MABION S.A.
Financial statements for the financial year ended 31 December 2022

Konstantynów Łódzki, 18.04.2023

STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Note	2022	2021
Income from non-reimbursable advance payments	9	-	20,811
Income from sales	9	90,587	19,807
Income from the purchase of materials		67,711	14,944
Lease income	9	5,684	1,311
Total income		**163,982**	**56,873**
Cost of sales	9	(29,914)	(6,043)
Own cost of purchased materials		(68,081)	(14,944)
Total costs		**(97,995)**	**(20,987)**
Gross profit on sales		**65,987**	**35,886**
Research and development costs	10, 11	(15,115)	(13,604)
General administration costs	10	(28,663)	(29,980)
Other operating income	12	7,588	1,372
Other operating costs	12	(1,582)	(3,506)
Operating profit/(loss)		**28,215**	**(9,832)**
Financial income	13	287	948
Financial costs	13	(6,462)	(1,371)
Gross profit/(loss)		**22,040**	**(10,255)**
Income tax	14	(1,152)	(12,158)
NET PROFIT/(LOSS)		**23,192**	**1,903**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**23,192**	**1,903**
Basic and diluted profit/loss per one share (in PLN per 1 share)	**33**	**1.43**	**0.12**

The explanatory notes presented on pages 5 to 51 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

in PLN thousand	Note	31 December 2022	31 December 2021
Intangible assets	15	741	811
Property, plant and equipment	15	89,720	88,672
Long-term receivables		220	206
Deferred tax asset	14	13,310	12,158
Total fixed assets		**103,991**	**101,847**
Inventories	16	8,477	8,445
Trade receivables	17	7,746	12,461
Other receivables	17	6,522	6,263
Prepayments and accrued income	18	5,801	6,514
Cash and cash equivalents	19	53,638	48,707
Total current assets		**82,184**	**82,390**
TOTAL ASSETS		**186,175**	**184,237**
Share capital	20	1,616	1,616
Share premium	20	237,443	237,443
Other reserves		-	731
Accumulated losses	20	(162,552)	(186,477)
Total equity		**76,507**	**53,313**
Deferred income from grants	21	31,172	32,159
Loans and borrowings	24	377	202
Trade liabilities	27	-	434
Lease	26	3,816	1,992
Total long-term liabilities		**35,365**	**34,787**
Repayable advances on distribution rights	23	1,824	1,790
Trade liabilities	27	12,812	23,242
Other liabilities	27	3,250	2,123
Provisions	27	3,349	3,896
Loans and borrowings	24	136	15,250
Deferred income from grants	21	228	806
Other deferred income	21	69	-
Liabilities arising from the implementation of agreements	22	49,684	46,110
Lease prepayments	22	1,105	955
Lease	26	1,846	1,965
Total short-term liabilities		**74,303**	**96,137**
TOTAL LIABILITIES		**109 668**	**130,924**
TOTAL LIABILITIES AND EQUITY		**186,175**	**184,237**

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CASH FLOW STATEMENT

in PLN thousand	Note	2022	2021
Net profit /(loss)		**23,192**	**1,903**
Adjustments for items:			
Depreciation and amortisation	15	8,977	8,846
Interest income	13	(156)	(40)
Interest costs	13	1,566	921
Income from grants	21	(811)	(1,259)
Loss (profit) from investing activities	12	(142)	(13)
Costs of the share-based incentive scheme	10	2	35
Lease payment measurement		(655)	(450)
Change in assets and liabilities:			
Change in inventories	16	(32)	(2,469)
Change in trade and other receivables	17	4,456	(16,083)
Change in prepayments and accrued income	18	(438)	(17,909)
Change in trade and other liabilities	27	4,022	33,087
Change in repayable advances on distribution rights	23	34	(42,287)
Change in other financial liabilities		1,051	2,975
Change in deferred income		(2 225)	-
Cash flows from operating activities		**38,841**	**(32,743)**
Proceeds from grants	21	1,540	897
Interest received		156	40
Interest paid		(1,698)	(1,104)
Net cash flows from operating activities		**38,839**	**(32,910)**
Disposal of property, plant and equipment		667	332
Acquisition of property, plant and equipment and intangible assets		(16,731)	(31,615)
Proceeds from grants		-	-
Net cash flows from investing activities		**(16,064)**	**(31,283)**
Proceeds from the issue of shares		-	117,480
Share issue costs		-	(4,917)
Proceeds from borrowings		-	3,500
Repayment of borrowings	25	(15,464)	(3,158)
Repayment of lease principal		(2,380)	(2,400)
Net cash flows from financing activities		**(17,844)**	**110,505**
Net increase/(decrease) in cash and cash equivalents		4 931	46 312
Cash and cash equivalents – opening balance		**48,707**	**2,395**
Change in cash due to exchange rate differences		-	-
Cash and cash equivalents – closing balance		**53,638**	**48,707**

The explanatory notes presented on pages 5 to 51 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

in PLN thousand	Note	Share capital	Issued but unregistered share capital	Share premium	Other reserves	Cumulative losses	Total equity
As at 1 January 2021	20	**1,373**	**-**	**108,923**	**696**	**(188,380)**	**(77,388)**
Net loss / total comprehensive income		-	-	-	-	1,903	1,903
Transactions with shareholders:							
U series share issue		243	-	133,437	-	-	133,680
U series share issue costs		-	-	(4,917)	-	-	(4,917)
Measurement of the share-based incentive scheme	20	-	-	-	35	-	35
As at 31 December 2021	**20**	**1,616**	**-**	**237,443**	**731**	**(186,477)**	**53,313**
As at 1 January 2022	**20**	**1,616**	**-**	**237,443**	**731**	**(186,477)**	**53,313**
Net loss / total comprehensive income		-	-	-	-	23,192	23,192
Transactions with shareholders:							
U series share issue		-	-	-	-	-	-
U series share issue costs		-	-	-	-	-	-
Measurement of the share-based incentive scheme		-	-	-	2	-	2
Closure of the share-based incentive scheme		-	-	-	(733)	733	-
As at 31 December 2022	**20**	**1,616**	**-**	**237,443**	**-**	**(162,552)**	**76,507**

The explanatory notes presented on pages 5 to 51 are an integral part of these 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 with 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 Polish biopharmaceutical company that was established to develop, manufacture, and market biological medicines in the form of recombinant proteins. Since its establishment, the Company has focused on the development of its own products, particularly the process for obtaining the MabionCD20 monoclonal antibody, which was a candidate biosimilar to MabThera/Rituxan®, but has also implemented projects for external clients (including a project involving the development of a process for obtaining insulin analogues for human use, feline insulin, or a medicine biosimilar to ranizimumab).

Since 2021, the Company has been employing technologies it had developed also to execute commercial orders for partners in the field of manufacturing, analytics, and development of biopharmaceuticals (acting as a Contract Development and Manufacturing Organisation, CDMO). The Company's experience in the development, analytical, and regulatory areas made it possible for it to complete a commercial order Novavax Inc. ("Novavax"), consisting of the transfer of analytical methods and manufacturing process used to produce a recombinant protein vaccine antigen which is the active substance of a vaccine against SARS-CoV-2 infection. The success of the transfer of technology, as well as the available GMP-compliant (Good Manufacturing Practice) production capacity, enabled the Company to sign and commence implementation of another agreement with Novavax for the contractual commercial manufacturing of and analytics for the Nuvaxovid® vaccine antigen ("Manufacturing Agreement, "MCMA" – Master Contract Manufacturing Agreement). At present, the agreement provides for cooperation between the parties until the end of 2026.

On 18 April 2023 (an event after the balance-sheet date), the Company published a current report announcing a new strategy for the period 2023–2027. The basis for the decision to transform the Company from a product profile (development of its own products) to a service profile (contract services – CDMO) was an in-depth analysis of Mabion's competences and resources, combined with an analysis of market trends and the competences of other CDMOs. The transformation will allow, among other things, diversification of income, reduction of liquidity risk, and a more flexible investment process. The Company has disclosed information regarding its strategic plans in the Directors' Report in section 1.1 Basic information on the Company, section 2.2 Object of the Company's business – offered products and services, 2.5 Market environment, 3.10 Assessment of the management of financial resources, 4.1 Development strategy of Mabion S.A. and its implementation in the financial year, 4.2 Development prospects of the Company, 4.4 Development factors of importance and 4.5 Risks and hazards.

2. Basis of preparation

The financial statements of Mabion S.A. for the financial year ended 31 December 2022 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union as at the reporting date.

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 impact of new or amended standards and interpretations that have been issued but the Company has not decided to apply them early, and standards and interpretations effective as of 1 January 2022, is presented in Note 5.

The financial statements of Mabion S.A. 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 financial statements have been drawn up in accordance with the historical cost principle.

The financial statements were approved for publication on 18 April 2023 by the Approval Authority.

Preparing the financial statements in accordance with IFRS requires using certain estimates which are significant from the accounting point of view. It also requires the management to make a subjective judgment on the application of the accounting principles adopted by the Company. Significant accounting estimates and judgments of the management are presented in Note 6.

The separate annual financial statements of Mabion S.A. include:

- statement of financial position as at 31 December 2022; and the following statements for the financial year from 1 January to 31 December 2022
- statement of comprehensive income
- statement of changes in equity
- cash flow statement
- additional information containing a description of the adopted accounting principles and other explanatory information.

3. Going concern principle

In the current reporting period, the Company's operational focus was mainly on the implementation of its contract manufacturing MCMA agreement with Novavax Inc. under which it manufactured or provided manufacturing readiness, in compliance with GMP standard, for Novavax's COVID-19 vaccine antigen under the name of Nuvaxovid®. As part of that agreement, the Company also provided other services as a CDMO, including services complementary to manufacturing, to Novavax under signed SOWs (Statements of Work).

The MCMA agreement (with subsequent amendments, including an annex of 22 September 2022) was entered into for a fixed term until the end of 2026, with a guaranteed period of unconditional commitment by the counterparty to provide remuneration for the performance until Q2 2024.

The period of unconditional remuneration for performance provided for in the agreement guarantees that the Company will receive remuneration for the manufactured batches of product or remuneration for the readiness to manufacture the product. The remuneration for the manufactured batch of product results from the agreement and is reduced by the value of the materials used to produce the batch in question. The amount of charge for available manufacturing capacity represents an equivalent of the unit price per manufactured batch, adjusted for the value of the production materials. Including prepayments and other exceptions as indicated in the schedule to the agreement, fees for available manufacturing capacity will be payable on a regular basis – monthly. Starting from January 2023, the Company is entitled to annual indexation until the end of the agreement in respect of the agreed unit price per batch and capacity made available.

In 2022, the Company received payments under the agreement amounting to USD 37,086 thousand. After the balance-sheet date, the Company received further payments under agreements in progress in the amount of USD 8,818 thousand and EUR 25 thousand. Overall, payments received since the commencement of cooperation with Novavax up to the date of the financial statements amounted to USD 63,990 thousand and EUR 25 thousand. As at 31.03.2023, the cash balance amounts to PLN 69,465 thousand.

As at the date of these financial statements, there are no overdue receivables from Novavax.

After the balance-sheet date, on 28 February 2023, i.e. the date of publication of the annual report for 2022, the key counterparty of the Company, Novavax, expressed doubts as to its ability to continue as a going concern. Novavax stated that there is significant uncertainty regarding its expected income levels in 2023, the ability of the US government to provide funding, and the pending arbitration with its counterparty, Gavi. At the same time, the Company's counterparty stressed that the cash flow forecast indicates that Novavax has sufficient capital to fund its operations in 2023. The existing agreement between the Company and Novavax is guaranteed until Q2 2024 and, regardless of the execution of manufacturing orders, the Company receives manufacturing capacity availability payments. As at the date of these financial statements, there are no arrears under the agreement and a significant portion thereof, regarding the services provided, has been paid in advance.

Pursuant to the Company's strategy for 2023–2027, the Management Board intends to transform the Company into a fully integrated CDMO by 2023–2024, whereas the growth dynamics will mainly depend on the available new production and research capacity that the Company plans to develop, and on the acquisition of new clients and new contracts.

After the balance-sheet date, on 6 February 2023, the Company entered into a loan agreement with the European Bank for Reconstruction and Development (EBRD) for USD 15 million. The loan was provided by the EBRD to finance the expansion and upgrade of the Company's facility located in Konstantynów Łódzki, to support the implementation of commercial contract manufacturing performed under the agreement entered into with Novavax, and the implementation of other possible CDMO projects. The loan is intended in particular to finance the expansion and upgrade of the Company's current facility and extension of the IT infrastructure.

The Company is planning to finance its operating and investing activities with proceeds from sources such as the implementation of contracts and orders in the area of the Company's core business, i.e. CDMO, and also debt financing, grants, subsidies, targeted funds for new projects.

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 12 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 source of income is manufacturing of active substances for medicinal products conducted on commission under the CDMO formula.

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 manufacturing of active substances for medicinal products conducted on commission under the CDMO formula. Such agreements may include various promised services, i.e. development, manufacturing, analytics, 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), consulting services. 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.

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 sales 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 active substances of medicinal products 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 manufacturing services relating to active substances of medicinal products is recognised over time based on the progress of the service. The Company has selected the progress measurement method as in its opinion it best represents the entity's performance in providing the service.

The input-based method of measuring progress reflects the entity's performance to date in relation to the complete 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.

As at the balance-sheet date, the Company analyses whether in case of early termination for reasons other than non-performance it is entitled to receive a payment compensating the Company for at least the obligation performance to date.

The Company recognises income in an amount equal to the cost of goods acquired to fulfil the 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 item of goods in question 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;
(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 individual manufacturing batches based on a fixed price per batch with indexation of the price expressed in USD. The agreement governs the financing of working capital for the production of individual batches in the form of pre-financing of the purchase of raw materials necessary for production in view of subsequent production runs over a period of not less than another 12 months, in an amount to be determined by the parties.

