

**Report of the Managing Board
of BIOTON S.A.
on the operation of BIOTON S.A.
in the period from 01.01.2015 till 31.12.2015**

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This report on the activities of the Managing Board of BIOTON S.A. ("**Company**") in the period between 01.01.2015 and 31.12.2015 has been drawn up according to § 91 the regulation of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions of deeming equivalent the information required by the regulations of a state being a non-member state (Journal of Laws of 2009, No. 33, item 259 as amended).

BIOTON S.A. including its subsidiaries and affiliates shall be hereinafter referred to as the "**Group**".

1. Principles of preparing the annual financial statement

The basic accounting principles and methods, assets and liabilities evaluation methods, assessment of the financial result and the method of drawing up the annual financial statement have been discussed under clause 1.1.5 of the annual financial statement of BIOTON S.A. for the period between 01.01.2015 and 31.12.2015.

1.1. Average exchange rates of PLN/EUR in the period covered by the annual financial statements and comparative data.

The average exchange rates of PLN to EURO announced by the National Bank of Poland, in the periods covered by the financial statement and comparative financial data have been presented in the table below.

Accounting year	Average exchange rate in the period	Minimal exchange rate in the period	Maximal exchange rate in the period	Exchange rate as at the last day of the period
2014	4.1893	4.0998	4.3138	4.2623
2015	4.1848	3.9822	4.3580	4.2615

1.2. Basic items of the standalone balance sheet, standalone profit and loss account and standalone cash flow statement from the standalone annual financial statement and standalone comparative data converted into EUR

SELECTED STANDALONE FINANCIAL DATA		31.12.2015 (kPLN)	31.12.2014 (kPLN)	31.12.2015 (kEUR)	31.12.2014 (kEUR)
I.	Net revenues from sales	207,776	195,555	49,650	46,680
II.	Gross operating profit (loss)	14,106	11,376	3,371	2,715
III.	Gross profit (loss) before taxation	(615,585)	120,988	(147,100)	28,880
IV.	Net profit (loss)	(596,551)	114,641	(142,552)	27,365
V.	Net cash flow from operating activity	26,552	32,200	6,345	7,686
VI.	Net cash flow from investment activity	(28,842)	(3,652)	(6,892)	(872)
VII.	Net cash flow from financial activity	9,357	(30,578)	2,236	(7,299)
VIII.	Net cash flow, total	7,067	(2,030)	1,689	(485)
IX.	Total assets	1,482,388	2,089,932	347,856	490,330
X.	Liabilities and provisions for liabilities	311,752	322,803	73,155	75,734
XI.	Long-term liabilities	95,218	171,909	22,344	40,332
XII.	Short-term liabilities	216,534	150,894	50,812	35,402
XIII.	Equity capital	1,170,636	1,767,129	274,700	414,595
XIV.	Share	1,717,284	1,717,284	402,976	402,901
XV.	Weighted average number of shares	85,864,200	85,864,200	85,864,200	85,864,200
XVI.	Profit (loss) as per one ordinary share (in PLN/EUR)	(6.9476)	1.3351	(1.6602)	0.3187
XVII.	Watered profit (loss) as per one ordinary share (in PLN/EUR)	(6.9476)	1.3351	(1.6602)	0.3187
XVIII.	Accounting value as per one share (in PLN/EUR)	13.6336	20.5805	3.1992	4.8285
XIX.	Watered accounting value as per one share (in PLN/EUR)	13.6336	20.5805	3.1992	4.8285
XX.	Declared or paid up dividend per one share (in PLN/EUR)	-	-	-	-

2. Review of the basic economic and financial values presented in the annual financial statement, in particular description of factors and events, including the untypical ones, having significant influence on the activity of BIOTON S.A. and profits obtained or loss incurred in 2015 and review of the prospective development of the Company's operation at least in the subsequent accounting year

An important element influencing comparability of data for 2015 and 2014 was the change of PLN exchange rate towards the main foreign currencies used in the Company:

- as compared with 2014 in 2015 the average daily exchange rate USD/PLN was by 19.3% higher and EUR/PLN remained on similar level,
- as compared with 31.12.2014 the exchange rate USD/PLN as at 31.12.2015 was by 11.2% higher, and the exchange rate EUR/PLN remained on similar level.

Dynamic factors of the respective items of the balance sheet have been calculated by comparison of their values as at 31.12.2015 and at 31.12.2014.

Analytical balance sheet - assets

	31.12.2015		31.12.2014		changes	
ASSETS	(in kPLN)	structure (in %)	(in kPLN)	structure (in %)	(in kPLN)	(in %)
Fixed assets	1,236,556	83.42	1,882,708	90.08	(646,152)	-34.32
Tangible assets	350,282	23.63	357,222	17.09	(6,940)	-1.94
Intangible assets	188,959	12.75	178,115	8.52	10,844	6.09
Long-term financial assets	339,777	22.92	727,942	34.83	(388,165)	-53.32
Investments in affiliates and subsidiaries	302,569	20.41	569,479	27.25	(266,910)	-46.87
Receivables from sale of goods and services and other	53,065	3.58	47,640	2.28	5,425	11.39
Deferred income tax assets	0	<0.1	0	<0.1	0	-
Long-term accruals	1,904	0.13	2,310	0.11	(406)	-17.58
Current assets	245,832	16.58	207,224	9.92	38,608	18.63
Inventories	82,372	5.56	59,952	2.87	22,420	37.40
Short-term financial assets	23,915	1.61	22,522	1.08	1,393	6.19
Trade and other receivables	96,528	6.51	112,310	5.37	(15,782)	-14.05
Tax receivables	0	<0.1	0	<0.1	0	-
Cash and cash equivalents	14,891	1.00	7,824	0.37	7,067	90.32
Cash at the reserved account	0	<0.1	0	<0.1	0	-
Accruals	1,625	0.11	1,404	<0.1	221	15.74
Assets available for sale	26,501	1.79	3,212	0.15	23,289	725.06
TOTAL ASSETS	1,482,388	100.00	2,089,932	100.00	(607,544)	-29.07

In 2015 the Company balance amount decreased by 29.1% as compared with 2014. Total fixed assets decreased by 34.3% (by 646.2 million PLN). The change of fixed assets level was mostly influenced by:

- the decrease of long-term financial assets by 53.3% (388.2 million PLN), mainly caused by a write-down concerning a loan granted to BioPartners Holdings AG and the increased evaluation of loans granted to subsidiaries (see also item 17 of this report),
- the decrease of investments in the affiliates and subsidiaries by 46.9% (266.9 million PLN) resulting from write-downs updating the shares in BIOLEK Sp. z o.o., MJ BIOTON Life Sciences Ltd, BIOTON MARKETING AGENCY Sp. z o.o. and BioPartners Holdings AG (see also item 17 of this report),

- the increase of receivables from deliveries and services and other by 11.4% (5.4 million PLN).

The current assets of the Company increased by 18.6% (38.6 million PLN). The change of the level of current assets was significantly influenced by:

- the level of stock increased by 37.4% (22.4 million PLN) to the value of 82.4 million PLN, in the result of extending the range of products sold (hospital, diabetes and cardiological medicines) and building up the stock of insulin for the increased demand due to foreign contracts, including the Chinese one, and with regard to the planned implementation of the technology of analogues SAIA and LAIA on the 10m³ line, which shall cause the reduction of insulin production capacity for commercial purposes,
- the increase of cash funds by 90.3% (7.1 million PLN) up to 14.9 million PLN,
- the change of the level of assets for sale by 23.3 million PLN in the result of making the decision on disposal of shares in MJ BIOTON Life Sciences Ltd (see also item 17 of this report),
- the decrease of trade and other receivables by 14.1% (15.8 million PLN) to the value of 96.5 million PLN, in the result of a write-down for overdue receivables at risk of becoming bad receivables,

The share of fixed and current assets in the balance sheet for 2015 amounted to 83.4% and 16.6% of the balance sum, respectively. The decrease of share of fixed assets by 6.7% is mainly due to write-downs updating the loan to BioPartners Holdings AG and shares in subsidiaries.

Analytical balance sheet – liabilities

	31.12.2015		31.12.2014		changes	
	(in kPLN)	structure (in %)	(in kPLN)	structure (in %)	(in kPLN)	(in %)
LIABILITIES						
Equity capital	1,170,636	78.97	1,767,129	84.55	(596,493)	-33.75
Share capital	1,717,284	115.85	1,717,284	82.17	0	0.00
Capital from issue of shares above their nominal value	57,131	3.85	57,131	2.73	0	0.00
Supplementary capital	260,775	17.59	146,135	6.99	114,640	78.45
Reserve capital	(268,003)	<0.1	(268,062)	<0.1	59	-0.02
Retained profit / loss	(596,551)	<0.1	114,641	5.49	(711,192)	-
					620.36	
Long-term liabilities	95,218	6.42	171,909	8.23	(76,691)	-44.61
Liabilities for credits, loans and other debt instruments	57,878	3.90	95,818	4.58	(37,940)	-39.60
Employees benefits	1,697	0.11	1,610	<0.1	87	5.40
Deferred income	21,143	1.43	21,896	1.05	(753)	-3.44
Provision for deferred income tax	3,194	0.22	23,869	1.14	(20,675)	-86.62
Other liabilities	11,306	0.76	28,716	1.37	(17,410)	-60.63
Short-term liabilities	216,534	14.61	150,894	7.22	65,640	43.50
Liabilities for credits, loans and other debt instruments	140,170	9.46	84,281	4.03	55,889	66.31
Trade receivables and other	57,185	3.86	52,793	2.53	4,392	8.32
Accruals	19,179	1.29	13,820	0.66	5,359	38.78
TOTAL LIABILITIES	1,482,388	100.00	2,089,932	100.00	(607,544)	-29.07

Company's equity capitals decreased by 33.8% to the level of 1.171 billion PLN, which was mainly due to the loss from 2015 incurred in the consequence of non-cash write-downs updating the loan and shares in subsidiaries.

The share of equity capitals in the structure of liabilities has decreased to the level of 79.0%.

As regards liabilities, there were recorded:

- an increase of liabilities for credits and loans and other debt instruments by 55.8 million PLN, mainly being the result of change of the financing structure,
- a decrease of trade liabilities and other by 13.0 million PLN, mainly in the result of decreased liability from the initial purchase of shares in MJ BIOTON Life Sciences Ltd,
- an increase of accruals by 5.4 million,
- a decrease of the provision for deferred income tax by 20.7 million PLN to the level of 3.2 million PLN.

Dynamic factors of the respective items of the profit and loss account have been calculated by comparison of their values in 2015 and the values in 2014.

Analytical profit and loss account

	31.12.2015		31.12.2014		changes	
	(in kPLN)	share in sales	(in kPLN)	share in sales	(in kPLN)	(in %)
Revenues from sales	207,776	100.00	195,555	100.00	12,221	6.25
Own cost of sales	85,216	41.01	82,476	42.18	2,740	3.32
The cost of stoppages and unused process line capacity	6,961	3.35	5,480	2.80	1,481	27.03
Gross profit on sales	115,599	55.64	107,599	55.02	8,000	7.44
Other operating revenues	2,019	0.97	2,968	1.52	(949)	-31.97
Cost of sales	59,883	28.82	57,835	29.57	2,048	3.54
Cost of general management	37,825	18.20	34,834	17.81	2,991	8.59
Research and development costs	3,050	1.47	3,248	1.66	(198)	-6.10
Other operating costs	2,754	1.33	3,274	1.67	(520)	-15.88
Gross profit on operating activity	14,106	6.79	11,376	5.82	2,730	24.00
Finance revenues	93,925	45.20	128,339	65.63	(34,414)	-26.81
Finance cost	723,616	348.27	18,727	9.58	704,889	3764.03
Profit / loss before taxation	(615,585)	-296.27	120,988	61.87	(736,573)	-608.80
Income tax	(19,034)	-9.16	6,347	3.25	(25,381)	-399.89
Net profit / (loss) on discontinued operations	0	0.00	0	0.00	0	n/a
Net profit / loss	(596,551)	-287.11	114,641	58.62	(711,192)	-620.36

In 2015 the Company obtained revenues from sales in the amount of 207.8 million PLN which means a decrease by 12.2 million PLN as compared with the previous year. The increase was the effect of increased sales on the domestic market in the result of developed products distribution of hospital products, higher sales of cardiological products and higher sales to Asian markets and recognition of the revenue from the disposal of rights to Chinese market in the amount of 16.1 million PLN.

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

- subsidies (0.8 million PLN),
- release of write-downs updating the current assets (0.5 million PLN),
- sale of materials (0.2 million PLN),

Other operating costs mainly comprised of:

- donations (0.7 million PLN),
- liquidation of current assets (0.6 million PLN),
- updating the value of non-financial assets (0.5 million PLN),
- establishment of holiday and pension gratuity provision (0.3 million PLN).

The value of financial revenues was significantly influenced by:

- positive exchange rate differences, including mainly statistical exchange rate differences, most of them concerning loans granted to subsidiaries (80.0 million PLN),
- interest on loans granted and deposits (12.6 million PLN).

Financial costs were as follows:

- write-downs updating financial assets (711.5 million PLN) (see also item 17 of this report),
- the costs of interest (11.2 million PLN).

Gross loss for 2015 amounted to 615.6 million PLN (121.0 million PLN profit in 2014). The value of the deferred tax amounted to -19.0 million PLN, net loss amounted to 596.6 million PLN.

3. Description of significant risks and threats with determination to which extent BIOTON S.A. is exposed to them

The risk related to rejection or delay in admitting Group's products for trading

New products of the Group may be admitted for trading on a given market only after obtaining proper approval according to the binding legal regulations. Preparation of documentation necessary to obtain such permission for a given product, especially on some of the markets, requires a lot of work and is time consuming. The procedure of obtaining such permission may turn out to be time-consuming. These reservations concern in particular the procedure of central registration of biotechnological products, which may be additionally prolonged due to frequent changes of regulations and interpretation doubts related thereto. The above factors may result in significant delays in introduction of new products for trading by the Group. Refusal or delay of permission to trade with the Group's products may have significant, negative influence on the operation, financial situation or operating results of the Group. Threat– high.

The risk related to the occurrence of side effects, interactions with other medicines or quality defects of given products of the Group.

It cannot be excluded that during application of a medicine, after it has been approved for trading, there occur unpredictable side effects as well as interactions with other medicines. Such situations may also concern the medicines available on the market for some time already and may cause certain actions to be initiated by appropriate authorities. For instance in Poland, should there be proven an unexpected, severe, adverse side effect of a medicinal product, threatening human life or health, no declared therapeutic efficiency or a risk inadequate to the therapeutic effect, the Minister of Health withdraws the permission for admission to trading. Moreover, in case of a justified suspicion that a medicinal product does not comply with the requirements defined for such product, the chief pharmaceutical inspector issues a decision on putting the trade of specified batches of a medicinal product on hold, in the territory of its operation. Existence of any of the above factors may have significant, negative influence on the operation, financial situation or operating results of the Group. Threat– average.

