Mabion S.A.

Condensed interim financial statements as at and for the period of 3 months and 9 months ended 30 September 2021

Konstantynów Łódzki, 29 November 2021

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

in PLN thousand, unless otherwise indicated	Notes	1 July 2021 – 30 September 2021 (not audited)	1 January 2021 – 30 September 2021 (not audited)	1 July 2020 – 30 September 2020 (not audited)	1 January 2020 – 30 September 2020 (not audited)
Income from research and development services		-	1,590	-	-
Cost of services sold		-	-	-	-
Gross profit on sales		**-**	**1,590**	**-**	**-**
Research and development costs	8, 9	(9,478)	(20,266)	(6,143)	(26,193)
General administration costs	8	(6,893)	(16,461)	(4,321)	(14,193)
Other operating income	10	329	1,033	323	1,298
Other operating costs	10	(288)	(736)	(45)	(129)
Operating loss		**(16,330)**	**(34,840)**	**(10,186)**	**(39,217)**
Financial income	11	975	585	1,417	702
Financial costs	11	(276)	(948)	(350)	(1,433)
Gross loss		**(15,631)**	**(35,203)**	**(9,119)**	**(39,948)**
Income tax	21	-	-	-	-
NET LOSS		**(15,631)**	**(35,203)**	**(9,119)**	**(39,948)**
Other comprehensive income		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(15,631)**	**(35,203)**	**(9,119)**	**(39,948)**
Basic and diluted loss per share (in PLN per one share)		**(0.97)**	**(2.18)**	**(0.66)**	**(2.91)**

The explanatory notes presented on pages 5 to 35 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

in PLN thousand	Notes	30 September 2021 (not audited)	31 December 2020
Intangible assets	12	869	1,071
Property, plant and equipment		78,327	65,280
Long-term receivables		206	195
Total fixed assets		**79,402**	**66,546**
Inventories	13	19,405	5,976
Trade and other receivables	14	7,284	2,641
Prepayments and accrued income		951	763
Cash and cash equivalents		85,078	2,395
Total current assets		**112,718**	**11,775**
TOTAL ASSETS		**192,120**	**78,321**
Share capital		1,616	1,373
Share premium		237,443	108,923
Other reserves		725	696
Accumulated losses		(223,583)	(188,380)
Total equity	**15**	**16,201**	**(77,388)**
Deferred income from grants	16	33,673	33,988
Liabilities under contracts with customers	16	20,810	14,007
Trade liabilities	20	737	-
Loans and borrowings	18	213	200
Lease	19	2,010	2,943
Total long-term liabilities		**57,443**	**51,138**
Repayable advances on distribution rights	17	1,802	44,077
Repayable advances on future services	17	59,752	-
Trade liabilities	20	16,104	18,124
Liabilities under advances received from distribution partners	20	13,974	-
Other liabilities	20	5,893	5,971
Loans and borrowings	18	15,515	31,180
Deferred income from grants	16	1,087	1,271
Liabilities under contracts with customers	16	2,493	1,590
Lease	19	1,856	2,358
Total short-term liabilities		**118,476**	**104,571**
TOTAL LIABILITIES		**175,919**	**155,709**
TOTAL LIABILITIES AND EQUITY		**192,120**	**78,321**

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CONDENSED INTERIM CASH FLOW STATEMENT

in PLN thousand	1 January 2021 – 30 September 2021 (not audited)	1 January 2020 – 30 September 2020 (not audited)
Gross loss	**(35,203)**	**(39,948)**
Adjustments for items:		
Depreciation and amortisation	6,441	7,545
Interest income	-	(34)
Interest costs	947	863
Income from grants	(953)	(1,254)
Costs of the share-based incentive scheme	29	(14)
Lease payment measurement	223	(670)
Change in assets and liabilities		
Change in inventories	(13,429)	2,744
Change in trade and other receivables	(4,643)	471
Change in prepayments and accrued income	(189)	(76)
Change in trade and other liabilities	65,371	1,033
Change in repayable advances on distribution rights	(28,301)	870
Change in other financial liabilities	(406)	-
Cash flows from operating activities	**(10,113)**	**(28,470)**
Proceeds from research and development grants	454	3,274
Repayment of research and development grants	-	(12)
Interest received	-	34
Interest paid	(1,336)	(863)
Net cash flows from operating activities	**(10,995)**	**(26,037)**
Disposal of property, plant and equipment	319	16
Acquisition of property, plant and equipment and intangible assets	(18,097)	(3,330)
Net cash flows from investing activities	**(17,778)**	**(3,314)**
Proceeds from the issue of shares	117,480	-
Share issue costs	(4,917)	-
Proceeds from shareholders' borrowings	3,500	21,144
Repayment of borrowings	(2,882)	(349)
Repayment of bank loans	-	(15,000)
Repayment of lease principal	(1,725)	(1,532)
Net cash flows from financing activities	**111,456**	**4,263**
Net increase/(decrease) in cash and cash equivalents	82,683	(25,088)
Cash and cash equivalents – opening balance	**2,395**	**27,970**
Change in cash due to exchange rate differences	-	-
Cash and cash equivalents – closing balance	**85,078**	**2,882**

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

in PLN thousand	Share capital	Issued but unregistered share capital	Share premium	Other reserves	Cumulative Losses	Total equity
As at 1 January 2020	**1,372**	**1**	**108,923**	**732**	**(132,608)**	**(21,580)**
Net loss / total comprehensive income	-	-	-		(39,948)	-
Transactions with shareholders: S series share issue	1	(1)	-	-	-	-
Measurement of the incentive scheme based on shares	-	-	-	(14)	-	-
As at 30 September 2020 (not audited)	**1,373**	**0**	**108,923**	**718**	**(172,556)**	**(61,542)**
As at 1 January 2021	**1,373**	**0**	**108,923**	**696**	**(188,380)**	**(77,388)**
Net loss / total comprehensive income	-	-	-	-	(35,203)	(35,203)
Transactions with shareholders:	-	-	-	-	-	-
U series share issue	243	-	133,437	-	-	133,680
U series share issue costs	-	-	(4,917)	-	-	(4,917)
Measurement of the incentive scheme based on shares	-	-	-	29	-	29
As at 30 September 2021 (not audited)	**1,616**	**0**	**237,443**	**725**	**(223,583)**	**16,201**

The explanatory notes presented on pages 5 to 35 form an integral part of these condensed interim financial statements.

ADDITIONAL INFORMATION

1. Company

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

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

Mabion is a biotechnology company developing and introducing biotech drugs based on the monoclonal antibody technology which is at the moment the foundation of the fight against the most serious diseases owing to its two unique features – specificity and safety. The drugs developed by the Company are targeted therapies, characterised by the ability to recognise the factor causing the disease and affect only that factor. Appropriate engineering of the structure of these drugs makes them resemble a particle of the patient's body and there is a significantly reduced risk that the immune system will treat the antibody as a foreign protein. Unlike chemical therapies or therapies based on proteins isolated from animal tissues, this guarantees very low toxicity and offers an extremely important benefit for the patient. As a result, the Company creates biosimilar versions of biological drugs (as opposed to drugs based on chemical substances), focusing on those drugs which are accepted in the current market and which are reasonably close to the expiry of patent protection.

The Company's priority and most advanced project is MabionCD20, a proposed biosimilar to the reference drug MabThera/Rituxan (Roche). The Company has started preparations to submit a marketing authorisation application for MabionCD20 to the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA). After registering the medicine, the Company plans to launch it on the market as quickly as possible, which requires its preparation to comply with the market product status (production, marketing, distribution, and sales) and involves substantial outlays and organizational preparedness. As the product is unique and the target markets of Mabion are diverse, the Management Board plans to implement a multi-faceted strategy for the promotion and distribution of the medicine manufactured by the Company.

The available GMP-certified manufacturing capacity and the experience of the staff in the research and development, clinical, and regulatory areas enable the Company, among other things, to participate in the development of new recombinant protein vaccines related to the prevention of COVID-19 infection. In the area of therapeutic products, the strategic goal of the Company is to develop, manufacture, and sell medicines used in the treatment of neoplastic, autoimmune, metabolic, and neurological diseases, including rare diseases. In the area of prevention of COVID-19 infection, the Company's strategic objective is to collaborate with a strategic partner in the development and production of new protein vaccines for use against the persisting COVID-19 pandemic. Biological medicines developed by the Company are targeted preparations characterised by the ability to recognise a factor, e.g. a receptor whose overexpression is associated with the development of cancer, and to interact only with that factor. Appropriate engineering of the structure of such medicines and thereby, a high degree of similarity to the proteins of the patient's body, makes the immune system treat the therapeutic antibody as its own protein. This guarantees a possible lower toxicity of the therapies developed by the Company and is a significant benefit for the patient.

2. Basis of preparation

These condensed interim financial statements of Mabion S.A. for the period of three and nine months ended 30 September 2021 have been drawn up in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union ("IAS 34"). These statements are also drawn up in accordance with IAS 34 as issued by the IASB due to the fact that there are no differences between the IFRS as adopted in the European Union and the IFRS as issued by the IASB insofar as they apply to the Company.

The condensed interim financial statements do not include all the information required in the full financial statements compliant with IFRS as adopted for application in the European Union ("IFRS") and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2020.

The condensed interim financial statements of Mabion S.A. for the period of 3 and 9 months ended 30 September 2021 have been prepared in accordance with the going concern principle (further information on the assumptions concerning the Company's ability to continue operations is provided in Note 3).

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

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 29 November 2021.

3. Going concern principle

Since its inception up to the balance-sheet date, the Company's core business has been conducting research and development activities with a view to developing and commercially marketing medicinal products. As a result of the specific nature of its activity, the Company has incurred operating losses and generated negative cash flows from operating activities. Such a situation may reoccur in the foreseeable future. Having in mind the prospect of commercialising a product that is at the most advanced stage of development, the Company has implemented a new strategy aimed at leveraging its production capacity. The available GMP-certified manufacturing capacity and the experience of the staff in the research and development, clinical, and regulatory areas enable the Company, among other things, to participate in the development of new recombinant protein vaccines related to the prevention of SARS-CoV-2 infection. In the area of therapeutic products, the strategic goal of the Company is to develop, manufacture, and sell medicines used in the treatment of neoplastic, autoimmune, metabolic, and neurological diseases, including rare diseases. In the area of prevention of SARS-CoV-2 infection, the Company's strategic objective is to collaborate with a strategic partner in the development and production of new protein vaccines for use in fight against the COVID-19 pandemic. To date, the Company has financed its operations with cash received from shareholder borrowings, capital issues, bank loans, grants and proceeds from distribution partners. Conclusion of a framework agreement and the first order for contracted services with Novavax, Inc. (Novavax) as part of the COVID-19 vaccine programme and the advancement of cooperation with Novavax, confirmed by the commercial contract manufacturing agreement signed on 8 October 2021, warrant that the Company will start generating revenue from this business segment in the foreseeable future.

