Mabion S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE 6 MONTHS ENDED 30 JUNE 2020

Konstantynów Łódzki, 22 September 2020

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless indicated otherwise	Notes	1 April 2020 to 30 June 2020 (unreviewed)	1 January 2020 - 30 June 2020 (unaudited)	1 April 2019 - 30 June 2019 (unreviewed)	1 January 2019 - 30 June 2019 (unaudited)
Revenues from research and development services		-	-	-	-
Cost of sold services		-	-	-	-
Gross profit on sales		-	-	-	-
Research and development costs	8, 9	(8 334)	(20 050)	(11 856)	(21 094)
General and administrative expenses	8	(4 410)	(9 882)	(6 176)	(11 893)
Other operating income	10	458	1 021	507	1 093
Other operating costs	10	(65)	(120)	(218)	(358)
Loss on operating activities		**(12 351)**	**(29 031)**	**(17 743)**	**(32 252)**
Financial revenues	11	1 690	451	1 159	795
Financial costs	11	(322)	(2 249)	(127)	(239)
Gross loss		**(10 983)**	**(30 829)**	**(16 711)**	**(31 696)**
Income tax	20	-	-	-	-
NET LOSS		**(10 983)**	**(30 829)**	**(16 711)**	**(31 696)**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) TOTAL		**(10 983)**	**(30 829)**	**(16 711)**	**(31 696)**
Basic and diluted loss per share (in PLN per share)		**(0.80)**	**(2.25)**	**(1.22)**	**(2.31)**

The explanatory notes presented on pages 5 to 26 constitute an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

in PLN thousand	Notes	30 June 2020 (unaudited)	31 December 2019
Intangible assets		1 299	1 448
Tangible fixed assets	12	69 284	71 688
Long-term receivables		195	110
Total non-current assets		**70 778**	**73 246**
Inventory	13	6 061	8 806
Trade and other receivables		1 546	2 841
Prepayments and accrued income		479	682
Cash and cash equivalents		8 174	27 970
Total current assets		**16 260**	**40 299**
TOTAL ASSETS		**87 038**	**113 545**
Share capital		1 373	1 372
Share capital issued but not registered		-	1
Share premium		108 923	108 923
Other supplementary capitals		708	732
Accumulated losses		(163 437)	(132 608)
Total equity	15	**(52 433)**	**(21 580)**
Deferred income	16	45 962	44 728
Loans and borrowings	18	566	580
Finance leases	18	2 815	3 435
Total non-current liabilities		**49 343**	**48 743**
Refundable prepayments for distribution rights	17	46 519	44 381
Trade and other liabilities	19	23 127	20 908
Loans and borrowings	18	15 481	15 810
Deferred income	16	2 862	3 168
Finance leases	19	2 139	2 115
Total current liabilities		**90 128**	**86 382**
TOTAL LIABILITIES		**139 471**	**135 125**
TOTAL LIABILITIES AND EQUITY		**87 038**	**113 545**

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CONDENSED INTERIM STATEMENT OF CASH FLOWS

in PLN thousand	1 January 2020 -30 June 2020 (unaudited)	1 January 2019 - 30 June 2019 (unaudited)
Loss before income tax	**(30 829)**	**(31 696)**
Adjustments for:		
Depreciation and amortisation	5 277	5 516
Interest income	(33)	(378)
Interest expense	538	233
Revenues from grants	(935)	(991)
Loss (profit) on investment activities	-	13
Costs of the share-based incentive scheme	(24)	(13)
Measurement of lease payments	(412)	-
Change in assets and liabilities:		
Change in inventories	2 745	1 348
Change in trade and other receivables	1 296	(1 596)
Change in prepayments and accrued income	203	294
Change in trade and other liabilities	3 065	1 019
Change in the refundable prepayments for distribution rights	2 138	(312)
Cash used in operating activities	**(16 971)**	**(26 563)**
Proceeds from research and development grants	1 863	7 205
Interest received	33	267
Interest paid	(538)	(233)
Net cash used in operating activities	**(15 613)**	**(19 324)**
Disposal of property, plant and equipment	16	29
Acquisition of property, plant and equipment and intangible assets	(2 683)	(7 070)
Net cash used in investing activities	**(2 667)**	**(7 041)**
Repayment of loans	(341)	(378)
Repayment of the finance lease principal	(1 175)	(865)
Net cash used in financial activities	**(1 516)**	**(1 243)**
Net decrease in cash and cash equivalents	(19 796)	(27 608)
Cash and cash equivalents at the beginning of the period	**27 970**	**58 418**
Change in cash and cash equivalents due to foreign exchange differences	-	-
Cash and cash equivalents at the end of the period	**8 174**	**30 810**

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

in PLN thousand	Share capital	Share capital issued but not registered	Share premium	Other reserves	Accumulated loss	Total equity
As at 1 January 2019	**1 372**	**-**	**108 923**	**714**	**(68 870)**	**42 139**
Net loss / total comprehensive income	-	-	-	-	(31 696)	(31 696)
Measurement of share-based incentive scheme	-	-	-	(13)	-	(13)
As at 30 June 2019 (unaudited)	**1 372**	**-**	**108 923**	**701**	**(100 566)**	**10 430**
As at 1 January 2020	**1 372**	**1**	**108 923**	**732**	**(132 608)**	**(21 580)**
Net loss / total comprehensive income	-	-	-	-	(30 832)	(30 832)
Transactions with shareholders: S series shares issue	1	(1)	-	-	-	-
Measurement of the share-based incentive scheme	-	-	-	(24)	-	(24)
As at 30 June 2020 (unaudited)	**1 373**	**0**	**108 923**	**708**	**(163 437)**	**(52 433)**

The explanatory notes presented on pages 5 to 26 constitute an integral part of these condensed interim financial statements.

ADDITIONAL INFORMATION

1. Company

Mabion S.A. ("Mabion" or the "Company") was established on 30 May 2007 as a limited liability company. The legal form of the Company was changed on 29 October 2009 as a result of the transformation of Mabion's limited liability legal status into a joint-stock company organized under the laws of the Republic of Poland. Mabion is currently entered in the Register of Enterprises of the National Court Register managed by the Łódź-Śródmieście District Court in Łódź, 20th Commercial Division of the National Court Register, at KRS number 0000340462. The Company was also assigned a tax identification number NIP: 7752561383 and a statistical identification number REGON: 100343056. The Company's registered office is in Konstantynów Łódzki.

The Company's shares are listed on the Warsaw Stock Exchange.

Mabion is a biotechnology company developing and introducing biotech drugs based on the monoclonal antibody technology which today is the foundation of the fight against the most serious diseases thanks to its two unique features – specificity and safety. The drugs developed by the Company are targeted therapies, characterised by the ability to recognise the factor causing the disease and affect only it. Appropriate engineering of the structure of our drugs makes them resemble a particle of the patient's body and there is a significantly reduced risk that the immune system will treat the antibody as a foreign protein. Unlike chemical therapies or therapies based on proteins isolated from animal tissues, this guarantees very low toxicity and is an extremely important benefit for the patient. As a result, the Company creates biosimilar versions of biological drugs (as opposed to drugs based on chemical substances), focusing on those drugs which are accepted in the current market and which are reasonably close to the expiry of patent protection.

2. Basis for preparation

These condensed interim financial statements of Mabion S.A. for the period of six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", approved by the European Union ("IAS34"). The statements have been drawn up in accordance with IAS 34 issued by the IASB also due to the fact that there are no differences between the IFRS adopted in the European Union and the IFRS issued by the IASB to the extent they concern the Company.

The condensed interim financial statements do not include all the information required in the full financial statements prepared in accordance with the IFRS adopted by the European Union ("IFRS") and should be read in conjunction with the Company's audited financial statements as at the balance-sheet date 31 December 2019.

The condensed interim financial statements of Mabion S.A. for the period of 6 months ended 30 June 2020 have been prepared on a going concern basis (further information on the going concern assumptions is presented in Note 3).

The most important accounting principles that have been applied in these financial statements are presented in note 4. The same principles have been applied in all financial years, unless explicitly stated otherwise.

The condensed interim financial statements are prepared on the historical cost basis.

Critical accounting estimates and judgments of the management are presented in Note 5.

These condensed interim financial statements were authorized for publication by the Company's Management Board on 22 September 2020.

