MABION

MABION S.A. CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2022

Konstantynów Łódzki, 27 May 2022

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Notes	1 January 2022 – 31 March 2022 (not audited)	1 January 2021 – 31 March 2021 (not audited)
Income from sales	7	36,794	-
Lease income	7	1,846	-
Total income		**38,640**	**-**
Cost of sales	7	(21,819)	-
Gross profit/(loss) on sales		**16,821**	**-**
Research and development costs	8, 9	(1,879)	(7,809)
General administration costs	8	(7,847)	(5,951)
Other operating income	10	984	330
Other operating costs	10	(977)	(648)
Operating profit/(loss)		**7,102**	**(14,078)**
Financial income	11	960	123
Financial costs	11	(620)	(3,120)
Gross profit (loss)		**7,442**	**(17,075)**
Income tax	21	-	-
NET PROFIT/(LOSS)		**7,442**	**(17,075)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**7,442**	**(17,075)**
Basic and diluted profit/ (loss) per share (in PLN per one share)		**0.46**	**(1.24)**

The explanatory notes presented on pages 5 to 30 are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

in PLN thousand	Notes	31 March 2022 (not audited)	31 December 2021	31 March 2021 (not audited)
Intangible assets		850	811	953
Property, plant and equipment	12	89,638	88,672	64,466
Long-term receivables		206	206	195
Deferred tax asset		12,158	12,158	-
Total fixed assets		**102,852**	**101,847**	**65,614**
Inventories	13	9,024	8,445	4,288
Trade receivables	14	24,465	12,461	137,120
Other receivables		6,735	6,263	-
Prepayments and accrued income		6,640	6,514	2,916
Cash and cash equivalents		18,114	48,707	3,404
Total current assets		**64,978**	**82,390**	**147,728**
TOTAL ASSETS		**167,830**	**184,237**	**213,342**
Share capital		1,616	1,616	1,373
Issued but unregistered share capital		-	-	243
Share premium		237,443	237,443	108,923
Other reserves		733	731	134,209
Accumulated losses		(179,035)	(186,477)	(205,455)
Total equity	15	**60,757**	**53,313**	**39,293**
Deferred income from grants	16	32,680	32,159	34,030
Liabilities under contracts with customers	16a	-	-	14,007
Loans and borrowings	18	478	202	48
Trade liabilities		434	434	-
Lease	19	2,401	1,992	2,780
Total long-term liabilities		**35,993**	**34,787**	**50,865**
Repayable advances on distribution rights	17	1,810	1,790	46,448
Trade liabilities	20	11,007	23,242	27,096
Other liabilities	20	7,093	6,019	24,085
Loans and borrowings	18	15,322	15,250	18,716
Deferred income from grants	16	545	806	1,262
Liabilities arising from the implementation of agreements	16a	32,078	46,110	3,619
Lease prepayments	16a	1,193	955	-
Lease	19	2,032	1,965	1,958
Total short-term liabilities		**71,080**	**96,137**	**123,184**
TOTAL LIABILITIES		**107,073**	**130,924**	**174,049**
TOTAL LIABILITIES AND EQUITY		**167,830**	**184,237**	**213,342**

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CONDENSED INTERIM CASH FLOW STATEMENT

in PLN thousand	1.01.2022 – 31.03.2022 (not audited)	1.01.2021 - 31.03.2021 (not audited
Gross profit (loss)	**7,442**	**(17,075)**
Adjustments for items:		
Depreciation and amortisation	2,533	2,182
Interest income	(61)	-
Interest costs	338	414
Income from grants	(318)	(318)
Costs of the share-based incentive scheme	2	76
Lease payment measurement	(732)	(122)
Change in assets and liabilities:		
Change in inventories	(579)	1,688
Change in trade and other receivables	(12,476)	(134,479)
Change in prepayments and accrued income	(126)	(2,153)
Change in trade and other liabilities	(24,792)	25,849
Change in deferred income	87	2,029
Change in repayable advances on distribution rights	20	2,371
Change in other financial liabilities	1,260	78
Change in capital and reserves	-	133 679
Cash flows from operating activities	**(27,402)**	**14,219**
Proceeds from grants	491	351
Interest received	61	-
Interest paid	(338)	(90)
Net cash flows from operating activities	**(27,188)**	**14,480**
Disposal of property, plant and equipment	525	-
Acquisition of property, plant and equipment and intangible assets	(2,918)	(14)
Net cash flows from investing activities	**(2,393)**	**(14)**
Proceeds from borrowings	-	3 500
Repayment of borrowings	(177)	(16,439)
Repayment of lease principal	(835)	(518)
Net cash flows from financing activities	**(1,012)**	**(13,457)**
Net increase/(decrease) in cash and cash equivalents	(30,593)	1,009
Cash and cash equivalents – opening balance	**48,707**	**2,395**
Cash and cash equivalents – closing balance	**18,114**	**3,404**

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

in PLN thousand	Share capital	Issued but unregistered share capital	Share premium	Other reserves	Cumulative Losses	Total equity
As at 1 January 2021	**1,373**	**0**	**108,923**	**696**	**(188,380)**	**(77,388)**
Net loss / total comprehensive income	-	-	-	-	(17,075)	(17,075)
Transactions with shareholders:						
U series share issue	-	243	-	133,437	-	133,680
Measurement of the incentive scheme based on shares	-	-	-	76		76
As at 31 March 2021 (not audited)	**1,373**	**243**	**108,923**	**134,209**	**(205,455)**	**39,293**
As at 1 January 2022	**1,616**	**0**	**237,443**	**731**	**(186,477)**	**53,313**
Net profit / total comprehensive income	-	-	-	-	7,442	7,442
Transactions with shareholders:	-	-	-	-	-	-
Measurement of the incentive scheme based on shares	-	-	-	2	-	2
As at 31 March 2022 (not audited)	**1,616**	**0**	**237,443**	**733**	**(179,035)**	**60,757**

The explanatory notes presented on pages 5 to 30 are an integral part of these condensed interim financial statements.

ADDITIONAL INFORMATION

1. Company

Mabion S.A. (Mabion or Company) was established on 30 May 2007 as a limited liability company. The legal form of the Company changed on 29 October 2009 as a result of the transformation of the limited liability company into a joint-stock company established in accordance with the law of the Republic of Poland. Currently, Mabion is entered on the Register of Entrepreneurs of the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register under KRS number 0000340462. The Company was assigned tax identification number NIP 7752561383 and statistical identification number REGON 100343056. The Company's registered office is Konstantynów Łódzki, ul. gen. Mariana Langiewicza 60.

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

Mabion is a biotechnology company developing biotech drugs based on a monoclonal antibody technology which is at the moment the foundation of the fight against the most serious diseases. The drugs developed by the Company are targeted therapies, characterised by the ability to recognise the factor causing the disease and affect only that factor. In the area of therapeutic products, the strategic goal of the Company is to develop, manufacture, and sell medicines used in the treatment of neoplastic, autoimmune, metabolic, and neurological diseases, including rare diseases.

The Company's most advanced project is MabionCD20, a proposed biosimilar to the reference drug MabThera/Rituxan (Roche). Pending clinical data, the Company has started drawing up a marketing authorisation application for MabionCD20 to the European Medicines Agency (EMA). The available GMP-certified manufacturing capacity And the experience of the staff in the research and development, clinical, and regulatory areas enable the Company, among other things, also to participate in the development of new recombinant protein vaccines related to the prevention of COVID-19 infection.

The Company's parallel business to the development, analytics and manufacturing of its own drug candidates are contracting activities as a CDMO (Contract Development and Manufacturing Organisation). In 2021, the Company established a cooperation relationship with Novavax, which started an important chapter in the Company's operations. Complementing its profile as a manufacturer of originator medicines, Mabion started to offer contract development, manufacturing, and analytics services – in order to effectively use its available capacities and competences. At the same time, the Company continued its work on the preparation of a bridging trial of MabionCD20, on its own projects, and the selection of additional projects to be carried out in a partnership. The Company has the capability and resources to conduct R&D and manufacturing in the development of biological drugs, vaccines and innovative therapies in response to the COVID-19 pandemic.

2. Basis of preparation

These condensed interim financial statements of Mabion S.A. for the three months ended 31 March 2022 have been drawn up in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union ("IAS 34"). These statements are also drawn up in accordance with IAS 34 as issued by the IASB due to the fact that there are no differences between the IFRS as adopted in the European Union and the IFRS as issued by the IASB insofar as they apply to the Company. The condensed interim financial statements do not include all the information required in the full financial statements compliant with IFRS as adopted for application in the European Union ("IFRS") and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2021, published on 21 April 2022.

The condensed interm financial statements of Mabion S.A. for the period of 3 months ended 31 March 2022 have been prepared in accordance with the going concern principle (further information on the assumptions concerning the Company's ability to continue operations is provided in Note 3).

The most important accounting policies that have been applied in these financial statements are presented in Note 4. The same policies were applied in each financial year, unless explicitly stated otherwise.

The condensed interim financial statements have been drawn up in accordance with the historical cost principle.

Significant accounting estimates and judgements of the management are presented in Note 5.

These financial statements were authorised for publication by the Company's Management Board on 27 May 2022.

3. Going concern principle

Since its inception up to the third quarter of 2021, the Company's core business has been conducting research and development activities with a view to developing manufacturing and analytical technologies, and commercially marketing medicinal products. As a result of the specific nature of its activity, the Company has incurred operating losses and generated negative cash flows from these activities.
In view of the aforementioned characteristics of the Company's operations and the long-term prospect of generating positive cash flows, on 27 January 2021 the Company's Management Board, on the basis of an in-depth analysis of needs and

estimated benefits, adopted a new long-term strategy for financing the Company's activities.

The strategy adopted on 27 January 2021 covered the Company's overall capital needs which has to be fulfilled in order to carry out all activities which, in the opinion of the Company's Management Board, were necessary to complete the registration of MabionCD20 with the EMA and to start selling MabionCD20, allowing the Company to generate positive operating cash flows. The arrangements for the Company's financing strategy were positively reviewed by the Company's Supervisory Board. For detailed information on the assumptions and their implementation, please refer to Note 3 of the published financial statements for 2021.

