

Konstantynów Łódzki, September 12, 2023

Press Release

Third consecutive quarter of very strong results, high profitability and consistent transformation towards CDMO

- > **Mabion released its financial results for Q2 2023, in which it generated solid revenues and double-digit profits at all levels of the income statement, thanks to the efficient execution of its CDMO (Contract Development and Manufacturing Organization) services, while maintaining a high EBITDA margin of over 50% (excluding materials)**

- > **In Q2 2023, Mabion generated:**
 - 35.4 million PLN revenue (excluding revenue from purchase of materials), +87% y/y
 - 19.2 million PLN EBITDA, +242% y/y
 - 17.5 million PLN EBIT, +465% y/y
 - 15.2 million PLN net profit, +198% y/y

- > **In 1H 2023, Mabion generated:**
 - 74.7 million PLN in revenue (excluding revenue from purchase of materials), +73% y/y
 - 39.0 million PLN EBITDA, +156% y/y
 - 35.5 million PLN EBIT, +248% y/y
 - 31.7 million PLN net profit, +152% y/y

- > **Stable and predictable revenues from the contract settlement with Novavax, cost discipline and the prospect of activities planned for 2H 2023 have raised expectations for 2023 results. Management maintains the possibility of realizing the level of expected revenues, while raising the expected EBITDA margin for the full year 2023 to a level exceeding 30% (compared to the previously expected margin of around 25%)**

- > **Cash on hand (38.5 million PLN at the end of Q2 2023), projected operating cash flow in the coming quarters, and an available loan from the EBRD for \$15 million (expected to be drawn down soon) secure the transformation into a CDMO and the modernization of the Konstantynów Łódzki plant**

- > **The cooperation with Novavax is developing successfully and steadily, generating significant cash flow for Mabion. In 1H 2023, the Company received contract payments of \$10.3 million. From the beginning of the cooperation in March 2021 until the date of publication of the report (12/09/2023), payments from Novavax exceeded \$67 million**

- > **Mabion successfully completed GMP validation and manufacturing of another (second) product under contract with Novavax - an antigen against Omicron variant, and completed technical batch production in technology transfer process for Kraken variant (Omicron sub-variant)**

- > **In accordance with the Strategy for 2023-2027, Mabion is carrying out the process of modernization of the existing plant in Konstantynów Łódzki, scheduled for June-November 2023, which includes the installation of a set of bioreactors with conventional mixing technology and the replacement of 2 bioreactors with orbital shaking technology with 2 new ones with the same technology**

- **The purpose of the plant upgrade is to diversify the technology and increase the flexibility of CDMO's service offering by expanding the panel of available bioreactor technologies, which will result in greater flexibility for the Company in discussions with future customers and should lead to business diversification**
- **Increased initiatives aimed at acquiring new customers, including advanced recruitment of an expert for the position of Business Development Director to support Mabion's sales efforts in the US**

"We are very pleased with the solid results for the second quarter of this year and the margins generated at all levels, achieved through high process efficiency and maintained cost discipline. This is the third consecutive quarter that Mabion has generated more than 15 million PLN in net profit. The financial surplus generated, together with our cash and available EBRD loan of \$15 million, will allow us to realize the ambitious growth plans outlined in the Strategy, including the first stage of investment in the modernization of the Mabion I plant. With the achievement of technological diversification of the current plant by the end of the year and a dynamic transformation towards the development of CDMO services, we estimate the potential to generate revenues (including materials) of around 150 million PLN in the whole of 2023. At the same time, we raise our expectations for the EBITDA margin in 2023, which should be above 30% (compared to the previously expected EBITDA margin level of around 25%). In line with the Strategy, we started the modernization of the Plant in June, which will affect our results in the second half of the year." - comments Krzysztof Kaczmarczyk, Chief Executive Officer of Mabion S.A.

2Q 2023 financial results

In Q2 2023, the Company generated solid operating income of 36.0 million PLN, including 35.4 million PLN from the performance of CDMO services together with the leasing component. The remaining insignificant portion of revenues is the value of purchased materials for contract manufacturing services (non-margin component). Mabion achieved very good profitability at all performance levels, achieving 77.5% gross margin on sales (excluding materials), 54.2% EBITDA margin (excluding materials) and 49.4% EBIT margin (excluding materials). At the EBITDA level, the Company recorded a result of 19.2 million PLN (+242% y/y), and EBIT amounted to 17.5 million PLN (+465% y/y). Net profit nearly tripled to 15.2 million PLN, up from 5.1 million PLN net profit in Q2 2022, and remained above 15 million PLN for the third consecutive quarter.

