Mabion S.A.
Report H1 2017

Konstantynów Łódzki, September 15th, 2017

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

PLN thousands, except if otherwise stated	Note	April 1, 2017 – June 30, 2017 (Not reviewed)	January 1, 2017 – June 30, 2017 (Not audited)	April 1, 2016 – June 30, 2016 (Not reviewed)	January 1, 2016 – June 30, 2016 (Not reviewed)
Revenues from research and development services		-	-	-	-
Cost of services sold		-	-	-	-
Gross profit		-	-	-	-
Research and development costs	8, 9	(10 551)	(21 398)	(11 076)	(18 851)
General and administrative expenses	8	(4 620)	(8 695)	(3 029)	(6 048)
Other operating income	10	564	1 067	496	1 225
Operating loss		**(14 607)**	**(29 026)**	**(13 609)**	**(23 674)**
Finance income	11	2 469	4 215	16	24
Finance costs	11	(380)	(558)	(251)	(302)
Loss before tax		**(12 518)**	**(25 369)**	**(13 844)**	**(23 952)**
Income tax expense	20	-	-	-	-
NET LOSS		**(12 518)**	**(25 369)**	**(13 844)**	**(23 952)**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**(12 518)**	**(25 369)**	**(13 844)**	**(23 952)**
Basic and diluted proft / (loss) per share (in PLN per share)		**(1.06)**	**(2.15)**	**(1.21)**	**(2.12)**

The Notes on pages 5 to 11 are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

PLN thousands	Note	June 30, 2017 (Not audited)	December 31, 2016
Property, plant and equipment	12	70 997	68 107
Other non-current assets		279	110
Total non-current assets		**71 276**	**68 217**
Inventory	13	7 508	4 232
Trade and other receivables		4 760	3 831
Prepaid expenses		167	141
Cash and cash equivalents		25 019	14 826
Total current assets		**37 454**	**23 030**
TOTAL ASSETS		**108 730**	**91 247**
Share capital		1 180	1 180
Share premium		2 549	140 805
Share capital issued but not yet registered		-	-
Accumulated losses		(25 369)	(138 256)
Total equity	**14**	**(21 640)**	**3 729**
Deferred income	15	13 045	14 012
Refundable prepayments for distribution rights	16	-	-
Borrowings	17	-	-
Finance leases	18	1 416	48
Total non-current liabilities		**14 461**	**14 060**
Trade and other payables	19	20 309	13 697
Deferred income	15	3 575	3 575
Refundable prepayments for distribution rights	16	38 706	43 514
Borrowings	17	52 577	12 500
Finance leases	18	742	172
Total current liabilities		**115 909**	**73 458**
TOTAL LIABILITIES		**130 370**	**87 518**
TOTAL EQUITY AND LIABILITIES		**108 730**	**91 247**

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CONDENSED INTERIM STATEMENTS OF CASH FLOW

PLN thousands	January 1, 2017 – June 30, 2017 (Not audited)	January 1, 2016 – June 30, 2016
Loss before income tax	**(25 369)**	**(23 952)**
Adjustments for:		
Depreciation	3 681	3 453
Interest income	(27)	(9)
Interest expense	469	71
Government grant income	(967)	(1 139)
Changes in assets and liabilities:		
(Increase) / decrease in inventory	(3 276)	-
(Increase) / decrease in trade and other receivables	(929)	2 089
(Increase) / decrease in prepaid expenses	(26)	74
Increase / (decrease) in trade and other payables	8 347	4 177
Increase / (decrease) in refundable prepayments for distribution rights	(4 808)	78
Cash used in operating activities	**(22 904)**	**(15 158)**
Repayments of government grants for research and development	-	(3 107)
Interest received	27	9
Paid interest	(469)	(130)
Net cash used in operating activities	**(23 346)**	**(18 386)**
Purchase of property, plant and equipment	(2 918)	(1 915)
(Increase) / decrease in other non-current assets	(169)	-
Net cash flows used in investing activities	**(3 087)**	**(1 915)**
Proceeds from issuance of common shares	-	2 350
Proceeds from shareholders loans	2 500	13 952
Proceeds from bank loans	37 577	-
Repayments of shareholder loans	-	(1 100)
Repayments of the finance leases	(3 450)	(60)

PLN thousands	January 1, 2017 – June 30, 2017 (Not audited)	January 1, 2016 – June 30, 2016
Net cash flows from financing activities	**36 627**	**15 142**
Net increase / (decrease) in cash and cash equivalents	10 193	(5 159)
Cash and cash equivalents at the beginning of the period	**14 826**	**6 074**
Change in cash and cash equivalents due to exchange rate differences	-	-
Cash and cash equivalents at the end of the period	**25 019**	**915**

The Notes on pages 5 to 11 are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

PLN thousands	Share capital	Share premium	Share capital issued but not yet registered	Accumulated loss	Total equity
As of January 1, 2016	**1 116**	**115 386**	**15 980**	**(87 027)**	**45 455**
Net loss / Total comprehensive income				(23 952)	(23 952)
Transactions with owners					
Registration of Series N shares	34	15 946	(15 980)		-
Reduction of share premium to cover prior year net loss		(4 597)		4 597	-
Issue of Series O shares - not yet			14 100		14 100
As of June 30, 2016 (Not reviewed)	**1 150**	**126 735**	**14 100**	**(106 382)**	**35 603**
As of January 1, 2017	**1 180**	**140 805**	**-**	**(138 256)**	**3 729**
Net loss / Total comprehensive income				(25 369)	(25 369)
Transactions with owners					
Reduction of share premium to cover prior year net loss		(138 256)		138 256	-
As of June 30, 2017 (Not audited)	**1 180**	**2 549**	**-**	**(25 369)**	**(21 640)**

The Notes on pages 5 to 11 are an integral part of these condensed interim financial statements.

NOTES

1. The Company

Mabion S.A. ("Mabion" or the "Company") was established on May 30, 2007 as a limited liability company with its registered office in Kutno, Poland. The legal form of the Company was changed on October 29, 2009 as a result of the transformation of Mabion's limited liability legal status into a joint-stock company organized under the laws of the Republic of Poland. Mabion is currently entered in the Register of Enterprises of the National Court Register in Poland managed by the Łódź-Śródmieście District Court in Ł ódź, 20th Commercial Division of the National Court Register, at KRS number 0000340462. The Company was also assigned a tax identification number NIP: 7752561383 and a statistical identification number REGON: 100343056. The Company's registered office is in Konstantynów Łódzki, Poland, ul. Gen. Mariana Langiewicza 60.

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

2. Basis of preparation

These condensed interim financial statements of Mabion S.A. for the period of 6 months ended June 30, 2017 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"), and should be read in conjunction with the Company's annual financial statements as of December 31, 2016.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2016, except for the corporate income tax, which has been calculated using expected effective average tax rate.

The new or revised standards and interpretations, effective starting from January 1, 2017, have no impact these condensed interim financial statements.

New or revised standards and interpretations, which have been issued but are not yet effective and not early adopted by the Company have been presented alongside their estimated impact on the Company in the annual financial statements for the year ended December 31, 2016.

There were no new or revised standards and interpretations issued from the date of approval of the Company's annual financial statements for the year ended December 31, 2016 to the date of approval of these condensed interim financial statements, which are effective after year 2017 and would have impact on the Company. The Company intends to apply all new and amended IFRS issued but not yet effective as of the date of issuing these condensed interim financial statements at their mandatory effective dates.

Management believes that notes to these condensed interim financial statements contain all material information necessary for proper assessment of the Company's material and financial situation in the reporting period.

The condensed interim financial statements of Mabion S.A. for the 6 months ended June 30, 2017 have been prepared on a going concern basis (further information on the going concern assumption is presented in Note 3).

The condensed interim financial statements are prepared on the historical cost basis.

Critical accounting estimates and judgments of the management are presented in Note 5.
These condensed interim financial statements were authorized for issue by the Company's Management Board at September 15, 2017.

3. Going concern assumption

The Company's success is dependent on securing continued funding of its operations as well as being able to register and commercially sell its products.

Since inception, the Company has been focused on performing research and development activities in order to develop and market its products commercially. As a result, the Company has incurred losses from operations and has been generating negative operating cash flows which are expected to continue for the foreseeable future. As of June 30, 2017, the Company had significant accumulated losses and negative working capital positions.

So far the Company has been financing its operations with cash obtained from shareholder and bank loans, equity raising, government grants and cash obtained from distribution partners.

As part of the development of the Company, the shareholders have decided to also seek an additional issue and listing of equity shares outside Poland (i.e. in Europe or in the United States).

As of June 30, 2017, the Company has obtained letters of financial support from its shareholders (i.e. Twiti Investments Limited, Glatton Spółka z o.o., Celon Pharma S.A.) indicating that the Company will be financed by these shareholders to support its operations in the foreseeable future, for a period not shorter than 12 months from the condensed interim financial statement preparation date.

Further, the Company's also has at its disposal additional undrawn and committed credit lines at June 30, 2017 in the amount of PLN 24,928 thousand - see further information in Note 17.

In management's view with the continuing shareholders' support, both long term investors and local market participants, and the recent strategic agreement with Mylan, the Company will have sufficient funding to complete its primary drug development.

On June 14, 2017, General Meeting of Shareholders adopted a resolutions on compensating the losses for the financial year 2016 and for the previous periods in the amounts of PLN 55,826 thousand and PLN 82,430 thousand, respectively, from the reserve capital. At the same meeting the General Meeting of Shareholders adopted a resolutions, on the Company's further existence, which is a procedure required by Polish law in the case when the Company has negative equity position.

These condensed interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future. Accordingly, no adjustments have been made to the condensed interim financial statements that might be necessary should the entity not continue as a going concern.

4. Significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies used for the purpose of preparing recent annual financial statements, except for the corporate income tax, which has been calculated based on expected effective annual average tax rate.

The Company's functional currency is Polish zloty (PLN).

The condensed interim financial statements are presented in thousands of PLN as rounded to full thousands.

5. Critical accounting estimates and judgements

Management makes estimates, judgements and assumptions regarding the recognition and valuation of the individual items of assets and liabilities. The estimates and the related assumptions are based on historical experience, management's expectations or other factors considered material. The actual results may differ from the recorded estimates. The estimates and the related assumptions require regular verification.

In the period covered by these condensed interim financial statements, no changes in the scope or methodology of making any material estimates and judgements have been made by the Management.

6. Operating segments

Management identified one operating segment for the Company, i.e. research and development activities for new biotechnology drugs and biosimilar drugs through utilizing contemporary genetic engineering. No changes have occurred in this respect since the last annual report.

7. Seasonality of operations

The Company's activities are neither seasonal nor cyclical. In the first half of 2017, the Company has not generated any revenue.

8. Expenses by nature

The following tables present different types of expenses by nature:

PLN thousands	April 1, 2017 – June 30, 2017 (Not reviewed)	January 1, 2017 – June 30, 2017 (Not audited)	April 1, 2016 – June 30, 2016 (Not reviewed)	January 1, 2016 – June 30, 2016 (Not reviewed)
Third-party services	5 794	11 652	5 505	9 123
Cost of materials	2 109	4 399	3 498	5 658
Personnel expenses	1 408	3 042	1 084	2 103
Depreciation	1 171	2 202	980	1 930
Other expenses	68	103	9	37
Research and development costs by nature	**10 551**	**21 398**	**11 077**	**18 851**
Office expenses	1 050	1 861	750	1 556
Personnel expenses	994	1 969	780	1 404
Depreciation	742	1 480	749	1 523
Advisory services in connection with distribution contracts	136	317	-	226
Share based payment expense (IPO incentive)	393	817	153	279
Rental, usage and maintenance of equipment and company car expenses	127	305	257	409
Taxes and fees	103	223	101	199
Other operating expenses	1 075	1 724	239	452
General and administrative expenses by nature	**4 620**	**8 695**	**3 028**	**6 048**

Other operating expenses in the period of 6 months ended June 30, 2017, include an impairment loss of PLN 106 thousand recognised in relation to the prepayment for delivery of equipment due to the problem with execution of this contract by the supplier.

In the condensed interim financial statements for the period of 3 months ended March 31, 2017, the Company has incorrectly classified PLN 433 thousand as cost of personnel instead of third-party services related to research and development activities. After adjusting for the above-mentiond error, the correct cost of third-party services and cost of personnel related to research and development activities in the first quarter of 2017 amount to PLN 5,858 thousand and PLN 1,634 thousand, respectively.

9. Research and development cost

PLN thousands	April 1, 2017 – June 30, 2017 (Not reviewed)	January 1, 2017 – June 30, 2017 (Not audited)	April 1, 2016 – June 30, 2016 (Not reviewed)	January 1, 2016 – June 30, 2016 (Not reviewed)
MabionCD20	10 528	21 325	10 912	18 555
Double cutting technology	1	1	1	18
MabionHER2	17	34	44	73
Other projects	5	38	119	205
Total Research and development costs	**10 551**	**21 398**	**11 076**	**18 851**

In the period covered by these condensed interim financial statements the only research and development project that incurred material costs was development of the Company's primary drug, MabionCD20.

