.2%	0.3%

Liquidity and turnover ratios:		2022 thousand PLN	2021 thousand PLN
1.	Current liquidity ratios ( $Working\ assets / Current\ liabilities$ )	157.6%	143.5%
2.	Quick liquidity ratio ( $(Current\ assets - Inventories - Prepayments) / Current\ liabilities$ )	43.2%	39.7%
3.	Average trade receivables	35,0921	38,201
3.a.	Trade receivables turnover ratio ( $Revenues\ on\ sales\ net / Average\ receivables$ )	6.85	4.42
3.b.	Collection cycle of trade receivables in days ( $360 / Receivables\ turnover\ ratio$ )	53	82
4.	Average inventory	116,788	106,680
4.a.	Inventory turnover rate ( $Net\ sales\ revenue / Average\ inventories$ )	2.1	1.6
4.b.	Inventory in days ( $360 / Inventory\ turnover\ ratio$ )	175	228
5.	Average state of trade payables	38,276	45,117
5.a.	Trade payables turnover ratio ( $Net\ sales\ revenue / Average\ trade\ payables$ )	6.3	3.7
5.b.	Regulation of trade payables in days ( $360 / Trade\ payables\ ratio$ )	57	96

Debt ratios:		2022 thousand PLN	2021 thousand PLN
1.	Debt-to-asset ratio $((\text{Noncurrent liabilities} + \text{Current liabilities}) / \text{Liabilities})$	19.3%	22.4%
2.	Equity to assets ratio $(\text{Equity} / \text{Liabilities})$	75.4%	72.5%
3.	Debt to equity ratio [times] $((\text{Non-current liabilities} + \text{Current liabilities}) / \text{Equity})$	0.26	0.31

In 2022, the net sales profitability rate was -0.7%, and the assets profitability rate 0.2%.

The average trade receivables ratio increased to 6.85 in 2022 (in 2021: 4.42), which indicates an increase in the receivables turnover cycle. The time of regulation of trade payables decreased to 57 days (from 96 days in 2021). The basic indicator assessing the ability to pay current liabilities increased from 143.5% to 157.6% in comparison to 2021. The quick liquidity ratio increased to 43.2% (from 39.7 % in 2021). The average inventory in 2022 increased by PLN 10.1 million and was sufficient for 175 days of sale.

Share of external financing in property (referred to by the asset burden ratio) increased to 19.3% (from 22.4% in 2020).

*The structure of financing of the property*

		2022 thousand PLN	2021 thousand PLN
1.	Equity	623,135	639,282
2.	Non-current liabilities	62,887	77,056
3.	Total fixed capital (1 + 2)	686,022	716,338
4.	Fixed assets	673,960	707,916
5.	Fixed capital for financing working assets	12,062	8,422
7.	Current assets	152,224	173,302
8.	Coverage of current assets with current liabilities	140,162	164,880
9.	The percentage of coverage of current assets:		
9.a.	by fixed capital	7.9%	4.9%
9.b.	by current liabilities	92.1%	95.1%
9.c.	by reserves	0.0%	0.0%

Fixed assets coverage capital ratio $(\text{Equity} / \text{Fixed assets})$	0.92	0.90
Coverage ratio of current assets with foreign capital $((\text{Non-current liabilities} + \text{Coverage of current assets with current liabilities}) / \text{Current assets})$	1.33	1.40
Capital structure indicator $(\text{Equity} / \text{Foreign capital})$	3.07	2.64
Assets structure indicator $(\text{Fixed assets} / \text{Current assets})$	4.43	4.08

The level of equity was lower by 7.5% from the value of plant, property and equipment (in 2021, it was lower by 9.7%). The capital structure ratio indicates that all the liabilities can be covered from equity, which confirms the Company's credibility in business dealings.

## 17.2. Basic financial performance indicators of the Group

<b>Profitability ratios:</b>		<b>2022 thousand PLN</b>	<b>2021 thousand PLN</b>
1.	Sales profitability ratios net ( $ROS = Profit\ net / Revenues\ on\ sales\ net$ )	0.6%	1.8%
2.	Return on assets ratio ( $ROA = Net\ profit / Assets$ )	0.2%	0.3%
2a.	Adjusted return on assets ( $ROA = (Net\ profit - Interest\ payable * (1-Tax)) / Assets$ )	1.2%	1.1%
3.	Return on Equity ( $ROE = Net\ Profit / Equity$ )	0.2%	0.5%
4.	Financial leverage (ROE ratio - Adjusted ROE)	-1.0%	-0.8%
<b>Liquidity and turnover ratios:</b>		<b>2022 thousand PLN</b>	<b>2021 thousand PLN</b>
1.	Current liquidity ratio ( $Current\ assets / Current\ liabilities$ )	108.5%	106.0%
2.	Quick liquidity ratio ( $(Current\ assets - Inventories - Prepayments) / Current\ liabilities$ )	28.9%	29.4%
3.	Average trade receivables	35,255	38,501
3.a.	Trade receivables turnover ratio ( $Net\ sales\ revenues / Average\ receivables$ )	6.61	4.23
3.b.	Collection cycle of trade receivables in days ( $360 / Receivables\ turnover\ ratio$ )	54	85
4.	Average inventory	118,066	107,574
4.a.	Inventory turnover rate ( $Revenues\ on\ sale\ net / Average\ inventory$ )	1.97	1.52
4.b.	Inventories status in days ( $360 / Inventory\ turnover\ ratio$ )	182	238
5.	Average state of trade payables	36,513	43,451
5.a.	Trade payables turnover ratio ( $Net\ sales\ revenue / Average\ trade\ payables$ )	6.39	3.75
5.b.	Regulation of trade payables in days ( $360 / Trade\ payables\ ratio$ )	56	96
<b>Debt ratios:</b>		<b>2022 thousand PLN</b>	<b>2021 thousand PLN</b>
1.	Debt-to-asset ratio ( $(Non-current\ liabilities + Current\ liabilities) / Liabilities$ )	25.2%	28.0%
2.	Equity to assets ratio ( $Equity / Liabilities$ )	74.8%	72.0%
3.	Debt to equity ratio [times] ( $(Non-current\ liabilities + Current\ liabilities) / Equity$ )	33.7%	38.9%

The return on sales ratio for 2022 amounted to 0.6% compared to 2021 decreased by 1.2 percentage points. ROA and ROE was 0.2%.

The trade receivables turnover ratio increased in comparison to 2021, reaching 6.61% (4.23% in 2021). The time of regulation of trade payables decreased to 56 days (from 96 days in 2021). Current liquidity ratio increased from 106.0% in 2021 to 108.5% in 2022. The quick liquidity ratio reached the level of 28.9% in 2022 (29.4% in 2021). The average inventory balance as at December 31, 2022 increased to PLN 118.1 million as compared to PLN 107.6 million in 2021, which impacted the change in the inventory turnover ratio, which increased to 1.97 in 2022. The turnover ratio in days reached 182 days (238 days in 2021).

Share of foreign financing in property (referred to by the asset burden ratio) in 2021 amounted to 25.2%. In 2022 the amount of liabilities in relation to equity was 33.7%.

The structure of financing of the property

		2022 thousand PLN	2021 thousand PLN
1.	Equity	606 060	622 739
2.	Non-current liabilities	63 212	77 542
3.	Total fixed capital (1 + 2)	669 272	700 281
4.	Fixed assets	657,255	690,461
5.	Fixed capital for financing working assets	12,017	9,818
7.	Current assets	153,071	174,727
8.	Coverage of current assets with current liabilities	141,054	164,908
9.	The percentage of coverage of current assets:		
9.a.	by fixed capital	7.9%	5.6%
9.b.	by current liabilities	92.1	94.4%
9.c.	by reserves	0.0%	0.0%
	Fixed assets equity coverage ratio ( <i>Equity / Fixed assets</i> )	0.92	0.90
	Coverage ratio of current assets with foreign capital ( <i>(Non-current liabilities + Coverage of current assets with current liabilities)</i> )	1.33	1.39
	Capital structure ratio ( <i>Equity / Foreign capital</i> )	2.97	2.57
	Assets structure ratio ( <i>Fixed assets / Current assets</i> )	4.29	3.95

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

The Company continues the process of changing loan agreements, which consists primarily of converting short-term debt into long-term debt. In 2022, the Company concluded a number of annexes to the existing credit agreements, and also signed a new contract with Bank BNP Paribas, at the same time repaying its debt with Bank of China. The details of the debt were described in the separate and consolidated financial statements and in pt. 12 above, aimed at adjusting the terms of these credits to the financial conditions and the results achieved by the Company and the Group as well as changing market conditions.

On 1.12.2022, the Company signed an Annex extending the loan agreement with the shareholder UniApek until June 2023.

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

With reference to the situation related to the development of the COVID-19 outbreak, the increasing inflation rate, the fluctuation of the PLN against mainly the USD and EUR, as well as disruptions in supply chains and rising energy and natural gas prices, but also the armed conflict in Ukraine, all of which may affect the realisation of the Group's consolidated financial results. The Company's Management Board anticipates that, as a result of the ongoing discussions with financial institutions on increasing the current credit limits or providing new debt financing, the Company's financing structure will be changed in 2023 by shifting some short-term financing to medium- and long-term financing.