In addition to its research and development activities, as a result of the successful transfer of technology, on 8 October 2021 the Company entered into the Master Contract Manufacturing Agreement with Novavax, pursuant to which the Company commenced commercial-scale GMP-compliant manufacturing, for Novavax, of the COVID-19 vaccine antigen under the name of Nuvaxovid.

The Agreement with Novavax is unconditional, and its conclusion and commencement were not dependent of the registration procedure of the Novavax vaccine in the respective markets. The Agreement has been concluded for a fixed period of time until the end of 2025, with an option for renewal. The total value of the Agreement during its term was estimated at USD 372 million i.e. PLN 1.46 billion based on the average exchange rate of the National Bank of Poland as at 7 October 2021 (the Agreement's value was estimated at the USD exchange rate applicable on the day before the day on which the agreement was signed, and on the theoretical assumption of future zero inflation during the entire term of the Agreement). The Agreement is implemented and settled per batch of the product, at the unit price per batch denominated in USD specified in the Agreement (unit prices are subject to indexation based on future inflation). Under the Agreement, the parties have agreed on the volume and production schedule for each year in the period 2022–2025, based on which Mabion will manufacture the number of product batches required by Novavax. The production schedule has been set for the entire duration of the Agreement, but the parties may agree on modifications to the schedule and volume of deliveries.
The possibility of completing the agreed scope of work under the Agreement in the future years depends on the Company's available production capacity, therefore the Management Board's objective will be to expand the production capacity as of the beginning of 2023 and equipping the facility with new bioreactors with accompanying equipment, which will result in the Company having four bioreactors in the years 2023–2025.

The Company's Management Board estimates that during the first two years of commercial manufacturing covered by the Agreement (i.e. 2022–2023), the Company may realise approximately 40% of the total value of the Agreement, and in the following two years, including as a result of increased production capacity, approximately 60% of the total value of the Agreement.

Until the balance-sheet date, the Company received payments under the agreement in the amount of USD 21,257 thousand, of which advance payments for the purchase of materials and raw materials accounted for USD 17,644 thousand, and the coverage of expenses for the adaptation of the facility with additional necessary equipment and devices accounted for USD 1,550 thousand.

After the balance-sheet date, the Company received further payments under agreements in progress in the amount of USD 6,798 thousand. Overall, payments received from Novavax up to the date of the financial statements amounted to USD 28,055 thousand. The Management Board underlines that until the balance-sheet date, the Company was in the initial phase of commercial production and the number of batches manufactured for Novavax was at a steady increase, and at the date of these statements, it is close to utilising the full production capacity available at the existing facility.
For 2022–2026, the Company's strategic objective in the area of therapeutic products invariably remains further development, manufacturing, and sales of medicines used in the treatment of most serious cancer and autoimmune, diseases, including rare diseases, while in the area of contract manufacturing (CDMO), the Company's strategic objective has become cooperation with Novavax (USA) in the area of development and production of new protein vaccines used in the fight against the COVID-19 pandemic. Moreover, the CDMO business will be developed in the coming years and the dynamics of this development will depend on the available new manufacturing and research capacities that the Company plans to expand.
Given the above business transformation in the Company, which was initiated in March 2021 and culminated in the agreement with Novavax in October 2021, the Company's Management Board is currently developing a new business strategy and business financing strategy.
To date, the Company has financed its operations with cash received from shareholder borrowings, capital issues, bank loans, grants and proceeds from MabionCD20 distribution partners. The agreement with Novavax has provided the opportunity to realise positive cash flows over the next 4 years until the end of 2025 and has become the main source of funding for ongoing operations and manufacturing capacity expansion. What is more, the Company does also exclude the use of other sources of financing such as external debt financing, grants, subsidies from EU funds, earmarked funds for the implementation of new projects, or other sources where a decision is taken to start implementing an investment aimed at a substantial increase in manufacturing capacity by constructing a new manufacturing facility with a research and development centre located next to the existing facility.
In consideration of a significant increase in manufacturing capacity, the Management Board of the Company analyses the existing possibilities to use funds under agreements in force, including a grant from the European Regional Development Fund (approx. PLN 63,000 thousand) and a not initiated agreement with the European Investment Bank up to the total amount of EUR 30,000 thousand, i.e. approx. PLN 138,000 thousand. Considering the specifics, duration and terms and conditions of the agreements described above, decisions on the possibility of obtaining funds from these sources will be

taken in the foreseeable future, not later than on the date of publication of the financial statements for H1 2022.
The Management Board of the Company is also undertaking activities aimed at starting cooperation with other entities operating on the market, in the case of which such cooperation may bring profits to the Company in the area of development and production of biologics.

In addition to all the activities undertaken in 2021 as described above, the Management Board of the Company further informs that as at the date of these financial statements, the Company holds letters of support received from the key shareholders (Twiti Investments Limited, Glatton Sp. z o.o., Polfarmex S.A.), whose contents indicate that these shareholders are willing and able to continue their financial support for the Company's day-to-day operations in the near future covering a period of at least another 11 months from the date of signing of these financial statements, should the Company's financial situation so require, which, according to the Management Board's current knowledge, will not be the case.

Following the analysis, no significant uncertainties have been identified that may cast doubt on the Company's ability to continue as a going concern.

These financial statements have been drawn up in accordance with the going concern principle, which provides that the Company will continue to operate in the foreseeable future – not shorter than 12 months as of the date of drawing up the financial statements. Therefore, no adjustments have been made to the financial statements which might be necessary should the going concern assumption be unjustified.

4. Key accounting principles

a) Functional and presentation currency

The functional and presentation 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 date of initial recognition of the item in question.

c) Recognition of income

Income from agreements with customers is recognised by the Company at the amount of consideration expected in return for the performance of the promised scope of services or the delivery of specified goods. The Company's main sources of income include production of medical substances as part of the CDMO (contract development and manufacturing company) formula and realised income from distribution rights.

The Company applies IFRS 15 "Revenue from Contracts with Customers" to all agreements with customers, except for leases within the scope of IFRS 16 "Leases", financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments".

The primary principle set out in IFRS 15 and applied by the Company is to recognise income when goods and services are transferred to the customer, at a value that reflects the price expected by the Company which is due to it in return for the transfer of those goods and services.

IFRS 15 requires that all sales contracts are recognised using the so-called five-step model, which includes the following steps:

- identification of agreement with the customer,
- identification of the performance obligation under the agreement with the customer,
- setting the transaction price,
- allocation of the transaction price to the different performance obligations,
- recognition of income upon fulfilment of a contractual obligation.

Identification of agreement with the customer

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

- an agreement has been made (in writing, verbally or in line with other usual commercial practice) and the parties are bound to perform their obligations,
- The Company is able to identify each party's rights concerning the goods or services to be transferred,
- The Company is able to identify the terms and conditions of payment for the goods or services to be transferred,
- the agreement has economic content, and
- it is likely that the Company will receive the consideration to which it is entitled in exchange for the goods or services to be provided to the customer. When assessing whether it is probable that the consideration amount will be received, the Company considers the customer's ability and intention to pay the consideration amount in a timely manner.

Identification of the performance obligations

When entering into an agreement, the Company assesses the goods or services promised in the agreement with the customer and identifies as a performance obligation any promise to transfer

to the customer a good or service (or a bundle of goods or services) that is separable, or a group of separate goods or services that are substantially the same and their transfer to the customer is of the same nature.

Services promised to the customer are separate if both of the following conditions are met:

- the customer can benefit from them either directly or through links to other resources which are readily available to the customer, and
- Company's obligation to perform the service for the customer can be identified as separate from other obligations set out in the agreement.

An important part of the Company's operations is contract development and manufacturing of medical substances. Such agreements may include various promised services, i.e. manufacturing and sales of resulting substances, provision of machinery and equipment capacity and/or adaptation of a facility to the needs of the contracting entity (technology transfer). Depending on the nature of the agreement and the links between the aforementioned elements, the Company may identify one or more performance obligations. In particular, a single performance obligation may be identified where different types of services and goods provided all serve the same purpose (e.g. to manufacture an active substance for a third party), i.e. there is a material service consisting in integrating all promised goods/services in order to produce the active substance for the customer. Furthermore, if the criteria set out in item (s) below are met, then the lease element is separated from the agreement.

In the agreement for the distribution of biosimilar medicines developed by the Company, two service performance obligations have been initially identified, i.e. a licence to use the intellectual property (rights to a medicine including distribution in the specific territory) and manufacturing services.

Setting the transaction price

To set the transaction price, the Company takes into account the terms and conditions of the agreement and customary business practices. The transaction price is the amount of consideration that the Company expects to receive in return for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the agreement with the customer may include fixed amounts, variable amounts, or both. The amount of remuneration specified in the applicable agreement per manufactured unit is fixed and may be subject to indexation on terms and conditions agreed upon between the parties.

Allocation of transaction price to performance obligations

If an agreement contains a lease component in addition to a non-lease component, the entire remuneration is first allocated between the non-lease component and the lease component on the basis of relative unit prices. With regard to the remuneration allocated to the non-lease component, the Company allocates a transaction price to each performance obligation (or to a separate good or separate service) in an amount that reflects the amount of consideration that the Company expects to receive in return for transferring the promised goods or services to the customer. The allocation is made on the basis of relative unit sale prices

Fulfilment of performance obligations

The Company recognises income upon fulfilment (or in the process of fulfilment) of the performance obligation by transferring the promised good or service to the customer. The obligations may be fulfilled over time or at a specific point in time.

Transfer of control over time

For contract manufacturing of a medical substance under the CDMO formula, the Company performs the contractually promised scope of the manufacturing service and services over the duration of the CDMO agreement. Income from manufacturing services is recognised over time based on the progress of the service.

In case of contract manufacturing, the Company recognises income using the progress measurement method based on inputs, which in the Company's opinion reflects in the best way the entity's results in fulfilling the identified performance obligation. The amount of remuneration allocated to this performance obligation is recognised as income in line with the performance stage in terms of cost. The income is based solely on costs directly related to the fulfilment of the obligation and does not take into account overheads, possible inefficiencies, excess consumption, etc. Since the manufacturing cycle and the level of costs incurred (in particular if one of the cost items are material goods purchased from third parties for the purpose of implementing an agreement) for the performance of contractual obligations are not necessarily proportional to the level of fulfilment of the obligation, when costs are incurred that are not yet accompanied by the fulfilment of the performance obligation, income is only recognised to the extent of the costs incurred.

