MABION

MABION S.A.
Financial statements for the financial year ended 31 December 2021

Konstantynów Łódzki, 21 April 2022

STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Note	2021	2020
Income from non-repayable advance payments	7	20,811	-
Income from sales	7	34,751	-
Lease income	7	1,311	-
Total income	7	**56,873**	**-**
Cost of sales	7	(20,987)	-
Gross profit on sales		**35,886**	**-**
Research and development costs	8, 9	(13,604)	(35,726)
General administration costs	8	(29,980)	(20,499)
Other operating income	10	1,372	1,760
Other operating costs	10	(3,506)	(188)
Operating loss		**(9,832)**	**(54,653)**
Financial income	11	948	550
Financial costs	11	(1,371)	(1,669)
Gross loss		**(10,255)**	**(55,772)**
Income tax	12	(12,158)	-
NET PROFIT/(LOSS)		**1,903**	**(55,772)**
Other comprehensive income		**–**	**-**
TOTAL COMPREHENSIVE INCOME		**1,903**	**(55,772)**
Basic and diluted loss per share (in PLN per one share)	25	**0.12**	**(4.06)**

The explanatory notes presented on pages 5 to 55 form an integral part of these interim financial statements.

STATEMENT OF FINANCIAL POSITION

in PLN thousand	Note	31 December 2021	31 December 2020
Intangible assets	13	811	1,071
Property, plant and equipment	13	88,672	65,280
Long-term receivables	15	206	195
Deferred tax asset	12	12,158	-
Total fixed assets		**101,847**	**66,546**
Inventories	14	8,445	5,976
Trade receivables	15	12,461	776
Other receivables	15	6,263	1,865
Prepayments and accrued income		6,514	763
Cash and cash equivalents	16	48,707	2,395
Total current assets		**82,390**	**11,775**
TOTAL ASSETS		**184,237**	**78,321**
Share capital		1,616	1,373
Share premium		237,443	108,923
Other reserves		731	696
Accumulated losses		(186,477)	(188,380)
Total equity	**17**	**53,313**	**(77,388)**
Deferred income from grants	18	32,159	33,988
Liabilities under contracts with customers	18a	-	14,007
Loans and borrowings	20	202	200
Trade liabilities	22	434	-
Lease	21	1,992	2,943
Total long-term liabilities		**34,787**	**51,138**
Repayable advances on distribution rights	19	1,790	44,077
Trade liabilities	22	23,242	18,124
Other liabilities	22	6,019	5,971
Loans and borrowings	20	15,250	31,180
Deferred income from grants	18	806	1,271
Liabilities arising from the implementation of agreements	18a	46,110	1,590
Lease prepayments	18a	955	-
Lease	21	1,965	2,358
Total short-term liabilities		**96,137**	**104,571**
TOTAL LIABILITIES		**130,924**	**155,709**
TOTAL LIABILITIES AND EQUITY		**184,237**	**78,321**

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CASH FLOW STATEMENT

in PLN thousand	Note	2021	2020
Gross profit (loss)		**1,903**	**(55,772)**
Adjustments for items:			
Depreciation and amortisation	13	8,846	9,829
Interest income	11	(40)	(34)
Interest costs	11	921	1,668
Income from grants	18	(1,259)	(1,572)
Sales of fixed assets	10	(13)	(3)
Costs of the share-based incentive scheme	17	35	(36)
Lease payment measurement		(450)	
Change in assets and liabilities:			-
Change in inventories		(2,469)	2,830
Change in trade and other receivables		(16,083)	200
Change in prepayments and accrued income		(17,909)	(81)
Change in trade and other liabilities		33,087	4,632
Change in repayable advances on distribution rights		(42,287)	(304)
Change in other financial liabilities		2,975	271
Cash flows from operating activities		**(32,743)**	**(38,372)**
Proceeds from grants	18	897	4,217
Repayment of research and development grants		-	(24)
Interest received		40	34
Interest paid		(1,104)	(1,094)
Net cash flows from operating activities		**(32,910)**	**(35,239)**
Disposal of property, plant and equipment		332	18
Acquisition of property, plant and equipment and intangible assets	13	(31,615)	(3,361)
Proceeds from grants		-	338
Net cash flows from investing activities		**(31,283)**	**(3,005)**
Proceeds from the issue of shares	17	117,480	-
Share issue costs		(4,917)	-
Proceeds from borrowings	20, 24	3,500	30,036
Proceeds from bank loans		-	-
Repayment of borrowings	20, 24	(3,158)	(433)
Repayment of bank loans		-	(15,000)
Repayment of lease principal		(2,400)	(1,934)
Net cash flows from financing activities		**110,505**	**12,669**
Net increase/(decrease) in cash and cash equivalents		46,312	(25,575)
Cash and cash equivalents – opening balance		**2,395**	**27,970**
Change in cash due to exchange rate differences		-	-
Cash and cash equivalents – closing balance		**48,707**	**2,395**

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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 31 December 2019	17	**1,372**	**1**	**108,923**	**732**	**(132,608)**	**(21,580)**
Net loss / total comprehensive income		-	-	-	-	(55,772)	(55,772)
Transactions with shareholders:							
S series share issue	17	1	(1)	-	-	-	-
Measurement of the incentive scheme based on shares	17	-	-	-	(36)	-	(36)
As at 31 December 2020		**1,373**	**0**	**108,923**	**696**	**(188,380)**	**(77,388)**
Net profit / total comprehensive income						1,903	1,903
Transactions with shareholders:							
U series share issue	17	243		133,437			133,680
U series share issue costs	17			(4 917)			(4,917)
S series share issue	17						
Measurement of the incentive scheme based on shares	17				35		35
As at 31 December 2021		**1,616**	**0**	**237,443**	**731**	**(186,477)**	**53,313**

The explanatory notes presented on pages 5 to 55 form an integral part of these interim financial statements.

ADDITIONAL INFORMATION

1. Company

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

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

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

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

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

2. Basis of preparation

The financial statements of Mabion S.A. for the financial year ended 31 December 2021 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 effects of the new or revised standards and interpretations which the Company has not chosen to apply early and of those that are effective as of 1 January 2021 are 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.

Drawing up financial statements in accordance the IFRS regime requires certain accounting estimates to be used. It also requires the management to use its subjective judgement in applying the accounting policies adopted by the Company. Significant accounting estimates and judgements 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 2021

and drawn up for the financial year from 1 January to 31 December 2021:

- statement of comprehensive income;
- statement of changes in equity;
- cash flow statement;
- dditional information containing a description of the adopted accounting principles and other explanatory information.

3. Going concern principle

Since its inception up to the third quarter of 2021, the Company's core business has been conducting research and development activities with a view to developing manufacturing and analytical technologies, and commercially marketing medicinal products. As a result of the specific nature of its activity, the Company has incurred operating losses and generated negative cash flows from these activities.

In view of the aforementioned characteristics of the Company's operations and the long-term prospect of generating positive cash flows, on 27 January 2021 the Company's Management Board, on the basis of an in-depth analysis of needs and estimated benefits, adopted a new long-term strategy for financing the Company's activities.

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

Therefore, in 2021, the financing strategy assumed parallel processes such as the acquisition of a strategic investor and two issues of the Company's shares. As part of its implementation, the Company's Management Board made the following decisions and conducted the following activities:

1) in order to effectively carry out the process of acquiring a strategic investor, the Company signed an agreement with the financial advisor Rothschild & Co. The scope of the advisor's responsibilities included, inter alia, searching for a strategic investor, advising on the structure of a potential transaction, support in drafting transaction documentation and in negotiations with the potential strategic investor. As at the date of the financial statements, the process is still being actively pursued.

2) as regards share issues, the Management Board took a decision to conduct an issue of the Company's shares in the first quarter of 2021 under the "accelerated bookbuilding" procedure, addressed to eligible investors who are shareholders of the Company and who were qualified investors or who acquired shares with a total value of at least EUR 100 thousand, as indicated by the Company's Management Board.
   Therefore, the Company's Management Board convened an Extraordinary General Meeting (EGM) for 23 February 2021, which adopted Resolution 4/II/2021 on increasing the Company's share capital by an amount not less than PLN 0.10 and not more than PLN 243,055.40 by way of an issue of at least one and not more than 2,430,554 U series ordinary bearer shares with a par value of PLN 0.10 each. The Company's Management Board has proposed an issue structure with the exclusion of existing shareholders' pre-emptive right in its entirety, while taking into account the pre-emptive rights of eligible investors who are shareholders of the Company and who are qualified investors or who acquired shares with an aggregate value of at least EUR 100 thousand. Pursuant to the resolution, the issue price of U series shares could not be lower than 90% of the average market price of the Company's shares in the 30-day period preceding the book-building process aimed at attracting entities which would take up U series shares. Upon completion of the accelerated book-building process for U Series Shares on 9 March 2021, the Company's Management Board set the issue price of U Series Shares at PLN 55.00 per one New Issue Share and made offers to investors to take up a total of 2,430,554 U Series Shares. Ultimately, the Company concluded agreements with investors for subscription of all the offered U series ordinary bearer shares of the Company. The required cash contributions to cover all U Series Shares were made in entirety in the general amount of PLN 133,680 thousand, whereby the Company made a contractual set-off of the entire claim against Glatton Sp. z o.o. for payment of the issue price of the U Series Shares against Glatton Sp. z o.o.'s claim under the borrowing agreement concluded with the Company on 12 August 2020, up to a total of PLN 5,000 thousand, and a contractual set-off of part of the claims against Twiti Investments Limited (Twiti) for payment of the issue price of the U Series Shares against claims of Twiti Investments Limited under the borrowing agreements concluded with the Company on 12 August 2020 and 5 February 2021 up to the total amount of PLN 11,200 thousand, whereby the remaining part of the issue price of the U Series Shares subscribed for by Twiti in the amount of PLN 5,000 thousand was paid by Twiti in cash. The Company's share capital increase through the issue of U series shares was registered with the National Court Register on 2 April 2021.

3) In addition, as regards share issues, in parallel to issuing U shares, the Company considered preparatory work related to a prospectus. Eventually, as the funds had been raised from the U series share issue and under the framework agreement signed with Novavax on 3 March 2021, the Company's Management Board decided that it was not desirable to carry out the issue on the basis of a prospectus and therefore did not continue with the preparatory work.

   In view of the above, on 16 March 2021, the Management Board of the Company decided to cancel the EGM of the Company that was to be held on 22 March 2021 to decide on a further capital increase as part of share issues. The decision to cancel the EGM of the Company resulted from the need to verify available sources of funding necessary to cover financing needs, inter alia, following the successful issue of U shares and the conclusion of a framework agreement together with the first CDMO order for contractual services with Novavax regarding the COVID-19 vaccine programme. In the end, as mentioned above, the Management Board concluded that the issue on the basis of the prospectus was not desirable to ensure the continuation of the Company's business nor was it necessary to raise financing. As at the date of the financial statements, the Management Board does not recognise a need to raise capital through the issue of shares and is therefore not pursuing any activities in this area.

   In addition to the activities described above, as part of securing funding for the Company's operations, on 3 March 2021 the Company entered into an agreement with Polski Fundusz Rozwoju S.A. (PFR) regarding the entry conditions for PFR's investment of up to PLN 40 000 thousand for the purpose of increasing the Company's production capacity,

in particular for the Company's potential broader cooperation with Novavax regarding serial production of the COVID-19 vaccine antigen. The intention of the Company and the PFR was to implement the PFR Investment in the form of an interest-bearing three-year loan (or bond issue) granted to the Company up to the amount of PLN 30,000 thousand and of taking-up the Company's shares up to the amount of PLN 10,000 thousand. The intended taking-up of the shares has been put into practice as part of the issue of U series shares carried out pursuant to the resolution of the EGM of the Company of 23 February 2021. However, pursuant to the agreement, the PFR Debt Investment was conditional on the Company signing a manufacturing agreement with Novavax providing for certain net revenues of the Company from the implementation of the agreement and, in addition, the Debt Investment may be effected subject to the preparation of and reaching an agreement by the parties as to the terms of the transaction documentation, and the establishment or submission of applications for the establishment of possible collateral. The Parties have not yet made a final decision on the procedure for potential debt financing with a limit of up to PLN 30,000 thousand.

The PFR agreement referred to above was entered into on the date the Company entered into the framework agreement with Novavax, pursuant to which the Company, with Novavax's participation, undertook activities related to the transfer of process technology for the manufacturing of the antigen of the then COVID-19 vaccine candidate under the working name of NVX-CoV2373, necessary to conduct technical trials of the process on a commercial scale at the Company's facility. The Company has finalised the settlement of the first agreement confirming the successful transfer of technology.
As a result of the successful transfer of technology, on 8 October 2021 the Company entered into the Master Contract Manufacturing Agreement with Novavax, pursuant to which the Company commenced commercial-scale GMP-compliant manufacturing, for Novavax, of the COVID-19 vaccine antigen under the name of Nuvaxovid.
The Agreement with Novavax is unconditional, and its conclusion and commencement were not dependent of the registration procedure of the Novavax vaccine in the respective markets. The Agreement has been concluded for a fixed period of time until the end of 2025, with an option for renewal. The total value of the Agreement during its term was estimated at USD 372 million i.e. PLN 1.46 billion based on the average exchange rate of the National Bank of Poland as at 7 October 2021 (the Agreement's value was estimated at the USD exchange rate applicable on the day before the day on which the agreement was signed, and on the theoretical assumption of future zero inflation during the entire term of the Agreement). The Agreement is implemented and settled per batch of the product, at the unit price per batch denominated in USD specified in the Agreement (unit prices are subject to indexation based on future inflation). Under the Agreement, the parties have agreed on the volume and production schedule for each year in the period 2022–2025, based on which Mabion will manufacture the number of product batches required by Novavax. The production schedule has been set for the entire duration of the Agreement, but the parties may agree on modifications to the schedule and volume of deliveries.

The possibility of completing the agreed scope of work under the Agreement in the future years depends on the Company's available production capacity, therefore the Management Board's objective will be to expand the production capacity in late 2022 and early 2023 and equipping the facility with new bioreactors with accompanying equipment, which will result in the Company having four bioreactors in the years 2023–2025.

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

By the balance-sheet date, the Company received payments under the agreement that represent the first part of the consideration, of USD 530 thousand, and an advance payment on the purchase of materials and raw materials, of USD 500 thousand. Until the balance-sheet date, in accordance with the mutual agreement governing the scope of subsequent tasks, Novavax has made an advance payment, in the amount of USD 15,226 thousand, on future deliveries of materials and raw materials representing the raw material base for future commercial production, and further payments representing partial remuneration for the performance of the agreement of 3 March 2021 and the arrangement to cover expenditures for the refurbishment of the facility with additional necessary equipment and appliances for a total amount of USD 1,830 thousand.

