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2022

QUARTERLY  
REPORT

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<b>I.</b>	<b>CONDENSED FINANCIAL STATEMENTS OF CELON PHARMA S.A.</b>	
	<b>SELECTED FINANCIAL DATA</b>	<b>1</b>
	Comments on the results	2
	<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>4</b>
	<b>STATEMENT OF FINANCIAL POSITION</b>	<b>5</b>
	<b>SPRAWOZDANIE Z PRZEPŁYWÓW PIENIĘŻNYCH</b>	<b>6</b>
	<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>7</b>
	<b>1. General informatione</b>	<b>8</b>
	<b>2. Composition of corporate authorities of the Company</b>	<b>8</b>
	<b>3. Basis for the preparation of the financial statements</b>	<b>8</b>
	3.1. Statement of compliance	8
	3.2. Functional currency and currency of the financial statements	9
	<b>4. Operating segments</b>	<b>9</b>
	<b>5. Revenues and costs</b>	<b>10</b>
	5.1. Other revenues	10
	5.2. Other operating income	11
	5.3. Other operating costs	11
	5.4. Financial income	11
	5.5. Financial costs	11
	5.6. Employee benefit costs	11
	<b>6. Income tax</b>	<b>12</b>
	6.1. Tax expense	12
	6.2. Deferred income tax	12
	<b>7. Non-current assets classified as held for sale</b>	<b>13</b>
	<b>8. Dividends paid and declared for paymenty</b>	<b>13</b>
	<b>9. Property, plant and equipmente</b>	<b>13</b>
	<b>10. Right-of-use assets</b>	<b>14</b>
	<b>11. Intangible assets</b>	<b>15</b>
	<b>12. Investments in other entities</b>	<b>16</b>
	<b>13. Inventories</b>	<b>17</b>
	<b>14. Trade receivables and other receivables</b>	<b>17</b>
	<b>15. Other non-financial assets</b>	<b>17</b>
	<b>16. Other financial assets</b>	<b>17</b>
	<b>17. Cash and cash equivalents</b>	<b>17</b>
	<b>18. Lease liabilities and other financial liabilities</b>	<b>18</b>
	<b>19. Loans and borrowings</b>	<b>18</b>
	<b>20. Accruals and deferred income from grants</b>	<b>18</b>
	<b>21. Trade liabilities, other liabilities and accruals</b>	<b>19</b>
	21.1. Trade liabilities and other non-financial liabilities	19
	21.2. Off-balance sheet liabilities. Information about sureties or guarantees granted by the Issuer	19
	<b>22. Contingent liabilities</b>	<b>19</b>
	22.1. Litigations	19
	22.2. Tax settlements	19
	22.3. Obligations to incur outlays and other planned outlays to be incurred in the future	20
	<b>23. Information on related entities</b>	<b>20</b>
	23.1. Dominant entity	20
	23.2. Terms and conditions of related-party transactions	20
	<b>24. Fair values of the Company's assets and liabilities</b>	<b>21</b>
	<b>25. Employment structure</b>	<b>21</b>
	<b>26. Factors and events, including non-standard, having a significant impact on the condensed financial statements</b>	<b>21</b>
	<b>27. Post-balance sheet events</b>	<b>22</b>
	<b>28. Significant accounting principles (policy)</b>	<b>22</b>
	<b>29. Significant amounts based on the professional judgment and estimates</b>	<b>23</b>

<b>II.</b>	<b>OTHER INFORMATION TO THE FINANCIAL STATEMENTS<sup>25</sup></b>	<b>25</b>
1.	Description of the organisational structure of the capital group	26
2.	Information about the impact of changes to the structure of the business entity	26
3.	Information on shareholders holding, directly or indirectly (through subsidiaries), 5% or more of total number of votes at the General Meeting of Shareholders of the Company	26
4.	Information on the Issuer's shares or rights to shares held by members of the management or supervisory authorities of the Issuer as at the date of submission of the quarterly report together with information about changes in the ownership status, in the period from the submission of the previous quarterly report, for each person separately	26
5.	Information about the issue, repurchase and redemption of debt securities and equities	26
6.	Brief description of major achievements or failures of the issuer during the period covered by the report, together with a list of the most significant events related to the issuer	26
7.	Information about changes in the economic situation and business conditions that would materially affect the fair value of financial assets and financial liabilities of the entity	27
8.	Position of the Management Board on the possibility of the realisation of previously published forecasts and results for the particular period	27
9.	Other information that, in the opinion of the Issuer, is important for the evaluation of the Issuer's HR, economic and financial position, financial performance and their changes, and information important for the evaluation of the possibility of fulfilment of its obligations by the Issuer	27
10.	Indication of factors that, in the Issuer's opinion, will affect its performance over at least the next quarter	27



Part I.

**CONDENSED  
FINANCIAL STATEMENTS OF  
CELON PHARMA S.A.**

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Kielpin, 25 May 2022

### SELECTED FINANCIAL DATA

	Period ended 31 March 2022 (unaudited) PLN'000	Period ended 31 March 2021 (unaudited) PLN'000	Period ended 31 March 2022 (unaudited) EUR'000	Period ended 31 March 2021 (unaudited) EUR'000
Revenues	41,936	47,427	9,024	10,373
of which				
<i>Generic drug segment</i>	33,250	44,312	7,155	9,692
<i>Innovative segment</i>	8,686	3,115	1,869	681
Operating profit/loss (EBIT)	-11,098	382	-2,388	84
Operating profit/loss adjusted by the depreciation/amortisation (EBITDA)	551	9,810	119	2,146
of which				
<i>Generic drug segment</i>	14,400	25,314	3,099	5,537
<i>Innovative segment</i>	-13,849	-15,503	-2,980	-3,391
Profit/(loss) before tax	-11,672	-1,724	-2,512	-377
Net profit/(loss)	-7,512	-1,715	-1,616	-375
Net cash flows from operating activities	-13,078	5,380	-2,814	1,177
Net cash flows from investing activities	-7,914	-7,443	-1,703	-1,628
Net cash from financing activities	-2,290	-608	-493	-133
Total net cash flow	-23,282	-2,671	-5,010	-584
Number of shares	51,000,000	45,000,000	51,000,000	45,000,000
Net profit (loss) per share	-0.15	-0.04	-0.03	-0.01
Diluted net profit (loss) per share	-0.15	-0.04	-0.03	-0.01

	Period ended 31 March 2022 (unaudited) PLN'000	Period ended 31 December 2021 (audited) PLN'000	Period ended 31 March 2022 (unaudited) EUR'000	Period ended 31 December 2021 (audited) EUR'000
Total assets	676,261	707,138	145,354	153,746
Liabilities and provisions for liabilities	145,349	153,136	31,421	33,295
Long-term liabilities	65,418	66,773	14,061	14,518
Short-term liabilities	79,931	86,363	17,180	18,777
Equity	530,912	554,002	114,113	120,451
Share capital	5,100	5,100	1,096	1,109

exchange rate announced by the National Bank of Poland on 31 March 2022 (PLN 4.6525/EUR 1) and 31 December 2021 (PLN 4.5994/EUR 1). Selected items of the profit and loss account and the cash flow statement have been translated to EUR based on the exchange rate announced by the National Bank of Poland, calculated as an arithmetic average of EUR average exchange rates as at the last day of each month ended during 3 months ended 31 March 2022 (PLN 4.6472/EUR 1) and 3 months ended 31 March 2021 (PLN 4.5721/EUR 1).

The following abbreviations are used in the document:

1Q21 - period of 3 months ended 31 March 2021;

1Q22 - period of 3 months ended 31 March 2022.

