MABION S.A.
Financial statements for the financial year ended 31 December 2023

Konstantynów Łódzki, 16.04.2024

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland. In case of any discrepancies between Polish version and English translation, Polish version shall prevail.

STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Note	2023	2022
Income from sales	8	140,289	90,587
Income from settling the purchase of materials	8	8,770	67,711
Lease income	8	2,619	5,684
Total income		**151,678**	**163,982**
Cost of sales	8, 9	(28,324)	(29,914)
Own cost of purchased materials	8, 9	(8,771)	(68,081)
Total costs		**(37,094)**	**(97,995)**
Gross profit on sales		**114,584**	**65,987**
Research and development costs	9, 10	(6,246)	(15,115)
General administration costs	9	(40,175)	(28,663)
Other operating income	11	500	7,588
Impairment allowance on property, plant and equipment	14	(12,233)	-
Other operating costs	11	(1,369)	(1,582)
Operating profit		**55,061**	**28,215**
Financial income	12	854	287
Financial costs	12	(6,020)	(6,462)
Gross profit		**49,894**	**22,040**
Income tax	13	(8,625)	1,152
NET PROFIT		**41,269**	**23,192**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**41,269**	**23,192**
Basic and diluted profit per one share (in PLN per 1 share)		**2.55**	**1.43**

The explanatory notes presented on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

in PLN thousand	Note	31 December 2023	31 December 2022
Intangible assets	14.2	493	741
Property, plant and equipment	14.1	112,358	89,720
Long-term receivables		268	220
Deferred tax asset	13	4,685	13,310
Total fixed assets		**117,804**	**103,991**
Inventories	15	6,843	8,477
Trade receivables	16	25,518	7,746
Other receivables	16	7,141	6,522
Prepayments and accrued income	17	3,132	5,801
Cash and cash equivalents	18	47,817	53,638
Total current assets		**90,450**	**82,184**
TOTAL ASSETS		**208,254**	**186,175**
Share capital	19	1,616	1,616
Share premium	19	237,443	237,443
Supplementary capital		23,192	-
Accumulated losses		(144,474)	(162,552)
Total equity		**117,776**	**76,507**
Deferred income from grants	20.1	31,802	31,172
Loans and borrowings	23	225	377
Long-term liabilities		406	-
Lease	25	2,723	3,816
Total long-term liabilities		**35,156**	**35,365**
Repayable advances on distribution rights	22	1,691	1,824
Trade liabilities	26	7,941	12,812
Other liabilities	26	3,439	3,250
Accrued costs	27	7,627	3,349
Loans and borrowings	23	31,303	136
Deferred income from grants	20.1	224	228
Other deferred income	20.2	56	69
Liabilities arising from the implementation of agreements	21	1,465	49,684
Lease	25	1,543	1,846
Lease prepayments	21	34	1,105
Total short-term liabilities		**55,323**	**74,303**
TOTAL LIABILITIES		**90,478**	**109,668**
TOTAL LIABILITIES AND EQUITY		**208,254**	**186,175**

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CASH FLOW STATEMENT

in PLN thousand	Note	2023	2022
Net profit		**41,269**	**23,192**
Adjustments for the following items:			
Depreciation and amortisation	14	7,200	8,977
Interest income	12	(718)	(156)
Interest costs	12	1,038	1,566
Income from grants	20	(247)	(811)
Loss/(profit) from investing activities		(15)	(142)
Realised exchange rate differences		(1,321)	-
Impairment allowance on fixed assets	14.1	12,233	-
Costs of the share-based incentive scheme		-	2
Lease payment measurement	24	(520)	(655)
Loan measurement	24	(3,383)	-
Unrealised loan interest	24	3,093	-
Change in assets and liabilities:			
Change in inventories	15	1,634	(32)
Change in trade and other receivables	16	(18,439)	4,456
Change in prepayments and accrued income	17	7,389	(438)
Change in trade and other liabilities	26	(51,506)	4,022
Change in deferred income	20	(14)	(2,225)
Change in repayable advances on distribution rights	22	(133)	34
Change in other financial liabilities	26	(695)	1,051
Cash flows from operating activities		**(3,135)**	**38,841**
Proceeds from grants	20	874	1,540
Interest received		718	156
Interest paid		(790)	(1,698)
Net cash flows from operating activities		**(2,333)**	**38,839**
Disposal of property, plant and equipment		15	667
Acquisition of property, plant and equipment and intangible assets		(37,997)	(16,731)
Net cash flows from investing activities		**(37,982)**	**(16,064)**
Repayment of borrowings		(145)	(15,464)
Repayment of bank loans		(27,469)	-
Proceeds from loans		65,433	-
Interest paid		(1,538)	-
Repayment of lease principal		(1,787)	(2,380)
Net cash flows from financing activities		**34,494**	**(17,844)**
Net increase/(decrease) in cash and cash equivalents		(5,821)	4,931
Cash and cash equivalents – opening balance		**53,638**	**48,707**
Change in cash due to exchange rate differences		-	-
Cash and cash equivalents – closing balance		**47,817**	**53,638**

The explanatory notes presented on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

in PLN thousand	Note	Share capital	Share premium	Supplementary capital	Other reserves	Cumulative losses	Total equity
As at 1 January 2022	19	**1,616**	**237,443**	**-**	**731**	**(186,477)**	**53,313**
Total comprehensive income		-	-	-	-	23,192	23,192
Measurement of the share-based incentive scheme		-	-	-	2	-	2
Closure of the share-based incentive scheme		-	-	-	(733)	733	-
As at 31 December 2022		**1,616**	**237,443**	**-**	**-**	**(162,552)**	**76,507**
As at 1 January 2023		**1,616**	**237,443**	**-**	**-**	**(162,552)**	**76,507**
Total comprehensive income		-	-	-	-	41,269	41,269
Transfer of prior period result to supplementary capital		-	-	23,192	-	(23,192)	-
As at 31 December 2023	19	**1,616**	**237,443**	**23,192**	**-**	**(144,475)**	**117,776**

The explanatory notes presented on pages 5 to 40 are an integral part of these financial statements.

ADDITIONAL INFORMATION

1. Company

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

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

Mabion is a Polish biopharmaceutical company that provides services as a contract development and manufacturing organisation (CDMO) in the scope of development, analytics, and manufacturing of biologic medicines.

On 18 April 2023, the Management Board of Mabion S.A. adopted the Company's Strategy for 2023–2027 ("2023–2027 Strategy"). In line with the strategy in place, the Management Board has changed the Company's business profile from the development of its own products to a CDMO with a biological profile. The Company provides the full range of services typical of an integrated CDMO to clients who need support at various stages of their product development and commercialisation (from early-stage projects to commercial-scale manufacturing).

2. Basis of preparation

2.1. Basis of preparation

The financial statements of Mabion S.A. for the financial year ended 31 December 2023 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in force as of 31 December 2022 (jointly: "Financial Statements").

These 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 important accounting policies that have been applied in these financial statements are presented in Note 4. The same policies were applied in each financial year, unless explicitly stated otherwise.

The financial statements have been drawn up in accordance with the historical cost principle, except for certain assets and liabilities and equity measured at fair value pursuant to the IFRS.

Significant accounting estimates and judgements of the Management are presented in Note 5.

These financial statements were authorised for publication by the Company's Management Board on 16 April 2024.

2.2. Statement of compliance with the IFRS

These financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") as approved by the EU. The financial statements provide a true and fair view of the financial position and assets of the Company as at 31 December 2023, the results of its operations, and its cash flows for the year ended 31 December 2023.

The IFRS cover standards and interpretations accepted by the International Accounting Standards Board.

The scope of the financial statements is consistent with the Minister of Finance Regulation of 29 March 2018 on current and periodic reporting by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (consolidated text: Polish Journal of Laws 2018, item 757, "Regulation") and covers the annual reporting period from 1 January to 31 December 2023 and the comparative period from 1 January to 31 December 2022 for the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and the balance-sheet data as at 31 December 2023 and the comparative data as at 31 December 2022.

3. Going concern principle

In the current reporting period, the Company's focus was mainly on the following key areas:

> operating activity consisting in the implementation of the contract manufacturing Master Contract Manufacturing Agreement (Manufacturing Agreement or MCMA) with Novavax Inc. under which it manufactured or provided manufacturing readiness, in compliance with GMP (Good Manufacturing Practice) standard, for Novavax's COVID-19 vaccine antigen under the name of Nuvaxovid®.

> upgrading the manufacturing premises to bring them in line with the Company's strategic business profile (CDMO) and, at the same time, retrofitting the machinery park with new equipment, thereby increasing flexibility and efficiency as a contract service provider without changing the floor space of the facility

> an analysis of the market demand for CDMO services and initiation of the process of adapting the Company's existing resources to the determined demand. The work was performed at multiple operational levels of the Company and involved both adapting the resources and knowledge

already in place to meet market expectations. The Company continued its internal, organisational transformation towards an integrated CDMO, involving organisational, structural, and personnel changes, as well as technological and scientific preparation involving specialised training. A dedicated organisational unit responsible for acquiring new agreements was separated, and a large-scale information and marketing campaign was launched; also, an extensive process of service offering was conducted.

Pursuant to the Company's Strategy for 2023–2027, the Management Board has started to transform the Company into a fully integrated CDMO, whereas the growth dynamics will mainly depend on the available new production and research capacity that the Company has developed or plans to develop, and on the acquisition of new clients and new contracts.

The Company is planning to finance its operating and investing activities with proceeds from sources such as the implementation of contracts and orders in the area of the Company's core business, i.e. CDMO, and also debt financing, grants, subsidies, targeted funds for new projects.

As at the date of these financial statements, the Company holds letters of support received from the key shareholders (Twiti Investments Limited, Glatton Sp. z o.o, Polfarmex S.A.), whose contents indicate that these shareholders are willing and able to continue their financial support for the Company's day-to-day operations in the near future covering a period of at least another 13 months from the date of signing of these financial statements, should the Company's financial situation so require, which, according to the Management Board's current knowledge, will not be the case.

The Company is taking all required steps to ensure an adequate level of income that meets the Company's ability to provide services and carry out manufacturing processes beyond the period of guaranteed income, i.e. beyond May 2024. The analyses, which conservatively assume no income from new agreements (apart from the guaranteed income from the Novavax agreement) and take into account the necessary fixed costs of the Company's operation as well as the required capital expenditure, demonstrate that the Company is able to operate for the next 12 months without additional funding from external sources. The liquidity situation in terms of the implementation of the agreement with Novavax and the repayment of the financing is presented in Note 28.4 of these statements.

In the Management Board's opinion, the activities aimed at further development of the cooperation with Novavax, obtaining new agreements as part of the CDMO service offer, acquiring debt financing, taking advantage of the funds available as part of the EU projects as well as the declared support of the shareholders should ensure an appropriate level of financing necessary for the Company to carry out its current activities and increase its capacity to provide services in the medium- and long-term time horizon.

Following the analysis as at the date of the financial statements, no significant uncertainties have been identified that may cast serious doubt on the Company's ability to continue as a going concern. It cannot be ruled out, however, that such doubts will arise in the future if the Company does not achieve the desired results of its actions. Such a situation may arise due to a deterioration in the financial standing of the Company's current counterparty, Novavax, due to a failure to secure new agreements, as well as in case of limitation of the Company's ability to raise debt financing or funds from the issue of equity.

These financial statements have been drawn up in accordance with the going concern principle, which provides that the Company will continue to operate in the foreseeable future – not shorter than 12 months as of the date of drawing up the financial statements. Therefore, no adjustments have been made to the financial statements which might be necessary should the going concern assumption be unjustified.

4. Key accounting principles

4.1. Functional and presentation currency

The functional and presentation currency of the Company is Polish zloty. The financial statements are presented in thousands of Polish zloty, rounded to the nearest whole thousand, unless indicated otherwise.

Transactions denominated in currencies other PLN are converted at initial recognition into PLN using the exchange rate applicable at the transaction date.

As at the balance-sheet date:

- cash items are converted using the closing rate, i.e. the average rate determined for the currency in question by the National Bank of Poland at that date;
- non-cash items measured at historical cost in a foreign currency are converted using the exchange rate at the date of the original transaction;
- non-cash items measured at fair value in a foreign currency are converted using the exchange rate at the date the fair value was determined.

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.

