Mabion S.A.
Financial statements for the year ended 31 December 2020

Konstantynów Łódzki, 30 April 2021.

STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Note	2020	2019
Income from research and development services		-	-
Cost of services sold		-	-
Gross profit on sales		**-**	**-**
Research and development costs	8, 9	(35 726)	(40 710)
General administration costs	8	(20 499)	(24 207)
Other operating income	10	1 760	2 155
Other operating costs	10	(188)	(510)
Operating loss		**(54 653)**	**(63 272)**
Financial income	11	550	647
Financial costs	11	(1 669)	(1 113)
Gross loss		**(55 772)**	**(63 738)**
Income tax	12	-	-
NET LOSS		**(55 772)**	**(68 870)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(55 772)**	**(63 738)**
Basic and diluted loss per share (in PLN per share)	**25**	**(4.06)**	**(4.64)**

The explanatory notes presented on pages 5 to 59 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

in PLN thousand	Note	31 December 2020	31 December 2019
Intangible assets	13	1 071	1 448
Property, plant and equipment	13	65 280	71 688
Long-term receivables		195	110
Total fixed assets		**66 546**	**73 246**
Inventories	14	5 976	8 806
Trade and other receivables	15	2 641	2 841
Prepayments and accrued income		763	682
Cash and cash equivalents	16	2 395	27 970
Total current assets		**11 775**	**40 299**
TOTAL ASSETS		**78 321**	**113 545**
Share capital		1 373	1 372
Issued but unregistered share capital		-	1
Share premium		108 923	108 923
Other reserves		696	732
Accumulated losses	17	(188 380)	(132 608)
Total equity		**(77 388)**	**(21 580)**
Deferred income under grants	18	33 988	30 721
Customer contract liabilities	18	14 007	14 007
Loans and borrowings	20	200	580
Lease	21	2 943	3 435
Total long-term liabilities		**51 138**	**48 743**
Repayable advances on distribution rights	19	44 077	44 381
Trade liabilities	22	18 124	15 914
Other liabilities	22	5 971	4 994
Loans and borrowings	20	31 180	15 810
Deferred income under grants	18	1 271	1 578
Customer contract liabilities	18	1 590	1 590
Lease	21	2 358	2 115
Total short-term liabilities		**104 571**	**86 382**
TOTAL LIABILITIES		**155 709**	**135 125**
TOTAL LIABILITIES AND EQUITY		**78 321**	**113 545**

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CASH FLOW STATEMENT

in PLN thousand	Note	2020	2019
Gross loss		**(55 772)**	**(63 738)**
Adjustments for items:			
Depreciation and amortisation	13	9 829	11 110
Interest income	11	(34)	(582)
Interest costs	11	1 668	751
Income from grants	18	(1 572)	(2 029)
Sales of fixed assets	10	(3)	13
Costs of the share-based incentive scheme	17	(36)	18
Change in assets and liabilities:			
Change in inventories		2 830	1 492
Change in trade and other receivables		200	(223)
Change in prepayments and accrued income		(81)	158
Change in trade and other liabilities		4 632	5 486
Change in repayable advances on distribution rights		(304)	412
Change in other financial liabilities		271	-
Cash flows from operating activities		**(38 372)**	**(47 132)**
Proceeds from grants	18	4 217	13 742
Repayment of research and development grants	18	(24)	(169)
Interest received		34	570
Interest paid		(1 094)	(766)
Net cash flows from operating activities		**(35 239)**	**(33 755)**
Disposal of property, plant and equipment		18	54
Acquisition of property, plant and equipment and intangible assets	13	(3 361)	(9 213)
Proceeds from grants	18	338	-
Net cash flows from investing activities		**(3 005)**	**(9 159)**
Proceeds from the issue of shares	17	-	1
Proceeds from borrowings	20, 24	30 036	-
Proceeds from bank loans	20	-	15 000
Repayment of borrowings	20, 24	(433)	(882)
Repayment of bank loans	20	(15 000)	-
Repayment of lease principal		(1 934)	(1 653)
Net cash flows from financing activities		**12 669**	**12 466**
Net increase/(decrease) in cash and cash equivalents		(25 575)	(30 448)
Cash and cash equivalents – opening balance		**27 970**	**58 418**
Change in cash due to exchange rate differences		-	-
Cash and cash equivalents – closing balance		**2 395**	**27 970**

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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 2018	**17**	**1 372**	**0**	**108 923**	**714**	**(68 870)**	**42 139**
Net loss / total comprehensive income		-	-	-	-	(63 738)	(63 738)
Transactions with shareholders:		-	-	-	-	-	-
S series share issue	17	-	1	-	-	-	1
Measurement of the share-based incentive scheme	17	-	-	-	18	-	18
As at 31 December 2019		**1 372**	**1**	**108 923**	**732**	**(132 608)**	**(21 580)**
Net loss / total comprehensive income		-	-	-	-	(55 772)	(55 772)
Transactions with shareholders:		-	-	-	-	-	-
Registration of S series shares		1	(1)	-	-	-	-
Measurement of the share-based incentive scheme	17	-	-	-	(36)	-	(36)
As at 31 December 2020		**1 373**	**0**	**108 923**	**696**	**(188 380)**	**(77 388)**

The explanatory notes presented on pages 5 to 59 are an integral part of these financial statements.

ADDITIONAL INFORMATION

1. Company

Mabion S.A. (Mabion or Company) was established on 30 May 2007 as a limited liability company. The legal form of the Company changed on 29 October 2009 as a result of the transformation of the limited liability company into a joint-stock company established in accordance with the law of the Republic of Poland. Currently, Mabion is entered on the Register of Entrepreneurs of the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Department 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 and introducing biotech drugs based on the monoclonal antibody technology which today is the foundation of the fight against the most serious diseases thanks to its two unique features – specificity and safety. The drugs developed by the Company are targeted therapies, characterised by the ability to recognise the factor causing the disease and affect only it. Appropriate engineering of the structure of our drugs makes them resemble a particle of the patient's body and there is a significantly reduced risk that the immune system will treat the antibody as a foreign protein. Unlike chemical therapies or therapies based on proteins isolated from animal tissues, this guarantees very low toxicity and is an extremely important benefit for the patient. As a result, the Company creates biosimilar versions of biological drugs (as opposed to drugs based on chemical substances), focusing on those drugs which are accepted in the current market and which are reasonably close to the expiry of patent protection.

The Company's priority and most advanced project is MabionCD20, a proposed biosimilar to the reference drug MabThera/Rituxan (Roche). The Company is preparing to submit a marketing authorisation application for MabionCD20 to the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA). After registering the medicine, the Company is planning to launch it on the market as quickly as possible, which requires their preparation to the market product status (production, marketing, distribution and sales) and involves some substantial outlays and organizational preparedness. As the product is unique and the target markets of Mabion are diverse, the Management Board plans to implement a multi-faceted strategy for the promotion and distribution of the manufactured medicine.

2. Basis of preparation

The financial statements of Mabion S.A. for the financial year ended 31 December 2020 have been drawn up in accordance with the International Financial Reporting Standards approved by the European Union (IFRS) as at the reporting date.

The most important accounting policies that have been applied in these financial statements are presented in Note 4. The same policies were applied in each financial year, unless explicitly stated otherwise. The impact of new or amended standards and interpretations that have been issued but the Company has not decided to apply them early, and standards and interpretations effective as of 1 January 2020, is presented in Note 5.

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

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

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

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

» statement of financial position as at 31 December 2020;
and the following statements for the financial year from 1 January to 31 December 2020:
» statement of comprehensive income;
» statement of changes in equity;
» cash flow statement;
» additional information containing a description of the adopted accounting principles and other explanatory information.

3. Going concern principle

Since its establishment, the Company has focused on research and development activities in order to develop and commercially launch medicinal products. As a result of the specificity of its operations, the Company has incurred operating losses and generates negative cash flows from operating activities. It is expected that such a situation may reoccur in the foreseeable future. So far, the Company has financed its operations with funds obtained through shareholder borrowings, capital issues, bank loans, grants and proceeds from distribution partners.

As presented in the financial statements for 2019, there has been a change in the registration strategy for MabionCD20.
The change to the registration strategy requires the Company to secure additional funding for ongoing liabilities and costs, necessary to implement the revised strategy over an extended period of time. The Company has undertaken appropriate measures to ensure adequate funding for the foreseeable future, bearing in mind that the prolongation of the registration process creates the risk that the cooperation with Mylan Ireland Ltd. (Vatris Group, hereinafter: Mylan) will not continue, the Company will not obtain other partners and will not raise the required financing. Further in this note, all the significant elements relating to financing that have resulted in the financial statements being prepared in the absence of material uncertainty as to the going concern are described. The new registration strategy is described in detail in the Directors' Report for 2020.

Due to the fact that the level of the Company's equity at 31 December 2019, as well as at 31 March 2020, showed a loss exceeding the sum of the supplementary capital and reserves and one third of the share capital, at the Ordinary General Meeting of Mabion S.A. convened for 15 June 2020, Resolution No. 18/VI/2020 was adopted on the continued existence of the Company pursuant to Article 397 of the Commercial Companies Code. As at 30 June 2020 and 30 September 2020, the Company also reported a loss exceeding the sum of the supplementary capital and reserves and one-third of the share capital, and at the Extraordinary General Meeting of Mabion S.A. convened for 23 February 2021, Resolution No. 3/II/2021 was adopted on the continued existence of the Company pursuant to Article 397 of the Commercial Companies Code.
As at the date of these financial statements, the Company holds letters of support from the Company's 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.
On 16 March 2020, the Company received supporting documents from the Company's main (founding) shareholders, according to which the shareholders declared to recapitalise the Company with an amount not lower than PLN 15,000 thousand in 2020. The recapitalisation, as declared by the shareholders, was to take place in 2020 in tranches according to the Company's funding requirements. By the end of 2020, the Company had used all of the declared support by taking out successive tranches of the borrowing in accordance with the agreements in force.
On 16 March 2020, in connection with the epidemic emergency introduced in Poland and the SARS-CoV-2 pandemic announced by the WHO (World Health Organization) worldwide, the Management Board provided information on the possible impact of this situation on the Company's operations. The Management Board of Mabion S.A. ascertained that the Company's operations might be temporarily affected by reduced employee availability and, as a consequence, delays in research and development processes, due to the need to introduce home office for certain positions. The Management Board noted that it had a certain degree of control over the pace and continuity of manufacturing processes, but it could not be ruled out that the introduction

of remote work in certain positions and possible disturbances in the supply chain integrity of certain components, materials, and machinery and equipment will temporarily slow down R&D and manufacturing processes. At the same time, the Company's Management Board stressed that the Company's processes were focused on maintaining progress and completing work on Mabion CD20 validation, enabling to proceed to subsequent stages of research on the medicinal product manufactured on a large scale (i.e. stability and analytical similarity studies). At the time of publication of these statements, this work is proceeding smoothly, according to the schedules, and there were no delays in delivery of components, materials, machinery or equipment. However, it could not be excluded that such delays will occur in the future. Indeed, there have already been situations where process materials and substances have been delivered at a very short notice, posing a risk of delay in the transfer of materials for tests. Nevertheless, there were no events during the reporting period affecting the Company's framework work schedules. The Management Board of the Company had also recognised the risks associated with the liquidity disruption in the markets resulting from the spread of SARS-CoV-2 virus and the consequent possible restriction of the Company's access to finance. Furthermore, it noted potential shifts in administrative processes, both in the area of decisions of the authorities governing the release of medicinal products to the market and in the area of decisions of public authorities granting and settling subsidies and grants or VAT refunds. By the date of these financial statements, the Management Board had not received any information from the above-mentioned authorities concerning the shift in the processes in progress. The Management Board also highlighted that the continuing pandemic, including, among others, the reduction of passenger traffic could also result in a temporary need to reduce the Company's marketing activity in the area of business development, as well as the suspension of key business decisions as part of the conducted talks.

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.

On 15 July 2020, the Company entered into a borrowing agreement with Glatton Sp. z o.o. in the amount of PLN 15,000 thousand to refinance the revolving credit facility granted to the Company in 2018 by Santander Bank Polska S.A. The funds received were used to repay the entire debt under the aforementioned loan on 17 July 2020. The borrowing constitutes additional financing obtained from a shareholder, not included in the financing declared earlier by the main shareholders of the Company.

On 12 August 2020, the Company entered into borrowing agreements with Glatton Sp. z o.o. and Twiti Investments Ltd. in fulfilment of the support documents received on 16 March 2020 from the major shareholders. As at the date of the financial statements, the Company has utilised the entire amount of PLN 15,000 thousand as part of the limit granted under the borrowing agreements. On 5 February 2021, the Company entered into a new borrowing agreement with Twiti Investments Ltd. for a total amount of up to PLN 10,000 thousand, of which PLN 3,500 thousand were drawn down as at the date of publication of the financial statements.

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 covers 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, are necessary to complete the registration of MabionCD20 with the EMA and to start selling MabionCD20, allowing the Company to generate operating cash flows. The arrangements for the Company's financing strategy have been positively reviewed by the Company's Supervisory Board.

The financial strategy consists of parallel processes: commencement of activities aimed at acquiring a strategic investor and two issues of the Company's shares.

As part of the strategy, the following directional funding decisions were taken:

1) decision to initiate the search for a strategic investor for the Company. In order to effectively carry out this process, the Company signed an agreement with the financial advisor Rothschild & Co. The scope of the advisor's responsibilities includes, inter alia, searching for a potential 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 being actively pursued.