## Comments on the results

### Revenues

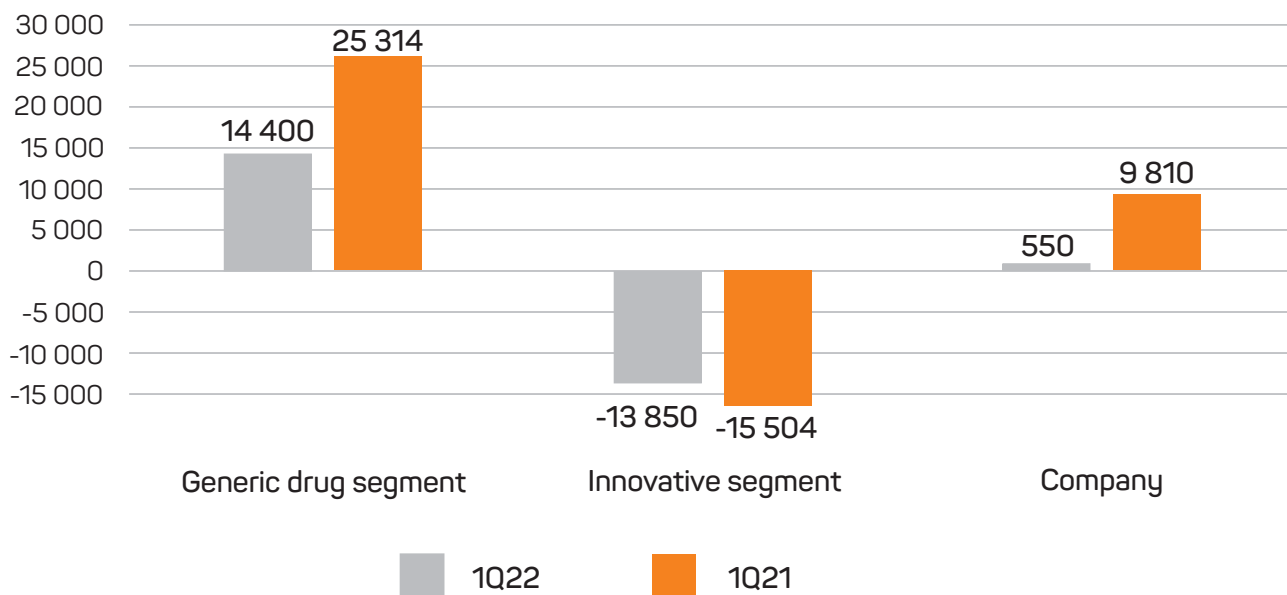
In 1Q22, revenues of the Company decreased to PLN 41.9 million vs. PLN 47.4 million in 1Q21, which is entirely related to the generic drug segment, and more specifically to export sales. Domestic sales for 1Q22 were PLN 25.7 million, which means an increase by 25% in comparison to 1Q21. At the same time, export sales decreased from PLN 23.3 million in 1Q21 to PLN 7.5 million in 1Q22, which is due to allocating significant manufacturing capacities to test batches of innovative drugs required for the implementation of the Falkieri Project. Limited manufacturing capacities resulted in reducing the availability of the Company's finished products and redirecting the products to sales channels generating higher margins. It should also be noted that 1Q21 was the record-breaking quarter considering export sales to French and Italian markets as new markets, where the stocking process began at that time. Starting the second half of 2021, the process slowed down as the markets saturated and the actual demand for the Company's products was established in these markets.

Revenues from grants increased from PLN 3.1 million in 1Q21 to PLN 8.7 million in 1Q22, which is related to a higher interest in research and development projects carried out by the Company ("R&D projects"). In 1Q22, there were 19 active R&D projects.

### EBITDA

In 1Q22, EBITDA of the generic drug segment was PLN 14.4 compared to PLN 25.3 million in 1Q21, while in 1Q22, the innovative segment recorded negative EBITDA of PLN 13.9 million vs. PLN 15.5 million in 1Q21.

### EBITDA



A drop of EBITDA in 1Q22 was due to the aforementioned revenue gap in the generic drug segment, as a result of which a part of fixed costs, especially payroll costs, remained uncovered. Additionally, 1Q22 was a period of a very high inflation and still significant salary pressure. However, in 1Q22, the EBITDA profitability of the generic drug segment remained high and reached 43%. It should also be noted that an increase of costs in the innovative segment in 1Q22 was covered by an increase in revenues from grants, which allowed for growth of EBITDA.

In 1Q22, the most important increases in operating costs due to the inflation pressure were recorded with respect to utilities. In 1Q22, costs of energy and gas incurred by the Company increased almost two times compared to 1Q21.

At the same time, the increase in payroll costs in 1Q22 in comparison to 1Q21 is due both to an increase in average employment (by 36 FTE), especially in the innovative segment, and to an increase in the average remuneration at the Company. The increase in the average remuneration is related to salary pressure and to hiring highly qualified employees in the innovative segment.

## Financial position

The financial position of the Company is stable. The cash position of the Company is positive and was PLN 187.7 million as at 31 March 2022. Negative cash flows from operating activities in 1Q22 reflect mainly refund of unused advances for projects co-financed by the National Centre for Research and Development. These refunds totalled PLN 10.9 million. These funds are still available for use.

The table below presents profitability and liquidity ratios of the Company, calculated based on these financial statements.

Ratio	Description	3 months ended	
		31 March 2022 <i>(unaudited)</i>	31 March 2021 <i>(unaudited)</i>
EBITDA profitability [%]	<i>EBITDA/revenues</i>	1.3%	20.7%
return on assets (ROA)	<i>net financial result/total assets</i>	-1.1%	-0.3%
return on equity (ROE)	<i>net financial result/equity</i>	-1.4%	-0.5%
debt/(cash) net	<i>financial liabilities - cash and cash equivalents</i>	-187.7	-14.7
liquidity – liquidity ratio I	<i>current assets/short-term liabilities</i>	3.3	1.0
liquidity – liquidity ratio III	<i>cash/short-term liabilities</i>	1.6	0.4
sustainability of the financing structure (%)	<i>(equity + provisions and long-term liability)/(equity and liabilities)</i>	88.2%	79.4%
liabilities to assets (%)	<i>total liabilities/total assets</i>	21.5%	33.7%

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the period of 3 months ended 31 March 2022**

	Notes	for the period 1.01.-31.03.2022 (unaudited)	for the period 1.01.-31.03.2021 (unaudited)
<b>Continuing operations</b>			
<b>Revenues</b>	4, 5.1	<b>41,936</b>	<b>47,427</b>
Revenues from sales of drugs		32,922	43,168
Revenues from grants		8,686	3,115
Other revenues		328	855
Revenues from sales of licences		0	289
<b>Operating costs</b>	4	<b>53,088</b>	<b>47,002</b>
Depreciation and amortisation		11,649	9,428
Consumption of raw materials		12,972	15,737
External services		10,856	6,958
Employee benefits	5.6	14,937	12,654
Other costs		2,674	2,225
<b>Profit/(loss) from sales</b>		<b>-11,152</b>	<b>425</b>
Other operating income	5.2	393	8
Other operating costs	5.3	339	51
<b>Operating profit/(loss)</b>		<b>-11,098</b>	<b>382</b>
Financial income	5.4	284	10
Financial costs	5.5	858	2,116
<b>Profit/(loss) before tax</b>		<b>-11,672</b>	<b>-1,724</b>
Income tax	6	-4,160	-9
<b>Net profit/loss from continuing operations</b>		<b>-7,512</b>	<b>-1,715</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations		0	0
<b>Net profit/(loss) for the financial year</b>		<b>-7,512</b>	<b>-1,715</b>
<b>Other comprehensive income</b>			
<i>Items not subject to the reclassification to the profit/(loss) in subsequent reporting periods</i>			
Actuarial gains/(losses) on defined benefit schemes		0	0
Net profit/(loss) on equity instruments at fair value through other comprehensive income		-19,231	35,081
Income tax on other comprehensive income	6	3,654	6,666
<b>Other net comprehensive income not subject to the reclassification to the profit/(loss) in subsequent reporting periods</b>		<b>-22,885</b>	<b>28,415</b>
<b>Other net comprehensive income</b>		<b>-22,885</b>	<b>28,415</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-30,397</b>	<b>26,700</b>
Profit/loss per share		-0.15	-0.04
- basic profit for the financial year		-0.15	-0.04
- basic profit from continuing operations for the financial year		-0.15	-0.04
- diluted profit for the financial year		-0.15	-0.04
- diluted profit from continuing operations for the financial year		-0.15	-0.04



**STATEMENT OF FINANCIAL POSITION**  
**for the period of 3 months ended 31 March 2022**

	Notes	31 March 2022 (unaudited)	31 December 2021 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	302,599	303,665
Right-of-use assets	10	27,677	25,543
Intangible assets	11	27,570	29,171
Investments in other entities	12	18,673	37,904
Other financial assets		218	218
Deferred tax asset	6	36,096	31,936
		<b>412,833</b>	<b>428,437</b>
<b>Current assets</b>			
Inventories	13	29,458	23,376
Trade receivables	14	25,948	24,673
Other receivables	14	2,356	2,571
Other non-financial assets	15	1,799	529
Other financial assets	16	79,353	79,755
Cash and cash equivalents	17	124,514	147,796
		<b>263,428</b>	<b>278,700</b>
<b>TOTAL ASSETS</b>		<b>676,261</b>	<b>707,137</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital		5,100	5,100
Supplementary capital		613,510	613,510
Revaluation reserve		10,180	25,757
Retained earnings/ uncovered losses		-91,674	-80,068
Reserve capital from valuation of share options		1,309	1,309
Net profit/loss for the current period		-7,513	-11,606
		<b>530,912</b>	<b>554,002</b>
<b>Long-term liabilities</b>			
Deferred tax provision	6	2,388	6,042
Lease liabilities	18, 19	10,233	8,354
Other liabilities (including investment liabilities)	22.3	20,702	22,526
Accruals and deferred income from grants	20	32,095	29,851
		65,418	66,773
<b>Short-term liabilities</b>			
Trade liabilities	21	20,138	12,681
Lease liabilities	18, 19	5,928	6,563
Other liabilities (including investment liabilities)	22.3	7,701	6,284
Employee benefit liabilities	21	6,170	2,305
Other non-financial liabilities	21	1,359	1,256
Provisions		1,233	1,446
Accruals and deferred income from grants	20	37,402	55,827
		<b>79,931</b>	<b>86,362</b>
<b>Total liabilities</b>		<b>145,349</b>	<b>153,135</b>
<b>EQUITY AND LIABILITIES</b>		<b>676,261</b>	<b>707,137</b>

