

Press Release

Mabion announces Strategy for 2023-2027 and summarizes very good Q4 and full year 2022

- The Board of Directors of Mabion S.A. has adopted the Company's Strategy for 2023-2027, which aims to transform Mabion into a fully integrated contract development and manufacturing organization (CDMO) biologics company and build its position as a recognized player in the global contract drug development and manufacturing market
- Mabion will complement and expand the competencies it has built up over the years in order to make the change in the Company's business model from a product to a service model
- Focusing on the CDMO area, the Company's transformation and change in business model means that it will stop building its own product portfolio, including the independent development and launch of MabionCD20 and other proprietary drug projects
- Mabion will position its offering of a broad spectrum of CDMO services in the segment of small and medium-sized projects at various stages of development, which will allow the Company to achieve a number of benefits in the form of, among other things, diversification of revenues, faster return on invested capital and lower regulatory risk profile
- The 2023-2027 strategy is to significantly expand manufacturing assets, expand the range of technologies used, strengthen the business development department, adapt internal processes to work with multiple customers and offer a wide range of services as a fully integrated CDMO
- The planned capital expenditures required to implement the Strategy are estimated at about PLN 100 million in 2023-2024 and about PLN 20 million in 2025-2027 (excluding expenditures for Mabion II). In 2023-2024, an updated plan for the Mabion II plant will be developed and the optimal financing structure for this project will be selected. Construction is planned to start in 2025
- Mabion's estimated annual revenue potential in 2023-27 will be PLN 150-200 million, and from 2028 and the startup of the Mabion II plant, it could rise to PLN 400-500 million in revenue annually
- The process of securing a strategic investor remains open for potential discussions with possible partners, but the priority becomes to focus on the implementation of the Strategy and Mabion's transformation into a CDMO and to continue building the company's value
- In 2022, Mabion worked out:
 - 164.0 million PLN in revenue, including PLN 96.3 million in sales revenue (excluding revenue from material purchases)
 - 37.2 million PLN EBITDA
 - 28.2 million PLN EBIT
 - 23.2 million PLN net profit
- In Q4 2022, Mabion generated:
 - 42.9 million PLN in revenue, including PLN 37.8 million in sales revenue (excluding revenue from material purchases)
 - 26.4 million PLN EBITDA
 - 24.5 million PLN EBIT

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- 15.7 million PLN net profit
- The cooperation with Novavax is developing successfully and generating significant financial flows, which from the beginning of the cooperation in March 2021 to the date of publication of the report (18.04.2023) amounted to about \$64 million in payments received
- The cash balance as of March 31, 2023 was approximately PLN 70 million, compared to nearly PLN 54 million at the end of 2022

"The Company's strategy for 2023-2027 opens a new chapter in Mabion's history, in which we will smoothly complete the transformation into a fully integrated CDMO services company. Before making this very important decision for the Company and our shareholders, we made a deep analysis of the competencies, skills and experience we have built since Mabion's inception. We conducted a thorough review of opportunities and possibilities and verified our vision of development with professional industry advisors to ultimately develop the most favorable perspective for long-term growth. This analysis points to a clear and readable goal - for Mabion to become a recognized partner in the global contract manufacturing and drug development market, particularly in the area of services for the biopharmaceutical market, in which we are experts. This ends the stage of Mabion as a product Company and begins the stage where we are 100% focused on the service model, enjoying the many benefits that this bold change brings to our organization." - comments **Krzysztof Kaczmarczyk, Chief Executive Officer of Mabion S.A.**

The CDMO market has huge potential, as pharmaceutical R&D spending is steadily increasing and more molecules of greater complexity are in development, which, among other things, is encouraging pharmaceutical and biotech companies to outsource. The global pharmaceutical CDMO market (which includes small molecules and biologic therapies) is estimated to be worth more than \$170 billion in 2021. The value of the biologic CDMO market, in which Mabion positions itself, in the total CDMO market is estimated to be around \$13.2 billion in 2021 (source: *Bloomberg, EY-Parthenon Analysis*).