By the date of the publication of these interim condensed financial statements, the Company has successfully completed administration of MabionCD20 drug to patients in the clinical trials for both the Non-Hodgkin's lymphoma ("NHL") and Leukemia and Rheumatoid Arthritis ("RA") applications. Currently, the Company is working towards submitting a single marketing-authorisation application for MabionCD20 to European Medicines Agency.

10. Other operating income

PLN thousands	April 1, 2017 – June 30, 2017 (Not reviewed)	January 1, 2017 – June 30, 2017 (Not audited)	April 1, 2016 – June 30, 2016 (Not reviewed)	January 1, 2016 – June 30, 2016 (Not reviewed)
Government grants	471	967	496	1 139
Other operating income	93	100	-	86
Total other operating income	**564**	**1 067**	**496**	**1 225**

11. Finance income and costs

PLN thousands	April 1, 2017 – June 30, 2017 (Not reviewed)	January 1, 2017 – June 30, 2017 (Not audited)	April 1, 2016 – June 30, 2016 (Not reviewed)	January 1, 2016 – June 30, 2016 (Not reviewed)
Interest income	13	27	1	9
Net foreign exchange gains	2 456	4 188	-	-
Other finance income	-	-	15	15
Total finance income	**2 469**	**4 215**	**16**	**24**
Interest expense	(294)	(469)	(56)	(71)
Net foreign exchange losses	-	-	(189)	(222)
Other finance costs	(85)	(88)	(5)	(8)
Total finance costs	**(380)**	**(558)**	**(251)**	**(302)**

Net foreign exchange gains in the first 6 months of 2017 are due to changes in the foreign exchange rates. Majority of them represent unrealized foreign currency exchange gains on translation of refundable prepayments for distribution rights denominated in foreign currencies at the balance sheet date, which are presented in Note 16.

12. Property, plant and equipment

In the period covered by these condensed interim financial statements the Company has invested PLN 6,565 thousand in tangible assets and PLN 6 thousand in intangible assets.

Substantial part of investments in tangible fixed assets in the first half of 2017 was financed through lease contracts, which are described in Note 18.

The Company has neither sold nor liquidated any tangible fixed assets in the period covered by these condensed interim financial statements.

The Company has not identified any impairment indicators in relation to property, plant and equipment as of June 30, 2017.

13. Inventory

Increase in value of inventories in first 6 months of 2017 is due to purchases of raw materials necessary for production of trial series of MabionCD20 in Konstantynów plant.

The Company has not identified any impairment indicators in relation to inventory as of June 30, 2017.

14. Equity

On February 16, 2017, the General Meeting of Shareholders authorized the Management Board to issue up to 4,500,000 ordinary bearer shares with PLN 0.10 par values per share, including up to 4,000,000 shares through a public offering outside of Poland and up to 500,000 shares through a private placement. Shares can be issued in exchange of cash. The sales prices may not be lower than PLN 84 or its equivalent in the foreign currency, per share. The current shareholders do not have rights to acquire the shares issued based on the above-mentioned authorization. The authorization expires after 1 year from the date

on which the amendment to the Company Statute made by virtue of resolution of the General Meeting of Shareholders was entered in the commercial register of the National Court Register, which occurred on March 23, 2017.

The shares of Series O issued in first 6 months of 2016 were covered by cash of PLN 2,350 thousand and the conversion of the loan liability of PLN 11,750 thousand (further information is provided in annual financial statements for the year ended 31 December 2016).

15. Deferred Income

The Company has historically financed a portion of its operations through receipt of cash subsidies from The European Regional Development Fund as administered by government institutions in Poland: The Lodz Agency of Regional Development (ŁARR), The Polish Agency for Enterprise Development (PARP) and The National Centre for Research and Development (NCBiR). There have been three projects to finance research and development and/or implementation of MabionCD20, technology of producing human analog insulin ("double cutting") and MabionHER2.

The fixed assets in relation to which the grant was obtained became available for use in 2015 at which point the depreciation of these assets also began; the respective portion of the deferred income (grant) was also recognized in profit or loss as well (PLN 967 thousand and PLN 1,139 thousand in the periods of 6 months ended June 30, 2017 and 2016, respectively).

There were no significant changes in the status of grants received by the Company.

Current portion of deferred income represents this portion of deferred income, which is reasonably expected to be realized within 12 months from the balance sheet. It consists of two major positions:

a) portion of grants decribed above, received to finance the tangible fixed assets purchases, which will be recognized as income alongside the depreciation of underlying assets;

b) prepayment from Celon Pharma S.A. for services related to the development of a drug production process or drug prototypes for use by Celon Pharma S.A., which will be performed by the Company.

16. Refundable prepayments for distribution rights

The table below presents the list of prepayments for distribution rights received from partners, which Mabion signed distribution agreements with:

PLN thousands	June 30, 2017 (Not audited)	December 31, 2016
Mylan	37 062	41 792
FARMAK	1 057	1 106
ONKO	465	487
Sothema Laboratories	97	102
Lyfis	25	27
Total	**38 706**	**43 514**

Change in value of the refundable prepayments for distribution rights in the first 6 months of 2017 equal to PLN 4,808 thousand is due only to changes in foreign exchange rates, since all of the these prepayments were denominated in foreign currencies (EUR or USD in the case of Mylan). As stated in the annual financial statements for the year ended December 31, 2016, these liabilities are payable on demand and are classified as current liabilities. In the current interim period, there were no changes in the terms of these distribution agreements.

17. Borrowings

a) Bank borrowings

On March 17, 2017, Company decided to utilize the second tranche of the loan of PLN 12,500 thousand from Alior Bank. This loan has been subsequently repaid in full on July 4, 2017, from the loan received from Bank Zachodni WBK S.A.

On June 8, 2017, the Company signed a revolving loan agreement for a loan of PLN 50,000 thousand with Bank Zachodni WBK S.A. The loan was granted on market terms for a period of 12 months. The loan interest rate is payable monthly and is based on the WIBOR 3M increased by the bank's fixed margin of 2.25 p.p. The funds from the loan were used in the first instance to repay the outstanding loan from Alior Bank S.A., together with accrued interest. The remaining funds are used to finance the Company's current operations with the focus on launching the production of MabionCD20. By June 30, 2017, the Company used the first tranche of the loan of PLN 25,072 thousand. In July and August 2017, the Company used the remaining tranches, which totaled PLN 24,928 thousand. The loan requires collateral, including a contractual mortgage up to PLN 75,000 thousand on the title to the real property in Konstantynów Łódzki along with assignment of the amounts due under the insurance policy, a power of attorney for the Company's bank accounts with Bank Zachodni WBK S.A., the Company's declaration on voluntary submission to enforcement, and other forms of protection provided by three of the main shareholders: Twiti Investments Ltd., Celon Pharma S.A. and Glatton Sp. z o.o. (including a comfort letter and a pledge on the shares held by the shareholders in Celon Pharma S.A.). According to the loan agreement, this bank loan could be used to repay pre-existing shareholder loans up to a maximum amount of PLN 2,000 thousand.

b) Borrowings from shareholders

The Company sourced funding for its ongoing operations through two loans received between May 29, 2017 and June 26, 2017 from one of its shareholders, Twiti Investments Ltd., controlled 50% by the Chairman of the Company's Supervisory Board, Mr. Robert Aleksandrowicz. The above-mentioned loans were due to be repaid by July 31, 2017 and August 31, 2017, respectively. Both loans carried an interest rate of WIBOR 3M plus 2.0 p.p. Total amount borrowed was PLN 2,500 thousand. No collateral was required to secure the borrowings from shareholders.

Both loans were repaid with accrued interest before the date of publishing these condensed interim financial statements.

Interest expense charged by Twiti Investments Ltd up to June 30, 2017 was recognized as interest expense in these condensed interim financial statements.

18. Leases

a) Operating lease

The Company leases office space in Łódź under an operating lease expiring on August 17, 2020 with an option to cancel in 2018 without an early termination penalty. Total future minimum lease payments under the lease as of June 30, 2017 amount to PLN 300 thousand in 2017 and PLN 375 thousand in 2018. The lease expense recognized in the first half of 2017 amounted to PLN 429 thousand.

The lease includes contractual escalation clauses providing for annual rent increases starting January 1, 2016 based on the consumer price index. Rent indexing is not expected to have a material effect on the Company's commitments.

b) Finance lease

The Company uses vehicles and laboratory equipment pursuant to finance lease agreements.

The Company concludes leasing agreements for a period of 3 to 5 years. These agreements are secured by blank promissory notes. Change in the interest rate constituting an element of calculation of leasing instalments is a parameter which results in change in leasing instalments. All leasing agreements contain option to purchase leased assets at the end of the lease period.

In the current interim period, the Company has entered into the few new lease agreements resulting in the initial recognition of the fixed assets in the amount of PLN 3,598 thousand and the lease liability of PLN 2,123 thousand. Total cost of assets subject to finance lease as of June 30, 2017 and December 31, 2016 amounts to PLN 3,934 thousand and PLN 375 thousand, respectively. The table below presents minimum lease payments and current value of lease payments as of June 30, 2017 and December 31, 2016:

PLN thousands	Minimum lease payments as of June 30, 2017 (Not audited)	Current value of lease payments as of June 30, 2017 (Not audited)	Minimum lease payments as of December 31,2016	Current value of lease payments as of December 31, 2016
Within 1 year	762	742	177	172
From 1 to 5 years	1 583	1 416	49	48
Total	**2 345**	**2 158**	**226**	**220**

19. Trade and other payables

PLN thousands	June 30, 2017 (Not audited)	December 31, 2016
Trade payables	14 583	9 915
Accrued expenses for clinical trials	2 195	1 780
Share-based payments (Note 23)	1 552	735
Social security and personal income tax on salaries	700	489
Accrued expenses for unused holidays	358	207
Other payables	921	571
Total trade and other payables	**20 309**	**13 697**

20. Effective income tax rate

In the period covered by these condensed interim financial statements the Company has not recorded any profits, which would result in the obligation to pay the corporate income tax, and the criteria to recognize deferred tax asset were not met, thus the effective corporate income tax rate was equal to 0%.

As of June 30, 2017, the Company operated under three permits issued by the Łódź Special Economic Zone ("ŁSSE"), located in Poland. There were no significant changes in 2017 in respect of the amounts and conditions of utilizing the tax credits available to the Company, i.e. tax credits will be available by December 31, 2026 to offset against future corporate income tax profits.

In the period of 6 months ended June 30, 2017, the Company has generated the tax loss of PLN 7,793 thousand, on which deferred tax asset was not recognised as IAS 12 criteria concerning probable future taxable income that would enable their utilization were not met. The tax losses carried forward from perious years are disclosed in the financial statements for the year ended December 31, 2016.

21. Financial risk management

The Company's exposure to individual risks relating to financial instruments only, as well as the objectives, policy and processes used to measure and manage the risk have not changed substantially compared with the annual financial statements.

22. Fair value of financial instruments measured at amortized cost

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

The main items of financial instruments measured at amortized cost are: short-term bank borrowings and refundable prepayments for distribution rights. The Company's management assessed that the fair value of these items approximates or equals their carrying values.

23. Related party transactions

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

In the period covered by these condensed interim financial statements the Company recorded proceeds of PLN 16.8 thousand from IBSS BIOMED SA for auxiliary services rendered in respect of setting up and testing the laboratory equipment (in the comparative period the Company has not recorded any proceeds from the related parties).

Services contracted previously with Celon Pharma S.A. related to the development of a drug production process or drug prototypes for use by Celon Pharma S.A. has been deferred by mutual consent into future periods due to extraordinary workload relating to completion of research and development of MabionCD20. More information is presented in Note 15
The Company sourced funding for its ongoing operations from Twiti Investments Ltd., one of its shareholders. Details of these transactions are presented in Note 17.

Other transactions with related parties in the period covered by these condensed interim financial statements totaled to PLN 20.7 thousand and included a number of small purchases of services from Polfarmex S.A. (one of the Company's main shareholders), IBSS BIOMED S.A. (with Mr. Grzegorz Stefański holding positions of Member of the Supervisory Board of Mabion and President of IBSS BIOMED S.A. until May 16, 2017) and Biofana S.A. (with Mr. Jarosław Walczak holding positions of Member of the management Board of Mabion and President of Biofana S.A.). In the comparative period purchases from the related parties totaled to PLN 59.8 thousand. Total trade payables with the related parties as of June 30, 2017 and December 31, 2016 amounted to PLN 50.5 thousand and PLN 44.1 thousand, respectively.

Key management compensation (incl. share based payment and remuneration)

On December 14, 2015, the Supervisory Board granted an IPO incentive to Mr. Artur Chabowski, its current Chief Executive Officer. The incentive provides an award to the CEO in the amount of 0.4% of the total value of each future share issuance outside of the Republic of Poland. The incentive vests at the share issuance date and is to be settled in cash. On March 31, 2017, the Supervisory Board amended the terms of the cash settled share based payment award granted to its current Chief Executive Officer. The award was increased by 1% for each 1 PLN of the shares sales price above 100 PLN per share (for example, if the price per share is 110 PLN, the incentive award amounts to 0.44% of the total IPO value). Other terms remain unchanged.