**SPRAWOZDANIE Z PRZEPLYWÓW PIENIĘŻNYCH**  
**za okres 3 miesięcy zakończony 31 marca 2022 roku**

	Notes	Period ended 31 March 2022 <i>(unaudited)</i>	Period ended 31 March 2021 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		-11,673	-1,724
Adjusted by:		-1,405	7,104
Depreciation and amortisation		11,649	9,428
Foreign exchange gains/losses		16	1,592
(Gains)/losses on investing activities		-15	0
(Increase)/decrease in trade receivables and other receivables		-1,061	-3,625
(Increase)/decrease in inventories		-6,082	522
(Increase)/decrease in other non-financial assets		-1,269	331
Increase/(decrease) in liabilities, except for loans and borrowings		11,425	2,016
Interest income and costs		326	160
Change in prepayments, accruals and deferred income due to grants		-16,181	-3,320
Change in provisions		-213	0
Income tax paid		0	0
<b>Net cash flows from operating activities</b>		<b>-13,078</b>	<b>5,380</b>
<b>Cash flows from investing activities</b>			
Sale of property, plant and equipment and intangible assets		15	0
Purchase of property, plant and equipment and intangible assets		-8,213	-7,443
Sale of shares in other entities		0	0
Purchase of shares in other entities		0	0
Sale of other financial assets		0	0
Purchase of other financial assets		0	0
Interest received		284	0
Other		0	0
<b>Net cash flows from investing activities</b>		<b>-7,914</b>	<b>-7,443</b>
<b>Cash flows from financing activities</b>			
Inflows from issue of shares		0	0
Outflows due to costs of issue of shares		0	0
Dividends paid		0	0
Inflows due to loans/borrowings incurred		0	402
Repayment of loans/borrowings		0	0
Repayment of lease liabilities		-2,083	-850
Interest on lease liabilities		-201	-68
Interest on loans/borrowings		0	-92
Other interest		-6	0
Other		0	0
<b>Net cash flows from financing activities</b>		<b>-2,290</b>	<b>-608</b>
<b>Net cash flows</b>		<b>-23,282</b>	<b>-2,671</b>
<b>Cash at the beginning of the period</b>		<b>147,796</b>	<b>43,978</b>
<b>Cash at the end of the period</b>		<b>124,514</b>	<b>41,307</b>

### STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity	Share capital	Supple- mentary capital	Revaluation reserve	Retained earnings/ uncovered losses	Reserve capital from valuation of share options	Total equity
<b>Opening balance as at 1 January 2022</b>	<b>5,100</b>	<b>613,510</b>	<b>25,757</b>	<b>(91,674)</b>	<b>1,309</b>	<b>554,002</b>
Net profit/(loss) for the year	-	-	-	(7,513)	-	(7,513)
Other net comprehensive income for the year	-	-	(15,577)	-	-	(15,577)
Comprehensive income for the year			(15,577)	(7,513)	-	(23,090)
- issue of shares	-	-	-	-	-	-
- costs of issue of shares	-	-	-	-	-	-
- valuation of share options	-	-	-	-	-	-
- dividends paid	-	-	-	-	-	-
-transfers/reclassifications	-	-	-	-	-	-
<b>Closing balance as at 31 March 2022</b>	<b>5,100</b>	<b>613,510</b>	<b>10,180</b>	<b>(99,187)</b>	<b>1,309</b>	<b>530,912</b>

Statement of changes in equity	Share capital	Supple- mentary capital	Revaluation reserve	Retained earnings/ uncovered losses	Reserve capital from valuation of share options	Total equity
<b>Opening balance as at 1 January 2021</b>	<b>4,500</b>	<b>393,124</b>	<b>5,482</b>	<b>(57,657)</b>	<b>-</b>	<b>345,449</b>
Net profit/(loss) for the year	-	-	-	(11,606)	-	(11,606)
Other net comprehensive income for the year	-	-	20,275	-	-	20,275
Comprehensive income for the year	-	-	20,275	(11,606)	-	8,669
- issue of shares	600	215,400	-	-	-	216,000
- costs of issue of shares	-	(13,358)	-	-	-	(13,358)
- valuation of share options	-	-	-	-	1,309	1,309
- dividends paid	-	-	-	(3,150)	-	(3,150)
-transfers/reclassifications	-	18,345	-	(19,262)	-	(917)
<b>Closing balance as at 31 December 2021</b>	<b>5,100</b>	<b>613,511</b>	<b>25,757</b>	<b>(91,675)</b>	<b>1,309</b>	<b>554,002</b>

## 1. General information

The financial statements of Celon Pharma S.A. cover the period of 3 months ended 31 March 2022 along with comparative data for the period of 3 months ended 31 March 2021 and the year ended 31 December 2020. These financial statements were approved for publication by the Management Board on 25 May 2022.

Celon Pharma Spółka Akcyjna, hereinafter also referred to as the "Company," with its registered office in Kielpin, ul. Ogrodowa 2A, was established on 25 October 2012, as a result of the transformation of the company under the name of Celon Pharma Sp. z o.o., with its registered office in Kielpin. Celon Pharma S.A. was entered into the Register of Entrepreneurs in the National Court Register, kept by the District Court in Warsaw, 14th Business Department of the National Court Register, under KRS number: 0000437778, on 25 October 2012. Celon Pharma Sp. z o.o. was entered into the Register of Entrepreneurs in the National Court Register, on 20 June 2002, under KRS number: 117523, and was removed therefrom by operation of law, on the date of the company's transformation into a joint-stock company.

The term of the Company is unlimited.

The core business – manufacture of pharmaceutical products and pharmaceutical preparations, PKD 2120Z.

## 2. Composition of corporate authorities of the Company

The composition of the Management Board as at the balance sheet date:

- Maciej Wieczorek – President of the Management Board,
- Jacek Glinka – Vice President of the Management Board,
- Dorota Zwolińska – Member of the Management Board.

The composition of the Company's Management Board remained unchanged during the reporting period and until drawing up these financial statements.

The composition of the Supervisory Board as at the balance sheet date:

- Robert Rzemieński – Chairman of the Supervisory Board,
- Krzysztof Kaczmarczyk – Member of the Supervisory Board,
- Urszula Wieczorek – Member of the Supervisory Board,
- Bogusław Galewski – Member of the Supervisory Board,
- Artur Wieczorek – Member of the Supervisory Board.

The composition of the Company's Supervisory Board remained unchanged during the reporting period and until drawing up these financial statements.

## 3. Basis for the preparation of the financial statements

These financial statements have been prepared on a historical cost basis, except for equity instruments.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of these financial statements, there are no circumstances indicating any threats to the Company continuing in operation.

The current situation related to the Covid-19 pandemics and the Russia and Ukraine war, as described in note 25, does not materially affect the Company's operations and financial position. However, the current economic situation is characterised by high uncertainty and dynamics of events that are difficult to predict. The Company's Management Board is conducting an ongoing analysis of risks and threats of a financial and operational nature that could adversely affect the Company's ability to continue as a going concern, and that result from the domestic and global epidemic and political situation. The assessment of the current situation of the Company and its economic environment, together with the analysis of forecasts of financial ratios and other legal, economic and social factors, does not indicate a threat to the Company continuing as a going concern in the 12 months following the publication date of the financial statements.

### 3.1. Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("EU IFRS"). EU IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB").

The scope of the financial statements complies with the Regulation of the Minister of Finance of 29 March 2019 on current and periodic information submitted by issuers of securities and the conditions for recognizing information required by law of a non-member state as equivalent information (Journal of Laws of 2018, item 757) ("Regulation"), and covers the reporting period from 1 January to 31 March 2022, and the comparative period from 1 January to 31 March 2021.

The presented financial statements in a reliable way show the Company's financial and economic position as at 31 March 2022, results of its operations and cash flows for 3 months ended 31 March 2022.

### 3.2. Functional currency and currency of the financial statements

The functional currency of the Company and the reporting currency of these financial statements is Polish zloty (PLN). Data in the financial statements are presented in thousands of Polish zloty, unless specified otherwise.

