

**MABION S.A.
CONDENSED INTERIM FINANCIAL
STATEMENTS AS OF
AND FOR THE 3 AND 9 MONTHS
ENDED 30 SEPTEMBER 2019**

Konstantynów Łódzki, 14 November 2019.

A large, light gray geometric network pattern consisting of interconnected lines and circular nodes, resembling a molecular or network structure, is positioned in the lower half of the page.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise stated	Notes	1 July 2019 – 30 September 2019 (unaudited)	1 January 2019 – 30 September 2019 (unaudited)	1 July 2018 – 30 September 2018 (unaudited)	1 January 2018 – 30 September 2018 (unaudited)
Revenues from research and development services		-	-	-	-
Cost of sold services		-	-	-	-
Gross profit on sales		-	-	-	-
Research and development costs	8, 9	(9 124)	(30 218)	(8 309)	(35 039)
General and administrative expenses	8	(5 673)	(17 566)	(4 424)	(15 784)
Other operating income	10	594	1 687	929	2 130
Other operating costs	10	(201)	(559)	-	-
Loss on operating activities		(14 404)	(46 656)	(11 804)	(48 693)
Financial revenues	11	238	777	849	658
Financial costs	11	(2 567)	(2 550)	(149)	(4 251)
Gross loss		(16 733)	(48 429)	(11 104)	(52 286)
Income tax	21	-	-	-	-
NET LOSS		(16 733)	(48 429)	(11 104)	(52 286)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		(16 733)	(48 429)	(11 104)	(52 286)
Basic and diluted loss per share (in PLN per share)		(1.22)	(3.53)	(0.95)	(4.06)

The explanatory notes presented on pages 5 to 20 constitute an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

in PLN thousand	Notes	30 September 2019 (unaudited)	31 December 2018
Tangible and intangible fixed assets	12	71 846	72 445
Long-term receivables		-	110
Total non-current assets		71 846	72 555
Inventory	13	7 866	10 298
Trade and other receivables	14	3 144	2 606
Prepayments and accrued income		859	840
Cash and cash equivalents		23 880	58 418
Total current assets		35 749	72 162
TOTAL ASSETS		107 595	144 717
Share capital		1 372	1 372
Share premium		108 923	108 923
Other supplementary capitals		715	714
Accumulated losses		(117 299)	(68 870)
Total equity	15	(6 289)	42 139
Deferred income	16	42 502	32 656
Loans and borrowings	18	769	1 386
Finance leases	19	2 216	2 027
Total non-current liabilities		45 487	36 069
Refundable prepayments for distribution rights	17	46 701	43 969
Trade and other liabilities	20	15 714	16 770
Loans and borrowings	18	854	900
Deferred income	16	3 546	3 546
Finance leases	19	1 582	1 324
Total current liabilities		68 397	66 509
TOTAL LIABILITIES		113 884	102 578
TOTAL LIABILITIES AND EQUITY		107 595	144 717

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CONDENSED INTERIM STATEMENT OF CASH FLOWS

in PLN thousand	1 January 2019 – 30 September 2019 (unaudited)	1 January 2018 – 30 September 2018 (unaudited)
Loss before income tax	(48 429)	(52 286)
Adjustments for:		
Depreciation and amortisation	8 287	7 832
Interest income	(507)	(658)
Interest expense	372	1 931
Revenues from grants	(1 335)	(1 468)
Loss (profit) on investment activities	15	-
Costs of the share-based incentive scheme	1	-
Change in assets and liabilities:		
Change in inventories	2 433	(2 420)
Change in trade and other receivables	(512)	(3 194)
Change in prepayments and accrued income	(19)	(216)
Change in trade and other liabilities	920	(5 721)
Change in deferred income	-	13 995
Change in the refundable prepayments for distribution rights	2 732	6 575
Cash used in operating activities	(36 042)	(35 629)
Proceeds from research and development grants	11 335	4 900
Repayment of subsidies for research and development	(154)	(228)
Interest received	480	404
Interest paid	(372)	(2 173)
Net cash used in operating activities	(24 753)	(32 726)
Disposal of property, plant and equipment	54	-
Acquisition of property, plant and equipment	(7 932)	(3 606)
Increase (decrease) in other non-current assets	-	(2)
Net cash used in investing activities	(7 878)	(3 608)
Proceeds from issuance of shares	-	174 790
Costs of issuance of shares	-	(10 337)
Proceeds from shareholder loans	-	178 773
Proceeds from bank loans	-	15 000
Repayment of shareholder loans	-	(178 755)
Repayment of loans	(662)	-
Repayment of bank loans	-	(75 017)
Repayment of the finance lease principal	(1 245)	(1 168)
Net cash used in financial activities	(1 907)	103 286
Net increase/(decrease) in cash and cash equivalents	(34 538)	66 952
Cash and cash equivalents at the beginning of the period	58 418	1 038
Change in cash and cash equivalents due to foreign exchange differences	-	-
Cash and cash equivalents at the end of the period	23 880	67 990