On January 24, 2017, the Supervisory Board granted an IPO incentive to Sławomir Jaros, member of the Management Board. The incentive provides an award in the amount of 0.075% of the total value of each future IPO of the Republic of Poland.

The above-mentioned incentives were accounted for as a cash-settled share-based payment liability and is being recognized over the vesting period from the date of grant (which is the same as the service commencement date) to the expected IPO date of October 31, 2017. The amendment made on March 31, 2017 to the terms of the award of Mr. Artur Chabowski is accounted for as modification i.e. incremental fair value of the additional award is spread over the vesting period of this additional award – from April 1, 2017 to expected IPO date.

According to management's estimates, the total cash expected to be obtained from the issuance of shares in an IPO amounts to PLN 440 million with the expected share sales price of USD equivalent of PLN 110 . Such total IPO value and the shares sales price (new shares only) was used to calculate the amount of the award. The value of the cash settled award estimated to be paid upon completion of the IPO has been discounted using a 12% discount rate (the discount rate reflects the risk the that total value of the IPO value may differ from the amount expected by management). As of and for the 6 months period ended June 30, 2017 and 2016, the Company has recognized PLN 1,552 thousand (including incremental increase of PLN 126 thousand due to modification) and PLN 293 thousand as a liability and PLN 817 thousand (including incremental increase of PLN 126 thousand due to modification) and PLN 279 thousand as costs, respectively.

The liability is re-measured at each reporting period taking into account the updated expectation of the total value of shares to be issued at the expected IPO date.

Presented below is the compensation for members of the Company's key management personnel and the Supervisory Board:

PLN thousands	January 1, 2017 – June 30, 2017 (Not audited)	January 1, 2016 – June 30, 2016 (Not reviewed)
Remuneration of the Supervisory Board Members	56	13
Remuneration of the Management Board Members	318	193
Total short-term compensation	**374**	**206**
Share-based payments	817	279
Total compensation of key management personnel and the Supervisory Board	**1 191**	**485**

24. Contractual commitments

As of June 30, 2017, the Company did not have any contractual commitments for the acquisition of property, plant and equipment, intangible assets or development work.

25. Contingent liabilities

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

26. Events after the balance sheet date

On July 1, 2017, the Company entered into finance lease agreement with PKO Leasing for leasing of 3 vehicles, worth PLN 253 thousand.

On July 4, 2017, the Company repaid in full PLN 25,000 thousand loan from Alior Bank with accrued interest.

On July 7, 2017, the Company repaid PLN 2,000 thousand loan from Twiti Investment Ltd. with accrued interest.

In July and August 2017, the Company used the remaining tranches of loan Bank Zachodni WBK S.A., totaling PLN 24,928 thousand. More information on this loan is presented in Note 17.

On August 31, 2017, the Company entered into finance lease agreement with PKO Leasing for leasing of laboratory equipment, worth PLN 835 thousand.

On August 31, 2017, the Company repaid PLN 500 thousand loan from Twiti Investment Ltd. with accrued interest.

Management Board
Konstantynów Łódzki, September 15, 2017.

President of the Management Board
Artur Chabowski

Member of the Management Board
Jarosław Walczak

Member of the Management Board
Sławomir Jaros

Acting as Chief Accountant
Krystyna Pabijańczyk

Directors' Report
Mabion S.A.
for the first half of 2017

Contents:

1. Selected financial data

	in PLN'000		in EUR'000	
	from 01/01/2017 to 30/06/2017	from 01/01/2016 to 30/06/2016	from 01/01/2017 to 30/06/2017	from 01/01/2016 to 30/06/2016
Net sales of finished goods, goods for resale and materials	0	0	0	0
Operating profit/(loss)	-29 026	-23 674	-6 834	-5 404
Profit/(Loss) before tax	-25 369	-23 952	-5 973	-5 468
Net profit/(loss)	-25 369	-23 952	-5 973	-5 468
Weighted average number of shares (not in thousands)	11 800 000	11 291 492	11 800 000	11 291 492
Earnings (loss) per one ordinary share (in PLN/EUR)	-2.15	-2.12	-0.51	-0.48
Diluted earnings (loss) per one ordinary share (in PLN/EUR)	-2.15	-2.12	-0.51	-0.48
Net cash from operating activities	-23 346	-18 386	-5 497	-4 197
Net cash from investing activities	-3 087	-1 915	-727	-437
Net cash from financing activities	36 627	15 142	8 623	3 457
Net increase/(decrease) in cash and cash equivalents	10 193	-5 158	2 400	-1 177
	30/06/2017	**31/12/2016**	**30/06/2017**	**31/12/2016**
Total assets	108 730	91 247	25 726	20 625
Liabilities and provisions for liabilities	130 370	87 518	30 846	19 783
Long-term liabilities	14 461	14 060	3 422	3 178
Short-term liabilities	115 909	73 458	27 424	16 604
Equity	-21 640	3 729	-5 120	843
Share capital	1 180	1 180	279	267
Number of shares (not in thousands)	11 800 000	11 500 000	11 800 000	11 500 000
Book value per share (in PLN/EUR)*	9.21	8.08	2.18	1.83
Diluted book value per share (in PLN/EUR)	9.21	8.08	2.18	1.83
Declared or paid dividend per share (in PLN/EUR)	0.00	0.00	0.00	0.00

Selected balance sheet items presented in EUR have been translated at the mid EUR exchange rate published by the National Bank of Poland as at 30 June 2017 (PLN 4.2265 /EUR 1) and as at 31 December 2016 (PLN 4.4240 /EUR 1). Selected income statement and cash flow statement items have been translated into EUR at the arithmetical average of the EUR exchange rates published by the National Bank of Poland prevailing as at the last day of each month during the 6 months ended 30 June 2017 and the 6 months ended 30 June 2016 (PLN 4.2474 /EUR 1 and PLN 4.3805 /EUR 1, respectively).

2. Information about Mabion S.A.

2.1. Composition of the Management Board and the Supervisory Board

In the financial year and until the date of submitting this report, the Management Board of the Company comprised:
» Artur Chabowski – Chairman of the Board
» Sławomir Jaros – Board Member
» Jarosław Walczak – Board Member

On 10 March 2017 the Supervisory Board passed resolutions on removing all the Management Board Members as follows: Mr Artur Chabowski, Mr Jarosław Walczak and Mr Sławomir Jaros, and on appointing all the Members referred to above to the first joint term of office of the Management Board, including on appointing Mr Artur Chabowski Chairman of the Management Board and Mr Jarosław Walczak and Mr Sławomir Jaros Members of the Management Board.

The passing of the said resolutions is the result of amendments to § 26 of the Company's Articles of Association passed by the Shareholders' Meeting on 16 February 2017, i.e. introducing the resolution on the joint term of office of the Management Board which lasts 5 years. The previously binding provisions of the Company's Management Board determined individual terms of office for particular Management Board Members.

The Resolutions referred to above entered into force upon the Registration Court entering the amendments to the Company's Articles of Association to the register, as passed by Resolution No. 7/II/2017 dated 16 February 2017 of the Extraordinary Shareholders' Meeting on 23 March 2017, i.e. upon amending § 26 of to the Company's Articles of Association.

In the reporting period, the composition of the Company's Supervisory Board changed.

In the period from 1 January 2017 to 23 March 2017, the Supervisory Board of the Company comprised:
» Robert Aleksandrowicz – Chairman of the Supervisory Board;
» Bogdan Manowski – Deputy Chairman of the Supervisory Board;
» Grzegorz Stefański – Member of the Supervisory Board;
» adeusz Pietrucha – Independent Member of the Supervisory Board;
» Jacek Piotr Nowak – Member of the Supervisory Board;
» Tomasz Jakub Jasny – Independent Member of the Supervisory Board;
» Małgorzata Badowska – Independent Member of the Supervisory Board;

On 16 February 2017 the Extraordinary Shareholders' Meeting passed resolutions on removing all the then-current members of the Supervisory Board (i.e. Robert Aleksandrowicz, Bogdan Manowski, Grzegorz Stefański, Tadeusz Pietrucha, Jacek Piotr Nowak, Tomasz Jakub Jasny, Małgorzata Badowska) and appointing the following persons to the first term joint of office on the Supervisory Board: Robert Aleksandrowicz, Grzegorz Stefański, Tadeusz Pietrucha, Jacek Piotr Nowak, Maciej Wieczorek, David John James and Artur Olech.

The Resolutions referred to above concerning removing and appointing Members of the Supervisory Board entered into force upon the Registration Court entering the amendments to the Company's Articles of Association to the register, as passed by Resolution No. 7/II/2017 dated 16 February 2017 of the Extraordinary Shareholders' Meeting on 23 March 2017, i.e. upon amending § 21 of to the Company's Articles of Association.

After the changes referred to above, in the period from 23 March 2017 to 14 June 2017, the Supervisory Board of the Company comprised:
» Robert Aleksandrowicz – Chairman of the Supervisory Board;
» Maciej Wieczorek – Deputy Chairman of the Supervisory Board;
» Grzegorz Stefański – Member of the Supervisory Board (from 16 May 2017 Independent Member, in accordance with the declaration submitted);

» Tadeusz Pietrucha – Independent Member of the Supervisory Board;
» Jacek Piotr Nowak – Member of the Supervisory Board;
» David John James – Independent Member of the Supervisory Board;
» Artur Olech – Independent Member of the Supervisory Board.

On 14 February 2017 the Extraordinary Shareholders' Meeting passed a resolution on appointing Mr Robert Koński Member of the Supervisory Board.

From 14 June 2017 to the date of submission of this report, the composition of the Supervisory Board was as follows:
» Robert Aleksandrowicz – Chairman of the Supervisory Board;
» Maciej Wieczorek – Deputy Chairman of the Supervisory Board;
» Grzegorz Stefański – Independent Member of the Supervisory Board;
» Tadeusz Pietrucha – Independent Member of the Supervisory Board;
» Jacek Piotr Nowak – Member of the Supervisory Board;
» David John James – Independent Member of the Supervisory Board;
» Artur Olech – Independent Member of the Supervisory Board;
» Robert Koński – Independent Member of the Supervisory Board.

2.2. Entities covered by consolidation

Mabion S.A. does not hold any shares in any other entities. There are no circumstances which could lead to the conclusion that the Company is a parent company within the meaning of Article 4 § 1. 4) of the Commercial Companies Code. In the first half of 2017 Mabion was not part of a Group and did not prepare consolidated financial statements.

3. Operations of Mabion S.A.

3.1. The Company's business

Mabion engages in developing and preparing the newest generation of biotechnological drugs based on monoclonal antibodies technology for commercialization. The technology constitutes the present day basis for combatting various types of conditions, mainly tumours and autoimmune diseases, thanks to two exceptional characteristics – its specificity and safety.

The drugs developed by the Company are targeted therapeutics characterized by their ability to recognize the factor – such as a receptor – whose excessive expression is related to the development of a tumour and reacts exclusively with the tumour. Appropriate engineering of the structure of such drugs and in consequence, their high similarity to the patients' bodily proteins causes the immunological system to treat the therapeutical antibody as its own protein. This guarantees low toxicity of the therapies developed by the Company and is to the great benefit of the patient.

Mabion's most developed product is a drug biosimilar to MabThera/ Rituxan (Roche), currently in Phase III of clinical development.

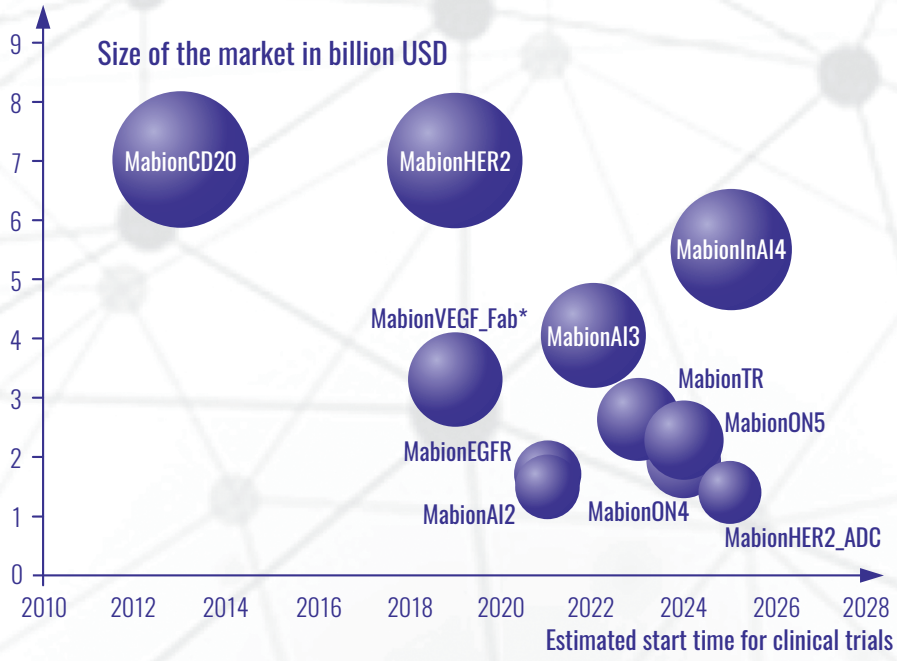
On 30 March 2017 the Company's Management Board passed a resolution concerning the development strategy for medicinal products. The plan was prepared as a result of completing the internal analytical project which considered almost 50 potential drug candidates for development within the Company, taking into account – among other things –expiry dates of patents for reference drugs, the current and forecast size of the market for reference drugs, the Company's drug-producing technology, the team's competencies, experience relating to MabionCD20 and the Company's competitors in the manufacture of biosimilars.