## 4. Operating segments

For management purposes, the Company has been divided into parts based on manufactured products and services provided. Consequently, the following operating segments exist:

The generic drug segment that comprises all operating activities, as a result of which the Company manufactures and sells drugs already registered and authorised for marketing.

The innovative segment involving all activities aimed at developing the documentation on the basis of which a drug could be registered or commercialised at the stage prior to drug registration.

The Management Board monitors the operating results of the segments separately, in order to make decisions regarding the allocation of resources, assess the effects of this allocation and the results of operations. Results of operations are evaluated based on the operating profit or loss that, to some extent, as explained in the table below, are measured differently from the operating profit or loss in the financial statements. Financing of the Company (including financial costs and income) and income tax are monitored at the level of the Company and they are not allocated to segments.

There are no transactions between the segments.

	Generic drug segment		Innovative segment		Total	
	1.01.- 31.03.2022 (unaudited)	1.01.- 31.03.2021 (unaudited)	1.01.- 31.03.2022 (unaudited)	1.01.- 31.03.2021 (unaudited)	1.01.- 31.03.2022 (unaudited)	1.01.- 31.03.2021 (unaudited)
Revenues from sales of drugs	32,922	43,168	0	0	32,922	43,168
Other revenues	328	855	0	0	328	855
Revenues from grants	0	0	8,686	3,115	8,686	3,115
Revenues from sales of licences	0	289	0	0	0	289
<b>Total revenues of the segment</b>	<b>33,250</b>	<b>44,312</b>	<b>8,686</b>	<b>3,115</b>	<b>41,936</b>	<b>47,427</b>
<b>of which:</b>						
<i>Domestic</i>	25,734	20,957	8,686	3,115	34,420	24,072
<i>Export</i>	7,516	23,355	0	0	7,516	23,355
<b>Total costs by type</b>	<b>27,492</b>	<b>27,777</b>	<b>25,596</b>	<b>19,224</b>	<b>53,088</b>	<b>47,002</b>
<b>of which:</b>						
Depreciation and amortisation	8,588	8,822	3,061	606	11,649	9,428
Consumption of raw materials	7,492	9,089	5,480	6,648	12,972	15,737
External services	1,932	1,239	8,924	5,719	10,856	6,958
Employee benefits	7,537	6,960	7,400	5,694	14,937	12,654
Other costs	1,943	1,667	731	557	2,674	2,225
<b>Profit/loss of the segment</b>	<b>5,758</b>	<b>16,535</b>	<b>-16,910</b>	<b>-16,109</b>	<b>-11,152</b>	<b>425</b>
Other operating income	393	8	0	0	393	8
Other operating costs	339	51	0	0	339	51
Operating profit/loss (EBIT)	5,812	16,492	-16,910	-16,109	-11,098	382
<b>Operating profit/loss adjusted by the depreciation/amortisation (EBITDA)</b>	<b>14,400</b>	<b>25,314</b>	<b>-13,849</b>	<b>-15,503</b>	<b>551</b>	<b>9,810</b>

	Generic drug segment		Innovative segment		Total	
	1.01.- 31.03.2022 (unaudited)	1.01.- 31.03.2021 (unaudited)	1.01.- 31.03.2022 (unaudited)	1.01.- 31.03.2021 (unaudited)	1.01.- 31.03.2022 (unaudited)	1.01.- 31.03.2021 (unaudited)
Financial income					284	10
Financial costs					858	2 116
<b>Profit/loss before tax</b>					<b>-11,672</b>	<b>-1,724</b>
Income tax, of which:					-4,160	-9
- current income tax					0	0
- deferred income tax					-4,160	-9
<b>Net profit/loss</b>					<b>-7,512</b>	<b>-1,715</b>

\* In the statement of comprehensive income being a part of the financial statements for 3 months ended 31 March 2021, prepared in accordance with International Financial Reporting Standards, published on 20 May 2021, the Company separated R&D costs (innovative segment costs) as a separate sub-ledger item of operating costs. Starting 1 June 2021, R&D costs are not presented separately in the statement of comprehensive income. The effect of restatement of data for 3 months ended 31 March 2021 is presented below.

Operating costs	period ended 31 March 2021 (unaudited)	Adjustments	period ended 31 March 2021 (restated unaudited data)
Depreciation and amortisation	9,428	0	9,428
Consumption of raw materials	13,612	2,125	15,737
External services	2,176	4,782	6,958
Employee benefits	11,237	1,417	12,654
Other costs	2,210	15	2,225
R&D costs	8,339	-8,339	0
<b>Total</b>	<b>47,002</b>	<b>0</b>	<b>47,002</b>

The Company made the aforementioned changes to the presentation of R&D costs based on the market practice.

Additionally, taking into account the note pertaining to operating segments, in the first quarter of 2022, the Company reviewed the Company's operating costs in view of the allocation to operating segments, as a result of which changes were made to keys for the allocation of costs to segments; especially, keys for the allocation of costs of shared departments of the Company. In 2021, these costs were allocated mainly only to the generic drug segment. New allocation keys have been applied in the aforementioned note pertaining to operating segments both with respect to the reporting period of 3 months ended 31 March 2022 and 31 March 2021.

Revenues from contracts with clients (excluding revenues from grants) amounted respectively to:

- during the period of 3 months ended 31 March 2022 – PLN 33,251 thousand;
- during the period of 3 months ended 31 March 2021 – PLN 44,312 thousand.

The Company has no assets and liabilities due to contracts with clients.  
The Company's business is not seasonal.

## 5. Revenues and costs

### 5.1. Other revenues

Other revenues	Period ended 31 March 2022 (unaudited)	Period ended 31 March 2021 (unaudited)
Profit sharing	-	847
Other	328	8
<b>Total</b>	<b>328</b>	<b>855</b>

Other revenues pertain to the milestone in the process of registration of Salmex for the market in Saudi Arabia.

## 5.2. Other operating income

Other operating income	Period ended 31 March 2022 <i>(unaudited)</i>	Period ended 31 March 2021 <i>(unaudited)</i>
Gain on disposal of non-financial non-current assets	15	-
Other	378	8
<b>Total</b>	<b>393</b>	<b>8</b>

## 5.3. Other operating costs

Other operating costs	Period ended 31 March 2022 <i>(unaudited)</i>	Period ended 31 March 2021 <i>(unaudited)</i>
Donations	-	-
Other	339	51
<b>Total</b>	<b>339</b>	<b>51</b>

## 5.4. Financial income

Przychody finansowe	Period ended 31 March 2022 <i>(unaudited)</i>	Period ended 31 March 2021 <i>(unaudited)</i>
Interest	284	6
Other	-	4
<b>Total</b>	<b>284</b>	<b>10</b>

## 5.5. Financial costs

Financial costs	Period ended 31 March 2022 <i>(unaudited)</i>	Period ended 31 March 2021 <i>(unaudited)</i>
Interest on leases	201	68
Bank interests and fees	6	92
Other interest	402	2
Exchange losses	249	1,954
Other financial costs	-	-
<b>Total</b>	<b>858</b>	<b>2,116</b>

## 5.6. Employee benefit costs

Employee benefit costs	Period ended 31 March 2022 <i>(unaudited)</i>	Period ended 31 March 2021 <i>(unaudited)</i>
Payroll	12,320	10,324
Costs of social insurance	2,109	1,971
Costs of payments to the Employee Capital Plan (PPK)	30	24
Other costs of employee benefits	478	335
<b>Total</b>	<b>14,937</b>	<b>12,654</b>

The increase in payroll during 3 months ended 31 March 2022 in comparison to the similar period in 2021 is due both to an increase in average employment, especially in the innovative segment, and to an increase in the average remuneration at the Company. The increase in the average remuneration is related to salary pressure and to hiring highly qualified employees in the innovative segment.