After the balance-sheet date, the Company received further payments under agreements in progress in the amount of USD 5,371 thousand. Overall, payments received from Novavax up to the date of the financial statements amounted to USD 23,457 thousand. The Management Board underlines that as at the date of these statements, the Company is still in the initial phase of commercial production and that the number of batches produced for Novavax will steadily increase in the coming months.
For 2022-26, the Company's strategic objective in the area of therapeutic products invariably remains further development, manufacturing, and sales of medicines used in the treatment of most serious cancer and autoimmune, diseases, including rare diseases, while in the area of contract manufacturing (CDMO), the Company's strategic objective has become cooperation with Novavax (USA) in the area of development and production of new protein vaccines used in the fight against the COVID-19 pandemic. Moreover, the CDMO business will be developed in the coming years and the dynamics of this development will depend on the available new manufacturing and research capacities that the Company plans to expand.
Given the above business transformation in the Company, which was initiated in March 2021 and culminated in the agreement with Novavax in October 2021, the Company's Management Board is currently developing a new business strategy and business financing strategy. The Company will announce the

new strategy when finalised, adopted by the Management Board, and positively reviewed by the Company's Supervisory Board. To date, the Company has financed its operations with cash received from shareholder borrowings, capital issues, bank loans, grants and proceeds from MabionCD20 distribution partners. The agreement with Novavax has provided the opportunity to realise positive cash flows over the next 4 years until the end of 2025 and has become the main source of funding for ongoing operations and manufacturing capacity expansion. What is more, the Company does also exclude the use of other sources of financing such as external debt financing, grants, subsidies from EU funds, earmarked funds for the implementation of new projects, or other sources where a decision is taken to start implementing an investment aimed at a substantial increase in manufacturing capacity by constructing a new manufacturing facility with a research and development centre located next to the existing facility.
In consideration of a significant increase in manufacturing capacity, the Management Board of the Company analyses the existing possibilities to use funds under agreements in force, including a grant from the European Regional Development Fund (approx. PLN 63,000 thousand) and a not initiated agreement with the European Investment Bank up to the total amount of EUR 30,000 thousand, i.e. approx. PLN 138,000 thousand. Considering the specifics, duration and terms and conditions of the agreements described above, decisions on the possibility of obtaining funds from these sources will be taken in the foreseeable future, not later than on the date of publication of the financial statements for H1 2022.
The Management Board of the Company is also undertaking activities aimed at starting cooperation with other entities operating on the market, in the case of which such cooperation may bring profits to the Company in the area of development and production of biologics.

In addition to all the activities undertaken in 2021 as described above, the Management Board of the Company further informs that as at the date of these financial statements, the Company holds letters of support received from the key shareholders (Twiti Investments Limited, Glatton Sp. z o.o., Polfarmex S.A.), whose contents indicate that these shareholders are willing and able to continue their financial support for the Company's day-to-day operations in the near future covering a period of at least another 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 sources of income include production of medical substances as part of the CDMO (contract development and manufacturing company) formula and realised income from the recognition of a non-refundable advance payment for distribution rights as a result of the termination of an existing agreement with one of the partners.

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

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

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

- identification of agreement with the customer,
- identification of the performance obligation under the agreement with the customer,

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

Identification of agreement with the customer

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

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

Identification of the performance obligations

When entering into an agreement, the Company assesses the goods or services promised in the agreement with the customer and identifies as a performance obligation any promise to transfer to the customer a good or service (or a bundle of goods or services) that is separable, or a group of separate goods or services that are substantially the same and their transfer to the customer is of the same nature.

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

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

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

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

Setting the transaction price

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

Allocation of transaction price to performance obligations

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

Fulfilment of performance obligations

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

Transfer of control over time

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

In case of contract manufacturing, the Company recognises income using the progress measurement method based on inputs, which in the Company's opinion reflects in the best way the entity's results in fulfilling the identified performance

obligation. The amount of remuneration allocated to this performance obligation is recognised as income in line with the performance stage in terms of cost. The income is based solely on costs directly related to the fulfilment of the obligation and does not take into account overheads, possible inefficiencies, excess consumption, etc. Since the manufacturing cycle and the level of costs incurred (in particular if one of the cost items are material goods purchased from third parties for the purpose of implementing an agreement) for the performance of contractual obligations are not necessarily proportional to the level of fulfilment of the obligation, when costs are incurred that are not yet accompanied by the fulfilment of the performance obligation, income is only recognised to the extent of the costs incurred.

Transfer of control at a specific point of time

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

Income from contractual medical substance manufacturing services is recognised over time based on the progress of the service. The Company has selected an input-based method to measure progress since, in the Company's opinion, it represents in the best way the entity's performance in providing the service.

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

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

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

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

The applicable agreement provides for specific payment terms depending on the stage of production and delivery of individual batches at a fixed price per production batch with the possibility of 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 for the purchase of raw materials necessary for manufacturing in the perspective of successive production runs over a period of not less than the subsequent 12 months, in an amount to be determined by the parties.

The advance payments received in 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. The licence to use intellectual property satisfies the criteria to recognise income at a point in time.

The advance payments received for distribution rights in the non-reimbursable portion upon completion of the agreement confirming performance prior to the commencement of commercial sales constitute income in their entirety at the point in time. As a result of termination, the agreement with Mylan that was in force in the previous reporting periods is no longer valid and no income from it is expected in future periods.

d) Grants

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

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

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

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

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

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

A situation in which a grant becomes repayable results in a change of estimates, and the reimbursement is recognised immediately first by decreasing the undepreciated deferred income, if any, and if the reimbursement amount exceeds the amount of deferred income, the excess is presented in the current period's financial result.

e) Research and development costs

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

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

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

f) Repayable advances on distribution rights

The Company has entered into a number of strategic agreements on the commercialisation of its drugs by granting the contractor the exclusive right to sell the drug on specific markets. The parties to these agreements make advance payments to the Company on account of rights and licenses to be obtained after the drug has been admitted to trading. The Company classifies these advances as financial liabilities because it does not have the unconditional right to avoid the delivery of cash to settle the liability, as the reimbursement of these amounts depends on the occurrence or non-occurrence of certain future events or the resolution of uncertain circumstances that are beyond the Company's control. Such liabilities are measured initially at fair value, and subsequently at amortised cost. As the event that may trigger a repayment may occur at any time, the amortised cost is equal to the amount payable on demand. When the uncertainty is resolved, the related amounts will be reclassified to deferred income and recognised as part of the remuneration for the sale of distribution rights in accordance with the accounting policy presented in Note 4(c).

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

g) Income tax

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

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

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

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

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

h) Property, plant and equipment and intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

j) Inventories

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

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

Production cost includes costs directly attributable to production plus systematically allocated fixed and variable indirect production costs incurred to convert materials into finished goods, taking into account the utilisation rate of the Company's "normal" production capacity.

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

The cost of inventories as at the balance-sheet date is determined using the "first-in, first-out" method (FIFO).

Raw materials purchased by the Company used for the implementation of the CDMO agreement are recognised in the profit and loss account at the time of their purchase and not at the time of their actual use in production when these raw materials have no alternative use (i.e. the raw materials are specifically traceable or 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 at the time of purchase of the raw materials), Consequently, the Company does not recognise purchases of raw materials acquired for the purpose of contract manufacturing in the balance-sheet under inventories. Further details on recognition of the cost of such raw materials are set out in Note 14.

k) Long-term receivables

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

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

l) Trade and other receivables

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

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

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

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

Receivables denominated in foreign currencies are presented at the average exchange rate announced for the currency in question by the National Bank of Poland on the last working day preceding the date of the transaction, unless another exchange rate was determined in the customs declaration or other documents 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 the ‘share capital’ item only after they have been entered in the court register. Any share premium received or receivable on the issue of shares is reported under the ‘share premium’ item.

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

Each issue of Company's capital instruments addressed to creditors for the purpose of waiving all or part of the Company's financial liabilities, where the creditors are (direct or indirect) shareholders who at the same time act as shareholders, is settled by transferring the carrying amount of the debt to the Company's equity. Debt recognition is discontinued if and only if the Company is relieved of its obligation to pay funds as a

result of the issue of treasury shares to creditors. The share capital is recognised in the amount resulting from the applicable local law, and the difference between the amount recognised as share capital and the carrying value of the derecognised contractual liability is presented in the Company's equity.

p) Deferred income

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

q) Trade and other liabilities

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

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

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

r) Loans and borrowings

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

s) Lease

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

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

A lease is recognised in the financial statements if:

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

Setting the lease term

The lease period is the expected period of the agreements for the contract manufacturing of the active substance, since termination of the agreement within this period is associated with significant, wide-ranging penalties for the parties that make it reasonably certain that the agreement will not be terminated early.

Classification of leases as finance leases or operating leases

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

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

- the lease provides for a transfer of ownership of the underlying asset to the lessee (contracting party) before the end of the lease term,
- the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value of the asset at the time such an option becomes exercisable to assume with sufficient certainty at the lease

origination date that the lessee will indeed exercise this option,
- the lease term represents a significant proportion of the economic useful life of the underlying asset, even if title is not transferred,
- the current amount of lease payments on the origination date are generally nearly equal to the aggregate fair value of the underlying asset; and
- the underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

If it is evident from the above conditions that substantially all risks and benefits of the assets are not transferred to the lessee then the lease is accounted for as an operating lease, and otherwise it is treated as a finance lease.

The Company is a lessee under lease agreements.

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

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

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

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

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

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

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

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

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

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

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

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

t) Share-based payments

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

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

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

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

In the case of incentive schemes for employees which are related to remuneration for their work, the value of warrants is charged to operating costs. The issued warrants are presented on a separate account "Issue of warrants under the share-based

incentive scheme", which is presented in the financial statements together with other reserves. The exercise of warrants by employees is connected with the issue of shares and settling the value of warrants disclosed in equity. Cash received as payment of the exercise price of warrants is recognised by the Company in equity. The Company discloses information in the financial statements to enable the readers to understand the nature and scope of share-based payment agreements that existed in the period.

u) Cash flow statement

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

v) Impairment of financial liabilities measured at amortised cost

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

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

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

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

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

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

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

New standards and interpretations

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform

In response to the anticipated reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, which are applicable as of 1 January 2021. The amendments relate to accounting matters that will arise when financial instruments based on IBOR are transitioned to the new interest rates. The amendments introduce a number of guidelines and exemptions, in particular a practical simplification for contract modifications required under the reform, which will be accounted for by updating the effective interest rate, an exemption from the obligation to terminate hedge accounting, a temporary exemption from the obligation to identify the risk component, and the obligation to provide additional disclosures.

The Company does not apply hedge accounting and no material impact on these financial statements has been identified in this context.

b) Amendment to IFRS 4: Application of IFRS 9 "Financial Instruments"

As part of an amendment to IFRS 4 "Insurance Contracts", the application of IFRS 9 "Financial Instruments" is deferred to 1 January 2023 until IFRS 17 "Insurance Contracts" becomes effective.

The amendment does not affect these financial statements as there were no transactions to which the amendment would apply.

c) Amendment to IFRS 16 "Leases"

As a result of the coronavirus (COVID-19) pandemic, IFRS 16 was amended in 2020 to enable a simplification to be applied in assessing whether changes introduced to leases in times of the pandemic constitute lease modifications. Consequently, lessees could benefit from the simplification consisting in not applying the IFRS 16 guidance on lease modifications. As the amendment in consideration related to reductions in lease payments due on or before 30 June 2021, in March 2021 the Board extended the availability of the practical arrangement for lease payment reductions to June 2022. The amendment is effective as of 1 April 2021 with the possibility of earlier application.
The Company has analysed the impact of the standards and

interpretations referred to above on the financial statements and has decided that they do not have any material impact on the Company's financial statements as they did not have a material impact on the financial information presented and disclosed or were not applicable to the transactions entered into by the Company.

Published standards and interpretations that are not yet effective and have not been previously applied by the Company

In these financial statements, the Company has not opted for early application of the following published standards, interpretations or amendments to the existing standards prior to their effective date:

a) IFRS 17 "Insurance contracts" and amendments to IFRS 17

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017, while the amendments to IFRS 17 were published on 25 June 2020.

The new revised standard is effective for annual periods beginning on or after 1 January 2023.

IFRS 17 "Insurance Contracts" will replace the currently applicable IFRS 4 which allows for a variety of practices in accounting for insurance contracts. IFRS 17 is going to substantially change the accounting for all entities that deal with insurance contracts and investment contracts.

According to the Company's assessment, the new standard will not affect its financial statements as it is not applicable to the Company's operations.

b) Amendments to IAS 1 "Presentation of Financial Statements"

The Board has published amendments to IAS 1 that clarify the presentation of liabilities as long-term and short-term. The amendments are effective for financial statements for periods beginning on or after 1 January 2023.

As at the date of these statements, the amendment has not yet been approved by the European Union.

The analysis of the impact of this amendment, concerning in particular financing contracts which contain covenants, is under way at the Company. The amendment to IAS 1 may result in the requirement to take into account the effect of meeting these covenants for the purposes of classifying liabilities as long- or short-term, even if under the contract the covenants are not tested as at the reporting date.

c) Amendment to IFRS 3 "Business combinations"

The amendments to this standard, published in May 2020, are aimed at updating the relevant references to the Conceptual Framework in the IFRS, and does not introduce any substantive changes for business combination accounting.

This amendment will not affect the Company's financial statements as the Company has not entered into transactions that come within the scope of this standard.

d) Amendments to IAS 16 "Property, plant and equipment"

This amendment prohibits an adjustment to the cost of production of property, plant and equipment for amounts earned from the sales of items produced while the property, plant and equipment are being prepared to commence operation in accordance with management's intentions. Instead, the entity recognises the above sales income and related costs directly in the profit and loss account. The amendment is effective for financial statements for periods beginning on or after 1 January 2022. The analysis of the impact of this amendment on the financial statements is under way at the Company.

e) Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

The amendments to IAS 37 clarify the costs that the entity takes into account when analysing whether a contract is an onerous one. The amendment is effective for financial statements for periods beginning on or after 1 January 2022. The analysis of the impact of this amendment on the financial statements is under way at the Company.

f) Annual Improvements to IFRSs 2018–2020 Cycle:

As part of the "Annual Improvements to IFRSs 2018–2020 Cycle", the following standards are subject to amendment: IFRS 1 "First Time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the examples to IFRS 16 "Leases".

The amendments include explanations and clarify the guidance on recognition and measurement.

According to the Company's preliminary assessment, this amendment will not have a material impact on the Company's financial statements.

g) Amendments to IAS 1 "Presentation of Financial Statements" and IASB guidance on accounting policy disclosures in practice

The amendment to IAS 1 requires disclosure of material information about accounting policies as defined in the standard. It clarifies that information on accounting policies is material if, in its absence, users of the financial statements would not be able to understand other material information in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been revised to provide directions on the application of the concept of materiality to accounting policy disclosures. As at the date of these statements, the amendments have not yet been approved by the European Union.

