Mabion S.A.
Condensed interim financial statements for the period of three months ended 31 March 2020

Konstantynów Łódzki, 25 May 2020

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Note	1 January 2020 – 31 March 2020 (not audited)	1 January 2019 – 31 March 2019 (not audited)
Income from research and development services		-	-
Cost of services sold		-	-
Gross profit on sales		**-**	**-**
Research and development costs	8, 9	(11 715)	(9 238)
General administration costs	8	(5 456)	(5 717)
Other operating income	10	1 116	586
Other operating costs	10	(623)	(140)
Operating loss		**(16 678)**	**(14 509)**
Financial income	11	483	211
Financial costs	11	(3 650)	(687)
Gross loss		**(19 845)**	**(14 985)**
Income tax	20	-	-
NET LOSS		**(19 845)**	**(14 985)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(19 845)**	**(14 985)**
Basic and diluted loss per share (in PLN per share)		**(1.45)**	**(1.09)**

The explanatory notes presented on pages 5 to 25 are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

in PLN thousand	Note	31 March 2020 (not audited)	31 December 2019	31 March 2019 (not audited)
Intangible fixed assets		1 376	1 448	1 405
Property, plant and equipment	12	70 534	71 688	71 959
Long-term receivables		110	110	110
Total fixed assets		**72 020**	**73 246**	**73 474**
Inventories	13	7 856	8 806	10 322
Trade and other receivables		3 427	2 841	2 948
Prepayments and accrued income		720	682	846
Cash and cash equivalents		15 620	27 970	40 701
Total current assets		**27 623**	**40 299**	**54 817**
TOTAL ASSETS		**99 643**	**113 545**	**128 291**
Share capital		1 372	1 372	1 372
Issued but unregistered share capital		1	1	-
Share premium		108 923	108 923	108 923
Other reserves		716	732	690
Accumulated losses		(152 453)	(132 608)	(83 856)
Total equity	**14**	**(41 441)**	**(21 580)**	**27 129**
Deferred income	15	44 235	44 728	32 266
Loans and borrowings	17	388	580	1 180
Finance lease	18	3 122	3 435	1 770
Total long-term liabilities		**47 745**	**48 743**	**35 216**
Repayable advances on distribution rights	16	48 420	44 381	44 834
Trade and other liabilities	19	23 895	20 908	15 358
Loans and borrowings	17	15 798	15 810	879
Deferred income	15	3 168	3 168	3 546
Finance lease	18	2 058	2 115	1 329
Total short-term liabilities		**93 339**	**86 382**	**65 946**
TOTAL LIABILITIES		**141 084**	**135 125**	**101 162**
TOTAL LIABILITIES AND EQUITY		**99 643**	**113 545**	**128 291**

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CONDENSED INTERIM CASH FLOW STATEMENT

in PLN thousand	1 January 2020 – 31 March 2020 (not audited)	1 January 2019 – 31 March 2019 (not audited)
Gross loss	**(19 845)**	**(14 985)**
Adjustments for items:		
Depreciation and amortisation	2 667	2 703
Interest income	(44)	(211)
Interest costs	281	100
Income from grants	(493)	(574)
Profit (loss) from investment activities	(1)	13
Costs of the share-based incentive scheme	(16)	(24)
Change in assets and liabilities:		
Change in inventories	950	(23)
Change in trade and other receivables	(574)	(342)
Change in prepayments and accrued income	(38)	(5)
Change in trade and other liabilities	2 923	(1 412)
Change in repayable advances on distribution rights	4 039	865
Cash flows from operating activities	**(10 151)**	**(13 895)**
Proceeds from grants	-	183
Interest received	32	211
Interest paid	(281)	(100)
Net cash flows from operating activities	**(10 400)**	**(13 601)**
Disposal of property, plant and equipment	16	29
Acquisition of property, plant and equipment and intangible assets	(1 156)	(3 666)
Net cash flows from investing activities	**(1 140)**	**(3 637)**
Repayment of borrowings	(202)	(227)
Repayment of finance lease principal	(608)	(252)
Net cash flows from financing activities	**(810)**	**(479)**
Net increase/(decrease) in cash and cash equivalents	(12 350)	(17 717)
Cash and cash equivalents – opening balance	**27 970**	**58 418**
Change in cash due to exchange rate differences	-	-
Cash and cash equivalents – closing balance	**15 620**	**40 701**

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

w tys. złotych	Share capital	Issued but unregistered share capital	Share premium	Other reserves	Cumulative Losses	Total equity
As at 1 January 2019	**1 372**	**-**	**108 923**	**714**	**(68 870)**	**42 139**
Net loss / total comprehensive income	-	-	-	-	(14 985)	(14 985)
Measurement of the share-based incentive scheme	-	-	-	(24)	-	(24)
As at 31 March 2019 (not audited)	**1 372**	**-**	**108 923**	**690**	**(83 855)**	**27 129**
As at 1 January 2020 (not audited)	**1 372**	**1**	**108 923**	**732**	**(132 608)**	**(21 580)**
Net loss / total comprehensive income	-	-	-	-	(19 845)	(19 845)
Measurement of the share-based incentive scheme	-	-	-	(16)	-	(16)
As at 31 March 2020 (not audited)	**1 372**	**1**	**108 923**	**716**	**(152 453)**	**(41 441)**

The explanatory notes presented on pages 5 to 25 are an integral part of these condensed interim financial statements.

ADDITIONAL INFORMATION

1. Company

Mabion S.A. ("Mabion" or "Company") was established on 30 May 2007 as a limited liability company. The legal form of the Company changed on 29 October 2009 as a result of the transformation of the limited liability company into a joint-stock company established in accordance with the law of the Republic of Poland. Currently, Mabion is entered on the Register of Entrepreneurs of the National Court Register kept by the District Court for Łódź Śródmieście in Łódź, 20th Commercial 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.