The explanatory notes presented on pages 5 to 20 constitute an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

in PLN thousand	Share capital	Share premium	Other reserves	Accumulated loss	Total equity
As at 1 January 2018	1 180	2 549	0	(57 887)	(54 158)
Net loss / total comprehensive income	-	-	-	(52 286)	(52 286)
Transactions with shareholders:					
Reduction of share premium to cover loss	-	(57 887)	-	57 887	-
Proceeds from issuance of P-series shares	192	174 598	-	-	174 790
Costs of issuing P-series shares	-	(10 337)	-	-	(10 337)
As at 30 September 2018 (unaudited)	1 372	108 923	0	(52 286)	58 009
As at 1 January 2019	1 372	108 923	714	(68 870)	42 139
Net loss / total comprehensive income	-	-	-	(48 429)	(48 429)
Measurement of the share-based incentive scheme	-	-	1	-	1
As at 30 September 2019 (unaudited)	1 372	108 923	715	(117 299)	(6 289)

The explanatory notes presented on pages 5 to 20 constitute an integral part of these condensed interim financial statements.

ADDITIONAL INFORMATION

1. Company

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

The Company’s shares are listed on the regulated market of the Warsaw Stock Exchange.

2. Basis for preparation

These condensed interim financial statements of Mabion S.A. for the period of three and nine months ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union (IAS 34), and with the IAS 34 as issued by IASB as for the Company there are no differences between IFRS as issued by IASB and as adopted by EU.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS”) and should be read in conjunction with the Company’s annual financial statements as of December 31, 2018.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for 2018, except for the corporate income tax, which has been calculated using expected effective average annual tax rate. The new or revised standards and interpretations, effective starting from January 1, 2019, had no impact on these condensed interim financial statements.

New or revised standards and interpretations, which have been issued but are not yet effective and may impact the Company have been presented alongside their estimated impact on the Company in the annual financial statements for the year ended December 31, 2018. There were no new or revised standards and interpretations issued from the date of approval of the Company’s annual financial statements for the year ended December 31, 2018 to the date of approval of these condensed interim financial statements, which would have impact on the Company. The Company intends to apply all new and amended IFRS affecting the Company, issued but not yet effective as of the date of issuing these condensed interim financial statements, at their mandatory effective dates.

The Management Board of Mabion SA believes that notes to these condensed interim financial statements of Mabion SA contain all material information necessary for the proper assessment of the Company’s material and financial situation in the reporting period, in line with the scope of information and disclosures required by IAS 34.

These condensed interim financial statements of Mabion S.A. for the period of 3 and 9 months ended 30 September 2019 have been prepared on a going concern basis. Information regarding the assumption that the Company is able to continue its activities is presented in Note 3.

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

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

These condensed interim financial statements were authorized for issue by the Company's Management Board on 14 November 2019.

3. Going concern assumption

Since inception, the Company has been focused on performing research and development activities in order to develop and market its products commercially. The Company has incurred losses from operations and has been generating negative operating cash flows. This situation is expected to continue for the foreseeable future.

So far, the Company has been financing its operations with cash obtained from shareholder and bank loans, capital issuance, grants and cash obtained from distribution partners.

Further raising of funds available on the market, both banking market as well as a result of implementation of the strategic agreements with future distribution partners (see Note 17), use of grants and possible further shareholders' support shall provide the Company with funding sufficient to complete the development of its MabionCD20 drug and implement future development projects.

The Company's success is dependent in particular on securing funding of its operations as well as being able to register and commercially sell its products.

As at the balance-sheet date, the Company is in possession of letters of support from key shareholders, prepared on 28 August 2019 and on 2 September 2019, respectively, which indicate that they are willing and able to continue financial support for the Company's current operating activity in the near future, covering a period of at least 13 months as of the date of their preparation.

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

As at 30 September 2019, the level of the Company's equity shows a loss exceeding the sum of supplementary and reserve capitals and one-third of the share capital. In connection with the above, the Management Board of Mabion S.A. included in the agenda of the Extraordinary General Meeting of the Company convened for 29 November 2019 a point anticipating taking a resolution regarding the continued existence of the Company, pursuant to art. 397 of the Commercial Companies Code.

4. Significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies used for the purpose of preparing recent annual financial statements for 2018, except for the corporate income tax, which has been calculated based on the expected effective annual average tax rate and except for the changes described in the Chapter "New standards and interpretations" below.

The Company's functional currency is the Polish zloty (PLN).

The condensed interim financial statements are presented in thousands of PLN as rounded to full thousands, unless otherwise stated.

New standards and interpretations

In the periods starting after 1 January 2019, new standards, amendments to existing standards and interpretations adopted by the European Union are in force. The following amendments to IFRSs have been applied in these financial statements in accordance with their effective dates:

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leases ("IFRS 16"), which replaced IAS 17 Leases, IFRIC 4 Determining whether an agreement contains a lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of Lease. IFRS 16 sets out recognition principles for leases in respect of measurement, presentation and disclosure.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 from or before the date of first application of IFRS 16. The Company has not decided to apply IFRS 16 earlier.