2) decision to conduct an offering 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 are qualified investors or who acquire 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 for 23 February 2021, which adopted Resolution no. 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 design providing for existing shareholders' pre-emptive rights to be waived in full, while taking into account the pre-emptive rights of eligible investors who are qualified investors in the Company or who acquire shares with an aggregate value of at least EUR 100 thousand. Pursuant to the adopted resolution, the issue price of U Series Shares could not be lower than 90% of the average market price of the Company's shares over the 30-day period preceding the book-building process aimed at attracting entities which would take up the U Series Shares. Upon completion of the accelerated book-building process for these U shares on 9 March 2021, the Company's Management Board set the issue price of the U Series Shares at PLN 55.00 per New Issue Share and the Company placed offers with investors for a total of 2,430,554 U Series Shares. Eventually, the Company concluded agreements with investors to acquire all of the Company's U series ordinary bearer shares. The required cash contributions to cover all U Series Shares were made in entirety in the overall 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'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 a part of the claims against Twiti Investments Limited for payment of the issue price of the U Series Shares against the claims of Twiti 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 amount of funds resulting from the settlement of the transaction amounted to PLN 117,480 thousand, while the transaction costs relating to the increase of the share capital totalled PLN 2,210 thousand.

3) decision on the intention to make a prospectus-based offer of the Company's shares within the meaning of the relevant legislation. Concurrently with the issue of U shares, the Company started preparations related to the prospectus and the offering of the Company's shares on the basis of the prospectus, the parameters of the offering, and its schedule. The prospectus-based issue will be successfully carried out subject to relevant resolutions adopted by the next General Meeting of the Company, the approval of the prospectus by the Polish Financial Supervision Authority and the fulfilment of other legal requirements.

On 16 March 2021, the Management Board of the Company decided to cancel the EGM of the Company, which was to be held on 22 March 2021 to decide on a further capital increase. The decision to cancel the Company's EGM was based on the need to verify the available sources of funds necessary to cover financing needs following, among other things, the successful issue of U shares and the conclusion of a framework agreement together with the first order for cotractual services with Novavax, Inc. regarding the COVID-19 vaccine programme.

Raising funds from the issue of U series shares and the conclusion of an agreement with Novavax Inc. would enable the Company to potentially access additional, not yet fully available sources of financing, including potential debt financing from Polski Fundusz Rozwoju S.A. (PLN 30,000 thousand), a granted and unused subsidy from the European Regional Development Fund (approximately PLN 63,000 thousand). The Company is also engaged in talks with the European Investment Bank with a view

to amending the terms and conditions of the agreement and possibly mobilising funds in individual tranches up to a total amount of EUR 30,000 thousand, i.e. approximately PLN 138,000 thousand.
In the hitherto financing strategy, the Company did not take into account the potential operating flows related to the collaboration with Novavax, Inc. which, if a certain scenario is materialised (including the initial stage currently being implemented, i.e., inter alia: effective technology transfer, production of one technical batch and one test batch, followed by another stage of continued collaboration on a commercial basis), may bring additional operating flows to the Company. The current financial position of the Company is not based on and does not depend on the success of this project. The agreement in consideration was entered into on 3 March 2021 and on its basis the Company, with Novavax's participation, will undertake activities related to the transfer of process technology for the production of a COVID-19 vaccine candidate antigen under the working name of NVX-CoV2373 and conduct technical trial runs of the process on a commercial scale at the Company's facility – the cooperation with Novavax and the development of the vaccine will not require the Company to incur any significant additional capital expenditure of its own. The Framework Agreement shall be in force until 31 December 2023. With the conclusion of the Framework Agreement, the parties agreed on the scope and budget of the work contracted to the Company to carry out the technology transfer and technical batch production of the NVX-CoV2373 protein antigen. These are standard activities when starting cooperation in the field of contract manufacturing.

In parallel, on 3 March 2021, the Company entered into an agreement with Polski Fundusz Rozwoju S.A. (PFR) regarding the boundary 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 purposes of the Company's potential broader cooperation with Novavax, Inc. regarding serial production of the vaccine for COVID-19, which is currently undergoing registration at the European Medicines Agency. The intention of the parties is to carry out the PFR Investment in the form of an interest-bearing three-year borrowing (or bond issue) provided to the Company up to the amount of PLN 30,000 thousand and in the form of subscription for the Company's shares up to the amount of PLN 10,000 thousand under the planned issue of U series shares carried pursuant to the resolution of the Extraordinary General Meeting of the Company of 23 February 2021. Pursuant to the Agreement, the PFR Debt Investment will be conditional on the Company signing a manufacturing agreement with Novavax, Inc. providing for certain net revenues of the Company from the implementation of the agreement and, in addition, the Debt Investment will be effected subject to the fulfilment of conditions consisting in 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 Company is working on the debt financing documentation.

The Company's Management Board assumes that the actions referred to above, depending on their success, should provide the Company with the financing necessary to complete the registration process and commercialisation of MabionCD20 as well as tasks related to cooperation with Novavax.

The Company also does not 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 depending on the needs and capabilities of the Company. The Company's Management Board is negotiating agreements with several biotechnology companies that could potentially bring the Company profits from cooperation in the area of development and production of biological drugs. The agreement with Novavax, signed after the balance sheet date, confirms that the Company can expect to generate, provided the requirements of the agreement are met, revenue in the short term from projects related to the transfer of technology and the provision of production capacity for the contract manufacturing of the active substance of the vaccine being developed by Novavax.

The Company is also continuing talks with the European Investment Bank to align the terms of the financing agreements with the current regulatory strategy for MabionCD20 and developments in the field of contract manufacturing for the Company's partners.
The final decisions to update the Company's hitherto financial strategy, including whether or not to carry out a further share issue, will be taken after detailed analyses with particular regard to the factors listed above.

On 29 April 2021, the Company signed an annex to the cooperation agreement with Mylan, under which the parties decided that Mylan will remain Company's non-exclusive distribution partner for MabionCD20 in selected countries in regions such as, in particular Australia, New Zealand, Mexico, Central America, south Africa, South-East Asia. At the same time, it was decided that Mylan's exclusive right to sell MabionCD20 in the European Union and the Balkan countries, as well as Mylan's priority right to enter into a commercialization agreement for MabionCD20 in the United States (USA), shall expire. The change in the scope of cooperation with Mylan will enable the Company to acquire a new partner or partners interested in commercializing MabionCD20 on the European and American markets and to establish cooperation taking into account the potential of MabionCD20 and the current market conditions. At the same time, the parties have agreed 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, disclosed in Note 19 to the financial statements, which is tantamount to the final settlement of all payments made so far between the Parties. Owing to the Annex, the Company has obtained the necessary flexibility in the commercialization of MabionCD20 in its key markets in Europe and in the USA. Importantly, the Annex in force does not affect the activities currently carried out by the Company in order to obtain the marketing authorisation for MabionCD20 from the European Medicines Agency, or their schedule.

The change in the terms of the currently binding debt financing agreements and further leveraging of financing available on the market, including financing available from EU projects and projects supporting research and development, and exclusive agreements with future distribution partners or support from shareholders (both strategic and stock market participants) should provide the Company with funds necessary to complete the registration process and commercialization of MabionCD20. Following the analysis, no material uncertainties have been identified that may cast significant doubt on the Company's ability to continue as a going concern. The Company actively monitors its environment as part of the prospects for obtaining new financing opportunities to cover expenses related to its basic R&D and investment activities. In particular, current activities are focused on leveraging support from the National Centre for Research and Development in the planned bridging clinical trial.

These 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, in a period not less than 12 months from the date of 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 currency and the 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.

c) Recognition of income

In the financial year and the comparative period, the Company did not generate or recognise any sales revenue from its core activities.

In the previous years, the Company generated income from the research services, mainly concerning drug development procedures. The total remuneration resulting from such agreements is allocated to individual elements of the order, which constitute separate service obligations. Income is recognised in the period in which a given service obligation was performed. Agreements for the provision of these services did not materialise during the financial and comparative period, hence the Company does not provide further detailed accounting policy for the recognition of such revenue.

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

With regard to the revenue from the sales of distribution rights, the Company has initially identified two service obligations, i.e. a license to use intellectual property (rights to the medicine) and manufacturing services. The transaction price will be allocated to these obligations on the basis of relative, separate selling prices for these benefits. The transaction price includes both fixed and variable elements (including licence payments based on the volume of sales of the medicine). The transaction price allocated to manufacturing services shall be recognised as revenue when the service is provided.The licence for the use of intellectual property meets the criteria for revenue recognition at a point in time with a restriction on recognition of revenue under licence fees, which are based on the volume of sales of the respective medicine, i.e. licence fees depending on the volume of sales of the medicine will be recognised when such sales occur, meaning that they will be recognised over the term of the agreement.

d) Grants

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

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

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

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

Grants relating to research and development costs are recognised in other operating income on a systematic basis over the period for which the entity recognises the related 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 return is recognised immediately first through a decrease of undepreciated deferred income, if any, and if the reimbursement exceeds the amount of deferred income, the excess is recognised in profit or loss for the current period.

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 sales of distribution rights in accordance with the accounting policy set out in Note 4(c).

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 cost less depreciation and impairment losses.

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of property, plant and equipment and intangible assets is assessed at the end of each reporting period for objective evidence of impairment. If there is such evidence, the Company estimates the recoverable value of individual assets or, if an asset does not generate cash inflows independently of other assets, the recoverable value of the cash-generating unit (CGU). 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

The Company is not yet engaged in production or sales of its products, therefore 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).

k) Long-term receivables

Long-term receivables include deposits paid by the Company to the lessor under a lease agreement and deposits forming collateral for payments under concluded supply or service agreements. These receivables are non-interest bearing and therefore they are measured at fair value at the initial recognition. The 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 allowances for expected credit losses (the accounting policy regarding allowances for expected credit losses is presented 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

Trade receivables are initially measured at fair value. Trade receivables are held for collection and meet the SPPI test and therefore, after initial recognition, such assets are measured at amortised cost using the effective interest method, less allowance for expected credit losses (the accounting policy on allowance for expected credit losses is presented 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 not constituting financial assets (e.g. VAT receivables) are measured at the amount due.

The advance payments for materials and services are recognised initially and at the balance-sheet date at 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 meets the SPPI test and the 'held for collection' business model test, therefore it is measured at amortised cost with an impairment loss recognised under the expected loss model (in line with the policy outlined in section 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. The share premium is shown in the "share premium" item.

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

Each issue of Company's capital instruments addressed to creditors for the purpose of waiving all or part of the Company's financial liabilities, where the creditors are (direct or indirect) shareholders who at the same time act as shareholders, is settled by transferring the balance-sheet value of the debt to the Company's equity. The debt recognition is discontinued when and only when the Company is released from its obligation to pay as a result of the issue of treasury shares for the benefit of the 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 payables

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

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

r) Loans and borrowings

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

s) 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 become 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 inception of lease, the 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 fees depending on an index or rate;
- amounts expected to be paid by the lessee under the guaranteed residual value;
- the strike price of the call option when it can be assumed with reasonable certainty that the lessee will exercise the option;
- 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 this rate is readily determinable, or the lessee's marginal rate of interest on the debt.

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

The lease term is a non-cancellable 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 will not be terminated early.

Right-of-use assets are initially measured at cost, which includes:

» amount of the initial measurement of the lease liability;
» any lease payments made on or before the inception date, less any lease incentives received;
» any initial direct costs incurred by the lessee;
» estimated costs of dismantling, removing the underlying asset and the refurbishment.

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

Right-of-use assets are depreciated over the useful life of the asset or the lease term, whichever is shorter, using the straight-line method. The 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 programme based on and regulated by own shares. The Company recognises the costs of the equity remuneration plan (payments in the form of equity instruments) in the costs of the Company's operations and, on the other hand, as an increase in equity.

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. the shares reach a certain minimum price) is taken into account.

If the provision of work by the employee 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 vesting date, as of which the resulting fair value does not change.

The value of share-based benefits is recognised as cost over the vesting period. The total cost is recognised over the vesting period, i.e. the period in which all specified vesting conditions must be satisfied. At the end of each reporting period, the entity reviews its estimates of the expected number of warrants that will be vested in employees upon meeting non-market vesting conditions (i.e. the employment condition). The entity recognises the effect of any review of 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, respectively: a) in the comparative variant - to remuneration costs, b) in the calculation variant - to general administration costs. The issued warrants are presented on a separate account "Issue of warrants under the share-based incentive scheme", which is presented in the financial statements together with other reserves. The exercise of warrants by employees is connected with the issue of shares and settling the

value of warrants disclosed in equity. The Company recognises the cash received to pay the exercise price of the warrants 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 assets measured at amortised cost

The Company assesses expected credit losses (ECL) associated with financial assets measured at amortised cost (including trade receivables, deposit receivables, cash and cash equivalents,) regardless of any indication of impairment.

In the case of 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 employs an allowance matrix in which allowances are calculated for trade receivables classified into different maturity 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 uses a three-level impairment model for financial assets other than trade receivables:

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

The Company considers that there is a significant increase in credit risk in particular 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 concludes that recovery of the receivable can no longer be reasonably expected. This usually occurs when an asset is overdue by 360 days or more.

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

New standards and interpretations

In these financial statements, the following new standards and amendments to the existing standards that came into force on 1 January 2020 have been applied for the first time:

a) IFRS 3 "Business Combinations"

As a result of the amendment to IFRS 3, the definition of "business" was modified. The currently introduced definition has been narrowed down and is likely to result in more acquisition transactions being classified as asset acquisitions.

This amendment has no impact on these financial statements as there were no transactions to which the amendment would apply.

b) Amendments to IFRS 9, IAS 39 and IFRS 7 related to IBOR reform

Amendments to IFRS 9, IAS 39 and IFRS 7 published in 2019 modify some of the detailed requirements for hedge accounting, mainly to ensure that the expected reference rate reform (IBOR reform) does not generally result in the termination of hedge accounting.

The Company does not apply hedge accounting and therefore no impact on these financial statements has been identified.

c) IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The Board published a new definition of the term 'materiality'. The amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards, but are not expected to have a significant impact on the preparation of financial statements.

d) Changes in the Conceptual Framework of IFRS

In 2019, amendments to the IFRS Conceptual Framework were published, which apply from 1 January 2020. The revised Conceptual Framework are used by the Board and the Interpretations Committee when developing new standards. Nevertheless, entities preparing financial statements may use the Conceptual Framework to develop accounting policies for transactions not covered by the current IFRS.

