



ANNUAL REPORT  
MANAGEMENT BOARD'S REPORT ON ACTIVITIES  
OF CAPTOR THERAPEUTICS S.A.  
AND THE GROUP  
FOR 2021

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## LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Management Board of Captor Therapeutics S.A., I have the pleasure of presenting to you an annual report depicting the most important events of the past year.

2021 was a remarkable year of progress for the Captor Therapeutics Group in which our flagship pipeline projects entered the pre-clinical development phase. At the same time, the Company joined the elite group of stock exchange listed companies fully dedicated to Targeted Protein Degradation (TPD). As I write this letter, it is now a little over one year since Captor debuted on the Warsaw Stock Exchange on April 19, 2021, becoming the first European public company fully dedicated to TPD technology.

During an especially successful public offering we raised 150 million zlotys. The funds raised, as well as ongoing grants from the National Centre of Research and Development, provide the resources to help us achieve our near-term goals including, amongst others, the further development of the Company and its projects, commencement of the initial phase of clinical studies for the most advanced projects in 2023, and the development of a daughter company in Switzerland.

Obviously, we cannot forget that in 2021 we were still in the battle against the global SARS-CoV-2 pandemic. Despite the sanitary restrictions that were introduced, the Company's activity was conducted without major disruptions owing to the changes in work practices we introduced, considering both the important need to ensure the safety of our employees and continuity of projects.

Within our pipeline projects, an important development in 2021 was the disclosure of the results of *in-vivo* pharmacological and *in-vitro* efficacy studies and the disclosure of the molecular target of the CT-03 project, i.e., MCL-1 (ang. *Induced Myeloid Leukaemia Cell Differentiation Protein*), which may in the future be applied in treatment of haematological malignancies, as well as solid tumours such as lung and breast cancer. The scientific results from CT-03, presented at the "4th Annual Targeted Protein Degradation Summit" in October 2021, prove that lead compounds developed by the Company effectively induce MCL-1 degradation and induce cell death within a broad scope of tumour cell lines. Further, positive pharmacodynamic results achieved in a mouse model of cancer confirm the potential of our first in class MCL-1 degraders. This is an achievement we are proud of as, despite many years of research conducted by large pharmaceutical and biotechnological companies, no drug targeting MCL-1 has been launched on the market to date. To our knowledge, no other company is now conducting advanced research on MCL-1 degraders.

To further strengthen our Optigrade™ drug discovery platform, we invested over PLN 4 million in creation of our own advanced proteomics laboratory in Wrocław equipped with modern leading-edge equipment for analyses based on mass spectrometry, and enlarged our team to include experts in this area.

Further, at the beginning of this year positive results of *in vivo* efficacy tests in another flagship project, CT-01, were presented. The project is dedicated to development of targeted therapy for hepatocellular carcinoma which is one of the leading causes of cancer death worldwide. In these tests, significant regression (atrophy) of tumours in the mouse model of human liver cancer under the influence of our lead degraders was demonstrated.

The release of compelling efficacy data from two different projects in animal models of two different cancers, CT-03 (first-in-class bifunctional degrader of the MCL-1 target) and CT-01 (first-in-class molecular glue against hepatocellular carcinoma), testifies to the wide scope and diversity of our Optigrade™ platform and has generated significant interest amongst potential partner companies in our platform. Serious discussions are underway regarding potential collaborations to add to our existing collaboration with Sosei Heptares, but we can of course not predict if or when these discussions will advance to their conclusion. We are one of the few companies fully dedicated to TPD, which has both a molecular glue (CT-01) and a bifunctional degrader (CT-03) in its candidate pipeline, which will give us greater flexibility and competitive advantage as most companies focus on one approach only.

Recently, there have been significant macroeconomic and geopolitical events, in particular rising interest rates and the invasion of Ukraine, that have created headwinds for Biotech companies globally. However, we believe that the strong news-flow anticipated from our projects as they advance to the clinic, coupled with our solid financial position, and internationally experienced management team will allow us to continue to grow the Company in line with our global strategy.

We fully understand that our success largely depends on our talented, motivated and internationally experienced scientists and managers; therefore, we continue to strengthen our team in medical and organic chemistry, cell biology, structural biology, molecular biology, biophysics, bioinformatics, as well as pre-clinical and clinical development. We believe that with a highly qualified team we can achieve further milestones in our projects in the coming months, with a view to commencing clinical studies in 2023.

Words of appreciation are owed to the entire team of Captor Therapeutics, shareholders, partners and friends for their hard work, support, positive and constructive opinions which we received last year. We are entering the year 2022 being full of optimism and we believe that the new year will be very successful in our projects and will also bring advantageous business developments.

**Thomas Shepherd**

**President of the Management Board**

## 1. FINANCIAL DATA

Below please find selected financial data of Captor Therapeutics S.A. and the capital group of Captor Therapeutics from the consolidated and separate financial statements. The consolidated and separate financial statements of Captor Therapeutics S.A. have been prepared in accordance with the historical cost principle, except for financial instruments that are measured at fair value. The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The going concern assumptions are described in the consolidated financial statements in note no. 13.

### 1.1. Selected financial data of the Capital Group of Captor Therapeutics S.A.

#### CONSOLIDATED STATEMENT OF PERFORMANCE AND OTHER COMPREHENSIVE INCOME

	(PLN / '000)		(EUR / '000)	
	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Research and development income	3 986	-	871	-
Cost of services sold	741	-	162	-
Gross profit (loss) on sales	3 245	-	709	-
Operating profit (loss)	-31 709	-12 216	-6 927	-2 730
Profit (loss) before tax	-32 572	-12 694	-7 116	-2 837
Net profit (loss)	-32 572	-12 694	-7 116	-2 837
Number of shares	4 127 972	3 590 000	4 127 972	3 590 000
Net profit (loss) per share (in PLN/EUR)	-7.89	-3.54	-2	-1

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-current assets	12 986	12 533	2 823	2 716
Current assets	130 555	13 246	28 385	2 870
Equity	124 201	-1 004	27 004	-218
Non-current liabilities	2 973	6 777	646	1 469
Current liabilities	16 367	20 006	3 559	4 335

#### CONSOLIDATED CASH FLOW STATEMENT

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Net cash flows from operating activities	-28 473	-595	-6 220	-133
Net cash flows from investing activities	-5 113	-212	-1 117	-47
Net cash flow from financing activities	140 875	-881	30 776	-197

Conversion into EURO was made on the basis of the following principles:

- items of the statement of financial position according to the average exchange rate of the National Bank of Poland as at the balance sheet date, i.e., as at 31 December 2021 the exchange rate of EUR 1 = PLN 4.5994, and as at 31 December 2020 the exchange rate of EUR 1 = PLN 4.6148,
- items of the statement of performance and other comprehensive income and the cash flow statement - according to the average exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland as at the end of each calendar month in a given period, i.e. for the period from 1 July 2021 to 31 December 2021 the exchange rate of EUR 1 = PLN 4.5775, for the period from 1 January 2020 to 31 December 2020 the exchange rate of EUR 1 = 4,4742 PLN.

## 1.2. Selected financial data of Captor Therapeutics S.A.

### SEPARATE STATEMENT OF PERFORMANCE AND OTHER COMPREHENSIVE INCOME

	(PLN / '000)		(EUR / '000)	
	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Research and development income	3 986	-	871	-
Cost of services sold	741	-	162	-
Gross profit (loss) on sales	3 245	-	709	-
Operating profit (loss)	-31 888	-12 212	-6 966	-2 729
Profit (loss) before tax	-32 751	-12 689	-6 936	-2 836
Net profit (loss)	-32 751	-12 689	-6 936	-2 836
Number of shares	4 127 972	3 590 000	4 127 972	3 590 000
Net profit (loss) per share (in PLN/EUR)	-7.93	-3.53	-2	-1

### SEPARATE STATEMENT OF FINANCIAL POSITION

	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-current assets	13 049	12 596	2 837	2 729
Current assets	130 220	13 208	28 312	2 862
Equity	124 063	-959	26 974	-208
Non-current liabilities	2 973	6 777	646	1 469
Current liabilities	16 233	19 985	3 529	4 331

### SEPARATE CASH FLOW STATEMENT

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Net cash flows from operating activities	-28 790	-553	-6 289	-124
Net cash flows from investing activities	-5 113	-212	-1 117	-47
Net cash flow from financing activities	140 875	-881	30 776	-197

Conversion into EURO was made on the basis of the following principles:

- items of the statement of financial position according to the average exchange rate of the National Bank of Poland as at the balance sheet date, i.e., as at 31 December 2021 the exchange rate of EUR 1 = PLN 4.5994, and as at 31 December 2020 the exchange rate of EUR 1 = PLN 4.6148,
- items of the statement of performance and other comprehensive income and the cash flow statement - according to the average exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland as at the end of each calendar month in a given period, i.e. for the period from 1 July 2021 to 31 December 2021 the exchange rate of EUR 1 = PLN 4.5775, for the period from 1 January 2020 to 31 December 2020 the exchange rate of EUR 1 = 4,4742 PLN.

In accordance with §71 sec. 8 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) this document contains the management board's report on activities of Captor Therapeutics S. A. and the management board's report on activities of Captor Therapeutics Group.



## 2. INFORMATION ON CAPTOR THERAPEUTICS S.A. AND THE CAPITAL GROUP

### 2.1. Basic information on Captor Therapeutics S.A. and the Capital Group

Captor Therapeutics is an innovative biopharmaceutical group specializing in the development of drugs based on Targeted Protein Degradation (TPD) and a European leader of this young technology. The Group's strategy is based on building a competitive advantage by completely focusing on the development of the TPD platform, continuous maintenance and commercialisation of a high value pipeline composed of drug candidates with the potential to treat severe diseases where there is no satisfactory treatment. On 19 April 2021 Captor Therapeutics S.A. debuted on the Warsaw Stock Exchange, becoming the first European public company fully dedicated to the TPD technology.

The Parent Company was formed as a result of the transformation of Captor Therapeutics spółka z ograniczoną odpowiedzialnością (limited liability company) pursuant to a resolution of the Extraordinary Shareholders Meeting of Captor Therapeutics sp. z o.o. dated 28 August 2018. On 7 November 2018 the Company was registered in the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Register under number KRS 0000756383. The Company's registered office is located in Wrocław. The parent company was incorporated for an indefinite period of time and operates under the laws of Poland.

<b>Company</b>	CAPTOR THERAPEUTICS SPÓŁKA AKCYJNA
<b>REGISTERED OFFICE ADDRESS</b>	54-427 Wrocław ul. Duńska 11
<b>TELEPHONE</b>	+48 537 869 089
<b>WEBSITE</b>	<a href="http://www.captortherapeutics.com/">http://www.captortherapeutics.com/</a>
<b>E-MAIL</b>	info@captortherapeutics.com
<b>REGON</b>	363381765
<b>NIP</b>	8943071259
<b>KRS</b>	0000756383

Table 1: Basic data

### 2.2. Structure of the Group

The Captor Therapeutics Group consists of the parent company: **Captor Therapeutics Spółka Akcyjna ("Parent Company", "Company", "Captor Therapeutics")** and the subsidiary: **Captor Therapeutics GMBH ("Subsidiary")**, the Captor Therapeutics Group hereinafter being also referred to as the **"Group"** or the **"Capital Group"**.

As of 31 December 2021, and as at the date of this report, the Captor Therapeutics Group comprised CAPTOR THERAPEUTICS GMBH with its registered office in Switzerland. The object of the company's activity consists of drug research and development, implementation of related projects, creation of intellectual property and cooperation with pharmaceutical companies in this field. The Parent Company holds 100% of shares in the share capital of the Subsidiary.

### 2.3. Changes in the structure of the Group

There were no changes in the structure of the Captor Therapeutics Group during the reporting period.

### 2.4. Company's corporate governance principles and the Capital Group

In accordance with the Statute of Captor Therapeutics, the Company's governing bodies are as follows: the Management Board, the General Meeting, and the Supervisory Board. Powers of the Company's governing bodies are specified in the Company's Statute and the Commercial Companies Code dated 15 September 2020. Further, the Supervisory Board's operating procedure is specified in the Regulations of the Supervisory Board.

The composition and powers of the Supervisory Board are described in more detail in point 5.4.2 of this report. The manner of operation of the General Meeting and its powers are presented in point 5.4.3.

The Company's Statute and the provisions of law define tasks of the Management Board of Captor Therapeutics S.A. which include primarily management of the Company's everyday affairs and representing it in all court and out of court actions. Further, the Management Board cares about transparency and effectiveness of the Group management and makes sure that its affairs are conducted in accordance with the provisions of law and good corporate practice. If the Management Board consists of one member, the Company is represented by one member of the Management Board. If the Management Board consists of more than one member, the Company is represented jointly by a member of the Management Board acting as the Chief Financial Officer with another member of the Management Board. If the Chief Financial Officer is not appointed, the Company is represented by two members of the Management Board acting jointly.



The President of the Management Board exercises supervision over the operations of the Company and the Group and fulfils its obligations with the support of members of the Management Board, project leaders and directly subordinated independent positions.

## 2.5. Changes in the Company's and the Group's corporate governance principles

There were no changes in the Company's organizational structure in the reporting period.

## 2.6. Organizational or equity links

Organizational and equity links are presented in detail in point 2.2. of this report.

# 3. ACTIVITIES OF THE COMPANY AND THE GROUP

The Company is an innovative biopharmaceutical firm specialized in development of drugs inducing targeted degradation of pathogenic proteins. The Company focuses its operations on development of therapeutic molecules for treating certain oncological and autoimmune diseases. In both types of diseases, existing drugs do not guarantee substantial efficacy or cause side effects.

The targeted protein degradation approach of the Company overcomes the limitations of small molecule drugs and destroys proteins resistant to available therapeutics exploiting the pharmacological advantage of degraders<sup>1</sup> over inhibitors<sup>2</sup>. Owing to this innovative technology the Company has much wider possibilities of discovering drug candidates than traditional biotechnology companies.

The Company's research and development facilities, including professional scientific staff and modern laboratories, allow the Parent Company to carry out all early phases of drug development using the protein degradation technology. This makes the Company a European leader in this respect.

The Company assumes – as part of its business model – commercialization of therapeutic drugs discovered using its TPD Optigrade™ drug discovery platform. Early-stage molecules coming from this discovery stage are then developed further to become drug candidates in our product pipeline. Commercialization will take place through granting a license for (or sale of) rights to the drug candidates at the appropriate point in the drug development process, usually prior to later stage clinical trials. The Company's potential business partners are large pharmaceutical companies who frequently develop and market new drugs globally based on candidates discovered or developed by third party research-based companies such as Captor. The Company assumes that it will grant licenses for a drug candidate to one entity, usually referred to as a Partner, for development and marketing and this Partner entity will take over the rights to develop and implement the drug, usually on a global basis but it can also be of value to Captor to grant rights on a regional basis in certain cases to optimise return to shareholders. Normally, these Partnering Deals involve a license for technology and related patents and know-how, with a typical structure comprising the following payment phases: up-front payment, multiple milestone payments and royalties on sales.

## 3.1. Targeted Protein Degradation

Targeted Protein Degradation ("TPD") technology overcomes many existing drug limitations by removing proteins resistant to available therapeutics. The Company is one of the small number of specialist companies in the world focused on using TPD in new drug development.

The top five advantages of TPD over other therapeutic approaches include:

1. The ability to remove a wide range of disease-causing proteins, including structural proteins that are considered "untreatable" or "undruggable" with classical drugs such as inhibitors or antibodies.
2. Lower doses of drugs, compared to inhibitors, are often needed to achieve a therapeutic response. High doses can lead to undesirable effects.
3. Prolonged therapeutic effect due to a change in the relationship between the therapeutic effect (pharmacodynamics) and the drug concentration in the blood (pharmacokinetics).
4. Removal of pathogenic proteins from cells instead of just inhibiting or blocking them. Protein degradation eliminates all functions of a pathogenic protein, whereas usually, only one function of the pathogenic protein is inhibited. Disabling all functions of a pathogenic protein can lead to much improved efficacy.
5. Ability to overcome cancer resistance to classical drugs.

<sup>1</sup> a small molecule compound which induces protein degradation (usually proteasomal degradation). Proteasomal degradation is a process of decomposition of ubiquitin-labelled proteins into oligopeptides by the proteasome (i.e. multi-enzyme complex). A degrader can be designed to target the degradation process towards disease-related protein. As opposed to inhibitors, the pharmacological effect of a degrader can last longer, until the cell will synthesize a new portion of the degraded protein.

<sup>2</sup> small molecule compound, which blocks biochemical reactions or biological processes. The effect of inhibitor drugs is maintained until the compound is decomposed or excreted, and until drug concentration is sufficiently high.

The purpose of TPD is to remove dysfunctional proteins at the post-translation level, i.e., without interference with the genetic material of a cell. Many diseases, such as for example autoimmune diseases, are presently treated using biological drugs, i.e., therapeutic proteins (peptides, antibodies, or their fragments) and nucleotide technologies, which regulate the function of receptors of pathogenic proteins. In many cases various receptors are activated by the same protein activators (ligands), which results in activation of several signal transduction pathways – both those leading to the development of a diseases but also those involved in proper functioning of the body. Therefore, inhibition of several receptors or a shared ligand does not only result in inhibition of the disease, but also negatively affects other control mechanisms of the human body. Such therapy can lead to strong side effects which is an important limitation of currently available drugs.

The Company uses a drug discovery approach developed internally using its own resources which enables selective degradation of specific proteins while maintaining other signal transduction pathways or receptors intact, thus minimizing the side effects of the therapy. Drugs on which the Company is working are also easier to administer (most often, orally) than traditional medicines used in some of the listed diseases, in particular biological drugs which often need to be administered by injection.

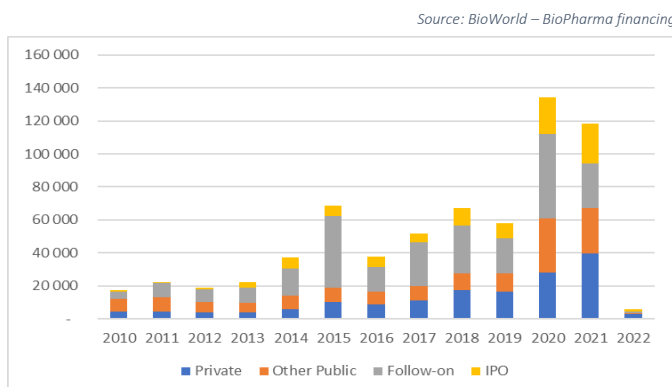
TPD drugs have the potential to address thousands of new molecular targets that are currently beyond the reach of classical drugs (known as undruggable targets), which translates into tremendous potential for the development of new therapies. Because of the vast pool of available targets, TPD companies such as the Captor have a lot of room to work on targets where there is little or no competition.

### 3.2. Market environment

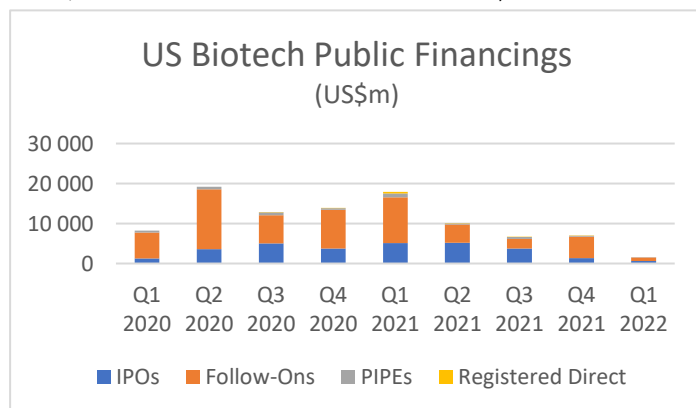
#### Global biopharmaceutical market

After a very successful 2020 in terms of transactions executed in the biopharmaceutical sector, the global biotechnological sector experienced a slowdown in 2021 (compared to 2020) and the trend also continued in the first weeks of 2022 due to recent global macroeconomic changes and geopolitical events in Europe. Presently, an improvement of the situation in the biopharmaceutical market is visible and some experts are awaiting a period of increased mergers and acquisitions as values have become more attractive.

In 2020 global biopharmaceutical companies managed to raise over USD 134 billion, i.e., more than twice as much as in 2019. Last year was still a good period for companies operating in the BioPharma sector - USD 118 billion in raised funding. However, it is worth emphasizing that the first half of 2021 was definitely better in this respect than the second one. For comparison, at the beginning of 2022 only USD 5.6 billion were raised, which means a level unheard of for a decade, i.e., since the 2008 financial crisis.

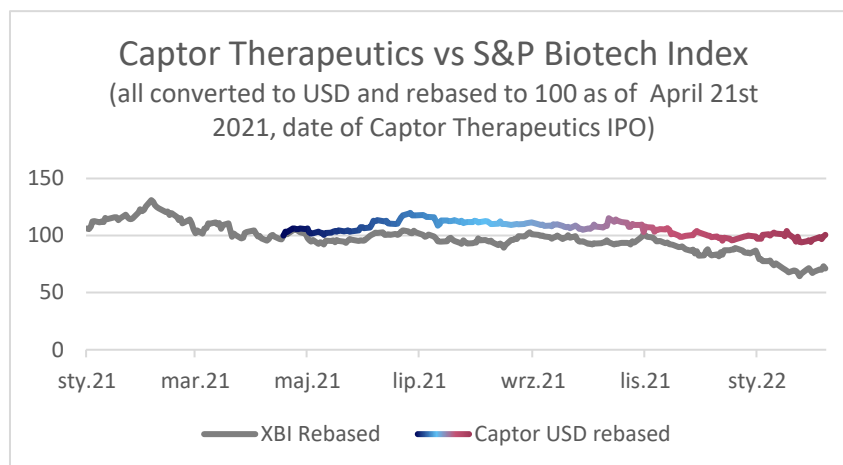


In 2020 a significant driving force of the global biopharmaceutical sector was equity raised on the US market and it remained to be such driving force also in 2021. However, while in 2020 the value of equity raised in the USA amounted to USD 54.1 billion, in 2021 a slowdown was observed and only USD 41.7 billion were raised. It means a 22% decline compared to 2020.