3. Going concern assumption

Since inception, the Company has been focused on performing research and development activities in order to develop and market its products commercially. As a result, the Company incurs losses from operations and generates negative operating cash flows. This is expected to occur in the foreseeable future. So far, the Company has financed its operations with cash received from shareholder loans, capital issues, bank loans, grants and proceeds from distribution partners.

The going concern principle presented in the directors' report for 2019 is implemented in the current reporting period and a strategy is assumed to continue cooperating with Mylan Ireland Limited ("Mylan") and to obtain or maintain the required financing.

According to the information presented in the Financial Statements for 2019, there has been a change in the registration strategy for MabionCD20. The result of this change is the expected postponement of the possibility of registering MabionCD20, which is also related to the inability to receive the expected next payment from Mylan conditional on this event in the short term. The existing agreement with Mylan also provides for the possibility for its termination after 2020 if MabionCD20 is not registered by 31 December 2020, in which case the distribution partner (Mylan) will have the opportunity to terminate the agreement and, as a consequence, demand from the Company the reimbursement of the advances paid as shown in note 17. In such a case, the Company will have to find new distribution partner(s). The change in the registration strategy will also require the Company to provide additional funding for current commitments and costs necessary to implement the updated strategy in the long term.

The extension of the registration process creates the risk that the cooperation with Mylan will not be continued, the company will not acquire other partners and will not obtain the required financing. These factors indicate that there is significant uncertainty that may cast doubt on the company's ability to continue operations in the foreseeable future. Details of the new registration strategy are described in the Directors' Report.

Due to the fact that the level of the Company's equity as at 31 December 2019, as well as at 31 March 2020, showed a loss exceeding the sum of supplementary capital and reserves and one third of the share capital, the Ordinary General Meeting of Mabion S.A. convened for 15 June 2020, adopted resolution no. 18/VI/2020 on the further existence of the Company pursuant to Article 397 of the Commercial Companies Code.

As at the date of publication of these statements, the Company holds letters of support from key shareholders (Twiti Investments Limited, Glatton Sp. z o. o., Polfarmex S. A.), which indicate their willingness and ability to continue financial support for the current operations of the Company in the near future, covering the period of at least another 12 months from the date of signing the financial statements. The potential financial support of the shareholders will provide the Company with the possibility of further financing and continuation of its operations.

On 16 March 2020, the Company received supporting documents from the Company's main (founding) shareholders stating that the shareholders declared to recapitalize the Company with an amount not lower than PLN 15 million. The recapitalisation, in accordance with the shareholders' declaration, will take place in tranches in 2020 in accordance with the Company's financial needs. The Company's recapitalisation may take place by taking up shares of a new issue or using debt instruments. On 16 March 2020, in connection with the epidemic emergency introduced in Poland and the coronavirus SARS-CoV-2 pandemic announced by the WHO (World Health Organization) worldwide, the Management Board of Mabion S.A. provided information on the possible impact of this situation on the Company's operations. The Management Board identified that the Company's operations may be temporarily affected by reduced staff availability and, consequently, delays in research and development processes, due to the need to introduce home office for certain positions. The Management Board emphasized that it has a certain control over the pace and continuity of manufacturing processes, however, it cannot exclude that the introduction of remote work at certain positions and potential disturbances in the integrity of the supply chain of certain components, materials and machinery and equipment will temporarily slow down R&D and production processes. At the same time, the Company's Management Board stressed that the processes in the Company are focused on maintaining progress and completing work on the validation of MabionCD20, enabling to proceed

to the next stages of research on the medicinal product manufactured on a large scale (i.e. stability and analytical similarity tests). At the time of publication of the current report, this work was progressing smoothly, according to the planned schedules, and no delays were noted in the delivery of components, materials, equipment or machinery. However, it could not be excluded that such delays may occur in the future. The Management Board of the Company also recognized the risk related to the liquidity disruption on the markets, resulting from the spread of the SARS-CoV-2 virus and the resulting possible limitation of the Company's access to financing. Moreover, it drew attention to potential shifts in administrative processes, including both in the area of decisions of authorities regulating the release of medicinal products to the market and in the area of decisions of public authorities granting and settling subsidies and grants or VAT refunds. At the moment of submitting the current report, as well as until the date of publication of these financial statements, the Management Board did not receive any information from the said bodies concerning any shift in the processes. The Management Board also pointed out that the continuing state of pandemic, including, among others, passenger traffic reduction, may contribute to the temporary necessity to reduce the Company's marketing activity in the area of business development, as well as to suspend key business decisions as part of conducted talks. Due to the high dynamics of events, the Company's Management Board monitors the situation on an ongoing basis, and the Company complies with all applicable administrative decisions. Until the date of publication of these statements, the situation described above has not changed significantly.

On 18 May 2020, the Management Board of the Company made a decision on the intention to issue up to 1,907,281 U series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each, to increase the Company's share. The above decision was also approved by the Company's Supervisory Board. Therefore, the Company proposed an item on the agenda of its Ordinary General Meeting providing for the adoption of an appropriate resolution. On 15 June 2020, the Ordinary General Meeting of the Company adopted a resolution on increasing the Company's share capital by an amount not lower than PLN 0.10 and not higher than PLN 190,728.10 to an amount not lower than PLN 1,373,027.30 and not higher than PLN 1,563,755.30 by issuing not less than 1 but not more than 1,907,281 ordinary bearer shares with a nominal value of PLN 0.10 each. The aim of the planned issue is to obtain additional funding for working capital of the Company and, in particular, to accelerate the ongoing development of MabionCD20 and to achieve the milestones envisaged to submit the application for marketing authorisation for MabionCD20 to the EMA as soon as possible. The acquired capital will allow Mabion S.A., a fully integrated company with GMP-certified facilities, to conduct further development based on the previous experience of the Company, robust quality process, experienced and qualified workforce, as well as technological capacity. However, risks related to limited access to funding sources related to the global liquidity situation and the situation caused by the COVID-19 pandemic and its impact on capital markets cannot be excluded.

On 15 July 2020 (an event after the balance-sheet date), the Company concluded with Glatton Sp. z o.o. (a related party and a shareholder holding directly and indirectly a total of 11.85% of the Company's share capital) a loan agreement in the amount of PLN 15 million, in order to refinance the revolving credit facility granted to the Company in 2018 by Santander Bank Polska S.A. The loan agreement entered into force on 16 July 2020. The received funds were used to repay, on 17 July 2020, the entire debt on account of the loan taken out in Santander Bank Polska S.A. The Company indicates that the loan obtained from Glatton Sp. z o.o. is an additional financing leveraged from a shareholder, not included in the financing previously declared by the Company's main shareholders.

On 12 August 2020 (an event after the balance-sheet date), the Company concluded loan agreements with Glatton Sp. z o.o. and Twiti Investments Ltd. which implement the support documents received on 16 March 2020 from major shareholders. According to the agreements, the financing will be paid out in tranches up to the amount of PLN 15 million until the end of 2020.

The change in the terms of binding debt financing agreements and further acquisition of financing available on the market, with financing available under EU projects and projects supporting research and development included, as well as exclusive agreements with future distribution partners or support from shareholders (both strategic shareholders and stock market participants) should provide the Company with funds necessary to complete the registration process of MabionCD20 and commercialise the drug. The Company actively monitors its environment to keep track on the prospects for obtaining new funding opportunities, which will enable it to cover expenses related to its core R&D and investment activities. In particular, current activities are focused on including support from the National Centre for Research and Development in the planned bridging clinical trial.

These condensed interim financial statements have been prepared on the basis of a going concern principle which contemplates that the Company will continue its operations in the foreseeable future. Accordingly, no adjustments have been made to the condensed interim financial statements that might be necessary should the Company not continue as a going concern.

4. Significant accounting policies

a) Functional and presentation currency

The functional currency of the Company is Polish zloty. The financial statements are presented in thousands of Polish zloty, rounded to the nearest whole thousand, unless indicated otherwise.

b) Transactions and balances in foreign currencies

Transactions expressed in foreign currencies have been presented as at the transaction date in PLN using the exchange rate applicable as at that date. Cash assets and liabilities in foreign currencies were translated into PLN at the end of the reporting period using the exchange rate for that date set by the National Bank of Poland ("NBP").

Foreign exchange gains and losses on the settlement of transactions in foreign currencies, as well as those resulting from the periodic conversion of cash assets and liabilities, are recognised in the financial result.