The Company assessed the impact of the introduction of IFRS 16 on the applied accounting principles in relation to the Company's operations or its financial results. The Company has identified a current operating lease agreement that has not yet been recognised as a lease and that may meet the definition of a lease in accordance with IFRS 16. The Company has estimated that the application of IFRS 16 does not have a material impact on financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments.

The Interpretation explains how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over recognition of income taxes. Due to the fact that the Company does not generate revenues, the standard has no significant impact on the financial statements.

Amendments to IFRS 9 Early repayments with negative compensation.

The amendments allow entities to measure individual financial assets with the right to early repayment with negative compensation at amortized cost or at fair value through other comprehensive income, if a specific condition is met - instead of measurement at fair value through profit or loss. The standard does not currently have a significant impact on the financial statements.

Amendments to IAS 19 Employee Benefits.

The amendments to the standard specify the requirements related to the accounting treatment of modifications, limitations or settlements of a defined benefit plan.

Annual amendments to IFRS 2015-2017 introduce changes to 4 standards: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The amendments contain clarifications and explain the guidelines for standards on recognition and measurement.

New standards announced and adopted by the European Union, not yet effective

The following standards and interpretations have been published by the International Accounting Standards Board but have not come into force yet:

- » Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published on 11 September 2014) - work leading to the approval of these amendments has been postponed by the EU for an indefinite period - the date of entry into force has been postponed by IAS for an indefinite period,
- » Amendment to IFRS 3 Business Combinations (published on 22 October 2018) - until the date of approval of these interim condensed financial statements, not approved by the EU - applicable to annual periods beginning on or after 1 January 2020,
- » IFRS 17 Insurance Agreements (published on 18 May 2017) - until the date of approval of these interim condensed financial statements not approved by the EU - applicable to annual periods beginning on or after 1 January 2022
- » Amendments to the References to Conceptual Assumptions contained in International Financial Reporting Standards (published on 29 March 2018) - not approved by the EU until the date of approval of these condensed interim financial statements - applicable to annual periods beginning on 1 January 2020 or later,
- » Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of materiality (published on 31 October 2018) - by the date of approval of these condensed interim financial statements not approved by the EU - applicable to annual periods beginning on 1 January 2020 or later,

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The Company did not decide to apply any standard, interpretation or amendment published but not yet effective in the light of the European Union regulations earlier.

5. Critical accounting estimates and judgments

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

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

6. Operating segments

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

7. Seasonality of operations

The Company's activities are neither seasonal nor cyclical. In the period of 9 months ended on 30 September 2019, the Company has not generated any revenue from the sales of goods and services or products and materials.

8. Expenses by nature

The table below shows the categories of generic costs:

in PLN thousand	1.07.2019 - 30.09.2019 (unaudited)	1.01.2019 - 30.09.2019 (unaudited)	1.07.2018 - 30.09.2018 (unaudited)	1.01.2018 - 30.09.2018 (unaudited)
Third-party services	1 119	5 598	1 814	16 614
Costs of materials	3 896	11 748	2 570	6 434
Personnel expenses	2 704	8 475	2 571	6 589
Depreciation and amortisation	1 222	3 690	1 329	3 753
Registration fees	178	676	-	1 570
Other expenses	5	31	25	79
Research and development costs by nature	9 124	30 218	8 309	35 039
Lease and office expenses	1 163	3 707	1 237	3 224
Personnel expenses	1 597	5 702	1 154	3 890
Depreciation and amortisation	1 549	4 597	1 279	3 970
Advisory services in connection with distribution contracts	127	500	-	664
Share-based payment expense	14	1	-	109
Rental, usage and maintenance of equipment and company car expenses	134	562	242	531
Taxes and fees	156	468	146	462
Audit and other advisory services	616	1 207	179	1 082
Other	317	822	187	1 852
General and administrative expenses by nature	5 673	17 566	4 424	15 784

9. Research and development costs

in PLN thousand	1.07.2019 - 30.09.2019 (unaudited)	1.01.2019 - 30.09.2019 (unaudited)	1.07.2018 - 30.09.2018 (unaudited)	1.01.2018 - 30.09.2018 (unaudited)
MabionCD20	8 836	29 215	8 108	34 365
MabionEGFR	279	954	189	623
Other projects	9	49	12	51
Total research and development costs	9 124	30 218	8 309	35 039

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

In June 2018, the Company submitted an application to the European Medicines Agency ("EMA") for admission of MabionCD20 to trading. The application was accepted for evaluation. On 24 April 2019, the Company submitted responses to the EMA's questions concerning the application, which allowed the Agency to continue its evaluation of the application. On 1 July 2019, the Company received a second round of questions from the EMA under the drug registration procedure. At the same time, in May 2019 the Company submitted the second application for registration of MabionCD20, in which the list of indications for

the product does not include rheumatoid arthritis (RA). This application was accepted for evaluation. On 10 and 11 November 2019 the Company was informed that its responses to the questions of round II under two registration applications regarding MabionCD20 were successfully submitted in the EMA's electronic system. Currently the Company is at the stage of Day 181 of the procedure. Since this stage both applications will be examined in parallel. The Company is awaiting the opinion of the Committee for Medicinal Products for Human Use (CHMP) which is a prerequisite for EMA's issuing the marketing authorisation for MabionCD20.

