

**Report of the Management Board
of BIOTON S.A. on activities
of BIOTON S.A. Capital Group
in the period from 01.01.2022 to
30.06.2022**

Table of contents

1.	Principles of drawing up semi-annual financial statements.....	4
1.1.	<i>Average zloty exchange rates in the period covered by the semi-annual financial statements and data comparators, in relation to EUR.....</i>	<i>4</i>
1.2.	<i>Basic items of the consolidated balance sheet, consolidated income statement and consolidated cash flow statement from the consolidated semi-annual financial statements and consolidated comparative data converted into EUR</i>	<i>5</i>
1.3.	<i>Basic items of the balance sheet, income statement and cash flow statement of the individual interim financial statements and comparative data converted into EUR.....</i>	<i>6</i>
2.	Overview of the basic economic and financial figures disclosed in the semi-annual financial reports	7
3.	Description of the basic threats and risks related to the remaining months of the financial year ...	20
4.	Description of changes in the organization of the Capital Group BIOTON S.A., including as a result of merger of entities, obtaining or loss of control over subsidiaries and non-current investments, as well as division, restructuring or discontinuation of operations and indication of entities subject to consolidation....	22
5.	Position of the Management Board of the Company regarding the possibility of meeting previously published forecasts of results for a given year in the light of the results presented in the half-year report in relation to the forecasted results.	23
6.	Shareholders owning directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of BIOTON S.A. as at the date of submitting the quarterly report and changes in the ownership structure of significant blocks of Company shares in the period from the submission of the last periodical report.	23
7.	A list of possession of shares of the Company or the rights to them by the managing and supervising persons of BIOTON S.A. as of the day of transferring the half-year report, with an indication of the changes in the possession status in the period from sending the last periodical report, separately for each person	23
8.	Information on the conclusion by BIOTON S.A. or its subsidiary of one or more transactions with related entities, if they were concluded on conditions other than market conditions, together with an indication of their value, and information on individual transactions may be grouped by type, except where information on individual transactions is necessary to understand their impact on the financial situation, property situation and financial result of the issuer	24
9.	Information on granting by BIOTON S.A. or its subsidiary credit or loan guarantees or granting a guarantee - jointly to one entity or a subsidiary of that entity, if the total value of existing sureties or guarantees is equivalent to at least 10% of the Company's equity	24
10.	Other information relevant to the assessment of the personnel, property, financial situation, financial result of BIOTON S.A. and the Capital Group BIOTON S.A. and their changes, as well as information that is significant for the assessment of the ability to meet obligations by the Company.	24
10.1.	Credit agreements.....	24
10.2.	Exchange rates	25
11.	Proceedings pending before a court, a competent arbitration authority or a public administration body.	25
12.	Factors which will affect the results achieved by BIOTON S.A. and the Capital Group BIOTON S.A. in perspective of at least the next six months	25
12.1.	<i>Conclusion of a cooperation agreement between Yifan Pharmaceutical Co., Limited and Bioton S.A. .</i>	<i>25</i>

Report of the Management Board of BIOTON S.A. on the operations of the Capital Group BIOTON S.A. in the period from 01.01.2022 to 30.06.2022.

12.2.	<i>Conclusion of the assignment agreement (Novation Agreement)</i>	26
12.3.	<i>Audit of the Customs and Tax Office in Kielce</i>	26
12.4.	<i>Economic and political situation in Ukraine</i>	26
12.5.	<i>Execution of an agreement with Pharmasyntez-Nord JSC</i>	27
13.	Declaration of the Management Board of BIOTON S.A. on the compliance	27
14.	Statement and information of the Management Board of BIOTON S.A. on the selection of the auditor	28

This report of the Management Board of BIOTON S.A. (the "Company") on the operations of the Capital Group BIOTON S.A. ("the Group") in the period from 01/01/2022 to 30/06/2022 was drawn up in accordance with § 68 and § 69 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 state law not being a member state (J. of L. of Laws 2018, item 757 as amended).

1. Principles of drawing up semi-annual financial statements

The applied accounting principles are presented, respectively, in point 1.1.5 semi-annual consolidated financial report of the Group for the period from 01/01/2022 to 30/06/2022 and in point 1.5 semi-annual individual Company's financial statements for the period from 01/01/2022 to 30/06/2022

1.1. Average zloty exchange rates in the period covered by the semi-annual financial statements and data comparators, in relation to EUR

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

Period	Average rate in period	Minimum rate in the period	Maximum rate in the period	Balance sheet date	Rate on balance sheet date
01.01.2021 – 30.06.2021	4.5472	4.4541	4.6603	30/06/2021	4.5208
				31.12.2021 r.	4.5994
01.01.2022 - 30.06.2022	4.6427	4.4879	4.9647	30.06.2022.	4.6806

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

SELECTED CONSOLIDATED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
I. Net sales revenue	98,093	73,354	21,128	16,132
II. Gross operating profit (loss)	6,485	2,746	1,397	604
III. Gross profit (loss) before taxation	(433)	1,809	(93)	398
IV. Net profit (loss) attributable to shareholders of the parent company	(1,669)	(1,400)	(359)	(308)
V. Net cash flows from operations	25,212	(8,691)	5,430	(1,911)
VI. Net cash flow from investing activity	(15,958)	(390)	(3,437)	(86)
VII. Net cash flow from financing activities	(10,398)	(8,505)	(2,240)	(1,870)
VIII. Net cash flow, total	(1,144)	(17,586)	(246)	(3,867)
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
IX. Total assets	829,769	865,188	177,271	188,109
X. Liabilities and provisions for liabilities	218,052	242,450	46,584	52,713
XI. Non-current liabilities	68,020	77,542	14,532	16,859
XII. Current liabilities	150,031	164,908	32,053	35,854
XIII. Equity	611,717	622,739	130,686	135,396
XIV. Capital Stock	1,717,284	1,717,284	366,878	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)	(0.02)	(0.00)	(0.00)
XVII. Diluted profit (loss) per ordinary share (in PLN / EUR)	(0.02)	(0.02)	(0.00)	(0.00)
XVIII. Book value per share (in PLN / EUR)	7.12	7.25	1.52	1.58
XIX. Diluted book value per share (r PLN / EUR)	7.12	7.25	1.52	1.58
XX. Declared or paid dividend for one share (in PLN / EUR)	-	-	-	-