The volume of executed transactions remained at a high level at the beginning of 2022, whereas the value of transactions recorded in Q1 2022 dropped by 90% compared to the same period of 2021.

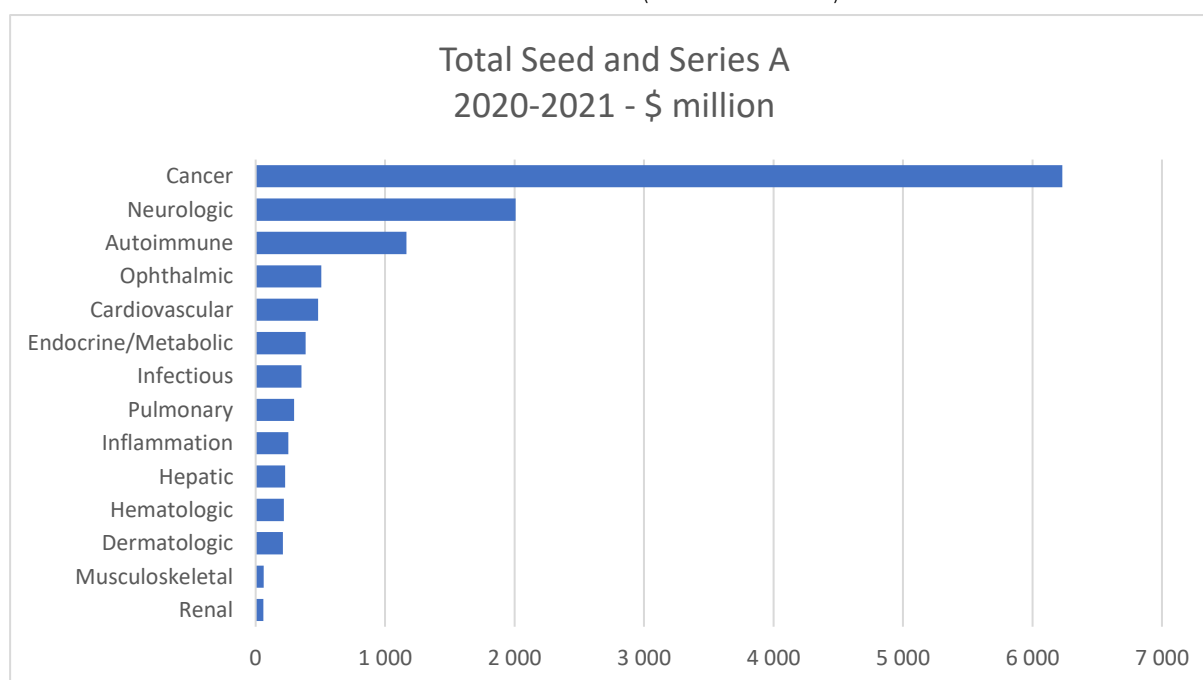
The beginning of Q2 2022 witnessed a stabilization of the trend and significant increase in the number of financial transactions, although it is still lower than in 2020. However, in this context investors still pay particular attention to financial liquidity of biotechnological companies which invest in and prefer companies which have at least several-year financial period.



The valuation of the entire biotechnological sector was under considerable pressure in 2021, despite the raised capital. S&P Biotech Index closed the year with a decline of 20.6% and continued the declines at the beginning of 2022. However, in March/April 2022 signs of recovery emerged. S&P Biotech Index closed April 2022 with an increase of 10.9% compared to the lowest level in mid-March 2022.

Although the number of mergers and acquisitions that took place in 2021 was not significantly lower than in 2020 (97 vs. 101 transactions), the average value of such transactions was significantly lower year-over-year. Taking into account acquisitions of 20 largest pharmaceutical companies in 2021 the value of which amounted to USD 23 bn a decrease can be observed in relation to the historical average value of transactions in 2009-21 which amounted to USD 67 billion (Source: SVB *Leerink*). The average volume of transactions was also significantly lower, and it amounted to EUR 1.7 bn in 2021, which is significantly below the historical average of EUR 4.3 bn and the lowest level since 2012.

Despite the variability observed in 2021 in the biotechnological environment, venture capital financing in oncology and autoimmune diseases, on which the Company focuses remained at a high level. The total value of Total Seeds and Series A investments in those two subsectors amounted to over USD 7 bn (Source: *DealForma*).



Source: BioWorld – DealForma

#### Biopharmaceutical market in Poland

The Biopharmaceutical industry in Poland is a young branch of industry. To the Company's knowledge, in the innovative drug class in 2021 three Polish companies conducted clinical tests on their candidates: Ryvu Therapeutics, CelonPharma and GLG Pharma. The most up-to-date picture of biotechnology in Poland is presented in the report entitled: "Biotechnology and nanotechnology in Poland in 2020" published by the Chief Statistical Office on 18 November 2021. This analysis applies to the entire biotechnological sector rather than the biopharmaceutical sector only. In 2020 177 Polish companies conducted biotechnological activities. Companies dedicated to biotechnology (DBF) accounted for 44.6%, and companies engaged in research and development in the area of biotechnology - for 65%. 9 702 people were engaged in activities related to biotechnology (a decrease by 62% compared to 2019), and 1 964 people – in research and development in biotechnological

companies. In 2020 internal outlays on research and development in the area of biotechnology grew by 11.6% compared to 2019, and reached PLN 1,090.1 M. The business sector accounted for 48.6% of such amount (university education for 49.6%, and governmental sector with private non-commercial organizations for 1.8%).

#### Attractive sales markets - innovative TPD technology

Despite the fact that TPD technology is young in pharmaceutical industry categories, some entities already enjoy high interest of large pharmaceutical corporations. Arvinas Holding Company Inc, Nurix Inc., C4 Therapeutics Inc. and Kymera Therapeutics Inc. are examples of companies seated in the United States which executed early-stage deals with large pharmaceutical corporations. All of these companies have successfully carried out initial public offerings at NASDAQ, although they only work on drugs at a pre-clinical phase. In addition to the United States, the sector is strongly centred around Amphista Therapeutics (Great Britain) and Fimecs (Japan).

Although drug development using TPD is a relatively new area, TPD-based drugs have already been successful in oncology, i.e., Pomalyst / Imnovid (pomalidomide) and Revlimid (lenalidomide) work as degraders (and more precisely as the so-called “molecular glues<sup>3)</sup>) and Revlimid had an estimated \$12.8 billion in sales in 2021 (source Bristol-Myers-Squibb Annual report). These first-generation degraders confirm the clinical efficacy of TPD drugs, but have some limitations in terms of side effects, which the Company intends to overcome through its novel proprietary approach to molecular glues.

Further, although the main area of interest of companies using TPD technology is oncology and autoimmune diseases, some players on the TPD market started paying attention to broad therapeutic possibilities of this technology by examining the pre-clinical development with respect to genetic diseases (Monte-Rosa) or neurobiology (Arvinas), which gives an idea of the groundbreaking significance of the targeted protein degradation technology for many treatment paradigms.

In the last year, many biopharmaceutical companies dedicated to TPD made a significant progress in clinical tests and some of them even obtained the first results of *proof-of-concept* tests confirming the efficacy of compounds developed by them, an example of which may be Arvinas which in 2021 signed a contract with Pfizer for a drug at an early phase of clinical tests. As commercialization of the developed drug candidates progresses it is anticipated that the next few years will have a groundbreaking significance for this area, owing to which TPD will turn from an exciting concept into a genuine and comprehensive technological platform maintaining the advantages of targeted therapies without their defects.

### 3.3. Company's strategies

#### 3.3.1. Products and services

The Group has one reporting segment, i.e., research and development work.

The Company's strategy is based on building a competitive advantage through a complete focus on the discovery and development of the TPD based drugs, continuous maintenance of high value of the Company's project portfolio composed of drug candidates in the area of severe diseases for which there are no satisfactory treatment methods, and the commercialization of these drug candidates.

TPD drugs being developed by the Company overcome some of the limitations of classical small-molecule drugs and biological drugs, thus have the potential to treat diseases that have developed resistance to current drugs. It is estimated that current drugs are limited to 20% of the total number of potential drug targets in humans, while TPD drugs can potentially also address the remaining protein pool that are unavailable for traditional technologies. As a result, the Company has a much broader capability to discover high value drug candidates compared to traditional Biotech companies. The Company is currently developing first-in-class compounds with therapeutic potential against autoimmune and neoplastic diseases (e.g., hepatocellular carcinoma, breast and lung cancers).

In accordance with the data published by the *Institute for Health Metrics and Evaluation* of the University of Washington the incidence of oncological diseases successively grows, in 2017 9.6 million people died of neoplastic diseases, whereas it is estimated that in 2017 approx. 100 million people had cancer, so the number of cancer patients more than doubled in relation to 1990 when 45 million people suffered from oncological diseases. According to the report entitled: “*Global Oncology Trends 2019 – therapeutics, clinical development and health system implications*”, published by IQVIA Institute for Human Data Science, in 2018 global expenditures on oncological drugs amounted to USD 150 bn (12.9% increase year-over-year). It is estimated that in the next 5 years the value of the oncological drug market will grow up to approximately USD 220-250 billion. In the period 2014-2018 57 drugs for 89 therapeutic indications with respect to 23 types of oncological diseases were developed. The growth pace is also stimulated by the growing number of active substances used in oncological treatment

<sup>3)</sup> small molecule compound which induces interaction between two proteins which do not interact in the absence of the compound. Molecular glue degrader interacts directly with the ubiquitin ligase, modulating its surface and enabling formation of the ternary complex. As opposed to bifunctional degraders, chemical groups of molecular glues can interact with both ubiquitin ligase and the second protein forming the ternary complex.

which are at an advanced phase of clinical tests. In 2008-2018 the number of such molecules grew from almost 500 to 849 in 2018 in accordance with the above-indicated report. Consequently, the Company's activity fits into the market demand.

The market volume and demand for new medical solutions also grows with respect to autoimmune diseases. According to the report: *"Autoimmune Disease Therapeutics Market by Drug Class (Anti-Inflammatory, Antihyperglycemics, NSAIDs, Interferons, and Others), Indication (Rheumatic Disease, Type 1 Diabetes, Multiple Sclerosis, Inflammatory Bowel Disease and Others) and Sales Channel (Hospital Pharmacy, Drug Store & Retail Pharmacy, and Online Store): Global Opportunity Analysis and Industry Forecast, 2018–2025"*, published Allied Market Research, in 2017 the value of autoimmune drug market amounted to USD 109.93 billion and it is estimated that by 2025 it will grow to USD 153.32 billion. Until 2016 over 80 types of autoimmune diseases were discovered, and almost 24 million people suffer from immunological diseases in the United States alone (data from the *American Autoimmune Related Diseases Association*). In 2016 311 new drug candidates against autoimmune diseases were developed. The dynamic growth of the autoimmune drug market causes that the Company's research and development programs intended to develop new drug candidates for diseases that are hard to cure meet market needs, as part of which there is a great demand for innovative medical solutions. Just like in case of the oncological drug market the growing value of the autoimmune drug market causes that this area of activity conducted by the Company is very attractive from a commercial point of view.

Focus on the above-mentioned two therapeutic areas (autoimmune and oncological diseases), for which there is a significant demand among patients, makes it possible to build a balanced product portfolio due to the following reasons. Firstly, there are no effective therapies for many neoplastic diseases and their effects are so serious that early phases of clinical development are carried out in patients. The foregoing makes it possible to carry out relatively quick proof of mechanism studies, which results in the increase of the value of the developed drug candidate. Secondly, drugs targeting incurable or ineffectively treated neoplastic diseases have greater chances of accelerated evaluation process by supervisory institutions (FDA, EMA), which in turn enables much faster and cost effective commercialization of the results of the research program. Thirdly, targeting autoimmune diseases which are mostly chronic and treated by injected biological drugs (such as Humira® and Enbrel®, which are one of the top-selling drugs in the world), the Company opens new possibilities of developing oral medications for such diseases. The Company expects that drugs using TPD will be simpler and cheaper to produce than biological drugs, and at the same time easier to administer to patients.

### 3.3.2. Business model

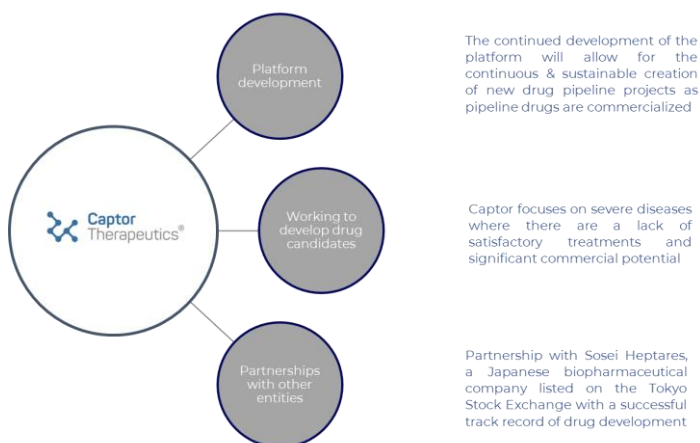
The business model of Captor Therapeutics is based on three strategic pillars.

The first aspect of the Company's business model entails commercializing pipeline drug candidates at a relatively early phase (pre-clinical or early clinical), and subsequently establishing cooperation with a partner with whom further phases of clinical tests will be conducted. It is the intention of the Company that such molecules would be commercialized through licensing or selling rights to the research results and intellectual property to large pharmaceutical or biotechnology companies which will be responsible for their further development and marketing. In exchange for the transfer of the above-mentioned rights Captor will receive payments, usually spread over different stages: up-front fee, milestone payments as candidates progress through development to marketing approval, and subsequently, royalties on sales.

The second aspect of the Company's business model focuses on so-called early-stage collaborations, where right from the start the Group conducts a drug discovery and development project jointly with a pharma or biotech partner. This allows us to use our platform for cooperation with partners who have strong experience in the relevant technology or therapeutic area or with respect to a specific molecular target, thus combining forces to open up new therapeutic areas for TPD.

The third aspect of the model is a technological platform which, owing to its wide application, makes it possible to create further new drug candidates as the existing programs progress.

As part of the adopted strategy the Company intends to maximize the Company's value for shareholders through the achievement of the short-term and long-term goals.



The Company's strategy in a short time horizon (i.e., 2-3 years) is focused on developing targeted anticancer therapies and refining the technological platform in order to enter new therapeutic areas such as: central nervous system diseases, infectious diseases and chronic diseases where it is particularly important to minimise side effects. Implementation of the strategy in the short time horizon will focus on:

- Application of a validated approach to degradation based on CRBN. The Company is an expert in the development of both "molecular glues" and "bifunctional degraders" which allows it to choose the best approach, depending on a particular molecular target. Thus far, CRBN is the most familiar ubiquitin ligase being the only ligase that is clinically validated and successfully used for targeted degradation of proteins. Further, degraders based on CRBN that are developed by Captor are innovative and demonstrate increased selectivity.
- Intensive development of projects focused on neoplastic diseases characterized by the most rapid drug development process where the first therapeutic response can already be obtained in early phase 1 clinical trials. Due to this choice, there is less need to carry out time-consuming toxicological studies in the initial phases of drug development compared to projects outside of oncology.
- Development of the technological platform in order to increase competitive advantage of future projects, including both pipeline projects and projects carried out in collaboration with partners. Ligands for new ligases (other than CRBN) will make it possible in the future to use such ligases for therapeutic purposes, whereas a rationalized approach to identification of molecular glues, combined with a large chemical library, will make it possible to work on targets defined as "undruggable."

The strategy for the longer term (i.e., beyond two-three years) is focused on intensive activities in the area of autoimmune diseases and other areas having large market potential, primarily based on molecular targets well known in terms of their role in the disease, for which no therapy has been registered. The advantage of the TPD technology is the possibility of oral drug administration and extended effect, also in case of molecular targets already validated by existing drugs. Another element of this part of the strategy consists of further development of the protein degradation technology platform, in particular through the use of new E3 ligases, which have not been used thus far in targeted degradation of proteins. The choice of an appropriate ligase gives a chance for specific degradation of proteins engaged in the development of a disease, depending on the biological context, for example in different organs, tissues, or cellular compartments. This, in turn, maximizes the potential for development of an effective therapy and minimizes the risks of side effects, and supports expansion of TPD into other therapeutic areas.

### 3.4. Competitive advantages

#### Application of degradation of proteins inaccessible to other technologies to treat deadly cancers and autoimmune diseases

The Company's short-term strategy is based on the development of drugs for use in the treatment of cancers where there is a lack of satisfactory treatments, while the long-term strategy focuses on adding additional diseases to our portfolio, including autoimmune disease. Currently, many biotechnology companies operate in these therapeutic areas using mostly biological drugs or classical inhibitors, but the number of new solutions that can be created based on these long-established techniques is limited. Using TPD technology the Company has many more alternatives to develop therapeutic molecules constituting drug candidates against diseases where existing therapies do not meet patient needs.

#### Strong and experienced Captor Therapeutics team

One of the Company's main competitive advantages consists of decades of unique international experience of the individuals managing the Company and specialist and highly qualified scientific staff. The Company is managed by a team of people associated with scientific, financial and biotech circles. The Company is also provided with very strong support from its experienced Supervisory Board which has industry experience, international networks of contacts and financial competences.

The Group also has access to highly qualified human resources, and in particular cooperates with specialists with appropriate educational profile and industry experience. The Company's scientific staff is composed of highly skilled individuals who graduated from various universities/institutes in Poland or abroad and have significant professional experience gained in companies from biotech and pharmaceutical sectors. The Company takes efforts to recruit junior staff from among most talented students of the best Polish and foreign scientific centres specializing in biotechnology.

Further, the Company's employees responsible for building relationships with potential partners have many years of international experience gained in large pharmaceutical companies (in the United States, United Kingdom, Europe, and Asia) and a track record of licensing and partnering agreements with most of the top ten global pharmaceutical companies.

In addition to many years of experience in biotechnology sector and significant scientific achievements, the source of success of the Company's scientific staff is their passion and commitment to the development of new therapies for diseases for which



there are presently no effective medicines. In order to motivate and reward the Company's team for their efforts the Company introduced an incentive scheme based on the Company's shares which the Company expects will serve as an additional incentive for employees and will help retain employees in the Company by ensuring their participation in the future growth of the Company's value, as a result of the achievement of the Company's goals and progress in commercialization of drugs.

#### Funding enabling further development of the Company and undisturbed continuation of research related to projects

The Company has been successful in obtaining public funding for research and development as an innovative branch of the Polish economy. Until the date of approval of this report the Company has entered into grant agreements with the NCRD for over PLN 175 million for nine research and development projects. The Smart Development Program for financing research, development, and innovation, led by the NCRD, under which the company received funding, lasts until 2023.

Moreover, as a result of a public offering of series G shares ("IPO") the Parent Company's equity increased by approximately PLN 149.9 million in the first half of 2021.

Acquisition of these financial resources from investors and public grants allows the Parent Company to implement our adopted strategy and has dramatically changed the Group's financial situation.

Firstly, the Group has become a reliable partner for its service providers and financial institutions, i.e., banks, insurance and leasing companies, thanks to which it will have a stronger position in business negotiations in the future.

Secondly, the Group can use equity financing to provide equity participation in grant-funded projects and to expand areas such as research and development, business development, protection of intellectual property and other corporate resources. In this way, the Company increases the probability of success and accelerates the most promising projects.

Thirdly, owing to the funds raised from the IPO and the funds from the NCRD, the Group has secured financing for further development and uninterrupted research on its projects in the medium term.

### 3.5. Sales and supply markets

#### 3.5.1. Sales markets

In the reporting period the Group's business area did not change. Due to the early phase of development the Group does not conduct traditional manufacturing, service, or trade activities. In 2022 revenues of PLN 25.935 thousand were related primarily to proceeds from grants for the costs of operating activities, but also proceeds of PLN 3.986 thousand from the technological cooperation with Sosei Heptares which aims to conduct research and development work in the area of new small molecules to degrade G protein-coupled receptors (GPCR).

#### 3.5.2. Supply markets

Due to the specificity of the Company's activity, the Company does not identify any key suppliers of services or materials on which the Company's activity would depend. The main costs incurred in 2021 were related to analyses and tests carried out by external entities. For more information, please refer to note 17 of the consolidated financial statement.

### 3.6. Report on activities of the Company and the Group

At the end of the reporting period, the Company's portfolio included five proprietary drug development projects in its product pipeline in the areas of autoimmune and oncology diseases with unmet medical needs.

In January 2021, in addition to this product pipeline, the Company started a new collaborative project partnered with the Japanese company Sosei Heptares (as described hereinafter). The Company also has a list of several validated molecular targets, which are not currently in the pipeline, which may potentially provide attractive drug candidates for the treatment of autoimmune or neoplastic conditions which, in the Company's opinion, will be interesting to pharmaceutical companies with strong demand for new and effective products. As a result, if some of the current pipeline projects reach the commercialization stage, the Company may add to its pipeline further projects based on these already selected and validated molecular targets. In addition to the pipeline projects, the company is working on one platform project (Project P3 described below).

The Company emphasizes that the forward-looking statements and forecasts provided below are based on Company's estimates that may change depending on the circumstances, including those which are beyond the Company's control; therefore, they should not constitute grounds for any final assessments or forecasts concerning any projects.



Below please find a brief description of each project and their level of progress at the end of 2021.