4.2. Standards applied for the first time

The material accounting principles applied by the Company in these individual financial statements were consistent with those described in the annual financial statements for 2022, except for new or revised standards and interpretations effective for annual periods beginning on or after 1 January 2023. New standards or amendments effective as of 1 January 2023 are as follows:

- IFRS 17 *Insurance contracts* and amendments to IFRS 17;

- Amendments to IAS 1 *Presentation of Financial Statements: Disclosure of accounting policies;*
- Amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates;*
- Amendments to IAS 12 *Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;*
- Amendments to IAS 12 *Income Taxes: International Tax Reform – Pillar Two Model Rules.*

The revised standards and interpretations which apply for the first time in 2023, have no material impact on these financial statements of the Company. In addition to the amendment to IAS 1, the revision consisted in removing some irrelevant accounting policies.

4.3. Professional judgement and estimates

In order to draw up financial statements in accordance with IFRS, it is necessary to make estimates and assumptions that affect the amounts reported in the financial statements. While the assumptions and estimates used in these financial statements are based on the best knowledge of the Company's management on current activities and events, actual results may differ from those projected.

The Company carried out impairment tests on fixed assets. For fixed assets accepted for use, no permanent impairment requiring write-downs was identified after comparing the balance-sheet value to market prices obtainable as at the balance-sheet date. For property, plant and equipment under construction, on the basis of the analyses performed by the Company, an impairment loss was recognised in the amount of PLN 12,233 thousand (see Note 14 for further details).

The following section discusses the key forward-looking assumptions and other key sources of uncertainty as at the balance-sheet date that are associated with a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year. The assumptions and estimates made by the Company regarding the future are based on the knowledge available at the time of drawing up the individual financial statements, and may change as a result of future events arising from market changes or changes outside the Company's control. Such changes are reflected in the estimates or assumptions as they occur.

4.3.1. Recognition of lease under the applicable agreement with Novavax

The existing agreement with Novavax has been identified as containing a lease and is accordingly recognised in the financial statements considering the fulfilment of the following conditions:

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

For the CDMO contract product manufacturing agreements in place, the Company has accounted for the lease elements of the contract manufacturing agreements as operating leases. This is because the majority of production assets:

(i) has an alternative use and the Company plans and has the ability to utilise it after completion of the agreement,

(ii) the lease term does not cover most of the economic useful life of the majority of the underlying assets.

(iii) the ownership of the majority of production assets is not transferred to the counterparty at the end of lease;

(iv) the contracting party does not have a possibility to purchase those assets,

(v) the current amount of lease payments is materially lower than the fair value of the fixed assets provided by the Company. Moreover, fixed assets that are owned by the

Company and used for contract manufacturing constitute a single lease, representing closely interrelated and interdependent manufacturing assets.

It was assumed that the lease period was the period of unconditional implementation of the contractual manufacturing agreement relating to the active substance. Termination of the agreement in this period involves substantial, wide-ranging financial consequences for the parties, which makes it reasonably certain that the agreement will not be terminated early.

The fee for the lease under the agreement with Novavax was calculated on the basis of relative unit sales prices. The unit sales prices were determined on the basis of costs and the market margin, i.e. the amount of depreciation costs and the expected market margin for renting this type of fixed assets.

4.3.2. Income recognition estimates and classification of inventories under the agreement with Novavax

Income from contractual manufacturing services relating to active substances of medicinal products is recognised by the Company over time based on the progress of the service. The Company has selected the progress measurement method as in its opinion it best represents the entity's performance in providing the service.

The input-based method of measuring progress reflects the Company's performance to date in relation to the complete fulfilment of the performance obligation. Under the input-based method, the Company has excluded the effects of any inputs that, in accordance with the objective of measuring progress, do not reflect the Company's results in transferring control of the goods or services to the customer. The progress measure adjustment was taken into account in the agreement value estimation model with the assumption that the cost incurred is not commensurate with the entity's progress in fulfilling its performance obligation.

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

Following the input-based method, raw materials purchased by the Company are recognised in the profit and loss account immediately upon purchase rather than when actually used in production. Consequently, the Company does not recognise purchases of raw materials acquired for the purpose of contract manufacturing in the balance-sheet under inventories. As regards the cost of raw material used, income is recognised up to the cost of such raw materials if all of the following criteria are met, i.e.:

- the raw material is not separate (i.e. a material service is needed for integration of the raw material with the manufacturing service provided by the Company)
- The contracting party acquires control of raw materials well in advance of receiving the services related to the raw materials;
- the cost of the raw material transferred is significant in relation to the total expected cost of complete fulfilment of the performance obligation;
- The Company procures the raw material from a third party and is not significantly involved in the design and manufacture of the raw material.

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

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

In the statement of financial position as at 31 December 2023, the Company did not capitalise the expenditure on the purchase of raw materials, but recognised this expenditure as a cost of meeting the performance obligation, due to the nature of the purchase and the nature of the agreement referred to above.

Income recognised using the input-based method reflects:

- the profit margin earned by the Company from the onset of manufacturing in line with the agreement in force and the incurring of manufacturing costs other than just the use of raw materials or
- activities conducted to confirm the effectiveness of the transfer of technology.

4.3.3. Deferred tax assets relating to income tax relief

The Company has built a fully-equipped Scientific-Industrial Complex in the Łódź Special Economic Zone (LSEZ). Pursuant to the Act on Special Economic Zones, business activities carried out within a special economic zone under a permit are exempt from corporate income tax up to the limit resulting from the available public aid and incurred eligible costs. The basis for the exemption is the amount of incurred eligible costs, which must not exceed the maximum value specified in the permit granted by the LSEZ Board. Mabion is entitled to the exemption until 31 December 2026, the last year of operation of the LSEZ under applicable law. To retain the right to the exemption, the Company had to meet the investment sustainability criterion and the employment volume criterion until 31 December 2021. The investments covered by the permits issued in 2010 and 2012 were completed, and the Company's fulfilment of the conditions entitling it to the tax relief was positively verified during audits conducted by the LSEZ.

Deferred tax assets relating to business conducted in the Special Economic Zone are recognised at the initial value in the amount of the expected public assistance pool to be used and this value is reduced by the relief used in the tax year. In the statement of comprehensive income as at the balance-sheet date, this asset is recognised at the value of the expected remainder of the available public assistance. The measurement of the asset is based on a financial forecast of the planned use of the public assistance pool granted in the form of income tax exemption. The assumptions of this projection are reviewed at each balance-sheet date.

The Company has historically realised significant negative temporary differences, resulting mainly from ongoing research and development work that will reduce the income tax base in the future.

In the last 5 years, the Company has generated deductible tax losses from non-zone activities.

4.3.4. Depreciation of property, plant and equipment

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

4.3.5. Recognition of costs of research and development work

The Company does not recognise any intangible asset arising from research work (or as a result of the research phase of an in-house project). Expenditure incurred on research (or on the research work phase of an in-house project) is recognised as an expense as incurred. At present, the Company does not meet the criteria for the capitalisation of incurred expenses and therefore development outlays, as well as research expenditure, are recognised as an expense in profit or loss the moment they are incurred.

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

New standards and interpretations that have been published but are not yet effective

a) **Amendments to IAS 7 "Statement of Cash Flows"** published in May 2023 and Amendments to **IFRS 7 "Financial Instruments: Disclosures: Supplier finance arrangements"** effective for annual periods beginning on or after 1 January 2024.

b) **Amendments to IAS 21: "The Effects of Changes in Foreign Exchange Rates"** published in August 2023 – effective for annual periods beginning on or after 1 January 2025.

c) **IFRS 14 "Regulatory Deferral Accounts"** – effective for annual periods beginning on or after 1 January 2016.

d) **Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associates or joint ventures** – published on 11 September 2014. As at the date of preparation of these financial statements, the approval of this amendment is deferred by the European Union.

e) **Amendments to IFRS 16 Leases – Sale and leaseback obligations** – published on 22 September 2022 – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2024.

f) **Amendments to IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current** – deferred effective date – published on 23 January 2020 and 15 July 2020, respectively – not endorsed by the EU up to the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2024.

The Company has not chosen to early adopt any standard, interpretation, or amendment that has been published but is not yet effective.

The analysis of the impact of the aforementioned amendments on the financial statements is under way at the Company.

6. Operating segments

In the period covered by these financial statements, the Company conducted its business activities only in Poland. All assets of the Company are located in Poland. The results of the Company's operations are analysed by the Management Board, which is also the main body responsible for operational decision-making at the Company level, and therefore no more than one operating segment has been identified.

7. Seasonal nature of the Company's operations

The Company's business is not seasonal or cyclical.

8. Income and cost of sales

in PLN thousand	2023	2022
Income under agreements with customers, including:	**151,678**	**163,982**
Income from manufacturing and services	140,289	90,587
Income from settling the purchase of materials	8,770	67,711
Lease income	2,619	5,684
Cost of sales	**(28,324)**	**(29,914)**
Own cost of purchased materials	**(8,771)**	**(68,081)**
Gross profit on sales	**114,584**	**65,987**

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

The transaction price which the Company may realise from the implementation of the agreement includes variable elements stemming from, among other things, the expected level of the obligation to receive the performance, which is not guaranteed for the entire duration of the agreement.

Income from agreements with customers is recognised by the Company at the amount of consideration expected in return for the performance of the promised scope of services or the delivery of specified goods.

The contract manufacturing service is carried out using a process rendered available by the contracting party or developed for the contracting party, which due to binding contractual provisions and issues related to intellectual property rights is also the only entity entitled to receive the manufactured batches of the active substance. The performance rendered by the Company creates an asset with no alternative use and the Company is entitled to remuneration at each stage of the performance. Therefore, the conditions for recognising income from the performance of this agreement over time were considered to be met.

In view of the homogeneity of all the batches (a series of similar performances), the total number of batches was considered by the Company to be a single performance obligation. Moreover, the aforementioned agreement in force contains elements of a lease, resulting from the fact that in order to fulfil the aforementioned obligation under the agreement, the Company allocated certain fixed assets (a set of interrelated assets constituting a production line) exclusively to the entity commissioning the production.

Accordingly, the remuneration associated with the fulfilment of the aforementioned obligation under the agreement includes the following components (non-lease and lease):

- income from the production of the active substance or from the provision of manufacturing slots, which is accounted for over time using the input-based method, and
- income from operating leases where the Company is the lessor, related to the implementation of this agreement.

The total remuneration under the agreement with Novavax was allocated to the individual components on the basis of relative unit sales prices. The unit sale prices were determined on the basis of costs and the market margin (i.e. for the lease element, it is the amount of depreciation costs and the market margin for renting this type of fixed assets, while for the non-lease element, it is the amount of production costs and a reasonable expected margin).

The significant decrease in the income from the lease component in the reporting period was due to the ongoing upgrade of part of the manufacturing facility. The schedule for the upgrade was determined in consultation with Novavax and the impact of the upgrade was appropriately reflected in the contract settlement model using an input-based method.

For contract manufacturing of active substances of medicinal products or manufacturing slots under the CDMO formula, the Company performs the contractually promised scope of the manufacturing service and services over the duration of the CDMO agreement. Income from manufacturing services is recognised over time based on the progress of the service.

To settle the CDMO agreement, the Company recognises income using the progress measurement method based on inputs, which in the Company's opinion reflects in the best way the entity's results in fulfilling the identified performance obligation. The amount of remuneration allocated to this performance obligation is recognised as income in line with the performance stage in terms of cost. The income is based solely on costs directly related to the fulfilment of the obligation and does not take into account overheads, possible inefficiencies, excess consumption, etc. Since the manufacturing cycle and the level of costs incurred (in particular if one of the cost items are material goods purchased from third parties for the purpose of implementing an agreement) for the performance of contractual obligations are not necessarily proportional to the level of fulfilment of the obligation, when costs are incurred that are not yet accompanied by the fulfilment of the performance obligation, income is only recognised to the extent of the costs incurred.

The Manufacturing Agreement (MCMA) with Novavax, together with SOW#1 (Statement of Work No. 1), has been initially concluded for a fixed period of time until the end of 2025, with an option for renewal. The total value of the Manufacturing Agreement and SOW#1 during the term of the former was estimated at USD 372 thousand, i.e. PLN 1 460 thousand (the value was estimated at the USD exchange rate applicable on the day before the day on which the agreement was signed, and on the theoretical assumption of future zero inflation during the entire term of the agreement). Initially, in 2022 the Manufacturing Agreement and SOW#1 were implemented and settled per batch of the product, at a specified unit price per batch. Then, in September 2022, the Company entered into annexes to the Manufacturing Agreement and SOW#1 with Novavax, under which the duration of the agreement was extended until the end of 2026 with a schedule agreed by the parties as part of which the Company will either receive remuneration for the Product batches manufactured or remuneration for the readiness to manufacture the Product based on the production capacity guaranteed to Novavax. At the same time, a period of unconditional commitment of the counterparty to accept the performance in the period up to May 2024 was agreed upon and adopted. The estimated level of orders outside the above-mentioned period is not guaranteed.