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.

2. Basis of preparation

The financial statements of Mabion S.A. for the period of three months ended 31 March 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 condensed interim financial statements do not contain all the information required for full financial statements compliant with the IFRS adopted for application in the European Union ("IFRS") and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2019.

The condensed interim 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 most important accounting principles that have been applied in these financial statements are presented in Note 4. The same principles have been applied in all financial years, unless explicitly stated otherwise.

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

Significant accounting estimates and management judgements are presented in note 5.

These financial statements were approved for publication by the Management Board on 25 May 2020.

3. Going concern principle

Since its establishment, the Company has focused on conducting research and development activities in order to develop and commercially market its products. As a result, the Company is incurring operating losses and is generating negative cash flows from operations. This is expected to happen again in the foreseeable future. To date, the Company has financed its operations with cash received from shareholder loans, capital issues, bank loans, grants and proceeds from distribution partners.

The going concern principle presented in the Director's Report for 2019 is implemented in the current reporting period and the company assumes a strategy to continue working with Mylan Ireland Limited ('Mylan') and to obtain or maintain the required funding. The extension of the registration process creates a risk that the cooperation with Mylan will not continue, that the company will not acquire other partners and will not obtain the required funding. These factors indicate that there is significant uncertainty that may cast doubt on the ability of the company to continue operations in the foreseeable future.

Due to the fact that the level of the Company's equity as at 31 December 2019, as well as 31 March 2020, shows a loss exceeding the sum of 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, it is planned to adopt a resolution on the continued existence of the Company pursuant to Article 397 of the Commercial Companies Code.

As at the date of publication of this report, the Company has letters of support from key shareholders (Twiti Investments Limited, Glatton Sp. z o.o., Polfarmex S.A.), which indicate their willingness and ability to continue financial support for the current operations of the Company in the near future covering the period of at least another 11 months from the date of signing the financial statements. Potential financial support of the shareholders will provide the Company with the possibility of further financing and continuation of its operations.

In addition, on 16 March 2020, the Company received supporting documents from the Company's main (founding) shareholders, according to which the shareholders declared that they would inject capital into the Company with an amount not lower than PLN 15 million in 2020. The recapitalisation, in accordance with the shareholders' declaration, will take place in 2020 in tranches in response to the Company's financial needs. The Company may be recapitalised by taking up new issue shares or using debt instruments.

On 18 May 2020 (an event after the balance-sheet date), the Company's Management Board decided to issue up to 1,907,281 U series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each, in order to increase the Company's share capital by an amount not lower than PLN 0.10 and not higher than PLN 190,728.10. The above decision was also positively assessed by the Company's Supervisory Board.

The purpose of the planned issue is to obtain additional financing for the Company's working capital, and in particular to accelerate the development of MabionCD20 and achieve the assumed milestones aimed at submitting the marketing authorisation application for MabionCD20 to the European Medicines Agency as soon as possible. Furthermore, the Company will continue the required development work to obtain registration in the USA. The capital raised should allow Mabion, a fully integrated company certified for compliance with Good Manufacturing Practice (GMP), to further develop based on its previous experience, a robust quality process, experienced and qualified personnel, and technological capabilities.

The change in the terms of current debt financing agreements and further acquisition of financing available on the market, including exclusivity agreements with future distribution partners or the support declared on 16 March 2020 by shareholders (both strategic and stock market participants) should provide the Company with the financing necessary to complete the registration process and commercialise MabionCD20. The Company has also taken steps to acquire a distribution partner for the US market and other markets not covered by the existing agreements. The Company is actively monitoring its environment in terms of the prospects for acquiring new funding opportunities, which will enable it to cover expenses related to its core R&D and investment activities. In particular, current activities are focused on including support from the National Centre for Research and Development in the planned bridging clinical trial. However, the risk related to limited access to sources of financing related to the global liquidity situation and the situation caused by the COVID-19 pandemic and its impact on capital markets cannot be excluded.

These condensed interim financial statements have been prepared in accordance with the going concern principle, which provides that the Company will continue to operate in the foreseeable future. Therefore, no adjustments were made to the condensed interim financial statements which might be necessary if there was a risk that the Company would not continue its operations.

4. Key accounting principles

a) Functional and presentation currency

The functional 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 transaction date.

c) Recognition of income

In the years covered by these financial statements, the Company did not recognise income on sales from 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 are settled separately. Income is recognised in the period in which a given element of the agreement was performed; each element of the agreement is implemented over a certain period.

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

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 expenses 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 in the undepreciated deferred income, if any, and then in the current period's financial result.

e) Research and development costs

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

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

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

f) Repayable advances on distribution rights

The Company has entered into a number of strategic agreements on the commercialisation of its drugs by granting the contractor the exclusive right to sell the drug on specific markets. The parties to these agreements make advance payments to the Company on account of rights and licenses to be obtained after the drug has been admitted to trading. The Company classifies these advances as financial liabilities because it does not have the unconditional right to avoid the delivery of cash to settle the liability, as the reimbursement of these amounts depends on the occurrence or non-occurrence of certain future events or the resolution of uncertain circumstances that are beyond the Company's control. Such liabilities are measured initially at fair value, and subsequently at amortised cost. As the event that may trigger a repayment may occur at any time, the amortised cost is equal to the amount payable on demand. When the uncertainty is resolved, the related amounts will be reclassified to deferred income and recognised as part of the remuneration for the sale of distribution rights in accordance with IFRS 15.

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 fixed assets

Property, plant and equipment are measured at cost less depreciation 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. 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:

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 fixed assets	2 - 15 years

Fixed assets used under finance 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

The carrying amount of property, plant and equipment 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. 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 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

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

The cost of inventories is determined by 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 finance 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. After initial recognition, receivables are recognised at amortised cost.