Transfer of control at a specific point of time

If a performance obligation is not fulfilled over time, then it is recognised as fulfilled at a specific point of time and income is recognised also at that point. In order to determine the timing of the obligation fulfilment and income recognition, the requirements for transferring control of the promised asset to the customer are taken into account.

Income from contractual medical substance manufacturing services is recognised over time based on the progress of the service. The Company has selected the input-based method, as in the Company's opinion presents the entity's performance in providing the service in the best way possible.

The performance-based method of measuring progress reflects the entity's results to date achieved against the total fulfilment

of the performance obligation. Under the input-based method, the entity excludes the effects of any inputs that, in accordance with the objective of measuring progress, do not reflect the entity's results in transferring control of the goods or services to the customer. The progress measure is adjusted if the cost incurred is not commensurate with the entity's progress in fulfilling its performance obligation.

The Company analyses whether in case of early termination for reasons other than non-performance it is entitled to receive a payment that at least compensates the Company for the performance to date.

The Company recognises income in an amount equal to the cost incurred for the acquisition of goods used to fulfil a performance obligation when the entity expects, at the time of entering into the agreement, that all of the following conditions will be met:

(a) the good in question is not separate;
(b) the customer is expected to acquire control of the given good substantially earlier than when they receive services relating to the good;
(c) the cost of the acquired good is significant in relation to the total expected cost of complete fulfilment of the performance obligation; and
(d) the entity purchases the good from a third party and has no significant involvement in the design and manufacture of the good.

The agreement in force provides for specific payment terms depending on the stage of production and delivery of the different manufacturing batches at a fixed price per manufacturing batch with the possibility of indexation of the price, which is expressed in US dollars. The agreement governs the financing of working capital for the production of the different manufacturing batches in the form of pre-financing of the purchase of raw materials necessary for production in the perspective of the subsequent production cycles over a period of not less than the next 12 months. in an amount determined by the parties.

The advance payments received in the preceding reporting periods for the distribution rights to the biosimilar medicines under development in line with the agreements in force, in a non-reimbursable portion, are part of the total transaction price which will be allocated to the performance obligations identified in the agreement and will constitute income appropriately to the fulfilment of the performance obligations.

Amounts of non-reimbursable advance payments do not constitute income for the Company until commercial sales have commenced through a distribution partner who holds an exclusive licence in the relevant territory. Pursuant to the agreements in force, two service performance obligations have been initially identified, i.e. a licence to use the intellectual property (rights to a medicine including distribution in the specific territory) and manufacturing services. The total transaction price under the agreement is allocated to the aforementioned two performance obligations on the basis of the relative separate sell prices of those performance obligations. The transaction price may include both fixed and variable elements (including licence payments based on the volume of sales of the medicine). The transaction price allocated to manufacturing services is recognised as income when the service consisting in supply to the distributor of the medicine holding the relevant market authorisation is provided. The licence to use intellectual property meets the criteria to recognise income at a point in time.

The advance payments received for distribution rights in the non-reimbursable portion upon completion of the agreement confirming performance prior to the commencement of commercial sales constitute income in their entirety at the point in time. The agreement with Mylan, which was in force in the preceding reporting periods, has ceased to apply as a result of termination and no income is expected from it in the subsequent periods.

d) Grants

The Company receives financial assistance for the development and production of medicines and the research it conducts. 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 outlays 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 reimbursement is recognised immediately first by decreasing the undepreciated deferred income, if any, and if the reimbursement amount exceeds the amount of deferred income, the excess is presented 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 the accounting policy presented in Note 4(c).

The advance payments received for distribution rights in the non-reimbursable portion upon completion of the agreement confirming performance prior to the commencement of commercial sales constitute income in their entirety at the point in time.

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 assets

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

Intangible assets are measured at acquisition cost less amortisation and impairment losses.

The acquisition 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 (for property, plant and equipment). 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 and intangible assets:

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 assets	2 – 15 years

Fixed assets used under 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 updated prospectively, if necessary.

i) Impairment of property, plant and equipment and intangible assets

The carrying amount of property, plant and equipment and intangible assets 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 (CGU).

The recoverable amount of an asset or a cash-generating unit is the fair value of assets/CGU 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

Inventories are measured at (i) cost or (ii) net realisable value, whichever is lower.

The acquisition price includes all purchase, processing and other costs incurred by the Company to bring the inventories to their present location and condition. The acquisition price is reduced by discounts, trade rebates, and other similar items.

Manufacturing cost includes costs directly attributable to production increased by systematically allocated fixed and variable production overheads incurred for processing materials into finished goods, taking into account the utilisation rate of the Company's so-called regular manufacturing capacity.

In the period covered by these statements, the Company is not yet engaged in production or sales of its products, hence 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 as at the balance-sheet date is determined using the "first-in, first-out" method (FIFO).

The raw materials purchased by the Company and used for the CDMO agreement implementation are recognised in the profit and loss account as at the moment of their purchase and not as at the moment of their actual use in production, where these raw materials have no alternative use (i.e. they are specifically identifiable and the Company does not have the right to use the raw materials for purposes other than contract manufacturing, and other circumstances also indicate that control over the raw materials is transferred to the contracting party by the Company as at the moment of purchase of the raw materials). Consequently, the Company does not recognise purchases of raw materials acquired for the purpose of contract manufacturing in the balance-sheet under inventories.

k) Long-term receivables

Long-term receivables include deposits paid by the Company to the lessor under a lease agreement 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. Deposits are held to collect contractual cash flows that include Solely Payment of Principal and Interest (SPPI) and therefore after initial recognition, these receivables are measured at amortised cost including allowance for expected credit losses (the accounting policy for allowances for expected credit losses is set out in section 4(v)).

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

As part of its assets under an agreement, the Company recognises rights to remuneration in exchange for goods or services that it has transferred to the customer if the right is subject to a condition other than the passage of time and the payment for those services or goods has not yet occurred and an invoice has not been issued. The Company assesses whether an asset under an agreement is impaired on the same basis as for the financial assets under IFRS 9. Where the right to receive remuneration is unconditional and the Company has issued an invoice for goods or services supplied, the right to receive remuneration is recognised as a trade receivable.

As part of receivables, the Company recognises rights to remuneration in return for goods or services it has provided to a customer, if the right is unconditional (the only condition for the remuneration to be payable is the passage of a specified time). The Company recognises the receivable in accordance with IFRS 9. Upon initial recognition of a receivable under an agreement, any difference between the measurement of the receivable under IFRS 9 and the corresponding previously recognised amount of income is recognised by the Company under costs.

Trade receivables are measured at fair value at the time of initial recognition. Trade receivables are measured after initial recognition, such assets are measured at amortised cost using the effective interest method, and are decreased by possible write-downs for expected credit losses (the accounting policy for allowances for expected credit losses is set out in section 4(v)). Impairment losses are charged to the financial result for a given period and reduce the carrying amount of receivables.

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 denominated in foreign currencies are presented at the average exchange rate announced for the currency in question by the National Bank of Poland on the last working day preceding the day of transaction, unless another exchange rate was determined in a customs declaration or other document binding upon the entity.

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

Advance payments for materials and services are recognised initially and at the balance-sheet date in the amount of the payment made.

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. Cash in bank accounts meets the SPPI test and the 'held for collection' business model test, and is therefore measured at amortised cost with an impairment loss determined in accordance with the expected loss model (in accordance with the policy outlined in 4(v)).

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. Any share premium received or receivable on the issue of shares is reported under 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 transferring the carrying amount of the debt to the Company's equity. Debt recognition is discontinued if and only if the Company is relieved of its obligation to pay funds as a result of the issue of treasury shares to creditors. 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 the Company's equity.

p) Deferred income

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

q) Trade and other liabilities

As part of liabilities under an agreement, the Company recognises the remuneration received from the customer, which involves an obligation to provide goods or services to the customer. If the customer has paid the remuneration or the Company is entitled to an amount of remuneration that is unconditional (i.e. receivable) before the goods or services have been transferred to the customer, the Company presents the agreement as a contractual liability at the time the payment is made or when the payment becomes due (whichever is earlier).

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 liabilities are measured at amortised cost.

s) Lease

In the case of contract manufacturing, there may be elements of operating leases in which the Company is the lessor. They result from the above-mentioned provision of specific means

of production exclusively for the benefit of the party commissioning the production.

Fixed assets that are owned by the Company and used for contract manufacturing constitute a single lease, representing interrelated and interdependent manufacturing assets. The agreement is a lease if it gives the ordering party the right to control the use of an identified asset for a period of time in return for remuneration and the control is assessed taking into account the rights that the counterparty generally has over the useful life of the asset.

A lease is recognised in the financial statements if:

- There are identified assets that are used by the Company to manufacture for the contractor
- The counterparty has assessed whether the Company's production facility is ready for contract manufacturing, and therefore the existing manufacturing assets have been approved by the counterparty
- The equipment additionally purchased by the Company has been approved by the counterparty;
- The Company does not hold any material right of substitution of the fixed assets that are allocated for the implementation of the agreement with the counterparty, because it would not economically benefit from exercising the right to substitute the asset (i.e. the economic benefits of substituting the asset would not exceed the costs of substituting it). Moreover, in any event replacement of the asset requires consent from the counterparty, so in reality the Company does not have the right to replace it;
- The premises of the factory building where manufacturing takes place is a physically separate part of the whole building and therefore also meets the criteria of an identified asset.
- The Counterparty has the right to derive substantially all of the economic benefits from the use of the identified asset over its useful life. The Company is bound by contractual restrictions on the use of fixed assets intended for implementing the contract manufacturing agreement for other purposes (including manufacturing for third parties or for the Company's own needs) without prior written consent of the counterparty. The counterparty has the right to derive all of the economic benefits from the use of the identified assets over its useful life.
- Pursuant to the agreement in force, the counterparty has the right to direct the use of the identified asset throughout its useful life by commissioning the production (i.e. it determines if and when these assets are used in production and decides on the quantity of production)

Setting the lease term

The lease period is the expected period of the contract manufacturing agreements for the production of the active substance, since termination of an agreement during this period involves substantial, extensive penalties for the parties, which make it reasonably certain that the agreement will not be terminated early.