The risk of non-performance of the intended results of the development works within the field of biotechnological medicines

A significant part of the Group outlays is spent on financing development works, including development of biotechnological products. Development of operation in the biotechnological products market requires substantial investment outlays and the risk of not achieving the assumed results of development works within the scope of biotechnological products is much higher than in case of regular generic drugs. Failure of development works financed by the Company and the Group may cause the lack of possibility to regain the outlays through increased sale of biotechnological products developed in the result of the financed development works, which may have significant adverse effect on the operation, financial situation or operating results of the Group. Threat– high.

The risk related to termination of the licence for production of recombinant human insulin

One of the most significant products of the Group, i.e. recombinant human insulin is manufactured, distributed and sold under the licence provided to the Company on 03.06.1997. At present, after taking over the rights from Savient Pharmaceuticals Inc. (formerly Bio-Technology General Corp.), the licensor is Ferring International Center S.A. The licence is valid in a given territory for 15 years, starting from the date of registration of recombinant human insulin, however not longer than until 31.12.2019. After expiry of the above mentioned terms concerning a given territory, the Company will not be bound by the provisions of the licence agreement, but it can still produce and sell the insulin. The licence agreement may be terminated by the licensor in case the Company breaches provisions of the said agreement and in case of circumstances which prevent further performance of the agreement. Any possible earlier termination of the licence agreement shall mean that the production and sales of one of the most important products of the Group should be stopped, which may have negative effect on the operations, financial standing or operating results of the Group. Threat– low.

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

Group's strategy within the scope of commercialization of products of the group on key markets is based on cooperation with international pharmaceutical concerns under long-term distribution agreements. It is not certain whether the sales volumes assumed by the distribution partner of the Group will be obtained,

and in the consequence, whether the production and sales volume of the Group will reach the assumed level. The outlays on marketing and sales of the products of the group incurred by distribution partners, their resources kept on selected foreign markets and expertise and experience within the scope of promotion and sale of pharmaceutical products on a given market may not be sufficient to gain the assumed sales volumes. Taking the above into consideration, there is no certainty that the activity of the Group on the foreign markets shall bring expected effects. It cannot be excluded that the distribution partners of the Group shall not be able to achieve their goals and their marketing strategy on the export markets shall not be effective. Existence of any of the above factors may have significant, negative influence on the operation, financial situation or operating results of the Group. Threat– high.

The risk related to the change of rules of medicines' refundability

In most of the countries in which the Group operates, the market of medicines, including the refunded medicines, is regulated in detail by appropriate legal regulations. On the grounds of such regulations there is established a list of refunded medicines, the scope of refund, including the prices, limits and grade of refund. Adverse changes of the legal regulations, for instance deletion of the medicinal products of the Group from the list of refunded drugs, introduction of a separate, increased limit of prices for refunding competitive products, change of the price limit or decrease of refunding grade of a given drug may have negative influence on competitiveness of the products of the Group, which may have adverse effect on the operation, financial situation or operating results of the Group. Threat– average.

The exchange rate risk

A significant part of the Company revenues comes from the export of medicines and an important part of the components necessary for production of medicines by the Group is imported. Due to the above, a significant part of the Group revenues and the significant part of the costs is generated or incurred in foreign currencies. Moreover, most of the Company revenues from export are expressed in American dollars, while most of the imports are expressed in euro. The Group carries out operations on many markets where both the revenues and costs are incurred in foreign currencies. The Company also finances outlays on development works and operating costs in the companies of the Group in the form of loans in foreign currencies. In case there is no balance between the costs and revenues, and in the view of the lack of the balance between the revenues and costs in the same foreign currency, fluctuations of foreign exchange rates may have significant negative effect on the operation, financial standing or operating results of the Group. Threat– high.

The risk related to changes of the legal regulations

The Group is vulnerable to the risk of changes in the legal and regulatory environment in the countries it operates in. The legal and regulatory environment in the countries it operates in have been and still is subject to frequent changes, and the regulations are not applied by courts and public administration authorities in the uniform manner. In case of Polish market the scope of impact of such factors has been much extended due to the fact of Poland's accession to EU in May 2004, in the result of which Poland was obliged to adopt and implement all legal acts of EU and *acquis communautaire* (a set of rights and obligations, including judgments of the European Court of Justice binding for all EU Member States). Threat– low.

4. Proceedings pending before court, institution for arbitration proceedings or public administration authority

There are proceedings pending before Mazowieckie Voivod initiated by the heirs of the former owners of the property "Dobra Macierzysz" of 14.04.2009 to declare invalid the decision of the Head of the Commune in Ożarów Mazowiecki of 15.04.1988 on taking over of two plots of land of the total area of 78.87 ha by the State Treasury and the decision of the Head of the Commune in Ożarów Mazowiecki of 19.03.1990 on delegating the management of two plots of land of the total area of 77.83 ha to the Institute of Biotechnology and Antibiotics ("IBA").

The Company is also participating in four proceedings concerning establishment whether the properties singled out from "Dobra Macierzysz Ośrodek" were subject to the regulations of the decree of the Polish Committee of National Liberation of 6 September 1944 on implementing agricultural reform (Journal of Laws of 1945, No. 3, item 13 as amended) ("PCNL Decree"). On 29.08.2014 in three out of these proceedings the Voivodeship Administrative Court dismissed the Company's and IBA's complaints to the decision of 2nd instance authority confirming that the real properties were not subject to the regulations

of the PCNL Decree and to the refusal to suspend the proceedings concerning announcing invalid the decision of the Head of the City and Commune in Ożarów Mazowiecki of 15.04.1988. The Company has filed cassation appeals to the Supreme Administrative Court concerning the judgements - they are not expected to be heard before 2016. As regards the fourth litigation proceeding – the Company filed a complaint to the Minister of Agriculture and Rural Development ("**MARD**") on the decision of the Mazowieckie Voivod of 30.03.2015 declaring that the singled out part of the rural property was not subject to the regulations of the PCNL Decree - according to the MARD letter dated 23.03.2016 the date of the hearing the appeal shall take place before 30.12.2016.

In the opinion of the Company, in the view of the up-to-date judicial decisions, and in particular in the view of the decision of the Constitutional Tribunal of 20.02.1991, the probability that the Company suffers any damage in the result of acknowledgement of potential claims of the heirs of the former owners of the property "Dobra Macierzysz" by appropriate authorities seems slight.

According to the Company the up to date decisions determining whether the real properties of "Dobra Macierzysz Ośrodek" were subject to the regulations of the PCNL Decree, although contrary to the legal position of the Company, do not affect its legal situation, as the Company's title to the real property is based on the agreement on the transfer of the perpetual usufruct right concluded with IBA.

In case of possible disadvantageous adjudication for the Company by the Mazowieckie Voivod declaring the decision made by the Head of Ożarów Mazowiecki Commune dated 15.04.1988 and 19.03.1990 invalid, the Company will be entitled to take further legal actions, including among other lodging a complaint to the Voivodeship Administrative Court. Moreover, with regard to the plot of land No. 4/43 the Company shall be entitled to raise a claim towards IBA, which in the agreement concluded on 06.11.1997 stated that IBA shall be held responsible for any possible future claims of third parties.

5. Information on basic products, goods or services and their determination by quality and quantity and the share of particular products, goods and services (if they are significant) or their groups in the general sales volumes of BIOTON S.A., as well as the changes within this scope in the given accounting year

The main products and goods of the Company include:

- recombinant human insulin in the form of a pharmaceutical substance and injection preparations,
- orally taken anti-diabetic medicines,
- blood glucose test strips
- OTC medicines for diabetic patients,
- antibiotics and anaesthetic drugs.

The sale on domestic market is carried out directly by the Company. The Company is selling its products outside Poland under cooperation agreements and sales agreements concluded with foreign and domestic partners, including the companies of the Group. In case of foreign commercial partners the cooperation covers mainly direct export. In case of domestic commercial partners, within the scope of export, the products are delivered by the Company to locations specified by the commercial partners responsible for supplying the products abroad. International sales realized by Polish agents is classified in the financial statement as domestic sales and the same principle applies to the tables below relating to the sales by range of products.

BIOTON S.A. sales structure by range of products (by value)

Sales	01.01-31.12.2015		01.01-31.12.2014		Variation
	(in kPLN)	structure (in %)	(in kPLN)	structure (in %)	(in %)
Insulin	141,045	67.88	141,564	72.39	-0.37
Ready-made products	141,045	67.88	141,564	72.39	-0.37
Orally taken anti-diabetic medicines	10,641	5.12	6,373	3.26	66.95
Antibiotics	4,988	2.40	4,327	2.21	15.28
Anaesthetics	9,079	4.37	3,847	1.97	136.00
Cardiological	4,329	2.08	2,744	1.40	57.73

Sales	01.01-31.12.2015		01.01-31.12.2014		Variation
	(in kPLN)	structure (in %)	(in kPLN)	structure (in %)	(in %)
Blood glucose test strips	5,394	2.60	5,368	2.75	0.47
Other goods and materials	12,967	6.24	19,418	9.93	-33.22
Goods and materials	47,397	22.81	42,078	21.52	12.64
Services (including fees for the markets of China in 2015 and Russia in 2014)	19,334	9.31	11,913	6.09	62.30
Total sales	207,776	100.00	195,555	100.00	6.25

In 2015 the Company obtained revenues from sales in the amount of 207.8 million PLN, in which the biggest share constituted the sales of insulin on the domestic market in the amount of 99.4 million PLN. In 2014 the revenues amounted to 195.6 million PLN, which means an increase by 6.3%. It was the effect of increased sales on the domestic market and on foreign markets, and recognition of the revenue from the disposal of rights to Chinese market (16.1 million PLN).

6. Information on selling markets taking into consideration division into domestic and foreign markets and supply sources of materials for production, goods and services, specifying dependency on one or more recipients and suppliers, and in case the share of one recipient or supplier reaches at least 10% of the total revenues from sales - names (business names) of the supplier or recipient, its share in the sales or supplies and its formal links with BIOTON S.A.

6.1. Selling markets

BIOTON S.A. sales structure on the domestic market

Sales - Domestic	31.12.2015		31.12.2014		Variation
	(in kPLN)	structure (in %)	(in kPLN)	structure (in %)	(in %)
Insulin	99,353	67.03%	103,273	73.26%	-3.80%
Ready-made products	99,353	67.03%	103,273	73.26%	-3.80%
Orally taken anti-diabetic medicines	10,641	7.18%	6,373	4.52%	66.95%
Antibiotics	4,988	3.37%	4,327	3.07%	15.28%
Anaesthetics	9,079	6.13%	3,847	2.73%	136.00%
Cardiological	4,329	2.92%	2,744	1.95%	57.73%
Blood glucose test strips	5,394	3.64%	5,368	3.81%	0.47%
Other goods and materials	11,572	7.81%	11,376	8.07%	1.73%
Goods and materials	46,002	31.03%	34,036	24.14%	35.16%
Services	2,874	1.94%	3,659	2.60%	-21.45%
Total sales	148,229	100.00%	140,967	100.00%	5.15%

In 2015 the Company obtained revenues from domestic sales in the amount of 148.2 million PLN, which constitutes an increase by 5.2% as compared with 2014. The increase was the result of development of MSD products distribution (hospital and diabetes medicines) and higher sales of cardiological products introduced to the offer since 2013.

BIOTON S.A. sales structure on foreign markets

Sales - Foreign	31.12.2015		31.12.2014		Variation
	(in kPLN)	structure (in %)	(in kPLN)	structure (in %)	(in %)
Insulin	41,692	70.02%	38,291	70.15%	8.88%
Ready-made products	41,692	70.02%	38,291	70.15%	8.88%
Goods and materials	1,395	2.34%	8,042	14.73%	-82.66%
Services	16,460	27.64%	8,254	15.12%	99.41%
Total sales	59,547	100.00%	54,588	100.00%	9.08%

In 2015 the Company obtained revenues from export sales in the amount of 59.5 million PLN, which constitutes an increase by 9.1% as compared with 2014. The increase was the result of increased sales on Asian markets, to Vietnam and Thailand, and recognition of the revenue from the disposal of rights to Chinese market.

In 2015 the biggest percentage share in the sales of the Company was recorded by three pharmaceutical wholesalers acting in the domestic market: NEUCA S.A. (20%), FARMACOL S.A. (14%) and Polish Pharmaceutical Group (12%). Common relations are regulated by respective trade agreements.

6.2. Supply sources

In 2015 the geographical structure of purchase of particular materials for production by their value included:

- active substances - the source of supplies of active substances was the own production of BIOTON S.A.,
- auxiliary substances - 50% were purchased from domestic companies which in most cases were distributors of imported raw materials, the other came from Israel (27%), India (20%) and France (3%),
- packages - the biggest suppliers of direct packages (i.e. vials, caps, stoppers, boxes, leaflets and labels) originated in Italy (30%), Hungary (12%) and Belgium (20%), whereas domestic supplies constituted 38% of supplies.

The share of none of the suppliers has reached 10% of Company revenues from sales. Common relations are regulated by respective trade agreements.

7. **Information on the agreements of significance for the operation of BIOTON S.A., including the agreements known to the Company and concluded between the shareholders, insurance agreements, cooperation agreements**

On 23.09.2015 the Company, SciGen Limited ("**SciGen**") and Bayer Healthcare Company Limited ("**BHC**") concluded an agreement on termination of all agreements binding on them prior to the date of the agreement in question ("**Terminating Agreement**"), effective on 31.12.2015 and in particular: (i) the agreement of 09.07.2009 concluded between the Company, SciGen and BHC, whose subject matter is, among other, supply and distribution of insulin on the territory of the People's Republic of China and (ii) the agreement of 27.03.2013 concluded between the Company and BHC, whose subject matter is supply and distribution by BHC of insulin pens manufactured by Copernicus Sp. z o.o., on the territory of the People's Republic of China. With regard to the common decision on termination of the above mentioned agreements, the Parties have also decided that in the interim period, i.e. the period between the date of conclusion of the Terminating Agreement and 31.12.2015 they shall perform their respective duties arising from the agreements and shall settle all reciprocal liabilities.

On 23.09.2015 the Company concluded an agreement for supplies and distribution of insulin in the territory of the People's Republic of China with Harbin Gloria Pharmaceuticals Co. Ltd ("**HGP**"), a company under Chinese law. One party of the agreement with HGP is also SciGen Limited ("**SciGen**"), a company under Singapore law, a subsidiary of the Company, listed at the stocks exchange in Australia (ASX) having the right to commercialize the insulin produced by the Company on the territory of China. On the basis of the agreement, HGP was granted the exclusive right for the territory of China and licence for the trademark "SciLin" under which the insulin produced by the Company shall be distributed.

According to the insulin supply and distribution agreement HGP shall be appointed the distributor and shall be granted the above mentioned licence on the day following the day of termination of the agreements between the Company, SciGen and Bayer Healthcare Company Limited, i.e. on 01.01.2016. The insulin supply and distribution agreement has been concluded for the period of 10 years. Moreover, HGP has undertaken to pay the Company remuneration in the amount of 4.3 million USD for the exclusive licence and exclusive rights to commercialize the product on the territory of the People's Republic of China.

The Company has not got any information concerning agreements between the shareholders applicable and pertaining to the Company except for the agreements referred to in item 23 hereof.

