Mabion S.A.
Directors' Report for the year 2017

Konstantynów Łódzki, 26 April 2018

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Contents:

1 ORGANIZATION OF MABION S.A.

1.1 Basic information about the Company

Mabion S.A. was established on 29 October 2009 as a result of transforming Mabion spółka z ograniczoną odpowiedzialnością (limited liability company) with its registered office in Kutno, registered on 30 May 2007, into a joint-stock company.

Currently, Mabion S.A. is registered in the Register of Entrepreneurs of the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Department of the National Court Register, with the reference number KRS 0000340462.

The Company was also assigned a tax identification number NIP: 7752561383 and a REGON statistical identification number: 100343056.

Contact details

Company name:	Mabion Spółka Akcyjna
Registered office:	Konstantynów Łódzki
Address:	ul. gen. Mariana Langiewicza 60, 95-050 Konstantynów Łódzki
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e-mail address:	info@mabion.eu
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1.2 Branches

The Company has no isolated branches in the meaning of the Accounting Act.

Currently, the Company has two centres (plants) – the Research and Development Centre (Centrum Badawczo-Rozwojowe - CBR)[1] in Łódź, ul. Fabryczna 17, and the Scientific-Industrial Complex of Medical Biotechnology *(Kompleks Naukowo-Przemysłowy Biotechnologii Medycznej)* in Konstantynów Łódzki, ul. Langiewicza 60, which is also the Company's statutory registered office.

1.3 Changes in the Company's management rules

In 2017 no significant changes were noted in the basic principles of management rules in the Company.

1.4 Organizational or equity relationships

Mabion S.A. does not own any shares in any entities, there are no circumstances which could lead to the conclusion that the Company is a parent company in the meaning of Article 4 par. 1. 4) of the Polish Code of Commercial Companies and Partnerships (KSH).

The Company is not held directly or indirectly by any other entity. According to the Company's best knowledge, there are no entities which would meet the premises of the definition of the Company's parent pursuant to Article 4 point 14) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (the Public Offering Act) and of the definition of the Company's parent pursuant to Article 4 par. 1.4) of the Polish Code of Commercial Companies and Partnerships. In addition, according to the Company's best knowledge, the shareholders and members of the Company's bodies are not connected by the agreement referred to in Article 87 par. 1 point 5 and Article 87 par. 4 of the Public Offering Act. Significant shareholders have no voting rights other than those resulting from the shares held.

[1] Proper name.

2 OPERATIONS OF MABION S.A.

2.1 Schedule

January	On 3 January 2017, the Company's Management Board received information on being granted Permit No. 301 for conducting business activity in the Łódź Special Economic Zone (ŁSEZ). On 9 January 2017, the Company concluded an agreement with the Faculty of Biology and Environmental Protection of the University of Łódź, which enables the cooperation in the scope of information sharing, conducting research, developing scientific expert opinions, and establishes a partnership in the area of traineeships in the Company for the Faculty's best students. On 11 January 2017, an audit took place, as a result of which it was determined that the Company met the conditions of Permit No. 167 of August 2010 for conducting business activity in the ŁSEZ in the Research and Development Centre for Biotechnological Medicinal Products (Centrum Badawczo-Rozwojowe Biotechnologicznych Produktów Leczniczych). On 11 January 2017, an audit took place as a result of which it was concluded that the Company met the conditions of Permit No. 203 of April 2012 for conducting business activity in the ŁSEZ in the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki.
February	On 21 February 2017, the Company's Management Board received information that the number of patients included in the clinical trial MabionCD20 – 002 NHL conducted in the indication of non-Hodgkin's lymphomas, exceeded the number necessary to conduct statistical analyses; therefore, recruitment to the trial was suspended.
March	On 30 March 2017, the Company's Management Board passed a resolution concerning the development strategy for medicinal products.
April	On 4 April 2017, the Company participated in the "Polish Innovation and Growth Conference in Stockholm". On 6 April 2017, the Company received the "Złoty OTIS" Confidence Award for developing the first drug candidate biosimilar to rituximab. On 19 April 2017, the Company's Management Board received information that the Company was granted the GMP (Good Manufacturing Practice) certificate issued by the Chief Pharmaceutical Inspector for the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki.
May	On 15 May 2017, the Company announced that all patients recruited to the MabionCD20 RA clinical trial had passed the stages of administering the medicine and the basic six-month period of follow-up. Between 17 and 18 May 2017, the Company participated in the Bioforum Central Europe. On 31 May 2017, the Company received the report from the audit of meeting one of the conditions of Permit No. 301 for conducting business activity in the ŁSEZ in Konstantynów Łódzki (increase in current employment) which stated that the condition had been fulfilled as at 1 March 2017.

June	On 8 June 2017, the Company concluded an agreement with Bank Zachodni WBK S.A. for a revolving loan of up to PLN 50 million for financing the Company's working capital, for a period of one year. On 13 June 2017, the Company received the 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 the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies" was recommended by the National Centre for Research and Development (NCBiR) for co-financing. Between 26 and 27 June 2017, the Company's Management Board conducted a so-called pre-submission meeting for the medicine MabionCD20 in the European Medicine Agency (EMA). Pre-submission meetings are aimed at discussing the final (practical and regulatory) aspects of pending applications. This is the tool which is used to ensure that the application will meet the validation requirements of the EMA. Between 28 and 29 June 2017, at the invitation from the Warsaw Stock Exchange *(Giełda Papierów Wartościowych - GPW)*, the Company participated in the Spring European Midcap Conference in Paris.
July	On 6 July 2017, the Company received the information that the Company's application for co-financing the project entitled "Development of a biotechnological medicine through the development of an innovative monoclonal IgG1 subclass antibody with reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR" was recommended by NCBiR for co-financing.
August	On 24 August 2017, the Company' received an initial report on the positive outcome in respect of the primary endpoint of the clinical trial of MabionCD20 in patients with Rheumatoid Arthritis (RA). On 28 August 2017, the last visit of the last patient recruited to the clinical trial with MabionCD20 conducted in the indication of non-Hodgkin's lymphomas (NHL) took place. Therefore, all patients included in the MabionCD20 NHL trial completed the 26-week period of treatment and follow-up. On 29 August 2017, the Company received an initial report on the positive result in respect of primary and secondary pharmacokinetic endpoints of the clinical trial of MabionCD20 in patients with RA.
September	On 1 September 2017, the Company received initial reports on the results in respect of secondary pharmacokinetic endpoints in the clinical trial of MabionCD20 in RA patients. In accordance with the received initial reports, positive results were obtained in respect of all the parameters listed therein. On 19 September 2017, the Company was informed that NCBiR signed an agreement to co-finance the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies". The total eligible cost of the project is approximately PLN 54 million, and the final value of awarded co-financing is approximately PLN 27 million. The planned duration of the project is approximately three years.

October	On 4 October 2017, the Company was informed that NCBiR signed the agreement for co-financing the project entitled: "Development of a biotechnological medicine through the development of an innovative monoclonal IgG1 subclass antibody with a reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR". The total cost of the project is approximately PLN 40 million, and the value of awarded co-financing is approximately PLN 28 million. The planned duration of the project is approximately five years. On 12 October, scientific consultations with the MEB (Medicines Evaluation Board in the Netherlands) were held. MEB is an independent authority which regulates the quality, effectiveness and safety of medicines. On 18 October 2017, the first scientific conference entitled: "Monoclonal antibodies – state-of-the-art therapeutic trend in biopharma" took place in the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki. The conference was attended by the representatives of higher education facilities and the scientific and research personnel of Mabion S.A. On 19 October 2017, the Company's representatives took part in a conference entitled "Technologies of the Future – BIOTECHNOLOGY", organized by the Chancellery of the President of the Republic of Poland. Between 24 and 25 October 2017, the Company's Management Board took part in CPhI Worldwide in Frankfurt. On 26 October 2017, the last visit of the last patient in the 6-month follow-up extension study (the so-called long-term follow-up) in patients included in the MabionCD20 RA clinical trial took place. Therefore, the data collection for all endpoints of the trial was closed.
November	On 15 November 2017, the Company decided to give a termination notice in respect of the agreement for co-financing the research project "The clinical development and registration of a humanized monoclonal antibody that binds to HER2 receptor, used in breast cancer treatment."
December	On 4 December 2017, an annex to the revolving loan agreement with Bank Zachodni WBK S.A. was signed, under which the Bank increased the amount of the revolving loan granted from PLN 50 million to PLN 75 million. On 5 December 2017, the Company filed a European Patent Application with the Polish patent Office, with the option of expanding it according to PCT procedure, based on which Mabion is applying for legal protection of its invention entitled "Combination Therapy of Multiple Sclerosis comprising a CD20 Ligand." On 12 December 2017, the representatives of the Company took part in a meeting with the team of reviewers of the European Medicine Agency (EMA) concerning the analytics of biosimilarity and bioequivalence as well as PACMP (Post approval change management protocol).

2.2 Market environment

Mabion engages in developing and preparing for commercialisation the latest generation of biotechnological medicines based on the monoclonal antibodies technology which constitutes the present day basis for combating various types of conditions, mainly cancer diseases, thanks to two exceptional characteristics –specificity and safety. The medicines developed by the Company are targeted therapeutics displaying the ability to recognize the factor – such as a receptor – whose overexpression is related to the development of a tumour and reacting exclusively with the tumour. Appropriate engineering of the structure of such medicines and in consequence, their high similarity to the patient body proteins causes the immunological system to treat the therapeutic antibody as its own protein. This guarantees a very low toxicity of the therapies developed by the Company and is of significant benefit to the patient.

Currently, Mabion's most advanced product is a biosimilar medicine MabionCD20, a referential to MabThera/ Rituxan (Roche), currently in Phase III of clinical development.

Monoclonal antibodies

Monoclonal antibodies (mAb) belong among the most important tools of modern medicine, which were and continue to be the prerequisite of its fast development. The application of antibodies comprises a wide range of laboratory diagnostic aspects and therapy of cancer and autoimmune diseases. The range of applications expands with the development of biotechnology and molecular biology techniques. Currently, mAb are used in several dozen therapies, and dozens of others are in the clinical trial phase.

Sales of medicines based on monoclonal antibodies are characterized by growth dynamics that significantly exceeds the rate of growth of all other biotechnological medicines. Based on analyses of this market, it may be assumed that this trend will continue.

One of the reasons for introducing biosimilar medicines was the increase in price competition which translated into a reduction in the price of the medicine for the patient. As shown by the data collected by QuintilesIMS in its report "The Impact of Biosimilar Competition in Europe" (May, 2017)[2], there was a coherent price reduction observed in six therapeutic areas in which there was competition in the form of biosimilars. Increased competition, which resulted from launching biosimilars on the market, has an impact not only on the price of a given biosimilar's reference medicine, but also on the prices of the whole class of products.

According to the market research results published in February 2018 by Polaris Market Research, in 2017 the value of the global monoclonal antibodies (mAb) market reached USD 88.2 billion and it is expected to grow to USD 148.9 billion in 2026.[3]

The global mAb market is driven by actively conducted research and development projects, in many of which mAbs are at the pre-clinical phase and at various stages of clinical studies. The increase in demand for personalized medicine, increased incidence of cancer and other chronic diseases, as well as increased awareness of state-of-the-art therapies among doctors and patients are conducive to the development of such work[4].

The growing demand for personalized medicine is a material factor responsible for increasing development of therapeutic antibodies applied in targeted therapies. In addition, the application of monoclonal antibodies for therapeutic purposes brings about benefits such as reduction in side effects, homogeneity, specificity and the possibility of production on a large scale, which translates into a significant market increase.

MabionCD20

MabionCD20 is the most advanced project of Mabion S.A. In 2017, breakthrough stages of work on the project took place, related to the medicine's clinical trials.

The Company is conducting advanced work related to the submission, planned for 2018, of an application for the registration of the medicine, therefore it is monitoring the competitive environment of medicines biosimilar to MabThera/ Rituxan (Roche), and sales results for the original medicine.

In its financial report for the year 2017 Roche states that sales of MabThera/ Rituxan amounted to CHF 7.4 billion (approx. USD 7.8 billion), which means an increase by 1% globally, despite the fact that the sales volume in Europe decreased by 11% due to launching of biosimilars[5]. In 2017 two biosimilar molecules were launched on the market – a Celltrion medicine (functioning on the market under four names: Blitzima, Ritemvia, Rituzena and Truxima), and a Sandoz medicine (sold under the names Riximyo and Rixathon).

In the U.S., where Roche does not yet have to deal with the competition from biosimilars (although Sandoz and Celltrion filed applications with the FDA for biological licenses for their products), the total sales of medicines increased by 6%. Roche claims that the increase in sales of Rituxan in the U.S. is also due to the broader use of the medicine in immunological indications.[6]

2 The impact of biosimilar competition on price, volume and market share - update 2017, http://www.medicinesforeurope.com/wp-content/uploads/2017/05/IMS-Biosimilar-2017_V9.pdf
3 https://www.polarismarketresearch.com/industry-analysis/global-monoclonal-antibodies-mabs-market/
4 https://www.polarismarketresearch.com/industry-analysis/global-monoclonal-antibodies-mabs-market/
5 https://www.roche.com/dam/jcr:b70415c0-954f-4a2a-a0e2-47f94bd280e0/en/fb17e.pdf
6 http://www.centerforbiosimilars.com/news/roches-european-rituximab-sales-drop-11-due-to-biosimilar-competition

Table 1. Global sales of MabThera/ Rituxan (source: Roche Finance report, 2017).

2017 (CHF m)	2016 (CHF m)	% change (CER)	% of sales (2017)	% of sales (2016)
MabThera/Rituxan in oncology				
5,832	5,823	0	14.1	14.9
MabThera/Rituxan in immunology				
1,556	1,477	+5	3.8	3.8

Table 2. Sales of MabThera/ Rituxan by region (source: Roche Finance report, 2017).

Regional sales	2017	Regional sales	2017	Regional sales	2017
USA	4,133	3,911	+6	55.9	53.6
Europe	1,690	1,879	-11	22.9	25.7
Japan	293	291	+4	4.0	4.0
International	1,272	1,219	+4	17.2	16.7
Total sales	7,388	7,300	+1	100	100

According to Roche forecast, sales results for MabThera/ Rituxan will deteriorate in subsequent years. The similar assumptions are made by market analysts. Currently Roche is planning to focus on developing its innovative product portfolio[8].

Table 3. Sales of MabThera/ Rituxan and forecast for subsequent years according to GlobalData (in USD).

Medicine	Region	2016	2017	2018 (F)	2019 (P)	2020 (P)	2021 (P)	2022 (P)	2023 (P)	2016 -2023
MabThera/Rituxan	Globally (Total)	7,591	7,682	6,938	5,939	4,942	4,084	3,314	2,493	-5,097

Prospects for the biosimilar medicines market

Analysing the demand for biosimilars, including oncological medicines, above all demographic, civilization and market factors should be taken into account.

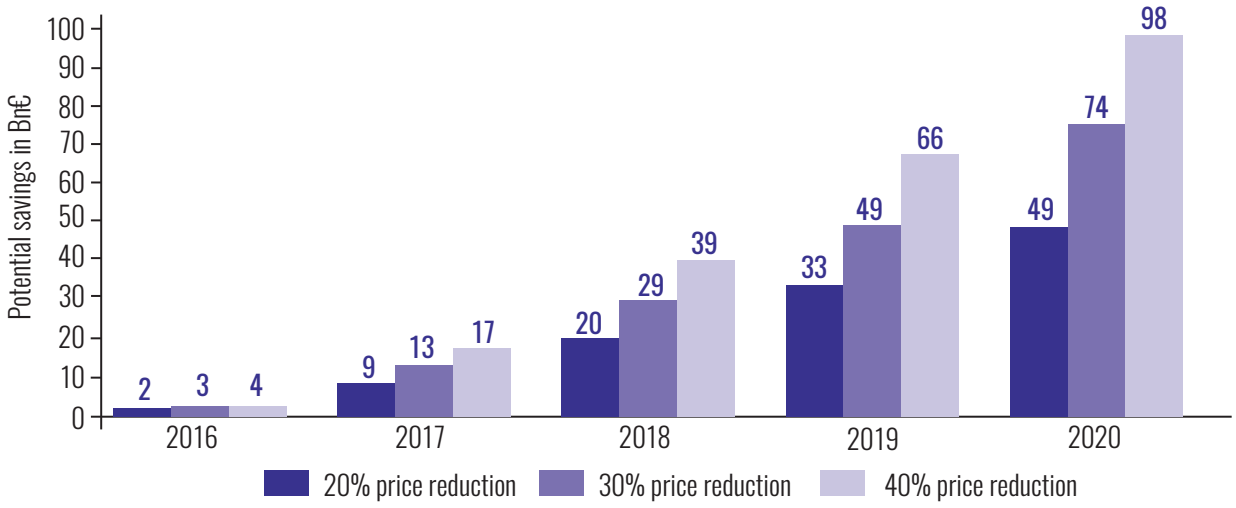
Due to the progressing population ageing process and the risk of cancer growing with age (over 2/3 of cancer cases are diagnosed in persons aged 65 and older), the demand for oncological medicines is expected to grow gradually. Forecasts of the World Health Organization (WHO) show that during the next 15–20 years the number of new cancer cases globally will double. World Cancer Report forecasts that in 2025 the number of new cancer cases will increase from 14.1 million to 19.3 million a year, to 22 million in 2030, and to as many as 24 million in 2035.[9]

Biosimilars are cheaper equivalents of reference medicines, which on the demand side allows replacing both the current medicines with their equivalents and covering a larger group of patients with treatment. The coincidence of the end of the patent protection period of the reference medicine group will lead to the increased rate in the growth trends in the biosimilars demand segment. In addition, the appearance of biosimilars on the market allows patients and doctors the access to modern treatment both directly and indirectly, as given their cost-effectiveness they release funds which may be used for research and development of further methods.