Classification of leases as finance leases or operating leases

The Company is a party to the lease agreements as the lessor in the case of contract manufacturing agreements and where it follows so from the aforementioned characteristics of these agreements.

When evaluating the qualification of identified lease elements as an operating lease or a finance lease, the Company considers whether:

- the lease provides for a transfer of ownership of the underlying asset to the lessee (contracting party) before the end of the lease term,
- the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value of the asset at the time such an option becomes exercisable to assume with sufficient certainty at the lease origination date that the lessee will indeed exercise this option,
- the lease term represents a significant proportion of the economic useful life of the underlying asset, even if title is not transferred,
- the current amount of lease payments on the origination date are generally nearly equal to the aggregate fair value of the underlying asset; and
- the underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

Should the above conditions imply that substantially all the risks and rewards of the assets are not transferred onto the lessee, then the lease is accounted for as an operating lease, and otherwise it is treated as a finance lease.

The Company is a lessee under lease agreements.

Leases are recognised as right-of-use assets and liabilities to pay for those rights on the date the leased assets are available for use by the Company.

The right-of-use assets are presented under 'property, plant and equipment' in the statement of financial position.

At the lease inception date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the right to use the underlying asset over the lease term:

- fixed payments (including substantially fixed payments), less any lease incentives payable;
- variable lease payments which depend on an index or a rate;
- amounts expected to be paid by the lessee under the guaranteed residual value;
- strike price of the call option if it can be assumed with reasonable certainty that the lessee will exercise the option;
- financial penalties for terminating a lease if the lease conditions provide that the lessee may exercise the option to terminate the lease.

Lease payments are discounted using the lease interest rate, if that rate is readily determinable, or the lessee's incremental borrowing rate.

Each lease payment is allocated between the liability and the finance cost. After initial recognition, lease liabilities are measured using the effective interest rate. The carrying amounts of the liabilities are updated to reflect the change in the estimated lease term, call option, change in lease payments and guaranteed residual value, and modification of the lease agreement.

The lease term is a non-cancellable lease term; periods covered by renewal and early termination options are included in the lease term if there is a reasonable certainty that the lease will be renewed or the agreement will not be terminated early.

The right-of-use assets are initially measured at cost which includes:

- initial measurement amount of the lease liability;
- any lease payments paid on or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- estimated costs of dismantling, removing the underlying asset and carrying out the refurbishment.

After initial recognition, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or modification of the lease.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, using the straight-line method. Depreciation periods for right-of-use assets are generally 4 or 5 years.

The Company applies 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.

t) Share-based payments

The Company has introduced a remuneration scheme based on own shares. Payments as part of the scheme are made in the form of equity instruments. Therefore, the Company recognises the costs of this scheme in the Company's operating expenses as a component of remuneration and an increase in equity.

Share-based benefits settled in the form of equity instruments (warrants) are measured at fair value at the grant date. In the fair value measurement of the warrants, the market condition for vesting (i.e. shares reaching a specified minimum price) is taken into account.

If the employee's service in respect of the benefits offered by the Company commences prior to the grant date, the fair value of the warrants is remeasured at each reporting date to their current fair value up to the grant date, as of which date the fair value determined does not change.

The value of share-based benefits is recognised as an expense over the vesting period. The total cost is recognised over the vesting period, i.e. the period during which all specified vesting conditions must be satisfied. At the end of each reporting period, the entity revises its estimates of the expected number of warrants that will be vested in employees following the satisfaction of non-market vesting conditions (i.e. the employment condition). The entity recognises the effect of any revision to the original estimate in profit or loss, with a corresponding adjustment to 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. 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. Cash received as payment of the exercise price of warrants is recognised by the Company in equity. 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.

v) Impairment of financial liabilities measured at amortised cost

The Company assesses expected credit losses (ECL) and determines the recoverable amount of financial assets measured at amortised cost (including trade receivables, deposit receivables, cash and cash equivalents) irrespective of any indication of impairment. Expected credit losses represent the difference between the present value of all contractual cash flows and the present value of expected future cash flows. In estimating the present value of cash flows expected in the future, it takes into account the business and credit profile of its customers, the experience gained in cooperation with them, and reasonable expectations regarding the development of these relationships in the future.

For trade receivables, the Company applies the simplified approach and measures impairment losses in the amount of credit losses expected over the life of the receivable from its initial recognition. The Company uses an allowance matrix in which allowances are calculated for trade receivables classified into different age ranges or past due periods. As the Company has no significant amounts of trade receivables, a further detailed policy in this scope is not presented.

The Company employs a three-grade impairment model for financial assets other than trade receivables:

- Grade 1 – balances for which credit risk has not increased significantly since initial recognition; Expected credit losses are determined based on the probability of default over 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Grade 2 – balances for which there has been a significant increase in credit risk since initial recognition but no objective evidence of impairment exists; expected credit losses are determined based on the probability of default over the contractual life of the asset;
- Grade 3 – balances with objective evidence of impairment.

In the Company's view, there is a significant increase in credit risk, particularly when the balance is past due for 30 days or more.

Financial assets are written off, in whole or in part, when the Company has exhausted virtually all collection efforts and considers that recovery of the receivable can no longer be reasonably expected. This usually occurs when an asset is at least 360 days past due.

5. Major estimates and judgements

In applying the accounting policies described in Note 4, the management makes estimates, judgements and assumptions relating to the recognition and measurement of particular assets and liabilities. The estimates and related assumptions are based on past experience, the Management's expectations, or other factors considered relevant. Actual results may differ from the estimates. Estimates and related assumptions require regular review. Changes in accounting estimates are recognised on a prospective basis starting from the period in which the estimates were changed. The most significant estimates and judgements made by the management, which have the most significant effect on the amounts reported in the financial statements, are presented below.

a) Recognition of lease under the applicable agreement with Novavax

The applicable agreement with Novavax has been identified as containing a lease and is appropriately recognised in the financial statements as the following conditions are met:

- There are identified assets that are used by the Company to manufacture for Novavax
- Novavax has assessed whether the Company's production facility is ready for contract manufacturing, and therefore the existing manufacturing assets have been approved by counterparty
- The equipment additionally purchased by the Company has been approved by Novavax
- The Company does not hold any material right of substitution of the fixed assets that are allocated for the implementation of the agreement with counterparty, because it would not economically benefit from exercising the right to substitute the asset (i.e. the economic benefits of substituting the asset would not exceed the costs of substituting it). Moreover, in any event replacement of the asset requires consent from the counterparty, so in reality the Company does not have the right to replace it;
- The premises of the factory building where manufacturing takes place is a physically separate part of the whole building and therefore also meets the criteria of an identified asset.
- Novavax has the right to derive substantially all of the economic benefits from the use of the identified asset over its useful life. The Company is bound by contractual restrictions on the use of fixed assets intended for implementing the contract manufacturing agreement for other purposes (including manufacturing for third parties or for the Company's own needs) without prior written consent of the counterparty. Novavax has the right to derive all of the economic benefits from the use of the identified assets over its useful life.
- Pursuant to the agreement in force, Novaax has the right to direct the use of the identified asset throughout its useful life by commissioning the production (i.e. it determines if and when these assets are used in production and decides on the quantity of production)

Fixed assets that are owned by the Company and used for contract manufacturing constitute a single lease, representing significantly interrelated and interdependent manufacturing assets, and have been classified by the Company as operating lease.

For the CDMO contract manufacturing agreements in place, the Company has accounted for the lease elements of the contract manufacturing agreements as operating leases. This is because the majority of production assets:

(i) has an alternative use and the Company plans and has the ability to utilise it after completion of the agreement,
(ii) the lease term (4 years) does not cover most of the economic useful life of the majority of the underlying assets.
(iii) the ownership of the majority of production assets is not transferred to the counterparty at the end of lease;
(iv) the contracting party does not have a possibility to purchase those assets,
(v) the current amount of lease payments is materially lower than the fair value of the fixed assets provided by the Company.

It was assumed that the lease period is the expected period for which the contract manufacturing agreement for the production of the active substance was concluded. Should the agreement be terminated within this period, there are substantial, extensive penalties for the parties, which make it reasonably certain that the agreement will not be terminated early.
The lease consideration under the agreement with Novavax was based on relative unit sale prices. The unit sale prices were determined on the basis of costs and market margins, i.e. the amount of depreciation costs and the expected market margin for the lease of this type of fixed assets.

b) Income recognition estimates and classification of inventories from the agreement with Novavax

Income from contractual medical substance manufacturing services is recognised by the Company over time based on the progress of the service. The Company has selected the input-based method, as in the Company's opinion presents the entity's performance in providing the service in the best way possible.

The performance-based method of measuring progress reflects the Company's results to date achieved against the total fulfilment of the performance obligation. Under the input-based method, the Company has excluded the effects of any inputs that, in accordance with the objective of measuring progress, do not reflect the Company's results in transferring control of the goods or services to the customer. The progress measure adjustments were included in the value estimate model taking into account that the cost incurred is not proportional to the entity's progress in fulfilling the performance obligation.

The Company has analysed whether in case of early termination for reasons other than non-performance it was entitled to receive a payment that at least compensates the Company for the performance to date.

The Company recognises income in an amount equal to the cost of goods used to fulfil the performance obligation as it expects that all of the following conditions will be met:

(a) the good in question is not separate;
(b) Novavax is expected to acquire control of the given good substantially earlier than when they receive services relating to the good;
(c) the cost of the acquired good is significant in relation to the total expected cost of complete fulfilment of the performance obligation; and
(d) the Company was not significantly involved in designing and developing the active substance manufactured under the agreement.

Following the input-based method, raw materials purchased by the Company are recognised in the profit and loss account immediately upon purchase rather than when actually used in production. Consequently, the Company does not recognise purchases of raw materials acquired for the purpose of contract manufacturing in the balance-sheet under inventories. As regards the cost of raw material used, income is recognised up to the cost of such raw materials if all of the following criteria are met, i.e.:

- the raw material is not separate (i.e. a material service is needed for integration of the raw material with the manufacturing service provided by the Company),
- The contracting party acquires control of raw materials well in advance of receiving the services related to the raw materials;
- the cost of the raw material transferred is significant in relation to the total expected cost of complete fulfilment of the performance obligation; and
- The Company procures the raw material from a third party and is not significantly involved in the design and manufacture of the raw material.