In the opinion of the Management Board, the Annex does not change the subject matter of the Agreement, but simply the mechanics of income calculation. In the original Agreement, Company's remuneration was determined depending on the manufactured batches (specific quantity of material produced in the process or a number of processes over a fixed period of time) in line with the order from the contractor, whether the manufactured goods were collected or not. The Annex has introduced a guaranteed remuneration in the period to May 2024 (which varies from month to month, as specified in the schedule), which is independent of the occurrence of production (the so-called slot fee). In addition, under the Annex, there is no longer an option for a rolling budget of "guaranteed" orders in the period of obligatory provision of services.

As a result, the theoretical amount of total income under the agreement with Novavax before and after the annex was signed, under similar assumptions, calculated for the period from 22 September 2022 to the end of the Agreement, has changed. As the Company is capable of separating the number of batches of the active substance produced up to the date of the Annex from batches produced (or planned to be produced) after that date, then – in accordance with IFRS 15 – the Annex signed on 22 September 2022 was recognised as if, at its date, the Agreement in force had been terminated and a new agreement had been concluded. As at the balance-sheet date, the Company has performed an estimation using a revenue settlement model based on the agreement value corresponding to the sum of income guaranteed over the period up to May 2024 (performance obligation).

Nevertheless, the changes introduced by the Annex do not alter the conditions for the performance obligation under the Agreement to be deemed to have been fulfilled over time. Therefore, income earned by the Company under the Annex is still recognised over time, in proportion to the degree to which the performance obligation has been fulfilled (the degree to which the work has progressed), using an input-based method, including the cost of capacity maintenance.

As at 31 December 2023, the Company also revised the amount of expected variable costs on the basis of experience resulting from the completed batches of the active substance, and revised the projected fixed costs in line with the principle of availability of full manufacturing capacity, in accordance with the assumed manufacturing plan set out in the annex entered into on 22 September 2022. The calculation also took into account the ongoing facility upgrade in consultation with Novavax and the associated necessary service downtime.

The principles adopted for income recognition are applied consistently, and only the estimates associated with them have changed.

The scope of cooperation has been specified for each year in the period between 2022 and 2026. Under the Agreement, the parties have agreed a guaranteed capacity volume for Novavax until May 2024. Novavax is not entitled to reduce the capacity volume reserved until May 2024.

The value of income recognised in the reporting period, included in the balance of liabilities under agreements at the beginning of the period, amounted to PLN 131,860 thousand. At the end of the reporting period, there were no assets relating to the costs incurred to enter into or implement the agreement with Novavax and there were no performance obligations that remained unfulfilled or partially unfulfilled.

On 6 April 2023, the Company entered into Annex No. 2 to Statement of Work No. 1 (SOW#1) with Novavax regarding the Company's ability to be contracted by Novavax to manufacture agreed batches of the COVID-19 Omicron variant vaccine antigen.

Annex no. 2 specifies the previously agreed and partially implemented activities aimed at including a further Omicron product in the scope of the cooperation, including the performance of technology transfer, process validation and subsequent manufacturing of the Omicron product in compliance with the GMP standard, in line with the detailed rules set out in Annex no. 2. Pursuant to Annex no. 2, when Novavax places an order for the Omicron product, the Company's responsibilities include, in particular, manufacturing the product, analytical testing of product samples, stability research, procuring raw materials for production, quality management and supervision, and supporting Novavax in complying with registration requirements by submitting the relevant documentation. The annex did not affect the counterparty's obligations to accept performance.

The number of batches of the Omicron product commissioned for manufacture will be agreed between the parties on an ongoing basis. As a result of the applicable Annex no. 2, the original Agreement and the Statements of Work contained therein also apply to the Omicron product.

On 9 February 2023, the Company entered into an extension to the scope of services under the Manufacturing Agreement with Novavax, in the form of Statement of Work #10 (SOW#10). The scope of SOW#10 comprises logistics services, including the transportation and storage, by the Company, of materials, vaccine active substances, and finished vaccine products under suitable transport and storage conditions agreed by the parties. All these services are provided in a GMP-compliant environment. The extension of services entered into force on the date of signing of the document and will remain in force until completed in full, unless the Parties jointly decide to terminate the work under SOW#10 at an earlier date.

Income from settling the purchase of materials includes the value of raw materials purchased by the Company and used for the implementation of the CDMO agreement and is recognised in the profit and loss account at the time of purchase, and not at the time of actual use in production, as the raw materials have no alternative use (i.e. the raw materials are specifically identifiable and the Company does not have the right to use the raw materials for purposes other than contract manufacturing, and other circumstances also indicate that control over the raw materials is transferred to the contracting party by the Company upon purchase). Consequently, the Company does not recognise purchases of raw materials acquired for the purpose of contract manufacturing in the balance-sheet under inventories.

The decrease in income from the settlement of purchased materials and the cost of purchased materials results from the lower volume of deliveries and no need to order materials, due to the sufficient quantities in stock to ensure continuity of production in the periods to come.

9. Costs by type

The table below shows the categories of generic costs in the year ended 31 December 2023 and the comparable period:

in PLN thousand	2023	2022
Depreciation and amortisation	7,200	8,977
Consumption of materials and energy, utilities	9,456	11,619
Own cost of purchased materials	8,771	68,081
Outsourced services, including:	17,035	20,131
waste removal and disposal	552	863
repair services	3,114	3,132
renovation services	159	1,217
analytical services	1,181	1,829
research services	50	5,232
audit and other advisory services	4,391	2,388
legal services	592	640
telecommunications and IT services	1,500	1,147
recruitment costs	229	483
public relations costs	6	397
marketing, sales and business development costs	2,209	-
services for the acquisition of new distribution partners	517	673
logistics services	717	244
property protection	318	279
laundry services	586	628
other	914	980
Medicine registration costs	4	243
Taxes and charges	802	928
Remuneration costs	31,455	25,961
Employee benefits	7,880	5,238
Other costs	914	595
Total costs by type	**83,515**	**141,773**
Cost of sales	28,324	29,914
Own cost of purchased materials	8,771	68,081
Research and development costs	6,246	15,115
General administration costs	40,175	28,663
Total costs by function	**83,515**	**141,773**

The significant increase in the level of consultancy services costs was a result of co-operation with an external consultant to develop the Company's growth strategy. The marketing, sales and business development costs related mainly to the organisation of the exhibition and participation in the BIO International Conference in Boston in June 2023, and CPHI fair in Barcelona in October 2023.

10. Research and development costs

in PLN thousand	2023	2022
MabionCD20	4,925	13,741
Other projects	1 321	1,374
Total research and development costs	**6,246**	**15,115**

In the present reporting period, the implementation of the above activities in respect of the MabionCD20 project did not involve any income from sales for the Company, but only expenditure typical of research and development activities during the product development phase. Following the adoption of the Company's Strategy for 2023–2027 in April 2023, work on and development expenditure for MabionCD20 has been reduced to the minimum necessary to preserve the project's potential.

11. Other operating income and costs

in PLN thousand	2023	2022
Revaluation write-downs of tangible current assets	-	1,115
Profit on liquidation of fixed assets	25	142
Grants	247	4,724
Value of current assets received free of charge	-	702
Cancellation of liability	-	490
Other	228	415
Total other operating income	**500**	**7,588**
Loss on liquidation of fixed assets	277	26
Write-downs of tangible current assets	981	-
Disposal of materials	-	1,253
Donations made	9	44
Damages	67	192
Other	35	67
Total other operating costs	**1,369**	**1,582**

Income from grants relates in particular to the part of grants received in previous years to purchase fixed assets in projects co-financed from EU funds, in the amount of PLN 247 thousand and PLN 811 thousand in 2023 and 2022, respectively, which was included in the financial result in particular periods in proportion to the value of depreciation of assets financed from grants and the grant settled in 2022 as part of the completed EGFR project, in the amount of PLN 3,912 thousand.

The revaluation write-down on tangible current assets relates to those stock materials, for which there is no alternative use and which have a shorter shelf life than their possible existing use.

12. Financial income and costs

in PLN thousand	2023	2022
Interest income	718	287
Other	136	-
Total financial income	**854**	**287**
Interest costs, including:	1,037	1,698
on loans	296	1,203
on lease liabilities	731	491
on trade liabilities	11	4
Negative net exchange rate differences	4,801	4,521
Other financial costs	182	243
Total financial costs	**6,020**	**6,462**

Interest income in 2023 and 2022 arises from accrued interest on cash balances in bank deposits. In turn, finance costs consist mainly of negative exchange rate differences and interest on lease liabilities. The interest on the loan granted to the Company by the European Bank for Reconstruction and Development (EBRD) was mostly capitalised to the initial value of the fixed assets under construction. The value of the interest to be capitalised in 2023 was PLN 2,634 thousand (less income earned on the temporary investment of such borrowings, in accordance with IAS 23).

13. Income tax

The Company has historically realised significant negative temporary differences to tax, resulting mainly from ongoing research and development work that may reduce the income tax base in the future. In addition, the Company holds three zone permits and the resulting gross subsidy equivalents and has generated deductible tax losses from non-zone activities in the last 5 years.

The existing entitlements to exercise the deduction from the tax base and the right to benefit from public aid have been verified, considering the expected income from both the activities within the zone and outside it in a period most probable from the point of view of the estimates.
As at 31 December 2023 and 31 December 2022, the tax asset was estimated at:

in PLN thousand	2023	2022
Tax asset from zone operations	4,647	13,075
Tax asset of realised loss carry-forwards	38	235
Total tax asset	**4,685**	**13,310**

In 2023, the Company used PLN 8,625 thousand (PLN 6,659 thousand in the comparable period) of the available tax relief (tax exemption). In relation to the remaining portion of the available tax relief, the Company has estimated the value of the realisable relief before the expiry of tax reliefs (i.e. 31 December 2026) taking into account the expected tax income constituting the tax base.

The tax asset as at 31 December 2023 was estimated at PLN 4,685 thousand and was partially utilised, in the amount of PLN 8,625 thousand. The amount of PLN 4,685 thousand is the nominal value of the relief the Company expects to use in 2024.

The Management Board has examined the estimates of tax costs and income as part of zone operations for 2023 and confirmed the possibility of using the tax relief at the estimated amount, while keeping tax losses incurred as part of non-activated out-of-zone operations.

No deferred tax asset was recognised for the negative temporary difference due to the recognised impairment loss on fixed assets under construction, due to the lack of sufficient probability at the balance-sheet date of achieving a sufficient level of taxable income to justify the deduction of this negative temporary difference. The principle of prudence was applied in the estimation of the tax asset due to the adoption of a restrictive approach and the lack of previous history in generating a tax base to account for state aid held, loss carry-forwards, or temporary differences.

As at each balance-sheet date, the Company carries out a prudent measurement of the tax asset, taking into account market conditions and the expected tax result for the foreseeable future.

While the Company does not publish financial forecasts, it emphasises that the tax result may materially differ from the Company's result realised in the different reporting periods.

In the current reporting period, the Company did not generate a taxable result on non-zone activities that would trigger the obligation to pay income tax. In 2023 and in the comparable period, the Company recorded a positive tax financial result on its zone operations and was therefore able to benefit from the state aid granted under the permits. In 2023, the value of the assistance after discounting amounted to more than PLN 5.0 million, while in 2022 it was less than PLN 4.2 million.