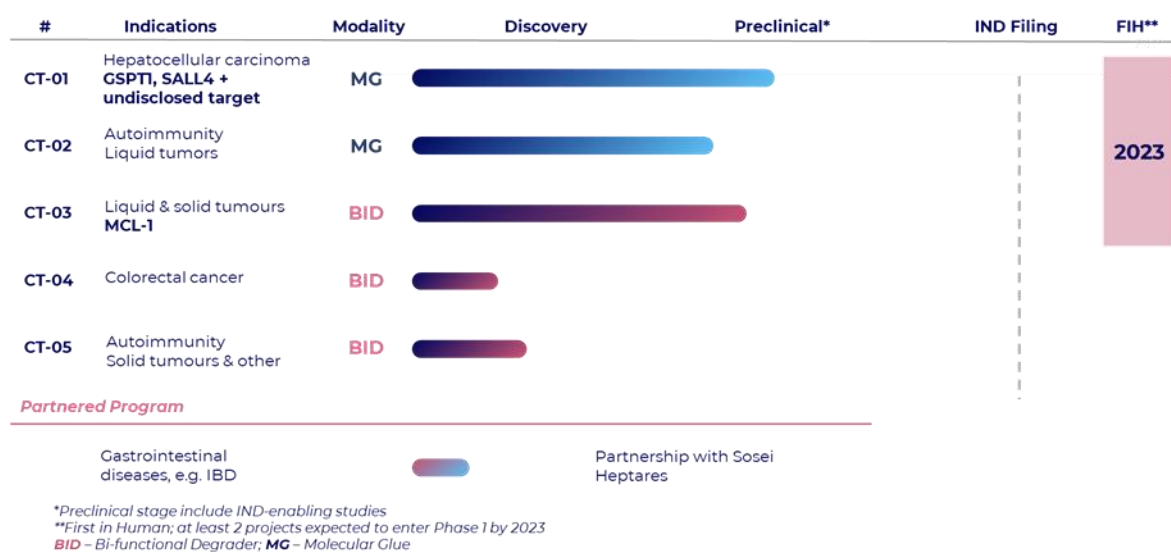


Figure 1: Progress of works with respect to discovery and development of drugs constitute projects carried out by the Issuer and in collaboration with an external entity

The three most advanced projects described below are most likely to enter the clinical testing phase in 2023.

CT-01 Project: *Discovery and development of a drug candidate in the treatment of hepatocellular carcinoma to eliminate neoplastic stem cells by induced degradation of oncogenic transcription factor*

The purpose of Project CT-01 is to develop, based on targeted protein degradation technology, a drug candidate which will stop the progress of hepatocellular carcinoma and will offer significant benefits for patients.

Hepatocellular carcinoma (HCC), a form of liver cancer, constitutes a significant unmet medical need since most patients are diagnosed at a late stage of the disease, and present treatments bring limited benefits in terms of overall survival rate. At the same time, the number of patients diagnosed with hepatocellular carcinoma grows from year to year. In patients diagnosed early, surgical removal of the tumour remains the only effective therapy. The possibilities for pharmacological treatment of patients ineligible for surgery and metastasis are limited. Since its registration in 2007, sorafenib (a tyrosine kinase inhibitor) has been the standard of care, even though it extends patients' survival by just 2.8 months compared to placebo. In May 2020, the combination of atezolizumab and bevacizumab was approved by the FDA for treatment of patients ineligible for surgery or with metastasis who were previously not treated systemically. In patients taking this combination of antibodies, progression-free survival was extended by 3 months compared to sorafenib treatment.

As described in the current report RB ESPI 11/2022, CT-01 compounds present a unique degradation profile as they induce the potent degradation of the GSPT1 and SALL4 protein and another undisclosed neosubstrate with essential function in tumorigenesis. Both disclosed proteins are highly attractive molecular targets, as GSPT1 has been validated as a molecular target of clinical-stage degrader CC-9009 developed for the treatment of AML, while SALL4 is a transcription factor, expression of which correlates with poor prognosis in HCC. The combined and unique degradation profile of the compounds supports Company's opinion of the strong competitive potential of this program.

Throughout 2021, the Company expanded the lead degrader series, followed by *in vitro* profiling of biological activity and evaluation of pharmacokinetic profile. We have succeeded in identifying lead compounds with improved properties, in particular, high oral bioavailability and increased potency across a range of HCC cell lines.

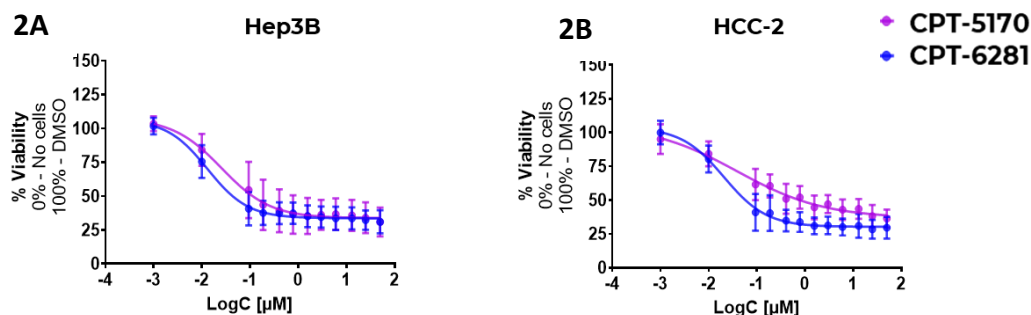


Figure 2: Cytotoxic activity of CT-01 compounds in liver cancer cells. Graphs present decreasing viability in representative liver cancer cell lines, Hep3B and another liver cancer cell line (HCC-2), in response to increasing concentration of two optimized compounds, CPT-5170 and CPT-6281. The measurements were performed following to 72h incubation with the compounds, CTG assay was used for cytotoxicity read-out.

In January 2022, the Company announced proof-of concept *in vivo* data, resulting from the efforts made throughout 2021. The *in vivo* proof-of-concept data confirm the potent antitumor activity of two CT-01 lead compounds in a liver cancer mouse xenograft model and demonstrate that oral administration of these two CT-01 candidates results in tumour regression in a Hep 3B2.1-7 mouse model of HCC. Strong and comparable efficacy was demonstrated in both therapeutic groups (100mg/kg bid and 300mg/kg bid).

In April 2022, the Company announced the results of additional *in-vivo studies* that confirm the potent antitumor activity of two CT-01 lead compounds in a liver cancer mouse xenograft model. These new results demonstrate that oral administration of these CT-01 candidates causes complete disappearance (regression) of hepatocellular carcinoma tumors in a mouse model of Hep3B2.1-7.

The study was designed to establish the minimal effective dose of the two drug candidates. High levels of compound activity were observed at all reported concentrations for compound A where the minimum concentration was 10 mg/kg body weight and at concentrations in the range of 100, 50 and 25 mg/kg for compound B. The full efficacy obtained at low doses decreases risk of potential treatment-related adverse effects.

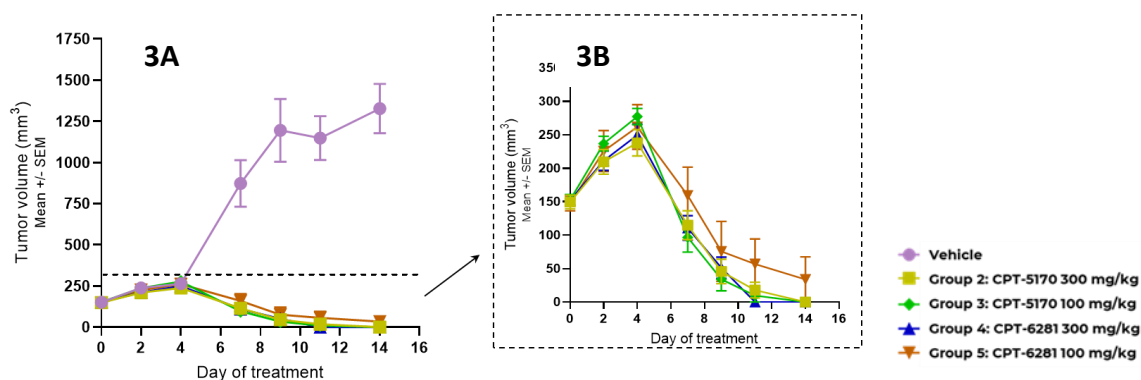


Figure 3: *In vivo* proof of concept. The graph 3A presents tumour volume in response to oral administration of CT-01 compounds CPT-5170 and CPT-6281, or vehicle control. As compared to the rapid growth of tumours in the vehicle control, tumour growth inhibition was observed in response to both compounds, for both doses applied. The graph 3B presents the same data (without vehicle control) on a different scale, where we can observe robust regression of the tumours). The study was performed on Hep 3B2.1-7 model of liver carcinoma, in NSG mice).

The Company succeeded in generating *in vivo* data as planned, and confirmed, that the optimized compounds display properties consistent with moving to the next stage of development. The Company aims at candidate nomination in H1 2022 and expects the project to enter phase 1 clinical trials in 2023.

Project CT-03: Apoptosis induction using low molecular weight chemical compounds as a therapeutic intervention in neoplastic diseases

The molecular target of the CT-03 project - MCL-1 (Induced Myeloid Leukaemia Cell Differentiation Protein) - was disclosed by the Company (via current report 27/2021 dated on 28 September 2021) following the significant advancement of the project, and in particular, the generation of optimised compounds with good properties. MCL-1 is a commonly recognizable molecular target which is highly attractive due to its well documented role in neoplasm and the acquired resistance of cancers, but no drug targeting this protein has been approved thus far. It belongs to the Bcl-2 family of proteins. The Bcl-2 family consists of both pro-and anti-apoptotic proteins that dictate cell fate (life or death) via a series of competitive protein-protein interactions. Venetoclax, an anti-apoptotic BCL-2 inhibitor, is approved for the therapy of chronic lymphocytic leukaemia and acute myeloid leukaemia. The drug demonstrates the value of inhibiting the BCL-2 protein, which also belongs to the Bcl-2 family of anti-apoptotic proteins. MCL-1 serves as a major pro-survival signal in many cancers and functions as a resistance mechanism that can counteract BCL-2 inhibition. Thus, degrading MCL-1 is an attractive approach for treating several tumour types. Despite significant efforts by the pharmaceutical industry, no MCL-1 targeting therapy has been registered so far.

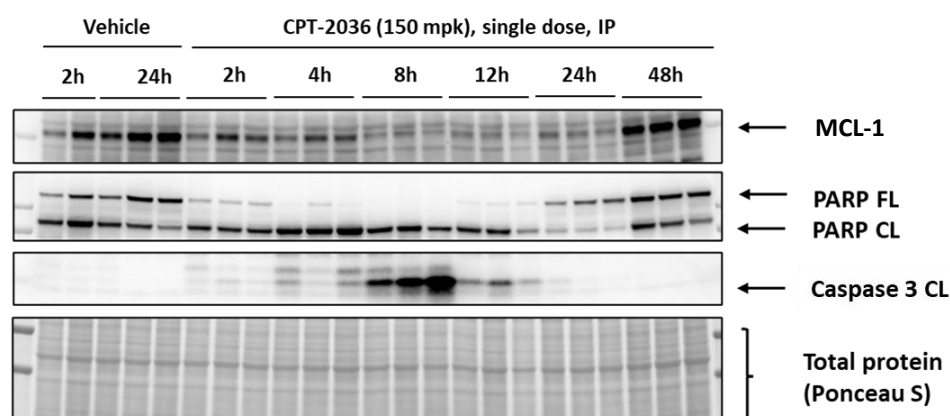
An MCL-1 degrader has the potential for the treatment of several haematological malignancies, small cell lung cancer (SCLC), non-small cell lung cancer (NSCLC) and triple-negative breast cancer (TNBC) which are all cancers with very high medical needs. Through 2021, the Company optimized the lead chemical series and developed new optimized lead compounds which show the following properties:

- selective induction of programmed cell death, apoptosis, *in vitro* in different haematological cancer and solid tumour cell lines;
- pharmacodynamic effects, i.e., *in vivo* degradation of MCL-1 in tumour-bearing mice in a leukaemia model (MV4-11);
- strong induction of apoptosis *in vivo* in an MV4-11 mice leukaemia model, because of degradation of MCL-1.

The results of the *in-vivo* studies for one of the advanced compounds are shown in Figure 4. In summary, optimized lead compounds degrade MCL-1, and, consequently, kill cancer cells *in vivo*, which speaks for further development thereof.

In October 2021, selected experimental results that particularize and develop the above conclusions obtained in the CT-03 project were presented at the 4th Annual Targeted Protein Degradation (TPD) Summit, which is the largest TPD-dedicated scientific conference, gathering both scientific specialists and experts from pharmaceutical companies such as Novartis, Pfizer, Amgen, AstraZeneca, Sanofi, Abbvie, GlaxoSmithKline, etc. Dr Michał Walczak, Member of the Management Board of the Company – Scientific Director, discussed recent developments and perspectives of CT-03 Project, increasing awareness of Captor's attractive pipeline in the industry.

4A



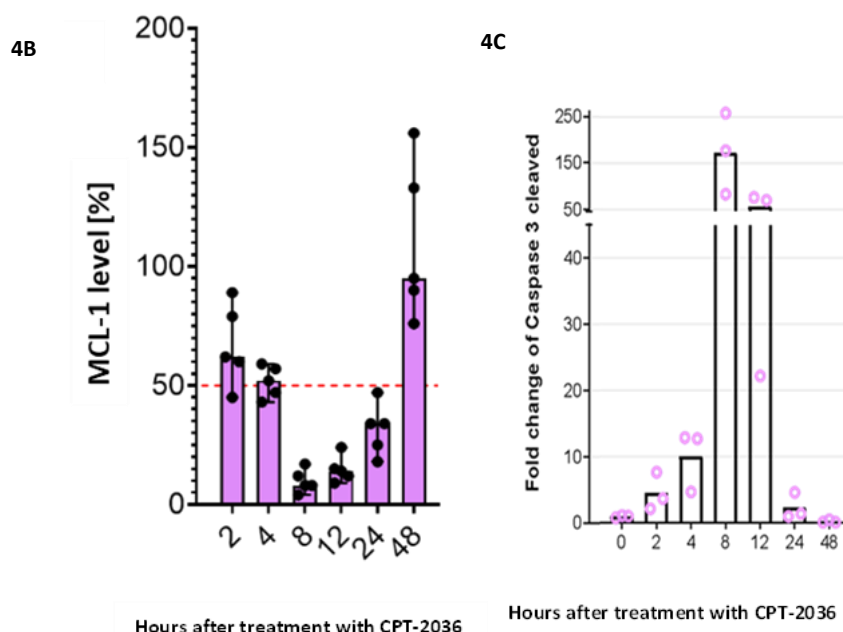


Figure 4A: study of the researched compound's ability to induce the desired pharmacodynamic effect (MCL-1 protein degradation and apoptosis in vivo). Mice were injected with human AML cells to induce the formation of a tumour. After the tumours reached the appropriate size, the mice were treated with the compound. Next, the tumours were removed post-mortem and the levels of different proteins were analysed using Western Blot.

Figure 4B shows the results of Western Blot analysis of MCL-1, PARP FL, PARP CL and Caspase 3-CL. Protein levels are quantified using densitometry, using total protein measurement for normalization. The levels of MCL-1 protein and Caspase 3-CL are shown in Figures 4B and 4C, respectively. The appearance of PARP CL (cleaved PARP-1 protein) and Caspase 3 CL (cleaved caspase 3) are both hallmarks of apoptosis (programmed cell death).

In February 2022, the Company announced the results of a multiple dose proof-of-concept efficacy experiment which specifically monitored tumour volumes, performed by an independent contract research organisation working on behalf of the Company (current report no. 9/2022). These results demonstrated that once a day administration of Company's MCL-1 degrader results in tumour regression in the MV-4-11 mouse model of acute myeloid leukaemia. A strong anticancer effect was observed at both dose levels used, 75 mpk (milligrams per kilogram) and 150 mpk. This data is an important milestone towards the selection of the drug candidate to be advanced to clinical phase.

The Company estimates that the project will enter phase I clinical trials in 2023 and can be considered a first-in-class MCL-1 degrader and we are not aware of any other MCL-1 degrader in pharmaceutical development by another company.

*Project CT-02: Preparation and development of non-toxic ligase ligands and their use in the treatment of autoimmune diseases and hematologic malignancies*

Project CT-02 is primarily focused on autoimmune diseases, such as gout, inflammatory bowel disease and non-alcoholic steatohepatitis (NASH), where the Company sees the potential to address important patient needs with large market potential.

In 2021, we identified compounds that induce potent degradation of a molecular target that plays a pathological role in the development of autoimmune diseases, which has not been drugged before (Undrugged Target). These compounds have the potential to inhibit chronic inflammation being the molecular background of many incurable diseases, for which patients need safe and convenient treatments that can be administered for many years. This translates to the large market potential of small molecules effective in autoimmunity, such as CT-02 compounds. Notwithstanding the prioritisation of autoimmunity, oncology applications of CT-02 remain attractive and will be pursued further at the appropriate time.

The objective of this project is to enter clinical phase in 2023.

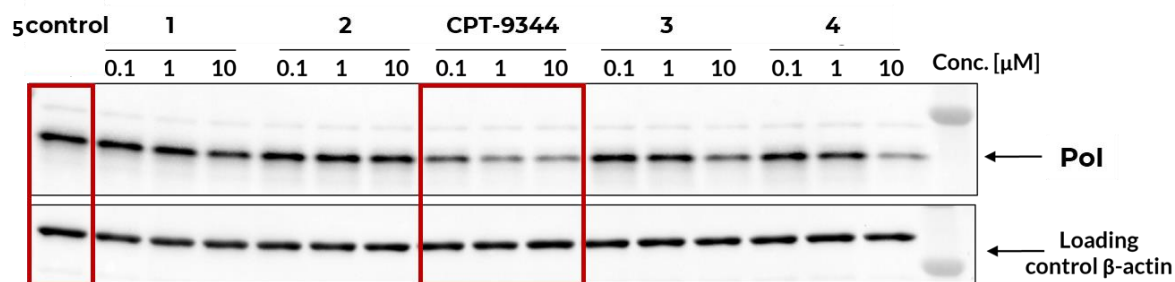


Figure 5 shows the results of Western Blot analysis of CT-02 Pol (undisclosed) protein levels in immune cells (human monocytic cell line). CPT-9344 is one of the compounds that induce significant protein degradation of Pol.

### 3.6.3. Other projects

The purpose of the **CT-04 project** is to develop a first-in-class oral drug in the therapy of colon cancer by inhibiting the Wnt signalling pathway which is incorrectly activated in more than 93% of colon cancers. The proposed small molecule drug will induce protein degradation in the signalling pathway. This molecular target is considered a so-called “Undruggable Target” for classical small molecule drugs.

In 2020, Project CT-04 reached the lead optimization phase. Due to the complexity of the original lead series, in 2021 the Company initiated a search for additional chemical series and can report that we have successfully identified promising compounds.

The purpose of the **CT-05 project** is to identify a drug candidate which would lead to degradation of a kinase involved in proinflammatory signalling pathways leading to increased cytokine secretion. Oral drugs with new mechanisms of action (MOAs) are needed to improve the management of highly prevalent and chronic autoimmune diseases, such as Inflammatory Bowel Diseases (Crohn’s Disease and Ulcerative colitis) and Rheumatoid Arthritis.

In 2021, the Company developed 2 series of CT-05 protein degraders. Both compounds will be explored further.

In the Sosei Heptares project, the two partners have quickly established a close and professional working relationship and the project is advancing on time and within budget. Both Captor and Sosei Heptares R&D teams are pleased with the project progress and Captor is receiving reimbursement for the R&D efforts as agreed by the parties.

In **Project P3** (“Development of an integrated technological platform in the area of targeted protein degradation and its implementation in the pharmaceutical market”), the Company is planning to expand the technology platform through the development of new small-molecule ligase ligands E3, which have thus far been unavailable for the pharmaceutical sector. Such ligases were selected based on available information indicating potential advantages related to the expression profile in healthy tissues, safety profile and role in cancer. The Company started the project in May 2020. In 2021, high throughput ligand identification campaigns were performed for several ligase proteins, using the newest methods dedicated to new protein targets: screening based on DNA-Encoded Libraries, Affinity-Selection Mass Spectrometry Screening, and Fragment Based Screenings. As a result, binders for some of the novel ligases were identified. These early hits are being optimized by repeated cycles of chemical synthesis and biophysical profiling. For two of the ligases, we obtained crystal structures co-crystallized with binders, which will enhance further development.

As regards **Project P1** and **P2**, experimental work on these projects has been completed and the Company is now evaluating opportunities for implementing the results of these projects.

## 3.7. Information on other events affecting operations and financial results of the Company and the Group or which are likely to have an impact thereon in the next years

### 3.7.1. Significant events and factors during a fiscal year

During the reporting period, certain events took place in the Company and the Group which significantly affected the Parent Company's operations and results. Below please find the most important ones:

#### Initial public offering

- On 17 September 2020, the Parent Company applied to the Polish Financial Supervision Authority for approval of a prospectus in connection with the intended public offering of shares and the admission and introduction of the Parent Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange (“WSE”).

- On 22 March 2021, the prospectus was approved by the Polish Financial Supervision Authority.
- As of 19 April 2021, all existing shares of the Company (except for preference shares) as well as the rights to series G shares were introduced to trading on the main market of the WSE.
- The Company's public offering included 871,500 newly issued shares and, due to significant investor demand, the sale of 198,000 existing shares. The Company and the selling shareholders allotted a total of 1,069,500 shares and the offering value was approximately PLN 184 million. Institutional investors acquired 959,500 shares, while individual investors were allotted 110,000 shares.
- Nearly 1.7 thousand individual investors subscribed for the Company's shares, with subscriptions amounting to over PLN 228 million. The high interest in the Company's shares among individual investors resulted in a reduction of 91.7% in the retail tranche.
- The Company placed all offered shares at the maximum price of PLN 172 per share.
- The Company raised approximately PLN 149.9 million from the issue which will be used in particular to finance the development of its research project portfolio and targeted protein degradation platform.
- The Company's IPO was the first European IPO of a company specializing in drug discovery using targeted protein degradation (TPD).
- On 24 May 2021 871,500 series G shares (new issue shares offered in the IPO) were registered with the National Court Register and were listed on the main market of the Warsaw Stock Exchange as of 11 June 2021.