Raw materials purchased by the Company for the purposes of contract manufacturing are immediately recognised in the profit and loss account as cost of sales because:

- the raw materials have no alternative use (i.e. the Company does not have the right to use the raw materials for purposes other than contract manufacturing, and other circumstances also indicate that control over the raw materials is transferred to the contracting party by the Company),
- contract manufacturing of an active substance meets the criteria for income recognition over time, thus costs incurred in relation to the fulfilment of the Company's performance obligation are recognised in the profit and loss account at the time they are incurred, including the raw material purchased specifically for the purpose of the agreement.

In the financial statements for the current reporting period, the Company recognises purchased raw materials as cost of sales in the profit and loss account with income recognised at an amount equal to the raw material acquisition cost, and thus no profit margin is recognised with regard to the raw material costs. In the statement of financial position as at 31 March 2022, the Company does not activate the raw material recognised as inventories, but accounts for this raw material as the cost of meeting the performance obligation, given the nature of the purchases and the nature of the agreement.

Income recognised using the input-based method reflects the profit margin earned by the Company from the onset of manufacturing in accordance with the agreement in force and the incurring of manufacturing costs other than just the use of raw materials or carrying out activities to confirm the effectiveness of the transfer of technology. .

c) Deferred tax assets relating to income tax relief

In the 2021 financial statements, the Company recognised deferred tax assets for the first time and measured the amount expected to be deducted from income tax in the foreseeable future based on the prudence principle.

The Company has historically realised significant negative temporary differences, resulting mainly from ongoing research and development work that will reduce the income tax base in the future. In addition, the Company holds zone permits and the resulting gross subsidy equivalents and has generated deductible tax losses from non-zone activities in the last 5 years. The existing entitlements to exercise the deduction from the tax base and the right to benefit from public aid have been verified, considering the expected income from both the activities within the zone and outside it in a period most probable from the point of view of the estimates.

The prudence principle in the estimation of the tax asset resulted from the adoption of a restrictive approach and the lack of previous history of tax base generation to account for state aid held, loss brought forward, or temporary differences.

While the Company does not publish financial forecasts, it points out that the tax result may significantly differ from the Company's result realised in the different reporting periods.

d) Depreciation of property, plant and equipment

Depreciation rates are based on the expected useful lives of property, plant and equipment. Each year, the Company revises the assumed useful lives using current estimates. The useful lives are determined by reference to the estimated periods over which the Company expects to derive future economic benefits from the use of the assets. The Company also accounts for past experience with similar assets, if any. The Company also accounts for anticipated future events that may affect the useful life of assets, such as technology developments.

e) Determination of the point of time when criteria for capitalisation of development costs are met

Due to the risks and uncertainty around the medicine authorisation process, the Company does not currently meet the criteria for capitalisation of incurred expenses and therefore development outlays are recognised as an expense in profit or loss the moment they are incurred. In principle, the Company expects to capitalise development costs starting from the moment the medicine is authorised by the relevant regulatory authority.

6. Operating segments

The Company generates income from a long-term agreement for the manufacture and sales of an active substance implemented under the CDMO formula. Income from this agreement is accounted for over time, using the input-based method. The costs associated with manufacturing and the amount of income may change over time. The balance-sheet measurement of assets related to the implementation of the agreement and the expected amount of income and implementation costs are determined on the basis of estimates of the Company's Management Board.

The Company classifies a single lease component as an operating lease based on the criteria listed in IFRS 16 paragraphs 62–65. Due to the fact that all components are interrelated and interdependent, and they are treated as one lease component, the classification of a lease as an operating lease is made for the lease as a whole and not for each component separately.

There has been no change in this respect since the Company's last annual financial statements.

In the period covered by these financial statements, the Company's business activities were conducted only in Poland. All assets of the Company are located in Poland.

6.a Seasonal nature of the Company's operations

The Company's business is not seasonal or cyclical. The Company's manufacturing capacity currently available is dedicated to the implementation of the CDMO agreement.

7. Income and cost of sales

in PLN thousand	1.01.2022 – 31.03.2022 (not audited)	1.01.2021 - 31.03.2021 (not audited)
Income from agreements with customers, including	**36,794**	**-**
Income from active substance manufacturing service	36,794	-
Lease income	**1,846**	**-**
Cost of sales	(21,819)	-
Gross profit on sales	**16,821**	**-**

In the presented reporting period, the Company generated income from its core activities consisting in the provision of manufacturing and sales services under the CDMO formula, i.e. the agreement for the manufacture of the active substance.

As part of the agreement with Novavax, which was entered into in October 2021, the Company has committed to manufacture a specified number of batches of the active substance until 2025. The production will be performed using a technology provided by the contracting party, which – due to binding contractual provisions and issues related to intellectual property rights is also the only entity entitled to receive the manufactured batches of the active substance. Since the service rendered by the Company creates assets with no alternative use and the Company is entitled to remuneration at each stage of performance, the conditions for recognising income from the performance of this agreement over a period of time were considered to be met.

Given the homogeneity of all batches (a series of similar benefits), the total number of batches was considered by the Company to be a single performance obligation. Moreover, the aforementioned agreement in force contains elements of a lease, resulting from the fact that in order to fulfil the

aforementioned obligation under the agreement, the Company allocated certain fixed assets (a set of interrelated assets constituting a production line) exclusively to the entity commissioning the production.

Accordingly, the remuneration associated with the fulfilment of the aforementioned obligation under the agreement includes the following components (non-lease and lease):

- income from the production of the active substance, which is accounted for over time using the input-based method, and
- income from operating leases where the Company is the lessor, related to the implementation of this agreement.

The total remuneration under the agreement with Novavax was allocated to the individual components on the basis of relative unit sale prices. The unit sale prices were determined on the basis of costs and market margins (i.e. for the lease element: the amount of depreciation costs and the market margin for the lease of this type of fixed assets, whereas for the non-leasing element, it is the amount of manufacturing costs and a reasonable expected margin).

8. Costs by type

The table below shows the categories of generic costs:

in PLN thousand	1.01.2022 – 31.03.2022 (not audited)	1.01.2021 - 31.03.2021 (not audited)
Outsourced services, including:	383	1,508
waste removal and disposal	-	97
repair services	90	410
analytical services	2	56
research services	-	190
advisory services	239	700
legal services	26	14
other	26	41
Costs of materials	182	2,076
Staff remuneration costs	734	2,887
Depreciation and amortisation	505	1,194
Drug registration costs	56	110
Other costs	19	34
Total research and development costs by type	**1,879**	**7,809**
Consumption of materials, energy, utilities	956	1,077
Staff remuneration costs	2,854	1,889
Depreciation and amortisation	422	988
Advisory services related to the conclusion of distribution agreements	166	164
Share-based management scheme	2	76
Outsourced equipment maintenance services	419	69
Taxes and charges	235	186
Audit and other advisory services	859	156
Other costs	1,934	1,346
Total general administration costs by type	**7,847**	**5,951**

Depreciation costs for fixed assets used for contract manufacturing and corresponding to the income lease component were allocated in the cost of sales item.

9. Research and development costs

in PLN thousand	1.01.2022 – 31.03.2022 (not audited)	1.01.2021 - 31.03.2021 (not audited)
MabionCD20	1,685	7,386
MabionEGFR	-	415
Other projects	194	8
Total research and development costs	**1,879**	**7,809**

Research and development costs are recognised as cost of the period in profit or loss when incurred, in accordance with IAS 38. Once the criteria set out in paragraph 57 of IAS 38 are met, development costs may be capitalised and recognised as an intangible asset.

On 24 February 2022, the Management Board of Mabion S.A. decided to abandon further implementation of the research project concerning the development of MabionEGFR due to the fact that, in the opinion of the Management Board, further implementation of the project is unjustified. Following this decision and in accordance with the provisions of the co-financing agreement, the Company submitted a final application for payment and final information on the project implementation to the National Centre for Research and Development (NCBR). The final amount of funding received will be determined by NCBR after evaluation of the documents submitted by the Company, including those indicated above.

10. Other operating income and costs

in PLN thousand	1.01.2022 – 31.03.2022 (not audited)	1.01.2021 - 31.03.2021 (not audited)
Write-downs on tangible current assets	-	-
Profit on sales of fixed assets	-	-
Grants	318	318
Other	666	12
Total other operating income	**984**	**330**
Loss on liquidation of fixed assets	-	6
Write-downs on tangible current assets	326	426
Disposal of materials	111	190
Other	540	26
Total other operating costs	**977**	**648**

Income from grants relates 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 318 thousand and PLN 318 thousand in the first quarter of 2022 and 2021, respectively, which was included in the financial result in particular periods in proportion to the value of depreciation of assets financed from grants.

The revaluation write-down of property, plant and equipment relates to the stock materials for which there is no alternative use and their expiry date is shorter than their possible existing use.

11. Financial costs and income

in PLN thousand	1.01.2022 – 31.03.2022 (not audited)	1.01.2021 - 31.03.2021 (not audited)
Interest income	61	-
Net positive exchange rate differences	899	-
Other	-	123
Total financial income	**960**	**123**
Interest costs, including:	338	414
on loans and borrowings	272	294
on lease liabilities	64	70
on trade liabilities	2	49
budgetary	-	1
Net negative exchange rate differences	-	2,706
Other	282	-
Total financial costs	**620**	**3,120**

Interest income in the present reporting period arises from accrued interest on cash balances in bank deposits.

12. Property, plant and equipment

In the current reporting period, the Company incurred expenditures on property, plant and equipment and intangible assets (including those not put to use) in the amount of PLN 3,520 thousand, of which PLN 71 thousand relate to work associated with the extension of the production plant and the construction of a new building with production lines significantly increasing production capacity.

Property, plant and equipment commissioned during the period of 3 months of 2022 represents PLN 4,810 thousand, part of which was financed under the lease agreements which are presented in Note 19.

The Company's management has not identified any indication of impairment of property, plant and equipment as at 31 March 2022.

The Company incurred expenses of PLN 9,709 thousand relating to advance payments for the implementation of agreements on the supply of fixed assets to retrofit the existing facility, including to increase the manufacturing capacity in future periods.