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 and other receivables are initially measured at fair value. After initial recognition, such assets are measured at amortised cost, using the effective interest rate method, less impairment losses.

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.

At the end of each reporting period, the Company checks for the occurrence of objective evidence of impairment of trade receivables and other receivables, which are financial assets. The amount of the write-down by virtue of impairment of a component of financial assets measured according to amortised cost is estimated as the difference between the balance-sheet value of the component of assets and the current value of estimated future cash flows discounted using the original effective interest rate. Impairment losses are charged to the financial result for a given period and reduce the carrying amount of receivables.

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. The Company applies simplified methods of cash and cash equivalents measurement and they are measured at nominal value if this does not distort the information contained in the statement of financial position.

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 surplus of payment received or receivable from the issue of shares exceeding their nominal value 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 the conversion of the balance-sheet value of the debt into the Company's equity. The debt recognition is discontinued when and only when the criteria of IFRS 9 are met. 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 income or costs of the Company.

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 are recognised at amortised cost.

s) Lease

The Company is a lessee under finance lease agreements.

Lease agreements which transfer substantially all potential risks and benefits to the lessee are classified as finance lease agreements. A leased asset used under a finance lease is recognised as an asset at the inception of the lease, at the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower. The corresponding liability under lease payments, less financing costs, is recognised in the statement of financial position under finance lease. Interest on the lease liability is charged to the income statement over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. Each lease payment is apportioned between the liability and the financing costs. After initial recognition, leased assets are measured in accordance with the accounting principles applicable to own fixed assets (the detailed accounting policy is described in Note 4h).

The Company took advantage of 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.

Adhering to IFRS 16 for the first time, the Company applied the following simplifications allowed by the standard: (a) it applied a single discount rate for the portfolio of leases with similar characteristics, (b) operating leases with a remaining lease term of less than 12 months as at 1 January 2019 were treated as short-term leases.

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.

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 cash received is capitalised by the Company and is not recognised as income. 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.

5. Major estimates and judgements

The Company's management makes estimates, judgements and assumptions concerning the recognition and measurement of individual assets and liabilities. The estimates and related assumptions are based on past experience, management's expectations or other factors considered relevant. Actual results may differ from the estimates. Estimates and related assumptions require regular review.

There have been no changes in the areas, scope or methodology for making material estimates during the current reporting period.

6. Operating segments

The Company's management has identified one segment of Mabion's operations, i.e. research and development and production of new biotechnology-based and biosimilar drugs through the use of modern genetic engineering techniques. There was no change in this respect as compared to the last annual financial statements of the Company.

7. Seasonal nature of the Company's activities

The activity conducted by the Company is not characterized by seasonality or cyclicality. In the period of 3 months ended 31 March 2020. The Company did not recognize revenues from sales of products and services or goods and materials.

8. Cost by type

The table below shows the categories of generic costs:

in PLN thousand	1 January 2020 – 31 March 2020 (not audited)	1 January 2019 – 31 March 2019 (not audited)
Outsourced services	1 750	2 269
Costs of materials	4 957	3 140
Staff remuneration costs	2 971	2 447
Depreciation and amortisation	1 246	1 201
Other costs	791	181
Research and development costs by type	**11 715**	**9 238**
Costs of leasing and running the office	1 157	1 343
Staff remuneration costs	1 966	1 929
Depreciation and amortisation	1 421	1 503
Advisory services related to the conclusion of distribution agreements	42	187
Share-based management scheme	(16)	(24)
Lease, use and maintenance of equipment and costs of company cars	110	188
Taxes and charges	201	137
Audit and other advisory services	415	184
Other	160	270
General administration costs by type	**5 456**	**5 717**

9. Research and development costs

in PLN thousand	1 January 2020 – 31 March 2020 (not audited)	1 January 2019 – 31 March 2019 (not audited)
MabionCD20	11 234	8 885
MabionEGFR	374	337
Other projects	107	16
Total research and development costs	**11 715**	**9 238**

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.

During the period covered by these financial statements, the only ongoing R&D projects financed by EU funds were MabionCD20 and MabionEGFR.

10. Other operating income and costs

in PLN thousand	1 January 2020 – 31 March 2020 (not audited)	1 January 2019 – 31 March 2019 (not audited)
Release of revaluation write-offs on current assets	608	-
Profit on sales of fixed assets	1	-
Grants	493	574
Other	14	11
Total other operating income	**1 116**	**585**
Loss on sales of fixed assets	-	13
Revaluation write-offs on current assets	521	123
Disposal of materials	94	-
Other	8	4
Total other operating expenses	**623**	**140**

Income from grants relates in particular to the part of grants received in previous years for the purchase of fixed assets in projects co-financed from EU funds, in the amount of PLN 493 thousand and PLN 496 thousand in the first quarter of 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.

The release of provisions and revaluation write-offs in the amount of PLN 608 thousand relates to materials that in the first quarter of 2020 were intended for consumption and utilization.

Write-offs revaluing current assets in the amount of PLN 521 thousand refer to the inventory of materials and were created in accordance with the accounting policy in force in this respect for materials whose useful life expires on 30 June 2020.

Disposal of materials in the amount of PLN 94 thousand relates to the liquidation of materials after their expiry date which are not suitable for alternative use.

11. Financial income and costs

in PLN thousand	1 January 2020 – 31 March 2020 (not audited	1 January 2019 – 31 March 2019 (not audited)
Interest income	44	211
Net foreign exchange gains	439	-
Total financial income	**483**	**211**
Interest costs	281	100
Negative net exchange rate differences	3 352	575
Other financial costs	17	12
Total financial costs	**3 650**	**687**

Negative net exchange rate differences for the period ended 31 March 2020 result in particular from unrealised exchange rate differences concerning the valuation of liabilities on account of repayable advances on distribution rights denominated in foreign currencies, described in Note 16.