Foreign currency non-cash items measured at historical cost are translated into PLN using the exchange rate of the National Bank of Poland as at the transaction date.

c) Recognition of income

In the years covered by these financial statements, the Company did not recognise income on sales from core activities. In the previous years, the Company generated income from the research services, mainly concerning drug development procedures. The total remuneration resulting from such agreements is allocated to individual elements of the order, which are settled separately. Income is recognised in the period in which a given element of the agreement was performed; each element of the agreement is implemented over a certain period.

The Company does not recognise other sales income from core activities at the current stage of its operations.

d) Grants

The Company receives financial assistance for the development and production of medicines. The grants are received in the form of cash provided in return for meeting, in the past and in the future, certain conditions relating to the Company's operations. Income from grants is disclosed when the Company has sufficient certainty that it will be able to meet the conditions for using the grants and that it will receive them.

If the conditions are not met, cash received from government authorities is reported as deferred income unless the terms of the grant agreement provide for an obligation to return the grant in the event of the occurrence or non-occurrence of future uncertain events beyond the Company's control.

Typically, such grants are linked to audit requirements imposed by the intermediary bodies. The Company's experience shows that the intermediary bodies paying out the grants exercise audit rights. The Company generally defers the recognition of the received grant as income until all aspects of the audit requirements have been met.

The Company receives grants for the acquisition of property, plant and equipment and for research and development work.

Grants relating to research and development costs are recognised in other operating income on a systematic basis over the period for which the entity recognises the related expenses to be compensated by the grant as costs.

Grants relating to depreciable property, plant and equipment are initially accounted for as deferred income and then recognised in other operating income over the depreciation period of the assets.

A situation in which a grant becomes repayable results in a change of estimates, and the return is recognised immediately first in the undepreciated deferred income, if any, and then in the current period's financial result.

e) Research and development costs

The costs of research are recognised as a cost of the period in the financial result when incurred and no intangible asset is recognised as a result of research activities in accordance with IAS 38.

Costs related to a later development phase are also charged to the financial result when incurred, unless all conditions listed below are met, in which case the costs of development work are activated in intangible assets: (i) it is technically possible to complete the intangible asset so that it is capable of being used or sold; (ii) the entity intends to complete the intangible asset and use or sell it; (iii) the intangible asset will generate probable future economic benefits; (iv) it is ensured that technical, financial and other resources are available to complete the development work and use or sell the intangible asset; (v) it is possible to determine reliably the expenditures incurred during the development work that are attributable to the intangible asset.

The criterion of technical feasibility shall be deemed not to have been met until the Company obtains approval of the medicine by the competent regulatory authority.

f) Repayable advances on distribution rights

The Company has entered into a number of strategic agreements on the commercialisation of its drugs by granting the contractor the exclusive right to sell the drug on specific markets. The parties to these agreements make advance payments to the Company on account of rights and licenses to be obtained after the drug has been admitted to trading. The Company classifies these advances as financial liabilities because it does not have the unconditional right to avoid the delivery of cash to settle the liability, as the reimbursement of these amounts depends on the occurrence or non-occurrence of certain future events or the resolution of uncertain circumstances that are beyond the Company's control. Such liabilities are measured initially at fair value, and subsequently at amortised cost. As the event that may trigger a repayment may occur at any time, the amortised cost is equal to the amount payable on demand. When the uncertainty is resolved, the related amounts will be reclassified to deferred income and recognised as part of the remuneration for the sale of distribution rights in accordance with IFRS 15.

g) Income tax

Income tax in the statement of comprehensive income includes the current part and the deferred part. Current and deferred tax is charged to the financial result of the period, except for situations when it concerns items recognised directly in equity or in other comprehensive income.

Current tax is the expected amount of income tax liability or receivable for a given year, calculated using tax rates applicable as at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities and their tax base. The amount of deferred tax is determined using the tax rates that are expected to apply at the time of realisation of an asset or settlement of a liability under tax regulations that have come into force or are generally effective at the end of the reporting period.

Deferred tax assets and liabilities are offset when the Company has an enforceable legal title to offset current tax assets and liabilities and if the deferred income tax assets and liabilities relate to income taxes imposed on the Company by the same tax authority.

Deferred tax assets on tax losses to be settled, unused tax relief and negative temporary differences are recognised up to the amount of probable future tax income, which will enable their realisation.

h) Property, plant and equipment and intangible fixed assets

Property, plant and equipment are measured at cost less depreciation and impairment losses.

The cost includes the purchase price of the asset and costs directly attributable to its purchase and preparation for its intended use.

Purchased software necessary for the proper functioning of operated equipment is capitalized as a part of the equipment.

Where an item of property, plant and equipment consists of separate significant parts with different useful lives, those parts are depreciated separately. When such part of an item of property, plant and equipment is replaced, the carrying amount of the removed part is derecognised and the new part is recognised in the cost of the asset.

Expenditures on property, plant and equipment are capitalised after their initial recognition if their cost can be reliably estimated and it is probable that the Company will obtain economic benefits from this item.

Expenditure incurred in connection with current repairs and maintenance is recognised in the financial result when incurred.

The basis for depreciation (i.e. the depreciable amount) is the cost of the asset less its residual value. Depreciation is calculated on a straight-line basis using depreciation rates that reflect the estimated useful life of the assets.

The Company adopted the following useful lives for particular categories of property, plant and equipment:

Land	not subject to depreciation
Buildings and structures	20 – 40 years
Machinery and equipment	2 – 14 years
Other property, plant and equipment	5 – 7 years
Intangible fixed assets	2 – 15 years

Fixed assets used under finance leases are depreciated over the lease term or the term of use, whichever is shorter.

Useful lives, depreciation methods and residual values of property, plant and equipment are updated at each balance-sheet date and adjusted prospectively if necessary.

i) Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is assessed at the end of each reporting period for objective evidence of impairment. If there is such evidence, the Company estimates the recoverable value of individual assets or, if an asset does not generate cash inflows independently of other assets, the recoverable value of the cash-generating unit. At the current stage of its operations, the Company is a single operating unit focusing on the development and commercialization of MabionCD20, therefore the entire Company is considered a single cash-generating unit.

The recoverable amount of an asset or a cash-generating unit is the fair value of assets less costs to sell or value in use, whichever is higher.

An impairment loss is recognised for the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The amount of the impairment loss is allocated pro rata to each asset within the cash-generating unit and recognised in profit or loss for the period.

j) Inventories

As the Company is not yet engaged in production or sales of its products, the inventories include only materials that are used for research and development work. Materials are measured at the purchase price (i.e. the purchase price plus transaction costs), which corresponds to their net sales value. Inventories purchased for the purposes of research and development are not recognised in profit or loss at the time of purchase but at the time of use, because they are not specific to research and development activities and have other alternative uses. Short-term inventories are written off and their cost is recognised in profit or loss for the period.

The cost of inventories is determined by the 'first-in, first-out' method (FIFO).

k) Long-term receivables

Long-term receivables include deposits paid by the Company to the lessor under a finance lease agreement and deposits forming collateral for payments under concluded supply or service agreements. These receivables are non-interest bearing and therefore they are measured at fair value at the initial recognition. After initial recognition, receivables are recognised at amortised cost.

The company applies simplified methods of measurement for long-term receivables measured according to amortised cost if it does not distort the information contained in the statement of financial position, in particular when the period until the repayment of receivables is not long and the impact of discounting at the initial recognition is not significant. In such situations, the amortised cost is equal to the nominal value of the deposit.

l) Trade and other receivables

Trade and other receivables are initially measured at fair value. After initial recognition, such assets are measured at amortised cost, using the effective interest rate method, less impairment losses.

The Company applies simplified methods of measurement of receivables measured at amortized cost if it does not distort the information contained in the statement of financial position, in particular when the period until the repayment of the receivables is not long and does not exceed 12 months from the date of their occurrence. Such receivables are measured at their nominal value.

Receivables not constituting financial assets (e.g. VAT receivables) are measured at the amount due.

At the end of each reporting period, the Company checks for the occurrence of objective evidence of impairment of trade receivables and other receivables, which are financial assets. The amount of the write-down by virtue of impairment of a component of financial assets measured according to amortised cost is estimated as the difference between the balance-sheet value of the component of assets and the current value of estimated future cash flows discounted using the original effective interest rate. Impairment losses are charged to the financial result for a given period and reduce the carrying amount of receivables.

m) Prepayments and accrued income

Prepayments are recognised as assets at their nominal value at the time of payment. They are recognised in the financial result over the period of consuming economic benefits arising from the terms of the agreements.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits payable on demand and deposits with an initial maturity of up to 12 months. The Company applies simplified methods of cash and cash equivalents measurement and they are measured at nominal value if this does not distort the information contained in the statement of financial position.

o) Share capital

The share capital is included in the nominal value of issued shares. Shares are presented in the "share capital" item only after they have been entered in the court register. The surplus of payment received or receivable from the issue of shares exceeding their nominal value is shown in the "share premium" item.