8. Information on organisation or capital connections between BIOTON S.A. and other entities and specification of its main domestic and foreign investments (securities, financial instruments, intangible assets and real properties), including capital investments outside the group of its affiliates and description of the method of their financing

The investments presented below have been financed from the revenues from the issue of shares and bank credits.

8.1. SciGen Ltd with the seat in Singapore

The Company holds 527,786,735 shares of SciGen Ltd., constituting 95.57% of the share capital and the number of votes in the Shareholders Meeting of that company.

The inclusion of SciGen Ltd to the Group constituted an element of execution of the global development strategy of the Company consisting in the expansion of BIOTON S.A. operations outside Polish borders through significant strengthening of its share in the sales of recombinant human insulin in the Asian markets, especially in China.

8.2. BioPartners Holdings AG with the seat in Switzerland

On 09.03.2007 the Company concluded an agreement with the entities of DLJ Merchant Banking Partners group on the purchase of 100% of shares in the share capital of the company BioPartners Holding AG with the seat in Switzerland ("**BioPartners**") ("**Agreement**"). On the date of the Agreement BioPartners was the owner of 100% of shares in companies: (i) BioPartners GmbH with the seat in Switzerland and (ii) BioPartners GmbH with the seat in Germany, operating in the biotechnological business (see also item 17 of this report).

8.3. A joint venture with a group of companies controlled by the Shah family

On 28.02.2008 the Company executed investment agreement concluded on 04.10.2007 between the Company and Marvel Bioscience Ltd with the seat in Tortola, The British Virgin Islands ("**MBS**"), Mr. Jashvant M. Shah, company M.J. Exports UK with the seat in Uxbridge, Middlesex, UK, the company Marvel International Ltd with the seat in Tortola, The British Virgin Islands and Anglo Gulf Ltd with the seat in Tortola, The British Virgin Islands whose aim was to create a joint-venture with a group of companies controlled by the Shah family ("**JV**", "**Investment Agreement**").

Under performance of the Investment Agreement the Company has purchased from MBS and Mr. Jashvant M. Shah 50 % of shares in the holding company MJ BIOTON Life Sciences Ltd (d. Nong Investment Ltd) with the seat in Cyprus ("**MJ**"), entitling to 50% of votes at the shareholders meeting of MJ, which was the owner of: (i) 100% of shares in MJ Biopharm Pvt, Ltd with the seat in Mumbai (India). Moreover, MJ Biopharm Pvt, Ltd holds 100% shares in the company Marvel Life Sciences Pvt Ltd with the seat in Mumbai (India) (see also item 17 of this report).

8.4. Italian companies

On 29.02.2008 the Company executed an investment agreement concluded between the Company and Amestor Limited with the seat in Nicosia (Cyprus) ("**Amestor**") on 27.09.2007 ("**Investment Agreement**").

In the result of the execution of the Investment Agreement, the Company has acquired 100% of shares of the holding company Tricel S.A. with the seat in Luxembourg ("**Tricel**"), entitling to 100% votes in the

General Annual Meeting of Tricel, which is the owner of: (i) 100% of shares in Pharmatex Italia S.r.l. with the seat in Milan (Italy) and (ii) 100% of shares in Fisiopharma S.r.l. with the seat in Palomonte (Italy) ("**Italian Companies**").

The objects of activity of the Italian Companies cover the production and sale of injection drugs. The Italian Companies have the rights from registration of medicines which are sold mainly to hospitals.

8.5. BIOLEK Sp. z o.o. with the registered seat in Macierzysz

On 20.04.2012 and 22.11.2012 the Company and Troqueera Enterprises Limited with the registered seat in Nicosia ("**Seller**") concluded the agreement on the sales of 176 and 262 shares, respectively, ("**Shares**") of the company BIOLEK Sp. z o.o. with the registered seat in Macierzysz ("**Biolek**") constituting in total 49.89% of the share capital and entitling to 49.89% votes at the Shareholders Meeting of Biolek. This transaction was the continuation of Company's engagement in Biolek, initiated by the acquisition, on the grounds of the agreement of 31.08.2011, of 50.11% of shares in Biolek. After acquisition of the Shares the Company holds in total 100% of the share capital and the number of votes at the Shareholders Meeting of Biolek.

The acquisition of shares in Biolek is meant to support the execution of the strategic goal by the Company, which is building a second business line, which in short perspective shall have positive effect on the financial results of the Company (see also item 17 of this report).

8.6. Investments in fixed assets and intangible assets

At the end of 2015 the outlays on fixed assets under construction amounted to the total of 21.6 million PLN and concerned the tasks performed by the Company and related to outlays accounted for buildings and structures of the value of 2.9 million PLN, machinery and equipment of the value of 11.4 million PLN (as at 31.12.2014 the outlays amounted to 15.3 million PLN, and for the above mentioned categories, 2.4 million PLN and 9.7 million PLN).

8.7. Outlays on research and development

At the end of 2015 the outlays on development works and intangible assets in progress amounted to the total of 85.0 million PLN and concerned the outlays on registration of new products, including registration procedures of classic insulin due to the increased manufacturing line capacity and their registration in other territories, worth the total of 11.8 million PLN and outlays on new technologies, including insulin analogues, in the amount of 75.1 million PLN (as at 31.12.2014 the total amount was 90.8 million PLN and concerned outlays on registrations of new products in the amount of 44.7 million PLN and outlays on new technologies of the total value of 46.0 million PLN).

9. Information on significant transactions concluded by BIOTON S.A. or any of its subsidiaries with the affiliates bound under other conditions than market conditions, including their amounts and information specifying the nature of such transactions

In 2015 the Company and its subsidiaries did not conclude any transactions with their affiliates under conditions other than arm's length basis.

10. Information on credit and loan agreements concluded and terminated in a given accounting year, indicating at least their amounts, type and interest rate, currency and maturity date

Detailed information pertaining to credits and loans taken by the Company has been presented in item 21 of the annual financial statement of BIOTON S.A. for the period 01.01.2015 - 31.12.2015.

10.1. Credits

In 2015 the Company concluded the following transactions and made the following arrangements with the financing banks:

- with BGŻ S.A. - on 16.02.2015 the Company concluded an annex to the revolving working credit agreement, extending the term of the credit agreement until 24.02.2016 and partially releasing the credit security (credit liability guarantee granted to the Company by BIOLEK Sp.

z o.o. and SciGen Ltd.) On 11.03.2015 the Company signed an Annex to the credit agreement changing the credit limit to 21 million PLN. The credit was paid off on 06.07.2015;

- with PLUS BANK S.A. (formerly INVEST BANK S.A.) - on 27.03.2015 the Company concluded an annex to the investment credit agreement extending the credit period until 31.03.2018 for the amount of 7.5 million PLN including the agreed repayment schedule. The credit was paid off on 06.07.2015;
- with BOŚ S.A. - on 06.08.2015 the Company concluded an annex to the revolving working credit agreement extending the credit period until 30.06.2018 and including a schedule of repayments (the list of credit securities has not changed).
- with ING Bank Śląski S.A. - on 07.05.2015 the Company concluded a long-term multi-product agreement with the final maturity date of the credit liabilities resulting therefrom on 31.05.2022. According to the agreement, the Company has been granted a Renewable Credit Limit in the amount of 60 million PLN with monthly payments following the agreed schedule, secured with a mortgage, registered pledge, a guarantee granted by SciGen Ltd and the assignment of a future trade agreement. The Renewable Credit Limit was used by the Company to cover liabilities for the issued series B bonds. On 03.11.2015 and 07.11.2015 the Company concluded annexes to the Multi-Product Agreement partially amending the provisions concerning liabilities under the agreement (the list of securities of the credit has not changed) (according to IAS 1 clause 74 the company has reclassified long-term credits with regard to which the covenants have been breached. The Company was granted waivers from the banks which confirmed banks' consent to exceeding the required financial indices);
- with HSBC Bank Polska S.A. - on 01.07.2015 the Company concluded a long-term Credit Agreement for the amount of 38 million PLN with the agreed quarterly repayment schedule until 30.06.2020, secured with a mortgage, registered pledge and a statement on submission to execution. The funds from the credit have been used for paying off the revolving credit in BGŻ S.A., the investment credit in Plus Bank S.A. and the loan granted by POLNORD S.A. Finanse S.J. On 01.07.2015 the Company concluded a short-term Credit Agreement in the current account, for the amount of 10 million PLN and a letter of credit agreement for the amount of up to 2 million PLN with the final maturity date on 30.06.2016, secured with a mortgage, registered pledge and a statement on submission to execution (according to IAS 1 clause 74 the company has reclassified long-term credits with regard to which the covenants have been breached. The Company was granted waivers from the banks which confirmed banks' consent to exceeding the required financial indices).

10.2. Borrowings

On 29.12.2015 the Company and the bank BOŚ S.A. concluded an annex to the factoring line agreement extending the term of the factoring limit for further 12 months.

In 2015 the Company did not terminate any loan agreements.

11. **Information on loans granted in the given accounting year, with special consideration of loans granted to affiliates of BIOTON S.A., providing at least their amount, type and interest rate, currency and maturity period**

Detailed information pertaining to credits granted by the Company has been presented under item 10 and 15 of the annual financial statement of BIOTON S.A. for the period from 01.01.2015 till 31.12.2015.

11.1. Loans granted to affiliates

On 22.07.2009 the Company, as the lender, and BioPartners Holdings AG with the registered seat in Switzerland ("**BioPartners**"), as the borrower, concluded a loan agreement in the amount of 0.4 million EUR ("**Loan**"). The loan has been made available until December 2017 for the purpose of financing the activity of the Capital Group BioPartners. The interest on the Loan is based on the variable interest rate EUR LIBOR plus margin.

On 21.01.2015, 23.02.2015, 24.03.2015, 14.04.2015, 23.04.2015, 17.07.2015, 21.08.2015, 23.09.2015, 06.10.2015, 21.10.2015, 24.11.2015 and 23.12.2015 the Company and BioPartners concluded annexes to

the Loan agreements, according to which the amount of the Loan has been increased by 1.1 million EUR to the total amount of 19.9 million EUR.

On 30.11.2009 as the lender and Fisiopharma S.r.l. with the seat in Italy ("**Fisiopharma**"), as the borrower, concluded a loan agreement for the amount of 1.9 million EUR ("**Loan**") for the purpose of financing the operation of Fisiopharma. The Loan has been made available until December 2016. The interest on the Loan is based on the variable interest rate EUR LIBOR plus margin.

On 06.12.2010 the Company, as the lender, became a party of the loan agreement concluded with Tricel S.A. with the seat in Luxembourg ("**Tricel**"), as the borrower, for the amount of 6.2 million EUR ("**Loan**") whose settlement was a part of the transaction of acquisition of shares in the companies Pharmatex S.r.l. and Fisiopharma S.r.l. The Loan has been made available until December 2016. The interest on the Loan is based on the variable interest rate EUR LIBOR plus margin.

On 31.01.2012 the Company, as the lender and BIOLEK Sp. z o.o. with the seat in Macierzysz ("**Biolek**"), as the borrower concluded a loan agreement for the amount of 2.0 million PLN ("**Loan**") intended for financing the operations of Biolek. The Loan has been made available for unlimited time. The interest on the Loan is based on the variable interest rate WIBOR plus margin.

On 08.01.2015, 03.03.2015 and 12.05.2015 the Company and Biolek concluded annexes to the Loan agreement, according to which the amount of the Loan has been increased by 1.2 million EUR to the total amount of 5.5 million EUR.

On 14.02.2013 the Company, as the lender and Fisiopharma, as the borrower, concluded a loan agreement for the amount of 0.5 million EUR ("**Loan**") for the purpose of financing the operation of Fisiopharma. The Loan has been made available until December 2016. The interest on the Loan is based on the variable interest rate EUR LIBOR plus margin.

11.2. Other loans

On 11.08.2010 the Company, as the lender and Mr Gao Xiaoming and Hefei Life Science & Technology Park Investments & Development Co., Ltd with the seat in China, as the borrowers, concluded a loan agreement for the amount of 7.0 USD ("**Loan**") for investment purposes. The loan has been paid out in the amount 3.5 million USD and made available until August 2016. The interest on the Loan is based on the variable interest rate USD LIBOR.

12. Information on guarantees and warranties given and received in the accounting year, with particular consideration of the ones granted to affiliates of BIOTON S.A.

In 2015 the Company

- gave a guarantee for credit liabilities of BIOLEK Sp. z o.o. towards HSBC Bank Polska S.A. in the total amount of 10 million PLN, with the maturity date on 01.07.2023.
- contracted a bill of exchange liability resulting from the financing leasing agreement with Rel Jota Sp. z o.o. for the amount of 11.4 million PLN with the maturity date on 31.12.2019.

In 2015 SciGen Ltd granted a guarantee in the amount of up to 62 million PLN in the result of a credit agreement concluded by the Company with ING Bank Śląski S.A. with the final maturity date on 07.05.2022.

13. In case of issue of securities during the period covered by the report - description of use by BIOTON S.A. of the revenues from the issue obtained by the time of drawing up this statement

In 2015 the Company did not issue any securities.

14. Explanation of differences between the financial results indicated in the annual statement and earlier forecasts for the given year

The Company has not published the forecasts of results for 2015.

15. Evaluation, including justification, of the methods of management of financial resources, with particular regard to the ability to fulfil contractual obligations and specification of possible threats and actions which BIOTON S.A. has taken or intends to take in order to prevent such threats

Basic indices of financial efficiency

Profitability ratios:		2015 in kPLN	2014 in kPLN
1.	Net return on sales (ROS)	-287.1%	58.6%
2.	Return on assets (ROA)	-40.2%	5.5%

Current and turnover ratios:		2015 in kPLN	2014 in kPLN
1.	Current ratio	124.6%	151.2%
2.	Quick ratio	82.0%	106.4%
3.	Average receivables	104,419	109,337
3.a.	Receivables ratio	1.99	1.79
3.b.	Collection of debts cycle in days	181	201
4.	Average inventories	71,162	51,720
4.a.	Inventories turnover ratio	2.9	3.8
4.b.	Inventories in days	123	95
5.	Average trade liabilities	54,989	52,806
5.a.	Trade liabilities turnover ratio	3.8	3.7
5.b.	Payment of trade liabilities in days	95	97

Debt ratio:		2015 in kPLN	2014 in kPLN
1.	Debt-to-asset ratio	19.7%	14.8%
2.	Equity-to-fixed asset ratio	79.0%	84.6%
3.	Equity-to-liabilities ratio [times]	0.25	0.17

Negative financial result in 2015 being the effect of making single-off write-downs concerning a loan and shares in subsidiaries, caused deterioration of profitability ratios.

The index of the average turnover of commercial receivables has increased, reaching the value of 1.99 in 2015 (in 2014: 1.79), which indicates shortening of the receivables turnover cycle. The time of payment of commercial liabilities has been reduced to 95 days (from 97 days in 2014). The basic index evaluating the possibility to pay current liabilities has decreased from 151.2% to 124.6% as compared with 2014. The quick ratio in decreased to the level of 82.0% (from 106.4% in 2014). The average stock volume in 2015 increased by 19.4 million PLN and was sufficient for 123 days of selling (in the previous year for 95 days).