Point of income recognition for advances on distribution rights

The advance payments received in the previous 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. A licence to use intellectual property satisfies the criteria for income recognition 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.

Change in estimates in income recognition

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 realised and the estimates of expected costs associated with manufacturing and the estimated 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 subject to regulatory verification.

The transaction price which the Company may realise from the implementation of the agreement includes variable elements stemming from, among other things, the expected level of the obligation to receive the performance, which is not guaranteed for the entire duration of the agreement.

As at 31 December 2022, the Company revised its estimates, including estimates that reflect the expected value of income from the promised performance and the expected future costs necessary to perform this performance, and other conditions affecting the accurate estimation of income. The revision of estimates conducted as at the balance-sheet date included the potential impact expected by the Company in relation to the current SARS CoV-2 pandemic situation on a global scale, the demand for vaccines, and the terms and conditions of the annex to the agreement, signed on 22 September 2022.

The income recognition model was based on the earnings receivable resulting from the schedule agreed between the Company and Novavax, according to which the Company will receive remuneration for the manufactured batches of the active substance or remuneration for the readiness to manufacture the substance based on the production capacity guaranteed by the Company.

The annex of 22 September 2022 did not alter the subject matter of the Agreement, but changed the mechanics of price calculation and the duration of the Agreement. In the original Agreement, Mabion's remuneration was determined depending on the manufactured batches in line with the order, and it was payable to the Company whether the manufactured goods were collected or not. The Annex has introduced a minimum guaranteed remuneration until Q2 2024, which is independent of the occurrence of production (the so-called slot fee). In addition, under the annex, there is no longer an option for a rolling budget of "guaranteed" orders in the period of obligatory provision of services. The transaction price for the manufactured batches of the active substance was unchanged from the one specified in the agreement of 8 October 2021. However, the annex sets out a new transaction price for the readiness to manufacture the substance, equal to the price for a manufactured batch, adjusted by the previously agreed average value of the materials used to manufacture the batch in question.

As a result, the theoretical amount of total income under the agreement with Novavax before and after the annex was signed, under similar assumptions, calculated for the period from 22 September 2022 to Q2 2024, has changed. As the Company is capable of separating the number of batches of the active substance produced up to the date of the Annex from batches produced (or planned to be produced) after that date, then – in accordance with IFRS 15 – the Annex signed on 22 September 2022 was recognised as if, at its date, the Agreement in force had been terminated and a new agreement had been concluded. As at the balance-sheet date, the Company has performed an estimation using a revenue settlement model based on the agreement value corresponding to the sum of income guaranteed over the period up to Q2 2024 (performance obligation).

Nevertheless, the changes introduced by the Annex do not alter the conditions for the performance obligation under the Agreement to be deemed to have been fulfilled over time. Therefore, income earned by the Company under the Annex is still recognised over time, in proportion to the degree to which the performance obligation has been fulfilled (the degree to which the work has progressed), using an input-based method, including the cost of capacity maintenance.

As at 31 December 2022, the Company also revised the amount of expected variable costs on the basis of experience resulting from the completed batches of the active substance, and revised the projected fixed costs in line with the principle of availability of full manufacturing capacity, in accordance with the assumed manufacturing plan set out in the annex entered into on 22 September 2022. The calculation also takes into account the facility upgrade planned in consultation with Novavax and the associated necessary service downtime.

The principles adopted for income recognition are applied consistently, and only the estimates associated with them have changed.

d) Grants

The Company receives financial assistance in the form of grants for the development and production of medicines. The grants are received in the form of cash provided in return for meeting, in the past and in the future, certain conditions relating to the Company's operations. Income from grants is disclosed when the Company has sufficient certainty that it will be able to meet the conditions for utilising 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 reimburse 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 disbursing the grants exercise audit rights. The Company generally defers the recognition of the received grants 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 for research and development costs are systematically recognised in other operating income when the conditions specified in the grant agreement are met. 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 unamortised 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 feasible 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 the assets and liabilities and their tax base. The amount of deferred tax is determined using 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

Both property, plant and equipment as well as intangible assets are measured at cost less depreciation/amortisation and impairment losses.

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

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

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

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

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

The basis for depreciation (i.e. the depreciable amount) is the cost of the asset less its residual value (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 adjusted 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 a 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) acquisition price or manufacturing 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 inventory to its current location and condition. It is reduced by discounts, trade rebates, and other similar items.

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

In the period covered by these financial statements, the Company is not engaged in production of its own finished products (other than relating to the implementation of the CDMO agreement), 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 consumption, 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).

Raw materials purchased by the Company and used for the purposes of the CDMO agreement are recognised in the profit and loss account at the time of purchase, and not at the time of actual use in production, where the raw materials have no alternative use (i.e. the raw materials 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 upon purchase). 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 and deposits forming collateral for payments under concluded supply or service agreements. These receivables are non-interest bearing and therefore they are measured at fair value at the initial recognition. 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 recognised 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 upon initial recognition. After initial recognition, trade receivables are measured at amortised cost using the effective interest method, and decreased by write-downs for expected credit losses, if any (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 expressed in foreign currencies are reported at the average exchange rate of the National Bank of Poland on the last business day preceding the date of the transaction, set for the currency in question on that day, unless a different rate has been set in a customs declaration or other document binding on 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 "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 "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 exchanging 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 grants received (the relevant policy is presented in Note 4d) and fixed assets acquired free of charge by way of donation. Regarding fixed assets received free of charge - the amounts recognised in deferred income gradually increase other operating income, in parallel to the depreciation/amortisation of the fixed assets or intangible assets received.

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, the 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, these liabilities are recognised 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. An agreement is a lease where 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 to substitute fixed assets earmarked for the implementation of an 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 exceed the costs of substituting it). Moreover, in any case the 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 for production and determines the quantity of production).

Setting the lease term

The lease term is the expected period of the agreements for the contract manufacturing of the active substance, as termination of the agreement in this period involves substantial, wide-ranging penalties for the parties, which makes 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 leases as lessor in the case of contract manufacturing agreements and where it follows so from the above 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.

If it follows from the foregoing conditions that substantially all the risks and rewards associated with the assets are not transferred to the lessee, then the lease is accounted for as operating lease, and otherwise as finance lease.

The Company is a party to leases as lessor in the case of 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 non-cancellable; 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 conducted a remuneration programme based on and regulated by own shares. The Company has recognised the costs of the equity remuneration plan (payments in the form of equity instruments) in the costs of the Company's operations and, on the other hand, as an increase in equity.

Share-based benefits settled in the form of equity instruments (warrants) were 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) was taken into account.

The period of the Incentive Scheme referred to above has ended and no issues will be carried out as part of it.

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) associated with financial assets measured at amortised cost (including trade receivables, deposit receivables, cash and cash equivalents) irrespective of any indication of impairment.

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.

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; The 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; the 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. Impact of new and amended standards and interpretations on the Company's financial statements

New standards and interpretations that have been published but are not yet effective

a) IFRS 17 "Insurance Contracts" published on 18 May 2017, and **amendments to IFRS 17** published on 25 June 2020, applicable to annual periods beginning on or after 1 January 2023.

The standard sets out the rules for the recognition, measurement, presentation and disclosure of insurance agreements covered by the scope of the standard. The new standard will replace the currently applicable IFRS 4 "Insurance Contracts".

b) Amendments to IAS 1 and Practice Statement 2: Disclosure of accounting policies (published on 12 February 2021) – effective for annual periods beginning on or after 1 January 2023.

The amendments are intended to improve the usefulness of the accounting policy disclosures by:

- replacing the requirement for entities to disclose "significant" accounting policies with the requirement to disclose "material" accounting policies and
- adding guidance on how entities should apply the materiality principle when deciding on disclosure of accounting policies.

The amendments may affect the disclosure of accounting policies of entities. Determining whether accounting policies are material or not requires judgement. Therefore, entities are encouraged to revise their accounting policy disclosures to ensure consistency with the revised standard. Entities should carefully consider whether 'standard information or information that only duplicates or summarises the content the IFRS requirements' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

c) Amendments to IAS 8: Estimated value definition (published 12 February 2021) – effective for annual periods beginning on or after 1 January 2023.ginning on or after 1 January 2023.

The amendments are intended to clarify the definition of estimates, in particular regarding the difference between estimates and accounting policies.

d) Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021) – effective for annual periods beginning on or after 1 January 2023.

The amendments clarify that where payments representing the repayment of a liability are tax deductible, it is a matter of judgement (after taking into account applicable legislation) whether such deductions are attributed for tax purposes to the liability recognised in the financial statements (and interest costs) or to the related asset (and interest costs). This judgement is important for determining whether any temporary differences exist at the time of initial recognition of the asset and liability in question.

e) Amendments to IFRS 17 Insurance Contracts: First-time adoption of IFRS 17 and IFRS 9 – Comparative Information (published on 9 December 2021) – effective for annual periods beginning on or after 1 January 2023.

IFRS 17, together with IFRS 9 "Financial Instruments", will result in significant changes to accounting policies in the financial statements of insurance undertakings, which will have a significant impact on the data, systems and processes used to generate information for the financial reporting.

f) Amendments to IFRS 16 Leases – Sale and leaseback obligations (published on 22 September 2022) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2024.

g) Amendments to IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current – deferred effective date (published on 23 January 2020 and 15 July 2020, respectively) – not endorsed by the EU up to the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2024.

The amendments clarify matters such as the right of deferral and that it must exist at the end of the reporting period; specify that classification is not affected by the probability of an individual exercising the entity's right of deferral; stipulate that only when an option to settle a liability by releasing own equity instruments is classified as an equity instrument, the settlement of such an option is not taken into account for the purpose of classifying the liability itself as short- or long-term (current or non-current).

The Company has not chosen to early adopt any standard, interpretation, or amendment that has been published but is not yet effective.

The analysis of the impact of the aforementioned amendments on the financial statements is under way at the Company.

6. 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 recognized prospectively from the period in which they are made. The key estimates and judgements made by the management that have the most significant effect on the amounts recognized in the financial statements are as follows.

a) Recognition of lease under the applicable agreement with Novavax

The existing agreement with Novavax has been identified as containing a lease and is accordingly recognised in the financial statements considering the fulfilment of the following conditions:

- 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 the counterparty.
- The equipment additionally purchased by the Company has been approved by Novavax
- The Company does not hold any material right to substitute fixed assets earmarked for the implementation of an 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 exceed the costs of substituting it). Moreover, in any case the 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, Novavax 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 for production and determines 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 were recognised by the Company as operating lease.

For the CDMO contract product 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 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 was the period of unconditional implementation of the contractual manufacturing agreement relating to the active substance. Termination of the agreement in this period involves substantial, wide-ranging financial consequences for the parties, which makes it reasonably certain that the agreement will not be terminated early.

The fee for the lease under the agreement with Novavax was calculated on the basis of relative unit sales prices. The unit sales prices were determined on the basis of costs and the market margin, i.e. the amount of depreciation costs and the expected market margin for renting this type of fixed assets.

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

Income from contractual manufacturing services relating to active substances of medicinal products is recognised by the Company over time based on the progress of the service. The Company has selected the progress measurement method as in its opinion it best represents the entity's performance in providing the service.

The input-based method of measuring progress reflects the Company's performance to date in relation to the complete 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 adjustment was taken into account in the agreement value estimation model with the assumption that the cost incurred is not commensurate with the entity's progress in fulfilling its performance obligation.

The Company has analysed 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 of goods acquired to fulfil the performance obligation as the entity expects that all of the following conditions will be met:

(a) the good in question is not separate;
(b) Novavax expected to acquire control of the item of goods in question substantially earlier than when they receive services relating to the good;
(c) the value of the acquired good is significant in relation to the total expected cost of complete fulfilment of the performance obligation;
(d) The Company was not significantly involved in the design and development of the active substance produced as part of contract manufacturing.

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;
> 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 when incurred, including the raw material purchased specifically for the purpose of the agreement.

In the financial statements for the present 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 December 2022, the Company does not activate the raw material recognised as inventories, but instead it recognises this raw materials as costs 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 line with the agreement in force and the incurring of manufacturing costs other than just the use of raw materials or
> activities conducted to confirm the effectiveness of the transfer of technology.

c) Deferred tax assets relating to income tax relief

As a biopharmaceutical company, Mabion S.A. specialised on the development and manufacture of its own medicines using the recombinant protein technology, which formed the basis for state-of-the-art preparations designed to fight the most serious diseases, for example in oncology, neurology, or autoimmunity (targeted therapies). Since 2021, the Company has also used the technologies it has developed to execute commercial orders for Novavax as part of the CDMO formula.

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 limit resulting from the available public aid and incurred eligible costs. The basis for the exemption is the amount of incurred eligible costs, which may not exceed the maximum value specified in the permit granted by the SEZ 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 the third authorisation, No. 301, which relates to a new investment in the expansion of an existing 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.

As at 31 December 2022, the expenditure incurred under the investment covered by permit no. 301 amounted to PLN 4,217 thousand (as at 31 December 2021, it was PLN 2,800 thousand) In the current reporting period, the Company used PLN 16,800 thousand of the available tax relief (tax exemption). In relation to the remaining portion of the available tax relief, the Company has estimated the value of the realisable relief before the expiry of tax reliefs (i.e. 31 December 2026) taking into account the expected tax profits.

In these financial statements, the Company recognised a deferred tax asset of PLN 13,310 thousand.

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 most probable scenario.

The principle of prudence was applied in the estimation of the tax asset due to the adoption of a restrictive approach and the lack of previous history in generating a tax base to account for state aid held, loss carryforwards, or temporary differences.