## 6. Income tax

### 6.1. Tax expense

Key components of the tax expense for 3 months ended 31 March 2022 and 31 March 2021 were as follows:

Income tax	Period ended 31 March 2022 (unaudited)	Period ended 31 March 2021 (unaudited)
Current income tax	-	-
Deferred income tax	4,160	9
<b>Income tax recognised in profit or loss</b>	<b>4,160</b>	<b>9</b>
Deferred income tax, of which:	3,654	-6,665
Tax on net profit/(loss) on equity instruments at fair value through other comprehensive income	3,654	-6,665
<b>Income tax on other comprehensive income</b>	<b>3,654</b>	<b>-6,665</b>

### 6.2. Deferred income tax

Deferred income tax has resulted from the following items:

	Statement of financial position		Statement of comprehensive income	
	for the period ended			
	31 March 2022 (unaudited)	31 December 2021 (audited)	31 March 2022 (unaudited)	31 March 2021 (unaudited)
<b>Provision for deferred income tax</b>				
Leased property, plant and equipment	28,910	25,668	3,242	953
Property, plant and equipment – temporary difference – depreciation	332	2,458	-2,126	0
Valuation of financial investments	0	0	0	0
Valuation of shares in Mabion	12,568	31,799	-19,231	35,081
Profit sharing	0	843	-843	-847
<b>Total deferred income tax provision</b>	<b>7,944</b>	<b>11,546</b>	<b>-3,602</b>	<b>6,686</b>
<b>Deferred tax assets</b>				
Financial lease liabilities	16,342	15,109	1,233	911
Accruals and deferred income	3,114	3,050	64	-760
Provisions for employee benefits	3,399	2,364	1,035	0
Other valuations	4,817	261	4,556	0
R&D works excluding salaries*	116,172	116,172	0	0
Tax loss	75,378	60,098	15,280	0
<b>Total deferred income tax assets</b>	<b>41,652</b>	<b>37,440</b>	<b>4,212</b>	<b>29</b>
			<b>Deferred income tax expense</b>	<b>-6,657</b>
			<b>Change charged to equity (valuation of Mabion S.A.)</b>	<b>-6,665</b>
			<b>Change charged to profit or loss</b>	<b>9</b>

\* The amount reflects costs of R&D projects except for salaries, that were incurred by the Company in years 2016-2019 and were capitalised in accordance with the applicable tax policy. The Company is entitled to charge these costs to the taxable profit/loss in a relevant part of CIT-8 returns until 2025.

As at 31 March 2022, the Company had unsettled tax losses of PLN 75 million, pertaining to 2020 and 2021, and the period of 3 months ended 31 March 2022. These losses are available for use for 5 subsequent years, i.e. until 2025 inclusive, but not more than 50% in each year. The value of the deferred tax asset recognised in relation to the unsettled tax losses for 2020 and 2021 is PLN 11.4 million. As at 31 March 2022, there are no unrecognised assets due to tax losses and, potentially, other deductible temporary differences.



The Company has carried out an analysis of the recoverability of the tax loss asset based on the adopted assumptions, taking into account the possible occurrence of one-off events involving commercialisation of ongoing innovative projects, including their potential sale to external partners after the completion of a specific phase of clinical trials.

The analysis was based on guidelines arising from paragraphs 35, 36 and 82 of IAS 12, and ESMA Mabon 32-63-743 guidelines of 15 July 2019. The increase in sales revenues (mainly from export sales) and potential commercialisation of certain innovative projects in the nearest future were taken into account. The analysis was prepared using the best estimates in the most likely expected scenario.

The analysis conducted is sensitive especially to changes in the amount of expected tax income and costs resulting from operating activities including settlements due to the so-called R&D relief.

The Management Board of the Company is of the opinion that the occurrence of the aforementioned event is highly probable in the period of the tax loss settlement, but is unable to provide precise amounts to be deducted in subsequent tax years.

At the same time, it should be noted that the operating activities conducted by the Company in the generic drug segment are highly profitable and potential discontinuation or slowdown of clinical trials in the innovative segment (or the successful completion of these projects resulting in the successful introduction of new drugs to the market) will generate significant tax income enabling settlement of tax losses recognised as the deferred tax asset as at 31 March 2022.

## 7. Non-current assets classified as held for sale

The Company has not identified any assets held for sales.

## 8. Dividends paid and declared for payment

The Management Board of Celon Pharma S.A. recommends payment of the dividend of PLN 14,799 thousand (PLN 0.29 per share), whereas the amount of the recommended dividend will be paid from the part of the supplementary capital created from retained earnings in previous years, and is consistent with requirements of Article 348 of the Code of Commercial Companies.

## 9. Property, plant and equipment

Property, plant and equipment – net values	31 March 2022 (unaudited)	31 December 2021 (audited)
Land	6,352	6,352
Buildings, premises, land and water engineering objects	125,931	127,258
Technical equipment and machinery	65,156	68,459
Vehicles	4,107	4,672
Other fixed assets	31,191	33,653
Constructions in progress	55,191	50,633
Advances	14,671	12,638
<b>Total</b>	<b>302,599</b>	<b>303,665</b>

Property, plant and equipment Year ended 31 March 2022	Land	Buildings, premises	Technical equipment and machinery	Vehicles	Other fixed assets	Constructions in progress	Advances	Total
<b>Gross value</b>								
1. Opening balance	<b>6,352</b>	<b>146,079</b>	<b>165,567</b>	<b>11,774</b>	<b>58,877</b>	<b>50,633</b>	<b>12,845</b>	<b>452,127</b>
2. Increases	0	0	558	0	312	4,558	2,033	<b>7,461</b>
a) purchase	0	0	558	0	312	4,558	2,033	<b>7,461</b>
b) transfers	0	0	0	0	0	0	0	<b>0</b>
3. Decrease	0	0	0	0	0	0	0	<b>0</b>
a) sale and liquidation	0	0	0	0	0	0	0	<b>0</b>
b) transfers	0	0	0	0	0	0	0	<b>0</b>
<b>4. Closing balance</b>	<b>6,352</b>	<b>146,079</b>	<b>166,125</b>	<b>11,774</b>	<b>59,189</b>	<b>55,191</b>	<b>14,878</b>	<b>459,588</b>
<b>Accumulated depreciation</b>								
1. Opening balance	0	<b>18,819</b>	<b>97,108</b>	<b>7,103</b>	<b>25,223</b>	<b>0</b>	<b>0</b>	<b>148,253</b>
2. Increases	0	1,329	3,861	564	2,775	0	0	<b>,529</b>
a) depreciation for the period	0	1,329	3,861	564	2,775	0	0	<b>8,529</b>
b) other	0	0	0	0	0	0	0	<b>0</b>
3. Decreases	0	0	0	0	0	0	0	<b>0</b>
a) sale and liquidation	0	0	0	0	0	0	0	<b>0</b>
4. Closing balance	0	<b>20,148</b>	<b>100,969</b>	<b>7,667</b>	<b>27,998</b>	<b>0</b>	<b>0</b>	<b>156,782</b>
<b>Revaluation write-downs</b>								
1. Opening balance	0	0	0	0	0	0	207	<b>207</b>
a) increase	0	0	0	0	0	0	0	<b>0</b>
<b>2. Closing balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>207</b>	<b>207</b>
<b>Net value opening balance</b>	<b>6,352</b>	<b>127,260</b>	<b>68,459</b>	<b>4,671</b>	<b>33,654</b>	<b>50,633</b>	<b>12,638</b>	<b>303,667</b>
<b>Net value closing balance</b>	<b>6,352</b>	<b>125,931</b>	<b>65,156</b>	<b>4,107</b>	<b>31,191</b>	<b>55,191</b>	<b>14,671</b>	<b>302,599</b>

## 10. Right-of-use assets

The Company has concluded leases for the production machinery, laboratory equipment and cars. The lease period is 36 months. As at 31 March 2022, the Company leased space in three real properties, under lease agreements. Agreements for two locations have been terminated and will end in December 2023 and June 2024. The third agreement is concluded for an indefinite period, with a 3-month notice period.

Right-of-use assets – net value	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
Real property	1,561	1,704
Technical equipment and machinery	4,900	5,075
Vehicles	116	136
Other fixed assets	21,100	18,628
<b>Total</b>	<b>27,677</b>	<b>25,543</b>

Right-of-use assets Year ended 31 March 2022	Real property	Equipment and machines	Vehicles	Other fixed assets	Total
<b>Gross value</b>					
2. Increases	0	0	0	3,468	3,468
a) purchase	0	0	0	3,468	3,468
b) transfers	0	0	0	0	0
3. Decreases	0	0	0	0	0
a) sale and liquidation	0	0	0	0	0
b) transfers	0	0	0	0	0
4. Closing balance	<b>3,986</b>	<b>5,871</b>	<b>3,331</b>	<b>22,818</b>	<b>36,006</b>
<b>Accumulated depreciation</b>					
1. Opening balance	2,283	796	3,195	722	6,996
2. Increases	143	175	20	995	1,333
a) depreciation for the period	143	175	20	995	1,333
b) other	0	0	0	0	0
3. Decreases	0	0	0	0	0
a) sale and liquidation	0	0	0	0	0
4. Closing balance	<b>2,426</b>	<b>971</b>	<b>3 215</b>	<b>1,718</b>	<b>8,329</b>
<b>Revaluation write-downs</b>					
1. Opening balance	0	0	0	0	0
a) increase	0	0	0	0	0
2. Closing balance	0	0	0	0	0
<b>Net value opening balance</b>	<b>1,704</b>	<b>5,075</b>	<b>136</b>	<b>18,628</b>	<b>25,543</b>
<b>Net value closing balance</b>	<b>1,561</b>	<b>4,900</b>	<b>116</b>	<b>21,100</b>	<b>27,677</b>