On 27 January 2021, the Company's Management Board, on the basis of an in-depth analysis of needs and estimated benefits, adopted a new long-term strategy for financing the Company's activities. The strategy adopoted covers the Company's overall capital needs which has to be fulfilled in order to carry out all activities which, in the opinion of the Company's Management Board, are necessary to complete the registration of MabionCD20 with the EMA and to start selling MabionCD20, allowing the Company to generate operating cash flows. The arrangements for the Company's financing strategy were positively reviewed by the Company's Supervisory Board.

The financial strategy consists of parallel processes: commencement of activities aimed at acquiring a strategic investor and two issues of the Company's shares.

As part of the strategy, the following directional funding decisions were taken:

1) decision to initiate the search for a strategic investor for the Company. In order to effectively carry out this process, the Company signed an agreement with the financial advisor Rothschild & Co. The scope of the advisor's responsibilities includes, inter alia, searching for a potential strategic investor, advising on the structure of a potential transaction, support

in drafting transaction documentation and in negotiations with the potential strategic investor. As at the date of the financial statements, the process is being actively pursued.

2) decision to conduct an offering of the Company's shares in the first quarter of 2021 under the "accelerated bookbuilding" procedure, addressed to eligible investors who are shareholders of the Company and who are qualified investors or who acquire shares with a total value of at least EUR 100 thousand, as indicated by the Company's Management Board.

Therefore, the Company's Management Board convened an Extraordinary General Meeting (EGM) for 23 February 2021, which adopted Resolution 4/II/2021 on increasing the Company's share capital by an amount not less than PLN 0.10 and not more than PLN 243,055.40 by way of an issue of at least one and not more than 2,430,554 U series ordinary bearer shares with a par value of PLN 0.10 each. The Company's Management Board has proposed an issue structure with the exclusion of existing shareholders' pre-emptive right in its entirety, while taking into account the pre-emptive rights of eligible investors who are shareholders of the Company and who are qualified investors or who acquire shares with an aggregate value of at least EUR 100 thousand. Pursuant to the resolution, the issue price of U series shares could not be lower than 90% of the average market price of the Company's shares in the 30-day period preceding the book-building process aimed at attracting entities which would take up U series shares. Upon completion of the accelerated book-building process for U Series Shares on 9 March 2021, the Company's Management Board set the issue price of U Series Shares at PLN 55.00 per one New Issue Share and the Company made offers to investors to take up a total of 2,430,554 U Series Shares. Ultimately, the Company concluded agreements with investors for subscription of all the offered U series ordinary bearer shares of the Company. The required cash contributions to cover all U Series Shares were made in entirety in the general amount of PLN 133,680 thousand, whereby the Company made a contractual set-off of the entire claim against Glatton Sp. z o.o. for payment of the issue price of the U Series Shares against Glatton Sp. z o.o.'s claim under the borrowing agreement concluded with the Company on 12 August 2020, up to a total of PLN 5,000 thousand, and a contractual set-off of part of the claims against Twiti Investments Limited (Twiti) for payment of the issue price of the U Series Shares against claims of Twiti Investments Limited under the borrowing agreements concluded with the Company on 12 August 2020 and 5 February 2021 up to the total amount of PLN 11,200 thousand, whereby the remaining part of the issue price of the U Series Shares subscribed for by Twiti in the amount of PLN 5,000 thousand was paid by Twiti in cash. The Company's share capital increase through the issue of U series shares was registered with the National Court Register on 2 April 2021.

3) decision on the intention to make a prospectus-based offer of the Company's shares within the meaning of the relevant legislation. Concurrently with the issue of U shares, the Company started preparations related to the prospectus and the offering of the Company's shares on the basis of the prospectus, the parameters of the offering, and its schedule. The prospectus-based issue will be effectively carried out subject to relevant resolutions being adopted by the next General Meeting of the Company, the approval of the prospectus by the Polish Financial Supervision Authority and the fulfilment of other legal requirements.

On 16 March 2021, the Management Board of the Company decided to cancel the EGM of the Company that was to be held on 22 March 2021 to decide on a further capital increase. The decision to cancel the EGM of the Company resulted from the need to verify available sources of funding necessary to cover financing needs, inter alia, following the successful issue of U shares and the conclusion of a framework agreement together with the first CDMO order for contractual services with Novavax regarding the COVID-19 vaccine programme. At the date of these financial statements, the Management Board has not decided whether to carry out a subsequent capital increase.

The funds raised from the issue of U series shares and the fact of concluding an agreement with Novavax enabled the Company to potentially access additional, not yet fully available sources of financing, including potential debt financing from Polski Fundusz Rozwoju S.A. (PLN 30,000 thousand) and a granted and unused subsidy from the European Regional Development Fund (approximately PLN 63,000 thousand). The Company is also holding talks with the European Investment Bank to amend the terms and conditions of the agreement and on the possibility of releasing funds as part of individual tranches up to a total of EUR 30,000 thousand, i.e. approximately PLN 138,000 thousand.

Pursuant to the agreement with Novavax of 3 March 2021, the Company has undertaken activities related to the transfer of process technology for the production of a COVID-19 vaccine candidate antigen called Nuvaxovid (formerly NVX-CoV2373) and is conducting technical trial runs of the process on a commercial scale at the Company's facility – the cooperation with Novavax and the work on the vaccine does not require the Company to incur any significant additional capital expenditure. Additional customisation expenditure in respect of the necessary machinery and equipment has been duly covered by Novavax under existing agreements prior to the date of publication of these statements. With the conclusion of the Framework Agreement, the parties agreed on the scope and budget of the work contracted to the Company to carry out the technology transfer and technical runs for the Nuvaxovid protein antigen. These are standard activities when starting cooperation in the field of contract manufacturing.

By the balance-sheet date, the Company received payments under the agreement that represent the first part of the consideration, of USD 530 thousand, and an advance payment on the purchase of materials and raw materials, of USD 500 thousand. Until the balance-sheet date, in accordance with the mutual agreement governing the scope of subsequent tasks, Novavax has made an advance payment, in the amount of USD 15,226 thousand, on future deliveries of materials and raw materials representing the raw material base for future commercial production. After the balance-sheet date, Novavax made further payments representing partial settlement of the agreement of 3 March 2021 and the arrangement to cover expenditure on the necessary machinery and equipment for a total of USD 1,830 thousand.

At present, the Company is at the final stage of settlement of the first agreement, confirming the effectiveness of the technology transfer, and it has completed the final stage of negotiation related to the terms and conditions of commercial production for the business partner. The latter was confirmed by an commercial contract manufacturing agreement signed on 8 October 2021, with a statement of work. Under the documents in force, the Company will manufacture on a commercial scale, on a GMP (Good Manufacturing Practice) basis, a vaccine candidate antigen for COVID-19 under the name of Nuvaxovid. The Agreement in place is unconditional, and its conclusion and commencement are independent of the registration procedure of the Nuvaxovid vaccine candidate in the respective markets. The Agreement has been concluded for a fixed period of time until the end of 2025, with an option for renewal. The total value of the Agreement during its term was estimated at USD 372 million i.e. PLN 1.46 billion based on the average exchange rate of the National Bank of Poland as at 7 October 2021 (the Agreement's value was estimated on the theoretical assumption of future zero inflation during the entire term of the Agreement). The Agreement will be implemented and settled per batch of the product, at the unit price per batch specified in the Agreement (unit prices are subject to indexation based on future inflation). Under the Agreement, the parties have agreed on the volume and production schedule for each year in the period 2022 –2025, based on which Mabion will manufacture the number of product batches required by Novavax. The production schedule has been set for the entire duration of the Agreement, but the parties may agree on modifications to the schedule and volume of deliveries. The possibility of completing the agreed scope of work under the Agreement in the future years depends on the Company's available production capacity, therefore the Management Board's objective will be to expand the production capacity in late 2022 and early 2023 and equipping the facility with new bioreactors, which will result in the Company having four bioreactors in the years 2023 –2025. The Company's Management Board estimates that during the first two years of commercial manufacturing covered by the Agreement (i.e. 2022–2023), the Company may realise approximately 40% of the total value of the Agreement, and in the following two years, including as a result of increased production capacity, approximately 60% of the total value of the Agreement. The parties expect the commercial-scale GMP manufacturing to commence in December 2021. Until that time, the Company will carry out the preparatory work specified in the Order, including, among other things, the installation of additional systems and equipment, the acquisition and quality control of materials, and drawing up documentation specific to commercial manufacturing.

On 3 March 2021 the Company entered into an agreement with Polski Fundusz Rozwoju S.A. (PFR) regarding the entry conditions for PFR's investment of up to PLN 40,000 thousand for the purpose of increasing the Company's production capacity, in particular for the Company's possible broader cooperation with Novavax regarding serial production of the COVID-19 vaccine antigen; the vaccine is currently pending registration with the European Medicines Agency. The parties' intention is to implement the PFR Investment in the form of an interest-bearing three-year loan (or bond issue) granted to the Company up to the amount of PLN 30,000 thousand and taking-up the Company's shares up to the amount of PLN 10,000 thousand. The intended taking-up of the shares has been put into practice as part of the issue of U series shares carried out pursuant to the resolution of the EGM of the Company of 23 February 2021. However, pursuant to the agreement, the PFR Debt Investment is conditional on the Company signing a manufacturing agreement with Novavax providing for certain net revenues of the Company from the

implementation of the agreement and, in addition, the Debt Investment will be effected subject to the preparation of and reaching an agreement by the parties as to the terms of the transaction documentation, and the establishment or submission of applications for the establishment of possible collateral. The Company is preparing documentation for debt financing.

The Management Board of the Company assumes that the actions described above, depending on their success, should provide the Company with the financing necessary to complete the registration process and commercialisation of MabionCD20 as well as work related to cooperation with Novavax, including the existing facility's capacity increase.

The Company does not also exclude the use of other sources of financing such as external debt financing, grants, subsidies from EU funds, earmarked funds for the implementation of new projects, or other sources depending on the needs and capabilities of the Company, in particular where a decision is taken to implement an investment aiming at a substantial increase in manufacturing capacity. The Management Board of the Company is also undertaking activities aimed at starting cooperation with other entities operating on the market, in the case of which such cooperation may bring profits to the Company in the area of development and production of biologics. The agreement signed with Novavax confirms that the Company can expect to generate revenue in the near term, provided the requirements set out in the agreement are met, from projects related to technology transfer and the provision of production capacity for the contract manufacturing of the active substance of the vaccine being developed by Novavax.

