

# **CAPTOR THERAPEUTICS S.A.**

## **SEPARATE FINANCIAL STATEMENT FOR 2021**

**29 April 2022  
Wrocław**

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**SEPARATE STATEMENT OF PERFORMANCE AND OTHER COMPREHENSIVE INCOME**

<b>SEPARATE STATEMENT OF PERFORMANCE AND OTHER COMPREHENSIVE INCOME</b>	<b>Nota</b>	<b>01.01.2021</b>	<b>01.01.2020</b>
		<b>-</b>	<b>-</b>
		<b>31.12.2021</b>	<b>31.12.2020</b>
<b>CONTINUING OPERATIONS</b>			
Research and development income	16	3 986	-
Cost of services sold		741	-
<b>Gross profit (loss) on sales</b>		<b>3 245</b>	<b>-</b>
Subsidy revenues	16	21 949	21 491
Research and development expenditures	17	23 115	23 570
Project overheads	17	11 133	5 683
General administrative expenses	17	19 724	4 162
Other operating income	18	2 694	90
Other operating costs	18	5 804	377
<b>Operating profit (loss)</b>		<b>-31 888</b>	<b>-12 212</b>
Financial income	19	-	-
Financial expenses	19	863	477
<b>Profit (loss) from continuing operations before tax</b>		<b>-32 751</b>	<b>-12 689</b>
Income tax	20	-	-
<b>Net profit (loss) from continuing operations</b>		<b>-32 751</b>	<b>-12 689</b>
<b>Net profit (loss) from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Net profit (loss) for period</b>		<b>-32 751</b>	<b>-12 689</b>
<b>Other comprehensive income</b>			
<b>Items that may be transferred to the result in subsequent reporting periods</b>		<b>-</b>	<b>-</b>
<b>Items that will not be carried forward to the result in subsequent reporting periods</b>		<b>38</b>	<b>34</b>
Actuarial gains/losses		38	34
<b>Other net comprehensive income</b>		<b>38</b>	<b>34</b>
<b>Total comprehensive income</b>		<b>-32 713</b>	<b>-12 656</b>
<b>Earnings (loss) per share (in PLN)</b>		<b>-7,93</b>	<b>-3,53</b>
<b>Diluted earnings (loss) per share (in PLN)</b>		<b>-7,52</b>	<b>-3,81</b>

**SEPARATE STATEMENT OF FINANCIAL POSITION**

<b>SEPARATE STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>	<b>Nota</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>I. NON-CURRENT ASSETS</b>		<b>13 049</b>	<b>12 596</b>
Expenditure on development work (in progress)	25	180	180
Property, plant and equipment	26	12 612	12 198
Intangible assets	27	180	141
Other non-current assets	29	77	78
<b>II. CURRENT ASSETS</b>		<b>130 220</b>	<b>13 208</b>
Trade and other receivables, including:	30	11 696	1 719
Prepayments and accrued income	31	902	838
Cash and cash equivalents	32	117 622	10 650
<b>TOTAL ASSETS</b>		<b>143 269</b>	<b>25 804</b>
<b>EQUITY AND LIABILITIES</b>	<b>Nota</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>I. EQUITY</b>		<b>124 063</b>	<b>-959</b>
Share capital	33.1	413	359
Share premium reserve	33.2	170 031	16 292
Other capital reserves	33.3	175	5 690
Share-based payment reserve	33.4	11 779	2 284
Retained earnings/accumulated losses		-58 335	-25 584
<b>TOTAL LIABILITIES</b>		<b>19 206</b>	<b>26 763</b>
<b>II. NON-CURRENT LIABILITIES</b>		<b>2 973</b>	<b>6 777</b>
Pension benefit obligations	34	33	65
Interest-bearing borrowings	35	-	214
Lease liabilities	36	2 940	6 498
<b>III. CURRENT LIABILITIES</b>		<b>16 233</b>	<b>19 985</b>
Trade and other payables	37	4 625	3 155
Lease liabilities	36	5 241	5 734
Provisions for liabilities	34	6 241	696
Other liabilities/deferred income	38	126	10 401
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>143 269</b>	<b>25 804</b>

**SEPARATE STATEMENT OF CASH FLOWS**

	<b>01.01.2021</b>	<b>01.01.2020</b>
<b>SEPARATE STATEMENT OF CASH FLOWS</b>	<b>-</b>	<b>-</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>OPERATING ACTIVITIES</b>		
<b>Profit (loss) before tax</b>	<b>-32 751</b>	<b>-12 689</b>
<b>Adjustments:</b>	<b>3 961</b>	<b>12 136</b>
Depreciation	7 355	6 602
Foreign exchange (gains) losses	36	8
Interest	409	392
Management options programme	9 495	1 734
Change in receivables	-9 977	151
Change in liabilities, excluding loans and borrowings	-8 805	208
Change in provisions	5 513	503
Change in accruals	-64	2 537
<b>Net cash flow from operating activities</b>	<b>-28 790</b>	<b>-553</b>
<b>INVESTING ACTIVITIES</b>		
<b>I. Inflows</b>	<b>-</b>	<b>-</b>
<b>II. Outflows</b>	<b>5 113</b>	<b>212</b>
Expenditure on tangible and intangible fixed assets	5 133	212
<b>Net cash flow from investing activities</b>	<b>-5 113</b>	<b>-212</b>
<b>FINANCING ACTIVITIES</b>		
<b>I. Inflows</b>	<b>148 240</b>	<b>5 600</b>
Proceeds from issue of shares	148 240	5 600
<b>II. Outflows</b>	<b>7 365</b>	<b>6 481</b>
Expenditures on borrowings	209	-
Interest and commission expenses	409	378
Payments of liabilities under lease agreements	6 747	6 103
<b>Net cash flow from financing activities</b>	<b>140 875</b>	<b>-881</b>
<b>Total cash flows</b>	<b>106 972</b>	<b>-1 647</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>106 972</b>	<b>-1 647</b>
<b>Cash at the beginning of period</b>	<b>10 650</b>	<b>12 297</b>
<b>Cash at the end of period</b>	<b>117 622</b>	<b>10 650</b>
- restricted cash	-	-

**SEPARATE STATEMENT OF CHANGES IN EQUITY**

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Other capital reserves</b>	<b>Share-based payment reserve</b>	<b>Retained earnings/accumulated losses</b>	<b>Total equity</b>
<b>As at 01.01.2021</b>	<b>359</b>	<b>16 292</b>	<b>5 690</b>	<b>2 284</b>	<b>- 25 584</b>	<b>-959</b>
Profit/loss for period					-32 751	-32 751
Other comprehensive income			38			38
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>-32 751</b>	<b>-32 713</b>
Issue of shares	102	153 739	-5 601			148 240
Share redemption	-48		48			-
Management options programme				9 495		9 495
<b>As at 31.12.2021</b>	<b>413</b>	<b>170 031</b>	<b>175</b>	<b>11 779</b>	<b>-58 335</b>	<b>124 063</b>
<b>As at 01.01.2020</b>	<b>359</b>	<b>16 292</b>	<b>18</b>	<b>550</b>	<b>-12 895</b>	<b>4 324</b>
Profit/loss for period					- 12 689	-12 689
Other comprehensive income			35			35
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>-</b>	<b>- 12 689</b>	<b>-12 655</b>
Issue of shares			5 600			5 600
Share redemption			37			38
Management options programme				1 734		1 734
<b>As at 31.12.2020</b>	<b>359</b>	<b>16 292</b>	<b>5 690</b>	<b>2 284</b>	<b>- 25 584</b>	<b>-959</b>

## **GENERAL INFORMATION**

### **1. INFORMATION ABOUT THE COMPANY AND THE GROUP**

Captor Therapeutics S.A. (the "Company", "Entity", "Issuer", "Parent Company") was entered in the National Court Register on 30 December 2015 as a limited liability company under KRS No. 0000594615 and was subsequently transformed into a joint stock company.

The transformation of Captor Therapeutics Sp. z o.o. into Captor Therapeutics S.A. took place pursuant to Article 551 of the Commercial Companies Code, based on the Resolution of the Extraordinary Meeting of Shareholders of Captor Therapeutics Sp. z o.o. of 28 August 2018, covered by notarial deed Rep. A no. 6456/2018, drawn up by Małgorzata Kieruzal – Rydzewska, notary public of the Notary Office in Warsaw, ul. Pańska 98/1.

The Company was assigned statistical number REGON 363381765 and tax identification number NIP 8943071259. The Company has registration number KRS 0000756383.

The Company's registered office is located at 11 Duńska Street in Wrocław.

There have been no changes in the name of the Entity or any other identification data of the Entity since the end of the previous reporting period.

The predominant activity of the Company is scientific research and development in the field of biotechnology (72.11.Z).

As of 19 April 2021, the Issuer's shares are listed on the main market of the Warsaw Stock Exchange.

The Company holds shares in one subsidiary, Captor Therapeutics GmbH based in Switzerland (the "Subsidiary"). The Subsidiary was established by the Company through payment of the share capital of CHF 20,000.

The address of the registered office of the Subsidiary: Gewerbstrasse 24, 4123 Allschwil (Basel), Switzerland

Date of registration of the Subsidiary: 30 August 2018

The objects of Captor Therapeutics GmbH consist of research and development and the implementation of related projects as well as business development advisory services.

The composition of the Management Board of the Subsidiary as at the balance sheet date and as at the date of this separate financial statement: Michał Walczak - President of the Management Board, Sylvain Cottens - Member of the Management Board.

### **2. DESCRIPTION OF THE CAPITAL GROUP OF CAPTOR THERAPEUTICS S.A.**

The Captor Therapeutics S.A. Capital Group ("Capital Group", "Group") consists of:

- the Parent Company, Captor Therapeutics S.A., based in Wrocław, Poland,
- the Subsidiary, Captor Therapeutics GmbH with its registered office in Allschwil (Basel), Switzerland.

Captor Therapeutics S.A. holds 100% of the shares in the Subsidiary.

#### **Changes in the composition of the Group after the balance sheet date**

There were no changes in the composition of the Group after the balance sheet date, i.e. in the period from 1 January 2022.

### **3. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF THE ENTITY**

In addition to the General Meeting, the governing bodies of the Entity are as follows: the Management Board and the Supervisory Board.

As at the date of this separate financial statement, the composition of the Entity's Management Board is as follows:

1. Thomas Shepherd - President of the Management Board
2. Michał Walczak - Member of the Management Board, Scientific Director
3. Radosław Krawczyk - Member of the Management Board, Chief Financial Officer



The Company is represented by two persons: the Financial Director acting jointly with another Member of the Management Board.

Compared to the composition of the Company's Management Board as at 31 December 2020, two changes occurred. On 14 January 2021, the Supervisory Board appointed Thomas Shepherd as the President of the Management Board, effective from 20 January 2021. In connection with the fact that on 21 June 2021 Aleksandra Skibińska resigned from her position as a Member of the Management Board and Chief Financial Officer of the Company, on 29 June 2021 the Supervisory Board appointed Radosław Krawczyk to the Management Board of the Company as a Member of the Management Board and the Chief Financial Officer.

As at the date of this separate financial statement, the composition of the Company's Supervisory Board is as follows:

1. Paweł Holstinghausen Holsten - Chairman of the Supervisory Board
2. Maciej Wróblewski - Member of the Supervisory Board
3. Florent Gros - Member of the Supervisory Board
4. Krzysztof Samotij - Member of the Supervisory Board
5. Robert Florczykowski – Member of the Management Board

As at 31 December 2021, the composition of the Supervisory Board was as follows:

1. Paweł Holstinghausen Holsten - Chairman of the Supervisory Board
2. Maciej Wróblewski - Member of the Supervisory Board
3. Florent Gros - Member of the Supervisory Board
4. Krzysztof Samotij - Member of the Supervisory Board

Compared to the composition of the Supervisory Board as of December 31, 2020, there were three changes.

On 7 January 2021, Luc Otten resigned from his position as a Member of the Supervisory Board. On 17 March 2021, Maciej Wróblewski was appointed to the Supervisory Board. On 14 December 2021 Marek Skibiński resigned from his position as Member of the Supervisory Board. On 5 January 2022 Robert Florczykowski was appointed to the Supervisory Board.

The Company has an Audit Committee appointed by the Supervisory Board on 29 June 2020. As at the date of this separate financial statement, the composition of the Audit Committee is as follows:

1. Krzysztof Samotij - Chairman of the Audit Committee
2. Maciej Wróblewski - Member of the Audit Committee
3. Florent Gros - Member of the Audit Committee

The Company has a Remuneration Committee, which was appointed by the Supervisory Board on 7 February 2020. As at the date of this separate financial statement, the composition of the Remuneration Committee is as follows:

1. Paweł Holstinghausen Holsten - Chairman of the Remuneration Committee
2. Florent Gros - Member of the Remuneration Committee
3. Robert Florczykowski - Member of the Remuneration Committee

**The General Meeting of Shareholders, the Supervisory Board and the Management Board** have standard powers arising from the Commercial Companies Code, provided for with respect to joint stock companies, and from the Company's Statute.

#### **4. APPROVAL OF THE SEPARATE FINANCIAL STATEMENT**

This separate financial statement was approved by the Management Board on 29 April 2022.

## **5. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENT**

This separate financial statement of the Company has been prepared in accordance with the historical cost principle, except for those financial instruments that are measured at fair value. This separate financial statement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. Taking into account the ongoing process of introducing IFRS standards in the EU and the Entity's activities, there is no difference in the accounting principles applied by the Group between IFRS standards that have come into force and IFRS standards approved by the EU. IAS and IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

## **6. REPORTING PERIOD AND COMPARATIVE FIGURES**

The period covered by this separate financial statement comprises the 12-month period ended 31 December 2021 and data as at that date.

The separate statement of profit or loss and other comprehensive income, the separate statement of cash flows and the separate statement of changes in equity cover the consolidated data for the period of 12 months ended 31 December 2021 and comparative data for the period of 12 months ended 31 December 2020. The separate statement of financial position includes the separate data as at 31 December 2020 and comparative data as at 31 December 2020.

## **7. PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENT**

The separate statement of profit or loss and other comprehensive income was prepared using the multiple-step method, and the separate statement of cash flows was prepared using the indirect method.

The separate financial statements have been presented in thousand PLN unless otherwise indicated.

## **8. FUNCTIONAL CURRENCY AND CURRENCY OF THE FINANCIAL STATEMENTS**

The functional currency and reporting currency of the Entity is the Polish zloty (PLN).

## **9. TRANSACTIONS IN FOREIGN CURRENCY**

Transactions denominated in foreign currencies are converted as at their initial recognition into the functional currency

- at the actual rate applied, i.e. the purchase or selling rate applied by the bank in which the transaction is effected, in the case of transactions involving the sale or purchase of currencies and the payment of receivables or payables, or at the rate resulting from agreements concluded with the bank serving the entity or agreed upon through negotiations,
- at the average exchange rate for a given currency set by the NBP as of the transaction date for other transactions. The exchange rate in force at the date of the transaction is the average NBP exchange rate announced on the last working day preceding the conclusion of the transaction.

At the end of each reporting period:

- monetary items expressed in a foreign currency are translated using the closing rate prevailing on that date, i.e. the average rate set for that currency by the NBP,
- non-cash items measured at historical cost in a foreign currency are translated using the exchange rate (i.e. the average NBP exchange rate set for the currency) in effect on the transaction date, and
- non-cash items measured at fair value in a foreign currency are translated using the exchange rate (i.e. the average NBP exchange rate set for the currency) at the date the fair value is determined.

Foreign exchange gains and losses resulting from:

- settlement of transactions in a foreign currency,
- balance sheet valuation of monetary assets and liabilities other than derivatives denominated in foreign currencies are recognised as financial income or expenses.

At the balance sheet date, the assets and liabilities of foreign subsidiaries whose functional currency is a currency other than the Polish zloty are translated into the Group's presentation currency at the exchange rate prevailing at the balance sheet date, and their income statements are translated at exchange rates representing the arithmetic mean of the average exchange rates set by the National Bank of Poland on the last day of each completed month. The exchange differences arising from such translation are recognised directly in equity as a separate component. Upon disposal of a foreign operation, the cumulative deferred exchange differences recognised in equity relating to the foreign operation are recognised in the result.