13. Inventories

The balance of inventories includes materials, including reference medicines (MabThera and Rituxan) and as at 31 March 2022, it amounted to PLN 9,024 thousand (as at 31 March 2021 it was PLN 4,288 thousand).

The value of used-up inventories reported in the costs of research and development in Q1 2022 was PLN 182 thousand (PLN 2,076 thousand in the Q1 2021).

Following the input-based method for the recognition of income under the agreement with Novavax, raw materials purchased by the Company for the implementation of this agreement are recognised in the profit and loss account at the time of purchase and not at the time they are actually used for production due to the fact that these raw materials have no alternative use. The raw materials are specifically identifiable and the terms of the agreement with Novavax forbid the Company from using them for any purpose other than the implementation of the contract manufacturing agreement (Novavax controls these raw materials since their purchase by Mabion). As a result, the Company does not recognise raw materials purchased for the purposes of contract manufacturing for Novavax as inventory, but in the reporting period presented herein, the Company recognises purchased raw materials as cost of sales in the profit and loss account with income recognised at an amount equal to the raw material acquisition cost, and thus no profit margin is recognised.

14. Trade and other receivables

in PLN thousand	31 March 2022 (not audited)	31 December 2021
VAT receivables	5,521	4,834
Trade receivables	24,465	12,461
Advances on materials and services	1,132	1,394
Deposits	48	20
Other receivables	34	15
Trade and other receivables	**31,200**	**18,724**

The item of trade receivables includes an amount due from Novavax and concerns payments due for batches of active substance manufactured up to the balance-sheet date and receivables for the procurement of raw material volumes sufficient for the future commercial production of the active substance involving the Company's full production capacity. The parties' intention will be to cyclically place similar orders for the procurement of raw materials according to separately agreed budgets and schedules in successive periods.

15. Equity

In accordance with Resolution no 25/VI/2018 of 28 June 2018, the Ordinary General Meeting authorised the Supervisory Board of the Company to issue no more than 125 000 A and B subscription warrants, granting eligible employees the right to acquire 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 authorisation given in Resolution No. 24/VI/2018 of the Company's Ordinary General Meeting, the Supervisory Board approved the Rules and Regulations for the Incentive Scheme for 2018–2021. The taking-up of the shares and the exercise of rights carried by the warrants will be possible upon conditions listed in the Rules and Regulations. Alternatively, warrants may be purchased by the Company in order to be redeemed. However, the Company currently has no intention to use cash settlement.

On 12 February 2019, by passing appropriate Resolutions, the Supervisory Board approved the list of employees eligible to subscribe for A and B warrants for the years 2018 and 2019, and stated that the market condition (minimum price) for A warrants for the year 2018 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2018 was met.A warrants for 2019 were ultimately not exercised due to the market condition not being met.

On 18 of November 2019, all B warrants granted for the year 2018 (9,500 warrants) were taken up by the eligible persons.

On the same day, all eligible persons submitted declarations of subscription for all S series shares (9,500 shares) for which they were entitled due to warrants taken up. The shares were taken up by the eligible person on the same day.

On 30 January 2020, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2019 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2019 was met. A warrants for 2019 were ultimately not exercised due to the market condition not being met. On 27 February 2020, by passing appropriate Resolutions, the Supervisory Board accepted the list of employees eligible to subscribe for A and B warrants for the year 2020.

On 23 June 2020, all B warrants granted for the year 2019 (500 warrants) were taken up by all eligible persons. On the same day, all eligible persons submitted declarations of subscription for all S series shares (500 shares) for which they were entitled due to warrants taken up. The shares were taken up by the eligible person on the same day.

On 25 January 2021, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2020 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2020 was met. A warrants for 2020 were ultimately not exercised due to the market condition not being met.

On 29 April, by passing appropriate Resolutions, the Supervisory Board accepted the list of employees eligible to subscribe for A and B warrants for the year 2021.

On 31 January 2022, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2021 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2021 was met. A warrants for 2021 were ultimately not exercised due to the market condition not being met.

Up to the date of approval of these statements, the B series warrants for 2020 and 2021 have not yet been exercised.

The table below shows the details of the Scheme and its valuation as at 31 March 2022:

	A Warrants		B Warrants	
Tranche for year	2020	2021	2020	2021
Scheme's approval date (the beginning of the vesting period)	28 June 2018			
Grant date	27 February 2020	29 April 2021	27 February 2020	29 April 2021
End of vesting period	25 January 2021	31 January 2022	25 January 2021	31 January 2022
Number of instruments granted	28,500	28,215	500	500
Exercise Price	PLN 91.00	PLN 91.00	PLN 0.10	PLN 0.10
Share price as at 31 March 2022	PLN 30.10	PLN 30.10	PLN 30.10	PLN 30.10
Market vesting condition	Reaching a minimum price defined as the arithmetic average of the stock prices of the Company on the Warsaw Stock Exchange, calculated on the basis of the daily average prices weighted with trading volume, in the last month of each year		-	-
Minimal price	PLN 280.00	PLN 400.00	-	-
Non-market vesting condition	For the employee to maintain a business relationship or continuing to provide services for the Company for a period of at least 183 days in a given year during the Scheme			
Settlement	Shares			
Expected volatility (based on the historic volatility of the Company's share prices in 24 months preceding the Valuation Date)	55.22%	92.92%	55.22%	92.92%
First possible exercise date	14 February 2021	14 February 2022	14 July 2021	14 July 2022
Last possible exercise date	31 July 2022			
Risk-free rate	1.23%-1.84%	0.14%-0.25%	1.23%-1.84%	0.14%-0.25%
Dividend rate	0%			
Departure probability	23.89% per annum			
Warrant's fair value Valuation Date	27 February 2020	29 April 2021	27 February 2020	29 April 2021
Warrant's fair value as at the Valuation Date	PLN 0.00	PLN 0.55	PLN 46.24	PLN 63.08
Scheme value (fair value of warrant x number of warrants)	PLN 0.00	PLN 15,433.99	PLN 23,121.95	PLN 31,541.20
Valuation model	Binominal model			

The table below shows the details of the Scheme and its valuation as at 31 December 2021:

	A Warrants		B Warrants	
Tranche for year	2020	2021	2020	2021
Scheme's approval date (the beginning of the vesting period)	28 June 2018			
Grant date	27 February 2020	29 April 2021	27 February 2020	29 April 2021
End of vesting period	25 January 2021	31 January 2022	25 January 2021	31 January 2022
Number of instruments granted	28,500	28,215	500	500
Exercise Price	PLN 91.00	PLN 91.00	PLN 0.10	PLN 0.10
Share price as at 31 December 2021.	PLN 61.10	PLN 61.10	PLN 61.10	PLN 61.10

	A Warrants		A Warrants	
Tranche for year	2020	2021	2020	2021
Market vesting condition	Reaching a minimum price defined as the arithmetic average of the stock prices of the Company on the Warsaw Stock Exchange, calculated on the basis of the daily average prices weighted with trading volume, in the last month of each year		-	-
Minimal price	PLN 280.00	PLN 400.00	-	-
Non-market vesting condition	For the employee to maintain a business relationship or continuing to provide services for the Company for a period of at least 183 days in a given year during the Scheme			
Settlement	Shares			
Expected volatility (based on the historic volatility of the Company's share prices in 24 months preceding the Valuation Date)	55.22%	92.92%	55.22%	92.92%
First possible exercise date	14 February 2021	14 February 2022	14 July 2021	14 July 2022
Last possible exercise date	31 July 2022			
Risk-free rate	1.23%-1.84%	0.14%-0.25%	1.23%-1.84%	0.14%-0.25%
Dividend rate	0%			
Departure probability	21.58% per annum			
Warrant's fair value Valuation Date	27 February 2020	29 April 2021	27 February 2020	29 April 2021
Warrant's fair value as at the Valuation Date	PLN 0.00	PLN 0.55	PLN 46.24	PLN 63.08
Scheme value (fair value of warrant x number of warrants)	PLN 0.00	PLN 15,433.99	PLN 23,121.95	PLN 31,541.20
Valuation model	Binominal model			

The following table presents information on warrants in Q1 2022:

	A Warrants			B Warrants			
Tranche for year	2019	2020	2021	2018	2019	2020	2021
Exercise Price	PLN 91			PLN 0.10			
	Number of warrants						
As at the beginning of the period	-	28,500	28,500	-	-	500	500
Redeemed in the period	-	-	-	-	-	-	-
Exercised in the period	-	-	-	-	-	-	-
Expired in the period	-	-	-	-	-	-	-
As at the end of the period (including those to which rights have been acquired as at the balance-sheet date)	-	28,500	28,500	-	-	500	500
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

The following table presents information on warrants in 2021:

	A Warrants			B Warrants			
Tranche for year	2019	2020	2021	2018	2019	2020	2021
Exercise Price		PLN 91				PLN 0.10	
			Number of warrants				
As at the beginning of the period	-	28,500	28,500	-	-	500	500
Redeemed in the period	-	-	-	-	-	-	-
Exercised in the period	-	-	-	-	-	-	-
Expired in the period	-	-	-	-	-	-	-
As at the end of the period (including those to which rights have been acquired as at the balance-sheet date)	-	28,500	28,500	-	-	500	500
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

On 29 April 2020, the Company's Supervisory Board approved the list of employees eligible to take up A and B warrants for the year 2020. Accordingly, the fair value valuation of the above-mentioned warrant tranches was draw up as at 27 February 2020 which constitutes the grant date.

On 29 April 2021, the Company's Supervisory Board approved the list of employees eligible to take up A and B warrants for the year 2021. Accordingly, the fair value valuation of the warrants was prepared as at 29 April 2021. As at 31 March 2022, only the number of warrants to which the eligible persons acquired rights was updated.

The fair value of warrants has been determined based on the binominal stock option valuation model. For the valuation purposes, a share price tree was built as a representation of possible future paths the Company's share price can follow (monthly change in the share price), based on the historical volatility of the Company's share prices. The measurement was carried out using backward induction including the market condition (reaching the minimum price) and the possibility of an earlier execution of the option in line with the Rules and Regulations of the Scheme (based on the assumptions on the eligible employees' expected minimum rate of return).