12. Property, plant and equipment

In the current reporting period, the Company incurred expenditures on tangible fixed assets and intangible assets (including those not put into use) in the amount of PLN 1,536 thousand, of which the amount of PLN 633 thousand relates to design works related to the extension of the production plant and construction of a new building with production lines significantly increasing production capacity.

Tangible fixed assets put into use in the period of 3 months of 2020 constitute PLN 905 thousand, some of which was financed under lease agreements, which are presented in Note 18.

In the current reporting period, the Company sold means of transport for PLN 16 thousand. The unremitted value was PLN 15 thousand.

The Company's management did not identify any evidence of impairment of tangible fixed assets as at 31 March 2020.

13. Inventories

The balance of inventories includes only materials.

The value of used up inventories disclosed in the costs of research and development in Q1 2020 was PLN 3,567 thousand.

The increase in the consumption of materials and the decrease in the balance of inventories in the first 3 months of 2020 is connected with the production of MabionCD20 on a scale of 2x2500 litres in the plant in Konstantynów Łódzki.

The Company recognised PLN 521 thousand under other operating expenses as an impairment loss on inventories of materials whose expiry date is 30 June 2020 (see Note 10). Compared to 31 December 2019, the balance of impairment losses decreased by PLN 87 thousand. The Company utilised materials in the amount of PLN 94 thousand (see Note 10).

14. Share capital

Pursuant to Resolution 25/VI/2018 of 28 June 2018, the Ordinary General Meeting of the Company authorised the Management Board to issue not more than 125,000 A series and B series subscription warrants, entitling eligible employees to purchase up to 114,000 R series ordinary shares and up to 11,000 S series ordinary shares, excluding the pre-emptive right of the existing shareholders of the Company.

On 29 December 2018, on the basis of the authorisation contained in Resolution 24/VI/2018 of the Ordinary General Meeting of the Company, the Supervisory Board approved the Rules of the Incentive Scheme for 2018-2021. Taking up shares and exercising rights from warrants will be possible if the criteria specified in the Rules And Regulations are met. Alternatively, warrants may be purchased by the Company for a fee in order to redeem them.

On 12 February 2019, by appropriate Resolutions, the Supervisory Board approved the list of persons entitled to take up warrants of series A and B for 2018 and 2019, stated the lack of fulfilment of the market condition (i.e. reaching the minimum price) for warrants of series A for 2018 and confirmed the fulfilment of the employment condition for warrants of series A and B for 2018.

On 30 January 2020, by appropriate Resolutions, the Supervisory Board stated the lack of fulfilment of the market condition (i.e. reaching the minimum price) for warrants of A series for 2019 and confirmed fulfilment of the employment condition for warrants of A and B series for 2019. On 27 February 2020, by appropriate Resolutions, the Supervisory Board approved the list of persons entitled to take up warrants of A and B series for 2020.

The table below presents details of the Scheme and its valuation as at 31 March 2020:

	A series warrants			B series warrants		
Tranche for the year	2019	2020	2021	2019	2020	2021
Date of scheme approval (beginning of the vesting period)	28 June 2018					
Date of entitlement	12 February 2019	27 February 2020	none	12 February 2019	27 February 2020	none
End of the 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 beneficiaries and a provision without designating beneficiaries in the amount of 5 200)	28 500	28 500 (no indication of persons eligible)	500	500	500 (no indication of persons eligible)
Exercise price	PLN 91.00	PLN 91.00	PLN 91.00	PLN 0.10	PLN 0.10	PLN 0.10
Share price as of 31 March 2020	PLN 19.40	PLN 19.40	PLN 19.40	PLN 19.40	PLN 19.40	PLN 19.40
Market condition for the acquisition of entitlements	Reaching the minimum price defined as the arithmetic mean of the Company's share prices on the Warsaw Stock Exchange calculated from the daily volume-weighted average prices in the last month of each year			-	-	-
Minimum price	PLN 190.00	PLN 280.00	PLN 400.00	-	-	-
Non-market condition for the acquisition of entitlements	The person eligible to remain in a business relationship and provide work or services or the Company for a period not shorter than 183 days in a given year covered by the Scheme					
Settlement	Shares					
Expected volatility (based on historical volatility of the Company's share prices for 12 months to the Valuation Date)	35.63%	55.22%	69.75%	35.63%	55.22%	69.75%
First possible date of exercise of the entitlement	14 February 2020	14 February 2021	14 February 2022	14 July 2020	14 July 2021	14 July 2022
Last possible date of exercise of the entitlement	31 July 2022					

	A series warrants			B series warrants		
Risk-free rate	1.50% -1.87%	1.23% -1.84%	1.01% -1.23%	1.50% -1.87%	1.23% -1.84%	1.01% -1.23%
Dividend rate	0%					
Likelihood of leaving	17.77% per year					
Date of fair value measurement of the warrant	12 February 2019	27 February 2020	31 March 2020	12 February 2019	27 February 2020	31 March 2020
Fair value of the warrant for the valuation date	PLN 0.07	PLN 0.00	PLN 0.06	PLN 69.78	PLN 46.24	PLN 20.61
Valuation model	Binomial model					

On 12 February 2019, the Supervisory Board approved the list of employees eligible to take up A series and B series warrants for 2019. Therefore, the measurement of fair value of the above tranches of warrants was prepared as at 12 February 2019.

On 27 February 2020, the Supervisory Board approved the list of employees entitled to take up A and B series warrants for 2020. Therefore, the fair value measurement of the above warrants was prepared as at 27 February 2020. As at 31 March 2020, only the expected number of warrants to which eligible persons will acquire rights was updated.