The following exchange rates were adopted for balance sheet valuation purposes:

<i>exchange rates applied in the financial statements</i>	<b>2021</b> January - December		<b>2020</b> January - December	
	<i>EUR</i>	<i>CHF</i>	<i>EUR</i>	<i>CHF</i>
<i>exchange rate at the end of the reporting period</i>	4.5994	4.4484	4.6148	4.2641
<i>average exchange rate during the reporting period</i>	4.5775	4.2416	4.4742	4.1772

#### **10. CORRECTION OF AN ERROR**

No correction of prior period errors has been made in this separate financial statement.

#### **11. CHANGE IN ESTIMATES**

There has been no change in estimation methods in the period of 12 months ended on 31 December 2021 that would affect the current period or future periods.

#### **12. NEW STANDARDS AND INTERPRETATION**

##### **Impact of new and amended standards and interpretations on the separate financial statements of the Company**

The following are new or amended IFRS/IFRS regulations and IFRIC interpretations that have been adopted in the EU for use and that the Company has applied since 1 January 2022:

- Amendments to:
  - *IFRS 3 Business Combinations (issued on 14 May 2020) - applicable to reporting periods beginning on or after 1 January 2022,*
  - *IAS 16 Property, plant and equipment (published on 14 May 2020) - applicable to reporting periods beginning on or after 1 January 2022,*
  - *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (published on 14 May 2020) - applicable to reporting periods beginning on or after 1 January 2022,*
  - *Annual Improvements 2018-2020 (published on 14 May 2020) - applicable to reporting periods beginning on or after 1 January 2022.*

New or amended IFRS/IAS regulations and IFRIC interpretations that have already been issued by the International Accounting Standards Board and have been endorsed by the EU but are not yet effective are presented below:

- *IFRS 17 Insurance Contracts (issued on 18 May 2017) including amendments to IFRS 17 (issued on 25 June 2020) - applicable to reporting periods beginning on or after 1 January 2023,*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Code of Practice 2: Disclosure of Accounting Policies (published on 12 February 2021) - applicable to reporting periods beginning on or after 1 January 2023,*
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) - applicable to reporting periods beginning on or after 1 January 2023,*

The following standards and interpretations have been issued by the International Accounting Standards Board and have not been endorsed by the EU:

- *Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current - deferred effective date (published on 23 January 2020 and 15 July 2020, respectively) - applicable to reporting periods beginning on or after 1 January 2023,*
- *Amendments to IAS 12 Income Taxes: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021) - applicable to reporting periods beginning on or after 1 January 2023,*
- *Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information (published on 9 December 2021) - applicable to reporting periods beginning on or after 1 January 2023.*

The effective dates are those resulting from the content of the standards promulgated by the International Financial Reporting Council. The application dates of the standards in the European Union may differ from the application dates resulting from the content of the standards and are announced at the time of approval for application by the European Union.

### 13. BUSINESS CONTINUITY

This separate financial statement of the Company has been prepared on the assumption that the Entity will continue as a going concern in the foreseeable future, for at least 12 months after the balance sheet date.

The Company is a biopharmaceutical company specialising in the development of drugs that induce targeted degradation of pathogenic proteins. The Company is active in the area of cancer and autoimmune diseases for which there are currently no treatment options or the available methods show significant therapeutic limitations. The Company is in the early stages of ongoing research. The Entity's ability to generate profits from the sale of drugs or the licensing of therapeutic solutions will depend on the success in developing drug candidates and the eventual commercialisation of drugs. The target group will be large pharmaceutical companies developing and implementing new drugs based on drug candidates. The Company mainly plans to sell licences for the results of its projects to a company which, based on its experience and operational potential, will conduct further phases of clinical trials, develop production and market the drug in Poland and abroad. In addition, the Company will seek to attract partners from the pharmaceutical industry to jointly develop drug candidates not currently in the research phase.

Given the nature of the Company's operations as described above and the early stage of research being conducted, the Company is currently incurring losses from operations and it is expected that this situation may continue for the foreseeable future. However, in the last 12 months the Company implemented the adopted strategy and made progress in works related to its projects by achieving material milestones, in particular in project CT-01 and CT03, which was communicated by the Company in accordance with the applicable laws

Until 2021, the Company has financed its operations with cash received from grants from EU funds, shareholder loans and funds raised from the issue of shares to private investors.

In 2021, the Group commenced a project in collaboration with Heptares Therapeutics Ltd (an entity from the Sosei Heptares group). Accordingly, in 2021 the Group recorded revenue from the implementation of this project in the amount of approximately PLN 3,986 thousand.

In 2020 the Company conducted work on the preparation of a prospectus and the listing of the Company's shares on the Warsaw Stock Exchange. On 17 September 2020 the Company applied to the Polish Financial Supervision Authority for approval of the prospectus in connection with the intended public offering of the Company's shares and admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange. The prospectus was approved by the Financial Supervision Authority on 22 March 2021.

The public offering of Captor Therapeutics S.A. included 871,500 new series G ordinary bearer shares (new shares), additionally two shareholders of Captor Therapeutics S.A. decided to sell 198,000 existing series B ordinary shares.

Following the offering and registration of the new series G shares by the registry court, the offered shares (i.e. the new series G shares and some series B shares sold as part of the public offering) represent 24.55% of the Company's increased share capital and are entitled to 19.43% of votes at the General Meeting (on a fully diluted basis - taking into account the issuance of all possible shares under the Company's employee incentive scheme, which will be carried out on the basis of the authorised capital adopted at the Company).

As a result of the series G share offering, the Company's equity increased by approximately PLN 149.9 million in the first half of 2021.

Obtaining cash from investors changed the Group's financial situation dramatically. Firstly, the Group has become a reliable partner for its service providers and for financial institutions, i.e. banks, insurance and leasing companies, thanks to which the Group will have a stronger position in business negotiations in the future.

Secondly, these funds changed the main items of the Company's financial statements, above all in assets in cash the amount of PLN 117,622 thousand appeared as at 31 December 2021, and this is a significant change in relation to the cash balance as at 31 December 2020, where the balance amounted to PLN 10,650 thousand. The most significant change also concerns an item in liabilities, where the Company's equity in the separate statement amounts to PLN 124,063 thousand as at 31 December 2021, compared to the negative equity of PLN -959 thousand as at 31 December 2020.

Thirdly, thanks to the funds raised from the IPO and the NCRD funding, the Group has secured financing for further development and uninterrupted research on its projects over the nearest medium-term horizon..

In view of the state of epidemic emergency in Poland and the SARS-CoV-2 coronavirus pandemic announced by the WHO (World Health Organisation) worldwide, the Parent Company's Management Board is taking measures to minimise the risk of delay in research and development work. At the time of preparing this separate financial statement, this work is proceeding without major disruptions, in accordance with the planned schedules. There have been no significant delays in the supply of components, materials, machinery and equipment. However, it cannot be ruled out that such delays may occur in the future. Nevertheless, in the reporting period there were no events affecting the framework work schedules in the Group.

In connection with the outbreak of the armed conflict between Ukraine and Russia, the Management Board of the Company analysed the impact of the current situation on the Group's operations. In the Management Board's opinion there are no material risks which may significantly affect the activities being conducted. The Group does not either have any assets in Ukraine or conduct any activities within the areas affected by the conflict.

In view of the foregoing, bearing in mind the financing raised, the capital increase and the implementation of the adopted strategy through making progress in research projects, in particular in project CT-01 and CT-03, in the opinion of the Management Board of the Parent Company as at 31 December 2021 there is no risk to the continuation of the Group's activity.

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## ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL INFORMATION

### 14. SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

#### 14.1 PROFESSIONAL JUDGMENT

In the process of applying the Entity's accounting policies to the matters set out below, the management's professional judgement, in addition to accounting estimates, was of the greatest importance.

##### Recognition of revenue

The Company recognises revenue when the performance obligation is satisfied (or in the process of being satisfied) by transferring the promised good or service (i.e. the asset) to the customer (the customer obtains control of the asset). Revenue is recognised as amounts equal to the transaction price that has been allocated to the performance obligation.

The Company transfers control of the good or service over time and thereby satisfies the performance obligation and recognises revenue over time when one of the following conditions is met:

- the customer simultaneously receives and take advantage from the benefit as the benefit is being provided,
- as a result of the performance an asset is created or improved and the customer has control of the asset as it arises or is improved,
- the service does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for the service already rendered.

In applying accounting policies, management makes estimates, judgements and assumptions about the recognition of sales revenue. These estimates are based on past experience, management's expectations or other factors considered relevant.

##### Research and development

Research expenditure is an innovative and planned search for solutions conceived with the intention of acquiring and assimilating new scientific and technical knowledge. They are:

- activities aimed at acquiring new knowledge;
- the search for, evaluation and final selection of the use of results of research work or other knowledge;
- the search for alternative materials, devices, products, processes, systems or services;
- the formulation, design, evaluation and final selection of new or improved materials, devices, products, processes, systems or services.

The Company recognises research expenditure as an expense as it is incurred. They are therefore part of the result.

The Company recognises development expenditure when it meets, among other things, the following conditions (IAS 38, paragraph 57):

- it is technically possible to complete the intangible asset so that it is suitable for use or sale;
- the entity is able to demonstrate an intention to complete the asset and use or sell it;
- the intangible asset has the capacity to be used or sold;
- the entity can determine how the intangible asset will generate economic benefits;
- there are technical, financial and other resources available to complete the development and to use or sell the intangible asset;
- the expenditure related to the intangible asset is reliably measurable.

These expenditures are recognised in the separate statement of financial position under a separate heading 'Expenditure on development work (in progress)'.

### **Criteria for Assessing the Likelihood of Commercialisation of Projects**

When the Company begins work on a particular project, it assesses whether the expenditure incurred should be classified as research or development. The following is first assessed: the scope of the work in question, what product it relates to, what are the regulatory requirements for that product, what is the potential market in which it is to be commercialised, and the Company's management assesses the likelihood of obtaining registration and the possibility of commercialisation according to the decision criteria below.

The Company makes a clear distinction between projects in terms of their likelihood of commercialisation. Consequently, it is possible to determine how the costs arising from them will be accounted for. The costs of projects whose commercialisation is uncertain will be charged to the current period's costs, while those whose commercialisation is certain are capitalised in accordance with the terms of IAS 38. The Company has set an internal probability level, the achievement of which will indicate that a given project and its expenditures may be subject to capitalisation - this level was set at no less than 70% probability.

The decision criteria for assessing probability relate to the following:

- 1) the size and trend of the market affected by the project,
- 2) compatibility of the new project with the Company's current portfolio,
- 3) compatibility of the new project with the Company's commercial model,
- 4) meeting the registration requirements in the shortest possible time,
- 5) possessed production and laboratory facilities,
- 6) sufficiency of financial resources or potential sources of financing through existing or future contracts,
- 7) obtaining an independent or internal opinion on the implementation of the project.

Projects are evaluated annually according to the same business criteria as well as the requirements according to par 57 of IAS 38.

### **Impairment of non-financial assets**

An asset is impaired when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, being understood as the fair value reduced by the higher of the cost to sell and its use value. The calculation of fair value is based on a discounted cash flow model and is therefore sensitive primarily to future cash inflows and outflows.

### **Grants**

The Company estimates the probability that the grants received will have to be returned. Depending on the adopted estimation, subsidies received may be recognized in profit or loss in the year in which the costs financed by the subsidies are incurred or suspended on deferred income until there is reasonable assurance that the amounts received will not be returned.

The Company identifies three risks related to the reimbursement of grants received:

Risks related to project performance (risk number 1), in the opinion of the Parent Company's management, are as follows:

- The Company refuses to undergo or hinders the inspection or does not implement the post-inspection recommendations within the indicated period;
- During inspection proceedings carried out by authorized institutions, errors or omissions were found in the submitted documentation of the Project's environmental impact and these were not corrected or supplemented in due time;
- The Company fails to submit the payment application or interim report on time;
- The Company fails to correct the payment application or interim report containing shortcomings or errors within the specified time;
- The Company fails to provide information and explanations on the Project implementation;
- The Company uses the subsidy contrary to its purpose, collects subsidy unduly or in excessive amount;

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- The Company will use the subsidy in breach of the procedures referred to in Article 184 of the Public Finance Act;
  - the interim report was negatively evaluated by authorized institutions as mentioned in the co-financing agreement;
  - further implementation of the Project by the Company is impossible or inexpedient;
  - the Company ceases to implement the Project or implements it in a manner contrary to the Agreement or in violation of law;
  - there is no progress in the implementation of the Project in relation to the deadlines specified in the application for co-financing, which makes it possible to have a justified suspicion that the Project will not be implemented in its entirety or that its objective will not be achieved.

The above risks are under the Company's control. The Company ensures that projects are implemented in compliance with the guidelines and provisions of the grant agreements. Project expenditures are incurred in compliance with the competitiveness principle, which is verified on three levels of project audit, i.e. internal audit, verification of project expenditures when submitting a payment application in the SL System by the National Centre for Research and Development and verification of project expenditures conducted by an external company indicated by the National Centre for Research and Development.

Risks related to the Company's operations (risk number 2), in the opinion of the Parent Company's management, are as follows:

- The Company will make legal and organizational changes that threaten the implementation of the Agreement or will not inform the Intermediate Body about its intention to make legal and organizational changes that may have a negative impact on the implementation of the Project or the achievement of the Project objectives. This risk is controlled by the Company. The Board of the Parent Company shall inform the Intermediate Body about all legal and organizational changes.
- The Company does not promote the Project as stipulated in the Agreement. This risk is controlled by the Company. The Company promotes the Projects at thematic scientific conferences and the execution of promotional activities is in line with the Grant Agreements.
- Laboratory facilities - The Company has existing laboratory facilities
- Inadequate resources of specialized personnel and laboratories capable of developing and implementing research to utilize new drug development technology
- Insufficient funding or potential sources of funding through existing or future license or collaboration agreements.

The risk of project sustainability (risk number 3) in the opinion of the Parent Company's management is presented below.

The Parent Company's Management Board ensures that the project sustainability requirement is met. In accordance with Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, and with funding agreements, the Company is required to ensure the durability of the project for a period of three years from their completion.

The sustainability principle is breached in a situation where at least one of the conditions occurs during its term:

- the Company ceases its activity or moves it outside the programme support area,
- a change of ownership of an element of co-financed infrastructure occurs, which gives the company undue benefits,
- a significant change occurs that affects the nature of the project, its objectives or conditions of its implementation, which could lead to a violation of its original assumptions.

Notwithstanding the above, it should be noted that the grant agreements with NCRD concern the implementation and financing of the Company's projects until the end of 2023. The Company estimates that some of its projects will enter Phase I of clinical trials in 2023, and some between 2023 and 2025. As a result, the Company may not be able to use all of the funding received for a given project from the NCRD and will have to finance further work from its own resources. The Company is also exposed to the risk of the grant being withheld, significantly reduced or having to return some or all of the funds received from the grant.



Moreover, the Company received part of the NDR funding as a member of a consortium. This situation occurred in the case of two projects: (i) the project "Development of laboratory kits for screening testing of chemical compounds in the development of a new class of drugs", under which the Company cooperated with the Institute of Immunology and Experimental Therapy of the Polish Academy of Sciences based in Wrocław, (ii) the project "Development and implementation of an innovative platform for screening analysis of degron-type therapeutic compounds" under which the Company cooperated with PORT Polski Ośrodek Rozwoju Technologii sp. z o.o. based in Wrocław (formerly Wrocławskie Centrum Badań EIT+ spółka z o.o.). In both cases, the Company and the other member of the consortium share the rights to the results of work and research under the project. As a result, economic implementation of research results, e.g. their sale or licensing, requires cooperation of the consortium members and cannot be performed by the Company alone. Because of the necessity of cooperation of consortium members, the Company cannot exclude the risk of lack of cooperation from the other consortium member or inability to reach agreement on the terms of sale or implementation of project results, which might have adverse effects on the Company's operations, financial position, development prospects and results.