At the end of 2016, the Company obtained a third permit, no. 301, which relates to a new investment, i.e. the expansion of an existing medicine manufacturing facility. On 10 August 2021, the Company received a decision of the Minister of Development, Labour and Technology on the amendment of permit no. 301 to conduct activity in the Łódź Special Economic Zone. By virtue of the above mentioned decision, on the Company’s request the deadline for incurring investment expenditure within the meaning of § 6(1) of the Regulation of the Council of Ministers of 10 December 2008 on public aid granted to entrepreneurs operating on the basis of a permit to conduct business in special economic zones, in the amount of at least PLN 20 million, was extended from 30 June 2021 to 31 December 2024. The Company has requested the aforementioned deadline to be changed in view of the need to update the schedule of planned investments, based on the Company's current needs. Under permit no. 301, from its granting to 31 December 2023, the Company made investment expenditures of PLN 12,893 thousand.

in PLN thousand	2023	2022
Current income tax	-	-
Adjustments for previous years	-	-
Deferred income tax	(8,625)	1,152
Total income tax in the result	**(8,625)**	**1,152**

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

in PLN thousand	2023	2022
Gross profit/(loss)	49,894	22,040
(Charge)/tax benefit at 19% rate	(9,480)	(4,188)
Non-deductible permanent differences, including:	(232)	(239)
PFRON	(60)	(56)
Operating costs for passenger cars	(36)	(23)
Membership fees	(19)	(16)
Donations made	-	(70)
Other	(117)	(73)
Non-taxable permanent differences, including:	(490)	1,005
Grants and funding received	47	898
Other	(537)	107
Temporary differences from which no deferred income tax asset*/income tax provision was created, including:	1,615	(1,489)
Impairment allowance on property, plant and equipment	(2,324)	-
Tax losses on which a deferred income tax asset was recognised – operations outside LSEZ**	(38)	(260)
Tax loss from zone operations**	-	-
Use of state aid in the period (+)/Tax losses from zone activities not deductible in future periods (-)	8,625	6,659
Income tax attributable to zone operations	(8,625)	(6,659)
Current income tax	**-**	**-**

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

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

The Company recognised a deferred tax provision, which was fully offset by an excess of deferred tax assets.

Below, the amounts of tax losses deductible in future periods are shown. Following the prudence principle, the Company did not recognise a deferred tax asset for the loss from non-zone activities.

in PLN thousand	Expiry date:	2023	2022
Tax loss to be settled for 2023	end of 2028	19	-
Tax loss to be settled for 2022	end of 2027	130	130
Tax loss to be settled for 2021	end of 2026	168	168
Tax loss to be settled for 2020	end of 2025	950	950
Tax loss to be settled for 2019	end of 2024	950	950
Tax loss to be settled for 2018	end of 2023	-	173

The table below shows the value of the possible tax relief on zone activities that the Company can take advantage of until the end of 2026:

in PLN thousand	Expiry date:	2023	2022
Tax relief (Note 4.3.3)	end of 2026	41 238	46 277

In addition, the Company has, both in the reporting period and historically, generated deductible temporary differences on which no deferred tax asset was recognised. The differences mainly related to expenditure on research and development work which did not reduce the tax base in the current and previous reporting periods.

The evolution of the asset value in 2023 is shown in the table below:

in PLN thousand	Deferred tax asset in LSEZ business	Tax asset of realised loss carry-forwards	Total deferred tax assets
As at 1 January 2022	**9,629**	**2,529**	**12,158**
Creation (+)	13,075	235	13,310
Utilisation (-)	(9,629)	-	(9,629)
Release (-)	-	(2,529)	(2,529)
As at 31 December 2022	**13,075**	**235**	**13,310**
As at 1 January 2023	**13,075**	**235**	**13,310**
Creation (+)	197	-	197
Utilisation (-)	(8,625)	-	(8,625)
Release (-)	-	(197)	(197)
As at 31 December 2023	**4,647**	**38**	**4,685**

14. Property, plant and equipment and intangible assets

Below, a table of fixed asset movement for the period from 1 January 2023 to 31 December 2023 and for the comparable period is presented.

The Company carried out impairment tests on property, plant and equipment. The recoverable value was determined on the basis of the higher of the two following amounts: fair value less costs to sell and value in use.

On the basis of the analyses performed by the Company, an impairment loss was recognised in the amount of PLN 12,233 thousand and, at the same time, it was found to be unnecessary to recognise an impairment loss for the remaining property, plant and equipment.

The fair value, for selected assets, was determined on the basis of a valuation by an external appraiser, while for the other assets, the prices obtainable on an active market on sales to an unrelated party were compared. For property, plant and equipment under construction, the feasibility of further realisation and utilisation of the expenditure incurred was verified in the analyses with a further report by external advisers on the suitability and adaptability of the solutions to the CDMO services provided or expected to be provided by the Company.

This write-down on property, plant and equipment under construction relates to expenditures incurred in previous periods for the construction of the new manufacturing facility, Mabion II. The decision to recognise a revaluation write-down as at the balance-sheet date was motivated by the analysis and risk assessment conducted as regards sufficient probability of the continuation and implementation of the owned and activated project, with particular emphasis on the availability of guaranteed funds as at the balance-sheet date, allowing the investment to be implemented. Considering the Company's financial position and the level of expected cash flows from its operations and, therefore, the risk of not obtaining an adequate level of financing necessary to fulfil the intentions related to the use of the expenditures incurred for the project work and accompanying analyses related to the construction of the Mabion II facility, the Management Board decided to recognise a revaluation write-down in the financial statements for 2023.

It should be highlighted that the project in question does not have a specific validity date from a formal and legal point of view. Considering its technical and technological value, the project can still be finalised if adequate financing is obtained, which was confirmed by an external entity's analysis of the feasibility and adaptation of the project.

As at the date of these statements, the Management Board of the Company confirms its will to pursue the Mabion II project, which is a core element of the Strategy announced in 2023. The Company holds a building permit and the project has commenced, with the necessary expenditure incurred in previous periods up to the date of the financial statements to continue the construction of the facility. The Company owns a plot of land located in Konstantynów Łódzki, on which the facility is to be built, and no formal restrictions on the implementation of this investment have been found beyond the ability to finance it as at the balance-sheet date.

The write-down recognised in the financial statements is therefore a one-time event that bears no indication of the abandonment of the project at the balance-sheet date, but merely reflects the uncertainty as to the completion time of the investment tasks, which depends on the possibility of obtaining financing and on a satisfactory level of cash flows from operations.

In the first place, during the period covered by the financial statements, the Company successfully fulfilled the need to upgrade the existing facility and also set the objective of utilising the production capacity after the period of cooperation with Novavax (Novavax has an exclusive use of the manufacturing capacity guaranteed until May 2024). The decision to incur significant expenditures on the construction of the new Mabion II facility, considering the scale of this project, depends directly on the utilisation of the manufacturing and service capacity at the existing facility. Once the capacity available in the upgraded facility has been utilised, the Company should proceed to raise financing and further expand the manufacturing and service capacity at Mabion II. The Company anticipates that in terms of obtaining financing for the construction and equipping of Mabion II, the financing will be available in tranches along with the progress of the construction work, and the facility itself (production lines) will be launched gradually with the acquisition of contracts/clients. Should a change in the Company's financial position, including the level of expected cash flows from operating activities become probable and, consequently, the probability of obtaining an appropriate level of financing necessary to put in practice the intentions related to the use of the expenditures incurred for the design works and accompanying analyses related to the construction of the Mabion II facility will raise, the Management Board may decide to reverse the write-down in subsequent reporting periods.

The Management Board is of the opinion that the project (activated expenditures covered by the write-down) and the new Mabion II manufacturing facility built as part of it, if completed, should bring tangible economic benefits in the form of income generated from future orders. This is reflected in the strategy approved by the Supervisory Board and communicated to the market. The strategy was a result of internal work and analyses by a renowned advisor on the market demand and the assets required for implementation, and the conclusions clearly support the thesis of tangible benefits from the implementation of the plan, with a particular focus on exploiting the possibility of generation of significant income after completion and utilising the potential of Mabion II. The demand for the CDMO services and the history of cooperation with Novavax justify the actions taken by the Company, the objectives set by it, and justify the direction of the Company's development envisaged in the strategy.

14.1. Property, plant and equipment

in PLN thousand	Land, buildings and structures	Plant and machinery	Cars	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
Gross value as at 1 January 2022	**48,357**	**23,837**	**2,426**	**39,341**	**36,812**	**150,773**
Increases due to:	**2,073**	**2,287**	**739**	**4,636**	**9,843**	**19,578**
Purchase and upgrade	-	-	-	-	9,843	9,843
Transfers from fixed assets under construction	2,073	2,287	739	4,636	-	9,735
Decreases due to:	**-**	**(36)**	**(692)**	**(250)**	**(9,736)**	**(10,714)**
Sales	-	-	(478)	-	-	(478)
Liquidation	-	(36)	(214)	(250)	-	(500)
Transfers from fixed assets under construction	-	-	-	-	(9,736)	(9,736)
Gross value as at 31 December 2022	**50,430**	**26,088**	**2,473**	**43,726**	**36,919**	**159,637**
Depreciation/amortisation as at 1 January 2022	**(10,236)**	**(18,892)**	**(1,223)**	**(31,750)**	**-**	**(62,100)**
Increases due to:	**(1,711)**	**(2,799)**	**(408)**	**(3,746)**	**-**	**(8,664)**
Depreciation/amortisation write-down for the reporting period	(1,711)	(2,799)	(408)	(3,746)	-	(8,664)
Decreases due to:	**-**	**36**	**569**	**243**	**-**	**848**
Sales	-	-	374	-	-	374
Liquidation	-	36	195	243	-	474
Depreciation/amortisation as at 31 December 2022	**(11,947)**	**(21,655)**	**(1,062)**	**(35,253)**	**-**	**(69,917)**
Net value as at 1 January 2022	**38,121**	**4,945**	**1,203**	**7,591**	**36,812**	**88,672**
Net value as at 31 December 2022	**38,483**	**4,433**	**1,411**	**8,474**	**36,919**	**89,720**

in PLN thousand	Land, buildings and structures	Plant and machinery	Cars	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
Gross value as at 1 January 2023	**50,430**	**26,087**	**2,473**	**43,726**	**36,919**	**159,635**
Increases due to:	**10,104**	**9,840**	**211**	**1,312**	**41,838**	**63,305**
Purchase and upgrade	-	-	-	-	41,838	41,838
including increases due to capitalisation of financial costs	-	-	-	-	2,634	2,634
Transfers from fixed assets under construction	10,104	9,840	211	1,312	-	21,467
Decreases due to:	**-**	**(4,681)**	**(99)**	**(82)**	**(21,467)**	**(26,329)**
Sales	-	-	-	-	-	-
Liquidation	-	(4,681)	(99)	(82)	-	(4,862)
Transfers from fixed assets under construction	-	-	-	-	(21 467)	(21 467)
Gross value as at 31 December 2023	**60,534**	**31,246**	**2,585**	**44,956**	**57,290**	**196,611**
Depreciation/amortisation as at 1 January 2023	**(11,947)**	**(21,654)**	**(1,061)**	**(35,253)**	**-**	**(69,915)**
Increases due to:	**(1,623)**	**(2,117)**	**(464)**	**(2,655)**	**(12,233)**	**(19,092)**
Depreciation/amortisation write-down for the reporting period	(1,623)	(2,117)	(464)	(2,655)	-	(6,859)
Impairment allowance	-	-	-	-	(12,233)	(12,233)
Decreases due to:	**-**	**4,573**	**99**	**82**	**-**	**4,754**
Sales	-	-	-	-	-	-
Liquidation	-	4,573	99	82	-	4,754
Depreciation/amortisation and impairment as at 31 December 2023	**(13,570)**	**(19,198)**	**(1,426)**	**(37,826)**	**(12,233)**	**(84,253)**
Net value as at 1 January 2023	**38,483**	**4,433**	**1,412**	**8,473**	**36,919**	**89,720**
Net value as at 31 December 2023	**46,964**	**12,048**	**1,159**	**7,130**	**45,057**	**112,358**

The following summary presents the value of property, plant and equipment leased out under operating lease.

in PLN thousand	Land, buildings and structures	Plant and machinery	Tools and instruments not elsewhere classified	Fixed assets under construction	Total
As at 31 December 2022					
Gross value	42,679	17,656	19,665	-	80,000
Depreciation	(8,395)	(13,878)	(12,398)	-	(34,671)
Net value as at 31 December 2022	**34,284**	**3,778**	**7,267**	**-**	**45,329**
As at 31 December 2023					
Gross value	52,458	25,848	18,335	-	96,641
Depreciation	(9,496)	(14,338)	(13,400)	-	(37,234)
Net value as at 31 December 2023	**42,962**	**11,510**	**4,935**	**-**	**59,407**

Part of investments in property, plant and equipment in 2023 was financed under leases (note 25).

The liquidated property, plant and equipment represented assets unsuitable for further use in the Company's activities and with no significant resale value.

Most of the Company's property, plant and equipment was purchased in the last eight years.