Issued but unregistered shares are included in the capital in a separate item as 'issued but unregistered share capital'.

Each issue of Company's capital instruments addressed to creditors for the purpose of waiving all or part of the Company's financial liabilities, where the creditors are (direct or indirect) shareholders who at the same time act as shareholders, is settled by the conversion of the balance-sheet value of the debt into the Company's equity. The debt recognition is discontinued when and only when the criteria of IFRS 9 are met. The share capital is recognised in the amount resulting from the applicable local law, and the difference between the amount recognised as share capital and the carrying value of the derecognised contractual liability is presented in income or costs of the Company.

p) Deferred income

Deferred income includes mainly grants received (the relevant policy is presented in Note 4d).

q) Trade and other payables

Trade and other liabilities constituting financial liabilities are initially measured at fair value. After initial recognition, they liabilities are recognised at amortised cost.

Other liabilities that are not financial liabilities are measured at the amount due.

r) Loans and borrowings

Loans and borrowings are initially recognised at fair value, less transaction costs. After initial recognition, they are recognised at amortised cost.

s) Lease

The Company is a lessee under finance lease agreements.

Lease agreements which transfer substantially all potential risks and benefits to the lessee are classified as finance lease agreements. A leased asset used under a finance lease is recognised as an asset at the inception of the lease, at the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower. The corresponding liability under lease payments, less financing costs, is recognised in the statement of financial position under finance lease. Interest on the lease liability is charged to the income statement over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. Each lease payment is apportioned between the liability and the financing costs. After initial recognition, leased assets are measured in accordance with the accounting principles applicable to own fixed assets.

The Company took advantage of simplifications concerning short-term leases (up to 12 months) and leases where the underlying asset is of low value (up to PLN 20 thousand) and does not recognise financial liabilities and related assets under the right of use for these agreements. Lease payments on this account are recognised as costs on a straight-line basis over the lease term.

Adhering to IFRS 16 for the first time, the Company applied the following simplifications allowed by the standard: (a) it applied a single discount rate for the portfolio of leases with similar characteristics, (b) operating leases with a remaining lease term of less than 12 months as at 1 January 2019 were treated as short-term leases.

t) Share-based payments

The Company has introduced a remuneration programme based on and regulated by own shares. The Company recognises the costs of the equity remuneration plan (payments in the form of equity instruments) in the costs of the Company's operations and, on the other hand, as an increase in equity.

In the case of incentive schemes for employees which are related to remuneration for their work, the value of warrants is charged to operating costs, respectively: a) in the comparative variant - to remuneration costs, b) in the calculation variant - to general administration costs. The issued warrants are presented on a separate account "Issue of warrants under the share-based incentive scheme", which is presented in the financial statements together with other reserves. The exercise of warrants by employees is connected with the issue of shares and settling the value of warrants disclosed in equity. The cash received is capitalised by the Company and is not recognised as income. The Company discloses information in the financial statements to enable the readers to understand the nature and scope of share-based payment agreements that existed in the period.

u) Cash flow statement

The Company recognises interest paid and interest received from operating activities in the cash flow statement.

5. Critical accounting estimates and judgments

The Company's management makes estimates, judgements and assumptions regarding the recognition and valuation of the individual items of assets and liabilities. The estimates and the related assumptions are based on historical experience, management's expectations, or other factors considered material. The actual results may differ from the recorded estimates. The estimates and the related assumptions require regular verification.

In the period covered by these condensed interim financial statements, no changes in the scope or methodology of making any material estimates and judgements have been made.

6. Operating segments

The Company's management has identified one operating segment for the Company, i.e. research and development activities for new biotechnology drugs and biosimilar drugs through utilizing contemporary genetic engineering. No changes have occurred in this respect since the last annual statements of the Company.

7. Seasonal nature of the Company's activities

The Company's activities are neither seasonal nor cyclical. In the period of six months ended on 30 June 2020, the Company has not generated any revenue on sales of goods, services or commodities and materials.

8. Costs by type

The table below shows the categories of generic costs:

in PLN thousand	1 April 2020 - 30 June 2020 (unreviewed)	1 January 2020 - 30 June 2020 (unaudited)	1 April 2019 - 30 June 2019 (unreviewed)	1 January 2019 - 30 June 2019 (unaudited)
Third-party services	1 290	3 041	2 210	4 479
Costs of materials	2 764	7 721	4 712	7 852
Personnel expenses	2 830	5 800	3 324	5 771
Depreciation and amortisation	1 296	2 542	1 267	2 468
Registration fees	134	902	326	498
Other expenses	20	44	17	26
Research and development costs by type	**8 334**	**20 050**	**11 856**	**21 094**
Office lease and office expenses	1 089	2 246	1 201	2 544
Personnel expenses	1 260	3 227	2 176	4 105
Depreciation and amortisation	1 314	2 735	1 545	3 048
Advisory services in connection with distribution agreements	43	85	186	373
Share-based payment expense	0	0	11	(13)
Rental, usage and maintenance of equipment and company car expenses	73	183	240	428
Taxes and fees	181	382	175	312
Audit and other advisory services	376	791	407	591
Other	74	233	235	505
General and administrative costs by type	**4 410**	**9 882**	**6 176**	**11 893**

9. Research and development cost

in PLN thousand	1 April 2020 - 30 June 2020 (unreviewed)	1 January 2020 - 30 June 2020 (unaudited)	1 April 2019 - 30 June 2019 (unreviewed)	1 January 2019 - 30 June 2019 (unaudited)
MabionCD20	8 034	19 268	11 494	20 379
MabionEGFR	294	669	338	675
Other projects	6	113	24	40
Total research and development costs	**8 334**	**20 050**	**11 856**	**21 094**

Research and development costs are recognized as cost of the period in the financial result at the moment they are incurred, in accordance with IAS 38. After meeting the criteria indicated in paragraph 57 of IAS 38, development work costs may be capitalized and recognized as an intangible asset.

In the period covered by these financial statements, the only ongoing R&D projects financed from EU funds were MabionCD20 and MabionEGFR.

10. Other operating income and expenses

in PLN thousand	1 April 2020 - 30 June 2020 (unreviewed)	1 January 2020 - 30 June 2020 (unaudited)	1 April 2019 - 30 June 2019 (unreviewed)	1 January 2019 - 30 June 2019 (unaudited)
Release of write-downs on current assets	-	40	-	-
Profit on sales of fixed assets	-	1	-	-
Grants	442	935	495	1 069
Other operating income	16	45	12	24
Total other operating income	**458**	**1 021**	**507**	**1 093**
Loss on sale of fixed assets	-	-	-	(13)
Write-downs on current assets	(47)	-	(173)	(296)
Disposal of materials	(3)	(98)	-	-
Other	(15)	(22)	(45)	(49)
Total other operating expenses	**(65)**	**(120)**	**(218)**	**(358)**

The revaluation write-down release in the amount of PLN 40 thousand presented in other operating income is the difference between the amount of PLN 1 129 thousand relating to materials which in the first half of 2020 were intended for consumption and disposal, and the amount of PLN 1 089 thousand relating to the inventory of materials whose expiry date is 30 September 2020, for which the revaluation write-down was created in accordance with the applicable policy in the Company.

Revenues from grants relate in particular to the part of grants received in previous years to purchase fixed assets in projects co-financed from EU funds, in the amount of PLN 935 thousand in the 6 months ended respectively 30 June 2020 and PLN 978 thousand in the corresponding period ended 30 June 2019. (see Note 16), which is recognised in profit or loss for each period in proportion to the depreciation/amortisation of the assets financed by the grant.

Disposal of materials in the amount of PLN 98 thousand refers to disposal of materials after their expiry date, unsuitable for alternative use.