While the Company does not publish financial forecasts, it emphasises that the tax result may materially 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 life of property, plant and equipment. Every year the Company verifies the adopted useful lives based on current estimates. Useful lives are determined with reference to the estimated periods during which the Company intends to derive future economic benefits from the use of the relevant assets. The Company also takes into account past experience with similar assets, if any. Also, the Company takes into account anticipated future events that may affect the useful life of assets, such as changes in technology.

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. At this point in time, the criterion of technical feasibility of completing the medicine – the most difficult criterion to demonstrate in the development process – is considered proven.

7. Operating segments

The company generates income from service agreements for the production and sales of an active substance and ancillary services carried out in a CDMO formula. Income from the active substance manufacturing agreement is accounted for over time, using the input-based method. On the other hand, ancillary services that do not meet the conditions for recognition over time are recognised when the performance is provided.

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.

No change has occurred in this respect since the Company's last annual financial statements.

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

8. Seasonal nature of Company's operations

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

9. Income and cost of sales

in PLN thousand	2022	2021
Income under agreements with customers, including:	**163,982**	**56,873**
Income from non-repayable advance payments (agreement with Mylan)	-	20,811
Income from manufacturing and services	90,587	18,217
Income from the provision of antibody technology development services to Celon Pharma S.A.	-	1,590
Income from the purchase of materials	67,711	14,944
Lease income	5,684	1,311
Cost of sales	**(29,914)**	**(6,043)**
Own cost of purchased materials	**(68,081)**	**(14,944)**
Gross profit on sales	**65,987**	**35,886**

The Manufacturing Agreement together with SOW#1 has been initially concluded for a fixed period of time until the end of 2025, with an option for renewal. The total value of the Manufacturing Agreement and SOW#1 during the term of the former was estimated at USD 372 million i.e. PLN 1.46 billion (the 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). Initially, in 2022 the Manufacturing Agreement and SOW#1 were implemented and settled per batch of the product, at a specified unit price per batch. Then, in September 2022, the Company entered into annexes to the Manufacturing Agreement and SOW#1 with Novavax, pursuant to which the duration of the agreement was extended until the end of 2026. At the same time, a period of unconditional commitment of the counterparty to accept the performance in the period up to Q2 2024 was agreed upon and adopted. The estimated level of orders outside the above-mentioned period is not guaranteed.

The contract manufacturing service is carried out using a process rendered available 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. The performance rendered by the Company creates an asset with no alternative use and the Company is entitled to remuneration at each stage of the performance. Therefore, the conditions for recognising income from the performance of this agreement over time were considered to be met.

In view of the homogeneity of all the batches (a series of similar performances), 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 (lease and non-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 sales prices. The unit sale prices were determined on the basis of costs and the market margin (i.e. for the lease element, it is the amount of depreciation costs and the market margin for renting this type of fixed assets, while for the non-lease element, it is the amount of production costs and a reasonable expected margin).

As part of the extension of its cooperation with Novavax, the Company signed the following additional orders in the current year, in the form of a Statements of Work (SOWs):

- On 14 January 2022, an additional order in the form of Statement of Work #3 (SOW#3), based on which the Company has manufactured cell banks for Novavax in compliance with the GMP (Good Manufacturing Practice) standard. The resulting cell banks will be used as key biological material to form the basis for the production of vaccine antigens of the Nuvaxovid® product.
- On 18 January 2022, an additional order in the form of Statement of Work #2 ("SOW#2"), pursuant to which the Company provides analytical testing services to Novavax related to the quality control of the Nuvaxovid® vaccine. Based on SOW#2, the Company has first performed and duly documented feasibility studies for certain analytical methods not covered by previous contracts or orders and carried out the transfer of methods in accordance with Novavax's specifications. In Q2 2022, the sample analysis, currently under way at the Company, commenced.
- On 27 May 2022, an extension of the scope of services in the form of Statement of Work #4 (SOW#4). The extended scope of cooperation includes the quality test to be carried out by the Company, which is one of the most important analyses of the finished product. Therefore, the Company becomes an entity involved in the processes of release of finished products to the market.
- On 7 June 2022, an extension of the scope of services in the form of Statement of Work #5 (SOW#5) which covered stability testing of intermediates and buffers manufactured and used in the production of the SARS CoV-2 rS active substance of the Nuvaxovid® vaccine. The order was completed in accordance with its stated objective and by the set deadline.
- On 6 July 2022, an extension to the scope of services under the Manufacturing Agreement, in the form of Statement of Work #6 (SOW#6) covering the stability testing of stationary phases used in the production of the active substance of the Nuvaxovid® vaccine. The tests are carried out in the production area, in a GMP-compliant (Good Manufacturing Practice) environment. The signing of the order is of considerable importance in view of the further expansion of the cooperation with Novavax.
- On 20 July 2022, an extension of the scope of services in the form of Statement of Work #7 (SOW#7) which entails the Company's generation of cell banks carrying genetic structures that will be used for the manufacturing processes of the active substance of one of Novavax's formulations. The banks will be manufactured in a GMP-compliant environment. The resulting material will then be subjected to the relevant analytical tests, after which it will be transferred to Novavax.
- On 2 August 2022, the extension of the scope of services in the form of Statement of Work #8 (SOW#8) entailing the Company conducting stability tests on the SARS CoV-2 rS active substance. The tests will be conducted in a GMP-compliant (Good Manufacturing Practice) environment, for the batches produced at the Company's facility and indicated by Novavax. The order is long-term and will be executed over a period of three years for each batch subjected to the test.

On 22 September 2022, the Company entered into an addendum to the commercial contract manufacturing agreement with Novavax, Inc. and an annex to Statement of Work No. 1 (SOW#1) for the manufacture of the COVID-19 vaccine antigen under the name of Nuvaxovid®, in compliance with the GMP standard and at a commercial scale. As a result of the Annex the Agreement's duration has been extended until the end of 2026 and, based on the schedule agreed between the parties, the Company will either receive remuneration for the Product batches manufactured or remuneration for the readiness to manufacture the Product based on the production capacity guaranteed to Novavax.

In the opinion of the Management Board, the Annex does not change the subject matter of the Agreement, but simply the mechanics of income calculation. In the original Agreement, Company's remuneration was determined depending on the manufactured batches in line with the order from the contractor, whether the manufactured goods were collected or not. The Annex has introduced a guaranteed remuneration in the period to Q2 2024 (which varies from month to month, as specified in the schedule), which is independent of the occurrence of production (the so-called slot fee). In addition, under the Annex, there is no longer an option for a rolling budget of "guaranteed" orders in the period of obligatory provision of services.

As a result, the theoretical amount of total income under the agreement with Novavax before and after the annex was signed, under similar assumptions, calculated for the period from 22 September 2022 to the end of the Agreement, has changed. As the Company is capable of separating the number of batches of the active substance produced up to the date of the Annex from batches produced (or planned to be produced) after that date, then – in accordance with IFRS 15 – the Annex signed on 22 September 2022 was recognised as if, at its date, the Agreement in force had been terminated and a new agreement had been concluded. As at the balance-sheet date, the Company has performed an estimation using a revenue settlement model based on the agreement value corresponding to the sum of income guaranteed over the period up to Q2 2024 (performance obligation).

Nevertheless, the changes introduced by the Annex do not alter the conditions for the performance obligation under the Agreement to be deemed to have been fulfilled over time. Therefore, income earned by the Company under the Annex is still recognized over time, in proportion to the degree to which the performance obligation has been fulfilled (the degree to which the work has progressed), using an input-based method.

Accordingly, as at 21 September 2022, the Company settled the existing Agreement and recognised income for the period up to the date of the Annex – at the value set out in the Agreement, but taking into account the arrangements contained in the Annex, which effectively reduced the income due to the Company under the provisions of the original Agreement for Q3 2022 (taking into account the amount of the slot fee during this period). The total amount of income to be settled under the Annex constituting the new agreement was reduced by the corresponding amount of income recognised under settlement of the original Agreement.

The scope of cooperation has been specified for each year in the period between 2022 and 2026. Under the Agreement, the parties have agreed a guaranteed capacity volume for Novavax until Q2 2024. Novavax is not entitled to reduce the capacity volume reserved until Q2 2024.

Under the Annex, Novavax also undertook to take actions to immediately commission the Company to use the Manufacturing Slot to produce the batches of the COVID-19 vaccine antigen, Omicron variant, agreed upon by the parties, including to carry out the transfer of technology. To this end, the Parties has taken suitable steps to enter into a further annex to Statement of Work No. 1, covering the detailed scope of the Omicron Product manufacturing rules. The current manufacturing capability of the Company allows it to commence production of the Omicron Product.

Entering into the Annexes does not deprive the Company of its ability to carry out contracting activities as a CDMO for other counterparties, excluding those engaged in activities competitive to Novavax, as defined in detail in the Agreement.

On 23 November 2022, the Company signed another extension to the scope of services under the Manufacturing Agreement with Novavax, in the form of Statement of Work #9 (SOW#9). The scope of SOW#9 involves the Company’s tasks consisting in conducting a peptide mapping analysis for the active substance (DS) as well as the finished product (DP) of rS SARS-CoV-2 protein samples of Novavax products. The contracted tasks involve a method feasibility study, method validation and regular testing of samples produced at Mabion and other entities providing manufacturing services to Novavax. If required by Novavax, routine testing of samples will be carried out in a GMP (Good Manufacturing Practice) compliant environment.

On 9 February 2023 (an event after the balance-sheet date), the Company signed another extension to the scope of services under the Manufacturing Agreement with Novavax, in the form of Statement of Work #10 (SOW#10). The scope of SOW#10 comprises logistics services, including the transportation and storage, by the Company, of materials, vaccine active substances, and finished vaccine products under suitable transport and storage conditions agreed by the parties. All these services will be provided in a GMP-compliant environment. The extension of services enters into force on the date of signing of this document and will remain in force until completed in full, unless the Parties jointly decide to terminate the work under this order at an earlier date.

On 6 April 2023 (an event after the balance-sheet date), the Company entered into Annex No. 2 to Statement of Work No. 1 (SOW#1) with Novavax regarding the Company's ability to be contracted by Novavax to manufacture agreed batches of the COVID-19 Omicron variant vaccine antigen.

Annex no. 2 specifies the previously agreed and partially implemented activities aimed at including a further Omicron product in the scope of the cooperation, including the performance of technology transfer, process validation and subsequent manufacturing of the Omicron product in compliance with the GMP standard, in line with the detailed rules set out in Annex no. 2. Pursuant to Annex no. 2, when Novavax places an order for the Omicron product, the Company's responsibilities include, in particular, manufacturing the product, analytical testing of product samples, stability research, procuring raw materials for production, quality management and supervision, and supporting Novavax in complying with registration requirements by submitting the relevant documentation.

The number of batches of the Omicron product commissioned for manufacture will be agreed between the parties on an ongoing basis. The Omicron product will be manufactured within the capacity guaranteed to Novavax to date. As a result of the applicable Annex no. 2, the original Agreement and the Statements of Work contained therein also apply to the Omicron product.

10. Costs by type

The table below shows the categories of generic costs in the year ended 31 December 2022 and the comparable period::

in PLN thousand	2022	2021
Depreciation and amortisation	8,977	8,846
Consumption of materials and energy, utilities	79,700	26,339
Outsourced services, including:	20,131	11,645
waste removal and disposal	863	597
repair services	3,132	2,895
renovation services	1,217	501
analytical services	1,829	538
research services	5,232	(1,077)
advisory services and audit costs	2,384	4,998
legal services	640	1,073
telecommunications and IT services	1,147	541
recruitment costs	483	220
public relations costs	397	409
services related to the issue of new shares	-	(1,114)
services for the acquisition of new distribution partners	673	658
other	2,134	1,406
Drug registration costs	243	(3,372)
Taxes and charges	928	816
Remuneration costs	25,961	16,416
Employee benefits	5,238	3,433
Other costs	595	448
Total costs by type	**141,773**	**64,571**
Cost of sales	29,914	6,043
Own cost of purchased materials	68,081	14,944
Research and development costs	15,115	13,604
General administration costs	28,663	29,980
Total costs by function	**141,773**	**64,571**

The increase in the cost of research services is related to a provision of EUR 1 million created at the end of Q3 for non-invoiced clinical trial costs relating to the MabionCD20 project. On 30 March 2023 (an event after the balance-sheet date), an agreement was signed to settle the services provided to the Company. The amount of liability in accordance with the agreement confirmed between the parties was set at EUR 1,013 thousand. The agreement effectively satisfies the parties' claims and no additional commitment is foreseen for services implemented in the current and previous reporting periods.

11. Research and development costs

in PLN thousand	2022	2021
MabionCD20	13,741	11,388
MabionEGFR	-	2,216
Other projects	1,374	-
Total research and development costs	**15,115**	**13,604**

Research and development costs are recognised as cost of the period in profit or loss when incurred, in accordance with IAS 38. Development costs may be capitalised and recognised as an intangible asset once the criteria set out in § 57 of IAS 38 are met.
In the period covered by these financial statements, the research and development projects in progress co-financed by EU funds were projects co-financed by the European Regional Development Fund: "Improvement of competitiveness of Mabion S.A. through implementation of a process innovation" and "Development of an analytical methods panel to characterise immunogenicity in a clinical trial targeting rheumatoid arthritis patients using rituximab as a therapeutic substance".)

12. Other operating income and costs

in PLN thousand	2022	2021
Revaluation write-downs of tangible current assets	1,115	-
Profit on sales of fixed assets	142	13
Grants	4,724	1,259
Value of current assets received free of charge	702	-
Cancellation of liability	490	-
Other	415	100
Total other operating income	**7,588**	**1,372**
Write-downs on tangible current assets	-	2,897
Loss on liquidation of fixed assets	26	20
Disposal of materials	1,253	369
Donations made	44	-
Damages	192	-
Other	67	220
Total other operating costs	**1,582**	**3,506**

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 811 thousand and PLN 1,259 thousand in 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 and the grant settled as part of the completed EGFR project, in the amount of PLN 3,912 thousand.