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

SELECTED STAND-ALONE FINANCIAL DATA	in PLN thousand		in EUR thousand	
	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
I. Net revenues on sale	102,488	76,205,	22,075,	16,759,
II. Gross profit (loss) from operating activity	6,797	2,835	1,464	623
III. Gross profit (loss) before taxation	(140)	1,678,	(30)	369,
IV. Net profit (loss)	(1,193)	(1,214)	(257)	(267)
V. Net cash flow from operating activity	25,090	(8,966)	5,404	(1,972)
VI. Net cash flow from investment activity	(15,958)	(405)	(3,437)	(89)
VII. Net cash flow from financing activity	(10,274)	(8,271)	(2,213)	(1,819)
VIII. Total net cash flows	(1,143)	(17,642)	(246)	(3,880)
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
IX. Total assets	845,851	881,219	180,707	191,594
X. Liabilities and provisions for liabilities	216,919	241,937	46,342	52,602
XI. Non-current liabilities	67,597	77,056	14,441	16,753
XII. Current liabilities	149,322	164,881	31,901	35,848
XIII. Equity capital	628,932	639,282	134,364	138,993
XIV. Share capital	1,717,284	1,717,284	366,878	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 (r PLN / EUR)	(0.01)	(0.01)	(0.00)	(0.00)
XVII. Diluted profit (loss) per ordinary share (in PLN / EUR)	(0.01)	(0.01)	(0.00)	(0.00)
XVIII. Book value per share (in PLN / EUR)	7.32	7.45	1.56	1.62
XIX. Book value diluted to one share (in PLN / EUR)	7.32	7.45	1.56	1.62
XX. Declared or paid dividend for one share (in PLN / EUR)	-	-	-	-

2. Overview of the basic economic and financial figures disclosed in the semi-annual financial reports

The change in the PLN exchange rate in relation to the main currencies used in the Company had an influence on the comparability of data for the first half of the year 2022 and the first half of 2021, where, compared to the first half of 2021, in the first half of 2022, the average PLN / USD exchange rate was 12.6% higher, and in relation to EUR it was higher by 2.1%.

The dynamics of individual components of the individual and consolidated balance sheet were calculated by comparing their values as of 30.06.2022 with the values as of 31.12.2021.

Individual analytical balance sheet - assets

	30.06.2022		31.12.2021		changes	
	total (in PLN thousand)	structure (in %)	total (in PLN thousand)	structure (in %)	(in PLN thousand)	(in %)
ASSETS						
A: Fixed assets	692,849	81.9	707,917	80.3	(15,068)	(2.13%)
Property, plant and equipment	280,826	33.2	286,551	32.5	(5,725)	(2.00%)
Investment properties	1,357	0.2	1,357	0.2	-	-
Intangible and legal assets	364,757	43.1	361,626	41.0	3,131	0.87%
Assets under the right of use	15,463	1.8	16,482	1.9	(1,019)	(6.18%)
Non-current financial assets	14,116	1.7	15,227	1.7	(1,111)	(7.30%)
Investments in subsidiaries and associates	3,965	0.5	3,965	0.4	-	-
Deferred income tax assets	11,725	1.4	21,936	2.5	(10,211)	(46.55%)
Long-term prepayments	640	<0.1%	772	<0.1%	(132)	(17.10%)
B: Current assets	153,002	18.1	173,302	19.7	(20,300)	(11.71%)
Inventories	118,213	14.0	124,267	14.1	(6,054)	(4.87%)
Current financial assets	1,567	0.2	-	<0.1%	1,567	-
Trade receivables and others	23,030	2.7	39,245	4.5	(16,215)	(41.32%)
Tax receivables	-	<0.1%	-	<0.1%	-	-
Cash and cash equivalents	7,601	0.9	8,744	1.0	(1,143)	(13.07%)
Accruals	2,591	0.3	1,046	0.1	1,545	147.71%
Total assets	845,851	100.0	881,219	100.0	(35,368)	(4.01%)

Consolidated analytical balance - assets

	30.06.2022		31.12.2021		changes	
	total	structure	total	structure		
	(in PLN thousand)	(in %)	(in PLN thousand)	(in %)	(in PLN thousand)	in %
ASSETS	829,769	100.0	865,189	100.0	(35,420)	(4.09%)
A: Fixed assets	676,269	81.5	690,462	79.8	(14,193)	(2.06%)
Tangible fixed assets	280,826	33.8	286,551	33.1	(5,725)	(2.00%)
Investment properties	1,357	0.2	1,357	0.2	-	-
Other intangible assets	365,306	44.0	362,338	41.9	2,968	0.82%
Assets under the right of use	15,952	1.9	17,019	2.0	(1,067)	(6.27%)
Deferred income tax assets	12,173	1.5	22,411	2.6	(10,237)	(45.68%)
Non-current prepayments	654	0.1	786	0.1	(132)	(16.77%)
B: Current assets	153,500	18.5	174,727	20.2	(21,227)	(12.15%)
Inventories	120,554	14.5	125,131	14.5	(4,577)	(3.66%)
Income tax receivables	582	0.1	546	0.1	36.5	6.69%
Trade and other receivables	22,037	2.7	39,108	4.5	(17,071)	(43.65%)
Cash and cash equivalents	7,712	0.9	8,857	1.0	(1,145)	(12.93%)
Current prepayments	2,615	0.3	1,086	0.1	1,530	140.90%

Property, plant and equipment

The Company

In the first half of 2022, the Company partially settled plant, property and equipment under construction for the amount of PLN 3,263 thousand, the settlement referred to machinery and equipment for the amount of PLN 1,593 thousand, other plant, property and equipment for the amount of PLN 1,180 thousand (in the first half of 2021, the Company did not account for fixed assets under construction).

The value of depreciation for the first half of 2022 amounted to PLN 6,710 thousand (as of 30 June 2021, the amount of PLN 7,645 thousand).

Group

In the first half of 2022 the value of tangible fixed assets decreased by PLN 5,725 thousand. During this period increases in tangible fixed assets totaled PLN 5,449 thousand, including purchases in the amount of PLN 1,700 thousand and a transfer from fixed assets under construction of PLN 3,263 thousand. The decrease in the value of tangible fixed assets in the first half of 2022 amounted to a total of PLN 11,172 thousand, of which the largest values were depreciation in the amount of PLN 6,710 thousand (for the first half of 2021: PLN 7,827 thousand) and the settlement of fixed assets under construction in the amount of PLN 3,736 thousand.