7 https://www.bloomberg.com/news/articles/2017-10-19/roche-sales-gain-4-9-as-new-drugs-pick-up-slack-from-old
8 http://www.centerforbiosimilars.com/news/roches-european-rituximab-sales-drop-11-due-to-biosimilar-competition
9 http://www.uicc.org/wcd-report

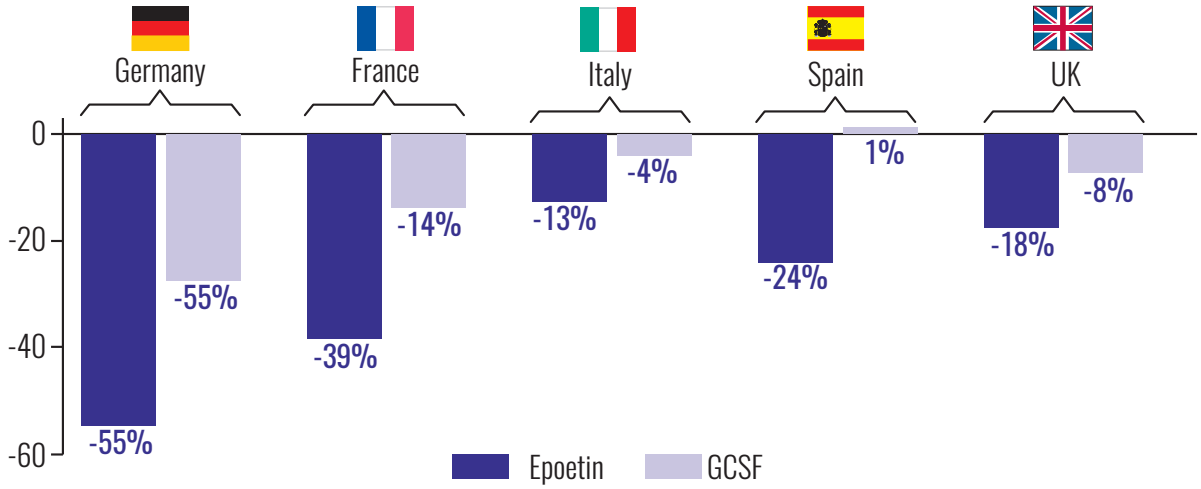
According to the report prepared by QuintilesIMS in May 2017, commissioned by the European Commission, health care systems in Europe record significant savings resulting from the introduction of biosimilars, even if their market share is still low.[10] Currently, the European Medicines Agency (EMA) approved for marketing 38 biosimilars[11] , while the U.S. FDA – 9 biosimilars.[12]

Table 4. Potential savings of healthcare systems in the EU and the U.S. resulting from the introduction of biosimilars[13].



Source: IMS Health, MIDAS, IMS Health Market Prognosis; IMS Institute for Healthcare Informatics, Dec 2015

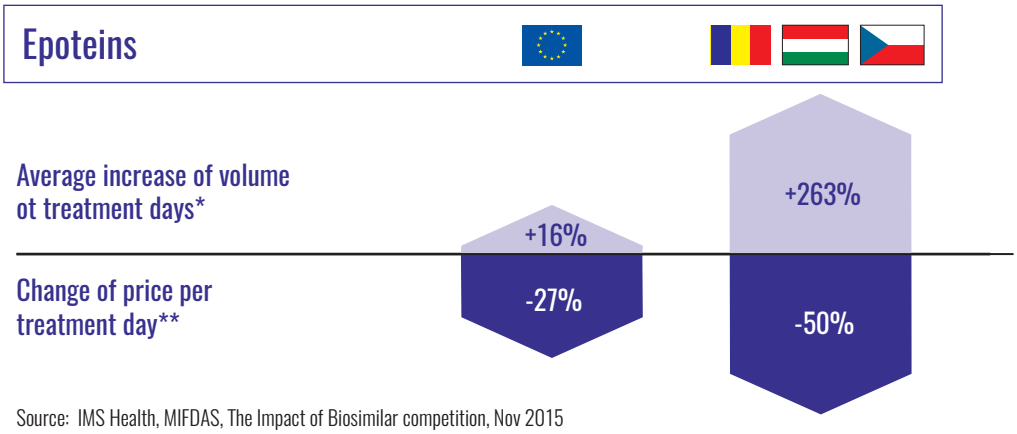
Table 5. Long-term erosion of prices after introducing biosimilars[14].



Source: IMS Health, The Impact of Biosimilar Competition, Nov 2015
Note: Analysis based on publicity available prices

[10] The impact of biosimilar competition on price, volume and market share - update 2017, http://ec.europa.eu/growth/content/impact-biosimilar-competition-price-volume-and-market-share-update-2017-0_en
[11] The impact of biosimilar competition on price, volume and market share - update 2017, http://ec.europa.eu/growth/content/impact-biosimilar-competition-price-volume-and-market-share-update-2017-0_en
[12] European public assessment reports
[13] FDA-Approved Biosimilar Products
[14] Ibid.

Table 6. Price erosion vs. increases in volume[15].



Source: IMS Health, MIFDAS, The Impact of Biosimilar competition, Nov 2015
Notes: Pricing and discounts: the report is based on publically available prices. Discounts occurs, especially in contracting with hospitals and in countries using tenders for biological drug procurement with lead to larger price fluctuations than is visible through the reported IMS Health data.
* Change of volume of treatment days in total market between launch and 2014
** Change of price per treatment day in total market between launch and 2014

The demand for medicines used in oncology and in autoimmune diseases is limited by the financial capabilities of national healthcare systems. The emergence of new and cheaper solutions will have a two-directional impact on increase in demand, both as a result of treating patients who cannot afford treatment, and by creating the possibility to treat patients who do not react well to less safe treatments.

The situation in Poland is an example of the above indirect impact of the new products on demand. Insufficient funding of the healthcare system is the main barrier to patients' access not only to medicines, but also to medical care. For example, the costs of reimbursing MabThera by the National Health Fund (NFZ) is one of the largest budget charges. In 2016 it exceeded PLN 180 million (based on data published by the NFZ Head Office on 24 January 2017[16]), and in 2017 it exceeded PLN 172 million.[17]

The introduction of the biosimilar MabionCD20, thanks to its lower price, would allow treating a larger number of patients.

Innovative biotechnological medicine - MabionMS

On 5 December 2017, Mabion filed a European patent application with the Polish Patent Office *(Urząd Patentowy Rzeczypospolitej Polskiej)* with the option to expand it pursuant to PCT, based on which it applies for patent protection for its invention: "Combination Therapy of Multiple Sclerosis comprising a CD20 Ligand". The subject matter of the patent application is an innovative therapy for multiple sclerosis patients with the use of the MabionCD20 antibody in combination with other substances (the MabionMS Project).

The Company's Management Board decided that the filing of the patent application is an important piece of information, as it is the first research project relating to an innovative therapy implemented by the Company, and if it succeeds and obtains patent protection, it can have a positive impact on the Company's future economic, assets and financial position.

Currently, the Management Board of Mabion S.A. identifies the following products as medicines most often used in multiple sclerosis patients:

» Ocrelizumab (trade name: Ocrevus) – a Roche concern medicine. Ocrevus is earmarked for treating relapsing forms of multiple sclerosis and primary progressive multiple sclerosis, which is a seriously damaging form of MS. The medicine was launched on the EU market on 8 January 2018.

[15] Ibid.
[16] http://www.nfz.gov.pl/aktualnosci/aktualnosci-centrali/komunikat-dgl,6958.html
[17] http://www.nfz.gov.pl/aktualnosci/aktualnosci-centrali/komunikat-dgl,7110.html

- Glatiramer acetate (trade name: Copaxone) – a Teva company medicine, which is a combination of four amino acids (a protein) with impact on the immunological system. Used to treat patients with relapsing forms of multiple sclerosis. Copaxone does not treat MS, but may lead to less frequent relapses. The medicine was launched on the EU market on 7 April 2003.

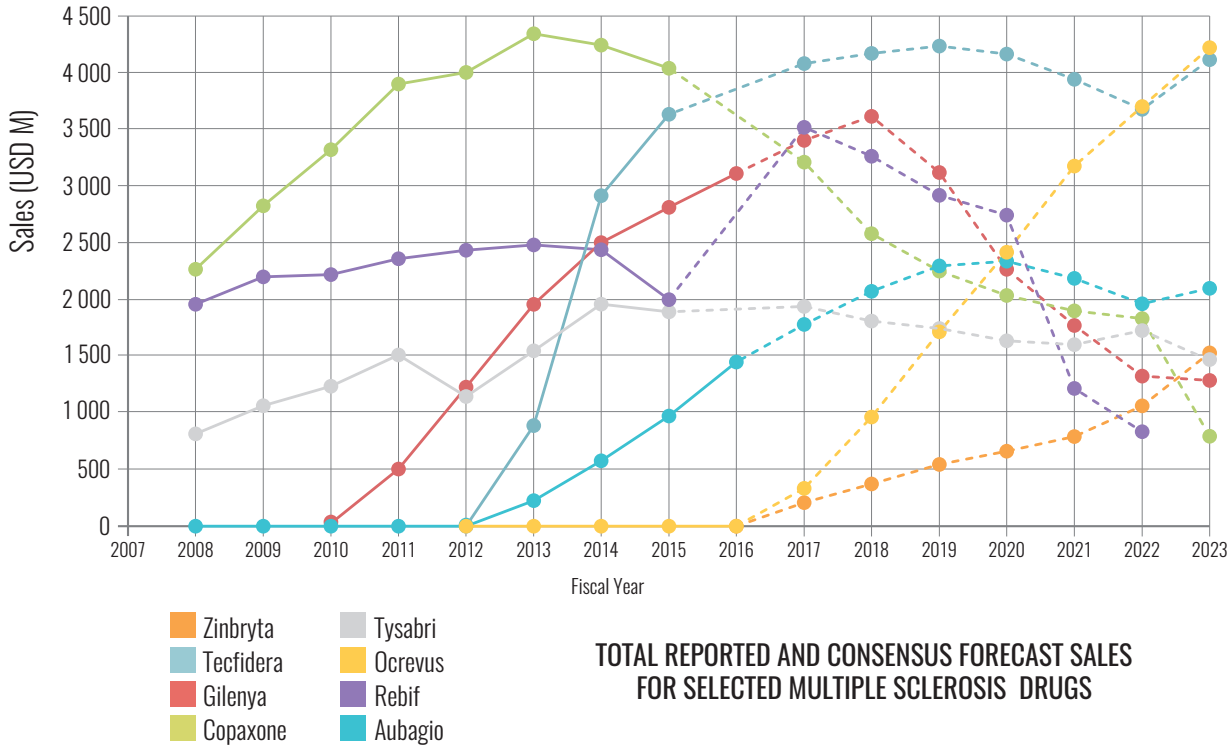
- Fingolimod (trade name: Gilenya) – a Novartis Europharm Ltd. medicine used to treat highly active relapsing MS in adults. The medicine was launched on the EU market on 17 March 2011.

- Teriflunomide (trade name: Aubagio) is a Sanofi-Aventis Group medicine used to treat relapsing MS when patients experience symptom exacerbations (relapses) followed by periods of regeneration (remissions). The medicine was launched on the EU market on 26 August 2013.

- Interferon beta-1b (trade name: Extavia) – a biological medicine of Novartis Europharm Ltd., administered to patients in the form of a solution for injections. It is used to treat patients with a high risk of developing MS.

- Dimethyl fumarate (trade name: Tecfidera) - a Biogen Idec Ltd. medicine, used in particular to treat adults with relapsing MS, when patients have exacerbations of symptoms (relapse) and then periods of regeneration (remissions). The medicine was launched on the EU market on 30 January 2014.

Table 7. Sales of selected medicines used in MS until 2016 and sales forecasts from 2017[18].



Clarivate Cortellis Competitive Intelligence data (sourced from Thomson Ruters I/B/E/S)

[18] https://clarivate.com/blog/life-sciences-connect/roches-ocrevus-to-dominate-the-multiple-sclerosis-market/

MabionMS is an innovative therapy based on active substance rituximab intended for use in the treatment of MS. Similarly to ocrelizumab, rituximab binds specifically to CD20 receptor on B-cells. The mechanism of action is the same as in ocrelizumab. The safety data for this antibody is favourable. For more than a dozen years it has been used in the treatment of leukemia, lymphomas and rheumatoid arthritis, therefore there is an extensive database on the favourable safety profile of this antibody in those indications.

Currently, the Company has a technology for producing this antibody as well as advanced analytical tools. In addition, it already has the results of clinical trials conducted in RA and lymphoma patients. As a result of the research, the Company has acquainted itself in detail with the clinical parameters of MabionCD20, including the mechanism of action and safety profile. Given this knowledge and after analysing the competitive MS therapies referred to above, it is probable that MabionCD20 should have high potential in treating this disease.

This will be an innovative therapy as no such indication has been registered for the substance rituximab to-date. Nevertheless, based on the clinical data available, we expect favourable safety profile due to much lower toxicity of MabionCD20 as compared with the adverse reactions to chemical medicines used in MS treatment and – at the same time – its high efficacy. In respect of biological medicines, such as Ocrevus, the price will be a benefit both for patients and EU healthcare systems. Ocrevus is an expensive medicine (approx. PLN 36,000 for 1 vial/ 10 ml). Knowing the price of the medicine and having the technology required to produce MabionCD20, and thus the possibility of estimating the costs of the new therapy, the Company may assume that it will be attractive in terms of price compared with ocrelizumab therapy.

According to GlobalData, in 2016 sales of medicines used in MS therapy on seven key markets amounted to USD 19.1 billion.[19] In 2026 sales are expected to increase to USD 25.3 billion, i.e. at an annual rate of 2.9%. The newest GlobalData report "Multiple Sclerosis – Global Medicine Forecast and Market Analysis to 2026" states that this increase will be driven by an increase in the costs of therapy and launching the projects which are currently being developed on the market, which will compensate for the erosion of key brands[20].

2.3 Regulatory environment

Throughout the world, standards for registering biosimilars are complex and extremely demanding. On highly regulated markets (e.g. Europe, the U.S., Japan, Canada) the regulatory authorities require that restrictive quality, safety and efficacy criteria be met. Companies which wish to register their medicines on regulated markets must present a detailed characteristic of the product (physico-chemical and biological analyses), toxicological (animal testing) and clinical data, including analyses of pharmacokinetics and pharmacodynamics of the biosimilar and the reference medicine to show that there are no significant clinical differences. Therefore, if biosimilars must imitate the action of the original medicine, the requirements relating to clinical trials differ from those required for innovative biological medicines.

Regulatory agencies may register a given medicine for the indications analysed during clinical trials (the U.S. and Canada) or for all indications approved for the reference medicine (EU).

On 21 June 2016 a new guideline was published: Guideline on the development, production, characterization and specification for monoclonal antibodies and related products. It systemizes the knowledge from previously published guidelines which concern the specific aspects referred to above.

In April 2016 a guideline was published by the European Commission: EU GMP Annex 16: Certification by a Qualified Person and Batch Release[21]).

In 2016 another guideline relating to the DPL system was published (trials of patients' serum or blood samples are conducted according to this system). The guideline precisely defines the principles concerning data integrity in the system (OECD SERIES

[19] The U.S., France, Germany, Italy, Spain, UK and Japan (https://www.globaldata.com/multiple-sclerosis-disease-modifying-therapies-market-reach-25-billion-2026/)
[20] https://www.globaldata.com/multiple-sclerosis-disease-modifying-therapies-market-reach-25-billion-2026/
[21] http://www.gmp-compliance.org/guidemgr/files/V4_AN16_201510_EN.PDF

ON PRINCIPLES OF GOOD LABORATORY PRACTICE AND COMPLIANCE MONITORING Number 17, Application of GLP Principles to Computerised Systems, 22 April 2016).

In connection with the new EU GCP Regulation No. 536/2014, on 16 September 2017 the European Commission published new GMP guidelines relating to the investigational medicinal products (IMP). The EU guidelines on GMP are currently included in Annex 13 to the EU Guidelines on GMP (Eudralex Volume 10 ANNEX 13 - Good Manufacturing Practice for the manufacture of investigational medicinal products.

On 20 December 2017, the European Commission published the long-awaited draft amendments to Annex 1 "Manufacture of sterile medicinal products". Lately, the guidelines published in 1971 were partly amended in 2008. The requirements and amendments resulting from the ICH Q3 guidelines were implemented in various chapters and monographs of the European Pharmacopoeia (Ph. Eur.). The amendments were published in Supplement 9.3 and are binding as of 1 January 2018:

» General Chapter 5.20 "Elemental impurities" (ICH Q3D);
» General monograph "Pharmaceutical preparations" (2619), refers to chapter 5.20;
» General monograph "Substances for pharmaceutical use" (2034) covers the elemental impurities monitoring procedures;
» General method 2.4.20 "Determination of elemental impurities" describes, among other things, development and validation of the methods.

Emerging countries (so-called pharmemerging), such as China, Brazil, India, Russia, Mexico, Turkey or South Korea, as well as other countries throughout the world have developed – or are currently developing – their own legal regulations that determine the terms and conditions for registering biosimilars. These regulations are usually imprecise, and the definition of biosimilars is also inaccurate. In many emerging countries unclear regulations and insufficient patent protection have led to registering preparations similar to original patent-protected medicines on those markets. India is a good example, where since 2007 a medicine which is a copy of rituximab is on the market, which was registered based on a far less thorough clinical trial program than required in the European Union. Also China registered biosimilars of oncological preparations and erythropoietin. In Mexico a medicine called Kikuzubam was registered. However, it was quickly withdrawn from the market. At the analytical level it was not very similar to the reference medicine and had incorrectly constructed clinical trials. This example confirms the argument that agencies, even on markets with less developed regulations, are becoming more meticulous, which Mabion S.A. believes is favourable for the Company.

2.4 Information about the offer

The Company's core business in the future will be the development, manufacture and sale of medicines which are currently at various stages of development. In the past, contracted research and development work in respect of technologies for obtaining various biotechnological medicines for third parties was the main source of revenue. In 2017 the Company focused on developing MabionCD20.