14.2. Intangible assets

The table includes intangible assets used by the Company and leased out under operating lease, and in a separate table below only those leased out. .

in PLN thousand	IT systems	Intangible assets under construction	Total
Gross value as at 1 January 2022	**1,843**	**176**	**2,019**
Increases due to:	**213**	**243**	**456**
Purchase and upgrade	-	243	243
Transfers from intangible assets under construction	213	-	213
Decreases due to:	**(27)**	**(213)**	**(240)**
Sales	-	-	-
Liquidation	(27)	-	(27)
Transfers from intangible assets under construction	-	(213)	(213)
Gross value as at 31 December 2022	**2,029**	**206**	**2,235**
Depreciation/amortisation as at 1 January 2022	**(1,208)**	**-**	**(1,208)**
Increases due to:	**(313)**	**-**	**(313)**
Depreciation/amortisation write-down for the reporting period	(313)	-	(313)
Decreases due to:	**27**	**-**	**27**
Sales	-	-	-
Liquidation	27	-	27
Depreciation/amortisation as at 31 December 2022	**(1,494)**	**-**	**(1,494)**
Net value as at 1 January 2022	**635**	**176**	**811**
Net value as at 31 December 2022	**535**	**206**	**741**

in PLN thousand	IT systems	Intangible assets under construction	Total
Gross value as at 1 January 2023	**2,029**	**206**	**2,235**
Increases due to:	**560**	**-**	**560**
Purchase and upgrade	262	-	262
Transfers from intangible assets under construction	298	-	298
Decreases due to:	**(468)**	**-**	**(468)**
Sales	-	-	-
Liquidation	(170)	-	(170)
Transfers from intangible assets under construction	(298)	-	(298)
Gross value as at 31 December 2023	**2,121**	**206**	**2,327**
Depreciation/amortisation as at 1 January 2023	**(1,494)**	**-**	**(1,494)**
Increases due to:	**(340)**	**-**	**(340)**
Depreciation/amortisation write-down for the reporting period	(340)	-	(340)
Decreases due to:	**-**	**-**	**-**
Sales	-	-	-
Liquidation	-	-	-
Depreciation/amortisation as at 31 December 2023	**(1,834)**	**-**	**(1,834)**
Net value as at 1 January 2023	**535**	**206**	**741**
Net value as at 31 December 2023	**287**	**206**	**493**

Intangible assets that have been leased out under operating leases.

in PLN thousand	IT systems	Intangible assets under construction	Total
As at 31 December 2022			
Gross value	362	-	362
Depreciation	(217)	-	(217)
Net value as at 31 December 2022	**145**	**-**	**145**
As at 31 December 2023			
Gross value	615	-	615
Depreciation	(512)	-	(512)
Net value as at 31 December 2023	**103**	**-**	**103**

15. Inventories

The inventory balance comprises materials (including reference medicines MabThera and Rituxan) and amounted to PLN 6,843 thousand as at 31 December 2023 (as at 31 December 2022, it was PLN 8,477 thousand).

The value of used-up inventories reported in the costs of research and development in 2023 was PLN 1,589 thousand (PLN 1,915 thousand in 2022).

Using the input-based method for recognising income from the agreement with Novavax, raw materials purchased by the Company for purposes of the agreement with Novavax have been recognised in the profit and loss account upon purchase rather than when they are actually used in production due to the fact that these raw materials have no alternative use.

The raw materials are specifically identifiable and the annex to the agreement with Novavax, signed on 22 September 2022, allows the Company to use them for other purposes than the implementation of the contract manufacturing agreement only to a very limited extent and upon Novavax' consent (Novavax controls these raw materials from the point at which they are purchased by Mabion). Consequently, the Company does not recognise raw materials purchased for the contract manufacturing for Novavax as inventories, but – in the presented reporting period – the Company recognises purchased raw materials as cost of sales in the profit and loss account with income recognised at an amount equal to the raw material acquisition cost, and thus no profit margin is recognised.

16. Trade and other receivables

Trade receivables are amounts due from clients for goods sold or services provided in the ordinary course of the Company's business. They are usually due within 30 days. Trade receivables are initially recognised in the amount of unconditional payment to be made. The Company recognises trade receivables to realise cash flows from its agreements with clients, and subsequently measures them at amortised cost using the effective interest rate method.

in PLN thousand	31 December 2023	31 December 2022
VAT receivables	6,127	4,673
Trade receivables	25,518	7,746
Advances on materials and services	905	1,786
Deposits	85	47
Other receivables	24	16
Trade and other receivables	**32,658**	**14,268**

The age structure of trade receivables is presented in the table below:

in PLN thousand	31 December 2023	31 December 2022
Current receivables	25,413	7,740
Overdue between 1 and 30 days	60	-
Overdue between 31 and 60 days	39	-
Overdue between 91 and 180 days	-	4
Overdue between 181 and 365 days	-	2
Overdue more than 360 days	6	-
Trade receivables	**25,518**	**7,746**

The item of trade receivables includes a receivable from counterparties and relates in particular to receivables arising from the annex signed with Novavax on 22 September 2022 for manufacturing readiness ("Manufacturing slot fees") and the invoiced remuneration for the batches produced.

Trade receivables that were not past due as at 31 December 2023 and those that were past due between 1 and 60 days, were settled after the balance-sheet date.

Therefore, and based on historical data concerning the repayment of receivables by counterparties, the Company has not recognised any write-down for expected credit losses.

17. Accrued costs

in PLN thousand	31 December 2023	31 December 2022
Bonuses	1,205	3,689
Rent	-	20
Insurance	282	270
Training	6	24
Complaints	103	103
Licences	469	94
Other	1,067	1,601
Total accrued costs	**3,132**	**5,801**

In 2021, the Company incurred costs related to the acquisition of the agreement with Novavax due to bonuses paid to the Company's employees in the amount of PLN 5,995 thousand. These costs are presented in the statements under prepayments and are accounted for over the course of the agreement with Novavax in proportion to May 2024.

18. Cash and cash equivalents

in PLN thousand	31 December 2023	31 December 2022
Cash on current accounts	1,600	44,059
Deposits with maturity of less than 3 months	46,218	9,579
Total cash and cash equivalents	**47,817**	**53,638**
Including restricted funds	**34**	**64**

19. Capital management and equity

The objective of the Company's capital management is to ensure its ability to continue as a going concern in order to generate a return on capital for shareholders, and to maintain an optimal capital structure to streamline the cost of capital.

The Management Board has requested the Company's Ordinary General Meeting to use the profit for the financial year 2022 in the amount of PLN 23,192 thousand to cover previous years' losses. By Resolution no. 30/VI/2023 of 13 June 2023, the Ordinary General Meeting of the Company resolved to allocate the net profit in its entirety to supplementary capital. The above changes are shown in the Company's Statement of Changes in Equity.

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

in PLN thousand, except for the number of shares	Number of shares issued and fully paid up	Share capital (nominal value)	Issued but unregistered share capital	Share premium
As at 31 December 2021	**16,161,326**	**1,616**	**-**	**237,443**
S series share issue	1,000	-	-	-
S series share issue costs	-	-	-	-
As at 31 December 2022	**16,162,326**	**1,616**	**-**	**237,443**
Changes in 2023	-	-	-	-
As at 31 December 2023	**16,162,326**	**1,616**	**-**	**237,443**

As at 31 December 2023, the shareholder structure of Mabion S.A. was as follows:

Shareholder	Registered office	Number of shares	% of share in the capital	% of votes held
Twiti Investments, Ltd.	Nicosia, Cyprus	2,674,617	16.55%	18.44%
Maciej Wieczorek through: *		1,717,485	10.63%	12.47%
Glatton Sp. z o.o.	*Łomianki, Poland*	1,097,135	6.79%	6.19%
Celon Pharma S.A.	*Łomianki, Poland*	620,350	3.84%	6.28%
Polfarmex S.A.	Kutno, Poland	1,474,346	9.12%	11.04%
Other	not applicable	10,295,878	63.70%	58.06%
Total		**16,162,326**	**100%**	**100%**

* * Mr. Maciej Wieczorek holds 100% of the share capital of Glatton Sp. z o.o. and indirectly, through Glatton Sp. z o.o., 58.81% of the share capital of Celon Pharma S.A. and 68.17% of the total number of votes in Celon Pharma S.A.

Shareholders holding more than 5% are listed separately.

20. Deferred income

20.1. Deferred income from grants

in PLN thousand	31 December 2023	31 December 2022
Subsidies for property, plant and equipment	6,255	6,503
Grants on research and development costs	25,771	24,897
Deferred income, including:	**32,026**	**31,400**
Short-term	224	228
Long-term	31,802	31,172

In the past, the Company financed part of its operations with grants from the European Regional Development Fund managed by the following government institutions in Poland: the Regional Development Agency of Łódź (ŁARR), the Polish Agency for Enterprise Development (PARP), the National Centre for Research and Development (NCBiR), and the Ministry of Development Funds and Regional Policy.

These were three projects to fund R&D and/or implementation of MabionCD20, a technology to produce analogues of human hormone insulin (double cutting technology), and MabionHER2 medicine, as well as an investment in the infrastructure of the Research and Development Centre, which have been completed. In relation to the received grants, the Company fulfilled certain conditions resulting from the co-financing agreements in force, implemented the scope of the project, incurred expenditures on specified objectives and achieved the assumed results. The expenses incurred are subject to verification by the aforementioned institutions - the Company is required to meet sustainability criteria for a period of three years from the project completion, during which it is expected to continue the subsidised activities without significant changes and within the original geographical boundaries.

As part of the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies", the Company was granted co-financing of PLN 24,897 thousand. In May 2022, the project entered a three-year sustainability period. The Company is required to achieve, by the end of the project's duration (May 2025), the assumed result indicator, i.e. to implement the results of the R&D work completed as part of the project into its own activities (commercial manufacturing of MabionCD20) and to obtain income from the implemented R&D work (income from the sales of the medicine). Because of a number of force majeure factors, the Company has identified risks in meeting the above-mentioned indicators and immediately started a dialogue with the NCBR. As of the date of these statements, in response to the Company's application, the NCBR agreed to change the way of implementation from the use of the R&D results in the Applicant's own business activity through the commencement of production or provision of services based on the results to the granting of a licence (at market conditions) for the use of the Applicant's rights to the R&D results by another entrepreneur. Such a solution is considered by the Company as an opportunity to meet the indicator for the implementation of the project results and to generate income from the implementation of the R&D work. Considering the time horizon remaining until the end of the sustainability period, the Company, in cooperation with Plexus Ventures, is actively looking for a licensee. However, it should be noted that this scenario presents a risk of failure in terms of acquiring a licensee. Should the result indicator not be achieved by the end of the sustainability period for the project, the Company may be called upon by the NCBR to repay part or all of the co-financing, together with interest due. The Company is not able to exclude such risks in the future (after the project sustainability period), but assesses it, at present, as low at this point in time and without impact on the Company's results for the period presented in this Report.

The Company is also a party to the co-financing agreement for the project entitled "Development of an analytical methods panel to characterise immunogenicity in a clinical trial targeting rheumatoid arthritis patients using rituximab as a therapeutic substance". The main objective of the project is to boost R&D activity through the development and implementation of a new Company-wide panel of analytical methods. As a result of the project, an innovative solution in the form of a product will be implemented, i.e. a commercial service consisting in running a panel of analytical methods for assessing the immunogenicity of biological products in clinical trials. The project was due to be completed by 31 December 2023, but due to the fact that the project was no longer profitable as planned, the Company decided to terminate the project earlier by the end of March 2023. The institution agreed to reduce the project deadline and the project is currently in the final payment application review stage.

On 22 August and 28 December 2023, the Company received subsidy tranches as part of the implementation of the aforementioned project, in the respective amounts of: PLN 198 thousand and PLN 675 thousand.

Grants are disclosed in deferred income 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.

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

in PLN thousand	Grants on property, plant and equipment	Research and development grants	Total grants
As at 31 December 2021	**7,627**	**25,338**	**32,965**
Inflows	-	1,540	1,540
Return	(337)	-	(337)
Included in the financial result	(788)	(1,981)	(2,769)
As at 31 December 2022	**6,502**	**24,897**	**31,400**
Inflows	-	874	874
Included in the financial result	(247)	-	(247)
As at 31 December 2023	**6,255**	**25,771**	**32,025**

Fixed assets for which the grant was obtained were put into use in 2015 and their depreciation started at that date. The part of deferred income (grants) corresponding to costs was also recognised in the financial result, as other operating income, in parallel to the write-downs on these assets (PLN 247 thousand in 2023 and PLN 1,125 thousand in 2022 – see also Note 11).

20.2. Other deferred income

In this item, the Company recognised, among other things, a freezer received free of charge, worth PLN 78 thousand. The income will be recognised concurrently with the depreciation of the freezer. The amount of income remaining to be recognised in future periods as at 31 December 2023 was PLN 49 thousand.