On 29 April 2021, the Company signed an annex to the cooperation agreement with Mylan Ireland Ltd. (Viatris group, hereinafter Mylan), under which the parties decided that Mylan will remain Company's non-exclusive distribution partner for MabionCD20 in selected countries in regions such as, in particular Australia, New Zealand, Mexico, Central America, southern Africa, south-eastern Asia. At the same time, it was decided that Mylan's exclusive right to sell MabionCD20 in the European Union and the Balkan countries, as well as Mylan's priority right to enter into a commercialization agreement for MabionCD20 in the United States (USA), shall expire. The change in the scope of cooperation with Mylan will enable the Company to acquire a new partner or partners interested in commercializing MabionCD20 on the European and American markets and to establish cooperation taking into account the potential of MabionCD20 and the current market conditions. At the same time, the parties have agreed that the Company will reimburse to Mylan part of the advances, in an amount lower than the advance payments received by the Company under the agreement in place before the date of the Annex, constituting repayable advances on distribution rights. As at the balance-sheet date, the full amount of the liability has been disclosed in Note 20 of the financial statements, which is the final settlement of all payments to date between the Parties. Until the date of these statements, the Company has settled the entire liability resulting from the annex in question, in the amount of USD 9,500 thousand. Following the full payment to Mylan and as a result of receiving, after the balance-sheet date, the termination notice related to the cooperation agreement entered into in 2016 , the Company has gained the full and necessary flexibility to commercialise MabionCD20 in all its markets. Importantly, the annex in force does not affect the activities currently carried out by the Company in order to obtain the marketing authorisation for MabionCD20 from the European Medicines Agency, or their schedule.

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 11 months from the date of signing of these financial statements.

The implementation of the commercial contract manufacturing agreement, the change in the terms of the currently binding debt financing agreements and further leveraging of financing available on the market, including financing available from EU projects and projects supporting research and development, or exclusive agreements with future distribution partners or support from shareholders (both strategic and stock market participants) should provide the Company with funds necessary to complete the registration process and commercialization of MabionCD20. Following the analysis, no significant uncertainties have been identified that may cast serious doubt on the Company's ability to continue as a going concern. The Company actively monitors its environment as part of the prospects for obtaining new financing opportunities to cover expenses related to its basic R&D and investment activities.

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

a) 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.

b) Transactions and balances in foreign currencies

Transactions expressed in foreign currencies have been presented as at the transaction date in PLN using the exchange rate applicable as at that date. Cash assets and liabilities in foreign currencies were translated into PLN at the end of the reporting period using the exchange rate for that date set by the National Bank of Poland (NBP).

Foreign exchange gains and losses on the settlement of transactions in foreign currencies, as well as those resulting from the periodic conversion of cash assets and liabilities, are recognised in the financial result.

Foreign currency non-cash items measured at historical cost are translated into PLN using the exchange rate of the National Bank of Poland as at the date of initial recognition of the item in question.

c) Recognition of income

The Company recognises income from research services, mainly concerning drug development procedures. The total remuneration resulting from such agreements is allocated to individual elements of the order, which constitute separate service obligations. Income is recognised in the period in which the specific service obligation was performed.

For revenue from the sales of distribution rights, the Company has initially identified two service performance obligations, i.e. a licence to use the intellectual property (rights to the medicine) and manufacturing services. The transaction price will be allocated to these obligations on the basis of the relative separate selling prices of these services. The transaction price includes both fixed and variable elements (including licence payments based on the volume of sales of the medicine).

The transaction price allocated to production services will be recognised as revenue as at the moment of the service performance.

The licence to use intellectual property meets the criteria for revenue recognition at a point in time. However, a restriction applies to recognition of income under licence fees, which are based on the volume of sales of the medicine in question, i.e. licence fees depending on the volume of sales of a medicine are recognised when such sales occur, thus in effect they are recognised over the term of the agreement.

Payment of the non-returnable part of the remuneration for research and development work carried out as part of the technology transfer process until its completion or commencement of contracted commercial production does not constitute revenue from core activities and is recognised under deferred income presented in the Company's balance sheet.

d) Grants

The Company receives financial assistance in the form of grants for the development and production of medicines. The grants are received in the form of cash provided in return for meeting, in the past and in the future, certain conditions relating to the Company's operations. Income from grants is disclosed when the Company has sufficient certainty that it will be able to meet the conditions for using the grants and that it will receive them.

If the conditions are not met, cash received from government authorities is reported as deferred income unless the terms of the grant agreement provide for an obligation to return the grant in the event of the occurrence or non-occurrence of future uncertain events beyond the Company's control.

Typically, such grants are linked to audit requirements imposed by the intermediary bodies. The Company's experience shows that the intermediary bodies disbursing the grants exercise audit rights. The Company generally defers the recognition of the received grants as income until all aspects of the audit requirements have been met.

The Company receives grants for the acquisition of property, plant and equipment and for research and development work.

Grants relating to research and development costs are recognised in other operating income on a systematic basis over the period for which the entity recognises as costs the related expenditure to be compensated by the grant.

Grants relating to depreciable property, plant and equipment are initially accounted for as deferred income and then recognised in other operating income over the depreciation period of the assets.

A situation in which a grant becomes repayable results in a change of estimates, and the reimbursement is recognised immediately first by decreasing the undepreciated deferred income, if any, and if the reimbursement amount exceeds the amount of deferred income, the excess is presented in the current period's financial result.

e) Research and development costs

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

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

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

f) Repayable advances on distribution rights

The Company has entered into a number of strategic agreements on the commercialisation of its drugs by granting the contractor the exclusive right to sell the drug on specific markets. The parties to these agreements make advance payments to the Company on account of rights and licenses to be obtained after the drug has been admitted to trading. The Company classifies these advances as financial liabilities because it does not have the unconditional right to avoid the delivery of cash to settle the liability, as the reimbursement of these amounts depends on the occurrence or non-occurrence of certain future events or the resolution of uncertain circumstances that are beyond the Company's control. Such liabilities are measured initially at fair value, and subsequently at amortised cost. As the event that may trigger a repayment may occur at any time, the amortised cost is equal to the amount payable on demand. When the uncertainty is resolved, the related amounts will be reclassified to deferred income and recognised as part of the remuneration for the sale of distribution rights in accordance with the accounting policy presented in Note 4(c).

g) Income tax

Income tax in the statement of comprehensive income includes the current part and the deferred part. Current and deferred tax is charged to the financial result of the period, except for situations when it concerns items recognised directly in equity or in other comprehensive income.

Current tax is the expected amount of income tax liability or receivable for a given year, calculated using tax rates applicable as at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities and their tax base. The amount of deferred tax is determined using the tax rates that are expected to apply at the time of realisation of an asset or settlement of a liability under tax regulations that have come into force or are generally effective at the end of the reporting period.

Deferred tax assets and liabilities are offset when the Company has an enforceable legal title to offset current tax assets and liabilities and if the deferred income tax assets and liabilities relate to income taxes imposed on the Company by the same tax authority.

Deferred tax assets on tax losses to be settled, unused tax relief, and negative temporary differences are recognised up to the amount of probable future tax income, which will enable their realisation.

h) Property, plant and equipment and intangible assets

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

Intangible assets are measured at cost less amortisation and impairment losses.

The cost includes the purchase price of the asset and costs directly attributable to its purchase and preparation for its intended use.

Purchased software necessary for the proper functioning of operated equipment is capitalized as a part of the equipment.

Where an item of property, plant and equipment consists of separate significant parts with different useful lives, those parts are depreciated separately. When such part of an item of property, plant and equipment is replaced, the carrying amount of the removed part is derecognised and the new part is recognised in the cost of the asset.

Expenditures on property, plant and equipment are capitalised after their initial recognition if their cost can be reliably estimated and it is probable that the Company will obtain economic benefits from this item.

Expenditure incurred in connection with current repairs and maintenance is recognised in the financial result when incurred.

The basis for depreciation (i.e. the depreciable amount) is the cost of the asset less its residual value (for property, plant and equipment). Depreciation is calculated on a straight-line basis using depreciation rates that reflect the estimated useful life of the assets.

The Company adopted the following useful lives for particular categories of property, plant and equipment and intangible assets:

Land	not subject to depreciation
Buildings and structures	20–40 years
Machinery and equipment	2 – 14 years
Other property, plant and equipment	5 – 7 years
Intangible assets	2 – 15 years

Fixed assets used under leases are depreciated over the lease term or the term of use, whichever is shorter.

Useful lives, depreciation methods and residual values of property, plant and equipment are updated at each balance-sheet date and adjusted prospectively if necessary.

i) Impairment of property, plant and equipment and intangible assets

The carrying amount of property, plant and equipment and intangible assets is assessed at the end of each reporting period for objective evidence of impairment. If there is such evidence, the Company estimates the recoverable value of individual assets or, if an asset does not generate cash inflows independently of other assets, the recoverable value of the cash-generating unit (CGU). At the current stage of its operations, the Company is a single operating entity focusing on the development and commercialization of MabionCD20, therefore the entire Company is considered a single cash-generating unit.

The recoverable amount of an asset or a cash-generating unit is the fair value of assets/CGU less costs to sell or value in use, whichever is higher.

An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The amount of the impairment loss is allocated pro rata to each asset within the cash-generating unit and recognised in profit or loss for the period.

j) Inventories

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

The cost of inventories as at the balance-sheet date is determined using the "first-in, first-out" method (FIFO).

k) Long-term receivables

Long-term receivables include deposits paid by the Company to the lessor under a lease agreement and deposits forming collateral for payments under concluded supply or service agreements. These receivables are non-interest bearing and therefore they are measured at fair value at the initial recognition. Deposits are held to collect contractual cash flows that include Solely Payment of Principal and Interest (SPPI) and therefore after initial recognition, these receivables are recognised at amortised cost including allowance for expected credit losses (the accounting policy for allowances for expected credit losses is set out in section 4(v)).

The Company applies simplified methods of measurement for long-term receivables measured according to amortised cost if it does not distort the information contained in the statement of financial position, in particular when the period until the repayment of receivables is not long and the impact of discounting at the initial recognition is not significant. In such situations, the amortised cost is equal to the nominal value of the deposit.

l) Trade and other receivables

Trade receivables are initially measured at fair value. Trade receivables are held for collection and meet the SPPI test and therefore, after initial recognition, such assets are measured at amortised cost using the effective interest method, less allowance for expected credit losses (the accounting policy for allowances for expected credit losses is set out in section 4(v)). Impairment losses are charged to the financial result for the period in consideration and reduce the carrying amount of the receivables.

The Company applies simplified methods of measurement of receivables measured at amortized cost if it does not distort the information contained in the statement of financial position, in particular when the period until the repayment of the receivables is not long and does not exceed 12 months from the date of their occurrence. Such receivables are measured at their nominal value.

Receivables not constituting financial assets (e.g. VAT receivables) are measured at the amount due.