## 11. Intangible assets

Intangible assets – net value	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
Costs of completed development projects	1,020	1,360
Concessions, patents, licences and similar assets, of which:	26,550	27,811
- <i>computer software</i>	1,744	751
<b>Total</b>	<b>27,570</b>	<b>29,171</b>

Intangible assets Period ended 31 March 2022	Costs of completed development projects	Conce-ssions, patents, licences	- of which software	Other	Advances	Total
<b>Gross value</b>						
1. Opening balance	5 440	9 217	5 089	42 523	0	57 180
2. Increases	0	1 146	1 146	0	0	1 146
a) purchase	0	1 146	1 146	0	0	1 146
b) development projects	0	0	0	0	0	0
3. Decreases	0	33	33	0	0	33
4. Closing balance	5 440	10 330	6 202	42 523	0	58 292
<b>Accumulated amortisation</b>						
1. Opening balance	4 080	8 307	4 338	15 622	0	28 008
2. Increases	340	120	120	2 254	0	2 714
a) amortisation for the period	340	120	120	2 254	0	2 714
3. Decreases	0	0	0	0	0	0
4. Closing balance	4 420	8 427	4 458	17 876	0	30 722
<b>Revaluation write-downs</b>						
1. Opening balance	0	0	0	0	0	0
a) created	0	0	0	0	0	0
b) released	0	0	0	0	0	0
c) utilised	0	0	0	0	0	0
2. Closing balance	0	0	0	0	0	0
<b>Net value opening balance</b>	<b>1 360</b>	<b>910</b>	<b>751</b>	<b>26 901</b>	<b>0</b>	<b>29 171</b>
<b>Net value closing balance</b>	<b>1 020</b>	<b>1 903</b>	<b>1 744</b>	<b>24 647</b>	<b>0</b>	<b>27 570</b>

## 12. Investments in other entities

The Company does not have any investments in subsidiaries, associated companies or joint projects. The long-term investment in Mabion S.A. was classified as the investment at fair value through other comprehensive income.

The Company is one of the historical four founders of Mabion S.A., i.e. it has held this investment since the establishment of Mabion S.A. During this period, no shares were sold, which confirms that the capital commitment in Mabion S.A. is not of a short-term nature. Mabion S.A. operates in the same industry as the Company.

Moreover, the Company – in line with the nature of its core business – does not have any other equity investments. The intention of the Company is to keep the shares in the company for a longer period, rather than to profit from the change in the value of shares, therefore the investment in Mabion has been classified as measured at fair value through other comprehensive income.

As at 31 March 2022, the Company's percentage share in the capital and the number of votes were as follows:

Entity	Registered office	Core business	Number of shares	Percentage share of the Company in the capital	Percentage share of the Company in the number of votes
Mabion S.A.	Konstantynów Łódzki	Manufacture of pharmaceutical products and pharmaceutical preparations	620,350	3.84%	6.28%

Shares were diluted as a result of the increase in the capital of Mabion in 2021. Celon Pharma did not acquire shares of the new issue, as a consequence of which its share in the capital and voting rights decreased.

### 13. Inventories

Inventories	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
Materials	13,829	15,178
Semi-finished products and work in progress	6,687	3,397
Finished products	8,219	4,798
Goods	-	-
Advances for deliveries and services	723	3
<b>Total inventories – net value</b>	<b>29,458</b>	<b>23,376</b>
Including impairment write-down	-	(262)
Total inventories – gross value	29,458	23,638

No inventory category was used as collateral for loans or borrowings in the year ended 31 March 2022 and 31 December 2021.

### 14. Trade receivables and other receivables

Trade receivables and other receivables	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
Trade receivables	25,948	24,673
Other receivables from third parties	2,356	2,570
of which		
refundable VAT	2,266	2,273
Other	90	297
<b>Total net receivables</b>	<b>28,304</b>	<b>27,243</b>
<i>Write-off for expected losses</i>	-	-
<i>Gross receivable</i>	28,304	27,243

### 15. Other non-financial assets

Prepayments, especially related to insurance, are disclosed under short-term other non-financial assets.

### 16. Other financial assets

Under short-term other financial assets, the Company disclosed:

- As at 31 December 2021 – participation units in open investment funds investing in corporate bonds of Polish companies, in the amount of PLN 79,755 thousand;
- As at 31 March 2022 – participation units in open investment funds investing in corporate bonds of Polish companies, in the amount of PLN 79,353 thousand.

As at 31 March 2022 and 31 March 2021, under long-term other financial assets, the Company recognised deposits for real property lease

### 17. Cash and cash equivalents

Cash at bank bears interest at variable interest rates depending on the interest rate paid on overnight bank deposits. Short-term deposits are made for various periods ranging from one day to one month, depending on the Company's current cash requirements, and bear interest at the relevant interest rates. As at 31 March 2022 and 31 December 2021, the fair value of cash and cash equivalents was equal to their book value, and amounted to PLN 124,514 thousand and PLN 147,796 thousand, respectively.

It should be noted that a part of cash comprises advances from the National Centre for Research and Development that can be used only for the purposes of financing the projects co-financed by this institution. The balance of this cash was PLN 39,341 thousand as at 31 March 2022 and PLN 50,241 thousand as at 31 December 2021.

#### 18. Lease liabilities and other financial liabilities

Lease liabilities and other financial liabilities	31 March 2022 (unaudited)	31 December 2021 (audited)
Lease liabilities	16,161	14,917
of which:		
- leases of technical equipment and machinery	14,342	12,926
- real property leases	1,673	1,825
- vehicle leases	146	166
<b>Total</b>	<b>16,161</b>	<b>14,917</b>
- short-term	5,928	6,563
- long-term	10,233	8,354

#### 19. Loans and borrowings

Loans and borrowings	Effective rate %	31 March 2022 (unaudited)	31 December 2021 (audited)
<b>Short-term</b>		<b>5,928</b>	<b>6,563</b>
Lease liabilities	9.5%	5,928	6,563
Overdrafts on the current account	5.1%	-	-
<b>Long-term</b>		<b>10,233</b>	<b>8,354</b>
Lease liabilities	9.5%	10,233	8,354

As at 31 March 2022, the Company had a revolving one-year credit facility in the form of an overdraft on the current account of PLN 20 million. The agreement on this facility was signed in June 2020. The variable interest rate for the facility was 5.05% p.a. as at 31 March 2022 and 2.47% p.a. as at 31 December 2021. In the first quarter 2022, the Company did not use the credit facility.

#### 20. Accruals and deferred income from grants

Accruals and deferred income from grants	31 March 2022 (unaudited)	31 December 2021 (audited)
<b>Short-term</b>	<b>37,402</b>	<b>55,827</b>
advances received for projects financed from the grants	30,991	49,416
grants received for property, plant and equipment	6,411	6,411
<b>Long-term</b>	<b>32,095</b>	<b>29,851</b>
grants received for property, plant and equipment	32,095	29,851

## 21. Trade liabilities, other liabilities and accruals

Trade liabilities and non-financial liabilities	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
Trade liabilities	20,138	12,681
- of which accruals	1,881	809
Other liabilities (including investment liabilities)	28,402	28,810
Employee benefit liabilities	6,171	2,305
- of which liabilities due to unused leaves	2,649	2,132
Other non-financial liabilities (public and legal settlements)	1,358	1,255
Income tax liabilities	-	-
<b>Total</b>	<b>56,069</b>	<b>45,051</b>
- short-term	35,367	22,525
- long-term	20,702	22,526

### 21.1. Trade liabilities and other non-financial liabilities

Other liabilities (including investment liabilities) of PLN 28,402 thousand as at 31 March 2022 and PLN 28,810 thousand as at 31 December 2021 include annual payments to be made until the end of September 2025 due to licences recognised under intangible assets, purchased in 2020.

### 21.2. Off-balance sheet liabilities. Information about sureties or guarantees granted by the Issuer

As at 31 March 2022 and 31 December 2021, there were no off-balance sheet liabilities, in particular the Company did not grant any sureties and guarantees.

## 22. Contingent liabilities

### 22.1. Litigations

On 29 June 2021, Polfarmex S.A. filed a case against Celon Pharma S.A. to the District Court in Warsaw, for adjudicating the amount of PLN 659,000 (together with interest due) as the remuneration for the implementation by the Parties of the Agreement on the joint project of 28 September 2010 and Annex no. 1 of 17 June 2014 to the aforementioned Agreement. In response to the aforementioned statement of claim, the Company requested dismissing the claim as unjustified. The Company does not deny the existence of the aforementioned Agreement on the joint project and annexes thereto, the main purpose of which was to start the cooperation aimed at the supply, on a joint and several basis, of the medicinal product – Salmex (Fluticasoni propionas + Salmeterolum) to the French market, but the Company does not accept the claims of Polfarmex S.A. that interprets the agreement between the Parties in an unilateral and highly subjective way, using an unclear methodology for calculating the profit resulting from the implementation of the agreement.