It should be additionally noted that agreements providing for sale or licensing of project results must meet a number of requirements that are more broadly described in the grant agreement. It cannot be precluded that some or all of the above-mentioned requirements will not be met, or that the Company will not be able to implement the results of research and development work within the deadlines stipulated in the agreements, which may result in withholding the grant or terminating the grant agreement and being obliged to return all or part of the grant with interest.

## **Taxes**

The interpretation of tax legislation, changes in tax law and the timing of taxable income are subject to uncertainty. Given the nature and complexity of existing contracts, they may lead to adjustments to recognised liabilities and assets and income tax provisions in the future.

### **14.2 ESTIMATION UNCERTAINTY**

The key assumptions about the future and other key sources of uncertainty at the balance sheet date that involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

#### **Impairment of non-financial assets**

The Company assesses at each balance sheet date whether there is any indication that non-financial assets are impaired. If any indication exists that the carrying amount of these assets may not be recoverable, the Company tests the non-financial assets for impairment. As at the balance sheet date, in the opinion of the Company's Management Board, there is no indication of impairment of the carrying amount of non-financial assets held.

#### **Valuation of provisions**

Provisions for employee benefits (retirement and disability benefits) are determined on the basis of estimates (internal and external) and are updated at the end of each financial year. Estimates are made on the basis of formulas derived from past experience. As they are estimates, albeit the best in the opinion of management, there may be uncertainty associated with them.

The valuation of provisions for employee benefits is based on valuations prepared by independent external actuaries and is approved by the Entity's Management Board.

Provisions are recognised when the Company has an existing obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **Deferred tax asset**

The Company recognises a deferred tax asset based on the assumption that future taxable profits will be available against which the asset can be utilised. Deterioration of the achieved tax results in the future could cause this assumption to become unjustified. The Entity's Management Board estimates the probability of realisation of tax profits, which has an impact on the recognition of deferred tax assets.

## **Depreciation rates**

Depreciation rates are determined on the basis of the expected economic useful life of tangible and intangible assets. The Company reviews annually the adopted economic useful lives based on current estimates.

The last inventory of the Company's fixed assets was drawn up at the end of 2021.

## **15. IMPORTANT ACCOUNTING PRINCIPLES**

### **15.1 TANGIBLE FIXED ASSETS**

#### **Fixed assets**

Fixed assets are stated at acquisition cost (plus all costs directly attributable to the acquisition and preparation of the asset for use) or production cost, less accumulated depreciation and impairment losses. Fixed assets are depreciated on a straight-line basis starting from the month in which they are available for use. Depreciation rates are based on the economic useful lives of the assets. Fixed assets, except for land, are depreciated on a straight-line basis over their estimated useful economic lives.

Investments in third-party facilities are valued at cost, less depreciation. The length of depreciation corresponds to the rental period of such third-party property or to its useful life if this is shorter.

Each time an upgrade is completed, the cost is recognised in the carrying amount of property, plant and equipment if the recognition criteria are met. Costs incurred after the date an item of property, plant and equipment is placed in service, such as maintenance and repair costs, are charged to the income statement as incurred.

An item of property, plant and equipment may be derecognised from the statement of financial position upon disposal, termination of a contract in the case of leased assets, or when no future economic benefits are expected from its further use or sale. Any gain or loss arising on the removal of an asset from the statement of financial position, calculated as the difference between the sales proceeds and the carrying amount of the asset being removed, is recognised in profit or loss in the period in which the economic operation takes place.

The depreciation period for own fixed assets in accordance with the economic useful life is as follows:

1. buildings and structures - the depreciation period is between 10 and 40 years
2. plant and machinery (mainly computer sets) - depreciation period is 3 to 25 years
3. means of transport - the depreciation period is 2.5 to 5 years
4. other fixed assets (including furniture, fixtures, office equipment) - depreciation period is between 13 months and 4 years.

The Company also leases laboratory equipment and office and laboratory space under long-term contracts, which under IFRS16 are treated as finance leases and shown on the Company's balance sheet. These assets are depreciated according to the duration of the contracts.

The inventory of the Company's fixed assets was drawn up at the end of 2021.

#### **Investments**

Construction in progress relates to fixed assets under construction or assembly and is stated at acquisition or production cost, less any impairment losses. Fixed assets under construction are not depreciated until construction is completed and the asset is available for use.

The Company classifies a non-current asset (or group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The Company measures a non-current asset (or group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

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## **Subsequent expenditure**

Subsequent costs incurred for the replaced parts of an item of property, plant and equipment that can be reliably estimated and it is probable that the economic benefits associated with the replaced items of property, plant and equipment will flow to the Company are capitalised. Other expenditure is recognised as an expense on an ongoing basis in the result.

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### **15.2 INTANGIBLE ASSETS**

Intangible assets are measured at cost (if they meet the recognition criteria for research work), less any amortisation or depreciation and any impairment losses.

The cost of intangible assets acquired in a business combination is equal to their fair value at the date of the combination.

Each time the Company assesses whether an intangible asset has a finite or indefinite useful life.

Intangible assets with finite useful lives are amortised over their useful lives and tested for impairment whenever there are indications of impairment. The amortisation period and amortisation method for intangible assets with finite useful lives are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of the economic benefits embodied in the asset are recognised by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation charge for intangible assets with finite useful lives is recognised in the income statement in the category that corresponds to the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are reviewed for impairment annually, either on an asset-by-asset basis or at the cash-generating unit level.

The amortisation period for intangible assets is as follows:

1. acquired property rights, licences and concessions - 2 years,
2. other intangible assets - 2 years,
3. development costs are amortised on a straight-line basis over the expected period of their economic usefulness. Where it is not possible to separate an internally generated asset, development costs are recognised in profit or loss in the period in which they are incurred.

Research costs are not capitalised and are presented in the result as expenses in the period in which they are incurred.

The result arising from the removal of intangible assets from the statement of financial position is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the result when the asset is removed from the statement of financial position.

### **Research and development costs**

Research costs are charged to the result as incurred. Expenditure incurred on development work performed as part of a project is carried forward if it can be deemed to be recoverable in the future. Subsequent to the initial recognition of development expenditure, the historical cost model is applied requiring assets to be carried at cost less accumulated depreciation and accumulated impairment losses. Any expenditure carried forward is amortised over the expected period of benefit to be derived from the project.

Development costs are reviewed for impairment annually - if the asset has not yet been placed in service, or more frequently - if during the reporting period an indication of impairment becomes apparent that its carrying amount may not be recoverable.

In order to correctly identify development work, the Company distinguishes it from research work. According to IAS 38, research work is an innovative and planned search for solutions undertaken with the intention of acquiring and assimilating new scientific and technical knowledge. Examples of research work according to IAS 38 include:

- activities aimed at acquiring new knowledge;
- the search for, evaluation and selection of the use of the results of research work or other knowledge;
- the search for alternative materials, devices, products, systems processes or services

- the formulation, design, evaluation and final selection of new or improved materials, devices, products, processes, systems or services.

When generating intangible assets on its own, the Company allocates the expenditure to research and development accordingly. If the Company is unable to separate the research stage from the development stage, it treats the entire costs incurred as research stage costs. This results in charging the result for the period in which the costs were incurred. Expenditure incurred in the course of development work is recognised as an expense when incurred or is recognised as an intangible asset, depending on whether the criteria for capitalisation are met.

It is possible to recognise expenditure and classify it as development work provided that:

- it is technically possible to complete the intangible asset so that it is suitable for use or can be held for sale,
- there is a realistic possibility that the intangible asset will generate probable future economic benefits,
- there is the ability to use or sell the intangible asset,
- there are available technical, financial and other resources and expenditures can be measured reliably,
- there is a method of implementation and applicability taking into account the existence of a market for the product.

When development expenditure meets the above conditions, the expenditure incurred is capitalised and reported in the separate statement of financial position as "Development expenditure (work in progress)".

In accordance with IAS 38, development cost includes all expenditure that is directly attributable to the activities of creating, producing and adapting an asset for use in the manner intended by management. These expenditures include:

- expenditures for materials and services used or consumed in generating the intangible asset,
- costs of employee benefits arising directly from the generation of the intangible asset,
- fees to register a legal title,
- amortisation of patents and licences that are used to generate the intangible asset.

#### **Development work in progress (ongoing)**

The commencement of development work is documented by the opening of a project charter. Based on this documentation, the moment from which expenditures in a given project are treated as development work in progress and are capitalised in the assets of the statement of financial position, under intangible assets, analytically under "development work in progress", is determined. This item is not amortised but is subject to impairment testing.

#### **Development work completed**

A development project is subject to closure if the following criteria are met:

- 1) the scope of work under the project charter and grant agreement has been completed,
- 2) the work is abandoned, in which case the expenditure is charged to other operating costs.

At the end of each reporting period, the Entity's Management Board assesses whether there are any indications that assets from development work in progress may be impaired. If such indications are found, an appropriate test is performed. If the carrying amount of the assets tested exceeds their recoverable amount, an appropriate impairment loss is recognised.

When assessing the existence of indications of possible impairment of intangible assets, the Company analyses indications coming from external and internal sources of information required by IAS 36 "Impairment of assets".

In the opinion of the Entity's Management Board, development work is capitalised once the capitalisation criteria set out in § 57 of IAS 38 "Intangible Assets" are met.

#### **15.3 LEASING**

Under IFRS 16, the Company classifies arrangements as leases if, under the arrangement, the Company obtains the right to control the use of an identified asset for a specified period in return for consideration. The entity reassesses whether an arrangement is or contains a lease only if the terms of the arrangement change.

For an arrangement that is a lease, the Company applies a practical expedient and does not separate the non-lease elements from the lease elements and instead recognises each lease element and any accompanying non-lease elements as a single lease element.

The Company applies a single recognition and measurement approach for all leases to which it is a lessee, except for short-term leases and leases of low-value assets, which are recognised as an expense in earnings on a straight-line basis over the lease term.

In determining the lease term for leases with an indefinite term, the Company exercises professional judgement taking into account

- the expenditures incurred in relation to a particular contract; or
- the potential costs of terminating the lease, including the costs of obtaining a new lease, such as negotiation costs, relocation costs, the costs of identifying another underlying asset to meet the lessee's needs, the costs of integrating the new asset into the lessee's operations, or termination penalties and similar costs, including the costs of returning the underlying asset in the condition specified in the contract or to the location specified in the contract.

Where the costs associated with termination of the lease are significant, the lease term is assumed to be the same as the assumed depreciation period for a similar fixed asset with characteristics similar to those of the leased asset. To the extent that the costs associated with termination of the lease are reliably determinable, the lease term over which termination is not justified is determined. When the expenditure incurred on a particular arrangement is significant, the lease term is the period over which the economic benefits from the use of the expenditure are expected to flow. The value of the expenditure incurred is a separate asset from the right-of-use asset. If there is no expenditure on a contract, or no termination costs, or if the expenditure is immaterial, the termination period is the lease term.

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date that the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, adjusted for any revaluation of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease commitments, initial direct costs incurred and any lease payments made on or before the commencement date, less any lease incentives received. Unless the Company is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, recognised right-of-use assets are amortised on a straight-line basis over the shorter of the estimated useful life or the lease term.

At the inception of the lease, the Group measures its lease liabilities at the present value of the lease payments outstanding at that date. Lease payments comprise fixed payments (including substantially fixed lease payments) less any lease incentive payable, variable payments that depend on an index or rate and amounts expected to be paid under the guaranteed residual value. Lease payments also include the exercise price of a call option, if the exercise by the Group can be assumed with reasonable certainty, and payments of lease termination penalties, if the terms of the lease provide for the Group's ability to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition giving rise to the payment occurs.

In calculating the present value of lease payments, the Company uses the lessee's incremental borrowing rate at the inception of the lease if the lease rate cannot be readily determined. After the commencement date, the amount of the lease liability is increased to reflect interest and reduced by lease payments made. In addition, the carrying amount of the lease liability is remeasured if there is a change in the lease term, a change in the substantially fixed lease payments, or a change in judgement regarding the purchase of the underlying assets.

Leases where control of the assets does not pass are operating leases. Lease payments made under operating leases (adjusted for any special promotional offers received from the lessor (financing party)) are charged to expense on a straight-line basis over the lease term.

#### **15.4 IMPAIRMENT OF NON-FINANCIAL FIXED ASSETS**

At each balance sheet date, the Company assesses whether there is any indication that a non-financial non-current asset may be impaired. If any such indication exists, or if an annual impairment test is required, the Company estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable amount, an impairment loss occurs and a write-down to the determined recoverable amount is made. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on assets used in continuing operations are recognised in those expense categories that correspond to the function of the asset that is impaired.

At each balance sheet date, the Company assesses whether there is any indication that an impairment loss recognised in prior periods in respect of an asset is no longer necessary or should be reduced. If such indications exist, the Company estimates the recoverable amount of the asset. A previously recognised impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased amount cannot exceed the carrying amount of the asset that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised as income in the income statement. After the reversal of an impairment loss is recognised, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

### **15.5 BORROWING COSTS**

Under the permitted alternative treatment of IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of an asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of an asset if it is probable that they will result in future economic benefits to the entity and the cost can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs comprise interest and foreign exchange gains or losses to the extent of any adjustment to interest expense.

The Company has not to date used external sources to finance the cost of assets.

### **15.6 FINANCIAL ASSETS**

At the date of acquisition, the Company measures financial assets at fair value, which is usually the fair value of the consideration paid. The Company includes transaction costs in the initial measurement of all financial assets, except for the category of assets measured at fair value through profit or loss. An exception to this principle is trade receivables, which the Company measures at their transaction price as defined in IFRS 15, except for those trade receivable items with a maturity of more than one year that contain a significant financing component as defined in IFRS 15.

For the purpose of measurement after initial recognition, financial assets other than hedging derivatives are classified by the Company into:

- financial assets measured at amortised cost,
- financial assets at fair value through other comprehensive income,
- financial assets at fair value through profit or loss, and
- equity instruments at fair value through other comprehensive income.

These categories determine the measurement principles at the balance sheet date and the recognition of measurement gains or losses in profit or loss or other comprehensive income. The Company classifies financial assets into categories based on the Company's business model for managing financial assets and the contractual cash flows specific to the financial asset. A financial asset is measured at amortised cost if both of the following conditions are met (and not designated on initial recognition as at fair value through profit or loss):

- the financial asset is held in accordance with a business model whose objective is to hold the financial asset to collect the contractual cash flows,

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company includes in the category of financial assets measured at amortised cost:

- loans,
- trade and other receivables (excluding those for which IFRS 9 does not apply),
- debt securities.

These classes of financial assets are presented in the separate statement of financial position with a breakdown into long-term and short-term assets under the headings "Loans granted", "Trade and other receivables" and "Other financial assets". The valuation of short-term receivables is carried out at the value to be paid due to insignificant discounting effects. Interest income determined using the effective interest rate method is recognised by the Company in the result under a separate heading. Losses on impairment of financial assets measured at amortised cost less gains on reversal of impairment losses, as well as gains and losses arising from exclusion of assets belonging to this category from the statement of financial position, are recognised by the Company in the result under separate items. Other gains and losses on financial assets recognised in the result, including exchange rate differences, are presented as financial income or expenses.

Financial assets included in the categories measured at amortised cost and measured at fair value through other comprehensive income due to their business model and the nature of the flows associated with them are assessed at each balance sheet date to recognise expected credit losses, regardless of whether there is any indication of impairment.

The method of making this assessment and estimating the allowance for expected credit losses differs for different classes of financial assets:

- for trade receivables, the Company applies a simplified approach that assumes the calculation of allowances for expected credit losses for the entire life of the instrument. Allowance estimates are made on a pooled basis and receivables have been grouped by overdue period. The estimate of the allowance is based primarily on historical past due amounts and a link between past due amounts and actual repayments over the past 5 years, taking into account available forward looking information,
- for other asset classes, in the case of instruments for which the increase in credit risk since initial recognition has not been significant or the risk is low, the Company assumes first recognition of default losses for the next 12 months. If the increase in credit risk since initial recognition has been significant, losses are recognised as appropriate over the life of the instrument.

The Company has assumed that a significant increase in risk occurs when overdue payments exceed 365 days.