The total cost of the Scheme for different balance-sheet dates will be estimated based on the most current measurements of the fair value of the warrants and the probability of eligible employees' departure. The costs of the Scheme are accounted for over time from the date of vesting or from the date of commencement of employment in exchange for the benefits in question (if earlier than the date of vesting) in proportion to the vesting period for each tranche of warrants.

If the market condition for A warrants for a specific year is not met, the Supervisory Board may grant these warrants alongside A warrants for the year in which the market condition is met. Due to the uncertainty concerning the future decisions made by the Supervisory Board in this matter, the estimate of the Scheme's cost as at 31 March 2022 does not include the effect of rolling the warrants for which the market condition was not met. This does not exclude the possibility of these warrants being granted in the following years, as per the Rules and Regulations of the Scheme.

The amount recognised cumulatively in costs and in capital up to 31 March 2022 totals PLN 733 thousand and has increased by PLN 2 thousand in relation to the cumulative amount recognised up to 31 December 2021, when it amounted to PLN 731 thousand. The increase in costs by PLN 2 thousand increased payroll costs and other reserves. The Scheme valuation amount presented in the table above differs from the amount recognised cumulatively in capital due to the completion of part of the Scheme.

16. Deferred income

in PLN thousand	31 March 2022 (not audited)	31 December 2021
Grants on property, plant and equipment	7,420	7,651
Grants on research and development costs	25,805	25,314
Deferred income (long- and short-term)	**33,225**	**32,965**

In the past, the Company financed part of its operations with grants from the European Regional Development Fund managed by the following government institutions in Poland: the Regional Development Agency of Łódź (ŁARR), the Polish Agency for Enterprise Development (PARP) and the National Centre for Research and Development (NCBiR).

These were three projects to fund R&D and/or implementation of MabionCD20, a technology to produce analogues of human hormone insulin (double cutting technology), and MabionHER2 medicine, which have been completed.

Fixed assets for which the grant was obtained were put into use in 2015 and their depreciation started at that date. The relevant part of deferred income (grants) was also recognised in the financial result, as other operating income, in parallel to the write-downs on these assets (PLN 318 thousand in the first quarter of 2022 and PLN 318 thousand in the first quarter of 2021).

In the period covered by these condensed interim financial statements, the Company received a grant payment for research and development costs under the Operational Programme Smart Development 2014–2021: InnoNeuroPharm sectoral programme in the amount of PLN 491 thousand.

On 23 February 2022, the Management Board of Mabion S.A. decided to abandon further implementation of the research project concerning the development of MabionEGFR, entitled "Development of a biotechnological medicine through the development of an innovative monoclonal IgG1 subclass antibody with reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR" as part of the sectoral programme:InnoNeuroPharm financed from SGOP 2014–2020 due to the fact that, in the Management Board's opinion, its further implementation is not justified Consequently, a final application for payment and final information on the Project implementation were submitted to the NCBR. At present, the Company is anticipating the formal closure of the project, which includes the acceptance of the Final Report and the final payment request.

On 19 April 2022 (an event after the balance-sheet date), the Management Board of Mabion S.A., with the Ministry of Development Funds and Regional Policy, signed an annex to the agreement on co-financing for the project "Expansion of the Research and Development Centre of Mabion S.A. – research on the new generation of medicines" (CBR) as part of Measure 2.1 Support for investment in R&D infrastructure of enterprises of the Operational Programme Smart Development 2014–2020 co-financed by the European Regional Development Fund. According to the annex, the period of expenditure eligibility for the Project was extended until 31 December 2023 (previously, it was 31 December 2021). Moreover, due to the inclusion of an additional research area in the Company's activity, i.e. vaccine therapies, the objective and material and financial scope of the Project were changed to the extent enabling the introduction of the aforementioned research area to the Project.

In the reporting period, no income was recognised in respect of amounts that were included in the opening balance sheet as advance payments (deferred income).

16.a Liabilities under contracts with customers

in PLN thousand	31 March 2022 (not audited)	31 December 2021
Liabilities arising from the implementation of the agreement with Novavax	32,078	46,110
Lease prepayments	1,193	955
Total	**33,271**	**47,065**

Liabilities in respect of the implementation of agreements with customers include payments received from Novavax in relation to an active substance manufacturing agreement. Apart from lease, there is one non-lease performance obligation separated in this agreement, which is the provision of an active substance manufacturing service. Income from the foregoing payments is recognised by the Company over time, over the period of implementation of the agreement. Raw materials purchased for the purposes of the agreement constitute costs of the agreement implementation at the time of their purchase. In line with the accounting policy outlined in these statements, these raw materials, when purchased by Mabion, are recognised as cost of sales and at the same time, income is recorded in an amount equal to the raw material acquisition cost, hence the Company does not recognise a profit margin.

17. Repayable advances on distribution rights

The table below presents a list of all advance payments received from partners with whom the Company has entered into distribution cooperation agreements:

in PLN thousand	31 March 2022 (not audited)	31 December 2021
FARMAK	1,163	1,150
ONKO	512	506
Sothema Laboratories	107	106
Lyfis	28	28
Total	**1,810**	**1,790**

The changes in the value of repayable advances on distribution rights in the period of three months ended 31 March 2022 result from changes in exchange rates as all the advances were denominated in EUR.

In accordance with the information provided in the financial statements of the Company for the financial year ended 31 December 2021, such advance payments 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 material changes to the terms and conditions of agreements with distribution partners.

18. Loans and borrowings

a) Bank loans

On 24 October 2019, the Company concluded with the European Investment Bank (EIB) an unsecured loan agreement for financing the implementation of investment and research and development projects, including the development 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 may be disbursed in three tranches once specific conditions are met, which include the achievement of registration and commercialisation milestones for MabionCD20. The interest rate on the Loan is fixed at may amount to 2.7% per annum at most. The drawing period of the Loan is 36 months from the date of the Financing Agreement. The Agreement contains numerous obligations of the Company towards the EIB and stipulates situations constituting a breach of the Agreement resulting, inter alia, in the possibility of its termination by the EIB. Taking into account the change in MabionCD20's regulatory strategy, the Company has taken steps to adapt the existing agreement to the Company's current strategy, including in particular agreeing on new conditions for releasing individual tranches as well as their timing. The period of availability of the loan ends on 24 October 2022.

On 29 November 2019, the Extraordinary General Meeting of the Company adopted Resolution No. 3/XI/2019 on the conditional increase of the share capital through the issue of 402,835 T series ordinary bearer shares with a nominal value of PLN 0.10 each, with a total nominal value not exceeding PLN 40,283.50. The conditional share capital increase was effected in order to grant rights to take up T series shares to the European Investment Bank in connection with signing, on 24 October 2019, the loan agreement for EUR 30 million. The right to take up T series shares may be exercised until 29 November 2029. All T series shares may be paid up only by contribution in cash. The issue price of T series shares is PLN 0.10 per share.

As at 31 March 2022, the Company has not drawn any tranche of the EIB loan and its debt on this account is PLN 0 (zero).

As at the balance-sheet date, the Company also did not issue any subscription warrants in connection with the implementation of this agreement.

b) Borrowings from shareholders

On 15 July 2021, the Company entered into a borrowing agreement with Glatton Sp. z o.o. (Borrowing), amounting to PLN 15,000 thousand, to refinance the revolving credit facility granted to the Company in 2018 by Santander Bank Polska S.A. ("Loan" and "Bank", respectively). The Company utilised the amount of PLN 15,000 thousand under the Loan. The borrowing agreement entered into force on 16 July 2021. The Borrowing constituted additional financing not included in the financing declared on 16 March 2021 by the main shareholders of the Company. Pursuant to the borrowing agreement, the Company was obliged to repay the Borrowing by 31 December 2021, with the parties allowing for the possibility of extension of the aforementioned term. The interest rate on the Borrowing was agreed upon on an arm's length basis as a variable interest rate based on WIBOR 3M plus margin. The collateral for the repayment of the Borrowing consisted of: a mortgage on real property located in Konstantynów Łódzki up to the

amount of PLN 45,000 thousand (first rank entry in the mortgage register) with priority right over other possible mortgage creditors, and a statement on submission to execution in the form of a notarial deed. Subject to the mortgage referred to above, the total nominal value of the collateral in favour of the Lender was to be equal or exceed at least 150% of the Borrowing amount.
On 10 December 2020, the parties concluded an annex to the agreement, according to which the borrowing repayment date was extended to 31 December 2021. On 17 December 2021, the parties concluded an annex to the agreement, according to which the borrowing repayment date was extended to 12 July 2022. The other terms and conditions of the Borrowing remain unchanged.

c) Loans secured on assets

The Company is a party to 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 was first fully paid for by the Company, and the lease agreements contain irrevocable offers to buy back the equipment being the subject of the agreement at the end of the lease period. These agreements have been concluded for 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 equivalent to all due but unpaid receivables to which the lessor is entitled under a given lease agreement, in particular receivables from lease payments, damages, contractual penalties or reimbursement of costs, including due interest, in case the Company fails to pay any of these receivables on the due date.

On 30 March 2022, the Company entered into a leaseback agreement with PKO Leasing S.A. to finance the purchase of laboratory equipment amounting to PLN 525 thousand.

As at 31 March 2022, the total value of outstanding loans secured on assets was PLN 800 thousand.

19. Lease

The Company is a user of cars and laboratory equipment under lease agreements.

On 17 December 2019, the Company entered into a lease agreement for office space in Łódź for the years 2021–2023 and recognised lease as at 31 December 2019.

The lease agreements concluded by the Company provide for a 3 to 5-year lease period. They are secured by blank promissory notes. The lessor has the right to fill in a promissory note up to the amount equivalent to all due but unpaid receivables to which the lessor is entitled under a given leasing agreement, in particular receivables under lease payments, compensations, contractual penalties or reimbursement of costs, including due interest, in the event that the Company fails to pay any of these receivables on the due date.

Changes in the interest rate taken into account in the calculation of the lease instalment amount result in changes in the amount of lease instalments. All lease agreements, except for office space lease, include an option to purchase the leased item after the end of the lease period.

Depreciation of leased fixed assets in the reporting period amounted to PLN 576 thousand, and lease interest amounted to PLN 64 thousand.

The total gross carrying amount of leased items as at 31 March 2022 totals PLN 14,224 thousand.