The Company has carried out an analysis of the impact of the above-mentioned new standards and interpretations on the financial statements, and as a result of which it recognised that they do not have a significant impact on the financial statements of the Company, because they did not have a significant impact on the presented and disclosed financial information or did not apply to transactions entered into by the Company.

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

In these financial statements, the Company has not decided to apply the following published standards, interpretations or amendments to the existing standards before 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, whereas the amendments to IFRS 17 were published on 25 June 2020. The new amended standard is effective for annual periods beginning on or after 1 January 2023.

IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows for different practices in the settlement of insurance contracts. IFRS 17 will substantially change the accounting for all entities that deal with insurance contracts and investment contracts.

At the date of preparation of these financial statements, the new standard has not yet been approved by the European Union.

According to the Company's estimates, the new standard will have no impact on its financial statements as it is not applicable to the Company's business.

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

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

As at the date of preparation of these financial statements, the amendment has not yet been approved by the European Union. The Company is currently analysing the impact of this amendment; in particular, financing agreements that contain covenants are subject to analysis. The amendment to IAS1 may result in the need to take into account the effect of meeting these covenants for the purposes of classifying liabilities as long- or short-term even if the covenants are not tested at the reporting date in accordance with the agreement.

c) Amendments to IFRS 3 "Business Combinations"

The amendments to the standard, published in May 2020, are intended to update the relevant references to the IFRS Conceptual Framework without introducing substantive changes for business combination accounting.

As at the date of preparation of these financial statements, the amendment has not yet been approved by the European Union. This amendment will have no impact on the Company's financial statements as the Company has not entered into transactions within the scope of this standard.

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

By the amendment, the cost of property, plant and equipment is prohibited from being adjusted by amounts received from the sales of items produced while the property, plant and equipment is being prepared to commissioning in line with management's intentions. Instead, the entity shall recognise the aforementioned sales revenue and related costs directly in profit or loss. The amendment is effective for financial statements relating to periods beginning on or after 1 January 2022. As at the date of preparation of these financial statements, the amendment has not yet been approved by the European Union. The Company is currently analysing the impact of this amendment on the financial statements.

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

The amendments to IAS 37 are aimed at clarifying the costs that an entity considers in analysing whether an agreement is an onerous one. The amendment is effective for financial statements relating to periods beginning on or after 1 January 2022. As at the date of preparation of these financial statements, the amendment has not yet been approved by the European Union. The Company is currently analysing the impact of this amendment on the financial statements and in its preliminary assessment, the amendment will not have a material impact on the Company's financial statements.

f) Annual amendments to IFRS 2018–2020

"Annual amendments to IFRS 2018-2020" introduce amendments to standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples to IFRS 16 "Leases".

The amendments provide explanations and clarifications to the recognition and measurement standards. As at the date of preparation of these financial statements, the amendments have not yet been approved by the European Union. In the Company's preliminary assessment, the amendment will not have a material impact on the Company's financial statements.

g) Amendments to IFRS 16 "Leases"

On 28 May 2020, the Board issued an amendment to IFRS 16 in response to changes to leases in connection with the coronavirus (COVID-19) pandemic. Lessees can benefit from reductions and exemptions, which may take various forms, i.e. deferral of or exemption from lease payments. Therefore, the Board has introduced a simplification in assessing whether these changes constitute lease modifications. Lessees may take advantage of the simplification consisting in not applying the IFRS 16 guidance on lease modifications. As a result, the reliefs and exemptions to leases will be recognised as variable lease payments in the period in which the event or condition that triggers the reduction in payments occurs. The amendment is effective as of 1 June 2020 with the possibility of earlier application. In the Company's preliminary assessment, the amendment will not have a material impact on the Company's financial statements.

h) Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments"

The amendment to IFRS 4 "Insurance Contracts" postpones the application of IFRS 9 "Financial Instruments" until 2021. As at the date of preparation of these financial statements, the amendment has not yet been approved by the European Union. In the Company's assessment, the amendment will not have a material impact on the Company's financial statements.

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

In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16. As at the date of preparation of these financial statements, the amendment has not yet been approved by the European Union. In the Company's assessment, the amendment will not have a material impact on the Company's financial statements.

j) IFRS 14 "Regulatory Deferral Accounts"

This standard allows entities which prepare their financial statements in accordance with IFRS for the first time (on or after 1 January 2016) to recognise amounts resulting from operations with regulated prices, in accordance with the previously applied accounting principles. To improve comparability with entities that already apply IFRS and do not show such amounts, in accordance with published IFRS 14, amounts resulting from regulated activities should 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.

IFRS 14 will not be approved by the European Union. This amendment does not apply to the Company's operations.

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

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

Where non-monetary assets constitute a "business", the investor reports a full profit or loss on the transaction. If the assets do not meet the definition of a business, the investor recognises a profit or loss only to the extent of the share of other investors.

The amendments were published on 11 September 2014. As at the date of preparation of these financial statements, the approval of this amendment is deferred by the European Union. This amendment does not apply to the Company's operations.

6. Major estimates and judgements

In applying the accounting policies described in note 4, the management makes estimates, judgements and assumptions relating to the recognition and measurement of particular assets and liabilities. The estimates and related assumptions are based on past experience, the management's expectations or other factors considered relevant. Actual results may differ from the estimates. Estimates and related assumptions require regular review. Changes in accounting estimates are recognized prospectively from the period in which they are made. The key estimates and judgements made by the management that have the most significant effect on the amounts recognized in the financial statements are as follows.

a) Deferred tax assets related to income tax relief

The Company conducts research and development and production activities mainly for the purposes of developing its main drug, MabionCD20. The Company has built a fully equipped research and development centre within the Łódź Special Economic Zone (LSEZ). According to the Act on Special Economic Zones, business activity conducted within the area of a special economic zone under the obtained permit is exempt from corporate income tax up to the amount resulting from the available level of public aid and eligible costs incurred. The basis for the exemption is the amount of incurred eligible costs, which may not exceed

the maximum value specified in the permit granted by the SEZ Board. Mabion is entitled to benefit from the relief until 31 December 2026, which is the last year of functioning of the LSEZ in accordance with the applicable law. In order to retain the right to the relief, the Company must meet the criterion of investment sustainability and the criterion of employment until 31 December 2021. As of 31 December 2020, the Company operated on the basis of three permits issued by the LSEZ. The investments covered by the permits issued in 2010 and 2012 have been completed and the Company's compliance with the conditions for obtaining the tax relief has been positively verified during audits conducted by the LSEZ.

At the end of 2016, the Company obtained the third authorisation, No. 301, which relates to a new investment in the expansion of an existing medicine production facility. The maximum value of eligible costs under this authorisation amounts to PLN 26,000 thousand. On 7 February 2020, the Company received the decision of the Minister of Development on the amendment of permit No. 301 for the operation in the Łódź Special Economic Zone. Under the aforementioned decision, upon the Company's request, the deadline for incurring investment expenditures in the Zone, as defined in § 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 activity in the areas of special economic zones, was extended from 31 December 2019 to 30 June 2021. The above change was requested due to a change in the timetable for the commencement of the Company's investment. As at 31 December 2020, the expenditure incurred under the investment covered by permit No. 301 amounted to PLN 2,800 thousand (as at 31 December 2019, it was 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 the Company utilise the available tax relief. In relation to the remaining part of the available tax relief, because of uncertainty if tax profits will be generated before the expiry of tax reliefs (i.e. 31 December 2026), the Company did not recognise deferred tax assets on account of these reliefs. The amount of the tax relief available based on the incurred eligible costs (under the three above-mentioned permits), for which the deferred tax asset was not recognised, is PLN 46,858 thousand as at 31 December 2020. (PLN 46,858 thousand as at 31 December 2019). Using the tax relief is possible only in relation to the Company's future tax liabilities.

b) Depreciation of property, plant and equipment

Depreciation rates are based on the expected useful life of property, plant and equipment. Every year the Company verifies the adopted useful lives based on current estimates. Useful lives are determined with reference to the estimated periods during which the Company intends to derive future economic benefits from the use of the relevant assets. The Company also takes into account past experience with similar assets, if any. Also, the Company takes into account anticipated future events that may affect the useful life of assets, such as changes in technology.

c) Determining when the criteria for capitalisation of development costs are met

The criteria for capitalisation of development costs are presented in Note 3e. Due to the risks and uncertainties related to the process of obtaining a marketing authorisation, the Company currently does not meet the criteria for capitalisation of the outlays incurred and therefore development outlays are recognised as costs in the financial result when incurred. At this point in time, the criterion of technical feasibility of completing the medicine – the most difficult criterion to demonstrate in the development process – is considered proven.

7. Operating segments

Mabion's activities focus on research and development of new biotechnology-based and biosimilar drugs through the use of modern genetic engineering techniques. The Company's activities include the implementation of its own projects involving the development, production and sales of medicines used to treat malignant diseases, as well as autoimmune and metabolic diseases; however, as at the balance-sheet date, the Company had not commenced any activities involving the manufacture and sale of medicines. The Company is currently working on the development of several drugs biosimilar to original drugs (the so-called reference drugs) used to treat malignant diseases, as well as autoimmune and metabolic diseases. The highest priority drug is MabionCD20, which is also at the most advanced stage of development of all projects. The Company may simultaneously conduct research and development work on behalf of other entities, and generate revenue for services rendered in this area.

In the period covered by these financial statements, the Company conducted its business activities only in Poland. In the current and comparative period, the Company did not generate sales revenue from services performed on behalf of other parties.

All assets of the Company are located in Poland.

In light of the above, one reportable segment has been identified which also corresponds to the operating segment. Financial information concerning this segment results directly from the statement of comprehensive income and the statement of financial position.

In 2019 and 2020, the Company did not generate income from the sales of goods and services.

8. Costs by type

The table below shows the categories of generic costs:

in PLN thousand	2020	2019
Outsourced services, including:	7 025	8 385
waste removal and disposal	177	218
maintenance services	1 446	1 452
analytical services	328	3 007
research services	624	1 142
advisory services	2 922	1 697
legal services	566	5
Other	962	864
Costs of materials	10 881	15 108
Staff remuneration costs	11 551	11 409
Depreciation and amortisation	5 050	4 966
Drug registration costs	1 112	785
Other costs	107	57
Research and development costs by type	**35 726**	**40 710**
Consumption of materials, energy, utilities	4 222	4 896
Staff remuneration costs	7 040	7 339
Depreciation and amortisation	4 779	6 144
Advisory services related to the conclusion of distribution agreements	691	732
Share-based management scheme	-	18
Outsourced equipment maintenance services	375	466
Taxes and charges	726	1 735
Audit and other advisory services	2 068	2 007
Other	598	870
General administration costs by type	**20 499**	**24 207**

The decrease in the cost of materials in 2020 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 research and development work on the drug.

The decrease in tax and charges in 2020 is mainly due to the utilised provision for withholding tax (WHT) on a transaction carried out in 2018.

The registration costs include the mandatory annual fee that the Company pays for initiating the registration process for MabionCD20 with the American Food and Drug Administration (FDA) and official fees relating to the evaluation of the registration application for MabionCD20 commissioned by the European Medicines Agency (EMA), as well as the related additional costs incurred for the audits commissioned by the EMA, which took place both at the Company's headquarters and at the clinical sites (including abroad) with which the Company cooperates.

9. Research and development costs

in PLN thousand	2020	2019
MabionCD20	34 414	39 418
MabionEGFR	1 182	1 225
Other projects	130	67
Total research and development costs	**35 726**	**40 710**

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.

In 2018, the Company elaborated the results of the clinical trial which confirmed the effectiveness of the therapy and submitted applications for registration of the drug in the European Union countries. In 2019, a registration procedure was conducted before the EMA, as part of which the Company prepared and presented to the regulator the data requested by it concerning the drug and the trials. The Company also conducted activities before the US FDA in order to confirm the drug's registration strategy in the USA. In March 2020, the Company changed the regulatory strategy for the drug at the EMA by deciding to withdraw the existing registration applications and obtain a marketing authorisation directly the drug produced on a large commercial scale based on new applications. The decision to withdraw the applications for registration of MabionCD20 filed with the EMA did not affect the assumed work schedule for the large-scale manufacturing validation and for the bridging trial, or efforts to register MabionCD20 on the US market. More information on the MabionCD20 project is included in the Company's Directors' Report for 2020, section 4.2.

Following a Main Pharmaceutical Inspectorate (MPI) inspection commissioned by the European Medicines Agency (EMA) on 23 and 25 July 2019, the Company received two GMP (Good Manufacturing Practice) certificates for the Scientific and Industrial Complex for Medical Biotechnology of Mabion S.A. in Konstantynów Łódzki for the manufacture of the active substance (Rituximab) and for the following manufacturing operations: manufacture of sterile forms of biotechnology products, quality control testing, batch release and packaging of medicinal products. The certificates are valid for 3 years from the date of the last inspection day and are necessary for manufacturing, registration and commercialisation of MabionCD20.

In July 2020, the Company also successfully underwent an inspection of the GLP (Good Laboratory Practice) quality system of the Mabion's facility at 17 Fabryczna St. in Łódź, where analyses of pharmacokinetics, pharmacodynamics, and immunogenicity characteristics of the clinical trial will be conducted. The analytical procedures developed at the GLP-certified facility will ensure the Company's independence from external entities in terms of characterisation of the key endpoints of the bridging trial.