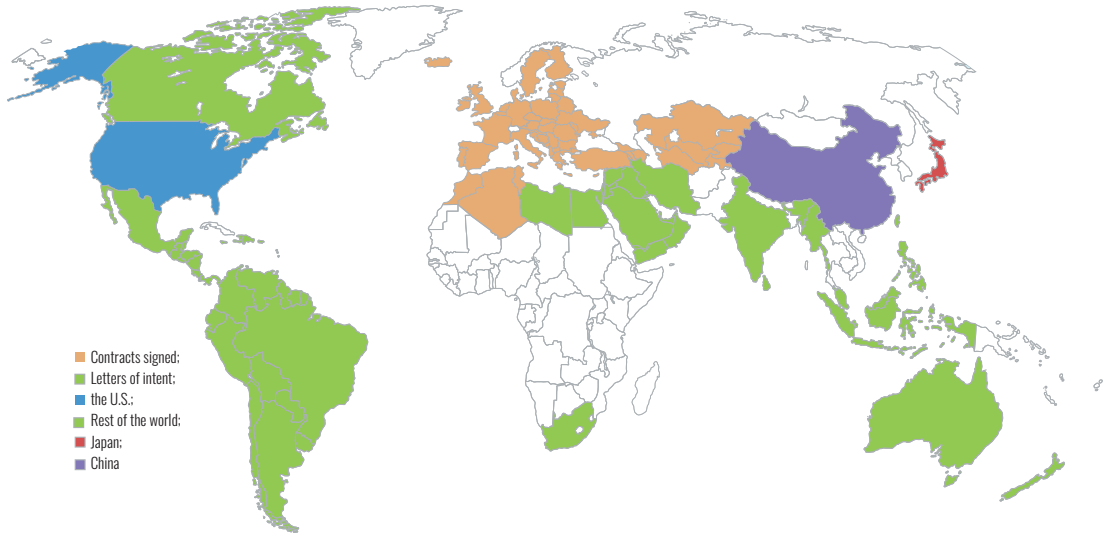
Information on sales markets

In 2017 Mabion S.A. continued collaboration with Plexus Ventures LLC, which supports the Company in respect of acquiring a partner for selling and distributing MabionCD20 on the global market. Negotiations with potential partners on non-European markets were advanced. The negotiations process in this respect is complex, as the offers relate both to independent regions and to several united regions. The process is also spread over time because mutual proceedings in respect of respective partnership contract provisions have to be taken into account, which constitute natural elements of business negotiations.

The American, Chinese and Japanese markets should be treated differently due to their specific nature.

[22] http://www.gmp-compliance.org/guidemgr/files/2009_06_ANNEX13.PDF
[23] Monoclonal Antibody and Fusion Protein Biosimilars Across Therapeutic Areas: A Systematic Review of Published Evidence, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5126212/

Table 8. Forecast – distribution and letters of intent of Mabion S.A.



Currently the regulators in countries with a lower degree of regulation often consider the EMA and FDA guidelines to be leading; therefore, registering MabionCD20 in any of those countries before its registration with the EMA or FDA is unlikely.

2.5 Procurement sources

Mabion conducts development work in respect of obtaining biotechnological medicines. The degrees of development of various projects differ. In 2017 work was conducted on all possible molecular levels, from developing molecular biology techniques at the DNA level through obtaining protein in cell systems, to its purification and analysis of its purity and quality, including its physico-chemical and biological properties. In consequence of the advanced level of technologies developed in Mabion S.A. and the much differentiated level of project topics, the Company uses an extremely wide range of products and services available on the market. Research and development work is characterized by high diversity and variability, which is reflected in the number of sources of supply used by Mabion.

Producing such an advanced biotechnological product as a monoclonal antibody requires maintaining the appropriate sterility conditions and cleanliness areas, certified input materials, including disposable materials. The final product is subject to quality control release procedures, which often require using appropriately characterized reagents or outsourcing analyses to appropriately certified bodies.

In 2017 purchases from the following suppliers comprised at least 10% of the Company's annual operating expenses:

» Sartorius group companies – delivering disposable materials, manufacturing equipment and analytic services (share in purchases of approx. 19.1%)

» Altiora LLC – providing advisory services related to the conduct of clinical trials (share in purchases of approx. 13.7%)

These entities are not related to the Company.

As regards the suppliers of both manufacturing equipment and disposable materials, the Company cooperates closely with the Sartorius group. These goods are directly related to the "single use" technology applied in the Company and terminating the cooperation by the Sartorius group would involve for Mabion S.A. the need to find an alternative supplier, which could put the continuity and cost-effectiveness of the manufacturing process at risk.

Therefore, in the Company's opinion, Sartorius is its key supplier on which the Company is dependent to a significant extent. Finding suppliers alternative for Sartorius is one of the Company's priorities.

2.6 Main domestic and foreign investments

In 2017 the Company did not make any significant investments in securities, financial instruments, intangible assets or real estate.

2.7 Information on agreements concluded by MABION S.A.

2.7.1 Significant agreements relating to operating activities

On 8 November 2016, Mabion signed a long-term agreement for the development and commercialisation of MabionCD20 with Mylan Ireland – a subsidiary of Mylan N.V. – a leading global pharma company. The agreement provides Mylan with exclusive rights to the sale of MabionCD20 in all European Union and Balkan countries. In addition, Mylan will support the Company in actions aimed at obtaining the approval of the European Medicinal Agency (EMA) for MabionCD20.

Pursuant to the terms and conditions of the agreement, Mylan paid Mabion S.A. USD 10 million in the form of an upfront payment. In addition, Mabion will receive payments for completing the agreement milestones in the total amount of USD 35 million after approving and launching MabionCD20 on key markets, as well as royalties dependent on the net sales revenue per annum.

2.7.2 Agreements relating to loans and borrowings received in 2017

In 2017 the Company concluded borrowing agreements with related parties.

Table 9. Information on the borrowings received by the Company in 2017.

Lender	Date of agreement	Borrowing amount	Currency	Maturity	Interest rate	Terms of repayment
Twiti Investments Limited	26.05.2017	2,000,000	PLN	31.07.2017	WIBOR3M + 2 p.p.	Repaid from own funds
Twiti Investments Limited	26.06.2017	500,000	PLN	31.08.2017	WIBOR3M + 2 p.p.	Repaid from own funds
Glatton Sp. z o.o.	8.11.2017	600,000	PLN	31.12.2017	WIBOR3M + 2 p.p.	Repaid from own funds
Glatton Sp. z o.o.	15.11.2017	400,000	PLN	31.12.2017	WIBOR3M + 2 p.p.	Repaid from own funds
Glatton Sp. z o.o.	30.11.2017	200,000	PLN	31.12.2017	WIBOR3M + 2 p.p.	Repaid from own funds
Artur Chabowski	1.12.2017	555,000	PLN	31.12.2017	WIBOR3M + 2 p.p.	Repaid from own funds

As at 31.12.2017, there were no borrowings which had not been repaid by the Company.

On 8 June 2017, the Company's Management Board concluded an agreement with Bank Zachodni WBK S.A. for a revolving loan up to PLN 50 million for financing the Company's working capital.

The loan was granted for a period of 12 months. The loan bears a variable interest rate based on 3M WIBOR plus the Bank's fixed margin of 2.25 per cent per annum. The funds from the loan were first used to pay back the loan received in October 2016 in the amount of PLN 25 million from Alior Bank S.A., plus interest payable. The remaining funds from the loan are used for financing the Company's current operations, in particular for starting the production of the medicine MabionCD20.

The loan is secured with a contractual mortgage up to the amount of PLN 75 million set up on the real estate in Konstantynów Łódzki and assignment of receivables under the insurance contract, authorisation to use the Company's account at Bank Zachodni WBK S.A., the Company's statement on voluntary submission to execution and other forms of security granted by three key shareholders of the Company.

Under the loan agreement, the loan could be used for the repayment of loans from shareholders up to the amount of PLN 2 million.

In November 2017, the market value of the security provided in respect of the loan by one of the shareholders dropped below the lower limit stipulated in the loan agreement. The Company, together with the shareholder, promptly decided to take measures necessary to increase the value of the security and the value concerned was increased to the level required by the loan agreement. This situation did not have negative consequences for the Company. There were no violations of other material provisions of loan or borrowing agreements in the reporting period, including defaults in payment within the required time limit.

On 4 December 2017, an annex to the revolving loan agreement with Bank Zachodni WBK S.A. was signed, under which the Bank increased the amount of the revolving loan granted from PLN 50 million to PLN 75 million. Launching the increased limit also required the establishment of an additional security in the form of an increase in the contractual mortgage on the real estate in Konstantynów Łódzki to PLN 112.5 million, filing a new statement on voluntary submission to execution to the amount constituting 150% of the loan amount, and submitting new, increased sureties and other collateral granted by the Company's main shareholders.

By 31.12.2017 the Company used PLN 60 million from the loan granted by Bank Zachodni WBK S.A.

2.7.3 Agreements terminated or dissolved in 2017

In June 2017 the Company terminated the revolving loan agreement for the amount of PLN 25 million, which had been concluded with Alior Bank S.A. on 12 October 2016 for the period ending on 28 September 2017. The loan, together with interest, was repaid in full on 4 July 2017 with funds from the loan granted to the Company by Bank Zachodni WBK S.A. The loan from Alior Bank was granted in PLN on an arm's length basis, at an interest rate based on WIBOR 3M increased by the bank`s fixed margin of 2 p. p.

2.7.4 Agreements relating to borrowings granted

In the financial year 2017 the Company did not grant any borrowings.

2.7.5 Sureties and guarantees

In the financial year 2017 the Company did not grant or receive any sureties or guarantees, apart from the sureties related to the loan from Bank Zachodni WBK S.A. (see point 2.7.2).

2.7.6 Transactions with related parties

In 2017 the Company did not enter into transactions with related parties on terms other than arm's length.

2.8 Information on other significant events

2.8.1 Significant events and factors during the financial year

January

On 3 January 2017, the Management Board of Mabion received information on being granted Permit No. 301 for conducting economic activity in the Łódź Special Economic Zone (ŁSEZ). In the permit granted to the Company, the following conditions for conducting business activities in the Zone were specified:

1) incurring investment expenditure within the territory of the Zone of at least PLN 20 million by 31 December 2019,

2) increasing the number of employees involved 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 achieving an 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 eligible 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 eligible costs of labour will be PLN 650 thousand.

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 eligible costs incurred, which will constitute the basis for calculating tax relief. The capital expenditure project which constitutes the basis of the application for the permit relates to an increase in the production potential in the existing Scientific-Industrial Complex of Medical Biotechnology 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 for the second production line. The planned project will enable doubling the production capacity and improving the effectiveness of the production process. This information was published in Current Report No. 20/2017 on 3 January 2017.

On 11 January 2017, an audit of the Company meeting the two conditions of Permit No. 167 dated August 2010 for conducting economic activity in the Łódź Special Economic Zone ("Zone", "ŁSEZ") in the Research and Development Centre for Biotechnological Medicinal Products (Centrum Badawczo-Rozwojowe Biotechnologicznych Produktów Leczniczych) took place. The audit related to the Company meeting the conditions for maintaining at 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 eligible expenditure of the project exceeding the maximum amount specified in the permit, of PLN 30 million. The maximum amount of eligible labour costs specified in the permit is PLN 5.92 million. Based on the audit actions conducted, it was found that both the 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 tax exemption, until the end of 2026, up to 70% of the total amount of eligible costs. This information was published in Current Report No. 4/2017 on 11 January 2017.

On 11 January 2017, the audit of the Company meeting the conditions of Permit No. 203 dated April 2012 for conducting economic activity in the Łódź Special Economic Zone ("Zone", "ŁSEZ") in respect of incurring eligible 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 took place. Based on the audit conducted, it was determined that both the conditions of the permit had been met.

The eligible capital expenditure relates to the construction of a new production plant, i.e. Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki. In the period since 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. According to 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 eligible costs to the end of 2026, where the basis for calculating the Company's tax relief in respect of the costs incurred will be PLN 45 million, i.e. the maximum amount of the eligible costs of the project specified in the permit (as the value of the Company's capital expenditure exceeded the cap for eligible costs) plus the eligible costs of labour (the cap for which is PLN 8 million). The remaining conditions of Permit No. 203 is maintaining employment at a level of at least 30 persons until 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 was published in Current Report No. 5/2017 on 11 January 2017.

February

On 16 February 2017 the Company's Extraordinary General Meeting (EGM) authorized the Company's Management Board to increase the share capital once or several times, 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) an 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 in the meaning of Article 431 par. 2 point 3 of the Polish Code of Commercial Companies and Partnerships, where the shares would be issued under public offering outside the territory of the Republic of Poland with quotations on a European exchange (which covers the regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange]) or the United States of America ("IPO"), and
2) an 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 in the private placement in the meaning of Article 431 par. 2 point 1 of the Polish Code of Commercial Companies and Partnerships, within the territory of the Republic of Poland.

The Management Board's authorisation to increase the Company's share capital to the target amount was granted for the period of 1 year from entering the amendments to the Company's Articles of Association passed by the Extraordinary General Meeting's resolution No. 5/II/2017 of 16 February 2017 to the Register of Entrepreneurs, i.e. from 23 March 2017. The Company's Management Board did not use the authorisation it was granted. As at 23 March 2018, the aforementioned authorisation expired. This information was published in Current Reports No. 11/2017 on 16 February 2017 and No. 14/2018 on 23 March 2018.

On 21 February 2017, the Company's Management Board received information that patients in the total number of 140 were included in MabionCD20 – 002 NHL clinical trial conducted in the indication of non-Hodgkin's lymphoma. All patients were administered one dose of the medicine. This meant that the number of patients included in the trial 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 an ongoing basis to verify whether recruitment should be resumed and the number of patients increased. This information was published in Current Report No. 15/2017 on 21 February 2017.

March

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 point 4.2 of this report. This information was published in Current Report No. 20/2017 on 30 March 2017.

April

On 19 April 2017, the Company's Management Board received information that as a result of the audit conducted in the Scientific-Industrial Complex of Medical Biotechnology Mabion S.A. in Konstantynów Łódzki, the Company received a Good

Manufacturing Practice (GMP) certificate for the Scientific-Industrial Complex of Medical Biotechnology 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 the compliance of the manufacturing conditions with Good Manufacturing Practice, which was determined during the audit. The certificate is valid for 3 years as 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 was published in Current Report 22/2017 on 19 April 2017.

May

On 15 May, 2017 the Company's Management Board announced that all patients included in the MabionCD20 RA trial passed the stages of administering the medicine and the basic six-month follow-up period. From that moment, the consecutive six-month period of the so-called long term follow-up 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 was published in Current Report No. 26/2017 on 15 May 2017.

On 31 May 2017, the Company informed of having received the audit report stating that the Company met one of the conditions of Permit No. 301 for conducting economic activity in the Łódź Special Economic Zone. The audit related to 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 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 31 May 2017.

June

On 8 June 2017, the Company's Management Board concluded an agreement with Bank Zachodni WBK S.A. for a revolving loan up to PLN 50 million for financing the Company's working capital for a period of one year as of the date of the agreement. The loan was first launched to pay back the debt of PLN 25 million plus 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 has the obligation to refrain from making instructions for loan disbursement with Alior Bank S.A. 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 mortgage entered as item one in the land and mortgage register, up to the maximum amount of PLN 75 million set up on the Issuer's right to the real estate in Konstantynów Łódzki and assignment of receivables under the insurance of buildings/structures located on the real estate to the Bank, a statement on voluntary submission to execution by virtue of a Notarial Deed, pursuant to Article 777 par. 1 point 5 of the Polish Code of Commercial Companies and Partnerships, each time to 150% of the amount of the loan and a surety and other forms of security granted by entities related to the Issuer (key shareholders of the Company). This information was published in Current Report No. 30/2017 on 8 June 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 autoimmune 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 the National Centre for Research and Development (NCBiR) for co-financing. This information was published in Current Report No. 31/2017 on 13 June 2017. The co-financing agreement was concluded on 18 September 2017, and detailed information about it is included below.

July

On 6 July 2017, the Company's Management Board received information that the Company's application for co-financing of the project entitled "Development of a biotechnological medicine through the development of an innovative monoclonal IgG1

subclass antibody with a reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR", filed under the Sector Programme InnoNeuroPharm (competition 2/1.2/2017 SGOP), financed with funds from Measure 1.2 "Sectoral R&B Programmes" of the SGOP 2014-2020, was recommended by NCBiR for co-financing. This information was published in Current Report No. 37/2017 on 6 July 2017. The co-financing agreement was concluded on 4 October 2017, and detailed information about it is included below.

August

On 24 August 2017, the Company's Management Board received an initial report from an external company which manages the data of patients in the trial of 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 summaries which included unblinded results of comparative trials for the reference product MabThera. Based on the said summaries received on 16 August 2017, the independently conducted an internal analysis based on which on 16 August 2017 the Company's Management Board assessed and acknowledged as positive the result of the clinical trial 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 includes 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 achieved the primary endpoint of ACR 20 (the ratio covering the patients demonstrating health improvement at a level of at least 20%) in both trial groups (treated with MabionCD20 and with MabThera) in Week 24 of the trial demonstrates bioequivalence of 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. This information was published in Current Report No. 39/2017 on 24 August 2017. As at the publication of this report, the Company is in possession of the final, positive results in respect of the primary endpoint which will be used in the marketing authorisation application (MAA). On 22 March 2018 the Company's Management Board received from the company contracted to analyse the results of RA patients' response to treatment the confirmation that the status of the clinical trial results reported in the above communications as "initial" was changed to "final". This information was published in Current Report No. 13/2018 on 23 March 2018.

On 28 August 2017, the last visit of the last patient included in 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 follow-up. Then the patients were subjected to 20 weeks of follow-up, the so-called long-term follow-up. Clinical data collected from the patients by week 26 were subjected to statistical analysis, and the obtained initial results of the clinical trial are positive. The next stage will be the preparation and submission of appropriate documentation by the Company to the European Medicine Agency. This information was published in Current Report No. 40/2017 on 28 August 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, covering the results of the clinical trial in respect of similarities between MabionCD20 and MabThera in patients with active RA based on an assessment of the primary and secondary pharmacokinetic parameters in Week 24 of the trial, demonstrates bioequivalence of MabionCD20 and MabThera. As at the date of publication of the report, the Company has final positive pharmacokinetic results which will be used in the marketing authorisation application (MAA). This information was published in Current Report No. 41/2017 on 29 August 2017.