Intangible and legal assets

The Company

In the first half of 2022, the Company's intangible assets increased by PLN 3,131 thousand, incl. on:

- development work in progress PLN 12,321 thousand related to expenditure on product registrations, registration procedures of classical insulin;
- decrease due to depreciation for the first half amounted to PLN 9,189 thousand (as of 30 June 2021, the amount of PLN 7,587 thousand).

Detailed information on the conducted development works is presented in point 7.9 semi-annual individual financial statements of the Company for the period from 01/01/2022 to 30/06/2022.

Group

In the first half of 2022, the balance of other intangible assets increased by PLN 2,968 thousand. During this period increases in other intangible assets totaled PLN 113,750 thousand and it consisted of: increasing the cost of finished development works in the amount of PLN 101,430 thousand and increase of the ongoing developmental works conducted in one's own scope in the amount of PLN 12,320 thousand. Decreases in other intangible assets in the period amounted to PLN 101,430 thousand and related to the settlement of development work.

Other intangible and legal assets in the first half of 2022 decreased by depreciation value in the amount of PLN 9,190 thousand (depreciation for the first half of 2021 amounted to PLN 7,588 thousand).

Research and development in the Company and the Group

On 16 July 2019, the Management Board entered into an agreement with Yifan Pharmaceutical Co., Limited ("Yifan"), the subject of which is the mutual cooperation of the parties on the active substances of insulin analogs and the final drug product (in finished form) from their production to commercialisation (the "Agreement"). The Agreement provides funding for the entire project, as all costs related to the purchase and installation of the equipment needed for each stage of the Agreement, the purchase of raw materials and excipients necessary for the manufacture of the products to the extent covered by the respective orders will be covered by Yifan. If the result of the work proves that the commercial production line is suitable for the production of a drug product in finished form (eng. "Drug Product - Finished Form"), Bioton shall be granted the right to use Yifan's intellectual property as well as the 25-year right to manufacture, distribute, market, offer and sell the product on an exclusive basis in the territory of Poland as well as Bioton shall be granted the priority right to obtain the right to use in European countries under its own brand name. Bioton shall also act as a manufacturer of the products worldwide.

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

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

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

Work on all three insulin analogs includes the following scenario:

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

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

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

Non-current financial assets

The Company

In the first half of 2022, there were long-term assets in the amount of PLN 14,116 thousand for a loan granted to Biolek (as of December 31, 2021, the balance was PLN 15,227 from a loan to Biolek and Bioton International), which was related to the change in the presentation from short for long-term assets.

Group

In the first half of 2022, there were no changes in non-current financial assets (as of 31 December 2021, the balance was PLN 0).

Current financial assets

The Company

In the first half of 2022, the balance of short-term financial assets is PLN 1,567 thousand due to a loan granted to Bioton International. As at 31 December 2021, the amount is PLN 0 thousand.

Group

As of 30 June 2022, there were no short-term financial assets (as of 31 December 2021, there were no current financial assets).

Receivables under deliveries and services and other

The Company and the Group

Non-current receivables

As of June 30, 2022 and as of December 31, 2021, the balance of long-term receivables was PLN 0.

The Company

Current receivables

As of 30 June 2022, in the balance of non-current receivables in the amount of PLN 23,030 thousand (as of 31 December 2021, the amount PLN 39,245 thousand), the value of PLN 20,685 thousand is receivables for the supply of works and services, the amount of PLN 1,938 thousand represents tax receivables and an amount of PLN 406 is other receivables (as of 31 December 2021, respectively, PLN 36,330 thousand are trade receivables, PLN 2,791 thousand are tax receivables, and PLN 124 thousand are other receivables).

The decrease in trade receivables was influenced, among other things, by a change in the presentation of the factoring line (non-recourse factoring - transfer of factoring liabilities to repayment of trade receivables of PLN 15,467 thousand as at 31.12.2021).

Group

Current receivables

As of 30 June 2022, trade and other receivables amounted to PLN 22,037 thousand, including receivables for supplies and services in the amount of PLN 19,335 thousand, tax receivables in the amount of PLN 2,773 thousand and other receivables in the amount of PLN 511 thousand. Other receivables include, among others: receivables in the amount of PLN 39 thousand for advance payments for deliveries.

The decrease in trade receivables was influenced, among other things, by a change in the presentation of the factoring line (non-recourse factoring - transfer of factoring liabilities to repayment of trade receivables of PLN 15,467 thousand as at 31.12.2021).

Current prepayments

The Company

As of 30 June 2022, in the balance of short-term accruals in the amount of PLN 2,591 thousand of PLN 1 thousand represents costs and registration fees related to changes in the production processes of pharmaceutical substances and drugs (as of 31 December 2021, the amount of PLN 87 thousand) the amount of PLN 792 thousand is the value of fees and taxes (as of December 31, 2021, the amount of 4 thousand), the amount of PLN 767 thousand is insurance (as of 31 December 2021, the amount of PLN 503 thousand, the amount of PLN 117 thousand is the value of the costs of validation (as at December 31, 2021, the amount of PLN 128 thousand)), other titles amount to PLN 914 thousand. (as of 31 December 2021, the amount of PLN 323 thousand).

Group

As of 30 June 2022, in the balance of short-term accruals in the amount of PLN 2,615 thousand included, among others: registration fees in the amount of PLN 1 thousand, taxes and fees in the amount of PLN 813 thousand, insurance in the amount of PLN 768 thousand, validations in the amount of PLN 117 thousand and others in the amount of PLN 685 thousand.

Individual analytical balance sheet - liabilities

	30.06.2022		31.12.2021		Changes	
	total	structure	total	structure	(in PLN thousand)	(in %)
	(in PLN thousand)	(in %)	(in PLN thousand)	(in %)		
LIABILITIES						
Equity capital	628,932	74.4	639,282	72.5	(10,350)	(1.62%)
Share capital	1,717,284	203.0	1,717,284	194.9	-	-
Capital from the issue of shares above their face value	57,131	6.8	57,131	6.5	-	-
Inventory capital	260,776	30.8	260,776	29.6	-	-
Reserve fund	(268,358)	<0.1	(268,358)	<0.1	-	-
Retained profit / loss	(1,137,901)	<0.1	(1,127,550)	<0.1	(10,351)	0.92%
Non-current liabilities	67,597	8.0	77,056	8.7	(9,459)	(12.28%)
Liabilities for credits, loans and other debt instruments	9,362	1.1	16,072	1.8	(6,710)	(41.75%)
Lease liabilities	12,345	1.5	13,049	1.5	(704)	(5.40%)
Employee benefits	1,336	0.2	1,336	0.2	-	-
Deferred income	34,212	4.0	36,257	4.1	(2,045)	(5.64%)
Other liabilities	10,342	1.2	10,342	1.2	-	-
Current liabilities	149,322	17.7	164,881	18.7	(15,559)	(9.44%)
Liabilities for credits, loans and other debt instruments	65,729	7.8	77,968	8.8	(12,239)	(15.70%)
Lease liabilities	1,965	0.2	1,817	0.2	148	8.15%
Trade and other payables	37,974	4.5	38,677	4.4	(703)	(1.82%)
Employee benefits	2,846	0.3	2,290	0.3	556	24.28%
Accruals	40,808	4.8	44,130	5.0	(3,322)	(7.53%)
TOTAL LIABILITIES	845,851	100	881,219	100.0	(35,368)	(4.01%)