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

The Group continued to pursue its business strategy following the changes in the shareholding structure which assumes, among other things, optimisation of the Group's product portfolio and strengthening of its position in the global pharmaceutical market, as well as further increase in sales of insulins manufactured by the Company, both in markets where the Company's product is already commercialised and in new foreign markets

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

These activities were focused on the following key areas:

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

On 27 March 2018 the Company entered into a framework agreement with Yifan International Pharmaceutical Co., Ltd. based in Hong Kong (YIFAN) for the distribution, sales and marketing of the Company's products, granting exclusive right (the Right) to use BIOTON trademarks in association with advertising, promotion, distribution and sale of products in the territories covered by the agreement ("Agreement"). The cooperation of the Parties on terms specified in the agreement is associated with significant benefits for the Company, mainly related to taking over registration costs, costs of commercial and marketing activities, and also in particular the costs of building a distribution sales network on individual markets by the distribution partner. The main task of the distribution partner is development and promotion related to the sales of the Company's products aimed at improving the financial result of the Company and its Capital Group.

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

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

## **20. Characteristics of external and internal factors significant for the development of BIOTON S.A. and the Group and description of development perspectives of the Company and the Group at least until the end of 2023, including elements of market strategy developed by the Company and the Group**

### **Product range of the Group**

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

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

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

### **Opportunities to develop new products**

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

### **Highly qualified and experienced specialists**

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

### **Strong marketing in Poland**

In 2021, the Company became market leader in the classic insulin segment in Poland, responsible for sharing information with doctors and patients.

### **Cooperation aimed at entering new markets**

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

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

### **Insulin quality / modern production technology**

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

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

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

In 2022, there were no changes in the management rules of BIOTON S.A. and the Group.

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

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

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

Information on remuneration, bonuses and benefits of persons managing and supervising BIOTON S.A. is presented in note 7.46 of annual financial statements of the Company and in the note 36 of the annual financial statements of the Company of the consolidated annual financial statements of the Group for the period from 01.01.2022 to 31.12.2022.

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

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

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

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

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

On August 14, 2013, the Company concluded with Troqueera Enterprises Limited with its registered office in Nicosia ("**Troqueera**") the agreement regarding the acquired by the Company on the basis of: (i) the agreement of 31.08.2011, (ii) the agreement of 20.04.2012 and (iii) the agreement of 22.11.2012 (collectively "**Agreements**") Shares of BIOLEK Sp. z o.o. with its registered office in Macierzysz ("**Biolek**", „ **Agreement**"). In accordance with the Troqueera Agreement, as the significant shareholder of the Company, it gave up all payments due to the occurrence of Biolek events and the admission to the sale of its products in Biolek, provided for in the Agreements and due to Troqueera ("**Bonus**"), with the exception of payments for obtaining by Biolek profit before deducting interest on loans drawn, taxes and depreciation (EBITDA) in the amount of PLN 30 million ("**Event**"). The event bonus was set at PLN 10,635,542.00.

Payment of the Bonus will take place in a non-cash form by issuing Company shares, taking into account that if the market price of one Company's shares as at the Event's occurrence is lower than the nominal value of the Company's shares, the Company will be required to issue additional shares to Troqueera in a number representing the difference between the amount of the Bonus and the market value of the shares on the day preceding the occurrence of the Event, while the total market value of the shares issued to cover the amount of the Bonus will be equal to the value of the Bonus. Payment of the Bonus, at the Company's option, may also be made in cash (partly or in full).

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

## **26. Information on the employee share ownership scheme**

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

## **27. Information on the certified auditor**

Information on the certified auditor is presented in note 7.47 of annual financial report of the Company and in the note 37 of the annual consolidated financial statements of the Group for the period from 01.01.2022 to 31.12.2022.

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

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

1. annual individual financial statements of BIOTON S.A. as of 31.12.2022 and the annual consolidated financial statements of the Capital Group of BIOTON S.A. as of 31.12.2022 were prepared in accordance with the International Financial Reporting Standards, which apply to annual statements and which had been approved by the European Union, hereinafter referred to as "IFRS EU", and to the extent not covered by the above standards, as required by the Accounting Act of 29 September 1994 on accountancy and enforcement provisions issued on its basis

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

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

2. the above-mentioned statements reflect in a true, reliable and clear manner property and financial situation of the Company and the Group, as well as its financial results,
3. report of the Management Board of BIOTON S.A. on the operations of the Company and the operations of the BIOTON S.A. Capital Group in the period from 01.01.2022 until 31.12.2022 presents a true image of the development and achievements of the Company and the Group, including a description of basic threats and risks.

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

The Management Board of BIOTON S.A. declares that pursuant to art. 66, it. 4 of the Act of 29 September 1994 on accounting and on pursuant to § 21 it. 1 point 1) of the Articles of Association of BIOTON S.A., the Supervisory Board of the Company, by a resolution of 20.04.2022, appointed UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. ("UHY"), as an entity auditing as of December 31, 2022, December 31, 2023 and December 31, 2024, and 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 with UHY in this scope.

The Management Board of BIOTON S.A. informs that this entity and the certified auditors performing the review meet the conditions for issuance of impartial and independent audit reports, as required by International Standards on Audit in Financial Statements issued by the International Federation of Accountants, Chapter 7 of the Act of 29 September 1994 on accounting and national auditing standards, issued by the National Council of Statutory Auditors in Poland. UHY is an entity entered on the list of audit firms maintained by the Polish Chamber of Statutory Auditors under No. 3115. The Company has not used UHY's services to review and audit its financial statements.

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

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

BAs of 01.07.2021, BIOTON S.A. is subject to the Best Practices of WSE Listed Companies 2021 (DPSN2021). The text of "Best Practices of WSE Listed Companies" is available, among others, on the website of the Warsaw Stock Exchange S.A. dedicated to the issues of corporate governance - <https://www.gpw.pl/best-practice2021>.

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

The Management Board of BIOTON S.A. informs that since it shares the ideas and assumptions underlying individual principles of the "Best Practices of WSE Listed Companies" - in the view of the practice or provisions of the Statute adopted by the Company, requiring departure from the governance and supervision model provided for by some corporate governance rules - it cannot apply in a permanent manner and to the full extent of the principles. Information on the status of the Company's application of the principles contained in the Best Practice for GPW Listed Companies 2021 can be found in the following link: [https://bioton.com/wp-content/uploads/2021/08/2021.07.22\\_GPW\\_dobre\\_praktyki\\_2021\\_PL.pdf](https://bioton.com/wp-content/uploads/2021/08/2021.07.22_GPW_dobre_praktyki_2021_PL.pdf)

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

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

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

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

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

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

No	Shareholder	Number of shares / votes (in pcs)	% of share capital / votes
1.	Dongren Singapore PTE LTD. <sup>1)</sup>	16,989,289	19.79%
2.	Perfect Trend Ventures Limited <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 SA <sup>4)</sup>	4,293,210	5.00%
7.	Others	34,362,575	40.0224%
<b>Total</b>		<b>85,864,200</b>	<b>100.00%</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 parent company 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 parent company 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The change in the Articles of Association requires a resolution of the General Meeting and an entry in the register.

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

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

**Convening General Meetings**

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

*Entities entitled to convene the General Meeting*

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

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

#### *The method of convening the General Meeting*

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

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

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

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

#### *The right to submit draft resolutions to the Company*

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

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

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

### **Participation in the General Meeting**

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

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

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

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

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

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

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

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

Persons entitled under inscribed shares and temporary certificates and pledgees and usufructuaries who are entitled to vote, have the right to participate in the General Shareholders Meeting provided that they are entered in the share register on the Registration Date. The list of persons authorized to participate in the General Meeting is determined by the Company on the basis of the list prepared by the entity maintaining the securities depository pursuant to the Act from on July 29, 2005 on trading in financial instruments ("**The Act on Trading in Financial Instruments**") and the state disclosed in the Company's share register on the day of registering participation in the General Meeting. The above list is displayed in the office of the Management Board for three weekdays preceding the day of the General Meeting.