The share of foreign financing in the assets (referred to by the debt-to-asset ratio) decreased to 19.7% (from 14.8% in 2014).

The structure of assets financing

		2015 in kPLN	2014 in kPLN
1.	Equity capitals	1,170,636	1,767,129
2.	Long-term liabilities	95,218	171,909
3.	Total fixed capitals (1+2)	1,265,854	1,939,038
4.	Fixed assets	1,236,556	1,882,708
5.	Fixed capitals for financing current assets	29,298	56,330
7.	Current assets	245,832	207,224
8.	Covering of current assets with the current liabilities	216,534	150,894
9.	Current assets cover ratio:		
9.a.	with fixed capitals	11.92%	27.18%
9.b.	with current liabilities	88.08%	72.82%

Equity-to-fixed asset ratio	0.95	0.94
Foreign capital-to-current asset ratio	1.27	1.56
Capital structure ratio (equity capital / foreign capital)	3.76	5.47
Assets structure ratio (fixed assets / current assets)	5.03	9.09

The level of equity capitals was lower than the value of the fixed assets by 5% (in 2014 the level was lower by 6%). Capital structure ratio indicates that all liabilities may be covered from the equity capital which confirms credibility of the Company in trade relations.

16. Assessment of the possibility of realization of the investment assumptions, including capital investments, as compared with the volume of funds, taking into consideration possible changes in the financing structure of such operation

On the grounds of the resolution of the Managing Board of the Company of 06.06.2013, amended by the resolution of the Managing Board of the Company of 13.06.2013, on 29.07.2013 ("Date of Issue") the Company issued and the National Depository for Securities registered 79,200 Company bearer series B bonds of the face value of 1,000.00 PLN each and the total face value of 79,200,000.00 PLN, whose issue price corresponds to the face value ("Series B Bonds"). The final redemption of the Series B Bonds shall take place 36 months after the Date of Issue, i.e. on 29.07.2016. The interest on the Series B Bonds is variable, i.e. equals to the WIBOR 3M rate increased by the margin of 4.50%. The bonds are secured with Company assets in the form of real estate mortgages, registered mortgages on machines and equipment and on shares of the Company's subsidiaries. The purpose of issue of Series B Bonds was partial redemption of Company series A bonds convertible into series Z shares ("Series A Bonds"). The redemption of the remaining part of Series A Bonds: (i) in the amount of 19,950,000.00 PLN took place on 08.07.2013 through payment of the redemption instalment in the amount of 50,000.00 PLN for each of the Series A Bonds, (ii) in the amount of 600,000.00 PLN took place on 06.08.2013.

On 07.05.2015 the Company and ING Bank Śląski S.A. concluded a multi-product credit agreement worth the total of 60 million PLN ("Credit"). Funds from the Credit will be used for: (i) complete redemption of Series B Bonds and (ii) working capital of the Company. The final maturity date of funds made available under the Credit is 31.05.2022.

On 27.05.2015 the Company made a premature redemption of all Series B Bonds of the total face value of 52,747,200.00 PLN.

On 01.07.2015 the Company and HSBC Bank Polska S.A. concluded two credit facility agreements with the total value of 50 million PLN ("Credit"). Funds from the Credit will be used for: (i) repayment of financial liabilities of the Company, including the liabilities towards BGŻ S.A. and PLUS BANK S.A. banks, and (ii) working capital and Company investments. The final repayment of the Credit will be made in lots – the amount of 10 million PLN will be paid on 30.06.2016, 2 million PLN will be paid on

30.11.2016 and 38 million PLN will be paid following an agreed quarterly repayment schedule, after the grace period, where the final maturity date will be 30.06.2020.

The conclusion of the above mentioned credit agreements completes the process of change of the Company's bank indebtedness structure, consisting in the change of a short-term debt into a long-term debt adjusted to the Company's development plans, and significantly reduces the costs of debt financing.

17. Assessment of factors and untypical events having influence on the Company' result for the accounting year, specifying the influence of such factors and untypical events on the results achieved

Since July 2015 significant changes have been introduced in the shareholders structure of BIOTON S.A. At present nearly 50% of Company shares are held by institutional shareholders, among which the leading role is played by two Chinese pharmaceutical concerns and a private equity investment fund. Changes in the shareholding structure resulted in changes in the business strategy of the Group which assumes, among other, cooperation with the main industrial shareholders of the Company aiming at the extension of the products portfolio of the Group, and reinforcement of its position on the global pharmaceutical market, as well as further increase of sales of insulins manufactured by the Company, both on the markets where the product is already commercialized and on new foreign markets. The new industrial shareholders are operating mainly on Asian market where they hold a large portfolio of licences for medicines which may significantly extend the portfolio of the Group. In short time the largest beneficiary of this cooperation may become the company SciGen Ltd. and its subsidiaries which is able to introduce selected products to Asian, Pacific and Australian markets through its distribution and marketing networks. At present works are pending on the adjustment of such products to the portfolio of the Group and on determining the time of their introduction to the market and their influence on future revenues and gains of the Group.

In the result of the redefinition of business strategy, the Company has made a number of decisions concerning further engagement in some of the projects. Their main premise was the limitation of financial risk, reduction of operating costs of the Company, focusing the existing resources on key competence and acceleration of the financial effect of commercialization of the already owned assets on selected markets.

In 2015 the Company continued operations implemented in the previous years and related to the increase of Company and Group products sales, and maintaining operating costs on sustainable level.

These operations focused on the following key areas:

1. consolidation of products portfolio focused on the acceleration of the effects of commercialization of the key product of the Company – recombinant human insulin – and focusing the research and development activity on the products with the highest market potential, mainly including long and short acting human insulin analogues.
2. reduction of operating costs, decrease of the demand for external financing and adjustment of the existing infrastructure to the new requirements of execution of the strategy in selected markets,
3. focusing the strategic operations of the Group on the specified key competences, i.e.:
 - manufacturing high quality biotechnological products,
 - research and development of new biotechnological products,
 - actions within the area of registration of biotechnological products in the key global markets for the purpose of their further commercialization in cooperation with the leading pharmaceutical concerns operating in the global market,
4. significant reduction of indebtedness and increase of the stability of the financing structure of the Group.
5. development of product's portfolio within products for diabetes treatment and cardiology, and a new line of medicines sold to hospitals.

In the result of the change process, as at 31.12.2015 there were made certain write-downs updating the value of assets in the standalone and consolidated financial statement. The write-downs have been based on the estimated usable value of the respective assets which is current, approximate value of the future cash flow, which are expected from the further use of such assets.

Below we provide detailed information concerning the update of the assets in the standalone balance sheet of the Company as at 31.12.2015.

Write-downs updating the value of the Capital Group BioPartners Holdings AG

As at 31.12.2015 the Managing Board of the Company has made an analysis of the perspective of development of sales of respective products in the portfolio of BioPartners Holdings AG and its subsidiaries ("**Biopartners Group**"), taking into consideration the commercialization possibilities, competition on the market, financial funds available for further financing the development and commercialization works together with the expected commissions on the sale of the above mentioned products. The analyses result in the write-downs updating their value.

Ribavirin - coated tablets („Ravanex”)

In order to evaluate the product Ravanex Biopartners Group has taken into consideration that there is no entity interested in commercialization of the product and the cost of validation of the contracted production process is high, which considerably exceeds the sales margins on this product. The result of the valuation of the licence for manufacturing and sale of Ravanex based on the method of future discounted cash flows gives null value, therefore there has been applied a write-off to null value for this product.

Interferon beta ("Biferonex**")**

In February 2009 Biopartners received negative decision of CHMP as regards permit to trade with Biferonex in the territory of the European Union. The assessment report containing experts' remarks was made known to the public by EMA in August 2009.

Despite the negative decision of CHMP, the Biopartners Group has continued its works on:

- the possibility to start anew the procedure of registration documentation at EMA,
- the possibility of registration and commercialization of the product on other markets.

The analyses made by the Biopartners Group concerning the re-start of the EMA registration documentation assessment procedure revealed the necessity to perform the clinical trials of the 3rd phase anew. Taking into consideration the level of necessary investments and risks associated with the continuance of the project, it has been decided that the activities aiming at the registration of the product Biferonex with EMA should be discontinued, and as at 31.12.2009 the Managing Board of the Company made a write-down of the carrying value to the usable value of the licence, estimated on the grounds of the method of possible future discounted cash flows in the amount of 69.1 million PLN.

After 2009 the Biopartners Group has continued the operations aiming at the assessment of the possibility to obtain registration on other markets, find distribution partners in different countries in the world, in particular in Russia, China or South American countries. Global market of interferon beta has also changed from the therapy with injection medicines to oral medicines / tablet therapy, which considerably reduced the expected proceeds from commercialization of that product. Considering the fact that the product has not been registered in the European Union and despite the actions taken, it has been decided that there is no possibility to commercialize the product on other markets, and there existed premises for making the write-off for the loss of the value of the licence for the production and sales of Biferonex to null value.

Sustained release growth hormone ("Valtropin SR**")**

BioPartners Group and the Managing Board of the Company have analysed the perspective to develop sales and possibility to supply Valtropin SR from the Biopartners Group's portfolio, taking into account the complications in cooperation with the manufacturer of Valtropin SR – Korean concern LG Life Sciences Ltd. ("**LGLS**") and commercialization difficulties related thereto, and the competitive environment on the market and expected sales margin on the above mentioned products.

On the basis of development works and registration processes conducted with LGLS since 2002, in August 2013 Biopartners Group was granted registration certificate authorizing it to sell and distribute Valtropin SR in the European Union ("**Registration Certificate**"). The form of commercialization of this product initially considered by BioPartners Group was the conclusion of an appropriate agreement with an entity operating on international scale, with an established position on the market of endocrinological medicines. Such entity, selected in several rounds of negotiations, in 2014-2015 conducted a comprehensive due diligence study of the registration dossier supported by the participation of scientists within endocrinology, and conducted due diligence study of LGLS factory in Korea. Unfortunately, due to protracted negotiations concerning the agreement on supply of Valtropin SR by LGLS, the distribution

agreement with the selected partner has not been concluded. Therefore, taking the above into consideration, BioPartners Group decided to commercialize Valtropin SR on its own, with the support of other companies belonging to the Capital Group BIOTON S.A.

Due to the occurrences taking place during the last few months, there have been identified significant risks related to, among other:

- possible lack to ensure stable and long-term supplies of Valtropin SR meeting the strict requirements of the European Medicines Agency (EMA),
- impossibility to agree the final version of the contract ensuring the undisturbed promptness of supplies and quality of products (although the general terms have been defined in the licence contract with LGLS), which was discussed with LGLS numerous times and
- the risk of expiry of the Registration Certificate, whose validity, in case of the lack of commercialization of Valtropin SR on the market, expires in August 2016.

Taking the above into account, and considering the discussions and analyses carried out by the Managing Board and Supervisory Board of the Company, Biopartners Group decided to make a write-off for the lost value of the licence for manufacturing and sale of Valtropin SR, to null value.

Write-offs concerning the value of Biopartner Group's products result in write-downs in the standalone financial statement of BIOTON S.A. in the amount of 485,393 kPLN.

Write-downs BIOLEK Sp. z o.o.

BIOLEK Sp. z o.o. ("**Biolek**") operates in the segment of veterinary products and human products. In the first group Biolek has one innovative product to be used in pig farming, named Suilectin ("**Suilectin**"). This product is subject to registration in the central procedure in the EU ("**EFSA Registration**") at the moment and despite many additional inquiries, clinical trials conducted and extended process, there is a chance that the registration in the EU will be obtained in 3rd quarter of 2016. Parallel with the Suilectin registration process, the Managing Board of Biolek took actions aiming at commercialization of the product, first on the EU member states markets. In the consequence of talks with potential distributors of Suilectin, Biolek has selected an international entity which will be responsible for distribution, marketing and sale of the product in the world, except for the territory of China and USA. At present the entity is getting ready for the commencement of distribution of Suilectin, by carrying out the analysis of prices on the market in order to determine the best cooperation model with the recipients of the product. It is assumed that the registration of Suilectin on Chinese market shall take place within 12-18 months from the date of EFSA Registration.

Biolek has signed a contract for Chinese market with the company Beijing Smile Feed Sci&Tech. Co., LTD for three products: "Suiacid", "Birdacid" and "Suilectin", but the two first, despite a number of attempts to commercialize them are not able to compete with local competitors due to the high price of supplies being the result of high prices of the contractual manufacturer. Taking into account the experience from negotiations with an international entity on other markets, the schedule of registration process and the development of Chinese market, and discussions with members of the Supervisory Board of the Company, the Managing Board of Biolek adopted a conservative attitude towards market development, sales volumes, selling prices on the market, and commissions earned, while estimating the usable value of the licence, which is the current, estimated value of future cash flows expected from the further use of those assets.

Therefore, considering the above premises, the Managing Board of the Company decided to make a partial write-down of the carrying value of the licence for the sale of products under the agreement with Beijing Smile Feed Sci&Tech Co. Ltd. to the usable value of the licence, estimated on the grounds of the method of possible future discounted cash flows (whose source shall be the sale of Suilectin) in the amount of 179,700 kPLN.

Write-downs updating the value of the Capital Group MJ BIOTON Life Sciences Ltd

The Company holds 50% of shares in MJ BIOTON Life Sciences Ltd ("**MJ BIOTON**", together with the subsidiaries "**MJ BIOTON Group**"), and further 50% of shares are held by a partner associated with the Shah family ("**Partner**"). The Company acquired 50% of shares in 2008, paying cash and issuing shares, whereas the last lot of 5 million USD should be paid as soon as the Partner obtains insulin registration in the European Union. According to the investment agreements, the Company is entitled to 50% of profit

from the licence related to the insulin registration in the EU following the central procedure in EMA. The cost of registration shall be covered by the Partner. The insulin subject to registration in the European Union is not manufactured by the Company and is supplied by an entity other than the Company. Due to the fact that EMA has issued a negative decision on admitting the product to trade in the territory of the European Union, because the supplier of the active substance had failed to deliver all documents, and because product's commercialization on the EU market was not possible, there existed premises to write-off the loss of value of the EMA insulin licence to null value. In this situation, and in the consequence of losing the possibility to follow-up the course and results of the R&D works performed by the MJ BIOTON Group that constitute the primary operations of the MJ BIOTON Group, the Company is no longer able to affect the financial results of MJ BIOTON. The Company has decided to dispose of MJ BIOTON shares for not less than 6 million USD.

In the result of making the decision to sell 50% of MJ BIOTON shares, there was posted an effect on the standalone result in the amount of minus 20.1 million PLN.

Write-downs updating the value of shares BIOTON MARKETING AGENCY Sp. z o. o.

With regard to the planned simplification of the structure of operations of the Capital Group, in 2016 the Company plans that marketing operations of the subsidiary BIOTON MARKETING AGENCY Sp. z o.o. shall be transferred to BIOTON S.A. together with the employees and agreements, and shall be continued in similar business range as until now.

Assuming the above change, the Company priced the shares held in BIOTON MARKETING AGENCY Sp. z o.o. as the net value of assets of that company, in the amount of 3.9 million PLN.