#### Information on the progress of research and development work in project CT-03 and information on its molecular target

On 28 September 2021, the Management Board of the Company informed that the analysis of the achieved results, carried out by the Company demonstrates that small molecule compounds developed as part of project CT-03 effectively degrade the MCL-1 protein (*Induced Myeloid Leukaemia Cell Differentiation Protein*), being the molecular target of this project. The degradative activity of the mentioned compounds was demonstrated in a wide scope of cancer models. The molecular target of project CT-03, i.e., the MCL-1 protein (*Induced Myeloid Leukaemia Cell Differentiation Protein*), was also disclosed. The project and the results obtained by the Company are described in more detail in point 3.6.2 of this report. Information thereon was provided by current report no. 27/2021 dated 28 September 2021. The Company presented the research results at the 4th Annual Targeted Protein Degradation Summit.

After the end of the reporting period the Company informed that an independent subcontractor acting upon instruction of Captor Therapeutics carried out tests consisting of repeated administration of the CT-03 compound and monitoring the tumour volume. As a result of the proof-of-concept trials, it was demonstrated that the lead compound of project CT-03 produces the effect of significant reduction of tumours transplanted into mice. These results constitute a milestone toward choosing a clinical candidate. New results demonstrate that the MCL-1 degrader created by the Company, administered to mice once a day, causes tumour regression in the MV-4-11 mouse model of acute myeloid leukaemia. The strong anticancer effect was observed while administering both doses used in the test, i.e., 75 mpk (milligrams per kilogram body weight) and 150 mpk. In the previous tests only the dose of 150 mpk was used.

The latest results are fully consistent with the results of the earlier research on pharmacological effects of single administration of CT-03 compounds to animals which the Company reported last year. The results of both tests confirm that the CT-03 lead compound causes effective degradation of the MCL-1 protein in human tumour cells transplanted into animals, induces apoptosis and as a result thereof causes also reduction or regression of tumours.

Such results also support further development of the CT-03 degraders, aiming to choose a clinical candidate and enter the phase of IND-enabling studies (trials and application with respect to a new drug), and prove the Company's ability to discover bifunctional degraders using the technological platform Optigrade™.

#### Purchase of specialist laboratory equipment

On 29 September 2021, the Company signed an agreement pursuant to which it bought specialist laboratory equipment (including mass spectrometer Orbitrap Exploris 480) to be used to carry out the Company's projects, for approx. PLN 4.17 million net. Information thereon was provided by current report no. 28/2021 dated 29 September 2021.

The agreement was concluded with a Polish sales representative of reputable manufacturers of research and laboratory equipment. The delivery will include LC-MS/MS system dedicated to global analysis of changes in proteomes with appropriate software for bioinformatic analysis. The agreement also covers specialist training for the personnel operating the equipment.

The purchased equipment constitutes a complete platform for qualitative and quantitative analysis of proteins and will be used in the newly built proteomics laboratory. The creation of such unit is a response to the Company's growing needs in the area of research and development of new medicines, with special regard to preclinical phase. The possession of such equipment will significantly accelerate analyses and will broaden the scope of the tested experimental conditions. Analyses of proteomic



changes become one of the most important tools used for profiling TPD drug candidates. Measurements of proteome changes will be carried out in the course of most key research projects carried out by the Company.

#### Cooperation with the National Centre for Research and Development (NCRD)

In connection with the achieved results the Company applied to the NCRD for expansion of the scope of therapeutic indications covered by the CT-02 grant (POIR.01.01.01-00-0741/19). In particular, the Company applied for inclusion of immunooncology, breast cancer, lymphoma, and hematologic cancer. In January 2021, the NCRD accepted the application. As a result, funding within the grant (a total of PLN 27,411,400.00) is now available to support the development of CT-02 molecules both in autoimmunology and neoplastic diseases.

Further, in July 2021 the NCRD granted the Company's request concerning the expansion of therapeutic indications covered by the CT-05 grant under agreement no. POIR.01.02.00-00-0079/18 with NCRD.

#### Events related to patent protection

The Company's portfolio comprises two categories of patent applications: 1) patent applications covering chemical compounds developed in the court of execution of CT-01 and CT-05 projects (dedicated to proteins being the subject matter of the projects) and 2) patent applications covering chemical compounds (e.g. ubiquitin ligase ligands) and tests comprising technological platforms which may be used in many projects within the Company's pipeline, and in projects carried out in cooperation with other entities.

During the reporting period the Company continued works on expansion of its patent portfolio by submitting several new patent applications, intended to protect both intellectual property created within the Company's pipeline projects and intellectual property relevant for technological platforms.

As of the date of preparation of this report the Parent Company patent application portfolio consists of nine international patent applications under the PCT which in the next step will enter Polish/regional phases before selected Polish/regional offices and two Polish applications submitting to the Patent Office of the Republic of Poland. Three patent applications have already been published, another two will be published in the second half of 2022.

#### Other material events

In order to implement the adopted business model, the Company actively participates in conferences and scientific seminars and its employees publish research and scientific papers in renowned trade magazines with a view to reaching potential contract partners from the pharmaceutical sector. This way the Company tries to build a contact database of potential partners and implements the adopted business model. In the reporting period the Company participated in meetings both with investors and with representatives of pharmaceutical and biotechnology sector.

In May 2021, the Company participated in institutional investor conferences organized by WOOD & Company (19 May 2021) and Erste Group (26 May 2021).

Further, in June 2021 Captor Therapeutics participated in BIO DIGITAL 2021. BIO DIGITAL 2021 is the largest global event for biotech industry which attracts the biggest names in pharmaceutical and biotech sector offering possibilities of establishing contacts and partnerships.

In October 2021, the Company participated in institutional and individual investor conferences organized among others by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) - GPWInnovation Day (14 October 2021) and Trigon Dom Maklerski – Trigon Investor Week 2021 (14 October 2021)

On 28 October 2021, a representative of the Company made a presentation entitled: "New Opportunities in Targeting Cancer Resistance Mechanisms with TPD" during the 4th Annual Targeted Protein Degradation (TPD) Summit. The Company talked about the possibilities of overcoming drug resistance in cancer on the example of degradation of the MCL-1 protein.

Further, in October 2021 the Company participated among others in the Bio-Europe Digital – online partnering meeting which is one of the biggest digital life science partnering meetings in the world.

The Company has also become one of the founding members of BioInMed – Polish Association of Innovative Biotech Companies, created in order to cooperate with all stakeholders and public administration to build an ecosystem owing to which medical biotechnology will become a flagship sector of Polish innovativeness and the main driving force of the new economy. The first general meeting of the Association was held on 20 October 2021.



### 3.7.2. Significant events and factors after the end of the fiscal year

#### Information on the progress of research and development work under project CT-01 and disclosure of 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 an 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 Company, as part of execution of EU projects, on the basis of agreements concluded by the Company with the National Centre for Research and Development ("**NCRD**", "**Projects**"). The potential irregularities referred to above concern the Company's historical activity and they do not affect the results or research and development conducted by the Company.

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 ("**Audit**"). In accordance with the provisions of the concluded agreements for implementation of the projects, the Company 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 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 Company'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 Company's opinion, needs to be repaid to the NCRD is PLN 3,890,838.41, which constitutes 2.22% of the total amount for which the Company concluded all agreements with the NCRD (i.e., PLN 175.1 million) and 5.4%

of the grants thus far received by the Company from the NCRD (i.e., PLN 72.5 million as of 31 March 2022). The above amount was additionally increased by interest calculated as at the refund date in the total amount of PLN 767 thousand. The Company notified the NCRD of the identified irregularities and repay the above amount to the NCRD. In the Company's opinion the above-mentioned amounts which the Company intends to repay to the NCRD were determined applying a precautionary (conservative) approach and the Company does not expect that as a result of verification thereof by the NCRD such amounts are to be increased but it cannot be excluded that the NCRD will take a different view.

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.

### 3.8. Information on agreements concluded by the Company and the Group

#### 3.8.1. Material agreements concerning operating activities

##### Conclusion of a cooperation agreement regarding among others investor relations

On 27 August 2021, the Company entered with LifeSci Advisors LLC with its registered office in New York, USA ("LSA") into an agreement pursuant to which LSA is to provide the Company with services, in particular related to investor relations in foreign markets (including the USA).

The purpose of the agreement is to increase the Company's exposure to foreign markets and to further develop the Company's marketing activities towards institutional investors. Conclusion of the agreement is part of the Company's image policy aimed at attracting international partners and investors.

The agreement was concluded for 24 months. Information thereon was provided by current report no. 26/2021 dated 30 August 2021.

##### Purchase of specialist laboratory equipment

On 29 September 2021, the Company signed an agreement pursuant to which it bought specialist laboratory equipment (including mass spectrometer Orbitrap Exploris 480) to be used to carry out the Company's projects, for approx. PLN 4.17 million net. Information thereon was provided by current report no. 28/2021 dated 29 September 2021. The information is further described in section 3.7.1 of this report.

#### 3.8.2. Agreements concerning credit facilities and loans of the Company and the Group

In the reporting period neither the Parent Company nor the Group has executed or terminated any credit or loan agreement. In the period covered by this report the Group has also not granted any loan.

#### 3.8.3. Other agreements important for activities of the Company and the Group

To the best knowledge of the Management Board, in the reporting period and until the date of preparation of this report no material cooperation agreements, agreements between shareholders and insurance agreements other than the ones described in this report have been executed.

#### 3.8.4. Surety bonds and guarantees received and granted

In the reporting period the Group has not granted or received any surety bonds and guarantees.

#### 3.8.5. Transactions with related parties

In the reporting period companies comprising the Group have not executed any transactions with related parties on any terms other than at arm's length. Information on transactions executed with related parties is included in the consolidated financial statement for 2021 in note no. 43.

### 3.9. Risks and threats faced by the Company and the Group

#### **Risk related to the Company's operating activity**

Due to the innovative nature of the Company's business, the Company is currently at an early stage of research. All of the therapeutic molecules that the Company is working on are in the preclinical stage. The Company's ability to generate profits from the sale of medicines or licensing of therapeutic solutions will depend on the success in developing drug candidates (a drug candidate is a chemical compound with a high therapeutic potential (demonstrated at least in an experimental set-up))

and with desirable pharmacological properties, which has not yet been registered as a medicine, and possible commercialization of the medicines. The Company's success is contingent on a number of factors, in particular:

- successful completion of preclinical studies;
- successful initiation of clinical trials;
- successful recruitment of patients to conduct and finalize clinical trials;
- obtaining all necessary regulatory and market approvals for potential clinical candidates;
- entering into partnership or collaboration agreements with third parties on commercially advantageous terms;
- competing effectively with other therapies;
- gaining acceptance of the drug in the marketplace and among potential patients;
- successful commercialization of a medicine.

To date, the Company has not generated sales revenue from the commercialization and sale (licensing) of drug candidates or medicines. All of the Company's research and development programs are at the stage of developing a suitable therapeutic molecule for the selected molecular target and validating its properties, i.e., before the stage of preclinical and clinical trials. The Company has not commenced clinical trials of developed drug candidates and anticipates that it will be several more years before a drug candidate passes clinical trials and is ready for commercialization. There is a risk that the Company and its partners may not reach the stage of commercialization and marketing of a drug, and even if they do, the Company may not generate revenues that are significant enough to make its business profitable.

#### ***Risk related to the SARC-Cov2 pandemic***

In connection with the ongoing pandemic of the coronavirus SARC-Cov2, which causes the COVID-19 disease worldwide, the following factors have been identified as of the date of this report, which may temporarily affect the period of individual research work within the ongoing research and development projects or the financial situation of the Group and the Company.

In case of persistence or introduction of new restrictions and limitations in the economies of the countries affected by the pandemic and uncertainty as to the development of the situation in the capital markets:

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

As of the date of this financial report, the Parent Company was unable to estimate the possible magnitude of the effects of the potential economic risks. The Company monitors on an ongoing basis developments affecting the likelihood of the effects of the potential risks. In the reporting period the coronavirus pandemic has not adversely affected the ability of the Group and the Company to continue as a going concern. The Company has implemented a number of measures to enhance occupational safety 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.

#### ***Risk related to the armed conflict 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 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.

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 Group.

**Risk related to grants**

Research and development programs of the Company are primarily financed by public subsidies. In order to obtain public subsidies, the Company is obliged to meet many formal requirements and restrictive competition conditions, and applications submitted by the Company undergo meticulous inspection. The Company is planning to submit in the future applications for further grants for new research and development programs, whereas there is a risk that applications submitted by the Company will not meet the formal and legal requirements or will not be approved by experts evaluating the merits of such applications, which will consequently result in the necessity to engage the Company's own resources and adversely affect the Company's activity and results.

Captor Therapeutics receives subsidies proportionally to the scope of the implemented project. Agreements concluded with the NCRD provide for two systems of co-financing. According to the first model the Parent Company finances research works from its own resources and then receives reimbursement of incurred costs. In the second model, the Company receives advance payments for research, which it is subsequently obligated to settle in accordance with the application and grant agreement (presently projects are settled through advance payments). The Company cannot exclude the risk that the costs incurred for research and development will be contested by the financing entity, which will mean a reduction in the amount of reimbursement to the Company or an obligation to return certain amounts obtained in the prepayment system with interest to the financing entity.

The Group is regularly audited by NCRD in terms of the correctness of grant spending, providing the institution with relevant project and cost documentation. There is a potential risk that certain potential irregularities might have occurred in the past in reconciliation of the qualified costs incurred by the Company, in the course of execution of EU projects, on the basis of agreements concluded by the Company with the NCRD, and consequently that the Company will be required to return some of the subsidies received by the Company with interest. Such irregularities were identified by the Company as a result of the Audit commissioned by the Company and completed in April 2022 (for more details please see point 3.7.2 above).

In addition, grant agreements with the NCRD concern the execution and funding of the Company's projects until the end of 2023. The Company estimates that some of its projects will enter phase I clinical tests in 2023, and some of them between 2023 and 2025. Even if the time schedule of some projects, as estimated by the Company, presently provides for the entry into phase I clinical tests in 2023, it cannot be excluded that such time schedule will change, and projects will enter phase I clinical tests after 2023. Consequently, the Company might not have time to use the entire subsidy granted for a relevant project by the NCRD and will have to finance further works from own resources. The Company is also exposed to the risk of the grant being withheld or significantly reduced or being required return part or all of the funds received from the grant.

Further, the grant agreements concluded by the Company impose on the Company an obligation (under pain of withholding the grant or terminating the grant agreement and repaying all or part of the grant with interest) to implement the results of the research and development work performed under the project within 3 years from the completion of a given project. The agreements provide that the implementation of the results referred to above may be carried out in the following forms:

- by starting the production or services on the basis of obtained project results; or
- granting a license (at the market price) for using the Company's rights to research results to another entrepreneur; or
- selling (at market prices) rights to research results in order to introduce them to the market by another entrepreneur.

The Company received some of the NCRD funding as a consortium member. This situation occurred in the case of implementation of two projects: (i) the project entitled "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 entitled "Development and implementation of an innovative platform for screening analysis of degron-type therapeutic compounds" under which the Group cooperated with PORT Polski Ośrodek Rozwoju Technologii sp. z o.o. with its registered office in Wrocław (formerly: Wrocławskie Centrum Badań EIT+ spółka z o.o.). In both cases, the Group and the other member of the consortium share the rights to the results of work and research under the project. As a result, the economic implementation of research results, e.g., their sale or licensing, requires the cooperation of the consortium members and cannot be carried out by the Company alone. Because of the necessity of cooperation between the 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 consequently have an adverse impact on the Company's operations, financial position, development prospects and results.

Moreover, agreements providing for sale or granting a license for the project results must meet a number of requirements described in more detail in the grant agreement. It cannot be excluded that it will not be possible to meet some or all of the above-mentioned requirements or that the Company will not manage to implement the results of research and development work within the deadlines indicated in agreements which may result in subsidies being withheld or grant agreements being terminated and, in an obligation, to return all or some subsidies with interest.

High relevance of the above risk follows from the fact that the Company's activity is presently based to a significant extent on funds from subsidies and the total value of subsidies is significant. The Company is exposed to the risk of subsidies being withheld or significantly reduced by public entities or being required to repay some or all funds, which may have a strong adverse impact on the Company's ability to conduct new or finish the existing projects.

***Risk of attrition of management or scientific staff***

The Company's business is highly dependent on adequate research and development staff and managers with relevant skills, qualifications, and experience. Recruitment and retention of qualified scientific and management personnel is critical to the Company's success in the market. The loss of specialist staff and key managers may adversely affect the research capabilities and development of drug candidates, as well as the effective implementation of the Company's strategy. The replacement of managerial and scientific staff is very difficult in the biotechnology industry due to the shortage of specialists and high competition for employees between biotechnology or pharma companies, hence there is a risk that the Group will not be able to retain its current staff or recruit new employees or will be forced to increase employee costs in order to bind its key personnel. This risk exists despite the fact that the Company has introduced an Incentive Program for managers and employees.

***Risk of not achieving the first phase of clinical tests***

Before a drug can be approved for marketing, clinical trials must be conducted by the Company together with a strategic partner with whom the Company will commercialize the drug candidate. Clinical trials of medicinal products are conducted in four phases.

The following phases of research are distinguished:

- Phase I - on a small group of healthy volunteers, aims to study safety, toxicity, pharmacokinetics, and pharmacodynamics of therapy;
- Phase II - on a larger group, aims to study the clinical efficacy of the therapy;
- Phase III - randomized trials on a large group of patients, aims to fully evaluate the effectiveness of a new therapy;
- Phase IV - prolonged clinical trials examining in more detail the safety of the medicinal product after it has been authorized for marketing; during this phase, rare undesirable effects or adverse effects related to long-term use, overdose symptoms, interactions of the new drug with others, among others, are observed.

Each of the above phases must be successfully completed in order for the next phase to commence, therefore there is a risk that if the clinical trials in a given phase are unsuccessful, the Company together with the strategic partner with whom it intends to commercialise the drug will not be able to proceed to the next phase of clinical trials, which may cause delays in the project timetable, and in extreme situations, make it impossible to continue work on a given drug candidate.

***Risk related to failure to establish cooperation with strategic partners***

The Company's strategy is to collaborate with strategic partners in the biotechnology/pharmaceutical industry to conduct preclinical, clinical studies, drug launch and commercialization. The market trend observed by the Company in terms of entering into partnership agreements is that potential strategic investors show interest in clinical candidates for innovative drugs in the areas of oncology and autoimmunity that show an initial therapeutic effect, have been positively evaluated from a toxicology point of view and have sufficient safety at the stage of development and preclinical studies.

In order to fully leverage the potential of the Company's technology and accelerate the development of its discovered therapeutic molecules, the Company plans to cooperate with leading biopharmaceutical companies with significant experience in supporting research and development companies and significant capabilities in drug development and commercialization. The Company faces significant competition in attracting suitable strategic partners, and therefore the risk of not finding a suitable industry investor interested in the drugs currently being developed by the Group cannot be excluded. This risk is associated with factors such as the changing strategies of large pharmaceutical companies with respect to the research and development programs of smaller partners, the existence of other effective therapies on the market, the inability to reach decision makers within the organization of a given industry investor, or the insufficient effectiveness of the developed drug in the initial stages. The Company cannot guarantee that, despite successful initial development of a drug candidate, there will be an opportunity to establish a partnership with a strategic partner.

***Risk related to financing the Company's operating activity***

The Company does not generate revenues on an ongoing basis (save for revenues from cooperation with Sosei Heptares which are not significant in view of the Group's capital needs), and its operations are capital intensive and have to date been financed primarily from funds received from shareholders through subsequent share issues and grants from public sources. Due to the uncertainty of the success of laboratory tests, possible underestimation of project budgets, the need to obtain further funds to continue research or to undertake new projects, the Company may need to obtain additional financing.

***Risk related to not identifying drug candidates***

A key element of the Group's strategy is to use developed technology to develop a broad category of therapeutic molecules for multiple molecular targets, thereby reducing the risk of failure. Despite this, there is a risk that the Company's research and development activities in degradative compounds may not be successful in discovering additional drug candidates with effective therapeutic applications in the treatment of cancer or autoimmune diseases. The Company's research and development programs may show initial promising results in identifying therapeutic compounds, although at a later stage of clinical trials or commercialization, therapeutic molecules or drugs may not exhibit relevant properties, including, in particular, due to:

- harmful and undesirable side effects or demonstration of therapeutic parameters which imply that drugs based on these therapeutic compounds may not obtain appropriate marketing approvals or receive sufficient recognition in the drug market;
- failure of a potential clinical candidate to demonstrate adequate efficacy in treating the targeted diseases.

Research and development programs directed at identifying new drug candidates require significant capital, human and technical resources. The risk cannot be excluded that the Company will direct its efforts to the research and development of inappropriate compounds that ultimately will not be effective in treating the targeted diseases.

Thus, there is a risk that the Company will not generate income from commercialization and sale of drugs in the next years which may have a strong negative impact on the Company's operations, financial situation, development prospects and results.

***Risk related to obtaining the authorization to conduct clinical trials***

After the Company conducts preclinical studies, the Company, in cooperation with a strategic partner from the biopharmaceutical industry, intends to continue working on a given drug candidate in the clinical research phase at centres in Poland and abroad. The commencement of clinical trials depends on obtaining an authorization to conduct clinical trials, following a positive ethical and scientific evaluation. In order for a therapeutic molecule to be admitted to clinical trials, the Company is required to present the results of pharmacological and toxicological tests and the chemical specificity of the drug candidate. The Company has not yet applied for authorization to conduct clinical trials. In view of the need to comply with formal requirements in order to obtain a clinical trial authorisation, there is a risk that the Company, in the event of non-compliance with any of the requirements, may be exposed to a delay in the project schedule or the need to incur additional financial outlays in order to comply with additional substantive or formal requirements, not excluding, in the worst case scenario, the obligation to terminate a given research project, which may have a negative impact on the Company's operations, financial position, development prospects and results.