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

#### **Competences of General Meetings**

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

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

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

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

- amendments to the Articles of Association, redemption of shares, increase of share capital, reduction of the Company's share capital, issue of convertible bonds and bonds with pre-emptive rights, sale of the company and liquidation of the Company (requires a majority of three-fourths of votes),
- appointing, dismissing and suspending members of the Supervisory Board in their obligations,
- making changes to the Articles of Association in order to authorize the Management Board to increase the Company's share capital within the target capital (requires a three-fourths majority of persons present at the meeting with shareholders representing at least one third of the share capital); if the General Meeting convened for the purpose of adopting resolutions in the abovementioned case is not held due to the lack of a quorum, the next General Meeting may adopt such resolutions regardless of the number of shareholders present at this General Meeting,
- making a significant change to the subject of the Company's operations (requires a two-thirds majority of votes regardless of the number of shareholders present at such General Meeting),
- merger with other companies, which requires a two-thirds majority of votes cast, unless the Statute provides for more stringent requirements,
- division of the Company and ordering a break in the General Meeting (requires a two-thirds majority of votes),
- issuing subscription warrants (requires a majority of four fifths of votes),
- depriving shareholders of the pre-emptive right in whole or in part (requires a majority of four fifths of votes at the General Meeting),

- amendment to the Articles of Association increasing the benefits of shareholders or reducing the rights granted personally to individual shareholders (in accordance with art. 354 of the Commercial Companies Code, the consent of all shareholders affected by the change is required),
- the conclusion by the Company of a credit, loan, guarantee or other similar agreement with a member of the Management Board, Supervisory Board, proxy, liquidator or for the benefit of any of these persons requires the consent of the General Meeting.
- Pursuant to the provisions of the Articles of Association, the following resolutions of the General Meeting require a three-fourths majority of votes cast:
  - resolution on the redemption of shares in the case referred to in art. 415 § 4 of the CCC,
  - resolutions on the purchase of shares (own shares) that are to be offered to employees or persons who have been employed by the Company or its subsidiaries for at least three years,
  - resolution on authorization to purchase own shares in the case referred to in art. 362 § 1 point 8 of the Commercial Companies Code,
  - resolutions on mergers with other public companies.
- Pursuant to the provisions of the Articles of Association, a resolution of the General Meeting cancelling or suspending the activities of some or all of the members of the Management Board requires a majority of four fifths of the votes cast.

### **Voting rights**

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

### **The right to sell shares**

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

### **Other rights of shareholders**

In addition, shareholders have the following rights:

- the right to subscribe for new issue shares in relation to the number of shares held (pre-emptive right). In accordance with art. 433 of the Commercial Companies Code, shareholders have the right of priority to subscribe for new shares in relation to the number of shares held, with the pre-emptive right also for the issue of securities convertible into shares or incorporating the right to subscribe for shares,
- the right to demand the election of the Supervisory Board in separate groups. According to art. 385 §3 of the Commercial Companies Code, at the request of shareholders representing at least 1/5 of the share capital, the Supervisory Board should be elected by the next General Meeting by voting in separate groups, even if the Company's Articles of Association provide for a different manner of appointing the Supervisory Board,
- the right to request information about the Company. In accordance with art. 428 of the Commercial Companies Code during the General Meeting, the Management Board is obliged to provide the shareholder, at their request, with information regarding the Company, if it is justified to assess the matter covered by the agenda of the General Meeting. The Management Board refuses to provide information if it could cause damage to the Company, a company with an affiliated company or a subsidiary company or cooperative, in particular by disclosing technical, commercial or organizational secrets of the company. A member of the Management Board may refuse to provide information if the provision of information could be the basis of their criminal, civil or administrative liability. In justified cases, the Management Board may provide information to the shareholder also in writing, not later than within two weeks from the date of closing the General Meeting. The Management Board may also provide the shareholder with information concerning the Company outside the General Meeting, but they should be subsequently disclosed by the Management Board in writing in the materials submitted to the nearest General Shareholders Meeting. A shareholder who has been refused disclosure of the information requested during the General Meeting and who has objected to the minutes may, within one week from the date of closing the General Meeting, submit an application to the Registry Court to oblige the Management Board to provide such information. A shareholder may also submit an application to the Registry Court for obliging the Company to publish information provided to another shareholder outside the General Meeting. Pursuant to § 38 it. 1 point 12 and 13 of the Regulation on Current and Periodic Information, information provided to a shareholder outside the general meeting pursuant to art. 428 § 5 or 6 of the Commercial Companies Code and pursuant to 429 § 1 of the Commercial Companies Code, based on the Management Board's obligation to provide information to the shareholder who objected to the protocol on refusal to disclose information requested at the General Meeting, as well as information to which the Issuer was announced obliged, pursuant to art. 429 § 2 of the Commercial Companies Code, by the Registry

Court, and which have been granted to another shareholder outside the General Meeting, are subject to disclosure to the public information in the form of a current report,

- the right to submit a claim for repealing or annulment of a resolution of the General Meeting. According to art. 422 of the Code of Commercial Companies, a resolution of the General Meeting that is contrary to the Statute, or morality and combating the interests of the Company or aimed at harming a shareholder may be appealed against by the action brought against the Company for repealing the resolution. An action for repealing a resolution should be filed within one month of receipt of the information about the resolution, however not later than three months from the date of adopting the resolution. According to art. 425 of the Commercial Companies Code, the resolution of the General Meeting may also be appealed against by means of an action brought against the Company for annulment of a resolution of the General Meeting contrary to the Act, however, the action should be brought within thirty days from the date of its publication, but not later than one year from the day of its adoption of the resolution. The expiration of these dates does not exclude the possibility of raising the objection of invalidity of a resolution contrary to the Act. The following resolutions are entitled to bring actions for annulment or annulment of a resolution of the General Shareholders Meeting: (i) a shareholder who voted against the resolution, and after it has demanded that the objection be minuted, (ii) a shareholder who was groundlessly not allowed to participate in the General Meeting, and (iii) ) a shareholder who was not present at the General Meeting only in the case of a faulty convening of the General Meeting or adopting a resolution regarding a matter not covered by the agenda. The Code of Commercial Companies provides for certain modifications to the general rules in the scope of appealing against resolutions regarding the merger, division and transformation of companies, which are provided for by Articles. 509, art. 544 and art. 567 KSH,
- the right to share in the profit shown in the financial statements audited by the statutory auditor, which was designated by the General Meeting for payment to shareholders. In accordance with art. 347 § 2 of the Commercial Companies Code, the profit is distributed in relation to the number of shares held, and if the shares are not fully covered, the profit is distributed in relation to the payments made for shares,
- the right to demand, in accordance with art. 6 of the Commercial Companies Code, so that a commercial company which is a shareholder of the Company provides information whether it remains in a relation of domination or dependence towards a specific commercial company being a shareholder of the Company. The authorized entity may also demand disclosure of the number of shares or votes such a commercial company holds in the capital company referred to above, including as a lien or, user or on the basis of agreements with other persons. The answers to the questions set out above should be provided to the authorized entity and the relevant capital company within ten days of receiving the request. If the demand for reply was received by the addressee later than two weeks before the day on which the general meeting was convened, the period for its termination shall commence on the day following the date on which the shareholders' meeting or the general meeting ended. From the day of commencement of the deadline for replying to the date of its delivery, the obliged commercial company cannot exercise rights from shares or shares in the capital company referred to above,
- the right to demand, in accordance with art. 410 of the Commercial Companies Code, vested in shareholders holding one-tenth of the share capital represented at a given General Meeting, verified by a committee elected for this purpose, composed of at least three persons on the attendance list at the General Meeting,
- the right to bring an action to repair the damage caused to the Company, in accordance with art. 486 of the CCC, if the Company does not bring an action to repair the damage caused to it within one year from the date of disclosure of the act causing the damage,
- the right to participate in the assets in the event of the Company's liquidation. According to art. 474 of the Commercial Companies Code, the assets remaining after satisfying or securing the Company's creditors are divided among the shareholders in relation to the payments made for each share capital by each of them.

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

Management Board:

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

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

Description of the actions of the Management Board

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

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

Supervisory Board:

Current composition of the Supervisory Board of Bioton S.A.:

- Mr Jia Li (Member of the Board since 30 June 2022; Chairman of the Board since 12 July 2022 );
- Nicola Cadei (Member of the Board since 03.12.2019; appointed for a new term of office since June 30, 2022); Chairman of the Board till July 12, 2022),
- Mr Ramesh Rejenthiran (Member of the Board since 28.06.2019; appointed for a new term of office June 30, 2022); Vice-Chairman of the Board in 2022),
- Mr Dariusz Trzeciak (Member of the Board since 28.06.2019; appointed for a new term of office since June 30, 2022; Vice-Chairman of the Board in 2022),
- Mr Jubo Liu (Member of the Board in 2022);
- Mr Vaidyanathan Viswanath (Member of the Board in 2022),
- Ms Valery Yeo (Council Member as of June 30, 2022,);
- Mr Tomasz Siembida (Member of the Board in 2022).

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

- on April 26, 2022, the Company received the resignation of Yuhong Geng from the position of the Member of the Supervisory Board.
- The reason for the resignation was a decision to focus on additional work responsibilities with the current employer; on June 30, 2022, the Ordinary General Meeting appointed Ms Valery Yeo as a Member of 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 of office.

Description of the operation of the Supervisory Board:

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

For the validity of resolutions of the Supervisory Board, it is required to invite all and attend at least half of its members, including the Chairman or Vice-President. Resolutions of the Supervisory Board are adopted by an absolute majority of votes. Resolutions of the Supervisory Board regarding the suspension of members of the Management Board are adopted by a majority of four-fifths of

votes cast. In the event of an equal number of votes, the Chairman's vote shall prevail. If necessary, resolutions of the Supervisory Board may be adopted in writing or using a means of distance communication. In this case, they become binding after being signed by at least half of the members of the Supervisory Board, including by the Chairman. Members of the Management Board of the Company as well as other invited persons may participate in the meetings of the Supervisory Board, depending on the needs. The Supervisory Board acts collectively, which does not exclude the possibility of permanently or temporarily delegating individual Members of the Supervisory Board to perform specific supervisory activities.