11. Finance income and costs

in PLN thousand	1 April 2020 - 30 June 2020 (unreviewed)	1 January 2020 - 30 June 2020 (unaudited)	1 April 2019 - 30 June 2019 (unreviewed)	1 January 2019 - 30 June 2019 (unaudited)
Interest income	-	34	328	539
Net foreign exchange gains	1 690	-	831	256
Other	-	417	-	-
Total finance income	**1 690**	**451**	**1 159**	**795**
Interest expense	(268)	(538)	(102)	(202)
Net foreign exchange losses	-	(1 662)	-	-
Other	(54)	(49)	(25)	(37)
Total finance costs	**(322)**	**(2 249)**	**(127)**	**(239)**

Net foreign exchange gains for the period of six months ended 30 June 2020 result in particular from unrealized foreign exchange differences related to the valuation of liabilities on account of refundable advances for distribution rights denominated in foreign currencies, described in Note 17.

12. Property, plant and equipment

In the current reporting period, the Company incurred expenditures on property, plant and equipment and intangible assets (including assets not released for use) in the amount of PLN 2 820 thousand, including PLN 1 369 thousand on account of design work related to the extension of the production plant and the construction of a new building with production lines which can significantly increase the production capacity.

Property, plant and equipment and intangible assets released for use in the period of 6 months of 2020 amount to PLN 1 096 thousand, of which part was financed under lease agreements, which are presented in Note 19.

In the current reporting period, the Company sold means of transport for PLN 16 thousand. The net book value of the assets was PLN 15 thousand.

The Company's management did not identify any indications of impairment of property, plant and equipment as at 30 June 2020.

13. Inventories

The balance of inventories as at the balance sheet date includes only materials.

The value of used up inventories disclosed in the costs of research and development in the first half of 2020 amounted to PLN 5 364 thousand (for comparison - PLN 5 326 thousand in the first half of 2019, PLN 5 652 thousand in the second half of 2019).

The decrease in the balance of inventories as at 30 June 2020 as compared to 31 December 2019 is related to the consumption of materials in connection with the conducted production aimed at completing the validation stage in the scale of 2x2500 liters as part of the research and development work related to MabionCD20, in the plant in Konstantynów Łódzki.

The company has disposed of materials in the amount of PLN 98 thousand (see note 10).

14. Trade and other receivables

in PLN thousand	30 June 2020 (unaudited)	31 December 2019
VAT receivable	1 191	2 612
Trade receivables	–	9
Advances on materials and services	159	60
Deposits	109	105
Other receivables	87	55
Trade and other receivables	**1 546**	**2 841**

15. Equity

Pursuant to its Resolution 25/VI/2018 of 28 June 2018, the Ordinary General Meeting of Mabion S.A. authorised the Management Board of the Company to issue no more than 125 000 A and B series subscription warrants, granting eligible employees the right to purchase 114 000 R series ordinary shares and 11 000 S series ordinary shares, excluding the pre-emptive rights of the Company's current shareholders.

On 29 December 2018, on the basis of the mandate given in Resolution No. 24/VI/2018 of the Company's Ordinary General Meeting, the Supervisory Board authorised the Rules and Regulations of the Incentive Scheme for 2018-2021. The taking-up of the shares and the exercise of rights granted by the warrants will be possible after meeting the conditions listed in the Terms. Alternatively, warrants may be purchased by the Company in order to be redeemed.

On 30 January 2020, by appropriate Resolutions, the Supervisory Board stated the lack of fulfilment of the market condition (i.e. reaching the minimum price) for warrants of A series for 2019 and confirmed fulfilment of the employment condition for warrants of A and B series for 2019. On 27 February 2020, by appropriate Resolutions, the Supervisory Board approved the list of persons entitled to take up warrants of A and B series for 2020.

On 23 June 2020, all B series subscription warrants granted for 2019 (500 warrants) were taken up by eligible persons. On the same day, all eligible persons submitted declarations on taking up all S series shares under warrants held (500 shares). The shares were taken up by the eligible persons on the same day.

The below table shows the details of the Scheme and its valuation as of 30 June 2020:

	A series warrants		B series warrants	
Tranche for the year	2020	2021	2020	2021
Date of scheme approval (beginning of the vesting period)	28 June 2018			
Date of entitlement	27 February 2020	none	27 February 2020	none
End of the vesting period	31 January 2021	31 January 2022	31 January 2021	31 January 2022
Number of instruments granted	28 500	28 500 (no indication of persons eligible)	500	500 (no indication of persons eligible)
Exercise price	PLN 91.00		PLN 0.10	
Share price as of 30 June 2020	PLN 38.20			
Market condition for the acquisition of entitlements	Reaching the minimum price defined as the arithmetic mean of the Company's share prices on the Warsaw Stock Exchange calculated from the daily volume-weighted average prices in the last month of each year			
Minimum price	PLN 280.00	PLN 400.00	-	-
Non-market condition for the acquisition of entitlements	The person eligible to remain in a business relationship and provide work or services or the Company for a period not shorter than 183 days in a given year covered by the Scheme			
Settlement	Shares			
Expected volatility (based on historical volatility of the Company's share prices for 12 months to the Valuation Date)	55.22%	85.91%	55.22%	85.91%
First possible date of exercise of the entitlement	14 February 2021	14 February 2022	14 July 2021	14 July 2022
Last possible date of exercise of the entitlement	31 July 2022			
Risk-free rate	1.23%-1.84%	0.12%-0.30%	1.23%-1.84%	0.12%-0.30%
Dividend rate	0%			
Likelihood of leaving	17.77% per year			
Date of fair value measurement of the warrant	27 February 2020	30 June 2020	27 February 2020	30 June 2020
Fair value of the warrant for the valuation date	PLN 0.00	PLN 1.80	PLN 46.24	PLN 41.35
Valuation model	Binomial model			

On 27 February 2020, the Supervisory Board approved the list of employees entitled to take up A and B series warrants for 2020. Therefore, the fair value measurement of the above warrants was prepared as at 27 February 2020. As at 30 June 2020, only the expected number of warrants to which eligible persons will acquire rights was updated.

In the case of A and B series warrants for 2021, the list of employees entitled to participate in the Scheme was not determined by the Supervisory Board until the date of preparing the financial statements for H1 2020. Therefore, the measurement of fair value of these tranches of warrants (taking into account the market condition) was prepared as at the balance-sheet date (i.e. 30 June 2020). The measurement of fair value of these warrants will be updated for each future balance-sheet date until the date of establishing the list of eligible employees and the number of A and B series warrants for a given year (vesting date). As at the vesting date, the final measurement of the warrant fair value will be made. As at subsequent balance-sheet dates, only the expected number of warrants to which the eligible persons will acquire rights will be updated (based on the estimated probability of leaving by the end of the vesting period).

A binomial model of option valuation was used to measure the fair value of the warrant. As part of the valuation, a tree of share prices was built as a path for the future share price (change of share prices on a monthly basis) based on the historical volatility of the Company's share prices. The valuation was carried out in the process of backward induction taking into account the market condition (reaching the minimum price) and the possibility of early exercise of options in accordance with the terms of the Scheme (based on the assumed assumptions regarding the minimum rate of return expected by eligible persons).

The total cost of the Scheme as at the individual balance-sheet dates will be estimated based on the most recent valuations of the fair value of the warrants and the probability of losing the entitlement to the warrants by the participants of the Scheme. The costs of the Scheme will be settled over time in proportion to the vesting period for particular tranches of warrants.

In case of failure to meet the market condition for warrants of A series for a given year, the Supervisory Board may grant a tranche of warrants not granted for this reason together with warrants of A series for the year in which the market condition was met. Due to the lack of certainty as to future decisions of the Supervisory Board in this respect, the estimation of the cost of the Scheme as at 30 June 2020 does not take into account the effect of shifting warrants not granted in a given year to subsequent years. This does not exclude the possibility of granting these warrants in subsequent periods in accordance with the applicable rules and regulations of the Scheme.

16. Deferred income

in PLN thousand	30 June 2020 (unaudited)	31 December 2019
Grants for property, plant and equipment	9 209	10 143
Grants for research and development costs	24 018	22 156
Advance payment from Mylan on account of distribution rights to MabionCD20	14 007	14 007
Advance payment from Celon Pharma on account of services (development of antibody production technology)	1 590	1 590
Deferred income	**48 824**	**47 896**

The Company has historically financed a portion of its operations through receipt of cash subsidies from the European Regional Development Fund as administered by government institutions in Poland: The Lodz Agency of Regional Development (ŁARR), the Polish Agency for Enterprise Development (PARP) and the National Centre for Research and Development (NCBiR). There have been three projects to finance research and development and/or implementation of MabionCD20, technology of producing human analog insulin ("double cutting") and MabionHER2.