September

On 1 September 2017, the Company's Management Board received from the companies contracted to analyse the results of response to treatment in RA patients participating in the comparative trial of MabionCD20 and MabThera, initial reports on the results of the trial in respect of secondary endpoints. The initial report was issued on the basis of summaries which included the unblinded results of comparative trials for the reference product MabThera. Based on the said summaries received on 16 August 2017, the Company conducted independently an internal analysis, according to which on 16 August 2017 the Company's

Management Board assessed and acknowledged 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 issuing initial reports. In accordance with the initial reports received in respect of all the parameters listed therein, positive results were obtained. The 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 obtained results in respect of further secondary endpoints related to long-term follow-up, but their significance compared with the results presented above is limited. The results referred to above are based on the initial versions of the report by external entities. As at the date of publication of the report, the Company is in possession of the final, positive results in respect of secondary endpoints. Those results will be used in the marketing authorisation application (MAA). This information was published in Current Report No. 42/2017 on 1 September 2017.

On 19 September 2017, the Management Board of Mabion S.A. was informed that NCBiR signed an agreement to co-finance the project entitled "Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies". The eligible cost of the project is approximately PLN 54 million, and the final value of awarded co-financing is approximately PLN 27 million. The planned duration of the project is approximately three years. The purpose of the Project is to conduct development work aimed at preparing the biotechnological medicine MabionCD20 (rituximab biosimilar), which is an innovative product on a global scale, for the introduction to manufacturing on an industrial scale. The medicine has higher qualitative parameters in respect of the purity profile than the reference medicine (MabThera). The project obtained co-financing under the Smart Growth Operational Programme 2014-2020 (3/1.1.1/2016) Measure 1.1. "R&D Projects of Enterprises", Sub-measure 1.1.1 "Industrial research and development work carried out by the company". This information was published in Current Report No. 44/2017 on 19 September 2017.

October

On 4 October 2017, the Management Board of Mabion S.A. was informed that NCBiR signed an agreement to co-finance the project entitled "Development of a biotechnological medicine through the development of an innovative monoclonal IgG1 subclass antibody with reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR". The total cost of the project is approximately PLN 40 million, and the value of awarded co-financing is approximately PLN 28 million. The planned duration of the project is approximately five years. The subject matter of the project is conducting R&B work directed at developing MabionEGFR – a monoclonal antibody with the potential of a medicinal product to be used in oncological indications. The project obtained co-financing under the Sector Programme InnoNeuroPharm (competition 2/1.2/2017 SGOP), financed with funds from Measure 1.2 "Sectoral R&D programmes" SGOP 2014-2020. This information was published in Current Report No. 48/2017 dated 4 October 2017.

On 26 October 2017, the last visit of the last patient in the 6-month follow-up extension study (the so-called long-term follow-up) in patients included in the MabionCD20 RA clinical trial took place. In conclusion, all patients who participated in the MabionCD20 research ended a 12-month treatment and a follow-up cycle consisting of the basic treatment and the follow-up period which lasted 6 months and an additional 6-month period of long-term follow-up. Therefore, the data collection for all endpoints of the research was closed. This information was published in Current Report No. 50/2017 on 26 October 2017.

November

On 15 November 2017, the Management Board of Mabion S.A. decided to give a termination notice in respect of the agreement for co-financing the research project "The clinical development and registration of a humanized monoclonal antibody that binds to HER2 receptor, used in breast cancer treatment". The agreement for co-financing the Project in the area of clinical research under the Innomed program, for the amount of PLN 10 million was concluded on 24 June 2014 with the National Centre for Research and Development (NCBiR). The decision to terminate the agreement was the result of the high scientific risk of research on a medicine biosimilar to Herceptin in respect of the potential time necessary to develop the product, and was taken after analysing the competitive environment. In accordance with the Company's knowledge, the European Medicines Agency (EMA) has already issued one positive decision relating to a medicine biosimilar to Herceptin, and three other applications for

registration are currently being analysed by the EMA. The Company's Management Board considered that in view of the competitive landscape ultimately the performance of the planned research may not be beneficial, as the Company's project is delayed compared to the competitors' projects. Despite the actions taken by the Company and due diligence in exercising them, circumstances arose which were unforeseeable at the stage of applying for co-financing. Therefore, the Company's Management Board decided to terminate the co-financing agreement. To-date the Company has used PLN 178 thousand of the funding received. In view of this situation, the risk exists that NCBIR will qualify, in part or in total, the funds used as non-eligible expenditure. By the date of publication of this report the Company did not receive from NCBIR the final evaluation of the submitted final report from the project. This information was published in Current Report No. 54/2017 on 15 November 2017.

December

On 4 December 2017, an annex to the revolving loan agreement with Bank Zachodni WBK S.A. was signed, under which the Bank increased the amount of the revolving loan granted from PLN 50 million to PLN 75 million. It was agreed that the funds under the increased limit would be disbursed in tranches after the terms and conditions specified in the annex had been met. Launching the increased limit also required setting up additional security in the form of an increase in the contractual mortgage on the Issuer's ownership title to the real estate in Konstantynów Łódzki to PLN 112.5 million, filing a new statement on submission to execution pursuant to Article 777 par. 1 of the Code of Civil Procedure to the amount constituting 150% of the loan amount and submitting new, increased sureties and other collateral granted by other entities. This information was published in Current Report No. 55/2017 on 4 December 2017.

On 5 December 2017, the Company filed with the Polish patent office a European patent application with the option of expanding it according to PCT procedures, based on which Mabion is applying for the legal protection of its invention entitled "Combination Therapy of Multiple Sclerosis comprising a CD20 Ligand". The subject matter of the patent application is an innovative therapy for multiple sclerosis patients, using the MabionCD20 antibody in combination with other substances (the MabionMS Project). The Company's Management Board decided that filing the patent application is an important piece of information as it is the first research project relating to an innovative medicine implemented by the Company and if it succeeds and acquires patent protection, it will have a positive impact on the Issuer's economic, assets and financial position. Filing the application does not guarantee obtaining patent protection. This information was published in Current Report No. 56/2017 on 5 December 2017.

2.8.2 Significant events after the end of the financial year

On 5 January 2018, the Company's Management Board received information on the initial results of the assessment of the results of the clinical trial conducted in patients treated with MabionCD20 in the indication of non-Hodgkin's lymphomas (NHL) in respect of two primary pharmacokinetic endpoints, from the external company contracted to perform the assessment. The initial results indicated that the assumed bioequivalence criteria were met. This information was published in Current Report No. 2/2018 on 5 January 2018.

On 10 January 2018, the Management Board received initially processed data on the effectiveness of treatment and the overall safety profile of MabionCD20 in the indication of non-Hodgkin's lymphomas (NHL) from an external company (secondary endpoints). Based on the data relating to the efficacy of the therapy, the Management Board assessed the patients' response to treatment in both groups (treated with MabionCD20 and with MabThera) as comparable. In the Company's opinion, MabionCD20 met the requirements of the overall safety profile. The Management Board emphasized that due to the relatively small population of patients participating in the trial compared with the MabionCD20 RA trial, the assessment is not based on statistical inference. The assessment was based on descriptive statistics. This means that the final assessment of the reported results will be made by the European Medicines Agency (EMA) and may differ from the Company's assessment. Research reports in their final versions will be used in the marketing authorisation application (MAA) which the Company is planning to file with the EMA. This information was published in Current Report No. 3/2018 on 10 January 2018.

On 11 January 2018, the Company's Management Board obtained information that the last visit of the last patient in the follow-up extension study (the so-called long-term follow-up) of patients included in the MabionCD20 NHL trial had taken place. In conclusion, all the patients who participated in the MabionCD20 NHL trial ended a 46-week treatment and follow-up cycle

consisting of the basic treatment and the follow-up period which lasted 26 weeks and additional 20 weeks of long-term follow-up. Therefore, the data collection for all endpoints of the research ended. Based on the collected data the Company is to obtain results in respect of the secondary endpoints related to long-term follow-up. This information was published in Current Report No. 4/2018 on 11 January 2018.

On 15 January 2018, the Management Board received initially processed data in respect of the pharmacokinetic secondary endpoints and pharmacodynamics of MabionCD20 in the indication of non-Hodgkin's lymphomas (NHL) from an external company (secondary endpoints). The Management Board assessed the obtained pharmacokinetic parameters in the groups treated with MabionCD20 and MabThera as equivalent. In respect of the pharmacodynamics, in both groups a depletion (removal) of B-cells was noted, the degree of repletion (recreation) of lymphocytes in both groups was similar. The Management Board emphasized that due to the relatively small population of patients participating in the trial compared with the MabionCD20 RA trial, the assessment is not based on a simplified statistical approach. This means that the final assessment of the reported results will be made by the European Medicines Agency (EMA) and may differ from the Company's assessment. Therefore, the Company obtained data in respect of almost all the endpoints of the research. Trial reports in their final versions will be used in the marketing authorisation application (MAA) which the Company is planning to file with the EMA. This information was published in Current Report No. 6/2018 on 15 January 2018.

On 22 March 2018, the Company obtained financing in the amount of PLN 174.8 million, in the form of a borrowing agreement, from the Company's shareholder, i.e. Twiti Investments Ltd. (the Shareholder). The funds for the borrowing were obtained by the Shareholder from the sale of 1,920,772 ordinary bearer shares in the Company under the private offering referred to below. Originally, the borrowing from the Shareholder was to be repaid by 30 June 2018 by way of a set-off between reciprocal claims: The Company's receivables from the Shareholder's payment for the same number of the Company's newly issued ordinary bearer shares as the number shares sold under private offering that were to be issued by the Company at the same price as the price obtained from the sale of shares under private offering, and the Shareholder's receivables from the repayment of the borrowing from the Shareholder. Finally the borrowing was repaid by the Company in cash on 23 April 2018. This information was published in Current Report No. 26/2018 on 23 April 2018.

On 22 March 2018, Twiti Investments Ltd. (the Shareholder) concluded the agreement concerning the sale of 1,920,772 ordinary bearer shares in its possession under private offering to a limited number of selected institutional investors, including from the U.S., pursuant to the exception concerning private placements provided for in Section 4)a)(2) of the U.S. Securities Act of 1933, as amended, and non-U.S. investors based on the exclusion provided for in Regulation S of the U.S. Securities Act. The private offering was carried out in a manner which does not constitute a public offering in the meaning of Article 3 par. 1 of the Act of 29 July 2005 on Public Offering (...) and does not require the preparation or approval of the issue prospectus or information memorandum. The sale of shares took place as block trade transactions at the GPW carried out on 23 March 2018 and settled on 27 March 2018. The price of one share sold by the Shareholder was PLN 91.00. The private offering was addressed mainly at the U.S. institutional investors specializing in healthcare and biotechnology sectors who strengthened and diversified the Company's shareholding structure. The investors who purchased shares from the Shareholder and joined the Company's shareholding structure included, among others, the European Bank for Reconstruction and Development (EBRD) which purchased shares for PLN 61.4 million, and PFR Life Science sp. z o.o. (PFR Life Science), which purchased shares for PLN 38.3 million. Pursuant to framework agreements concluded with PFR Life Science and the EBRD, as long as PFR Life Science or the EBRD hold shares representing more than 1% of the Company's share capital, the EBRD, following consultations with PFR Life Science, will have the right to nominate a candidate to the Company's Supervisory Board, who shall meet the independence criteria stipulated in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Pursuant to the framework agreement concluded with the EBRD, the Company undertook to follow good practices adopted by the EBRD in the scope of environmental and social policy and to comply with the policy for combating fraud. This information was published in Current Report No. 12/2018 on 23 March 2018.

On 22 March 2018, the Company received from the company contracted to analyse the results of the clinical trial with MabionCD20 in RA patients the confirmation that the status of the clinical trial results reported previously by the Company as "initial", following thorough data verification, was changed to "final". Thus the positive assessment of the clinical trial result

did not change. The final versions of the report will be attached to the marketing authorisation application (MAA). The positive trial results do not warrant the approval by the European Medicines Agency (EMA). This information was published in Current Report No. 13/2018 on 23 March 2018.

On 4 April 2018, the Company received information that the Company's application for co-funding of a project entitled "Expansion of the Research and Development Centre of Mabion S.A. – research on a new generation of medicines" submitted in the course of competition 2.1/2/2017 to Measure 2.1: Support for investments in R&D infrastructure of enterprises of the Smart Growth Operational Programme 2014-2020 has been selected for co-financing. The subject of the project is development of the company's R&D facilities by preparing the necessary infrastructure: the Research and Development Centre building and the purchase of research equipment for the purpose of research on innovative medicines. The designated Research and Development Centre will be used to develop the most cutting-edge generation of biotechnological medicines, – monoclonal antibodies – and prepare them for commercialisation. The total cost of the Project is estimated at PLN 172.88 million and the recommended value of co-financing is equal to the amount specified in the application, i.e. PLN 63.25 million. By the date of publication of this report the co-financing agreement was not concluded. This information was published in Current Report No. 22/2018 on 4 April 2018.

On 18 April 2018, the Company's Extraordinary General Meeting adopted the resolution on an increase in the Company's share capital from PLN 1,180,000 to the amount of PLN 1,372,077.20 by means of issuing 1,920,772 P-series ordinary bearer shares with a par value PLN 0.10 each in the private placement according to Article 431 par. 2 point 1 of the KSH, addressed to Twiti Investments Ltd. The EGM decided to exclude the pre-emptive rights of the existing shareholders with respect to all P-series shares. The issue price of one P-series share was PLN 91 (total value of the issue: PLN 174.8 million).

The Company's Management Board was authorized to apply for admission and introduction of the P-series shares and the rights to P-series shares into trading on the regulated market operated by Giełda papierów Wartościowych S.A., provided that the conditions for such admission and introduction are met. Moreover, the Company's Management Board was authorized to conclude with Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland) the agreement on the registration in the securities depository of P-series shares and, provided that the conditions for such registration are met, of the rights to P-series shares, as well as to take all and any further necessary measures for their dematerialisation. This information was published in Current Report No. 23/2018 on 18 April 2018.

On 23 April 2018, the Company addressed to Twiti Investments Ltd. (the Shareholder) an offer to subscribe to the Company's 1,920,772 P-series ordinary bearer shares in the private placement according to Article 431 par. 2 point 1 of the KSH. The Shareholder accepted the offer to subscribe to P-series shares and on 23 April 2018 the P-series Share Subscription Agreement was concluded, under which the Shareholder subscribed to the Company's 1,920,772 P-series ordinary bearer shares with PLN 0.10 par value per share at the issue price of PLN 91.00 per share (total sale price of P-series shares equalled PLN 174.8 million). The total issue price for P-series shares was paid by the Shareholder in cash on 23 April 2018. The Company intends to use funds obtained from the P-series share issue among others for the expansion of the Research and Development Centre in Konstantynów Łódzki, covering the costs and expenses in connection with the development and commercialisation of Mabion CD20, and repayment of loans from and other liabilities towards financial institutions. Information on the Shareholder's subscribing to P-series shares was published in Current Report No. 26/2018 on 23 April 2018.

2.8.3 Atypical factors and events

In the Company's opinion, there were no atypical factors or events in the financial year 2017, other than as discussed in point 2.8.1.

3 ANALYSIS OF THE COMPANY'S FINANCIAL AND ASSETS POSITION

3.1 Selected financial data

Table 10. Selected financial data of Mabion S.A.

	In PLN thousand		In EUR thousand	
Selected financial data	2017	2016	2017	2016
Net sales	0	0	0	0
Operating profit (loss)	-62,376	-55,531	-14,695	-12,691
Profit (loss) before tax	-57,887	-55,826	-13,637	-12,758
Net profit (loss)	-57,887	-55,826	-13,637	-12,758
Net cash flows from operating activities	-54,127	-15,221	-12,752	-3,479
Net cash flows from investing activities	-7,111	-2,491	-1,675	-569
Net cash flows from financing activities	47,450	26,464	11,179	6,048
Total net cash flows	-13,788	8,752	-3,248	2,000
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total assets	82,445	91,247	19,767	20,625
Liabilities and provisions for liabilities	136,603	87,518	32,751	19,783
Long-term liabilities	16,233	14,060	3,892	3,178
Current liabilities	120,370	73,458	28,859	16,604
Equity	-54,158	3,729	-12,985	843
Share capital	1,180	1,180	283	267
Number of shares (in pcs)	11,800,000	11,800,000	11,800,000	11,800,000
Weighted average number of shares (in pcs)	11,800,000	11,544,548	11,800,000	11,544,548
Net profit (loss) per ordinary share	-4.91	-4.84	-1.16	-1.11
Book value per share	6.99	7.90	1.68	1.79
Dividend declared or paid per share	0	0	0	0

3.2 Principles for financial reporting

The separate financial statements of Mabion have been prepared using the accounting policies consistent with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS), Interpretations of the Standing Interpretation Committee 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, with the exception of derivative financial instruments, available-for-sale financial assets, which were measured at fair value. The separate financial statements, with the exception of the separate cash flow statement, have been prepared on an accruals basis.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern for at least 12 months after the date of publication. On 14 June 2017 the Ordinary General Meeting of the Company passed a resolution on further existence of the Company, in connection with negative value of equity.

In the financial statements for the year 2017, the same accounting principles (policies) as in the financial statements for the year 2016 were applied. There were no changes in the rules for measuring assets and liabilities and financial result in 2017.

The scope of the separate financial statements is consistent with the Minister of Finance Regulation of 19 February 2009 on current and periodic reporting by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (consolidated text: Journal of Laws of 2014, item 133) and it covers the annual reporting period from 1 January 2017 to 31 December 2017 and the comparative period from 1 January 2016 to 31 December 2016.

The individual items of the balance sheet were converted into euro at the average exchange rate valid as at a given balance sheet date, as announced for euro by the National Bank of Poland; (31 December 2017 – PLN 4.1709; 31 December 2016 – PLN 4.4240). Items of the income statement and the cash flow statement were converted into euro at the exchange rate being the arithmetical mean of the average exchange rates announced for euro by the National Bank of Poland, valid as at the last day of each month of the financial year (2017 – PLN 4.2447; 2016 – PLN 4.3757).

