

Current Report no. 2/2024

Date of preparation: 2024-04-10

Abbreviated name of the Issuer: MABION S.A.

Subject matter: Estimated financial results of the Company for 2023 and information on the write-down of fixed assets under construction

Legal basis: Article 17(1) of MAR – confidential information

Content of the Report:

The Management Board of Mabion S.A. ("Company"), in relation to the completion of the financial data aggregation exercise, provides below the Company's preliminary estimated financial results for 2023.

Selected estimated financial results of Mabion S.A. for 2023:

- Income from sales: PLN 151.7 million,
- EBITDA: PLN 62.3 million,
- operating profit (EBIT): PLN 55.1 million,
- net profit: PLN 41.3 million.

At the same time, the Company informs that the above-mentioned financial results were influenced, *inter alia*, by the decision taken today on a write-down of fixed assets under construction in the amount of PLN 12.2 million (the estimated results indicated above include this write-down).

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 as at the date of the decision to recognise the write-down and the level of expected cash flows from operating activities, and therefore the risk related to the possibility of obtaining an appropriate financing to use of the expenditures incurred for the design work and accompanying analyses related to the construction of the Mabion II facility, the Company's Management Board, with a view to the International Financial Reporting Standards (IFRS) applied by the Company, decided to recognise the write-down in the financial statements for 2023, by charging other operating costs in Q4 2023. Should the Company's financial situation change, the Management Board will again conduct an appropriate analysis as to whether it is appropriate to revalue the aforementioned assets.

It should be highlighted that the project in question (i.e. the Mabion II facility plan) 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 the Current Report, the Management Board of Mabion S.A. confirms its intention to build the Mabion II facility, which is a key element of the Strategy for 2023-2027 of Mabion S.A.

announced on 18 April 2023, of which the Company informed in Current Report no. 7/2023. The Company holds a building permit and the project has commenced, with the necessary expenditure incurred in previous periods to continue the construction of the facility. The Company owns a plot of land located in Konstancin 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 arises from the accounting principles applied by the Company and 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, Inc. (Novavax has an exclusive use of the manufacturing capacity guaranteed until Q2 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 and 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 on 18 April 2023. 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.

Considering the above, the Company's Management Board has adopted today a resolution to recognise a write-down in the amount indicated above. The estimated negative impact of the write-down on the Company's net result for 2023 is PLN 12.2 million. The above event is non-recurring and non-cash in nature. In the opinion of the Company's Management Board, the write-down has no impact on the Company's liquidity and operating position.

The Company's financial results for 2023 shown above and the results of the analysis concerning the amount of the write-down are estimates and will be reviewed by the auditor, and are therefore subject to change. The final values will be presented in the Company's annual report for 2023, scheduled for publication on 16 April 2024.