The analysis of the impact of this amendment, concerning in particular financing contracts which contain covenants, is under way at the Company.

h) Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"

In February 2021, the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of estimates. The amendment to IAS 8 explains how entities should distinguish between changes in accounting policies and changes in estimates. As at the date of these statements, the amendments have not yet been approved by the European Union.

The analysis of the impact of this amendment on the financial statements is under way at the Company.

i) Amendments to IAS 12 "Income Taxes"

The amendments to IAS 12 detail how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to the amendment, there was uncertainty as to whether the exemption to recognise deferred tax recognised for the first time applied to this type of transactions, i.e. where both deferred tax assets and liabilities are recognised. The amendments to IAS 12 make it clear that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. In consequence of the amendments, companies are required to recognise deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition.

The amendment is effective for financial statements for periods beginning on or after 1 January 2023.

As at the date of these statements, the amendments have not yet been approved by the European Union.

The analysis of the impact of this amendment on the financial statements is under way at the Company.

j) Amendment to IFRS 17 "Insurance Contracts"

The amendment concerns the transitional requirements in connection with the first-time application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments".

It makes it possible to improve the usefulness of information on the first application of the new standard for investors.

It concerns only the transition of insurers to the new standard and does not affect any other requirements of IFRS 17.

As at the date of these statements, the amendments have not yet been approved by the European Union.

According to the Company's assessment, the new standard will not affect its financial statements as it is not applicable to the Company's operations.

k) IFRS 14 "Regulatory accruals"

This standard allows entities that draw up financial statements in accordance with IFRSs for the first time (on or after 1 January 2016) to recognise amounts arising from regulated price activities in accordance with their existing accounting policies. For the sake of comparability with entities that already apply IFRSs and do not report such amounts, amounts arising from regulated price activities should, in accordance with published IFRS 14, be presented in a separate item both in the statement of financial position as well as in the profit and loss account and the statement of other comprehensive income.

By a decision of the European Union, IFRS 14 will not be approved. The amendment does not apply to the Company's activities.

l) Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associates or joint ventures

The amendments resolve the existing inconsistency between IFRS 10 and IAS 28. Accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business".

In cases where non-monetary assets constitute a "business", the investor reports a full profit or loss on the transaction. Conversely, if the assets do not satisfy the definition of business, the investor recognises a profit or loss only to the extent of the portion representing the interests of other investors.

The amendments were published on 11 September 2014. At the date of these financial statements, the approval of this amendment is deferred by the European Union.

The amendment does not apply to the Company's activities.

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 recognised on a prospective basis starting from the period in which the estimates were changed. The most significant estimates and judgements made by the management, which have the most significant effect on the amounts reported in the financial statements, are presented below.

a) Recognition of lease under the applicable agreement with Novavax

The applicable agreement with Novavax has been identified as containing a lease element and is accordingly recognised in the

financial statements given that the following conditions are met:

- There are identified assets that are used by the Company to manufacture for Novavax
- Novavax has assessed whether the Company's production facility is ready for contract manufacturing, and therefore the existing manufacturing assets have been approved by the counterparty
- The equipment additionally purchased by the Company has been approved by the Novavax;
- The Company does not hold any material right of substitution with regard to the fixed assets earmarked for the purposes of implementing the agreement with the counterparty, because it would not economically benefit from exercising the right to substitute the asset (i.e. the economic benefits of substituting the asset would not exceed the costs of substituting it). Moreover, in any event, replacement of the asset requires consent from the counterparty, so in reality the Company does not have the right to replace it;
- The premises of the factory building where manufacturing takes place is a physically separate part of the whole building and therefore also meets the criteria of an identified asset.
- 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 decides on the produced quantity)

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 has been classified by the Company as operating lease.

It was assumed that the lease period was the expected period for which the agreement on contract manufacturing of the active substance was concluded. Termination of the agreement within this period is associated with significant, wide-ranging penalties for the parties that make it reasonably certain that the agreement will not be terminated early.

Remuneration for the lease resulting from the agreement with Novavax was measured on the basis of relative unit sales prices. Unit sales prices were determined on the basis of costs and a 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 medical substance manufacturing services is recognised by the Company over time based on the progress of the service. The Company has selected an input-based method to measure progress since, in the Company's opinion, it represents in the best way the entity's performance in providing the service.

The results-based method of measuring progress reflects the Company's performance to date against the total performance obligation. Under the input-based method, the Company 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. Adjustments to the progress measure have been included in the valuation model taking into account that the cost incurred is not proportional to the progress of the entity in fulfilling the 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 incurred for the purchase of goods used to fulfil a performance obligation as it expects that all of the following conditions will be met:

(a) the item of goods in question is not separate;
(b) Novavax is expected to acquire control of the specific item of goods substantially earlier than when they receive services relating to that item;
(c) the value of the acquired item of goods is significant in relation to the total expected cost of complete fulfilment of the performance obligation;

(d) the Company has not been 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 services related to the raw materials;

- the cost of the raw material transferred is significant in relation to the total expected cost of complete fulfilment of the performance obligation; and
- The Company procures the raw material from a third party and is not significantly involved in the design and manufacture of the raw material.

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

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

In the financial statements for the year ended 31 December 2021, 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 with regard to the raw material costs is recognised. In the statement of financial position as at 31 December 2021, the Company does not activate the raw material recognised as inventories, but instead it recognises the raw material as the cost of meeting the performance obligation, given the nature of the purchases and the nature of the agreement.

Income recognised using the input-based method reflects the profit margin earned by the Company from the onset of manufacturing under the agreement in force and from the incurring of manufacturing costs other than just the use of raw materials or activities aimed at confirming the effectiveness of the technology transfer. .

c) Recognition of income from termination of distribution agreement with Mylan

As at 31 December 2021, in connection with the termination of the cooperation agreement by Mylan, advance payments received in previous reporting periods and activated advance payments for distribution rights in the total amount of PLN 20,811 thousand are shown under income. The Company has assessed the rights and obligations of the parties as at the termination of the agreement and concluded that all rights and obligations under the agreement have been extinguished in their entirety. Therefore, it has been assumed that the Company has an unconditional right to retain the non-reimbursable amounts agreed by the parties.

d) Deferred tax assets relating to income tax relief

The Company is engaged in research and development and manufacturing activities mainly for purposes of developing its lead medicine, MabionCD20. 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 must not exceed the maximum value specified in the permit granted by the LSEZ Board. Mabion is entitled to the exemption until 31 December 2026, the last year of operation of the LSEZ under applicable law. To retain the right to the exemption, the Company had to meet the investment sustainability criterion and the employment volume criterion until 31 December 2021. The investments covered by the permits issued in 2010 and 2012 were completed, and the Company's fulfilment of the conditions entitling it to the tax relief was positively verified during audits conducted by the LSEZ.

At the end of 2016, the Company obtained a third permit, no. 301, which relates to a new investment constituting in 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. As at 31 December 2021, the expenditure incurred as part of the investment covered by permit no. 301 amounted to PLN 2,800 thousand (as at 31 December 2020 – it amounted to PLN 2,800 thousand). In 2010, the Company utilised PLN 552 thousand of the available tax relief and in none of the subsequent reporting periods did it utilise the available tax relief. For the remaining available tax relief, the Company has estimated the value of the realisable relief before the expiry of the available tax reliefs (i.e. 31 December 2026) taking into account the expected taxable profits.

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.

The tax asset as at 31 December 2021 was estimated at PLN 12,158 thousand, including a tax asset for activities in the economic zone in the amount of PLN 9,630 thousand, and a tax asset for realised losses from previous years in the amount of PLN 2,528 thousand.

The prudence principle in the estimation of the tax asset was implemented because of the adoption of a restrictive approach and the lack of previous track record in generating a tax base to account for state aid held, loss brought forward, or temporary differences.

As at each balance-sheet date, the Company will prudently measure the tax asset taking into account market conditions and the expected tax result for the foreseeable future.

The Company does not publish financial forecasts but emphasises that the tax result may significantly differ from the Company's result realised in the different reporting periods.

The amount of tax relief available based on the incurred eligible costs (under zone permits), on which no deferred tax asset has been recognised, is PLN 37,229 thousand as at 31 December 2021 (PLN 46,858 thousand as at 31 December 2020). The tax relief can only be used in relation to the Company's future tax liabilities.

e) Depreciation of property, plant and equipment

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

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

The capitalisation criteria for development costs are presented in Note 3e. Due to the risks and uncertainty around the medicine authorisation process, the Company does not currently meet the criteria for capitalisation of incurred expenses and therefore development outlays are recognised as an expense in profit or loss the moment they are incurred. In principle, the Company expects to capitalise development costs starting from the moment the medicine is authorised by the relevant regulatory authority.

6.a Operating segments

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

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

The non-reimbursable advances received for distribution rights as a result of the completion of the agreement with Mylan which confirms performance of the services, and since there are no additional obligations existing between the parties, have been classified in full as income at the point of time in the profit and loss account of these financial statements for 2021. The Company has assessed the rights and obligations of the parties as at the termination of the agreement and concluded that all rights and obligations under the Agreement have been extinguished substantially in their entirety. Therefore, it has been assumed that the Company has an unconditional right to retain the non-reimbursable amounts agreed by the parties.
In the period covered by these financial statements, the Company's business activities were conducted only in Poland. All assets of the Company are located in Poland.

7. Income and cost of sales

in PLN thousand	2021	2020
Income from agreements with customers, including	**55,562**	**-**
Income from non-repayable advance payments (agreement with Mylan)	20,811	-
Income from vaccine manufacturing service (agreement with Novavax)	33,161	-
Revenue from the provision of antibody manufacturing technology development services to Celon Pharma S.A.	1,590	-
Lease income	1,311	-
Cost of sales	(20,987)	-
Gross profit on sales	**35,886**	**-**

In the presented reporting period, the Company generated income from its core activities consisting in the provision of research services – mainly from the implementation of medicine development procedures as well as manufacturing and sales under the CDMO formula, i.e. an agreement for the production of an active substance, and it recognised income from the non-repayable advance payment received for distribution rights.

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

The aforementioned agreement covers a specific number of batches of the active substance to be manufactured over a period of approximately 4 years for the sake of homogeneity of all the batches (a number of similar performances); the total number of batches was considered by the Company as 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 a lease component and a non-lease component as follows:

- 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. Unit sales prices were determined on the basis of costs and a market margin (i.e. for the lease component it is the amount of depreciation costs and the market margin for renting this type of fixed assets, while for the non-lease component it is the amount of manufacturing costs and a reasonable expected margin).

The aggregate amount of the transaction price not adjusted for exchange rate fluctuations and the price indexation factor allocated to unfulfilled performance obligations as at the balance sheet-date was PLN 1,439,139 thousand. The entity expects to recognise income over the term of the agreement until November 2025, after taking into account applicable market conditions, including changes resulting from exchange rate fluctuations and indexation provided for in the terms and conditions of the agreement, or changes in other parameters that materially affect the terms and conditions of the agreement.

The Company incurred costs for obtaining the agreement with Novavax related 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 accruals and will be settled during the term of the agreement with Novavax in proportion to the stage of completion of the agreement.

Income from contract manufacturing of medicines

The Company recognises income from the production and sales of the active substance using the input-based method. Income is recognised in an amount reflecting the progress of performance in terms of costs. 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. Where the incurred costs are not proportionate to the degree of fulfilment of the contractual obligation, income is recognised only up to the amount of the incurred costs.

Lease income

Lease income is recognised from the lease origination date, i.e. the date on which the Company as the lessor makes the underlying asset available for use by the lessee, taking into account the full production cycle, including test production. Operating lease income is recognised on a straight-line basis over the term of the agreement,using the value of depreciation of the fixed assets made available (equivalent to the cost of their use) plus a margin determined by the Company on an arm's length basis.

As at 31.12.2021, the estimated future income from the lease component due to the implementation of the agreement with Novavax should amount to PLN 15,962 thousand and should be realised in the different years between 2022-2025 until the end of the agreement.

Income from non-repayable advance payments

Advance payments received for distribution rights in the total amount of PLN 20,811 thousand are shown under income as at 31 December 2021 in connection with the termination of the cooperation agreement by Mylan. The Company has assessed the rights and obligations of the parties as at the termination of the agreement and concluded that all rights and obligations under the agreement have been extinguished in their entirety. Therefore, it has been assumed that the Company has an unconditional right to retain the non-reimbursable amounts agreed by the parties; for further information see Note 20.

Income from the provision of antibody technology development services

In the reporting period, income from the performance of services (development of the antibody production technology) for Celon Pharma S.A. was recognised by the Company in the amount of PLN 1,590 thousand (recognised over a period of time). Pursuant to an arrangement entered into on 10 June 2021 between the companies, it was decided to close the project and settle the cooperation as of 17 June 2021.

8. Costs by type

The table below shows the categories of generic costs:

w tys. złotych	2021	2020
Outsourced services, including:	1,554	7,025
waste removal and disposal	243	177
repair services	1,707	1,446
analytical services	524	328
research services	(1,033)	624
advisory services	(384)	2,922
legal services	59	566
other	438	962
Costs of materials	5,355	10,881
Staff remuneration costs	4,752	11,551
Depreciation and amortisation	1,402	5,050
Drug registration costs	386	1,112
Other costs	155	107
Research and development costs by type	**13,604**	**35,726**

in PLN thousand	2021	2020
Consumption of materials, energy, utilities	4,965	4,222
Staff remuneration costs	11,902	7,040
Depreciation and amortisation	6,304	4,779
Advisory services related to the conclusion of distribution agreements	658	691
Share-based management scheme	35	-
Outsourced equipment maintenance services	763	375
Taxes and charges	782	726
Audit and other advisory services	2,639	2,068
Other	1,932	598
General administration costs by type	**29,980**	**20,499**

As a result of a settlement agreement signed by the Company with Altiora and the determination on 13 January 2022 of the amount of the liability to be paid by 1 March 2022, as at 31 December 2021 the Company has revised the amount of the liability to the amount provided for in the settlement agreement signed in January 2022. The release of the provision for the expected litigation costs was presented under research services in research and development costs by type. On 28 February 2022, the Company paid Altiora the full amount under the above settlement agreement fulfilling thereby its obligations resulting from the agreement in full.

On 29 April 2021, the Company signed an annex to the cooperation agreement (Agreement, Development and Commercialization Agreement), pursuant to which Mabion's obligation to repay USD 1,000 thousand to Mylan for expenses incurred by the latter in connection with its regulatory and development activities was terminated. As a consequence of the annex, the provision for the aforementioned anticipated costs created in previous reporting periods was released (cost of advisory services in research and development costs by type).

The cost decrease in research and development costs by type, is related to the completion of the most costly part of the process which was the 5,000-litre validation of Mabion CD20 as part of the research and development work and the implementation of the agreed scope of work under the commercial contract manufacturing agreement with Novavax.