In the case of A and B series warrants for 2021, the list of employees entitled to participate in the Scheme was not determined by the Supervisory Board until the date of preparing the financial statements for Q1 2020. Therefore, the measurement of fair value of these tranches of warrants (taking into account the market condition) was prepared as at the balance-sheet date (i.e. 31 March 2020). The measurement of fair value of these warrants will be updated for each future balance-sheet date until the date of establishing the list of eligible employees and the number of A and B series warrants for a given year (vesting date). As at the vesting date, the final measurement of the warrant fair value will be made. As at subsequent balance-sheet dates, only the expected number of warrants to which the eligible persons will acquire rights will be updated (based on the estimated probability of leaving by the end of the vesting period).

A binomial model of option valuation was used to measure the fair value of the warrant. As part of the valuation, a tree of share prices was built as a path for the future share price (change of share prices on a monthly basis) based on the historical volatility of the Company's share prices. The valuation was carried out in the process of backward induction taking into account the market condition (reaching the minimum price) and the possibility of early exercise of options in accordance with the terms of the Scheme (based on the assumed assumptions regarding the minimum rate of return expected by eligible persons). The total cost of the Scheme as at the individual balance-sheet dates will be estimated based on the most recent valuations of the fair value of the warrants and the probability of losing the entitlement to the warrants by the participants of the Scheme. The costs of the Scheme will be settled over time in proportion to the vesting period for particular tranches of warrants.

In connection with failure to meet the market condition for A series warrants for 2018 (minimum price of PLN 130) before the date of defining by the Supervisory Board the list of persons eligible to acquire them, this warrant tranche was not included in the valuation of the Scheme as at 31 March 2020.

In case of failure to meet the market condition for warrants of A series for a given year, the Supervisory Board may grant a tranche of warrants not granted for this reason together with warrants of A series for the year in which the market condition was met. Due to the lack of certainty as to future decisions of the Supervisory Board in this respect, the estimation of the cost of the Scheme as at 31 March 2020 does not take into account the effect of shifting warrants not granted in a given year to subsequent years. This does not exclude the possibility of granting these warrants in subsequent periods in accordance with the applicable rules and regulations of the Scheme.

The valuation of the Incentive Scheme as at 31.03.2020 amounts to PLN 716 thousand and was reduced by PLN 16 thousand compared to 31.12.2019, where it amounted to PLN 732 thousand.

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 of the nominal value of PLN 0.10 each with the total nominal value not exceeding PLN 40,283.50. The conditional share capital increase was made in order to grant rights to take up T series shares to the European Investment Bank in connection with the signing on 24 October 2019 of a loan agreement for EUR 30 million. The right to take up T series shares may be exercised until 29 November 2029. All T series shares may be paid up only by contribution in cash. The issue price of T series shares is PLN 0.10 per share. Until the date of publication of the report as at 31.03.2020, the rights were not granted.

15. Deferred income

in PLN thousand	31 March 2020 (not audited)	31 December 2019
Grants on property, plant and equipment	9 650	10 143
Grants on research and development costs	22 156	22 156
Advance payment from Mylan for distribution rights to MabionCD20	14 007	14 007
Advance payment from Celon Pharma for services (development of antibody production technology)	1 590	1 590
Deferred income	**47 403**	**47 896**

In the past, the company has financed part of its operations with grants from the European Regional Development Fund administered 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 financing research and development works and/or implementation of the drug MabionCD20, the technology of production of analogues of human hormone insulin (double cutting technology) and the drug MabionHER2.

The subsidised fixed assets were put into service in 2015 and their depreciation started at that date. The relevant part of deferred income (grants) was also included in the financial result (PLN 493 thousand in the first quarter of 2020 and PLN 496 thousand in the first quarter of 2019 - see also Note 10).

The current part of deferred income is the part which the Management Board expects to be able to classify as income within 12 months of the balance-sheet date. This is particularly the case:

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

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

The item of long-term deferred income includes the part which the Management Board expects to qualify as revenue later than 12 months from the balance-sheet date. This applies in particular to:

a) grants for investments in fixed assets, which will be recognised as revenue in proportion to the value of depreciation charges on property, plant and equipment financed from grants;

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

c) advances on distribution rights received from Mylan, in the amount of PLN 14,007 thousand, which under the terms of the agreement with Mylan is non-refundable, and which will be recognised as revenue once Mabion has obtained a marketing authorisation for MabionCD20.

16. Repayable advances on distribution rights

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

in PLN thousand	31 March 2020 (not audited)	31 December 2019
Mylan	46 649	42 724
FARMAK	1 138	1 065
ONKO	501	468
Sothema Laboratories	105	98
Lyfis	27	26
Total returnable advances on distribution rights	**48 420**	**44 381**

The change in the balance of returnable advances for distribution rights in the 3-month period ended 31 March 2020, amounting to PLN 4,039 thousand, is solely due to changes in exchange rates, as all advances were denominated in foreign currencies (EUR or USD) According to information presented in the Company's financial statements for the financial year ended 31 December 2019, these advance payments may be repaid and are treated by the Company as current liabilities. During the period covered by these interim condensed financial statements, there were no material changes in the terms and conditions of agreements with distribution partners.

17. Loans and borrowings

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 million, with the amount of PLN 15 million being disbursed after fulfilment of formal and legal conditions and establishment of collaterals, and an amount of more than PLN 15 million may be disbursed after the Company receives a positive decision of the European Medicines Agency concerning registration of the drug MabionCD20. The loan bears interest at a variable rate and is based on WIBOR 1M plus the Bank's margin determined on market conditions. The collateral for the loan is the first rank contractual mortgage up to the maximum amount of PLN 45 million 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 contract for the buildings/constructions on that real estate, a declaration of 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 the loan, as well as sureties and other forms of collaterals granted by entities related to the Company (main shareholders of the Company). The agreement contains numerous obligations of the Company towards the Bank and stipulates 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 established within the period specified in the loan agreement. As at 31 March 2020, the Company used 50% of the loan amount, namely PLN 15 million. The deadline for completion of the agreement and loan repayment is 17 July 2020. The Company has taken steps to establish and change the conditions, including the extension of the financing.