The revaluation write-down on tangible current assets relates to those stock materials, for which there is no alternative use and which have a shorter shelf life than their possible existing use.

13. Financial income and costs

in PLN thousand	2022	2021
Interest income	287	40
Positive exchange rate differences	-	908
Total financial income	**287**	**948**
Interest costs, including:	1,698	921
on loans and borrowings	1,203	808
on lease liabilities	491	269
on trade liabilities	4	(365)
Budgetary	-	209
Negative net exchange rate differences	4,521	-
Other	243	450
Total financial costs	**6,462**	**1,371**

Interest income in 2022 and 2021 arises from accrued interest on cash held in bank deposits. In turn, finance costs consist mainly of exchange rate losses and interest on a borrowing.

14. Income tax

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 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.

As at 31 December 2022 and 31 December 2021, the tax asset was estimated at:

in PLN thousand	2022	2021
Tax asset from zone operations	13,075	9,629
Tax asset of realised loss carry-forwards	235	2,529
Total tax asset	**13,310**	**12,158**

The principle of prudence was applied in the estimation of the tax asset due to the adoption of a restrictive approach and the lack of previous history in generating a tax base to account for state aid held, loss carryforwards, or temporary differences.

As at each balance-sheet date, the Company will perform a prudent measurement of the tax asset, taking into account market conditions and the expected tax result for the foreseeable future.

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

In the current reporting period, the Company did not generate a tax base which would result in the obligation to pay income tax.

In 2022, the Company recorded a positive tax financial result on its zone operations and was therefore able to benefit from the state aid granted under the permits. The value of aid after discounting was nearly PLN 11 million.

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.

As at 31 December 2022 and 31 December 2021, the tax asset was estimated at PLN 13,310 thousand and PLN 12,158 thousand, respectively. 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 may not exceed the maximum value specified in the permit granted by the SEZ 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.

in PLN thousand	2022	2021
Current income tax	-	-
Adjustments for previous years	-	-
Deferred tax in the result	(1,152)	(12,158)
Total income tax in the result	**(1,152)**	**(12,158)**

The table below presents the reconciliation of the effective tax rate:

in PLN thousand	2022	2021
Net profit/ (loss)	22,040	(10,255)
(Charge)/tax benefit at 19% rate	(4,188)	1,948
Non-deductible permanent differences, including:	(227)	(525)
PFRON	(56)	(60)
Operating costs for passenger cars	(23)	-
Membership fees	(16)	-
Donations made	(70)	-
Other	(61)	(465)
Non-taxable permanent differences, including:	1,005	10,101
Grants and funding received	898	-
Other	107	10,101
Amounts increasing the tax base	-	(2,651)
Amounts reducing the tax base	-	2,466
Temporary differences from which no deferred income tax asset*/income tax provision was created	(13,155)	(5,621)
Tax losses on which a deferred income tax asset was recognised – operations outside LSEZ**	(236)	(336)
Tax loss from zone operations**	-	(5,382)
Use of state aid in the period (+)/Tax losses from zone activities not deductible in future periods (-)	16,800	(5,382)
Income tax attributable to zone operations	(16,800)	-
Current income tax	**-**	**-**

* The item includes in particular expenditures on research and development work, which are not yet included in the tax deductible costs in the current period.

** Tax losses resulting from operations in the LSEZ are not deductible in the future in accordance with applicable laws. Tax losses resulting from non-zone operations may be deducted in the next five years. The balance of unused tax losses resulting from operations outside the LSEZ is presented below.

The Company recognised a deferred tax provision, which was fully offset by an excess of deferred tax assets.

The amounts of tax losses deductible in future periods, tax reliefs and negative temporary differences (at a tax rate of 19%) for which a deferred tax asset has been recognised in the amount of PLN 236 thousand, relating to 2022. In line with the Company's estimates made following the principle of prudence, the Company would be able to deduct the loss from its non-zone activities after the end of its operations in the LSEZ, i.e. in 2027.

in PLN thousand	Expiry date:	2022	2021
Tax loss to be settled for 2022	end of 2027	118	-
Tax loss to be settled for 2021	end of 2026	168	168
Tax loss to be settled for 2020	end of 2025	950	683
Tax loss to be settled for 2029	end of 2024	950	266
Tax loss to be settled for 2018	end of 2023	173	173
Tax relief (Note 6)	end of 2026	36,707	37,229

In addition, the Company has, both in the reporting period and historically, generated deductible temporary differences on which no deferred tax asset was recognised. The differences mainly related to expenditure on research and development work which did not reduce the tax base in the current and previous reporting periods.

The evolution of the asset value in 2022 is shown in the table below:

in PLN thousand	Deferred tax asset in LSEZ business	Tax asset of realised loss carry-forwards	Total deferred tax asset
As at 1 January 2021	**-**	**-**	**-**
Creation (+)	9,629	2,529	12,158
Utilisation (-)	-	-	-
Release (-)	-	-	-
As at 31 December 2021	**9,629**	**2,529**	**12,158**
As at 1 January 2022	**9,629**	**2,529**	**12,158**
Creation (+)	13,075	235	13,310
Utilisation (-)	(9,629)	-	(9,629)
Release (-)	-	(2,529)	(2,529)
As at 31 December 2022	**13,075**	**235**	**13,310**

15. Property, plant and equipment and intangible assets

Below, a table of fixed asset movements as at 31 December 2021 and 31 December 2022 is presented.

a) Property, plant and equipment

in PLN thousand	Land, buildings and structures	Plant and machinery	Cars	Tools and instruments not elsewhere classified	Fixed assets under construction	Razem
Gross value as at 1 January 2021	**48,278**	**20,890**	**1,857**	**34,062**	**13,963**	**119,050**
Increases due to:	**79**	**2,986**	**653**	**5,381**	**31,948**	**41,047**
Purchase and upgrade	-	-	-	-	31,948	31,948
Transfers from fixed assets under construction	79	2,986	653	5,381	-	9,099
Decreases due to:	**-**	**(39)**	**(84)**	**(102)**	**(9,099)**	**(9,324)**
Sales	-	-	-	-	-	-
Liquidation	-	(39)	(84)	(102)	-	(225)
Transfers from fixed assets under construction	-	-	-	-	(9,099)	(9,099)
Gross value as at 31 December 2021	**48,357**	**23,837**	**2,426**	**39,341**	**36,812**	**150,773**
Depreciation/amortisation as at 1 January 2021	**(8,649)**	**(15,995)**	**(987)**	**(28,139)**	**-**	**(53,770)**
Increases due to:	**(1,587)**	**(2,925)**	**(311)**	**(3,713)**	**-**	**(8,536)**
Depreciation/amortisation write-down for the reporting period	(1,587)	(2,925)	(311)	(3,713)	-	(8,536)
Decreases due to:	**-**	**28**	**76**	**102**	**-**	**205**
Sales	-	-	-	-	-	-
Liquidation	-	28	76	102	-	205
Depreciation/amortisation as at 31 December 2021	**(10,236)**	**(18,892)**	**(1,223)**	**(31,750)**	**-**	**(62,100)**
Net value as at 1 January 2021	**39,629**	**4,895**	**870**	**5,923**	**13,963**	**65,280**
Net value as at 31 December 2021	**38,121**	**4,945**	**1,203**	**7,591**	**36,812**	**88,672**

in PLN thousand	Land, buildings and structures	Plant and machinery	Cars	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
Gross value as at 1 January 2022	**48,357**	**23,837**	**2,426**	**39,341**	**36,812**	**150,773**
Increases due to:	**2,073**	**2,287**	**739**	**4,636**	**9,843**	**19,578**
Purchase and upgrade	-	-	-	-	9,843	9,843
Transfers from fixed assets under construction	2,073	2,287	739	4,636	-	9,735
Decreases due to:	**-**	**(36)**	**(692)**	**(250)**	**(9,736)**	**(10,714)**
Sales	-	-	(478)		-	(478)
Liquidation	-	(36)	(214)	(250)	-	(500)
Transfers from fixed assets under construction	-	-	-	-	(9,736)	(9,736)
Gross value as at 31 December 2022	**50,430**	**26,088**	**2,473**	**43,726**	**36,919**	**159,637**
Depreciation/amortisation as at 1 January 2022	**(10,236)**	**(18,892)**	**(1,223)**	**(31,750)**	**-**	**(62,100)**
Increases due to:	**(1,711)**	**(2,799)**	**(408)**	**(3,746)**	**-**	**(8,664)**
Depreciation/amortisation write-down for the reporting period	(1,711)	(2,799)	(408)	(3,746)	-	(8,664)
Decreases due to:	**-**	**36**	**569**	**243**	**-**	**848**
Sales	-	-	374		-	374
Liquidation	-	36	195	243	-	474
Depreciation/amortisation as at 31 December 2022	**(11,947)**	**(21,655)**	**(1,062)**	**(35,253)**	**-**	**(69,917)**
Net value as at 1 January 2022	**38,121**	**4,945**	**1,203**	**7,591**	**36,812**	**88,672**
Net value as at 31 December 2022	**38,483**	**4,433**	**1,411**	**8,474**	**36,919**	**89,720**

The following summary presents the value of property, plant and equipment leased out under operating lease.

in PLN thousand	Land, buildings and structures	Plant and machinery	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
As at 31 December 2021					
Gross value	42,550	15,779	10,398	-	68,727
Depreciation	(7,269)	(11,884)	(4,920)	-	(24,073)
Net value as at 31 December 2021	**35,281**	**3,895**	**5,478**	**-**	**44,654**
As at 31 December 2022					
Gross value	42,679	17,656	19,665	-	80,000
Depreciation	(8,395)	(13,878)	(12,398)	-	(34,671)
Net value as at 31 December 2022	**34,284**	**3,778**	**7,267**	**-**	**45,329**

Part of investments in property, plant and equipment in 2022 was financed under leases (note 21).

In the current reporting period, the Company sold property, plant and equipment worth PLN 772 thousand in net income.

The liquidated property, plant and equipment were assets that were not suitable for further use in the Company's operations and had no significant resale value.

The Company's Management has not identified any indication of impairment of property, plant and equipment as at the balance-sheet date or in the previous periods. Most of the Company's property, plant and equipment was purchased in the last eight years.

b) Intangible assets:

The table includes intangible assets used by the Company and leased out under operating lease, and in a separate table below only those leased out.

in PLN thousand	IT systems	Intangible assets under construction	Total
Gross value as at 1 January 2021	**1,676**	**293**	**1,969**
Increases due to:	**167**	**50**	**217**
Purchase and upgrade	-	50	50
Transfers from intangible assets under construction	167	-	167
Decreases due to:	**-**	**(167)**	**(167)**
Sales	-	-	-
Liquidation	-	-	-
Transfers from intangible assets under construction	-	(167)	(167)
Gross value as at 31 December 2021	**1,843**	**176**	**2,019**
Depreciation/amortisation as at 1 January 2021	**(898)**	**-**	**(898)**
Increases due to:	**(310)**	**-**	**(310)**
Depreciation/amortisation write-down for the reporting period	(310)	-	(310)
Decreases due to:	**-**	**-**	**-**
Sales	-	-	-
Liquidation	-	-	-
Depreciation/amortisation as at 31 December 2021	**(1,208)**	**-**	**(1,208)**
Net value as at 1 January 2021	**778**	**293**	**1,071**
Net value as at 31 December 2021	**635**	**176**	**811**

in PLN thousand	IT systems	Intangible assets under construction	Total
Gross value as at 1 January 2022	**1,843**	**176**	**2,019**
Increases due to:	**213**	**243**	**456**
Purchase and upgrade	-	243	243
Transfers from intangible assets under construction	213	-	213
Decreases due to:	**(27)**	**(213)**	**(240)**
Sales	-	-	-
Liquidation	(27)	-	(27)
Transfers from intangible assets under construction	-	(213)	(213)
Gross value as at 31 December 2022	**2,029**	**206**	**2,235**
Depreciation/amortisation as at 1 January 2022	**(1,208)**	**-**	**(1,208)**
Increases due to:	**(313)**	**-**	**(313)**
Depreciation/amortisation write-down for the reporting	(313)	-	(313)
Decreases due to:	**27**	**-**	**27**
Sales	-	-	-
Liquidation	27	-	27
Depreciation/amortisation as at 31 December 2022	**(1,494)**	**-**	**(1,494)**
Net value as at 1 January 2022	**635**	**176**	**811**
Net value as at 31 December 2022	**535**	**206**	**741**

Intangible assets that have been leased out under operating leases.

in PLN thousand	IT systems	Intangible assets under construction	Total
As at 31 December 2021			
Gross value	638	-	638
Depreciation	(274)	-	(274)
Net value as at 31 December 2021	**364**	**-**	**364**
As at 31 December 2022			
Gross value	362	-	362
Depreciation	(217)	-	(217)
Net value as at 31 December 2022	**145**	**-**	**145**

16. Inventories

The inventory balance comprises materials (including reference medicines MabThera and Rituxan) and amounted to PLN 8,477 thousand as at 31 December 2022 (as at 31 December 2021, it was PLN 8,445 thousand).

The value of used-up inventories reported in the costs of research and development in 2022 was PLN 1,915 thousand (PLN 5,355 thousand in 2021).

Using the input-based method for recognising income from the agreement with Novavax, raw materials purchased by the Company for purposes of the agreement with Novavax have been recognised in the profit and loss account upon purchase rather than when they are actually used in production due to the fact that these raw materials have no alternative use.