The table below presents information on the amount of future minimum lease payments and the current value of minimum lease payments as at 31 March 2022 and 31 December 2021.

in PLN thousand	Future minimum lease payments as at 31 March 2022 (not audited)	Current value of minimum lease payments as at 31 March 2022 (not audited)	Future minimum lease payments as at 31 December 2021	Current value of minimum lease payments as at 31 December 2021
Up to 1 year	2,114	2,032	2,056	1,965
From 1 to 5 years	2,847	2,401	2,278	1,992
Total	**4,961**	**4,433**	**4,334**	**3,957**

20. Trade and other liabilities

in PLN thousand	31 March 2022 (not audited)	31 December 2021
Trade liabilities	11,441	23,676
Social insurance and income tax on wages	1,684	1,862
Provision for unused leave	1,262	912
Liabilities under remunerations	1,672	578
Other liabilities	2,440	2,607
Company Social Benefits Fund	35	59
Total trade and other liabilities	**18,534**	**29,694**

The Management Board of Mabion S.A., by Resolution No. 2/I/2022 of 20 January 2022, decided that in 2022, the Company will not establish a Company Social Benefits Fund and will not pay leave allowance.

21. Effective income tax rate

In the current reporting period, the Company has not generated a tax base which would result in an obligation to pay income tax. Therefore, the effective income tax rate was 0 (zero).

The Company has historically realised significant negative temporary differences to tax, resulting mainly from ongoing research and development work that will reduce the income tax base in the future. In addition, the Company holds zone permits and the resulting gross subsidy equivalents and has generated deductible tax losses from non-zone activities in the last 5 years. The existing entitlements to exercise the deduction from the tax base and the right to benefit from public aid have been verified, considering the expected income from both the activities within the zone and outside it in a period most probable from the point of view of the estimates.

The tax asset as at 31 December 2021 was estimated at PLN 12,158 thousand and was not updated as at the balance-sheet date of 31 March 2022 due to the fact that there were no significant changes in assumptions from the level estimated and recognised in the financial statements for the previous financial year. The Company has built a fully-equipped Scientific-Industrial Complex in the Łódź Special Economic Zone (LSEZ). Pursuant to the Act on Special Economic Zones, business activities carried out within a special economic zone under a permit are exempt from corporate income tax up to the amount resulting from the available public aid and incurred eligible costs. The basis for the exemption is the amount of incurred eligible costs, which must not exceed the maximum value specified in the permit granted by the LSEZ Board. Mabion is entitled to the exemption until 31 December 2026, the last year of operation of the LSEZ under applicable law. To retain the right to the exemption, the Company had to meet the investment sustainability criterion and the employment volume criterion until 31 December 2021. The investments covered by the permits issued in 2010 and 2012 were completed, and the Company's fulfilment of the conditions entitling it to the tax relief was positively verified during audits conducted by the LSEZ.

At the end of 2016, the Company obtained a third permit, no. 301, which relates to a new investment, i.e. the expansion of an existing medicine manufacturing facility. On 10 August 2021, the Company received a decision of the Minister of Development, Labour and Technology on the amendment of permit no. 301 to conduct activity in the Łódź Special Economic Zone. By virtue of the above mentioned decision, on the Company's request the deadline for incurring investment expenditure within the meaning of § 6.1 of the Regulation of the Council of Ministers of 10 December 2008 on public aid granted to entrepreneurs operating on the basis of a permit to conduct business in special economic zones, in the amount of at least PLN 20 million, was extended from 30 June 2021 to 31 December 2024. The Company has requested the aforementioned deadlines to be changed in view of the need to update the schedule of planned investments, based on the Company's current needs.

22. Financial risk management

As regards the type of financial risks to which the Company is exposed, the amount of exposure, and the management of these risks, there have been no significant changes since the last annual financial statements published on 21 April 2022.

23. Fair value of financial instruments presented at amortised cost

The Company does not have any financial instruments measured at fair value. For the purpose of the 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 borrowings, refundable prepayments for distribution rights, shareholders' borrowings and borrowings secured on assets.

The Company's management assessed that the fair value of these items approximates or equals their carrying values.

24. Related party transactions

There is no direct or ultimate controlling party in the Company.

In the period covered by these condensed interim financial statements, the Company has neither recorded sales to nor purchases from the related parties on conditions materially different from arm's length terms.

Key Management remuneration (including share-based payment and remuneration)

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

In the item 'Remuneration of Management Board members', the Company presents both remuneration under employment contracts as well as appointment.

in PLN thousand	1 January 2022 – 31 March 2022 (not audited)	1 January 2021 – 31 March 2021 (not audited)
Remuneration of Supervisory Board members	120	107
Remuneration of Management Board members	622	528
Share-based payments	-	31
Provisions for awards	8	13
Total short-term remuneration	**750**	**679**

25. Contingent liabilities and contractual obligations

a) Contractual obligations

As at 31 March 2022, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards IMA S.p.A. with its registered office in Italy (IMA) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which IMA undertook to manufacture, for the Company, a packaging line – a device intended for the purposes of the "Expansion of the Research and Development Centre of Mabion S.A. – research on a new generation of medicines" ("CBR") under Measure 2.1 Support for investment in R&D infrastructure of enterprises of the Operational Programme Smart Development 2014–2020 co-financed by the European Regional Development Fund. The value of the liability as at the balance-sheet date amounts to EUR 275 thousand.

As at 31 March 2022, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards EbeTech GmbH with its registered office in Germany (EbeTech) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which EbeTech undertakes to manufacture, for the Company, a vial filling line. The value of the liability as at the balance-sheet date amounts to EUR 1,622 thousand.

As at 31 March 2022, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards Adolf Kuhner AG with its registered office in Switzerland, arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which Adolf Kuhner AG undertakes to manufacture, for the Company, four bioreactors, with a capacity of 2,500 litres each, of which two will form part of a second production line and another two will be used to replace existing bioreactors as part of the upgrade of the Company's plant. The equipment procured is to meet both European and US GMP (Good Manufacturing Practice) requirements. The value of the liability as at the balance-sheet date amounts to EUR 1,623 thousand.

As at 31 March 2022, there is a contractual obligation of the Company regarding the acquisition of development work, towards Parexel International (IRL) Limited with its registered office in Ireland (Parexel) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which Parexel undertakes to conduct a three-arm, double-blind, randomised clinical trial. The value of the liability as at the balance-sheet date amounts to EUR 4,326 thousand.

b) Contingent liabilities

As at 31 March 2022, the Company does not have any contingent liabilities which would be expected by the management to have a material adverse effect on the Company's financial position or operations and/or cash flow.

26. Court litigation settlements

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

27. Events after the balance-sheet date

On 19 April 2022, the Management Board of Company's concluded an annex to the agreement on co-financing of the project entitled "Expansion of the Research and Development Centre of Mabion S.A. - research on the new generation of medicines".

According to the annex, the period of expenditure eligibility for the Project was extended until 31 December 2023 (previously, it was 31 December 2021). Moreover, due to the inclusion of an additional research area in the Company's activity, i.e. vaccine therapies, the objective and material and financial scope of the Project were changed to the extent enabling the introduction of the aforementioned research area to the Project. The annex was entered into at the request of the Company due to circumstances affecting the implementation of the Project in previous years, i.e. at first issues related to own contribution financing, and then the COVID-19 pandemic and the need to account for the area of vaccine therapies.

On 19 April 2022, the Management Board of Mabion S.A. received information that the Company's activity as a manufacturer the Product, i.e. active substance SARS-CoV-2 rS, was entered into the National Register of Manufacturers, Importers and Distributors of Active Substances kept by the Chief Pharmaceutical Inspectorate (GIF). Obtaining an entry is a neutral event on the operational side of the implementation of the agreement, i.e. it was not related to the tasks and settlements carried out so far, nor does it affect the tasks planned in future periods, settlements between the parties, or the schedule for the production of the vaccine antigen. All these elements are governed by the agreement of 8 October 2021, which the Company implements on schedule. The event is of material importance to the Company in the regulatory context. It represents the final regulatory element for which the Company, as the entity conducting the manufacturing activities, is responsible as part of its cooperation with Novavax, i.e. holding an appropriate up-to-date GMP certificate and ensuring that the Company, as the manufacturer of the active substance SARS-CoV-2 rS, is entered in the Register of the Chief Pharmaceutical Inspectorate as the competent authority for the Company. The other regulatory activities – those related to updating regulatory documentation on the product side, rest with Novavax. As a result of obtaining the Entry, all batches of the Product manufactured by the Company in GMP standard for Novavax, once the formalities have been completed by Novavax, will be sellable by Novavax.
The Company is remunerated on an ongoing basis upon completion of the manufacturing and quality control of a batch.

The Management Board of Mabion S.A. informs about the decision of the Board of the Warsaw Stock Exchange (GPW) adopted on 20 April 2022 on the admission and introduction to exchange trading on the WSE Main Market of 500 S series ordinary bearer shares of the Company, with the nominal value of PLN 0.10 each.

On 25 May 2022, the Supervisory Board of the Company adopted resolutions appointing the following persons to the Management Board of the Company for the second joint term of office: Mr. Krzysztof Kaczmarczyk, entrusting him with the function of President of the Management Board of the Company, Sławomir Jaros, entrusting him with the function of Member of the Management Board of the Company, Adam Pietruszkiewicz, entrusting him with the function of Member of the Management Board of the Company, Grzegorz Grabowicz, entrusting him with the function of Member of the Management Board of the Company. The adoption aforementioned resolutions is related to the expiry of the first joint term of office of Members of the Company's Management Board. The resolutions will become effective on the day following the date of the Ordinary General Meeting of the Company approving the financial statements for the financial year ended 31 December 2021. The term of office of Members of the Company's Management Board is joint and runs for 5 years.

The Management Board

Krzysztof Kaczmarczyk

President of the Management Board

Sławomir Jaros

Member of the Management

Grzegorz Grabowicz

Member of the Management

Adam Pietruszkiewicz

Member of the Management

Katarzyna Kutera-Wasiak

Chief Accountant

Konstantynów Łódzki, 27 May 2022

MABION

SCIENTIFIC AND INDUSTRIAL COMPLEX OF MEDICAL BIOTECHNOLOGY

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