In accordance with the assumptions adopted, the Company will continue current research on the following drugs: MabionCD20, MabionHER2, MabionEGFR, MabionVEGF_Fab (developed with a partner) and in 2017 it will start research concerning the following drugs:

1. MabionAI2 – a drug used in autoimmunological diseases, the expected year for starting clinical research is 2021, the size of the market, based on analysts' estimations, for 2022 is USD 1–2 billion;
2. MabionAI3 – a drug used in autoimmunological diseases, the expected year for starting clinical research is 2022, the size of the market, based on analysts' estimations, for 2022 is USD 3–5 billion;
3. MabionTR – a drug used in traumatology, the expected year for starting clinical research is 2023, the size of the market, based on analysts' estimations, for 2022 is USD 2–3.5 billion;
4. MabionON4 – a drug used in treating neoplastic diseases, the expected year for starting clinical research is 2024, the size of the market, based on analysts' estimations, for 2022 is USD 1.5–2.5 billion;
5. MabionON5 – a drug used in treating neoplastic diseases, the expected year for starting clinical research is 2024, the size of the market, based on analysts' estimations, for 2022 is USD 2–3 billion;
6. MabionHER2_ADC – a conjugate based on MabionHER2, used in treating neoplastic diseases, the expected year for starting clinical research is 2025, the size of the market, based on analysts' estimations, for 2022 is USD 1–2 billion;
7. MabionInAI4 – an innovative drug used in autoimmunological diseases, the expected year for starting clinical research is 2025, the size of the market, based on analysts' estimations, for 2022 is USD 4–6 billion;

The Company will update its development strategy concerning drugs every year. This information has been published in current report No. 20/2017.

PIPELINE



Product	Therapeutic area	Comments
MabionCD20		Size of the market based on data for the year 2016
MabionHER2		Conditional development. Size of the market based on data for the year 2016
MabionEGFR		Size of the market based on data for the year 2016
MabionVEGF_Fab*		Size of the market based on data for the year 2016
MabionAI2		Size of the market based on estimations of the analysts for the year 2022
MabionAI3		Size of the market based on estimations of the analysts for the year 2022
MabionTR		Size of the market based on estimations of the analysts for the year 2022
MabionON4		Size of the market based on estimations of the analysts for the year 2022
MabionON5		Size of the market based on estimations of the analysts for the year 2022
MabionHER2_ADC		Conjugate based on MabionHER2. Size of the market based on estimations of the analysts for the year 2022
MabionInAI4		Innovative medicine, size of the market based on estimations of the analysts for the year 2022

Autoimmunology Oncology Ophthalmology Tissue metabolism

* Stage of common development with the partner.

3.2. Summary of Mabion S.A.'s activities in the first half of 2017 and until the date of publication of the report

On 3 January 2017 the Company's Management Board received information on being granted Permit no. 301 for engaging in business operations in the Łódź Special Economic Zone. In the Permit granted to the Company, the following conditions of conducting business activities in the Zone were specified:

1) incurring investment expenditure in the territory of the Zone of at least PLN 20 million until 31 December 2019;

2) increasing the number of employees in conducting business activities in the Zone by at least 5 new persons by 31 December 2018 and maintaining the number of employees in the Zone at a total level of at least 100 persons until 31 December 2021.
   In the event of the Company's achieving the employment goal of at least 100 persons (including 5 persons employed after the date of obtaining the permit) before 31 December 2018, the period of maintaining employment in the Zone at a level of at least 100 persons in total will be 3 years as of the first day of the month following the month in which the Company submits a written statement to the Zone Manager on having reached the required employment level.

3) Completing the capital expenditure project by 31 December 2021.

In the event of the Company availing itself of a tax exemption in respect of the costs of the new project, the maximum amount of the qualified costs of the project will be PLN 26 million. In the event of the Company availing itself of a tax exemption in respect of creating new jobs, the maximum amount of the two-year qualified costs of labour will be PLN 650 million.

In connection with being granted the permit, the Company has a chance to obtain benefits in the form of corporate income tax relief of up to 45% on the qualified costs incurred which will constitute the basis for calculating the tax relief. The capital expenditure project which constitutes the basis for the co-financing application relates to an increase in the production potential in the existing scientific and industrial complex Kompleks Naukowo-Przemysłowy Biotechnologii Medycznej Mabion S.A. located in the Zone, and will cover additional equipment for the existing production line and the purchase and installation of manufacturing devices of the second production line. The planned project will enable doubling the production capacity and improving the effectiveness of the production process. This information has been published in current report No. 2/2017.

On 11 January 2017 an audit of the Company meeting the two conditions of Permit No. 167 from August 2010 for engaging in business in the Łódź Special Economic Zone ("Zone", "ŁSEZ") in the CBR in Centrum Badawczo-Rozwojowe Biotechnologicznych Produktów Leczniczych (biotechnological medicinal products research and development centre) took place. The audit related to the Company meeting the conditions for maintaining the research and development centre located in Łódź, at ul. Fabryczna 17, in the ŁSEZ, employment of at least 25 persons by the end of 2016 and completing the project relating to operations in the research and development centre by the end of December 2016. As part of this investment in the Zone the Company incurred qualified costs of the project exceeding the maximum amount specified in the Permit, of PLN 30 million. The maximum amount of qualified labour costs specified in the Permit is PLN 5.92 million. Based on the audit actions conducted, it was determined that both conditions of the Permit were met. Therefore, all the conditions of Permit No. 167 were met, which is the basis for the Company exercising its right to the tax exemption, until the end of 2026, up to 70% of the total amount of qualified costs. This information has been published in current report No. 4/2017.

On 11 January 2017 the audit of the Company meeting the conditions of Permit No. 203 dated April 2012 for engaging in business in the Łódź Special Economic Zone ("Zone", "ŁSEZ") in respect of incurring qualified capital expenditure of at least PLN 30 million by the end of 2016 and employing at least 30 persons within the Zone by the end of 2016. Based on the audit actions conducted, it was determined that both conditions of the Permit were met.
The qualified capital expenditure relates to the construction of a new production plant, i.e. Kompleks Naukowo-Przemysłowy Biotechnologii Medycznej (a medical biotechnology scientific and industrial complex) in Konstantynów Łódzki. In the period from receiving the Permit to 31 December 2016 total capital expenditure exceeded PLN 72 million. Currently the Company employs 95 employees in the production plant in the Zone. In accordance with the conditions of the Permit, under the operations conducted by the Company in the Zone, it may avail itself of a tax relief of up to 70% of the total amount of qualified costs by

the end of 2026, where the basis for calculating the Company's relief in respect of the costs incurred will be PLN 45 million, i.e. the maximum amount of qualified costs of the project specified in the Permit (as the value of the Company's capital expenditure exceeded the ceiling for qualified costs) plus the qualified costs of labour (the ceiling of which is PLN 8 million). The remaining conditions of Permit No. 203 is maintaining employment at a level of at least 30 persons by the end of the first quarter of 2019 and completing the project by the end of 2018, and the last condition has already been met. This information has been published in current report No. 5/2017.

On 16 February 2017 the Company's Extraordinary Shareholders' Meeting authorized the Company's Management Board to increase the share capital once or twice, by an amount no higher than PLN 450,000 by issuing no more than 4,500,000 ordinary bearer shares with a nominal value of PLN 0.10 each (Target Capital), under which:

1) the increase in share capital by an amount no higher than PLN 400,000 by issuing no more than 4,000,000 ordinary bearer shares may be executed by way of an open subscription within the meaning of Article 431 §2. 3 of the Commercial Companies Code, where the shares will be issued under a public offering outside the territory of the Republic of Poland with quotations on a European exchange (which covers the regulated market maintained by the Warsaw Stock Exchange) or the United States of America ("IPO") and

2) the increase in share capital by an amount no higher than PLN 50,000 by issuing no more than 500,000 ordinary bearer shares with a nominal value of PLN 0.10 each may be executed by way of a private subscription within the meaning of Article 431 §2. 1 of the Commercial Companies Code, within the territory of the Republic of Poland.

Detailed conditions of particular share issues, including the number of shares which are to be issued, the issue price, dates of opening and closing the subscription, detailed terms and conditions of allotting shares or the place of their quotation will be determined by the Company's Management Board. The Management Board resolution on determining the issue price of the shares will be taken after consultation with the Supervisory Board, and the issue price cannot be lower than PLN 84 or the equivalent of that amount in another currency. Pursuant to the Resolution of the Extraordinary Shareholders' Meeting the Shareholders were fully deprived of their pre-emptive rights in respect of the Company's shares issued by the Management Board based on the above authorization. The Management Board's authorization to increase the Company's share capital to the target amount expires 1 year from entering the amendments to the Company's Articles of Association passed by the Extraordinary Shareholders' Meeting dated 16 February 2017 into the register of businesses, i.e. on 23 March 2017. The above resolution of the Extraordinary Shareholders' Meeting was registered with the National Court Register on 23 March 2017. This information has been published in current report No. 11/2017.

On 21 February 2017 the Company's Management Board received information on including MabionCD20 – 002 NHL in the clinical trial conducted in respect of non-Hodgkin's lymphoma patients in the total number of 140 persons. All the patients had been administered one dose of the drug. This means that the trial patients exceeded the number necessary to conduct statistical analyses (112 patients). Therefore, recruitment for the trial was suspended and the Company's Management Board reviewed the available data on a current basis to verify whether recruitment should be resumed and the number of patients increased. This information has been published in current report No. 15/2017.

On 30 March 2017 the Company's Management Board passed a resolution concerning the development strategy for medicinal products. Detailed information on the adopted plan can be found in Note 3.1 of this report.
On 19 April 2017 the Company's Management Board received information that as a result of the audit conducted in Kompleks Naukowo-Przemysłowy Biotechnologii Medycznej Mabion S.A. in Konstantynów Łódzki, the Company received a Good Manufacturing Practice (GMP) certificate for the complex in Konstantynów Łódzki, issued by the Chief Pharmaceutical Inspector. The Company was audited between 17 and 19 January 2017 in accordance with the nationwide audit program and in respect of the permit for manufacturing, referred to in current report No. 1/2016. The certificate obtained confirms compliance of the manufacturing conditions with Good Manufacturing Practices, which was determined during the audit. The certificate is valid for 3 years of the date of the last day of the audit. The GMP certificate granted to the Company covers manufacturing activities relating to the audited medicinal products (sterile, biological) and quality control activities. This information has been published in current report No. 22/2017.

On 15 May 2017 the Company's Management Board informed that all the patients recruited to the MabionCD20 RZS trial passed the stages of administering the drug and the basic six-month period of observation. From that moment the consecutive six-month period of so-called long term observation began. Irrespective of the period, the Company started the procedure for preparing data for the statistical analysis after which the trial was to be unblinded and the data analysed. This information has been published in current report No. 26/2017.

On 31 May 2017 the Company informed of having received the audit report about meeting one of the conditions of Permit no. 301 for engaging in business operations in the Łódź Special Economic Zone. The subject of the audit was the condition required by the Permit: to increase the number of employees, which amounted to 95 persons, by employing at least 5 new persons to work within the Zone after obtaining the Permit and before 31 December 2018. Based on the audit activities performed it was determined that the above condition of the Permit was met as at 1 March 2017. The period for maintaining employment within the Zone at a level of at least 100 persons required in accordance with the Permit is 3 years. This information has been published in current report No. 29/2017.

On 8 June 2017 the Company's Management Board concluded an agreement for a revolving loan up to PLN 50 million for financing the Company's working capital with Bank Zachodni WBK S.A. for a period of one year as of the date of the agreement. The first tranche of the Loan was used to pay back the debt of PLN 25 million plus the interest payable in respect of a renewable loan agreement dated 12 October 2016 concluded by and between the Company and Alior Bank S.A, of which the Company informed in current report No. 28/2016. The Company is obliged not to request of Alior Bank S.A. to launch a loan. The Loan bears a variable interest rate based on 1M WIBOR plus the Bank's margin determined on an arm's length basis. The Loan is secured with a contractual first mortgage up to a maximum amount of PLN 75 million set up on the Issuer's right to the real estate in Konstantynów Łódzki and a transfer of receivables in respect of the insurance contract on buildings/structures on the real estate to the Bank, a declaration on submitting to executory proceedings by virtue of a Notarial Deed, pursuant to Article 777 § 1. 5 of the Commercial Companies Code, each time to 150% of the amount of the loan and a warranty and other securities granted by entities related to the Issuer (key shareholders of the Company). This information has been published in current report No. 30/2017.