9. Research and development costs

in PLN thousand	2021	2020
MabionCD20	11,388	34,414
MabionEGFR	2,216	1,182
Other projects	-	130
Total research and development costs	**13,604**	**35,726**

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

The Company has undertaken a number of activities to develop the internal quality systems required for the initiation of the clinical trial, including a number of procedures allowing for adequate control of the clinical trial, conducting a risk analysis taking into account both the potential risks specific to research in immunological diseases, observations from previous clinical work, as well as the current situation related to the coronavirus pandemic. The documents necessary for the launch of clinical trials were also drawn up, including the trial protocol. In October 2020, the Company signed a contract with one of the most experienced CROs on the market, i.e. Parexel, which is to co-lead the clinical trial. In parallel, advanced work has been carried out leading to the development of a logistical plan for the clinical trial. The suppliers of reference medicines for the trial (i.e. MabThera and Rituxan) were contracted and quality audits and qualification of the suppliers were carried out. Procurement of reference products has been continued to secure the availability of drugs for the clinical trial and analytical panels. With respect to the ongoing activities aimed at the registration and marketing authorisation of MabionCD20, the Company – in order to commence the clinical bridging trial necessary for the authorisation of MabionCD20 in the EU in the first instance – has obtained approvals for the clinical trial from competent authorities and bioethics committees. These authorisations allow a clinical trial to be initiated in Poland, Georgia, Belgium, and Ukraine.

The research and development work of the Company is conducted within the pharmaceutical quality systems. The medicines are manufactured according to the principles of Good Manufacturing Practice. As a result of the inspection conducted by the Chief Pharmaceutical Inspectorate (GIF), the Company received in third quarter of 2019 two GMP certificates for the Scientific and Industrial Complex for Medical Biotechnology of Mabion S.A. in Konstantynów Łódzki with respect to the manufacturing of the active substance and with respect to the manufacturing of the medicinal product, while in April 2021 the Company received another certificate with respect to the manufacturing of the investigational medicinal product and the import of the investigational medicinal product.

In July 2020, the Company successfully underwent an inspection of the Good Laboratory Practice quality system for Mabion with its registered office at ul. Fabryczna 17 in łódź, and in March 2022 (an event after the balance-sheet date), laboratories of the Research and Development Centre in Łódź successfully underwent another GPL inspection, extending thereby their certificate with a possibility of performing analyses related to pharmacodynamic characterisation. Analyses in the scope of medicine quality parameters (pharmacokinetics, pharmacodynamics, immunogenetics) and clinical parameters provide unbiased, reliable results acceptable by medicine registration offices throughout the world.

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

10. Other operating income and costs

in PLN thousand	2021	2020
Profit on sales of fixed assets	13	3
Grants	1,259	1,571
Other	100	186
Total other operating income	**1,372**	**1,760**
Write-downs on tangible current assets	2,897	11
Loss on liquidation of fixed assets	20	-
Disposal of materials	369	138
Other	220	39
Total other operating costs	**3,506**	**188**

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 1,259 thousand and PLN 1,571 thousand in 2021 and 2020, respectively, which was included in the financial result in particular periods in proportion to the value of depreciation of assets financed from grants.

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

11. Financial income and costs

The main table includes both property, plant and equipment used by the Company and leased out under operating leases, and those leased under operating leases are also set out separately below.

in PLN thousand	2021	2020
Interest income	40	34
Net positive exchange rate differences	908	516
Other	-	-
Total financial income	**948**	**550**

in PLN thousand	2021	2020
Interest costs, including:	921	1,408
on loans and borrowings	808	729
on lease liabilities	269	326
on trade liabilities	(365)	309
budgetary	209	44
Net negative exchange rate differences	-	-
Other	450	261
Total financial costs	**1,371**	**1,669**

Interest income in 2021 and 2020 arises from accrued interest on cash balances in bank deposits.

As a result of a settlement agreement signed by the Company with Altiora and the determination on 13 January 2022 of the amount of the liability to be paid by 1 March 2022, as at 31 December 2021 the Company has revised the amount of the liability to the amount provided for in the settlement agreement signed in January 2022. The release of the provision for the expected litigation costs was presented under the item of interest on trade liabilities. On 28 February 2022, the The Company paid the full amount under the above settlement agreement to Altiora.

12. 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.

The tax asset as at 31 December 2021 was estimated at PLN 12,158 thousand.

Tax asset due to operations in the zone PLN 9,629 thousand

Tax asset due to loss brought forward PLN 2,528 thousand

Total tax asset PLN 12,158 thousand

The prudence principle in the estimation of the tax asset was implemented because of the adoption of a restrictive approach and the lack of previous track record in generating a tax base to account for state aid held, loss brought forward, or temporary differences.

As at each balance-sheet date, the Company will prudently measure the tax asset taking into account market conditions and the expected tax result for the foreseeable future.

The Company does not publish financial forecasts but emphasises that the tax result may significantly differ from the Company's result realised in the different reporting periods.

in PLN thousand	2021	2020
Current income tax	-	-
Adjustments relating to previous years	-	-
Deferred income tax	(12,158)	-
Total income tax	**(12,158)**	**-**

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

in PLN thousand	2021	2020
Gross profit/ (loss)	(10,255)	(55,772)
Tax (burden)/benefit at 19%	1,948	10,597
Non-deductible costs	(525)	(750)
Income not classified as tax income	10,101	698
Amounts increasing the tax base	(2,651)	-
Amounts decreasing the tax base	2,466	403
Temporary differences for which no deferred tax asset is recognised*	(5,535)	(7,366)
Temporary differences for which no deferred tax provision is created*	(86)	-
Tax losses for which no deferred tax asset was recognised – operations outside LSEZ**	(336)	(1,633)
Tax losses which cannot be deducted in future periods – zone activity**	(5,382)	(1,949)
Income tax	-	-

* This item covers in particular research and development outlays that are not yet deductible in the current period.

** Under applicable law, tax losses resulting from the operations in the LSEZ are not deductible in the future. Tax losses resulting from operations outside the zone may be deductible over the following five years. The balance of unused tax losses arising from operations outside the LSEZ is presented below.

In its financial statements for the years ended 31 December 2020 and 2019, the Company did not recognise any deferred tax assets. The Company has recognised a deferred tax provision which has been fully offset by the excess deferred tax asset.

The amounts of tax losses deductible in future periods, tax reliefs and negative temporary differences (at a tax rate of 19%) for which deferred tax assets have not been recognised are presented below:

in PLN thousand	Expiry date:	2021	2020
Tax loss to be settled for 2021	end of 2026	168	-
Tax loss to be settled for 2020	end of 2025	683	1 633
Tax loss to be settled for 2019	end of 2024	266	1 216
Tax loss to be settled for 2018	end of 2023	173	407
Adjustment of the tax loss for 2018 due to the National Revenue Information Authority's interpretation	end of 2023	-	(61)
Tax loss to be settled for 2017	end of 2022	-	574
Tax loss to be settled for 2016	end of 2021	-	156
Tax loss to be settled for 2015	end of 2020	-	102
Tax relief (Note 6)	end of 2026	37 229	46 858

In addition, both in the reporting period and historically, the Company generated negative temporary differences on which no deferred tax assets were created. The differences in question were mainly related to the incurred costs of research and development work, which did not reduce the tax base in the current reporting period or in previous periods.

13. Property, plant and equipment and intangible assets

a) Property, plant and equipment

The main table includes both property, plant and equipment used by the Company and leased out under operating leases, and those leased under operating leases are also set out separately below.

in PLN thousand	Land, buildings and structures	Technical equipment and machinery	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
As at 31 December 2019					
Gross value	48,159	20,663	35,086	12,386	116,294
Write-off	(7,063)	(13,343)	(24,200)	-	(44,606)
Net value as at 31 December 2019	**41,096**	**7,320**	**10,886**	**12,386**	**71,688**
Period ended 31 December 2020					
Outlays incurred	-	-	-	2,978	2,978
Transfers	119	227	1,055	(1,401)	-
Depreciation and amortisation for the period	(1,586)	(2,652)	(5,133)	-	-
Gross value of liquidated assets	-	-	(222)	-	(222)
Write-off of liquidated assets	-	-	207	-	207
Net value as at 31 December 2020	**39,629**	**4,895**	**6,793**	**13,963**	**65,280**
As at 31 December 2020					
Gross value	48,278	20,890	35,919	13,963	119,050
Write-off	(8,649)	(15,995)	(29,126)	-	(53,770)
Net value as at 31 December 2020	**39,629**	**4,895**	**6,793**	**13,963**	**65,280**
Period ended 31 December 2021					
Outlays incurred	-	-	-	31,948	31,948
Transfers	79	2,986	6,034	(9,099)	-
Depreciation and amortisation for the period	(1,587)	(2,925)	(4,024)	-	(8,536)
Gross value of liquidated assets	-	(39)	(186)	-	(225)
Write-off of liquidated assets	-	28	177	-	205
Net value as at 31 December 2021	**38,121**	**4,945**	**8,794**	**36,812**	**88,672**

in PLN thousand	Land, buildings and structures	Technical equipment and machinery	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
As at 31 December 2021					
Gross value	48,357	23,836	41,766	36,812	150,771
Write-off	(10,236)	(18,891)	(32,972)	-	(62,099)
Net value as at 31 December 2021	**38,121**	**4,945**	**8,794**	**36,812**	**88,672**

Summary of the value of property, plant and equipment leased under operating leases.

in PLN thousand	Land, buildings and structures	Technical equipment 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
Write-off	(7,269)	(11,884)	(4,920)	-	(24,073)
Net value as at 31 December 2021	**35,281**	**3,895**	**5,478**	**-**	**44,654**

Information on fixed assets used as collateral for bank loans can be found in note 20.

Part of investments in property, plant and equipment in 2021 was financed under leases (note 21).

The Company sold property, plant and equipment in the current reporting period with a net income of PLN 332 thousand.

The liquidated property, plant and equipment represented assets unsuitable for further use in the Company's activities and with 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 leases, and those leased under operating leases are set out separately below.

in PLN thousand	IT systems	Intangible assets under construction	Total
As at 31 December 2019			
Gross value	1,676	212	1,888
Write-off	(440)	-	(440)
Net value as at 31 December 2019	**1,236**	**212**	**1,448**
Period ended 31 December 2020			
Outlays incurred	-	81	81
Transfers	-	-	-
Depreciation and amortisation for the period	(458)	-	(458)
Gross value of liquidated assets	-	-	-
Write-off of liquidated assets	-	-	-
Net value as at 31 December 2020	**778**	**293**	**1,071**
As at 31 December 2020			
Gross value	1,676	293	1,069
Write-off	(898)	-	(898)
Net value as at 31 December 2020	**778**	**293**	**1,071**
Period ended 31 December 2021			
Outlays incurred	-	50	50
Transfers	167	(167)	-
Depreciation and amortisation for the period	(310)	-	(310)
Gross value of liquidated assets	-	-	-
Write-off of liquidated assets	-	-	-
Net value as at 31 December 2021	**635**	**176**	**811**
As at 31 December 2021			
Gross value	1,843	176	2,019
Write-off	(1,208)		(1,208)
Net value as at 31 December 2021	**635**	**176**	**811**

Intangible assets leased out under operating lease.

in PLN thousand	IT systems	Intangible assets under construction	Total
As at 31 December 2021			
Gross value	638	-	638
Write-off	(274)	-	(274)
Net value as at 31 December 2021	**364**	**-**	**364**

14. Inventories

The balance of inventories includes materials, including reference medicines (MabThera and Rituxan) and amounted to PLN 8,445 thousand as at 31 December 2021 (as at 31 December 2020, it amounted to PLN 5,976 thousand).

The value of used-up inventories reported in the costs of research and development in 2021 was PLN 5,355 thousand (PLN 10,881 thousand in 2020).

Following its principles to recognise income from the agreement with Novavax the Company employs the input-based method as part of which raw materials purchased by the Company for the purposes of implementing the agreement with Novavax are recognised in the profit and loss account at the time of purchase and not at the time of actual use in production due to the fact that: these raw materials have no alternative use, the raw materials are specifically identified and the terms and conditions of the agreement with Novavax prohibit the Company from using these raw materials for any purpose other than the implementation of the contract manufacturing agreement, and Novavax controls these raw materials from the time they are purchased by Mabion. Consequently, the Company does not recognise raw materials purchased for the purposes of the Novavax contract manufacturing agreement as inventory, but in the financial statements for the year ended 31 December 2021, 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.

15. Trade and other receivables

in PLN thousand	31 December 2021	31 December 2020
VAT receivables	4,834	1,840
Trade receivables	12,461	-
Advances on materials and services	1,394	775
Deposits	20	22
Other receivables	15	4
Trade and other receivables	**18,724**	**2,641**

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

No impairment losses on trade receivables have been recognised or reversed in 2021. As at 31 December 2021, there were no impairment losses on trade receivables. There are no significant concentrations of credit risk in the Company and therefore the Company does not provide further information on credit risk and expected credit losses.

At 31 December 2018, there were impairment losses of PLN 88 thousand on advances for materials and services. In 2019, impairment losses on advances for materials and services of PLN 25 thousand were recognised. As at 31 December 2021, there are impairment losses in the Company of PLN 122 thousand on advances for materials and services.

Further information on credit risk can be found in Note 23.

16. Cash and cash equivalents

in PLN thousand	31 December 2021	31 December 2020
Cash in current accounts	18,425	2,395
Deposits	30,282	-
Cash and cash equivalents in total	**48,707**	**2,395**

17. 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 is generating losses, it has so far not been able to allocate profits to supplementary capital, so the requirement to create supplementary capital equivalent to at least one third of the share capital is not fulfilled.

The Ordinary General Meeting of the Company, in accordance with Resolution No. 5/VI/2021 of 22 June 2021 decided to cover the loss for the financial year 2020 in the amount of PLN 55,772 thousand from the profit of future years.

In order to maintain an optimal capital structure, the Company may issue new shares, incur borrowings from shareholders, convert debt into equity, or increase its debt.

As at 31 December 2020, the Company's equity showed a loss exceeding the sum of its supplementary capitals and reserves and one third of the share capital. In connection with the occurrence of the circumstances provided for in Article 397 of the Commercial Companies Code, on 23 February 2021 the Extraordinary General Meeting of the Company adopted Resolution No. 3/II/2021 concerning further existence of the Company.

b) Share capital and share premium

As at 31 December 2019, the Company's equity consisted of 12,150,772 ordinary bearer shares (D and H to P 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 November 2019, in connection with the implementation of the Incentive Scheme for 2018 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 9,500 S ordinary shares at an issue price equal to the nominal price of PLN 0.10 each, with a total value of PLN 950. The S ordinary bearer shares were taken up for cash contributions made in full before the shares were released. The shares were released on 29 January 2020. A total of 9500 S series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each were released. As at the date the financial statements for the financial year ended 31 December 2019, the increase in the share capital as a result of the issue of the above mentioned shares has not been 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/2019 on the conditional increase of the share capital through the issue of 402,835 T series ordinary bearer shares with a nominal value of PLN 0.10 each, with a total nominal value not exceeding PLN 40,283.50. The conditional share capital increase was effected in order to grant rights to take up T series shares to the European Investment Bank in connection with signing, on 24 October 2019, the loan agreement for EUR 30 million. The right to take up T series shares may be exercised until 29 November 2029. All T series shares may be paid up only by contribution in cash. The issue price of T series shares is PLN 0.10 per share. As at 31 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 ordinary bearer shares were taken up for cash contributions made in full before the shares were released. 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 above shares were listed on the Main Market of the Warsaw Stock Exchange.