As at 31 March 2022, there were no material proceedings, other than those presented above, pending before a court or another authority competent for arbitration proceedings or a public administration body, which would involve the Company's liabilities or debt claims.

### 22.2. Tax settlements

Tax settlements may be audited for a period of five years, starting from the end of the year in which the tax was paid. As a result of such inspections, the Company's existing tax settlements could be increased by additional tax liabilities. In the opinion of the Company's Management Board, as at 31 March 2022, no provision was required to allow for the recognition of any quantifiable tax risk.

On 7 February 2022, the First Mazovian Tax Office in Warsaw instituted the inspection of the correctness of settlements with the state budget due to corporate income tax for the period from 1 January 2018 to 31 December 2018. On 18 May 2022, the Company received a report from this inspection. The Company has 14 days to present its comments on the report and is currently analysing the inspection results. The initial opinion of the Management Board is that potential tax liabilities resulting from the aforementioned report are immaterial from the point of view of the Company's financial position.

### 22.3. Obligations to incur outlays and other planned outlays to be incurred in the future

As at 31 March 2022, the Company disclosed investment liabilities of PLN 28,402 thousand (this amount includes mainly liabilities due to payments for licences purchased in 2020 and liabilities due to payments for construction works). Outlays for property plant and equipment planned to be incurred in the future are PLN 25 million.

## 23. Information on related entities

### 23.1. Dominant entity

As at 31 March 2022 and 31 December 2021, Glatton Sp. z o.o. was the owner of 58.88% of shares entitling to 68.22% of votes at the General Meeting of Shareholders.

No transactions with the dominant entity were concluded during the period of 3 months ended 31 March 2022 and 31 March 2021.

### 23.2. Terms and conditions of related-party transactions

During 3 months ended 31 March 2022 and 31 March 2021, the Company did not conclude related-party transactions on terms other than arm's length. Additionally, none of the joint projects of the Company is of a strategic nature for the Company.

Name of the entity	31 March 2022 <i>(unaudited)</i>	31 March 2021 <i>(unaudited)</i>
Glatton Sp. z o.o.		
- loans granted	-	-
- receivables	-	-
- liabilities	-	-
- sales	-	-
- purchases	-	-
- dividend	-	-
Neitec Sp. z o.o.		
- loans granted	-	-
- receivables	-	31
- liabilities	-	-
- sales	-	-
- purchases	-	-
Urszula Wieczorek		
- loans granted	-	-
- receivables	-	-
- lease liabilities	81	189
- sales	-	-
- office space lease	27	27



## 24. Fair values of the Company's assets and liabilities

The table below presents particular classes of financial assets and liabilities by fair value hierarchy, as at 31 March 2022.

31 March 2022	Prices quoted at active markets (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)
<b>Financial assets at fair value:</b>			
Quoted debt instruments			
Unquoted equity instruments			
Quoted equity instruments	18,673		
<b>Financial assets for which fair value is disclosed:</b>			
Trade receivables and other receivables		25,948	
Loans granted			
Other financial assets		79,571	
Cash and cash equivalents		124,514	
Other receivables		2,356	
<b>Financial liabilities at fair value:</b>			
<b>Financial liabilities for which fair value is disclosed:</b>			
Trade liabilities		20,138	
Interest-bearing loans and borrowings		0	
Investment liabilities		28,403	

## 25. Employment structure

The table below presents the information about the average employment in the Company (by professional groups) in 3-month periods ended 31 March 2022 and 31 March 2021, by nominal number of employees:

	Period ended 31 March 2022 (unaudited)	Period ended 31 March 2021 (unaudited)
Management Board	1	1
White-collar workers	368	357
Blue-collar workers	135	130
<b>Total employment</b>	<b>504</b>	<b>488</b>

People performing work for the Company are employed based on contracts of employment. Employment based on personal service contracts or specific task contracts is used by the Company in periods of increased demand for specialist services in regard with specific projects.

The Company's President, Maciej Wieczorek, is not employed by the Company under an employment contract.

The Company's Vice-President, Jacek Glinka, is not employed by the Company under an employment contract.

The Company's Management Board's Member, Dorota Zwolińska, is employed by the Company under an employment contract.

## 26. Factors and events, including non-standard, having a significant impact on the condensed financial statements

Factors and events affecting the Company's financial statements during the period of 3 months ended 31 March 2022 are described in point "Selected financial data." Factors and events, including non-standard, having an impact on the condensed financial statements are listed below.

## **Risk related to the SARS-COV-2 epidemiological situation**

The Management Board, on an ongoing basis, monitors the impact of the epidemiologic situation ON the Company's business operations Internal and external procedures developed since 2020 enable the Management Board to implement measures, adequate to the development of the epidemiological situation in Poland and all over the world, that will minimise the potential impact of the pandemics on the Company's operations.

In the opinion of the Management Board, as at the date of the publication of these financial statements, the impact of the COVID19 epidemiological effect on the risk in raw materials provision is considered marginal and is neutral for the current activities of the Company, without any financial consequences.

## **Risk related to the war between Russia and Ukraine**

The current conflict does not affect current business operations of the Company in the manufacturing, logistics or scientific and research area. Medicinal products are supplied to the Polish market and foreign markets without any disturbances; there are no signals from suppliers of materials and services in the scientific and research area that would indicate delays of works ordered by the Company as part of the projects carried out. The Company has no branches or local offices in areas of the war. The Company does not carry out active business operations in these regions. However, taking into account the high dynamics of events, the Company cannot exclude the possibility of the occurrence of factors that will adversely affect the financial result of the Company in the subsequent periods, especially due to the possible negative impact on the economic situation in the country, including the weakening of PLN and an increase in interest rates.

Except for the above, during the period of 3 months ended 31 March 2022, there were no other factors affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

## **27. Post-balance sheet events**

### **Issue of C-series shares in relation to employee incentive programmes**

On 5 April 2022, the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A., "GPW") adopted a resolution, in which the Management Board of the Warsaw Stock Exchange stated that pursuant to § 19.1 and § 19.2 of the GPW Rules, 30,000 C-series ordinary bearer shares of Celon Pharma S.A. with a nominal value of PLN 0.10 each, registered by the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych S.A., "KDPW") under code PLCLNPH00080, were admitted to trading on the primary market. These shares were admitted to trading on 11 April 2022.

### **Submission of applications to the FDA for the Falkieri Project**

On 20 April 2022, the Company notified of two major events pertaining to the Falkieri Project, including the submission of the application to the Food and Drug Administration (FDA) concerning the commencement of a clinical trial for Falkieri (Celon's esketamine DPI) as a therapy for treatment-resistant bipolar depression under the so-called Investigational New Drug (IND) Application procedure, as well as the application for granting of the Breakthrough Designation to Falkieri (Celon's esketamine DPI) in treatment-resistant bipolar depression therapy.

### **Receiving the report from tax inspection**

On 7 February 2022, the First Mazovian Tax Office in Warsaw instituted the inspection of the correctness of settlements with the state budget due to corporate income tax for the period from 1 January 2018 to 31 December 2018. On 18 May 2022, the Company received a report from this inspection. The Company has 14 days to present its comments on the report and is currently analysing the inspection results. The initial opinion of the Management Board is that potential tax liabilities resulting from the aforementioned report are immaterial from the point of view of the Company's financial position.

### **Recommendation to the Annual General Meeting of Shareholders on covering the loss for 2021 and dividend payment**

On 24 May 2022, the Management Board of the Company passed the resolution on the recommendation to the Annual General Meeting of Shareholders on covering the loss for 2021 and dividend payment. On the same day, the Supervisory Board issued a positive opinion on the resolution of the Management Board. The resolution stipulates that due to net loss of PLN 11,606,054.98 incurred by the Company for the 2021 financial year, the Management Board recommends covering the loss from this part of the Company's supplementary capital created from retained earnings in previous years.

At the same time, the Management Board recommends payment of the dividend of PLN 0.29 per share, i.e. PLN 14,798,700 for all shares of the Company, whereas the amount of the recommended dividend will be paid from the part of the

supplementary capital created from retained earnings in previous years, and is consistent with requirements of Article 348 of the Code of Commercial Companies. The Management Board of the Company proposed 1 July 2022 as the dividend record date and 11 July 2022 as the dividend payment date. The final decision on covering the loss for the 2021 financial year and dividend payment will be taken by the Annual General Meeting of Shareholders.