The raw materials are specifically identifiable and the annex to the agreement with Novavax, signed on 22 September 2022, allows the Company to use them for other purposes than the implementation of the contract manufacturing agreement only to a very limited extent and upon Novavax' consent (Novavax controls these raw materials from the point at which they are purchased by Mabion). Consequently, the Company does not recognise raw materials purchased for the contract manufacturing for Novavax as inventories, but – in the presented 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.

17. Trade and other receivables

in PLN thousand	31 December 2022	31 December 2021
VAT receivables	4,673	4,834
Trade receivables	7,746	12,461
Advances on materials and services	1,786	1,394
Deposits	47	20
Other receivables	16	15
Trade and other receivables	**14,268**	**18,724**

The item of trade receivables includes a receivable from counterparties and relates in particular to receivables arising from the annex signed with Novavax on 22 September 2022 for manufacturing readiness ("Manufacturing slot fees"), an invoiced advance payment for manufactured batches, and the procurement of raw material volumes sufficient for the future commercial production of the active substance involving the Company's full production capacity in the period agreed upon by the parties.

18. Accrued costs

in PLN thousand	31 December 2022	31 December 2021
Bonuses	3,689	5,710
Rent	20	-
Insurance	270	426
Training	24	17
Subscriptions	-	2
Complaints	103	103
Licences	94	68
Other	1,601	188
Total accrued costs	**5,801**	**6,514**

In the preceding reporting period, the Company incurred costs related to the acquisition of the agreement with Novavax due to bonuses paid to the Company's employees in the amount of PLN 5,995 thousand. These costs are presented in the statements under prepayments and will be accounted for over the course of the agreement with Novavax in proportion to Q2 2024 (performance obligation).

19. Cash and cash equivalents

in PLN thousand	31 December 2022	31 December 2021
Cash on current accounts	44,059	18,425
Deposits	9,579	30,282
Total cash and cash equivalents	**53,638**	**48,707**
Including restricted funds	**64**	**59**

20. Capital management and equity

a) Capital management

The objective of the Company's capital management is to ensure its ability to continue as a going concern in order to generate a return on capital for shareholders, and to maintain an optimal capital structure to streamline the cost of capital.

The Company is subject to the legal requirement on capital under the Commercial Companies Code (CCC) under which the Company is required to establish a supplementary capital to cover net losses, in the amount of at least 8% of the profit for a specific financial year on this capital, until the supplementary capital reaches a volume equal to at least one third of the share capital. As the Company generated losses in the preceding reporting periods, it has not been able so far to allocate profits to supplementary capital, and therefore the requirement to create supplementary capital equivalent to at least one third of the share capital is not met.

The Ordinary General Meeting of the Company, in accordance with Resolution no. 6/VI/2022 of 21 June 2022, decided to allocate the profit for the financial year 2021 in the amount of PLN 1,903 thousand to cover previous years' losses. Furthermore, the Ordinary General Meeting of the Company also adopted resolution no. 24/VI/2022 to amend the Company's Articles of Association by, inter alia, changing the Company's business objects. The business objects were broadened following the Company's analysis of the possibilities of increasing the efficiency of its operations and in order to enable meeting the Company's intentions. The amendment to the Articles of Association of the Company allowed it to undertake activities in additional and complementary areas and thus will not have a material impact on the Company's core business. On 14 July 2022, the amendments to the Company's Articles of Association were registered by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, of which the Company informed in Current Report no. 24/2022 of 18 July 2022.

b) Share capital and share premium

As at 31 December 2019, the Company's equity consisted of 12,150,772 ordinary bearer shares (series D and H to P) and 1,570,000 registered shares with additional voting rights (series A to C and E to G), i.e. each registered share entitles its holder to two votes at the General Meeting; there are no other differences between the indicated series of shares. The nominal value of all shares is PLN 0.10 per share.

On 18 November 2019, in connection with the implementation of the Incentive Scheme for 2018 adopted by Resolution No. 25/VI/2018 of the Ordinary General Meeting of the Company of 28 June 2018, the subscription of ordinary S series bearer shares carried out in connection with the exercise of rights carried by B series subscription warrants by eligible persons was completed. S series ordinary bearer shares were issued as part of a conditional share capital increase and therefore no allocation of shares took place. The eligible persons took up a total of 9,500 S series ordinary shares at an issue price equal to the nominal price of PLN 0.10 per share, with a total value of PLN 950. The S series ordinary bearer shares were taken up in exchange for a cash contribution made in full before releasing the shares. The shares were released on 29 January 2020 (an event after the balance-sheet date). A total of 9,500 S series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each were released. As at the date of publication of the financial statements for the financial year ended 31 December 2019, the increase in the share capital as a result of issuing the above-mentioned shares was not disclosed in the National Court Register, and therefore the shares are presented as "Issued but unregistered share capital".

On 29 November 2019, the Extraordinary General Meeting of the Company adopted Resolution No. 3/XI/2020 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, a 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 December 2020 and 31 December 2021, the right to take up T shares has not been granted.

As at 31 December 2020, the Company's equity consisted of 12,160,272 ordinary bearer shares (D and H to S shares) and 1,570,000 registered shares with additional voting rights (A to C and E to G shares), i.e. each registered share entitles its holder to two votes at the General Meeting; there are no other differences between the share series specified above. The nominal value of all shares is PLN 0.10 per share.

On 23 June 2020, in connection with the implementation of the Incentive Scheme for 2019 adopted by Resolution No. 25/VI/2018 of 28 June 2018 of the Ordinary General Meeting of the Company, the subscription of S ordinary bearer shares carried out in connection with the exercise by eligible persons of their rights under B subscription warrants was completed. The S ordinary bearer shares were issued as part of the conditional increase of the share capital and therefore no allotment of shares took place. The eligible persons took up a total of 500 S ordinary shares at an issue price equal to the nominal price of PLN 0.10 each, with a total value of PLN 50. The S series ordinary bearer shares were taken up in exchange for a cash contribution made in full before releasing the shares. The shares were released on 18 January 2021. A total of 500 S series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each were released. As at the date of the financial statements for the financial year ended 31 December 2020, the increase in the share capital as a result of the issue of the above-mentioned shares was disclosed in the National Court Register on 2 April 2021, together with the registration of the increase in the Company's share capital through the issue of U shares.

On 16 February 2021, the Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) adopted a resolution on the admission and introduction to exchange trading on the WSE Main Market of S series ordinary bearer shares of the Company. A total of 500 S ordinary bearer shares of the Company, with a nominal value of PLN 0.10 each, has been admitted to trading on the main market. The amount acquired in this issue is PLN 1 thousand. As of 18 February 2021, the aforementioned shares were introduced to trading on the WSE Main Market.

On 23 February 2021, the Extraordinary General Meeting (EGM) of the Company adopted a resolution on increasing the Company's share capital by not less than PLN 0.10 and not more than PLN 243,055.40 up to not less than PLN 1,373,077.30 and not more than PLN 1,616,132.60 through issuing not less than 1 but not more than 2,430,554 ordinary bearer shares with a par value of PLN 0.10 each.

The purpose of the U series share issue was to generate the necessary financing for the Company's working capital, in particular for the development of MabionCD20 and activities aimed at carrying out the registration procedure at the EMA as soon as possible.

On 3 March 2021, the Company's Management Board adopted a resolution on determining the principles of the offering, the principles of bookbuilding, subscription, taking up and allotment of U shares, and the principles of conducting the bookbuilding process for these shares, adopting models of agreements for taking up U shares (subscription agreements for U shares) and consenting to the conclusion by Mabion S.A. of a placement agreement for the purposes of the offering and subscription of U shares.

On 4 March 2021, the Company and mBank S.A. (Offering Manager) entered into a conditional share placement agreement (Placement Agreement) and commenced a book-building process by way of a private placement of up to 2,430,554 U series ordinary bearer shares (U Series Shares, New Issue Shares) issued by the Company (Offering). Pursuant to the Placement Agreement, the Offering Manager has undertaken to provide services to the Company for the purposes of the placement of the New Issue Shares on the terms and conditions set out therein, in particular to exercise due diligence to solicit potential investors and to ensure that such investors subscribe for and pay for the shares.

The book-building process was carried out from 4 to 9 March 2021. Following the completion of the accelerated book-building process for the U Series Shares on 9 March 2021, the Company's Management Board resolved that the issue price of the U Series Shares shall be PLN 55.00 per New Issue Share and the Company shall make offers to investors to acquire a total of 2,430,554 U Series Shares. The issue of the U Series Shares was effected upon the execution of agreements for the taking-up of all the U Series Shares and upon payment in full of the contributions to cover the U Series Shares (no allotment of shares within the meaning of the Commercial Companies Code was necessary). The process of concluding the take-up agreements for the U Shares was completed on 12 March 2021. Contributions for the U Series Shares were made in full by 15 March 2021. 2,430,554 U Shares were taken up. Under the Offering, the U Series Shares were taken up by 65 investors.

The Company's share capital increase through the issue of U Series Shares was registered with the National Court Register on 2 April 2021.

On 14 April 2021, Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) issued a statement on the conditional registration in the securities depository with ISIN code PLMBION00016 of 2,430,554 U series ordinary bearer shares of the Company. The condition for the registration of the U shares was their introduction to trading on the regulated market. On 14 April 2021, the Board of the Warsaw Stock Exchange (WSE) adopted a resolution on the admission and introduction to trading on the WSE Main Market of the U series shares of the Company, pursuant to which it stated that 2,430,554 U series ordinary bearer shares of the Company are admitted to trading on the main market, and decided to introduce as of 19 April 2021 to trading on the main market the aforementioned shares of the Company, provided that the KDPW, on 19 April 2021, has registered these shares. On 15 April 2021, the KDPW published a notice on the registration, as of 19 April 2021, in the depository of securities, of 2,430,554 U series ordinary bearer shares of the Company, and therefore the condition for the listing of the shares on the WSE main market on 19 April 2021 has been met.

The Company recognised transaction costs related to the issue of U series shares in the amount of PLN 4,917 thousand as a decrease in the supplementary capital created from the share premium of the issued shares.

As part of the Incentive Scheme, on 2 July 2021, the Company issued 500 B series registered subscription warrants as part of the implementation of the Incentive Scheme for 2020. The subscription warrants were taken up free of charge by eligible persons, i.e. persons appointed by the Company's Supervisory Board. Each B series subscription warrant entitled to take up 1 S series ordinary bearer share of the Company at the issue price equal to the nominal value of shares of PLN 0.10 each. All eligible persons submitted declarations on taking up their S series shares in the period ended 15 December 2021. The S series shares (500 pcs) were issued as part of a conditional share capital increase, therefore no allocation of shares took place. The allocation of S shares within the meaning of Article 451 § 2 of Commercial Companies Code took place upon their registration in the securities accounts of the eligible persons, which took place on 28 January 2022 (an event after the balance-sheet date). A total of 500 S series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each were allotted. The shares were taken up for cash contributions made in full before the shares were allotted. Along with the allocation of the aforementioned shares, the share capital of the Company was increased.

As at 31 December 2021, the Company's equity consisted of 14,591,326 ordinary bearer shares (D and H to U shares) and 1,570,000 registered shares with additional voting rights (A to C and E to G shares), i.e. each registered share entitles its holder to two votes at the General Meeting; there are no other differences between the share series specified above. The nominal value of all shares is PLN 0.10 per share.

On 18 January 2022, the National Depository for Securities (KDPW) issued a statement announcing that, in response to the Company's application, an agreement had been concluded for the registration with the Depository for Securities of up to 500 S ordinary bearer shares of the Company with a nominal value of PLN 0.10 each. The above-mentioned shares were registered on the basis of settlement orders, in connection with the deregistration of subscription warrants under which the right to take up the above-mentioned shares was exercised.

The statement of changes in share capital and share premium is presented below:

in PLN thousand, except for the number of shares	Number of shares issued and fully paid up	Share capital (nominal value)	Issued but unregistered share capital	Share premium
As at 31 December 2020	**13,730,272**	**1,373**	**-**	**108,923**
Coverage of net loss for 2019	-	-	-	-
U series share issue	2,430,554	243	-	133,437
U series share issue costs	-	-	-	(4,917)
S series share issue	500	-	-	-
S series share issue costs	-	-	-	-
As at 31 December 2021	**16,161,326**	**1,616**	**-**	**237,443**
Coverage of net loss for 2021	-	-	-	-
U series share issue	-	-	-	-
U series share issue costs	-	-	-	-
S series share issue	1,000	-	-	-
S series share issue costs	-	-	-	-
As at 31 December 2022	**16,162,326**	**1,616**	**-**	**237,443**

c) Share-based payments

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 mandate given in the 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 was possible upon conditions listed in the Rules and Regulations. Alternatively, warrants could be purchased by the Company in order to be redeemed. However, the Company had 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 2018 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 all 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 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 the 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 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 2021, 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 2 July 2021, all B warrants granted for the year 2020 (500 warrants) were taken up by the eligible persons. The S shares in exercise of the B series warrants for 2020 were taken up by eligible persons between 2 July and 15 December 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.

On 4 July 2022, all B warrants granted for the year 2021 (500 warrants) were taken up by the eligible persons. The S shares in exercise of the B series warrants for 2021 were taken up by eligible persons between 4 July and 25 July 2022.

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 of eligible employees' expected minimum rate of return).

The total cost of the Scheme for different balance-sheet dates was 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 were accounted for over time from the date of vesting or from the date of commencement of employment in exchange for the benefits in question in proportion to the vesting period for each tranche of warrants.

The amount recognised cumulatively in costs and in capital up to 31 December 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.