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) (the National Depository for Securities (KDPW)) issued a statement on the conditional registration in the securities depository with ISIN code PLMBION00016 of 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 on 18 November 2019, 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 (an event after the balance-sheet date), 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

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

in PLN thousand, except for the number of shares	Number of issued and fully paid-up shares	Share capital (nominal value)	Issued but unregistered share capital	Share premium
As at 31 December 2019	**13,730,272**	**1,372**	**1**	**108,923**
Coverage of net loss for 2019	-	-	-	-
Registration of S series shares	-	1	(1)	-
As at 31 December 2020	**13,730,272**	**1,373**	**-**	**108,923**
Coverage of net loss for 2020	-	-	-	-
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**

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 authorisation given in Resolution No. 24/VI/2018 of the Company's Ordinary General Meeting, the Supervisory Board approved the Rules and Regulations for the Incentive Scheme for 2018–2021. The taking-up of the shares and the exercise of rights carried by the warrants will be possible upon conditions listed in the Rules and Regulations. Alternatively, warrants may be purchased by the Company in order to be redeemed. However, the Company currently has no intention to use cash settlement.

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

On 18 November 2019, all B warrants granted for the year 2018 (9,500 warrants) were taken up by the eligible persons. On the same day, all eligible persons submitted declarations of subscription for all S series shares (9,500 shares) for which they were entitled due to warrants taken up. The shares were taken up by the eligible person on the same day.

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

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

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

On 29 April 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 23 June 2020, all B warrants granted for the year 2020 (500 warrants) were taken up by all eligible persons. On the same day, all eligible persons submitted declarations of subscription for all S series shares (500 shares) for which they were entitled due to warrants taken up. The shares were taken up by the eligible person on the same day.

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

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

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

	A Warrants		**B Warrants**	
Tranche for year	2020	2021	2020	2021
Scheme's approval date (the beginning of the vesting period)	28 June 2018			
Grant date	27 February 2020	29 April 2021	27 February 2020	29 April 2021
End of vesting period	25 January 2021	31 January 2022	25 January 2021	31 January 2022
Number of instruments granted	28,500	28,215	500	500
Exercise Price	PLN 91.00	PLN 91.00	PLN 0.10	PLN 0.10
Share price as at 31 December 2021.	PLN 61.10	PLN 61.10	PLN 61.10	PLN 61.10
Market vesting condition	Reaching a minimum price defined as the arithmetic average of the stock prices of the Company on the Warsaw Stock Exchange, calculated on the basis of the daily average prices weighted with trading volume, in the last month of each year		-	-
Minimal price	PLN 280.00	PLN 400.00	-	-
Non-market vesting condition	For the employee to maintain a business relationship or continuing to provide services for the Company for a period of at least 183 days in a given year during the Scheme			
Settlement	Shares			
Expected volatility (based on the historic volatility of the Company's share prices in 24 months preceding the Valuation Date)	55.22%	92.92%	55.22%	92.92%
First possible exercise date	14 February 2021	14 February 2022	14 July 2021	14 July 2022
Last possible exercise date	31 July 2022			
Risk-free rate	1.23%-1.84%	0.14%-0.25%	1.23%-1.84%	0.14%-0.25%
Dividend rate	0%			
Departure probability	21.58% per annum			
Warrant's fair value Valuation Date	27 February 2020	29 April 2021	27 February 2020	29 April 2021
Warrant's fair value as at the Valuation Date	PLN 0.00	PLN 0.55	PLN 46.24	PLN 63.08
Scheme value (fair value of warrant x number of warrants)	PLN 0.00	PLN 15,433.99	PLN 23,121.95	PLN 31,541.20
Valuation model	Binominal model			

The table below shows the details of the Scheme and its valuation as at 31 December 2020:

	A Warrants		B Warrants	
Tranche for year	2020	2021	2020	2021
Scheme's approval date (the beginning of the vesting period)	28 June 2018			
Grant date	27 February 2020	not occurred	27 February 2020	not occurred
End of vesting period	25 January 2021	31 January 2022	25 January 2021	31 January 2022
Number of instruments granted	28,500	28,500 (no list of eligible persons)	500	500 (no list of eligible persons)
Exercise Price	PLN 91.00		PLN 0.10	
Share price as at 31 December 2020	PLN 20.75			
Market vesting condition	Reaching a minimum price defined as the arithmetic average of the stock prices of the Company on the Warsaw Stock Exchange, calculated on the basis of the daily average prices weighted with trading volume, in the last month of each year			
Minimal price	PLN 280.00	PLN 400.00	-	-
Non-market vesting condition	For the employee to maintain a business relationship or continuing to provide services for the Company for a period of at least 183 days in a given year during the Scheme			
Settlement	Shares			
Expected volatility (based on the historic volatility of the Company's share prices in 12 months preceding the Valuation Date) used in the option-based valuation model	55.22%	111.27%	55.22%	111.27%
First possible exercise date	14 February 2021	14 February 2022	14 July 2021	14 July 2022
Last possible exercise date	31 July 2022			
Risk-free rate used in the option-based valuation model	1.23% – 1.84%	0.15% – 0.25%	1.23% – 1.84%	0.15% – 0.25%
Dividend rate used in the option-based valuation model	0%			
Departure probability	21.58% per annum			
Warrant's fair value Valuation Date	27 February 2020	31 December 2020	27 February 2020	31 December 2020
Warrant's fair value as at the Valuation Date	PLN 0.00	PLN 0.28	PLN 46.24	PLN 23.04
Scheme value (fair value of warrant x number of warrants)	PLN 0.00	PLN 8,049.60	PLN 23,121.95	PLN 11,520.75
Valuation model	Binominal model of option valuation			

The following table presents information on warrants in 2021:

	A Warrants			B Warrants			
Tranche for year	2019	2020	2021	2018	2019	2020	2021
Exercise Price		PLN 91.00				PLN 0.10	
			Number of warrants				
As at the beginning of the period	-	28,500	28,500	-	-	500	500
Redeemed in the period	-	-	-	-	-	-	-
Exercised in the period	-	-	-	-	-	-	-
Expired in the period	-	-	-	-	-	-	-
As at the end of the period (including those to which rights have been acquired as at the balance-sheet date)	-	28,500	28,500	-	-	500	500
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

The following table presents information on warrants in 2020:

	A Warrants			B Warrants			
Tranche for year	2019	2020	2021	2018	2019	2020	2021
Exercise Price		PLN 91.00				PLN 0.10	
			Number of warrants				
As at the beginning of the period	28,500	28,500	28,500	-	500	500	500
Granted in the period	-	-	-	-	-	-	-
Redeemed in the period (no entitlements acquired)	28,500	-	-	-	-	-	-
Exercised in the period	-	-	-	-	500	-	-
Expired in the period	-	-	-	-	-	-	-
As at the end of the period (including those to which rights have been acquired as at the balance-sheet date)	-	28,500	28,500	-	-	500	500
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

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

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

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

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

If the market condition for A warrants for a specific year is not met, the Supervisory Board may grant these warrants alongside A warrants for the year in which the market condition is met. Due to the uncertainty concerning the future decisions made by the Supervisory Board in this matter, the estimate of the Scheme's cost as at 31 December 2021 does not include the

effect of rolling the warrants for which the market condition was not met. This does not exclude the possibility of these warrants being granted in the following years, as per the Rules and Regulations of the Scheme.

The amount recognised cumulatively in costs and in capital up to 31 December 2021 totals PLN 731 thousand and has increased by PLN 35 thousand in relation to the cumulative amount recognised up to 31 December 2020, when it amounted to PLN 696 thousand. The increase in costs by PLN 35 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 before the end of 2021.

d) Shareholding structure

As at 31 December 2021, the shareholder structure of Mabion S.A. was as follows:

Shareholder	Registered office	Number of shares	% in capital	% of voting rights 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%
Funds managed by Investors TFI S.A.**	Warsaw, Poland	1,502,649	9.30%	8.47%
Holders of less than 5% of capital	not applicable	8,792,229	54.40%	49.59%
Total		**16,161,326**	**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 68.20% of the total number of votes in Celon Pharma S.A.

** Based on the list of shareholders present at the Ordinary General Meeting of Mabion S.A. on 15 June 2020 and agreements on taking up the U shares of the Company concluded on 15 March 2021.

Shareholders holding more than 5% are listed separately.

18. Deferred income

in PLN thousand	31 December 2021	31 December 2020	1 January 2020
Grants on property, plant and equipment	7,651	8,886	10,143
Grants on research and development costs	25,314	26,373	22,156
Deferred income (long- and short-term)	**32,965**	**35,259**	**32,299**

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.

In June 2018, the Company signed a co-financing agreement with the Minister of Investment and Development (currently: Ministry of Development Funds and Regional Policy) for the project "Expansion of the Research and Development Centre of Mabion S.A. – research on the new generation of medicines" (CBR) as part of Measure 2.1 Support for investment in R&D infrastructure of enterprises of the Operational Programme Smart Development 2014–2020 co-financed by the European Regional Development Fund). The total cost of the project was set at PLN 172,880 thousand. In August 2020, the Company received the first tranche of payments as part of the programme.

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.

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

Project name / description	Subsidy programme	Total amount of grant granted (in thousands of PLN)	Total amount of grant received by 31 December 2021 (in thousands of PLN)	Total amount of grant expected until the project completion (in thousands of PLN)	Project duration and status
Innovative technology for the manufacture of therapeutic monoclonal antibodies for lymphoma therapy (MabionCD20). The objective of the project was to develop an innovative medicine in the form of a biosimilar humanised CD20 monoclonal antibody, including the construction of a dedicated biotechnology plant for medicine production.	Operational Programme Innovative Economy 2007–2013	39,655	35,896	-	1 July 2010 – 29 May 2015 **Status: Project completed**
Innovative "double cutting" technology to obtain advanced analogues of human insulin. The objective of the project was to develop an innovative, multi-purpose "double-cutting" technology making it possible to obtain and produce insulin and its analogues.	Operational Programme Innovative Economy 2007–2013	24,087	9,492	-	1 May 2011 – 31 December 2017 **Status: Project completed**
The clinical development and registration of a humanised monoclonal antibody that binds to HER2 receptor, used in breast cancer treatment (MabionHER2). The project involved research and development activities and clinical trials.	INNOMED	10,000	-	-	1 June 2014 – 15 November 2018 **Status: Project completed***
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 (MabionCD20).	Smart Growth Operational Programme 2014–2020 "Fast Track"	27,094	23,848	-	1 November 2016 – 29 December 2020 **Status: Project completed**
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 The project involves research and development work.	Smart Growth Operational Programme 2014–2020, InnoNeuroPharm sectoral programme	28,354	3,422	592	1 August 2017 – 31 July 2022 **Status: Project in progress****
Expansion of the Research and Development Centre of Mabion S.A. – research on the new generation of medicines The objective of the project is to develop 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 medicines (latest generation of biotechnology medicines, monoclonal antibodies).	Smart Growth Operational Programme 2014–2020	63,247	338	62,909	20 January 2018 – 31 December 2023 **Status: Project in progress*****

Project name / description	Subsidy programme	Total amount of grant granted (in thousands of PLN)	Total amount of grant received by 31 December 2021 (in thousands of PLN)	Total amount of grant expected until the project completion (in thousands of PLN)	Project duration and status
Improvement of competitiveness of Mabion S.A. through implementation of a process innovation	Regional Operational Programme for Łódzkie Voivodeship 2014–2020	396	0	396	01.07.2021 – 01.11.2022 **Status: Project in progress**

* In 2017, the Company decided to end the above mentioned project at its current stage of implementation due to the high scientific risk related to the implementation of research on a biopharmaceutical similar to Herceptin and the analysis of the competitive environment. The Company does not have any liabilities towards the NCBR resulting from the implementation of the project in question – it has repaid the funding with interest. On 24 February 2021, the Company received a letter from the NCBR confirming that the final report on the project was assessed negatively and that the project was deemed in its entirety not to have been completed.

** On 23 February 2022 (an event after the balance-sheet date), a decision was taken to abandon further implementation of the Project due to the fact that, in the opinion of the Management Board, its further implementation is unjustified. Consequently, a final application for payment and final information on the Project implementation were submitted to the NCBR. At present, the Company is anticipating the formal closure of the project, which includes the acceptance of the Final Report and the final payment request.

***On 19 April 2022, (an event after the balance-sheet date), the Management Board of Mabion S.A. entered into an annex to the Project co-financing agreement with the Ministry. According to the annex, the period of expenditure eligibility for the Project was extended until 31 December 2023 (previously 31 December 2021). Moreover, due to the inclusion of an additional research area in the Company's activity, i.e. vaccine therapies, the objective and material and financial scope of the Project were changed to the extent enabling the introduction of the aforementioned research area to the Project.

Subsidies are disclosed when the Company has sufficient certainty that it will be able to meet the conditions for using the grants and that it will receive them.

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 will amount to PLN 396 thousand.

The table below presents changes in the status of grants during the years covered by these financial statements:

in PLN thousand	Grants on property, plant and equipment	Research and development grants	Grants in total
As at 31 December 2019	**10,143**	**22,156**	**32,299**
Proceeds	338	4,217	4,555
Reimbursement	(24)	-	(24)
Recognised in the financial result	(1,571)	-	(1,571)
As at 31 December 2020	**8,886**	**26,373**	**35,259**
Proceeds	-	897	897
Reimbursement	-	-	-
Recognised in the financial result	(1,259)	-	(1,259)
As at 31 December 2021	**7,627**	**27,270**	**34,897**

As government grants involve audit requirements imposed by intermediary bodies and there is uncertainty about the effects of project finalisation and the timing of project completion, the Company generally defers recognising the related grant as income until any post-project audit requirements have been met.

Grants towards property, plant and equipment relate to the MabionCD20 project (i.e. grants for the construction of a plant for the production of MabionCD20), while grants towards research and development work concerned the project for the development of the "double cutting" technology, the MabionHER2 project, the scaling up of the manufacturing process of MabionCD20, and the MabionEGFR project.

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.

In 2021, the Company received grant payments for research and development costs and for property, plant and equipment under the Operational Programme Smart Development 2014–2020:

- InnoNeuroPharm sectoral programme in the amount of PLN 546 thousand.

> MabionCD20 "fast track" sectoral programme (which ended on 29 December 2020) in the amount of PLN 351 thousand

With the exception of the events mentioned above, there have been no significant changes in the grants received by the Company.