Clinical trials require large capital expenditures, adequate preparation, and implementation, and may take several years to complete, with uncertain trial results. Failure of one or more clinical trials can occur at any stage of a clinical trial. The Company or a partner of the Company may experience a number of unforeseen problems during clinical trials that could result in a delay in or inability to obtain marketing and commercialization approval for a drug, including, but not limited to:

- regulatory authorities may not approve the initiation of clinical trials at a specialty research site selected by the Company;
- difficulties or delays in contracting with a particular research site on commercially acceptable terms;
- clinical trials of therapeutic molecules may yield negative or inconclusive results, forcing the Company to order additional testing or terminate clinical trials, or a regulatory authority orders termination of these activities under its regulatory authority;
- the number of patients required for trials may be less than expected patient recruitment for clinical trials may be slower than anticipated or trial participants may drop out in greater numbers than anticipated;
- the Company's partners or collaborators may fail to meet their obligations in a timely manner or breach regulatory requirements;
- the Company will be forced to suspend or terminate testing of drug candidates for a number of reasons, in particular because of the risk to the health or lives of patients during clinical trials;



- regulatory authorities may order the Company or its partners to suspend or terminate clinical trials for a number of reasons, including violations of regulatory requirements;
- the drug molecules being tested may exhibit undesirable side effects or other unexpected characteristics, forcing the Company or its partners to suspend or terminate clinical trials;
- the costs of conducting clinical trials may be greater than estimated;
- the supply of chemicals necessary to validate the effectiveness of the therapeutic molecule or the quality of the chemicals may be insufficient to conduct representative clinical trials.

In the event that (i) the Company or a partner of the Company is required to undertake tests in addition to those included in the project schedule, or (ii) the tests performed fail, or (iii) the results of the tests demonstrate therapeutic capability but to an unsatisfactory degree, the Company or a partner of the Company may face delays in obtaining marketing authorization, or no marketing authorization at all, a narrower scope of application than anticipated, or restrictions on the manner of consumption or labelling of the drugs.

Research and development costs will increase materially in the event of delays in preclinical or clinical studies or in obtaining the relevant marketing approvals for a drug. The Company cannot guarantee that preclinical or clinical studies will be initiated or completed within the anticipated project timeframe. Significant delays during these procedures may result in the Company's competitors being able to develop similar drugs in a shorter timeframe and bring them to the market, which would negatively affect the Company's or its partners' ability to market the developed drug, which in turn may have a negative impact on the Company's business, financial standing, development prospects and results of operations.

***Risk related to significant competition in drug discovery and development***

The biotechnology and pharmaceutical industries are characterized by rapid and dynamic development of modern technologies and significant competition. The Company faces competitors who may in the future develop drugs with greater therapeutic efficacy at a lower risk of undesirable side effects, which in turn may result in lower financial proceeds from the sale of, or licensing of, a drug developed by the Company. The Company cannot guarantee that competitors, also using protein degradation technology, will not develop drug candidates with better therapeutic properties for oncology or autoimmune diseases at the preclinical research stage, resulting in a decrease in interest from sectoral investors and industry partners in the Company's methods or degradation molecules developed by the Company. There is also a risk of competition from third parties that apply other methods of drug and therapy development (e.g., inhibitor treatment, gene therapy, antibody treatment and genome modification) such as large pharmaceutical companies, specialized pharmaceutical and biotechnology companies, scientific and scientific institutions or private or public research institutes.

***Risk related to the Company's improper cooperation with strategic partners***

After the Company enters into cooperation with a selected strategic partner, the Company will be obliged to duly cooperate with such entity. If the Company's cooperation with the selected strategic partner does not lead – due to circumstances attributable to the Company – to successful development and commercialization of drugs, or if one of potential partners terminates the agreement with Company, Captor Therapeutics may not receive in the future the anticipated funds for research or may not generate some income within such cooperation. If the Company does not obtain funding it expects to obtain under partnership agreements, development of a given drug candidate may be delayed or suspended, and the Company may require additional funds to develop drug candidates. In such a situation, finding an appropriate replacement partner or attracting new strategic partners by the Company may be significantly hampered, and the Company's research and development programs may be delayed or required to be completed. Such circumstances may also adversely affect the perception of the Company in the industry or financial community.

***Risk of not obtaining patent protection or insufficient patent protection for solutions developed by the Company***

The Company has innovative know-how in the area of research and development of chemical compounds and drug candidates, which constitutes a legally protected trade secret. In order to obtain more effective protection of its rights, the Company intends to apply for appropriate patent protection in the territory of Poland, member states of the European Union, as well as in other countries (e.g., the USA), in the event that a particular therapeutic compound under development exhibits features that enable it to obtain a patent in a particular jurisdiction.

Patent application procedures are generally lengthy and costly, and in the case of biotechnological solutions, the outcome is often uncertain due to the scientific, technical and legal complexity of the proceedings. The publication of discoveries and biotechnological solutions is usually secondary and delayed compared to the actual filing of the discovery for patent protection, hence there is a risk that a particular therapeutic solution for a particular therapeutic indication has been discovered or developed earlier by an entity other than the Company, which will prevent a patent from being registered in favour of the



Company due to failure to meet the prerequisites for patentability. Until a decision is issued by the relevant patent office, there is a risk that patent protection will be denied or granted in a narrower scope than that applied for by the Company. In addition, in the course of ongoing patent proceedings, third parties, including the Competitor's competitors, may file claims or objections to the Company's applications. This raises a potential risk of making it more difficult to obtain patent protection and, in extreme cases, even preventing the Company from obtaining patent protection due to prior patenting of the same solution by a third party. Also, in the period after patent protection has been granted, it may be invalidated for various reasons, which, in extreme cases, may prevent the Company from receiving part or all of the revenue related to a given project, despite its significant progress and costs incurred.

#### ***Risk of potential infringement of intellectual property rights***

Much of the intellectual property used by the Company in its research and development activities is developed and created by the Company's employees and associates. Despite laws governing the transfer of intellectual property and copyrights from the Company's employees to the Company, there is a risk that such intellectual property and copyrights may remain with the employees, which could potentially give rise to claims by such employees against the Company for unlawful use of such intellectual property and copyrights. The Company also cannot exclude the possibility that, despite appropriate contractual arrangements, intellectual property rights or copyrights have not been effectively transferred from the Company's employees to the Company, thereby exposing the Company to potential claims from its employees, former and present.

The Company's success also depends on its ability to develop and commercialize drug candidates using relevant intellectual property owned by third parties. The Company has taken appropriate measures not to infringe the intellectual property rights of third parties. However, given the widespread use of intellectual property rights and the significant scope of their legal protection in the biotechnology and pharmaceutical industries, the risk of the Company infringing on the intellectual property rights of third parties and consequently incurring claims by such parties against the Company cannot be excluded. As a result, there is a risk that the Company may be sued for alleged infringement of intellectual property rights and as a consequence, the Company may have to engage significant and unforeseen financial resources to pursue its litigation. The above may have an adverse impact on the operations, financial standing, development outlook and results of the Company.

#### ***Risk related to using third party services***

Not all activities in the course of development of a new drug and pre-clinical and clinical tests are performed by the Company's staff or in laboratories used by the Company. Some research activities are outsourced to external specialist research centres, both Polish and foreign. Pieces of research that are outsourced to external centres include activities such as large scale synthesis of chemical compounds, ADME studies package, toxicological studies, animal testing, phase one clinical research. In choosing a particular research and laboratory centre the Company is guided by criteria such as quality of services, possibility of conducting research on a particular therapeutic molecule, apparatuses used, skills and qualifications of research personnel, sanitary conditions as well as reputation of the centre. Selection of appropriate external laboratory and research centres is significant from the perspective of pharmaceutical companies interested in the Company's activity. Consequently, there is a risk that laboratory and research centres or third parties to which the Company outsources some research activities will not perform such activities in a proper and timely manner or as expected by the Company.

#### ***Risk related to failure to implement the Company's strategy***

The main assumption of the strategy adopted by the Company is the implementation of a number of research and development programs aimed at the discovery and commercialization of drugs with high commercial potential in the area of cancer and autoimmune diseases, for which there are currently no treatment options, or the available methods show significant therapeutic limitations. Achievement of the strategic objectives depends on many internal and external factors, including economic, regulatory, legal, financial, or operational factors, some of which are beyond the Company's control, and which may hinder or prevent the Company's strategy.

Difficulties in implementing the Company's strategy may arise from circumstances such as the inability to discover or develop new chemical compounds with therapeutic efficacy for diseases that are of interest to the Company's research and development. Moreover, in accordance with the adopted strategy, the Company intends to enter into cooperation with the largest pharmaceutical companies in the world in order to conduct clinical trials and commercialize the developed drug, but there is a risk that such cooperation may prove to be ineffective or the commercial terms of the transaction with a given partner may not be satisfactory to the Company, which may hinder the achievement of this strategic goal of the Company. Difficulties in the implementation of the Company's strategy may also result from the change in the economic policy with respect to subsidizing innovative companies, e.g., from the biotechnology industry, as a result of which the Company will be forced to change the structure of financing its research and development activities, which may delay the implementation of further

projects by the Company. The implementation of the Company's strategy may also be affected by the risk related to public companies withholding funding, significant reduction thereof or the necessity to repay some or all funds which may have a strong adverse impact on the Company's ability to conduct new or complete existing projects.

Given the above, there is a risk that the Company's strategy will not be implemented at all or to a lesser extent than expected, with significant delays or with unsatisfactory results. If the Company encounters unexpected barriers during the implementation of the developed strategy, the Company may be forced to change, abandon, or develop a new strategy, or to start reviewing potential strategic options.

***Risk related with registration, marketing and commercialization of the drug and activities of the Company's partners***

Upon successful discovery and development of a therapeutic molecule, the Company intends to enter into a partnership agreement with major pharmaceutical companies to conduct further preclinical, clinical trials, register, market and commercialize the drug.

The registration and marketing of a drug is subject to a number of procedural and formal requirements being met before the regulatory authorities. The Company's ability to generate future revenues in the form of royalties and commissions on drug sales depends on the success of these processes. In the event of procedural deficiencies, incomplete documentation or unfavourable changes in the registration and approval procedures, there is a risk of failure or delay in the registration of the drug or its marketing approval. In addition, once the marketing authorization is obtained, all the requirements under the authorization and relevant laws must be met, otherwise the regulatory authority may order the revocation of the authorization, which will result in the withdrawal of the drug from production and marketing. The aforementioned registration and procedural steps are generally the responsibility of the partner with whom the relevant partnership agreement will be entered into. The Company cannot guarantee that the partner will comply with these obligations, which may have an adverse effect on the Company's business, financial standing, development prospects and results of operations.

The success of commercialization of developed drugs is linked to a number of factors, such as the success of clinical trials, obtaining the necessary approvals for registration and marketing of the drug, efficiency and effectiveness of the marketing and advertising campaign, favourable terms of partnership agreements for the commercialization of the drug, demand for the drug developed by the Company and the availability of competitive therapies and drugs on the market. The success of the commercialization and promotional campaign of the finished drug will depend significantly on the potential and resources of the strategic partner selected by the Company in each case.

***Risk related to the occurrence of accidents, loss of equipment and data, and property and personal damage***

The Company's operations require the use of sophisticated research and laboratory, diagnostic and storage equipment used in molecular biology, organic chemistry, and analytical work. The loss of such equipment as a result of mishap, faulty operation or force majeure (e.g., natural disasters, fire) can cause significant delays in the research schedule, incurring costs to rebuild laboratories and specialized equipment, and even loss of the ability to continue or conduct new drug candidate research.

The internal computer systems used by the Company are vulnerable to serious failures, virus attack, unauthorized access, data theft, and the circumstances and events indicated in the previous paragraph. The Company undertook certain measures to prevent such events; however, it cannot be excluded that such events will occur and prevent research work from being continued. Loss of laboratory data and preclinical or clinical results, as a result of work interruption or damage to IT systems, may lead to significant delays in the projects being carried out, and force the Company to incur significant financial costs to recover the data.

The Company conducts research and development work among others in a chemical laboratory. Personal injuries may be an undesirable result of such work. The Company cannot assure that in the event of human error, equipment malfunction or random events, the aforementioned personal injuries will not occur. Their occurrence may expose the Company to compensation proceedings. The Company's business is dependent on the use of active substances manufactured within its own operations and supplied by contractors. There is a risk that due to sudden and unforeseen circumstances, research material may be damaged, contaminated or destroyed in the laboratory, adversely affecting the timely implementation of planned activities. The above risk exists despite the fact that the Company insures fixed assets comprising laboratory equipment and has civil liability insurance (OC) in connection with its operations.

***Risk related to the short history of the Company's operating activities***

The Company started its operations in 2017 and its operations thus far have been limited to organizational activities, business planning, equity raising, looking for appropriate drug candidates, conducting pre-clinical studies and establishing business contacts with potential industry investors. The biotech industry is a young sector of economy characterized by dynamism, volatility, and unpredictability; therefore, all projects of the Company are based on assumptions and projections, in particular

with respect to budgeting and anticipated costs which may turn out to be wrong. Consequently, any predictions about the Company's commercial success or ability to generate revenues may differ from the actually achieved results. The Company expects that its financial results will be characterized by volatility, both within an annual and quarterly cycle, which will depend on numerous factors, many of which will be beyond the Company's control; therefore, the operational and financial results of the Company should not be the only basis for estimating the Company's future results.

#### ***Risk related to violation of business secrets and know-how of the Company***

Notwithstanding the legal protections afforded to intellectual property rights, the Company uses in its operations information that constitutes corporate secrets, in particular non-patented know-how, methods and technologies for developing drug candidates. The Company exercises due diligence to protect the confidentiality of such information, in particular by entering into nondisclosure agreements or confidentiality agreements with entities that have access to such confidential information, i.e., employees, contractors, scientific collaborators, consultants and other third parties. Despite the above protective measures, the aforementioned third parties may breach the relevant agreements and disclose the Company's business secrets or know-how. Pursuing claims for such violations is complicated and time-consuming, may involve significant financial resources of the Company, and legal remedies may not be effective or sufficient. The Company cannot exclude a situation in which as a result of infringement of the Company's secrets competing entities gain access to such information, which may negatively affect the Company's competitiveness on the market. In addition, if third parties independently and legally discover information or develop methods or technologies similar to those used by the Company, the Company will not have adequate tools to prevent such parties from using such information.

## **4. ANALYSIS OF THE COMPANY'S AND THE CAPITAL GROUP'S FINANCIAL AND ECONOMIC SITUATION**

### **4.1. Basic economic and financial data**

#### **Revenues from sales**

In December 2020, Sosei Heptares and Captor Therapeutics S.A. entered into a strategic technology collaboration to discover and develop new small molecules targeting protein-coupled receptor degradation (GPCR). In the reporting period, the Group continued a project in cooperation with an industry entity, Sosei Heptares. The value of revenues in 2021 amounted to PLN 3.986 thousand.

#### **Operating costs**

The Group's total operating expenses in 2021 amounted to PLN 53.793 thousand and represent the aggregate operating expenses, i.e., research costs, project overheads and management costs. The largest item in this group are research costs and management costs, representing 79% of the Group's operating expenses (83% in the corresponding period of the previous year). Research costs accounted for 43% of operating expenses in the period under review and decreased by PLN 454 thousand compared to 2020. The decrease has to do with the termination of one of the CT-06 projects, which was cost-intensive and, in the Group's opinion, did not promise further success. As a result, the Parent Company decided to terminate this project at the end of 2020. Project overheads accounted for 21% of all operating expenses in the period under review and increased by PLN 5.450 thousand compared to 2020 due to the emergence of additional expenses that were not eligible for reimbursement from the financing obtained by the Group (e.g. patent protection, increased laboratory and office space, newly employed staff, customs duties related to imported goods, analyses and studies, purchase of new office equipment and licenses).

A significant item of the Group's operating expenses is general and administrative costs, which amounted to 36% in the audited period, compared to 13% in the same period of the previous year. A significant cost item in general administration costs are costs of valuation of the incentive program (in 2021 management costs amounted to PLN 19.545 thousand and increased by PLN 15.342 thousand compared to 2020, when this value amounted to PLN 4.202 thousand). In accordance with the Group's assumptions, the valuation of the incentive scheme is based on actuarial valuation and does not represent a real (i.e., cash) cost for the Group in the analysed period.

In the structure of costs by type of the Group, the largest item are costs of employee benefits which amounted to PLN 25.210 thousand. Further, salaries of employees (mainly research staff) and benefits for the management represent 52.72% of this value, the incentive program, which is not a cash expense, represents 37.67% and other benefits (social security costs, costs of retirement and leave benefits and other) constitute 9.61%.

Another item in the structure of costs by type is external services, which in 2021 amounted to PLN 17.053 thousand and was higher by PLN 7.221 thousand than in the comparative period. The increase in the cost of third-party services is due to the

further advancement of research and development projects, which involves, among other things, the need to outsource certain services, studies or analyses to third parties.

#### Grant income and other operating income

The item of grant revenue represents revenue from subsidies received by the Group from the NCRD and in 2021 it amounted to PLN 21.948 thousand (in the same period of the previous year: PLN 21.490 thousand).

In the period under review, the Group recorded higher grant revenue compared to the same period last year with respect to the following projects: CT01, CT-02, CT-04, PT3 and completed the CT-06 project

In 2021 the Parent Company received a cash donation of PLN 1.0 million from one of the Issuer's shareholders which is presented in other operating income.

#### Operating profit (loss)

In 2021 the Group recorded a loss from operations of PLN 31.709 thousand. As disclosed in point 3.6 of this report regarding ongoing projects, the Group is at an early stage of research and is not yet generating significant revenue from its core business. The loss was mainly contributed to by research and management costs, which accounted for 79% of the Group's total operating expenses, and increased costs of employee benefits, including in particular costs of valuation of the incentive scheme.

#### Net profit (loss)

Net loss in 2021 was PLN 32.572 thousand and it was greater by PLN 19.878 thousand compared to the same period of 2020. This amount is due to factors contributing to the operating loss and financial expenses related to interest on the loan and to lease agreements for laboratory equipment.

#### Assets

As at the balance sheet date of 31 December 2021, total assets amounted to PLN 143.541 thousand, of which current assets represented 91% and fixed assets represented 9%. At the end of 2020, total assets amounted to PLN 25.779 thousand, of which fixed assets represented 48.6% and current assets represented 51.4%.

#### Fixed assets

As at 31 December 2021, fixed assets amounted to PLN 12.986 thousand, which means that compared to 31 December 2020, fixed assets increased by PLN 453 thousand. The most significant component of non-current assets as at 31 December 2021 and 31 December 2020 consisted of tangible fixed assets (laboratory equipment and buildings and structures leased by the Company). As at 31 December 2021, tangible fixed assets had a value of PLN 12.612 thousand, which accounted for 97.1% of total non-current assets, and as at 31 December 2020, it had a value of PLN 12.198 thousand, which accounted for 97.3% of total non-current assets.

#### Circulating assets

The value of current assets increased in the analysed periods. As at 31 December 2021, current assets amounted to PLN 130 555 thousand and increased by PLN 117.309 thousand compared to 31 December 2020. The most significant components of current assets as at 31 December 2021 and 31 December 2020 were cash and cash equivalents, which accounted for 90,3% of current assets in 2021 and 80.4% in 2020.

#### Equity

The value of this balance sheet item as at 31 December 2021 amounted to PLN 124.200 thousand and such amount was obtained by the issue of series H, series J and series G shares.

#### Long-term liabilities

Long-term liabilities at the end of the reporting period amounted to PLN 2.973 thousand. In the analysed period the value of long-term liabilities decreased by PLN 3.804 thousand compared to December 31, 2020. In 2021, the Group repaid the liability under the loan received. As at the balance sheet date, these liabilities represent to a significant extent (98.9%) the long-term portion of the lease agreements for laboratory equipment.

#### Short-term liabilities

Short-term liabilities at the end of the reporting period amounted to PLN 16.368 thousand and are by PLN 3.639 thousand lower than as at 31 December 2020, when they amounted to PLN 20.006 thousand. The decrease of this item is related to the decrease of deferred income, which relates to received advance payments for grants.

### 4.2. Financial indicators

The Group recognized a net loss both in 2021 and in the corresponding period of 2020, therefore it is not possible to determine financial indicators for the Group related to profitability.

The Parent Company uses alternative performance measures (APM indicators) to describe the financial position of the Group. In the opinion of the Management Board of the Parent Company the selected APM indicators are a source of additional (apart from the data presented in the financial statements) valuable information on the financial and operating situation as well as they facilitate the analysis and assessment of the financial results achieved by the Group in particular reporting periods. The Group presents alternative performance measures as they represent standard measures and ratios commonly used in financial analysis; however, these ratios may be calculated and presented differently by different companies. Therefore, the Group provides below the precise definitions used in the reporting process. The selection of alternative performance measurements was preceded by an analysis of their usefulness in terms of providing investors with useful information about the financial situation, cash flows and financial efficiency and, in the Group's opinion, allows for an optimal assessment of the achieved financial results. The APM indicators presented by the Group were calculated using the formulas specified below.

The following table provides a summary of debt ratios.