Advance payments for materials and services are recognised initially and at the balance-sheet date in the amount of the payment made.

m) Prepayments and accrued income

Prepayments are recognised as assets at their nominal value at the time of payment. They are recognised in the financial result over the period of consuming economic benefits arising from the terms of the agreements.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits payable on demand and deposits with an initial maturity of up to 12 months. Cash in bank accounts meets the SPPI test and the 'held for collection' business model test, and is therefore measured at amortised cost with an impairment loss determined in accordance with the expected loss model (in accordance with the policy outlined in 4(v)).

o) Share capital

The share capital is included in the nominal value of issued shares. Shares are presented in the 'share capital' item only after they have been entered in the court register. Any share premium received or receivable on the issue of shares is reported under the 'share premium' item.

Issued but unregistered shares are included in the capital in a separate item as 'issued but unregistered share capital'.

Each issue of Company's capital instruments addressed to creditors for the purpose of waiving all or part of the Company's financial liabilities, where the creditors are (direct or indirect) shareholders who at the same time act as shareholders, is settled by exchanging the carrying amount of the debt to the Company's equity. Debt recognition is discontinued if and only if the Company is relieved of its obligation to pay funds as a result of the issue of treasury shares to creditors. The share capital is recognised in the amount resulting from the applicable local law, and the difference between the amount recognised as share capital and the carrying value of the derecognised contractual liability is presented in the Company's equity.

p) Deferred income

Deferred income includes mainly grants received (the relevant policy is presented in Note 4d) and non-returnable partial remuneration for services provided or non-returnable advances on distribution rights.

q) Trade and other liabilities

Trade and other liabilities constituting financial liabilities are initially measured at fair value. After initial recognition, they liabilities are recognised at amortised cost.

Other liabilities that are not financial liabilities are measured at the amount due.

r) Loans and borrowings

Loans and borrowings are initially recognised at fair value, less transaction costs. After initial recognition, these liabilities are recognised at amortised cost.

s) Lease

The Company is a lessee under lease agreements.

Leases are recognised as right-of-use assets and liabilities to pay for those rights on the date the leased assets are available for use by the Company.

The right-of-use assets are presented under 'property, plant and equipment' in the statement of financial position.

At the lease inception date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the right to use the underlying asset over the lease term:

» fixed payments (including substantially fixed payments), less any lease incentives payable;

» variable lease payments which depend on an index or a rate;

» amounts expected to be paid by the lessee under the guaranteed residual value;

» strike price of the call option if it can be assumed with reasonable certainty that the lessee will exercise the option;

» financial penalties for terminating a lease if the lease conditions provide that the lessee may exercise the option to terminate the lease.

Lease payments are discounted using the lease interest rate, if that rate is readily determinable, or the lessee's incremental borrowing rate.

Each lease payment is allocated between the liability and the finance cost. After initial recognition, lease liabilities are measured using the effective interest rate. The carrying amounts of the liabilities are updated to reflect the change in the estimated lease term, call option, change in lease payments and guaranteed residual value, and modification of the lease agreement.

The lease term is a non-cancellable lease term; periods covered by renewal and early termination options are included in the lease term if there is a reasonable certainty that the lease will be renewed or the agreement will not be terminated early.

The right-of-use assets are initially measured at cost which includes:

» initial measurement amount of the lease liability;

» any lease payments paid on or before the commencement date, less any lease incentives received;

» any initial direct costs incurred by the lessee;

» estimated costs of dismantling, removing the underlying asset and carrying out the refurbishment.

After initial recognition, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or modification of the lease.

The right-of-use assets are depreciated over the asset's useful life or the lease term, whichever is shorter, using the straight-line method. Depreciation periods for right-of-use assets are generally 4 or 5 years.

The Company has used simplifications concerning short-term leases (up to 12 months) and leases where the underlying asset is of low value (up to PLN 20 thousand) and does not recognise financial liabilities and related assets under the right of use for these agreements. Lease payments on this account are recognised as costs on a straight-line basis over the lease term.

t) Share-based payments

The Company has introduced a remuneration programme based on and regulated by own shares. The Company recognises the costs of the equity remuneration plan (payments in the form of equity instruments) in the costs of the Company's operations and, on the other hand, as an increase in equity.

Share-based benefits settled in the form of equity instruments (warrants) are measured at fair value at the grant date. In the fair value measurement of the warrants, the market condition for vesting (i.e. shares reaching a specified minimum price) is taken into account.

If the employee's service in respect of the benefits offered by the Company commences prior to the grant date, the fair value of the warrants is remeasured at each reporting date to their current fair value up to the grant date, as of which date the fair value determined does not change.

The value of share-based benefits is recognised as an expense over the vesting period. The total cost is recognised over the vesting period, i.e. the period during which all specified vesting conditions must be satisfied. At the end of each reporting period, the entity revises its estimates of the expected number of warrants that will be vested in employees following the satisfaction of non-market vesting conditions (i.e. the employment condition). The entity recognises the effect of any revision to the original estimate in profit or loss, with a corresponding adjustment to equity. In the case of incentive schemes for employees which are related to remuneration for their work, the value of warrants is charged to operating costs, respectively: a) in the comparative variant – to remuneration costs, b) in the calculation variant – to general administration costs. The issued warrants are presented on a separate account, "Issue of warrants under the share-based incentive scheme", which is presented in the financial statements together with other reserves. The exercise of warrants by employees involves the issue of shares and settling the value of warrants disclosed in equity. Cash received as payment of the exercise price of warrants is recognised by the Company in equity. The Company discloses information in the financial statements to enable the readers to understand the nature and scope of share-based payment agreements that were in force in the period.

u) Cash flow statement

The Company recognises interest paid and interest received from operating activities in the cash flow statement.

v) Impairment of financial liabilities measured at amortised cost

The Company assesses expected credit losses (ECL) associated with financial assets measured at amortised cost (including trade receivables, deposit receivables, cash and cash equivalents) irrespective of any indication of impairment.

For trade receivables, the Company applies the simplified approach and measures impairment losses in the amount of credit losses expected over the life of the receivable from its initial recognition. The Company uses an allowance matrix in which allowances are calculated for trade receivables classified into different age ranges or past due periods.

The Company employs a three-grade impairment model for financial assets other than trade receivables:

» Grade 1 – balances for which credit risk has not increased significantly since initial recognition; Expected credit losses are determined based on the probability of default over 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);

» Grade 2 – balances for which there has been a significant increase in credit risk since initial recognition but no objective evidence of impairment exists; expected credit losses are determined based on the probability of default over the contractual life of the asset;

» Grade 3 – balances with objective evidence of impairment.

In the Company's view, there is a significant increase in credit risk, particularly when the balance is past due for 30 days or more.

Financial assets are written off, in whole or in part, when the Company has exhausted virtually all collection efforts and considers that recovery of the receivable can no longer be reasonably expected. This usually occurs when an asset is at least 360 days past due.

5. Major estimates and judgements

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

In the period covered by these condensed interim financial statements, no changes occurred in the areas, scope, or methodology of significant estimates.

6. Operating segments

At the present stage, the Company's Management has identified a single business segment for Mabion, i.e. research and development of new biotechnology-based and biosimilar drugs through the use of modern genetic engineering techniques. There has been no change in this respect since the Company's last annual financial statements.

7. Seasonal nature of the Company's operations

The Company's business is not seasonal or cyclical.

8. Costs by type

The table below shows the categories of generic costs:

in PLN thousand	1.07.2021 - 30.09.2021 (not audited)	1.01.2021 - 30.09.2021 (not audited)	1.07.2020 - 30.09.2020 (not audited)	1.01.2020 - 30.09.2020 (not audited)
Outsourced services, including:	1,952	1,289	1,186	4,227
waste removal and disposal	80	243	32	173
repair services	799	1,707	304	1,072
analytical services	278	499	45	219
research services	-	190	171	478
advisory services	536	(1,866)	433	1,304
legal services	12	30	64	324
other	247	486	136	657
Costs of materials	2,896	6,579	1,149	8,869
Staff remuneration costs	3,293	8,391	2,415	8,216
Depreciation and amortisation	1,189	3,565	1,256	3,799
Drug registration costs	114	319	115	1,016
Other costs	34	123	22	66
Research and development costs by type	**9,478**	**20,266**	**6,143**	**26,193**
Consumption of materials, energy, utilities	1,404	3,563	943	3,189
Staff remuneration costs	3,307	7,529	1,490	4,716
Depreciation and amortisation	925	2,876	1,011	3,746
Advisory services related to the conclusion of distribution agreements	163	492	168	527
Share-based management scheme	5	29	10	-
Outsourced equipment maintenance services	288	439	114	297
Taxes and charges	187	589	178	561
Audit and other advisory services	305	1,333	312	843
Other costs	309	(389)	81	314
General administration costs by type	**6,893**	**16,461**	**4,321**	**14,193**

As a result of the Company's signing an annex to the Development and Commercialization Agreement (Agreement) with Mylan on 29 April 2021, the provision of the Agreement with respect to Mabion's obligation to reimburse to Mylan an amount of USD 1,000 thousand for expenses incurred by Mylan in connection with the implementation of regulatory and development activities is no longer in force, and therefore the provision created for the aforementioned anticipated costs (cost of consulting services in research and development costs by type) has been dissolved.

As a result of the settlement of mutual cooperation under the existing agreement of 7 May 2018 and subsequent agreements with advisers providing legal services in capital increase transactions, the Company has correspondingly recognised the release of the provision established in previous reporting periods, reflecting the legal costs of the issue in equity (in the item of share premium). The release of the provision for anticipated costs, resulting from the agreement concluded in prior reporting periods, was recognised in the item of other general administration costs by type.

9. Research and development costs

in PLN thousand	1.07.2021 - 30.09.2021 (not audited)	1.01.2021 - 30.09.2021 (not audited)	1.07.2020 - 30.09.2020 (not audited)	1.01.2020 - 30.09.2020 (not audited)
MabionCD20	7,326	16,848	5,883	25,151
MabionEGFR	364	1,422	259	928
Other projects	1,788	1,996	1	114
Total research and development costs	**9,478**	**20,266**	**6,143**	**26,193**

Research and development costs are recognised as cost of the period in profit or loss when incurred, in accordance with IAS 38. Development costs may be capitalised and recognised as an intangible asset once the criteria set out in paragraph 57 of IAS 38 are met.

In the period covered by these financial statements, the only R&D projects in progress that received EU funding were MabionCD20 and MabionEGFR.