"We again achieved very good margins at all levels of performance and are pleased with the results achieved by Mabion in Q2 2023. This is another quarter in which we prove the effectiveness and efficiency of our processes, and confirm the right direction of the Strategy adopted in April this year. At the same time, in accordance with the presented strategy, we maintain the potential of annual revenues in 2023-2027 at the level of PLN 150-200 million, and from 2024 the EBITDA margin at the level of 20-30%" - says Grzegorz Grabowicz, Chief Financial Officer of Mabion S.A.

Implementation of strategy and start of modernization of Mabion I plant

In April this year, Mabion adopted a long-term Strategy 2023-2027, which aims to transform the Company into a fully integrated biologics CDMO and build its position as a recognized player in the global contract development and contract manufacturing market.

A key element of Mabion's strategy is to develop capacity and achieve technological diversification at the existing plant in Konstantynów Łódzki (Mabion I) as part of an upgrade that began at the end of Q2 2023 and is expected to be completed by the end of this year. In the course of the work, two existing bioreactors using orbital shaking technology will be replaced with two new bioreactors using this technology, and the plant will be retrofitted with a bioreactor system using conventional mixing technology. The effect of technological diversification will be an increase in the attractiveness of Mabion's CDMO service offering, by providing greater flexibility and a more complete match to the needs of potential customers, who will be able to use both the Company's bioreactors with orbital shaking technology and the new bioreactors with conventional mixing technology.

*"The initiated modernization of the Mabion I plant is a response to the observed trends and expectations of potential recipients of CDMO services and is another step towards business diversification and winning new contracts. Our activities have resulted in the annexes and agreements concluded in recent months related to the supply of bioreactors to the Konstaktyńów Lodz plant - we expect delivery of new bioreactors in the third quarter, followed by installation, qualification testing and final acceptance of the equipment in the fourth quarter. In addition, in September we signed a contract for the delivery of a line for leakage control and optical inspection of direct packaging, which will allow us to speed up the quality control processes of finished products and enable us to provide quality control services at a much higher volume than before." - **Krzysztof Kaczmarczyk adds.***

On May 22, 2023, the Company entered into an addendum to the 2021 agreement for the supply of bioreactors for the existing Mabion I plant with Adolf Kühner AG of Switzerland. The original agreement was for the purchase of four orbital shaking bioreactors with a capacity of 2,500 liters each, along with additional services. As a result of the annex, the Swiss partner will deliver two state-of-the-art bioreactors with orbital shaking technology, each with a capacity of 2,500 liters, to Mabion in the third quarter of 2023; the net value of the contract was €1.8 million. The annex is related to the implementation of the Strategy and the planned technological diversification.

On July 11, 2023, Mabion entered into an agreement with a Cytiva Group company (Global Life Sciences Solutions Poland Sp. z o.o.) for the purchase of a set of Xcellerex XDR bioreactors with conventional mixing technology, the net value of the agreement amounted to €3.2 million. The supplier will manufacture and install a set of bioreactors at Mabion I during the third and fourth quarters of this year, including seven units with a total capacity of 4,510 liters, of which the two largest bioreactors have a capacity of 2,000 liters each.

As a result of the annexes and agreements concluded, by the end of the year Mabion will have four state of the art commercial-scale bioreactors: two orbital shaking bioreactors and two bioreactors with conventional mixing technology, not previously used by Mabion, as well as a number of bioreactors for processes at technical and clinical scales. The total volume of the Company's bioreactors for GMP-standard processes at various scales will exceed 10,000 liters.

*"Financing for the plant modernization is provided by the cash held and available from the contract with Novavax, as well as a \$15 million loan with the EBRD, which should be drawn down soon. The timing of the upgrade and the associated temporary downtime in the ability to provide production service is agreed with Novavax and does not preclude the recognition of revenue from the contract settlement. However, the modernization will affect the varying level of operating cash flow generated in the second half of this year. We expect this year's CAPEX to be around 60 million PLN, in line with the assumptions we published when we announced our Strategy for 2023-2027," **comments Grzegorz Grabowicz.***

In addition, in Q2 2023, Mabion completed technology transfer and successfully completed validation batch production for its second contract-manufactured product, a vaccine antigen for COVID-19 variant Omicron. The Company is currently participating in Novavax's work on the Kraken variant (Omicron sub-variant), for which successful technical batch production has already been completed.