3.3 Key economic and financial figures

In 2017 the Company did not make any sales. Since its incorporation the Company has been focusing on conducting research and development activities with the aim to develop and launch its products on the commercial market. In the result, the Company suffered losses from its operational activities and generates negative cash flows from operational activities. It is expected that this situation will recur in the foreseeable future. As at 31 December 2017, the Company has significant losses and negative items of working capital.

In the 12 months of the year 2017, the Company's operating expenses amounted to PLN 64.579 thousand, which was mainly attributable to development costs, of PLN 43,257 thousand in 2017, and general administrative expenses which amounted to PLN 21,322 thousand. The Company's operating loss for the year 2017 was PLN 62,376 thousand and increased by PLN 6,845 thousand as compared with 2016. The Company's net loss reached PLN 57,887 thousand by the end of December 2017.

As at the end of December 2017, the Company's balance sheet total amounted to PLN 82,445 thousand and as compared to the end of December 2016, it decreased by PLN 8,802 thousand. As at the end of 2017, non-current assets, of PLN 72,470 thousand, were a significant proportion of total assets, including property, plant and equipment (mainly fixed assets involved in the Konstantynów Łódzki investment project). As at the end of December 2017, cash and cash equivalents amounted to PLN 1,038 thousand and came from the loan granted by Bank Zachodni WBK S.A.

Whereas, as far as the Company's liabilities and equity as at the end of 2017 are concerned, there is noticeable negative value of equity, which was brought about by the Company's net operating loss in the reporting period, as well as an increase in short-term and long-term liabilities due to loans and borrowings received. The negative value of equity results from the specifics of biotechnological activity conducted by the Company (continuously incurred high costs of research with accompanying lack of sales income until the project commercialisation) and is typical for the research and development companies.

The Company's Management Board believes that support from shareholders (both strategic shareholders and stock market participants) and the long-term agreement with Mylan Ireland Limited shall provide the Company with financing necessary to complete development work related to MabionCD20 and justify continuing the Company's activities in line with the adopted development strategy.

As at the end of December 2017, the Company's financial position is stable and the Company has funds to pay its liabilities as and when they fall due.

3.4 Financial and non-financial performance indicators

Table 11.

Profitability ratios	Measure	Definition	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016
Gross margin on sales	%	Gross margin / sales	N/A	N/A
Operating margin	%	Operating profit / sales	N/A	N/A
Profit margin	%	Net profit / sales	N/A	N/A
Return on assets (ROA)	%	Net profit / total assets at year-end	-70.2%	-61.2%
Return on equity (ROE)	%	Net profit / equity at year-end	N/A	-1497.1%

The values of economic indicators have been mainly driven by:
- no sales in 2017,
- costs of MabionCD20 development,
- capital expenditure on plant and machinery used for development and production of medicines,
- increased trade payables and financial liabilities,
- increased employment.

The Company's Management Board does not identify any non-financial performance indicators material for the assessment of the Issuer's growth, performance and position.

3.5 Product and geographical structure of revenues

In 2017 Mabion S.A. did not generate any sales.

The Company is not dependent on any customer and no customer accounts for more than 10 percent of the Company's sales revenue.

3.6 Issues of securities

In 2017 the Company did not issue any securities.

On 18 April 2018, the Company's Extraordinary General Meeting adopted the resolution on an increase in the Company's share capital from PLN 1,180,000 to the amount of PLN 1,372,077.20 by means of issuing 1,920,772 P-series ordinary bearer shares with a par value PLN 0.10 each in the private placement in the meaning of Article 431 par. 2 point 1 of the KSH, addressed to Twiti Investments Ltd. The issue price of one P-series share was PLN 91 (total value of the issue: PLN 174.8 million). The P-series shares were subscribed to and paid in full by Twiti Investments Ltd. on 23 April 2018. The Company intends to use funds obtained from the P-series share issue, among others, for the expansion of the Research and Development Centre in Konstantynów Łódzki, covering the costs and expenses in connection with the development and commercialisation of Mabion CD20, and repayment of loans from and other liabilities towards financial institutions. Further information on the issue of P-series shares is provided in point 2.8.2

3.7 Financial instruments used

In 2017, the Company did not use any financial instruments in the scope of risk related to: changes in prices, credit, significant distortions of cash flows and loss of financial liquidity.

In 2017, the Company did not use any derivative instruments.

3.8 Financial risk management objectives and methods

The Company does not have a formal financial risk management system. Decisions to apply instruments hedging forecast transactions are taken based on up-to-date analyses of the Company's situation and its environment.

3.9 Assessment of financial resource management

Going concern assumption

The separate financial statements have been prepared on the assumption that the Company will continue in operation as a going concern for at least 12 months after the date of publication. As at the date of approval of this report, the Management Board of Mabion S.A. is not aware of any circumstances that would indicate any serious threats to the Company's continuing in operation as a going concern. The intended duration of the Company is unlimited.

Financial resource management in 2017

In 2017, the Company's operations were most affected by development costs, in the first instance clinical trials and costs involved in the production of the medicine MabionCD20.

As at 31 December 2017, the value of the Company's equity was significantly negative and corresponded to approximately 65% of total assets, whereas as at the end of 2017 the Company's debt ratio involving long-term and current liabilities (trade liabilities) and loans is about 146.1 %.

In evaluating its financing needs, the Company takes the following factors into account:
- current and budgeted level of cash generated from operating activities,
- current structure of financing of non-current and current assets,
- anticipated capital expenditure level,
- budgeted scale of core operations (research and development).

Further financing plans

The assumed payback of expenditures incurred to date involves ensuring the Company's liquidity in the development phase and our assumptions that the Company's key product MabionCD20 will obtain a marketing authorisation and that its sales will generate sufficient future cash flows.
The Company assumes that the financing for its continuing in operation, including:
- launch of commercial scale production at the Scientific-Industrial Complex in Konstantynów Łódzki;
- design and preparatory work for the launch of construction of another production plant on the existing plot of land of Mabion in Konstantynów Łódzki;
- completion of research and development work on and registration of MabionCD20;
- marketing and continued sales of the medicine on the Polish market and in selected Central and East European countries;
- research and development work on further medicines developed by Mabion,

will be primarily derived from:

- expected distribution fees for MabionCD20 medicine (milestone payments),
- aid from EU funds,
- loans provided by banks,
- funds obtained under operating or finance leases,
- funds obtained from the P-series share issue,
- future share issues,
- performance of contracts for the provision of research and development services,
- borrowings from shareholders.

3.10 Assessment of the feasibility of investment plans

The Company's investment plans include commercial scale production at the Scientific-Industrial Complex in Konstantynów Łódzki, completion of research and development work on and registration of MabionCD20 product, and research and development work on further biosimilars.

On 23 April 2018, the Company obtained PLN 174.8 million from the issue of 1,920,772 P-series ordinary bearer shares in private placement addressed to Twiti Investments Ltd. The issue price of one P-series share was PLN 91. The Company intends to allocate the funds thus acquired to the implementation of investment plans and repayment of its liabilities towards banks and other financial institutions.

The Company intends to obtain funds for the implementation of investment projects from sources indicated in point 3.9. The Management Board focuses its efforts on matching the maturity structure of each payment involved in the carrying out of investment projects, first of all, to the periods of inflows of relevant funds.

The Company's liquidity may be affected adversely by:
- delayed payment of funds by government institutions handling the distribution of funds under EU co-financed projects;
- delayed distribution fee tranche payments due to failure to reach budgeted milestones by specified dates;
- delays in the refund of the tax on goods and services (VAT).

These negative phenomena should not affect significantly the scope of conducted activity. In such case the Management Board plans to mobilise the alternative sources of financing the current operations. In particular, the Company can count on help from shareholders who support the Company with short-term loans while awaiting other external funding.

3.11 Dividend policy

In the financial year 2017 the Company did not pay any dividend. The Company's Management Board adapts its dividend policy to the Company's changing business situation, taking into account the scope of necessary capital expenditure. Currently, the Company is in the growth stage and it does not intend to pay any dividend.

3.12 Explanations of discrepancies between the actual financial results and the previously published forecasts

The Company's Management Board decided to withdraw financial forecasts published in 2010 (drawn up in connection with efforts to introduce the I-series shares into an alternative trading system) and not to present any forecasts of its results of operations.

4 PROSPECTS OF MABION S.A.

4.1 Development prospects

Since its incorporation, the Company has focused mainly on research and development work on biosimilars such as therapeutic monoclonal antibodies and insulin analogues. The products developed by Mabion are highly specialist medicines which are much

more cost-effective in production than the manufacture of original products thanks to the technologies developed by the Company, including:

» proprietary genetic, cellular and process engineering technologies, which enable achieving high productivity in medicine manufacturing,
» fully integrated disposables technology, which enables the flexible use of manufacturing potential and reducing fixed manufacturing costs,
» industrial orbital shaking technology, which enables the cost-effective development of biofermentation processes.

The technology of manufacturing monoclonal antibodies is a relatively new area of medical biotechnology explored by the largest global pharmaceutical concerns, which has been dynamically developing over the last 20 years. The process of manufacturing therapeutic medicines – one of the most eminent achievements of modern biotechnology, enables the manufacture of targeted medicines which selectively interfere with cancer cells, ensuring the better effectiveness and lower toxicity of therapies. Those medicines allowed departure from treatment of cancer based on surgery, radiotherapy and cytotoxic medicines which destroy not only tumour cells, but healthy tissue as well. Mabion is a pioneer company in the area of modern biotechnology, not only on a domestic scale, but also in the area of Central and Eastern Europe. Large international pharmaceutical corporations are the exclusive global suppliers of biosimilars. In the past several years Mabion S.A. acquired competencies to manufacture any biotechnological medicines, from the stage of designing them, through the selection of the technological path, to manufacturing the finished medicine. Only a few companies in Europe have the capability of conducting the comprehensive process of developing a biotechnological drug.

The selection of biosimilars in the form of therapeutic monoclonal antibodies used in oncology and immunology as the products developed by our company was dictated by the dates of expiry of the patent protection of respective reference medicines and the huge value of the reference medicines market for the products developed by Mabion S.A. referred to above. The said protection on the territory of the European Union expires over several years, beginning from 2014.

The Company intends to go independently through the registration process of the therapeutic monoclonal antibodies according to the centralized procedure within the whole EU area, where the system for the registration of biosimilars is well regulated. In Poland and in neighbouring countries, the Company will sell its medicines independently, while in other EU countries Mylan Ireland has exclusive distribution rights to those medicines. The Company also has an important goal of introducing the medicines to the American market. In respect of regions with a less regulated registration system, in Asia and Africa, Mabion plans to conduct the whole registration procedure and sales of the medicines via lead local pharmaceutical companies, based on distribution agreements.

4.2 Implementation of the development strategy

The basic objective of Mabion's operations is the development, manufacture and market launch of oncological medicines biosimilar to the original biotechnological medicines already present on the market (the so-called reference medicines.

On 30 March 2017, the Company's Management Board passed a resolution regarding a plan for medicinal product development. The plan was prepared in the result of completion of an internal analytic project that considered nearly 50 potential drug candidates for development in the Company, taking into account, among others, reference medicine patent expiry dates, current and predicted volume of the reference medicine market, medicine production technology applied in the Company, team competencies, experience with MabionCD20 and the competition in the area of biosimilars.

Prior to the publication of this report, the Management Board carried out the annual revision of the medicinal product development strategy plan and it did not introduce any changes thereto. The status of projects implemented by Mabion S.A. as at the publication of this report is consistent with the one presented in the report for the third quarter of 2017 and is as follows:

Table 12. The current status of project implemented by the Company.

PROJECT	REFERENCE MEDICINE	REGULATORY CLASS
CLINICAL AREA		
PRE-REGISTRATION PHASE PRODUCTS		
MabionCD20		mAB biosimilar
CURRENTLY IMPLEMENTED PROJECTS		
MabionEGFR		mAB biosimilar
MabionMS		mAB
MabionVEGF_Fab*		Fab biosimilar
PLANNED PROJECTS		
MabionHER2_ADC		mAB biopodobny
MabionAI2		mAB biosimilar
MabionAI3		mAB biosimilar
MabionTR		mAB biosimilar
MabionON4		mAB biosimilar
MabionON5		mAB biosimilar
MabionInAI4		mAB biosimilar
CONDITIONAL PROJECTS		
MabionHER2		mAB biosimilar

 Immunology  Oncology  Ophthalmology  Tissue Metabolism  Neurology

*Stage of co-development with a partner

Currently, the Company's priority project is to introduce MabionCD20 to the largest number of global markets possible. The Company intends to go independently through the registration process according to the centralized procedure within the whole EU area, where the system for the registration of biosimilars is well regulated.

In 2017 the following actions were successfully completed in the scope of work concerning MabionCD20:
- Recruitment of patients to the NHL trial was completed;
- The last visit of the last patient in RA trial was carried out (completion of the long-term follow-up, which in view of the pharmaceutical law is also the formal end of a clinical trial);
- Data analysis for patients included in the RA trial was conducted, which in effect led to obtaining positive results of the clinical trial in respect of all endpoints by Week 24;
- The last visit of the last patient included in the NHL trial at Week 26 was conducted. During this visit, the last primary and secondary endpoints were collected and then subjected to statistical analysis;
- Data analysis for patients included in the NHL trial, was conducted, which in effect led to obtaining positive results of the clinical trial in respect of all endpoints by Week 26;
- A series of audits was carried out at clinical sites in order to verify the quality of documentation kept at these sites, and to verify the compliance of the conducted clinical trials with GCP requirements;
- Validation of the manufacturing process of MabionCD20 on the 2x250 L scale was completed;
- One full technological batch was run on an industrial scale to obtain bulk product;
- A technological batch was run on an industrial scale to the stage of viral inactivation;
- Two technological batches were run on an industrial scale to the stage of bioreactor cell culture;
- Preparation of the registration dossier began.

The Company's current production capacity enables it to provide the medicine exclusively for the purpose of the clinical trials conducted and to cover the estimated demand of European Union customers only to a very small extent. Upon registering the MabionCD20 medicine by EMA, the medicine will be sold throughout the territory of the European Union, therefore, adequate production capacity must be achieved. Therefore, the necessary next stage of the Company's development will be providing additional equipment and expansion of the plant in Konstantynów Łódzki.

Additional equipment for the existing plant

The capital expenditure project which constitutes the subject matter of the permit No. 301 in the Łódź Special Economic Zone consists of increasing the production capacity of the current plant and covers:
- additional equipment for the existing production line 2x2500 L; and
- purchase and installation of a production equipment for the second production line 2x2500 L, which will be located in the existing building.

In respect of permit No. 301, as at 31 December 2017 the Company incurred expenses in the amount of PLN 1.8 million and is planning to complete it before 31 December 2021.

Expansion of the existing plant

In 2017 the Company began preparation activities in connection with expansion of the existing production facility (MABION II), with the aim to increase significantly the production as well as R&D capacity of the Company. A concept of expansion of the Scientific-Industrial Complex of Medical Biotechnology was developed and works on the selection of an architectural design studio started, as well as administrative actions related to the need to obtain specific official permits.

In February 2018, the Company's Management Board chose an international consortium of architectural and technological companies and entrusted them with the development of the technological and construction project. During the selection of the contractor, in addition to commercial issues, offers were evaluated for tenderer's technological know-how potential, experience in the scope of administrative procedures as well as knowledge and references in the scope of architectural and building projects. This is one of the first elements of the implementation of the complex MABION II project which will be eventually implemented under a project or projects co-funded with EU funds, own contribution, as well as covered with another zone permit.

Table 13. Planned expansion of the existing plant of Mabion S.A.

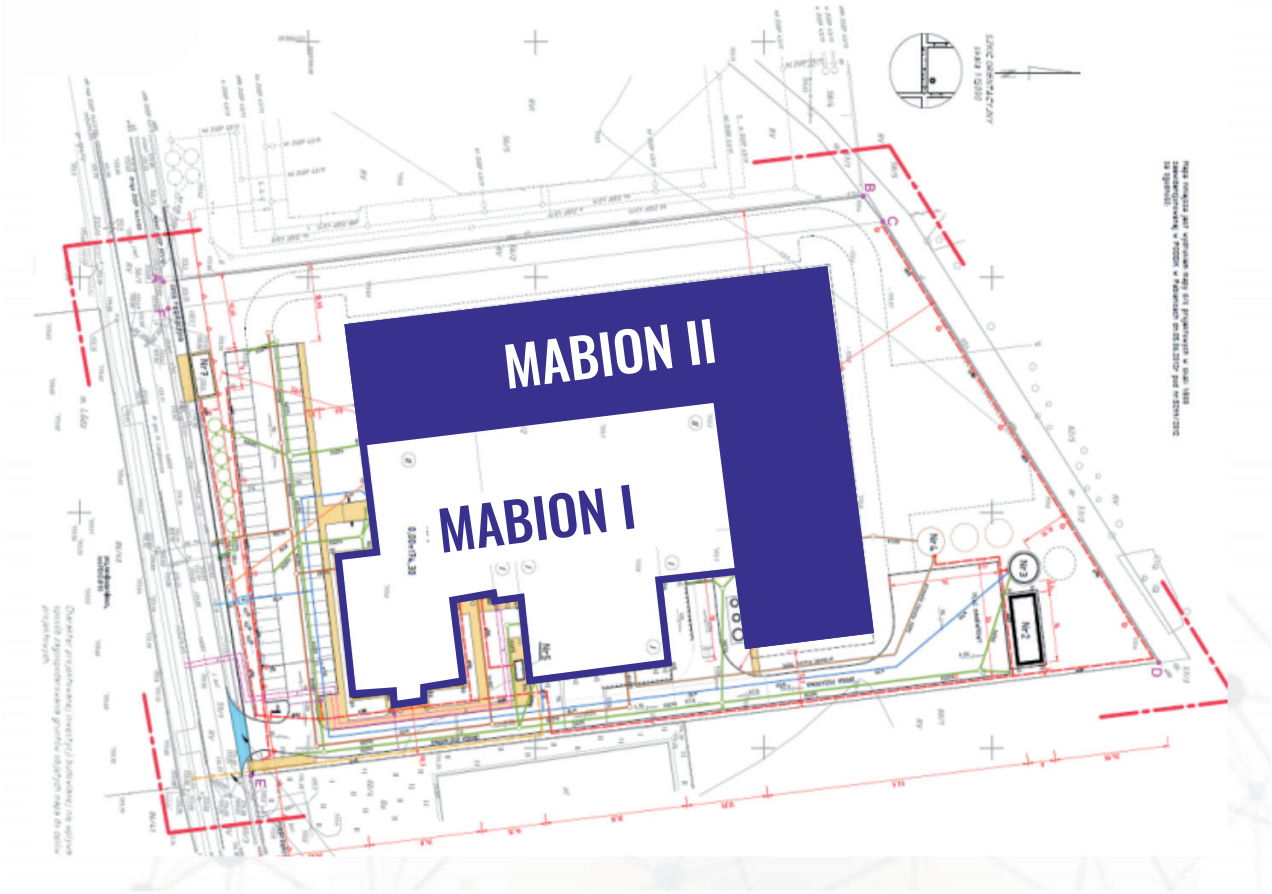


Table 14. Example of the visualization of the building.