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

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

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

The Audit Committee in the period from January 1, 2022 to the date of publication of these statements was composed of:

- Mr Dariusz Trzeciak - as the Chairman of the Audit Committee of the Company's Supervisory Board,
- Mr Ramesh Rejenthiran - as a member of the Audit Committee of the Company's Supervisory Board, (as Vice-Chairman of the Audit Committee of the Company's Supervisory Board since 12.07.2022).
- Mr Khee Wee Hau - as a Member of the Audit Committee of the Company's Supervisory Board till 30.06.2022.
- Ms Valery Yeo - as a Member of the Audit Committee of the Company's Supervisory Board from 12.07.2022,

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

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

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

The terms set out in the Act on Certified Auditors in the scope of knowledge and skills in the field in which the Company operates are met by:

Mr Dariusz Trzeciak has 10 years of experience in the industry in which the Company operates due to his position on the Company's Supervisory Board since 2013. He completed four years of doctoral studies at the Faculty of Law and Administration of the University of Warsaw, Postgraduate Studies in International Business Management at the Warsaw School of Economics; he also graduated from the Faculty of Law and Administration and the Faculty of History of the University of Warsaw. In the past, he held managerial and supervisory positions in a number of companies, including the position of President of the Management Board in Towarzystwo Ubezpieczeń na Życie Polisa Życie S.A., Sferia S.A., IT Polpager S.A.. He currently holds the functions of: Member of the Management Board of Sferia S.A., Member of the Management Board of Aero 2 Sp. z o.o. and Vice-Chairman of the Supervisory Board of Muzo FM Sp. z o.o. (formerly: Radio PIN) and Member of the Supervisory Board of Altalog Sp. o.o. Member of elected bodies in industry organisations and chambers of commerce.

Ms Valery Yeo is a professional accountant with over 20 years of experience as a finance executive in pharmaceutical and medical companies. She is the Chief Financial Officer of Yifan International (CFO from June 2022 to date, CSO from July 2021 to May 2022, head of FP&A from March 2019 to June 2021). She has held several positions at Baxter company (2017 to 2018) as Director of Finance - SG Hub/Indonesia/Philippines, at Astrazeneca Singapore Pte Ltd (2011 to 2017) as as Director of Finance. Valery is a professional with extensive experience in leading finance transformation in the APAC region in the areas of FP&A, tax, treasury and controlling. She has extensive business partnership experience in both mature and emerging markets, which has contributed to significant revenue growth.

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

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

In 2022 the auditing company auditing the Company's financial statements provided permitted non-audit services to the Company, which are described in Note 7.47 to the Individual Financial Statements.

The Audit Committee performed the tasks of the audit committee provided for in the applicable regulations. In 2022, 5 meetings of the Audit Committee were held: 27.01.2022, 30.03.2022, 27.07.2022, 08.08.2022, 29.08.2022 and electronic voting 11.04.2022. Their main purpose was to discuss the financial results of the Company and its Capital Group. The Audit Committee also supported the Management Board with regard to the tax inspection carried out by the Customs and Fiscal Office in Kielce. The members of the Audit Committee were constantly in touch as regards the discussed issues. Resolutions of the Committee may be adopted by using means of direct distant communication.

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

### **31.1. Legal requirements**

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

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

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

### 31.2. Description of the business model of the entity.

BIOTON S.A. is the first in Poland and one of the eighth global manufacturers of active human insulin obtained in biotechnological manner, as well as the manufacturer of finished treatment forms of insulin products allocated for patients. It also conducts research and development activities. In recent years, a Technology Transfer procedure has been implemented and a Scale Down Model for the production of an active substance has been established. These activities make it possible, in a relatively short period of time, to verify production technologies based on a biotechnological process using different micro-organisms. Further, once the technology has been verified, the process is scaled down to a production line and implemented, based on Quality by Design principles.

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

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

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

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

As of 31.12.2022, the Group consisted of the following active companies:

- BIOTON S.A.;
- BIOTON MARKETING AGENCY Sp. z o.o.;
- BIOLEK Sp. z o.o.;
- BIOTON International GmbH;

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

Whereas BIOLEK Sp. z o.o., using the Group's research facilities, specializes

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

In the recent years, business model of BIOTON S.A. Capital Group has been simplified and focused on building an integrated diabetes care system and it allowed to concentrate on key projects related to the launch of an insulin analog, as well as other drugs in the areas of diabetes, cardiology and oncology. The year 2022 did not bring significant changes to the Group's business model or supply chain, however, certain disruptions and risks arose due to the geopolitical situation related to the conflict in Ukraine.

#### *History*

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

- 1999, June - Good Manufacturing Practice certificate (GMP) obtained by Production Facility No. 1.
- 1999, December - finalization of the registration process in Poland for 17 products from the series Gensulin.
- 2001, January - acquisition of IBATECH Sp. z o.o in Macierzysz and transformation into the Department of Biotechnology (production of active substance), obtaining a certificate of Good Manufacturing Practice (Good Manufacturing Practice, GMP) by the Biotechnology Department.
- 2001, May - commencement by BIOTON Sp. z o.o. sales of human insulin in Poland.
- 2004, August - transformation of BIOTON Sp. z o.o. into a joint-stock company BIOTON S.A., the first listing of BIOTON S.A. shares on the Warsaw Stock Exchange took place on March 31, 2005 - BIOTON S.A. became the first biotechnology company listed on the Polish stock exchange.

- Years 2004 - 2011 - expansion into foreign markets through acquisitions and the signing of distribution agreements, including in China.
- 2011 - increasing the sales of own insulin on the market in Poland and launching new products related to diabetes therapy.
- 2011 - 2014 - further development of the portfolio of generic medicines and medical devices related to diabetes therapy (agreements with MSD).
- 2015 – 2016 - obtaining the EC Certificate in accordance with Directive 93/42 / EEC for the GensuPen Improve insulin pen and the Certificate for the Quality Management System compliant with the EN ISO 13485: 2012 standard and extension of activity in the field of the production of automatic insulin pens for the GensuPen2 product.
- 2018 - introduction of the GensuCare glucometer - it is one of the most modern glucometers in the world, enabling, among others, integration with the user's smartphone and the ability to monitor measurements by caregivers.
- 2018, March - signing a 15-year contract with Yifan International Pharmaceutical Co., Ltd. global distribution of sales and marketing of BIOTON products.
- 2018, May - sale of SciGen Ltd. shares under an investment agreement with Yifan International Pharmaceutical Co., Ltd.
- 2018 - receiving Quality Management System Certificate in accordance with EN ISO 13485: 2016
- 2019 - establishing cooperation with Yifan International Pharmaceutical Co., Ltd. in the scope of development and commercialization of insulin analogs and their global distribution. The contract provides financing for the entire project, i.e. covering the costs associated with purchase and installation of equipment needed to implement each stage of the contract, as well as purchasing raw materials and auxiliary substances necessary to manufacture the products.
- 2020, October - amendment to the cooperation agreement concluded with Copernicus Sp. z o.o. due to Financiere N Nemera's finalization of the acquisition of shares in Copernicus Sp. z o. o
- 2020 - 2022 - development of gastrointestinal products on the Polish and foreign markets through the Biolek company (development of INTESTA, INTESTA MAX, ENERGAST brands) and further products to be introduced in 2023
- 2022 - launch of a new product for the treatment of diabetes on the Polish market - SitagIptin - and planned introduction of another drug, Combodiab, in 2023.

#### *Innovativeness*

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

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

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

Existing production facilities create a unique opportunity to implement solutions developed on laboratory scale to manufacturing scale. One measurable effect is the improvement in the efficiency of the production of insulin products. Implemented in 2019, Triton-free technology in the production of the active ingredient insulin, is a technology that eliminates the use of detergents from the process. It is a technology that reduces environmental impact. The process is constantly analysed and monitored to ensure the highest quality and to ensure a high yield of the active substance produced in Poland. By increasing productivity, capacities have also been freed up and Bioton is also open to contract manufacturing of active substances as well as liquid finished forms. On January 4, 2021, the Company obtained registration of Triton-free Classic Insulin with the FDA and continued responses to additional FDA inquiries completed in the fourth quarter of 2021, and obtained registrations in most foreign markets including China during 2021.

As indicated, a Technology Transfer procedure has been implemented and a Scale Down Model for the production of the active substance has been established. These activities make it possible to verify production technologies based on a biotechnological process, using different microorganisms, in a relatively short period of time. Next, once the technology is verified, the process is scaled down to a production line and implemented, based on Quality by Design principles. The Company also focuses its activities on offering a range of contract manufacturing operations (CMO) and development activities for other products related to diabetes treatment therapies in our factories (CDMO).

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

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

#### *The scale of the organization's activity*

The Group has two production plants: Production Facility No 1 dealing with the production of ready-made forms and the Department of Biotechnology producing the active substance. Both plants are located in the parent company venue in Macierzysz. In 2022, BIOTON S.A. Capital Group delivered nearly 20.5 million products (including over 20.1 million Gensulin and over 160 thousand pens and glucometers), thanks to which generated net revenues from the sale (including revenue from Services) of the Company reached the value of over PLN 240.3 million. After excluding mutual revenues, BIOTON S.A. Capital Group generated net sales revenues in the amount of PLN 233.2 million. The largest markets for the Group's products in 2022 were: Poland (42.2% of revenues), China (30.6%), Vietnam (7.3%). and at the end of 2022, the Capital Group BIOTON S.A. employed 377 people.