*"We are efficiently implementing successive technology transfer processes, effectively using the competencies we have developed and continuously expanded over the past years. The technological diversification of our facility will, in turn, allow us to take advantage of the advantages of two completely different technologies, which will enable us to respond even better to the expectations of our potential customers and provide the highest quality services in the field of contract development and manufacturing of biological drugs," **says Dr. Slawomir Jaros, Chief Scientific and Quality Affairs Officer of Mabion S.A.***

On September 6, 2023, Mabion entered into an agreement with Bonfiglioli Engineering srl, based in Italy, for the manufacture and delivery of a direct packaging leakage and optical inspection line, along with related documentation and services. As part of the agreement, a device will be delivered and installed at the Company's premises for automatic leakage inspection of primary pharmaceutical packaging, vials containing finished, sterile drug product, and optical inspection of filled packages and product inside the package.

The device features a state-of-the-art measurement and control system, and its design complies with GMP requirements. Delivery of the equipment is scheduled for the third quarter of 2024, followed by assembly, installation and commissioning. The line will be used at the fill&finish stage, enabling a significant increase in the volume of products tested, while significantly shortening quality control processes and enabling the handling of more projects. The net value of the contract was approximately PLN 3.7 million. The investment will accelerate the quality control processes of finished products and enable the implementation of finished product quality control services at a much higher volume than before, which is in line with the implementation of Mabion's Strategy 2023-2027.

Progressive increase in business development activity

Mabion continues its activities aimed at supporting sales processes through, among other things, the development of business development structures - in 1H 2023, the size of the business development team was doubled and is now 6 people. In addition, Mabion is in the final stages of the recruitment process for the position of Business Development Director in the USA, who will support the Company's sales activities in the North American market. The candidate is expected to be identified and hired by the end of 2023. A person with high qualifications and an international network of contacts, as well as a proven track-record of acquired customers, will be an important part of building Mabion's position internationally as a recognized player in the CDMO market.

The company is also stepping up its presence at the world's most important trade shows and industry conferences, taking part in events such as the BIO International Convention in Boston this June, among others. Currently, Mabion is preparing to participate in the CPHI trade show in Barcelona on October 24-26, where it will present a wide range of CDMOs at its own booth.

"We have decided to start building business development structures in the key market of North America. We will not be opening a dedicated office there, but we are in the final stages of identifying a high-level expert who, as Business Development Director, will significantly support our activities aimed at business diversification and acquiring more clients. Parallel to these activities, we are continuing discussions with potential recipients of our services, with whom we have established relationships thanks to, among other things, our presence at the DCAT conference in New York in March this year or the BIO International Convention in Boston in June, where we held about 100 business meetings. We see real benefits from increased activity at these globally most important events in our industry, and the reference of working with a partner like Novavax significantly facilitates ongoing discussions. We remain highly motivated to turn our activities into new contracts and ultimately diversify our revenue stream," **comments Adam Pietruszkiewicz, Chief Commercial Officer of Mabion S.A.**