The subsidised fixed assets were put into service in 2015 and their depreciation started by that date. The relevant part of deferred income (grants) was also recognized in the financial result (PLN 935 thousand in the first half of 2020 and PLN 978 thousand in the first half of 2019 - see also Note 10).

In the current reporting period, the Company received further payments of grants for research and development costs under the Intelligent Development Operational Programme 2014-2020:

» InnoNeuroPharm sectoral programme in the amount of PLN 1 221 thousand;

» MABIONCD20 "fast path" sectoral programme in the amount of PLN 642 thousand.

After 30 June 2020, until the date of publication of the financial statements, the Company received further payments under the projects in the amount of PLN 1 411 thousand.

The current portion of deferred income is the portion that the Management Board expects to be able to classify as revenue within 12 months from the balance-sheet date. This is particularly the case for:

a) grants for investments in fixed assets, which will be recognized as revenue in proportion to the value of depreciation write-offs of tangible fixed assets that have been financed from grants in the amount of PLN 1 272 thousand;

b) advance payment received from Celon Pharma S.A. on account of the remuneration for services related to the development of the manufacturing process of drugs or drug prototypes to be used by Celon Pharma S.A., which will be provided by the Company.

The item of long-term deferred income includes the part in respect of which the Management Board expects to be able to classify it as revenue later than 12 months after the balance-sheet date. This is particularly the case for:

a) grants for investments in fixed assets, which will be recognized as revenue in proportion to the value of depreciation write-offs of tangible fixed assets financed from grants;

b) grants for research and development costs, which will be recognized as revenues when the Company has reasonable assurance that it will be able to satisfy the conditions to use the grants;

c) advances on account of distribution rights received from Mylan, amounting to PLN 14 007 thousand, which, under the terms of the agreement with Mylan, is no longer returnable, and which will be recognised as revenue when Mabion obtains the marketing authorisation for MabionCD20.

17. Refundable advances for distribution rights

The table below presents the list of prepayments for distribution rights received from partners, which Mabion signed distribution agreements with:

in PLN thousand	30 June 2020 (unaudited)	31 December 2019
Mylan	44 782	42 724
FARMAK	1 116	1 065
ONKO	491	468
Sothema Laboratories	103	98
Lyfis	27	26
Total refundable advances for distribution rights	**46 519**	**44 381**

The change in the balance of refundable advances on account of distribution rights in the period of 6 months ended 30 June 2020, amounting to PLN 2 138 thousand, results solely from changes in foreign exchange rates, as all advances were denominated in foreign currencies (EUR or USD). According to the information contained in the Company's financial statements for the financial year ended 31 December 2019, these advances may be repayable and are treated by the Company as current liabilities. In the period covered by these condensed interim financial statements, there were no significant changes in the terms and conditions of agreements with the distribution partners.

18. Loans and borrowings

a) Bank loans

On 17 July 2018, the Company concluded an agreement with Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.) on a revolving credit facility to finance the Company's operating activities, for a period of two years from the date of conclusion of the agreement. The amount of the Loan granted is PLN 30 million, however, the Loan of PLN 15 million was disbursed after the formal and legal conditions were met and the collateral was established, and the Loan above PLN 15 million could be disbursed after the Company obtains a positive decision of the European Medicines Agency concerning the registration of MabionCD20. The interest rate on the Loan was variable and based on WIBOR 1M plus the Bank's margin determined on arm's length terms. The Loan was secured with a contractual mortgage on the first place in the mortgage register up to the amount not exceeding PLN 45 million, established on the Company's property right to the real estate in Konstantynów Łódzki, and a transfer of receivables to the Bank under a building/construction insurance agreement on this real estate, a statement on submission to enforcement by way of a notarial deed pursuant to Article 777 § 1 item 5 of the Act on Public Procurement, each time up to the amount of 150% of the loan amount as well as suretyships and other forms of collateral granted by entities related to the Company (main shareholders of the Company). The agreement contained numerous obligations of the Company towards the Bank and situations constituting a breach of the agreement resulting, among others, in the possibility of its termination by the Bank. As at 30 June 2019, no covenant had been broken. All collateral for the Loan was established within the period specified in the loan agreement. The deadline for completion of the agreement and repayment of the Loan is 17 July 2020. On 17 July 2020, the Loan was repaid in full.

On 24 October 2019, the Company concluded an agreement with the European Investment Bank (hereinafter referred to as EIB) for an unsecured loan to finance the implementation of investment and research and development projects, including the extension of the Company's research and development infrastructure and production capacity, for a maximum period of 5 years from the date of disbursement of individual tranches. The amount of the Loan is EUR 30 million and will be disbursed in three tranches once certain conditions are met, which include the implementation of milestones in the process of registration and commercialization of MabionCD20. The interest rate on the Loan is fixed and amounts to a maximum of 2.7% annually. The availability period of the Loan is 36 months from the date of conclusion of the Financing Agreement. The agreement contains numerous obligations of the Company towards the EIB and provides for situations constituting a breach of the agreement resulting, among others, in the possibility of its termination by the EIB. Considering the change in the regulatory strategy of MabionCD20, the Company has undertaken activities aimed at adjusting the existing agreement to the current strategy of the Company, including in particular new conditions for mobilisation of the different tranches, as well as their schedule.

As of 30 June 2020, the Company has not used any tranche of the Loan from the EIB and its debt on this account is PLN 0 (zero). As at the balance-sheet date, the Company also did not issue subscription warrants related to the implementation of the agreement.

b) Loans from shareholders and related parties

In the current reporting period, the Company did not incur any loans from shareholders or related entities. The balance of loans from shareholders and related entities as at 30 June 2020 is 0 (zero). After the balance-sheet date, the Company concluded three loan agreements for an amount of up to PLN 30 million.

c) Asset-backed loans

The Company is a party to several leaseback agreements to finance the purchase of laboratory equipment, which are treated as loans due to the fact that the purchases of equipment financed in this way were first and foremost fully paid for by the Company and the lease agreements contain irrevocable offers to repurchase the equipment subject to the agreement at the end of the lease term. These agreements are concluded for a period of 3 to 4 years and are secured with blank promissory notes. The lessor has the right to fill in a promissory note up to the amount equal to all due and unpaid receivables of the lessor under the lease agreement, in particular receivables from lease payments, damages, contractual penalties or reimbursement of costs, including interest, in case the Company has not paid any of these receivables on the due date.

In January and June 2018, the Company used the funds from two loans granted by Idea Getin Leasing S.A. in the amounts of PLN 208 thousand and PLN 93 thousand, respectively, for the purchase of computer hardware, which the Company uses in connection with new IT systems implemented in the Company. Both loans were concluded for 2-year periods and were repaid in January and May 2020, respectively.

As at 30 June 2020, the total value of outstanding loans secured with assets amounts to PLN 1 047 thousand. In the period from 01 January 2020 to 30 June 2020, the Company did not contract any new loan agreements secured with assets.

19. Leases

The Company uses vehicles and laboratory equipment pursuant to finance lease agreements.

On 17 December 2019 the Company concluded a lease agreement for office space in Łódź for the period from 2020 to 2023 and on this account recognized a financial lease as at 31 December 2019.

The Company concludes lease agreements for a period of 3 to 5 years. These agreements are secured by blank promissory notes. These notes promise in writing that the Company will pay to the owner of the note all amounts due but not paid under the respective lease agreement, including lease instalments, compensation, contractual penalties and expenses together with interest, in case the Company would be in arrears with payments of any of the above-mentioned amounts.

Changes in the interest rate constituting an element of calculation of lease instalments are a parameter which result in change in lease instalments. All lease agreements contain option to purchase leased assets at the end of the lease period.

In the period covered by these condensed interim financial statements, the Company concluded new lease agreements, as a result of which it recognized four components of property, plant and equipment worth PLN 669 thousand and a finance lease liability of PLN 994 thousand.

The depreciation of leased property, plant and equipment in the current reporting period was equal to PLN 1 222 thousand, and the interest on the lease was PLN 180 thousand.