As a result of the GIF inspection commissioned by the European Medicines Agency (EMA), on 23 and 25 July w 2019 the Company received two GMP (Good Manufacturing Practice) certificates for the Mabion S.A. Industrial and Scientific Complex for Medical Biotechnology in Konstancin Łódzki.

10. Other operating income and expenses

in PLN thousand	1.07.2019 - 30.09.2019 (unaudited)	1.01.2019 - 30.09.2019 (unaudited)	1.07.2018 - 30.09.2018 (unaudited)	1.01.2018 - 30.09.2018 (unaudited)
Grants	493	1 562	496	1 520
Other operating income	13	37	433	610
Total other operating income	506	1 599	929	2 130
Loss on sale (liquidation) of fixed assets	(2)	(15)	-	-
Write-downs on current assets	(86)	(382)	-	-
Other operating costs	(24)	(73)	-	-
Total other operating expenses	(112)	(470)	-	-

Revenues from grants relate in particular to the part of grants received in previous years to purchase fixed assets in projects co-financed from EU funds, in the amount of PLN 1 464 thousand in the period of 9 months ended 30 September 2019 and PLN 1 464 thousand in the corresponding period ended 30 September 2018 (see Note 16) which is recognised in profit or loss for each period in proportion to the depreciation/amortisation of the assets financed by the grant. The grant amount of PLN 78 thousand obtained until 30 September 2019 relates to the received subsidy for employee training.

Write-offs revaluing current assets in the amount of PLN 382 thousand concern:

- » inventories of materials in the amount of PLN 327 thousand, which were created in accordance with the binding accounting policy for materials whose useful life expires on 31 December 2019.
- » doubtful receivables in the amount of PLN 55 thousand.

11. Finance income and costs

in PLN thousand	1.07.2019 - 30.09.2019 (unaudited)	1.01.2019 - 30.09.2019 (unaudited)	1.07.2018 - 30.09.2018 (unaudited)	1.01.2018 - 30.09.2018 (unaudited)
Interest income	238	777	245	657
Net foreign exchange gains	-	-	604	-
Other finance income	-	-	-	-
Total finance income	238	777	849	657
Interest expense	(113)	(315)	(117)	(1 931)
Net foreign exchange losses	(2 434)	(2 178)	-	(1 810)
Other financial costs	(20)	(57)	(32)	(510)
Total finance costs	(2 567)	(2 550)	(149)	(4 251)

Net foreign exchange losses for the period of 9 months ended 30 September 2019 result in particular from unrealized foreign exchange differences related to the valuation of liabilities on account of refundable advances for distribution rights denominated in foreign currencies, described in Note 17.

12. Property, plant and equipment

In the period covered by these condensed interim financial statements the Company incurred expenditures on property, plant and equipment in the amount of PLN 6 888 thousand and intangible assets in the amount of PLN 867 thousand.

Property, plant and equipment and intangible assets released for use in the period of 9 months of 2019 amount to PLN 3 980 thousand, of which part was financed under lease agreements, which are presented in Note 19.

The Company's Management did not identify any indications of impairment of property, plant and equipment as at 30 September 2019.

13. Inventory

The decrease in the value of inventories in the first nine months of 2019 is related to the technological batch production of 2x2 500 litres of MabionCD20 at the Konstantynów Łódzki plant.

The Company recognized PLN 327 thousand under other operating expenses as impairment losses on inventories of materials that were created in accordance with accounting policies (see Note 10).

14. Trade and other receivables

in PLN thousand	30 September 2019 (unaudited)	31 December 2018
VAT receivable	2 737	2 171
Trade receivables	25	7
Advances on materials and services	80	70
Deposits	218	108
Other receivables	84	250
Trade and other receivables	3 144	2 606

15. Equity

Pursuant to Resolution 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 Series A and Series B subscription warrants, granting entitled employees the right to purchase 114 000 of Series R ordinary shares and 11 000 of Series S ordinary shares, excluding the pre-emptive rights of the Company's current shareholders.

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

On 12 February 2019, by passing of the relevant Resolutions, the Supervisory Board accepted the list of employees entitled to subscribe for the Series A and Series B warrants for the years 2018 and 2019, and stated that the market condition (minimum price) for Series A warrants for the year 2018 has not been reached. The Supervisory Board also confirmed that the employment condition for the Series A and Series B warrants for the year 2018 was met.