#### **15.7 IMPAIRMENT OF FINANCIAL ASSETS**

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

##### **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on loans and receivables measured at amortised cost has been incurred, the amount of the impairment loss is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses not yet incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through a write-down. The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, as well as evidence of impairment for financial assets that are not individually significant. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses it for impairment. Assets that are individually assessed for impairment and for which an impairment loss has been recognised or an existing

impairment loss is deemed to remain unchanged are not considered in the collective assessment of a group of assets for impairment.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. A subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the date of reversal.

#### **15.8 TRADE AND OTHER RECEIVABLES**

Trade receivables are recognised and reported at fair value, i.e. at the amounts originally invoiced. Subsequent to initial recognition, short-term receivables are measured at the amount payable due to the fact that they are repaid on an ongoing monthly basis and their measurement at adjusted cost is broadly consistent with such measurement.

At each balance sheet date, the Company's management assesses the probability of recovering the receivables. The value of receivables is updated taking into account the degree of probability of their payment. An allowance for receivables is estimated when collection of the full amount of the receivable is no longer probable. The Company assumed that a significant increase in risk occurs when overdue payments exceed 365 days. In addition to the above criteria, an individual approach is applied to selected receivables.

#### **15.9 CASH AND CASH EQUIVALENTS**

Cash comprises cash at banks and in hand, deposits held at call with banks, other short-term investments with original maturities of three months or less and highly liquid investments.

Cash is valued at nominal value, except that the value of bank deposits also includes capitalised interest credited to the bank account.

The balance of cash and cash equivalents shown in the separate statement of cash flows consists of cash and cash equivalents as defined above.

#### **15.10 INTEREST-BEARING BANK LOANS, BORROWINGS AND DEBT SECURITIES**

At initial recognition, all bank loans, borrowings and debt securities are recognised at the fair value of the cash received, net of any costs associated with obtaining the loan.

After initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortised cost using the effective interest method. Determination of the amortised cost shall take account of costs related to obtaining the credit or loan and discounts or premiums received in connection with the liability.

Income and expenses that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred or earned.

#### **15.11 TRADE AND OTHER PAYABLES**

Trade and other payables representing financial liabilities are measured at fair value. After initial recognition, these liabilities are measured at amortised cost or at the amount required to be paid, provided there are insignificant discounting effects.

Other non-financial liabilities include, in particular, liabilities for value added tax and liabilities for advance payments received that will be settled by the delivery of goods, services or fixed assets. Other non-financial liabilities are recognised at the amount payable.

Other financial liabilities, are measured at amortised cost using the effective interest rate method.

The Company removes a financial liability from the statement of financial position when the obligation is extinguished - that is, when the obligation specified in the contract is discharged, cancelled or expires. When an existing debt instrument is replaced by an instrument with substantially different terms and conditions between the same parties, the Company recognises the expiry of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications to the terms of an



agreement relating to an existing financial liability are recognised by the Company as extinguishment of the original financial liability and recognition of a new financial liability. The resulting differences in carrying amounts are recognised in profit or loss.

#### **15.12 PROVISIONS**

Provisions are created when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of its value. Where the Company expects that the costs covered by a provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will actually occur. The costs relating to a provision are shown in the result net of any reimbursement.

#### **15.13 RETIREMENT AND JUBILEE BONUSES**

The Company does not have jubilee award rights in their bylaws. The Company estimates the amount of provisions for retirement severance pay, disability benefits, post-death benefits and unused annual leave at each balance sheet date. Provisions are charged to the profit or loss. The calculation of employee provisions is performed by external, independent actuaries.

#### **15.14 DISTRIBUTION OF PROFIT TO STAFF AND SPECIAL FUNDS**

The Company does not allocate profits to employees or to special funds. The generated profit may be retained in the Company or allocated for payment of dividends.

#### **15.15 GRANTS**

The Company operates in the biopharmaceutical industry, specialising in the development of drugs that induce targeted degradation of pathogenic proteins. The Entity benefits from government grants, mainly from the National Centre for Research and Development (NCRD). The Company receives grants in the form of cash upon fulfilment of the conditions set out in the grant agreements and upon acceptance of payment applications. This is done after the Company has incurred expenses, either in the form of reimbursement (refund) or in the form of advance payments.

Government grants, including non-monetary grants recognised at fair value, are recognised only when there is reasonable assurance that the Company will satisfy the conditions attached to the grant and that the grant will actually be received. Where a grant relates to a specific cost item, it is recognised as income over the period necessary to match it with the related costs which the grant is intended to compensate. On the other hand, if a grant relates to a specific asset, then its fair value is recognised in the deferred income account and then it is gradually recognised in the income statement as revenue in proportion to the depreciation write-offs made on that asset.

Grants may relate to expenditure on research, industrial research, development work (intangible assets) or fixed assets.

When a grant becomes repayable, it results in a change of estimate and the repayment of the grant is recognised immediately in profit or loss.

The risks of grant reimbursement are further described in point 14 *Significant values based on professional judgement and estimates* in the paragraph "Grants".

The Criteria for Assessing the Likelihood of Commercialisation of Projects are further described in point 14 *Significant values based on professional judgement and estimates* in the paragraph "Criteria for Assessing the Likelihood of Commercialisation of Projects".

Revenues from subsidies are presented in item "Subsidies".

**Subsidies received by the Company are presented in the table below.**

Project name	Project number	Project budget	Grant from the NCRD	Grant program name	Amount received until 31.12.2021- to the Company's bank account (PLN)**
Development of new anti-inflammatory drugs degrading cell surface receptors*	CT-06 POIR.01.01. 01-00- 0747/16	31 989 076.35	24 460 807.48	Smart Development Program 2014-2020	13 161 348.65
Development of laboratory kits for screening testing of chemical compounds in the development of a new class of drugs	PT-02 POIR.04.01. 02-00- 0147/16***	2 165 085.00	1 685 268.00	Smart Development Program 2014-2020	1 620 096.18
Development and implementation of an innovative platform for screening analysis of degron-type therapeutic compounds	PT-01 POIR.04.01. 04-00- 0116/16***	2 950 155.00	2 241 369.00	Smart Development Program 2014-2020	1 751 795.85
Apoptosis induction using low molecular weight chemical compounds as a therapeutic intervention in neoplastic diseases	CT-03 POIR.01.01. 01-00- 0956/17	35 902 013.75	27 683 098.00	Smart Development Program 2014-2020	15 006 946.52
Application of the targeted protein degradation technology in the treatment of psoriasis and rheumatoid arthritis	CT-05 POIR.01.02. 00-00- 0079/18	37 130 943,75	29 558 070.00	Smart Development Program 2014-2020	12 186 692.02
Preparation and development of a first-in-class drug candidate, small molecule degrader, in the treatment of colon cancer	CT-04 POIR.01.02. 00-00- 0073/18	32 041 906.25	25 510 680.00	Smart Development Program 2014-2020	5 627 418.57
Preparation and development of a drug candidate in the treatment of hepatocellular carcinoma, enabling elimination of cancer stem cells, through induced degradation of carcinogen induced transcription factor.	CT-01 POIR.01.01. 01-00- 0740/19	36 389 016.25	28 959 643.00	Smart Development Program 2014-2020	10 182 194.27
Preparation and development of non-toxic ligase ligands and their application in autoimmune diseases	CT-02 POIR.01.01. 01-00- 0741/19	34 411 900.00	27 411 400.00	Smart Development Program 2014-2020	5 419 911.27
Development of an integrated technological platform in the area of targeted protein degradation and its implementation on the pharmaceutical market	PT3 POIR.01.01. 01-00- 0931/19	10 135 628.75	7 759 469.50	Smart Development Program 2014-2020	2 093 411.62
<b>Total</b>		<b>223 145 725.10</b>	<b>175 129 010.30</b>		

\*The Company does not intend to continue the indicated project.

\*\* The indicated amounts do not reflect the repayment made to the NCRD on 13 April 2022 in accordance with the information included in the section Events Following the Balance Sheet Date.

\*\*\* If the project is carried out in a consortium, the amount indicated includes only the grant for the Company.

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**15.16 REVENUES**

**Sales revenues**

In accordance with IFRS 15, revenue is recognised when the goods or services are transferred to the customer (the customer) in an amount that reflects the consideration the entity expects to receive in exchange for the goods or services, i.e. when the performance obligations are met.

The Company recognises a contract with a customer only when all of the following criteria are met:

- parties to a contract have entered into a contract and are obliged to perform their obligations,
- the performance obligations can be identified,
- the transaction price can be determined, i.e. the entity is able to identify the terms of payment for the goods or services to be transferred
- the contract has economic substance, i.e. the risk, timing or amount of the entity's future cash flows can be expected to change as a result of the contract
- it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer. The assessment of whether it is probable that the consideration will be received considers only the customer's ability and intention to pay the consideration in a timely manner.

The Company recognises revenue when the performance obligation is fulfilled by transferring the promised goods or services to the customer. The transfer of the asset occurs when the customer obtains control of the asset.

The Company transfers control of the good or service over time, thereby satisfying the performance obligation, and recognises revenue over time when one of the following conditions is met:

- the customer simultaneously receives and benefits from the Entity's performance as the entity performs the obligation,
- as a result of the Entity's performance of the obligation, an asset is created or improved and control of the asset, as it is created or improved, is vested in the customer.

**15.17 TAXES**

**Current tax**

Current tax liabilities and receivables for the current and prior periods are measured at the amount expected to be paid to the tax authorities.

The tax shown in the result is the current tax charged on the result of the Company's reporting period and the deferred part, representing the change in the balance of deferred tax assets and liabilities in the period.

**Deferred tax**

For financial reporting purposes, deferred tax is calculated using the balance sheet liability method in respect of temporary differences at the balance sheet date between the carrying amounts of assets and liabilities shown in the financial statement and their tax bases. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, assets and losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. An unrecognised deferred tax asset is reassessed at each balance sheet date and is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity.

The Company offsets deferred tax assets against deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

The possibility of accounting for tax losses is subject to the judgement of the Entity's management and is dependent on tax revenue forecasts and plans with respect to commercialisation of ongoing research and development projects. In accordance with the prudence principle, the Company has not recognised assets for tax losses.

#### **Value added tax**

Revenues, expenses, assets and liabilities are recognised net of value added tax, except:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities, in which case it is recognised as part of the cost of the asset or as part of the expense item as appropriate; and
- receivables and payables, which are stated inclusive of the amount of goods and services tax.

The net amount of value added tax recoverable from, or payable to, the tax authorities is included in the consolidated statement of financial position as part of receivables or payables.

#### **15.18 NET EARNINGS PER SHARE**

Net earnings per share for each period is calculated by dividing the Company's net profit and net profit attributable to equity holders of the Entity for the period by the number of shares at the end of the reporting period. Any issue of ordinary shares during the financial year gives entitlement to a dividend from the beginning of the financial year.

Diluted earnings per share are calculated by dividing net profit for the period attributable to ordinary shareholders of the Company by the likely number of shares including future issues.

#### **15.19 EQUITY**

Equity is assets less liabilities and provisions for liabilities. Equity is recognised in the financial statement by type and in accordance with the principles laid down by law, the provisions of the Parent Company's Statute.

The Entity's share capital is the share capital of the Company and is stated at the nominal value of the registered shares, resulting from the Entity's statute and entry in the National Court Register. Share premium arises from share issues and is reduced by issue costs (including the effect of income tax) and is recognized in the share premium reserve. The share-based payment reserve includes the equivalent of costs of payments in the form of securities recognised in accordance with IFRS2. Retained earnings/uncovered losses represent accumulated profits/losses that have not been distributed by the General Meeting.

#### **15.20 EMPLOYEE SHARE OWNERSHIP PROGRAMME – SHARE-BASED PAYMENTS**

The Entity operates an equity-settled share-based benefit plan under which employees have the opportunity to acquire shares in the Entity upon satisfying the conditions set out in the Incentive Plan Regulations. The scheme covers a total of no more than 237,244 ordinary shares in the Company.

The Incentive Scheme was established pursuant to Resolution No. 14 of the Company's Annual General Meeting of 16 May 2019, as amended by Resolution No. 22 of the Company's Annual General Meeting of 26 June 2020 and Resolution No. 10 of the Company's Extraordinary General Meeting of 8 January 2021. On the basis of the Incentive Scheme, eligible persons (i.e. persons employed in the Company or its subsidiaries, on the basis of an employment contract or other legal basis, indicated by the Management Board of the Company after obtaining the approval of the Supervisory Board, as well as members of the Supervisory Board indicated by the General Meeting) will have the right to purchase existing or newly issued shares of the Company. The decision as to whether the Company will offer employees the treasury shares acquired by the Company from the shareholders of the Company (the Company's primary obligation) or issue newly issued shares (the so-called alternate authorisation) has been left to the Company.

The sale price per share (or issue price in the case of newly issued shares) is PLN 0.10 (ten groszy), i.e. employees participating in the Incentive Scheme will be able to purchase (take up) shares at the issue price corresponding to the nominal value of the shares. The number of shares in the Company to be offered to a given employee shall depend on the decision of the Management Board and the Supervisory Board, which shall be guided by such criteria as the employee's position, length of service, assessment of the employee's contribution to the value of the Company to date and the importance of the employee's position to the achievement of the objectives of the Company. In order to participate in the Incentive Scheme, employees of the Company will conclude agreements on participation in the Incentive Scheme, on the basis of which shares will be acquired in four equal tranches falling on the first, second, third and fourth anniversary of the conclusion of the agreement on participation in the Incentive Scheme. The condition for acquiring the right to successive tranches is that the employee remains employed on the dates of successive anniversaries of signing the agreement on participation in the Incentive Scheme. Employees of the Company in agreements concerning participation in the Incentive Scheme undertake towards the Company not to dispose of the acquired shares for a period of one year from the date of acquisition of a given tranche of shares (in accordance with the resolution of the Supervisory Board of 22 February 2021 amending the Rules of the Incentive Scheme, the Supervisory Board agreed that the above-mentioned obligation not to dispose of shares shall last for a period of one year from the date of fulfilment of the condition entitling to acquire a given tranche. The above amendment was implemented by the Company to the agreements concluded to date for participation in the Incentive Programme and will also be applied in agreements for participation concluded in the future).

The valuation of employee share schemes is based on IFRS2. The Entity has decided to estimate the fair value of the rights arising from the Incentive Scheme by an external, independent actuary. The fair value of the rights is recognised as an expense over the vesting period.

The total amount to be recognised as an expense is determined by reference to the fair value of the shares granted, determined at the grant date:

- taking into account any market conditions (for example, the Entity's share price);
- without taking into account the effect of any seniority-related or non-market vesting conditions (for example, sales profitability, sales growth targets and the indicated period of mandatory service with the Entity).

At the end of each reporting period, the Entity revises its estimates of the expected number of shares that will vest as a result of non-market vesting conditions. The Company presents the effect of any revision to the original estimates in the statement of profit or loss, with a corresponding adjustment to equity.

According to the valuation, the value of the incentive programme is as follows in each quarter for the years 2022-2025:

Quarter	Cumulative costs	Cost of the period
2022 Q1	14 065 094.20	2 285 654.88
2022 Q2	16 291 443.82	2 226 349.62
2022 Q3	17 803 681.50	1 512 237.68
2022 Q4	19 111 145.23	1 307 463.73
2023 Q1	20 293 761.84	1 182 616.62
2023 Q2	21 447 119.83	1 153 357.99
2023 Q3	22 202 701.87	755 582.04
2023 Q4	22 843 056.60	640 354.73
2024 Q1	23 411 220.24	568 163.64
2024 Q2	23 951 324.76	540 104.51
2024 Q3	24 223 560.77	272 236.01
2024 Q4	24 427 338.32	203 777.55
2025 Q1	24 578 494.41	151 156.09
2025 Q2	24 710 171.70	131 677.29
2025 Q3	24 741 855.37	31 683.67

The above values may change in subsequent periods if rights are granted to new employees or if cooperation with existing employees is terminated, resulting in the loss of their rights.