On 24 October 2019, the Company concluded an agreement with the European Investment Bank (hereinafter referred to as the EIB) for an unsecured loan to finance investment and R&D projects, including the development of the Company's research and development infrastructure and production capacity for a maximum of 5 years from the date of disbursement of individual tranches. The amount of the loan is EUR 30 million and will be disbursed in three tranches once certain conditions are met. The Company has taken steps to adapt the current agreement to the Company's current strategy for registration of the key drug MabionCD20, including in particular the new conditions for releasing the individual tranches, as well as the schedule. The agreement contains numerous obligations of the Company towards the EIB and situations constituting a breach of the agreement resulting, among others, in the possibility of its termination by the EIB. The disbursement of the tranches depends on the implementation of the conditions provided for in the agreement, which are, among others, milestones in the scope of registration and commercialization of MabionCD20.

The interest rate on the loan is fixed and amounts to a maximum of 2.7% per year. The availability period of the loan is 36 months from the date of the Financing Agreement.

As at 31 March 2020, the Company did not use any tranche of the loan from the EIB and its debt on this account is PLN 0 (zero).

b) Loans from shareholders and related parties

In the current reporting period, the Company did not take any loans from shareholders or related entities. The balance of loans from shareholders and related parties as at 31 March 2020 was PLN 0 (zero).

c) Asset-backed loans

The Company is a party to five leaseback agreements to finance the purchase of laboratory equipment, which are treated as loans due to the fact that the purchases of equipment financed in this way were first fully paid for by the Company and the lease agreements contain irrevocable offers to repurchase the equipment being the subject of the agreement at the end of the lease period. These agreements were concluded for a period from 3 to 4 years and are secured with blank promissory notes. The lessor has the right to fill in the 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 used 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 uses in connection with new IT systems implemented in the Company. Both loans were concluded for 2-year periods and are secured with blank promissory notes, contracts of transfer of ownership and registered pledges on equipment financed by the loans. The lender has the right to fill in the promissory note up to the equivalent of all outstanding but unpaid receivables due to the lender under the loan agreement, in case the Company fails to pay any of these receivables on their due date.

In 2019 and in the current reporting period, the Company did not conclude any new loan agreements secured on assets, while one of the above loans ended in January 2020.

As of 31 March 2020, the total value of unpaid loans secured on assets is PLN 1,175 thousand.

18. Financial lease

a) Financial lease

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

On 17 December 2019, the Company entered into a lease agreement for office space in Łódź for the period from 2020 to 2023 and recognized the finance lease as at 31 December 2019.

The lease agreements concluded by the Company provide for a 3 to 5-year lease period. These lease agreements are secured with blank promissory notes. The lessor has the right to fill in the 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 the event that the Company fails to pay any of these receivables on the due date.

Changes in the interest rate constituting an element of calculation of the lease installment amount are the reason for changes in the amount of lease installments. All lease agreements, except for the lease of office space, contain an option to purchase the leased item after the end of the lease period.

In the period covered by these condensed interim financial statements, the Company concluded two new lease agreements, as a result of which it recognized new items of property, plant and equipment in the amount of PLN 497 thousand and a financial lease liability in the amount of PLN 497 thousand.

The depreciation of leased fixed assets in the current reporting period was PLN 599 thousand, and the interest on the lease was PLN 90 thousand.

The total gross balance-sheet value of the objects of financial lease as of 31 March 2020 amounts to PLN 14,278 thousand. The table below presents information on future minimum lease payments and the present value of minimum lease payments as at 31 March 2020 and 31 December 2019.

in PLN thousand	Future minimum lease payments as of 31 March 2020 (not audited)	Present value of minimum lease payments as of 31 March 2020 (not audited)	Future minimum lease payments as at 31 December 2019	Present value of minimum lease payments as of 31 December 2019
For up to 1 year	2 342	2 058	2 321	2 115
From 1 to 5 years	3 699	3 122	4 041	3 435
Total	**6 041**	**5 180**	**6 362**	**5 550**

19. Trade and other liabilities

in PLN thousand	31 March 2020 (not audited)	31 December 2019
Trade liabilities	17 632	15 914
Social insurance and income tax on salaries	1 675	943
Provision for unused leave	764	576
Other liabilities	3 490	3 460
Company Social Benefit Fund	334	15
Total trade and other liabilities	**23 895**	**20 908**

20. Effective income tax rate

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

As at 31 March 2020, yhe Company operated in Poland under three permits issued by the Łódź Special Economic Zone. On 7 February 2020, the Company received a decision of the Minister of Development on the amendment of permit no. 301 to operate in the Łódź Special Economic Zone. By virtue of the above mentioned decision, at the request of the Company, the deadline for incurring investment expenditure within the Zone within the meaning of § 6 (1) of the Regulation of the Council of Ministers of 10 December 2008 on public aid granted to entrepreneurs operating on the basis of a permit to conduct business activity in the areas of special economic zones, in the amount of at least PLN 20 million, was extended from 31 December 2019 to 30 June 2021. The application for the above change resulted from the change in the schedule of the Company's commencement of investment. As of 31 December 2019, the expenses incurred under the investment covered by permit no. 301 amounted to PLN 2.8 million. At the same time, the investment completion date planned for 31 December 2021 did not change.

In the period of 3 months ended 31 March 2020, the Company incurred a tax loss of PLN 4,884 thousand. The Company did not recognize a deferred tax asset on this loss due to failure to meet the conditions of IAS 12 regarding the probability of achieving tax revenues allowing the loss to be utilized before the end of the period. The amount of tax losses from previous years was presented in the financial statements for the financial year ended 31 December 2019.