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

In 2022, a project related to the development of innovative technology for the production of short and long-acting insulin analogs applied in treatment of diabetes as part of the R & D projects of enterprises of the Intelligent Development Operational Program 2014-2020 co-financed by the European Regional Development Fund was completed. The total accounting of this project took place on 22.03.2022 (the date of making the final payment to the beneficiary's bank account - a transfer accounting of the project in the amount of PLN 34.7 thousand - is considered as the day of project completion). The total amount of funds paid out for this project is PLN 2,172 thousand.

The State Treasury holds shares in the ownership structure of BIOTON S.A.: BGK - 1.07%, IBA - 2.96%.

### 31.3. Risk management

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

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

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

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

In accordance with the adopted methodology, each risk includes:

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

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

- The Company's Safety and Compliance Policy, the main objective of which is to ensure safety and compliance in its full scope, including in particular: ensuring the process of identification and mitigation of unfavourable phenomena/events in the sphere of safety of people and business processes and reducing the costs of the Company's operation, including its image,
- definition of responsibilities for the staff and employees coordinating activities in the area of improvement of the level of security and compliance
- determination of basic principles for identification, mitigation and monitoring of lack of responsibility in the area of safety and compliance.

The Company's Management Board considers the following to be the main factors affecting the level of safety:

- safety of working conditions and monitoring of their implementation,
- ensuring respect for legal and ethical standards and internal operating standards,
- information security,
- extraordinary events: failures, catastrophes, natural disasters,
- outsourced processes.

For BIOTON S.A. - the parent company and at the same time the entity most exposed to risk from among the Group's companies, due to its size and character, a catalogue of typical potential risks in each category has been developed which presents opportunities that may have an adverse effect on the Company's operations.

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

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

- the risk of terms of employment;
- the risk of violation of employee rights;
- the risk of ensuring business continuity;
- the risk of non-compliance with legal requirements, good practices and internal regulations;
- the risk of abuse
- the risk associated with side effects, interactions with other drugs, or qualitative deficiencies
- risks of industrial accidents: explosion, chemical plant leakage
- risk of prolonged drought, loss of access to water
- risk of stricter regulations related to environmental protection, including waste generation and discharge of treated wastewater
- risk of violent weather events.

Basic principles and standards of conduct in the scope of the above-mentioned risks, including safety of working conditions and supervision over their assurance, respecting ethical legal norms and internal operating standards, information security, reacting to extraordinary events (failures, disasters, natural disasters) and outsourced processes were described and implemented under Security and Compliance Policy, as well as in other policies, such as *Policy of counteracting corruption threats and conflicts of interest*, *Compliance Policy*, *Code of Ethics*, *Procedure for Anonymous Reporting of Violations of Law*, *Procedure for Anonymous Reporting of Violations and Irregularities and Protection of Whistleblowers in Bioton Capital Group*, described in subsequent parts of the Declaration.

#### 31.4. Ethics management

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

*Code of Ethics* BIOTON S.A. describes:

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

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

Respect for business ethics is also expressed by the principles of business ethics described in *BIOTON Good Marketing Practices Policy*, which primarily relate to the activity of BIOTON MARKETING AGENCY Sp. z o. o. (BMA) - a subsidiary responsible for marketing activities. This document describes in a very detailed manner the requirements of law and principles of conduct in the framework of advertising, promotional, educational and image activities in relation to medicinal products, medical devices, dietary supplements and cosmetics. The obligation to comply with the provisions of the Policy rests with all BMA employees and all other persons involved in conducting marketing activities.

In 2022, there were no withdrawals or comments from the Chief Pharmaceutical Inspectorate (CPI) and Chief Sanitary Inspectorate (CSI) in relation to marketing information about BIOTON S.A. products. In 2022, we recommended 4 batches of the product for recall: from the Ukrainian and Yemeni markets as well as from markets where Bioton is not a MAH (marketing authorization holder): Vietnam, Thailand, the Philippines. BIOTON S.A. informed about the GIF situation.

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

#### 31.5.1. Policies and indicators related to employee issues

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

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

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

- *Work Regulations;*
- *Staff Remuneration Regulations;*
- *Employee Bonus Regulations,*
- *Employee Benefit Fund Regulations,;*
- *Occupational Health & Safety Policy Statement;*
- *Training procedure;*
- *Training system and job description;;*

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

#### *Employment and decent work practices*

Recruitment processes are based on an approved employment plan for a given year. New employees are sought in the first step in the organization. In the absence of a person with required competencies and skills, a decision is made to launch external recruitment. Every effort is made to create a working environment in which differences between employees, such as gender, age, culture, and lifestyle are valued in accordance with Diversity & Inclusion standards adopted by the market. Employees' unique skills and experience yield greater creativity and innovation, which in turn translates into better understanding of market needs and improvement of business results. Issues regarding the diversity policy in BIOTON S.A. Group are formally reflected in the Code of Ethics and the Group's Compliance Policy.

The Capital Group makes every effort to ensure that the Company's authorities and its key managers are diverse in terms of gender, education, age and professional experience. The process of selecting people for management and supervising positions includes such elements as: adequate education, professional experience and competences.

Candidates are not disqualified on the grounds of their sex or age.

At the end of 2022, the Group employed 358 people.

Data on employment in BIOTON S.A., BIOTON MARKETING AGENCY Sp. z o. o. (BMA), and the Capital Group by gender, age, type of employment contract and type of employment is presented below. Data on the subsidiary BIOLEK Sp. z o. o. have been omitted, because as at December 31, 2022, the Company did not employ any employees.

	Gender	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group		Change 2022 vs 2021
		2022	2021	2022	2021	2022	2021	
Number of employees (contract of employment) at the end of 2021/2022	<i>Women</i>	168	181	34	34	202	215	- 6%
	<i>Men</i>	143	148	13	14	156	162	-4%
	<b>Total</b>	<b>311</b>	<b>329</b>	<b>47</b>	<b>48</b>	<b>358</b>	<b>377</b>	<b>-5%</b>

Data broken down by type of employment contract and type of employment for 2022:

Total number of employees by the type of employment contract and by gender (BIOTON Group)								
Number of employees (contract of employment) for:	Gender	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group		Change 2022 vs 2021
		2022	2021	2022	2021	2022	2021	
indefinite period of time	<i>Women</i>	160	172	34	28	194	200	-3%
	<i>Men</i>	135	136	12	9	147	145	1%
	<b>Total</b>	<b>295</b>	<b>308</b>	<b>46</b>	<b>37</b>	<b>341</b>	<b>345</b>	<b>-1%</b>
definite period of time	<i>Women</i>	6	7	0	6	6	13	-54%
	<i>Men</i>	8	12	1	5	9	17	-47%
	<b>Total</b>	<b>14</b>	<b>19</b>	<b>1</b>	<b>11</b>	<b>15</b>	<b>30</b>	<b>-50%</b>
time specified for replacement	<i>Women</i>	2	2	0	0	2	2	0%
	<i>Men</i>	0	0	0	0	0	0	0%
	<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0%</b>
<b>TOTAL</b>	<i>Women</i>	168	181	34	34	202	215	- 6%
	<i>Men</i>	143	148	13	14	156	162	-4%
	<b>Total</b>	<b>311</b>	<b>329</b>	<b>47</b>	<b>48</b>	<b>358</b>	<b>377</b>	<b>-5%</b>

Total number of employees by type of employment and by gender (BIOTON Group)								
Number of employees (contract of employment) for:	Gender	BIOTON S.A.		BMA Sp. z o.o.		BIOTON Capital Group		Change 2022 vs 2021
		2022	2021	2022	2021	2022	2021	
full-time	Women	167	180	33	33	200	213	-6%
	Men	142	148	13	14	155	162	-4%
	<b>Total</b>	<b>309</b>	<b>328</b>	<b>46</b>	<b>47</b>	<b>355</b>	<b>365</b>	<b>-3%</b>
part time	Women	1	1	1	1	2	2	0%
	Men	1	0	0	0	1	0	100%
	<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>50%</b>
<b>TOTAL</b>	Women	168	181	34	34	202	215	-6%
	Men	143	148	13	14	156	162	-4%
	<b>Total</b>	<b>311</b>	<b>329</b>	<b>47</b>	<b>48</b>	<b>358</b>	<b>377</b>	<b>-5%</b>

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

Total number and new employees rate as well as employee turnover by age and gender (BIOTON Group)						
			The number of departures of employees	Employee turnover ratio*	Number of newly employed employees:	Index employment**
2022	Women	below 30	4	80%	1	20%
		from 30 to 50	17	11%	10	6%
		over 51	6	15%	1	3%
	Men	below 30	6	50%	3	25%
		from 30 to 50	11	10%	10	9%
		over 51	7	23%	4	13%
2021	Women	below 30	8	73%	5	45%
		from 30 to 50	40	25%	15	9%
		over 51	8	19%	3	7%
	Men	below 30	9	60%	10	67%
		from 30 to 50	26	22%	20	17%
		over 51	9	31%	2	7%

\*Number of employees leaving in a given category by gender / number of all employees in a given category by gender as of 31.12.2022.