On 24 February 2022 (an event after the balance-sheet date), 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 (competition 2/1.2/2017/POIR, Measures 1.2: "Sectoral R&D Programmes"), 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. Following this decision and in accordance with the provisions of the co-financing agreement, the Company submitted a final application for payment and final information on the project implementation to the National Centre for Research and Development (NCBR). Under the agreement, the value of co-financing amounted to PLN 28,354 thousand, of which until today the Company has submitted payment applications to NCBR for PLN 4,014 thousand. The final amount of funding received will be determined by NCBR after evaluation of the documents submitted by the Company, including those indicated above.

The current portion of deferred income is that portion which the Management Board expects to qualify as income within 12 months of the balance-sheet date. In particular, this concerns grants for investments in fixed assets, which will be recognised as income in proportion to the depreciation of the property, plant and equipment financed by the grant.

The long-term deferred income item includes the portion which the Management Board expects to qualify as income more than 12 months after the balance-sheet date. In particular, this concerns:

a) grants for investments in fixed assets, which will be recognised as income in proportion to the depreciation of the property, plant and equipment financed by the grant.
b) grants towards research and development costs, which will be recognised as income when the Company is reasonably certain that it will be able to meet the conditions of the grant.

18a. Liabilities under contracts with customers

in PLN thousand	31 December 2021	31 December 2020	1 January 2020
Liabilities arising from the implementation of the agreement with Novavax	46,110	-	-
Lease prepayments	955	-	-
Advance payment from Mylan for distribution rights to MabionCD20	-	14,007	14,007
Advance payment from Celon Pharma for services (development of antibody production technology)	-	1,590	1,590
Total	**47,065**	**15,597**	**15,597**

Liabilities arising from the implementation of agreements with customers include payments received from Novavax in connection with the agreement for the production of an active substance (see Note 7 for further information). Initial payments received from Novavax ahead of the commencement of production relate to covering 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, one non-lease performance obligation was separated in this agreement, namely the provision of the active substance manufacturing service; adaptation of the facility is not a separate performance obligation. Income from the foregoing payments is recognised by the Company over time, over the period of implementation of the agreement. Raw materials purchased for the purposes of the agreement constitute costs of the agreement at the time of their purchase. In line with the accounting policy outlined in these statements, the raw materials in question, when purchased by Mabion, are recognised as cost of sales, and at the same time income is recognised in an amount equal to the raw material acquisition costs, and therefore the Company does not recognise a profit margin.

The balance of the advance payment from Mylan as at 31 December 2020 concerns part of the advances received from Mylan for future exclusive distribution rights for MabionCD20, which were previously recognised as reimbursable advances for distribution rights and became non-reimbursable in 2018 (in the amount of PLN 14,007 thousand) due to the fulfilment of the conditions set out in the agreement with Mylan.

On 29 April 2021, the Company signed an annex (Annex) to the cooperation agreement with Mylan, under which the parties decided that the Company will reimburse to Mylan part of the advances, in an amount lower than the advance payments received by the Company under the agreement in force before the date of the Annex, constituting repayable advances for distribution rights. As the conditions set out in the agreement were met, a further portion of the advances received for

distribution rights became non-reimbursable (in the amount of PLN 6,803 thousand) and, due to the termination of the cooperation agreement by Mylan on 17 November 2021, recognised as revenue as at 31 December 2021 (Note 7).

In the reporting period, the income from the performance of services (development of the antibody production technology) for Celon Pharma S.A. was recognised in the amount of PLN 1,590 thousand (Note 7). Pursuant to an arrangement entered into on 10 June 2021 between the companies, it was decided to close the project and settle the cooperation as of 17 June 2021.

19. Repayable advances on distribution rights

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

Partner	Market	31 December 2021	31 December 2020
Mylan	Albania, Austria, Belgium, Bulgaria, Bosnia and Herzegovina, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Malta, Montenegro, Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, United Kingdom, Switzerland, Norway and Liechtenstein	-	42,282
FARMAK	Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan	1,150	1,154
ONKO	Turkey	506	507
Sothema Laboratories	Morocco, Algeria, Tunisia	106	106
Lyfis	Iceland	28	28
VMG	Costa Rica, El Salvador, Nicaragua, Panama, Honduras, Belize, Trinidad and Tobago, Dominican Republic	-	-
Total		**1,790**	**44,077**

The advances received by the Company are reimbursable should an event beyond the Company's control occur (i.e. failure to complete clinical trials as part of the development of a medicine and/or failure to obtain marketing authorisation in a specific market from a regulatory authority) and have therefore been classified as financial liabilities. As the moment of occurrence or non-occurrence of the aforementioned event is also beyond the Company's control, the liability is measured at the amount payable on demand and classified as a short-term liability.

In November 2016, the Company signed a strategic long-term cooperation agreement with Mylan, a global leader in the production and distribution of medicines. Under the agreement, the Company received an amount of USD 15,000 thousand from Mylan for further development of MabionCD20. On 29 April 2021, the Company signed an annex (Annex) to the cooperation agreement with Mylan, under which the parties decided that the Company will reimburse to Mylan part of the advances, in an amount lower than the advance payments received by the Company under the agreement in force before the date of the Annex, constituting repayable advances for distribution rights presented in this Note. Pursuant to the Annex, the Company repaid to Mylan the first tranche of advances received for distribution rights on 20 July 2021 in the amount of USD 6,000 thousand and on 29 October 2021, the Company repaid the second (final) tranche in the amount of USD 3,500 thousand.

On 17 November 2021, the Company received from Mylan a statement of termination of the cooperation agreement referred to above. The Agreement was terminated subject to 90 days' notice. The termination of the agreement did not involve any payments or additional financial obligations for the Company – all payments between the parties to date have been settled pursuant to the aforementioned Annex of 29 April 2021.

As a result of the termination, all contractual rights and obligations of Mabion under the Agreement are virtually discontinued in their entirety.

In accordance with the terms and conditions of the agreement with Mylan (Annex of 29 April 2021), part of the advances received on distribution rights is no longer refundable in the total amount of PLN 20,811 thousand and – due to termination of the cooperation agreement by Mylan – as at 31 September 2021, it is recognised as income (Note 7).

The change in balance of the remaining reimbursable advances on distribution rights as at 31 December 2021 results from the change in the exchange rate, as the advances were denominated in EUR.

20. Loans and borrowings

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

in PLN thousand	31 December 2021	31 December 2020
Loans and borrowings	15,000	30,389
Loans secured on assets	452	991
Total loans and borrowings	**15,452**	**31,380**

a) Bank loans

On 24 October 2019, the Company concluded with the European Investment Bank (EIB) an unsecured loan agreement for financing the implementation of investment and research and development projects, including the development of the Company's research and development infrastructure and production capacity, for a maximum period of 5 years from the date of disbursement of individual tranches. The amount of the Loan is EUR 30 million and may be disbursed in three tranches once specific conditions are met, which include the achievement of registration and commercialisation milestones for MabionCD20. The interest rate on the Loan is fixed at may amount to 2.7% per annum at most. The drawing period of the Loan is 36 months from the date of the Financing Agreement. The Agreement contains numerous obligations of the Company towards the EIB and stipulates situations constituting a breach of the Agreement resulting, inter alia, in the possibility of its termination by the EIB. Taking into account the change in MabionCD20's regulatory strategy, the Company has taken steps to adapt the existing agreement to the Company's current strategy, including in particular agreeing on new conditions for releasing individual tranches as well as their timing, although this work had not been finalised by the date of publication of the statements. The period of loan availability ends on 24 October 2022.

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

As at 31 December 2021, the Company has not drawn any tranche of the EIB loan and its debt on this account is PLN 0 (zero).

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

b) Borrowings from shareholders

On 15 July 2020, the Company entered into a borrowing agreement with Glatton Sp. z o.o. (Borrowing), amounting to PLN 15,000 thousand, to refinance the revolving credit facility granted to the Company in 2018 by Santander Bank Polska S.A. ("Loan" and "Bank", respectively). The Company utilised the amount of PLN 15,000 thousand under the Loan. The borrowing agreement entered into force on 16 July 2020. The interest rate on the Borrowing has been agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin.

On 10 December 2020, the parties concluded an Annex to the Agreement, pursuant to which the repayment date of the Borrowing was extended to 31 December 2021. On 17 December 2021, the parties concluded another annex to the agreement, according to which the borrowing repayment date was extended to 12 July 2022. The other terms and conditions of the Borrowing remain unchanged.

On 12 August 2020, the Company concluded borrowing agreements with Twiti Investments Ltd. and Glatton Sp. z o.o. up to the total amount of PLN 15,000 thousand each. The interest rate on the borrowings, the same for each of the Agreements, was agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin.

As at 31 December 2020, the Company has used the entire amount of PLN 30,000 thousand of the limit granted under the agreements on the above borrowings. As at the date of publication of the statements, after the partial conversion of the borrowings due to Twiti Investment Ltd. and Glatton Sp. z o.o. into shares as part of an accelerated book-building transaction (ABB), the Company has drawn the borrowing from Glatton Sp. z o.o. in the amount of PLN 15,000 thousand.

On 5 February 2021, the Company entered into a borrowing agreement with Twiti Investments Ltd. for a total amount of up to PLN 10,000 thousand (Borrowing). The interest rate on the Borrowing has been agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin. Under the agreement, the Borrowing could be repaid by conversion into U series ordinary bearer shares, or in cash no later than 31 December 2021 (depending on the arrangements made by the parties to the agreement).

As at 15 March 2021, the Company has utilised the entire amount of PLN 3,500 thousand as part of the limit granted under the above-mentioned borrowing agreement. As at the date of publication of the statements, the Company, having made a partial conversion and repaid the remaining amount, has not used the borrowing and its indebtedness on this account amounts to PLN 0 (zero).

The borrowings from the shareholders have been repaid by way of conversion into U series shares issued under the terms and conditions set out in resolution No. 4/II/2021 of the Extraordinary General Meeting of Mabion S.A. of 23 February 2021. On 15 March 2021, borrowings in the amount of PLN 16,200 thousand were converted into capital through the issue of U series shares:

- The entire issue price of 90,909 U Series Shares taken up by Glatton, in the amount of PLN 5,000 thousand, was paid by way of offsetting the Company's claim against Glatton for payment of the issue price with Glatton's claim against the Company in the amount of PLN 5,000 thousand (principal amount) under the borrowing agreement concluded by the Company and Glatton on 12 August 2020 (Glatton's Claim).
- The issue price of 203,636 U Series Shares taken up by Twiti, in the amount of PLN 11,200 thousand, was paid by way of offsetting of the Company's claim against Twiti for payment of the issue price of 203,636 U Series Shares with the entire claim of Twiti against the Company in the total amount of PLN 10,000 thousand (principal amount) under the borrowing agreement concluded by the Company and Twiti on 12 August 2020 (Twiti's Claim) and part, equal to PLN 1,200 thousand, of Twiti's claim against the Company in the total amount of PLN 3,500 thousand (principal amount) under the borrowing agreement up to the maximum of PLN 10,000 thousand concluded by the Company and Twiti on 5 February 2021.

The conversion of receivables is for a fixed amount (i.e. the carrying amount of the debt), but with a variable number of shares (the Company's Management Board, following the accelerated book-building process for the U Series Shares completed on 9 March 2021, has determined the issue price at PLN 55.00 per share). Due to the fact that, under the terms and conditions of the borrowing agreement, the liabilities payable to Glatton and Twiti may be settled in cash or by issuing a variable amount of the Company's equity instruments – the above borrowings have been classified as a financial liability rather than an equity instrument.

Pursuant to the applicable regulations, the conversion report was subject to verification by an independent Auditor.

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 are concluded for 3 to 4 years and are secured with blank promissory notes. The lessor has the right to fill in a promissory note up to the amount equivalent to all due but unpaid receivables to which the lessor is entitled under a given lease agreement, in particular receivables from lease payments, damages, contractual penalties or reimbursement of costs, including due interest, in case the Company fails to pay any of these receivables on the due date.

On 15 September 2021, the Company entered into a leaseback agreement with PKO Leasing S.A. to finance the purchase of laboratory equipment amounting to PLN 319 thousand.

As at 31 December 2021, the total value of outstanding loans secured on assets was PLN 452 thousand.

20a. 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 liability	Total debt
As at 01.01.2020	**15,000**	**1,390**	**5,550**	**21,940**
Proceeds from financing received	-	30,000	-	30,000
Debt repayments	(15,000)	(434)	(1,934)	(17,367)
Interest paid	(265)	(75)	(326)	(666)
Conclusion of leases	-	-	1,227	1,227
Conclusion of borrowing agreements	-	36	-	36
Accrued exchange rate differences	-	-	271	271
Accrued interest	265	463	513	1,241
As at 31.12.2020	**-**	**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 leases	-	-	720	720
Conclusion of borrowing agreements	-	319	-	319
Accrued interest	-	808	269	1 077
Accrued exchange rate differences	-	-	-	-
As at 31.12.2021	**-**	**15,452**	**3,621**	**19,073**

21. Leases

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

On 17 December 2019, the Company entered into a lease agreement for office space in Łódź for the years 2020–2023 and recognised lease as at 31 December 2019. At the same time, due to the conclusion of an agreement to lease office space for a period of 4 years, the Company recognised the amount of PLN 1,854 thousand in assets. The total value of lease payments during the term of the agreement will amount to PLN 2,200 thousand.

The Company's leases provide for a lease term of 3 to 5 years (the Company did not enter into short-term or low-value leases). 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 (there is no additional variable portion of the lease payments that is not included in the lease liability). All lease agreements, except for office space lease, include an option to purchase the leased item after the end of the lease period. In the great majority of cases, the Company has assumed that it will exercise its option to buy back the leased asset and has recognised the buy-back amount in the measurement of the lease liability.

Due to the persisting COVID-19 pandemic, one item of property, plant and equipment was not accepted for use in the fourth quarter of 2020 due to inability to qualify it. The lease liability incurred for its purchase amounted to PLN 325 thousand. In the first quarter of 2021, following qualification, the Company recognised a new item of property, plant and equipment of PLN 325 thousand. 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 720 thousand and a lease liability of PLN 720 thousand. In 2021, depreciation of leased assets amounted to PLN 2,538 thousand and interest on lease amounted to PLN 269 thousand (in 2020, depreciation amounted to PLN 2,514 thousand and interest on lease amounted to PLN 325 thousand).