The total gross carrying amount of finance lease assets as at 30 June 2020 is PLN 14 449 thousand. The table below presents information about minimum future lease payments and the current value of minimum lease payments as at 30 June 2020 and 31 December 2019.

in PLN thousand	Minimum future lease payments as at 30 June 2020 (unaudited)	Current value of minimum lease payments as of 30 June 2020 (unaudited)	Minimum future lease payments as at 31 December 2019	Current value of minimum lease payments as at 31 December 2019
Within 1 year	2 376	2 139	2 321	2 115
From 1 year to 5 years	3 362	2 815	4 041	3 435
Total	**5 738**	**4 954**	**6 362**	**5 550**

20. Trade and other liabilities

in PLN thousand	30 June 2020 (unaudited)	31 December 2019
Trade liabilities	16 067	15 914
Social security and personal income tax on salaries	2 506	943
Provision for unused leave	826	576
Other liabilities	3 555	3 460
COMPANY SOCIAL BENEFIT FUND (ZFŚS)	173	15
Total trade and other liabilities	**23 127**	**20 908**

The Management Board of Mabion S.A., by Resolution No. 1/XII/2018 of 10 December 2018, adopted the Rules and Regulations of the Company Social Benefit Fund effective from 1 January 2019, while by Resolution No. 8/V/2020 of 28 May 2020, the Management Board decided that in the period from 12 June to 31 December 2020, the Company would not establish a Company Social Benefits Fund. The costs of the write-off for the Company Social Benefits Fund for 2020 were estimated at PLN 163 thousand.

21. Effective income tax rate

In the current reporting period, the Company did not generate any profits which would constitute the basis for payment of income tax and did not meet the criteria for recognition of deferred tax assets. Therefore, the effective income tax rate was 0 (zero).

As at 30 June 2020, the Company conducted its business operations in Poland under three permits issued by the ŁSSE. In 2020, there were no significant changes in the amounts and terms of the Company's tax reliefs, i.e. the Company is entitled to the relief until 31 December 2026 by reducing the amount of corporate income tax liability.

In the period of 6 months ended 30 June 2020 The Company incurred a tax loss of PLN 9 286 thousand. The Company did not recognize a deferred tax asset for this loss due to the failure to meet the conditions of IAS 12 as to the probability of achieving tax revenues allowing to use the loss before the end of the period for its utilization.

The amount of tax losses from previous years was presented in the financial statements for the financial year ended 31 December 2019.

22. Financial risk management

With respect to the type of financial risks to which the Company is exposed, the amount of exposure and management of these risks, there were no significant changes as compared to the last annual financial statements.

23. Fair value of financial instruments measured at amortised cost

The Company does not have any financial instruments measured at fair value. For the purpose of disclosure of the fair values in relation to the financial instruments measured at amortized cost, the Company has used the method based on the discounted cash flow.

The main items of financial instruments measured at amortized cost are: short-term bank loans and borrowings and refundable advances for distribution rights. The Company's management assessed that the fair value of these items approximates or equals their carrying values.

24. Related party transactions

The Company does not have any direct or ultimate controlling entity.

In the period covered by these condensed interim financial statements, the Company did not conduct any sales or purchases from related entities on conditions significantly different from arm's length conditions.

The services commissioned by Celon Pharma S.A., related to the development of the drug production process or prototype drugs to be used by Celon Pharma S.A., have been postponed by mutual agreement of the parties in connection with the extraordinary burden of work on completing the development of the drug MabionCD20. More information is presented in Note 16.

In the first half of 2020, a surety granted to the Company in 2018 by Glatton Sp. z o.o. (a significant shareholder of the Company) was in force in the amount up to PLN 45 million. The surety concerned the revolving credit agreement of 17 July 2018 concluded by the Company with Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.) for a period of two years to finance the Company's operations. In 2020, the Company signed, on market conditions, an agreement with the above mentioned related entity, regulating the principles of payment under the surety referred to above.

On 15 July 2020, (an event after the balance-sheet date), the Company concluded a loan agreement with Glatton Sp. z o.o. in the amount of PLN 15 million in order to refinance the revolving credit granted to the Company in 2018 by Santander Bank Polska S.A. The loan agreement entered into force on 16 July 2020. The funds received were used to repay on 17 July 2020 the entire debt under the loan contracted with Santander Bank Polska S.A. Thus, the surety of Glatton Sp. z o.o. referred to above is no longer valid.

On 12 August 2020, (an event after the balance-sheet date), the Company concluded loan agreements with Glatton Sp. z o.o. and Twiti Investments Ltd. which implement the support documents received on 16 March 2020 from major shareholders. According to the concluded agreements, the financing will be paid out in tranches up to the amount of PLN 15 million in the period until the end of 2020.

Key management compensation (incl. share-based payment and remuneration)

The remuneration of the key management of the Company and its Supervisory Board is presented below:

in PLN thousand	1 January 2020 - 30 June 2020 (unaudited)	1 January 2019 - 30 June 2019 (unaudited)
Remuneration of the Supervisory Board Members	241	237
Remuneration of the Management Board Members	761	1 273
Share-based payments made	(25)	(9)
Compensation for non-competition clause	-	290
Total short-term remuneration	**977**	**1 791**
Provisions for awards	-	94
Total remuneration of key management and the Supervisory Board	**977**	**1 885**

25. Contingent liabilities and contractual commitments

a) Contractual commitments

As at 30 June 2020, the Company did not have any contractual obligations concerning the acquisition of property, plant and equipment, intangible assets or development work.

b) Contingent liabilities

As at 30 June 2020, the Company was not a party to any litigation, regulatory actions or arbitration which is expected by management to have a material adverse effect on the Company's financial position or operations and/or cash flow.

26. Settlements of court litigations

The Company is not a party to any judicial, regulatory or arbitration proceedings that could, in the opinion of management, have a material adverse effect on its financial condition, operations or cash flows.

27. Events after the balance sheet date

On 1 July 2020, the Company received a written response from the EMA as part of the Scientific Advice procedure (i.e. scientific consultations with EMA representatives). The document received contains the Agency's response to the individual assumptions of the Company concerning the new registration process of MabionCD20 - in particular concerning the scope of data to be included in new registration applications, as well as the actions required to generate such data as proposed by the Company.

On 9 July 2020, the Company announced that after internal analysis, consultation with external experts, and arrangements with the Company's Supervisory Board, the initial framework for the scope and schedule of work necessary to submit a new marketing authorization application (MAA) for Mabion CD20 was adopted. The preliminary analytical tests prove that the three validation batches produced meet the requirements for all quality attributes at the drug substance (DS) level. In addition, the Company has started product stability tests and will soon begin biosimilarity and bioequivalence tests. In order to broaden the analytical data presented in the registration application, the Company is considering the production of additional batches so that the marketing authorization application can be based as a target on the data from at least four to five large-scale product batches. In the Company's opinion, presenting a broad package of analytical data would significantly reduce the regulatory risk. In addition to generating the analytical data package, it is the Company's intention to conduct a smaller-scale bridging clinical trial (Phase I/II trial) for the registration dossier, which, in the Company's opinion, is required to demonstrate comparability and at the same time will reduce the risk, thus reducing the costs and duration of the preparation stage for the registration process. The Company has developed a draft protocol for the bridging trial (3-arm clinical trial, scope: safety and pharmacokinetics, indication: rheumatoid arthritis, scale: estimated (80 patients per arm) to confirm the biosimilarity between MabionCD20 and MabThera (European reference product) and Rituxan (American reference product). Based on the above assumptions, the Company estimates that the work to obtain the data necessary to submit a new marketing authorisation application, including the bridging trial, will be completed before or early 2022. The assumed activities in accordance with the Company's best estimates involve a net outlay of about PLN 75-85 million over the assumed period of time, of which about 70% will be R&D costs (the estimates include the bridging trial). The remaining expenditures are production and maintenance costs (additional validation batches), costs of the regulatory process (including fees for the EMA) and expenditures on quality assurance and control. Assumed estimates do not take into account the costs of current operations and capital expenditures related to increasing production capacity. The Company does not exclude the possibility of modifying the above mentioned assumptions should the circumstances require it. The Company's goal is to respond quickly and decisively to all the needs arising from the registration process in order to reduce the regulatory risk while maintaining the cost of the process at a level that can be financed by the Company and to carry out the product registration procedure as soon as possible. At the same time, the Company reserves that the above assumptions may be subject to changes in the future due to the fact that they are based on many factors which may affect the time frame, including factors independent of the Company (such as the rate of recruitment in the clinical trials). Moreover, the Company stipulates that the adopted assumptions and actions performed do not guarantee product registration.