21. Liabilities under contracts with customers

in PLN thousand	31 December 2023	31 December 2022
Liabilities arising from the implementation of the agreement with Novavax	1,465	49,684
Lease prepayments	34	1,105
Total	**1,498**	**50,789**

Commitments arising from agreements with customers include payments received from Novavax in connection with the implementation of the Master Contract Manufacturing Agreement (MCMA) on the production of an active substance (further information in Note 8). The initial payments received from Novavax before the commencement of production are intended to cover the costs of adaptation of the Company's manufacturing facility to the customer's needs, including technology transfer and production of test batches of the active substance. Apart from lease, the agreement distinguishes one non-lease performance obligation, which is the active substance production service; adaptation of the facility does not constitute a separate performance obligation. Income from the foregoing payments is recognised by the Company over time, over the period of implementation of the agreement. The raw materials purchased for the purposes of the agreement represent the agreement cost at the time of purchase. In line with the accounting policy presented in these statements (note 15), these raw materials, upon purchase by Mabion, are recognised as cost of sales and, at the same time, income is recognised in an amount equal to the acquisition cost of the raw material, and therefore the Company does not recognise a profit margin.

22. Repayable advances on distribution rights

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

Partner	Rynek	31 December 2023	31 December 2022
FARMAK	Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan	1,087	1,172
ONKO	Turkey	478	516
Sothema Laboratories	Morocco, Algeria, Tunisia	100	108
Lyfis	Iceland	26	28
Total		**1,691**	**1,824**

Advances received by the Company are repayable in the case of an event beyond the Company's control (i.e. failure to complete clinical trials conducted as part of development work and/or failure to issue a marketing authorisation for a specific market by a regulatory body), and have therefore been classified as financial liabilities. Since the moment of occurrence or non-occurrence of the above mentioned event is also beyond the Company's control, the liability is measured at the amount payable on demand and classified under short-term liabilities. At the date of these financial statements, in accordance with the agreements in force, the advances disclosed has not become due.

23. Loans and borrowings

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

in PLN thousand	31 December 2023	31 December 2022
Loans and borrowings	31,159	-
Loans secured on assets	369	513
Total loans and borrowings	**31,527**	**513**

23.1. Bank loans

On 6 February 2023, the Company entered into a loan agreement with the European Bank for Reconstruction and Development ("EBRD") for USD 15,000 thousand ("Loan Agreement"). The financing to the Company was approved by the credit committee of the EBRD on 18 October 2022. The loan provided by the EBRD was used to finance the expansion and upgrade of the Company's facility located in Konstantynów Łódzki and to deploy IT systems to support the implementation of commercial contract manufacturing performed under the Manufacturing Agreement entered into with Novavax, and the implementation of other possible CDMO projects (hereinafter referred to as "Project").

On 28 September 2023, in line with the payment request, the Company received the entire funding amount of USD 15,000 thousand. The first and second instalment of the funding was repaid, respectively on 29 September 2023 and 28 December 2023, and each time amounted to USD 3,300 thousand. It was repaid in accordance with the applicable terms and conditions of the agreement. The nominal value of the financing as at the balance-sheet date was USD 8,400 thousand and the loan was fully utilised.

The loan bears interest at a variable rate composed of the interest base, i.e. the compounded Secured Overnight Financing Rate (SOFR), plus a margin. The repayment of the loan is arranged in four instalments of varying amounts. According to the timetable specified in the loan agreement, the last instalment is to be repaid by 30 June 2024.

Given that the loan was obtained on market terms, its fair value does not differ materially from its carrying amount (the measurement was made at level 2 of the fair value measurement hierarchy).

The EBRD's receivables under the Loan Agreement were collateralised in favour of the EBRD by:

> contractual mortgage on the real estate of the Company located in Konstantynów Łódzki

> registered pledge on certain assets of the Company related to the CDMO project

> registered pledges on the Company's bank accounts

- assignment of rights and pledge on receivables under the agreement with Novavax
- assignment of rights under insurance agreements for certain assets of the Company
- Company's statement of submission to enforcement in the form of a notarial deed.

The Loan Agreement contains certain provisions that impose restrictions on the Company with respect to, among other things:

- the termination or amendment of the terms and conditions of the Agreement with Novavax if as a result the Company's proceeds are reduced
- the disposal of, or encumbrance on, material assets of the Company
- incurring certain financial liabilities in excess of agreed amounts, including incurring, or committing to incur, capital expenditure (CAPEX) in excess of PLN 5,000 thousand (or an equivalent in another currency) in any financial year for purposes unrelated to the Project.

The loan agreement includes the EBRD's entitlement to grant the Company a written waiver of the restrictions imposed on the Company under the loan agreement. The right referred to in the preceding sentence is subject to the sole discretion of the EBRD. The loan agreement includes financial covenants regarding restrictions on dividend payments above the Debt Service Coverage Ratio (DSCR) specified in the loan agreement. Should the Company breach the obligations specified in the loan agreement, it will entitle the EBRD to terminate thereof and demand immediate repayment of the loan together with contractual default interest and any other due costs or fees. As at the balance-sheet date, the covenants were met.

Under the loan agreement, the Company undertook to implement an Environmental and Social Action Plan to carry out ESG (Environmental, Social and Corporate Governance) activities in accordance with EBRD Performance Requirements 1–8 and 10 of April 2019, as well as to pursue its business in accordance with the EBRD's anti-corruption guidelines.

23.2. Loans secured on assets

The Company is a party to leaseback agreements to finance the purchase of laboratory equipment, which are treated as loans due to the fact that the purchases of equipment financed in this way was first fully paid for by the Company, and the lease agreements contain irrevocable offers to buy back the equipment being the subject of the agreement at the end of the lease period. These agreements have been concluded for 4 to 5 years and are secured with blank promissory notes. The lessor has the right to fill in a promissory note up to the amount equivalent to all due but unpaid receivables to which the lessor is entitled under a given lease agreement, in particular receivables from lease payments, damages, contractual penalties or reimbursement of costs, including due interest, in case the Company fails to pay any of these receivables on the due date. In the period of 12 months of 2023 ended 31 December 2023, the Company did not enter into any asset-backed borrowing agreements.

As at 31 December 2023, the total value of outstanding loans secured on assets was PLN 369 thousand.

24. Debt

The following table shows an analysis of the change in debt for each of the periods presented:

in PLN thousand	Bank loans	Borrowings	Lease liabilities	Total debt
As at 01.01.2022	**-**	**15,452**	**3,621**	**19,073**
Proceeds from financing received	-	-	-	**-**
Debt repayments	-	(15,464)	(2,243)	**(17,707)**
Interest paid	-	(1,203)	(491)	**(1,694)**
Conclusion of lease agreements	-	-	3,972	**3,972**
Conclusion of borrowing agreements	-	525	-	**525**
Interest accrued	-	1,203	491	**1,694**
Exchange differences accrued	-	-	-	**-**
Lease liabilities payable	-	-	31	**31**
Measurement of future lease payments	-	-	282	**282**
As at 31.12.2022	**-**	**513**	**5,663**	**6,176**
Proceeds from financing received	65,433	-	-	**65,433**
Debt repayments	(28,791)	(145)	(1,351)	**(30,286)**
Interest paid	(1,289)	(48)	(731)	**(2,068)**
Loan agreement transaction costs	(3,905)	-	-	**(3,905)**
Conclusion of borrowing agreements	-	-	535	**535**
Interest accrued	3,093	48	731	**3,872**
Exchange differences accrued	(3,383)	-	-	**(3,383)**
Lease liabilities payable	-	-	23	**23**
Measurement of future lease payments	-	-	(604)	**(604)**
As at 31.12.2023	**31,159**	**369**	**4,266**	**35,794**

25. Leases

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

On 17 December 2019, the Company entered into a lease agreement for office space in Łódź for the years 2020–2023 and recognised the related lease as at 31 December 2019. On 2 August 2022, the Company signed an annex to the aforementioned lease agreement, which extends the validity of the agreement to the end of 2027.

The lease agreements concluded by the Company provide for a 3 to 5-year lease period. They are secured by blank promissory notes. The lessor has the right to fill in a promissory note up to the amount equivalent to all due but unpaid receivables to which the lessor is entitled under a given leasing agreement, in particular receivables under lease payments, compensations, contractual penalties or reimbursement of costs, including due interest, in the event that the Company fails to pay any of these receivables on the due date.

Changes in the interest rate taken into account in the calculation of the lease instalment amount result in changes in the amount of lease instalments. All lease agreements include an option to purchase the leased item after the end of the lease period.

In the reporting period, the Company entered into a number of new lease agreement as a result of which it recognised new items of property, plant and equipment of PLN 535 thousand and a lease liability of PLN 535 thousand, including the amount of PLN 324 thousand relating to the indexation of the fees provided for in the lease agreement for the building at 17 Fabryczna St. in Łódź (on 3 August 2022, an annex to the agreement was signed, extending its validity until the end of 2027).

Depreciation of leased fixed assets in the reporting period amounted to PLN 1,689 thousand, and lease interest amounted to PLN 731 thousand.

The total gross carrying amount of leased items as at 31 December 2023 totals PLN 9,502 thousand.

The table below presents information on the amount of future minimum lease payments and the current value of minimum lease payments as at 31 December 2023 and 31 December 2022.

Depreciation of leased fixed assets by asset group:

in PLN thousand	31 December 2023	31 December 2022
Group 1 – buildings and premises and the cooperative right to commercial premises and the cooperative right to residential premises	522	585
Group 4 – Machinery, equipment and apparatus for general use	16	10
Group 5 – Machinery, equipment and specialised apparatus	106	118
Group 7 – means of transport	435	347
Group 8 – tools, instruments, movable property and equipment, not elsewhere classified	610	823
Depreciation of leased assets by asset class in total	**1,689**	**1,883**

The total carrying amount of finance leases as at 31 December 2023 and 31 December 2022 was as follows: PLN 4,850 thousand and PLN 6,255 thousand, respectively.

Summary of leased assets at carrying value by asset group:

in PLN thousand	31 December 2023	31 December 2022
Group 1 – buildings and premises and the cooperative right to commercial premises and the cooperative right to residential premises	2,089	2,286
Group 4 – Machinery, equipment and apparatus for general use	20	36
Group 5 – Machinery, equipment and specialised apparatus	181	334
Group 7 – means of transport	1,084	1,339
Group 8 – tools, instruments, movable property and equipment, not elsewhere classified	1,476	2,260
Leased fixed assets – in total	**4,850**	**6,255**

The table below presents information on the amount of future minimum lease payments and the current value of minimum lease payments as at 31 December 2023 and 31 December 2022:

in PLN thousand	31 December 2023	31 December 2022
Minimum lease payments		
Up to 1 year	1,678	1,922
From 1 to 5 years	3,665	5,026
Future minimum lease payments	**5,343**	**6,948**
Future interest costs	**(1,076)**	**(1,286)**
Current value of lease payments		
Up to 1 year	1,543	1,846
From 1 to 5 years	2,723	3,816
Lease liabilities	**4,266**	**5,662**

26. Trade and other liabilities

in PLN thousand	31 December 2023	31 December 2022
Trade liabilities	7,941	12,812
Social insurance and income tax on wages	1,678	1,601
Liabilities under remunerations	1,519	1,417
Other liabilities	208	198
Company Social Benefits Fund	34	34
Total trade and other liabilities	**11,380**	**16,062**

The fair value of trade and other liabilities is considered to be the same as their carrying amount due to their short-term nature.
The Management Board of Mabion S.A., by Resolution No. 2/I/2023 of 13 January 2023, decided that in 2023, the Company will not establish a Company Social Benefits Fund.

27. Accrued costs

The following table presents the movement of provisions:

in PLN thousand	Provision for unused leave	Provision for bonuses	Other provisions	Total
As at 1 January 2022	**912**	**576**	**2,409**	**3,896**
Creation (+)	178	3,148	31	3,357
Utilisation(-)/Release(-)	-	(1,476)	(2,429)	(3,905)
As at 31 December 2022, including	**1,090**	**2,248**	**11**	**3,349**
Short-term	*1,090*	*2,248*	*11*	*3,349*
Long-term	-	-	-	-
Creation (+)	103	6,415	19	6,537
Utilisation(-)/Release(-)	-	(2,248)	(11)	(2,259)
As at 31 December 2023, including	**1,194**	**6,415**	**19**	**7,628**
Short-term	*1,194*	*6,415*	*19*	*7,628*
Long-term	-	-	-	-

28. Financial risk management

In its research and development, and manufacturing activities, the Company is exposed to a number of financial risks, such as market risk (in particular, the foreign exchange risk and the risk of changes in cash flows as a result of changes in interest rates, the risk associated with the macroeconomic, legal, and political environment), credit risk and liquidity risk, and non-financial risks: the risk associated with the biotechnology medicine market, the risk of not finding an external partner interested in acquiring a licence for Mabion CD20 from Mabion, or the risk associated with the implementation of the existing agreements.
The Management Board of the Company maintains a continuous risk management process in all significant areas of the Company's operations. Due to the dynamic situation on the pharmaceutical and CDMO market, the Management Board monitors, audits and updates potential risks on an ongoing basis, through:

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

This Note describes the Company's exposure to the various risks arising from the financial instruments held by the Company, and the objectives, policies and processes used to measure and manage the risks.