On 13 June 2017 the Company's Management Board received information that the Company's application for co-financing of the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable industrial implementation of the first Polish biotechnological medicine for oncological and autoimmunological therapies", submitted under the Smart Growth Operational Programme 2014-2020 (3/1.1.1/2016 Measure 1.1. "R&D Projects for enterprises", Submeasure 1.1.1 "Industrial research and development work implemented by enterprises") was recommended by Narodowe Centrum Badań i Rozwoju (NCBiR) for co-financing. The purpose of the Project is to conduct development work aimed at preparing the MabionCD20 drug for implementation to industrial scale production. One of the purposes of the project will be proving, in analytical terms, compliance of the parameters of the drug which is currently produced on a medium scale (2x250 l), which is the source of the preparation tested in the clinical trial, with the product obtained as a result of completing the project (scale of 2x2500 l). In accordance with the application filed, the qualified cost is PLN 58.30 million, and the amount of additional finance applied for is PLN 29.15 million. This information was published in current report No. 31/2017. Until the date of submitting this report the Company's application for co-financing was positively investigated and recommended for the co-financing, but no agreement has as yet been signed and the ultimate amount of co-financing is not yet known.

On 6 June 2017 (after the balance-sheet date) the Company's Management Board received information that the Company's application for co-financing of the project entitled "Development of a biotechnological drug through the development of an innovative monoclonal IgG1 subclass antibody with reduced contents of unfavourable glycoforms in relation to the referential drug – oriented against EGFR", filed under the Sector Programme InnoNeuroPharm (competition 2/1.2/2017 of SGOP), financed with funds from Measure 1.2 "Sectoral R&B Programmes" of the SGOP 2014-2020, was recommended by NCBiR for co-financing. The total cost of the Project was determined at PLN 40 million, and the recommended amount of co-financing is PLN 28.4 million. The Company's application for the said co-funding was positively assessed and recommended for co-funding. This information was published in current report No. 37/2017. Until the date of submitting this report the Company's application for co-financing was positively investigated and recommended for the co-financing, but no agreement has as yet been signed and the ultimate amount of co-financing is not yet known.

On 24 August 2017 the Company's Management Board received an initial report from an external company which manages data of the patients in the trial testing MabionCD20 in patients with Rheumatoid Arthritis (RA) on the positive outcome in respect of the primary endpoint of the clinical trial. The initial report was issued on the basis of schedules which included unblinded results of comparative trials for the reference product MabThera. Based on the said schedules received on 16 August 2017, the Company independently conducted an internal analysis based on which on 16 August 2017 the Company's Management Board assessed and considered the result of the clinical trial to be positive in respect of the primary endpoint. However, the Management Board's conclusions required confirmation by an external entity, which was done by way of issuing an initial report. The initial report covers the results of the clinical trial in respect of similarities between MabionCD20 and MabThera in patients with active RA based on the ACR 20 primary endpoint. The proportion of patients who gained the ACR 20 primary endpoint (the ratio covering the patients who showed improvement of the health condition at a level of at least 20%) in both trial groups (treated with MabionCD20 and with MabThera) in the 24th week of the trial showed bioequivalence between MabionCD20 and MabThera. The outcome presented in the report dated 24.08.2017 is based on the initial version of the report of the independent entity. At the beginning of 2018 the Company received the final version of the report, which included all the clinical endpoints. Those results will be used in the application for the permit for trading in the drug (MAA), which the Company is planning to submit in the first quarter of 2018. The positive initial results of the benchmark analysis do not guarantee that the trial results presented in the final version of the report will be positive. Additionally, positive results of the trial do not guarantee that the product will be approved by the European Medicine Agency (EMA). This information has been published in current report No. 39/2017.

On 28 August 2017 the last patient recruited for the clinical trial of MabionCD20 conducted in the indication of non-Hodgkin's lymphomas (NHL) took place. Recruitment for the MabionCD20 NHL trial was suspended in February 2017 and since then, despite the absence of the final decision as to ending recruitment, there was also no need to resume recruitment. Therefore, all the patients recruited for the MabionCD20 NHL trial went through a 26-week period of treatment and observation. Currently, patients will be subjected to further 20-week observation, the so-called long-term observation. Irrespective of the period, the Company may start the procedure for preparing data for the analysis after which the trial will be unblinded and the data analysed. The next stage will be the preparation and submission of appropriate documentation to the European Medicine Agency by the Company. This information has been published in current report No. 40/2017.

On 29 August 2017 the Company's Management Board received an initial report on the positive result in respect of primary and secondary pharmacokinetic clinical trial endpoints from a company contracted to analyse the results related to pharmacokinetics in the MabionCD20 trial in patients with RA. The initial report covers the results of the clinical trial in respect of similarities between MabionCD20 and MabThera in patients with active RA based on the assessment of primary and secondary pharmacokinetic parameters in the 24th week of the trial showed bioequivalence between MabionCD20 and MabThera. The outcome presented in the report dated 24 August 2017 is based on the initial version of the report of the independent entity. In the 4th quarter of 2017 the Company will receive the final version of the report, which will include all the endpoints in respect of pharmacokinetics. Those results will be used in the application for the permit for trading in the drug (MAA). The positive initial results of the benchmark analysis do not guarantee that the trial results presented in the final version of the report will be positive. This information has been published in the current report No. 41/2017.

On 1 September 2017 the Company's Management Board received initial reports on the results in respect of secondary pharmacokinetic clinical trial endpoints from companies contracted to analyse the results related to response to treatment of RA patients in the benchmark study of MabionCD20 against MabThera. The initial report was issued on the basis of schedules which included unblinded results of comparative trials for the reference product MabThera. Based on the said schedules received on 16 August 2017 the Company independently conducted an internal analysis based on which on 16 August 2017 the Company's Management Board assessed and considered the result of the clinical trial to be positive in respect of the secondary endpoints. However, the Management Board's conclusions required confirmation by an external entity, which was done by way of issuing initial reports. In accordance with the initial reports received in respect of all the parameters listed therein, positive results were obtained. Adverse effects were similar in both groups in respect of the type, frequency and degree of severity, they were also compliant with the safety data published for MabThera. In consecutive months the Company will obtain results in respect of the missing secondary endpoints related to long-term observation, and their materiality compared with the results presented above is limited. The results provided above are based on initial versions of the report of external entities. At the

beginning of 2018 the Company will receive the final versions of the reports, which will include all the endpoints (part of the data necessary to obtain some of the secondary endpoints is still being gathered. Those results will be used in the application for the permit for trading in the drug (MAA). The positive initial results of the benchmark analysis do not guarantee that the trial results presented in the final version of the report will be positive. This information has been published in current report No. 42/2017.

3.3. Related party transactions

In the first half of 2017, the Company did not enter into transactions with related entities on terms other than an arm's length basis.

3.4. Information on guarantees and warranties granted in respect of loans and advances

In the first half of 2017 the Company did not grant any warranties for loans or advances, or any guarantees jointly to one entity or subsidiary of that entity, where the total value of the existing warranties or guarantees would amount to at least 10% of the Company's equity.

3.5. Description of the basic threats and risks to which Mabion S.A. may be exposed

Risk related to the macroeconomic conditions

Potential unfavourable changes in the macroeconomic conditions on the markets where the Company is planning to sell its drugs, in particular the slow-down in the rate of economic growth or reduction in expenditure on healthcare may have a negative impact on the operations and financial results of the Company. Significant economic factors which have an impact on the results achieved by our Company include the level of GDP, average wages, unemployment level, inflation level, level of expenditure on healthcare. The Management Board monitors the situation on the target markets on a current basis, trying to adapt the Company's strategy to the changes respectively in advance.

Risk of Force Majeure

Unexpected events such as war or terrorist attacks may lead to unfavourable changes in the business conditions and on the financial market, which may have a negative impact on the Company's financial condition. Additionally, such chance events as: fires, floods and other extraordinary Acts of God may lead to break-downs or damage to material tangible assets belonging to Mabion S.A., and to disruptions in the operations in which it engages, which may have a negative impact on the Company's results.

Risks related to changes in legal regulations and their interpretation

Frequent changes in regulations may cause a potential risk for the Company which may lead to outdating the Company's business forecasts and to deterioration in the Company's financial condition, potentially up to a complete crisis.

The changes in regulations with the largest impact on the Company's operations are amendments to the Pharmaceutical Law, tax law and intellectual property law.

Amendments to the above regulations may lead to a significant change in the Company's legal environment and influence its results.

Also discrepancies in interpretation of the legal order prevailing in Poland and in the EU constitute a material factor which may have an impact on the development prospects, results achieved and financial position of the Company. Inconsistency of interpretations by local courts and public administration authorities, and by Community courts may lead to consequences which will have an indirect or a direct impact on the Company.

The Management Board monitors amendments to legal regulations which are key to the Company and the manner of their construction, trying to adapt the Company's strategy to those changes in a proactive manner.

Risk related to the tax policy

One of the main elements with an impact on the entrepreneurs' decisions is Polish tax law which is characterized by frequent changes and the lack of precision of its regulations, which often cannot be interpreted in a uniform way. Both the practices of tax authorities and court judicature relating to tax issues are based on inconsistent legal regulations which translate into increased business risk in Poland compared with the more stable tax systems in countries with more mature economies. Gradually, the process of standardization of tax regulations is taking place, allowing determining their unambiguous interpretation by entrepreneurs and tax authorities.

The Management Board monitors amendments to legal regulations which are key to the Company and the manner of their construction on a current basis, trying to adapt the Company's strategy to those changes in a proactive manner.

Risk related to administrative decisions

The Company is unable to ensure that it will obtain particular permits, licences and consents required to complete biotechnological projects, or that no current or future permits, licences and consents will be revoked. Such situations may lead to delays in completion or to the need to change original projects and have a negative impact on the operations and results of the Company.

Currency risk

The Company purchases most of its laboratory equipment and reagents for conducting research in foreign currencies, mainly in EUR and USD. Unfavourable foreign exchange fluctuations (weakening of the PLN compared to other currencies) may have a negative impact on the level of capital expenditure incurred by the Company and lead to an increase in research and development expenses, which in turn may contribute to the deterioration in the Company's financial results. Due to the fact that Mabion intends to sell its drugs on foreign markets (mainly denominated in EUR and USD), the risk related to foreign exchange fluctuations will be limited in the future. This risk is slightly reduced due to the fact that the decided majority of costs relating to the clinical trials of MabionCD20 is incurred in EUR.

Market risk

The basic objective of the Company's operations is the development, manufacture and launch to trading of drugs biosimilar to the original biotechnological drugs (so-called reference drugs). The biotechnological drugs market is already very attractive, and its value is expected to significantly increase over the next few years. However, there is a risk that if the reference drugs are withdrawn from the market or replaced with newer generation drugs, the Company's potential revenues from the biosimilars developed will be lower than previously assumed or will not find buyers.

The Management Board monitors the reference drug market on a current basis and to mitigate this risk it is prepared to undertake work on other biosimilars.

Risk of inventing and launching other drugs used in respect of the same indications as Mabion S.A.'s drugs

Oncological conditions, on which the currently conducted research is focused, are the most intensely researched group of conditions in biomedical studies. It is estimated that approx. 30% of all capital expenditure on research and development in biotechnological companies is spent on oncology. Additionally, genetics and molecular biology are developing quickly.

As a result, it is probable that over the next few years innovative medicines will be launched which will have an advantage over the drugs developed by the Company in terms of their efficacy or tolerance by the human body. Additionally, there is a risk that

other treatment methods will be invented – such as vaccines – which could be used against conditions currently subjected to therapies which could use the Company's future drugs. The emergence of new drugs and therapies could have a negative impact on the amount of future sales revenues and the Company's results.

The Management Board monitors scientific progress in the area of new therapies and drugs for conditions in which the Company's medicines are to be used on a current basis. Additionally, most oncological schemes use therapy sequences (a consecutive drug with a different operating mechanism is used after the potential of the first drug is exhausted), and polytherapies (several drugs with different operating mechanisms are applied at the same time), which significantly reduces the risk of erosion of the drugs applied in tumour therapies.

Competitive risk

The drugs which the Company develops are biosimilar to the original reference drugs which are protected with patents for publicly known periods. It follows from the published information that currently there are many entities on the market which develop biosimilars and work on some of them is highly advanced.

In February 2017 Celltrion obtained the consent of the European Medicine Agency (EMA) for the sale of its biosimilar, rituximab, under the name Truxima, and in April 2017 EMA issued a positive opinion on the registration of Rituximab GP2013 of Sandoz. These actions are not surprising to Mabion and will not have any impact on the time schedule for the clinical studies adopted by the Company or on the strategy related to launching MabionCD20 on the market. In accordance with the information which had been provided earlier, Mabion S.A. intends to begin the registration procedure of MabionCD20 after completing the clinical tests.

It should be noted that the biosimilars market has high entry barriers. They comprise, among other things, high requirements relating to the clinical trials, in particular on developed markets, to prove that the drug is biosimilar to the original medicine.

Even if commercialization of a MabThera /Rituxan biosimilar will be successful for several entities, analyses show that the market has growth potential.

Despite the very high current sales of the original drug produced by Roche, it should be noted that many sick people do not have access to this therapy at present. In many countries therapy for people with NHL using MabThera /Rituxan is not refunded by the public healthcare systems, and the therapy for those with RA is even more limited.