The below table shows the details of the Programme and its valuation as at 30 September 2019:

Tranche for year	Series A Warrants			Series B Warrants			
	2019	2020	2021	2018	2019	2020	2021
Grant date	12.02.2019	none	none	12.02.2019	12.02.2019	none	none
End of vesting period	31.01.2020	31.01.2021	31.01.2022	12.02.2019	31.01.2020	31.01.2021	31.01.2022
Number of instruments granted	28 500 *	28 500 **	28 500 **	9 500	500	500**	500**
Exercise price	PLN 91.00	PLN 91.00	PLN 91.00	PLN 0.10	PLN 0.10	PLN 0.10	PLN 0.10
Share price as of 30 September 2019	PLN 80.00	PLN 80.00	PLN 80.00	PLN 80.00	PLN 80.00	PLN 80.00	PLN 80.00
Market vesting condition	Reaching the minimum price ***			none			
Minimal price	PLN 190.00	PLN 280.00	PLN 400.00	n/a	n/a	n/a	n/a
Date of approval of the scheme ****	28.06.2018						
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 of the Company						
Expected volatility *****	35.63%	35.76%	35.76%	35.63%	35.63%	35.76%	35.76%
First possible exercise date	14.02.2020	14.02.2021	14.02.2022	14.07.2019	14.07.2020	14.07.2021	14.07.2022
Last possible exercise date	31.07.2022						
Risk-free rate	1.50% - 1.87%						
Dividend rate	0%						
Expected departure probability	17.15% p.a.						
Warrant's fair value Valuation Date	12.02.2019	30.09.2019	30.09.2019	12.02.2019	12.02.2019	30.09.2019	30.09.2019
Fair value of the warrant as of the Valuation Date	PLN 0.07 zł	PLN 0.07	PLN 0.15	PLN 69.78	PLN 69.78	PLN 82.51	PLN 82.51
Valuation model	Binomial model						

* Including 23 300 for the indicated eligible persons and a reserve without indicating eligible persons in the amount of 5 200

** No indication of the entitled persons

*** the minimum price was defined as the arithmetic mean of the Company's share prices on the Warsaw Stock Exchange calculated using the average daily prices weighted by the volume of trading in the last month of each year

**** beginning of the rights acquisition period

***** determined on the basis of historical volatility of the Company's share prices for 24 months until the Valuation Date

On the 12th of February 2019 the Company's Supervisory Board approved the list of employees entitled to obtain the Series A and B Warrants for the years 2018-2019. Accordingly, the fair value valuation of the Warrants was prepared as of the 12th February 2019. As of 30 September 2019, only the expected number of Warrants to be vested was updated (based on the estimated probability of departure up to the end of the vesting period).

Until 30 September 2019, in case of the Series A and B Warrants for the years 2020 and 2021, the list of the employees entitled to participate in the Scheme was not determined by the Company's Supervisory Board. Accordingly, the fair value valuation of these Warrants (including the market condition) was prepared as of the balance-sheet date (i.e. 30 September 2019). The valuation of the fair value of these Warrants will be updated as of every future balance-sheet date, until the list of employees entitled to participate in the Scheme for a given year (including the number of warrants A and B each person is entitled) is determined (grant date). The final valuation of the warrants fair value will be prepared as of the grant date. For each following balance-sheet date, only the expected number of warrants to be vested will be updated (based on the estimated probability of employees' departure until the end of the vesting period).

Fair value of warrants has been determined based on the binomial stock option valuation model. For the valuation purposes, a share price tree was built as a representation of possible future paths that Company's share price can follow (the monthly change in the share price), based on the historical volatility of the Company's share prices. The valuation was made using the process of backward induction including the market condition (reaching the minimum price) and the possibility of an earlier execution of the option based on the terms of the Scheme (based on the assumptions of entitled employees' expected minimum rate of return). The total cost of the Scheme for each-balance sheet date will be estimated based on the most current valuations of the fair value of the warrants and the probability of entitled employees' departure. The cost of the Scheme will be allocated proportionally during the vesting period for each tranche of warrants.

As the market condition for warrants A for the year 2018 (the minimal price set at 130 PLN) was not reached before the Supervisory Board determined the lists of the persons entitled to these warrants, this tranche was not included in the valuation of the Scheme as of 30 September 2019.

If the market condition for the warrants A for a given year is not reached, the Supervisory Board may grant these warrants in a future period when the market condition for a given year 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 of 30 September 2019 does not include the rolling effect of 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 valuation of the Incentive Scheme as at 30.09.2019 is PLN 715 thousand and has increased by PLN 1 thousand in relation to 31.12.2018, where it amounted to PLN 714 thousand.

16. Deferred income

in PLN thousand	30 September 2019 (unaudited)	31 December 2018
Grants for property, plant and equipment	10 630	12 095
Grants for research and development costs	19 822	8 511
Advance payment from Mylan on account of distribution rights to MabionCD20	14 007	14 007
Advance payment from Celon Pharma on account of services (development of antibody production technology)	1 590	1 590
Deferred income	46 049	36 203

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

The subsidised fixed assets were put into service in 2015 and their depreciation started by that date. The relevant part of deferred income (grants) was also recognized in the financial result (PLN 1 464 thousand in the nine months of 2019 and PLN 1 464 thousand in the corresponding period ended 30 September 2018 - see also Note 10).