\*\*Number of employees employed in a given category by gender / number of all employees; in a given category by gender as of 31.12.2022.

Including for the parent entity BIOTON S.A.:

Total number and employment rates of new employees and employee turnover by age and gender (BIOTON S.A.)						
			The number of employees leaving the company	Employee turnover ratio*	Number of newly employed employees:	Employment ratio**
2022	Women	below 30	4	80%	1	20%
		from 30 to 50	15	12%	9	7%
		over 51	6	15%	1	3%
	Men	below 30	6	50%	3	25%
		from 30 to 50	10	10%	7	7%
		over 51	7	24%	4	14%
2021	Women	below 30	4	25%	8	50%
		from 30 to 50	29	20%	15	11%
		over 51	3	7%	2	5%
	Men	below 30	4	25%	9	56%
		from 30 to 50	27	23%	23	20%
		over 51	13	43%	1	3%

\*Number of employees leaving in a given category by gender / number of all employees in a given category by gender as of 31.12.2022.

\*\*Number of employees employed in a given category by gender / number of all employees; in a given category by gender as of 31.12.2022.

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

Being a reliable employer, the companies in BIOTON S.A. Group offer employment under a contract of employment. Moreover, employees are provided with a number of additional benefits tailored to local standards, such as additional life insurance, medical package and sports card. Continuous improvement of the remuneration structure in the Group may be evidenced by the scope of changes introduced in 2022 consisting in the regulation of salaries at selected positions throughout the BIOTON S.A. Group. As a company for which concern for human health is a priority, we offer attractive medical package. BIOTON S.A. and BIOTON Capital Group offer their employees insurance in the international health program Global Doctors, which covers the cost of treatment of chronic diseases up to 200,000,000 EUR worldwide. Responding to the needs of its employees, BIOTON Group also launched a "Senior Package", which is a medical package that can also be used by employees' close relatives up to 85 years of age. Employees can also take advantage of the Benefit Cafeteria where they have the opportunity to use allocated funds from the Social Benefits Fund and their own funds for partner offers. For the sake of employees' health and fitness, they also have sports cards to choose from in the Cafeteria. From 2019, employees can join Employee Pension Plans, an additional form of employee retirement savings organised by the Group.

BIOTON management believes that the key to business success lies in the dialogue with employees, which is why it is cyclical and implemented at each level of the company community. Employees are regularly briefed on the company's strategy and performance in company-wide live meetings when the management team also answers employees' questions. The HR Director and HR Business Partner regularly meet with Employee Representatives to present employees' current issues and to jointly develop optimal solutions.

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

Making decisions sometimes requires taking decisive steps necessary to achieve the set goals. Understanding the difficult situation of people made redundant by an employer's decision and not attributable to the employee, the employer provides for the possibility of receiving additional remuneration, depending on the length of employment and position, thus offering the employee additional time to adapt to change. In the case of people in the preretirement age, a protection period is applied, and retiring entails the award

of additional remuneration. As a token of appreciation for the employees, additional benefits are provided, which exceed statutory ones and are subject to internal procedures of the Group.

#### Occupational Health and Safety

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

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

- Training in the field of health and safety, aimed at raising awareness and qualifications of employees (educational activities);
- Striving for continuous improvement of working conditions and improvement of activities aimed at improving safety - effective implementation of corrective and preventive actions;
- Ongoing identification and compliance with legal requirements in the area of safety and health;
- Preventive information and consultation campaigns regarding possible threats and related risks among company employees and external employees.

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

<b>Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees of the BIOTON S.A. Group</b>						
	<b>BIOTON S.A.</b>		<b>BMA Sp. z o.o.</b>		<b>BIOTON Capital Group</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Number of fatal accidents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Women</i>	0	0	0	0	0	0
<i>Men</i>	0	0	0	0	0	0
<b>Number of accidents at work in total</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>4</b>
<i>Women</i>	1	0	1	1	2	1
<i>Men</i>	2	3	0	0	2	3
<b>Accident frequency rate*</b>	<b>9,6</b>	<b>9</b>	<b>21</b>	<b>21</b>	<b>11,2</b>	<b>11,9</b>
<i>Women</i>	3,2	0	21	21	5,6	3
<i>Men</i>	6,4	9	0	0	5,6	9
<b>Total number of days of inability to work due to accidents at work</b>	<b>108</b>	<b>136</b>	<b>22</b>	<b>77</b>	<b>130</b>	<b>213</b>
<i>Women</i>	8	0	22	77	30	77
<i>Men</i>	100	136	0	0	100	136
<b>Accident severity indicator **</b>	<b>36</b>	<b>45</b>	<b>22</b>	<b>77</b>	<b>32,5</b>	<b>53</b>
<i>Women</i>	8	0	22	77	15	77
<i>Men</i>	50	45	0	0	50	45
<b>Number of confirmed occupational diseases</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Women</i>	0	0	0	0	0	0
<i>Men</i>	0	0	0	0	0	0

\* Total number of accidents / employment \* 1000.

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

In 2022, only minor individual accidents were recorded, mainly due to trips or slips. No serious, fatal or collective accidents were reported. In 2022, there were no occupational accidents or cases of occupational diseases among employees of subcontractors working at the BIOTON Group site.

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

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

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

in the case of implementing or updating security procedure, training for employees to whom those policies will apply is required. Additionally, training courses for management to discuss are organized at least once a year and shaping safe working conditions, as well as making employees aware of the consequences of tolerating inappropriate behavior and working methods. In the case of using external companies' services, their employees are informed before starting work on, among others, general security rules (regulated in Health and Safety Policy), guidelines for environment protection (contained in Environmental Policy and potential hazards and emergency situations.

#### *Information security*

The basis of the internal control system over the IT environment is *Security and Compliance Policy and dedicated procedure - IT Infrastructure Access Management* specifying standards, rules and requirements regarding the IT environment security area, including, among others:

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

Current standards from the ISO 27000 group, industry standards and experience from best practice are used to create and develop information security policies. *Personal data protection*

The principles of personal data protection applied by BIOTON S.A. and BIOTON Capital Group are set out in *Personal data protection*

- 1) *A personal data protection policy* which describes the principles of personal data protection, the procedure for exercising data subjects' rights and the principles of IT resource management;
- 2) *Privacy Policy* made available on the Company's website;
- 3) *Privacy by design and by default policy* regarding the obligations to take account of data protection by design and data protection by default referred to in Article 25 of the GDPR;
- 4) *Personal data breach notification procedure* regarding the behaviour of persons processing personal data under the authority of the controller (end users) in the event of detecting a possible personal data breach.
- 5) *Personal data protection incident management policy*, which states:
  - a) the implementation of the obligation to notify a personal data breach (Article 33(1) and (2) GDPR,
  - b) the implementation of the obligation to notify the data subject of a personal data breach (Article 34(1) GDPR),
  - c) implementation of the measures planned to remedy the breach.
- 6) *The procedure for transferring personal data to a third country or international organisation and for entrusting data to a body outside the EEA* which aims to ensure that transfers of personal data to third countries and international organisations take place on the basis and within the limits of the GDPR.

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

It is worth emphasizing that all employees are obliged to undergo dedicated training on personal data protection. Moreover, employees sign a declaration confirming that they have been informed about the regulations concerning personal data protection, including in particular the provisions of the GDPR, the personal data protection documentation in force in the organisation and the principles of personal data processing by the end user..

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

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

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

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

#### *Counteracting discrimination and mobbing*

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

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

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

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

These regulations were presented to all new employees during the initial training conducted online. Each employee was required to electronically confirm that they had taken the training. In addition, each new employee was obliged to familiarise themselves with the Anti-Bullying and Anti-Discrimination Policy, contained in the Work Regulations, and to confirm that they read the above Policy by signing a declaration. Throughout 2021, periodic training was given to the employees to refresh their knowledge in this area and to communicate the changes that have occurred in the field of mobbing, discrimination and equal treatment in the workplace. The training was aimed at all employees and each employee was required to electronically confirm that they had taken the training.

In 2021, there were no formal reports of cases of discrimination, as required under the Anti-Bribery and Anti-Discrimination Policy, nor formal complaints regarding the impact on respect for human rights within the formal mechanisms allowing for lodging a complaint.

### 31.5.3. Policies and indicators related to anti-corruption issues

#### *Anti-Corruption Policy*

Bioton S.A. as a public company listed on the Warsaw Stock Exchange (WSE), in order to effectively protect the Company's reputation and assets, valuing integrity and transparency, applies the principle of "zero tolerance for fraud" at all levels of management. BIOTON S.A. has implemented *Policy of counteracting corruption threats and conflicts of interest*, in which the hitherto applied practices in the area of counteracting corruption threats and conflicts of interest were formalized.

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

It is worth noting that in 2022 there were no cases of corruption, nor cases of violations of the rules of free competition and monopolistic practices, nor were there penalties and sanctions for non-compliance with laws and regulations. Moreover, no formal complaints regarding social impact were reported in the reporting period.

#### *Procedure for Anonymous Reporting of Violations of Law*

In 2021, the Management Board of BIOTON S.A. adopted the Procedure for Anonymous Reporting of Violations and Irregularities and Protection of Whistleblowers in the Bioton Capital Group.