Consolidated analytical balance - liabilities

	30.06.2022		31.12.2021		changes	
	sum	structure	Total	structure		
	(in PLN thousand)	(in %)	(in PLN thousand)	(in %)	(in PLN thousand)	in %
LIABILITIES	829,769	100.0	865,189	100.0	(35,420)	(4.09)
A: Equity	611,717	73.7	622,739	72.0	(11,021)	(1.77)
Stock capital	1,717,284	207.0	1,717,284	198.5	-	-
Capital from the issue of shares above their face value	57,131	6.9	57,131	6.6	-	-
Inventory capital	260,776	31.4	260,776	30.1	-	-
Reserve capital	(266,367)	(32.1)	(266,367)	(31)	-	-
Reserve capital from transactions between shareholders	(80,844)	(9.7)	(80,844)	(9.3)	-	-
Exchange rate differences from converting subordinate units	(214)	-	(165)	-	(49)	29.85%
Retained profit	(1,076,048)	(129.7)	(1,065,076)	(123.)	(10,972)	1.03%
B: Non-current liabilities	68,020	8.2	77,541	9.0	(9,521)	(12.28)
Due to credits, loans and debt instruments	9,361	1.1	16,053	1.9	(6,692)	(41.69%)
Due to leasing	12,619	1.5	13,405	1.5	(786)	(5.86%)
Due to employee benefits	1,486	0.2	1,486	0.2	-	-
Deferred revenues	34,212	4.1	36,257	4.2	(2,045)	(5.64%)
Other liabilities	10,342	1.2	10,342	1.2	-	-
C: Current liabilities	150,032	18.1	164,908	19.1	(14,877)	(9.02%)
Credits in the current account	19,546	2.4	13,812	1.6	5,734	41.51%
Due to credits, loans and debt instruments	46,910	5.7	64,811	7.5	(17,901)	(27.62%)
Due to leasing	2,203	0.3	1,994	0.2	243	10.50%
For supplies and services and others	36,219	4.4	36,932	4.3	(713)	(1.93%)
For income tax	3	-	-	-	3	-
Other accruals	45,150	5.4	47,359	5.5	(2,209)	(4.67%)

Liabilities for credits, loans and other debt instruments

The Company

As of 30.06.2022, long- and short-term liabilities due to loans, borrowings and other debt instruments decreased by PLN 18,949 thousand compared to the status as of 31.12.2021. The change results from a decrease in loan liabilities due to repayments and changes in the presentation of the factoring line (non-recourse factoring - transfer of factoring commitments to repayment of trade receivables of PLN 15,467 thousand as at 31.12.2021).

Group

As of 30 June 2022, total liabilities under loans and borrowings amounted to PLN 56,271 thousand and fell by the total amount of PLN 24,593 thousand compared to the status as of 31 December 2021. Decrease in liabilities due to loans and borrowings consists of a decrease in liabilities due to credits and loans in BIOTON S.A. in the amount of PLN 18,949 thousand and a presentation change with regard to the factoring line (non-recourse factoring - transfer of factoring liabilities to repayment of trade receivables of PLN 15,467 thousand as at 31.12.2021).

Trade and other payables

The Company and the Group

Non-current liabilities

As of 30 June 2022, non-current liabilities relate to liabilities due to the purchase of shares in subsidiaries in the amount of PLN 10 342 thousand (as of 31 December 2021 the amount of PLN 10 342 thousand).

The Company

Current liabilities

As at June 30, 2022, the balance of trade liabilities and other in the amount of PLN 37,974 thousand., of which the amount of PLN 28,011 thousand. constitutes liabilities due to deliveries of products, services and goods (as of December 31, 2021, the amount of PLN 28,149 thousand) the amount of PLN 3,637 thousand is tax liabilities (as of December 31 2021, the amount of PLN 4,971 thousand) the amount of PLN 1,912 thousand represents liabilities due to remuneration (as of December 31, 2021, the amount of PLN 1,971 thousand), and the amount of PLN 3,555 thousand are liabilities due to non-invoiced deliveries (as of 31 December 2021, approx. the amount of PLN 3 ,062 thousand).

Group

Current liabilities

As of 30 June 2022, in the balance of trade and other payables in the total amount of PLN 36,219 thousand, of which the amount of PLN 24,726 thousand is liabilities from deliveries and services, the amount of PLN 4,370 thousand is liabilities of tax title, the amount of PLN 2 ,286 thousand is liabilities due to remuneration, the amount of PLN 3,886 thousand is liabilities for deliveries not invoiced.

The dynamics rates of individual components of the consolidated and individual income statement were calculated by comparing their values in the first half of 2022 with the values for the corresponding period of 2021 (in the case of data consolidated for continuing operations).

Report of the Management Board of BIOTON S.A. on the operations of the Capital Group BIOTON S.A. in the period from 01.01.2022 to 30.06.2022.