On 29 October 2020, the Company entered into an agreement ("Agreement") with Parexel International (IRL) Limited, based in Ireland ("Paralex"), on conducting a three-arm, double-blind, randomised clinical trial of MabionCD20 in parallel groups in patients diagnosed with (moderate to severe) rheumatoid arthritis – the Company informed about signing the Agreement in Current Report no. 41/2020 of 29 October 2020. The purpose of the trial is to determine the similarity in selected clinical parameters between MabionCD20 manufactured on a commercial scale, and MabThera registered in the EU and Rituxan authorised in the US. Parexel is a leading global clinical research organisation (CRO) engaged in the organisation and conduct of clinical trials on behalf of other parties. The scope of activities commissioned to Parexel under the Agreement includes, among others, verification of the clinical trial protocol, submission of applications for approval to conduct the trial in individual countries, recruitment of clinical sites and patients, supervision of the trial, regular review and analysis of data, drawing up trial-related documentation and reports for the purposes of the drug registration procedure, including the final integrated clinical trial report. The above trial is a bridging clinical trial carried out to obtain the data necessary to submit a new marketing authorisation application (MAA) to the European Medicines Agency (EMA) for MabionCD20 manufactured as part of a large-scale, commercial production process. Such an approach and data scope was consulted by the Company with the European Medicines Agency (EMA) as part of the Scientific Advice procedure in the second quarter of 2020. The resulting data, combined with data obtained separately for the US market, will also be used by the Company in its application procedure before the US Food and Drug Administration (FDA). The Company is in the process of consulting the proposed approach with the US regulator. The estimated cost of the tasks covered by the Agreement will amount to approximately EUR 5,400 thousand net (without the costs of logistic work and the cost of the reference drugs, MabThera and Rituxan) and they are expected to be completed by mid-2022. The timing of the clinical trial has been consulted with Parexel and takes into account the precautionary approach given the current Covid-19 pandemic. Either party may, for the reasons set out in the Agreement or without cause upon written notice, terminate the Agreement. However, the Company has stipulated that the above assumptions may change in the future due to the fact that they are based on a number of factors that may affect the implementation timeframe, including factors beyond the Company's control such as the pace of clinical trial recruitment. The Company is currently engaged in ongoing consultations with both the EMA and the FDA and aims to harmonise the approach of the two regulators in relation to the trial, therefore recommendations from the above agencies may influence the Company's assumptions.At the same time, the Company has advised that the assumptions made and actions taken do not guarantee product registration.

10. Other operating income and costs

in PLN thousand	2020	2019
Profit on sales of fixed assets	3	9
Grants	1 571	2 029
Other	186	117
Total other operating income	**1 760**	**2 155**
Write-downs on current property, plant and equipment	(11)	(228)
Disposal of materials	(138)	(162)
Provision for compensation	-	(110)
Other	(39)	(10)
Total other operating expenses	**(188)**	**(510)**

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 1,571 thousand and PLN 1,957 thousand in 2020 and 2019, respectively, which was included in the financial result in particular periods in proportion to the value of depreciation of assets financed from grants.

11. Financial income and costs

in PLN thousand	2020	2019
Interest income	34	582
Positive exchange rate differences	516	-
Other	-	65
Total financial income	**550**	**647**
Interest costs, of which:	(1 408)	(751)
on loans and borrowings	(729)	(162)
on lease liabilities	(326)	(299)
on trade liabilities	(309)	(150)
budget costs	(44)	(140)
Negative net exchange rate differences	-	(279)
Other	(261)	(83)
Total financial costs	**(1 669)**	**(1 113)**

Interest income in 2020 and 2019 arises from accrued interest on cash held in bank deposits.

The positive net exchange rate differences in 2020 result in particular from unrealized exchange rate differences relating to the measurement of liabilities for repayable advances on distribution rights denominated in foreign currencies, as described in note 19. In 2019, the Company recognised the related negative unrealised exchange rate differences.

The increase in the interest costs in the year ended 31 December 2020 includes interest on the revolving credit facility drawn from Santander Bank Polska S.A., which was repaid on 17 July 2020, interest on late payment of trade liabilities, and results from interest accrued at the balance-sheet date on borrowings received from shareholders (Glatton Sp. z o.o. and Twiti Investments Ltd.).

12. Income tax

in PLN thousand	2020	2019
Current income tax	-	-
Adjustments for previous years	-	-
Deferred tax	-	-
Total income tax	**-**	**-**

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

in PLN thousand	2020	2019
Gross loss	(55 772)	(63 738)
(Charge)/tax benefit at 19% rate	10 597	12 110
Non-deductible expenses	(750)	(937)
Income not included in tax revenue	698	371
Amounts increasing the tax base	-	(86)
Amounts reducing the tax base	403	399
Temporary differences from which no deferred income tax asset was created*	(7 366)	(8 013)
Temporary differences from which no deferred income tax provision was created	-	(13)
Tax losses on which deferred income tax assets were not recognised - operations outside LSEZ**	(1 633)	(1 216)
Non-deductible tax losses in future periods - zone activity**	(1 949)	(2 615)
Income tax	-	-

The Company did not recognise any deferred income tax assets in the financial statements for the years ended 31 December 2020 and 2019. The Company recognised a deferred tax provision, which was fully offset by an excess of deferred tax assets.

Below, the amounts of tax losses deductible in future periods are presented, as well as tax reliefs and negative temporary differences (at a 19% tax rate) for which deferred tax assets were not recognised:

in PLN thousand	Expiry date:	2020	2019
Tax loss to be settled for 2020	end of 2025	1 633	-
Tax loss to be settled for 2019	end of 2024	1 216	1 216
Tax loss to be settled for 2018	end of 2023	407	407
Tax loss adjustment for 2018 following KIS interpretation	end of 2023	(61)	(61)
Tax loss to be settled for 2017	end of 2022	574	574
Tax loss to be settled for 2016	end of 2021	156	156
Tax loss to be settled for 2015	end of 2020	102	102
Tax relief (Note 6)	end of 2026	46 858	46 858
Negative temporary differences for which no deferred income tax asset was created	No time limit	50 509	43 051
Total unrecognised deferred tax asset		**101 394**	**92 303**

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

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

13. Property, plant and equipment and intangible assets

a) Property, plant and equipment:

in PLN thousand	Land, buildings and structures	Plant and machinery	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
As at 31 December 2018					
Gross value	45 931	19 899	32 782	7 164	105 776
Depreciation	(5 076)	(10 554)	(18 449)	-	(34 079)
Net value as at 31 December 2018	**40 855**	**9 345**	**14 333**	**7 164**	**71 697**
Period ending on 31 December 2019					
Expenditure incurred	-	-	-	10 914	10 914
Transfers	2 228	771	2 693	(5 692)	-
Depreciation for the period	(1 987)	(2 796)	(5 993)	-	(10 776)
Gross value of liquidated assets	-	(7)	(389)	-	(396)
Depreciation of liquidated assets	-	7	242	-	249
Net value as at 31 December 2019.	**41 096**	**7 320**	**10 886**	**12 386**	**71 688**
As at 31 December 2019					
Gross value	48 159	20 663	35 086	12 386	116 294
Depreciation	(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 ending on 31 December 2020					
Expenditure incurred	-	-	-	2 978	2 978
Transfers	119	227	1 055	(1 401)	-
Depreciation for the period	(1 586)	(2 652)	(5 133)	-	(9 371)
Gross value of liquidated assets	-	-	(222)	-	(222)
Amortisation 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
Depreciation	(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**

Information on fixed assets constituting collaterals for bank loans is provided in Note 20.

A significant part of the investments in property, plant and equipment in 2020 was financed under lease agreements (see Note 21).

In the current reporting period, the Company sold property, plant and equipment worth PLN 18 thousand in net revenues.

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

The Company's management has not identified any evidence of impairment of property, plant and equipment as at the balance-sheet date or in past periods. The majority of the Company's property, plant and equipment was purchased within the last seven years. Currently, property, plant and equipment is used for the purposes related to the ongoing research and development of MabionCD20.

As a target, property, plant and equipment will be used for the production of MabionCD20 for commercial purposes or the production of substances or medicines in accordance with contract manufacturing agreements in force.

b) Intangible assets:

in PLN thousand	IT systems	Intangible assets under construction	Total
As at 31 December 2018			
Gross value	573	282	855
Amortisation	(107)	-	(107)
Net value as at 31 December 2018	**466**	**282**	**748**
Period ending on 31 December 2019			
Expenditure incurred	-	1 033	1 033
Transfers	1 103	(1 103)	-
Depreciation for the period	(333)	-	(333)
Gross value of liquidated assets	-	-	-
Amortisation of liquidated assets	-	-	-
Net value as at 31 December 2019.	**1 236**	**212**	**1 448**
As at 31 December 2019			
Gross value	1 676	212	1 888
Depreciation	(440)	-	(440)
Net value as at 31 December 2019	**1 236**	**212**	**1 448**
Period ending on 31 December 2020			
Expenditure incurred	-	81	81
Transfers	-	-	-
Depreciation for the period	(458)	-	(458)
Gross value of liquidated assets	-	-	-
Depreciation of liquidated assets	-	-	-
Net value as at 31 December 2020.	**778**	**293**	**1 071**
As at 31 December 2020			
Gross value	1 676	293	1 969
Depreciation	(898)	-	(898)
Net value as at 31 December 2020	**778**	**293**	**1 071**

14. Inventories

The inventory balance includes only materials and as at 31 December 2020 amounted to PLN 5,976 thousand (as at 31 December 2019, it totalled PLN 8,806 thousand).

The value of used-up inventories disclosed in the costs of research and development in 2020 was PLN 10,881 thousand (PLN 15,108 thousand in 2019).

The change in the inventory balance at the end of 2020 is related to the consumption of materials in connection with the production carried out to complete the validation stage at the scale of 5 000 litres as part of the research and development work on MabionCD20, at the plant in Konstantynów Łódzki - among others, a preliminary study of the characterisation of the active substance at the scale of 5 000 litres for 4 batches was performed.

The Company has recognised PLN 11 thousand under other operating costs as an impairment loss on inventories of materials, which were established in accordance with the accounting policy.

15. Trade and other receivables

in PLN thousand	31 December 2020	31 December 2019
VAT receivables	1 840	2 612
Trade receivables	-	9
Advances on materials and services	775	60
Deposits	22	105
Other receivables	4	55
Trade and other receivables	**2 641**	**2 841**

In 2020, no impairment allowances for trade receivables were recognised or reversed. As at 31 December 2020, there were no impairment allowances for trade receivables. The Company does not provide further information on credit risk and expected credit losses due to the immateriality of the trade receivable balance amount as at 31 December 2019 and the absence of trade receivables as at 31 December 2020.

As at 31 December 2018, there were impairment allowances in the amount of PLN 88 thousand due to the impairment of advance payments on materials and services. In 2019, impairment allowances on advance payments for materials and services were created in the amount of PLN 25 thousand. As at 31 December 2020, there were impairment allowances at the Company in the amount of PLN 120 thousand due to the impairment of advance payments on materials and services.

For further information on credit risk, see Note 23.

16. Cash and cash equivalents

in PLN thousand	31 December 2020	31 December 2019
Cash on current accounts	2 395	1 035
Deposits	-	26 935
Total cash and cash equivalents	**2 395**	**27 970**

17. Capital management and equity

a) Capital management

The purpose of capital management by the Company is to ensure the 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 optimise the cost of capital.

The Company is bound by the legal capital requirement under the Code of Commercial Companies (CCC), according to which the Company shall create supplementary capital to cover net losses in the amount of at least 8% of the profit for a given financial year for such capital, until the supplementary capital reaches at least one third of the share capital. As the Company generates losses, so far it has not been able to allocate profits to supplementary capital, and therefore the requirement to create supplementary capital equivalent to at least one third of the share capital is not met.

The Ordinary General Meeting of the Company, pursuant to Resolution No. 5/VI/2020 of 15 June 2020, decided to cover the loss of 2019 in the amount of PLN 63,738 thousand from future profit.

In order to maintain an optimal capital structure, the Company may issue new shares, take out loans from shareholders, swap debt for equity or increase its debt.

As at 31 December 2020, the Company's equity shows a loss exceeding the sum of its supplementary capitals and reserves and one third of the share capital. Due to the circumstances provided for in Article 397 of the Code of Commercial Companies, on 23 February 2021 the Extraordinary General Meeting of the Company (an event after the balance-sheet date) adopted Resolution No. 3/II/2021 concerning the Company's further existence.

b) Share capital and share premium

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

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

On 29 November 2019, the Extraordinary General Meeting of the Company adopted Resolution No. 3/XI/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, a loan agreement for EUR 30,000 thousand. 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 the balance sheet date, the right to take up T series shares was not granted.

As at 31 December 2020, the Company's equity consisted of 13,730,272 ordinary bearer shares (D series and H to S series shares) and 1,570,000 registered shares with additional voting rights (A to C and E to G series shares), i.e. each registered share entitles its holder to two votes at the General Meeting; there are no other differences between the indicated share series. 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 the Ordinary General Meeting of the Company of 28 June 2018, the subscription of ordinary S series bearer shares carried out in connection with the exercise of rights carried by B series subscription warrants by eligible persons was completed. S series ordinary bearer shares were issued as part of a conditional share capital increase and therefore no allocation of shares took place. The eligible persons took up a total of 500 S series ordinary shares at an issue price equal to the nominal price of PLN 0.10 per share, with a total value of PLN 50. The S series ordinary bearer shares were taken up in exchange for a cash contribution made in full before releasing the shares. The shares were released on 18 January 2021 (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 released. As at the date of the financial statements for the financial year ended 31 December 2020, the increase in 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 series U series shares.

On 16 February 2021 (an event after the balance-sheet date), the Management Board of the Warsaw Stock Exchange S.A. (WSE) 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. 500 S series ordinary bearer shares of the Company, having the nominal value of PLN 0.10 each, are admitted to trading on the main market. The amount raised in this issue is PLN 1 thousand. As of 18 February 2021, the aforementioned shares were introduced to trading on the WSE Main Market.