On 30 July 2021, following a round of interactions with the European regulatory agencies as part of the Scientific Advice procedure (two consulting sessions with the EMA and two consulting sessions with PEI, the German national regulator that closely cooperates with the EMA) and with the FDA, the Company established a strategy for the co-development of MabionCD20 for registration in the European and US markets. The essential elements of the Company's regulatory strategy have not changed and include:

1. A three-arm bridging clinical trial in patients with rheumatoid arthritis ("RA");

2. A three-arm analytical bridging trial;

3. Implementing the aforementioned tasks using MabionCD20 originating from the target, i.e. large, commercial production scale (5,000L);

4. Including, in the registration procedure for the European market, the results of the already completed Phase III clinical trial with MabionCD20 originating from a small manufacturing scale (500L); the trial was carried out with 709 patients for the RA indication and 143 patients with NHL (non-Hodgkin's lymphoma).

At the same time, following a round of interactions with the regulators over the past several months, the Company has completed the reconciliation process and developed the final scope of data (including the scope of the bridging clinical trial) for the application for registration and marketing authorisation of MabionCD20 under the central procedure for the European market. Considering the outcome of the arrangements with the European regulators, the Company's Management Board expects – under the base scenario – to maintain the assumed schedule, i.e. to complete the trials and submit the registration dossier to the EMA for the European market in the second half of 2022. The three-arm clinical and analytical bridging trials referred to above include: (a) MabionCD20 originating from large-scale production, (b) MabThera, being the European reference, and (c) Rituxan, being the US reference, which all in all is the basic assumption of the co-development strategy for MabionCD20. At a further stage, the Company will clarify with the FDA the scope of additional trials (which may, as expected by the Company, include a clinical trial in an oncology indication) required for MabionCD20 to be approved for the US market and will report on these arrangements once they have been made.

10. Other operating income and costs

in PLN thousand	1.07.2021 - 30.09.2021 (not audited)	1.01.2021 - 30.09.2021 (not audited)	1.07.2020 - 30.09.2020 (not audited)	1.01.2020 - 30.09.2020 (not audited)
Profit on sales of fixed assets	-	-	-	1
Revaluation write-downs on current assets	-	-	-	4
Grants	318	953	319	1,254
Other	11	80	4	39
Total other operating income	**329**	**1,033**	**323**	**1,298**
Loss on liquidation of fixed assets	14	20	-	-
Write-downs on tangible current assets	196	359	36	-
Disposal of materials	12	213	6	103
Other	66	144	3	26
Total other operating costs	**288**	**736**	**45**	**129**

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 953 thousand in the period of 9 months ended 30 September 2021, and in the amount of PLN 1,254 thousand in the analogous period ended 30 September 2020 (Note 16), respectively, which were included in the financial result in particular periods in proportion to the value of depreciation of assets financed from grants.

The Company recognised in other operating costs an amount of PLN 359 thousand as an impairment loss on inventories of materials which were created in accordance with the accounting policy.

The disposal of materials in the amount of PLN 213 thousand relates to the liquidation of materials after their expiry date, for materials that are not suitable for alternative use.

11. Financial income and costs

in PLN thousand	1.07.2021 - 30.09.2021 (not audited)	1.01.2021 - 30.09.2021 (not audited)	1.07.2020 - 30.09.2020 (not audited)	1.01.2020 - 30.09.2020 (not audited)
Interest income	-	-	-	34
Net positive exchange rate differences	801	362	1,166	-
Other financial income	174	223	251	668
Total financial income	**975**	**585**	**1,417**	**702**
Interest costs, including:	276	947	325	863
on loans and borrowings	156	602	163	468
on lease liabilities	66	205	95	276
on trade liabilities	54	136	33	82
budgetary	-	4	34	37
Net negative exchange rate differences	-	-	-	495
Other financial costs	-	1	25	75
Total financial costs	**276**	**948**	**350**	**1,433**

As a result of the applied manner of presentation of net exchange rate differences, the total of the third quarter of the year and the first quarter at the level of financial income and costs, separately, may differ from financial income and costs in total for the entire 9-month period.

12. Property, plant and equipment

In the period covered by these condensed interim financial statements, the Company incurred expenditures on property, plant and equipment and intangible assets (including those not put to use) in the amount of PLN 13,694 thousand, of which PLN 10,551 thousand relate to expenditure associated with the extension of the production plant with production lines which can significantly increase the manufacturing capacity.

Commissioned property, plant and equipment and intangible assets during the period of 9 months of 2021 represent PLN 1,750 thousand, part of which was financed under the lease agreements which are presented in Note 19.

Except for a leaseback transaction relating to laboratory equipment worth PLN 319 thousand (Note 18), the Company did not sell any other property, plant and equipment in the current reporting period, while it liquidated property, plant and equipment with a net book value of PLN 20 thousand.

The Company's Management has not identified any indication of impairment of property, plant and equipment as at 30 September 2021.

13. Inventories

The inventory balance comprises materials and amounted to PLN 19,405 thousand as at 30 September 2021 (as at 30 September 2020: PLN 6,062 thousand).

The value of used-up inventories reported in the costs of research and development for the period of 9 months ended 30 September 2021 totalled PLN 6,579 thousand (PLN 8,869 thousand for the period of 9 months ended 30 September 2020).

The increased inventory balance as at 30 September 2021 in comparison with the balance as at 31 December 2020 is attributable to:

a) procurement of reference products, i.e. MabThera and Rituxan to secure availability of the drugs to conduct a three-arm, double-blind, randomized clinical trial of MabionCD20 in parallel groups, in patients diagnosed with rheumatoid arthritis, and to carry out analytical panels.

b) the completion of orders for materials required for laboratory scale and production scale work in connection with Mabion's conclusion of a framework agreement, on 3 March 2021, with Novavax under which the Company, with Novavax's participation, has undertaken activities related to the transfer of process technology for the production of an antigen – a COVID-19 vaccine candidate called Nuvaxovid (formerly NVX-CoV2373). On 23 June 2021, The Company received a second order from Novavax (Statement of Work No. 2, SOW no. 2) under the existing Framework Agreement, allowing the Company to commence procuring production materials and raw materials within a budget agreed by the parties and funded by Novavax. On 25 June 2021, the Company issued a pre-payment invoice for USD 15,226 thousand under order SOW no. 2, which on 15 July 2021 was settled by Novavax. Contracting production raw materials in advance will enable the Company to carry out future commercial manufacturing more swiftly.

14. Trade and other receivables

in PLN thousand	30 September 2021 (not audited)	31 December 2020
VAT receivables	5,010	1,840
Trade receivables	872	-
Advances on materials and services	1,372	775
Deposits	20	22
Other receivables	10	4
Trade and other receivables	**7,284**	**2,641**

15. Equity

a) Issue of U series ordinary bearer shares

On 23 February 2021, the Extraordinary General Meeting (EGM) of the Company adopted a resolution on increasing the Company's share capital by not less than PLN 0.10 and not more than PLN 243,055.40 up to not less than PLN 1,373,077.30 and not more than PLN 1,616,132.60 through issuing not less than 1 but not more than 2,430,554 ordinary bearer shares with a par value of PLN 0.10 each.

The purpose of the U series share issue was to generate the necessary financing for the Company's working capital, in particular for the development of MabionCD20 and activities aimed at carrying out the registration procedure at the EMA as soon as possible.

On 3 March 2021, the Company's Management Board adopted a resolution on determining the principles of the offering, the principles of bookbuilding, subscription, taking up, and allotment of U shares, and the principles of conducting the bookbuilding process for these shares, adopting models of agreements for taking up U shares (subscription agreements for U shares) and consenting to the conclusion by Mabion S.A. of a placement agreement for the purposes of the offering and subscription of U shares.

On 4 March 2021, the Company and mBank S.A. (Offering Manager) entered into a conditional share placement agreement (Placement Agreement) and commenced a book-building process by way of a private placement of up to 2,430,554 U series ordinary bearer shares (U Series Shares, New Issue Shares) issued by the Company (Offering). Pursuant to the Placement Agreement, the Offering Manager has undertaken to provide services to the Company for the purposes of the placement of the New Issue Shares on the terms and conditions set out therein, in particular to exercise due diligence to solicit potential investors and to ensure that such investors subscribe for and pay for the shares.

The book-building process was carried out from 4 to 9 March 2021. Following the completion of the accelerated book-building process for the U Series Shares on 9 March 2021, the Company's Management Board resolved that the issue price of the U Series Shares shall be PLN 55.00 per New Issue Share and the Company shall make offers to investors to acquire a total of 2,430,554 U Series Shares. The issue of the U Series Shares was effected upon the execution of agreements for the taking-up of all the U Series Shares and upon payment in full of the contributions to cover the U Series Shares (no allotment of shares within the meaning of the Commercial Companies Code was necessary). The process of concluding the take-up agreements for the U Shares was completed on 12 March 2021. Contributions for the U Series Shares were made in full by 15 March 2021. 2,430,554 U Shares were taken up. Under the Offering, the U Series Shares were taken up by 65 investors.

The Company's share capital increase through the issue of U Series Shares was registered with the National Court Register on 2 April 2021.

On 14 April 2021, Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) issued a statement on the conditional registration in the securities depository with ISIN code PLMBION00016 of 2,430,554 U series ordinary bearer shares of the Company. The condition for the registration of the U shares was their introduction to trading on the regulated market. On 14 April 2021, the Board of the Warsaw Stock Exchange (WSE) adopted a resolution on the admission and introduction to trading on the WSE Main Market of the U series shares of the Company, pursuant to which it stated that 2,430,554 U series ordinary bearer shares of the Company are admitted to trading on the main market, and decided to introduce as of 19 April 2021 to trading on the main market the aforementioned shares of the Company, provided that the KDPW, on 19 April 2021, has registered these shares. On 15 April 2021, the KDPW published a notice on the registration, as of 19 April 2021, in the depository of securities, of 2,430,554 U series ordinary bearer shares of the Company, and therefore the condition for the listing of the shares on the WSE main market on 19 April 2021 has been met.

The Company recognised transaction costs related to the issue of U series shares in the amount of PLN 4,917 thousand as a decrease in the supplementary capital created from the share premium of the issued shares.

Concurrently with the issue of U shares, in early 2021 the Company started preparations related to the prospectus and the offering of the Company's shares on the basis of the prospectus. On 22 February 2021, the Company's Management Board convened an EGM for 22 March 2021 to adopt a resolution on increasing the Company's share capital by an amount not less than PLN 0.10 and not more than PLN 1,050,000 by way of an issue of at least one and not more than 10,500,000 V series ordinary bearer shares with a par value of PLN 0.10 each. To implement the above decision, concurrently with the issue of U shares, the Company started preparations related to the prospectus and the offering of the Company's shares on the basis of the prospectus, the parameters of the offering, and its schedule. The prospectus-based issue is possible subject to the approval of the prospectus by the Polish Financial Supervision Authority and the fulfilment of other legal requirements.