The write-down updating the value of BIOTON MARKETING AGENCY Sp. z o.o. shares in the standalone financial statement of BIOTON S.A. amounts to 16.0 million PLN.

18. Characterization of external and internal factors significant for the development of the enterprise of BIOTON S.A. and the Group and description of development perspectives of Company's and Group's operations at least until the end of 2016, taking into account the elements of market strategy worked out by them

18.1. Factors significant for the development of the Company and the Group

Range of Group's products

The range of Group's products includes recombinant human insulin, as well as other pharmaceutical products, including the biotechnological ones. Competition in the biotechnological products market is much lesser than in the markets of other pharmaceutical products due to significantly smaller number of competitors and significant barriers hindering entering this market. Margins in the market of biotechnological products are among the highest in the pharmaceutical market.

Confirmed expertise in development of biotechnological products and their introduction from the laboratory level to industrial production

The Company has got documented experience in development of biotechnological products. In 1997 it bought from the American biotechnological company - Bio-Technology General Corp. the licence for manufacturing human insulin with the use of patented, genetically modified bacteria strain *E. coli*, as well the technology of production of insulin and its dosage forms at laboratory scale. During the subsequent four years the Company developed production of the active substance and dosage forms of human insulin at full industrial scale and obtained registration in Poland. During the next years Company specialists worked over the increase of efficiency of the process of insulin production. Insulin production, due to its scale and sophistication level, is one of the most complicated processes of production of biotechnological products. Documented experience within the scope of development of highly efficient processes of production of biotechnological products is one of the most important competitive advantages of the Company.

Possibilities to develop new products

The Company and the Group are developing a range of new biotechnological and pharmaceutical products. Thanks to well-educated and experienced staff and cooperation with IBA it is probable that the planned extensive investments in development shall result in the introduction of new biotechnological products. Within the scope of development works of the Group there are continued the works over human growth hormone with prolonged release and insulin analogues.

High qualified and experienced specialists

BIOTON S.A., as the only Polish company manufacturing biotechnological products is able to attract key biotechnology specialists in Poland. The Institute of Biotechnology and Antibiotics is a leading research institute in Poland and employs highly qualified and experienced specialists. On the grounds of cooperation agreement with IBA the Company is to receive an offer for cooperation with regard to any new IBA project.

Strong marketing in Poland

The Company has developed second largest team for insulin marketing in Poland, which is responsible for marketing and information of doctors and patients.

Cooperation aiming at entering new markets

According to the strategy of the Group the Indian, Russian and Chinese markets have got priority. The Company has decided to start cooperation with international pharmaceutical companies which have strong position in the local markets.

Insulin quality/modern production process

The Company is the only manufacturer of human insulin in Poland, and one of the few in the world, which use the process of recombination of DNA.

Insulin manufactured by the Company is a high quality product. Both the insulin and the injectors are manufactured following the GMP principles and comply with the European Pharmacopoeia. The analysis of insulin products is carried out with the use of the given chemical, biochemical validations and microbiological analytical methods. Production plants and quality control laboratories have implemented quality control system compliant with the EU guidelines.

18.2. Perspectives of development of the operation of the Company and the Group

In the opinion of the Managing Board of the Company, the year 2015 was another year of organizing the Group and implementing the redefined strategy. The Company and the Group successively increase the sale of insulins and other diabetes, cardiological and hospital products in Poland and on main foreign markets. In the opinion of the Managing Board of the Company, on the grounds of the agreements concluded by the Company one may expect increased sale in the years to come. The Company has completed the process of investment in the insulin substance manufacturing capacity scale and production of dosage form, as the Company was granted the registration, which should allow better use of the product line capacity in the future and would contribute to reduced production costs. Development of sale in respective companies within the Group is of great significance for the results, including the development of products portfolio in the companies belonging to the Capital Group SciGen Ltd, development and conclusion of investment in the factory in Italy, which allows earning positive margins, and development of the veterinary sector. At the same time, the foreign exchange and macroeconomic situation due to the Russian crisis may, in a short-time perspective, have an adverse effect on the results, especially as regards the sale of generic medicines.

19. Changes in the basic principles of management of the business of BIOTON S.A. and the Group

In 2015 there were no changes in the basic principles of management of BIOTON S.A. and the Group.

20. All agreements concluded between BIOTON S.A. and managing persons, providing for compensation in case of their resignation or dismissal from the function without an important reason or in case their recall or dismissal is due to Company merger by acquisition

In 2015 the Company did not conclude any agreements of the type.

21. Remuneration, awards or benefits, including the ones resulting from incentive or bonus programs based on the capital of BIOTON S.A., including the programs based on bonds with preferential right, exchangeable subscription warrants (in cash, in kind or in any other form), paid, due or potentially due individually to each of the managing persons and persons supervising the Company within the enterprise of BIOTON S.A., regardless of their recording as costs or resulting from apportionment of profit and information on remuneration and awards obtained for holding functions in the managing bodies of the subsidiaries

Information concerning remuneration, awards and benefits of persons managing and supervising BIOTON S.A. have been detailed under item 31 and 32 of the annual financial statement of the Company for the period from 01.01.2015 till 31.12.2015 and under item 40 and 41 of the consolidated annual financial statement of the Group for the period from 01.01.2015 till 31.12.2015.

22. Specification of the overall number and face value of all BIOTON S.A. shares and shares in the affiliates of the Company, held by the managing and supervising persons (separate for each of the persons)

As at 31.12.2015, according to the information available to the Company:

- the persons managing BIOTON S.A. did not hold any Company shares,
- the number of Company shares held by the members of the Supervisory Board of BIOTON S.A. was as follows:
 - Barbara Ratnicka – Kiczka (a Member of the Board until 21.09.2015): 7,660 shares (of the face value 153,200.00 PLN),
 - Maciej Grelowski (a Member of the Board until 21.09.2015): 6,000 shares (of the face value of 120,000.00 PLN),
- the persons managing and supervising BIOTON S.A. did not have any shares in the affiliates of the Company.

23. Information on agreements known to BIOTON S.A. (including the ones concluded after the balance sheet date), in the result of which there might change the proportion of shares held by the present shareholders and bondholders in the future

On 14.08.2013 the Company and Troqueera Enterprises Limited with the seat in Nicosia ("**Troqueera**") concluded an agreement concerning the shares of BIOLEK Sp. z o.o. with the seat in Macierzysz acquired by the Company on the grounds of: (i) agreement of 31.08.2011, (ii) agreement of 20.04.2012 and (iii) agreement of 22.11.2012 (jointly referred to as "**Agreements**") ("**Biolek**", "**Agreement**"). According to the Agreement Troqueera, as a significant shareholder of the Company, has resigned from all monies payable to Troqueera, as provided for in the applicable Agreements for any occurrence in Biolek related to Biolek's development and admission of the company products to trade ("**Bonus**"), except for payments for obtaining profit by Biolek before deduction of interest on credits raised, taxes and depreciation (EBITDA) in the amount of 30 million PLN ("**Occurrence**"). The Bonus to be paid for the Occurrence shall amount to 10,635,542.00 PLN. The Bonus will be paid in a non-cash form, by way of issue of Company shares, taking into account that in case the market price of one Company share on the date of Occurrence is lower than the face value of one Company share, the Company shall be obliged to issue additional shares for Troqueera, in the number being the difference between the amount of the Bonus for respective Occurrence and the market value of the share on the day preceding the Occurrence, whereas the total market value of shares issued to cover the Bonus shall be equal to the value of the Bonus. At Company discretion, the payment of the Bonus can also be made (partially or completely) in cash.

On 24.07.2015 the Company was notified by Troqueera that on 23.07.2015 Troqueera and Bimeda Holding Limited with the seat in Nicosia (Cyprus) concluded a conditional agreement on disposal of

3,385,709 of Company shares constituting 3.94% of the share capital and entitling to exercising 3.94% of the overall number of votes at the General Meeting of the Company.

24. Information on control system of the employee's shares programs

By the time of publication of this statement the Company has not issued any shares under the incentive programs.

25. Information on the chartered auditor

Information concerning the chartered auditor has been presented under item 33 of the annual financial statement of the Company for the period between 01.01.2015 and 31.12.2015.

26. Declaration of the Managing Board of BIOTON S.A. on conformity

The Managing Board of BIOTON S.A. represents that according to the best of its knowledge:

1. the standalone annual financial statement of BIOTON S.A. as at 31.12.2015 has been drawn up according to the International Financial Reporting Standards, as applicable to annual statements and which have been approved by the European Union, hereinafter referred to as "MSSF UE" and within the scope which is not regulated by the above standards, pursuant to the act of 29 September 1994 on accounting (Journal of Laws of 2009, No. 152, item 1223 as amended) and executory provisions issued on the grounds of it.

IFRS EU include all International Accounting Standards, International Financial Reporting Standards and Interpretations related thereto beside the below Standards and Interpretations which expect approval by the European Union and Standards and Interpretations which have been approved by the European Union but are not effective yet.

The Company has not used the opportunity to apply earlier the new Standards and Interpretations which have already been published and approved by the European Union and which shall take effect after the balance date. Moreover, as at the balance date, the Company has not completed the process of assessment of the influence of the new Standards and Interpretations which shall take effect after the balance date, on the financial statement of the Company for the period in which they should be applied for the first time,

2. the statement referred to hereinabove shall reflect the material and financial situation of the Company and its financial results in a true, reliable and clear way,
3. the report of the Managing Board of BIOTON S.A. from the operation of BIOTON S.A. in the period between 01.01.2015 and 31.12.2015 reflects the true picture of the development and achievements and situation of the Company, including the description of the basic threats and risk.

27. Declaration of the Managing Board of BIOTON S.A. on selection of the auditor

The Managing Board of BIOTON S.A. represents that:

1. pursuant to Art. 66 paragraph 4 of the act of 29 September 1994 on accounting (Journal of Laws of 2009, No. 152, item 1223 as amended) and pursuant to § 21 para. 1 item 1) of the Statute of BIOTON S.A. the Supervisory Board of the Company, by way of a resolution adopted on 12.06.2015 has appointed Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with the registered seat in Warsaw (00-854) at Aleja Jana Pawła II 19, to be the entity to perform audit of the annual standalone financial statement of BIOTON S.A. as at 31.12.2015 and has approved conclusion of agreements within this scope by BIOTON S.A.
2. the said entity and the chartered auditors performing the audit of annual standalone financial statements of BIOTON S.A. as at 31.12.2015 fulfil the requirements to issue impartial and independent audit reports, in line with the provisions of the International Standards on Auditing issued by the International Federation of Accountants, chapter 7 of the act of 29 September 1994 on accounting (Journal of Laws of 2009, No. 152, item 1223 as amended) and the national standards of performance of the profession of a chartered accountant, issued by the Polish National Board of Chartered Auditors.

28. Declaration of the Managing Board of BIOTON S.A. on applying the corporate governance rules

28.1. Indication of the collection of corporate governance rules BIOTON S.A. is subject to, and the place where the collection of rules is available to the public

In 2015 BIOTON S.A. was subject to "The Best Practices of WSE Listed Companies" as applicable until 31.12.2015. The contents of "The Best Practices (...)" is available at the web site of the Warsaw Stock Exchange [Giełda Papierów Wartościowych w Warszawie S.A.] dedicated to the tasks related to corporate governance - www.corp-gov.gpw.pl

28.2. Indication of the provisions of the collection of corporate governance rules BIOTON S.A. has waived, explanation of the circumstances and reasons of the waiver and specification of the methods of remedying possible effects of such decision or information what measures it intends to take in order to reduce the risk of non-application of a given provision in the future

The Managing Board of BIOTON S.A. informs that, sharing the ideas and assumptions being the grounds of respective rules of "The Best Practices of WSE Listed Companies" - in view of the practices applicable in the Company or provided for in the Statute, which require departure from the model of management and supervision provided for in some corporate governance rules - it cannot apply constantly and within the full scope the rules presented below.

The Managing Board of the Company wishes to emphasize that departure from the model or expression of certain reservations, as regards some of the rules, does not have any adverse effect on the transparency of the rules of supervision and management of BIOTON S.A. as well as on implementation of good practices, and with the same it does not breach the assumptions being the grounds of corporate governance. The Managing Board of BIOTON S.A. shall assess the principles of management and supervision in the Company on regular basis and shall also check the expectations of investors as regards Company's position within the scope of rejected good practices, and should it be decided that it is necessary to introduce changes, there will be made a decision on adopting specific rules in the reading as proposed by the Warsaw Stock Exchange. In case it is required to obtain decision of another body of the Company to apply such rules the Managing Board of the Company shall file a motion to such body with a request to give the appropriate decision.

Identification of the rule	The rule whose application cannot be guaranteed by the Company constantly or within the full range	Explanation
PART I:	Recommendations concerning good practices of the listed companies	
Rule I.5.	The Company should establish a remuneration policy and determine the rules of its establishment. The remuneration policy should in particular define the form, structure and level of remuneration of the members of supervisory and managing bodies. While establishing the policy of remuneration of supervisory and managing bodies the directive of the European Commission of 14 December 2004 on support of appropriate remuneration system of managers of listed companies (2004/913/EC), supplemented with the CE directive of 30 April 2009 (2009/385/EC) should apply,	<p>Due to detailed provisions in the Company's Statute, the Company may not accept the entire rule in question with the present reading.</p> <p>Pursuant to §23 clause 3 of the Statute <i>"Remuneration of the members of the Managing Board is established by the Supervisory Board."</i></p> <p>Whereas the remuneration of the members of the Supervisory Board, is established according to Art. 392 §1 of the Code of Commercial Companies, by way of a resolution of the General Meeting of the Company.</p>

Rule I.12.	The Company should make it possible for the shareholders to exercise the voting right during a general meeting, personally or through a proxy, outside the place at which such general meeting is held, with the use of electronic communication means.	In the opinion of the Company, the risk of disruption of the proper course of the session due to technical and logistics reasons, whose complete elimination cannot be guaranteed by the Company, shall go beyond the shareholders' benefits resulting from the use of the above mentioned rule. The Company's position is that the present rules of participation in the general meeting ensure proper and effective exercising the rights resulting from the shares held and sufficiently secure the interests of all shareholders, including the minority shareholders.
Part II	Good practices applied by the managing boards of listed companies	
Rule II.1.	The Company maintains a corporate web site and publishes there, beside information required by the applicable legal regulations:	
Rule II.1.1.	<ul style="list-style-type: none"> • basic corporate documents, in particular the Statute and company bodies' regulations, 	Due to Company position as regards rule IV.2, the Company cannot publish on its web site the regulations of the general meeting.
Rule II.1.9a.	<ul style="list-style-type: none"> • publication of the record of the course of a general meeting's agenda in the audio or video format, 	The Company practice to date, as well as the practice of many public companies does not confirm the need to broadcast the session, register and make the session minutes of the general meeting available to the public. It is Company's position that the information on convening and the course of the General Meeting published by the Company as required by the applicable law, is sufficient for the shareholders and other persons who are not participating in the Meeting, to become acquainted with the issues on the agenda.
Rule II.3.	Before conclusion of any significant agreement with an affiliate, the Managing Board applies to the supervisory board for approval of the given transaction/agreement. The above obligation does concern typical transactions which are entered into under market conditions within the scope of operating activities of the Company with an affiliate in which the Company holds majority capital share. For the purpose of the present set of rules there is assumed a definition of an affiliate as provided for in the resolution of the Minister of Finance issued on the grounds of Art. 60 paragraph 2 of the act of 29 July 2005 on public offering and conditions of introduction of financial instruments to organised turnover system and on public companies (Journal of Laws No. 184, item 1539 as amended).	<p>The Company shares the opinion that the Managing Board should seek approval of the Supervisory Board for conclusion of a significant agreement with an affiliate. Due to detailed provisions in the Company's Statute, the Company may not accept the entire rule in question with the present reading. Pursuant to §21 clause 1 of the Statute, the competence of the Supervisory Board shall include:</p> <p><i>„2) granting approval to conclusion of agreements between Affiliates and the Company and performing other actions for Company's Affiliates, in case the value of such agreements or actions exceeds during consecutive 12 (twelve months) the amount of 500,000 EUR or its equivalent in other currencies, except for typical and routine actions taken under market condition between the affiliates, whose</i></p>