The period of the Incentive Scheme referred to above has ended and no issues will be carried out as part of it.

d) Shareholding structure

As at 31 December 2022, the shareholder structure of Mabion S.A. was as follows:

Shareholder	Registered office	Number of shares	% of share in the capital	% of votes held
Twiti Investments, Ltd.	Nicosia, Cyprus	2,674,617	16.55%	18.44%
Maciej Wieczorek through: *		1,717,485	10.63%	12.47%
Glatton Sp. z o.o.	*Łomianki, Poland*	*1,097,135*	*6.79%*	*6.19%*
Celon Pharma S.A.	*Łomianki, Poland*	*620,350*	*3.84%*	*6.28%*
Polfarmex S.A.	Kutno, Poland	1,474,346	9.12%	11.04%
Other	not applicable	10,295,878	63.70%	58.06%
Total		**16,162,326**	**100%**	**100%**

* Mr Maciej Wieczorek holds 100% of the share capital of Glatton Sp. z o.o. and indirectly, through Glatton Sp. z o.o., 58.84% of the share capital of Celon Pharma S.A. and 68.19% of the total number of votes in Celon Pharma S.A.

Shareholders holding more than 5% are listed separately.

21. Deferred income

a) Deferred income from grants

in PLN thousand	31 December 2022	31 December 2021
Grants on property, plant and equipment	6,503	7,651
Grants on research and development costs	24,897	25,314
Deferred income (long- and short-term)	**31,400**	**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 (NCBR).

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.

These projects are described in more detail in the table below.

Name / project description	Name of the grant scheme	Total amount of grant awarded (in PLN thousand)	Total amount of the grant received until 31.12.2022 (in PLN thousand)	Total amount of the grant expected until completion of the project (in PLN thousand)	Project period and status
Development and scaling of an innovative process of manufacturing a therapeutic recombinant monoclonal antibody to enable industrial implementation of the first Polish biotech drug for oncological and autoimmune therapies (MabionCD20).	Operational Programme Intelligent Development 2014 - 2020 "Fast Track"	26,948	24,897	0	1 November 2016 - 30 September 2020 **Status: Project ended in the sustainability period**
Development of a biotech drug by developing an innovative monoclonal antibody of IgG1 subclass with a reduced content of unfavourable glycosides against the reference drug - against EGFR. The project concerns research and development.	Operational Programme Intelligent Development 2014 - 2020, InnoNeuroPharm sectoral programme	28,354	3,912	0	1 August 2017 – 25 February 2022 **Status: Project ended in the sustainability period**
Expansion of the Research and Development Centre of Mabion S.A. - research on the new generation of medicines. The aim of the project is to extend the Company's research and development facilities by preparing the necessary infrastructure: the building of the Research and Development Centre and the purchase of research equipment to conduct research on innovative drugs (the latest generation of biotech drugs, monoclonal antibodies).	Operational Programme Intelligent Development 2014 - 2020	63,247	0	0	20 January 2018 – 26 November 2022 **Status: Project completed**
Improvement of competitiveness of Mabion S.A. through implementation of a process innovation	Regional Operational Programme for Łódzkie Voivodeship 2014–2020	396	0	0	01.07.2021 – 30.06.2023 **Status: Project completed**
Development of an analytical methods panel to characterise immunogenicity in a clinical trial targeting rheumatoid arthritis patients using rituximab as a therapeutic substance. / "Development of an analytical methods panel for the characterization of immunogenicity in a clinical trial aimed at patients suffering from rheumatoid arthritis using rituximab as a drug substance"	Regional Operational Programme for Łódzkie Voivodeship 2014–2020	2,080	0	2,080	18.09.2021 - 31.12.2023 **Status: Project in progress**

* includes reimbursement of grants in 2020 due to financial corrections
** the project remains at the stage of verification of the final payment application

In relation to the received grants, the Company fulfilled certain conditions resulting from the co-financing agreements in force, implemented the scope of the project, incurred expenditures on specified objectives and achieved the assumed results. The expenses incurred are subject to verification by the aforementioned institutions - the Company is required to meet sustainability criteria for a period of three years from the project completion, during which it is expected to continue the subsidised activities without significant changes and within the original geographical boundaries.

Grants are recognised when the Company has sufficient certainty that it will be able to meet the conditions for grant use and that it will receive them.

In 2021, the Company entered into a new grant agreement for the project entitled "Improvement of competitiveness of Mabion S.A. through implementation of a process innovation" under the Regional Operational Programme for Łódzkie Voivodeship 2014–2020. Under the agreement, the value of co-financing was to amount to PLN 396 thousand. The Company's liabilities arising from its agreement with Novavax and additional orders have necessitated a change in the timing of the project. Consequently, the Company applied for an extension of the project implementation period. In June 2022, the Company was granted permission to extend the project until 30 June 2023 (previous deadline: November 2022). In September 2022, the annex in question was signed. Notwithstanding this change, introduced in December 2022, the Company decided to terminate the co-financing agreement as a result of a shift in the Company's objectives, which translated into an inability to achieve the project objective, as well as a significant increase in prices due to, among other things, inflation and exchange rate rises, which would result in the need for additional higher financial expenditure. The agreement was terminated on 19 January 2023 (an event after the balance-sheet date).

The table below shows changes in grants in the years covered by these financial statements:

in PLN thousand	Grants on property, plant and equipment	Research and development grants	Total grants
As at 31 December 2020	**8,886**	**26,373**	**35,259**
Inflows	-	897	897
Return	-	-	-
Included in the financial result	(1,259)	(1,932)	(3,191)
As at 31 December 2021	**7,627**	**25,338**	**32,965**
Inflows	-	1,540	1,540
Return	(337)	-	(337)
Included in the financial result	(788)	(1,981)	(2,769)
As at 31 December 2022	**6,502**	**24,897**	**31,400**

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 1,125 thousand in 2022 and PLN 1,259 thousand in 2021 – see also Note 11).

In 2022, the Company received a grant payment for research and development costs under the Operational Programme Smart Development 2014–2021 – a grant for the Mabion CD20 project, amounting to PLN 1,049 thousand, and a second grant for the InnoNeuroPharm sectoral programme, in the amount of PLN 490 thousand.

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, 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 funded by the SGOP 2014–2020, due to the fact that, in the opinion of the Management Board, further implementation of the project is unjustified. Consequently, a final application for payment and final information on the Project implementation were submitted to the NCBR. On 7 October 2022, the Company received information from the NCBR that the project was considered to be substantially and financially complete. Thus, the three-year period of the project duration commenced, which will end in October 2025. The final value of the funding received is PLN 3,913 thousand.

In May 2022, the Company was informed that the Final Report and the final payment request as part of the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies" have been accepted. The final value of the co-financing received by the Company was PLN 24,897 thousand and the Project entered a three-year sustainability period.

Due to the potential risks associated with the awarded co-financing (Note 28 of these statements), the Company has not recognised income from the co-financing for this Project to date.

On 26 October 2022, the Management Board of Mabion S.A decided to terminate the co-financing agreement for the project "Expansion of the Research and Development Centre of Mabion S.A. – research on the new generation of medicines", entered into in June 2018 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.

The termination of the agreement was related to the fact that the Company had been considering a change in the scope of the planned investment and that it had not been possible to implement the project on the terms and conditions and within the timeframe stipulated in the Co-financing Agreement. Pursuant to the Agreement, the total cost of the project was set in 2018 at approximately PLN 173,000 thousand, and the value of the co-financing was approximately PLN 63,000 thousand, of which the Company has used – up to the day on which it was decided to terminate the Agreement – payments totalling approximately PLN 300 thousand. The Company has already repaid the aforementioned liability. The co-financing agreement has terminated on 26 November 2022.

b) Other deferred income

In this item, the Company recognised a freezer received free of charge, worth PLN 78 thousand. The income will be recognised concurrently with the depreciation of the freezer. The amount of income remaining to be recognised in future periods as at 31 December 2022 was PLN 68 thousand.

22. Liabilities under contracts with customers

in PLN thousand	31 December 2022	31 December 2021
Liabilities arising from the implementation of an agreement	49,684	46,110
Lease prepayments	1,105	955
Total	**50,789**	**47,065**

Commitments arising from agreements with customers include payments received from Novavax in connection with the agreement for the production of an active substance (further information in Note 7). The initial payments received from Novavax before the commencement of production are intended to cover the costs of adaptation of the Company's manufacturing facility to the customer's needs, including technology transfer and production of test batches of the active substance. Apart from lease, the agreement distinguishes one non-lease performance obligation, which is the active substance production service; adaptation of the facility does not constitute a separate performance obligation. Income from the foregoing payments is recognised by the Company over time, over the period of implementation of the agreement. The raw materials purchased for the purposes of the agreement represent the agreement cost at the time of purchase. In line with the accounting policy presented in these statements, these raw materials, upon purchase by Mabion, are recognised as cost of sales and, at the same time, income is recognised in an amount equal to the acquisition cost of the raw material, and therefore the Company does not recognise a profit margin.

23. Repayable advances on distribution rights

The table below shows a list of all cooperation agreements signed, together with the amounts of advance payments received and the target sales markets covered by each agreement:

Partner	Market	31 December 2022	31 December 2021
FARMAK	Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan	1,172	1,150
ONKO	Turkey	516	506
Sothema Laboratories	Morocco, Algeria, Tunisia	108	106
Lyfis	Iceland	28	28
Total		**1,824**	**1,790**

Advances received by the Company are repayable in the case of an event beyond the Company's control (i.e. failure to complete clinical trials conducted as part of development work and/or failure to issue a marketing authorisation for a specific market by a regulatory body), and have therefore been classified as financial liabilities. Since the moment of occurrence or non-occurrence of the above mentioned event is also beyond the Company's control, the liability is measured at the amount payable on demand and classified under short-term liabilities. At the date of these financial statements, in accordance with the agreements in force, the advances disclosed has not become due.

24. Loans and borrowings

The structure of loans and borrowings is presented in the table below:

in PLN thousand	31 December 2022	31 December 2021
Loans and borrowings	-	15,000
Loans secured on assets	513	452
Total loans and borrowings	**513**	**15,452**

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 was EUR 30,000 thousand and could be disbursed in three tranches once specific conditions are met, which included the achievement of registration and commercialisation milestones for MabionCD20. The Loan availability period was 36 months from the date of the Financing Agreement.

On 29 November 2019, the Extraordinary General Meeting of the Company adopted Resolution No. 3/XI/2020 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, a loan agreement for EUR 30 million.

As a result of the expiry of the 36-month availability period and the fact that the financing was not used, the agreement expired after the balance-sheet date.

Until the agreement's expiry and as at 31 December 2022, the Company has not drawn any tranche of the EIB loan and its debt on this account was 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. In accordance with the resolution of the General Meeting of the Company, the subscription warrants could be issued no later than 30 June 2020.

On 6 February 2023 (an event after the balance-sheet date), the Company entered into a long-term loan agreement with the European Bank for Reconstruction and Development (EBRD) for USD 15 million. The loan is intended in particular to finance the expansion and modernisation of the Company's current facility located in Konstantynów Łódzki. The loan will be disbursed once the standard conditions precedent specified in the Loan Agreement have been met, at the request of the Company, in one lump sum or in amounts of not less than USD 5 million. The loan will be disbursed at the latest within nine months of the date of the loan agreement, with the first loan disbursement occurring not later than within six months as of the date thereof.

The loan will bear interest at a variable rate composed of the interest base, i.e. the compounded Secured Overnight Financing Rate (SOFR), plus a margin. It will be repaid in four different instalments on 30 September 2023, 31 December 2023, 31 March 2024, and 30 June 2024, in line with the schedule specified in the loan agreement.

The EBRD's receivables under the Loan Agreement will be collateralised in favour of the EBRD by:

- contractual mortgage on the real estate of the Company located in Konstantynów Łódzki
- registered pledge on certain assets of the Company related to the CDMO project
- registered pledges on the Company's bank accounts
- assignment of rights and pledge on receivables under the agreement with Novavax
- assignment of rights under insurance agreements for certain assets of the Company
- Company's statement of submission to enforcement in the form of a notarial deed.

The Loan Agreement contains certain provisions that impose restrictions on the Company with respect to, among other things:

- the termination or amendment of the terms and conditions of the Agreement with Novavax if as a result the Company's proceeds are reduced

- the disposal of, or encumbrance on, material assets of the Company
- incurring certain financial liabilities in excess of agreed amounts, including incurring, or committing to incur, capital expenditure (CAPEX) in excess of PLN 5 (or an equivalent in another currency) in any financial year for purposes unrelated to the Project.

The loan agreement includes the EBRD's entitlement to grant the Company a written waiver of the restrictions imposed on the Company under the loan agreement. The right referred to in the preceding sentence is subject to the sole discretion of the EBRD. The Loan agreement includes financial covenants regarding restrictions on dividend payments above the Debt Service Coverage Ratio (DSCR) specified in the loan agreement. Should the Company breach the obligations specified in the loan agreement, it will entitle the EBRD to terminate thereof and demand immediate repayment of the loan together with contractual default interest and any other due costs or fees.

Under the Loan Agreement, the Company undertook to implement an Environmental and Social Action Plan to carry out ESG (Environmental, Social and Corporate Governance) activities in accordance with EBRD Performance Requirements 1–8 and 10 dated April 2019, as well as to pursue its business in accordance with the EBRD's anti-corruption guidelines.

b) Borrowings from shareholders and related parties

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 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.

On 12 July 2022, the parties concluded Annex No. 3 to the Borrowing Agreement, under which it was agreed that the Borrowing will be repaid in two tranches: the first tranche of PLN 5,000 thousand was repaid on 28 September 2022, while the second tranche of PLN 10,000 thousand was repaid on 2 November 2022. The other terms and conditions of the Borrowing remain unchanged. Thus, as at the date of these statements, the borrowing has been repaid in its entirety, together with the interest due, and as at 31.12.2022 the value of the liability on this account was PLN 0 (zero).

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 4 to 5 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.

In 2022, the Company entered into one new asset-backed borrowing agreement amounting to PLN 525 thousand.

As at 31 December 2022, the total value of outstanding loans secured on assets was PLN 513 thousand.