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

- » InnoNeuroPharm sectoral programme in the amount of PLN 224 thousand,
- » MabionCD20 "fast track" sectoral programme in the amount of PLN 11 111 thousand.

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

- a) grants for investments in fixed assets, which will be recognized as revenue in proportion to the value of depreciation write-offs of tangible fixed assets that have been financed from grants;
- b) advance payment received from Celon Pharma S.A. on account of the remuneration for services related to the development of the manufacturing process of drugs or drug prototypes to be used by Celon Pharma S.A., which will be provided by the Company.

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

- a) grants for investments in fixed assets, which will be recognized as revenue in proportion to the value of depreciation write-offs of tangible fixed assets financed from grants;
- b) grants for research and development costs, which will be recognized as revenues when the Company has reasonable assurance that it will be able to satisfy the conditions to use the grants;
- c) advances on account of distribution rights received from Mylan, amounting to PLN 14 007 thousand, which, under the terms of the agreement with Mylan, is no longer returnable, and which will be recognised as revenue when Mabion obtains the marketing authorisation for MabionCD20.

17. Refundable advances for distribution rights

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

in PLN thousand	30 September 2019 (unaudited)	31 December 2018
Mylan	45 000	42 297
FARMAK	1 093	1 075
ONKO	481	473
Sothema Laboratories	100	99
Lyfis	26	26
Total	46 700	43 969

The change in the balance of refundable advances on account of distribution rights in the period of 9 months ended 30 September 2019, amounting to PLN 2 731 thousand, results solely from changes in foreign exchange rates, as all advances were denominated in foreign currencies (EUR or USD in the case of Mylan). According to the information contained in the Company's financial statements for the financial year ended 31 December 2018, these advances may be repayable and are treated by the Company as current liabilities. In the period covered by these condensed interim financial statements, there were no significant changes in the terms and conditions of agreements with the distribution partners.

18. Loans and borrowings

a) Bank loans

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

b) Loans from shareholders and related entities

In the current reporting period, the Company did not incur any loans from shareholders or related entities. The balance of loans from shareholders and related entities as at 30 September 2019 is 0 (zero).

c) Asset-backed loans

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

As at 30 September 2019 the total value of outstanding loans secured with assets amounts to PLN 1 614 thousand. In the period from 01.01.2019 to 30.09.2019 the Company did not contract any new loan agreements secured with assets.

19. Leases

a) Operating lease

The Company leases office space in Łódź under an operating lease agreement that expires on 17 August 2020, with an early termination option in 2018 without penalty. The total amount of minimum future lease payments as at 30 September 2019 was PLN 180 thousand in 2019. The lease recognized in the first 9 months of 2019 amounted to PLN 528 thousand.

The lease agreement contains an indexation clause providing for rent increases starting from 1 January 2016 based on the consumer price index. It is expected that the indexation of rent will not have a significant impact on the Company's liabilities.

On 31 October 2018 the Company submitted to the Lessor a statement of termination of the lease agreement for premises at Fabryczna 17 in Łódź as of 1 November 2018, with 6 months' notice and a proposal to extend the notice period to December 31, 2019. The proposal was accepted by the Lessor and the parties signed a relevant annex to the agreement in February 2019.

Therefore, the Company decided to shorten the depreciation period of investments in third-party fixed assets related to the lease of office space in Łódź, starting from 1 January 2018.

Currently, the Company is considering concluding a contract for the next period relating to the leased space. The final decision should be made by the end of 2019.

b) Finance lease

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

The Company concludes lease agreements for a period of 3 to 5 years. These agreements are secured by blank promissory notes. The lessor has the right to fill in a promissory note up to the amount equivalent to all amounts due but not paid under the respective lease agreement, in particular lease instalments, compensation, contractual penalties and expenses together with interest, in case the Company would be in arrears with payments of any of the above-mentioned amounts on its due date.

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

In the period covered by these condensed interim financial statements, the Company concluded new lease agreements, as a result of which it recognized new components of property, plant and equipment worth PLN 1 600 thousand and a finance lease liability of PLN 1 600 thousand.

The total gross carrying amount of finance lease assets as at 30 September 2019 is PLN 11 777 thousand. The table below presents information about minimum future lease payments and the current value of minimum lease payments as at 30 September 2019 and 31 December 2018.

in PLN thousand	Minimum future lease payments as at 30 September 2019 (unaudited)	Current value of minimum lease payments as at 30 September 2019 (unaudited)	Minimum future lease payments as at 31 December 2018	Current value of minimum lease payments as at 31 December 2018
Within 1 year	1 716	1 582	1 377	1 324
From 1 year to 5 years	2 694	2 216	2 375	2 027
Total	4 410	3 798	3 752	3 351

20. Trade and other liabilities

in PLN thousand	30 September 2019 (unaudited)	31 December 2018
Trade liabilities	12 082	14 258
Social security and personal income tax on salaries	971	799
Provision for unused leave	448	441
Other liabilities	2 080	1 272
Company Social Benefit Fund (ZFSS)	133	-
Total trade and other liabilities	15 714	16 770

The Management Board of Mabion S.A., by Resolution No. 1/XII/2018 of 10 December 2018, adopted the Rules and Regulations of the Company Social Benefit Fund effective from 1 January 2019. The costs of write-off for the Company Social Benefit Fund for 2019 were estimated at PLN 249 thousand.