Risk related to the research and development process

The biotechnological industry, in particular manufacture of modern biosimilar drugs, is characterized by high labour-intensiveness and the need to incur large expenditure on research and development. Not only the possibility of launching the developed drugs on the market but also the efficiency of production processes and therefore also the manufacturing costs depend on the results of the conducted research and development work. To-date Mabion has expended most of the funds obtained on research and development.

There is a risk that part or all of the objectives of the Company's scientific work will not be achieved in the planned scope or time, which would lead to the inability to recover significant or all the expenditure spent on the research. That would have a material negative impact on the possibility of completion of the Company's strategic plans, and therefore also on the results achieved.

The results of the research and development work to-date attest to the Company's capability to produce proprietary biosimilars, and in the opinion of the Management Board significantly mitigate the risk of not achieving ultimate success. Additionally, the Management Board monitors the course of the research and development work on a current basis and implements operating and procedural solutions which ensure high effectiveness of the said work.

Risk of underestimating manufacturing costs and launching the MabionCD20 drug

According to assumptions very generally adopted by the biotechnological industry, the development and production of a single biosimilar which meets global standards lasts around 7–9 years and costs approximately up to several dozen million USD. Guidelines relating to biosimilars are only now being formed and each case is analysed by market regulators individually, therefore, the scope of requirements relating to the technology, documentation, analytics and clinical development is not strictly specified. Therefore, the exact scope of research and development work cannot be determined and the development costs of the drugs cannot be precisely anticipated.

In the Company's opinion, the policy for developing proprietary research and development competencies, investing in the Company's own production capacity and consulting with the EMA with reference to the clinical program of MabionCD20 allow significant cost reduction compared to industry assumptions.

It cannot be eliminated that the actual costs of production and launching the developed drugs (including MabionCD20) on the market will be much higher than currently anticipated. A material increase in the costs of production and the market launch of the developed drugs may have a negative impact on the financial results achieved by the Company.

Industry dynamics, both in respect of the regulations which are being formed and the technologies which arise and are constantly being enhanced, may lead, among other things, to the following direct reasons for underestimating the costs of drug development, which includes MabionCD20:

- amendments to the regulations concerning the production of drugs and the need to use more expensive technological solutions or creating new ones;
- an increase in the costs of purchase of raw materials and materials used to manufacture drugs, following from market conditions or new guidelines;
- amendments to regulations concerning the scope of analyses necessary to characterize the product, e.g. need to perform additional costly analyses or develop new analytical methods or tools;
- increasing the requirements concerning registration documentation, e.g. the need to perform additional trials or studies;
- increasing the scope of the clinical trials as a result of the biological variability of patients, in response to treatment, the drug's metabolism, the patients' or doctors' non-compliance with the study protocol;
- increasing the scope of the clinical trials as a result of the biological variability of patients higher than that given in the available clinical literature based on which the study was designed;
- increasing the cost of the clinical trials due to strong competition on the clinical trials market and limited availability of research centres and patients.

Risk related to the work schedule

The achievement of the Company's strategic goal, which is the registration and market launch of biosimilars, is possible after the expiry of patent protection of the original drugs, and is connected with the need to develop a detailed work schedule for several years. The possibility of pursuing this schedule is conditioned by many various factors, both internal and external. Potential unexpected delays in the adopted time schedule may lead to not achieving the planned sales revenue in the expected period and have a negative impact on the Company's financial results. The Management Board monitors all works related to the development of drugs and if necessary implements the required operating solutions to minimize the impact of unexpected events on future time schedules.

Risk of not being able to complete research work on MabionCD20 before the date of expiry of the patent protections of the reference drug in the USA

In 2007 the Company initiated the research and development process of MabionCD20, which is a drug directly competitive with the currently marketed drug MabThera/Rituxan by Roche. In Europe the basic patent protection for this drug expired in the period: end of 2013 – end of 2014, and the basic patent protection in the USA will expire in 2018.

The Company's goal is to launch MabionCD20 on the market as quickly as possible after the patent protection expires, which would enable the Company to temporarily achieve a competitive advantage. Delays in conducting clinical trials and the time necessary to complete the procedure for registering the drug MabionCD20 (in Europe this as a rule lasts 210 days) may cause the market launch of the drug to be delayed compared with the Company's current assumptions.

On 26–27 June 2017 the Company's Management Board conducted the so-called pre submission meeting for the drug MabionCD20 in EMA. Pre submission meetings usually take place 6–7 months before submitting the application for registration and are aimed at discussing the final (practical and regulatory) aspects of the approaching application. This is a tool which is used to ensure that the application will meet validation requirements of EMA. Usually the consecutive stage of action is submitting the application for registering the drug.

From the beginning of work on developing Mabion CD20 the Company has been cooperating with EMA on the issue of compliance with all the guidelines and procedures related to the registration process in the European Union. To-date, four scientific advice sessions took place. The sessions were aimed at eliminating doubts and to refine actions related to preparing registration documentation.

As a result of those consultations the Company received written responses in which the scopes of the clinical trials and the documentation requirements were agreed. It is worth emphasizing that thanks to the non-typical design of the clinical trial (focusing on the application of MabionCD20 to treat RA, which materially distinguishes the trial from competitive trials), agreed with EMA during the scientific advice, it gained advantage both in terms of the basic trial period and the rate of recruiting patients for the trial. The target patient group in the MabionCD20 trial is numerous and widely available, therefore it is possible to recruit them quickly.

Risk related to low quality or loss of biological material

The basic material used in Mabion S.A. products is biological material. It is both manufactured by the Company and delivered by third party suppliers. Selecting optimal cell clones which form the basis for further drug production on a larger scale is very important for the process of developing and producing biotechnological drugs. The quality of the biological material and its storage in strictly determined conditions is of key importance for the success of the work. There is a risk that the biological material acquired from third party suppliers will be of a low quality or that the material produced by the Company will be damaged or destroyed, which would have a negative impact on achieving the Company's assumed revenues and financial results.

Mabion S.A. entered into cooperation with verified suppliers, it controls the quality of the supplies and stores the biological material in specialist devices, using monitoring and two independent power sources. Additionally, the original deposit of the biological material used by the Company for the production of drugs is stored in an independent storage place outside Poland so as to be able to continue its production in another external facility in the case of any unexpected events.

The Company also monitors the course of production and the quality of the manufactured products introducing necessary organizational, human resources, and technological changes following from the quality management processes.

Risk related to the manufacturing process

One of the key elements of production of biotechnological drugs is the production process which must be conducted in compliance with the previously planned parameters. The production process of such drugs comprises several stages and even the smallest change in any of them may have an impact on the drug's properties (e.g. in terms of its effectiveness or safety). Transferring from the small laboratory scale to industrial scale (up-scaling) is an extremely important element of the drug production process. Ensuring the consistency, stability and sterility of the whole production process is extremely important. Mabion laboratories were equipped with modern apparatuses which ensure the maximum accuracy and repeatability of the results obtained. The materials used in the production sphere are appropriately attested to be used in the pharmaceutical industry. The installed production line was wholly based on sterile materials. The Management of particular Departments of Mabion S.A. comprises high-class specialists, with professional education, appropriately trained and prepared for working in the scope of duties they have been assigned both by internal and external experts.

The production process is constantly monitored and verified in accordance with the procedures adopted by the Company, which enable the Company to systematically strive to reduce the level of risk in this area. The Company meets the requirements of Good Laboratory Practices (GLP) and Good Production Practices (GMP), it has the necessary attestations and permits (including a GMP Certificate for the complex in Konstantynów Łódzki issued by the Chief Pharmaceutical Inspector).

Risk of achieving production capacity compliant with demand

Currently, it is difficult to assess the exact demand for MabionCD20, nevertheless, the expectations of Mabion's global partner related to the supply plans for sale on the EU and USA markets may lead to the need to increase production capacity over the level achievable in the current building in the scientific and industrial complex in Konstantynów Łódzki. The Company is aware of this risk and has capabilities to add another building to the existing one in the same location and on the same plot. The building may to a larger extent be used for production purposes (part of the current building is used for office purposes). The Company's experience in investment and technological processes related to the current building will be used in the potential new project. Additionally, it will be possible to use part of the industrial plant installed in the current building in the added part, which will enable using the additional space for installing the maximum number of bioreactors. The final necessity, dates and scope of such an investment will depend on consultations with the global partner in respect of the planned deliveries of MabionCD20 to the EU and USA market.

Risk related to attestations for the laboratory and production plant

Maintaining appropriate conditions on the premises where work is conducted on the Company's products is extremely important. Currently Mabion has all the required attestations for the equipment and laboratory and production premises in both plants.

The risk of not obtaining or delay in obtaining pharmaceutical acceptance by the Chief Pharmaceutical Inspectorate of Kompleks Naukowo-Przemysłowy in Konstantynów Łódzki. Nevertheless, due to the number of stakeholders (differentiated supply and service channels, the human factor, etc.), the Company's Management Board cannot guarantee that the attestations will be maintained in the future.

Risk related to clinical trials

One of the material stages of work on the preparation for registration and launching a drug on the market are clinical trials conducted on human beings. The Company began the clinical development of MabionCD20 in 2012, when the first applications for permits to conduct clinical trials were filed. After obtaining the necessary permits for conducting clinical trials from the regulators, in June 2013 the process of active recruitment began and the first drugs were administered to patients with Rheumatoid Arthritis in Polish, Lithuanian and Georgian centres. Currently, the Company has consents to conduct clinical trials in Polish, Georgian, Serbian, Bosnian, Lithuanian and Ukrainian centres.
Conducting clinical trials is always exposed to the risk related to insufficient effectiveness or safety of application of the Tested Medicinal Product. At the current stage of the trials, the state of the Company's knowledge allows stating that the risk in respect of MabionCD20 is moderate.

Mabion regularly presents data relating to the efficiency and safety of the MabionCD20 drug to the Data and Safety Monitoring Board (DSMB). This is an independent Committee comprising specialists in the area of rheumatology, pharmacology and statistics. To-date, the Committee met six times (the last meeting was in December 2016) and each time it positively appraised the study, recommending its further conduct without the need to introduce any changes to the protocol and procedures, also commenting on the great benefits to the participating patients. Should DSMB not give its positive opinion on the study, it would be exposed to the risk of discontinuation.

Risk related to registering drugs

The basic purpose of Mabion is the introduction of the developed biosimilars to global markets, mainly to the markets of the European Union and the USA, which is related to the duty to register those drugs by relevant authorities – appropriately the

European Medicines Agency (EMA) and the American Food and Drug Administration (FDA). The work conducted by Mabion S.A. on the development and implementation of drugs are complaint with the EMA guidelines. The FDA issued several regulations regarding biosimilar drugs, nevertheless, instances of registering such drugs in the USA have been few to-date and it is impossible to widely verify the regulations in practice.

There is a risk that in the event of e.g. procedural changes or errors in documentation the process of registering the drug in the area of the European Union may be delayed or impossible to finalize. Additionally, there is a risk that further regulations adopted by the FDA will be more restrictive than the EMA guidelines and that potentially successfully completed clinical trials conducted by Mabion will be challenged by the FDA, and will have to be repeated to register the drug in the USA. In such cases the Company would be exposed to the need to incur additional costs or to fully discontinue activities on the American market, which would have a negative impact on the level of financial results achieved by the Company.

From the beginning of work on developing biosimilars, Mabion S.A. has been cooperating with the EMA on the issue of compliance with all the guidelines and procedures related to the registration process in the European Union (the last, fourth scientific advice took place on 13/10/2016, and on 26–27 June 2017 the Company's Management Board conducted the so-called pre submission meeting at the EMA) and monitors the development of the FDA guidance in respect of registering biosimilars within the territory of the USA. However, there is a risk that the working methodology, the scope of work and its nature adopted by the Company, as well as the form of collecting data and their details may be assessed by the EMA as insufficient for the registration of the drug.

Risk related to launching and maintaining the drugs on the market

After registering the drugs, Mabion is planning to launch them on the market as quickly as possible, which is related to preparing the drug as a market product (production, marketing, distribution and sales) and requires significant financial expenditure and good organizational preparation. Due to the very specific product and differentiated specificity of the markets on which Mabion S.A. intends to operate, the Management Board expects diversified promotion and distribution strategy for the drugs produced. In accordance with the adopted assumptions, marketing and distribution of the drugs in Poland and in selected Central and Eastern European countries will be conducted independently by the Company. In other European countries and other countries globally, marketing and distribution activities will be conducted by global and local partners.

There is a risk that launching the Company's drugs on particular global markets will not be compliant with the current assumptions or that as a result of negligence or error in sales, logistics or distribution the drugs will be found unsellable on a given market which could have a negative impact on the sales revenue earned by Mabion and on its financial results.

Mabion S.A. acquired a distribution partner for the EU and Balkan region and currently is actively looking for an experienced and strong partner to effectively sell Mabion S.A. drugs in the USA. This is being done via Plexus Ventures LLC (the Company informed about this in its current report no. 16/2014). The process is complex and long – it consists of contacting companies, signing confidentiality agreements and presenting data at various levels of detail depending on the stage of development of the process. At the same time, the companies are updating their offers.

Members of the Management Board, of the Supervisory Board, and current shareholders with a significant interest in the Company and those who actively support it have significant legal and technical insight in organizing hospital sales and large experience in launching and maintaining pharmaceuticals on the market.