4.3 Factors significant for the development

Standards relating to studies

The research and development work of Mabion S.A. is conducted according to quality standards. The medicines are manufactured according to the Good Manufacturing Practice. This was confirmed by obtaining the GMP certificate from the Chief Pharmaceutical Inspectorate:

» in November 2014 for the Research and Development Centre in Łódź, at ul. Fabryczna 17;
» in April 2017 for the Scientific-Industrial Complex of Medical Biotechnology of Mabion S.A. in Konstantynów Łódzki, at ul. gen. M. Langiewicza 60.

Research and development work on new medicines, and quality control analyses are conducted in accordance with Good Laboratory Practice. This was confirmed by obtaining the GLP certificate in March 2014 from the Bureau for Chemical Substances (Biuro do spraw Substancji Chemicznych). Holding such a certificate indicates the appropriate quality of the research and analyses conducted. Analyses in the scope of medicine quality parameters and clinical parameters provide unbiased, reliable results acceptable by medicine registration offices throughout the world. In February 2018 (event after the balance sheet date) the Research and Development Centre in Łódź underwent another DPL audit successfully and the validity of its certificate was extended.

Clinical development of MabionCD20 is conducted according to Good Clinical Practice. The plans for the clinical development were consulted several times with experts from the European Medicine Agency in London. Obtaining scientific advice and acceptance of the scientists from the European Medicine Agency for detailed clinical trial protocols minimizes the risk of rejection of future registration applications filed for the MabionCD20 medicine.

The clinical trial for MabionCD20 is monitored by an independent DSMB (Data and Safety Monitoring Board) Committee. An independent, unbiased evaluation of the quality of the trial and the safety of patients in the clinical trial is very important for the reliability of the presented clinical data.

Information on collective experience and knowledge of the key technical personnel

During its existence, the Company gathered a stable and experienced research personnel team. The team whose knowledge is of key importance to the results of research and development operations comprises:

» dr Sławomir Jaros (Member of the Management Board, scientific director of the Company, graduate of the Warsaw University of Life Sciences, Inter-faculty Biotechnology Studies (specialization: Biotechnology in production and animal health protection), doctor of biological sciences in the Institute of Parasitology of the Polish Academy of Sciences and graduate of Polish-American Studies Executive MBA (University of Maryland);
» Jarosław Walczak (Member of the Management Board, graduate of the Łódź University of Technology, Faculty of Food Chemistry and Biotechnology (specialty: Food Technology) and graduate of the post-graduate studies at the Poznań University of Economics (Marketing on the Pharmaceutical Market);
» dr Maciej Wieczorek (Member of the Company's Supervisory Board, previously President of the Management Board and doctor of medical sciences of the Medical University in Łódź (Medical Biology);
» prof. Tadeusz Pietrucha (member of the Company's Supervisory Board, previously Member of the Management Board, assistant professor of medical sciences at the Medical University in Łódź in the area of medical biology and professor of the Medical University in Łódź).

On 9 January 2017, an agreement was concluded with the Faculty of Biology and Environmental Protection of the Łódź University. Previously (on 12 October 2016) a similar agreement was concluded by the Company with the Faculty of Biotechnology and Food Sciences of the Łódź University of Technology. These agreements enable the Company to cooperate in the area of information sharing, conducting research, scientific expert studies, and to establish partnership relations in respect of traineeships in the Company for the best students of both universities.

In addition, the Company earmarks significant funds for the participation of its key personnel in the most prestigious conferences and foreign training. In 2017 these included:

Table 15: List of training courses and conferences.

Training	Organizer	Date
Analysing & Validating Biological Assays	PTI	21.02.2017
Pharmacovigilance- aktualności oraz zmiany w 2018 roku	WRL Training Group	18.10.2017
Bioprocess Characterisation, Qualification and Validation	KNect 365 Life Science	12.10.2017
Manufacturing Process Changes	PTI	1-3.03.2017
Field Application Specjalist Support -szkolenie aplikacyjne	ELKABE sp.zo.o.	17-19.01.2017
Introductory level CMC Analitycal, comparability&stability testing and lab	PTI	6-7.04.2017
Biacore Basic corse	GE Healthcare , GE Medical Systems Polska Sp. z o.o.	19-20.07.2017
Analitycal Methods Validations for Fda Compliance	CfPA The center for professional advancement AMSTERDAM	12-14.06.2017
CTD&eCTD Subimission, Manufacturing Process Changes	PTI	27.02-.03.03.2017
Stability & Shelf Life of Biological w Monachium	Fleming Events s r o Slovakia	1-2.06.2017
BioProcess International European Summit	Conference in Amsterdam	25-26.04.2017
Regulatory Affairs Strategies	PTI	11-12.12.2017

In 2017 the Company also intensively developed its personnel's competencies through their participation in internal and external training. There were over eighty such training courses in the reporting period.

4.4 Risk and threat factors

4.4.1 Significant risk and threat factors

Risk related to the macroeconomic, legal and political situation
Potential unfavourable changes in the macroeconomic, legal or political environment on the markets where the Company is planning to sell its medicines, for example the slowdown in the rate of economic growth or reduced healthcare expenditure, may have a negative impact on the Company's operations and financial results. Significant economic factors that have impact on the results achieved by our Company include the level of GDP, average wages, unemployment level, inflation level, volume of healthcare expenditure.

The Management Board monitors the macroeconomic, legal and political situation on an ongoing basis, trying to adapt the Company's strategy to changes in these areas sufficiently in advance.

Risk related to operations carried out on an international scale

Operations on an international scale involve a number of risks, including:

- multiple, conflicting and changing laws and regulations, including those relating to privacy, tax, export and import restrictions, labour law, regulatory requirements and other administrative consents, permits and licences;
- failure to obtain or to keep by co-operating entities the regulatory permits for use of the Company's products in various countries;
- additional potentially significant patent rights of third parties;
- complex and difficult aspects of obtaining protection and pursuing intellectual property rights;
- difficulties in filling positions and management of foreign operations by the Company or by entities cooperating with the Company;
- complex aspects related to the management of multiple reimbursement systems, public payers or patient payment systems by cooperating entities;
- limitations of Company' s capabilities and the possibilities of cooperating entities in the scope of entering international markets;
- financial risks such as long payment cycles, debt collection difficulties, the impact of local and regional financial crises on demand and payment for products, as well as exposure to the risk of exchange rate fluctuations;
- natural disasters, political and economic instability, including war, terrorism, civil unrest, outbreak of disease, boycotts, restriction of freedom of trade and other business constraints;
- certain expenses, including travel, translation and insurance expenses;
- regulatory and compliance risks that relate to reliable information and control over sales and operations.

The Management Board monitors the situation on target markets on an ongoing basis, trying to adapt the Company's strategy to changes in the areas described above sufficiently in advance.

Risks related to changes in legal regulations and their interpretation

Frequent regulatory changes that are typical of the Polish legal system may expose the Company to a risk that its business forecasts will become obsolete and its financial condition will deteriorate or even totally collapse.
Regulatory changes that have the greatest impact on the Company operations are those related to pharmaceutical, tax and intellectual property law.

Amendments to the above regulations may significantly reshape the Company' s legal environment and thus alter its financial results.

Also discrepancies in interpretation of the legal order prevailing in Poland and in the EU constitute a material factor which may have impact on the development prospects, results achieved and the financial position of the Company. Disparity in legal interpretations by national courts and public agencies and Community courts can have both direct and indirect consequences for the Company.

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

Risk related to the tax policy

One of the main elements that influence the entrepreneurs' decisions is Polish tax law: frequently changed, imprecise and more often than not suffering from the lack of uniform interpretations. Indeed, practices of fiscal authorities and court decisions on tax issues are all based on vague legal regulations, which translates into an increased business risk in Poland compared to the more stable tax systems in the countries with mature economies. However, tax regulations are gradually harmonised so as to ensure their unequivocal interpretation by enterprises and tax authorities alike.

Risk related to administrative decisions

The Company is unable to ensure that it will obtain particular permits, licences and consents required to complete biotechnological or construction projects, or that no current or future permits, licences and consents will be revoked. A negative development of the state of affairs may either delay the original projects or necessitate their change and so have an adverse impact on the Company business and financial performance.

Exchange rate risk

The Company purchases laboratory equipment and reagents for its research work mainly in foreign currencies (predominantly EUR and USD). Unfavourable changes in exchange rates (weakening of PLN in relation to foreign currencies) may adversely affect the Company's investment expenditure and increase its R&D spending, which in turn may result in a poorer financial performance. Given that Mabion S.A. intends to sell its medicines in foreign markets (with sales transactions denominated mainly in EUR and USD), the future risk associated with exchange rate fluctuations will be limited.

Market risk

The Company's primary objective is the development, manufacturing and marketing of biosimilars, i.e. biological medicines that are developed to be similar to the original biotech drugs (known as reference medicines). The biotech drug market is very attractive these days, and in the coming years its value should increase even more significantly. However, there is a risk that if reference medicines are withdrawn from the market or replaced with newer generation drugs, the Company's potential revenue on its in-house developed biosimilars will be lower than originally assumed, or that its products will not find buyers at all.

The Management Board monitors the reference medicine market on an ongoing basis and is prepared to undertake work on other biosimilars in order to mitigate this risk.

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

Oncological diseases on which the ongoing R&D efforts are focused are the most intensively studied group of diseases in biomedical sciences. It is estimated that approx. 30% of investment on research and development in biomedical companies is in the oncology domain. In addition, we witness a rapid development in the field of genetics and molecular biology.

Therefore, it is likely that within a few years the market will see some innovative medicines with better efficacy or tolerability parameters compared to drugs that are currently developed by the Company. In addition, there is a risk that other treatments will be invented, such as vaccines that would be used against the same diseases that are now treated with reference medicines for the Company's future drugs. The emergence of new medicines and therapies could adversely affect the Company future sales revenue and profit.

The Company is aware that it enters the very competitive pharmaceutical market. Successful competitors in the pharmaceutical market have demonstrated the ability to effectively discover, obtain patents, develop, test and obtain regulatory approvals for products, as well as the ability to successfully commercialise, market and promote approved products. Numerous companies, universities and research institutions are involved in the development, patenting, manufacturing and marketing of products that can compete with the Company's products. Many of these potential competitors are large, experienced pharmaceutical companies that benefit from a significant competitive advantage, including significantly greater financial, R & D, manufacturing, employee and marketing potential. These companies also have more brand recognition and greater experience in conducting preclinical tests and clinical trials of product candidates and obtaining permits from the FDA, EMA and other regulatory authorities for their products.

Many of the Company's competitors have significantly greater financial, technical and other resources, such as more R&D personnel and experienced marketing and production organizations. Further mergers and acquisitions in the pharmaceutical

industry may lead to the concentration of even more resources at the Company's competitors. As a result, these companies can get regulatory approval sooner than Mabion and can prove more effective in selling and marketing their products. Smaller companies or those at an early stage of development may also prove to be important competitors, especially due to their cooperation with large companies with established reputation. The Company's competitors may succeed in developing, purchasing or obtaining an exclusive license for products that are more effective or less costly than the Company's products. They can also obtain patent protection that will block Mabion products. They can also get the regulatory authority's permission, commercialise the product and penetrate the market earlier than the Company.

Biosimilars developed by the Company's competitors may make the Company's products non-cost-effective, less desirable or obsolete and the Company may fail to introduce products on the market in a clash with its competitors. Competitors may claim in their marketing programs or medical educational programs that the biosimilar products they manufacture have a higher degree of biosimilarity relative to reference products than the Company's products or other biosimilar products produced by competitors, thereby seeking to influence the healthcare sector's employees, to make them willing to choose biosimilar products they manufacture rather than the Company's products or those produced by other competitors. Competitors can also develop biologically better (biobetter) versions of reference products that are of interest to Mabion S.A. A biobetter is a product that includes changes in relation to the chemical structure of the reference product or delivery system creating clinical benefits compared to the original reference product. Biobetter products developed by the Company's competitors can successfully compete with Mabion products and limit the market success of Mabion.

The Management Board constantly monitors the progress of scientific research on new therapies and medicines for the diseases at which the Company drugs are to be targeted. Furthermore, most of the oncological regimens use the sequencing of treatment (in which a new medicine with a different mechanism of action is only introduced when the potential of the first drug is depleted) and polytherapies (a concomitant use of several drugs with different mechanisms of action), which significantly reduces the risk of erosion of the medicines applied in cancer therapies.

Risk relating to competition

Medicines that the Company is developing are biosimilars of the original reference medicines that are protected by patents with a commonly known validity periods. From publicly available information it may be easily inferred that at the moment there are many entities that develop biosimilars related to the same original drugs, and works on some of them are already at a very advanced stage.

In 2017 EMA granted marketing authorisation for the first medicines biosimilar to rituximab - Truxima manufactured by Celltrion (February 2017)[24] and Rixathon/ Riximyo manufactured by Sandoz (June 2017)[25]. These actions were not surprising to Mabion and did 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.

It should be noted that the biosimilars market has high entry barriers. They comprise, among other things, high requirements relating to clinical trials, in particular on developed markets, to prove that the medicine is biosimilar to the original medicine. Even if the commercialisation of a biosimilar to MabThera/Rituxan is successful for several entities, the analyses show that the market will still have the growth potential. It must be kept in mind that numerous patients do not have access to that therapy these days. In many countries rituximab treatment for patients with NHL is not reimbursed by public healthcare systems, and the therapy for those with RA is even more limited.

Risk related to the research and development process

The biotechnology industry, especially the production of modern biosimilars, is characterised by high labour intensity and the need to incur significant expenditure on research and development. Not only the possibility of launching the developed medicines on the market but also the efficiency of production processes and therefore also the manufacturing costs depend on the results

[24] http://www.ema.europa.eu/ema/index.jsp?curl=pages/medicines/human/medicines/004112/human_med_002077.jsp&mid=WC0b01ac058001d124
[25] http://www.ema.europa.eu/ema/index.jsp?curl=pages/medicines/human/medicines/003903/human_med_002095.jsp&mid=WC0b01ac058001d124 oraz http://www.ema.europa.eu/ema/index.jsp?curl=pages/medicines/human/medicines/004729/human_med_002116.jsp&mid=WC0b01ac058001d124

of the conducted research and development work. Mabion uses most of the funds so far obtained for research and development. There is a risk that some of or all of the Company's research objectives will not be achieved to the full extent planned or within the scheduled time, and so it will be unable to recover some or all of the research outlays. This can have a significant negative impact on the feasibility of the Company's strategic plans and thus its financial performance.

Outcomes of R&D to date confirm that the Company is able to manufacture its own biosimilars and, in the Management Board's opinion, significantly reduce the risk of not achieving ultimate success. In addition, the Management Board constantly monitors the progress of research and development, and implements some operational and procedural solutions to ensure a high efficiency of the process.

Risk of underestimating the costs of MabionCD20 manufacture and launch

According to assumptions very generally adopted by the biotechnological industry, the development and production of a single biosimilar which meets global standards lasts about 10 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 medicines 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 European Medicine Agency (EMA) with reference to the clinical program of MabionCD20 allow significant cost reduction compared to industry assumptions.

It cannot be precluded that the actual costs of production and launching the developed medicines (including MabionCD20) on the market will be much higher than currently anticipated. A material increase in the costs of production and market launch of the developed medicines 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 medicine development and launch, which applies also to MabionCD20:

- amendments to the regulations concerning the production of medicines and the need to use more expensive technological solutions or creating entirely new ones;
- increase in the costs of purchase of raw materials and materials used to manufacture medicines, following from the market conditions or new guidelines;
- amendments to regulations concerning the scope of analyses needed to characterize the product, e.g. the 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.

Risk related to the work schedule

The achievement of the Company's strategic goal, which is the registration and market launch of biosimilars as soon as possible after the expiry of patent protection of the original medicines, is connected with the need to develop a detailed work schedule for several years. The possibility of pursuing this schedule depends on 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 medicines and if necessary implements the required operating solutions to minimize the impact of unexpected events on adopted time schedules.

Risk of being unable to complete research work on MabionCD20 before the date of expiry of the patent protections of the reference medicine in the U.S.

In 2007 the Company initiated the research and development process of MabionCD20, which is a medicine directly competitive to the currently marketed medicine MabThera/Rituxan by Roche. In Europe the basic patent protection for this medicine expired in the period: and end of 2013 – end of 2014, and the basic patent protection in the U.S. will expire in 2018.[26]

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 competitive advantage. Delays in completing the procedure for registering the medicine MabionCD20 (in Europe this lasts 210 days as a rule) may cause the market launch of the medicine to be delayed compared with the Company's current assumptions.

The Company took active measures aimed at mitigating such risk in the past and is taking such measures now, to mitigate both the registration risk and the risk of extending the time to registration, by conducting the scientific advice procedure with the European Medicine Agency (EMA) four times – in December 2011, in November 2012, in October 2015 and in October 2016.

Despite measures taken by the Company, it cannot exclude the risk that due to procedural or substantive issues the drug registration process will be extended and the market launch of the drug will take place later than assumed by the Company.

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 medicine production on a larger scale is very important for the process of developing and producing biotechnological medicines. 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 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. In addition, the original deposit of the biological material used by the Company for the production of medicines is stored in an independent storing place outside Poland so as to be able to continue its production in any other external facility in case of any unexpected events.