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

in PLN thousand, except for the number of shares	Number of shares issued and fully paid up	Share capital (nominal value)	Issued but unregistered share capital	Share premium
As at 31 December 2018	**13 720 772**	**1 372**	**-**	**108 923**
Coverage of net loss for 2018	-	-	-	-
S series share issue	9 500	-	1	-
Costs of S series share issue	-	-	-	-
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**

c) Share-based payments

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

On 29 December 2018, on the basis of the mandate given in the Resolution No. 24/VI/2018 of the Company's Ordinary General Meeting, the Supervisory Board approved the Rules and Regulations for the Incentive Scheme for 2018-2021. The taking-up

of the shares and the exercise of rights carried by the warrants will be possible upon conditions listed in the Rules and Regulations. Alternatively, warrants may be purchased by the Company in order to be redeemed, but the Company has no intention of using cash settlement at this time.

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 has not been met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2018 were met. The A series warrants for 2019 were ultimately not exercised due to the failure to meet the market condition.

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

On 30 January 2020, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2019 has not been met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2019 were met. The A series warrants for 2019 were ultimately not exercised due to the failure to meet the market condition. 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 23rd June 2020, all B warrants granted for the year 2019 (500 warrants) were taken up by all eligible persons. On the same da,y all eligible persons submitted declarations of subscription for all S series shares (500 shares) for which they were entitled due to warrants taken up. The shares were taken up by eligible person on the same day.

On 25 January 2021, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2020 has not been met. The A series warrants for 2020 were ultimately not exercised due to the failure to meet the market condition.Until the date of approval of these statements, B series warrants for 2020 have not yet been exercised, too.

The table below shows the details of the Scheme and its valuation as at 31 December 2019:

	A Warrants			B Warrants		
Tranche for year	2019	2020	2021	2019	2020	2021
Scheme's approval date (the beginning of the vesting period)	28 June 2018					
Grant date	12 February 2019	None	None	12 February 2019	None	None
End of vesting period	30 January 2020	31 January 2021	31 January 2022	30 January 2020	31 January 2021	31 January 2022
Number of instruments granted	28 500 (including: 23,300 for designated eligible persons and a reserve without designated eligible persons in the amount of 5,200)	28 500 (no list of eligible persons)	28 500 (no list of eligible persons)	500	500 (no list of eligible persons)	500 (no list of eligible persons)
Exercise Price	PLN 91.00	PLN 91.00	PLN 91.00	PLN 0.10	PLN 0.10	PLN 0.10
Share price as at 30 September 2019	PLN 77.00	PLN 77.00	PLN 77.00	PLN 77.00	PLN 77.00	PLN 77.00
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 190.00	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)	35.63%	44.50%	44.50%	35.63%	44.50%	44.50%
First possible exercise date	14 February 2020	14 February 2021	14 February 2022	14 July 2020	14 July 2021	14 July 2022
Last possible exercise date	31 July 2022					
Risk-free rate	1.50%-1.87%	1.56%-1.84%	1.56%-1.84%	1.50%-1.87%	1.56%-1.84%	1.56%-1.84%
Dividend rate	0%					
Departure probability	17.77% per annum					
Warrant's fair value Valuation Date	12 February 2019	31 December 2019	31 December 2019	12 February 2019	31 December 2019	31 December 2019
Warrant's fair value as at the Valuation Date	PLN 0.07	PLN 0.38	PLN 0.62	PLN 69.78	PLN 80.07	PLN 80.07
Scheme value (fair value of one warrant x quantity of warrants)	PLN 1 685.32	PLN 8 755.14	PLN 14 476.57	PLN 34 889.70	PLN 40 035.46	PLN 40 035.49
Valuation model	Binominal model					

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

	Warranty serii A		Warranty serii B	
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	Did not occur	27 February 2020	Did not occur
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 30 September 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 24 months preceding the Valuation Date) used in the option-based measurement 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 measurement model	1.23%-1.84%	0.15%-0.25%	1.23%-1.84%	0.15%-0.25%
Dividend rate used in the option-based measurement 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 one warrant x quantity of warrants)	PLN 0.00	PLN 8 049.60	PLN 23 121.95	PLN 11 520.75
Valuation model	Option measurement binominal model			

The following table shows information about warrants in 2019:

	A Warrants			B Warrants			
Tranche for year	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
Exercise Price	PLN 91			PLN 0.10			
Number of warrants							
Period beginning	28 500	28 500	28 500	9 500	500	500	500
Redeemed in the period	-	-	-	-	-	-	-
Exercised in the period	-	-	-	9 500	-	-	-
Expired in the period	-	-	-	-	-	-	-
Period end (including those vested as at the balance-sheet date)	28 500 (-)	28 500 (-)	28 500 (-)	- (-)	500 (-)	500 (-)	500 (-)

The following table shows information about warrants in 2020:

	A Warrants			B Warrants			
Tranche for year	**2019**	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
Exercise Price	PLN 91			PLN 0.10			
Number of warrants							
Period beginning	28 500	28 500	28 500	-	500	500	500
Vested in the period	-	-	-	-	-	-	-
Redeemed in the period (no rights acquired)	28 500	-	-	-	-	-	-
Exercised in the period	-	-	-	-	500	-	-
Expired in the period	-	-	-	-		-	-
Period end (including those vested as at the balance-sheet date)	- (-)	28 500 (-)	28 500 (-)	- (-)	- (-)	500 (-)	500 (-)

On 27 February 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 measurement of the warrants was prepared as at 27 February 2020, which is the vesting date. As at 31 December 2020, only the expected number of warrants, to which the eligible persons will acquire rights based on the employment condition, was updated.

In case of A and B warrants for the year 2021, until the date of the financial statements for 2020, the list of the employees eligible to participate in the Scheme was not determined by the Company's Supervisory Board. Accordingly, the fair value valuation of these warrants (including the market condition) was carried out as at the balance-sheet date (i.e. 31 December 2020). The fair value measurement of these warrants will be updated as at every future balance-sheet date, until the list of employees eligible to participate in the Scheme for a given year (including the number of A and B warrants each person is entitled to) is determined (grant date). The final measurement of the warrants' fair value will be carried out as at the grant date. For following balance-sheet dates, only the expected number of warrants to be vested will be updated (based on the estimated probability of employees' departure until the end of the vesting period).

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

The total cost of the Scheme for different balance-sheet dates 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 settled over time from the date of vesting or from the date of commencement of work in exchange for these benefits (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 given year is not met, the Supervisory Board may grant these warrants in future period when the market condition for a given year is met. Due to the uncertainty concerning the future decisions made by the Supervisory Board in this matter, the estimate of the Scheme's cost as at 31 December 2020 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 equity up to 31 December 2020 totals PLN 696 thousand and has decreased by PLN 36 thousand compared to the cumulative amount recognised by 31 December 2019, when it amounted to PLN 732 thousand. The decrease of the cost by PLN 36 thousand reduced the remuneration costs and other reserves. The scheme measurement amount shown in the table above differs from the amount recognised cumulatively in equity due to the realisation of part of the scheme before the end of 2019.

d) Shareholding structure

As at 31 December 2020, the shareholding structure of Mabion S.A. was as follows (taking into account the S series shares which were subscribed for by the shareholders under the conditional capital increase of 18 November 2019, and released on 29 January 2020).

Shareholder**	Registered office	Number of shares	% of share in the capital	% of votes held
Twiti Investments, Ltd.	Nicosia, Cyprus	2 380 072	17.33%	19.44%
Funds managed by Generali PTE S.A.	Warsaw, Poland	1 515 334	11.04%	9.90%
Polfarmex S.A.	Kutno, Poland	1 437 983	10.47%	12.55%
Funds managed by Nationale Nederlanden PTE S.A.	Warsaw, Poland	1 140 600	8.31%	7.45%
Fundusze zarządzane przez Investors TFI S.A.	Warsaw, Polska	1 102 232	8.03%	7.20%
Glatton Sp. Z o.o. *	Łomianki, Polska	1 006 226	7.33%	6.58%
Celon Pharma S.A. *	Łomianki, Polska	620 350	4.52%	7.28%
Holders below 5% of the capital	n.a.	4 527 475	32.97%	29.59%
Total		**13 730 272**	**100.00%**	**100.00%**

* Entities controlled directly or indirectly by Mr Maciej Wieczorek (President of the Management Board of Mabion S.A. until 14 December 2016, from 16 February 2017 Member of the Supervisory Board of Mabion S.A., from 28 June 2018 Chairman of the Supervisory Board of Mabion S.A., from 16 March 2020, Deputy Chairman of the Supervisory Board of Mabion S.A.)

** Shareholders with a share of more than 5% are listed separately.

18. Deferred income

in PLN thousand	31 December 2020	31 December 2019	1 January 2019
Grants on property, plant and equipment	8 886	10 143	12 095
Grants on research and development costs	26 373	22 156	8 511
Customer contract liabilities, incluing:	15 597	15 597	15 597
Advance payment from Mylan for distribution rights to MabionCD20	14 007	14 007	14 007
Advance payment from Celon Pharma for services (development of antibody production technology)	1 590	1 590	1 590
Deferred income (long- and short-term)	**50 856**	**47 896**	**36 203**

The balance of the advance from Mylan relates to the portion of the advances received from Mylan for future exclusive distribution rights for MabionCD20 that were previously recognised as repayable advances on distribution rights and became non-repayable in 2018 as a result of meeting the conditions of the Agreement with Mylan. The non-refundable advances for the distribution rights, received from Mylan, will form part of the total transaction price to be recognised as revenue in accordance with accounting policy presented in Note 4(c); the revenue recognition will commence no sooner than Mabion has obtained the marketing authorisation for MabionCD20. Under the agreement signed with Mylan, the total transaction price has not yet been determined at this stage and will be subject to negotiation between the parties at a later stage when work on the medicine is more advanced. The only amounts resulting from the agreement in force are the advance payments already received, shown in Note 18 and in Note 19.

As for the agreement with Celon Pharma – the advance payment of PLN 1,590 thousand will be recognised as revenue when there are further orders placed by Celon Pharma for drug development services or drug prototypes. At the present stage, the exact schedule of cooperation has not been determined and will be subject to further arrangements between the parties.

Neither in the reporting period nor in the comparative period was any income recognised in respect of amounts that were included in the opening balance sheet as advances (deferred income).

Grants

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 an agreement with the Minister of Investment and Economic Development (at present: Ministry of Funds and Regional Policy) for co-financing of the project entitled "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 Intelligent Development 2014–2020 co-financed by the European Regional Development Fund. The total cost of the Project was set at PLN 172,880 thousand. The Company received the first tranche of payments under this programme.

With regard to the grants, the Company has fulfilled certain conditions resulting from the applicable agreements on co-financing, completed the scope of the project, incurred expenditures for specific purposes, and achieved the assumed results. The expenses incurred are subject to verification by the above-mentioned institutions – the Company is obliged to meet the sustainability

criteria within three years from the completion of the project, during which it has to continue the subsidised activities without significant changes and within the original geographical boundaries.

As a result of an audit, the funds could also potentially be reimbursed, but the Company does not assess this risk as material.

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

Name / project description	Name of the grant scheme	Total amount of grant awarded (in PLN thousand)	Total amount of the grant received until 31.12.2020 (in PLN thousand)	Total amount of the grant expected until completion of the project (in PLN thousand)	Project period and status
Innovative technology for the production of therapeutic monoclonal antibodies used in lymphoma therapy (MabionCD20). The aim of the project was to create an innovative drug in the form of biosimilar humanized monoclonal antibody CD20, including the construction of a special biotechnology plant for the production of medicines.	Operational Programme Innovative Economy 2007-2013	39 655	35 896	-	1 July 2010 - 29 May 2015 **Status: Project completed**
Innovative "double cutting" technology for obtaining modern analogues of human insulin hormone. The aim of the project was to develop an innovative, universal "double cutting" technology leading to obtaining insulin and its analogues, and their production.	Operational Programme Innovative Economy 2007-2013	24 087	9 492	-	1 May 2011 - 31 December 2017 **Status: Project completed**
Clinical development and registration of a humanized monoclonal antibody binding to HER2 receptor used in the therapy of breast cancer (MabionHER2). The project concerned research and development activities and the implementation of clinical trials.	INNOMED	10 000	16*	-	1 June 2014 - 15 November 2018 **Status: Project completed**
Development and scaling of an innovative process of manufacturing a therapeutic recombinant monoclonal antibody to enable industrial implementation of the first Polish biotech drug for oncological and autoimmune therapies (MabionCD20).	Operational Programme Intelligent Development 2014 - 2020 "Fast Track"	27 094	23 497	1 400	1 November 2016 - 29 December 2020 **Status: Project completed****
Development of a biotech drug by developing an innovative monoclonal antibody of IgG1 subclass with a reduced content of unfavourable glycosides against the reference drug - against EGFR. The project concerns research and development.	Operational Programme Intelligent Development 2014 - 2020, InnoNeuroPharm sectoral programme	28 354	2 876	25 377	1 August 2017 - 31 July 2022 **Status: Project in progress**

Name / project description	Name of the grant scheme	Total amount of grant awarded (in PLN thousand)	Total amount of the grant received until 31.12.2020 (in PLN thousand)	Total amount of the grant expected until completion of the project (in PLN thousand)	Project period and status
Expansion of the Research and Development Centre of Mabion S.A. - research on the new generation of medicines. The aim of the project is to extend the Company's research and development facilities by preparing the necessary infrastructure: the building of the Research and Development Centre and the purchase of research equipment to conduct research on innovative drugs (the latest generation of biotech drugs, monoclonal antibodies).	Operational Programme Intelligent Development 2014 - 2020	63 247	338	62 909	20 January 2018 - 31 December 2021 **Status: Project in progress**

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

In 2020, the Company did not conclude any new grant agreements.

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

in PLN thousand	Grants on property, plant and equipment	Research and development grants	Grants under the LSEZ - development vouchers	Total grants
As at 31 December 2018	**12 095**	**8 511**	**-**	**20 606**
Inflows	-	13 664	78	13 742
Return	-	(19)	-	(19)
Included in the financial result	(1 952)	-	(78)	(2 030)
As at 31 December 2019	**10 143**	**22 156**	**-**	**32 299**
Inflows	338	4 217	-	4 555
Return	(24)	-	-	(24)
Included in the financial result	(1 571)	-	-	(1 571)
As at 31 December 2020	**8 886**	**26 373**	**-**	**35 259**

Due to the fact that government grants involve audit requirements imposed by intermediary institutions, and there is uncertainty as to the effects of project finalisation and completion dates, the company generally defers recognition of the related grant as income until any post-project audit requirements have been met.