Risk related to refunding drugs

The costs of developing and producing the newest generation of biosimilar drugs are very high, which is related to their relatively high market price later. There are drugs whose sales are refunded by state budgets or other non-budgetary payers on the market. The Management Board's intention is to cover the drugs produced by Mabion with refunds in the largest possible number of countries in which they will be admitted to sale. There is a risk that in the event that the goal is not achieved or is only partly achieved, and the reference drugs or biosimilars produced by competitors are refunded, demand for Mabion S.A.'s

medicines will be lower than planned. As a result, this may have a negative impact on the level of revenues earned by the Company and its financial results.

Risk of withdrawing the permit for admitting the Company's products to trading and product liability risk

In the cases stipulated by law, the permit for admitting the drugs to trading (or the production permit) in the area in which the drugs had previously been admitted to trading may be withdrawn.

For example, pursuant to Polish law the Minister of Health withdraws permits for the admission of medicinal products to trading, among other things, in the case of determining an unexpected, serious undesirable effects of the product which are a threat to human life or health, lack of declared therapeutic effectiveness of the product, determining a risk of use disproportionate to the therapeutic effect or determining that the medicinal product is launched on the market in a manner which is non-compliant with the permit or legal regulations. The withdrawal of a permit for admitting Mabion S.A.'s medicinal products to trading would have a significant unfavourable impact on the Company's development perspectives and on the financial results achieved.

Irrespective of the above, in some circumstances (e.g. in the event of a justified suspicion that the medicinal products do not meet the respective requirements) the provincial pharmaceutical inspector uses decisions on suspending trading in certain series of the product in the area of operations of the said inspector.

In the indicated circumstances and in other cases where the use of the Company's products may cause damage to individual entities, Mabion may be liable for damages which is related to the risk of claims being filed in respect of the Company under civil law proceedings. The Company may also incur liability if the product is found to be dangerous. For example, pursuant to Polish law, a dangerous product is a product which does not ensure the safety that may be expected during normal use of the product. Whether the product is safe is decided in circumstances when it is introduced to trading, in particular the manner in which it is presented on the market and the information provided to the consumer about the product's properties. Also the need to satisfy potential claims for damages addressed to the Company may have a material negative impact on the operations and financial position of the Company.

Risk of loss of key personnel

Mabion S.A. conducts its operations based on the knowledge and experience of highly qualified managers and scientific and research personnel.

There is a risk of the Company's key personnel leaving the Company in the future, which could have a negative impact on the quality of the products offered. This could also cause loss of repute and difficulties in acquiring new orders, and lead to a deterioration in the financial results.

The Company's Management Board pursues an active personnel policy aimed at retaining the most valuable specialists in the Company. The Company's employees may count on the possibility of developing professionally in a comprehensive manner, which includes participation in training (internal and external), support in starting doctoral studies, and inclusion in the promotion procedure – the principles for obtaining these benefits are formalized, open and unbiased (e.g. the promotion procedure, implementing bonus programs for employees with long work service, implementing loyalty programs and bonus programs).

Risk related to disclosure of trade secrets

The pursuit of Mabion's plans may depend on keeping the Company's confidential information in secrecy, in particular information relating to the trials conducted and the technological processes. Disclosure of this information and its use by persons cooperating with the Company, in particular its employees, cannot be eliminated, and the effect of such disclosure may be its use by entities conducting competitive business operations. In such instance, the Company's legal defence rights, in particular the claims it may lodge, may prove insufficient to protect it from the negative effects of such events.

The Company has undertaken several legal steps to eliminate this risk.

Risk related to disputes concerning industrial and intellectual property rights

Mabion operates in an area where industrial and intellectual property rights regulations and their protection are of great importance. There is no litigation pending in respect of any violations of industrial or intellectual property rights. The Company intends to engage in business so as not to violate any third party rights in this respect. However, potential claims lodged by third parties against the Company in respect of industrial and intellectual property rights violations cannot be eliminated, in particular at the stage of research work and at the stage of obtaining permits for admitting the Company's medicinal products to trading. If such claims are lodged, even if they are unjustified, it could have an unfavourable impact on the time needed to obtain the said permit, and defence against such claims may involve the need to incur significant costs which in effect may have a negative impact on the Company's financial results.

Risk related to the funding granted

In the reporting period Mabion S.A. was party to one contract for co-financing from public funds in connection with research and development, and implementation projects (relating to MabionHER2). The contract precisely stipulates the dates and scopes of tasks which may be covered by additional funding. There was a risk that in the event that the Company does not use all or part of the co-financing funds in conformity with the purpose of the funding or does not keep to the binding procedures, collects all or part of the funding which was not receivable or in an excessive amount, it will be obliged to return part or the full amount of the co-financing plus interest. Therefore, if the conditions for a liability arising occur, the Company's financial position may deteriorate significantly, which in a longer time perspective may threaten the achievement of the Company's strategic goals.

Liquidity risk

The Company does not generate on-going revenue from sales of market products, and its operations to-date have been financed with funds from the issuance of shares, co-financing from public funds and – to some extent – sales of research and development services. The Management Board is planning to acquire funds for financing the Company's further operations from a distribution contract signed with Mylan Ireland, from new EU projects and from the issuance of shares.

In accordance with the provisions of the agreement with Mylan, Mabion S.A. will receive payments for completing the milestones specified in the agreement depending on the filing for and obtaining the trading admittance and launching the MabionCD20 preparation in the market in key countries, and licence receivables based on annual net sales revenues. Potential delays in meeting the planned time schedule may lead to a delay in receiving the assumed tranches from the distributor.

If the application for additional aid funding from the EU is unsuccessful and if the issue of shares is delayed Mabion S.A. may be exposed to serious liquidity problems and to the need to obtain an alternative source of funding.

Risk related to operations in the Łódź Special Economic Zone

Mabion S.A. conducts research and development, and production operations, and has built a fully-equipped scientific and industrial complex in the Łódź Special Economic Zone. In accordance with the Act on Special Economic Zones the income earned on business activities in the special economic zone, under a permit received, is exempt from Corporate Income Tax. Mabion S.A. is exempt from the tax until 31 December 2026.

There is a risk that due to an amendment to the legal regulations on the operation of the zones and principles relating to the tax exemptions, as well as the Company's potential non-compliance with the ratios specified in the permits, which entitle to the tax exemptions, the conditions for the Company's further operations in the ŁSEZ may become unattractive in terms of taxes or the Company may lose its rights to use the said tax reliefs.

4. Analysis of the Company's financial position

4.1. Principles for preparing the semi-annual condensed financial statements

The interim condensed financial statements of Mabion for the period from 1 January 2017 to 30 June 2017 have been prepared in accordance with the accounting policies of the International Financial Reporting Standards (IFRS), covering International Accounting Standards (IAS) and the Standing Interpretation Committee (SIC) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Union (EU) and effective as at the end of 2016. The financial statements have been prepared on the historical cost basis. The interim condensed financial statements, with the exception of the cash flow statement, have been prepared according to the accruals principle.

The interim condensed financial statements of Mabion for the period from 1 January 2017 to 30 June 2017 have been prepared according to International Accounting Standard 34 "Interim financial reporting", as endorsed by the European Union ("IAS34"). The accounting policies used in the preparation for these interim condensed financial statements were unchanged in scope compared with the policies used in the preparation of the annual financial statements for 2016, with the exception of income tax which was calculated using the expected annual average effective tax rate.

In the first half of 2017 there were no changes in the policies for determining the value of assets and liabilities, or measuring the financial results.

The interim condensed financial statements of the Company for six-month periods are not subject to auditing, but are reviewed by the Company's auditor, PricewaterhouseCoopers Sp. z o.o.

4.2. Financial position of Mabion S.A. after the first half of 2017

Revenues, expenses and results

an analysis of the results achieved by the Company in the first half of 2017 (in PLN'000) is shown in the table below:

	01.01 -30/06/2017	01.01 -30/06/2016	Change (%)
Net sales and sales equivalents	0	0	N/A
Cost of sales of finished goods, goods for resale and materials	0	0	N/A
Gross profit/(loss) from sales	0	0	N/A
General administrative expenses	-8 695	-6 048	44%
Research and development costs	-21 398	-18 851	14%
Other operating income and expenses, net	1 067	1 225	-13%
Operating profit/(loss)	-29 026	-23 674	23%
Profit/(Loss) before tax	-25 369	-23 952	6%
Income tax	0	0	N/A
Net profit/(loss)	-25 369	-23 952	6%

In 2017 in connection with the concentration of work on the final stage of development of MabionCD20 the Company did not earn any sales revenues.

In the reporting period, the Company incurred a net loss of PLN 25,369 thousand. The loss is primarily the result of the costs of research and development work incurred by the Company in relation to the MabionCD20 drug and general administrative expenses which are not directly related to the Company's development work, in particular wages and salaries, and amortization and depreciation costs, costs of public services and real estate tax in respect of the Company's plant in Konstantynów Łódzki.

The Company's assets and their funding

Assets	30/06/2017		31/12/2016		Change (%)
	Value (PLN'000)	Structure	Value (PLN'000)	Structure	
Non-current assets	**71 276**	**65.6%**	**68 217**	**96.9%**	**4%**
Property, plant and equipment and intangible assets	70 997	65.3%	68 107	34.1%	4%
Long-term receivables	279	0.3%	110	0.1%	154%
Long-term investments	0	0.0%	0	0.0%	N/A
Long-term prepayments and deferred costs	0	0.0%	0	62.7%	N/A
Current assets	**37 454**	**34.4%**	**23 030**	**3.1%**	**63%**
Inventories	7 508	6.9%	4 232	1.5%	77%
Short-term receivables	4 760	4.4%	3 831	0.9%	24%
Prepayments	167	0.2%	141	0.4%	18%
Cash and cash equivalents	25 019	23.0%	14 826	0.3%	69%
Total assets	**108 730**	**100.0%**	**91 247**	**100.0%**	**19%**

As at 30 June 2017 the value of Mabion S.A.'s assets is PLN 108,730 thousand; this constitutes 119% of the value of assets as at 31 December 2016.

The increase in cash flows related to the new loan taken out with Bank Zachodni WBK S.A in June 2017 and an increase in inventories related to launching production of MabionCD20 for technical purposes and to validate the production line had the largest impact on the increase in assets in the six months ended 30 June 2017.

In 2017 the Company financed its operations mainly with bank loans and borrowings, and short-term liabilities and accruals. The increase in liabilities and provisions for liabilities is related to the new loan drawn with Bank Zachodni WBK S.A. in June 2017, incurring finance lease liabilities and borrowings from shareholders. The drop in accruals results from write-downs of subsidies received previously for offsetting capital expenditure to current year's expenses, to match the amortization and depreciation of assets financed with those subsidies.

Equity and liabilities	30/06/2017		31/12/2016		Change (%)
	Value (PLN'000)	Structure	Value (PLN'000)	Structure	
Equity	**-21 640**	**-19.90%**	**3 729**	**4.09%**	**-680%**
Liabilities and provisions for liabilities	**130 370**	**119.90%**	**87 518**	**95.91%**	**49%**
Bank loans and borrowings	52 577	48.36%	12 500	13.70%	321%
Long-term liabilities	1 416	1.30%	48	0.05%	2,850%
Short-term liabilities	59 757	54.96%	57 383	62.89%	4%
Accruals and deferred income	16 620	15.29%	17 587	19.27%	-5%
Total equity and liabilities	**108 787**	**100.00%**	**91 247**	**100.00%**	**19%**

Cash flow statement

The Company's cash flow statement is shown in the table below (in PLN'000):

	01/01/2017-30/06/2017	01/01/2016-30/06/2016	Change (%)
Net cash from operating activities	-23 346	-18 386	27%
Net cash from investing activities	-3 087	-1 915	61%
Net cash from financing activities	36 627	15 142	142%
Net increase/(decrease) in cash and cash equivalents	**10 193**	**-5 158**	**-298%**

In the first half of 2017 the Company generated negative cash flows from operating activities. Costs of research and development work incurred by the Company had the largest impact on the cash flows from operating activities.

The Company's cash flows from investing activities were higher than in the comparable period of the previous year due to the decisions on purchasing additional lab equipment taken by the Company, to reduce third-party service expenses. The capital expenditure on property, plant and equipment was to a large extent financed with finance leases.

The Company generated significant positive cash flows from financing activities in effect of acquiring financing in the form of a bank loan and borrowings from shareholders.

Selected financial ratios

Liquidity ratios	Measure	30/06/2017	31/12/2016	Formula
Current	multiple	0.32	0.31	current assets / short-term liabilities
Quick	multiple	0.26	0.25	(current assets – inventories – short-term prepayments)/ short-term liabilities
Cash	multiple	0.22	0.20	cash and cash equivalents / short-term liabilities

Profitability ratios	Measure	01/01/2017-30/06/2017	01/01/2016-30/06/2016	Formula
Operating margin	%	N/A	N/A	profit on sales/sales revenue
Gross margin	%	N/A	N/A	operating profit / sales revenue
Net profitability	%	N/A	N/A	net profit / sales revenue
Return on assets (ROA)	%	-23.33%	-1.20%	net profit / total assets
Return on equity (ROE)	%	117.23%	-642.32%	net profit / equity

Liability ratios	Measure	30/06/2017	31/12/2016	Formula
Gearing	%	119.60%	95.91%	short- and long-term liabilities / total assets
Debt to equity	%	-610.45%	2,346.96%	Liabilities and provisions for liabilities / equity
Long-term gearing	%	13.30%	15.41%	long-term liabilities / total assets

4.3. Description of factors and events with a significant impact on the condensed financial statements

In the first half of 2017 there were no one-off events with the exception of the event described below. The Company's activity in the first half of 2017 was comparable to that in earlier periods.