Individual analytical income statement

	01.01.2022 - 30.06.2022		01.01.2021 - 30.06.2021		changes	
	total	structure (in %)	total	structure (in %)	(in PLN thousand)	(in %)
	(in PLN thousand)		(in PLN thousand)			
Revenues from sales	102,488	100.0	76,205	100.0	26,283	34.49%
Cost of sales	(59,252)	57.8	(40,594)	53.3	(18,658)	45.96%
Costs of idle time and unused power	(4,061)	4.0	(1,993)	2.6	(2,068)	103.76%
Gross profit on sales	39,175	38.2	33,618	44.1	5,557	16.53%
Other operating revenues	3,394	3.3	4,525	5.9	(1,131)	(24.99%)
Selling expenses	(16,850)	16.4	(16,782)	22.0	(68)	0.40%
Administrative expenses	(14,031)	13.7	(13,683)	18.0	(348)	2.54%
Research and development costs	(2,463)	2.4	(2,292)	3.0	(171)	7.47%
Other operating costs	(2,429)	2.4	(2,552)	3.3	123	(4.82)%
Gross profit on operating activity	6,797	6.6	2,835	3.7	3,962	139.77%
Financial revenues	430	0.4	1,743	2.3	(1,314)	(75.36%)
Financial costs	(7,366)	7.2	(2,900)	3.8	(4,466)	154.00%
Profit / (loss) before taxation	(140)	0.1	1,678	2.2	(1,817)	(1.08)
Income tax	1,053	1.0	2,892	3.8	(1,839)	(63.58%)
Net profit / (loss) from discontinued operations	-	-	-	-	-	n/d
Net profit / loss	(1,193)	1.2	(1,214)	1.6	21	(1.75%)

Consolidated analytical income statement

	01.01-30.06.2022		01.01-30.06.2021		changes	
	total	structure	total	structure	(in PLN thousand)	(in %)
	(in PLN thousand)	(in %)	(in PLN thousand)	(in %)		
Revenues from sales	98,093	100.0	73,354	100.0	24,739	33.7%
Own cost of sales	(55,432)	56.5	(38,120)	52.0	(17,312)	45.4%
Costs of idle time and unused power	(4,061)	4.1	(1,993)	2.7	(2,068)	103.8%
Gross profit on sales	38,600	39.4	33,242	45.3	5,358	16%
	3,408	3.5	4,526	6.2	(1,118)	(24.7%)
Selling and distribution expenses	(15,655)	16.0	(15,528)	21.2	(127)	0.8%
Administration expenses	(14,778)	15.1	(14,305)	19.5	(473)	3.3%
Research and development costs	(2,463)	2.5	(2,292)	3.1	(171)	7.5%
Other operating costs	(2,627)	2.7	(2,897)	3.9	270	(9.3)%
12. Gross profit on operating activity	6,485	6.6	2,746	3.7	,3,739	136%
Financial revenues	-	-	1,531	2.1	(1,531)	(100.0%)
Financial costs	(6,928)	7.1	(2,468)	3.4	(4,460)	180.8%
Gross profit	(443)	0.5	1,809	2.5	(2,252)	(124%)
Income tax	1,226	1.2	3,210	4.4	(1,984)	(61.8%)
Net profit on continued operations	(1,669)	1.7	(1,400)	1.9	(268)	19%

Revenues from sales

The Company

Sales structure of BIOTON S.A. by assortment (by value)

Sales revenue - assortment structure	01.01.2022 - 30.06.2022		01.01.2021 - 30.06.2021	
	(in thousands PLN)	structure	(in thousands PLN)	structure
		(in %)		(in %)
Insulin	79,187	77.26%	53,850	70.66%
Finished goods	79,187	77.26%	53,850	70.66%
Orally taken anti-diabetic drugs	5,852	5.71%	4,045	5.31%
Other goods PL	3,794	3.70%	4,039	5.30%
Injections	6,851	6.68%	3,110	4.08%
Goods and materials	16,498	16.10%	11,195	14.69%
Services¹⁾	6,803	6.64%	11,161	14.58%
Total sales revenues	102,488	100.00%	76,205	100.00%

1) in the Services category, the company presents, among others: revenues received from license agreement (upfront) concluded with Pharmasyntez and Yifan International and recognition of revenue from the execution of the contract with Yifan for the analog project;

In the first half of 2022, the company achieved sales revenues in the amount of PLN 102,488 thousand, in which the largest share of sales of insulin forms in the amount of PLN 79,187 thousand. In the comparable period of 2021, revenues from sales amounted to PLN 76,205 thousand, including sale of insulin accounted for PLN 53,850 thousand which means that the revenues in the first

half in 2022 were higher by 34.49% in comparison with the first half of the last year.

The following positive impact on the increase in revenues between the first half of 2022 and the first half of 2021 had higher insulin domestic sales (including securing the market due to the geopolitical situation in Ukraine), as well as higher sales on international markets, including the delivery of orders resulting from the tender in China, but also sales to Vietnam or Bangladesh, Libya and other markets.

Group

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

Sales revenue - assortment structure	01.01.2022 - 30.06.2022		01.01.2021 - 30.06.2021	
	(in thousands PLN)	structure	(in thousands PLN)	structure
		(in %)		(in %)
Insulin	79,187	80.73%	53,850	73.41%
Finished goods	79,187	80.73%	53,850	73.41%
Orally taken anti-diabetic drugs	5,852	5.97%	4,045	5.51%
Other goods PL	3,794	3.87%	4,039	5.51%
Injections	3,210	3.27%	1,008	1.37%
Goods and materials	12,857	13.11%	9,093	12.40%
Services¹⁾	6,049	6.17%	10,412	14.19%
Total sales revenues	98,093	100.00%	73,354	100.00%

1) *in the Services category, the company presents, among others: revenues received from license agreement (upfront contracts) concluded with Pharmasyntez and Yifan International and recognition of revenue from the execution of the contract with Yifan for the analog project;*

The Group's revenues in the first half of 2022 amounted to PLN 98,093 thousand and were higher by 33.72% compared to the same period year 2021. The main increase in sales between the periods was recorded in Bioton S.A. (PLN +26,283 thousand) and described above. In the Group's sales structure, sales of insulin accounted for 80.73%, oral antidiabetic drugs for 5.97% and sales for 3.87% other products by the Group. Services accounted for 6.17% of the revenue structure.

Cost of sales

The Company

In the first half of 2022, the cost of sales amounted to PLN 59,252 thousand and was higher by 46% compared to the same period of the previous year mainly as a result of higher sales in the compared periods.

Group

The own cost of sales amounted to PLN 55,432 thousand and was higher by 45.4% compared to the same period of 2021.