21. Effective income tax rate

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

As at 30 September 2019, the Company conducted its business operations in Poland under three permits issued by the ŁSSE. In 2019, there were no significant changes in the amounts and terms of the Company's tax reliefs, i.e. the Company is entitled to the relief until 31 December 2026 by reducing the amount of corporate income tax liability.

In the period of 9 months ended 30 September 2019 the Company incurred a tax loss of PLN 13 821 thousand. The Company did not recognize a deferred tax asset for this loss due to the failure to meet the conditions of IAS 12 as to the probability of achieving tax revenues allowing to use the loss before the end of the period for its utilization.

The amount of tax losses from previous years was presented in the financial statements for the financial year ended 31 December 2018.

22. Financial risk management

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

23. Fair value of financial instruments measured at amortised cost

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

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

24. Related party transactions

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

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

In the reporting period ended 30 September 2019 a gratuitous surety granted to the Company in 2018 by Glatton Sp. z o.o. was in force in the amount of up to PLN 45 million. The surety relates to the revolving credit agreement of 17 July 2018 concluded with Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.) for a period of two years to finance the Company's operating activities. As at 30 September 2019 and in the reporting period, the Company did not use the credit line granted.

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

On 12 February 2019, the Supervisory Board of the Company granted an incentive award to Mr Artur Chabowski and Mr Sławomir Jaros in connection with the Company's acquisition of a grant from EU funds in 2018. The award in the total amount of PLN 140 thousand was paid in March 2019 and the entire award was recognized in 2018 costs.

On 9 April 2019, the Supervisory Board of the Company issued a positive opinion on the budget assumptions for the payment of awards to key employees and Members of the Management Board responsible for the process of preparing registration documentation for MabionCD20.

In accordance with the Resolution of the Supervisory Board, the payment of the part of the award in the amount of PLN 200 thousand constituting not more than 25% was made by 2 May 2019. The remaining part of the award will be due after the date of the European Commission's positive decision to grant marketing authorisation for MabionCD20 in the European Union. The Company recognized the cost of awards and provisions for such awards in the reporting period ended 30.09.2019. The amount of the estimated provision as at 30.09.2019 was PLN 199 thousand.

On 25 April 2019, Mr. Artur Chabowski tendered his resignation from the position of President of the Management Board of the Company. The resignation came into force on 30 June 2019. The Company's liabilities and costs resulting from the agreements between the parties have been appropriately disclosed in these financial statements.

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

in PLN thousand	1 January 2019 – 30 September 2019 (unaudited)	1 January 2018 – 30 September 2018 (unaudited)
Remuneration of the Supervisory Board Members	361	217
Remuneration of the Management Board Members	1 187	924
Share-based payments made	6	109
Severance pays	135	-
Awards	200	-
Compensation for non-competition clause	290	-
Total short-term remuneration	2 179	1 250
Provisions for awards	199	-
Total remuneration of key management and the Supervisory Board	2 378	1 250

Under the item Remuneration of the Management Board Members the Company presents remuneration under both employment contracts and appointments.

25. Contingent liabilities and contractual commitments

a) Contractual commitments

As at 30 September 2019, the Company did not have any contractual obligations concerning the acquisition of property, plant and equipment, intangible assets or development work.

b) Contingent liabilities

Pursuant to the non-competition agreement of 25 April 2019, the resigning President of the Management Board is entitled to additional compensation in the amount of PLN 200 thousand provided that the Company concludes two agreements with the Polish Agency for Enterprise Development (PARP) on co-financing as part of the Smart Growth Operational Programme by 31 March 2020.

26. Settlements of court litigations

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

27. Events after the balance sheet date

On 21 October 2019, the Management Board of Mabion S.A. agreed with the European Investment Bank (EIB) the financing conditions for granting the Company an unsecured loan, paid in three tranches disbursed subject to the satisfaction of specified conditions, up to the aggregate amount of EUR 30 million, following the execution of the appropriate documentation, including the finance contract (Finance Contract) and agreement on issuing subscription warrants to the EIB (Warrant Agreement). On the same day, the Management Board of Mabion S.A. adopted a resolution on the decision to execute financing documentation, including the Finance Contract and the Warrant Agreement, on the conditions agreed with the EIB. On 21 October 2019, the Supervisory Board of the Company issued a positive recommendation to the Management Board regarding the adoption of the resolution concerned. The Finance Contract based on the agreed financing conditions was signed on 24 October 2019, while the Warrant Agreement was signed on 31 October 2019.