The grants on fixed assets were related to the MabionCD20 project (that is a grant for the construction of a production plant for MabionCD20), while the R&D grants concerned the double cutting technology development project, the MabionHER2 project, MabionCD20 scaling up, and the MabionEGFR project.

* ncludes reimbursement of grants in 2020 due to financial corrections

** the project remains at the stage of verification of the final payment application

Fixed assets for which the grant was obtained were put into use in 2015 and their depreciation started at that date. The related part of deferred income (grants) was also included in the financial result (as other operating income) in parallel with the depreciation of these assets.

In 2020, the Company received further grant payments for R&D and property, plant and equipment costs under the Operational Programme Intelligent Development 2014-2020:

» InnoNeuroPharm sector programme in the amount of PLN 2,283 thousand,
» "fast track" MabionCD20 sector programme in the amount of PLN 1,934 thousand,
» CBR sector programme in the amount of PLN 338 thousand.

In 2020, the Company returned a grant of PLN 24 thousand due to incorrect classification of certain expenses identified during audits in connection with the INNOMED project completed in November 2018, which concerned clinical development and registration of a humanised monoclonal antibody binding to the HER2 receptor used in breast cancer therapy.

Except for the above events, there have been no significant changes to the grants received by the Company.

The current portion of deferred income is the portion that the Management Board expects to be able to qualify as income within 12 months from the balance-sheet date. This applies in particular to:

a) grants for investments in fixed assets, which will be recognized as income in proportion to the value of depreciation write-offs on property, plant and equipment financed by the grants;

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

The item of long-term deferred income includes the portion which is expected by the Management Board to be classified as income more than 12 months after the balance-sheet date. This applies in particular to:

a) grants for investments in fixed assets, which will be recognised as income in proportion to the value of depreciation write-offs on property, plant and equipment financed by the grants;

b) grants to cover the costs of research and development work, which will be recognised as income once the Company has sufficient certainty that it will be able to satisfy the conditions for using the grant;

c) advance payments for distribution rights received from Mylan, in the amount of PLN 14,007 thousand, which according to the terms of the agreement with Mylan is not repayable, and which will be recognised as income after Mabion has obtained the marketing authorisation for MabionCD20.

19. Repayable advances on distribution rights

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

in PLN thousand			
Partner	Market	31 December 2020	31 December 2019
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	42 724
FARMAK	Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan	1 154	1 065
ONKO	Turkey	507	468
Sothema Laboratories	Morocco, Algeria, Tunisia	106	98
Lyfis	Iceland	28	26
VMG	Costa Rica, El Salvador, Nicaragua, Panama, Honduras, Belize, Trinidad and Tobago, Dominican Republic	-	-
Total		**44 077**	**44 381**

The changes in the value of repayable advances on distribution rights in 2020 are due to changes in exchange rates as all the advances were denominated in foreign currencies (EUR or USD).

No advance payments were reimbursed in 2019 or 2020.

Advances received by the Company are repayable in the case of an event beyond the Company's control (i.e. failure to complete clinical trials conducted as part of development work and/or failure to issue a marketing authorisation for a specific market by a regulatory body), and have therefore been classified as financial liabilities. Since the moment of occurrence or non-occurrence of the above mentioned event is also beyond the Company's control, the liability is measured at the amount payable on demand and classified under short-term liabilities.

In November 2016, the Company signed a strategic, long-term cooperation agreement with Mylan, a world 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. In exchange for the funds and strategic development support, Mylan will receive, after approval of the medicine, distribution rights in Europe for contractually defined countries. During the reporting period and previous periods, the Company pursued, with the support of Mylan, a strategy of registering its product in the European Union and EEA countries with the European Medicines Agency ("EMA") based on a small batch production. On 29 April 2021, the Company signed an annex to the cooperation agreement with Mylan (Annex), 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 stated in this Note.

With respect to sales of the drug in the US market, a potential partner of Mabion is Mylan, which has a priority right to conclude an agreement with Mabion for the sales of MabionCD20 on the US market. While Mabion may engage in discussions with other potential partners, it is allowed to start cooperation with other partner than Mylan only if the latter waives its right of priority. Moreover, in the years 2012-2015 the Company concluded a number of distribution agreements. On the basis of these agreements, individual contractors obtained the right of exclusive distribution of Mabion CD20 in the indicated target markets. Under these agreements, the Company received advance payments for their implementation, repayable in the event of a negative result of the drug registration process on a specific market. All such amounts were shown as financial liabilities.

20. Loans and borrowings

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

in PLN thousand	31 December 2020	31 December 2019
Loans and borrowings	30 389	15 000
Unpaid interest and debt on credit cards	-	2
Loans secured on assets	991	1 388
Total loans and borrowings	**31 380**	**16 390**

a) Bank loans

On 17 July 2018, the Company concluded with Santander Bank Polska S.A. (formerly: Bank Zachodni WBK S.A.) an agreement for a revolving credit facility to finance the Company's operating activities, for a period of two years from the date of the agreement. The amount of the loan granted is PLN 30,000 thousand, while an amount of PLN 15,000 thousand may be disbursed after the fulfilment of formal and legal conditions and establishment of collaterals, and a further amount beyond PLN 15,000 thousand could be disbursed after the Company obtains a positive decision of the European Medicines Agency concerning registration ofMabionCD20. The interest rate on the Loan is variable and based on WIBOR 1M plus the Bank's margin determined on arm's length. The collateral for the Loan is a first-rank contractual mortgage up to an amount not exceeding PLN 45,000 thousand established on the Company's ownership right to the real estate in Konstantynów Łódzki and an assignment of receivables to the Bank under an insurance agreement for the buildings/structures on that real estate, a statement on submission to enforcement by way of a notarial deed pursuant to art. 777 § 1 (5) of the Code of Civil Procedure each time up to an amount constituting 150% of the amount of Loan, as well as sureties and other forms of collaterals granted by entities related to the Company (main shareholders of the Company). The agreement stipulates numerous obligations of the Company towards the Bank as well as situations constituting a breach of the agreement resulting, among others, in the possibility of its termination by the Bank. All collateral for the Loan was provided during the period specified in the Loan Agreement. The termination date of the agreement and repayment of the Loan was 17 July 2020 and on that date, the loan was repaid in full.

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 30,000 thousand and will 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 a maximum of 2.7% per annum. 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.

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, a loan agreement for EUR 30,000 thousand. 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 2019, 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. (a related party and shareholder holding directly and indirectly a total of 11.85% of the Company's share capital), for the amount of PLN 15,000 thousand ("Borrowing") 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 became effective on 16 July 2020. The Supervisory Board of the Company has approved the conclusion of the Borrowing Agreement. The Borrowing constituted additional financing not included in the financing declared on 16 March 2020 by the main shareholders of the Company. Pursuant to the borrowing agreement, the Company was obliged to repay the Borrowing by 31 December 2020, with the parties allowing for the possibility of extending the aforementioned term. The interest rate on the Borrowing was agreed upon on an arm's length basis as a variable interest rate based on WIBOR 3M plus margin. The collateral for the repayment of the Borrowing would consists of: mortgage on real property located in Konstantynów Łódzki up to the amount of PLN 45 000 thousand (first rank entry in the mortgage register) with priority right over other possible mortgage creditors, and statement on submission to execution in the form of notarial deed. Subject to the mortgage referred to above, the nominal value of the collateral in favour of the Lender was to be in aggregate at least 150% or more of the Borrowing amount.

On 10 December 2020, the parties e concluded an Annex to the Agreement, pursuant to which the repayment date of the Borrowing was extended to 31 December 2021.

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. The conclusion of the agreements represented the implementation of the Company's shareholders' declaration of 16 March 2020 regarding the recapitalisation of Mabion S.A. The borrowings could be disbursed by the Lenders to the Borrower in 2020 in tranches, in amounts and on dates agreed by the parties in separate disbursement schedules, with the Lenders required to disburse each tranche upon written request by the Borrower. 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.

The borrowings will be repaid by way of conversion into U series shares to be issued under the terms and conditions set out in Resolution No. 28 of the Ordinary General Meeting of Mabion S.A. of 15 June 2020 (share subscription agreements in accordance with the OGM resolution should be concluded no later than 15 December 2020) or repaid in cash no later than 31 March 2021, as decided by the borrower. The number of shares to be released upon exercise of the conversion right is variable and based on the market price of the shares. After the balance-sheet date, borrowings in the amount of PLN 15,000 thousand were converted into equity 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, on 15 March 2021 (an event after the balance-sheet date), the claim of the Company against Glatton for payment of the issue price with the claim of Glatton 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, on 15 March 2021 (an event after the balance-sheet date), the claim of the Company against Twiti for payment of the issue price of 203,636 U Series Shares with the claim of Twiti against the Company in the 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 receivables from the Company in the total amount of PLN 3,500 thousand (principal receivable) under the borrowing agreement up to the maximum amount of PLN 10,000 thousand concluded by the Company and Twiti on 5 February 2021.

The debt conversion is of fixed amount (i.e. the carrying amount of the debt) but with a variable number of shares (the Company's Management Board, having completed, on 9 March 2021, the accelerated book-building process for the U Series Shares, determined that the issue price is PLN 55.00 per share). Due to the fact that, under the terms of the borrowing agreement, the borrowing 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 at initial recognition and at the balance-sheet date as a financial liability rather than an equity instrument. The debt-for-equity swap option is an embedded derivative that is separated from the master agreement (i.e. the debt agreement) and is measured at fair value with a fair value of nil because the exercise of the conversion right is performed at the fair value of the shares; the master agreement is measured at amortised cost. At the date of exercising the right to convert debt into equity, the carrying amount of the borrowing liability is transferred to equity; the exercise of the right affects profit/loss for the period in which the conversion is effected.

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 valid for a period from 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.

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

In October 2020, the Company entered into a loan agreement with Idea Getin Leasing S.A. for PLN 35 thousand for a period of 4 years to purchase laboratory equipment, which was commissioned in January 2021. A registered pledge has been established on the loan.

As at 31 December 2020, the total value of outstanding loans secured on assets was PLN 991 thousand.

20a. Debt reconciliation

The following table shows an analysis of debt evolution for each of the periods presented.

(in PLN thousand)	Bank loans	Borrowings	Lease liabilities	Total debt
As at 01.01.2019	**-**	**2 272**	**3 351**	**5 623**
Proceeds from financing received	15 000	-	-	15 000
Debt repayments	-	(882)	(1 653)	(2 535)
Interest paid	(46)	(116)	(299)	(461)
Conclusion of lease agreements	-	-	4 038	4 038
Measurement of future lease payments	-	-	(186)	(186)
Exchange differences accrued	-	-	-	-
Interest accrued	46	116	299	461
As at 31.12.2019	**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 lease agreements	-	-	1 227	1 227
Conclusion of borrowing agreements	-	36	-	36
Interest accrued	265	463	513	1 241
Exchange differences accrued	-	-	271	271
As at 31.12.2020	**-**	**31 380**	**5 301**	**36 681**

21. Leases

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

On 17 December 2019, the Company entered into a lease agreement for office space in Łódź for the years 2020–2023 and recognised a lease as at 31 December 2019. At the same time, in connection with the conclusion of a lease agreement for office space for a period of 4 years, the Company recognised the amount of PLN 1,854 thousand in assets. The total value of fees during the term of the agreement will amount to PLN 2,194 thousand.

The lease agreements concluded by the Company provide for a 3 to 5-year lease period (the Company did not enter into short-term or low-value lease agreements). 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 as part of the calculation of the lease instalment amount are the reason for changes in the amount of lease instalments (there are no additional variable parts of the lease payments that are 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 vast majority of cases, the Company has determined that it will exercise its option to purchase the leased asset and has recognised the purchase amount in the measurement of the lease liability.

In the period covered by these financial statements, the Company concluded several new lease agreements, as a result of which it recognised items of property, plant and equipment worth PLN 904 thousand (2019: PLN 4,038 thousand) and a finance lease liability of PLN 1,227 thousand (2019: PLN 4,038 thousand). Due to the ongoing COVID-19 pandemic, one item of property, plant and equipment was not commissioned due to inability to qualify it. The lease liability incurred for its purchase amounts to PLN 325 thousand.

The depreciation of leased assets was PLN 2,514 thousand in 2020 and the interest on the lease amounted to PLN 325 thousand (in 2019, the depreciation amounted to PLN 1,731 thousand and the interest to PLN 299 thousand).

Depreciation of leased property, plant and equipment by asset group:

PLN thousand	31 December 2020	31 December 2019
Group 1 – buildings and premises and the cooperative right to commercial premises and the cooperative right to residential premises	463	-
Group 4 – Machinery, equipment and apparatus for general use	7	7
Group 5 – Machinery, equipment and specialised apparatus	35	5
Group 7 – means of transport	236	203
Group 8 – tools, instruments, movable property and equipment, not elsewhere classified	1 773	1 516
Depreciation of leased assets by asset class in total	**2 514**	**1 731**

The total carrying amount of finance leases as at 31 December 2020 and 31 December 2019 was as follows: PLN 6,537 thousand and PLN 8,791 thousand, respectively.