"The market in which we will build our position in the coming years will continue its double-digit growth rate, according to experts' forecasts, and the share of the biological CDMO market in which we will participate has the prospect of even more dynamic growth ahead. At the same time, our focus on small and medium-sized projects is positioning ourselves in the largest market segment, both in terms of volume and value. We already offer a full range of services with an emphasis on recombinant protein technologies and antibody format, for which we have assets for commercial orders. We address a wide range of the CDMO service value chain, and thanks to our high level of integration, we can handle projects at any stage - from early development to commercial-scale manufacturing in a GMP environment. Within the biologic drug market, we will also expand our services to include new formats of biotherapeutics, such as bispecific antibodies, so-called biAbs, or antibody-drug conjugates of small-molecule compounds, or ADCs. We believe that the prospects of this market and the good fit between Mabion's offerings and this market will ensure that by deciding to grow in this direction, we will generate the most value for shareholders in the years to come." - says **Dr. Slawomir Jaros, Mabion S.A. Board Member for Operations and Scientific Affairs.**

The adoption of the new Strategy for Mabion also results in the Company's decision to discontinue the development and construction of its own product portfolio and plans to independently market the drug MabionCD20. The Company will not incur further significant expenditures on this project on its own.

"We are in the process of identifying potential licensees for whom the MabionCD20 project may be a good fit, and we are not ruling out a possible collaboration or subsequent contract manufacturing for a licensee on Mabion assets. We are also discontinuing the development of other proprietary drug projects." - **Krzysztof Kaczmarczyk explains.**

The Strategy's focus on the CDMO area is also related to the decision to change the priority towards the activities aimed at acquiring a strategic investor, which the Company launched in early 2021. The process remains open for potential discussions with possible partners, however the priority is the transformation towards CDMO.

"We remain open to possible interest from industry investors, but we are determined to first implement the transformation in accordance with the new Strategy and thus increase the value of the company before returning to talks with potential strategic investors," **Krzysztof Kaczmarczyk added.**

Mabion estimates that capital expenditures for the implementation of the Strategy's goals will amount to about PLN 100 million in 2023-2024 and about PLN 20 million in 2025-2027. The largest expenditures are related to the modernization of the existing plant in Konstantynów Łódzki, where diversification of process technologies is planned in the second half of 2023 in order to maximize adaptation to market demand (thanks to, among other things including the retrofitting of two bioreactors with a new technology with classical mixing), changing the nature of the facility from a single-product plant to the possibility of conducting various processes in the same one. Financing for the investment will come from funds from current operations and a \$15 million loan from the EBRD signed in February.

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Mabion expects that investments in the technological diversification of the current facility and a dynamic transformation towards the development of CDMO services will bring an estimated potential for annual revenues in 2023-2027 of PLN 150-200 million and an EBITDA margin of 20-30%.

"The achievement of our strategic investment and operational goals should result in Mabion's ability to become a self-funding entity in 2023-2024," explains Grzegorz Grabowicz, Chief Financial Officer of Mabion S.A.

Mabion's vision for growth extends beyond 2023-2027. As a next step, Mabion plans to build and launch the Mabion II plant, which will enable it to increase the volume of CDMO services offered. This will allow the Company to significantly scale its business and increase its annual revenue potential by 2-3 times.

"In 2023-2024, we intend to update the plan for the Mabion II plant, keeping in mind its designation as a CDMO, as well as deciding on the optimal financing structure for its implementation. The current timetable calls for construction of the plant in 2025-2027. The key factors for deciding on the shape and infrastructure of the Mabion II plant will be specific business criteria such as the number of customers we have, the number of contracts concluded and in progress, and the level of revenue and EBITDA generated. In our long-term development plans, we anticipate that the Mabion II plant could begin operations in 2028. We estimate that the revenue potential after the launch of Mabion II could reach PLN 400-500 million per year," says Adam Pietruszkiewicz, Chief Commercial Officer of Mabion S.A

"For the implementation of the project to build the Mabion II plant, it will be necessary to obtain external financing, the selection of its optimal structure will be analyzed next year. At the moment, the priority is to use the potential that the total concentration on the CDMO market brings for Mabion and to effectively implement the adopted Strategy," - Grzegorz Grabowicz, Chief Financial Officer of Mabion S.A. adds.