The Company also monitors the workflow of the production process and the quality of the manufactured products, introducing necessary organizational, personnel, and technological changes in the framework of improving the quality management processes.

Risk related to the production process

The structure of complex mAb biologics is inherently variable and highly dependent on the processes and conditions used to manufacture them. If the Company are unable to develop manufacturing processes that achieve a requisite degree of biosimilarity to the reference product, and within a range of variability considered acceptable by regulatory authorities, the Company may not be able to obtain regulatory approval for its products.

This risk also applies to the transfer of MabionCD20 production technology from a clinical production plant in Łódź at ul. Fabryczna 17 to a commercial production plant in Konstantynów Łódzki, at ul. gen. M. Langiewicza 60. Regulatory authorities may request additional data including process validation, analytical comparability tests, pre-clinical or clinical trials, if they have doubts about the comparability of the MabionCD20 products produced in both facilities.

[26] https://www.roche.com/dam/jcr:0ac933a5-480c-4c13-8345-aac69861c852/en/irp100324.pdf

The process of production of biologic medicines with monoclonal antibodies comprises several stages and even the smallest change in any of them may have impact on the medicine's properties (e.g. in terms of its effectiveness or safety). Shift from the small laboratory scale to industrial scale (so-called up-scaling) is an extremely important element of the medicine production process. Ensuring the consistency, stability and sterility of the whole production process is extremely important. Mabion laboratories have been equipped with modern apparatus which ensure the maximum accuracy and repeatability of the results obtained. The materials used in the production zone are appropriately attested for use in the pharmaceutical industry. The installed production line was wholly based on sterile materials. The Management of individual 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 enabled 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 the GMP Certificate issued by the Chief Pharmaceutical Inspector for the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki).

The Company's activities could be prejudiced if the manufacturing plant or laboratories were destroyed or the Company would otherwise not be able to manufacture the products in the quantities required or of the appropriate quality.

If the Company is unable to produce sufficiently large quantities of MabionCD20 or any of the Company's products, the development work would be delayed, which would have a negative impact on the business and prospects. In addition, the Company's non-compliance with the applicable provisions could lead to sanctions imposed by service providers or concessionaires, including fines, court orders, civil penalties, delays, suspension or withdrawal of permits, revocation of licenses, seizure or withdrawal of products, operational restrictions and criminal proceedings, each of which could significantly adversely affect the delivery of the Company's products.

If a Mabion product is approved, in order to produce the quantities necessary to meet the expected market demand, the Company will have to increase its production capacity. Currently, the Company has the Research and Development Centre for Biotechnology Medicinal Products in Łódź at ul. Fabryczna, which has been used for production for clinical purposes and the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki at ul. Langiewicza, which the Company intends to use for commercial production. The Company may not be able to effectively transfer technology from an existing plant to the new one and/or increase the production of MabionCD20 or other products before obtaining marketing authorisation, if at all, and may not be able to effectively produce on a commercial scale the product that was produced for clinical purposes. In addition, the Company may be compelled to demonstrate that the product after transfer and increase in production is comparable to a product coming from a plant manufacturing for clinical purposes.

If the Company is unable to produce enough products to market these products or satisfy future demand, this may have an adverse effect on revenues and gross margin.

The Company's production also depends on key suppliers. In the case of disposables technology, the Company depends on specialized solutions (disposable bags) and this may have an impact on production. In addition, the quality of the bags may be different and in some cases may affect the product, which will make it unsuitable. The Company is also dependent on the timely deliveries and quality of all raw materials that are essential for the effective production of products.

Even if the Company is able to successfully produce commercial quantities in our plant, it cannot guarantee that it will not face challenges in guaranteeing a steady supply to global markets in the future.

Any unfavourable events having a negative impact on the Company's production activities could result in a significant increase in costs and a reduction in the supply of the Company's products.

Even small deviations from the normal production process could lead to reduced productivity, product defects and other disruptions of supply. If microbial, viral or other contamination would be detected in the Company's products or manufacturing plant, the plant might have to be closed for a longer period to in order to carry out tests and remove the contamination.

Any adverse events that have a negative impact on the production activity relating to the Company's products may lead to delays in shipment, lack of inventory, batch failure, withdrawal or other types of disruptions in the product supplies. The Company may also be forced to write down inventories and incur other fees and expenses due to products non-compliant with the specification, undertake costly remedies or look for more expensive production alternatives.

Risk related to the capacity/demand balance

Currently, it is difficult to estimate the precise demand for Mabion CD20. Nevertheless, the expectations of Mabion's global partner related to the supply plans to and the sale in the EU and the U.S. may force the Company to increase its current capacity beyond the level that may be achieved in the current facility, located in the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki. The Company is aware of this risk and conducts preparations in connection with the expansion of the facilities in Konstantynów Łódzki. In 2017 the building expansion concept was developed; its large part the building will be dedicated to the production process. Moreover, it will be possible to use part of the industrial systems installed in the current building in the extension, and so extra space will be gained for the installation of the maximum number of bioreactors.

The Company will carry out this investment project based on its own experience obtained during the construction and use of the Complex in Konstantynów, as well as cooperating with outstanding specialists in this field.

In order to eliminate the risk related to possible delays in the construction schedule, as well as its compliance with the expectations and needs of the Company, the Investment and Qualifications Department, composed of experienced specialists in this field, was created.

Risk related to the approvals for the laboratory and the manufacturing plant

Maintaining appropriate conditions on the premises where work is conducted on the Company's products is extremely important. Manufacturing plants must meet stringent requirements imposed by FDA, EMA and similar foreign regulatory authorities, including requirements for quality control, compliance of manufacturing procedures with current Good Manufacturing Practices or cGMP (the U.S. current good manufacturing practice) and legal provisions.

Currently, Mabion is in possession of all required approvals for equipment and for laboratory and manufacturing areas in both plants.

In 2016 the Company has managed to eliminate the risk of non-acceptance or delayed acceptance by the Chief Financial Inspectorate of the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki. In February 2018 (event after the balance sheet date), the Company successfully passed an audit in the field of Good Laboratory Practice in its laboratory in Łódź at ul. Fabryczna 17. DPL is a quality assurance system, according to which the Company implemented a drug pharmacokinetic analysis project in MabionCD20 clinical trials. The basic objective of the implementation of the DPL system is to ensure the quality and reliability of the obtained research results from the time of their design, to the proper storage of source data and reports, so as to ensure the traceability of the trial or its complete reconstruction. The audit ultimately confirmed the quality and reliability of pharmacokinetic analyses in clinical trials performed by the Company to the standard defined by the DPL certification.

The Company's Management Board cannot guarantee that the validity of such approvals will be maintained in the future given the number of stakeholders (diversified supply channels for products and services, human factor etc.). The Company will be subject to constant controls, therefore it is necessary that both the Company, as well as all entities cooperating with the Company, dedicate time and funds to activities in the area of compliance with regulations and legal requirements, including in the scope of manufacturing, production and quality control.

Regulatory authorities may inspect the Company's production plant at any time after the product has been approved for sale. If such inspection or control reveals non-compliance with applicable regulations or if our product specification or applicable provisions are violated, irrespective of inspection and control, the competent regulatory authority may request remedies which may be costly and time-consuming and which may include temporary or permanent suspension of sale or temporary or permanent closure of the plant. Any such remedy may adversely affect the Company's operations.

If the Company fails to maintain regulatory compliance, FDA, EMA or other competent regulatory authority may impose regulatory sanctions including, among others, refusal to grant approval for a new biological product under the pending application, withdrawal of approval or suspension of production. As a result, it may adversely affect the business, financial position and operating results of the Company.

Such factors may trigger the need for Mabion to incur higher costs and lead to delays or termination of clinical trials, requests for changes in the registry, required approvals or commercialisation of products. In addition, if the Company's suppliers do not meet the contractual requirements and the Company is unable to secure one or more substitute suppliers capable of producing at substantially the same cost, the Company's research and development work may be delayed and the Company may lose its potential revenue.

Risk related to clinical trials

One important preparation stage related to the registration and marketing of medicines are clinical trials involving human subjects. The Company started the clinical development of Mabion CD20 in 2012, when it submitted its first applications to conduct clinical trials. Currently, both clinical trials conducted by the Company have been completed (the last visit of the last patient included in the study was carried out). Initial results from the NHL clinical trial and final results from the RA clinical trial are also available for primary and secondary endpoints achieved after the six-month follow-up in RA and NHL patients and one-year follow-up in RA patients.

Currently, the risk related to the insufficient effectiveness or safety of use of the investigational medicinal product, stated in the previous report as moderate, may be stated as minimal. In the Company's opinion, the results of clinical trials are positive in respect of both the primary and secondary endpoints available.

The clinical trials conducted by Mabion S.A. are multicentre studies. Conducting such large (over 100 hospitals involved in conducting the study) and territorially extensive (7 countries actively recruiting patients) clinical trials always involves the risk of insufficient quality of clinical documentation kept in clinical centres or included in the TMF (Trial Master File), as well as of differences between the source documentation and the data entered in the patient database. To minimize this risk, the Company conducted a series of audits and visits to hospitals where the study is conducted and verified the quality, completeness and consistency of the documentation.

Both the Company and the entities involved in the study are required to comply with the Current Manufacturing Practice (cGMP), Good Clinical Practice (GCP) and Good Laboratory Practice (GLP), which constitute a set of regulations and guidelines introduced by the FDA, the competent authorities of the Member States of the European Economic Area and similar foreign regulatory authorities for all products in the course of the Company's clinical studies. Regulatory authorities enforce these provisions by means of periodic inspections of trial sponsors, principal investigators, research centres and other contractors. If the Company, any entity conducting scientific research on behalf of the Company, service providers or investigators fail to comply with applicable laws or good clinical practice (GCP), data obtained from preclinical and clinical trials may be considered unreliable and the FDA, EMA or similar foreign regulatory authorities may require the Company to perform additional preclinical and clinical trials prior to the approval of the marketing authorisation application. The Company cannot guarantee that, after carrying out an inspection, the regulatory authority will consider that clinical trials meet the requirements of Good Clinical Practice (GCP). In addition, the Company's clinical trials must be conducted using products manufactured in accordance with the provisions of Current Good Manufacturing Practice (cGMP). Failure by any of the participating entities or the Company to comply with these laws may force Mabion to repeat clinical trials, which will delay the process of obtaining regulatory approval. In addition, the Company may be subject to sanctions if its contract research organization (CRO) or other entity involved in it

violates federal or state laws on combating fraud and abuse or laws on false claims or those concerning the health information privacy and security protection.

To minimize this risk, the Company monitored the course of the clinical trial on an ongoing basis, conducted a series of audits and visits to hospitals where the study was conducted and verified the quality, completeness and consistency of the documentation.

Risk related to drug registration

The primary objective of Mabion is the introduction of the developed biosimilars to global markets, primarily the EU and U.S. markets, which involves the obligation to register such drugs with the European Medicines Agency (EMA) and Food and Drug Administration (FDA) respectively. The drug development and implementation efforts of Mabion S.A. are consistent with the EMA guidelines.

In 2004, the European Parliament adopted legislation allowing the authorisation of biosimilar medicinal products. Since then, the European Commission has issued marketing authorisations for more than 40 biosimilar products in line with the general guidelines and guidelines for a given class of products issued in the last few years. Due to the extensive experience in analysing and issuing marketing authorisations for biosimilars, the European Union has more final guidelines than the FDA, including the requirements in respect of data on a particular product needed to justify the marketing authorisation application.

In the U.S. there is a short registration pathway for biosimilar products, introduced by the Biologics Price Competition and Innovation Act (BPCIA), which entered into force on March 23, 2010, under the Patient Protection and Affordable Care Act (ACA). Following the adoption of BPCIA, the FDA issued draft guidelines for demonstrating biosimilarity and for the submission and analysis of applications involving biosimilar products. However, there have been few cases of registering such drugs in the USA so far and it is not possible to verify broadly these provisions in practice. As at the publication of this report, the FDA has approved only nine biosimilar products for marketing[27].

Other regions such as Canada, China, Japan, Mexico and South Korea have their own legislation defining the regulatory path for obtaining permits for biosimilar products. Some countries have either adopted European guidelines (Singapore and Malaysia) or follow the guidelines issued by the World Health Organization (Cuba and Brazil).

Regulatory requirements in force in different regions coincide, but there are also some differences. Furthermore, it is not possible to predict whether the states in which the Company would like to sell its products but which do not yet have a specific and proven regulatory framework, issue appropriate regulations or guidelines, or adopt a position more cautious than that adopted in other regions. It is therefore possible that even if the Company obtains the approval of one authority, it will have to adhere to the most careful position to ensure global harmonization of this plan. In addition, granting the authorisation may be delayed in regions where regulatory authorities do not yet have experience in examining and granting authorisations for biosimilar products and may rely on authorisations granted in other places such as the United States or the EU.

In order to obtain approval from a regulatory authority, the Company and the entities cooperating with it must comply with the many different regulatory requirements in force in the countries concerned in terms of safety, efficacy, chemical composition, manufacture and control, clinical trials, sales and distribution. Even successful obtaining of the authorisation from one authority does not guarantee obtaining it from other regulatory authorities. There is a risk that if some procedural changes are introduced or errors occur in the medicine dossier, the registration process in the European Union may be delayed beyond the planned date or prevented altogether. In addition, there is a risk that future regulations of the FDA prove 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 medicine in the U.S. If this is the case the Company would have to either incur additional costs or withdraw from the U.S. market, which could have a negative impact on the Company profit.

[27] https://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/TherapeuticBiologicApplications/Biosimilars/ucm580432.htm

From the very start of its biosimilar development activities, Mabion S.A. has been cooperating with the EMA to ensure compliance with all guidelines and procedures related to the registration process within the European Union.

As a result of these consultations, the Company received answers in which the scope of clinical trials and documentation requirements were agreed. It is worth noting that thanks to the atypical clinical trial design (focusing on the use of MabionCD20 in the treatment of RA, which significantly differentiates this trial from those of the Company's competitors), agreed with EMA during scientific advice, it gained an advantage both in terms of duration of the basic study and the pace of patient recruitment.

On 26-27 June 2017, the Company's Management Board held the so-called „pre-submission meeting" for MabionCD20 at the EMA. The pre-submission meetings usually take place 6-7 months before submitting the registration application and their purpose is to discuss the final (practical and regulatory) aspects of the upcoming application. It is a tool that helps ensure that the application meets the EMA validation requirements. Usually the next step is submitting the application for drug registration.

In order to reduce the regulatory risk, on 12 October 2017 the Company's representatives took part in scientific consultations with the MEB (Medicines Evaluation Board in the Netherlands). The MEB is an independent body associating scientists, doctors and pharmacists, regulating the quality, effectiveness and safety of medicines.

On 12 December 2017, the Company's representatives took part in a meeting with the rapporteur of the European Medicines Agency (EMA) in the field of biosimilarity and bioequivalence analysis and PACMP (Post approval change management protocol). All of the above actions are aimed at limiting the risk of extending registration time due to procedural issues.

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 considered by the EMA or FDA insufficient for the registration of the medicine.

Any of the regulatory authorities may approve a product candidate for fewer indications than those proposed by the Company, or may grant approval contingent on the results of the costly clinical trials conducted after the product was placed on the market.

It is also uncertain if regulatory authorities will grant the full reference label to the Company's biosimilars when they are approved. For example, an infliximab (Remicade) biosimilar molecule was approved in the EU for the full reference label but did not receive the full reference label when approved in Canada.

The regulatory approval processes of the FDA, EMA and comparable foreign authorities are lengthy, time-consuming, rigorous and inherently unpredictable. The inability to obtain relevant approvals or delay in the process of obtaining them may have a negative impact on the Company's revenues and operating results.

Risk related to launching and maintaining medicines on the market

After registering the medicines, Mabion is planning to launch them on the market as quickly as possible, which requires their preparation to the market product status (production, marketing, distribution and sales) and involves some substantial outlays and organizational preparedness. As the product is unique and the target markets of Mabion S.A. are diverse, the Management Board plans to implement a multi-faceted strategy for the promotion and distribution of its medicines.

There is a risk that launching the Company's medicines 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 medicines will be prove unsellable on a given market which could have a negative impact on the sales revenue earned by Mabion and on its financial results.

The FDA or other relevant regulatory authorities may determine that a proposed biosimilar product is "interchangeable" with a reference product, meaning that the biosimilar product may be substituted for the reference product without the intervention of the healthcare provider who prescribed the reference product, if the application includes sufficient information to show that

the product is biosimilar to the reference product and that it can be expected to produce the same clinical result as the reference product in any given patient. If the biosimilar product may be administered more than once to a patient, the applicant must demonstrate that the risk in terms of safety or diminished efficacy of alternating or switching between the biosimilar product and the reference product is not greater than the risk of using the reference product without such alternation or switch. To make a final determination of biosimilarity or interchangeability, regulatory authorities may require additional confirmatory information beyond what the Company plans to initially submit in its applications for approval, such as more in-depth analytical characterization, animal testing or further clinical trials. Provision of sufficient information for approval may prove difficult and expensive.

The Company is not able to predict whether MabionCD20 will meet regulatory authority requirements for approval as a biosimilar product or as an interchangeable product in any jurisdiction. Furthermore, legislation governing interchangeability could differ by jurisdiction on a state or national level worldwide.

The concept of "interchangeability" is important in the U.S. market, potentially the largest global market for biosimilars, because the first biosimilar determined to be interchangeable with a particular reference product for any condition of use is eligible for a period of market exclusivity with respect to other interchangeable biosimilars. The FDA may not designate a second or subsequent biosimilar product as interchangeable with the reference product. A determination that another company's product is interchangeable with the reference biologic before the Company obtains such a designation may delay the potential determination that the Company's products are interchangeable with the reference product, which could harm its results of operations and delay, prevent or limit its ability to generate revenue.

Failure to obtain regulatory approval in any targeted jurisdiction would prevent the Company from marketing its products to a larger patient population and reduce its commercial opportunities.