#### **15.21 OTHER ASSETS AND LIABILITIES**

##### **Prepayments and accrued income**

The Company makes prepaid expenses when they relate to future reporting periods. Prepayments include prepayments for services or goods that have not been delivered or performed.

##### **Deferred income**

Deferred income represents grants received.

The current portion of deferred revenue represents that portion in respect of which the Entity's Management Board expects to be able to qualify as revenue (or to reduce expenses) within 12 months of the balance sheet date.

#### **15.22 INFORMATION ON BUSINESS SEGMENTS**

A company is organised and managed by segments, taking into account the type of products and services offered. Each operating segment represents a strategic business unit offering different products and goods. Operating segments are aggregated into reportable segments based on the nature of the business.

Management believes that the Entity has one reportable segment - research and development.

Due to the existence of one reportable segment, the Management Board of the Entity has refrained from preparing information on operating segments.

## SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

### 16. Total revenues

	01.01.2021	01.01.2020
<b>SALES REVENUES AND TOTAL REVENUES</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Revenue from research and development services	3 986	-
<b>Total sales revenues</b>	<b>3 986</b>	-
Subsidies	21 949	21 491
Other operating income	2 694	90
Financial income	-	-
<b>Total revenues</b>	<b>28 629</b>	<b>21 581</b>

In December 2020, Sosei Heptares and Captor Therapeutics SA entered into a strategic technology collaboration to discover and develop new small molecules targeted at degradation of G protein-coupled receptors (GPCR). Consequently, in 2021 the Company generated first revenues from this collaboration.

The Company recorded an increase in other operating income in 2021 compared to the previous year, as described in Note 18.

The structure of revenues from the received subsidies and settled phases of particular projects is presented below:

	31 December 2021	Percentage % 2021	31 December 2020	Percentage % 2020
CT-04 POIR.01.02.00-00-0073/18	3 044	14%	4 080	19%
CT-03 POIR.01.01.01-00-0956/17	3 685	17%	5 526	26%
POIR.04.01.04-00-0116/16	-	-	-	-
PT- 3 POIR.01.01.01-00-0931/19	2 085	10%	318	1%
CT-06 POIR.01.01.01-00-0747/16	117	1%	2 745	13%
CT-01 POIR.01.01.01-00-0740/19	4 947	23%	3 658	17%
CT-02 POIR.01.01.01-00-0741/19	3 543	16%	1 851	9%
CT-05 POIR.01.02.00-00-0079/18	4 528	21%	3 314	15%
<b>Total</b>	<b>21 949</b>	<b>100%</b>	<b>21 491</b>	<b>100%</b>

### 17. Costs by type

#### 17.1 Operating expenses

	01.01.2021	01.01.2020
<b>OPERATING EXPENSES</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Depreciation	7 355	6 602
- depreciation of fixed assets	7 226	6 540
- amortisation of intangible assets	129	62
Consumption of materials and energy	4 460	5 075
External services	17 650	10 357
Taxes and charges	224	119
Costs of employee benefits	24 794	11 079
Other costs by nature	230	183
<b>Total costs by type, including:</b>	<b>54 713</b>	<b>33 415</b>
Items recognised in costs of sales of services	741	-
Items included in research costs	23 115	23 570
Items included in project overheads	11 133	5 683
Items included in general administrative costs	19 724	4 162
Change in products	-	-
Costs of services for the entity's own needs	-	-

The increase in the Company's operating expenses compared to the comparative period is mainly due to the increase in the employee benefit costs related to base salaries and additional monetary rewards. The increase in employee benefit costs is also closely related to the cost of the incentive scheme recognized in the given reporting period. The division of employee costs is indicated in Note 17.3.

## 17.2 Depreciation and amortisation expenses included in the result

<b>DEPRECIATION AND AMORTIZATION EXPENSES INCLUDED IN THE RESULT</b>	<b>01.01.2021</b>	<b>01.01.2020</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Items included in cost of services sold</b>	<b>42</b>	<b>-</b>
Depreciation of fixed assets	42	-
Amortisation of intangible assets	-	-
Impairment of property, plant and equipment	-	-
Impairment of intangible assets	-	-
<b>Items included in research costs</b>	<b>5 807</b>	<b>6 589</b>
Depreciation of fixed assets	5 690	6 527
Amortisation of intangible assets	117	62
Impairment of property, plant and equipment	-	-
Impairment of intangible assets	-	-
<b>Items included in project overheads</b>	<b>1 488</b>	<b>6</b>
Depreciation of fixed assets	1 478	6
Amortisation of intangible assets	10	-
Impairment of property, plant and equipment	-	-
Impairment of intangible assets	-	-
<b>Items included in general administrative costs</b>	<b>18</b>	<b>7</b>
Depreciation of fixed assets	15	7
Amortisation of intangible assets	3	-
Impairment of property, plant and equipment	-	-
Impairment of intangible assets	-	-
<b>Sum of depreciation and impairment allowances</b>	<b>7 355</b>	<b>6 602</b>

The increase of amortization costs compared to the comparative period arises from the execution by the Company of new lease agreements classified in accordance with IFRS 16 'Leasing'. For details of the classification of lease agreements, please refer to Note 15.3.

## 17.3 EMPLOYEE BENEFIT COSTS

<b>EMPLOYEE BENEFIT COSTS</b>	<b>01.01.2021</b>	<b>01.01.2020</b>
	<b>31.12.2021</b>	<b>31.12.2020</b>
Wages and salaries	12 927	7 716
Social security costs	1 797	1 213
Pension and holiday benefit costs	152	87
Other employee benefit costs	423	329
Costs of incentive programme	9 495	1 734
<b>Total employee benefit costs, including:</b>	<b>24 794</b>	<b>11 079</b>
Items included in cost of sales of services	472	-
Items included in research costs	7 373	7 019
Items included in project overheads	2 645	1 611
Items included in general administrative costs	14 304	2 448
Change in products	-	-
Costs of services for the entity's own needs	-	-



The main share in the costs of employee benefits is represented by the costs of salaries of the Company's employees which in 2021 amounted to PLN 12,926 thousand and the costs of the incentive programme introduced in 2019, the cost of which in 2021 amounted to PLN 9,496 thousand (whereas it is an accounting costs not related to the real outflow of cash). For comparison, in the previous year, this cost amounted to PLN 1,734 thousand. Details of this programme and its valuation in subsequent quarters are described in "Accounting principles (policy) and additional information".

#### 18. Other operating income and expenses

	01.01.2021	01.01.2020
<b>OTHER OPERATING INCOME</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Profit from disposal of fixed assets	-	-
Release of asset write-downs	1 131	-
Other	1 563	90
<b>Total other operating income</b>	<b>2 694</b>	<b>90</b>

In 2021 the Company received a cash donation of PLN 1,000 thousand from one of its shareholders, shown in Note 31. Further, in the third quarter of 2021 the Company released an allowance for receivables created in the first half of 2021, relating to a part of the subsidies classified as the Group's revenues in project CT-04 in connection with the approval of the interim report and resumption of project financing by the National Centre of Research and Development. The value of the released allowance for receivables amounted to PLN 1,131 thousand.

	01.01.2021	01.01.2020
<b>OTHER OPERATING EXPENSES</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Loss on disposal of fixed assets	-	-
Revaluation of assets	1 131	-
Provision for the refund to the NCRD	4 658	-
Other	15	377
<b>Total other operating expenses</b>	<b>5 804</b>	<b>377</b>

In accordance with the prudence principle in the first half of 2021 the Company created an allowance for receivables from grants of PLN 1,131 thousand. Such allowance pertains to some grants recognised as the Company's revenues in project CT-04. In the third quarter of 2021 such allowance was released, which was recognized in other operating income.

#### 19. Financial income and costs

	01.01.2021	01.01.2020
<b>FINANCIAL INCOME</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Interest income	-	-
Reversal of revaluation write-downs	-	-
<b>Total financial income</b>	<b>-</b>	<b>-</b>

The Company did not generate any financial income in the current and previous period.

	01.01.2021	01.01.2020
<b>FINANCIAL COSTS</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Interest expense on bank loans and borrowings received	27	14
Financial costs related to leasing agreements	373	378
Revaluation of investments	-	-
Excess negative exchange rate differences	56	85
Other	407	-
<b>Total financial costs</b>	<b>863</b>	<b>477</b>

Other financial costs include the remuneration for the establishment of a registered pledge of PLN 400 thousand, which was intended to secure a potential obligation to repay the advance received by the Company.

## 20. Income tax

### 20.1 TAX EXPENSE

Due to the incurred tax losses the Company does not report any income tax expenses.

### 20.2 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

Reconciliation of income tax on the gross operating result before tax according to the statutory tax rate with income tax calculated according to the effective income tax rate of the Company for the years ended 31 December 2021 and 31 December 2020 is as follows:

	01.01.2021	01.01.2020
EFFECTIVE INCOME TAX RATE	-	-
	31.12.2021	31.12.2020
Profit/(loss) before tax from continuing operations	-32 751	- 12 689
Profit/(loss) before tax from discontinued operations	-	-
Profit/(loss) before tax	-32 751	- 12 689

### 20.3 DEFERRED INCOME TAX

The Company has not recognised deferred income tax assets and liabilities taking into account the prudence principle. With no tax losses to be deducted, the impact of temporary differences is immaterial.

DEDUCTIBLE TEMPORARY DIFFERENCES, TAX LOSSES FOR WHICH DEFERRED INCOME TAX ASSETS HAVE NOT BEEN RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION	Basis for asset recognition at the end of the period	Basis for asset recognition at the end of the period	Date of expiry of deductible temporary differences, tax losses
	31.12.2021	31.12.2020	
<b>Due to:</b>			
Difference between leasing assets and liabilities	737	228	-
Tax losses	42 989*	17 195	2022-2026
<b>Total:</b>	<b>43 726</b>	<b>18 183</b>	

\* the tax loss presented in the above table includes cumulative tax losses incurred by the Parent Company in 2017-2021

## 21. Discontinued operations

There were no discontinued operations in the period of 12 months of 2021.

## 22. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to ordinary shareholders of the Entity by the number of issued ordinary shares outstanding at the end of the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to ordinary shareholders of the Entity (after deducting interest on redeemable preference shares convertible into ordinary shares) by the number of issued ordinary shares outstanding at the end of the period (adjusted for the effect of dilutive options and shares from probable future issues).

Below please find profit and share data used in the calculation of basic and diluted earnings per share:

	01.01.2021	01.01.2020
<b>EARNINGS/LOSS PER SHARE</b>	-	-
	<b>31.12.2021</b>	<b>31.12.2020</b>
Net profit attributable to ordinary shareholders of the Entity	-32 751	-12 689
Number of shares as at the balance sheet date used to calculate earnings per share	4 127 972	3 590 000
Number of shares as at the balance sheet date used to calculate diluted earnings per share	4 356 584	3 332 559
<b>Earnings (loss) per share (in PLN)</b>	<b>-7.93</b>	<b>-3.53</b>
<b>Diluted earnings (loss) per share (in PLN)</b>	<b>-7.52</b>	<b>-3.81</b>

### 23. Proposed profit distribution (coverage of loss) for the fiscal year

In 2021 the Company recorded a negative financial result. The Management Board of the Company proposes to cover the loss incurred in the current period by future profits.

### 24. Dividends paid and proposed to be paid

The Company did not pay any dividends in the current or previous period. No advances on dividends were paid either.

### 25. Expenditures on development work (in progress)

EXPENDITURES ON DEVELOPMENT WORK (IN PROGRESS)	31.12.2021	31.12.2020
Salaries	180	180
Write-off for impairment of capitalized expenditures	-	-
<b>Total</b>	<b>180</b>	<b>180</b>

The costs of development work of PLN 180 thousand were capitalized and shown in the statement of financial position under fixed assets as development work in progress, therefore they are not shown in the statement of performance and other comprehensive income.

### 26. Tangible fixed assets

TANGIBLE FIXED ASSETS	31.12.2021	31.12.2020
Owned	5 175	193
Used under a rental, lease or any other agreement, including a leasing agreement	7 437	12 004
<b>Total</b>	<b>12 612</b>	<b>12 198</b>

TANGIBLE FIXED ASSETS	31.12.2021	31.12.2020
<b>Fixed assets, including:</b>	<b>12 612</b>	<b>12 198</b>
buildings and structures	3 615	4 582
machinery and equipment	8 440	7 616
other	557	-
<b>Fixed assets under construction</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>12 612</b>	<b>12 198</b>

Plant and equipment includes medical and specialist equipment acquired and used by the Company.

LEASED FIXED ASSETS	31.12.2021			31.12.2020		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Buildings and structures	9 040	5 557	3 483	8 050	3 615	4 434
Machines and equipment	15 606	11 651	3 955	15 191	7 620	7 570
<b>Total</b>	<b>24 646</b>	<b>17 208</b>	<b>7 438</b>	<b>23 240</b>	<b>11 236</b>	<b>12 004</b>

<b>CHANGES IN FIXED ASSETS BY TYPE 01.01.2021 – 30.12.2021</b>	<b>buildings and structures</b>	<b>machinery and equipment</b>	<b>other</b>	<b>total fixed assets</b>
<b>Gross fixed assets, beginning of period</b>	<b>8 204</b>	<b>18 749</b>	<b>-</b>	<b>26 953</b>
<b>Increases, due to</b>	<b>1 567</b>	<b>7 303</b>	<b>702</b>	<b>9 572</b>
acquisitions	1 567	7 303	702	9 572
transfers from assets under construction	-	-	-	-
commencement of contract of lease	-	-	-	-
<b>Decreases, due to</b>	<b>-</b>	<b>1 200</b>	<b>-</b>	<b>1 200</b>
termination of rental agreement	-	1 200	-	1 200
<b>Gross fixed assets, end of period</b>	<b>9 771</b>	<b>24 852</b>	<b>702</b>	<b>35 326</b>
<b>Accumulated depreciation, beginning of period</b>	<b>3 622</b>	<b>11 134</b>	<b>-</b>	<b>14 756</b>
<b>Increases, due to</b>	<b>2 534</b>	<b>5 734</b>	<b>145</b>	<b>8 412</b>
Depreciation	2 534	5 734	145	8 412
<b>Decreases, due to</b>	<b>-</b>	<b>454</b>	<b>-</b>	<b>454</b>
termination of rental agreement	-	454	-	454
<b>Accumulated depreciation, end of period</b>	<b>6 156</b>	<b>16 413</b>	<b>145</b>	<b>22 714</b>
<b>Impairment losses, beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increases, due to</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
impairment	-	-	-	-
<b>Decreases, due to</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
reversal of impairment losses	-	-	-	-
<b>Impairment losses, end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net fixed assets, end of period</b>	<b>3 615</b>	<b>8 440</b>	<b>557</b>	<b>12 612</b>

<b>CHANGES IN FIXED ASSETS BY TYPE 01.01.2020 - 31.12.2020</b>	<b>buildings and structures</b>	<b>machinery and equipment</b>	<b>total fixed assets</b>
<b>Gross fixed assets, beginning of period</b>	<b>4 300</b>	<b>14 269</b>	<b>18 569</b>
<b>Increases, due to</b>	<b>3 904</b>	<b>4 480</b>	<b>8 384</b>
acquisitions	103	-	103
transfers from assets under construction	-	-	-
commencement of contract of lease	3 801	4 480	8 281
<b>Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross fixed assets, end of period</b>	<b>8 204</b>	<b>18 749</b>	<b>26 953</b>
<b>Accumulated depreciation, beginning of period</b>	<b>1 611</b>	<b>6 605</b>	<b>8 216</b>
<b>Increases, due to</b>	<b>2 011</b>	<b>4 528</b>	<b>6 539</b>
Depreciation	2 011	4 528	6 539
<b>Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accumulated depreciation, end of period</b>	<b>3 622</b>	<b>11 133</b>	<b>14 755</b>
<b>Impairment losses, beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increases</b>	<b>-</b>	<b>-</b>	<b>-</b>
impairment	-	-	-
<b>Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>
reversal of impairment losses	-	-	-
<b>Impairment losses, end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net fixed assets, end of period</b>	<b>4 582</b>	<b>7 616</b>	<b>12 198</b>

The Company does not have any property, plant and equipment with the Company's title thereto being restricted or serving as a security for liabilities.