		<i>nature and conditions result from the current operating activity conducted by the Company or any of its affiliates.”</i>
Part III	Good practice applied by members of the supervisory boards	
Rule III.1.	Beside the activities specified in the applicable legal regulations a supervisory board should:	
Rule III.1.3.	<ul style="list-style-type: none"> review and give opinions on matters being the subject matter of resolutions of the general meeting. 	The Company shares the need to review and provide opinion on matters being the subject matter of resolutions by the general meeting by the supervisory board. However, the Company cannot guarantee, that it will obtain opinion of the supervisory board on each matter that is to be the subject matter of a resolution of the general meeting in time sufficient to enable the shareholders to get acquainted with it. Sometimes it may be required, due to practical reasons, that the general meeting is convened quickly and the supervisory board itself will not have enough time to issue opinion before the general meeting or to consult experts prior to issuing the opinion.
Rule III.2.	A member of the supervisory board should provide the managing board of the Company with information concerning its links with a shareholder holding shares which represent not less than 5% of the overall number of votes at the general meeting. The above obligation pertains to links of commercial, family or other nature, which may influence the position of the member of the supervisory board in a matter recognised by the board.	It is Company's opinion that it could not guarantee procedures enabling information on all links of "other nature" due to the ambiguity of this term. In the opinion of the Company, non-disclosure of such information shall not affect transparency of Company operations, due to Company's intent to apply the rules of corporate governance providing for that in case there is a conflict of interests or it is likely to take place, a member of the supervisory board should notify the supervisory board and refrain from participation in a discussion and voting in the case, with regard to which such conflict has occurred.
Rule III.6.	At least two members of the supervisory board should fulfil the criteria of independence from the company and other entities significantly affiliated to the company. As regards the criteria of independence of members of the supervisory board, there should apply Appendix II to the European Committee Order of 15 February 2005 concerning the role of non-executive directors or directors not being members of supervisory boards of listed companies and (supervisory) board committee. Notwithstanding the provisions of item b) of the aforementioned Appendix, a person who is not an employee of the company, a subsidiary or an affiliate cannot be deemed as fulfilling the criteria of independence referred to therein.	<p>The Company acknowledges that good corporate governance should include independent members' participation in the supervisory board. Due to detailed provisions included in §18 of the Company's Statute, the Company may not accept the entire rule in question with the present reading. According to §18 of the Company's Statute:</p> <p>„1. <i>One of the members of the Supervisory Board appointed by the General Meeting should comply with all of the following conditions:</i></p> <p>1) <i>has been appointed in the mode as provided for in clause</i></p>

	<p>Moreover, a link with a shareholder, excluding the independence of a member of the supervisory board as provided for herein, shall be actual and significant link with a shareholder entitled to exercise 5% and more of the overall number of votes at the general meeting.</p>	<p>3;</p> <p>2) <i>cannot be an Entity Affiliated to the Company or a subsidiary of the Company;</i></p> <p>3) <i>cannot be an Entity Affiliated to a holding company or another subsidiary of the holding company, or</i></p> <p>4) <i>cannot be a person who is in any way related to the Company or any of the entities specified under item 2) and 3), who could significantly influence such person's ability, as a member of the Supervisory Board, to make impartial decisions.</i></p> <p>2. <i>To avoid any doubts, the links referred to under clause 1 item. 2)-4) do not pertain to being a member in the Supervisory Board of the Company.</i></p> <p>3. <i>Appointment of a member of the Supervisory Board that should fulfil the conditions specified under clause 1, takes place in a separate ballot. With the reservation of clause 4, the right to propose candidates for members of the Supervisory Board fulfilling the conditions specified under clause 1 shall be given to the shareholders present at the General Meeting, whose aim is appointment of a member of the Supervisory Board referred to under clause 1. The proposal is submitted in writing to the Chairman of the General Meeting and is attached a written statement of a given candidate that he consents to being a candidate and complies with the conditions as specified under clause 1 item. 2)-4). Should the shareholders fail to propose the candidates in the manner specified in the preceding sentence, candidates for the Supervisory Board, complying with the conditions specified under clause 1 item. 2)-4), shall be proposed by the Supervisory Board.</i></p> <p>4. <i>Authorized Founder is not entitled to propose candidates for a member of the Supervisory Board referred to under paragraph 1."</i></p> <p>Moreover, according to § 21 clause 2 of the Statute <i>"resolutions concerning issues as specified under clause 1 item 1 to be valid require</i></p>
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		<p><i>that their adoption is voted for by a member of the Supervisory Board who fulfils the conditions specified under § 18 clause 1 of the Statute."</i></p> <p>However, pursuant to § 21 clause 1 item. 1 of the Statute, such resolutions include the resolutions concerning: <i>"appointment of the entity performing audit or review of consolidated and standalone financial statements of the Company, giving consent to conclusion of agreements with a given entity or its subsidiaries, subordinate entities, holding companies or subsidiaries or subordinate entities of its holding companies and for any other actions which may negatively affect independence of such entity while performing the audit or review of the financial statements of the Company"</i>.</p>
Rule III.8.	As regards the scope and functioning of committees acting within the supervisory board, there should be applied Appendix I to the <i>European Committee Order of 15 February 2005 concerning the role of non-executive directors (...)</i> .	See clarification to rule III.6
Rule III.9.	Conclusion of an agreement / transaction between the company and an affiliate, as referred to in part II item 3 shall require approval of the supervisory board.	See clarification to rule II.3
Part IV	Good practice applied by the shareholders	
Rule IV.1	Representatives of mass media should have the possibility to attend general meetings.	In principle, the Company acknowledges the assumptions behind this rule and considers it a good corporate practice. In its operation the Company takes numerous actions aiming at maintaining good relations with mass media and carries out efficient information policy. However, one cannot exclude a situation where the Company does not provide the representative of mass media with a possibility to attend the general meeting due to the necessity to ensure efficient course of the session.
Rule IV.2	The rules of the general meeting shall not prevent the shareholders from participating in the general meeting and exercising their rights. Any amendments of the rules should become binding not earlier than starting from the next general meeting.	The Company practice to date, as well as the practice of many public companies does not confirm the need to introduce the rules of the general meeting that would specify in details the rules of carrying out the general meeting. Therefore, it is Company's opinion that the appropriate regulations of the Code of Commercial Companies be sufficient grounds to efficiently conduct the general meeting in the Company, including voting in separate groups.

Rule IV.10.	<p>the Company should provide the shareholders with the possibility to participate in the General Meeting with the use of the means of electronic communication, consisting in:</p> <ol style="list-style-type: none"> 1) broadcasting the General Meeting session in real time, 2) two-way communication in real time, providing the shareholders with the possibility to take part in the discussion under the meeting while staying at some other place than the location of the meeting. 	See clarification to rule I.12
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28.3. Description of the main features of the internal control and risk management systems applied by the Company with regard to the process of drawing up standalone and consolidated financial statements

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

- internal regulations providing for the obligations, rights and responsibility of respective organisation sections, including the ones participating in the process of drawing up the financial statements,
- internal procedures specifying the circulation of financial and accounting documents (including the principles of documents control),
- keeping accounts books in information technology system,
- operations of the Audit Committee appointed within the Supervisory Board of the Company, including but not limited to: preliminary assessment of the Managing Board reports on the operations of the Company and the Group and providing opinion in the elementary rules of the existing internal control and risk management system and providing the Supervisory Board with motions and recommendations concerning legitimacy of its change and keeping the Supervisory Board informed of any irregularities of such system or risks related to its organisation and functioning known to the Committee,
- audit and review of financial statements by an independent chartered auditor, appointed by the Supervisory Board of the Company on the basis of recommendation from the Audit Committee.

28.4. Indication of shareholders holding, directly or indirectly, significant packs of BIOTON S.A. shares including the number of shares held by respective entities, their percentage share in the share capital, number of votes resulting therefrom and their percentage share in the overall number of votes at the general meeting

The ownership structure of the share capital of the Company as at 31.12.2015 is presented in the table below:

No.	Shareholder	Number of shares / votes (in pcs)	% of the share capital / votes
1	NovoTek Pharmaceuticals Ltd	15,775,708	18.37
2	Basolma Holding Ltd ¹ (formerly Bimeda Holding Ltd)	6,151,852	7.16
3	AIS Investment 2 Sp. z o.o.	5,151,852	6.00
5	Brokton Investments Sp. z o.o.	9,769,771	11.38
6	Troqueera Enterprises Ltd	8,480,570	9.88
7	Others	40,534,447	47.21
Total		85,864,200	100.00

¹ Basolma Holding Ltd is the holding entity of AIS Investment 2 Sp. z o.o.

28.5. Indication of the holders of all securities which give special rights to control BIOTON S.A., including the description of such rights

According to the provisions of the Statute of BIOTON S.A., PROKOM Investments S.A. ("**Prokom**") has got the status of the so called authorized founder which has a number of individual rights specified in the Articles, including the right to appoint and dismiss the President and Vice President of the Managing Board, as well as one member of the Supervisory Board and the right to appoint the Chairman and Vice Chairman of the Supervisory Board. The restriction of the voting right provided for in the Statute does not apply to Prokom. The above personal rights shall not be granted, if Prokom's share in the share capital of the Company drops below 20%.

Prokom's personal rights were deleted from the Statute of the Company by a resolution of the Extraordinary General Meeting of the Company held on 22.02.2016. By the time of publication of this report the above amendment to the Statute has not been registered with the National Court Register.

28.6. Indication of any restrictions concerning exercising the voting right, such as the restriction to exercise the voting right by the holders of a specified part or number of votes, temporary restrictions concerning exercising the voting right or subscription, according to which, in cooperation with the Company, the capital rights linked to the securities are separated from the ownership of the securities

With the reservation of the restrictions provided for in the Statute as specified hereunder, pursuant to article 411 paragraph 1 of the Code of Commercial Companies, one share gives right to one vote at the General Meeting. Voting right is granted to the shareholders as from the date of full payment for the shares.

Pursuant to § 26 clause 1 of the Statute of the Company, the voting right of the shareholders has been restricted in such way that no shareholder may exercise more than 20% of the overall number of votes at the General Meeting, with the assumption that the above mentioned restriction is not applied to establish the obligations of acquirer of a significant pack of shares, as specified in the act of 29 July 2005 on public offering and conditions of introduction of financial instruments to the organised trading system and on public companies (Journal of Laws No. 184, item 1539) with the reading as at the date of registration of the Resolution No. 1 of the General Meeting on the change of the Statute of 09.05.2006. ("**The Act on Public Offering**").

The restriction of the voting right referred to hereinabove shall not apply to:

- the shareholders who, on the date of registration of BIOTON Sp. z o.o restructuring into a joint stock company with the National Court Register, held shares constituting at least 20% of the share capital (i.e. PROKOM Investments S.A. - Prokom's personal rights were deleted from the Statute of the Company by a resolution of the Extraordinary General Meeting of the Company held on 22.02.2016. By the time of publication of this report the above amendment to the Statute has not been registered with the National Court Register), and
- the shareholder which shall acquire, after introducing the shares to the public turnover (acting on its own behalf and for its own account) and register at the General Meeting shares constituting at least 75% of the overall number of votes in the share capital of BIOTON S.A., provided that all shares in the quantity exceeding 10% of the overall number of shares in the share capital of the Company have been acquired by such shareholder:
 - by way of invitation to subscription for sale of all shares of the Company announced in accordance with the regulations of the Act on Public Offering from the shareholders who are not related to such shareholder in a manner specified under art. 87 paragraph 1 items 2-6 of the Act on Public Offering or who do not cooperate with such shareholder under another agreement whose purpose is to evade the restrictions as specified under § 26 clause 1, or
 - in the initial public offering (as defined in the Act on public offering).

28.7. Indication of all restrictions concerning transfer of ownership of BIOTON S.A. securities

Pursuant to Art. 337 § 1 of the Code of Commercial Companies the shareholders are entitled to dispose of the shares without restriction.

28.8. Description of the rules concerning appointment and dismissal of managing persons and their rights, in particular the right to make a decision on issue or redemption of shares

The Managing Board shall comprise of not more than 4 people, including the President and Vice President. The number of members of the Managing Board is determined by the Supervisory Board.

The Shareholder, who on the day of registration of the transformation of BIOTON from a limited liability company into joint stock company in the Entrepreneurs Register, held the biggest number of shares in the share capital of the Company, shall be granted an individual right to appoint and dismiss the President and Vice President (such right is granted to PROKOM Investments S.A. - PROKOM Investments S.A. personal rights were deleted from the Statute of the Company by a resolution of the Extraordinary General Meeting of the Company held on 22.02.2016. By the time of publication of this report the above amendment to the Statute has not been registered with the National Court Register).

Other members of the Managing Board are appointed and dismissed by the Supervisory Board. Members of the Managing Board are appointed for a three-year term.

Declarations of will and affixing signatures on behalf of the Company can be made by: the President of the Managing Board jointly with another member of the Managing Board or with a commercial proxy or by Vice President of the Managing Board with another member of the Managing Board or with a commercial proxy.

The competence of the Managing Board shall include the issues provided for in the Code of Commercial Companies and in the Statute. The Managing Board conducts the Company's affairs and represents it outside.

Pursuant to Art. 444 of the Code of Commercial Companies and § 11 clauses 1 and 2 of the Statute, the Managing Board was authorized to increase the initial capital of BIOTON S.A. through issue of new shares of the total face value not exceeding 209,090,909.20 PLN by way of a single or several consecutive increases of the initial capital within the limits as specified hereinabove (target capital). Within the authorization to increase the initial capital within the target capital the Managing Board is entitled to issue subscription warrants referred to under art. 453 § 2 of the Code of Commercial Companies, with the time limit for exercising the right to subscribe expiring not later than the period for which this authorization has been granted.

As at 31.12.2015 the Managing Board completely used the applicable authorization to increase the share capital of the Company within the target capital.