The table below presents the financial instruments held by the Company and their classification under IFRS 9:

in PLN thousand	31 December 2023	31 December 2022
Financial assets measured at amortised cost		
Long-term receivables	268	220
Trade receivables	25,518	7,746
Cash and cash equivalents	47,817	53,638
Total financial assets	**73,603**	**61,604**
Liabilities measured at amortised cost		
Repayable advances on distribution rights	1,691	1,824
Trade liabilities	7,941	12,812
Long-term liabilities	406	-
Loans and borrowings	31,528	513
Total financial liabilities	**41,565**	**15,149**
Financial liabilities outside the scope of IFRS 9		
Lease liabilities	4,266	5,662

28.1. Foreign exchange risks

Some of the raw materials necessary for the production of the active substance are purchased in a foreign currency or denominated into PLN on the transaction date (USD and EUR). In addition, the Company may carry out significant investment purchases related to the retrofitting of the facility where the currency of the agreement is EUR or USD.

Implementation, and in particular the repayment of the loan agreement and the servicing costs of the EBRD financing, can also generate currency risk, as the USD is the settlement currency in the financing agreement.

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

The costs of advisory services purchased by the Company, denominated in foreign currencies and provided in future reporting periods, may also generate currency risk.

Unfavourable changes in exchange rates (depreciation of the Polish zloty against foreign currencies) may contribute to an increase in the level of the Company's capital outlays and increase current costs, which may have an adverse effect on the Company's financial results.

It cannot be excluded that the Company may generate exchange rate differences arising from fluctuations in exchange rates as a result of the difference in the periods in which the receivable or liability arises and the realisation of the payment denominated in a foreign currency, including as a result of the conversion of the received funds into PLN.

The Company has signed an agreement for the manufacture of an active substance and for manufacturing slots, denominated in USD, which gives rise to exchange rate risk in terms of the earned income. It is expected that the risk of exchange rate fluctuations arising from emerging liabilities will be mitigated by the delivery of services using natural hedging.

The Company analyses the level of foreign exchange risk and the potential impact of the above changes on the results of the period on an ongoing basis. At present, the Company's management does not apply hedging instruments to mitigate the impact of changes resulting from temporary fluctuations in foreign exchange rates on its financial results and capital position.

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

in PLN thousand	Denominated in the following foreign currencies (after translation into PLN)			
	Total	EUR	USD	Other foreign currencies
As at 31 December 2022				
Trade receivables	7,612	-	7,612	-
Cash and cash equivalents	43,956	34	43,910	12
Repayable advances on distribution rights	(1,824)	(1,824)	-	-
Trade liabilities	(518)	(244)	(85)	(189)
Net exposure – assets / (liabilities)	**49,226**	**(2,034)**	**51,437**	**(177)**
As at 31 December 2023				
Trade receivables	25,503	26	25,477	-
Cash and cash equivalents	40,610	442	40,139	29
Bank loan	(31,159)	-	(31,159)	-
Repayable advances on distribution rights	(1,691)	(1,691)	-	-
Trade liabilities	(567)	(199)	(201)	(167)
Net exposure – assets / (liabilities)	**32,695**	**(1,423)**	**34 ,256**	**(138)**

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

Currency risk sensitivity analysis as at 31 December 2023
Impact on financial result (in PLN thousand)

Groups/categories of financial instruments	USD		EUR		Other foreign currencies outsourced	
	5%	(5%)	5%	(5%)	5%	(5%)
Financial assets:						
Trade receivables	1,274	(1,274)	1	(1)	-	-
Cash and cash equivalents	2,007	(2,007)	22	(22)	1	(1)
Financial liabilities:						
Repayable advances on distribution rights	-	-	(85)	85	-	-
Bank loan	(1,558)	1,558	-	-	-	-
Trade liabilities	(10)	10	(10)	10	(8)	8

28.2. Risk of cash flow changes as a result of interest rate changes

The Company has exposure to the risk of interest rate changes with respect to borrowings at variable interest rates and leases at variable interest rates. The Company analyses the level of interest rate risk on a regular basis in order to assess the impact of certain interest rate changes on its financial results. The Company does not hold instruments to mitigate the impact of interest rate changes on cash flows and financial results.

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

in PLN thousand	31 December 2023	31 December 2022
Cash on bank accounts	47,817	53,638
Loans and borrowings	(31,528)	(513)
Lease	(4,266)	(5,662)
Net exposure – assets / (liabilities)	**12,023**	**47,463**

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

in PLN thousand	2023	2022
Increase/(decrease) in profit/loss and equity as a result of	**3%**	**1%**
increase in the interest rate	361	475
decrease in the interest rate	(361)	(475)

Due to the general increase in interest rates in Poland in 2023, a 3% rate increase was applied in the sensitivity analysis for 2023; in the comparable period, it was 1%.

28.3. Counterparty credit risk

Credit risk is the risk of the Company suffering financial losses because of a failure on the part of a customer or supplier who is a party to a financial instrument to fulfil their contractual obligations. The Company's credit risk mostly results from cash and cash equivalents on bank accounts. In the opinion of the Company's management, there are significant concentrations of credit risk at the Company which are related to the portfolio of trade and other receivables representing financial assets, which is mainly attributable to the Company's having a single, major customer for services. This type of risk measurement is based on the analysis and ongoing monitoring of payments from Novavax, as well as an analysis of the financial situation based on published and available sources.

The table below shows the exposure to credit risk:

in PLN thousand	31 December 2023	31 December 2022
Long-term receivables	268	220
Trade receivables	25,518	7,746
Cash on bank accounts	47,817	53,638
Total exposure	**73,603**	**61,604**

On 28 February 2023, the key counterparty of the Company, Novavax, expressed doubts as to its ability to continue as a going concern. Novavax stated that there is significant uncertainty regarding its expected income levels in 2023, the ability of the US government to provide funding, and the pending arbitration with its counterparty, Gavi. At the same time, the Company's counterparty stressed that the cash flow forecast indicates that Novavax has sufficient capital to fund its operations in 2023.

On 22 February 2024, the Company's key counterparty, Novavax Inc., reached a settlement with its counterparty, Gavi, under which Novavax agreed to reimburse Gavi at least USD 475 million in cash or vaccines by the end of 2028, thereby resolving a dispute over cancelled orders that resulted in the financial uncertainty for Novavax.

The existing agreement with NVAX is guaranteed until May 2024 and, regardless of the execution of manufacturing orders, the Company receives manufacturing capacity availability payments. As at the date of these financial statements, there are no arrears under the agreement.

There is a high concentration of trade receivables shown as at 31 December 2023. In the Management Board's opinion, there is a credit risk for trade receivables with the highest exposure to this risk. To minimise this risk, the Company has detailed counterparty monitoring procedures in place. The Company measures its expected credit losses in line with the simplified approach set out in IFRS 9, which provides for expected loss allowances over the life of trade receivables and assets from agreements with clients. The amount of expected credit losses for trade receivables estimated as at 31 December 2023 is insignificant (additional information can be found in Note 16).

Cash and cash equivalents are deposited with Santander Bank Polska SA, a financial institution with a BBB+ Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings, with Alior Bank SA, a financial institution with a BB Long-term Issuer Default Rating (IDR) with a positive outlook by Fitch Ratings, and with mBank SA, a financial institution with a BBB- Long-term Issuer Default Rating (IDR) with a stable outlook by Fitch Ratings. There is no significant concentration of credit risk at the Company with regard to cash and cash equivalents; as at the balance-sheet date, approximately 25% of funds are held with mBank SA and 75% with Santander Bank Polska SA.

Nevertheless, the Company's management is of the opinion that depositing cash with banks with stable ratings significantly reduces exposure to credit risk.

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

28.4. Liquidity risk

In 2023, the Company generated proceeds from sales of products and services under the existing agreements, provided manufacturing slots, and its activities were also co-financed by public funding.

In the period of 12 months of 2023, the Company received payments under the agreement amounting to USD 19,820 thousand and EUR 270 thousand. After the balance-sheet date, the Company received further payments under agreements in progress in the amount of USD 13,203 thousand. Overall, payments received since the commencement of cooperation with Novavax up to the date of the financial statements amounted to USD 88,195 thousand and EUR 270 thousand. As at the date of these financial statements, there are no overdue receivables from Novavax.

In the financial statements for 2023, published on 28 February 2024, the key counterparty of the Company, Novavax, expressed doubts as to its ability to continue as a going concern. Novavax informed that given its existing liquidity position and cash flow forecast, as well as the significant uncertainty related to income in 2024, there were serious doubts about its ability to continue as a going concern for a period of one year as of the date of publication of the financial statements. These concerns were also raised in the financial statements for 2022, where it was stated that there is significant uncertainty regarding its expected income levels in 2023, the ability of the US government to provide funding, and the pending arbitration with its counterparty, Gavi. On 22 February 2024, Novavax informed that it had reached an agreement with its contractor, Gavi.

In the period under review, the Company took measures to secure the financing of its investment activities, including the expansion and upgrade of its existing production potential, by obtaining external financing. As a result, a financing agreement was signed with the EBRD securing access to USD 15,000 thousand. On 6 February 2023, the Company entered into a loan agreement with the EBRD for USD 15,000 thousand. The loan was intended in particular to finance the expansion and upgrade of the Company's current facility located in Konstantynów Łódzki and the development of IT infrastructure to support the commercial contract manufacturing carried out under the agreement with Novavax, as well as the implementation of other potential CDMO projects. On 28 September 2023, in line with the payment request, the Company received the entire funding amount of USD 15,000 thousand. The first and second instalment of the funding was repaid, respectively on 29 September 2023 and 28 December 2023, and each time amounted to USD 3,300 thousand. It was repaid in accordance with the applicable terms and conditions of the agreement. The nominal value of the financing as at the balance-sheet date was USD 8,400 thousand and the loan was fully utilised. On 25 March 2024 (an event after the balance-sheet date), the Company repaid another tranche of funding in the amount of USD 3,300 thousand. The principal amount outstanding as at the date of these statements was USD 5,100 thousand.

The Company's management monitors current forecasts for the Company's liquid assets and liabilities based on projected cash flows.

The risk related to limited access to funding due to the global liquidity situation or the Company's financial position (with contract manufacturing taken into account), cannot be excluded.

In particular, the current situation resulting from inflation and the warfare in Ukraine, and their impact on capital markets should be borne in mind, as this may cause significant restrictions on sources of funding, including equity funding from share issues.

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

in PLN thousand	Carrying amount	Total	Under 6 months	6 – 12 months	1 – 2 years	2 – 5 years
As at 31 December 2022						
Repayable advances on distribution rights	1,824	1,824	1,824	-	-	-
Trade liabilities	12,812	12,811	12,270	30	247	264
Loans and borrowings	513	617	93	93	186	245
Lease	5,662	6,948	1,042	879	1,596	3,431
Total	**20,811**	**22,200**	**15,229**	**1,002**	**2,029**	**3,940**
As at 31 December 2023						
Repayable advances on distribution rights	1,691	1,691	1,691	-	-	-
Trade liabilities	7,941	7,941	7,941	-	-	-
Loans and borrowings	31,528	31,575	31,246	87	174	68
Lease	4,672	5,343	886	791	1,494	2,171
Total	**45,831**	**46,549**	**41,764**	**878**	**1,668**	**2,238**

28.5. Fair value of financial instruments measured at amortised cost

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

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

The Company's Management assessed that the fair value of these items approximates or equals their carrying values. The fair value measurements are classified into level 2 of the fair value hierarchy (i.e. inputs other than quoted prices that are observable either directly or indirectly). The main input used to determine fair value of the bank borrowing is the current market interest rate of similar instruments of 8.05%. The fair value of the liability resulting from the repayable advances on distribution equal the carrying amount which is an amount payable on demand.