**Table 2: Group's financial indicators**

Indicator	Calculation method	31.12.2021	31.12.2020
total debt ratio	total liabilities/total assets	13.47%	103.89%
long-term debt ratio	long-term liabilities/total liabilities	15.37%	25.3%
short-term debt ratio	short-term liabilities/total liabilities	84.63%	74.70%

As at 31 December 2021, there was a decrease in the value of total liabilities, long-term liabilities and short-term liabilities and an increase in the short-term debt ratio, as a consequence of the development of the Group's operations. However, the decrease in their value is mainly due to the fact of raising funds from the IPO in the first half of 2021, which is further described in point 3.7 of this report.

#### 4.3. Unusual factors and events affecting the operating result of the Company and the Group

In the analysed period there were no unusual events affecting the operating result, except for those described in point 3.7 of this report.

#### 4.4. Financial instruments

##### 4.4.1. Description how the Company used proceeds from the IPO

Proceeds from the IPO opened a new phase of the Company's development and will allow it to:

- finance the current research and development projects and diversify sources of financing in order to ensure the possibility of carrying out research;
- finance the expansion and acquisition of technical and scientific infrastructure necessary to carry out R&D projects;
- finance marketing activity and legal protection, including patent protection;
- employ qualified staff for the Company;
- finance the opening and operation of a laboratory in Basel (Switzerland).

In implementing plans for the future, by the end of 2022 the Company intends to focus on the following goals:

- further development of the portfolio of innovative drugs in the preclinical phase, intended to start an initial clinical phase for the most advanced projects, probably in 2023;
- execution of value creating contracts with further partners from the pharmaceutical and biotechnological sector, in addition to our cooperation with Sosei Heptares;
- improvement and expansion of the potential of our modern TPD laboratories in Wrocław;
- strengthening of business activity in Allschwil (Switzerland), and therefore increasingly stronger positioning of the Company in biotechnology sector;
- expansion of our international scientific and business team by new key staff necessary to meet new development and clinical challenges the Company is facing;
- further dynamic development of the growing intellectual property portfolio.

#### 4.5. Assessment of the management of the Company's and the Group's financial resources and anticipated financial situation of the Group

The Group's financial situation as of the date of preparation of this report is good. As of 31 December 2021, the value of cash amounted to PLN 117.94 million. The Company's research and development activity is financed by own resources and public subsidies. The Company is fulfilling its liabilities on an ongoing basis and maintains a safe level of cash enabling it to maintain liquidity. Proceeds from issuance of shares and public funds allow the Company to make the planned investments, in particular

execution of existing innovative projects and expansion of laboratory infrastructure. Future revenues of the Company strongly depend on commercialization of research projects. The principles of financial risk management are presented in Note 46 of the financial statements.

#### 4.6. Impact of the Subsidiary's financial data on the consolidated results and financial position of the Group

The Company's operations and assets constitute the major part of the Group's operations and assets (revenues from the Company's research and development services account for 100% of the Group's revenues, the Company's equity accounts for 99.9% of the Group's equity, the Company's assets constitute 99.8% of the Group's assets), economic and financial figures for the Company are subject to similar changes for similar reasons as the economic and financial figures for the Group.

#### 4.7. Explanation of the differences between the financial results and previously published results forecasts

The Company has not published any forecasts of financial results of the Company or the Group for the fiscal year 2021.

### 5. CORPORATE GOVERNANCE INFORMATION

#### 5.1. Corporate governance rules applied

In 2021 the Company was subject to the corporate governance rules included in Best Practice of WSE Listed Companies 2021 adopted by resolution no. 13/1834/2021 dated 29 March 2021 of the Stock Exchange Board of Giełda Papierów Wartościowych w Warszawie S.A. The text of the Best Practice of WSE Listed Companies 2021 is available to the public on the following website of WSE: <https://www.gpw.pl/dobre-praktyki2021>

#### 5.2. Corporate governance rules which were disappplied

In 2021 Company did not apply the following rules included in the Best Practice of WSE Listed Companies 2021:

##### I. INFORMATION POLICY, COMMUNICATION WITH INVESTORS

##### Principle 1.2.

**Full text of principle 1.2.:** The company makes the financial results included in the interim report available for inspection as soon as possible after the end of the reporting period or, where that is not possible for justified reasons, publishes at least a preliminary estimated financial result as soon as possible.

**Company's comment:** The Company strives to provide financial results included in interim reports as soon as possible and taking into account the deadlines provided for by the provisions of law. However, it is not the Company's intention to provide initial estimated financial results since there may be a risk that the initial estimated results may differ from the final results and the Company does not want to mislead the investors. The foregoing does not exclude the situation in which the Company will communicate to the public initial estimated results since this will be required by the provisions of law (if such results constitute confidential information).

##### Principle 1.3.

**Full text of principle 1.3.:** The company also includes ESG topics in its business strategy, in particular covering:

**1.3.1.** environmental issues, including metrics and risks associated with climate change and sustainability issues.

**Company's comment:** Due to the type and scale of the Company's activity, the impact of the Company's operations on environmental changes should be considered negligible. Accordingly, the Company does not directly take into account any environmental issues in its business strategy.

**1.3.2.** social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations. The principle is not applied.

**Company's comment:** The Company observes the principles concerning gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations. Nevertheless, the Company does not directly refer to the above issues in its business strategy.

##### Principle 1.4.

**Full text of principle 1.4.1.:** In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company publishes on its website information on the assumptions of its strategy, measurable objectives, including



in particular long-term objectives, planned activities and progress in its implementation, defined by means of metrics, financial and non-financial. Information on ESG strategies should, inter alia (continued under the Company's comment):

**Company's comment:** The Company fulfils the Company's information obligation on an ongoing basis, in particular informs investors on a regular basis on the Company's operations to the extent relevant for investors. However, the Company has not separately posted on the website its business strategy including measurable financial and non-financial indicators which would make it possible to unequivocally assess the implementation of the Company's strategy.

**1.4.1.** explain how climate change considerations are integrated into the decision-making processes of the company and its group entities, highlighting the resulting risks; The principle is not applied.

**Company's comment:** Bearing in mind comments to principles 1.3 and 1.4 that are not applied by the Company, the Company does not take into account any issues related to climate change in its strategy.

**1.4.2.** present the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved. The principle is not applied.

**Company's comment:** Bearing in mind comments to principles 1.3 and 1.4 that are not applied by the Company, the Company does not keep calculations or statistics with respect to the equal pay index. Salaries paid by the Company are determined individually with particular employees, in any case taking into consideration the principles of non-discrimination.

## II. MANAGEMENT BOARD AND SUPERVISORY BOARD

### Principle 2.1.

**Full text of principle 2.1.:** The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, specialist knowledge, age, and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that the minority participation in the respective body is no less than 30%. The principle is not applied.

**Company's comment:** The Company has not developed and does not implement a diversity policy for the Management Board and the Supervisory Board of the Company. Due to the specificity of the Company's activity and the necessity to recruit and retain individuals having specialist knowledge, the decisive criteria used by the Company in selecting members of management bodies (and other collaborators) are their qualifications and professional experience, irrespective of any non-substantive criteria, such as age or gender. Notwithstanding the foregoing, with respect to human resources policy, including members of the management bodies, the Company applies the principles of equal treatment and non-discrimination.

### Principle 2.2.

**Full text of principle 2.2.:** The persons deciding on the election of the members of the company's management or supervisory board should ensure the comprehensiveness of these bodies by selecting diversity in their composition, making it possible, inter alia, to achieve the target ratio of a minimum minority shareholding set at not less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1. The principle is not applied.

**Company's comment:** Due to the specificity of the Company's activity and the necessity to recruit and retain individuals having specialist knowledge, the decisive criteria used by the Company in selecting members of management bodies (and other collaborators) are their qualifications and professional experience, irrespective of any non-substantive criteria, such as age or gender. Notwithstanding the foregoing, with respect to human resources policy, including members of the management bodies, the Company applies the principles of equal treatment and non-discrimination.

### Principle 2.7.

**Full text of principle 2.7.:** The exercise of functions by members of the company's management board in the bodies of entities outside the company's group requires the consent of the supervisory board. The principle is not applied.

**Company's comment:** Members of the Management Board of the Company sitting on management or supervisory boards of companies outside the Company's group does not in itself pose a threat to reliable performance of duties towards the Company. As of the date of preparation of the report the main area of professional activity of the members of the Management Board of the Company is sitting on the Management Board of the Company.



### III. INTERNAL SYSTEMS AND FUNCTIONS

#### Principle 3.4

**Full text of principle 3.4.:** Remuneration of risk managers, compliance officers and the head of internal audit should be based on the fulfilment of assigned tasks and not on short-term company performance. The principle is not applied.

**Company's comment:** Bearing in mind comments to principles 3.6 and 3.7 that are not applied by the Company, in the Company there are no separate positions (units) responsible for risk management, compliance or internal audit; therefore, the Company does not apply this principle. If such separate positions are created in the future since it will be advisable due to the size of the Company's activity, it is the intention of the Company to apply this principle.

#### Principle 3.5.

**Full text of principle 3.5.:** Those responsible for risk management and compliance report directly to the president or another member of the management board. The principle is not applied.

**Company's comment:** Due to the activity conducted by the Company and the level of development of such activity, no separate positions (units) responsible for internal audit, risk management and compliance have been appointed in the Company. If such separate positions are created in the future since it will be advisable due to the size of the Company's activity, it is the intention of the Company to apply this principle.

#### Principle 3.6.

**Full text of principle 3.6.:** The head of internal audit reports organisationally to the chairman of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board acts as the audit committee. The principle is not applied.

**Company's comment:** Due to the activity conducted by the Company and the level of development of such activity, no separate positions (units) responsible for internal audit, risk management and compliance have been appointed in the Company. If such separate positions are created in the future since it will be advisable due to the size of the Company's activity, it is the intention of the Company to apply this principle.

#### Principle 3.7.

**Full text of principle 3.7.:** Principles 3.4 – 3.6 also apply to entities within the company's group that are material to the company's business, if they have designated persons to perform these tasks. The principle is not applied.

**Company's comment:** Due to the activity conducted by the Company and the level of development of such activity, no separate positions (units) responsible for internal audit, risk management and compliance have been appointed in the Company. If such separate positions are created in the future since it will be advisable due to the size of the Company's activity, it is the intention of the Company to apply this principle.

### IV. GENERAL MEETING AND RELATIONS WITH SHAREHOLDERS

#### Principle 4.1.

**Full text of principle 4.1.:** The company should enable shareholders to participate in a general meeting using electronic means of communication (e- meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting. The principle is not applied.

**Company's comment:** The Company points out that it presently does not have technical infrastructure necessary to smoothly hold a general meeting using electronic means of communication. However, if the Company is informed by the shareholders that they expect the Company to ensure technical infrastructure necessary to smoothly hold a general meeting using electronic means of communication, the Company does not exclude that it shall start applying this principle.

### V. SALARIES

#### Principle 6.3

**Full text of principle 6.3.:** If one of the company's incentive programmes is a managerial options programme, then the realisation of the options programme should be conditional on the fulfilment by the entitled persons, within a period of at least three years, of pre-determined, realistic and appropriate financial and non-financial and sustainable development objectives for the company, and the price set for the acquisition of shares by the entitled persons or the settlement of the options may not differ from the value of the shares at the time of the adoption of the programme. The principle is not applied.

**Company's comment:** The principle is not fully applied. Under the incentive scheme ("managerial options programme") established in the Company, employees of the Company enter into agreements for participation in the incentive scheme, pursuant to which the acquisition of the Company's shares, for a price equal to their nominal value, is carried out in four equal tranches, falling on the first, second, third and fourth anniversary of the execution of the agreement for participation in the

incentive scheme (annually). However, accrual of the entitlement to acquire the Company's shares does not in itself depend on financial criteria, and moreover the price for acquisition of shares differs from the value of shares from the period when the scheme was established.

### 5.3. Information on shares and shareholding structure of Captor Therapeutics S.A.

#### 5.3.1. Share capital of the Company

As of 31 December 2021, the Company's share capital amounted to PLN 412,797.20 was divided into 4,127,972 shares with a nominal value of PLN 0.10 each.

The share capital structure as of 31 December 2021 and as of the date of preparation of this report was as follows:

**Table 3: Share capital of the Company as of 31 December 2021 and as of the date of preparation of this report**

Share series	Number of shares	Nominal value of shares	Preference shares	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>

#### 5.3.2. Changes in the share capital in 2021 and until the date of publication of this report

On 17 September 2020, the Company applied to the Polish Financial Supervision Authority for approval of a prospectus in connection with the intended public offering of shares and the admission of the Parent Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

The Parent Company's public offering included 871,500 new series G ordinary bearer shares (new shares); additionally, two shareholders of Captor Therapeutics decided to sell 198,000 existing series B ordinary shares (for more information concerning the issuance, please refer to point 3.6.1 of this report).

On 8 January 2021, the Management Board of the Company passed a resolution no. 2 on the increase of the share capital of the Company within the limits of the Company's authorized 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 each through public placement, with disapplication of the pre-emption right of the existing shareholders. On 8 January 2021 the Extraordinary General Meeting passed resolution no. 7 on the redemption of 297,250 series A preference registered shares, 2,357 series E preference registered shares and series B 179,500 ordinary registered shares (a total of 479,107 shares with a total nominal value of PLN 47,910.70) and resolution no. 8 on the decrease of the share capital of the Company by PLN 47,910.70, i.e. by the amount equal to the total nominal value of the redeemed shares.

Changes in the share capital of the Company made on 8 January 2021 were registered in the Register of Entrepreneurs of the National Court Register on 8 March 2021.

On 24 May 2021 the District Court for Wrocław-Fabryczna in Wrocław, VI Commercial Division of the National Court Register, registered the increase of the share capital of the Company from PLN 325,647.20 to PLN 412,797.20 through the 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 the Company dated 8 January 2021 (information provided in current report no. 8/2021 dated 24 May 2021).

Further, on 10 December 2021 the Management Board of the Company passed a resolution on the issuance of 30,738 series K ordinary bearer shares, within the limits of the Company's authorized capital, with disapplication of the pre-emption right of the existing shareholders of the Company in full.

The issuance of shares is related to the implementation of an incentive program for the Company's employees based on the Company's shares (information provided in current report no. 32/2021 dated 10 December 2021).

On 27 April 2022 the Management Board of the Company passed a resolution on the issuance of 9,420 series L ordinary bearer shares, within the limits of the Company's authorized capital, with disapplication of the pre-emption right of the existing shareholders of the Company in full.

The issuance of shares is related to the implementation of an incentive program for the Company's employees based on the Company's shares (information provided in current report no. 32/2021 dated 12 April 2022).

### 5.3.3. Shareholders of the Company with significant shareholdings

The following table presents the Company's shareholding structure as of 31 December 2021 and as of the date of preparation of this report.

**Table 4: Shareholding structure of the Company, indicating shareholders holding at least 5% of votes at the General Meeting as of 31 December 2021 and as of the date of approval of this report**

No.	Shareholder	Total number of shares	Total number of votes	Percentage of share capital	Percentage of total votes at the GSM
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.	Others	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>

\* Whereas Nationale-Nederlanden Otwarty Fundusz Emerytalny holds individually 271 564 shares of the Company, which constitutes 5.15% of the share capital and the total number of votes

### Changes in the shareholding structure of the Company in the reporting period

In the reporting period the following changes in the list of shareholders holding at least 5% of votes at the General Meeting of the Company occurred.

In current report no. 8/2021 dated 24 May 2021 the Company informed of the registration by the District Court for Wrocław-Fabryczna in Wrocław, VI Commercial Division of the National Court Register, of the increase of the share capital of the Company from PLN 325,647.20 to PLN 412,797.20 PLN through the 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 the Company dated 8 January 2021. In view of the foregoing, on 28 May 2021 the Company received a notification:

- from Michał Walczak, Member of the Management Board, of a decrease of his share to 27.61% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 1 point 2) and sec. 2 point 1) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 9/2021 dated 28 May 2021);
- from Paweł Holstinghausen Holsten, Chairman of the Supervisory Board, of a decrease of his share to 16.31% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 2 point 1) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 10/2021 dated 28 May 2021);
- from Sylvain Cottens, of a decrease of his share to 9.98% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 1 point 2) and sec. 2 point 1) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 11/2021 dated 28 May 2021);
- from Marek Skibiński, of a decrease of his share to 4.95% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 1 point 2) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 12/2021 dated 28 May 2021); and
- from Marek Skibiński, acting in his own name and on behalf of his wife – Aleksandra Skibińska, of the decrease of their joint share, as a parties to an implicit agreement, to 4.96% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 1 point 2) in connection with Article 87 sec. 1 point 5) and sec. 4 point 1) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005. The notification constitutes a schedule to this report (information provided by current report no. 13/2021 dated 28 May 2021).

Further, on 2 July 2021 the Company received a notification from Filip Jeleń, of a decrease of his share to 3.40% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 1 point 2) of the Act on Public Offering and Conditions

Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 22/2021 dated 2 July 2021).

Further, on 2 July 2021 the Company received from Paweł Holstinghausen Holsten, Chairman of the Supervisory Board Company, a notification on a share transaction concerning the Company's shares, as referred to in Article 19 sec. 1 of MAR, pursuant to which Paweł Holstinghausen Holsten acquired 89,750 ordinary shares of the Company (information provided by current report no. 23/2021 dated 2 July 2021)

On 15 October 2021 the Company received a notification from the pension funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A., pursuant to Article 87 sec. 1 point 2b of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (Journal of Laws of 2009, Nr 185, item 1439, as amended), of an increase of their joint shareholding in the Company above 5% of votes at the General Meeting of the Company, i.e. of the achievement by such funds of a total of 5.15% of votes at the General Meeting of the Company (information provided by current report no. 30/2021 dated 15 October 2021).

Further, on 25 October 2021 the Company received an individual notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny, pursuant to Article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (Journal of Laws of 2009, Nr 185, item 1439 as amended), of an individual increase of the shareholding in the Company of Nationale-Nederlanden Otwarty Fundusz Emerytalny above 5% of votes at the General Meeting of the Company, i.e. of the achievement of 5.15% of votes at the General Meeting of the Company by such fund. In accordance with the notification, as a result of the above-mentioned transaction funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. jointly hold 303,075 shares of the Company (information provided by current report no. 31/2021 dated 28 October 2021).

#### 5.3.4. Shares held in the Company by managing and supervising persons

In the reporting period the following changes in the holding of the Company's shares by managing and supervising persons occurred.

On 28 May 2021 the Company received from Michał Walczak, Member of the Management Board, a notification of a decrease of his share to 27.61% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 1 point 2) and sec. 2 point 1) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 9/2021 dated 28 May 2021).

Further, on 28 May 2021 the Company received a notification from Paweł Holstinghausen Holsten, Chairman of the Supervisory Board, of a decrease of his share to 16.31% of the total number of votes in the Company, drawn up on the basis of Article 69 sec. 2 point 1) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies dated 29 July 2005 (information provided by current report no. 10/2021 dated 28 May 2021).

On 2 July 2021, the Company received from Paweł Holstinghausen Holsten, Chairman of the Supervisory Board Company, a notification of a transaction on shares in the Company, referred to in Article 19 sec. 1 of MAR, pursuant to which Paweł Holstinghausen Holsten acquired 89,750 ordinary shares of the Company (information provided by current report no. 23/2021 dated 2 July 2021)

On 31 December 2021, the President of the Management Board, Thomas Shepherd, executed an agreement for acquisition of 19,443 shares of the Company as a result of which he will acquire the Company's shares under the incentive scheme (shares have not been issued yet) (information on the above event was provided by current report no. 1/2022 dated 5 January 2022).

The table below presents the shareholdings of the Company's management and supervisory staff as of 31 December 2021 and as of the date of preparation of this report. Other members of the Management Board and the Supervisory Board do not hold the Company's shares.

**Table 5: Shares in the Company held by managing and supervising persons as of 31 December 2021 and as of the date of preparation of this report**

Shareholder	Number of shares	Number of votes	Percentage of share capital	Percentage of total votes at the GSM
<b>Management Board</b>				
Tom Shepherd*	19 443	19 443	0,5%	0,4%
Michał Walczak	915 378	1 456 395	22.18%	27.61%
Radosław Krawczyk	1 500	1 500	0.04%	0.03%
<b>Supervisory Board</b>				
Paweł Holstinghausen Holsten	589 966	950 041	14.29%	18.01%

\*Shares have not yet been issued (registration with the National Court Register is pending)

#### 5.3.5. Employee share scheme with information on employee share schemes control system

The Company has put in place an incentive scheme based on shares. The Incentive Scheme established in the Company was created by resolution no. 14 of the Ordinary General Meeting of the Company dated 16 May 2019, amended by resolution no. 22 of the Ordinary General Meeting dated 26 June 2020 and resolution no. 10 of the Extraordinary General Meeting dated 8 January 2021

In accordance with the regulations of the Incentive Scheme, members of the Management Board, the Supervisory Board and the Company's employees can participate in the incentive scheme. Acquisition (or subscription) of shares under the Incentive Scheme in accordance with the rules set out in separate documents, including the agreement for participation in the incentive scheme is spread over four years such that it is carried out in four equal tranches, falling on the first, second, third and fourth anniversary of execution of the agreements for participation in the incentive scheme. A person covered by the Incentive Scheme will acquire the right to participate in further tranches on the condition that such person remains employed on particular anniversaries of execution of the agreement for participation in the incentive scheme.

#### 5.3.6. Acquisition of own shares

Subject to information provided below, in the reporting period there was no acquisition of own shares by Captor Therapeutics and by the companies comprising the Group and persons acting on their behalf. Captor Therapeutics and the companies comprising the Group do not hold any own shares.

On 8 January 2021, the Company acquired 297,250 series A preference registered shares and 2,357 series E preference registered shares from a shareholder of the Company being a natural person in order to redeem them without remuneration. On the same date the Company acquired 179,500 B series ordinary registered shares from a shareholder of the Company being a natural person in order to redeem them without remuneration. The acquisition of shares was a consequence of resolution no. 7 of the Extraordinary General Meeting on the redemption of 297,250 series A preference registered shares, 2,357 series E preference registered shares and 179,500 series B ordinary registered shares (a total of 479,107 shares with a total nominal value of PLN 47,910.70) and resolution no. 8 on the decrease of the share capital of the Company by PLN 47,910.70, i.e. by the amount equal to the total nominal value of the redeemed shares. The above shares were redeemed.