Table 1. financial results of Mabion S.A. on a quarterly basis

Data in million PLN	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23
Total revenue (of which)	-	1,6	-	55,3	38,6	43,9	38,5	42,9	39,5	36,0
<i>Sales revenue</i>	-	-	-	18,2	22,3	17,5	14,1	36,7	38,2	34,3
<i>Lease income</i>	-	-	-	1,3	1,8	1,4	1,3	1,1	1,2	1,1
<i>Income from purchase of materials</i>	-	-	-	14,9	14,5	25,0	23,1	5,1	0,2	0,6
<i>Revenue from non-refundable advances*</i>	-	-	-	20,8	-	-	-	-	-	-
<i>Revenue from R&D services</i>	-	1,6	-	-	-	-	-	-	-	-
Own cost of sales and purchased materials	-	-	-	-21,0	-21,8	-33,3	-29,9	-13,0	-9,1	-8,6
Gross profit on sales	-	1,6	-	34,3	16,8	10,7	8,6	29,9	30,5	27,4
<i>Gross margin on sales excluding material revenues</i>	n/a	n/a	n/a	69,1%	69,7%	56,2%	55,7%	79,2%	77,5%	77,5%
<i>Gross margin on sales</i>	n/a	100%	n/a	39,1%	43,5%	24,3%	22,3%	69,7%	77,0%	76,1%
R&D and general and administrative expenses	-13,8	-6,6	-16,4	-6,9	-9,7	-8,0	-14,3	-11,8	-12,5	-10,2
EBITDA	(11,9)	(2,3)	(14,2)	27,4	9,6	5,6	(4,4)	26,4	19,8	19,2
<i>EBITDA margin excluding material revenues</i>	n/a	n/a	n/a	33,8%	39,9%	29,6%	n/a	69,7%	50,4%	54,2%
<i>EBITDA margin</i>	n/a	n/a	n/a	19,2%	24,9%	12,8%	n/a	61,4%	50,1%	53,3%
Depreciation	2,2	2,1	2,1	2,4	2,5	2,5	2,0	1,9	1,8	1,7
EBIT	(14,1)	(4,4)	(16,3)	25,0	7,1	3,1	(6,4)	24,5	18,0	17,5
<i>EBIT margin excluding material revenues</i>	n/a	n/a	n/a	21,5%	29,4%	16,3%	n/a	64,7%	45,9%	49,4%
<i>EBIT margin</i>	n/a	n/a	n/a	12,2%	18,4%	7,0%	n/a	56,9%	45,6%	48,5%
Gross profit/loss	(17,1)	(2,5)	(15,6)	24,9	7,4	5,1	(5,1)	14,5	16,5	15,2
Income tax	-	-	-	(12,2)	-	-	-	(1,2)	-	-
Net profit/loss	(17,1)	(2,5)	(15,6)	37,1	7,4	5,1	(5,1)	15,7	16,5	15,2

*In Q4'21, a one-time event in the form of revenue recognition from a non-refundable advance related to MabionCD20.

Table 2 Mabion S.A.'s half-yearly financial results

Data in million PLN	1H 2021	1H 2022	1H 2023
Total revenue (of which)	1,6	82,6	75,6
<i>Sales revenue</i>	-	39,8	72,5
<i>Lease income</i>	-	3,3	2,3
<i>Income from purchase of materials</i>	-	39,5	0,9
<i>Revenue from R&D services</i>	1,6	-	-
Own cost of sales and purchased materials	-	-55,1	-17,7
Gross profit on sales	1,6	27,5	57,9
<i>Gross margin on sales excluding material revenues</i>	-	63,8%	77,5%
<i>Gross margin on sales</i>	100%	33,3%	76,6%
R&D and general and administrative expenses	-20,4	-17,8	-22,7
EBITDA	(14,2)	15,3	39,0
<i>EBITDA margin excluding material revenues</i>	-	35,4%	52,2%
<i>EBITDA margin</i>	n/a	18,5%	51,6%
Depreciation	4,3	5,1	3,5
EBIT	(18,5)	10,2	35,5
<i>EBIT margin excluding material revenues</i>	-	23,7%	47,5%
<i>EBIT margin</i>	n/a	12,4%	47,0%
Gross profit/loss	(19,6)	12,6	31,7
Net profit/loss	(19,6)	12,6	31,7

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Information about Mabion S.A.

Mabion S.A. (WSE: MAB) is a Polish biopharmaceutical company founded in 2007, which is undergoing a transformation into a fully integrated contract development and manufacturing organization (CDMO) providing a broad spectrum of services in the segment of small and medium-sized projects at various stages of development (from early stage discovery to commercial manufacturing). Mabion's competencies include the selection of protein expression technologies, their purification, GMP-standard manufacturing activities (obtaining Active Substances "Drug Substance" and Finished Products "Drug Product"), development of analytical tools (for structural, functional, physicochemical characterization), clinical development, clinical analytics and a full range of regulatory activities in the development and operational areas. The company signed a record contract with Novavax in October 2021 for the commercial production of antigen for the vaccine for COVID-19, which it has since steadily expanded through further services under SOWs (Statements of Work) concluded and annexes signed, adding, among other things, another vaccine product based on the Omicron variant. According to the Strategy, announced in April 2023, the Company's goal is to establish itself as a recognizable player in the global contract manufacturing and contract drug development market and to complete Mabion's full transformation into an integrated biologics CDMO company. Mabion is a public Company, listed on the Warsaw Stock Exchange.

For more information about the Company, visit www.mabion.eu