25. Debt

The following table shows an analysis of the change in debt for each of the periods presented:

in PLN thousand	Bank loans	Borrowings	Lease liabilities	Total debt
As at 01.01.2021	**-**	**31,380**	**5,301**	**36,681**
Proceeds from financing received	-	3,500	-	3,500
Debt repayments	-	(19,358)	(2,400)	(21,758)
Interest paid	-	(1,197)	(269)	(1,466)
Conclusion of lease agreements	-	-	720	720
Conclusion of borrowing agreements	-	319	-	319
Interest accrued	-	808	269	1,077
Exchange differences accrued	-	-	-	-
Measurement of future lease payments	-	-	-	-
As at 31.12.2021	**-**	**15,452**	**3,621**	**19,073**
Proceeds from financing received	-	-	-	-
Debt repayments	-	(15,464)	(2,243)	(17,707)
Interest paid	-	(1,203)	(491)	(1,694)
Conclusion of lease agreements	-	-	3,972	3,972
Conclusion of borrowing agreements	-	525	-	525
Interest accrued	-	1,203	491	1,694
Exchange differences accrued	-	-	-	-
Measurement of future lease payments	-	-	282	282
As at 31.12.2022	**-**	**513**	**5,632**	**6,145**

26. Leases

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 2020–2023 and recognised the related lease as at 31 December 2019. On 2 August 2022, the Company signed an annex to the aforementioned lease agreement, which extends the validity of the agreement to the end of 2027.

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 include an option to purchase the leased item after the end of the lease period.

In the reporting period, the Company entered into a number of new lease agreement as a result of which it recognised new items of property, plant and equipment of PLN 3,970 thousand and a lease liability of PLN 3,970 thousand, including the amount of PLN 1,944 thousand relating to the extension of the lease agreement for the building at 17 Fabryczna St. in Łódź (on 3 August, an annex to the agreement was signed, extending its validity until the end of 2027).

Depreciation of leased fixed assets in the reporting period amounted to PLN 1,883 thousand, and lease interest amounted to PLN 491 thousand.

The total gross carrying amount of leased items as at 31 December 2022 totals PLN 10,996 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 December 2022.

Depreciation of leased assets by asset group:

in PLN thousand	31 December 2022	31 December 2021
Group 1 – buildings and premises and the cooperative right to commercial premises and the cooperative right to residential premises	585	463
Group 4 – Machinery, equipment and apparatus for general use	10	10
Group 5 – Machinery, equipment and specialised apparatus	118	98
Group 7 – means of transport	347	289
Group 8 – tools, instruments, movable property and equipment, not elsewhere classified	823	1,678
Depreciation of leased assets by asset class in total	**1,883**	**2,538**

The total carrying amount of finance leases as at 31 December 2022 and 31 December 2021 was as follows: PLN 6,255 thousand and PLN 4,371 thousand, respectively.

Summary of leased assets at carrying value by asset group:

in PLN thousand	31 December 2022	31 December 2021
Group 1 – buildings and premises and the cooperative right to commercial premises and the cooperative right to residential premises	2,286	927
Group 4 – Machinery, equipment and apparatus for general use	36	28
Group 5 – Machinery, equipment and specialised apparatus	334	452
Group 7 – means of transport	1,339	1,088
Group 8 – tools, instruments, movable property and equipment, not elsewhere classified	2,260	1,876
Leased fixed assets – in total	**6,255**	**4,371**

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

in PLN thousand	31 December 2022	31 December 2021
Minimum lease payments		
Up to 1 year	1,922	2,056
From 1 to 5 years	5,026	2,278
Future minimum lease payments	**6,948**	**4,334**
Future interest costs	**(1,286)**	**(377)**
Current value of lease payments		
Up to 1 year	1,846	1,965
From 1 to 5 years	3,816	1,992
Lease liability	**5,662**	**3,957**

27. Trade and other liabilities

in PLN thousand	31 December 2022	31 December 2021
Trade liabilities	12,812	23,676
Social insurance and income tax on wages	1,601	1,862
Provision for unused leave	1,090	912
Liabilities under remunerations	3,665	578
Other liabilities	209	2,607
Company Social Benefits Fund	34	59
Total trade and other liabilities	**19,411**	**29,694**

The Management Board of Mabion S.A., by Resolution No. 11/I/2021 of 28 January 2021, decided that in 2021, the Company will not establish a Company Social Benefits Fund and will not pay leave allowance. The decision was upheld for 2022.

The following table presents the movement of provisions:

in PLN thousand	Provision for services	Provision for unused leave	Provision for bonuses	Other provisions	Total
As at 1 January 2021	**1, 498**	**541**	**2,301**	**383**	**4,723**
Additions (+)	3,677	3,537	2,339	2,666	12,219
Utilisation(-)/Release(-)	(4,983)	(3,166)	(4,064)	(640)	(12,853)
As at 31 December 2021, including	**192**	**912**	**576**	**2,409**	**4,089**
Short-term	*192*	*912*	*576*	*2,409*	*4,089*
Long-term	-	-	-	-	-
Additions (+)	4,805	178	3,148	31	8,162
Utilisation(-)/Release(-)	-	-	(1,476)	(2,429)	(3,905)
As at 31 December 2022, including	**4,997**	**1,090**	**2,248**	**11**	**8,346**
Short-term	*4,997*	*1,090*	*2,248*	*11*	*8,346*
Long-term	-	-	-	-	-

28. Financial risk management

In its research and development, and manufacturing activities, the Company is exposed to a number of financial risks, such as market risk (in particular, the foreign exchange risk and the risk of changes in cash flows as a result of changes in interest rates, the risk associated with the macroeconomic, legal, and political environment), credit risk and liquidity risk, and non-financial risks: the risk associated with the biotechnology medicine market, the risk of not finding an external partner interested in acquiring a licence for Mabion CD20 from Mabion, or the risk associated with the implementation of the existing agreements.

The Management Board of the Company maintains a continuous risk management process in all significant areas of the Company's operations. Due to the dynamic situation on the pharmaceutical and CDMO market, the Management Board monitors, audits and updates potential risks on an ongoing basis, through:

> anticipating and identifying the potential risk groups, examining the risk in depth to actively prevent it;
> continuously monitoring and controlling the existing risk;
> avoiding the risk – refraining from certain high-risk activities;
> taking preventive actions – developing action plans and relevant procedures to be implemented immediately if a potential risk arises;
> keeping the risk within the predetermined limits or implementing risk minimization plans;
> reporting the identified risk and its nature;;
> adhering to "Code of Best Practice for WSE Listed Companies".

This Note describes the Company's exposure to the various risks arising from the financial instruments held by the Company, and the objectives, policies and processes used to measure and manage the risks.

The table below presents the financial instruments held by the Company and their classification under IFRS 9:

in PLN thousand	31 December 2022	31 December 2021
Financial assets measured at amortised cost		
Long-term receivables	220	206
Trade receivables	7,746	12,461
Cash and cash equivalents	53,638	48,707
Total financial assets	**61,604**	**61,374**
Liabilities measured at amortised cost		
Repayable advances on distribution rights	1,824	1,790
Trade liabilities	12,812	23,676
Loans and borrowings	513	15,452
Total financial liabilities	**15,149**	**40,918**
Financial liabilities outside the scope of IFRS 9	-	-
Lease liabilities	**5,662**	**3 957**

a) Foreign exchange risk

Some of the raw materials necessary for the production of the active substance are purchased in a foreign currency or denominated into PLN on the transaction date (USD and EUR). In addition, the Company may carry out significant investment purchases related to the retrofitting of the facility where the currency of the agreement is EUR or USD.

Implementation, and in particular the repayment of the loan agreement and the servicing costs of the EBRD financing, can also generate currency risk, as the USD is the settlement currency in the financing agreement.

Part of laboratory equipment and reagents for research and development is purchased by the Company in foreign currencies, mostly in EUR and USD.

The costs of advisory services purchased by the Company, denominated in foreign currencies and provided in future reporting periods, may also generate currency risk.

Unfavourable changes in exchange rates (depreciation of the Polish zloty against foreign currencies) may contribute to an increase in the level of the Company's capital outlays and increase current costs, which may have an adverse effect on the Company's financial results.

It cannot be excluded that the Company may generate exchange rate differences arising from fluctuations in exchange rates as a result of the difference in the periods in which the receivable or liability arises and the realisation of the payment denominated in a foreign currency, including as a result of the conversion of the received funds into PLN.

The Company has signed an agreement for the manufacture of an active substance, denominated in USD, which gives rise to exchange rate risk in terms of the earned income. It is expected that the risk of exchange rate fluctuations arising from emerging liabilities will be mitigated by the delivery of services using natural hedging.

The Company analyses the level of foreign exchange risk and the potential impact of the above changes on the results of the period on an ongoing basis. At present, the Company's management does not apply hedging instruments to mitigate the impact of changes resulting from temporary fluctuations in foreign exchange rates on its financial results and capital position.

The table below presents the Company's exposure to the risk of foreign exchange differences:

	Denominated in the following foreign currencies (after translation into PLN)			
in PLN thousand	**Total**	**EUR**	**USD**	**Other foreign currencies**
As at 31 December 2021				
Trade receivables	12,347	(86)	12,433	-
Cash and cash equivalents	18,348	86	18,256	6
Repayable advances on distribution rights	(1,790)	(1,790)	-	-
Trade liabilities	(22,193)	(21,373)	(774)	(46)
Net exposure – assets / (liabilities)	**6,712**	**(23,163)**	**29,915**	**(40)**
As at 31 December 2022				
Trade receivables	7,612	-	7,612	-
Cash and cash equivalents	43,956	34	43,910	12
Repayable advances on distribution rights	(1,824)	(1,824)	-	-
Trade liabilities	(518)	(244)	(85)	(189)
Net exposure – assets / (liabilities)	**49,226**	**(2,034)**	**51,437**	**(177)**

A fluctuation in foreign currency/PLN exchange rates of +/-5% was assumed to calculate the resulting increase/decrease of net profit/loss. The analysis does not factor in concurrent changes of other variables, such as interest rates.

Currency risk sensitivity analysis as at 31 December 2022
Impact on financial result (in PLN thousand)

Groups/categories of financial instruments	**USD**		**EUR**		**Other foreign currencies**	
	5%	-5%	5%	-5%	5%	-5%
Financial assets:						
Trade receivables	381	(381)	-	-	-	-
Cash and cash equivalents	2,196	(2,196)	2	(2)	1	(1)
Financial liabilities:						
Repayable advances on distribution rights	-	-	(91)	91	-	-
Trade liabilities	(4)	4	(12)	12	(9)	9

b) Risk of cash flow changes as a result of interest rate changes

The Company has exposure to the risk of interest rate changes with respect to borrowings at variable interest rates and leases at variable interest rates. The Company analyses the level of interest rate risk on a regular basis in order to assess the impact of certain interest rate changes on its financial results. The Company does not have any instruments limiting the impact of changes in interest rates on its cash flows and financial results.

The table below shows the exposure to the risk of changes in cash flows due to changes in interest rates:

in PLN thousand	**31 December 2022**	**31 December 2021**
Cash on bank accounts	53,638	48,707
Loans and borrowings	(513)	(15,452)
Lease	(5,662)	(3,957)
Net exposure – assets / (liabilities)	**47,463**	**29,298**

The table below presents the analysis of sensitivity to the risk of interest rate changes, which the Company believes would be reasonably possible as at the balance-sheet date:

in PLN thousand	2022	2021
Increase/(decrease) in profit/loss and equity as a result of		
increase in interest rates by 100 bps	475	293
decrease in interest rates by 100 bps	(475)	(293)

c) Counterparty credit risk

Credit risk is the risk of the Company suffering financial losses because of a failure on the part of a customer or supplier who is a party to a financial instrument to fulfil their contractual obligations. The Company's credit risk mostly results from cash and cash equivalents on bank accounts. In the opinion of the Company's management, there are significant concentrations of credit risk at the Company which are related to the portfolio of trade and other receivables representing financial assets, which is mainly attributable to the Company's having a single, major customer for services. This type of risk measurement is based on the analysis and ongoing monitoring of payments from Novavax and, if necessary, a demand for payment.

The table below shows the exposure to credit risk:

in PLN thousand	31 December 2022	31 December 2021
Long-term receivables	220	206
Trade receivables	7,746	12,461
Cash on bank accounts	53,638	48,707
Total exposure	**61,604**	**61,374**

On 28 February 2023, the key counterparty of the Company, Novavax Inc., expressed doubts as to its ability to continue as a going concern. NVAX stated that there is significant uncertainty regarding its expected income levels in 2023, US government's financing, and the pending arbitration with a counterparty, Gavi. The existing agreement with NVAX is guaranteed until Q2 2024 and, regardless of the execution of manufacturing orders, the Company receives manufacturing capacity availability payments. As at the date of these financial statements, there are no arrears under the agreement.

Cash and cash equivalents are deposited with Santander Bank Polska SA, a financial institution with a BBB+ Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings, with Alior Bank SA, a financial institution with a BB Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings, and with mBank SA, a financial institution with a BBB- Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings. The Company has considerable concentration of credit risk for cash and cash equivalents, i.e. usually at least 60%-70%of the balance is held in one financial institution. Nevertheless, the Company's management is of the opinion that depositing cash with banks with stable ratings significantly reduces exposure to credit risk.

Impairment losses on cash and cash equivalents have been determined individually for each balance relating to a financial institution. External bank ratings were used to assess credit risk. The analysis showed that these assets carried low credit risk as at the reporting date. The Company has used the simplification allowed under the standard and the impairment loss has been determined based on 12-month credit losses. The allowance calculation showed an immaterial amount of impairment loss. The entire balance of cash and cash equivalents is classified under Level 1 of the impairment model.

d) Liquidity risk

In 2022, the Company generated proceeds from sales of products and services under the existing agreements, and its activities were also co-financed by public funding. In the period under review, the Company took measures to secure the financing of its investment activities, including the expansion and upgrade of its existing production potential, by obtaining external financing. As a result, a financing agreement was signed with the EBRD securing access to USD 15 million.