The Company has no contractual obligations to acquire property, plant and equipment in the future.

## 27. Intangible assets

INTANGIBLE ASSETS	31.12.2021	31.12.2020
Owned	180	141
Used under a rental, lease or any other agreement, including a leasing agreement	-	-
<b>Total</b>	<b>180</b>	<b>141</b>

INTANGIBLE ASSETS	31.12.2021	31.12.2020
Acquired concessions, patents, licences and similar	-	-
Other intangible assets	180	141
<b>Total</b>	<b>180</b>	<b>141</b>

Reported intangible assets are mainly licenses and software used in the Company's operations.

CHANGES IN INTANGIBLE ASSETS 01.01.2021 - 31.12.2021	other intangible assets	total intangible assets
Gross intangible assets, beginning of period	427	427
Increases, due to	169	169
Acquisitions	169	169
Decreases	-	-
Gross intangible assets, end of period	596	596
Accumulated depreciation, beginning of period	286	286
Increases, due to	129	129
Depreciation	129	129
Decreases	-	-
Accumulated depreciation, end of period	416	416
Impairment losses, beginning of period	-	-
Increases, due to	-	-
impairment	-	-
Decreases, due to	-	-
reversal of impairment losses	-	-
Impairment losses, end of period	-	-
<b>Net intangible assets, end of period</b>	<b>180</b>	<b>180</b>

<b>CHANGES IN INTANGIBLE ASSETS 01.01.2020 - 31.12.2020</b>	<b>other intangible assets</b>	<b>total intangible assets</b>
<b>Gross intangible assets, beginning of period</b>	<b>282</b>	<b>282</b>
<b>Increases, due to</b>	<b>145</b>	<b>145</b>
Acquisitions	145	145
<b>Decreases</b>	<b>-</b>	<b>-</b>
<b>Gross intangible assets, end of period</b>	<b>427</b>	<b>427</b>
<b>Accumulated depreciation, beginning of period</b>	<b>224</b>	<b>224</b>
<b>Increases, due to</b>	<b>62</b>	<b>62</b>
Depreciation	62	62
<b>Decreases</b>	<b>-</b>	<b>-</b>
<b>Accumulated depreciation, end of period</b>	<b>286</b>	<b>286</b>
<b>Impairment losses, beginning of period</b>	<b>-</b>	<b>-</b>
<b>Increases, due to</b>	<b>-</b>	<b>-</b>
Impairment	-	-
<b>Decreases, due to</b>	<b>-</b>	<b>-</b>
reversal of impairment losses	-	-
<b>Impairment losses, end of period</b>	<b>-</b>	<b>-</b>
<b>Net intangible assets, end of period</b>	<b>141</b>	<b>141</b>

The Company has no internally generated intangible assets.

The Company does not have any intangible assets with the Group's title thereto being restricted or serving as a security for liabilities.

The Company has no contractual commitments to acquire intangible assets in the future.

## **28. Mergers of business entities, acquisitions of assets of significant value and acquisition of minority interests**

There were no mergers of business entities, acquisitions of assets of significant value or acquisitions of minority interests to which the Entity would be a party during 2021.

## **29. Other non-current assets**

<b>OTHER NON-CURRENT ASSETS</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Shares/stock of the subsidiary	76	76
Non-current prepayments	1	2
<b>Total</b>	<b>77</b>	<b>78</b>

## **30. Trade and other receivables**

<b>TRADE RECEIVABLES</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Net trade receivables</b>	<b>974</b>	<b>23</b>
- from related parties	-	-
- from other undertakings	974	23
Write-downs on receivables	-	-
<b>Gross trade receivables</b>	<b>974</b>	<b>23</b>

Translation of a document originally issued in Polish							
TRADE RECEIVABLES	Total	Current	Overdue in days				
			<30 days	31-90 days	91-180 days	181-365 days	>366 days
31.12.2021							
- from related parties	-	-	-	-	-	-	-
- from other undertakings	974	972	-	2	-	-	-
<b>Total gross trade receivables</b>	<b>974</b>	<b>972</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
31.12.2020							
- from related parties	-	-	-	-	-	-	-
- from other undertakings	23	1	1	-	-	7	14
<b>Total gross trade receivables</b>	<b>23</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>14</b>

OTHER RECEIVABLES	31.12.2021	31.12.2020
<b>Other net receivables</b>	<b>10 722</b>	<b>1 697</b>
Budgetary receivables	2 004	792
Receivables from grants	8 681	896
Other	37	9
Write-downs on receivables	-	-
<b>Other gross receivables</b>	<b>10 722</b>	<b>1 697</b>

Trade receivables are not interest-bearing.

There are no overdue receivables not covered by allowances that would be considered uncollectible. In the opinion of the Entity's Management Board, there is no credit risk above the level determined by the allowance for uncollectible receivables specific to the Entity's trade receivables.

Receivables from grants relate to eligible costs incurred in a given financial year and subject to reimbursement in subsequent reporting periods.

### 31. Other assets

The Company discloses prepayments if they pertain to advances for future services or deliveries, which are presented in the table below.

PREPAYMENTS	31.12.2021	31.12.2020
Insurance policies	58	11
Down payments (licenses, domain names)	762	358
Conferences	-	12
IPO costs	-	456
Other	82	1
<b>Total</b>	<b>902</b>	<b>838</b>

The Company made the largest down payments when purchasing licenses and domain names which are used in execution of research projects.

### 32. Cash and cash equivalents

The balance of cash and cash equivalents shown in the separate cash flow statement consisted of the following items:

<b>CASH AND CASH EQUIVALENTS</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Cash in hand and bank accounts, including:	117 622	10 650
- cash on VAT Accounts	-	-
<b>Total</b>	<b>117 622</b>	<b>10 650</b>

The Company has no overdraft facilities or restricted cash.

### 33. Equity

#### 33.1 SHARE CAPITAL

As at 31 December 2021 the Entity's share capital amounted to PLN 412,797.20 and is divided into 4,127,972 shares of a par value of PLN 0.10 each.

<b>SHARE CAPITAL</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Number of shares (pcs.)	4 127 972	3 590 000
Nominal value of shares (PLN)	0.10	0.10
<b>Share capital</b>	<b>413</b>	<b>359</b>

#### Changes in the share capital of the Parent Company:

On 8 January 2021 the Management Board adopted Resolution No. 2 on increasing the Company's share capital within the limits of the authorised capital from PLN 365,145.60 to PLN 373,557.90 by issuing 84,143 series J ordinary registered shares with a nominal value of PLN 0.10 per share in a private placement, excluding the pre-emptive rights of existing shareholders. The issue price per share amounted to PLN 106.96. The Entity offered to conclude and concluded share subscription agreements only with 4 investors (three natural persons and one legal person, each of whom subscribed for the Issuer's shares for a total amount exceeding EUR 100,000), on the basis of which the investors undertook to subscribe for 84,143 shares in the Company for the total issue price of PLN 8,999,935.28. The total issue price for all series J shares in the Company was paid, as a cash contribution (cash), to the Company by 12 January 2021.

On 8 January 2021 the Extraordinary General Meeting adopted Resolution No. 7 on the redemption of 297,250 series A registered preference shares, 2,357 series E registered preference shares and 179,500 series B ordinary registered shares (in total 479,107 shares with a total nominal value of PLN 47,910.70) and Resolution No. 8 on decreasing the Company's share capital by PLN 47,910.70, i.e. by the amount corresponding to the total nominal value of the redeemed shares. The amount obtained from decreasing the Company's share capital, i.e. PLN 47,910.70, was transferred to a separate reserve capital of the Company, created in accordance with art. 457 § 2 sentence 1 of the Commercial Companies Code.

On 8 January 2021, 297,250 series A registered preference shares and 2,357 registered preference series E shares were acquired by the Company from the shareholder Marek Skibiński for the purpose of their redemption without consideration. On the same date, 179,500 series B registered ordinary shares were acquired by the Company free of charge from the shareholder Filip Deer for the purpose of their redemption without consideration.

On 8 January 2021 the General Meeting, by Resolution No. 9, amended Resolution No. 3 of 6 November 2020, which amended Resolution No. 25 of 26 June 2020 by changing the maximum amount of the Company's share capital increase within the limits of authorised capital, so that the Management Board may increase the share capital within the limits of authorised capital by an amount not exceeding PLN 37,374.10 by issuing no more than 373,741 new shares in the Company. The General Meeting also changed the term of the Management Board's authorisation to increase the share capital so that the Management Board's authorisation to issue 136,497 shares expired on 31 December 2021, and in the remaining scope, i.e. in relation to 237,244 shares, in January 2021. The General Meeting decided that 237,244 shares will be intended for subscription within the Incentive Scheme. The remaining terms and conditions of the Company's share capital increase within the limits of the authorised capital remained unchanged, i.e. shares to be issued within the Incentive Scheme will be issued at the issue price per share equal to the nominal



value of one share, i.e. PLN 0.10, and the remaining shares issued within the limits of the authorised capital may be offered by the Management Board of the Company to other entities (the issue price will be set by the Management Board upon consent of the Supervisory Board, however, it may not be lower than PLN 106.96 per share).

The authorisation of the Company's Management Board to issue 136,497 shares until 31 December 2021 within the limits of the authorised capital was used by the Company's Management Board in full by issuing 52,354 series H ordinary registered shares and 84,143 series J ordinary registered shares. Within the authorized capital, the Management Board may issue 188,004 more shares (after taking into account the issuance of series K and L shares, which have not yet been registered by the registry court as at the date of preparation of these financial statements) to be allocated for the implementation of the Incentive Scheme.

Changes to the Company's share capital made on 8 January 2021 (issue of series J shares, redemption of a part of series A, E and B shares and amendment to the authorisation of the Company's Management Board to issue shares within the limits of the authorised capital) were registered in the Register of Entrepreneurs of the National Court Register on 8 March 2021.

On 8 January 2021 the Extraordinary General Meeting amended, by Resolution No. 11, Resolution No. 26 on increasing the Company's share capital by issuing ordinary series G shares in open subscription, excluding the pre-emptive rights of existing shareholders, and amending the Company's Statute in connection with the share capital increase, indicating that the Company's share capital is increased by an amount not less than PLN 0.10 and not more than 87,150 PLN by way of an issue of not less than 1 but not more than 871,500 series G ordinary bearer shares with a nominal value of PLN 0.10 per share, in an open subscription (conducted by way of a public offering of securities), with the exclusion of the pre-emptive rights of existing shareholders.

On 24 May 2021 the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, registered the increase in the Company's share capital from PLN 325,647.20 to PLN 412,797.20 by way of issuance of 871,500 series G ordinary bearer shares with a nominal value of PLN 0.10 each on the basis of Resolution No. 11 of the Extraordinary General Meeting of Shareholders of the Company dated 8 January 2021.

As a result of the offering of series J and G shares, the Parent Company's equity increased by approximately PLN 158.9 million in the first half of 2021.

There were no changes in the share capital of the subsidiary in 2021.

The share capital structure as at 31 December 2021 as follows:

SHARE CAPITAL STRUCTURE				31.12.2021
Share series	Number of shares	Nominal value of shares	Preference rights	Number of votes
A	799 750	0.10	yes	1 599 500
B	1 757 075	0.10	no	1 757 075
C	82 449	0.10	no	82 449
D	97 051	0.10	no	97 051
E	347 643	0.10	yes	695 286
F	26 925	0.10	no	26 925
G	871 500	0.10	no	871 500
H	52 354	0.10	no	52 354
I	9 082	0.10	no	9 082
J	84 143	0.10	no	84 143
<b>Total</b>	<b>4 127 972</b>			<b>5 275 365</b>

### 33.1.1 NOMINAL VALUE OF SHARES

All outstanding shares have a nominal value of PLN 0.10 and are fully paid up.

### 33.1.2 SHAREHOLDER'S RIGHTS

Series A and E shares carry preference rights such that the holders of such shares are entitled to 2 votes per 1 share.

### 33.1.3 SHAREHOLDERS WITH SIGNIFICANT SHAREHOLDING

The list of significant shareholders of the Entity (holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting) is presented in the table below.

**Status as at the preparation of this financial statement:**

#### SHARE CAPITAL OWNERSHIP STRUCTURE\*

No.	Shareholder	Total number of shares	Total number of votes	Percentage share capital	Percentage of total number of votes at the GM
1.	Michał Walczak	915 378	1 456 395	22.18%	27.61%
2.	Paweł Holstinghausen Holsten	589 966	950 041	14.29%	18.01%
3.	Sylvain Cottens	340 897	526 730	8.26%	9.98%
4.	Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	303 075	303 075	7.34%	5.75%
5.	Other	1 978 656	2 039 124	47.93%	38.65%
<b>Total</b>		<b>4 127 972</b>	<b>5 275 365</b>	<b>100.0%</b>	<b>100.0%</b>

*\*Based on information available to the Company*

**Status as at 31 December 2021:**

#### SHARE CAPITAL OWNERSHIP STRUCTURE\*

No.	Shareholder	Total number of shares	Total number of votes	Percentage share capital	Percentage of total number of votes at the GM
1.	Michał Walczak	915 378	1 456 395	22.18%	27.61%
2.	Paweł Holstinghausen Holsten	589 966	950 041	14.29%	18.01%
3.	Sylvain Cottens	340 897	526 730	8.26%	9.98%
4.	Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	303 075	303 075	7.34%	5.75%
5.	Other	1 978 656	2 039 124	47.93%	38.65%
<b>Total</b>		<b>4 127 972</b>	<b>5 275 365</b>	<b>100.0%</b>	<b>100.0%</b>

*\*Based on information available to the Company.*

### 33.2 SHARE PREMIUM RESERVE

The share premium reserve arises from the following items:

SHARE PREMIUM RESERVE	31.12.2021	31.12.2020
Issuance of series B shares, AGIO	3 774	3 774
Voluntary capital decrease without consideration	36	36
Issuance of series C shares, AGIO, investment agreements 2018	3 898	3 898
Issuance of series C2 and D shares, AGIO, investment agreement 2019	8 584	8 584
Issuance of series H, I, J shares	153 739	-
<b>Total</b>	<b>170 031</b>	<b>16 292</b>

### 33.3 RESERVE CAPITAL

The reserve capital arises from the following items:

OTHER CAPITAL RESERVES	31.12.2021	31.12.2020
Redemption of shares	103	56
Actuarial gains and losses	72	35
Unregistered share issue	-	5 600
<b>Total</b>	<b>175</b>	<b>5 690</b>

### 33.4 SHARE-BASED PAYMENT RESERVE

The share-based payment reserve consist of the valuation of the incentive scheme in the Company. The description of the incentive scheme is included in Note 15.20.

### 34. Retirement benefit obligations and provisions for liabilities

PROVISIONS FOR EMPLOYEE BENEFITS	31.12.2021	31.12.2020
Provision for outstanding holiday entitlement	441	278
Provision for pensions	59	66
<b>Total, including:</b>	<b>500</b>	<b>344</b>
Long-term	33	65
Short-term	467	279

The provision for outstanding holiday entitlement is presented in the statement of financial position in short-term liabilities, in the item provisions for liabilities.

CHANGE IN EMPLOYEE PROVISIONS	Provision for outstanding holiday entitlement	Provision for pensions	Total
<b>Status as of 01.01.2021</b>	<b>278</b>	<b>66</b>	<b>344</b>
Creation of provision	163	11	174
Costs of benefits paid (use)	-	-	-
Provisions released	-	18	18
<b>Status as of 31.12.2021</b>	<b>441</b>	<b>59</b>	<b>500</b>
<b>Status as of 01.01.2020</b>	<b>203</b>	<b>54</b>	<b>257</b>
Creation of provision	75	12	87
Costs of benefits paid (use)	-	-	-
Provisions released	-	-	-
<b>Status as of 31.12.2020</b>	<b>278</b>	<b>66</b>	<b>344</b>

PROVISIONS FOR LIABILITIES	31.12.2021	31.12.2020
External services	137	416
Provision for the refund to the NCRD	4 658	-
Provision for internal audit	1 000	-
<b>Total other reserves</b>	<b>5 795</b>	<b>416</b>

In connection with the fact that the Company became aware of the proceedings conducted by the state authorities concerning potential irregularities in carrying out public procurement procedures as part of EU projects the Company appointed external reputable financial and legal advisors to carry out an audit. Accordingly, the Company created a provision for a partial refund to NCRD of PLN 4,658 thousand. (which amount includes the principal of PLN 3,891 thousand and interest of PLN 767 thousand). Additionally, the Company created a provision for the costs of the audit and the preparation of the legal strategy of PLN 1,000

thousand. After the balance sheet date, on the basis of the results of the audit, on 13 April 2022 the Company repaid to PLN 4,658 thousand to the NCRD. Other reserves for external services of PLN 137 thousand were mainly related to the audit of the financial statement by the audit firm.