On 15 July 2020, the Company concluded with Glatton Sp. z o.o. (a related entity and a shareholder holding directly and indirectly a total of 11.85% of the Company's share capital), a borrowing agreement in the amount of PLN 15 million ("Borrowing"), in order to refinance the revolving loan granted to the Company in 2018 by Santander Bank Polska S.A. ("Loan" and "Bank", respectively). The Company used the amount of 15 million PLN under the Borrowing. The borrowing agreement entered into force on 16 July 2020. The Company's Supervisory Board gave its consent to conclude it. The Company indicates that the Borrowing is an additional financing not included in the financing declared on 16 March 2020. According to the borrowing agreement, the Company is obliged to repay the Borrowing by 31 December 2020, however, the parties allow for the possibility of extending the above deadline. The interest rate on the Borrowing was agreed upon on market conditions as a variable interest rate based on WIBOR 3M plus margin. The collateral for the repayment of the Borrowing is as follows: a first-rank mortgage on a real estate located in Konstantynow Lodzki of up to PLN 45 million with priority right over other potential mortgage creditors, and a statement on submission to enforcement in the form of a notarial deed. Subject to the mortgage referred to above, the nominal value of the collateral for the Lender will be jointly equal to or higher than 150% of the Borrowing amount.

On 12 August 2020, the Company entered into borrowing agreements with Twiti Investments Ltd. and Glatton Sp. z o.o. up to the total amount of PLN 15 million. Concluding the agreements implements the Company's shareholders' declaration of 16 March 2020 concerning the recapitalization of Mabion S.A. The borrowings may be disbursed by the Lenders to the Borrower in tranches, in amounts and on dates set by the parties in separate schedules of disbursements, with the Lenders disbursing each time upon written request of the Borrower. The interest rate, the same for each of the agreements, has been agreed upon on market terms as a variable interest rate based on WIBOR 3M plus margin. The borrowings will be repaid by way of conversion into U series shares to be issued under the terms and conditions set out in Resolution No. 28 of the Ordinary General Meeting of Mabion S.A. of 15 June 2020, or repaid in cash no later than 31 March2021 (share subscription agreements in accordance with the resolution of the OGM should be concluded not later than 15 December 2020 or repaid in cash not later than 31 March 2021).

On 28 August 2020, the Company announced the receipt of a summary of the BPD (Biosimilar Biological Product Development) Type 2 meeting with the Food and Drug Administration ("FDA", "Agency") regarding the registration and marketing authorization of MabionCD20 in the United States. The purpose of the meeting was to clarify the details of clinical development of MabionCD20 for the US market. In accordance with the summary, the Company received confirmation from the Agency of a number of proposed clinical programme parameters, including the ability to use the significant data packages generated for the approval of MabionCD20 in the EU. This confirms previous consultations in which the Agency indicated that it was not necessary to conduct a completely separate development programme in order for MabionCD20 to be approved in the US. In addition, the Company has begun to verify with the Agency whether it is possible to apply an innovative regulatory strategy that would allow the Company to submit its first application for registration earlier than originally envisaged and proposed by the Agency. The Company accepted the Agency's suggestion to clarify the details of this approach at another separate meeting. The current arrangements are non-binding for the Agency. The process of registration and approval of the drug in the U.S. is a multi-stage process and it cannot be excluded that additional FDA approval requirements may arise in the future.

On 31 August 2020 Mr. Jarosław Walczak submitted a statement of resignation from the position of Member of the Management Board of the Company as of the date of resignation. Mr. Jarosław Walczak did not indicate the reasons for his resignation. The Company points out that the resignation of Mr. Jarosław Walczak is part of the reorganization of work in the Management Board of the Company started in March this year and consisting in transferring the regulatory area supervising duties (pharmaceutical regulations, clinical trials regulations, supervision of drug registration) within the Management Board directly to Mr. Dirk Kreder.

On 14 September 2020, Mabion S.A. concluded a Memorandum of Understanding ("MoU") with Vaxine Pty Ltd. based in Australia ("Vaxine") concerning to arrange for the potential the process development, production and commercialization of Covax-19™ , which is a possible vaccine for Covid-19 disease caused by the Sars-Cov-2 virus ("Product"), with particular emphasis on the Polish and European Union markets. Vaxine is an Australian biotechnology company focusing on the development of innovative vaccines against seasonal and pandemic influenza, Covid-19, hepatitis B and Japanese encephalitis. Covax-19™ is a product developed by Vaxine based on a scalable vaccine platform using recombinant insect cell-based protein combined with the patented Advax™ adjuvant to enhance both the antibody and immune response of T-cells against the commonly

administered antigen. Covax-19™ is currently in Phase I of clinical trials and Vaxine also holds appropriate approvals to start Phase II of clinical trials in Australia after the results of Phase I have been obtained. The MoU provides that the parties are to negotiate and conclude, if they deem it appropriate, agreements regarding Mabion's manufacture of the Product, the process work to be performed, and Mabion's commercialization of the Product in agreed markets, and, prior to concluding any agreements, to conduct mutual due diligence and cooperate in arranging future government or EU funding or reimbursement. The Company reserves that the MoU is intentional and non-binding, and its conclusion does not prejudge the conclusion of an agreement or cooperation of the parties in the future. Either party may terminate the MoU if the parties do not conclude the relevant agreements by 30 October 2020, or in the event of a negative, in the opinion of the party concerned, result of the due diligence process. The potential establishment of the above cooperation will not adversely affect the implementation of the Company's existing projects, and in particular, the development and commercialization of MabionCD20 will remain the priority of the Company's activities.

On 16 September 2020, the Supervisory Board of the Company adopted a resolution on delegating a Member of the Supervisory Board, Mr. Adam Pietruszkiewicz, to perform the duties of Member of the Management Board. The period of delegation specified in the resolution of the Supervisory Board lasts from 17 September 2020 to 17 December 2020.

Management Board of the Company

Dirk Kreder
President of the Management Board

Sławomir Jaros
Member
of the Management Board

Grzegorz Grabowicz
Member
of the Management Board

Adam Pietruszkiewicz
Member
of the Supervisory Board
delegated to temporarily
perform the duties
of Member of the Management Board

Katarzyna Kutera-Wasiak
Acting Chief Accountant

Konstantynów Łódzki, 22 September 2020

22nd September, 2020

Oświadczenie

Niniejszym oświadczam, że z powodu problemów technicznych, dotyczących środowiska oprogramowania IT, nie miałem możliwości podpisania skróconego jednostkowego sprawozdania finansowego Mabion S.A. za okres 6 miesięcy kończący się 30 czerwca 2020 roku i danych porównywalnych w sposób przewidziany obowiązującą w polskim porządku prawnym ustawą o rachunkowości.

Jednocześnie oświadczam że wedle mojej najlepszej wiedzy, śródroczne skrócone sprawozdanie finansowe Mabion S.A. za okres 6 miesięcy kończący się 30 czerwca 2020 roku i z dane porównywalne zostały sporządzone zgodnie z Międzynarodowym Standardem Rachunkowości 34 „Śródroczna sprawozdawczość finansowa", zatwierdzonymi przez Unię Europejską („MSR34") i odzwierciedlają w sposób prawdziwy, rzetelny i jasny sytuację majątkową i finansową Spółki oraz jej wynik finansowy.

Ponadto oświadczam, że sprawozdanie z działalności Spółki za okres 6 miesięcy kończący się 30 czerwca 2020 roku zawiera prawdziwy obraz rozwoju i osiągnięć oraz sytuacji Spółki, w tym opis podstawowych zagrożeń i ryzyka.

Statement

I hereby declare that, due to technical issues regarding IT software environment, I have not been able to sign the condensed interim financial statements of Mabion S.A. for a period of 6 months ending on June 30, 2020 and the comparable data in the manner set forth in the Polish Accounting Act.

At the same time, I declare that to the best of my knowledge, the condensed interim financial statements of Mabion S.A. for a period of 6 months ending on June 30, 2020 and the comparative data have been prepared in accordance with the Accounting Standard 34 "Interim Financial Reporting", approved by the European Union ("IAS34") and they give a true and fair view of the Company's financial position and its financial performance.

Moreover, the report on the Company's activity for a period of 6 months ending on June 30, 2020 contains a true view of the development, achievements and situation of the Company, including the description of basic threats and risks

Mabion S.A
Prezes Zarządu / CEO
Dr. Dirk Kreder, MBA

Dirk Kreder – Prezes Zarządu Mabion S.A./ President of Management Board of Mabion S.A.