Financial results 2022

"Mabion's very good results are a consequence of the successful commercialization of the contract we concluded with the US company Novavax back in 2021. Throughout this period, we have regularly extended the scope of our services under the so-called SOW (Statement of Work) and signed annexes. The first annex, concluded in September 2022, extended the period of cooperation until 2026 and added a new billing component that is favorable to us, in the form of payments for series produced and for production readiness, which, combined with the agreed schedule, guarantees us regular and predictable revenues until Q2 2024. The second addendum, dated April 2023, extended the cooperation to include the vaccine antigen for COVID-19 variant Omicron. The stable financial position, predictable results of the following periods and successful execution of the contract for Novavax, provide an excellent basis for the bold and decisive step of completing the transformation to a fully integrated CDMO company with a biological profile and implementing the Mabion Strategy for 2023-2027, which we have adopted," comments Krzysztof Kaczmarczyk, CEO of Mabion S.A..

In 2022, the Company generated PLN 164.0 million in revenue, of which PLN 90.6 million was generated from the service to Novavax and PLN 5.7 million from the leasing component. The remainder of the revenue is accounted for by the sum of purchased materials (non-margin component). Mabion achieved very good profitability on services rendered, reaching 68.5%. At the EBITDA level, the Company recorded a result of PLN 37.2 million and a margin of 22.7%, compared to a loss of PLN -1.0 million in 2021. Net profit amounted to PLN 23.2 million, a significant increase over 2021, which generated PLN 1.9 million, including PLN 12.2 million from a tax asset created. Throughout 2022, Mabion generated PLN 38.8 million in net cash flow from operations.

Mabion has received contract payments of about \$64 million from the beginning of its cooperation with Novavax in March 2021 until the date of publication of the 2022 financial statements. As of December 31, 2022, the Company's cash balance amounted to \$53.6 million and increased to approximately \$70 million as of March 31, 2023. Novavax's timely payments to Mabion and the absence of overdue receivables for payment execution confirm the stable cooperation between the companies.

4Q 2022 financial results

"We are particularly satisfied with the results achieved in Q4 2022 - it was the best quarter in the whole year. In the last quarter of 2022, we generated PLN 37.8 million in sales revenues (excluding materials), including the leasing component, with a very good gross margin, reaching nearly 80%. At the EBITDA level, we earned PLN 26.4 million, while net profit for the quarter closed at PLN 15.7 million. The net result would have been significantly higher, but the strengthening of the PLN against the USD in the fourth quarter of 2022 reduced the result by nearly PLN 9.3 million due to foreign exchange losses. The last quarter of the year also saw very solid operating cash flow - we generated more than PLN 63 million from operating activities, which translated into a strong cash position at the end of the year." - Grzegorz Grabowicz Chief Financial Officer of Mabion S.A., comments.

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In Q4 2022, the Company generated PLN 42.9 million in revenue, including PLN 36.7 million from the service to Novavax and a PLN 1.1 million leasing component. The remainder of the revenue is accounted for by the sum of purchased materials (non-margin component). Mabion achieved record profitability on services rendered, reaching 79.2%. At the EBITDA level, the Company recorded a result of PLN 26.4 million and a margin at a very high level of 61.4%. Net profit was PLN 15.7 million and net cash flow from operations was PLN 63.1 million.

EBRD

As a result of Mabion's efforts, which began in 2022, to obtain a loan from the European Bank for Reconstruction and Development (EBRD) in the amount of \$15 million, and the approval of the EBRD's credit committee for the financing received on 18.10.2022, the Company signed a loan agreement on 6.02.2023. The funds will largely support the implementation of the adopted Strategy, especially the modernization of the existing plant in Konstancin Łódzki planned for 2023 to increase production capacity and expand the range of CDMO services provided, supporting Mabion's drive to diversify its business and attract more customers.