#### 5.3.7. Holders of securities giving special control powers

As of the date of preparation of this annual report there are no securities giving special control powers towards the Group.

#### 5.3.8. Restriction on exercise of voting rights

The Company's Statute does not contain any provisions concerning any restrictions on exercise of voting rights by holders of a specified percentage or number of votes.

#### 5.3.9. Restrictions on transfer of ownership of securities

Subject to information provided below, the Company's Statute does not contain any provisions concerning any restrictions on transfer of the Company's securities. In accordance with the Company's Statute any transfer of registered shares requires prior notification of Marek Skibiński and Paweł Holstinghausen Holsten who have a pre-emption right to acquire such shares (within 30 business days of the receipt of the notification of the intention to sell such shares).

#### 5.3.10. Agreements as a result of which the proportions of shares held by the existing shareholders may change

To the Company's knowledge there is one agreement as a result of which the proportions of shares held by the existing shareholders may change. On 15 March 2021 Michał Walczak, member of the Management Board, and Filip Jeleń, entered into a preliminary sale agreement concerning the Company's shares, pursuant to which Michał Walczak is entitled (but not obligated) to purchase from Filip Jeleń up to 89,750 ordinary shares of the Company within 18 (eighteen) months from the date of execution of such agreements.

#### 5.3.11. Any agreements concluded between the issuer and management personnel providing for compensation in the event of their resignation or dismissal from their position without an important reason, or if their removal or dismissal results from the issuer's merger via acquisition

The agreements signed with the members of the Company's Management Board do not provide for any severance pay or other compensation on account of their termination (by either party) or expiration. Severance pay in the amount of three times the basic salary was granted to the members of the Company's Management Board remunerated for performing this function pursuant to a resolution of the Supervisory Board, i.e. to Michał Walczak and Radosław Krawczyk.

### 5.4. Governing bodies of the Company

#### 5.4.1. Management Board – rules for appointing and recalling members of the Management Board

The Management Board of the Company is a statutory body of the Company, acting on the basis of the Commercial Companies Code and the Company's Statute. In the reporting period the Management Board directed the overall activities of the Company, pursued policies and current affairs of the Company and represent the Company before third parties in accordance with the Commercial Companies Code and the Company's Statute. The Management Board consists of one or more members, including the President of the Management Board.

Members of the Management Board are appointed and recalled by the Supervisory Board which also determines the number of members for a given term of office. Mandates of the Members of the Management Board expire as of the date of holding the General Meeting approving the financial statement for the last full fiscal year in office as a Member of the Management Board. Mandates of Members of the Management Board, appointed prior to the expiry of the given term of office of the Management Board, expire simultaneously with the expiry of mandates of the remaining members of the Management Board.

##### 5.4.1.1. Composition of the Management Board and changes therein

As of 31 December 2021, and as of the date of publication of this report the Management Board of the Company consisted of the following persons.

**Table 6: Composition of the Management Board of Captor Therapeutics S.A. as of 31 December 2021 and as of the date of preparation of this report**

Composition of the Management Board of Captor Therapeutics S.A.		
1.	Thomas Shepherd	- President of the Management Board
2.	Radosław Krawczyk	- Member of the Management Board, Chief Financial Officer
3.	Michał Walczak	- Member of the Management Board, Chief Scientific Officer

#### Changes in the composition of the Management Board

On 14 January 2021, the Supervisory Board of the Company appointed Thomas Shepherd as the President of the Management Board, effective as of 20 January 2021. Further, on 21 June 2021 Aleksandra Skibińska resigned as a Member of the Management Board of the Company and Chief Financial Officer Company, effective as of the date of submission of the letter of resignation (information provided by current report no. 18/2021 dated 21 June 2021). On 29 June 2021, the Supervisory Board Company appointed Radosław Krawczyk to the Management Board of the Company, as the Chief Financial Officer of the Company (information provided by current report no. 19/2021 dated 29 June 2021).

Below please find the description of experience and skills of the members of the Management Board of Captor Therapeutics S.A.

#### Experience and skills of the members of the Management Board



#### **Thomas Shepherd - President of the Management Board**



Thomas Shepherd has over 25 years of experience in pharmaceutical and biotechnological companies and significant achievements as CEO and Vice President in the USA, Europe, and Australia. On 20 January 2021 Thomas was appointed to the Management Board of the Company as the President of the Management Board. He previously served as the Chief Business Officer. Thomas is responsible for business development and business relations of the Group. He obtained a PhD from the University of Strathclyde in Glasgow (Great Britain) and completed the Continuing Executive Programme at the London Business School in London. Thomas carried out and closed 12 license transactions, one of which (Rebetrol/Intron A) at its peak achieved sales of USD 2 billion annually. Additionally, during his professional career he was in particular responsible for acquisition of 3 companies and for carrying out 6 private investment rounds and participated in two IPOs (in Australia and in the UK).

#### **Michał Walczak - Member of the Management Board, Chief Scientific Officer**



Michał Walczak serves in the Company as the Chief Scientific Officer (CSO) responsible for research and preparation of projects at scientific level. He is a biophysicist by education who obtained a PhD from the Technical University of Zurich and an MA degree from the University of Virginia, has postdoctoral experience gained in the Friedrich Miescher Institute of Biomedical Research in Basel. Michał specializes in mechanistic aspects of protein structure and function and has detailed knowledge of molecular interactions, nuclear magnetic resonance spectroscopy of proteins and chemical biology.

#### **Radosław Krawczyk - Member of the Management Board, Chief Financial Officer**



Radosław Krawczyk has several years of professional experience in corporate finance management, and in particular financial liquidity, financial risk, insurance and credit policy and M&A transactions. Since 2013 Radosław was continuously associated with companies listed on the Warsaw Stock Exchange, where as part of his duties he was responsible for investor relations and contacts with analysts and investors. Until 2017 he was professionally associated with the PKP Cargo Group where he served as the Chief Financial Officer and Member of the Management Board in the Group's subsidiaries in Poland and in Germany. In 2017-2020 he was associated with the OT Logistics Group, and in particular acted as the President of the Management Board of OT Logistics S.A. and was responsible for financial affairs of the entire group and its restructuring process. Radosław also has many years of experience in supervisory boards of commercial law companies. He graduated from the Warsaw School of Economics, Faculty of Finance and Banking, and obtained an MBA degree (Executive Master of Business Administration).

#### **5.4.1.2. Powers of the Management Board**

The tasks of the Company's Management Board include conducting the Company's affairs, asset management and representation of the Company before third parties. All matters related to the conduct of the Company's affairs not reserved by the provisions of the Commercial Companies Code or the Company's Statute to the authority of the General Meeting or the Supervisory Board belong to the scope of authority of the Management Board. Pursuant to the Company's Articles of Association, the Management Board is in particular entitled to increase the share capital within the limits of the authorised capital. Exercising the above authorization shall take place under the conditions described in the Articles of Association, in particular only with the consent of the Supervisory Board.

#### **5.4.1.3. Remuneration, rewards, and terms of employment contracts of the members of the Management Board**

The following table presents remunerations paid, payable or potentially payable to members of the Management Board of Captor Therapeutics S.A. for 2021 (PLN '000, gross).

Table 7: Remuneration paid to the members of the Management Board of the Company for 2021 (PLN '000, gross)

Members of the Management Board	Position	Period of employment	Fixed remuneration*	Variable remuneration (discretionary bonus)	Additional benefits**	Remuneration from related parties	TOTAL
Thomas Shepherd	President of the Management Board	20.01.- 31.12.2021	659	562	215	280****	1 716
Radosław Krawczyk	Member of the Management Board	29.06.- 31.12.2021	395	-	21	-	416
Michał Walczak	Member of the Management Board	entire 2021	664	562	33	-	1 259
Aleksandra Skibińska ***	Member of the Management Board	01.01.- 21.06.2021	254	-	-	-	254
<b>Total</b>			<b>1 972</b>	<b>1 124</b>	<b>269</b>	<b>280</b>	<b>3 645</b>

\* Remuneration calculated jointly as the remuneration related to the appointment, management contract, advisory agreements, employment contract or mandate agreement;

\*\* Additional benefits such as private medical care, company car, Multisport card, etc. Moreover, as regards Thomas Shepherd additional benefits include the accommodation and relocation costs, and as regards Radosław Krawczyk additional benefits include the costs of rental of an apartment;

\*\*\* Aleksandra Skibińska acted as a Member of the Management Board of the Company until 21 June 2021. However, she remained employed in the Company until 30 September 2021. The above table presents the remuneration of Aleksandra Skibińska for the entire period of employment;

\*\*\*\* Remuneration collected by Thomas Shepherd in the period from 1 January 2021 to 31 May 2021.

In 2021 no contingent or deferred benefits (in full or in part) or any remuneration related to a distribution of profit were paid to members of the Management Board by the Parent Company or its subsidiaries. The rules for remuneration of members of the Management Board at Captor Therapeutics are set out in the Remuneration Policy for Members of the Management Board and the Supervisory Board of Captor Therapeutics.

In addition to the fixed basic monthly salary, after prior confirmation by the Supervisory Board, members of the Management Board are entitled to a performance bonus. Irrespective of the annual bonus, a discretionary bonus may be granted to members of the Management Board. In addition to the above, as indicated by the Supervisory Board, Members of the Management Board may be entitled to remuneration in the form of financial instruments under the Incentive Scheme. Information regarding the participation of members of the Management Board in the Incentive Scheme is included in Note 44 to the financial statements.

#### 5.4.2. Supervisory Board – rules for appointing and recalling members of the Supervisory Board

In accordance with the Company's Statute the Supervisory Board of Captor Therapeutics S.A. consists of at least five members, including the Chairman of the Supervisory Board. The number of members of the Supervisory Board for a given term of office is determined by the General Meeting. If as a result of expiry of mandates of some members of the Supervisory Board (for any reason other than dismissal) the number of members of the Supervisory Board in a given term of office drops below the statutory minimum, the remaining members of the Supervisory Board may, by co-option, appoint a new member of the Supervisory Board who will fulfil his duties until his successor is appointed by the next General Meeting, unless the General Meeting approves the member of the Supervisory Board appointed by co-option. Members of the Supervisory Board exercise the right to co-opt by delivering to the Company a written statement of all members of the Supervisory Board on appointment of a member of the Supervisory Board. Members of the Supervisory Board are appointed for a common term of office which lasts 3 (three) years. Mandates of members of the Supervisory Board expire as of the date of holding the General Meeting approving the financial statement for the last full fiscal year in office as a member of the Supervisory Board.

Meetings of the Supervisory Board are held as needed, however not less frequently than once a quarter. Resolutions of the Supervisory Board are passed by an absolute majority of votes. The Supervisory Board passes resolutions if at least one half of its members are present at the meeting and all of its members have been invited to the meeting. The Supervisory Board passes resolutions in an open ballot. A secret ballot is ordered at the request of a member of the Supervisory Board and in matters related to personnel. A member of the Supervisory Board may participate in passing resolutions of the Supervisory Board through casting his vote in writing with the intermediation of another member of the Supervisory Board. Votes cannot be cast in writing in relation to any matters introduced to the agenda at the meeting of the Supervisory Board. The Supervisory Board may pass resolutions in writing or using means of direct remote communication (telefax, electronic mail), subject to the provisions of the Commercial Companies Code and other provisions of the Company's Statute.

##### 5.4.2.1. Composition of the Supervisory Board and changes therein

As of 31 December 2021, the Supervisory Board consisted of the following persons.

**Table 8: Composition of the Supervisory Board of Captor Therapeutics S.A. as of 31 December 2021**

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

**Changes in the composition of the Supervisory Board**

On 7 January 2021 Luc Otten handed in his resignation as a Member of the Supervisory Board. On 17 March 2021 Maciej Wróblewski was appointed to the Supervisory Board.

On 14 December 2021, the Company received a letter of resignation of Marek Skibiński from membership in the Supervisory Board the Company (information provided by current report no. 33/2021/ESPI dated 14 December 2021).

After the balance sheet date, i.e., 5 January 2022 the Supervisory Board of the Company appointed Robert Florczykowski to the Supervisory Board of the Company, by co-option, on the basis of § 25 of the Company's Statute (information provided by current report no. 2/2022/ESPI dated 5 January 2022). The co-option of Robert Florczykowski was approved by the Extraordinary General Meeting of the Company on 21 February 2022.

As of the date of preparation of this report the Supervisory Board consisted of the following persons.

**Table 9: Composition of the Supervisory Board of Captor Therapeutics S.A. as of the date of preparation of this report**

Composition of the Supervisory Board of Captor Therapeutics S.A.		
1.	Paweł Holstinghausen Holsten	- Chairman of the Supervisory Board
2.	Robert Florczykowski	- Member of the Supervisory Board
3.	Florent Gros	- Member of the Supervisory Board
4.	Krzysztof Samotij	- Member of the Supervisory Board
5.	Maciej Wróblewski	- Member of the Supervisory Board

**Experience and skills of the members of the Supervisory Board****Paweł Holstinghausen Holsten - Chairman of the Supervisory Board**

Paweł graduated from the Warsaw University, Faculty of Law and Administration and completed postgraduate studies at the Warsaw School of Economics, Faculty of Business Valuation. He devoted his whole professional life to capital markets, where he is an active investor, both with respect to shares traded privately and on a regulated market. He served as a member of the management board or the supervisory board in many companies.

**Robert Florczykowski - Member of the Supervisory Board (independent member)**

Robert Florczykowski is a co-founder and manager of the investment fund known as Third Dot within Opoka TFI S.A. Previously, he managed global funds investing in technological companies and companies from healthcare sector in PKO TFI S.A. Robert graduated from the Warsaw School of Economics, Faculty of Quantitative Methods in Economy and Information Systems, and the Warsaw University, Faculty of Mathematics. He also completed postgraduate studies: "Molecular Biology" at the Jagiellonian University and "Postgraduate Studies in Accounting and Finance" in the School of Business of the Warsaw University of Technology, organized in cooperation with the Institute of ACCA.

**Florent Gros - Member of the Supervisory Board (independent member)**

Florent Gros is the founder and CEO of Handl Therapeutics, a private biotechnological company engaged in development of gene therapy for central nervous system diseases. Previously he was the Managing Director of Novartis Venture Funds in Switzerland. For almost 27 years he held various positions in the area of intellectual property and venture capital in Nestlé, Pasteur Merieux Connaught and Novartis. Florent Gros is a Kaufmann scholarship holder (class 12), holds the title of Biotechnology Engineer obtained in France, and defended his MA thesis in vaccines. He also holds the titles of European and French patent attorney and a master's degree in private law.

Florent Gros meets the criteria of independence provided for in Article 129 sec. 3 of the Act on Certified Accountants, Audit Firms and Public Supervision and in the Best Practice of WSE Listed Companies.

**Krzysztof Samotij - Member of the Supervisory Board, Chairman of the Audit Committee (independent member)**

Krzysztof Samotij graduated from the Wrocław University of Technology, Faculty of Basic Technical Problems, and the State University of New York at Albany. In 1981 he obtained a PhD in mathematical sciences (analysis and probability theory) and started working at the Wrocław University of Technology. He also lectured at the State University of New York at Albany and at the University of Delaware. He is the author of many scientific works about mathematics (functional and complex analysis).

In 1996 we obtained investor advisor license no. 87. Since July 1997 he was employed in WBK AIB Asset Management S.A. as an investment advisor, bond market manager. Since February 1998 he served as the President of the Management Board of WBK AIB Towarzystwo Funduszy Powierniczych S.A. Since April 2001 he worked as the Research and Development Director in WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. and investment advisor in WBK AIB Asset Management S.A. From May 2002 to January 2011 Krzysztof was the President of the Management Board of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (now: Santander TFI S.A.). At the end of this period, it was the second largest (in terms of the value of assets under management) company managing investment funds in Poland. Since 2011 he has been self-employed.

Krzysztof Samotij meets the criteria of independence provided for in Article 129 sec. 3 of the Act on Certified Accountants, Audit Firms and Public Supervision and in the Best Practice of WSE Listed Companies.

#### **Maciej Wróblewski - Member of the Supervisory Board**

Maciej Wróblewski is a lawyer and specialist in corporate law, and in particular M&A transactions and capital markets advisory. He graduated from the Warsaw University and the Warsaw School of Economics.

During his professional career he advised in public and private M&A transactions, introducing companies to the stock exchange and in secondary offerings of shares of public companies. Maciej Wróblewski is presently a partner at the law office of MJH Moskwa, Jarmul, Haładyj i Partnerzy – Adwokaci i Radcowie Prawni sp.p. Previously, he was associated with Deloitte Legal Pasternak Korba Moskwa Jarmul i Wspólnicy Kancelaria Prawnicza sp. k. and Weil, Gotshal & Manges – Paweł Rymarz sp.k.

The description of experience and skills of members of the Supervisory Board was published on the Company's website: <http://www.captortherapeutics.com/>

#### **5.4.2.2. Powers of the Supervisory Board**

The tasks and powers of the Supervisory Board include, in addition to matters arising from the Commercial Companies Code and the Company's Statute, in particular those listed in the table below.

**Table 10: Powers of the Supervisory Board**

<b>Matters requiring resolutions of the Supervisory Board as of 31 December 2021, and as of the date of preparation of this report</b>	
✓	assessment of the Management Board's report on the Company's activities and the Company's financial statement with respect to their compliance with the books and documents and the facts, and the Management Board's motions concerning profit distribution or coverage of loss, and submission of an annual written report on the results of such assessment to the General Meeting;
✓	approval of annual budgets or multi-annual strategic plans of the Company submitted by the Management Board;
✓	appointment and dismissal of members of the Management Board, and suspension of any or all members of the Management Board and delegation of members of the Supervisory Board, for a period no longer than three months, to perform, on a temporary basis, duties of the members of the Management Board who have been recalled, have handed in their resignations or otherwise are unable to perform their duties;
✓	determination of the number of members of the Management Board;
✓	appointment of committees;
✓	giving consent for payment of interim dividend and for disapplication of the pre-emption right (in full or in part) with respect to each increase of the share capital within the limits of the authorized capital;
✓	determination of the terms and employment and remuneration of the members of the Management Board;
✓	selection or replacement of the entity authorized to audit the Company's financial statements and to carry out financial audit activities in the Company;
✓	giving consent for entering by the Company or its subsidiaries into agreements or agreements with a value exceeding PLN 5,000,000 (five million zlotys) or an equivalent thereof in foreign currencies with entities from one capital group (within the meaning of Article 3 sec. 1 point 44) of the Act on Accountancy) in a period of 12 (twelve) months. For the purposes of this provision, the value of an agreement shall be understood as the value of the Company's consideration if it is non-recurring or if the agreement provides for a recurring consideration or is of a continuous nature the value of the Company's considerations throughout the duration thereof or 5 (five) years, whichever is shorter;
✓	giving consent for purchase, sale or encumbrance of real estate or the right of perpetual usufruct or an interest in real estate or in the right of perpetual usufruct held by the Company;
✓	adoption of the regulations of the Supervisory Board;
✓	convocation of the General Meeting in cases provided for in the Statute,
✓	conclusion of agreements concerning execution of research and development projects, whereas the Supervisory Board's consent is not required for activities provided for in the annual budget of the Company approved by Supervisory Board, unless the terms of such activities significantly differ from the ones included in such annual budget.

#### 5.4.2.3. Remuneration, rewards, and terms of employment contracts with the members of the Supervisory Board

The following table presents remunerations paid, payable or potential payable to the members of the Supervisory Board Company for 2021.

**Table 11: Remuneration paid to the members of the Supervisory Board for 2021 (PLN '000, gross)**

Members of the Supervisory Board	Position	Duration of service	Remuneration paid	Remuneration from related parties	TOTAL
Paweł Holstinghausen Holsten	Chairman of the Supervisory Board	entire 2021	67	-	67
Florent Gros	Member of the Supervisory Board	entire 2021	72	71	143
Krzysztof Samotij	Member of the Supervisory Board	entire 2021	65	-	65
Maciej Wróblewski	Member of the Supervisory Board	17.03.- 31.12.2021	55	-	55
Marek Skibiński	Member of the Supervisory Board	01.01. - 14.12.2021	58	-	58
Luc Otten	Member of the Supervisory Board	01.01. - 07.01.2021	7	-	7
<b>Total</b>			<b>324</b>	<b>71</b>	<b>395</b>

In 2021 the main component of the remuneration of the members of the Supervisory Board was the appointment fee. Remuneration is paid on the basis of the resolution of the General Meeting dated 26 June 2020, pursuant to which members of the Supervisory Board are entitled to a monthly remuneration of EUR 750 net (the remuneration is due irrespective of the number of meetings of the Supervisory Board of the Company). Further, notwithstanding the foregoing some members of the Supervisory Board participate in the incentive scheme based on the Company's shares, however, in 2021 they have not subscribed for any shares of the Company.

Except for the above-mentioned remuneration, in 2021 members of the Supervisory Board did not receive any rewards and other benefits related to serving on the Supervisory Board of the Company. In 2021 supervising persons did not receive any remuneration related to a distribution of profit or bonuses, and no benefits in kind have been granted for 2021. In the reporting period neither the Company nor its subsidiaries paid any contingent or deferred benefits (in full or in part) to members of the Supervisory Board. Information regarding the participation of members of the Management Board in the Incentive Scheme is included in Note 44 to the financial statements.

#### 5.4.2.4. Appointed Committees

Pursuant to the requirements of the Act on Certified Accountants, Audit Firms and Public Supervision dated 11 May 2017 and the principles set out in the Best Practice 2021, in the previous reporting period the activity of the Supervisory Board was supported by the Audit Committee and the Remuneration Committee appointed in the Company.