21. Financial risk management

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

With regard to the risk associated with the SARS-COV-2 pandemic, information on this risk was included in Note 23g of the annual financial statements of the Company and in the opinion of the Management Board, it has not changed significantly. As at the day of publication of these statements, the pandemic affects the change in the functioning of both Mabion S.A., as well as external entities cooperating with it. Most companies in the world are limiting their activities due to the epidemic. Delays in the execution of orders are increasingly frequent. Many of the Company's suppliers are representatives of European companies that have warehouses in many European countries, which makes it impossible to deliver at the declared time. Delays on the part of courier companies are also a frequent cause of late deliveries. Apart from the delivery dates, there are limitations caused by the lack of possibility of carrying out, at the Company's headquarters, e.g. equipment calibration by a representative of a foreign company, without which the equipment cannot be started up and thus its acceptance finalized. There are also situations when materials and process substances are delivered at the last moment, which delays the process of transferring materials for testing. It is also not ruled out that the companies' inventories may be depleted, and the production limitation will contribute to a reduced supply of products, and thus there may be potential problems with guaranteeing all the resources necessary to conduct research. The above risk may translate into the timeliness and scope of implementation of projects co-financed from the European Union. If the Company fails to carry out the planned work within the deadlines set by the intermediate body, it will be obliged to return part or the full amount of co-financing plus interest. There is also a risk of failure to obtain approvals from the intermediate body in the event of further problems related to substantive or financial progress, which may involve termination of the contract or contracts for co-financing and the need to return the funds collected together with interest.

In connection with the above, if the conditions giving rise to the liability are fulfilled, the Company's financial situation may significantly deteriorate, which in the long run may threaten the achievement of the Company's strategic objectives. In order to prevent the above mentioned risk, the Management Board of the Company monitors on a current basis the course of cooperation with contractors and the internal situation of the Company, trying to adjust the strategy to the existing threats in the areas described above in advance and closely cooperate with intermediate bodies. The Management Board also analyses the situation caused by the pandemic in terms of its possible impact on the implementation of clinical trials. It cannot be ruled out that the restrictions introduced by government administrations in individual countries may hinder the launch of the study or affect the procedure of its organisation and duration. In order to minimize this risk, the Management Board monitors potential threats on an ongoing basis to adapt the Company's plans to the epidemic situation.

In order to limit the negative effects of the pandemic, the Management Board, acting on the basis of the relevant provisions of law, submitted applications to obtain tax reliefs, which constitute income for the State Treasury, and for postponing the date of payment of contributions due to the Social Insurance Institution (ZUS). The Company also decided to take advantage of the deferred deadline for the payment of advances for personal income tax and to submit an application for a tax relief for real estate tax. The Management Board of the Company is currently monitoring the enacted and drafted legislation, aimed at providing assistance of public law nature to businesses suffering from negative economic effects caused by the SARS-COV-2 pandemic.

All the aforementioned phenomena may have a direct impact on the Company's financial situation.

22. Fair values of financial instruments carried at amortised cost

The Company does not have any financial instruments measured at fair value. For the purpose of disclosing fair values of financial instruments measured at amortised cost, the Company applies the method based on discounted cash flows.

The main items of financial instruments measured at amortised cost include: short-term bank loans and borrowings and returnable advances on distribution rights. In the opinion of the Company's management, the fair values of these items are similar to their carrying amount.

23. Transactions with related parties

The Company does not have any direct controlling entity or top-level controlling entity.

In the period covered by these condensed interim financial statements, the Company did not make any sales to or purchases from related parties on terms that differ significantly from market terms.

The services commissioned by Celon Pharma S.A., related to the development of the drug production process or prototype drugs to be used by Celon Pharma S.A. were postponed by mutual agreement of the parties in connection with the extraordinary burden of work on the completion of development of MabionCD20. More information is presented in Note 15.

In the reporting period ended 31 March 2020, the free of charge surety granted by Glatton Sp. z o.o. to the Company in 2018, in the amount up to PLN 45 million, 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 regulates the rules of payment of the granted surety. As at 31 March 2020, the Company used half of the amount of the available credit facility, amounting to PLN 15 million.

Remuneration of key management personnel (including payments and share-based remuneration)

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

in PLN thousand	1 January 2020 – 31 March 2020 (not audited)	1 January 2019 – 31 March 2019 (not audited)
Remuneration of Supervisory Board members	124	116
Remuneration of Management Board members	264	401
Short-term remuneration in total	**388**	**517**
Valuation of warrants under the share-based scheme	(16)	(14)
Total remuneration of key management and Supervisory Board staff	**372**	**503**

24. Contingent liabilities and contractual obligations

a) Contractual obligations

As at 31 March 2020, the Company had no contractual obligations to acquire property, plant and equipment, intangible assets or development work.

b) Contingent liabilities

As at 31 March 2020 , 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.

25. Settlements related to litigations

The Company is not a party to any court, regulatory or arbitration proceedings that management believes could have a material adverse effect on the Company's financial condition, operations or cash flows.

26. Events after the balance sheet date

In April 2020, the Company submitted the Briefing Package to the EMA and is currently awaiting the regulator's response, which should take place, depending on the path taken by the Agency, between June and July 2020.On 7 May 2020, the Company's Supervisory Board decided to extend the cooperation with PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością Audyt sp.k. entered on the list of audit firms under number 144. The extension of cooperation with the audit firm was made due to the repeal of the provision of Article 134(1) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, which provided for a 5-year rotation period for audit firms, by Article 49 of the Act of 31 March 2020 amending the Act on special arrangements related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them and certain other acts (Dz.U.2020 item 568), which results in the application of a 10-year rotation period for audit firms in relation to listed companies in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audits of public-interest entities and repealing Commission Decision 2005/909/EC.