"The regular and stable financial results that Mabion generates, combined with the financing obtained from the EBRD and the high cash balance, make it possible for us to focus on further development of the scale of the Company's operations, including investments related to the implementation of the announced Strategy and processes aimed at acquiring new customers," - Grzegorz Grabowicz, Chief Financial Officer of Mabion S.A., adds.

"The opportunity to present our Strategy to potential contractors will have a positive impact on the negotiation processes currently underway, as well as on future business talks we plan to hold later in 2023. Our long-standing practice, confirmed by the smooth transfer of technology during the execution of the contract with Novavax, as well as high-quality integrated manufacturing and analytical assets, operating in accordance with GMP and GLP standards, perfectly position us in the market and allow us to respond to the expectations of customers implementing projects in the development and production of biological drugs," adds Adam Pietruszkiewicz, Chief Commercial Officer of Mabion S.A

Mabion has a team of specialists and a state-of-the-art facility to meet the needs of small and medium-sized companies that are potential principals. The complete range of services offered by Mabion, from the development and structural and functional characterization of the product and process, to full GMP-compliant commercial scale production, makes the Company an ideal partner for companies that lack the in-house expertise and assets necessary to carry out product development and commercial scale production.

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
Total revenue (of which)	-	1,6	-	55,3	38,6	43,9	38,5	42,9
<i>Sales revenue</i>	-	-	-	-	22,3	17,5	14,1	36,7
<i>Lease income</i>	-	-	-	-	1,8	1,4	1,3	1,1
<i>Income from purchase of materials</i>	-	-	-	-	14,5	25,0	23,1	5,1
Cost of sales	-	-	-	21,0	21,8	33,3	29,9	13,0
Gross profit on sales	-	1,6	-	34,3	16,8	10,7	8,6	29,9

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<i>Gross margin on sales excluding material revenues</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	69,7%	56,2%	55,7%	79,2%
<i>Gross margin on sales</i>	<i>n/a</i>	100%	<i>n/a</i>	62,0%	43,5%	24,3%	22,3%	69,7%
EBITDA	(11,9)	(2,3)	(14,2)	27,4	9,6	5,6	(4,4)	26,4
<i>EBITDA margin excluding material revenues</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	39,9%	29,6%	<i>n/a</i>	69,7%
<i>EBITDA margin</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	49,6%	24,9%	12,8%	<i>n/a</i>	61,4%
Depreciation	2,2	2,1	2,1	2,4	2,5	2,5	2,0	1,9
EBIT	(14,1)	(4,4)	(16,3)	25,0	7,1	3,1	(6,4)	24,5
<i>EBIT margin excluding material revenues</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	29,4%	16,3%	<i>n/a</i>	64,7%
<i>EBIT margin</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	45,2%	18,4%	7,0%	<i>n/a</i>	56,9%
Net financial income/expenses	(3,0)	1,9	0,7	(0,1)	0,3	2,0	1,4	(9,9)
Gross profit/loss	(17,1)	(2,5)	(15,6)	24,9	7,4	5,1	(5,1)	14,5
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

Table 2. financial results of Mabion S.A. on an annual basis.

Data in million PLN	FY 2020	FY 2021	FY 2022
Revenue	-	56,9	164,0
Cost of sales	-	21,0	98,0
Gross profit on sales	-	35,9	66,0
<i>Gross margin on sales</i>	<i>n/a</i>	<i>63,1%</i>	<i>40,2%</i>
EBITDA	(44,8)	(1,0)	37,2
<i>EBITDA margin</i>	<i>n/a</i>	<i>n/a</i>	<i>22,7%</i>
Depreciation	9,8	8,8	9,0
EBIT	(54,7)	(9,8)	28,2
<i>EBIT margin</i>	<i>n/a</i>	<i>n/a</i>	<i>17,2%</i>
Net financial income/expenses	-	(0,4)	(6,2)
Gross profit/loss	-	(10,3)	22,0
Income tax	-	(12,2)	(1,2)
Net profit/loss	(55,8)	1,9	23,2

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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