28.6. Risk related to the macroeconomic, legal and political situation

One of the main elements that influence the entrepreneurs' decisions is Polish tax law: frequently changed, imprecise and more often than not suffering from the lack of uniform interpretations. Indeed, practices of fiscal authorities and court decisions on tax issues are all based on vague legal regulations, which translates into an increased business risk in Poland compared to the more stable tax systems in the countries with mature economies. The potential risk for the Company is the likelihood that forecasts for its operations will become outdated and its financial condition will deteriorate.

Regulatory changes that have the greatest impact on the Company operations are in particular those related to tax law, laws governing the operation of the social security system and publicly funded healthcare services, as well as pharmaceutical and intellectual property laws. Amendments to these regulations may significantly reshape the Company's legal environment and thus alter its financial results. Also discrepancies in interpretation of the legal order prevailing in Poland and in the EU constitute a material factor which may have impact on the development prospects, results achieved and the financial position of the Company. Disparity in legal interpretations by national courts and public agencies and Community courts can have both direct and indirect consequences for the Company.

The Management Board constantly monitors changes in laws and interpretations that are of key importance for the Company in an effort to proactively adapt the Company strategy to such developments.

The ongoing economic situation in the East - due to the war in Ukraine – has caused the Management Board to closely monitor the regulations introduced by the Polish Government, the governments of other EU countries, and the United States. A protracted conflict may result in higher prices of, for example, energy, restrictions on free trade, or other business restrictions, including disruptions in the supply chain for goods and services.

The Company has analysed the impact of the Russian military invasion of Ukraine and its current and future possible consequences for the Company. The Company is of the opinion that the invasion and its effects do not affect the measurement and classification of assets and liabilities in the financial statements as at 31 December 2023. The Company has assessed the possible impact of the military invasion on the Company and has included appropriate disclosures in the financial statements, taking into account both the existence of this event arising after the balance-sheet date, as well as an assessment of its potential impact on the Company, including its financial performance in 2023 and beyond.

28.7. Risks associated with the implementation of the Manufacturing Agreement with Novavax

On 8 October 2021, the Company entered into a commercial contract manufacturing agreement (Manufacturing Agreement) with Novavax, together with a Statement of Work, pursuant to which the Company manufactures on a commercial scale, on a GMP standard basis, an antigen for a COVID-19 vaccine called Nuvaxovid®. The parties agreed on the scope and budget of the work contracted to the Company as part of the production of engineered and commercial batches of the protein antigen Nuvaxovid®.

The Company has started to implement the agreement on schedule, while on 22 September 2022, it entered into an annex to the manufacturing agreement with Novavax and an annex to SOW#1. As a result of the above-mentioned annexes, the Agreement's duration has been extended until the end of 2026 and, based on the schedule agreed between the parties, the Company will either receive remuneration for the Product batches manufactured or remuneration for the readiness to manufacture the Product based on the production capacity guaranteed to Novavax. In the opinion of the Management Board, the annex does not change the subject matter of the Agreement, but simply the mechanics of income calculation.

The new provisions on remuneration for the readiness to manufacture safeguard the Company against loss of income (in the guaranteed period of the counterparty's unconditional commitment – i.e. until May 2024), even if Novavax' production plans change. To minimise the risks presented above, regular monitoring of project work is carried out by a team dedicated to the project.

28.8. Risk related to the funding obtained

As part of the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies", the Company was granted co-financing of PLN 24,897 thousand. In May 2022, the project entered a three-year sustainability period. The Company is required to achieve, by the end of the project's duration (May 2025), the assumed result indicator, i.e. to implement the results of the R&D work completed as part of the project into its own activities (commercial manufacturing of MabionCD20) and to obtain income from the implemented R&D work (income from the sales of the medicine). Because of a number of force majeure factors, the Company has identified risks in meeting the above-mentioned indicators and immediately started a dialogue with the NCBR. As of the date of these statements, in response to the Company's application, the NCBR agreed to change the way of implementation from the use of the R&D results in the Applicant's own business activity through the commencement of production or provision of services based on the results to the granting of a licence (at market conditions) for the use of the Applicant's rights to the R&D results by another entrepreneur. Such a solution is considered by the Company as an opportunity to meet the indicator for the implementation of the project results and to generate income from the implementation of the R&D work. Considering the time horizon remaining until the end of the sustainability period, the Company, in cooperation with Plexus Ventures, is conducting activities aimed at identifying and attracting a licensee. However, it should be noted that this scenario presents a risk of failure in terms of acquiring and licensing another entrepreneur. Should the result indicator not be achieved by the end of the sustainability period for the project, the Company may be called upon by the NCRB to repay part or all of the co-financing, together with interest due. The Company is not able to exclude such risks, but assesses it as low and without impact on the Company's results presented in these statements.

29. Related party transactions

There is no direct or ultimate controlling party in the Company. In the period covered by these financial statements the Company has not recorded neither sales to nor purchases from the related parties on conditions other than arm's length terms. On 26 June 2023, the Company entered into an agreement with Polfarmex S.A. for the provision of regulatory consultation services on product and process development and on the manufacturing process for an active substance and a finished product. Income from the sales of the above-mentioned services in the period of 12 months of 2023 amounted to PLN 51 thousand.

30. Employment

in PLN thousand	12 months to 31 December 2023	12 months to 31 December 2022
Management Board */**	4	4
Production departments **	181	194
Administrative departments **	41	38
Total	**226**	**236**

* On 8 November 2023, the composition of the Management Board of the Company was expanded by a resolution of the Company's Supervisory Board, appointing Ms. Julita Balcerek to the Management Board of the Company for the second joint term as Member of the Management Board, with effect as of 8 November 2023.

** Average employment in the reporting period in remunerated FTEs, i.e. employment in FTEs adjusted (reduced) by FTEs for which the Company does not pay remuneration (e.g. unpaid leave, maternity leave, other).

31. Information on the fee of the entity authorised to audit the financial statements

The table below presents the fee of the Company's auditor paid or due for the year ended 31 December 2023 and 31 December 2022, by type of service:

in PLN thousand	12 months to 31 December 2023	12 months to 31 December 2022
Audit of the annual financial statements	224	200
Other attestation services, including the review of interim financial statements and a service relating to the assessment of the remuneration report	117	122
Other services	-	-
Total	**341**	**322**

In the year ended 31 December 2023 and in 2022, the entity authorised to audit the financial statements was PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.

32. Key management remuneration

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

In the item 'Remuneration of Management Board members', the Company presents both remuneration under employment contracts, managerial contracts, as well as appointment. On 8 November 2023, the composition of the Management Board of the Company was expanded by a resolution of the Company's Supervisory Board, appointing Ms. Julita Balcerek to the Management Board of the Company for the second joint term as Member of the Management Board, with effect as of 8 November 2023.

in PLN thousand	2023	2022
Remuneration of Supervisory Board members	464	467
Remuneration of Management Board members	2,542	2,486
Share-based payments	-	2
Awards	-	29
Provisions for bonuses	1,103	733
Total short-term remuneration	**4,109**	**3,717**

33. Profit per one share

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

in PLN thousand	2023	2022
Net profit in thousands of PLN	41,269	23,192
Weighted average number of ordinary shares issued (in thousands)	16,162	16,162
Basic profit per one share (in PLN per 1 share)	2.55	1.43

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

34. Off-balance-sheet liabilities

34.1 Contractual obligations

As at 31 December 2023, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards IMA S.p.A. with its registered office in Italy (IMA) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which IMA undertook to manufacture, for the Company, a packaging line. The value of the liability as at the balance-sheet date amounts to EUR 46 thousand.

As at 31 December 2023, there exists a contractual liability of the Company regarding the acquisition of property, plant and equipment, towards Global Life Science Solutions Poland sp. z o.o. (Global Life) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which Global Life undertook to manufacture 10L, 50L, 200L, 2000L bioreactors for the Company. Under the agreement, the Supplier has manufactured, sold to and installed at the Company a set of bioreactors under the brand name of "Cytiva Xcellerex XDR" in accordance with the specifications set out in the agreement, together with associated documentation, goods, software and services. The bioreactors were delivered to the Company's manufacturing facility in Konstantynów Łódzki in Q3 2023. Their Installation, qualification testing and acceptance followed in subsequent periods. The net value of the agreement is EUR 3,200 thousand. The value of the liability as at the balance-sheet date amounts to EUR 398 thousand.

As at 31 December 2023, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards Bonfiglioli Engineering srl with its registered office in Italy, arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which Bonfiglioli Engineering Srl undertakes to manufacture and supply to the Company a line for leakage control and optical inspection of direct packaging, together with associated documentation and services. Under the agreement, the Supplier will manufacture, supply and install, at the Company's registered office, a device for automatic leakage control of primary pharmaceutical packaging (vials containing finished, sterile medicinal product) and optical inspection of filled packaging and product inside the packaging, in line with the specifications specified in the agreement. The equipment incorporates a state-of-the-art measurement and control system and its design complies with GMP (Good Manufacturing Practice) requirements, and national and international standards. The equipment is expected to be delivered to the Company's manufacturing facility in Konstantynów Łódzki in the beginning of Q4 2024, which will be followed by assembly, installation, and commissioning. The net value of the Agreement is EUR 829 thousand, i.e. PLN 3,728 thousand at the average exchange rate of the National Bank of Poland as announced on 6 September 2023. The value of the liability as at the balance-sheet date amounts to EUR 539 thousand.

In December 2023, the Company entered into an agreement with Bruker Cellular Analysis, Inc., USA, for the supply of the Beacon Select™ system for cell line development (CLD) worth USD 762 thousand. The Beacon Select™ system is based on a patented optoelectropositioning technology that enables selective placement of individual cells into dedicated compartments of the device chip using low intensity light. The solution guarantees that the best quality clone is selected from the pool of cells while allowing the first stages of cell line development to be carried out at high throughput in a short period of time. The equipment was delivered and installed in accordance with the schedules set out in the agreement. The value of the liability as at the balance-sheet date amounts to USD 762 thousand.

In December 2023, the Company entered into an agreement with LabVantage Solutions Inc., USA, to implement a LIMS (Laboratory Information Management System) at Mabion. Once implemented at Mabion, the LIMS will allow, among other things, for the automation of laboratory processes and their stringent control, resulting in increased productivity, efficiency, and early problem detection, reducing and minimising the risk of errors, which is appreciated by the CDMO's clients. The agreement was executed as part of the implementation of the Strategy for 2023–2027. The LIMS implementation project at Mabion started in Q1 2024 and will span over several months. The value of the agreement and the contingent liability as at the balance-sheet date amounts to EUR 1,119 thousand.

As at the balance-sheet date, the Company's total contingent liabilities amounted to EUR 2,102 thousand and USD 762 thousand.

On 22 May 2023, the Company decided to terminate the agreement entered into in 2020 with Parexel International (IRL) Limited with its registered office in Ireland, concerning a bridging three-arm clinical trial of MabionCD20. The Management Board's decision was based on the implementation of Mabion S.A.'s Strategy for 2023–2027. Pursuant to the Company's Strategy for 2023–2027, the Company plans to further its transformation into a fully integrated CDMO focused on biologics. The agreement was terminated in accordance with its provisions and had no material financial consequences for the Company other than the necessary costs associated with the termination of the clinical trial. The expenditure incurred to date, as estimated by the Company, to carry out the activities under the agreement, amounted to EUR 2,100 thousand, compared to a cost of approximately EUR 5,400 thousand for the trial as estimated as at the date of the agreement. Any further decisions as regards the MabionCD20 bridging clinical trial required for the purposes of the registration of the drug will be at the discretion of a prospective third-party partner who will carry out the registration under a licence granted by the Company and will be responsible for sales and distribution of the product.

34.2 Contingent liabilities

As at 31 December 2023, the Company does not have any contingent liabilities which would be expected by the management to have a material adverse effect on the Company's financial position or operations and/or cash flow.

34.3 Court litigation settlements

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

35. Events after the balance-sheet date

On 25 March 2024, the Company repaid the third instalment of the loan from the EBRD. Accordingly, the value of the loan liability towards the EBRD as at the date of these financial statements amounts to USD 5,100 thousand and, under the terms and conditions of the loan, will be payable by 30 June 2024.

On 10 April 2024, the Company informed in Current Report no. 2/2024 that it had decided to write down the value of fixed assets under construction in the amount of PLN 12.2 million. Details of the write-down can be found in Note 14.

Management Board

Krzysztof Kaczmarczyk

President of the Management Board

Julita Balcerek	**Grzegorz Grabowicz**	**Sławomir Jaros**	**Adam Pietruszkiewicz**
Member Board of the Management	Member Board of the Management	Member Board of the Management	Member Board of the Management

Aneta Turek

Chief Accountant

Konstantynów Łódzki, 16.04.2024

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