On 22 February 2021, the Company's Management Board convened an EGM for 22 March 2021 to adopt a resolution on increasing the Company's share capital by an amount not less than PLN 0.10 and not more than PLN 1,050,000 by way of an issue of at least one and not more than 10,500,000 V series ordinary bearer shares with a par value of PLN 0.10 each.

On 16 March 2021, the Company's Management Board notified of the cancellation of the EGM scheduled for 22 March 2021. The decision of the Management Board of the Issuer to cancel the General Meeting resulted from the need to verify available sources of funding necessary to cover financing needs, inter alia, following the successful issue of U shares and the conclusion of a framework agreement together with the first order for contractual services with Novavax regarding the COVID-19 vaccine programme.

b) Share-based payments

In accordance with the Resolution no 25/VI/2018 of 28 June 2018, the Ordinary General Meeting authorised the Supervisory Board of the Company to issue no more than 125 000 A and B subscription warrants, granting eligible employees the right to acquire 114,000 R series ordinary shares and 11,000 S series ordinary shares, excluding the pre-emptive rights of the Company's current shareholders.

On 29 December 2018, on the basis of the mandate given in the Resolution No. 24/VI/2018 of the Company's Ordinary General Meeting, the Supervisory Board approved the Rules and Regulations for the Incentive Scheme for 2018-2021. The taking-up of the shares and the exercise of rights carried by the warrants will be possible upon conditions listed in the Rules and Regulations. Alternatively, warrants may be purchased by the Company in order to be redeemed.

On 12 February 2019, by passing appropriate Resolutions, the Supervisory Board approved the list of employees eligible to subscribe for A and B warrants for the years 2018 and 2019, and stated that the market condition (minimum price) for A warrants for the year 2018 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2018 was met.

On 18 of November 2019, all B warrants granted for the year 2018 (9,500 warrants) were taken up by the eligible persons.

On the same day, all eligible persons submitted declarations of subscription for all S series shares (9,500 shares) for which they were entitled due to warrants taken up. The shares were taken up by the eligible person on the same day.

On 30 January 2020, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2019 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2019 was met. On 27 February 2020, by passing appropriate Resolutions, the Supervisory Board accepted the list of employees eligible to subscribe for A and B warrants for the year 2020.

On 23rd June 2020, all B warrants granted for the year 2019 (500 warrants) were taken up by all eligible persons. On the same day, all eligible persons submitted declarations of subscription for all S series shares (500 shares) for which they were entitled due to warrants taken up. The shares were taken up by the eligible person on the same day.

On 25 January 2021, by passing appropriate Resolutions, the Supervisory Board stated that the market condition (minimum price) for A warrants for the year 2020 was not met. The Supervisory Board also confirmed that the employment condition for A and B warrants for the year 2020 was met.

On 29 April 2021, by Resolution no. 10/IV/2021, the Supervisory Board accepted the list of employees eligible to subscribe for A and B warrants for the year 2021.

The table below shows the details of the Scheme and its valuation as at 30 September 2021:

	A Warrants	B Warrants	
Tranche for year	2021	2020	2021
Scheme's approval date (the beginning of the vesting period)	28 June 2018		
Grant date	29 April 2021	27 February 2020	29 April 2021
End of vesting period	31 January 2022	25 January 2021	31 January 2022
Number of instruments granted	28,215	500	500
Exercise Price	PLN 91.00	PLN 0.10	
Share price as at 30 September 2021	PLN 72.10		
Market vesting condition	Reaching a minimum price defined as the arithmetic average of the stock prices of the Company on the Warsaw Stock Exchange, calculated on the basis of daily average prices weighted with trading volume, in the last month of each year		
Minimal price	PLN 400.00	-	-
Non-market vesting condition	The employee has to maintain a business relationship or continue to provide services for the Company for a period of at least 183 days in a given year during the Scheme		
Settlement	Shares		
Expected volatility (based on the historic volatility of the Company's share prices in 24 months preceding the Valuation Date)	92.92%	55.22%	92.92%
First possible exercise date	14 February 2022	14 July 2021	14 July 2022
Last possible exercise date	31 July 2022		
Risk-free rate	0.14%-0.25%	1.23%-1.84%	0.14%-0.25%
Dividend rate	0%		

	A Warrants	B Warrants	
Tranche for year	2021	2020	2021
Departure probability	21.58% per annum		
Warrant's fair value Valuation Date	29 April 2021	27 February 2020	29 April 2021
Warrant's fair value as at the Valuation Date	PLN 0.55	PLN 46.24	PLN 63.08
Valuation model	Binominal model		

On 27 February 2020, the Company's Supervisory Board approved the list of employees eligible to take up A and B warrants for the year 2020. Accordingly, the fair value valuation of the above-mentioned warrant tranches was drawn up as at 27 February 2020. In a valuation as at 30 December 2021, only the number of warrants to which the eligible persons acquired rights was updated.

On 29 April 2021, the Company's Supervisory Board approved the list of employees eligible to take up A and B warrants for the year 2021. Accordingly, the fair value valuation of the warrants was drawn up as at 29 April 2021. As at 30 September 2021, only the expected number of warrants to which the eligible persons will acquire rights was updated.

The fair value of warrants has been determined based on the binominal stock option valuation model. For the valuation purposes, a share price tree was built as a representation of possible future paths the Company's share price can follow (monthly change in the share price), based on the historical volatility of the Company's share prices. The measurement was carried out using backward induction including the market condition (reaching the minimum price) and the possibility of an earlier execution of the option in line with the Rules and Regulations of the Scheme (based on the assumptions on the eligible employees' expected minimum rate of return).

The total cost of the Scheme for different balance-sheet dates will be estimated based on the most current measurements of the fair value of the warrants and the probability of eligible employees' departure. The cost of the Scheme will be allocated proportionally during the vesting period for each tranche of warrants.

If the market condition for A warrants for a specific year is not met, the Supervisory Board may grant these warrants alongside A warrants for the year in which the market condition is met. Due to the uncertainty concerning the future decisions made by the Supervisory Board in this matter, the estimate of the Scheme's cost as at 30 September 2021 does not include the effect of rolling the warrants for which the market condition was not met. This does not exclude the possibility of these warrants being granted in the following years, as per the Rules and Regulations of the Scheme.

16. Deferred income

in PLN thousand	30 September 2021 (not audited)	31 December 2020
Grants on property, plant and equipment	7,933	8,886
Grants on research and development costs	26,827	26,373
Liabilities under contracts with customers, including:	23,303	15,597
advance payment from Mylan for distribution rights to MabionCD20	20,810	14,007
advance payment from Celon Pharma for services (development of antibody production technology)	-	1,590
advance on technology transfer services	2,493	-
Deferred income	**58,063**	**50,856**

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), and the National Centre for Research and Development (NCBiR).

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, which have been completed.

Fixed assets for which the grant was obtained were put into use in 2015 and their depreciation started at that date. The relevant part of deferred income (grants) was also recognised in the financial result, as other operating income, in parallel to the write-downs on these assets (PLN 935 thousand in the first nine months of 2021 and PLN 1,254 thousand in the analogous period ended 30 September 2020 – see also Note 10).

In the period covered by these condensed interim financial statements, the Company received grant payments for research and development costs under the Operational Programme Smart Development 2014–2020:

» MabionCD20 "fast track" sectoral programme (which ended on 29 December 2020) in the amount of PLN 351 thousand.

» InnoNeuroPharm sectoral programme in the amount of PLN 103 thousand.

In accordance with the terms and conditions of the agreement with Mylan (Annex of 29 April 2021), part of the advances received on distribution rights is no longer refundable in the total amount of PLN 20,810 thousand and as at 30 September 2021, it is recognised under long-term deferred income.

In the reporting period, the income from the performance of services (development of the antibody production technology) for Celon Pharma S.A. was recognised in the amount of PLN 1,590 thousand. Pursuant to an arrangement entered into on 10 June 2021 between the companies, it was decided to close the project and settle the cooperation as of 17 June 2021.

On 3 March 2021, the Company entered into a framework agreement (Framework Agreement) with Novavax based in the United States, pursuant to which the Company, with the participation of Novavax, has undertaken activities related to the technology transfer related to the manufacturing process of the vaccine candidate antigen for COVID-19 called Nuvaxovid (formerly NVX-CoV2373) and carried out technical runs of the process on a commercial scale at the Company's plant. With the conclusion of the Framework Agreement, the parties agreed on the scope and budget of the work contracted to the Company to carry out the technology transfer and technical runs for the Nuvaxovid protein antigen. The scope of contracted work under the first order (Statement of Work No. 1, SOW no. 1) includes a technology transfer from Novavax to the Company. In addition, it includes: qualification of analytical methods after the transfer, with the implementation of the transferred methods and documentation related to the manufacturing process into the Company's quality system, production a relevant number of batches to confirm the repeatability in batch production of the product in the Company's plant. On 25 March 2021, the Company received the first payment from Novavax, amounting to USD 1,030 thousand, as part of the execution of order SOW no. 1 placed under the Framework Agreement in place, on account of advance payment for the purchase of materials and raw materials in the amount of USD 500 thousand and the first part of the remuneration for the order being executed in the amount of USD 530 thousand. In August and September 2021, the Company completed, as part of the technology transfer process, the transfer of analytical methods and the activities related to the preparation of the quality system for the implementation of the new process and product, and as a result received payments from Novavax in the total amount of USD 120 thousand. The payments received will be duly recognised as revenue upon completion of the technology transfer process, with account taken of the terms and conditions of future cooperation with Novavax in terms of commercial production. The Company expects that an appropriate cooperation concept will be developed in the foreseeable future, which will allow the accounting policy for revenue recognition and presentation to be properly implemented before the closure of the current reporting period. The payments already received in the amount of USD 650 thousand, in line with the accounting policy in place, until the completion of research and development work as part of the technology transfer process or the continuation of cooperation as part of the contracted commercial manufacturing, constitute deferred income presented in the Company's balance sheet.

17. Repayable advances on distribution rights

In accordance with the information provided in the financial statements of the Company for the financial year ended 31 December 2020, such advance payments may be repayable and are treated by the Company as current liabilities.

a) Repayable advances on distribution rights

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

in PLN thousand	30 September 2021 (not audited)	31 December 2020
Mylan	-	42,282
FARMAK	1,158	1,154
ONKO	510	507
Sothema Laboratories	106	106
Lyfis	28	28
Total repayable advances on distribution rights	**1,802**	**44,077**

On 29 April 2021, the Company signed an annex (Annex) to the cooperation agreement (Agreement, Development and Commercialization Agreement), of which the Company informed in Current Report no. 31/2016 of 8 November 2016. The parties have agreed that the Company will reimburse to Mylan part of the presented repayable advances, in an amount lower than the advance payments received by the Company under the Agreement before the date of the Annex, constituting repayable advances for distribution rights, which is tantamount to the final settlement of all payments made so far between the Parties. Owing to the Annex, the Company has obtained the necessary flexibility in the commercialization of MabionCD20 in its key markets in Europe and in the USA.