With the reservation of contrary provisions of the Code of Commercial Companies or the Statute, the Managing Board shall make decisions in all matters related to the increase of the share capital within the target capital. The Chairman of the Supervisory Board approves the issue price and issue of shares in return for cash contributions. Moreover, upon approval of the Supervisory Board, the Managing Board may restrict the subscription right of the shareholders, entirely or partially, with regard to the shares or subscription warrants issued within the target capital.

28.9. Description of the principles of change of the Statute of BIOTON S.A.

Any change of the Statute of the Company shall require a resolution of the General Meeting and an entry in the register. The resolution on the change of the Statute has to be adopted with the majority of 3/4 of votes. Moreover, pursuant to Article 415 § 3 of the Code of Commercial Companies, a resolution concerning the change of the Statute, which results in the increase of shareholders' benefits or limiting the rights granted personally to the shareholders, shall require consent of all shareholders it pertains to.

28.10. Method of operation of the general meeting and its main rights and description of the rights of the shareholders and method of their exercising, in particular the rules resulting from the regulations of the general meeting, if any, provided that information within this scope does not result directly from the legal regulations

General Meetings Convening

According to the Code of Commercial Companies, general meetings may be held as ordinary (Ordinary General Meeting) or extraordinary (Extraordinary General Meeting).

Entities authorized to convene the General Meeting

The General Meeting is convened by the Managing Board. The Supervisory Board may convene Ordinary General Meeting if it is not convened by the Managing Board within six months from the end of the accounting year of the Company, and Extraordinary General Meeting, if it deems it necessary. The right to convene Extraordinary General Meeting is also granted to the shareholders of the Company who represent at least half of the share capital of the Company or at least half of the overall number of votes in the Company. In such case the shareholders of the Company appoint a chairman of such General Meeting.

Moreover, a shareholder or shareholders of the Company representing at least 1/20 of the share capital of the Company may demand convening Extraordinary General Meeting and putting specific issues in its agenda. The demand to convene Extraordinary General Meeting should be filed to the Managing Board in writing or in electronic form. If, within two weeks from the date of filing the demand to the Managing Board, the General Meeting is not convened, registration court may authorize the shareholders of the Company filing such demand to convene Extraordinary General Meeting. The court shall appoint the chairman of such General Meeting.

Method of convening the General Meeting

The General Meeting is convened by announcement on the Company web site and in the manner defined for submitting current information pursuant to the act of 29 July 2005 on public offering and conditions of introduction of financial instruments to organised turnover system and on public companies (Journal of Laws of 2005, No. 184, item 1539 as amended) ("**Act on Public Offering**") and the regulation of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions of deeming equivalent the information required by the regulations of a state being a non-member state (Journal of Laws of 2009 No. 209, item 1744, as amended) ("**Regulation on Current and Periodical Information**"). The announcement should be made at least twenty six days prior to the date of the General Meeting. The announcement should include in particular: (i) date, time and venue of the General Meeting and detailed agenda, (ii) precise description of procedures concerning participation in the General Meeting and exercising the voting right, (iii) date of registration of participation in the General Meeting, (iv) information that the right to participate in the General Meeting is granted only to persons being shareholders of the Company on the date of registration of participation in the General Meeting, (v) indication where and how the person authorized to participate in the General Meeting may obtain the full text of documentation which is to be presented to the General Meeting and drafts of resolutions, or in case no resolution adopting is planned, remarks of the Managing Board or Supervisory Board concerning the issues put in the agenda of the General Meeting or issues to be introduced to the agenda prior to the date of the General Meeting and (vi) indication of web site address, where information concerning the General Meeting shall be available.

Pursuant to the Regulation on Current and Periodical Information, the Company is obliged to submit in the form of a current report of, among others: date, time and venue of the General Meeting including its detailed agenda. Moreover, in case of a planned change of the Statute, the current report to be submitted should include the reading of the proposed changes and in case the scope of the changes should be more extensive, the Company should make a decision on preparing new uniform text, the report includes the text of the new Statute, including the list of the new provisions. The drafts of resolutions and appendices to the drafts which should be the subject of the session of the General Meeting, significant for the resolutions to be adopted are also subject to the announcement in the form of a current report.

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

A shareholder or shareholders of the Company representing at least 1/20 of the share capital of the Company may demand putting particular issues on the agenda of the immediate General Meeting. The demand should be filed to the Managing Board not later than twenty one days prior to the planned date of the General Meeting. The demand may be filed in electronic form. The Managing Board is obliged to announce forthwith, however not later than eighteen days prior to the scheduled date of the General Meeting, the changes in the agenda as requested by the shareholders of the Company. The announcement is made in the manner applicable for convening the General Meeting.

The right to propose drafts of resolutions to the Company

A shareholder or shareholders of the Company representing at least 1/20 of the share capital of the Company may, prior to the date of the General Meeting, submit to the Company, in writing or with the use of means of electronic communication, drafts of resolutions concerning the issues put on the agenda

of the General Meeting or issues which are to be put on the agenda. The Company announces the drafts of resolutions on its web site forthwith.

The right to demand disclosure of the list of shareholders and copies of the motions

A shareholder of the Company may demand sending him the list of the shareholders authorized to participate in the General Meeting, free of charge, by e-mail, providing the e-mail address to which such list should be sent. Moreover, each shareholder of the Company is entitled to demand providing him with the copies of motions concerning issues covered by the agenda of the immediate General Meeting. Such demand should be submitted to the Managing Board. Copies of motions should be delivered not later than within a week prior to the General Meeting.

Participation in the General Meeting

The method of participation in the General Meeting and the method of exercising the voting right

The Shareholders may attend the Meeting and exercise their voting right either personally or through their attorneys. A Shareholder of the Company intending to attend the General Meeting through his attorney shall grant his power of attorney in writing or in the electronic form. A specimen of the power of attorney is put by the Company in the announcement on convening the General Meeting. The Company takes appropriate measures to identify a shareholder of the Company and an attorney in order to verify validity of the power of attorney granted in electronic form. Detailed description of the method of verification of the power of attorney granted in electronic form includes the reading of the announcement on convening the General Meeting.

A shareholder of the Company holding shares registered at more than one securities account may appoint separate attorneys to exercise rights from shares registered at each of the accounts.

If a shareholder of the Company appoints a member of the Managing Board, a member of the Supervisory Board, a receiver, an employee of the Company or a member of the bodies or an employee of a company or cooperative subsidiary to the Company to be his attorney at the General Meeting, such power of attorney may authorize for representation at one General Meeting only. The attorney is obliged to disclose to the shareholder of the Company any circumstances that indicate an existing or potential conflict of interest. In such case granting further powers of attorney is unacceptable. The attorney referred to hereinabove shall vote according to the instructions given by the shareholder of the Company. An attorney may represent more than one shareholder of the Company and vote differently from the shares of respective shareholders.

A shareholder of the Company may not vote, personally or through an attorney, for adopting resolutions pertaining to his liability towards the Company for whatever reason, including acknowledgment of fulfilment of duties, release from an obligation towards the Company and any dispute between the said shareholder and the Company. The above restriction does not concern voting by a shareholder of the Company as an attorney of another shareholder while adopting resolutions concerning himself, as referred to hereinabove.

Persons authorized to participate in the General Meeting and to exercise voting rights

The right to participate in the General Meeting shall be granted only to persons who were shareholders of the Company, sixteen days before the date of the General Meeting (the date of registration of participation in the General Meeting).

In order to participate in the General Meeting, the persons authorized under the truncated bearer shares of the Company should demand that the entity keeping their securities account issues an individual certificate on the right to participate in the General Meeting. Such demand should be submitted not earlier than after publication of announcement on convening the General Meeting and not later than on the first banking day following the date of registration of participation in the General Meeting.

The persons authorized under registered shares and temporary certificates, lien holders and users having the voting right, shall have the right to participate in the General Meeting if they are registered in the shares book on the date of registration of participation in the General Meeting.

The list of persons authorized to participate in the General Meeting is prepared by the Company on the grounds of the list drawn up by the entity keeping the depository for securities pursuant to the Act of 29 July 2005 on trading with financial instruments (Journal of Laws of 2005, No. 183, item 1538, as amended) ("**The Act on Turnover with Financial Instruments**") and the information revealed in the shares book of the Company on the date of registration of participation in the General Meeting. The

above mentioned list is made available at the Managing Board premises for three banking days preceding 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.

Competence of General Meetings

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

According to the provisions of the Code of Commercial Companies, the agenda of an General Meeting covers: (i) review and approval of financial statement for the previous accounting year and Managing Board's report on the operations of the Company, (ii) adoption of the resolution on apportionment of profit or covering the loss, and (iii) adoption of the resolution on acknowledgement of fulfilment of duties by the members of the Managing Board and Supervisory Board.

Resolutions of the General Meeting are in principle adopted by the absolute majority of votes cast, with the reservation of the provisions of the Statute and absolutely applicable regulations of the Code of Commercial Companies providing for qualified majority.

According to the regulations of the Code of Commercial Companies, the following issues shall require resolutions of the General Meeting:

- changes of the Statute, redemption of shares, increase of the share capital, decrease of the share capital of the Company, issue of exchangeable bonds and bonds with preferential right, disposal of the enterprise and winding up of the Company (requires the majority of 3/4 of votes),
- appointment, dismissal and suspension of the members of the Supervisory Board,
- making changes in the Statute in order to authorize the Managing Board to increase the share capital of the Company within the target capital (shall require the majority of 3/4 of votes of persons present at the meeting with participation of shareholders representing at least 1/3 of the share capital); if the General Meeting convened for the purpose of adopting resolutions in the above mentioned case does not take place because of the lack of quorum, the following General Meeting may adopt such resolutions regardless of the number of shareholders present at the given General Meeting,
- making a significant change of the object of activity of the Company (shall require the majority of 2/3 of votes regardless of the number of shareholders present at such General Meeting),
- merger with other companies, which requires the majority of 2/3 of votes cast, unless the Statute provide for more strict requirements,
- division of the Company and adjourning the session of the General Meeting (requires the majority of 2/3 of votes),
- issue of subscription warrants (requires the majority of 4/5 of votes),
- partial or complete deprivation of the pre-emptive right of the shareholders (requires the majority of 4/5 of votes at the General Meeting),
- a change of the Statute increasing the benefits of the shareholders or limiting individual rights granted to respective shareholders (according to Art. 354 of the Code of Commercial Companies shall require consent of all shareholders concerned),
- conclusion by the Company of credit, loan, guarantee agreement or other similar agreement with a member of the Managing Board, Supervisory Board, commercial proxy, and receiver or for any of the above mentioned persons, shall require the consent of the General Meeting.

According to the provisions of the Statute, the following resolutions of the General Meeting shall require the majority of 3/4 of the votes cast:

- resolutions on redemption of shares in case as provided for under Art. 415 § 4 of the Code of Commercial Companies,

- resolutions on acquisition of shares (own shares), which are to be offered for purchase by the employees or persons who have been employed by the Company or any of its subsidiaries for minimum three years,
- resolution on authorization to acquire own shares in case as provided for under Art. 362 § 1 item 8 of the Code of Commercial Companies,
- resolutions on mergers with other public companies.

According to the provisions of the Statute, a resolution of the General Meeting dismissing or suspending some or all members of the Managing Board shall require the majority of 4/5 of the votes cast.

Voting right

With the reservation of limitations provided for in the Statute, referred to under item 28.6. hereof, pursuant to Art. 411 § 1 of the Code of Commercial Companies, one share gives right to one vote at the General Meeting. Voting right is granted to the shareholders as from the date of full payment for the shares. A shareholder may vote differently from each of the shares held.

The right to dispose of shares

Pursuant to Art. 337 § 1 of the Code of Commercial Companies the shareholders are entitled to dispose of the shares without restriction. Moreover, the shareholders are entitled to establish lien or usufruct over shares.

Other shareholders' rights

Moreover, the shareholders shall have the following rights:

- the right to acquire shares of new issue depending on the number of shares held (subscription right). Pursuant to Art. 433 of the Code of Commercial Companies, the shareholders have the pre-emptive right to acquire new shares depending on the number of shares held, whereas the subscription right is also granted in case of issue of securities exchangeable with shares or incorporating the right to subscribe for shares,
- the right to demand election of the Supervisory Board by separate groups. Pursuant to Art. 385 §3 of the Code of Commercial Companies, to the request of shareholders representing at least 1/5 of the share capital, the election of the Supervisory Board should be made by the immediate General Meeting by way of voting by separate groups, even if the Statute provide for another method of election of the Supervisory Board,
- the right to demand information concerning the Company. Pursuant to Art. 428 of the Code of Commercial Companies during the General Meeting the Managing Board is obliged to provide the shareholders, upon their request, information concerning the Company, if it is justified for assessment of the issue covered by the agenda of the General Meeting. The Managing Board refuses to provide information if it could harm the Company, a company affiliated with the Company or a company or cooperative subsidiary to the Company, in particular through disclosure of technical or trade secrets or proprietary information concerning organisation of the enterprise. A member of the Managing Board may refuse to provide information if such disclosure could be grounds of his penal, civil or administrative liability. In justified cases the Managing Board may provide information to a shareholder, also in writing, not later than within two weeks from the date of closing the General Meeting. The Managing Board may also provide a shareholder with information concerning the Company outside the General Meeting, but such information should also be disclosed by the Managing Board in writing in the materials submitted to the immediate General Meeting. A shareholder who was refused requested information during the General Meeting and who has lodged a complaint to the minutes, may, within a week from the date of closing the General Meeting, file a motion to the Register Court for the obligation of the Managing Board to disclose such information. A shareholder may also file a motion to the Register Court for obligation of the Company to announce information disclosed to another shareholder outside the General Meeting. Pursuant to §38 clause 1 item 12 and 13 of the Regulation on Current and Periodical Information information disclosed to a shareholder outside the general meeting under Art. 428 § 5 or 6 of the Code of Commercial Companies and on the grounds of 429 § 1 of the Code of Commercial Companies resulting from

the obligation of the Managing Board by the Registration Court to disclose information to a shareholder who has lodged a complaint concerning refusal to disclose information requested at the General Meeting, as well as information the Issuer was obliged to disclose on the grounds of Art. 429 § 2 of the Code of Commercial Companies, by the Register Court, and which has been disclosed to another shareholder outside the General Meeting, shall be made available to the public in the form of a current report,