Gross profit on sales

The Company

The Company achieved a gross margin on sales of 38.2% in the analysed period, compared to 44.1% in the corresponding period of 2021. The main impact on the decrease in the % gross margin on sales was a change in the sales structure between Poland and foreign markets as well as higher costs of downtime and unused production capacity in the first half of 2022 related to downtime at one of the production plants. The margins of products sold on the Polish market are higher compared to the margins of products sold on international markets, due to the high competition on international markets and sales made through tenders. An additional negative factor is the increase in the costs of production of insulin products associated with a significant increase in the prices of gas and electricity, an increase in employment costs, an increase in prices resulting from the increase in inflation and, consequently,

an increase in the purchase prices of components for production from Polish and foreign suppliers, including a significant fluctuation in the PLN/USD and PLN/EUR exchange rates. In addition, the cost of goods sold on the Polish market and purchased from foreign suppliers was exposed to changes in the market for freight costs and exchange rate fluctuations.

Group

At the end of the first half of 2022, the Group achieved a gross profit on sales of PLN 38,600 thousand, which is an increase by 16.1% compared to the corresponding period last year.

Selling expenses

The Company

Sales costs in the first half of 2022 amounted to PLN 16,850 thousand and were at a similar level as compared to the corresponding period of 2021.

Group

Selling costs at the end of the first half of 2022 amounted to PLN 15,655 thousand and were at a similar level as compared to the corresponding period of 2021.

Administrative expenses

The Company

General and administrative expenses in the first half of 2022 amounted to PLN 14,031 thousand and were higher by 348 thousand compared to the corresponding period of the previous year.

Group

General and administrative expenses at the end of the first half of 2022 amounted to PLN 14,778 thousand and were lower by 473 thousand compared to the corresponding period of 2021.

Research and development costs

The Company

The costs of research and development in the first half of 2022 amounted to PLN 2,463 thousand and were lower by 7.5% compared to the corresponding period of 2021.

Group

In the first half of 2022, the costs of development work amounted to PLN 2,462 thousand and were lower by 7.5% compared to the corresponding period of 2021.

3. Description of the basic threats and risks related to the remaining months of the financial year

The risk related to refusal or delay in admitting the Company's and the Group's products to trading

New products of the Company and the Group may be admitted for trade on a given market only after obtaining a proper permit in accordance with the applicable law provisions. 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 of biotechnology products, which may additionally be extended by frequent changes in regulations and corresponding interpretative doubts. The above factors may cause significant delays in the introduction of new products by the Company and the Group. Refusal or delay in the admission of the

Company's and the Group's products to trading may have a material adverse effect on the Company's and the Group's operations, financial position or results of operations. Risk - high.

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

It cannot be excluded that during using the medication after admitting it for trade, there will be side effects not predicted before, as well as interactions with other drugs. 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 in the event of an unexpected, serious, undesirable side effect of a medicinal product, threatening human life or health, lack of declared therapeutic efficacy or risk determination of use disproportionate to the therapeutic effect, the Minister of Health withdraws the authorization of the product for trading. In addition, if there is a justified suspicion that the treatment product does not correspond to the requirements established for it, the Chief Pharmaceutical Inspector issues the decision to suspend specific batches of a medical product within trading activity. The occurrence of any of the above-mentioned factors may have a material adverse effect on the activity, financial situation or operating results of the Company and the Group. Risk - medium.

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

A significant part of the outlays and costs incurred by the Company and the Group is allocated for financing the developmental works, including in the scope of biotechnological products. The development of activities on the market of biotechnological products requires significant costs, and the risk of not achieving the intended results of research and development works in the field of biotechnological products is larger than that of generics. The failure of developmental works financed by the Company and the Group could result in the lack of possibility to restore incurred outlays and costs by means of sale of biotechnological products developed as a result of the developmental works financed, which may have a significant negative influence on the activity, financial situation or the operating results of the Company and the Group. Risk - high.

The 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 area of commercialization of the Group's products on key markets is based on cooperation with international pharmaceutical concerns under long-term distribution agreements. In 2018, the Company signed a global distribution agreement for classic human insulin - Yifan International Ltd, amended in January 2020 under a signed Novation Agreement. It is not sure whether the sales levels established by the distribution partner on individual markets will be realized, and thus the volume of production and sales of the group will be realized at the expected levels. The value of outlays for marketing and sales of products of the group incurred by the distribution partners, resources possessed by them on selected foreign markets and knowledge and experience in the scope of promotion and sales of pharmaceutical products on a given market may be insufficient for achieving assumed sales volumes. Taking into account the abovementioned, there is no certainty that the activity of the Company and the Group on the selected foreign markets will bring expected results. It cannot be ruled out that the distribution partners will not be able to achieve assumed goals and their marketing strategy on some export markets will not be effective. The occurrence of any of the above factors 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 related to the change of drugs reimbursement rules

In most of the countries in which the Company and the Group operates, 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 drugs, introducing a separate higher price limit for refunding competing products, changing the price limit or lowering the reimbursement rate of a given drug may negatively affect the competitiveness of the Copmany's and the Group's products, may have a material adverse effect on the Copmany's and the Group's operations, financial position or results of operations. Risk - medium.

The risk of changes in the foreign currency exchange rate

A part of the Company's and the Group's revenues comes from the export of drugs, and a part of the components needed for the

production of drugs by the Company and the Group and supply of contract products is imported. Due to the above, a part of the Company's and the Group's revenues and a part of costs is generated or incurred in foreign currencies. Moreover, most of the Company's and the Group's revenues from exports are expressed in US dollars, while the distribution of imports is mainly in USD and EUR. In the event of an imbalance between costs and revenues as well as in the case of imbalance between income and costs in the same foreign currency, fluctuations in currency exchange rates may have a material adverse effect on the Company's and the Group's operations, financial position or operation results. Risk - high.

The 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 it operates. 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 case of the Polish market, the scope of the impact 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 legal acts of EU and *acquis communautaire* (legal provisions and jurisprudence of the European Court of Justice, which are binding for all EU Member States). Threat - low.

Risks related to changes in tax law in Poland

The Company and the Group are exposed to the risk of changes in the legal and tax environment in Poland. The changing legal and tax environment has been and will continue to be subject to frequent changes and, additionally, the laws are not applied uniformly by the courts and tax administration authorities. Risk - medium.

Risks related to changes in tax law

The Company and the Group are exposed to the risk of changes in Value Added Tax, Corporate Income Tax and Social Security regulations, which are subject to frequent change. These frequent changes result in a lack of appropriate reference points, inconsistent interpretations and few established precedents to apply. The current legislation also contains ambiguities that result in differences of opinion as to the legal interpretation of the tax rules. Tax settlements and other areas of activity may be subject to audits by the authorities which are entitled to impose high penalties and fines, and any additional tax liabilities resulting from the audit must be paid with interest. Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of a final decision by a tax audit authority. As of 15 July 2016, the Tax Ordinance was amended to incorporate the provisions of the General Anti-Abuse Rules (GAAR). The GAAR is intended to prevent the creation and use of artificial legal structures created to avoid paying tax in Poland. The GAAR defines tax avoidance as an act carried out primarily for the purpose of obtaining a tax advantage contrary, under the circumstances, to the object and purpose of a provision of the Tax Act. The new regulations will require much greater judgement in assessing the tax consequences of individual transactions. Risk - medium.