The change in the balance of refundable advances on distribution rights during the period of nine months ended 30 September 2021 is attributable to:

a) changes in exchange rates as all the advances were denominated in foreign currencies (EUR or USD).

b) reclassification of the advances on distribution rights received from Mylan to the deferred income (Note 16) and the liabilities (Note 20), in accordance with the terms and conditions of the Annex to the cooperation agreement with Mylan.

b) Repayable advances on future services

in PLN thousand	30 September 2021 (not audited)	31 December 2020
Novavax – advance payment on account of commercial active substance manufacturing	59,752	-

On 3 March 2021, the Company entered into a framework agreement (the Framework Agreement) with Novavax established in the United States, pursuant to which the parties agreed on the scope and budget of the work contracted to the Company to carry out the transfer of technology, analytics of the vaccine candidate antigen for COVID-19 under the working name of Nuvaxovid (formerly NVX-CoV2373) and to perform laboratory and commercial scale technical trial runs of the process at the Company's facility (standard activities when entering into a contract manufacturing collaboration). On 23 June 2021, The Company received a second order from Novavax (Statement of Work No. 2, SOW no. 2) under the existing Framework Agreement, allowing the Company to commence procuring production raw materials within a budget agreed by the parties and funded by Novavax. On 25 June 2021, the Company issued a pre-payment invoice for USD 15,226 thousand under order SOW no. 2, which on 15 July 2021 was settled by Novavax. Contracting production raw materials in advance will enable the Company to carry out future commercial manufacturing more swiftly.

On 8 October 2021 (an event after the balance-sheet date), the Company entered into a commercial contract manufacturing agreement with Novavax, accompanied by a Statement of Work, under which the Company will commercially manufacture the Nuvaxovid antigen, based on GMP standard, for Novavax. The parties' intention will be to cyclically place similar orders for the procurement of raw materials according to separately agreed budgets and schedules in successive periods.

18. Loans and borrowings

a) Bank loans

On 24 October 2019, the Company concluded with the European Investment Bank (EIB) an unsecured loan agreement for financing the implementation of investment and research and development projects, including the development of the Company's research and development infrastructure and production capacity, for a maximum period of 5 years from the date of disbursement of individual tranches. The amount of the Loan is EUR 30 million and may be disbursed in three tranches once specific conditions are met, which include the achievement of registration and commercialisation milestones for MabionCD20. The interest rate on the Loan is fixed at may amount to 2.7% per annum at most. The drawing period of the Loan is 36 months from the date of the Financing Agreement. The Agreement contains numerous obligations of the Company towards the EIB and stipulates situations constituting a breach of the Agreement resulting, inter alia, in the possibility of its termination by the EIB. Taking into account the change in MabionCD20's regulatory strategy, the Company has taken steps to adapt the existing agreement to the Company's current strategy, including in particular agreeing on new conditions for releasing individual tranches as well as their timing.

On 29 November 2019, the Extraordinary General Meeting of the Company adopted Resolution No. 3/XI/2020 on the conditional increase of the share capital through the issue of 402,835 T series ordinary bearer shares with a nominal value of PLN 0.10 each, with a total nominal value not exceeding PLN 40,283.50. The conditional share capital increase was effected in order to grant rights to take up T series shares to the European Investment Bank in connection with signing, on 24 October 2019, the loan agreement for EUR 30 million. The right to take up T series shares may be exercised until 29 November 2029. All T series shares may be paid up only by contribution in cash. The issue price of T series shares is PLN 0.10 per share.

As at 30 September 2021, the Company has not drawn any tranche of the EIB loan and its debt on this account is PLN 0 (zero).

As at the balance-sheet date, the Company also did not issue any subscription warrants in connection with the implementation of this agreement.

b) Borrowings from shareholders and related parties

On 15 July 2020, the Company entered into a borrowing agreement with Glatton Sp. z o.o. (Borrowing), amounting to PLN 15,000 thousand, to refinance the revolving credit facility granted to the Company in 2018 by Santander Bank Polska S.A. (“Loan” and “Bank”, respectively). The Company utilised the amount of PLN 15,000 thousand under the Loan.

The borrowing agreement entered into force on 16 July 2020. The interest rate on the Borrowing has been agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin.
On 10 December 2020, the parties concluded an Annex to the Agreement, pursuant to which the repayment date of the Borrowing was extended to 31 December 2021.

On 12 August 2020, the Company concluded borrowing agreements with Twiti Investments Ltd. and Glatton Sp. z o.o. up to the total amount of PLN 15,000 thousand each. The interest rate on the borrowings, the same for each of the Agreements, was agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin.

As at 31 December 2020, the Company has used the entire amount of PLN 30,000 thousand of the limit granted under the agreements on the above borrowings. As at the date of publication of the statements, after the partial conversion of the borrowings due to Twiti Investment Ltd. and Glatton Sp. z o.o. into shares as part of an accelerated book-building transaction (ABB), the Company has drawn the borrowing from Glatton Sp. z o.o. in the amount of PLN 15,000 thousand.

On 5 February 2021, the Company entered into a borrowing agreement with Twiti Investments Ltd. for a total amount of up to PLN 10,000 thousand (Borrowing). The interest rate on the Borrowing has been agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin. Under the agreement, the Borrowing could be repaid by conversion into U series ordinary bearer shares, or in cash no later than 31 December 2021 (depending on the arrangements made by the parties to the agreement).

As at 15 March 2021, the Company has utilised the entire amount of PLN 3,500 thousand as part of the limit granted under the above-mentioned borrowing agreement. As at the date of publication of the statements, the Company, having made a partial conversion and repaid the remaining amount, has not used the borrowing and its indebtedness on this account amounts to PLN 0 (zero).

The borrowings from the shareholders have been repaid by way of conversion into U series shares issued under the terms and conditions set out in resolution No. 4/II/2021 of the Extraordinary General Meeting of Mabion S.A. of 23 February 2021. On 15 March 2021, borrowings in the amount of PLN 16,200 thousand were converted into capital through the issue of U series shares:

» The entire issue price of 90,909 U Series Shares taken up by Glatton, in the amount of PLN 5,000 thousand, was paid by way of offsetting the Company's claim against Glatton for payment of the issue price with Glatton's claim against the Company in the amount of PLN 5,000 thousand (principal amount) under the borrowing agreement concluded by the Company and Glatton on 12 August 2020 (Glatton's Claim).

» The issue price of 203,636 U Series Shares taken up by Twiti, in the amount of PLN 11,200 thousand, was paid by way of offsetting of the Company's claim against Twiti for payment of the issue price of 203,636 U Series Shares with the entire claim of Twiti against the Company in the total amount of PLN 10,000 thousand (principal amount) under the borrowing agreement concluded by the Company and Twiti on 12 August 2020 (Twiti's Claim) and part, equal to PLN 1,200 thousand, of Twiti's claim against the Company in the total amount of PLN 3,500 thousand (principal amount) under the borrowing agreement up to the maximum of PLN 10,000 thousand concluded by the Company and Twiti on 5 February 2021.

The conversion of receivables is for a fixed amount (i.e. the carrying amount of the debt), but with a variable number of shares (the Company's Management Board, following the accelerated book-building process for the U Series Shares completed on 9 March 2021, has determined the issue price at PLN 55.00 per share). Due to the fact that, under the terms and conditions of the borrowing agreement, the liabilities payable to Glatton and Twiti may be settled in cash or by issuing a variable amount of the Company's equity instruments – the above borrowings have been classified as a financial liability rather than an equity instrument.

Pursuant to the applicable regulations, the conversion report was subject to verification by an independent Auditor.

c) 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.

On 15 September 2021, the Company entered into a leaseback agreement with PKO Leasing S.A. to finance the purchase of laboratory equipment amounting to PLN 319 thousand.

As at 30 September 2021, the total value of outstanding loans secured on assets was PLN 728 thousand.

19. 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 2020.

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.

Due to the persisting COVID-19 pandemic, one item of property, plant and equipment was not accepted for use in the fourth quarter of 2020 due to inability to qualify it. The lease liability incurred for its purchase amounted to PLN 325 thousand. In the first quarter of 2021, following qualification, the Company recognised a new item of property, plant and equipment of PLN 325 thousand. 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 106 thousand and a lease liability of PLN 516 thousand, as one item of property, plant and equipment, due to a delay in delivery, was not put into service in the third quarter of 2021.

Depreciation of leased fixed assets in the reporting period amounted to PLN 1,996 thousand, and lease interest amounted to PLN 205 thousand.

The total gross carrying amount of leased items as at 30 September 2021 totals PLN 11,835 thousand.

The table below presents information on the amount of future minimum lease payments and the current value of minimum lease payments as at 30 September 2021 and 31 December 2020.

in PLN thousand	Future minimum lease payments as at 30 September 2021 (not audited)	Current value of minimum lease payments as at 30 September 2021 (not audited)	Future minimum lease payments as at 31 December 2020	Current value of minimum lease payments as at 31 December 2020
Up to 1 year	1,857	1,856	2,421	2,358
From 1 to 5 years	2,362	2,010	3,198	2,943
Total	**4,219**	**3,866**	**5,619**	**5,301**

20. Trade and other liabilities

in PLN thousand	30 September 2021 (not audited)	31 December 2020
Trade liabilities	16,841	18,124
Liabilities under advances received from distribution partners – Mylan	13,974	-
Social insurance and income tax on wages	1,191	1,598
Provision for unused leave	803	541
Liabilities under remunerations	3,391	3,168
Other liabilities	440	557
Company Social Benefits Fund	68	107
Total trade and other liabilities	**36,708**	**24,095**

A portion of the advances received from Mylan in the amount of PLN 36,134 thousand has been reclassified from repayable advances on distribution rights (Note 17) to the liabilities (Note 20), in accordance with the terms and conditions of the Annex to the cooperation agreement with Mylan as concluded on 29 April 2021. On 20 July 2021, the Company settled the first part of the liability under the said annex in the amount of USD 6,000 thousand and on 29 October 2021 (an event after the balance-sheet date), the Company settled the second (last) part of the liability in the amount of USD 3,500 thousand and as at the date of these statements the value of the liability to Mylan amounts to 0 (zero).

On 17 November 2021, the Company received from Mylan a statement of termination of the cooperation agreement entered into in 2016. The Agreement was terminated subject to 90 days' notice. At present, the termination of the Agreement do not involve any payments or additional financial liabilities on the part of the Company.

The Management Board of Mabion S.A., by Resolution No. 11/I/2021 of 28 January 2021, decided that in 2021, the Company will not establish a Company Social Benefits Fund and will not pay leave allowance.