- the right to bring an action for revocation or declaring invalid a resolution of the General Meeting. Pursuant to Art. 422 of the Code of Commercial Companies, a resolution of the General Meeting contrary to the Statute or good practice and harming the interest of the Company or aiming at aggrieving a shareholder may be appealed against by way of bringing action against Company for revocation of the resolution. The action for revocation of a resolution should be brought within one month from the date of receiving information on the resolution, however not later than within three months from the date of adoption of the resolution. Pursuant to Art. 425 of the Code of Commercial Companies, a resolution of the General Meeting may also be appealed against by way of bringing action against the Company for declaring the resolution of the General Meeting contrary to the act invalid, whereas the action should be brought within thirty days from its announcement, however not later than within a year from the date of adoption of the resolution. Expiry of the above mentioned deadlines does not exclude the possibility to claim that the resolution contrary to the act is invalid. The action for revocation or declaring invalid a resolution of the General Meeting can be brought by: (i) a shareholder who voted against the resolution and after its adoption demanded that his objection was recorded in the minutes, (ii) a shareholder who was denied participation in the General Meeting without justified reasons, and (iii) a shareholder who was not present at the General Meeting, only in case the General Meeting was improperly convened or there was adopted a resolution which was not on the agenda. The Code of Commercial Companies provides for certain modifications of general rules within the scope of appealing against the resolutions on merger, division and transformation of companies which are provided for by Art. 509, Art. 544 and Art. 567 of the Code of Commercial Companies,
- the right to share in the profit indicated in the financial statement audited by a chartered auditor, which was allotted by the General Meeting to be paid to the shareholders. Pursuant to Art. 347 § 2 of the Code of Commercial Companies, the profit is distributed depending on the number of shares held, and in case the shares are not fully paid-up, such profit is distributed depending on the payments made for shares,
- the right to demand, pursuant to Art. 6 of the Code of Commercial Companies, that a trade company, which is a shareholder of the Company, provides information whether it is a parent company or a subsidiary of the given commercial company being a shareholder of the Company. The authorized entity may also demand disclosure of the number of shares or votes which such commercial company has got in the capital company referred to hereinabove, also as a lienholder, user or under agreements with third parties. Answers to the questions provided above should be given to the authorized entity and appropriate capital company within ten days from the date of receipt of the demand. If the demand for providing answers reaches the addressee later than two weeks before the date for which the general meeting has been convened, the period for providing the answer starts on the day following the day on which the shareholders meeting or general meeting have been completed. As from the beginning of the period for providing answers until the date of its providing, a trade company cannot exercise its rights from the shares in a capital company as referred to hereinabove,
- the right to demand, pursuant to Art. 410 of the Code of Commercial Companies, granted to the shareholders which hold 1/10 of the initial capital represented at the given General Meeting, inspection of the list of attendance of the General Meeting, by a committee established especially for this purpose and comprised of at least three persons,
- the right to bring an action concerning compensation of damage incurred by the Company, pursuant to Art. 486 of the Code of Commercial Companies, if the Company does not bring an action for compensation within a year of the date of disclosure of the damaging act,
- the right to a share in the assets in case of winding up the Company. Pursuant to Art. 474 of the Code of Commercial Companies, the assets remained after satisfaction or securing the Company's creditors is divided among the shareholders of the Company depending on their respective payments to the initial capital.

28.11. Personal composition and its changes within the last accounting year and description of operation of managing and supervising bodies of BIOTON S.A. and their committees

Management

In the accounting year 2015 the composition of the Managing Board was as follows:

- Sławomir Ziegert - President of the Managing Board,
- Adam Wilczęga - a Vice-President of the Managing Board (until 02.12.2015),
- Piotr Błaszczuk - a Member of the Managing Board (until 02.12.2015),
- Adam Polonek - a Member of the Managing Board.

On 08.06.2015, following the Ordinary General Meeting of the Company, and with regard to expiry of the terms of Sławomir Ziegert and Adam Wilczęga, the President and Vice President of the Managing Board of BIOTON S.A., respectively, on the day of the Meeting, the resolutions of the Supervisory Board of the Company of 08.05.2015 took effect and thus:

- Sławomir Ziegert has been appointed to hold the position of the President of the Managing Board,
- Adam Wilczęga has been appointed to hold the position of a Vice President of the Managing Board of the Company.

On 02.12.2015 the Supervisory Board of the Company dismissed:

- Adam Wilczęga from the function of a Vice President of the Managing Board of the Company.
- Piotr Błaszczuk from the function of a Member of the Managing Board of the Company.

On 24.02.2016 the Supervisory Board of the Company appointed Marek Dziki to hold the function of a Member of the Managing Board of the Company.

Declarations of will and affixing signatures on behalf of the Company can be made by: the President of the Managing Board jointly with another member of the Managing Board or with a commercial proxy or by Vice President of the Managing Board with another member of the Managing Board or with a commercial proxy.

The competence of the Managing Board shall include the issues provided for in the Code of Commercial Companies and in the Statute. The Managing Board conducts the Company's affairs and represents it outside.

The works of the Managing Board are specified in detail by the Regulations of the Managing Board as adopted by the Supervisory Board. According to the Regulation, Meetings of the Managing Board are convened and conducted by the President of the Managing Board, and in case he is absent, by the Vice President of the Managing Board. Managing Board's meetings may be attended by persons invited from outside the Managing Board upon prior arrangement with the person convening the meeting. Managing Board meetings are held as the need might be, on a date indicated by the President of the Managing Board and in case he is absent, by the Vice President of the Managing Board, at least twice a month. According to the Regulations of the Managing Board, the Managing Board specifies the strategy of development and goals of the Company and their performance, which are subject to approval by the Supervisory Board. Pursuant to the Regulations, the Managing Board is obliged to submit to the Supervisory Board at least quarterly reports concerning significant occurrences in the operation of the Company. Such report should include the report on revenues, costs, financial result, and sum of liabilities and basic balance sheet data of the Company. The Managing Board shall also inform the Supervisory Board of any changes in the strategy and operation goals of the Company.

The Supervisory Board

In the accounting year 2015 the composition of the Supervisory Board was as follows:

- Marcin Dukaczewski - a Member of the Board (since 21.09.2015, until 21.09.2015 the Chairman of the Board),
- Keith Mellors - Chairman of the Board (since 22.09.2015; since 21.09.2015 a Member of the Board),

- Maciej Grelowski - a Vice Chairman of the Board (until 21.09.2015),
- Jin Hu - a Vice Chairman of the Board (since 22.09.2015, since 21.09.2015 a Member of the Board)
- Dariusz Trzeciak – a Vice Chairman of the Board,
- Tomasz Buzuk - a Member of the Board (until 21.09.2015),
- Artur Gabor - a Member of the Board (since 21.09.2015),
- Wojciech Grzybowski - a Member of the Board (until 21.09.2015),
- Barbara Ratnicka – Kiczka - a Member of the Board (until 21.09.2015),
- Jacek Ślotała - a Member of the Board (since 21.09.2015),
- Wiesław Walendziak - a Member of the Board (until 21.09.2015),
- Xue (Carrie) Xiang - a Member of the Board (since 21.09.2015).

The Extraordinary General Meeting of the Company which was held on 21.09.2015:

- dismissed the previous Supervisory Board of the Company,
- appointed the following persons to be members of the Supervisory Board of the Company:
 1. Artur Gabor (as a Member of the Board meeting the requirements specified in § 18 clause 1 item 2 - 4 of the Company's Statute),
 2. Jacek Ślotała,
 3. Keith Mellors,
 4. Marcin Dukaczewski,
 5. Jin Hu,
 6. Xue (Carrie) Xiang,
 7. Dariusz Trzeciak.

The Supervisory Board consists of 5 to 13 members, including the Chairman and two Vice Chairmen (one appointed by the shareholder who, on the date of registration of Company transformation from limited liability company into joint stock company in the Register, held the biggest number of shares in the share capital of the Company, i.e. . . PROKOM Investments S.A. - PROKOM Investments S.A. personal rights were deleted from the Statute of the Company by a resolution of the Extraordinary General Meeting of the Company held on 22.02.2016. By the time of publication of this report the above amendment to the Statute has not been registered with the National Court Register). The Supervisory Board is appointed in the following manner: one member of the Supervisory Board is appointed and dismissed by PROKOM Investments S.A. (PROKOM Investments S.A. personal rights were deleted from the Statute of the Company by a resolution of the Extraordinary General Meeting of the Company held on 22.02.2016. By the time of publication of this report the above amendment to the Statute has not been registered with the National Court Register), and further members of the Supervisory Board are appointed and dismissed by the General Meeting. Pursuant to §18 of the Statute, one member of the Supervisory Board appointed by the General Meeting should meet all of the following conditions: (i) has been appointed in the mode as provided for in §18 of the Statute; (ii) s/he cannot be an affiliate (according to the definition in the Statute) to the Company or any subsidiary of the Company; (iii) s/he cannot be an affiliate of the holding entity of the Company or other subsidiary of the holding entity of the Company (according to the definition in the Statute); or (iv) cannot be a person who has any relations with the Company or any of the entities specified under items (ii) and (iii) hereinabove, which could significantly influence such person's ability to make impartial decisions as a Member of the Supervisory Board. Authorised founder (PROKOM Investments S.A.) is not entitled to propose candidates for a member of the Supervisory Board referred to hereinabove. The number of members of the Supervisory Board shall be determined by the General Meeting. In case of voting by separate groups, the number of members of the Supervisory Board shall be 13. The Supervisory Board, whose composition, due to expiry of mandates of some of the members of the Supervisory Board (for other reasons than dismissal), is reduced to lesser number than the one specified by the General Meeting, however consists of at least 5 members, shall be capable of adopting valid resolutions by the time its composition is completed. Members of the Supervisory Board are appointed for a common term of three years. Pursuant to §19 clause 1 of the Statute, the authorized founder (PROKOM Investments S.A.) indicates the Chairman and Vice Chairman of the Supervisory Board from among the persons appointed for the Supervisory Board under the provisions of the Statute of regulations of the Code of Commercial Companies. The above personal rights are not granted when PROKOM Investments S.A. share in the share capital of the Company drops below 20% - PROKOM Investments S.A. personal right was deleted from the Statute of the Company by a resolution of the Extraordinary General Meeting of the Company held on 22.02.2016. By the time of

publication of this report the above amendment to the Statute has not been registered with the National Court Register.

In order to ensure validity of resolutions of the Supervisory Board it is required that all members of the Board are invited and at least half of them, Chairman and Vice Chairman included, attend the meeting. Resolutions of the Supervisory Board are adopted by absolute majority of votes. The Resolutions of the Supervisory Board concerning suspension of members of the Managing Board are adopted by the majority of 4/5 of the votes cast. In case the number of votes is even, the vote of the Chairman shall prevail. In case it is necessary, resolutions of the Supervisory Board may be adopted in writing or with the use of the means of distance communication. In such case they become binding after being signed by at least half of the members of the Supervisory Board, including the Chairman. The meetings of the Supervisory Board may be attended by the members of the Managing Board or other persons invited, as the need might be.

The Supervisory Board acts collegially which does not exclude the possibility of permanent or temporary delegation of respective Members of the Supervisory Board to perform independently specified supervisory actions.

The competence of the Supervisory Board shall include the issues as provided for in the Code of Commercial Companies. The Supervisory Board exercises constant supervision over all areas of operation of the Company, in particular it assesses the report of the Managing Board on operation of the Company, financial statement for the previous financial year and suggestions of the Managing Board concerning apportionment of profits or covering loss and submits to the General Meeting a written annual statements concerning the findings from all of the above mentioned assessments. The Supervisory Board may also suspend, for important reasons, some or all members of the Managing Board. Supervisory Board rights may be extended by virtue of the Statute.

Moreover, according to the Statute, the Supervisory Board (i) appoints the entity performing audit or review of the consolidated and standalone financial statements of the Company and gives consent to conclude agreements with such entity, and (ii) gives consent to conclusion of agreements by the affiliates of the Company or carrying out other activities for Company affiliates in case the value of such agreements or activities exceeds, during 12 consecutive months, the amount of 500 thousand EUR or its equivalent in other currencies, except for typical and routine activities carried out on arm's length basis between the affiliates whose nature and conditions result from the current operating activity of the Company or its subsidiary. To become effective, the resolutions concerning issues referred to under item (i) require that a member of the Supervisory Board appointed by the General Meeting according the mode specified in the Statute votes for its adoption, and such member does not have any relations with the Company that could have significant impact on his ability, as a member of the Supervisory Board, to make impartial decisions, in particular he is not an entity affiliated to the Company. The Supervisory Board determines remuneration of the members of the Managing Board.

According to the Regulations of the Supervisory Board, the members of the Supervisory Board should participate in the sessions of the General Meeting of the Company in the composition providing for the possibility to give factual answers to the questions asked during the General Meeting. Pursuant to the Regulations, the members of the Supervisory Board should take reasonable measures to obtain from the Managing Board regular and comprehensive information on all significant issues pertaining to the operation of the Company and risk related to such operation and methods of risk management. The Chairman and Vice Chairman of the Supervisory Board are particularly responsible for maintaining contacts with the Managing Board and for representation of the Supervisory Board in relations with third parties.

In the accounting year 2015 within the scope of the Supervisory Board of the Company there was functioning the Audit Committee consisting of:

- Artur Gabor - Chairman of the Committee (since 22.09.2015),
- Maciej Grelowski - the Chairman of the Committee (until 21.09.2015),
- Dariusz Trzeciak - a Vice Chairman of the Committee,
- Marcin Dukaczewski - a Member of the Committee (until 22.09.2015),
- Keith Mellors - a Member of the Committee (since 22.09.2015).

The Committee consists of 3 members as the minimum, including the Chairman and Vice Chairman of the Committee. The number of members of the Committee is determined by the Supervisory Board. Members of the Committee, including the Chairman and Vice Chairman, are appointed by the

Supervisory Board from among its members. At least one of the members of the Audit Committee has to fulfil the conditions of independency and be qualified within the field of accountancy and financial revision, as specified under Art. 86 paragraph 4 of the Act of 7 May 2009 on chartered auditors and their self-government, entities authorised to audit financial reports and public supervision (Journal of Laws of 2009, No. 77 item 649).

According to the Regulations of the Audit Committee, the Committee is acting collegially. The scope of action of the Committee covers consultancy and providing opinions within the scope of the competence of the Supervisory Board as regards the following areas of operation, as far as it is permitted by the applicable regulations – of the capital group of the Company: (i) financial reporting, (ii) annual and quarterly financial planning, (iii) execution of the financial plans submitted to the Supervisory Board, (iv) audit of the financial statements by a chartered auditor, (v) internal and external control system, including internal audit, (vi) risk management system.

In order to fulfil its obligations Audit Committee uses the rights of the Supervisory Board as provided for in Art. 382 § 4 of the Code of Commercial Companies and § 22 of the Statute, and in particular it may audit all documents, demand that the Managing Board and employees of the Company provide it with reports and explanations, revise the assets of the Company and carry out control of the current and planned expenses of the Company.

The Committee meetings are convened by its Chairman, and in case he is absent - by a Vice Chairman or any member of the Committee indicated by the Chairman. Decisions of the Committee are made in the form of resolutions adopted by votes cast by the members of the Committee. Resolutions of the Committee are adopted by absolute majority of votes. In case of equal number of votes, the Chairman shall have the casting vote, and in case he is absent- the Vice Chairman of the Committee shall have the casting vote. To ensure that the resolutions of the Committee are valid, all members of the Committee have to be invited to the meeting and at least half of them has to be present, including the Chairman or Vice Chairman of the Committee. The resolutions of the Committee may be adopted with the use of the means of direct distance communication. The resolutions adopted with the use of this method are valid when all members of the Committee have been informed of the reading of the draft of the resolution in question.

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

Date	Name and surname	Position	Signature
29.04.2016	Sławomir Ziegert	President of the Managing Board	
29.04.2016	Marek Dziki	A Member of the Managing Board	
29.04.2016	Adam Polonek	A Member of the Managing Board	