On 18 May 2020, the Management Board of Mabion S.A. made a decision on the intention to issue up to 1,907,281 U series ordinary bearer shares of the Company with a nominal value of PLN 0.10 each, to increase the Company's share capital by an amount not lower than PLN 0.10 and not higher than PLN 190,728.10. The above decision was also approved by the Company's Supervisory Board on that day. The aim of the planned issue is to obtain additional funding for working capital of the Company and, in particular, to accelerate the ongoing development of MabionCD20 and to achieve the milestones envisaged to submit the application for marketing authorisation for MabionCD20 to the EMA as soon as possible. Furthermore, the company will continue the required development work to obtain registration in the USA. The acquired capital will allow Mabion S.A., a fully integrated company with GMP-certified facilities, to conduct further development based on the previous experience of the Company, robust quality process, experienced and qualified workforce, as well as technological capacity.

The intention of the Company's Management Board is that the issue is effected in the form of a private placement within the meaning of Art. 431 §2 (1) of the Commercial Companies Code, carried out by way of a public offering exempt from the obligation to publish a prospectus within the meaning of the relevant provisions of law or another information or offering document for the purpose of such an offering, and in particular that the selection of investors to whom offers to subscribe for U series shares is made with account taken of the book-building process or another process aimed at acquiring entities subscribing for new issue shares. In the opinion of the Management Board of the Company, the issue of U series shares should be carried out with the full exclusion of the existing shareholders' pre-emptive right to all U series shares, which is in the interest of the Company and its shareholders and serves to ensure efficient provision of its capital. The issue price of U series shares will be determined by the Management Board of the Company within the limits set by the General Meeting.

In view of the above, the Management Board of the Company, when convening the Ordinary General Meeting of the Company (OGM) on 19 May 2020 (an event after the balance-sheet date) for 15 June 2020, included in the planned agenda of the OGM an item providing for the adoption of a resolution on increasing the Company's share capital through the issue of U series ordinary bearer shares.

As a consequence of the above, in the planned agenda, the Ordinary General Meeting also took into account the adoption of a resolution on a conditional increase in the share capital by an amount not exceeding PLN 5,595.40 through the issue of not more than 55,954 V series ordinary bearer shares and not more than 55,954 D series subscription warrants, entirely addressed to the European Investment Bank (EIB), in order to implement the agreements concluded with the EIB in 2019 (financing agreement and warrant agreement), obliging the Company to issue and offer to the EIB a specified number of subscription warrants if the Company's share capital is increased. According to the provisions of the warrant agreement, the issue price of one V series share should be PLN 0.10 and the subscription warrants should be issued free of charge.

In addition, due to the fact that the Company's equity as at 31 December 2019, as well as at 31 March 2020, shows a loss exceeding the sum of 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 it is planned to adopt a resolution on the continued existence of the Company pursuant to Article 397 of the Commercial Companies Code. The occurrence of negative equity capital results from the nature of the Company's operations and is typical for companies of a research and development nature. The Company's biotech operations are characterized by the constant incurrence of high research costs with no sales revenues until the project is commercialized, as a result of which the Company incurs losses on its operating activities and generates negative cash flows from operating activities.

May 25, 2020

Oświadczenie

Niniejszym oświadczam, że z uwagi na pandemię koronawirusa COVID-19 powodującą ograniczenia w przemieszczeniu pomiędzy krajami UE jak również wewnątrz Państwo Członkowskich UE nie udało się mi się w pełni zakończyć procedury uzyskania podpisu elektronicznego w terminie do zatwierdzenia Śródrocznego Skróconego Sprawozdania Finansowego za okres 3 miesięcy zakończony 31 marca 2020 r. wraz z Pozostałymi Informacjami do raportu kwartalnego Mabion S.A. za I kwartał 2020 r. w związku z czym nie miałem możliwości podpisania ww. dokumentów.

Jednocześnie oświadczam że wedle mojej najlepszej wiedzy, Śródroczne Skrócone Sprawozdanie Finansowe za okres 3 miesięcy zakończony 31 marca 2020 r. i dane porównywalne zostały sporządzone zgodnie z Międzynarodowymi Standarami Sprawozdawczości Finansowej i odzwierciedlają w sposób prawdziwy, rzetelny i jasny sytuację majątkową i finansową Spółki oraz jej wynik finansowy.

Ponadto oświadczam, że Pozostałe Informacje do raportu kwartalnego Mabion S.A. za I kwartał 2020 r. zawierają prawdziwy obraz rozwoju i osiągnięć oraz sytuacji Spółki, w tym opis podstawowych zagrożeń i ryzyka.

Statement

I hereby declare that, due to the COVID-19 coronavirus pandemic causing restrictions on movement between EU countries as well as within an EU Member State, I have not been able to complete the procedure of obtaining electronic signature in time for the approval of the Interim Condensed Financial Statements for the period of 3 months ended March 31, 2020, alongside with Other Information to the quarterly report of Mabion S.A. and, as a result, I have not been able to sign the above-mentioned documents.

Simultaneously, I declare that to the best of my knowledge, the Interim Condensed Financial Statements for the period of 3 months ended March 31, 2020 and the comparative data have been prepared in accordance with the International Financial Reporting Standards and they give a true and fair view of the Company's financial position and its financial performance.

Moreover, I declare that the Other Information to the quarterly report of Mabion S.A. contains a true view of the development, achievements and situation of the Company, including the description of basic threats and risks.

Dirk Kreder – Prezes Zarządu Mabion S.A./

President of Management Board of Mabion S.A.

The Management Board

Konstantynów Łódzki, 25 May 2020

Dirk Kreder
President of the Management Board

Jarosław Walczak	**Sławomir Jaros**	**Grzegorz Grabowicz**
Member of the Management Board	Member of the Management Board	Member of the Management Board