4. Description of changes in the organization of the Capital Group BIOTON S.A., including as a result of merger of entities, obtaining or loss of control over subsidiaries and non-current investments, as well as division, restructuring or discontinuation of operations and indication of entities subject to consolidation

As of 30.06.2022 the subsidiaries of BIOTON S.A. were:

- BIOTON MARKETING AGENCY Sp. z o. o. with its registered office in Macierzysz, in which BIOTON S.A. held 100% of shares,
- BIOLEK Sp. z o.o. with its registered office in Macierzysz, in which BIOTON S.A. held 100% shares,
- BIOTON (International) GmbH with its registered office in Steinhausen (Switzerland), in which BIOTON S.A. held 100% shares;
- Mindar Holdings Ltd with its registered office in Nicosia (Cyprus) "Mindar", in which BIOTON S.A. held 100 % shares – the company was not covered with consolidation due to the fact that the assets net and financial result are not significant from the point of view of the consolidated report. Currently, Mindar is awaiting publication of the liquidation in the court register;

- BioPartners GmbH with its registered office in Baar (Switzerland) was entered in the commercial register as "in liquidation"; BioPartners GmbH with its registered office in Reutlingen (Germany) has been entered in the commercial register as "in liquidation"; the Company cannot be removed from the commercial register due to a contractual obligation with an employee who is currently drawing a pension. Both companies are still registered in the commercial register but are no longer operating.

5. Position of the Management Board of the Company regarding the possibility of meeting previously published forecasts of results for a given year in the light of the results presented in the half-year report in relation to the forecasted results.

The company did not publish forecasts of results for 2022.

6. Shareholders owning directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of BIOTON S.A. as at the date of submitting the quarterly report and changes in the ownership structure of significant blocks of Company shares in the period from the submission of the last periodical report.

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

No.	Shareholder	Number of shares / votes (in pcs)	% of share capital / votes
1	Dongren Singapore PTE.LTD. ¹	16,989,289	19.79%
2	Perfect Trend Ventures limited ²	10,245,922	11.93%
3	Troqueera Enterprises Ltd.	8,480,570	9.88%
4	Basolma Holding Ltd. ³	6,151,852	7.16%
5	AIS Investment 2 Sp. z o. o	5,151,852	6.00%
6	UniApek S.A. ⁴	4,293,210	5.00%
7	Others	34,551,505	40.24%
Total		85,864,200	100,00%

There were no changes in the ownership structure of significant issuer shares in the period from the date of the transfer previous periodic report.

7. A list of possession of shares of the Company or the rights to them by the managing and supervising persons of BIOTON S.A. as of the day of transferring the half-year report, with an indication of the changes in the possession status in the period from sending the last periodical report, separately for each person

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

- the persons supervising BIOTON S.A. do not hold any shares of BIOTON S.A.,

¹ Yifan Pharmaceutical Co., Ltd. is entitled indirectly through Dongren Singapore PTE LTD. 16,989,289 dematerialized shares of the Company representing 19.79% of the share capital of the Company. Yifan Pharmaceutical Co., Ltd. is the parent company of Dongren Singapore PTE LTD.

² Yifan Pharmaceutical Co., Ltd. holds indirectly through Perfect Trend Ventures Limited 10,186,419 dematerialized shares of the Company representing 11.86% of the share capital of the Company. Yifan Pharmaceutical Co., Ltd. is the parent company of Perfect Trend Ventures Limited.

^{1 and 2} Yifan Pharmaceutical Co., Ltd. indirectly holds 27,175,708 shares of the Company, which constitute 31.65% of the share capital of the Company and entitle to 27,175,708 votes at the General Meeting of Shareholders of the Company, which is 31.65% of total number of votes at the General Meeting the Company's Shareholders' Meeting.

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

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

- managing and supervising personnel of BIOTON S.A. did not have any shares in the affiliated entities of the Company.

8. Information on the conclusion by BIOTON S.A. or its subsidiary of one or more transactions with related entities, if they were concluded on conditions other than market conditions, together with an indication of their value, and information on individual transactions may be grouped by type, except where information on individual transactions is necessary to understand their impact on the financial situation, property situation and financial result of the issuer

In the first half of 2022, BIOTON S.A. and its subsidiaries did not conclude any transactions with related entities on the terms other than market ones.

9. Information on granting by BIOTON S.A. or its subsidiary credit or loan guarantees or granting a guarantee - jointly to one entity or a subsidiary of that entity, if the total value of existing sureties or guarantees is equivalent to at least 10% of the Company's equity

In connection with the signing of a credit agreement by BIOTON S.A. with BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A. with its registered office in Luxembourg, acting through BANK OF CHINA (EUROPE formerly: LUXEMBOURG) S.A. (SPÓŁKA AKCYJNA) BRANCH IN POLAND with its registered office in Warsaw, the company BIOLEK Sp. z o.o. and BIOTON MARKETING AGENCY Sp. z o.o. provided a guarantee to BIOTON S.A. of EUR 9 million. The sureties were granted until the date on which all liabilities of BIOTON S.A. will be repaid or until 31 March 2026. In addition, the BIOLEK Sp. z o.o. and BIOTON MARKETING AGENCY Sp. z o.o. provided corporate guarantees as part of the loan security. The securities granted exceed 10% of the equity of BIOLEK Sp. z o.o. and BIOTON MARKETING AGENCY Sp. z o.o.

In connection with the full repayment of the loan on 26.08.2022, 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, after the balance sheet date, the sureties granted expire.

10. Other information relevant to the assessment of the personnel, property, financial situation, financial result of BIOTON S.A. and the Capital Group BIOTON S.A. and their changes, as well as information that is significant for the assessment of the ability to meet obligations by the Company.

10.1. Credit agreements

The company financed itself in the first quarter of 2022 with a short- and long-term bank debt and a loan from the shareholder of Uniapiek S.A. The obligations of the Company and the Group resulting from credit agreements are repaid on an ongoing basis.