Depreciation of leased assets by asset group:

in PLN thousand	31 December 2021	31 December 2020
Group 1 – buildings and premises, co-operative right to commercial premises and co-operative right to residential premises	463	463
Group 4 – General use machinery, equipment and appliances	10	7
Group 5 – Special-purpose machinery, equipment and appliances	98	35
Group 7 – means of transport	289	236
Group 8 – tools, instruments, movable property and equipment not elsewhere classified	1,678	1,773
Total depreciation of leased assets	**2,538**	**2,514**

The total carrying amount of finance leases as at 31 December 2021 and 31 December 2020 was PLN 4,371 thousand and PLN 6,537 thousand, respectively.
Summary of leased assets at carrying value by asset group:

in PLN thousand	31 December 2021	31 December 2020
Group 1 – buildings and premises, co-operative right to commercial premises and co-operative right to residential premises	927	1,391
Group 4 – General use machinery, equipment and appliances	28	14
Group 5 – Special-purpose machinery, equipment and appliances	452	225
Group 7 – means of transport	1,088	826
Group 8 – tools, instruments, movable property and equipment not elsewhere classified	1,876	4,081
Total leased fixed assets	**4,371**	**6,537**

The table below presents information on the amount of future minimum lease payments and

in PLN thousand	Future minimum lease payments as at 31 December 2021	Current value of minimum lease payments as at 31 December 2021	Future minimum lease payments as at 31 December 2020	Current value of minimum lease payments as at 31 December 2020
Up to 1 year	2,056	1,965	2,421	2,358
From 1 to 5 years	2,278	1,992	3,198	2,943
Total	**4,334**	**3,957**	**5,619**	**5,301**

22. Trade and other liabilities

in PLN thousand	31 December 2021	31 December 2020
Trade liabilities	23,676	18,124
Social insurance and income tax on wages	1,862	1,598
Provision for unused leave	912	541
Liabilities under remunerations	578	3,168
Other liabilities	2,607	557
Company Social Benefits Fund	59	107
Total trade and other liabilities	**29,694**	**24,095**

The Management Board of Mabion S.A., by Resolution No. 1/XII/2018 of 10 December 2018 adopted the Rules of the Company Social Benefits Fund effective as of 1 January 2019, while by Resolution No. 8/V/2020 of 28 May 2020, the Management Board decided that in the period from 12 June to 31 December 2020 the Company will not create a Company Social Benefits Fund. By resolution no. 11/I/2021 of 28 January 2021, the Management Board of Mabion S.A. decided that the Company does not establish a Company Social Benefits Fund in 2021, while by Resolution No. 2/I/2022 of 20 January 2022 (an event after the balance-sheet date), the Management Board of Mabion S.A. decided that the Company does not establish the Company Social Benefits Fund in 2022.

23. 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 associated with the registration of Mabion CD20, the risk associated with the coronavirus pandemic, or the risk associated with the work schedule – NVX-CoV2373.

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 market, the Management Board monitors, audits and updates potential risks on an ongoing basis, through:

- anticipation and identification of potential risks, in-depth risk analysis in order to proactively prevent risk materialisation;
- constant monitoring and controlling of existing risks;
- risk avoidance – refraining from certain high-risk activities;
- taking preventive measures – developing an action plan and appropriate procedures for immediate implementation if a risk materialises;
- maintaining risk within predetermined limits or implementing risk minimisation plans;
- reporting on the risk identified and its nature;
- adhering to "Best Practice of 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 2021	31 December 2020
Financial assets measured at amortised cost		
Long-term receivables	206	195
Trade receivables	12,461	-
Cash and cash equivalents	48,707	2,395
Total financial assets	**61,374**	**2,590**
Liabilities measured at amortised cost		
Repayable advances on distribution rights	1,790	44,077
Trade liabilities	23,676	18,124
Accrued costs of clinical trials	-	-
Loans and borrowings	15,452	31,380
Total financial liabilities	**40,918**	**93,581**
Financial liabilities outside the scope of IFRS 9		
Lease liabilities	3,957	5,301

a) Exchange rate risk

Some of the raw materials necessary for the production of the active substance are purchased in foreign currency (USD and EURO). In addition, the Company carries out significant investment purchases related to the retrofitting of the facility where the currency of the agreement is the euro.

Reimbursable advances for distribution rights (funds received from distribution partners) are denominated in foreign currencies, which leads to exposure to currency risk as long as these funds are not used (i.e. reimbursed or reclassified to deferred income, depending on the outcome of uncertain future events). A significant portion of the advances for distribution rights as at the balance-sheet date have already been settled and the current risk in this regard can be considered limited.

Some of the laboratory equipment and reagents used for research and development are purchased by the Company with foreign currencies, mainly EUR and USD.

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.

The Company has signed an agreement for the manufacture of an active substance denominated in USD, and therefore it is expected that the risk associated with currency fluctuations will be mitigated owing to the sales and deliveries of the substance performed for Novavax.

The Company reviews the level of exchange rate risk and the possible impact of the above changes on the results of the period on an ongoing basis. At present, the Company's management does not deem it necessary to purchase 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 foreign currency exchange rate risk:

	Denominated in the following foreign currencies (converted into PLN)			
in PLN thousand	**Total**	**EUR**	**USD**	**Other foreign currencies**
As at 31 December 2020				
Trade receivables	-	-	-	-
Cash and cash equivalents	536	14	506	16
Repayable advances on distribution rights	(44,077)	(1,795)	(42,282)	0
Trade liabilities	(4,267)	(3,560)	(696)	(10)
Net exposure – assets / (liabilities)	**(47,808)**	**(5,341)**	**(42,472)**	**6**
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)**

To calculate the increase/decrease of the net loss, a change in the exchange rate of a foreign currency against the Polish zloty of +/-5% was assumed. The analysis does not include simultaneous changes in other variables, such as interest rates.

	Denominated in the following foreign currencies (converted into PLN)							
	2021				2020			
in PLN thousand	**Total**	**EUR**	**USD**	**Other foreign currencies**	**Total**	**EUR**	**USD**	**Other foreign currencies**
Exchange rate increase of 5%	335	(1,158)	1,495	(2)	(2,390)	(267)	(2,124)	0
Exchange rate decrease of 5%	(335)	1,158	(1,495)	2	2,390	267	2,124	0

b) Risk of changes in cash flows due to changes in interest rates

The Company is exposed to interest rate risk in relation to floating rate loans and borrowings and floating rate leases. 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 hold instruments to mitigate the impact of interest rate changes on cash flows and financial results.

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

in PLN thousand	31 December 2021	31 December 2020
Cash in bank accounts	48,707	2,395
Loans and borrowings	(15,452)	(31,380)
Lease	(3,957)	(5,301)
Net exposure – assets / (liabilities)	**29,298**	**(34,286)**

The table below presents a sensitivity analysis for the risk of changes in interest rates that in the Company's opinion would be reasonably possible at the balance-sheet date:

in PLN thousand		
Increase/(decrease) in financial result and equity due to	**2021**	**2020**
increase in the interest rate by 100 basis points	293	(343)
decrease in the interest rate by 100 basis points	(293)	343

c) Credit risk

Credit risk is the risk that the Company will incur financial losses as a result of a customer or supplier that is party to a financial instrument failing to meet its contractual obligations. The credit risk at the Company mainly relates to cash and cash equivalents in bank accounts. In the opinion of the Company's management, there are no significant concentrations of credit risk at the Company which would be related to the portfolio of trade and other receivables representing financial assets.

The table below presents exposure to credit risk:

in PLN thousand	31 December 2021	31 December 2020
Long-term receivables	206	195
Trade receivables	12,461	-
Cash in bank accounts	48,707	2,395
Total exposure	**61,374**	**2,590**

Cash and cash equivalents are deposited with Santander Bank Polska S.A., a financial institution with a BBB+ Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings, with Alior Bank S.A., a financial institution with a BB Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings, and with mBank S.A., a financial institution with a BBB- Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings. At the Company, there is a significant concentration of credit risk in relation to cash and cash equivalents, i.e. typically at least 80%–90% of the related balance is held with 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 the credit risk. The analysis indicated that the assets in question carry a low credit risk as at the reporting date. The Company has used the simplification allowed by the standard and the impairment loss has been determined based on 12-month credit losses. The calculation showed an immaterial amount of impairment loss. The whole balance of cash and cash equivalents is classified under Stage 1 of the impairment model.

d) Liquidity risk

In 2021, the Company generated income from the sales of products resulting from the implementation of agreements in force, and its operations were also financed with funds raised from the issues of shares, shareholder borrowings, another borrowing, and public funding.

In January 2021, Mabion adopted a new long-term strategy for financing its operations. The strategy includes the overall capital needs of the Company that should be satisfied to carry out all activities necessary to complete the registration of MabionCD20 with the EMA and to commence sales of MabionCD20, which will allow the Company to generate positive operating cash flows. The adopted financial strategy consists of parallel processes: commencement of activities aimed at acquiring a strategic investor and two issues of the Company's shares. At the same time, as a result of the successful completion of the first issue (U shares) and the conclusion of the framework agreement with Novavax, Inc. for the COVID-19 vaccine programme in March 2021, the Company cancelled the Extraordinary General Meeting which was to pass a resolution on the second of the above-mentioned issues of the Company's shares.

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), including the assessment of the potential for registration of the key medicine, MabionCD20, cannot be excluded. Here, it is important to highlight the risks associated with the impossibility of changing the terms and conditions of the existing financing agreements and the inability to use this financing, or the suspension of financing currently in use. In particular, the current situation resulting from the pandemic 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 Company is currently working on updating the Company's strategy for the next years, which may result in a change to the financing strategy adopted in January 2021.

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

in PLN thousand	Carrying amount	Total	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years
As at 31 December 2020						
Repayable advances on distribution rights	44,077	44,077	44,077	-	-	-
Trade liabilities	18,124	18,124	17,937	-	-	187
Loans and borrowings	31,380	32,128	16,118	15,786	208	16
Lease	5,301	5,619	1,218	1,203	1,612	1,586
Total	**98,882**	**99,948**	**79,350**	**16,989**	**1,820**	**1,789**
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	16,071	776	15,068	65	163
Lease	3,957	2,775	783	539	680	773
Total	**44,875**	**44,313**	**26,592**	**15,607**	**745**	**1,370**

e) Fair value of financial instruments presented at amortised cost

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

The main items of financial instruments measured at amortized cost are: short-term bank borrowings, refundable prepayments for distribution rights, shareholders' borrowings and borrowings secured on assets.

The Company's Management assessed that the fair value of these items approximates or equals their carrying values. The above fair value measurement is classified as level two in the fair value hierarchy (i.e. input data other than quoted prices that are either directly or indirectly observable). The main input data used to measure the fair value of bank loans and borrowings is the current market interest rate for similar instruments, which is 3.92%. The fair value of the liability arising from reimbursable advances for distribution rights is equal to their carrying amount, which is the 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 2021. The Company has assessed the potential impact of the military invasion and has included appropriate disclosures in the financial statements to describe both the existence of this event arising after the balance-sheet date and an assessment of its potential impact on the Company, including its financial performance in 2022 and beyond.

g) Bio-tech drug market risk

The Company's primary objective is the development, manufacturing and marketing of biosimilars, i.e. biological medicines that are developed to be similar to the original biotech drugs (known as reference medicines). The biotech drug market is very attractive these days, and in the coming years its value should increase even more significantly. However, there is a risk that if reference medicines are withdrawn from the market or replaced with newer generation drugs, the Company's potential revenue on its in-house developed biosimilars will be lower than originally assumed, or that its products will not find buyers at all. The Management Board monitors the reference medicine market on an ongoing basis and is prepared to undertake work on other biosimilars in order to mitigate this risk. In addition, the Company actively develops innovative therapies.

h) Risk related to registration of Mabion CD20

The primary objective of the Company is the introduction of the developed biosimilars to global markets, primarily the EU and US markets, which involves the obligation to register such drugs with the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA), respectively.

Each case of registration of a biosimilar medicine is analysed by market regulators individually, therefore, the scope of requirements relating to the technology, documentation, analytics and clinical development is not strictly specified. Therefore, the exact scope of research and development work cannot be determined and the development costs of the medicines cannot be precisely anticipated.

It cannot be ruled out that the actual costs of manufacturing and marketing of developed drugs (including MabionCD20) will be significantly higher than currently assumed. A significant increase in the costs of production and introduction of the developed drugs to the market may adversely affect the financial results achieved by the Company.

Industry dynamics, both in respect of the regulations which are being formed and the technologies which arise and are constantly being enhanced, may lead, among other things, to the following direct reasons for underestimating the costs of medicine development and launch, which applies also to MabionCD20:

- amendments to the regulations concerning the production of medicines and the need to use more expensive technological solutions or creating entirely new ones;
- increase in the costs of purchase of raw materials and materials used to manufacture medicines, following from the market conditions or new guidelines;
- amendments to regulations concerning the scope of analyses needed to characterise the product, e.g. the need to perform additional costly analyses or develop new analytical methods or tools;
- increasing requirements concerning registration documentation, e.g. the need to perform additional trials or studies.

In developing its regulatory strategy for MabionCD20 on a scale of 500 litres, the Company has identified from the very beginning a number of risks that may affect the registration process and, consequently, the timing of MabionCD20's marketing in Europe. Such factors include regulatory issues (e.g. misinterpretation of guidelines), organisational issues (e.g. inability to respond to the regulator within a specific timeframe, lack of specific data and analytical or manufacturing results, etc.) or quality issues (failure to achieve specific quality parameters for the drug). The ongoing monitoring and preventive actions undertaken by the Company were aimed at minimising the risk factors. Ongoing monitoring and preventive actions undertaken by the Company were aimed at minimising the risk factors indicated.

The original regulatory strategy assumed obtaining a marketing authorisation for a medicine manufactured in a small scale (500 litres), and then a variation to authorise a large, commercial scale. At the same time, the Company carried out works related to the validation of a batch manufactured in the scale 5 000 litres. In 2021, with the help of external regulatory experts, the Company analysed the documents and adopted a preliminary framework for the scope and schedule of work required to submit a new marketing authorization application (MAA) for the product. However, due to the specific responsibilities of the regulatory authorities, the content of the document is subject to interpretation, which poses some risk of discrepancies in interpretation.

Nevertheless, although the registration process takes place in accordance with the adopted regulations and according to specific guidelines, the regulator (both the EMA and the FDA) has a number of tools at its disposal which provide it with considerable decision-making freedom and the possibility of individual adaptation of solutions to the needs that occur, in the regulator's assessment, in a given registration procedure. The process of registration and authorisation of a medicine is multi-stage, which the final position of the regulator being developed throughout the whole process. Even if the regulator provides guidance and guidelines on the shape and scope of the data currently required, it cannot be ruled out that additional requirements for product approval may arise in the future.

As part of its research, analysis, and planning, the Company consults on an ongoing basis with external regulatory, clinical, and analytical experts on the strategy and documentation required for registration.

In order to prevent the above risk, the Company implements the policy of developing its own research and development competences, investing in its own production capacities and carrying out ongoing consultations with regulators. In the Company's opinion, this enables a significant reduction in the cost of medicine development in relation to industry assumptions.

i) Risk related to the coronavirus (COVID-19) pandemic

In connection with the WHO (World Health Organization) announcement of the COVID-19 coronavirus pandemic worldwide, additional financial risks have been identified in relation to the liquidity disruption in the markets resulting from the spread of the COVID-19 virus and the consequent possible restriction of the Company's access to funding. In addition, potential shifts in administrative processes cannot be ruled out, including both in the area of decisions of the authorities regulating the authorisation of medicinal products and in the area of decisions of public authorities granting and accounting for grants and grants or VAT refunds. At the time of submission of the statements, no information on the redeployment of ongoing processes was received from these authorities.