The procedure is applicable to infringements of the law committed by employees or other persons related to BIOTON S.A. with an obligation relationship of a similar nature, in the scope of activities of Bioton and entities of the Bioton Capital Group from November 30, 2021.

In 2022, there were no reports under this procedure.

this Procedure is to establish an internal regulation to increase the effectiveness of monitoring, whistleblowing, detecting and resolving situations involving fraud or violations of law, procedures and ethical standards applicable to the Bioton Group, to develop an internal whistleblowing culture as a concern for the welfare of the Bioton Group and its employees, and to determine ways to protect whistleblowers.

#### 31.5.4. Policies and indicators related to social issues

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

In view of the ongoing epidemiological situation related to the SARS-CoV-2 virus, including the high number of COVID-19 cases, our primary goal is to ensure the safety of diabetes patients. Regardless of the difficulties associated with the state of the epidemic, we fully comply with our responsibility by ensuring that the Polish market is fully secured in diabetes preparations - particularly in insulin. Also, out of concern for the health of patients with diabetes in the era of the pandemic, difficult access to education in outpatient clinics, we created the platform "Ask the Specialist", through which every patient could benefit from the education of specialists and safely get professional support. The patient could access educational advice from a diabetologist, a nurse and a dietician by phone or email. In 2020-22, we supported doctors and nurses by equipping treatment teams caring for diabetes patients with necessary protective equipment, such as masks, disinfectant fluids, disposable gloves, and we also made financial donations to enable the purchase of protective equipment. During this period, we also supported doctors and nurses in raising their awareness of diabetes-related topics by organising scientific meetings and e-mail education, as well as by supporting scientific associations in their statutory activities, e.g. organising conferences, also online ones. For 16 years, Bioton has supported the activities of the Polish Federation of Education in Diabetology. In 2022, we supported the organisation of the 16th National PFED Conference. The theme of the conference was "The mission of the nurse in diabetology. Together in striving".

In addition, we also donated human insulin to hospitals and provided injectors necessary for insulin administration along with educational materials for diabetic patients free of charge in 2022.

As part of the local communities development program, BIOTON S.A. meets the needs and expectations of patients. The effect of this was the cooperation of BIOTON S.A. with the Zielona Góra Agreement in 2021, as part of the nationwide Diabetes School program.

In places where access to specialists is difficult for patients, in 2022, we organised Diabetological Consultation Centres - where patients can take advantage of free specialist consultations conducted by diabetologists. As part of World Diabetes Day 2022 with the theme "Education to protect our tomorrow", we emphasised the need to improve access to education about diabetes for both diabetic patients and their loved ones, as well as for healthcare professionals. Realising the importance of prevention and education for one's own health, we took action to broaden the knowledge of Bioton employees during organised educational lectures and workshops with specialists.

Diabetes is challenging for the entire healthcare system. In half of patients, diabetes is still undiagnosed. The other half, with recently diagnosed diabetes, have signs of late complications. Together with the Polish Federation for Diabetes Education, we have made the FINDRISC (Finnish Diabetes Risk Score) questionnaire available to the public to assess the risk of type 2 diabetes.

Bioton and its employees have shown an unusually high level of solidarity with the Ukrainian community in times of the armed conflict. In 2022, we donated insulin and injectors to Ukraine for the benefit of diabetic patients in need of treatment with a drug that in many cases is life-saving; access to these preparations was very difficult in the first months of the war. We were also keen to provide refugees from Ukraine with rapid assistance, tailored to their current needs, so we decided to concentrate our activities locally by donating the necessary resources for operation to centres in Bioton's vicinity.

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

in a number of documents, in particular in the Policy of Good Marketing Practices BIOTON. In 2019 the process of digitizing the Policy in PDPM Electronic Document Circulation system was initiated. These activities will be also continued in 2022. Electronic circulation of documents leads to even greater efficiency of BMA in the framework of conducted meetings and promotional and educational

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

#### *Quality management and product responsibility*

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

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

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

In the case of medical devices, quality management system of BIOTON S.A. is compliant with ISO 13485:2016 standard, as confirmed by obtaining relevant certificate in 2021. The validity of the certificate is confirmed by the certification body during annual surveillance audits. In December 2022, Bioton S.A. also obtained Certificate of Conformity issued for Gensupen 2 by Conformity assessment body of the Ukrainian State Association "Polytekhmed".

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

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

In order to assess the ongoing compliance of processes with the requirements and effectiveness of the quality management system, internal audits are carried out. Internal audits are planned on annual basis, based on risk analysis carried out in accordance with adopted internal regulations. In 2022, there were 17 such audits carried out. They focused mainly on such areas as:

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

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

#### *Quality control in the supply chain and environmental sustainability*

BIOTON S.A. and the Capital Group also ensure that suppliers and business partners act in accordance with the best practices of social responsibility. The supply chain built in this way takes social issues into account while limiting adverse impact on the environment. Already at the stage of supplier selection, detailed verification is carried out, using questionnaires (depending on the type of cooperation or service) that contain a detailed list of issues to be assessed. Tested aspects include:

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

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

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

Cyclic audits concern suppliers of starting and packaging materials, service providers as well as contract manufacturers with which BIOTON S.A. concluded agreements for manufacturing medicinal products and medical devices. In 2022, 5 audits were carried out at suppliers of materials and services. The observations made during the audits were included in the recovery plan.

By implementing a sustainable development strategy in the supply chain a significant portion of expenses on services and products is carried out at local suppliers. The value of liabilities towards domestic suppliers constitutes over 65% of all liabilities towards suppliers.

<b>The percentage of expenditures on local suppliers in the main locations of BIOTON Group activity</b>						
Location of the activity:	<b>BIOTON S.A.</b>		<b>BMA Sp. z o.o.</b>		<b>BIOTON Capital Group</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Poland	63.4%	64.6%	99.3%	99.3%	65.2%	65.2%

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

Care for quality and safety of offered products is crucial for the organization, which is why the Group has a number of documents in place setting out principles and standards in the scope of safety and labeling of manufactured medicinal products. Safeguarding of medicinal products has been implemented in order to allow for verification of their authenticity. Therefore, the requirements of Directive 2011/62/EU of the European Parliament and of the Council on the prevention of the entry into the legal supply chain of falsified medicinal products have been met.

Through the implemented quality management system, the organization ensures that the products are safe and fulfil the assumed function to satisfactory extent. In the course of manufacturing process all relevant product categories are subject to an assessment of their impact on patient's health and safety. The products are marked in a reliable way and contain information related to issues in the scope of sustainable development.

In 2022, similarly to previous years, there were no incidents of non-compliance with regulations regarding the impact of products on health and safety in BIOTON S.A. and the Capital Group. There were also no incidents of non-compliance with regulations regarding information and product labeling.

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

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

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

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

Number of surveys sent by representatives: 115 surveys.

The assessment of individual features of the pen showed: in 40 cases (35% of respondents) the product met the customer's requirements in 100%, in 68 cases (59% of respondents) the requirements were met in the range from 100% to 90%, in 88 cases (77% of respondents) the requirements were met ranging from 80% to 100%.

In 18 cases (16% of respondents), the requirements were met between 70% and 80%, while seven people (6% of respondents) indicated that their requirements were met between 60% and 70%. Only two respondents assessed that the product met their expectations below 60%.

50% of the respondents indicated that they noticed features distinguishing the product from others on the market.

Would you recommend this injector to a person using another pen? As many as 73% of the respondents said YES. Two people gave a negative answer (1.7% of respondents), while in 29 cases (25% of respondents) the answer was: "don't know/don't have an opinion".

The vast majority of the 114 respondents (99% of respondents) answered that GensuPen 2 is easy and convenient to use, including 73% of respondents who said that the injector was very easy to use, while 26% of respondents said that the injector was moderately easy to use. None of the respondents expressed a negative opinion on this issue.

In terms of environmental sustainability, the BIOTON Group aims to reduce energy demand by implementing a number of projects:

- reducing greenhouse gas emissions by investing in renewable energy sources such as photovoltaic panels which, once fully implemented, should cover around 14% of the company's electricity needs annually based on planned consumption for 2023;
- aiming to save energy (in 2022, the replacement of external lighting with LEDs was implemented and preparations for the replacement of lighting inside the buildings started);
- improving energy efficiency by thermo-modernising the furnace and pipes to the central heating system to minimise heat loss in the system, planned completion of the project in Q1 2023;
- aiming for diversity in the energy supply by investing in a new installation - a tank for technical propane (LPG) - to improve operational efficiency and increase reliability which in the future will result in significant savings in the cost of purchasing and consuming gas that will translate directly into the company's long-term financial performance;
- aiming to reduce its carbon footprint by working with local suppliers;

#### Group

The Bioton Group collaborates with a number of raw material and packaging suppliers who are actively involved in environmental protection and have appropriate procedures and sustainability strategies in place.

Additionally, in 2023, new tree and shrub plantings are planned for the biologically active area on the Macierzysz production site.