##### – Audit Committee

In accordance with the Regulations of the Audit Committee, the Audit Committee consists of at least 3 members, appointed and recalled by the Supervisory Board from among its members. Most members of the Audit Committee, including its Chairman, should meet the independence conditions within the meaning of Article 129 sec. 3 of the Act on Certified Accountants, Audit Firms and Public Supervision dated 11 May 2017 and have knowledge and skills in the area of accounting or auditing financial statements, and in particular at least one member should have knowledge and skills relevant to the sector in which the Group operates.

The following table presents the compositions of the Audit Committee as of 31 December 2021 and as of the date of publication of this report.

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

##### Changes in the composition of the Audit Committee

In connection with the fact that on 7 January 2021 Luc Otten handed in his resignation as a Member of the Supervisory Board Company, the composition of the Audit Committee also changed. On 17 March 2021, by Resolution no. 1, the Supervisory Board appointed Maciej Wróblewski to the Audit Committee.

The composition of the Audit Committee of the Supervisory Board is consistent with the requirements sets out in Article 129 sec. 3 of the Act on Certified Accountants, Audit Firms and Public Supervision dated 11 May 2017. Two members of the Audit

Committee meet the statutory requirements of independence, including the Chairman Audit Committee - Krzysztof Samotij who at the same time has knowledge and skills in the area of accounting or auditing financial statements, and Florent Gros who has knowledge and skills relevant to the sector in which the Group operates.

Krzysztof Samotij's knowledge and skills in the area of accounting or auditing financial statements and Florent Gros's knowledge and experience relevant to the sector in which the Company operates are presented in point 6.4.2.1 of this report.

#### Tasks and powers of the Audit Committee

In the fiscal year 2021 the Audit Committee supported the Supervisory Board in fulfilling its supervisory obligations with respect to its operation and risk management as well as ensuring independence of external auditors.

In the reporting period Audit Committee held 4 meetings. The following table presents the main topics handled by the Audit Committee in 2021.

**Table 12: Powers of the Audit Committee**

Tasks of the Audit Committee in 2021	
✓	monitoring of financial reporting process;
✓	monitoring of the effectiveness of internal control, risk management and internal audit systems, in particular with respect to financial reporting;
✓	monitoring of financial audit activities;
✓	controlling and monitoring of independence of the certified accountant and audit firm, in particular when any non-audit services are provided to the Group by the audit firm;
✓	assessment of semi-annual and annual financial statements and the Group's consolidated statements;
✓	assessment of risk identification and management systems;
✓	informing the Supervisory Board of the results of the audit of financial statements and explaining how such audit contributed to the reliability of financial reporting and what was the Committee's role in the audit.

In the course of monitoring of internal control systems, the Audit Committee may in particular but not exclusively: (i) examine the control processes and principles applied in the Group and examples of irregularities that have occurred, (ii) verify elements and scope of internal control in the Group; and (iii) formulate appropriate instructions and recommendations to be implemented. In the course of monitoring of risk management and internal audit systems the Audit Committee may in particular but not exclusively: (i) evaluate the correctness of communicating risk factors to the shareholders, (ii) review the risk management system existing in the Group and evaluate its adequacy and effectiveness; (iii) assess whether a separate internal audit unit should be created in the Group, and if so, then in the next step support the process of creation of such unit, and (iv) receive from the Group's management staff information on increased exposure to particular significant risks and information on the method of risk identification and monitoring, and evaluate the activities that have been taken by the management staff to mitigate such risk. In connection with the performance of the indicated tasks related to internal control, risk management and internal audit, the Committee, on the basis of the Regulations of the Audit Committee, was among others authorized to request the Group to provide it with interim reports on all matters related to negative events in the Company.

#### Policy for the appointment of an audit firm

The Group has put in place the "Policy and procedure for the appointment of an audit firm by the Company." The main purpose of the procedure is to ensure the correctness of the audit firm appointment process and determine the powers and responsibilities of the participants of the process. The procedure sets out in detail the person responsible for organizing the selection process and further stages of the proceedings intended to select an audit firm. The audit firm is selected by the Supervisory Board of the Company, taking into account the recommendations of the Audit Committee, and if a decision of the Supervisory Board deviates from the recommendations of the Audit Committee, the Supervisory Board provides the justification to the General Meeting. Information regarding the selection of the audit firm and the recommendation of the Audit Committee is indicated in Section 6.2.

#### Policy for the provision of non-audit services by an audit firm

The Company has adopted the "Policy for the provision to the Company of services other than the audit of financial statements of the Company by the audit firm auditing financial statements of the Company, entities related to such firm and a member of the audit firm's network." The policy specifies the scope of permitted services which may be provided to the Company in accordance with the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. Permitted services may only be provided within the scope not related to the Company's tax policy and require the Audit Committee's consent to be issued after the Audit Committee evaluates the independence threats and safeguards. If



the Company or related parties intend to entrust any permitted services to the certified accountant, audit firm or an entity related to such audit firm or a member of the audit firm's network auditing financial statements, the Management Board of the Company is obliged to submit to the Audit Committee a request for consent to the performance of the permitted services by one of the above-mentioned entities.

After the evaluation of independence threats and safeguards, as referred to in Article 69-73 of the Act on Certified Accountants, the Audit Committee granted its consent to the evaluation of the remuneration report for 2021-2022 by the audit firm Mazars Audit Sp. z o.o.

#### – Remuneration Committee

The Remuneration Committee was appointed by the Supervisory Board on 7 February 2020.

#### Tasks and powers of the Remuneration Committee

The main tasks of the Remuneration Committee include among others: recommending to the Supervisory Board the principles of remuneration of members of the Management Board, recommending to the Supervisory Board the remuneration of members of the Management Board and verification of the implementation of management and employee goals, and formulating recommendations for the Supervisory Board in this respect.

The following table presents the composition of the Remuneration Committee as of 31 December 2021

Compositions of the Remuneration Committee	
1. Paweł Holstinghausen Holsten	- Member of the Remuneration Committee
2. Florent Gros	- Member of the Remuneration Committee

#### Changes in the composition of the Remuneration Committee

In connection with the fact that Marek Skibiński handed in his resignation as a Member of the Supervisory Board of the Company, the composition of the Remuneration Committee also changed. After the end of the reporting period, on 17 March 2022, by Resolution no. 3 the Supervisory Board appointed Robert Florkczykowski to the Remuneration Committee.

The following table presents the composition of the Remuneration Committee as of date of publication of this report.

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

### 5.4.3. General Meeting

#### 5.4.3.1. Manner of operation of the General Meeting

The General Meeting may be Ordinary or Extraordinary. General Meetings will be held in the Company's registered office in Wrocław or in Warsaw. The General Meeting may be held without being formally called if the entire share capital is represented and nobody has raised an objection to the convocation of the meeting or any matters to be reviewed. An Ordinary General Meeting should be held within 6 months after the end of each fiscal year. An Ordinary General Meeting is called by the Management Board on its own initiative. The Supervisory Board may call an Ordinary General Meeting if the Management Board fails to call it within the deadline specified in § 20 sec. 1 of the Company's Statute. An Extraordinary General Meeting is called by the Management Board (i) on its own initiative, (ii) at the request of the Supervisory Board, or (iii) at the request of a shareholder or shareholders representing at least one twentieth of the share capital of the Company, within two weeks of making such request. A request for convocation of the General Meeting should specify matters put on the agenda or contain a draft resolution on the proposed agenda.

The Extraordinary General Meeting may also be convened by the shareholders representing at least one half of the share capital or at least one half of votes in the Company. The General Meeting shall be called by an announcement posted on the Company's website and in the manner specified for transmitting current information in accordance with the of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies. An announcement should be made at least twenty six days prior to the date of the General Meeting. Resolutions of the General Meeting may be passed irrespective of the number of shares represented thereon unless the provisions of law or the provisions of the Company's Statute provide for stricter requirements for passing any resolution. The General Meeting is valid irrespective of the number of shares represented thereon, provide for stricter requirements for passing resolutions. Shareholders may participate in the General Meeting and exercise voting rights either personally or through their proxies. In accordance with a free voting principle, a shareholder may vote differently by each share held by him. Powers of attorney to

participate in the General Meeting and to exercise voting rights are granted in writing and attached to the minutes of the General Meeting or in electronic form. If a power of attorney is made in a foreign language, such power of attorney shall be attached to the minutes together with an appropriate certified translation thereof into Polish. If the announcement calling the General Meeting contains information that shareholders may participate in the General Meeting using electronic communication means, the Company is obliged to give the shareholders an opportunity to participate in the General Meeting using electronic communication means. One share carries one vote at the General Meeting, except for series A shares and series E shares which carry two votes at the General Meeting. Voting shall be by open ballot. A secret ballot is ordered in the case of election of members of the Company's governing bodies and its liquidators and vote on recalling such members, vote on making the above persons accountable, in personnel related matters, at the request of at least one shareholder or its proxy.

#### 5.4.3.2. Substantial powers of the General Meeting

In addition to any other matters indicated in the Commercial Companies Code and other mandatory provisions of law, resolutions of the General Meeting shall be required for matters listed in the table below.

**Table 13: Powers of the General Meeting**

Matters handled by the General Meeting as of 31 December 2021, and as of the date of approval of this report	
✓	Review and approval of the Management Board's reports on the Company's activity and financial statement for the previous fiscal year;
✓	Acknowledging that members of the governing bodies fulfilled their duties;
✓	Adoption of resolutions on profit distribution and coverage of loss;
✓	Amendment of the Company's Statute
✓	Increase of the share capital of the Company;
✓	Adoption of a resolution on the initial public offering of the Company, i.e., request for admission and introduction of the Company's shares to trading on a regulated market and dematerialization of the Company's shares

#### 5.4.3.3. Description of the shareholders' rights and manner of exercise thereof

Below please find the description of the substantial rights of the shareholders and the manner of exercise thereof. In addition to the rights set out below, shareholders are also entitled to rights arising directly from the provisions of law. No regulations of the General Meeting has been thus far adopted in the Company.

##### Voting right

Shareholders exercise voting rights at General Meetings. The General Meeting may be ordinary or extraordinary. As a corporate body of the Parent Company, it operates in the manner and on the terms set out in the Commercial Companies Code and the Statute.

##### Right to receive information

During the General Meeting, the Management Board is obliged to provide a shareholder of the Company, at his request, with information concerning the Company, if it is justified for the assessment of the matter put on the agenda of the General Meeting. The Management Board shall refuse to provide information if this could cause damage to the Parent Company, its subsidiary company or cooperative, in particular through the disclosure of technical, commercial or organizational information constituting business secrets. A member of the Management Board may refuse to provide information if the provision of information may give rise to his criminal, civil or administrative liability. Management Board may provide information in writing outside the General Meeting if there are good reasons for it. In such case the Management Board is obliged to provide information no later than within 2 weeks of the date of the shareholder's request, during the General Meeting. Information which has been communicated to the Company's shareholder should be made public in the form of a current report.

##### Right to challenge resolutions of the General Meeting

Shareholders have the right to challenge resolutions of the General Meeting by an action for revocation of a resolution or action for declaration of invalidity of a resolution.

##### Exchange of shares

In accordance with the Commercial Companies Code, the exchange of registered shares to bearer shares or vice versa may be carried out at the request of a shareholder. In accordance with the Statute, the exchange of bearer shares into registered shares is not allowed, however the exchange of registered shares to bearer shares may be carried out at the request of a

shareholder. After the receipt of such request, the Management Board shall immediately exchange shares in accordance with the shareholder's request.

#### **Request to admit shares to trading on a regulated market**

In accordance with the Statute, each shareholder holding bearer shares which are not admitted to trading on a regulated market has the right to make a request for admission of such shares to trading on such market. Admission of such shares to trading on a regulated market shall occur immediately, no later, however, than within 6 (six) months of the date of receipt of the request from an eligible shareholder.

### **5.5. Principles of amendment of the Company's Statute**

The Company's Statute shall be amended by a resolution of the General Meeting passed by the majority of three fourths of votes, and subsequently it must be registered in the Register of Entrepreneurs.

### **5.6. Main features of the internal control and risk management systems**

The Management Board of Captor Therapeutics is responsible for the internal control system in the Group and its effectiveness in the process of preparation of financial statements and interim reports which are prepared and published in accordance with the applicable provisions of law, and for risk management. Presently, the Company does not have an organizationally separated internal audit unit and no individual responsible for internal audit has been appointed. However, it cannot be excluded that as the Group develops the Company will consider appointing such unit or individual.

The internal control system put in place covers the main processes within the Company's operation where there is a need to establish control mechanisms intended to monitor and mitigate significant risks for the Company. This is done according to the established scheme and corresponds to the principle of scalability. The functioning of the system is analysed by the Audit Committee.

The internal control and risk management system is implemented among others through:

#### **Keeping proper accounts**

The tasks of effective internal control system in financial reporting is to ensure adequacy and correctness of financial information including in interim reports. The Group distinguishes accounting documents concerning research and development projects which are financed with funds from the NCRD from administrative costs. All accounting documents, after they are received by the Company, are subject to verification in formal, substantive and accounting terms. Financial data underlying financial statements and reports of the Management Board as well as the Company's monthly reporting comes from the financial and accounting system of an external accounting firm.

#### **Audit and review of financial statements**

Semi-annual financial statements of the Company and annual financial statements of the Company are reviewed or audited by a certified accountant. Opinions and reports on such works are attached to the approved and published financial statements.

#### **Supervision of the Audit Committee**

The Audit Committee was appointed within the Supervisory Board of the Company and its tasks include in particular monitoring the effectiveness of internal control, risk management and internal audit systems and audit, including financial reporting.

Members of the Audit Committee among others hold meetings with the participation of the certified accountant auditing financial statements. The Audit Committee's tasks include among others evaluation of semi-annual and annual financial statements and consolidated statements of the Group, review of the effectiveness of internal control processes, in particular financial control mechanisms, monitoring of the transmission of financial information by the Company and monitoring of the implementation of the auditor's recommendations and comments.

In 2021 the Audit Committee was in regular contact with the Management Board of the Company and the external auditor. The Company's situation with respect to internal control and risk management system was analysed during meetings.

### **5.7. Obligations related to pensions and similar benefits for former managing and supervising persons**

The Company and the subsidiary does not have any obligations related to pensions or similar benefits for former managing or supervising persons or former members of governing bodies, or any obligations incurred in connection with such pensions.

## 5.8. Diversity policy

The Group does not have in place a formally separated diversity policy with respect to its executives and key managerial staff. Nevertheless, the Group applies the principles of equal treatment and non-discrimination in its personnel policy. The Group does not allow to be involved in discrimination in the workplace or promote and tolerate discrimination, in particular in making decisions regarding employment, training, promotion, pay, working conditions, termination of contract based on gender, age, religion, nationality, marital status, membership in political organizations or sexual orientation. Due to the specificity of the Group's activity and the necessity to recruit and retain associates having specialist knowledge, the Group applies employment criteria based on high qualifications and substantive expertise for the job.

## 6. SUPPLEMENTARY INFORMATION AND STATEMENTS

### 6.1. Information on proceedings involving the Company and the Group

In the reporting period no material proceedings before any public administrative bodies, or court or arbitration proceedings to which the Company or its subsidiary would be a party were pending.

### 6.2. Information on the audit firm

On 22 July 2021, the Supervisory Board of the Company appointed the audit firm Mazars Audit Sp. z o.o. to audit annual financial statements of Company and consolidated statements of the Group for 2021 and 2022 and to review interim financial statements Company and consolidated financial statements of the Group in this respect. The agreement was concluded on 3 September 2021 and covers the years 2021-2022.

After the evaluation of independence threats and safeguards, as referred to in Article 69-73 of the Act on Certified Accountants, the Audit Committee granted its consent to the evaluation of the remuneration report for 2021-2022 by the audit firm Mazars Audit Sp. z o.o.

Remuneration for the audit of financial statements for 2021, review and evaluation of the Company's Management Board and Supervisory Board Remuneration Report for 2021 shall amount to a total of PLN 182 thousand (in 2020 for the audit of the financial statements only: PLN 223 thousand). See Note 45 to the financial statements for further information regarding the audit firm's fees.

### 6.3. Information concerning employment

The number of employees in the Group in 2021 was 98, which means an increase in the number of employees compared to the previous year by 11 persons. All employees have appropriate substantive expertise and professional experience.

The employment structure of the Group in 2021 is presented in the table below.

**Table 14: The Group's employment structure as of 31 December 31 2021**

Number of employees (FTE)	Number of researchers	Percentage of researchers holding PhD
98	87	49%

### 6.4. Investor relations

#### 6.4.1. Prices of the Company's shares on the Warsaw Stock Exchange

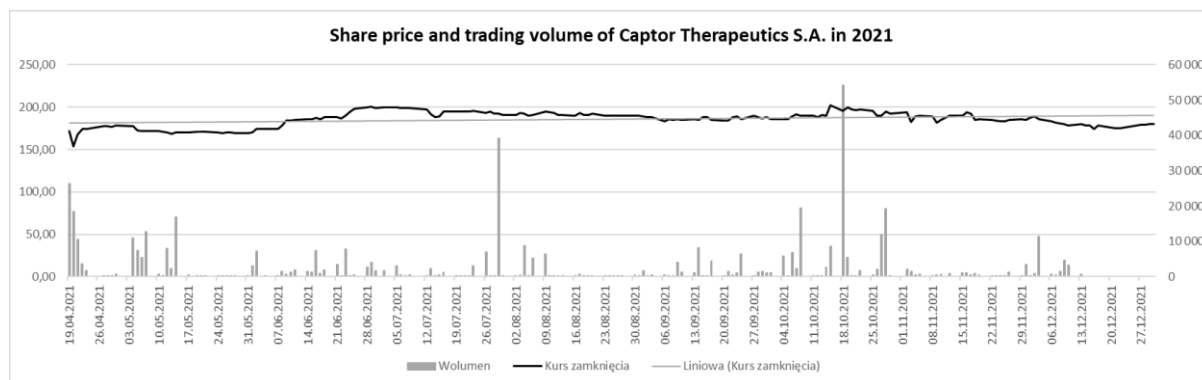
The Company debuted on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) on 19 April 2021 and by the same became the first European public company 100% dedicated to the TPD technology. The total number of outstanding shares of the Company amounted to 4,127,972, the issue price of series G shares was set in the public offering at PLN 172. The Company's shares were introduced to trading on the primary market and are traded in the continuous trading system under the abbreviated name "CAPTORTX" and the designation "CTX".

Presently, 4,127,972 shares of the Company with a nominal value of PLN 0.10 each are marked with code PLCPTRT00014.

#### 6.4.2. Activity with respect to investor relations

2021 was the first year of Captor Therapeutics on the Warsaw Stock Exchange. From the very beginning of the Company's presence at the Warsaw Stock Exchange, the Company's activity with respect to investor relations is focused on transparent and active communication with the market through regular cooperation with investors and analysts and fulfilment of information obligations under the applicable provisions of law. More than 30 current reports were published in the reporting

period. We informed about significant events in the Company and in the Group both through press releases but also during thematic conferences.



#### 6.4.3. Contact details for investors

All relevant information for investors with contact details are available on the website of Captor Therapeutics S.A. at: <http://www.captortherapeutics.pl/relacje-inwestorskie>

The Management Board's report on the Company's and the Group's activity for 2021 was approved by the Management Board on 29 April 2022.

Thomas Shepherd

Radosław Krawczyk

Michał Walczak

*Signed with an electronic signature*

*Signed with an electronic signature*

*Signed with an electronic signature*

President of the Management  
Board

Member of the  
Management Board  
Chief Financial Officer

Member of the  
Management Board  
Chief Scientific Officer

#### 6.4.4. Statement of the Management Board of Captor Therapeutics S.A. regarding the selection of an audit firm to audit the financial statements

The Management Board of Captor Therapeutics S.A., acting on the basis of the statement of the Company's Supervisory Board, confirms that the audit firm auditing the Company's annual standalone and consolidated financial statements was selected in accordance with the provisions of law, including the rules of selection and the procedure for selection of the auditing firm.

The auditing firm and the members of the team performing the audit met the conditions required to issue an impartial and independent audit report on the annual standalone and consolidated financial statements of Captor Therapeutics S.A., in accordance with applicable regulations, professional standards and principles of professional ethics.

The Management Board of Captor Therapeutics S.A. declares that the Company complies with the applicable regulations relating to the rotation of the audit firm and the key statutory auditor as well as the mandatory grace periods.

The Management Board of Captor Therapeutics S.A. declares that the Company has a policy on the selection of the audit firm and a policy on the provision of additional non-audit services to the Company by the audit firm, an affiliate of the audit firm or a member of its network.

Thomas Shepherd

Radosław Krawczyk

Michał Walczak

*Signed with an electronic signature*

*Signed with an electronic signature*

*Signed with an electronic signature*

President of the Management  
Board

Member of the  
Management Board  
Chief Financial Officer

Member of the  
Management Board  
Chief Scientific Officer



#### 6.4.5. Statement of the Management Board of Captor Therapeutics S.A. on the preparation of the financial statements and the Management Board's Report on Activities

The Management Board of Captor Therapeutics S.A. declares that, to the best of its knowledge, the Company's annual standalone and consolidated financial statements for 2021 and the comparative data have been prepared in accordance with the laws applicable to the Company and the accounting principles, and that they give a true, fair and clear view of the Company's and the Group's assets, financial standing and financial results, and that the Management Board's report on the Company's and the Group's activities for 2021 gives a true picture of the Company's and the Group's development, achievements and standing, including a description of the key threats and risks.

Thomas Shepherd

Radosław Krawczyk

Michał Walczak

*Signed with an electronic signature*

*Signed with an electronic signature*

*Signed with an electronic signature*

President of the Management  
Board

Member of the  
Management Board  
Chief Financial Officer

Member of the  
Management Board  
Chief Scientific Officer