The value of indebtedness in BANK OF CHINA (LUXEMBURG) SA, ING Bank Śląski S.A., ING Commercial Finance Polska S.A. due to credit agreements as of June 30, 2022. totaled PLN 64.4million. The debt value of the shareholder loan was PLN 27.6 million.

In the first half of 2022, the following change to agreements with banks took place:

- on 10 May 2022, the extension of the Factoring Agreement with ING Commercial Finance Polska S.A. with a commitment limit of PLN 20 million for a further one-year period, until 9 May 2023.

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

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

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

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

10.2. Exchange rates

Result on statistical exchange rate differences on the valuation of a bank loan and loans denominated in foreign currencies granted by Bank of China and UniApek is reflected in the impact on the net financial result in individual and consolidated financial statements of BIOTON S.A. and the Capital Group. In the next months, the main assumption of the Company in the exchange rate policy will be to hedge the exchange rate of inflows in USD.

The BIOTON S.A. Company bears the exchange rate risk related mainly to the loans and borrowings in foreign currencies and with the sale of finished products and the purchase of raw materials, which are made in foreign currencies.

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

As at the date of publication of the report, the Company has entered into one forward financial instrument for the sale of USD. This transaction is intended to hedge BIOTON S.A. against a drop in market exchange rates in the period until November 2022. The decision to conclude the transaction in question was made by BIOTON S.A. based on available forecasts of exchange rate levels in the coming quarters and based on future commercial currency flows.

11. Proceedings pending before a court, a competent arbitration authority or a public administration body.

The indicated information on proceedings pending before a court, a competent authority for arbitration proceedings, or a public administration authority is presented in section 7.28 of the Company's interim separate financial statements and in section 30 of the Group's interim consolidated financial statements for the period from 01.01.2022 to 30.06.2022.

12. Factors which will affect the results achieved by BIOTON S.A. and the Capital Group BIOTON S.A. in perspective of at least the next six months

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

On 16 July, 2019 the Management Board concluded an agreement with Yifan Pharmaceutical Co., Limited ("Yifan"), the subject of which is the mutual cooperation of the parties in the scope of active substances of insulin analogs and final medicinal product (in finished form), from their production to commercialization ("Agreement"). The contract is a framework contract. 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 medicinal product in the finished form, „Medicinal Product – Finished Form), Bioton will be granted the right to use intellectual property of Yifan as well as a 25-year right to produce, distribute, market and offer and sell the product on the exclusivity principle in the territory of Poland as well as Bioton will be granted the pre-emptive right to obtain the right to use in the countries of Europe, under own brand. Bioton will also act as the manufacturer of products all 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 contracts 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 tribunal in Singapore.

12.2. Conclusion of the assignment agreement (Novation Agreement)

On 16 January, 2020, Bioton concluded an assignment agreement (Novation Agreement) with effect from 1 January, 2020 to the Global Exclusive License Framework Agreement of 27 March, 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 sale 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 concerning the Agreement is significant for the improvement of global sale of Bioton products. The Agreement was concluded for the period of 15 years with an automatic option of extension for the period of the next 5 years, unless some party submits written termination of the Agreement with advance of at least 12 months before the lapse of the period for which it was concluded. The Agreement may be terminated by each party with a prior 30 days' call in the event when: i) one party infringes the provision of the Agreement and the infringement was not repaired within 30 days from obtaining the call to cease infringement; ii) one party becomes insolvent or against any party the bankruptcy procedure is instituted. The parties' liability for the Agreement is limited to the actual damage. The Agreement is subject to the law of Singapore and potential disputes will be settled by the arbitration court in Singapore. The Agreement specifies mutual obligations of the parties, as well as the basic terms and conditions of distribution. The terms of the Agreement do not differ from generally used market practices. The Company estimates that revenues under the Agreement over the next three years will amount to approximately PLN 250 million. In addition, the Chinese market was opened for the distribution towards termination of the agreement of supply and distribution of insulin Bioton on the Chinese market by Harbin Gloria Pharmaceuticals Co., Ltd.

12.3. Audit of the Customs and Tax Office in Kielce

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

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

12.4. Economic and political situation in Ukraine

The Company is constantly monitoring the development of the geopolitical situation related to the warfare on the territory of Ukraine; below, the Company provides an update on the current impact of the conflict on the activities of Bioton S.A. and indirectly on the BIOTON Group ("Group").

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

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

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

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

12.5. Execution of an agreement with Pharmasyntez-Nord JSC

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

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

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

13. 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:

Abbreviated interim individual financial statements of BIOTON S.A. as of 30.06.2022 and for the period from 01.01.2022 to 30.06.2022 and the abbreviated interim consolidated financial statements of the BIOTON Group as of 30.06.2021 and for the period

from 01.01.2021 to 30.06.2021 were drawn up in accordance with the International Financial Reporting Standards that apply to the semi-annual reports and which have been approved by the European Union, hereinafter referred to as "IFRS EU", and in the scope not regulated with the above standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws from 2018, item 395) and executive regulations issued on its basis.

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

BIOTON S.A. and the BIOTON Group did not take advantage of the possibility of earlier application of the new Standards and Interpretations that have already been published and approved by the European Union, and which will enter into force after balance sheet date.

A detailed statement of compliance is included in Note 1.1.5 to the abbreviated interim consolidated financial statements of the financial statement of the BIOTON Group and in note 1.5 of the abbreviated interim individual financial statement of BIOTON S.A.

The above-mentioned reports and comparative data reflect truthfully and fairly clear property and financial situation of BIOTON S.A. and the BIOTON Group and their financial results.

Report of the Management Board of BIOTON S.A. on the operations of the Capital Group BIOTON S.A. in the period from 01.01.2022 to 30.06. 2022 presents a true picture of the development and achievements as well as the situation of BIOTON S.A. and the BIOTON Group, including a description of basic threats and risks.

14. Statement and information of the Management Board of BIOTON S.A. on the selection of the 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 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. with its registered office in Warsaw ("UHY"), as an entity reviewing and auditing the Company's financial statements for the financial years ended 31 December 2022, 31 December 2023 and 31 December 2024 and the review of the financial statements as of 30 June 2022, 30 June 2023 and 30 June 2024 (individual and consolidated. The Supervisory Board approved the Company's conclusion of agreements with UHY in this regard .

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 Auditing 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 did not use UHY's services to review and audit its financial statements.

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

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

Warsaw, 30 August 2022