On 16 February 2017 the Extraordinary Shareholders' Meeting passed a resolution on changing the accounting policies and starting the preparation of the financial statements in accordance with the International Accounting Standards, International Financial Reporting Standards and the related interpretations published in the form of EU Resolutions, starting with the financial statements for the year from 1 January 2016 to 31 December 2016.

This change contributed to the change in the approach to recognizing the costs of development work and selected other income statement items in the Company's books of account for 2016 and for the first quarter of 2017.

As a result of the above-mentioned change, as at 31 March 2017 the Company's equity was negative (PLN -9.1 million), therefore, at the Ordinary General Shareholders' Meeting convened for 14 June 2017, the Company's Management Board included on the agenda the passing of a resolution on the Company's further existence, pursuant to Article 397 of the Commercial Companies Code. The Ordinary General Shareholders' Meeting unanimously passed a resolution on the Company's continued existence. Shareholders representing 67.44% of the Company's share capital participated in the voting.

The negative equity level results from the specificity of the biotechnological activities in which the Company engages (constant high costs of research incurred accompanied by the absence of sales revenues until the project is commercialized) and is typical for research and development companies. In the opinion of the Management Board, support on the part of the Shareholders (both strategic investors and stock exchange participants) and the long-term cooperation agreement with Mylan Ireland Limited will ensure the funding necessary to complete the development work related to the MabionCD20 drug and will justify the Company continuing in operation according to the adopted development strategy.

4.4. Factors which will have an impact on the achieved financial results in the perspective of at least the following six months

In future reporting periods revenues will be strictly related to contracts already signed or work in progress related to the registration and distribution of MabionCD20. Potential delays of negotiations or unexpected departures from time schedules of contracts already signed may have an impact on the amount of revenues.

4.5. Position of the Management Board concerning the possibility of meeting the previously published forecasts concerning the results for the year

The Company's Management Board took a decision to cancel the financial forecasts published in 2010 (prepared in connection with applying for admitting I-Series shares to trading in an alternative trading system) and for resigning from publishing forecast financial results.

5. Shares and shareholdings

5.1. Structure of share capital

As at 30 June 2017 and as at the date of the report, the Company's share capital amounted to PLN 1,180,000 and consisted of 11,800,000 shares with a par value of PLN 0.10 each, including:

- 450,000 registered A-series preferred shares;
- 450,000 registered B-series preferred shares;
- 450,000 registered C-series preferred shares;
- 450,000 ordinary D-series bearer shares;
- 100,000 registered E-series preferred shares;
- 100,000 registered F-series preferred shares;
- 20,000 registered G-series preferred shares;
- 2.980.000 ordinary H-series bearer shares;
- 1,900,000 ordinary I-series bearer shares;
- 2,600,000 ordinary J-series bearer shares;
- 790,000 ordinary K-series bearer shares;
- 510,000 ordinary L-series bearer shares;
- 360,000 ordinary M-series bearer shares;
- 340,000 ordinary N-series bearer shares;
- 300,000 ordinary O-series bearer shares.

A, B, C, E, F and G-series registered shares are preferred as to votes – each share gives the right to two votes at the General Meeting. The total number of votes resulting from all the issued shares is 13,370,000.

5.1. Shareholders with at least 5% of the total number of votes

According to the Company's Management Board's knowledge, as at the publication date of the report for the first half of 2017, i.e. as at 15 September 2017, the following shareholders have at least 5% voting rights at the Company's General Meeting:

No.	Shareholder	Number of shares	Number of votes	% share in share capital	Share in total number of votes
1.	Twiti Investments Limited	2 514 457	3 108 757	21.31%	23.25%
2.	Maciej Wieczorek indirectly, including through*:	1 624 876	2 117 726	13.77%	15.84%
	Glatton Sp. z o.o.	1 004 526	1 004 526	8.51%	7.51%
	Celon Pharma S.A.	620 350	1 113 200	5.26%	8.33%
3.	Polfarmex S.A.	1 437 983	1 920 833	12.19%	14.37%
4.	Generali Otwarty Fundusz Emerytalny**	1 117 000	1 117 000	9.47%	8.35%
5.	Funds managed by Amathus TFI S.A	988 042	988 042	8.37%	7.39%
6.	Others	4 117 642	4 117 642	34.9%	30.8%
	TOTAL	**11 800 000**	**13 370 000**	**100%**	**100%**

* *Mr Maciej Wieczorek has a 100% share in the share capital of Glatton Sp. z o.o. and indirectly, through Glatton Sp. z o.o., a 66.67% share in the share capital of Celon Pharma S.A. and 75% in the total number of votes in Celon Pharma S.A.*

** *Pursuant to the list of shareholders at the Extraordinary General Meeting of the Company held on 14 June 2017*

According to the Management Board's knowledge, as at the date of submission of the report for the first quarter of 2017 (29 May 2017) the shareholding structure was as follows:

No.	Shareholder	Number of shares	Number of votes	% share in share capital	Share in total number of votes
1.	Twiti Investments Limited*	2 509 457	3 098 757	21.27%	23.18%
2.	Maciej Wieczorek indirectly, including through**:	1 624 876	2 117 726	13.77%	15.84%
	Glatton Sp. z o.o.	1 004 526	1 004 526	8.51%	7.51%
	Celon Pharma S.A.	620 350	1 113 200	5.26%	8.33%
3.	Polfarmex S.A.	1 437 983	1 920 833	12.19%	14.37%
4.	Funds managed by Amathus TFI S.A	988 042	988 042	8.37%	7.39%
5.	Generali OFE*	1 094 707	1 094 707	9.28%	8.19%
6.	Others	4 144 935	4 149 935	35.13%	31.04%
	TOTAL	**11 800 000**	**13 370 000**	**100.00%**	**100.00%**

* *Pursuant to the list of shareholders at the Extraordinary General Meeting of the Company held on 16 February 2017.*

** *Mr Maciej Wieczorek has a 100% share in the share capital of Glatton Sp. z o.o. and indirectly, through Glatton Sp. z o.o., a 66.67% share in the share capital of Celon Pharma S.A. and 75% in the total number of votes in Celon Pharma S.A.*

5.1. Schedule of shares held by management and supervisory board members

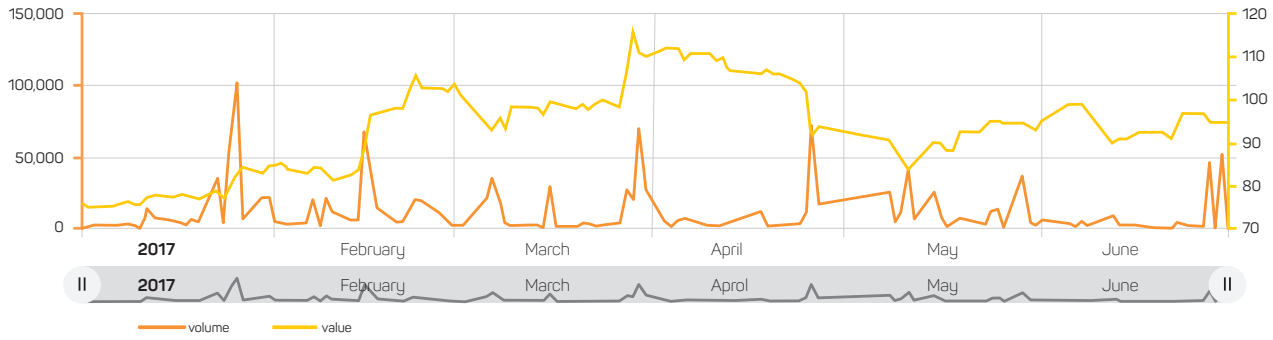
	Shares held as at the date of filing the report for the first quarter of 2017 (29 May 2017)	Shares held as at the date of filing the report for the first half of 2017 (15 September 2017)
Management Board		
Artur Chabowski	indirectly, through FL Real Investments Holding Limited with its registered office in Nicosia (Cyprus), in which Artur Chabowski holds 100% interest in the share capital, holds jointly 29,649 of the Company's shares with a nominal value of PLN 0.10 each, which constitutes 0.25% of the Company's share capital and gives 0.22% voting rights at the General Meeting;	indirectly, through FL Real Investments Holding Limited with its registered office in Nicosia (Cyprus), in which Artur Chabowski holds 100% interest in the share capital, holds jointly 29,649 of the Company's shares with a nominal value of PLN 0.10 each, which constitutes 0.25% of the Company's share capital and gives 0.22% voting rights at the General Meeting;
Supervisory Board		
Maciej Wieczorek	indirectly, through Glatton Sp. z o.o. (in which he holds 100% interest in the share capital) and Celon Pharma S.A. (in which, through Glatton Sp. z o.o., he holds 66.67% of interest in the share capital) he holds jointly 1,624,876 of the Company's shares with a nominal value of PLN 0.10 each, which constitute 13.77% of the Company's share capital and give 15.84% voting rights at the General Meeting;	indirectly, through Glatton Sp. z o.o. (in which he holds 100% interest in the share capital) and Celon Pharma S.A. (in which, through Glatton Sp. z o.o., he holds 66.67% of interest in the share capital) he holds jointly 1,624,876 of the Company's shares with a nominal value of PLN 0.10 each, which constitute 13.77% of the Company's share capital and give 15.84% voting rights at the General Meeting;
Robert Aleksandrowicz	holds directly 132,094 of the Company's ordinary bearer shares with a nominal value of PLN 0.10 each, which constitute 1.12% of the Company's share capital and give 0.99% voting rights at the General Meeting;	holds directly 132,094 of the Company's ordinary bearer shares with a nominal value of PLN 0.10 each, which constitute 1.12% of the Company's share capital and give 0.99% voting rights at the General Meeting;
	indirectly, through Twiti Investments Limited with its registered office in Nicosia (Cyprus), in which Robert Aleksandrowicz holds shares constituting 50% of the share capital and 50% of voting rights at the General Meeting of the company, is a Mabion shareholder and holds jointly 2,509,457 of the Company's shares with a nominal value of PLN 0.10 each, which constitute 21.27 % of the Company's share capital and 23.18 % voting rights at the General Meeting;	indirectly, through Twiti Investments Limited with its registered office in Nicosia (Cyprus), in which Robert Aleksandrowicz holds shares constituting 50% of the share capital and 50% of voting rights at the General Meeting of the company, is a Mabion shareholder and holds jointly 2,514,457 of the Company's shares with a nominal value of PLN 0.10 each, which constitute 21.31 % of the Company's share capital and 23.25 % voting rights at the General Meeting;
Tadeusz Pietrucha	indirectly, through Bio-Tech Consulting Sp. z o.o. with its registered office in Łódź (in which Tadeusz Pietrucha holds shares constituting 97% of the share capital) hold jointly 5,000 of the Company's shares with a nominal value of PLN 0.10 each, constituting 0.04% of the Company's share capital and 0.07% voting rights at the General Meeting.	he does not hold shares in Mabion S.A.

Other Members of the Management and Supervisory Boards did not hold any of the Company's shares in the period from the submission of the report for the first quarter of 2017 to the date of submission of this report. Members of the Management Board and Supervisory Board of Mabion S.A. have no rights to the Company's shares.

5.2. Share quotations on the Warsaw Stock Exchange

Data for the first half of 2017:

Reference exchange rate:	PLN 74.23 (16-12-30)
Start date:	2017-01-02
End date:	2017-06-30
Change:	27.70%
Change:	PLN 20.56
Minimum:	PLN 72.90 (17-01-09)
Maximum:	PLN 117.90 (17-03-30)
Average:	PLN 93.39
Trading volume:	1,453,650 shares
Average volume:	11,723 shares
Turnover:	133,970 million
Średnie obroty:	1,080 mln



Source: www.gpw.pl

6. Other significant information and events

6.1. Litigation pending before the court, the competent arbitration body or the public administration body

In the first half of 2017 and until the date of submitting this report, no litigation was in progress before a court, arbitration court or public administration body the value of which – on an individual or joint basis – would amount to at least 10% of the Company's equity.

6.2. Other information which is material to the assessment of the human resources, asset and financial position of Mabion S.A., its results and respective changes, and information material to assessing its ability to discharge its liabilities

There is no other information which is material to the assessment of the human resources, asset and financial position of Mabion S.A., its results and respective changes, and information material to assessing its ability to discharge its liabilities.

The Company's Management Board

Konstantynów Łódzki, September 15, 2017

President of the Management Board
Artur Chabowski

Member of the Management Board
Sławomir Jaros

Member of the Management Board
Jarosław Walczak