<b>CHANGE IN PROVISIONS FOR LIABILITIES</b>	<b>External services</b>	<b>Provision for the refund to the NCRD</b>	<b>Provision for internal audit</b>	<b>Total</b>
<b>Status as of 01.01.2021</b>	<b>416</b>	<b>-</b>	<b>-</b>	<b>416</b>
Creation of provision	148	4 658	1 000	5 806
Use of provision	427	-	-	427
Release of provision	-	-	-	-
<b>Status as of 31.12.2021</b>	<b>137</b>	<b>4 658</b>	<b>1 000</b>	<b>5 795</b>

  

	<b>External services</b>	<b>Total</b>
<b>Status as of 01.01.2020</b>	<b>-</b>	<b>-</b>
Creation of provision	416	416
Use of provision	-	-
Release of provision	-	-
<b>Status as of 31.12.2020, including:</b>	<b>416</b>	<b>416</b>
- long-term	-	-
- short-term	416	416

### 35. Loans received

In the first half of 2021 the Group repaid the loan received from Alternative Capital Spółka z o.o. (i.e. the legal predecessor of Alternative Capital Denovo Solutions sp. z o.o. sp.k.) of PLN 214 thousand. As at 31 December 2020 the loan was declared as financial liability.

The balance of loans received is as follows:

<b>LOANS AND BORROWINGS</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Loans received	-	214
<b>Total, including:</b>	<b>-</b>	<b>214</b>
- long-term	-	214
- short-term	-	-

### 36. Lease liabilities

#### Structure of lease liabilities by maturity

<b>LEASE LIABILITIES</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Short-term lease liabilities, including	5 241	5 734
- up to 1 month	545	519
- from 1 month to 3 months	1 066	1 016
- from 3 months to 6 months	1 591	1 528
- from 6 months to 1 year	2 039	2 670
Long-term leasing liabilities, including:	2 940	6 498
- from one to five years	2 940	6 498
- more than five years	-	-
<b>TOTAL</b>	<b>8 181</b>	<b>12 232</b>

Lease liabilities mainly relate to the lease of office space, laboratory space and specialist equipment used in the Group's day-to-day operations.

### 37. Trade and other liabilities (short-term)

Liabilities declared in the statement of financial position are for the most part payable within 30-90 days of the debit document. The declared liabilities do not include settlements related to credits, loans and lease liabilities.

<b>TRADE LIABILITIES</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
- to related parties	-	77
- to other entities	3 093	2 298
<b>Total</b>	<b>3 096</b>	<b>2 374</b>

  

<b>OTHER SHORT-TERM LIABILITIES</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Tax, customs, insurance and other benefits liabilities	879	331
Payroll liabilities	647	449
Other	3	-
<b>Total</b>	<b>1 529</b>	<b>781</b>

### 38. Other liabilities/deferred income

The Company has deferred income which relates to grant advances received. These funds will be used to cover the corresponding costs in the next reporting period. The value of advances received and unused at the balance sheet date is as follows:

<b>DEFERRED INCOME</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
- project POIR.01.02.00-00-0073/18	-	12
- project POIR.01.01.01-00-0956/17	-	3 447
- project POIR.04.01.04-00-0116/16	-	109
- project POIR.01.01.01-00-0931/19	-	682
- project POIR.01.01.01-00-0747/16	-	162
- project POIR.01.01.01-00-0740/19	-	2 589
- project POIR.01.01.01-00-0741/19	-	3 149
- project POIR.04.01.02-00-0147/16	126	126
- project POIR.01.02.00-00-0079/18	-	124
Other	-	-
<b>Total</b>	<b>126</b>	<b>10 401</b>

The decrease in the deferred income as of the balance sheet date, compared to 31 December 2020, is due to the change of the method of reconciliation of grants with NCRD. Due to the fact that projects are advanced and the contractual limits were used up in most projects, the Company did not settle grants by advances but through reimbursement of the already incurred costs

### 39. Contingent liabilities

The Company issues registered blank promissory notes for each grant agreement (for each project). This is required by the regulations for projects co-financed from public funds.

As collateral for proper performance of obligations under the project financing agreement, the Entity's Management Board submitted a security in the form of a blank promissory note bearing the clause "not to order". The security was established until the end of the projects' durability period. This is a requirement resulting from the subsidy (grant) agreement. Such a provision is included in each of the agreements to which the Entity is a party.

The Company has also issued blank promissory notes related to lease agreements for laboratory equipment. The lessor is authorised to fill these promissory notes up to the amount equivalent to all due but unpaid receivables due to the lessor under the lease agreements.

CONTINGENT LIABILITIES			31.12.2021
Type of contract to be secured			Promissory note together with a promissory note agreement
Description	Contractual amount	Potential contingent liability	Type of promissor note
POIR.01.01.01-00-0747/16	24 320	13 206	blank
POIR.01.01.01-00-0956/17	27 683	15 007	blank
POIR.01.02.00-00-0073/18	25 511	8 322	blank
POIR.01.02.00-00-0079/18	29 558	9 081	blank
POIR.01.01.01-00-0740/19	28 960	8 182	blank
POIR.01.01.01-00-0931/19	7 759	2 093	blank
POIR.01.01.01-00-0741/19	27 411	3 920	blank
Lease contract no. 18/015253	2 839	957	blank
Lease contract no. 18/007516	598	148	blank
Lease contract no. 18/021031	496	185	blank
<b>Total</b>	<b>175 135</b>	<b>61 102</b>	

#### 40. Litigation

As at 31 December 2021 and as at the date of this separate financial statement, the Company is not a party to any litigation.

#### 41. Tax settlements

Tax settlements as well as other areas of business subject to legal regulations (among other customs or foreign exchange related matters) may be inspected by administrative bodies authorized to impose penalties and sanctions. However, the legal system in force is not perfect, it has gaps and axiological and logical inconsistencies. This applies both to law-making and application of law. Instability and ambiguity of many provisions of law results in discrepancies in their interpretation, which in turn translates into different views of the tax authorities and entrepreneurs.

Tax settlements may be inspected. As a result of such inspections tax settlements of the entities comprising the Company may be increased by additional tax liabilities. In the opinion of the Management Board of the Company as at 31 December 2021 and as at 31 December 2020 it was not necessary to create any provisions for recognizable and quantifiable tax risk.

#### 42. Explanations to the cash flow statement

CASH AT THE END OF THE PERIOD	31.12.2021	31.12.2020
Cash in the statement of financial position	117 622	10 650
Cash in the cash flow statement	117 622	10 650

  

SPECIFICATION	31.12.2021	31.12.2020
<b>Depreciation:</b>	<b>7 355</b>	<b>6 602</b>
amortisation of intangible assets	129	62
depreciation of property, plant and equipment	7 226	6 540
<b>Foreign exchange gains (losses)</b>	<b>36</b>	<b>8</b>
accrued exchange differences	36	8
<b>Interest:</b>	<b>409</b>	<b>392</b>
interest accrued on loans received	-	14
interest paid on leasing	409	378

SPECIFICATION	31.12.2021	31.12.2020
<b>Change in reserves:</b>	<b>5 513</b>	<b>503</b>
balance sheet change in provisions for trade liabilities	5 379	416
balance sheet change in provisions for employee benefits	134	87
<b>Change in receivables:</b>	<b>-9 977</b>	<b>151</b>
change in short-term receivables as per balance sheet	-9 978	153
change in long-term receivables as per balance sheet	1	-2
<b>Change in short-term liabilities, except for financial liabilities:</b>	<b>-8 805</b>	<b>208</b>
change in short-term liabilities as per the balance sheet	1 470	208
change in other liabilities	-10 275	-
<b>Change in accruals:</b>	<b>-64</b>	<b>2 537</b>
Change in prepayments and accrued income as per the balance sheet	-64	2 537

### 43. Information on related parties

The following is a list of entities related to the Company as at 31 December 2021, with which the Company executed transactions in the period covered by this financial statement.

<i>Entity or individual</i>	<i>Function held/description of relationship</i>
Sylvain Cottens	Member of the Management Board of Captor Therapeutics GmbH, shareholder of Captor Therapeutics S.A.
Thomas Shepherd	President of the Management Board of Captor Therapeutics S.A. from 20 January 2021
Michał Walczak	President of the Management Board of Captor Therapeutics GmbH, Member of the Management Board of Captor Therapeutics S.A., employed in Captor Therapeutics S.A., shareholder of Captor Therapeutics S.A.
Aleksandra Skibińska	Member of the Management Board of Captor Therapeutics S.A. until 21 June 2021, wife of a Member of the Supervisory Board of Captor Therapeutics S.A.
Radosław Krawczyk	Member of the Management Board of Captor Therapeutics S.A. from 29 June 2021, shareholder of Captor Therapeutics S.A.
Captor Therapeutics GMBH	Company in which Captor Therapeutics S.A. holds 100% of shares
Marek Skibiński	Member of the Supervisory Board of Captor Therapeutics S.A. until 14 December 2021, husband of Aleksandra Skibińska - Member of the Management Board of Captor Therapeutics S.A. until 21 June 2021
Paweł Holstinghausen Holsten	Member of the Supervisory Board of Captor Therapeutics S.A.
Maciej Wróblewski	Member of the Supervisory Board of Captor Therapeutics S.A. from 17 March 2021
Florent Gros	Member of the Supervisory Board of Captor Therapeutics S.A.
Krzysztof Samotij	Member of the Supervisory Board of Captor Therapeutics S.A.
Luc Otten	Member of the Supervisory Board until 7 January 2021
Swissvention Partners GMBH	Company of which the managing director and owner is Florent Gros
Denovo Solutions Sp. z o.o.	A company whose shareholders as at 30 June 2021 were Marek Skibiński and Paweł Holstinghausen Holsten (this company was the general partner of Alternative Capital Denovo Solutions Sp. Sp. k.- former shareholder of Captor Therapeutics S.A.

## Transactions with related parties

The table below presents transactions executed in the current period with entities related to the Company.

<b>01.01.2021 31.12.2021</b>	<b>Towards subsidiaries</b>	<b>Towards jointly-owned subsidiaries</b>	<b>Towards key management *</b>	<b>Towards other related parties **</b>
Purchases	755	-	-	-
Sales	-	-	-	-
Loans granted	-	-	-	-
Financial income - interest on loans	-	-	-	-
Loans received	-	-	-	-
Financial costs - interest on loans and remuneration for the establishment of a registered pledge	-	-	2	425
Trade receivables	-	-	-	-
Trade payables	-	-	-	-
Remuneration – paid by the Company	-	-	4 243	-
Other – received by the Company	-	-	1 000	-

\* this item includes persons having authority and responsibility for planning, directing and controlling the activities of the entity

\*\* this item includes entities related through key management

Transactions between related parties took place on terms equivalent to those applicable to transactions concluded at arm's length.

### 43.1 PARENT COMPANY OF THE ENTIRE GROUP

Captor Therapeutics S.A. is the parent company in the Group.

### 43.2 ENTITY HAVING A SIGNIFICANT INFLUENCE OF THE GROUP

There is no entity having a significant influence of the Captor Therapeutics S.A. Group.

## 44. Salaries, bonuses and benefits for members of governing bodies

<b>GROSS SALARIES</b>	<b>31.12.2021</b>		<b>31.12.2020</b>	
	<b>paid</b>	<b>payable</b>	<b>paid</b>	<b>payable</b>
Management Board of the Company	3 096	3 096	931	986
Supervisory Board of the Company	298	27	90	112
<b>Total</b>	<b>3 394</b>	<b>3 123</b>	<b>1 021</b>	<b>1 098</b>

The above table presents total remuneration payable to all members of the Management Board and Supervisory Board of the Company for acting as such members, with division into 2021 and 2020. The difference between the value in the column payable and the value in the column paid presents the Company's liability as of the relevant balance sheet date related to payable salaries for members of the Entity's bodies that have not been paid.

### 44.1 PARTICIPATION OF SENIOR MANAGEMENT (INCLUDING MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD) IN THE EMPLOYEE SHARE PROGRAMME

The Incentive Scheme was established pursuant to Resolution No. 14 of the Company's Annual General Meeting of 16 May 2019, as amended by Resolution No. 22 of the Company's Annual General Meeting of 26 June 2020 and Resolution No. 10 of the Company's Extraordinary General Meeting of 8 January 2021. On the basis of the Incentive Scheme, eligible persons (i.e. persons employed in the Company or its subsidiaries, on the basis of an employment contract or other legal basis, indicated by the Management Board of the Company, after obtaining the approval of the Supervisory Board, as well as members of the Supervisory Board indicated by the General Meeting) will have the right to purchase existing or newly issued shares of the Company. The decision as to whether the Company will offer employees the treasury shares acquired by the Company from the shareholders of



the Company (the Company's primary obligation) or issue newly issued shares (the so-called alternate authorisation) has been left to the Company. On 14 August 2020 and 2 September 2020 the first group of employees of the Company eligible to subscribe for shares under the Incentive Scheme, comprised of 50 employees, acquired the right to subscribe for a total of 9,082 ordinary shares of the Company. The indicated shares will be allotted to employees through the increase of the share capital within the limits of the authorized capital of the Company by issuance of series I ordinary shares (the issuance is based on the resolution of the Management of the Company dated 28 December 2020). Furthermore, on 10 December 2021, the Company's Management Board adopted a resolution on the issue of 30,738 series K ordinary bearer shares within the limits of the Company's authorised capital, excluding pre-emptive rights of the Company's existing shareholders entirely. The issue of series K shares is also related to the implementation of the Incentive Scheme. On 27 April 2021, another increase in the Company's share capital took place within the limits of the Company's target capital, through the issuance of 9,420 series L ordinary bearer shares. The issue of series L shares is also related to the implementation of the Incentive Scheme. As at the date of preparation of these financial statements, the issue of series K and L shares has not yet been registered by the registry court.

On 8 January 2021 by Resolution no. 5 the Extraordinary General Meeting granted each Marek Skibiński, Paweł Holstinghausen Holsten, Krzysztof Samotij and Florent Gros, Members of the Supervisory Board of the Company, for acting as Members of the Supervisory Board, the right to subscribe for 12,443 newly issued ordinary shares of the Company for the issue price of each share equal to the nominal value of one share, i.e. PLN 0.10, on the terms set out in the Incentive Scheme. On 29 June 2021 On 29 June 2021, by Resolution No. 16, the General Meeting of Shareholders of the Company granted Maciej Wróblewski, member of the Supervisory Board of the Parent Company, the right to acquire 12,443 ordinary shares of the new issue of the Parent Company on the terms provided for in the Incentive Scheme. Shares intended for Members of the Supervisory Board may be issued within the limits of the authorized capital of the Company intended for the needs related to the implementation of the Incentive Scheme. As of the date of this financial statement Members of the Management Board of the Company executed an agreement for participation in the incentive scheme authorizing them to subscribe for the shares allotted under the Incentive Scheme. As at the date of preparation of these financial statements, members of the Supervisory Board have not yet acquired shares under the Incentive Scheme.

- Radosław Krawczyk – Member of the Management Board, Chief Financial Officer of the Company, executed an agreement for participation in the incentive scheme entitling her to subscribe for 5,816 ordinary shares of the Company; and
- Thomas Shepherd – Member of the Management Board of, President of the Management Board of the Company, executed an agreement for participation in the incentive scheme entitling him to subscribe for 77,772 ordinary shares Company.