Summary of leased assets at carrying value by asset group:

PLN thousand	31 December 2020	31 December 2019
Group 1 – buildings and premises and the cooperative right to commercial premises and the cooperative right to residential premises	1 391	1 854
Group 4 – Machinery, equipment and apparatus for general use	14	21
Group 5 – Machinery, equipment and specialised apparatus	225	84
Group 7 – means of transport	826	817
Group 8 – tools, instruments, movable property and equipment, not elsewhere classified	4 081	6 015
Leased fixed assets – in total	**6 537**	**8 791**

The table below presents information on the amount of future minimum lease payments and the current value of minimum lease payments as at 31 December 2020 and 31 December 2019.

in PLN thousand	Future minimum lease payments as at 31 December 2020	Current value of minimum lease payments as of 31 December 2020	Future minimum lease payments as at 31 December 2019	Present value of minimum lease payments as of 31 December 2019
Up to 1 year	2 421	2 358	2 321	2 115
From 1 to 5 years	3 198	2 943	4 041	3 435
Total	**5 619**	**5 301**	**6 362**	**5 550**

22. Trade and other liabilities

in PLN thousand	31 December 2020	31 December 2019
Trade liabilities	18 124	15 914
Social insurance and income tax on wages	1 598	943
Provision for unused leave	541	576
Payroll liabilities	3 168	1 985
Other liabilities	557	1 475
Company Social Benefits Fund	107	15
Total trade and other liabilities	**24 095**	**20 908**

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

23. Financial risk management

The Company's activity is exposed to a number of financial risks, such as: market risk (in particular the risk of changes to the exchange rates and the risk of changes to cash flows as a result of interest rate changes), credit risk and liquidity risk, and non financial risks: risk associated with registering Mabion CD20 and risk associated with the coronavirus pandemic.

The supervision and management of particular risks is the responsibility of Company's management. The Company does not have a formalized financial risk management system in place. The Company's management carries out the risk management process continuously in all major areas of the Company's activity. Due to the dynamic market situation, the Company's management manages the process of monitoring, auditing and revising potential risks on an ongoing basis, which consists of several stages:

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

This Note presents information on the Company's exposure to particular risks arising from the financial instruments held by the Company, as well as the objectives, policies and processes used to measure and manage those risks.

The table below shows the financial instruments held by the Company and their classification according to IFRS 9:

in PLN thousand	31 December 2020	31 December 2019
Financial assets measured at amortised cost		
Long-term receivables	195	110
Trade receivables	-	9
Cash and cash equivalents	2 395	27 970
Total financial assets	**2 590**	**28 089**
Liabilities measured at amortised cost		
Repayable advances on distribution rights	44 077	44 381
Trade liabilities	18 124	15 914
Accrued costs of clinical trials	-	-
Loans and borrowings	31 380	16 390
Total financial liabilities	**93 581**	**76 685**
Financial liabilities outside the scope of IFRS 9		
Lease liabilities	5 301	5 550

a) Foreign exchange risk

Repayable advances on distribution rights (funds received from distribution partners)are denominated in foreign currencies which creates a foreign exchange risk exposure until funds are utilized (i.e. returned or transferred to deferred income depending on the outcome of uncertain future events).

Part of laboratory equipment and reagents for research and development is purchased by the Company in foreign currencies, mostly in EUR and USD. Adverse currency exchange rate changes (weakening of the PLN against foreign currencies) may affect the level of the Company's investment outlays and increase the cost of research and development which may have a negative impact on the Company's financial results. The Company intends to sell its drugs in international markets (mostly in euros and US dollars), therefore the risk connected with exchange rate fluctuations is expected to be limited in the future once the drugs are commercialised.

The Company analyses the level of foreign exchange risk and the potential impact of the above changes on the results of the period on an ongoing basis. The Company's management did not deem it necessary to purchase any instruments limiting the impact of the changes arising from temporary exchange rate fluctuations on the financial results and equity.

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

	Denominated in the following foreign currencies (after translation into PLN)			
in PLN thousand	Total	EUR	USD	Other foreign currencies
As at 31 December 2019				
Trade receivables	0	0	0	0
Cash and cash equivalents	14 009	14	13 979	16
Repayable advances on distribution rights	(44 381)	(1 657)	(42 724)	0
Trade liabilities	(3 385)	(2 606)	(339)	(440)
Net exposure - assets / (liabilities)	**(33 757)**	**(4 249)**	**(29 084)**	**(424)**
As at 31 December 2020				
Trade receivables	0	0	0	0
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**

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

	Denominated in the following foreign currencies (translated into PLN)							
	2020				2019			
in PLN thousand	Total	EUR	USD	Other foreign currencies	Total	EUR	USD	Other foreign currencies
Rate increase by 5%	(2 390)	(267)	(2 124)	0	(1 687)	(212)	(1 454)	(21)
Rate decrease by 5%	2 390	267	2 124	0	1 687	212	1 454	21

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

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

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

in PLN thousand	31 December 2020	31 December 2019
Cash on bank accounts	2 395	27 970
Loans and borrowings	(31 380)	(16 390)
Lease	(5 301)	(5 550)
Net exposure - assets / (liabilities)	**(34 286)**	**6 030**

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

in PLN thousand	2020	2019
Increase/(decrease) in profit/loss and equity as a result of		
increase in interest rates by 100 bps	(343)	60
decrease in interest rates by 100 bps	343	(60)

c) Credit risk

Credit risk is the risk of the Company suffering financial losses because of a failure on the part of a customer or supplier who is a party to a financial instrument to fulfil their contractual obligations. The Company's credit risk mostly results from cash and cash equivalents on bank accounts. The Company's management assessed that the credit risk connected with the portfolio of trade receivables and other receivables, both being financial assets, is marginal due to the relatively low level of these balances as of each reporting date.

The table below shows the exposure to credit risk:

in PLN thousand	31 December 2020	31 December 2019
Long-term receivables	195	110
Trade receivables	-	9
Cash on bank accounts	2 395	27 970
Total exposure	**2 590**	**28 089**

Cash and cash equivalents are deposited with in Santander Bank Polska SA, a financial institution with a BBB+ Long-term Issuer Default Rating ("IDR") by Fitch Ratings with a stable outlook, and Alior Bank SA, a financial institution with a BB Long-term Issuer Default Rating ("IDR") by Fitch Ratings with a stable outlook. The Company has considerable concentration of credit risk for cash and cash equivalents, i.e. usually at least 80%-90% of the balance is held in one financial institution. However, the Company's management believes that depositing cash at banks with a stable rating considerably limits the exposure to credit risk.

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

d) Liquidity risk

The Company does not generate current income, and until now its operations have been financed with funds obtained from the issue of shares, shareholder loans and private offers, state grants and EU funds, and from the sales of research and development services. In addition, the Company has obtained funds to finance its operations from the sales of rights to distribute MabionCD20 (Note 19). In 2018, the Company entered into a revolving credit facility agreement for the amount of PLN 30,000 thousand (details of the agreement are described in Note 20) and as at the balance-sheet date, used PLN 15,000 thousand. The termination date of the agreement and repayment of the Loan was 17 July 2020 and on that date, the loan was repaid in full.

On 24 October 2019, the Company entered into a loan agreement with the European Investment Bank to fund the implementation of investment and R&D projects, including the development of the Company's R&D 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 30,000 thousand and may be disbursed in three tranches once certain conditions are met. The Company has taken steps to adapt the applicable agreement to the Company's current strategy for registration of the key drug, MabionCD20, including in particular the conditions for disbursing the individual tranches, as well as the schedule.

The Company actively monitors its environment as part of the prospects for obtaining new financing opportunities to cover expenses related to its basic R&D and investment activities. In particular, current activities are focused on leveraging support from the National Centre for Research and Development in the planned bridging clinical trial.

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 and the assessment of the potential for registration of the key drug MabionCD20 cannot be excluded. One should indicate here the risk related to the impossibility of changing the terms of the existing loan agreements, including with regard to the possibility of releasing individual financing tranches or further changes in the terms of the agreement with Mylan. In particular, the current situation resulting from the pandemic and its impact on capital markets should be borne in mind, as this may cause significant restrictions on sources of funding, including equity funding.

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

in PLN thousand	Carrying amount	Total	Under 6 months	6 - 12 months	1 - 2 years	2 - 5 years
As at 31 December 2019						
Repayable advances on distribution rights	44 381	44 381	44 381	-	-	-
Trade liabilities	15 914	15 914	15 914	-	-	-
Loans and borrowings	16 390	17 527	385	15 814	1 328	-
Lease	5 550	6 363	1 105	1 216	1 863	2 179
Total	**82 235**	**84 185**	**61 785**	**17 030**	**3 191**	**2 179**
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**

e) Fair value of financial instruments measured at amortised cost

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

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

The Company's management assessed that the fair value of these items approximates or equals their carrying values. The fair value measurements are classified into the level 2 fair value hierarchy (i.e. inputs other than quoted prices that are observable either directly or indirectly). The main input used to determine fair value of the bank borrowing is the current market interest rate of similar instruments of 3.92%. The fair value of the liability resulting from the repayable advances on distribution equal the carrying amount which is an amount payable on demand.

f) Risk related to the registration of Mabion CD20

Each case of registration of a biosimilar medicine is considered individually by market regulators, so the scope of requirements for technology, documentation, analysis and clinical development is not strictly defined. Therefore, it is not possible to precisely predict the scope and course of the research and development process and to accurately estimate the cost of development.

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.

The company, while developing its regulatory strategy for MabionCD20 on a 500L scale, from the very beginning had identified numerous risks that may affect the registration process and, consequently, the deadline for marketing MabionCD20 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 indicated.

The original regulatory strategy was to obtain a marketing authorisation for the drug produced in a small-scale process (500L), and then to submit a variation to change it to a large, commercial scale authorisation. On 16 March 2020, the regulatory strategy was changed to a new one, to obtain a marketing authorisation for a drug directly as part of a large commercial scale. The scope and format of the new applications will be first consulted with representatives of the EMA under the scientific advice procedure, in order to adapt them to the Agency's expectations, which will streamline the registration procedure of the large, target scale application. In the opinion of the Company's Management Board, the change in the strategy is the most optimal path in terms of both cost and time for the registration of the product coming from the large-scale process and the possibility of commercialising MabionCD20 in the European Union.

Although the registration process is carried out in accordance with the adopted regulations and in line with specific guidelines, the regulators (both the EMA and the FDA) have a number of tools at their disposal which provide them with considerable decision-making freedom and the possibility of individual adaptation of solutions to the needs occurring 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 throghout 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.

g) Risk related to 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 awarding and accounting for grants and subsidies or VAT refunds. At the time of submission of the statements, no information on the changes in the ongoing processes was received from these authorities.

In view of the persistent pandemic, there may be a risk of delays or suspension of work for an indefinite period of time resulting from the actual or potential constraints and restrictions indicated below:

- limited staff availability (quarantine, childcare in the event of school closures, risk of illness);
- limited 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;
- possibility of plant closure in order to limit the possible 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 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.

24. Related party transactions

The shareholders' structure is disclosed 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 not recorded neither sales to nor purchases from the related parties on conditions other than arm's length terms.

Services contracted previously with Celon Pharma S.A. related to the development of a drug production process or drug prototypes for use by Celon Pharma S.A. has been deferred by mutual consent into future periods due to extraordinary workload relating to completion of research and development of MabionCD20. The amounts of advances received from Celon Pharma S.A. for the performance of the service are shown in Note 18. Neither in the financial year nor in the comparative period was any revenue recognised for the provision of services to Celon Pharma S.A.

In 2020, the Company incurred borrowings from shareholders and related parties. The balance of borrowings from shareholders and related parties as at 31 December 2020 is PLN 30,389 thousand – the principal: PLN 30,000 thousand, interest: PLN 389 thousand). In 2019, the Company did not incur any borrowings from shareholders and related parties – the balance of borrowings from shareholders and related parties as at 31 December 2019 was PLN 0.

In the reporting period ended 31 December 2019, the free of charge surety granted by Glatton Sp. z o.o. to the Company in 2018, in the amount up to PLN 45,000 thousand, was in force. The surety relates to the revolving credit agreement of 17 July 2018 concluded with Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.) for a period of two years, to finance the Company's operations. In 2020, the Company signed an agreement on market terms which governs the rules for the repayable nature of the surety granted. The consideration for Glatton Sp. z o.o. providing collateral for the loan in the form of a guarantee amounted to PLN 245 thousand and was recognised as costs for the reporting period. As the loan granted by Santander Bank Polska has been repaid, the surety agreement ceased to be in force on 16 July 2020.

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 and appointment.

in PLN thousand	2020	2019
Remuneration of Supervisory Board members	455	483
Remuneration of Management Board members	1 804	1 446
Share-based payments	(16)	5
Severance pay	-	135
Awards	-	200
Compensation for non-competition	-	290
Provisions for awards	52	218
Total short-term compensation	**2 295**	**2 777**

On 16 March 2020, Mr. Dirk Kreder tendered his resignation as Member of the Supervisory Board of the Company, and at the same time the Supervisory Board of the Company adopted a resolution on that day to appoint him as President of the Management Board of the Company as of 16 March 2020. On the same day, Mr. Maciej Wieczorek tendered his resignation from the position of Chairman of the Company's Supervisory Board. Mr. Maciej Wieczorek continues to serve as Member of the Supervisory Board. Simultaneously, the Supervisory Board of the Company adopted a resolution to elect Mr. Krzysztof Kaczmarczyk as Chairman of the Supervisory Board. Furthermore, on that day Mr. Józef Banach tendered his resignation from the position of Deputy Chairman of the Supervisory Board. Mr. Józef Banach continues to act as Member of the Supervisory Board. At the same time, the Company's Supervisory Board adopted a resolution to elect Mr. Maciej Wieczorek as Deputy Chairman of the Supervisory Board.

On 15 June 2020, the Ordinary General Meeting of the Company adopted resolutions on the appointment of following persons as Members of the Supervisory Board for the second joint term of office: Mr. Józef Banach, Mr. David John James, Mr. Krzysztof Kaczmarczyk, Mr. Robert Koński, Mr. Jacek Nowak, Mr. Tadeusz Pietrucha, Mr. Adam Pietruszkiewicz and Mr. Maciej Wieczorek. The resolutions came into force on 16 June 2020.