The funds obtained as part of the loan granted will be used to finance investment and research and development projects, including those related to the development of biosimilar and innovative biological drugs in Poland, and the development of the Company's research and development infrastructure and production capacity. The terms of the Finance Contract stipulate that individual tranches of financing will be repaid within 5 years from the date of drawdown of a given tranche. The loan availability period is 36 months from the date of conclusion of the Finance Contract. The loan bears fixed interest at the rate of no more than 2.7% per annum. The Finance Contract contains provisions imposing restrictions on the Company, including within the scope of disposal and encumbrance of material assets, granting loans and guarantees, as well as paying dividends and incurring financial liabilities in excess of the agreed thresholds. Violation of the Company's obligations indicated in the Finance Contract will authorize the EIB to demand immediate repayment of the loan.

The condition for EIB financing to be made available (disbursed) is, inter alia, the issue of C series subscription warrants by the Company, which will be taken up by the EIB and will entitle to subscribe for the Company's Series T shares representing 2.85% of the Company's share capital as at the issue date. To this end, the Company convened an Extraordinary General Meeting for 29 November 2019 to adopt a resolution on the conditional increase in the Company's share capital by issuing Series T ordinary bearer shares with the simultaneous deprivation of the pre-emptive right of the current shareholders of the Company in their entirety, issuing Series C subscription warrants with the simultaneous deprivation of the pre-emptive right of the current shareholders of the Company in their entirety and amendments to the Company's statute. The issue of subscription warrants to the EIB is part of the remuneration for the EIB for providing financing and enables a significant reduction in current debt service costs compared to standard credit products provided by financial institutions. Pursuant to the Warrant Agreement, the main conditions for issuing subscription warrants and taking up shares are as follows:

1. warrants will be taken up by the EIB free of charge and will entitle it to subscribe for Series T shares of the Company at the issue price of PLN 0.1 per share;
2. subscription warrants will be transferable without restrictions to the EIB's affiliates, and to other entities only on the basis of a sales contract;
3. in the cases specified in the Warrant Agreement in which the share of the series T shares in the Company's share capital would fall below 2.85%, the Company will be required to issue additional warrants to EIB in a number ensuring that the shares subscribed for based on the warrants represent 2.85% of the Company's share capital.

The Warrant Agreement regulates the cases in which the rights from subscription warrants may be exercised and the rights and obligations of the parties regarding the transfer and acquisition of subscription warrants and Series T shares (including limiting the transferability of Series T shares within 6 months from the date they were taken up, subject to specified exceptions in the Warrant Agreement). The Company announced the agreement on financing conditions in its current report No. 26/2019 of 21 October 2019 and the convening of the Extraordinary General Meeting in its current report No. 28/2019 of 30 October 2019.

On 23 October 2019, the Management Board of Mabion S.A. informed that it had received information from the agent representing the Company before the FDA that the Company had been granted the opportunity to hold a Type 3 BPD meeting with the FDA and that the meeting would be scheduled for 22 January 2020. The purpose of the meeting is to obtain confirmation of the regulatory strategy regarding the possibility of submitting an application for registration of MabionCD20 in the United States of America. The appointment of the Type 3 meeting date is the next stage of the implementation of activities aimed at obtaining registration of MabionCD20 in the USA. It is the result of the FDA's assessment of the dossier submitted by the Company, including full reports from MabionCD20 clinical trials conducted using the European reference drug MabThera in patients with RA (rheumatoid arthritis) and NHL (Non-Hodgkin's Lymphoma), the results of the MabionCD20 analytical similarity study (clinically tested drug series) with the European (MabThera) and American (Rituxan) reference, as well as the bridging clinical study protocol. The appointment does not guarantee the positive effect of these activities. The company also stipulates that the FDA has the right to change the date of the meeting. The Company informed about the event in its current report No. 27/2019 of 23 October 2019.

On 10 and 11 November 2019, the Company obtained from the company contracted to deposit the answers the confirmation that the Company's answers under the second round of questions received from EMA as part of Day 180 stage of the MabionCD20 drug registration procedure in two registration applications (NHL and RA) were successfully entered into the electronic system of EMA. Submission of responses ("Day 181" stage) allows the EMA to continue its assessment of the applications. The Company is currently at the Day 181 stage of the procedure. Since Day 181 of the procedure, both applications will be examined in parallel. The Company is awaiting the opinion of the Committee for Medicinal Products for Human Use (CHMP), which is a prerequisite for EMA's marketing authorization for MabionCD20. The Company informed about these events in its current reports No. 29/2019 and 30/2019 published on 10 and 11 November 2019, respectively.

Management Board

Konstantynów Łódzki, 14 November 2019.

Sławomir Jaros
Member
of the Management Board

Grzegorz Grabowicz
Member
of the Management Board

Jarostaw Walczak
Member
of the Management Board

Jolanta Baranowska
Chief Accountant