In light of the continuing epidemiological emergency, there could be a risk of delays in or suspension of work for an unspecified period of time due to the possible or actual restrictions, as indicated below, remains valid:

- reduced staff availability (quarantine, childcare in case of school closures, risk of falling ill);
- limiting the mobility of the Company's employees – suspension of the participation of the Company's representatives in meetings and conferences, both foreign and domestic;
- suspension of meetings with external companies, including consultants;
- delays in deliveries resulting in the inability to conduct certain processes in the Company;
- the possibility of plant closure in order to limit the possibility of virus spread;

All the above mentioned phenomena may have a direct impact on the financial situation of the Company.

At the time of publication of these financial statements, this work is proceeding smoothly, according to the schedules, and there were no delays in delivery of components, materials, machinery or equipment.

The above-mentioned risks in individual areas remain particularly relevant in view of the third wave of the epidemic. To prevent or minimise the above-mentioned risks, the Company's Management Board has continuously monitored and continues to monitor both the global situation and the course of cooperation with counterparties as well as the Company's internal situation, trying to adapt the Company's plans and strategy to the epidemic situation and the risks and their evolution occurring in the areas described above. In the event of significant new circumstances related to SARS-CoV-2 coronavirus pandemic and affecting the operations, the Company will introduce appropriate solutions, also complying with all applicable administrative decisions.

j) 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 will manufacture 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 significant risk of delays in the implementation of the work and the need to postpone the originally adopted work schedule.

The Company commenced activities related to the implementation of the subject matter of the commercial agreement immediately after signing the agreement with Novavax. These activities include primarily preparing the necessary documentation, transferring and verifying analytical methods, ordering the necessary consumables, substances and equipment, and producing batches on a commercial scale. It is possible that as a result of the ongoing work and discussions with the partner, the original assumptions relating to the manufacturing process or associated processes will change, which may also affect the work schedule. Due to the COVID-19 pandemic, there is a risk that the supply of goods required to carry out the work may be delayed and that the availability of personnel carrying out the work on the Company's side may be reduced.

To minimise the above risks, 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.

As part of an expansion of the cooperation and the Company's production capacity, the preparatory work related to the conversion of the existing manufacturing plant and the implementation of the production capacity expansion project (Mabion II) is ongoing.

24. Related party transactions

The shareholding structure is presented in Note 17. There is no direct or ultimate controlling party in the Company.

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

Services contracted previously with Celon Pharma S.A. and relating to the development of a drug production process or drug prototypes for use by Celon Pharma S.A. were deferred by mutual consent into future periods due to the extraordinary workload necessary for completion of research and development of MabionCD20. In the reporting period, the income from the performance of services for Celon Pharma S.A. was recognised in the amount of PLN 1,590 thousand. Pursuant to an arrangement entered into on 10 June 2021 between the companies, it was decided to close the project and settle the cooperation as of 17 June 2021.

On 5 February 2021, the Company entered into a borrowing agreement with Twiti Investments Ltd. for a total amount of up to PLN 10,000 thousand (Borrowing). The Borrowing could be disbursed in tranches, in amounts and on dates agreed by the parties in a separate disbursement schedule, and the Lender disbursed each tranche at the written request of the Borrower. The borrowing agreement did not specify the purpose of the funds, and the Company's intention was to use the funds raised to cover current expenses. The interest rate on the Borrowing has been agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin. Under the agreement, the Borrowing could be repaid by conversion into U series ordinary bearer shares, or in cash no later than 31 December 2021 (depending on the arrangements made by the parties to the agreement). As at 15 March 2021, the Company has utilised the entire amount of PLN 3,500 thousand as part of the limit granted under the above-mentioned borrowing agreement. As at the date of publication of the statements, the Company, having made a partial conversion and repaid the remaining amount, has not used the borrowing and its indebtedness on this account amounts to PLN 0 (zero).

In the current reporting period, the Company purchased SARS-CoV-2 antigen tests from Genexo Sp. z o.o. for a gross amount of PLN 111 thousand for internal testing needs of the Company's employees. The transaction was at arm's length.

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

The remuneration of members of the key management staff of the Company and its Supervisory Board is presented below: In the item "Remuneration of Management Board members", the Company presents both remuneration under employment contracts as well as appointment.

in PLN thousand	2021	2020
Remuneration of Supervisory Board members	459	455
Remuneration of Management Board members	2,503	1,804
Share-based payments	15	(16)
Severance payments	-	-
Awards	2,892	-
Compensation for non-competition	-	-
Provisions for awards	38	52
Total short-term remuneration	**5,907**	**2,295**

On 25 January 2021, the Supervisory Board of the Company adopted another resolution to delegate a Member of the Supervisory Board, Mr. Adam Pietruszkiewicz, to act as Member of the Management Board of the Company. The period of delegation as specified in the resolution of the Supervisory Board was from 25 January 2021 to 25 April 2021. On 3 March 2021, Mr. Adam Pietruszkiewicz tendered his resignation from the Supervisory Board of the Company. Simultaneously, on the same day the Supervisory Board of Mabion S.A. adopted a resolution to appoint Mr. Adam Pietruszkiewicz as a Member of the Management Board of the Company as of 3 March 2021.

On 9 February 2021, Mr. Tadeusz Pietrucha tendered his resignation as Member of the Company's Supervisory Board with effect as of 23 February 2021. On 23 February 2021, the Extraordinary General Meeting of the Company adopted a resolution on dismissal of Mr. Jacek Nowak from the composition of the Supervisory Board of the Company and a resolution on appointing Mr. Wojciech Wośko and Mr. Sławomir Kościak to the Supervisory Board of the Company for the second joint term of office. The resolutions of the Extraordinary General Meeting of the Company came into force on the date of their adoption.

On 23 February 2021, the Extraordinary General Meeting of the Company adopted a resolution on dismissal of Mr. Jacek Nowak from the composition of the Supervisory Board of the Company. Furthermore, on the same day, the Extraordinary General Meeting of the Company adopted resolutions on appointment of Mr. Wojciech Wośko and Mr. Sławomir Kościak to the Supervisory Board of the Company for the second joint term of office. The resolutions of the Extraordinary General Meeting of the Company came into force on the date of their adoption.

On 13 May 2021, Mr. Krzysztof Kaczmarczyk tendered his resignation from the position of Chairman and Member of the Supervisory Board of the Company. At the same time, on 13 May 2021 the Supervisory Board of the Company adopted a resolution to appoint Mr. Krzysztof Kaczmarczyk as President of the Management Board of the first joint term of office of the Company as of 14 May 2021. Accordingly, on 13 May 2021, the Supervisory Board of the Company adopted a resolution to elect a Member of the Supervisory Board – Mr. Robert Koński as Chairman of the Supervisory Board of the Company.

On 22 June 2021, the Ordinary General Meeting of the Company adopted a resolution on the appointment of Ms. Zofia Szewczuk as Member of the Supervisory Board for the second joint term of office. The resolution of the Company's Ordinary General Meeting came into force on the date of its adoption.

On 9 December 2021 Mr. Maciej Wieczorek tendered his resignation as a Member of the Supervisory Board of the Company as of 9 December 2021.

25. Profit / (Loss) per ordinary share

The basic profit/loss per share is 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	2021	2020
Net loss in thousands of PLN	1,903	(55,772)
Weighted average number of issued ordinary shares (in thousands)	15,555	13,722
Basic loss per share (in PLN per share)	0.12	(4.06)

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

26. Contingent liabilities and contractual obligations

a) Contractual obligations

As at 31 December 2021, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards IMA S.p.A. with its registered office in Italy (IMA) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which IMA undertook to manufacture, for the Company, a packaging line – a device intended for the purposes of the "Expansion of the Research and Development Centre of Mabion S.A. – research on a new generation of medicines" ("CBR") under Measure 2.1 Support for investment in R&D infrastructure of enterprises of the Operational Programme Smart Development 2014–2020 co-financed by the European Regional Development Fund. The value of the liability as at the balance-sheet date amounts to EUR 275 thousand.

As at 31 December 2021, 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 2,839 thousand.

As at 31 December 2021, 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 2,496 thousand.

As at 31 December 2021, there is a contractual obligation of the Company regarding the acquisition of development work, towards Parexel International (IRL) Limited with its registered office in Ireland (Parexel) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which

Parexel undertakes to conduct a three-arm, double-blind, randomised clinical trial. The value of the liability as at the balance-sheet date amounts to EUR 4,419 thousand.

b) Contingent liabilities

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

27. Events after the balance-sheet date

On 14 January 2022, Mabion S.A. and Novavax, Inc. signed an additional order under the Manufacturing Agreement in the form of a Statement of Work #3 ("SOW#3"). Based on the SOW#3, in addition to its existing work, the Company has produced GMP-compliant cell banks for Novavax, which will be used as key biological material to form the basis for the production of vaccine antigens of the Nuvaxovid product. The production was carried out in compliance with the technical and quality requirements specified in SOW#3. In line with the assumptions, the Company completed the production of cell banks in accordance with the GMP standard and confirmed the sterility of the obtained material in first quarter of 2022. The cell banks were sent to external entities for a series of analytical tests. The external analyses are scheduled to be completed in June 2022. Upon the completion of all analytical testing, Mabion will place the cell banks at Novavax's disposal within the existing network of entities involved in the production of the Nuvaxovid vaccine. Despite the fact that, in relation to the originally signed Manufacturing Agreement, the financial value of SOW#3 itself is not relevant for the assessment of the materiality of the order for the Company, the extension of the cooperation with Novavax into another new area, i.e. the production of cell banks, remains an important and key business value for the Company. At the same time, the event in question represents a major operational action to increase Novavax's vaccine production capacity. The Company's selection in the bidding process held by the contractor confirms the Company's qualifications as a Contract Development and Manufacturing Organisation (CDMO).

On 18 January 2022, Mabion S.A. and Novavax, Inc. signed an additional order under the Manufacturing Agreement in the form of a Statement of Work #2 ("SOW#2"), under which the Company will provide further analytical services to Novavax for analytical testing related to quality control of the Nuvaxovid vaccine ("Product"). 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 is carrying out the transfer of methods in accordance with Novavax's specifications. The above work commenced in January 2022 and will be completed, as expected by both parties, no later than in the third quarter of 2022. Thereafter, during the term of the Manufacturing Agreement, i.e. from 2022 to 2025, the Company will perform, using the aforementioned analytical methods, the testing of the Product samples designated by Novavax, whereas, pursuant to SOW#2, the testing may include samples originating from the Company's facility as well as samples supplied by Novavax from other facilities involved in contract manufacturing for Novavax.

The value of SOW#2 depends on the number of analytical tests carried out by the Company in each year, and according to the Company's current estimates, despite the high margin of the contract, the financial value in relation to the originally signed Manufacturing Agreement should not be significant in assessing the materiality of the additional order for the Company. Nevertheless, the extension of the cooperation with Novavax to another new area, i.e. the implementation of additional contract analytics in the key scope, i.e. related to the release of individual Product batches on the market, remains a very important business aspect for the Company. The Company's selection in the bidding process held by the contractor confirms once again the Company's qualifications as a Contract Development and Manufacturing Organisation (CDMO).

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.

On 31 January 2022, the Management Board of Mabion S.A was informed on registering, on 28 January 2022, on securities accounts of the eligible persons, 500 S ordinary bearer shares with a nominal value of PLN 0.10 each issued by the Company in connection with the exercise by these persons of their rights under the B series subscription warrants granted to them as part of the Incentive Scheme for 2020. The shares were thus allotted within the meaning of Article 451 §2 of the Commercial Companies Code and the share capital of the Company was increased in accordance with Article 452 §1 of the Commercial Companies Code

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 (competition 2/1.2/2017/POIR, Measures 1.2: "Sectoral R&D Programmes"), 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. Following this decision and in accordance with the provisions of the co-financing agreement, the Company will submit in the nearest future an application for payment together with final information on the project implementation to the National Centre for Research and Development (NCBR). Under the agreement, the value of co-financing amounted to PLN 28,354 thousand, of which until today the Company has submitted payment applications to NCBR for PLN 4,014 thousand. The

final amount of funding received will be determined by NCBR after evaluation of the documents submitted by the Company, including those indicated above.

On 19 April 2022, the Management Board of Management Board of Mabion S.A. concluded with the Ministry an annex to the agreement on co-financing of the Project entitled "Expansion of the Research and Development Centre of Mabion S.A. - research on the new generation of medicines".
According to the annex, the period of expenditure eligibility for the Project was extended until 31 December 2023 (previously 31 December 2021). Moreover, due to the inclusion of an additional research area in the Company's activity, i.e. vaccine therapies, the objective and material and financial scope of the Project were changed to the extent enabling the introduction of the aforementioned research area to the Project. The annex was entered into at the request of the Company due to circumstances affecting the implementation of the Project in previous years, i.e. at first issues related to the financing of the own contribution, and then the COVID-19 pandemic and the need to include the area of vaccine therapies into the Company's business.

On 19 April 2022 the Management Board of Mabion S.A. received information that the Company's activity as a manufacturer of the Product, i.e. active substance SARS-CoV-2 rS, was entered into the National Register of Manufacturers, Importers and Distributors of Active Substances kept by the Chief Pharmaceutical Inspectorate (GIF). Obtaining an entry is a neutral event from the operational side of the implementation of the contract, i.e. it was not related to the tasks and settlements carried out so far, nor does it affect the tasks planned for subsequent periods, settlements between the parties, or the schedule for the production of the vaccine antigen. All these elements are governed by the agreement of 8 October 2021, which the Company implements as planned. The event is significant for the Company in regulatory terms. It constitutes the last regulatory step for which the Company, as the entity conducting the manufacturing activities, is responsible as part of its cooperation with Novavax, i.e. holding the relevant up-to-date GMP certificate and ensuring that the Company, as the manufacturer of active substance SARS-CoV-2 rS, is entered in the Register of the Chief Pharmaceutical Inspectorate as the competent authority for the Company. Other regulatory activities, namely those related to updating regulatory documentation on the product side, rest with Novavax. With the entry, all batches of the Product manufactured by the Company in compliance with the GMP standard for Novavax, after completion of the formalities by Novavax, will be marketable by Novavax.
The Company is remunerated on an ongoing basis upon completion of the manufacturing and the quality control of individual batches.

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

The Management Board

Krzysztof Kaczmarczyk

President
of the Management Board

Sławomir Jaros

Member
of the Management Board

Grzegorz Grabowicz

Member
of the Management Board

Adam Pietruszkiewicz

Member
of the Management Board

Katarzyna Kutera-Wasiak

Chief Accountant

Konstantynów Łódzki, 21 April 2022

MABION

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