On 31 August 2020, Mr. Jarosław Walczak submitted a statement of resignation from the position of Member of the Company's Management Board as of the date of submission. Mr. Jarosław Walczak did not indicate reasons for his resignation. The Company informed that the resignation of Mr. Jarosław Walczak was part of the reorganization of work in the Management Board of the Company initiated in March 2020 and consisting in delegation of responsibilities in the area of supervision of the regulatory area (pharmaceutical regulations, clinical trials regulations, supervision of drug registration) within the Management Board directly to the President of the Management Board, Mr. Dirk Kreder.

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

On 25 January 2021 (an event after the balance-sheet date), the Supervisory Board of the Company adopted another resolution on delegating a Member of the Supervisory Board, Mr. Adam Pietruszkiewicz, to perform duties of Member of the Management Board of the Company. The period of delegation 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 membership of 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 Member of the Management Board of the Company effective as of 3 March 2021.

On 9 February 2021 (an event after the balance-sheet date), 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.

25. Earnings / (Loss) per share

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

	2020	2019
Net loss in PLN thousand	(55 772)	(63 738)
Weighted average number of ordinary shares issued (in thousands)	13 722	13 722
Basic loss per 1 share (in PLN per 1 share)	(4,06)	(4,64)

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

26. Contingent liabilities and contractual obligations

a) Contractual obligations

As at 31 December 2020 (and as at 31 December 2019), there exists 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 performance of certain conditions provided for in the agreement, pursuant to which IMA undertakes 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 Intelligent 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 1,373 thousand (as at 31 December 2019, it amounted to EUR 1,373 thousand).

b) Contingent liabilities

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

27. Events after the balance sheet date

On 25 January 2021, the Supervisory Board of the Company adopted a 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 specified in the resolution of the Supervisory Board was to last from 25 January 2021 to 25 April 2021.

On 27 January 2021, on the basis of an in-depth analysis of the needs and estimated benefits for the Company, the Company's Management Board adopted a new long-term strategy for financing the Company's operations. The strategy covers 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, are necessary to complete the registration of MabionCD20 with the EMA and to start selling MabionCD20, which will allow the Company to generate operating cash flows. The arrangements for the Company's financing strategy have been positively reviewed by the Company's Supervisory Board. 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.The financial strategy is described in more detail in Note 3 in these financial statements and more extensively, in the Directors' Report of Mabion S.A. for 2020.

On 5 February 2021, the Company entered into borrowing agreement with Twiti Investments Ltd. - a related party and shareholder holding 17.33% of the Company's share capital (Lender) for a total amount of up to PLN 10,000 thousand (Borrowing). The Company's Supervisory Board approved the conclusion of the Borrowing Agreement. The Borrowing may be disbursed in tranches, in amounts and on dates agreed by the parties in a separate disbursement schedule, with the Lender disbursing each tranche at the written request of the Borrower. The Borrowing Agreement does not specify the purpose of the funds, however, it is the Company's intention to use the funds 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 way of conversion into ordinary bearer shares of U series, or in cash no later than on 31 December 2021 (depending on the arrangements made by the parties to the agreement). The arrangements referred to above represented a further step in the implementation of the declaration of support for the Company by key shareholders made in the letters of support submitted to the Company.

On 9 February 2021, Mr. Tadeusz Pietrucha tendered his resignation as Member of the Supervisory Board of the Company effective as of 23 February 2021. Mr. Tadeusz Pietrucha did not indicate the reasons for his resignation.

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.

On 23 February 2021, the Extraordinary General Meeting of the Company adopted resolutions on increasing the Company's share capital by way of an issue of U series ordinary bearer shares, on depriving the existing shareholders in full of the pre-emptive right to all U series shares, on applying for admission and introduction of the U series shares and rights to U series shares to trading on the regulated market operated by the Warsaw Stock Exchange, on dematerialisation of the U series shares and rights to U series shares, on the authorisation to conclude an agreement on registration of the U series shares and rights to U series shares at the securities depositary, and on amending the Company's Articles of Association by changing the Company's area of business (Polish Classification of Business Activity of 2007).

On 3 March 2021, the Company entered into a framework agreement (Framework Agreement) with Novavax, Inc. based in the United States (Novavax), pursuant to which the Company, with the participation of Novavax, will undertake activities related to the technology transfer related to the manufacturing process of the vaccine candidate antigen for COVID-19 under the working name of NVX-CoV2373 and will carry out technical testing of the process on a commercial scale at the Company's plant. The Framework Agreement is valid until 31 December 2023. With the conclusion of the Framework Agreement, the parties agreed on the scope and budget of the work commissioned to the Company to carry out the technology transfer and production of technical batches of the NVX-CoV2373 protein antigen. These are standard activities when starting cooperation

in the field of contract manufacturing. The scope of contracted work under the first order includes technology transfer from Novavax to the Company. In addition, it includes: qualification of analytical methods after the transfer, including implementation of the transferred methods and documentation related to the manufacturing process into the Company's quality system, production of one technical batch and one test batch, being a confirmation of repeatability in batch production, of the product in the Company's plant. The Company estimates that no significant expenditure is required to complete the first order. The production of the technical batch will be funded by the non-refundable consideration the Company will receive from Novavax in connection with the first order. To the best of the Company's knowledge and estimation, the technology transfer process and its verification will be completed in the first half of 2021.

At the same time, the Company informed that it has terminated its collaboration with Vaxine Pty Ltd. with whom the Management Board entered into an agreement on 29 October 2020 governing the transfer of biological materials from Vaxine to the Company for the purpose of conducting exploratory research in the Company's laboratories on the SARS-CoV-2 vaccine antigen under a previously concluded Memorandum of Understanding (MoU) for collaboration on the Covax-19™ product.

On 3 March 2021, the Company entered into an agreement with Polski Fundusz Rozwoju S.A. (PFR) regarding the boundary conditions for PFR's investment of up to PLN 40,000 thousand (PFR Investment and MoU) for the purpose of increasing the Company's production capacity, in particular for the purposes of the Company's potential broader cooperation with Novavax, Inc. regarding serial production of the vaccine for COVID-19, which is currently undergoing registration at the European Medicines Agency. It is the intention of the parties that PFR investment takes the form of (I) an interest-bearing three-year borrowing (or bond issue) granted to the Company up to the amount of PLN 30,000 thousand (Debt Investment) and (II) taking up shares of the Company up to the amount of PLN 10,000 thousand (Equity Investment). The PFR Equity Investment was implemented through the issue of U shares carried out in March 2021 pursuant to a resolution of the Extraordinary General Meeting of the Company of 23 February 2021. The PFR Debt Investment will be conditional on the Company signing a manufacturing agreement with Novavax, Inc. providing for certain net revenues of the Company from the implementation of the agreement and, in addition, the Debt Investment will be effected subject to the fulfilment of conditions precedent in the form of, inter alia, raising additional financing from the issue of the Company's U series shares, 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.

On 3 March 2021. Mr Adam Pietruszkiewicz resigned from his membership of the Company's Supervisory Board. Simultaneously, the Supervisory Board of Mabion S.A. on the same day adopted a resolution to appoint Mr Adam Pietruszkiewicz as a Member of the Management Board of the Company as of 3 March 2021.

On 4 March 2021, the Management Board of Mabion S.A. entered into a conditional share placement agreement with mBank S.A. and announced that the Company had commenced the book-building process by way of a private placement of up to 2,430,554 U series ordinary bearer shares issued by the Company. The offering of the New Issue Shares is conducted on the terms set out in Resolution No. 4/II/2021 of the Extraordinary General Meeting of the Company of 23 February 2021. (Issue Resolution) and in the Resolution of the Management Board of 3 March 2021 on the determination of the principles of offering, book-building process, subscription, taking-up and allotment of U series shares and the principles of book-building process for these shares, adoption of agreement templates for taking up U series shares (U series shares subscription agreements) and consent for Mabion S.A. to conclude a placement agreement for the purposes of the offering and subscription of U series shares ("Management Board Resolution").

On 9 March 2021, upon completion of the accelerated book-building process for U series shares, the Management Board of Mabion S.A. determined that the issue price of the Company's U series shares would be PLN 55.00 per share and that the Company would make subscription offers to investors covering a total of 2,430,554 U series shares.

As part of the issue of the U series shares, the Mabion S.A. entered into agreements with investors to take up all (i.e. 2 430 554) S series ordinary bearer shares of the Company. As part of the offering, U shares were taken up for by 65 investors. The subscription value, understood as the product of the number of U series shares taken up and the issue price of the U series shares, amounted to PLN 133,680 thousand. The required cash contributions to cover all U Series Shares were

made in entirety, whereby the Company made: (i) a contractual set-off of the entire claim against Glatton sp. z o.o. (Glatton) for payment of the issue price of the U Series Shares against Glatton's claim under the borrowing agreement concluded with the Company on 12 August 2020, up to a total of PLN 5,000 thousand; and (ii) a contractual set-off of a part of the claims against Twiti Investments Limited (Twiti) for payment of the issue price of the U Series Shares against the Twiti's claims 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.

On 16 March 2021, the Management Board of the Company announced the cancellation of the EGM of the Company which was to be held on 22 March 2021, 12:00 p.m. in Konstantynów Łódzki at ul. Łąkowa 11 (Eureka Technology Park). The decision of the Issuer's Management Board to cancel the Company's EGM was based on the need to verify the available sources of funds necessary to cover financing needs following, among other things, the successful issue of U shares and the conclusion of a framework agreement together with the first order for cotractual services with Novavax, Inc. regarding the COVID-19 vaccine programme (of which the the Company informed in Current Report no. 15/2021 of 3 March 2021). The Management Board pointed out that raising funds from the issue of U series shares and the conclusion of an agreement with Novavax Inc. will enable the Company to potentially access additional, not yet fully available sources of financing, including potential debt financing from Polski Fundusz Rozwoju S.A. (PLN 30,000 thousand), a granted and unused subsidy from the European Regional Development Fund (approximately PLN 63,000 thousand) and potentially a loan from the European Investment Bank (up to a total of EUR 30,000 thousand, i.e. approximately PLN 138,000 thousand), with which the Company continues its talks. In the hitherto financing strategy, the Company did not take into account the potential operating flows related to the collaboration with Novavax, Inc. which, if a certain scenario is materialised (including the initial stage currently being implemented, i.e., inter alia: effective technology transfer, production of one technical batch and one test batch, followed by another stage of continued collaboration on a commercial basis), may bring additional operating flows to the Company. Accordingly, decisions on updating the Company's hitherto financial strategy, including a decision on whether or not to carry out the subsequent share issue referred to in point 3 of report no. 3/2021 referred to above, will be made following detailed analyses, taking particular account of the factors mentioned above.

On 25 March 2021, the Company received the first payment from Novavax, Inc. as part of the fulfilment of the order placed under the framework agreement.

On 31 March 2021, the Company has received a lawsuit filed by Altiora d.o.o., based in Zagreb (Altiora). As set out in the statement of claim, Altiora seeks an award against the Company of the amount of EUR 359 thousand in respect of the remuneration charged by Altiora in connection with one of the agreements between the parties concerning the performance of clinical trials ("Master Service Agreement" of 18 July 2013, hereinafter "Agreement") which, according to the statement of claim and the opinion of Altiora, is still in force. The Company contests the claim both in principle and in amount. The Company is of the opinion that the action filed against it is groundless and the claims submitted therein have no legal or factual basis. The Company intends to file a response to the lawsuit, in which it shall present claims and evidence together with allegations proving that the lawsuit is groundless. The Company also intends to take its own claims held against Altiora for compensation for damages caused by the improper performance of the Agreement to court – the possible costs related to legal proceedings have been appropriately recognized in the financial result of these financial statements.

On 2 April 2021, the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register (Court) registered an amendment to the Company's Articles of Association regarding the increase in the Company's share capital as a result of the issue of U series shares carried out pursuant to resolution No. 4/II/2021 of the Extraordinary General Meeting of the Company of 23 February 2021. Following the registration, the Company's share capital amounts to PLN 1,616,132.60 and is divided into 16,161,326 shares with a par value of PLN 0.10 per share. At the same time, pursuant to Resolution No. 5/II/2021 of the Extraordinary General Meeting of the Company of 23 February 2021, the Court also registered on the same day the amendment to the Company's Articles of Association concerning the object of the Company's activities in accordance with the Polish Classification of Activities (PKD 2007).

On 29 April 2021, the Company signed an annex ("Annex") to the cooperation agreement ("Agreement", "Development and Commercialization Agreement") with Mylan, of which the Company informed in Current Report no. 31/2016 of 8 November 2016.

Under the Annex, the parties decided that Mylan will remain Company's non-exclusive distribution partner for MabionCD20 in selected countries in regions such as, in particular, Australia, New Zealand, Mexico, Central America, south Africa, South-East Asia. At the same time, it was decided that Mylan's exclusive right to sell MabionCD20 in the European Union and the Balkan countries, as well as Mylan's priority right to enter into a commercialization agreement for MabionCD20 in the United States (USA), shall expire.

The change in the scope of cooperation with Mylan will enable the Company to acquire a new partner or partners interested in commercializing MabionCD20 on the European and American markets and to establish cooperation taking into account the potential of MabionCD20 and the current market conditions. Importantly, the Annex in force does not affect the activities currently carried out by the Company in order to obtain the marketing authorisation for MabionCD20 from the European Medicines Agency, or their schedule.

At the same time, the parties have agreed 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 before the date of the Annex, constituting repayable advances for distribution rights, which is tantamount to the final settlement of all payments made so far between the Parties. Owing to the Annex, the Company has obtained the necessary flexibility in the commercialization of MabionCD20 in its key markets in Europe and in the USA. The Company informed about the above event in Current Report no. 35/2021 of 29 April 2021.

The Management Board

Dirk Kreder
President of the Management Board

Sławomir Jaros
Member of the Management Board

Grzegorz Grabowicz
Member of the Management Board

Adam Pietruszkiewicz
Member of the Management Board

Katarzyna Kutera-Wasiak
Chief Accountant

Konstantynów Łódzki, 30 April 2021.