#### 45. Auditor firm's fee

AUDITOR FIRM'S FEE	31.12.2021	31.12.2020
Audit of the annual separate and consolidated financial statement	80	80
Review of interim separate and consolidated financial statement	42	35
Auditor services related to IPO	60	48
Other services – attestation service related to the issue of the Comfort letter for the prospectus	-	60
<b>Total</b>	<b>182</b>	<b>223</b>

#### 46. Purposes and principles of financial risk management

Cash and subsidies are the main financial instruments used by the Company. The main purpose of such financial instruments is to obtain funds for the Entity's activity. The Company also has other financial instruments, such as trade receivables and payables, which arise directly in the course of its operations. The Group applies the principle according to which it does not trade in financial instruments.

The main types of risk arising from Company's financial instruments include the interest rate risk, foreign exchange risk, risk related to liquidity and credit risk. The Management Board of the Entity verifies and coordinates the principles of management of each of such risk types – such principles are briefly described below.

#### **46.1 INTEREST RATE RISK**

The Company's exposure to the risk related to changes in interest rates concerns mainly long-term financial liabilities.

The Company manages interest expenses by incurring liabilities with variable interest rate. The Company gathers and analyses current market information about the present exposure to a change of the applicable interest rate.

Uncertainty over future interest rates, and consequently amounts of future financial expenses constitutes a significant obstacle in the investment decision making process.

The main purpose of the interest rate risk management is to hedge interest expenses against the increase thereof as a result of a rise in interest rates. The possibilities of hedging the interest rate risk are analysed and assessed by the Company depending on the current needs. The Company has not entered into any interest rate hedging contracts. In the period covered by this consolidated financial statement the Company was not a party to any hedging transactions, and in particular it did not purchase any derivative instruments to hedge the interest rate risk.

#### **46.2 FOREIGN EXCHANGE RISK**

Due to the cooperation with a foreign contract partner and international suppliers of services, in 2021 the Group was exposed to foreign exchange risk affecting mainly trade receivables in EUR and trade payables in: EUR, USD and CHF.

As a result of valuation of receivables and payables expressed in foreign currencies, carried out as of the balance sheet date, and as a result of current settlements in foreign currencies certain positive and negative foreign exchange differences arise. Their values fluctuate throughout the year which is caused by changes in exchange rates.

For EUR/PLN exchange rate there is a partial natural hedging due to the fact that revenues under contracts with a client in EUR are partially offset by the costs in the same currency. The Company gathers and analyses current market information on the present exposure to foreign exchange risks. The main purpose of the foreign exchange risk management is to hedge negative exchange differences against their increase as a result of depreciation of the domestic currency. The possibilities of hedging the foreign exchange risk are analysed and assessed by the Group depending on the current needs. Due to currency fluctuations in 2021 the company did not enter into any foreign exchange risk hedging transactions.

#### **46.3 RISK RELATED TO PRICES OF PRODUCTS AND GOODS**

The Company presently conducts research and development activity and therefore the risk related to prices of products and goods was not analysed. In the opinion of the management of the Company is not presently exposed to such risk.

#### **46.4 CREDIT RISK**

Taking into consideration that at this stage of development the Company does not conduct any commercial activity, the credit risk is immaterial.

#### **46.5 RISK RELATED TO LIQUIDITY**

The Company is monitoring the risk of the lack of funding using a periodic liquidity planning tool. The tool takes into account maturity dates of both investments and financial assets (e.g. accounts receivable, other financial assets) and prognosticated cash flows from operating activities.

The purpose of the Company is to maintain balance between the financing continuity and flexibility by using various sources of financing.

The table below presents the Company's financial liabilities as at 31 December 2021 by maturity date, based on contractual non-discounted payments.

31.12.2021	On demand	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Interest-bearing bank loans and borrowings	-	-	-	-	-	-
Leasing liabilities	-	1 656	3 709	2 982	-	8 347
Trade and other liabilities	347	4 278	-	-	-	4 625
<b>Total</b>	<b>347</b>	<b>5 934</b>	<b>3 709</b>	<b>2 982</b>	<b>-</b>	<b>12 972</b>

#### 47. Financial instruments

##### Fair values of particular classes of financial instruments

The following table provides a comparison of the carrying amounts and fair values of all of the Group's financial instruments, by class and category of assets and liabilities.

FAIR VALUES OF PARTICULAR CLASSES OF FINANCIAL ASSETS AND LIABILITIES	Category	Carrying amount		Fair value	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial assets					
Loans granted	WwgZK	-	-	-	-
Trade receivables	WwgZK	974	23	974	23
Other receivables	WwgZK	10 722	1 697	10 722	1 697
Cash and cash equivalents	WwgZK	117 622	10 650	117 622	10 650
Total		129 318	12 370	129 318	12 370
Financial liabilities					
Interest-bearing bank loans and borrowings	PZFwgZK	-	214	-	214
Leasing liabilities	According to MSSF16	8 181	12 232	8 181	12 232
Trade payables	PZFwgZK	3 096	2 374	3 096	2 374
Other liabilities	PZFwgZK	1 529	781	1 529	781
Total		12 806	15 602	12 806	15 602

##### Abbreviations used:

WwgZK - Measured at amortised cost

PZFwgZK - Other financial liabilities measured at amortised cost

The lease liabilities presented in the table above are measured in accordance with IFRS 16 'Leases'.

The fair value of financial instruments held by the Entity as at the balance sheet date does not differ from the value presented in the financial statement due to the fact that in relation to short-term instruments the discount effect, if any, is not significant, as these instruments relate to transactions concluded on market terms

#### 48. Security instruments established on assets

The Company does not have security instruments established on assets.

#### 49. Equity management

The main purposes of the Company's equity management is to maintain good credit rating and safe equity indicators which would support the Entity's operating activity and increase the value for its shareholders.

The Company manages the capital structure and makes changes thereto as a result of any changes of economic conditions. In order to maintain and adjust the capital structure the Entity may change payments of dividends to shareholders, return equity to

shareholders (e.g. through repurchase of own shares in order to redeem them) or issue new shares. In the reporting period no changes in purposes, principles and processes applicable in this area were made.

The Company monitors its capitals by applying a leverage ratio which is calculated as the ratio of the net debt to the sum of capital increased by net debt. In the net debt the Company includes interest-bearing bank loans and borrowings, trade and other liabilities, minus cash and cash equivalents.

<b>EQUITY MANAGEMENT</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Interest-bearing bank loans and borrowings	-	214
Leasing liabilities	8 181	12 232
Trade and other liabilities	11 052	14 316
Minus cash and cash equivalents	-117 622	-10 650
<b>Net debt</b>	<b>-98 417</b>	<b>16 112</b>
Equity	124 063	-959
<b>Net equity and debt</b>	<b>25 646</b>	<b>15 154</b>
<b>Leverage ratio (%)</b>	<b>-384%</b>	<b>106%</b>
<b>Leverage ratio (%) without cash for investments</b>	<b>-384%</b>	<b>106%</b>

#### 50. Structure of employment

The structure of average employment in the Company at the end of each period was as follows (in persons):

<b>STRUCTURE OF EMPLOYMENT</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
White-collar workers	97	76
Blue-collar workers	-	-
<b>Total</b>	<b>97</b>	<b>76</b>

#### 51. Seasonability

There is no seasonality or cyclicity in the business segment in which the Company operates.

#### 52. Events after the balance sheet date

The following significant events occurred after the balance sheet date (i.e. 31 December 2021) that may affect the assessment of the financial position of the Captor Therapeutics S.A. Group:

- Information on the progress of research and development work related to project CT-01 and information on its molecular target.

After the end of the reporting period, the Company informed on the progress of research work under project CT-01 which is dedicated to the development of hepatocellular carcinoma therapy based on targeted protein degradation technology.

The results obtained in pre-clinical proof-of-concept tests confirm high anticancer activity of two lead compounds developed within project CT-01 in the mouse model of human liver cancer (so-called *xenograft*). The results obtained by the Company confirm that oral administration of such CT-01 compounds causes tumour regression in Hep 3B2.1-7 hepatocellular carcinoma model in mice subject to tests.

The molecular target of project CT-01 are CT-01 compounds which have a unique degradation profile: they induce degradation of proteins GSPT1 and SALL4 and another undisclosed neo-substrate playing a key role in neoplasia.

GSPT1 (ang. *Eukaryotic peptide chain release factor GTP-binding subunit ERF3A*) is a protein involved in translation termination (the process in which ribosomes synthesize protein after the transcription from DNA to RNA). Due to the demonstrated link between the degradation of GSPT1 and anticancer activity, selective GSPT1 degraders, such as CC-90009 which is now under clinical trials, are developed. SALL4 (Sal-like protein 4) is a transcription factor expressed in embryonic development of the liver, and its expression is silenced in adults. In patients suffering from hepatocellular carcinoma re-expression of SALL4 often occurs which correlates with worse prognoses. An additional target degraded by CT-01 compounds

remains undisclosed due to certain aspects related to intellectual property protection. This target is also involved in development of tumours, and its targeted elimination constitutes a strong value added in treatment of several cancers such as liver and lung cancer. A unique joint degradation profile leads us to believe that the competitive value of this program is strong.

The results of the above-mentioned studies constitute a significant milestone and support further works under project CT-01 intended to enter the phase of IND-enabling studies with one of such compounds. Further, such results prove that the Company has capabilities of discovering degraders such as a molecular glue using the technological platform Optigrade™ (information thereon was provided in current report no. 3/2022 dated 11.01.2022 and no. 11/2022 dated 11 April 2022). For more information on project CT-01, please refer to chapter 3.6.2. of this report.

- Submission to the NCRD of information on potential irregularities in reconciliation of qualified costs related to EU projects

On 26 January 2022 the Company informed that there is a risk that certain potential irregularities may have occurred in the past in reconciliation of qualified costs incurred by the Parent Company, as part of execution of EU projects, on the basis of agreements concluded by the Parent Company with the NCRD. The potential irregularities referred to above concern the Parent Company's historical activity and they do not affect the results or research and development conducted by the Group.

In connection with the fact that the Group became aware of the proceedings conducted by the state authorities concerning potential irregularities in carrying out public procurement procedures as part of EU projects the Group appointed external reputable financial and legal advisors to carry out an audit ("**Audit**"). In accordance with the provisions of the concluded agreements for implementation of the projects, the Group also decided that it is necessary to inform the NCRD of the above-mentioned risk of irregularities.

The scope of the Audit covered settlements of qualified costs incurred by the Parent Company in the course of implementation of all EU projects on the basis of agreements concluded by Captor Therapeutics with the NCRD. The Audit period covered agreements concerning the incurrence of qualified costs by the Company concluded until 31 December 2021.

As a result of the Audit, certain irregularities were identified which, in the Group's opinion, trigger the obligation to return the following amounts with respect to particular projects:

POIR.01.01.01-00-0931/19-00 – PLN 104,889.98

POIR.01.01.01-00-0741/19-00 – PLN 279,190.33

POIR.01.01.01-00-0747/16-00 – PLN 1,008,328.40

POIR.01.02.00-00-0073/18-00 – PLN 557,027.89

POIR.01.02.00-00-0079/18-00 – PLN 476,541.33

POIR.01.01.01-00-0956/17-00 – PLN 1,026,946.40

POIR.01.01.01-00-0740/19-00 – PLN 437,914.08

The total amount which, in the Group's opinion, should be returned to NCRD amounts to PLN 3,891,000 0,838.41, which constitutes 2.22% of the total amount for which the Parent Company executed all agreements with NCRD (i.e. PLN 175.1 million) and 5.4% of the funding received so far by the Parent Company from NCRD (i.e. PLN 72.5 million as at 31 March 2022). The above-mentioned amount will be additionally increased by interest in the amount of PLN 767 thousand calculated as at the date of making the reimbursement. The Parent Company-Group immediately notified NCRD of the identified irregularities and returned the above amount to NCRD together with interest due. In the Company's opinion, the above determination of the amounts that the Parent Company returned to NCBR on 13.04.2022 is prudent (conservative) and the Company does not expect this amount to be subject to increase as a result of NCBR's verification, but a different assessment by NCBR cannot be excluded.

Current reconciliation of costs related to the Projects is carried out by the NCRD without any disruptions and without any negative impact on the progress of research and development work. Information on the above-mentioned events was provided in current reports no. 5/2022 dated 26 January 2022 and no. 11/2022 dated 11 April 2022.

– Information on the issue of series K and L shares

On 10 December 2021, the Company's Management Board adopted a resolution to issue 30,738 series K ordinary bearer shares within the limits of the Company's authorized capital, excluding subscription rights of the Company's existing shareholders in full. The share issue is related to the implementation of the Company's share-based employee incentive scheme (information disclosed in current report No. 32/2021 of 10 December 2021). On 27 April 2021, another increase in the Company's share capital within the limits of the Company's authorized capital took place through the issuance of 9,420 series L ordinary bearer shares. The issue of series L shares is also connected with the implementation of the Incentive Scheme (information provided in current report no. 13/2022 of 27 April 2021). As at the date of preparation of these financial statements, the issue of series K and L shares has not yet been registered by the registry court.

### **53. COVID-19 pandemic**

In connection with the ongoing pandemic of the coronavirus SARS-CoV2, which causes COVID-19 disease worldwide, the following factors have been identified as at the date of this separate financial statement, which may temporarily affect the extension of the period of individual research work in ongoing research and development projects and/or the financial situation of the Company.

In the event that new restrictions and limitations in the economies of the countries affected by the pandemic persist or are introduced, as well as uncertainty about developments in the capital markets

- there may be delays in the supply of materials and reagents from contractors with operations or collaborations in affected countries;
- research work by certain highly specialised external service providers working with the Company may be delayed, postponed or unable to be contracted due to staffing constraints or inability to commit based on the extremely high uncertainty index, restrictions in place;
- it may be necessary to quarantine one or more or all employees working in the research or laboratory teams as well as other personnel.

At the date of preparation of these interim condensed consolidated and separate financial statement of Captor Therapeutics S.A. the Management Board of the Company was not able to estimate the possible scale of the effects of potential economic risks. The Company monitors on an ongoing basis the development of the situation affecting the likelihood of the effects of potential risks. As at the date of this separate financial statement, the coronavirus pandemic has not adversely affected the ability of the Company to continue as a going concern. The Management Board of the Entity has introduced a number of measures to increase safety at work and measures to eliminate potential risks associated with its operations. Measures to enhance occupational safety and eliminate risks associated with operations have also been implemented at the Subsidiary.

### **54. War in Ukraine**

In connection with the outbreak of the armed conflict between Ukraine and Russia, the Company analysed the impact of the current situation on the Company's operations. In the Management Board's opinion there are no material risks which may significantly affect the activities being conducted. The Company does not either have any assets in Ukraine or conduct any activities within the areas affected by the conflict.

As a result of military operations conducted by Russia, the EU countries and the USA introduced a number of severe sanctions on Russia which cover key sectors of the Russian economy through blocking access to technologies and markets, including financial markets. In view of the foregoing it cannot be excluded that the implemented sanctions package may affect the activities conducted by the Company, including those in Poland, for example due to deliveries of raw materials from Russia. Also, deliveries of materials from Ukraine may be significantly disturbed or even stopped, which may consequently disrupt the global supply chain.

Further, the armed conflict in Ukraine may affect the macroeconomic situation in Poland, and in particular interest rates and valuation of Polish currency (Polish zloty). The foreign exchange risk may result in the increase of the costs of servicing liabilities related to research services and reagents purchased abroad. As of the date of preparation of this report the Management Board of the Company is not able to determine the exact impact of such events on the research programs being conducted or availability of funding. The Company is analysing the situation on an ongoing basis and the Management Board of the Company will keep you updated of any new circumstances affecting the financial results and business situation of the Company.

Person entrusted with keeping the books of account of the Company: Małgorzata Puterko – ABAK S.A.

Thomas Shepherd

*Signed with an electronic signature*

President of the Management Board of

Michał Jerzy Walczak

*Signed with an electronic signature*

Member of the Management Board of  
Chief Scientific Officer

Radosław Krawczyk

*Signed with an electronic signature*

Member of the Management Board of  
Chief Financial Officer