21. Effective income tax rate

In the current reporting period, the Company did not generate profits that would give rise to income tax payments and did not meet the criteria for recognition of deferred tax assets. Therefore, the effective income tax rate was 0 (zero).

As of 30 September 2021, the Company was conducting business in Poland, under two permits issued by the ŁSSE. In 2021, there were no significant changes to the amounts or conditions of the Company's tax reliefs, i.e. the Company is entitled to benefit from relief until 31 December 2026 by reducing the amount of its corporate tax liability.

In the period of 9 months ended 30 September 2021, the Company incurred a tax loss of PLN 10,438 thousand. The Company has not recognised a deferred tax asset on this loss due to the conditions of IAS 12 not being met as to the probability of taxable income allowing the loss to be utilised before the expiry of the period for its utilisation.

The amount of tax losses carried forward is presented in the financial statements for the financial year ended 31 December 2020.

22. Financial risk management

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

23. Fair value of financial instruments presented at amortised cost

The Company does not recognise 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 loans and refundable prepayments for distribution rights. The Company's Management assessed that the fair value of these items approximates or equals their carrying values.

24. Related party transactions

There is no direct or ultimate controlling party in the Company.

In the period covered by these condensed interim financial statements, the Company has neither recorded sales to nor purchases from the related parties on conditions materially different from arm's length terms.

Services contracted previously with Celon Pharma S.A. and relating to the development of a drug production process or drug prototypes for use by Celon Pharma S.A. were deferred by mutual consent into future periods due to the extraordinary workload necessary for completion of research and development of MabionCD20. In the reporting period, the income from the performance of services for Celon Pharma S.A. was recognised in the amount of PLN 1,590 thousand. Pursuant to an arrangement entered into on 10 June 2021 between the companies, it was decided to close the project and settle the cooperation as of 17 June 2021.

On 5 February 2021, the Company entered into a borrowing agreement with Twiti Investments Ltd. for a total amount of up to PLN 10,000 thousand (Borrowing). The Borrowing could be disbursed in tranches, in amounts and on dates agreed by the parties in a separate disbursement schedule, and the Lender disbursed each tranche at the written request of the Borrower. The borrowing agreement did not specify the purpose of the funds, and the Company's intention was to use the funds raised to cover current expenses. The interest rate on the Borrowing has been agreed on an arm's length basis as a variable interest rate based on WIBOR 3M plus a margin. Under the agreement, the Borrowing could be repaid by conversion into U series ordinary bearer shares, or in cash no later than 31 December 2021 (depending on the arrangements made by the parties to the agreement). As at 15 March 2021, the Company has utilised the entire amount of PLN 3,500 thousand as part of the limit granted under the above-mentioned borrowing agreement. As at the date of publication of the statements, the Company, having made a partial conversion and repaid the remaining amount, has not used the borrowing and its indebtedness on this account amounts to PLN 0 (zero).

In the current reporting period, the Company purchased SARS-CoV-2 antigen tests from Genexo Sp. z o.o. for a gross amount of PLN 52 thousand for internal testing needs of the Company's employees. The transaction was at arm's length.

Key Management remuneration (including share-based payment and 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 as well as appointment.

in PLN thousand	1 January 2021 – 30 September 2021 (not audited)	1 January 2020 – 30 September 2020 (not audited)
Remuneration of Supervisory Board members	329	353
Remuneration of Management Board members	1,767	1,080
Share-based payments	12	(7)
Provisions for awards	1,222	39
Total short-term remuneration	**3,330**	**1,465**

25. Contingent liabilities and contractual obligations

a) Contractual obligations

As at 30 September 2021, 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 undertakes to manufacture, for the Company, a packaging line – a device intended for the purposes of the "Expansion of the Research and Development Centre of Mabion S.A. – research on a new generation of medicines" ("CBR") under Measure 2.1 Support for investment in R&D infrastructure of enterprises of the Operational Programme Smart Development 2014–2020 co-financed by the European Regional Development Fund. The value of the liability as at the balance-sheet date amounts to EUR 275 thousand.

As at 30 September 2021, there is a contractual obligation of the Company regarding the acquisition of property, plant and equipment, towards EbeTech GmbH with its registered office in Germany (EbeTech) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which EbeTech undertakes to manufacture, for the Company, a vial filling line. The value of the liability as at the balance-sheet date amounts to EUR 2,839 thousand.

As at 30 September 2021, there is a contractual obligation of the Company regarding the acquisition of development work, towards Parexel International (IRL) Limited with its registered office in Ireland (Parexel) arising from the fulfilment of certain conditions provided for in the agreement, pursuant to which Parexel undertakes to conduct a three-arm, double-blind, randomised clinical trial. The value of the liability as at the balance-sheet date amounts to EUR 4,645 thousand.

b) Contingent liabilities

As at 30 September 2021, 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.

26. 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.

27. Events after the balance-sheet date

On 8 October 2021, the Company entered into a commercial contract manufacturing agreement (Manufacturing Agreement, Master Contract Manufacturing Agreement) with Novavax, together with a Statement of Work, pursuant to which the Company

will manufacture on a commercial scale, on a GMP standard basis, a vaccine candidate antigen for COVID-19 under the name of Nuvaxovid (formerly NVX-CoV2373), for Novavax. The resolution approving the substantially agreed provisions of the Agreement and the Statement of Work was adopted by the Management Board of the Company on 6 October 2021. The Order was commenced as a result of the Company's activities in respect of the work related to the transfer of the manufacturing process and analytical methods based on Novavax's procedures and requirements, as well as the preparation of the Company's quality system for the implementation of the new process and product, as provided for in the framework agreement with Novavax of 3 March 2021, whose conclusion was announced by the Company in Current Report no. 15/2021. The Agreement in place is unconditional, and its conclusion and commencement are independent of the registration procedure of the Nuvaxovid® vaccine candidate in the respective markets. The Agreement has been concluded for a fixed period of time until the end of 2025, with an option for renewal. The total value of the Agreement during its term was estimated at USD 372 million i.e. PLN 1.46 billion based on the average exchange rate of the National Bank of Poland as at 7 October 2021 (the Agreement's value was estimated on the theoretical assumption of future zero inflation during the entire term of the Agreement). The Agreement will be implemented and settled per batch of the Product, at the unit price per batch specified in the Agreement (unit prices are subject to indexation based on future inflation). Under the Agreement, the parties have agreed on the volume and production schedule for each year in the period 2022–2025, based on which Mabion will manufacture the number of product batches required by Novavax. The production schedule has been set for the entire duration of the Agreement, but the parties may agree on modifications to the schedule and volume of deliveries. The possibility of completing the agreed scope of work under the Agreement in the future years depends on the Company's available production capacity, therefore the Management Board's objective will be to expand the production capacity in late 2022 and early 2023 and equipping the facility with new bioreactors, which will result in the Company having four bioreactors in the years 2023–2025. The Company's Management Board estimates that during the first two years of commercial manufacturing covered by the Agreement (i.e. 2022–2023), the Company may realise approximately 40% of the total value of the Agreement, and in the following two years, including as a result of increased production capacity, approximately 60% of the total value of the Agreement. The parties expect the commercial-scale GMP-compliant manufacturing to commence in December 2021. Until that time, the Company will carry out the preparatory work specified in the Order, including, among other things, the installation of additional systems and equipment, the acquisition and quality control of materials, and updating documentation specific to commercial manufacturing.

On 11 October 2021, the Company became aware that on 6 October 2021 the President of the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products issued a permit for the Company to conduct a clinical trial of MabionCD20 in Poland in patients with rheumatoid arthritis, entitled "A double-blind, parallel-group, randomized clinical trial to evaluate the pharmacokinetics and clinical similarity of MabionCD20 (manufactured commercially) with MabThera® approved in the European Union and Rituxan® approved in the United States in patients with moderate-to-severe rheumatoid arthritis" ("Trial").

On 14 October 2021, the Company became aware that the President of the Medical and Pharmaceutical Regulatory Agency of Georgia had issued a permit for the Company to conduct the Trial in Georgia.

On 22 October 2021, the Company became aware that the Federal Agency for Medicines and Health Products in Belgium has issued a permit for the Company to conduct the Trial in Belgium.

The above-mentioned permits enabled the Company to commence the clinical trial necessary for MabionCD20's authorisation, in the first instance, in the EU, including the cooperation with clinical sites in Poland, Georgia, and Belgium and the recruitment of patients to the trial. The Company is currently awaiting the relevant approval to conduct the Trial in Ukraine.

On 17 November 2021, the Company received, from Mylan Ireland Ltd., a statement of termination of the Development and Commercialization Agreement entered into in 2016, of which the Company informed in Current Report no. 31/2016 of 8 November 2016. The Agreement was terminated subject to 90 days' notice. Pursuant to the Agreement, as amended, inter alia, by an annex of 29 April 2021, Mylan was only a non-exclusive distribution partner of the Company for MabionCD20, only in selected countries, in areas such as, among other things, Australia, New Zealand, Mexico, Central America, southern Africa, south-eastern Asia. Accordingly, the essential rights to sell MabionCD20 in the European Union and the United States remained and remain the property of the Company and may be commercialised in the future depending on the needs and decisions of the

Company. The termination of the Agreement did not involve any payments or additional financial liabilities on the part of the Company. All payments between the parties to date have been settled pursuant to the aforementioned annex of 29 April 2021. On 20 July 2021, the Company settled the first part of the liability under the said annex in the amount of USD 6,000 thousand and on 29 October 2021 (an event after the balance-sheet date), the Company settled the second (last) part of the liability in the amount of USD 3,500 thousand. At present, the Company has the full and necessary flexibility to commercialise MabionCD20 in all markets.

On 19 November 2021, the Company entered into the Quality Agreement with Novavax, covering technical and regulatory arrangements for the production of Nuvaxovid antigen, including relevant GMP standards. The Quality Agreement remains in force until the end of the term of the Manufacturing Agreement, subject to updating if required. The Quality Agreement sets forth the obligations and technical and regulatory arrangements required for the manufacture, testing, storage and shipment of the product. It also sets out the principles of cooperation between the departments involved in the implementation of the Agreement. The Quality Agreement represented an important step in the implementation of the Manufacturing Agreement.

On the same day, the Company submitted a notification to the Chief Pharmaceutical Inspectorate (GIF) concerning the conclusion of the aforementioned agreement. Another step will consist in a notification to the GIF of a change in the manufacturing conditions, on the basis of which the Company will be able to commence manufacturing operations.

The Management Board

Krzysztof Kaczmarczyk
President of the Management Board

Sławomir Jaros
Member of the Management Board

Grzegorz Grabowicz
Member of the Management Board

Adam Pietruszkiewicz
Member of the Management Board

Katarzyna Kutera-Wasiak
Chief Accountant

Konstantynów Łódzki, 29 November 2021