#### 31.5.5. Policies and indicators related to environmental issues

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

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

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

- Management of rational consumption of water and electricity by making regular measurements and introducing innovative solutions in the production process;
- Limiting the amount of generated waste by preventing its formation, segregation and their transfer to companies with appropriate rights;
- Raising the level of employee awareness by providing information on environmental protection and regular training;
- Promoting pro-environmental behaviors at subcontractors.

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

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

The monitoring of tasks in the field of environmental protection is the responsibility of Specialists for Environment Protection. The specialists, in consultation with the Management Board of BIOTON S.A., identify and fulfil all the legal requirements regarding environment protection on an ongoing basis. The correctness of activities in the scope of environment protection is confirmed by the results of energy audit conducted by Riktning Group in the second half of 2022. Next energy audit is scheduled for 2025.

In 2022, BIOTON S.A. implemented several innovative ideas bringing measurable benefits for the natural environment and financial benefits for the Company itself.

1. The compressor was replaced with one that was tailored to our needs in terms of capacity and flow, making it more environmentally friendly;
2. In the warehouse area, air-conditioning equipment was replaced with equipment which does not contain substances with a negative impact on the environment.
3. Thermo-modernisation pilot project was applied - the generator

Over a half of paper packaging used by the Company and introduced to the market in 2022 was produced from renewable raw materials. At the same time, 95% of waste was sent for recycling in the same period.

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

<b>Energy consumption in the organization (in kWh)</b>			
	<b>2021</b>	<b>2022</b>	<b>% change</b>
The use of energy from non-renewable sources (coal, lignite, natural gas)	11 062 103	10,331,727	(6.6%)
Energy consumption from renewable sources (biomass, hydropower, wind energy, solar energy)	4 518 324	3,821,324	(15.4%)
<b>Total energy consumption</b>	<b>15 580 427</b>	<b>14,153,051</b>	<b>(9%)</b>

Total water intake by source:

<b>Water intake by source (in m<sup>3</sup>)</b>		
	<b>2021</b>	<b>2022</b>
Surface waters, including water from wetlands, rivers, lakes and oceans		
Ground water	150,097	121,402
Rainwater directly collected and stored by the organization		
Sewage from another organization		
Supplies of municipal water and supplies from other water companies		
<b>Total water intake (in m<sup>3</sup>)</b>	<b>150,097</b>	<b>121,402</b>

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

<b>GHG emission intensity</b>		
	<b>2021</b>	<b>2022</b>
Metric tons of generated CO2	3,867	3,214
Metric tonnes of generated CO2 per sales revenue	0.000015	0.000014

\*Value of net revenues from sales from continued operations of BIOTON S.A. (as the main production unit) As part of the activity, only volatile organic compounds (VOCs) are emitted.

<b>Emissions of nitrogen oxides, sulphur oxides and other significant emissions to air (in kg) *</b>		
	<b>2021</b>	<b>2022</b>
Nitrogen oxides		-
Oxides, Sulphur		-
Other Persistent Organic Pollutants (POPs)		-
Volatile organic compounds (VOCs)	2,043	1,966
Hazardous air pollution (HAP)		-
Particulate Matter (PM)		-
Other standard categories of air emissions identified in the applicable legislation		-
<b>Total emissions (in kg)</b>	<b>2,043</b>	<b>1,966</b>

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

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

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

<b>Total sewage volume (in m<sup>3</sup>)</b>		
	<b>2021</b>	<b>2022</b>
The amount of treated wastewater discharged to Ożarowski Canal (in m <sup>3</sup> ):	164,597	126,750

The decrease in the amount of discharged treated wastewater results from the decrease in water consumption and change in nature of production in 2022.

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

<b>Total weight of waste by type of waste and methods of waste treatment (in Mg)</b>				
	<b>2021</b>		<b>2022</b>	
	<i>hazardous</i>	<i>nonhazardous</i>	<i>hazardous</i>	<i>nonhazardous</i>
Repeated use				
Processing				
Composting				
Recovery (including energy recovery)	1,736	220	1,261	129
Combustion (mass combustion)				
Placing into deep wells				
Storage at landfills				
Storage at the plant			-	-
Disposal	23	80	18	19
<b>Total weight of waste (in Mg)</b>	<b>1,759</b>	<b>300</b>	<b>1,280</b>	<b>149</b>
<b>Total weight of waste (in Mg)</b>	<b>2,059</b>		<b>1,428</b>	

The decrease and change in the characteristics of the generated waste is combined with a change in production technology.

It is also worth noting that in 2022 there were no leaks of chemicals, oil, fuel or waste. During this period, no formal complaints regarding environmental impact were recorded. The institutions inspecting the plant for environmental protection in 2022 did not impose administrative penalties.

Total expenditure on environmental protection and investments:

<b>The costs of waste treatment and treatment, emission cleaning and remedial actions ( thousand PLN)</b>		
	<b>2021</b>	<b>2022</b>
Utilization Services	674	563
Purification of emissions		-
Expenses on purchase and use of emission certificates		-
Liability insurance in the event of damage to the environment	Yes	Yes
<b>The total cost ( thousand PLN)</b>	<b>674</b>	<b>536</b>

In 2022, BIOTON S.A. and the Capital Group also incurred costs related to damage prevention and management of environmental protection, the total value of which amounted to approximately PLN 30 thousand. The most important components include: research and development (PLN 25 thousand), additional expenditure on purchases related to environment protection (PLN 5 thousand), external services related to environmental management (PLN 7,4 thous.) and other costs of environmental management (PLN 24 thousand). The Group uses free training in the field of environmental protection organized by the central and local government administration.

### 31.6. List of indicators

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

Name of the indicator	The number of the indicator according to GRI Standards	Name of the GRI standard
<b>Chapter 2. Description of the business model of the unit</b>		
Name of the indicator	The number of the indicator according to GRI Standards	Name of the GRI standard
Organization scale	2-6	GRI 2: General Disclosures 2021
Financial aid received from the state	201-4	GRI 201: Economic Performance 2016
Economic value generated	201-1	GRI 201: Economic Performance 2016
<b>Chapter 5.1. Policies and indicators related to employee issues</b>		
Number of employees by type of employment contract and by gender, by type of employment and by gender	2-7 (a, b)	GRI 2: General Disclosures 2021
Total number and employment rates of new employees and employee turnover by age and gender	401-2	GRI 401: Employment 2016
Benefits provided to full-time employees that are not provided to temporary or part-time employees	403-9	GRI 403: Occupational Health and Safety 2018
Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees	403-9	GRI 403: Occupational Health and Safety 2018
Number of accidents at work, including fatal accidents, occupational diseases and days of inability to work among employees of subcontractors working on the premises	401-2	GRI 401: Employment 2016
Number of legitimate complaints regarding breaches of customer privacy and loss of customer data (none)	418-1	GRI 418: Customer Privacy 2016
<b>Chapter 5.2. Policies and indicators related to issues of respecting human rights</b>		
The total number of staff training hours for policies that respect human rights or procedures that take into account human rights aspects that are relevant to the organization's activities, including the percentage of trained employees.	N/A	N/A
Total number of cases of discrimination (discriminatory incidents) and corrective actions taken (none)	406-1	GRI 406: Nondiscrimination 2016
<b>Chapter 5.3. Policies and indicators related to anti-corruption issues</b>		
Confirmed cases of corruption and actions taken (missing)	205-3	GRI 205: Anticorruption 2016
Total number of legal actions taken against the organization regarding cases of violations of free competition rules, monopolistic practices and their consequences (none)	206-1	GRI 206: Anti-competitive Behavior 2016
The amount of significant fines and the total number of nonmonetary sanctions for non-compliance with laws and regulations (none)	2-27	GRI 2: General Disclosures 2021

<b>Chapter 5.4. Policies and indicators related to social issues</b>		
The percentage of significant categories of products and services for which their impact on health and safety is assessed	416-1	GRI 416: Customer Health and Safety 2016
Total number of cases of non-compliance with regulations and voluntary codes on the health and safety impact of products and services (none)	416-2	GRI 416: Customer Health and Safety 2016
The type of information on products and services required under the procedures and the percentage of relevant categories of products and services subject to such requirements	417-1	GRI 417: Marketing and Labeling 2016
Total number of cases of non-compliance with regulations and voluntary codes on information and labeling of products and services by type of impact	417-2	GRI 417: Marketing and Labeling 2016
The percentage of expenditures on local suppliers in the main locations of conducting the activity.	204-1	GRI 204: Procurement Practices 2016
<b>Chapter 5.5. Policies and indicators related to environmental issues</b>		
Total energy consumption from non-renewable and renewable sources	302-1 (a, b)	GRI 302: Energy 2016
Total water withdrawal by source	303-3	GRI 303: Water and Effluents 2018
GHG emission intensity	305-4 (a, b)	GRI 305: Emissions 2016
Emissions of nitrogen oxides, sulphur oxides and other significant emissions to air.	305-7 (a)	GRI 305: Emissions 2016
Total sewage volume by quality and destination.	303-4	GRI 303: Water and Effluents 2018
Total weight of waste by type of waste and methods of waste treatment.	306-3 (a, b)	GRI 306: Waste 2020
Total number and volume of significant spills (none)	N/A	N/A
The costs of waste treatment and treatment, emission cleaning and remedial actions	not applicable	not applicable

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

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

Date: March 31, 2023