The Company's management monitors current forecasts for the Company's liquid assets and liabilities based on projected cash flows.

The risk related to limited access to funding due to the global liquidity situation or the Company's financial position (with contract manufacturing taken into account), cannot be excluded. On 28 February 2023, the key counterparty of the Company, Novavax Inc., expressed doubts as to its ability to continue as a going concern. NVAX stated that there is significant uncertainty regarding its expected income levels in 2023, US government's financing, and the pending arbitration with a counterparty, Gavi. The existing agreement with NVAX is guaranteed until Q2 2024 and, regardless of the execution of manufacturing orders, the Company receives manufacturing capacity availability payments. As at the date of these financial statements, there are no arrears under the agreement.

In particular, the current situation resulting from the high inflation and the warfare in Ukraine, and their impact on capital markets should be borne in mind, as this may cause significant restrictions on sources of funding, including equity funding from share issues.

The table below presents undiscounted amounts of financial liabilities by their contractual maturities:

in PLN thousand	Carrying amount	Total	Under 6 months	6 – 12 months	1 – 2 years	2 – 5 years
As at 31 December 2021						
Repayable advances on distribution rights	1,790	1,790	1,790	-	-	-
Trade liabilities	23,676	23,677	23,243	-	-	434
Loans and borrowings	15,452	16,072	776	15,068	65	163
Lease	3,957	2,775	783	539	680	773
Total	**44,875**	**44,314**	**26,592**	**15,607**	**745**	**1,370**
As at 31 December 2022						
Repayable advances on distribution rights	1,824	1,824	1,824	-	-	-
Trade liabilities	12,812	12,811	12,270	30	247	264
Loans and borrowings	513	617	93	93	186	245
Lease	5,662	6,948	1,042	879	1,596	3,431
Total	**20,811**	**22,200**	**15,229**	**1,002**	**2,029**	**3,940**

e) 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 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 loan and secured borrowings.

The Company's management assessed that the fair value of these items approximates or equals their carrying values. The fair value measurements are classified into the level 2 fair value hierarchy (i.e. inputs other than quoted prices that are observable either directly or indirectly). The main input used to determine fair value of the bank borrowing is the current market interest rate of similar instruments of 9.16%. The fair value of the liability resulting from the repayable advances on distribution equal the carrying amount which is an amount payable on demand.

f) Risk related to the macroeconomic, legal and political situation

One of the main elements that influence the entrepreneurs' decisions is Polish tax law: frequently changed, imprecise and more often than not suffering from the lack of uniform interpretations. Indeed, practices of fiscal authorities and court decisions on tax issues are all based on vague legal regulations, which translates into an increased business risk in Poland compared to the more stable tax systems in the countries with mature economies. The potential risk for the Company is the likelihood that forecasts for its operations will become outdated and its financial condition will deteriorate.

Regulatory changes that have the greatest impact on the Company operations are in particular those related to tax law, laws governing the operation of the social security system and publicly funded healthcare services, as well as pharmaceutical and intellectual property laws. Amendments to these regulations may significantly reshape the Company's legal environment and thus alter its financial results. Also discrepancies in interpretation of the legal order prevailing in Poland and in the EU constitute a material factor which may have impact on the development prospects, results achieved and the financial position of the Company. Disparity in legal interpretations by national courts and public agencies and Community courts can have both direct and indirect consequences for the Company.

The Management Board constantly monitors changes in laws and interpretations that are of key importance for the Company in an effort to proactively adapt the Company strategy to such developments.

The ongoing economic situation in the East - due to the war in Ukraine – has caused the Management Board to closely monitor the regulations introduced by the Polish Government, the governments of other EU countries, and the United States. A protracted conflict may result in higher prices of, for example, energy, restrictions on free trade, or other business restrictions, including disruptions in the supply chain for goods and services.

The Company has analysed the impact of the Russian military invasion of Ukraine and its current and future possible consequences for the Company. The Company is of the opinion that the invasion and its effects are post balance-sheet events that do not affect the measurement and classification of assets and liabilities in the financial statements as at 31 December 2022. The Company has assessed the possible impact of the military invasion on the Company and has included appropriate disclosures in the financial statements, taking into account both the existence of this event arising after the balance-sheet date, as well as an assessment of its potential impact on the Company, including its financial performance in 2022 and beyond.

g) Risk related to the work schedule – NVX-CoV2373

On 8 October 2021, the Company entered into a commercial contract manufacturing agreement (Manufacturing Agreement, Master Contract Manufacturing Agreement) with Novavax, together with a Statement of Work, pursuant to which the Company manufactures on a commercial scale, on a GMP standard basis, an antigen for a COVID-19 vaccine called Nuvaxovid®. The parties agreed on the scope and budget of the work contracted to the Company as part of the production of engineered and commercial batches of the protein antigen Nuvaxovid®.

The risk that the planned timetable may change due to a number of factors of a technological and logistical nature at the level of supply of materials and substances necessary for the planned work, as well as those related to the COVID-19 pandemic of the present geopolitical situation, cannot be excluded. Due to a number of factors, there is a risk of delays in the implementation of the work and the need to postpone the assumed work schedule.

The Company has started to implement the agreement on schedule, while on 22 September 2022, it entered into an annex to the manufacturing agreement with Novavax and an annex to SOW#1. As a result of the above-mentioned annexes, the Agreement's duration has been extended until the end of 2026 and, based on the schedule agreed between the parties, the Company will either receive remuneration for the Product batches manufactured or remuneration for the readiness to manufacture the Product based on the production capacity guaranteed to Novavax. In the opinion of the Management Board, the annex does not change the subject matter of the Agreement, but simply the mechanics of income calculation.

Despite the annex in place, it cannot be excluded that as a result of the ongoing work and discussions with the partner, the assumptions relating to the manufacturing process or associated processes will change, which may also affect the work schedule. The production plans may also be affected by Novavax's financial situation. Novavax informed about its financial situation in its annual report for 2022.

The new provisions on remuneration for the readiness to manufacture safeguard the Company against loss of income, even if Novavax' production plans change.

Furthermore, to minimise the risks presented above, the Company's Management Board carries out ongoing monitoring of project work, participates in regular working group meetings and arrangements with the partner so as to counteract possible delays as far in advance as possible. The Company has specialised teams dedicated to the procurement of materials and equipment required for the project, as well as an extensive network of suppliers. A preliminary analysis of project risks (e.g. at the level of the quality system, technology, regulatory matters, technical installation) is also carried out and updated, and measures are taken to minimise possible risks. The team, dedicated to ongoing monitoring and risk analysis, undertakes ongoing activities to mitigate possible risks to the project.

h) Risk related to the funding obtained

As part of the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies", the Company was granted co-financing of PLN 24,897 thousand. In May 2022, the project entered a three-year sustainability period. The Company is required to achieve, by the end of the project's duration (May 2025), the assumed result indicator, i.e. to implement the results of the R&D work completed as part of the project into its own activities (commercial manufacturing of MabionCD20) and to obtain income from the implemented R&D work (income from the sales of the medicine). Because of a number of force majeure factors, the Company has identified risks in meeting the above-mentioned indicators and immediately started a dialogue with the NCBR. As at the date of these statements, the Company is awaiting a response to the request submitted on 22 March 2023 to change the form of implementation in its business in order to be able to license the Company's intellectual property rights to another entrepreneur. In the Company's opinion, this solution is a chance to realise the implementation indicator for the project results and to achieve income from the implementation of R&D works. As the agreement on co-financing provides for such a form of implementation in the beneficiary's own operations, as at the date of these financial statements the Company did not identify any significant risk of NCBR's refusal to accept the Company's request. Considering the time horizon remaining until the expiry of the sustainability period, the Company assesses that the indicated form of implementation is within the Company's capabilities and represents, in this circumstances, an optimal solution. However, it should be noted that this scenario presents a risk of failure in terms of acquiring and licensing another entrepreneur. Should the result indicator not be achieved, the Company may be called upon by the NCRB to repay part or all of the co-financing, together with interest due. The Company is not able to exclude such risks, but assesses it as low at this point in time and without impact on the Company's results presented in these statements.

29. Related party transactions

There is no direct or ultimate controlling party in the Company. In the period covered by these financial statements the Company has not recorded neither sales to nor purchases from the related parties on conditions other than arm's length terms.

30. Employment

in PLN thousand	12 months to 31 December 2022	12 months to 31 December 2021
Management Board *	4	4
Production departments *	194	173
Administrative departments *	38	31
Total	**236**	**208**

* Average employment in the reporting period in remunerated FTEs, i.e. employment in FTEs adjusted (reduced) by FTEs for which the Company does not pay remuneration (e.g. unpaid leave, maternity leave, other).

31. Information on the fee of the entity authorised to audit the financial statements

The table below presents the fee of the Company's auditor paid or due for the year ended 31 December 2022 and 31 December 2021, by type of service:

in PLN thousand	12 months to 31 December 2022	12 months to 31 December 2021
Audit of the annual financial statements	200	180
Other attestation services, including the review of mid-year financial statements and the remuneration report evaluation service	122	83
Other services	-	31
Total	**322**	**294**

In the year ended 31 December 2022 and in 2021, the entity authorised to audit the financial statements was PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.

32. Key management 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	2022	2021
Remuneration of Supervisory Board members	467	459
Remuneration of Management Board members	2,486	2,503
Share-based payments	2	15
Awards	29	2,892
Provisions for awards	733	38
Total short-term remuneration	**3,717**	**5,907**

33. Profit / (Loss) per share

Basic earnings/loss per share are calculated by dividing the Company's result by the weighted average number of ordinary shares issued during the year, including shares issued but not yet registered.

in PLN thousand	2022	2021
Net profit in thousands of PLN	23,192	1,903
Weighted average number of ordinary shares issued (in thousands)	16,162	15,555
Basic profit per one share (in PLN per 1 share)	1.43	0.12

The weighted average number of shares used to calculate diluted earnings per share the same as for the basic earnings per share, as there are no diluted shares.

34. Contingent liabilities and contractual obligations

a) Contractual obligations

As at 31 December 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 58 thousand.

As at 31 December 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 December 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 December 2022, there was 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 undertook to conduct a three-arm, double-blind, randomised clinical trial. The value of the liability as at the balance-sheet date amounted to EUR 1,013 thousand. The company signed an annex to the agreement with Parexel and repaid its obligation in full on 3 April 2023 (an event after the balance-sheet date).

b) Contingent liabilities

As at 31 December 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.

c) 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.

35. Events after the balance-sheet date

On 6 February 2023, the Company entered into a long-term loan agreement with the European Bank for Reconstruction and Development ("EBRD") for USD 15 million. The loan is intended in particular to finance the expansion and modernisation of the Company's current facility located in Konstantynów Łódzki. The loan will be disbursed once the standard conditions precedent specified in the Loan Agreement have been met, at the request of the Company, in one lump sum or in amounts of not less than USD 5 million. The loan will be disbursed at the latest within nine months of the date of the loan agreement, with the first loan disbursement occurring not later than within six months as of the date thereof.

In connection with the conclusion of a loan agreement for USD 15 million by the Issuer with the European Bank for Reconstruction and Development, the Company decided to terminate the non-binding agreement regarding the entry conditions of the investment of Polski Fundusz Rozwoju S.A. ("PFR") amounting to up to PLN 40 million, entered into on 3 March 2021. To date, the agreement has been implemented in the part concerning the subscription of the Company's shares up to the amount of PLN 10 million as part of an issue of U series shares.

On 9 February 2023, the Company signed another extension to the scope of services under the Manufacturing Agreement with Novavax, in the form of Statement of Work #10 (SOW#10). The scope of SOW#10 comprises logistics services, including the transportation and storage, by the Company, of materials, vaccine active substances, and finished vaccine products under suitable transport and storage conditions agreed by the parties. All these services will be provided in a GMP-compliant environment. The extension of services enters into force on the date of signing of this document and will remain in force until completed in full, unless the Parties jointly decide to terminate the work under this order at an earlier date. The value of SOW#10 will depend on the volume of transport services commissioned by Novavax and the products to be stored, and the duration of their storage by the Company. The current estimated value of the order in the first year will be approximately PLN 1.2 million, although it may ultimately change.

On 6 April 2023 the Company entered into Annex No. 2 to Statement of Work No. 1 (SOW#1) with Novavax regarding the Company's ability to be contracted by Novavax to manufacture agreed batches of the COVID-19 Omicron variant vaccine antigen.

On 18 April 2023 The Company published a current report announcing a new strategy for the period 2023–2027.

Management Board

Krzysztof Kaczmarczyk

President of the Management Board

Sławomir Jaros

Member Board
of the Management

Grzegorz Grabowicz

Member
of the Management

Adam Pietruszkiewicz

Member
of the Management

Aneta Turek

Chief Accountant

Konstantynów Łódzki, 18.04.2023

MABION

KOMPLEKS NAUKOWO-PRZEMYSŁOWY BIOTECHNOLOGII MEDYCZNEJ

ul. gen. Mariana Langiewicza 60
95-050 Konstantynów Łódzki
Polska

Numery kontaktowe:
Recepcja: **+48 42 207 78 90**
Pharmacovigilance: **+48 506 809 249**

CENTRUM BADAWCZO-ROZWOJOWE BIOTECHNOLOGICZNYCH PRODUKTÓW LECZNICZYCH

ul. Fabryczna 17
90-344 Łódź
Polska

Numer kontaktowy:
+48 42 290 82 10

www.mabion.eu