### **Receiving the approval from FDA for the commencement of the Falkieri clinical trial (Celon's esketamine DPI)**

On 23 May 2022, the Company notified of the positive outcome of the IND application evaluation process by the Food and Drug Administration, which means the approval for the commencement of a clinical trial for Falkieri (Celon's esketamine DPI) as a therapy for treatment-resistant bipolar depression, based on the approved Investigational New Drug (IND) Application, in the territory of the USA. The application was filed and the aforementioned approval for the commencement of a clinical trial resulted, inter alia, from the preparation and submission of quality documentation containing results from manufactured and released batches of Falkieri (Celon's esketamine DPI), meeting quality criteria of the FDA.

### **28. Significant accounting principles (policy)**

The accounting principles (policy) applied to the preparation of the interim condensed financial statements are consistent with those applied to the preparation of the historical financial statement of the Company for the year ended 31 December 2021, except for the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2022 and later.

The amended standards and interpretations that are applied for the first time in 2022 do not have a significant impact on the Company's interim condensed financial statements.

- Amendments to IFRS 3 "Business Combinations" – update of references to the 2022 Conceptual Framework;
- Amendments to IFRS 16 "Property, Plant and Equipment" – proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in 2022;
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – clarification of costs an entity considers in assessing whether a contract is onerous in 2022;
- Annual improvement process 2018-2020 – corrections include explanations and clarify guidelines of standards pertaining to recognition and measurement: IFRS 1 "First-time Adoption of Internal Financial Reporting Standards," IFRS 9 "Financial Instruments," IAS 41 "Agriculture" and the illustrative examples to IFRS 16 "Leases."

The Company has not decided to early apply any standard, interpretation or amendment that has been published but has not yet come into force in the light of the European Union regulations.

During the reporting period, the classification of financial assets as a result of a change of the purpose or application of these assets did not change.

### **29. Significant amounts based on the professional judgment and estimates**

Estimates made by the Management Board of the Company, affecting the amounts disclosed in the financial statements, pertain mainly to:

- recognition of revenues from grants for research and development;
- expected economic useful life of property, plant and equipment, as well as intangible assets;
- lease period for leases for indefinite period;
- revaluation write-downs on assets, including inventories and receivables;
- discount rate, expected salary increases and actuarial assumptions used when calculating provisions for retirement benefits;
- future tax results taken into account when determining deferred tax assets;
- fair value assessment of financial instruments that are not quoted at active markets.

The methodology used to make estimates did not change significantly during the reporting period, it is based on the best knowledge of the Management Board and complies with requirements of IFRS. In particular, methods of valuation of financial instruments at fair value did not change during the reporting period.

# Part II.

## **OTHER INFORMATION TO THE FINANCIAL STATEMENTS**

Kielpin, 25 May 2022

## 1. Description of the organisational structure of the capital group

CELON PHARMA S.A. does not form and is not part of a capital group.

## 2. Information about the impact of changes to the structure of the business entity

No changes to the structure of the Company took place during the reporting period and until the date of this report.

## 3. Information on shareholders holding, directly or indirectly (through subsidiaries), 5% or more of total number of votes at the General Meeting of Shareholders of the Company

Shareholders holding, directly or indirectly (through subsidiaries), 5% or more of total number of votes at the General Meeting of Shareholders of Celon Pharma S.A. as at the date of the publication of these statements are presented in the table below.

Shareholder	Number of shares	Percentage in the share capital	Number of votes	Percentage in the total number of votes
Maciej Wieczorek indirectly through Glatton Sp. z o.o.*	30,003,531	58.83%	45,003,531	68.19%
Other shareholders	20,999,469	41.17%	20,996,469	31.81%
<b>Total</b>	<b>51,030,000</b>	<b>100%</b>	<b>66,030,000</b>	<b>100%</b>

Since the date of publication of the previous periodic report, no changes took place with respect to shareholders holding, directly or indirectly (through subsidiaries), 5% or more of total number of votes at the General Meeting of Shareholders of Celon Pharma.

## 4. Information on the Issuer's shares or rights to shares held by members of the management or supervisory authorities of the Issuer as at the date of submission of the quarterly report together with information about changes in the ownership status, in the period from the submission of the previous quarterly report, for each person separately

	Number of shares	Nominal value of shares (PLN)
<b>Management Board</b>		
Maciej Wieczorek*	-	-
Jacek Glinka	5,000	500
Dorota Zwolińska	-	-
<b>Supervisory Board</b>		
Krzysztof Kaczmarczyk	-	-
Urszula Wieczorek	-	-
Robert Rzemieński	-	-
Bogusław Galewski	-	-
Artur Wieczorek	5,937	593.7

Since the date of publication of the previous periodic report, no changes took place with respect to the Issuer's shares or rights to shares held by members of the management or supervisory authorities of the Issuer.

## 5. Information about the issue, repurchase and redemption of debt securities and equities

During the period covered by the financial statements, the Company did not issue, repurchase or redeem debt securities or equities.

## 6. Brief description of major achievements or failures of the issuer during the period covered by the report, together with a list of the most significant events related to the issuer

On 10 January 2022, the Company received specifications of European patents No. EP 3 731 815 B1 and EP 3 505 157 B1 for esketamine inhalation formulation, the granting of which was announced in "European Patent Bulletin 21/49" of 8 December 2021.

In accordance with the received specification, Patent No. EP 3 731 815 B1 concerns a pharmaceutical composition in the form of a dry powder, containing ketamine or its pharmaceutically acceptable salt, to be used to treat depression by direct pulmonary administration, whereas the scope of Patent EP 3 505 157 B1 is broader and involves using a pharmaceutical composition in the form of a dry powder, containing ketamine or its pharmaceutically acceptable salt, in a drug suitable for pulmonary administration, without being restricted solely to the treatment of treatment-resistant depression.

It might create possibilities for using it in developing drugs for other indications in this therapeutic area.

In the opinion of the Management Board, such a broad patent protection increases the value of potential commercialization of the Company's products within the therapeutic areas covered by the protection.

On 21 January 2022, the Management Board obtained information about the inclusion of the first patient in the Phase II clinical trial of CPL'280, a second-generation GPR40 receptor agonist. This trial is aimed at assessing the effectiveness of the compound as a glucose-lowering antidiabetic drug in a group of approximately 90 patients. Patient recruitment for the study will take 4-5 months. CPL'280 is a representative of the latest generation of GPR40 agonists used in diabetes and metabolic diseases. The compound has previously demonstrated an exceptionally favourable safety profile in preclinical and phase I trials, which distinguishes it from other drugs in its class.

On 20 February 2022, the Management Board obtained information about concluding the agreement on the purchase of the licence for the patent package (Non-Exclusive Patent Licence Agreement, hereinafter: "Agreement") for treatment of metabolic disorders, with Salk Institute for Biological Studies ("Salk"). Under the Agreement, Salk granted the Company a non-exclusive, transferable (on the terms of the Agreement) licence for the commercial use or commercial sale of a licensed product for the treatment of diabetes and other metabolic diseases in humans. The transaction will enable the Company to continue clinical work on the FGF1 protein analogue in the treatment of type 2 diabetes, and to extend development works to include other metabolic clinical indications. The research carried out by the Company so far has confirmed that the M43 candidate for an innovative anti-diabetic drug, developed under the FAIND project, based on the FGF1 protein analogue, may constitute a new, alternative and safe therapy for patients suffering from type 2 diabetes. It has shown a strong antidiabetic effect, and thanks to new, selective mutations in the FGF1 protein, it is free from carcinogenic effects. M43 is in the final stage of preclinical research, and in 2021 the Company filed a patent application for new FGF1 analogues, including M43. The current purchase is an important closing element towards the possession of full, unlimited commercialization rights for M43.

**7. Information about changes in the economic situation and business conditions that would materially affect the fair value of financial assets and financial liabilities of the entity**

No changes that would materially affect the fair value of financial assets and financial liabilities of the Company were recorded during the reporting period.

**8. Position of the Management Board on the possibility of the realisation of previously published forecasts and results for the particular period**

The Company has not published forecast results for 2022.

**9. Other information that, in the opinion of the Issuer, is important for the evaluation of the Issuer's HR, economic and financial position, financial performance and their changes, and information important for the evaluation of the possibility of fulfilment of its obligations by the Issuer**

Except for information included in these financial statements, no other significant events took place that could affect the Company's HR, economic and financial position, and financial performance, or that are important for the evaluation of the possibility of fulfilment of obligations by Celon Pharma S.A. However, the Management Board of the Company would like to note the uncertainty as to the impact of the Russia and Ukraine war. Potential escalation of the war might affect international and domestic economic situation and, as a result, might have a negative impact on the Company's operations.

**10. Indication of factors that, in the Issuer's opinion, will affect its performance over at least the next quarter**

These factors are described in section I.26. of this report.

Kielpin, 25 May 2022

Maciej Wieczorek  
President of the Management Board

Jacek Glinka  
Vice President of the Management Board

Dorota Zwolińska  
Member of the Management Board