In the EU, the marketing authorisation of a biosimilar is based on an opinion issued by the EMA or a decision issued by the European Commission. Therefore, the marketing authorisation will cover the entire European Economic Area, or EEA. However, substitution of a biosimilar for the reference product is a decision that is made at the Member State level. In addition, a number of countries do not permit the automatic substitution of biosimilars for the reference product. Therefore, even if we obtain marketing approval for the entire EEA, we may not receive substitution in one or more European nations, thereby restricting our ability to market our products in those jurisdictions.

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. medicines on the U.S. market and on other continents. This is being done via Plexus Ventures LLC (the Company informed about it 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 and the 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 wide experience in launching and maintaining pharmaceuticals on the market.

Risk related to drug reimbursement

Costs associated with the development and production of the latest generation biosimilars are very high, which translates into a correspondingly high selling price afterwards. On the pharmaceutical market we have medicines the sale of which is reimbursed from the state budget or by other non-budgetary payers. It is the intention of the Management Board to ensure the reimbursement for Mabion S.A.'s products in as many countries as possible – wherever its medicines will obtain marketing authorisations. There is a risk that if this objective is not achieved or is only partially achieved and at the same time the reference medicines or their biosimilars manufactured by the competitors are covered by the reimbursement mechanism, the demand for Mabion S.A. preparations will be smaller than expected and so the Company's sales revenue and financial performance may be negatively affected.

Even with the requisite approvals from the FDA and comparable foreign regulatory authorities, the commercial success of Mabion's products will depend in part on the medical community, patients and third-party payers accepting our product candidates as medically useful, cost-effective and safe. Any product that the Company brings to the market may not gain market acceptance by physicians, patients, third-party payers and others in the medical community. The risk in this respect may have a negative impact on the level of sales revenues and financial results achieved by the Company.

Moreover, the labelling requirements for a biosimilar product have not been fully developed and there is uncertainty as to how much of the reference product label a biosimilar applicant may or must copy, and the extent to which the applicant must distinguish its product from the reference product. The naming of biosimilars is also subject to significant uncertainty, and it is unclear whether biosimilar products will be required to bear names that distinguish them from their reference products. Differences between the labels and names of the biosimilar and reference product may make it more difficult for the Company to achieve market uptake for its product.

Even if the Company's product displays an equivalent or more favourable efficacy and safety profile in preclinical and clinical trials, market acceptance of the product will not be fully known until after it is launched and may be negatively affected by a potential poor safety experience and the track record of other biosimilar products. If market acceptance of MabionCD20 is less than that of MabThera or competing biosimilars, the price of MabionCD20 may need to be reduced or the Company may need to implement additional marketing endeavours in order to accrue market share, which will negatively affect Mabion's profitability. The Company's efforts to educate the medical community and third-party payers on the benefits of the Company's products may require significant resources, may be under-resourced compared to large well-funded pharmaceutical entities and may never be successful. If the Company's products are approved but fail to achieve an adequate level of acceptance by physicians, patients, third-party payers and others in the medical community, Mabion will not be able to generate sufficient revenue to become or remain profitable.

The Company anticipates that its commercialisation and sales and marketing strategy will include the distribution of future therapeutic products to hospitals and other public healthcare institutions that make bulk purchases of medicines selected through a public tender process. During the tender process, hospitals will establish a committee of recognized pharmaceutical experts, which assesses bids submitted by pharmaceutical suppliers. Winning bids result in contracts with hospitals for the procurement of medicines. The interest of a hospital in a medicine is determined by the inclusion of this medicine on the hospital's formulary, which establishes the scope of drugs physicians at a hospital may prescribe to their patients, and the willingness of physicians at a hospital to prescribe a certain drug to their patients. The Company believes that effective marketing efforts are critical to making and keeping hospitals interested in purchasing the Company's products. As a tenderer, the Company will be obligated to provide detailed specifications and accurate quotes regarding its products, which will be compared to other suppliers. Any large or expensive tender is likely to attract a majority of the Company's competitors. A competitive bidding process may result in competitors reducing the price of their products to a level that the Company cannot compete with. If competitors are able to offer lower prices, Mabion's ability to win tender bids will be materially harmed. This may result in loss of market share and could reduce Mabion's total revenue or decrease its profitability.

Risk of withdrawal of marketing authorisations for the Company products and the product liability risk

Any regulatory approvals that the Company or its collaboration partners receive may be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval or may contain requirements for potentially costly additional clinical trials and surveillance to monitor the safety and efficacy of the product. The Company will be required to report certain adverse reactions and production problems, if any, to the FDA, EMA and comparable foreign regulatory authorities. Any new legislation addressing drug safety issues could result in delays in product development or commercialisation or increased costs to assure compliance.

The Company's collaboration partners will have to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, the Company's collaboration partners are not allowed to promote Mabion products for indications or uses for which they do not have approval. The Company could also be asked to conduct post-marketing clinical trials to verify the safety and efficacy of our products in general or in

specific patient subsets. If original marketing authorisation is obtained via an accelerated biosimilar approval pathway, the Company could be required to conduct a successful post-marketing clinical study to confirm clinical benefit for our products. An unsuccessful post-marketing study or failure to complete such a study could result in the withdrawal of marketing authorisation.

If a regulatory agency discovers previously unknown problems with an approved product, such as adverse events of unanticipated severity or frequency or problems with our manufacturing facilities or disagrees with the promotion, marketing or labelling of a product, such regulatory agency may impose restrictions on that product, the Company's collaboration partners or the Company, including requiring withdrawal of the product from the market.

If the Company receives marketing authorisation, regulatory agencies including the FDA, EMA and other foreign regulatory agency regulations require that it reports certain information about adverse medical events if those products may have caused or contributed to those adverse events. The timing of the Company's obligation to report would be triggered by the date we become aware of the adverse event as well as the nature of the event. The Company may fail to report adverse events it becomes aware of within the prescribed timeframe. The Company may also fail to appreciate that it has become aware of a reportable adverse event, especially if it is not reported to it as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of the Company's products. If the Company fails to comply with its reporting obligations, the FDA, EMA or other foreign regulatory agencies could take action including but not limited to criminal prosecution, the imposition of civil monetary penalties, seizure of our products or delay in approval or clearance of future products.

If product liability lawsuits are brought against the Company, it may incur substantial liabilities and may be required to limit commercialisation of its current or future products, and the Company's existing insurance coverage may not be sufficient to satisfy any liability that may arise.

Under Polish law, the Minister of Health withdraws a marketing authorisation for a medicinal product in case of a sudden, severe and adverse reaction to the product that is threatening to human life or health, the lack of a declared therapeutic efficacy, an inadequate therapeutic effect compared to the risk involved, or finding that the medicinal product is marketed in violation of the authorisation or law. If the authorisation for Mabion S.A. medicinal products was withdrawn would have a significant unfavourable impact on the Company's development perspectives and on the financial results achieved.

Notwithstanding the foregoing, in certain circumstances (for instance, whenever a justified suspicion occurs that the medicinal products do not comply with the applicable requirements), the voivodship pharmaceutical inspector issues a decision to cease the marketing of certain batches of the product within the area of the inspector's authority.

If this is the case, as well as in other situations where the use of the Company's medicinal products could be harmful to specific entities, Mabion may be liable for damages, which is associated with the risk that relevant claims will be lodged in civil proceedings. The Company may also be held liable if its medicinal products turn out to be hazardous. For example, according to Polish law, a hazardous product is any product that does not offer the safety which can be reasonably expected during its normal use. Whether the product is considered safe depends on the circumstances at the time of its marketing, especially the way in which it is presented on the market, as well as consumer information on the product characteristics. If any claims for damages are lodged against the Company in connection with the above, this could also have a material adverse effect on its business and financial condition.

Risk of losing key employees

Mabion's business is based on the knowledge and experience of its highly skilled managers and scientific and research personnel. However, there is a risk that key employees may leave the Company in the future, which could adversely affect the quality of its products. This in turn could result in the loss of reputation, problems with sourcing new contracts and deterioration of financial results. The Management Board pursues an active HR policy to retain the Company's most valuable specialists.

The Company will need to expand and effectively manage our managerial, scientific, operational, financial and other resources in order to successfully pursue our clinical development and commercialisation efforts. Our success also depends on our continued ability to attract, retain and motivate highly qualified management and scientific personnel. We may not be able to attract or retain qualified personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses. If the Company is not able to attract, retain and motivate necessary personnel to accomplish its business objectives, it may experience constraints that will significantly impede the achievement of its development objectives, limit its ability to raise additional capital and its ability to implement the Company's business strategy.

The Company's future performance will also depend, in part, on its ability to successfully integrate newly hired executive officers into its management team and the Company's ability to develop an effective working relationship among senior management. The Company's failure to integrate these individuals and create effective working relationships among them and other members of management could result in inefficiencies in the development and commercialisation of the Company's products, harming future regulatory approvals, product sales and results of the Company's operations.

Since September 2017, the team of Mabion S.A. benefits from support in the area of staff development. Professional development projects for all employees are implemented with the help of the Professional Development Specialist.

The Company's employees are offered comprehensive professional development opportunities, including in-house and external training, support in doctoral studies and promotion paths and benefits – all available via formal, transparent and objective procedures. Specific examples include the promotion schemes, bonus schemes for long serving employees, loyalty programmes and bonus schemes.

Risk related to disclosure of trade secrets

The actual implementation of Mabion's plans may depend on the confidentiality of the Company's confidential information, in particular on research and technological processes. It cannot be ruled out that such information will be disclosed and used by the Company business partners or, in particular, its employees, and so it will become available to and used by competitors. If this is the case, the remedies, defences and claims of the Company may prove to be inadequate to protect it against negative consequences of the disclosure.

The Company has taken a number of legal steps to eliminate this risk.

Risk related to industrial and intellectual property disputes

Mabion operates in the area where industrial and intellectual property rights and their protection are issues of key importance. There are no pending proceedings regarding infringement of intellectual and industrial property. Also, the Company intends to operate in such a way as to avoid any infringements of such third party rights. It cannot be ruled out that third party claims for infringement of the industrial and intellectual property rights are brought against the Company, especially at the research stage and when the Company is trying to obtain marketing authorisations for its medicinal products. Such claims, even if they prove unfounded, may adversely affect the time required to obtain the said authorisation, and the defence against such claims may require considerable spending, which in turn could negatively affect the Company's financial performance.

Risk related to the funding obtained

In the reporting period, Mabion S.A. was a party to three contracts for co-financing from public funds in connection with conducted R&D and implementation projects. These were the following:

» „The clinical development and registration of a humanized monoclonal antibody that binds to HER2 receptor, used in breast cancer treatment";
» „Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable the industrial implementation of the first Polish biotechnological medicine for oncological and autoimmune therapies";

» „Development of a biotechnological medicine through the development of an innovative monoclonal IgG1 subclass antibody with reduced content of unfavourable glycoforms compared with the reference medicine – targeted against EGFR".

The agreement for co-financing the stipulate in detail the dates and scope of tasks that may be co-financed. There is a risk that if the Company uses all or part of the co-financing not in accordance with the intended purpose or fails to comply with applicable procedures, it will collect all or part of the subsidy in an undue or excessive manner, it will be obliged to return some or all of the co-financing plus interest. In connection with the above, if the conditions giving rise to a liability are met, the financial situation of the Company may deteriorate significantly, which may in the long run jeopardize the achievement of the Company's strategic goals.

On 15 November 2017 Management Board Mabion S.A. decided to give a termination notice in respect of the agreement for co-financing the research project "The clinical development and registration of a humanized monoclonal antibody that binds to HER2 receptor, used in breast cancer treatment". The agreement for co-financing the Project in the area of clinical research under the Innomed program, for the amount of PLN 10 million was concluded on 24 June 2014 with the National Centre for Research and Development (NCBiR).

The decision to terminate the agreement was the result of the high scientific risk of research on a medicine biosimilar to Herceptin in respect of the potential time necessary to develop the product, and was taken after analysing the competitive environment. To-date the Company has used PLN 178 thousand of the funding received. In view of this situation, the risk exists that NCBIR will qualify, in part or in total, the funds used as non-eligible expenditure. By the date of publication of this report the Company did not receive from NCBiR the final evaluation of the submitted final report from the project.

Liquidity risk

At the moment, the Company does not earn any revenue from sales of market products, and its activities to date have been financed with funds obtained from the share issue, public funding and, to some extent, with the sale of R&D services. The Management Board obtains funds to finance the Company's operations under a distribution agreement signed with Mylan Ireland, from new EU projects and loans and borrowings. The issue of P-series shares approved by the Extraordinary General Meeting on 18 April 2018 made it possible to obtain significant funds to cover the costs of the Company's further operations.

Pursuant to the terms and conditions of the agreement, Mabion S.A. will receive payments for completing the agreement milestones depending on the submission of registration dossier and approval of the marketing authorisation and launching MabionCD20 in key countries as well as royalties dependent on the net sales revenue per annum. Any delays in the implementation of the schedule may result in delay in receiving the planned tranches from the distributor.

Failure to apply for new EU aid funds may also expose Mabion S.A. to problems related to financial liquidity and the need to obtain an alternative source of financing.

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-Industrial Complex of Medical Biotechnology 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 the permit received, is exempt from Corporate Income Tax. Mabion S.A. is exempt from the tax until 31 December 2026.

There is a risk of changes in law provisions concerning the operation of special economic zones or in tax advantages applicable in those zones. There is also a risk that the Company will cease meeting the conditions specified in the permit which entitles it to avail itself of these advantages. Upon the expiry of the permit or if the Company loses the permit before its expiry Mabion's further operations in the ŁSEZ may become unfavourable and increase tax burden.

4.5 Risk management system

The Company does not have a formalized financial risk management system. Decisions on applying instruments hedging the planned transactions are taken based on a current analysis of the Company's position and its environment.

The Management Board of Mabion S.A. manages risk on a constant basis in all significant areas of the Company's operations. Due to the dynamic situation on the pharmaceutical market, the Company's Management Board monitors, audits and updates potential risks on an ongoing basis, at several stages:

- anticipating and identifying potential risk groups, in-depth understanding of the type of risk to enable its active prevention;
- constant monitoring and controlling of existing risks;
- avoiding risks – abandoning certain activities which expose the Company to high risk;
- taking preventive actions – developing operating plans and appropriate procedures which may be immediately implemented in the event of potential risk arising;
- maintaining risk within predetermined limits or implementing plans to minimize the risks;
- reporting on the risks identified and their nature

5 CORPORATE GOVERNANCE STATEMENT

5.1 The set of corporate governance principles applied

In 2017 the Company was governed by corporate governance principles specified in the document "Best Practices for GPW Listed Companies 2016" adopted by the Board of the GPW by a resolution of 13 October 2015, which entered into force on 1 January 2016 (the document is available on the official website of the Warsaw Stock Exchange concerning corporate governance in use on the GPW Main Market, at the address: https://www.gpw.pl/dobre-praktyki).

At the same time, the Company explains that it does not apply any corporate governance good practice principles other than those indicated above, including those which exceed the requirements of the Polish law.

5.2 Corporate governance principles and recommendations not applied

In 2017 the Company did not apply two DPSN 2016 recommendations 2016: VI.R.1., VI.R.2.

In 2017 the Company did not apply six DPSN 2016 detailed principles: II.Z.2., III.Z.2., III.Z.3., III.Z.4., V.Z.6., VI.Z.1.

In 2017 three recommendations did not apply to the Company: I.R.2., IV.R.2., IV.R.3. as well as four detailed principles: I.Z.1.10., I.Z.2., IV.Z.2., VI.Z.2.

Explanations relating to recommendations or detailed DPSN 2017 principles not applied or not applicable:
I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

This principle does not apply to the Company.

The Company's comment: The Company does not pursue sponsorship, charity or other similar activities.

I.Z.1.10. A company operates a corporate website and publishes on it, in a legible form and in a separate section, in addition to information required under the legislation:

financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation.

This principle does not apply to the Company.

The Company's comment: The Company does not publish financial forecasts.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

This principle does not apply to the Company.

The Company's comment: The Company's shares do not participate in the exchange index WIG20 or mWIG40 and the Company's shareholding structure or the nature and scope of its operations do not support the application of this principle. At the same time, the Company is making efforts to make its website available in English to the widest possible extent.

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

This principle is not applied.

The Company's comment: The Company's internal regulations and agreements with Members of the Management Board do not impose such restrictions.

III.Z.2. Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or another member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

This principle is not applied.

The Company's comment: There is no isolated unit responsible for risk management, internal audit and compliance in the Company's structure. Therefore, currently there is no person responsible for managing those areas, reporting directly to the President or another Management Board Member and also provided with the possibility to report directly to the Supervisory Board or the Audit Committee.

III.Z.3. The independence rules defined in the generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

This principle is not applied.

The Company's comment: There is no isolated unit in the Company responsible for internal audit; therefore, currently no one manages the internal audit function and no other people are responsible for the function to which the independence principles specified in generally acceptable international professional internal audit practice standards apply.

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once a year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

This principle is not applied.

The Company's comment: There is no isolated unit in the Company responsible for internal audit; therefore, currently there is no one managing the internal audit function and no other people are responsible for the internal audit function. The Company's Management Board presents to the Supervisory Board its own assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and submits a relevant report.

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic means of communication, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1) real-life broadcast of the general meeting;
2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

This principle does not apply to the Company.

The Company's comment: Applying the adequacy principle to the Company's structure of shareholders, the Company does not enable its shareholders to participate in the General Meeting using means of electronic communication.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

This principle does not apply to the Company.

The Company's comment: Securities issued by the Company are only traded in Poland.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

This principle does not apply to the Company.

The Company's comment: Applying the adequacy principle to the Company's structure of shareholders, the Company does not enable the shareholders to participate in publicly available broadcasts of the General Meeting in real-time.

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should, among other things, provide for ways of preventing, identifying and resolving conflicts of interest, as well as rules for excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

This principle is not applied.

The Company's comment: Currently the Company has no internal regulations which would determine the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise, apart from indicating in the Supervisory Board Regulations the obligation of one member of the Supervisory Board to inform other members of the Supervisory Board and to refrain from voting on issues where a conflict of interests may arise. The issuer will verify the current practice in this respect and will consider the possibility of implementing appropriate internal regulations in the future.

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

This principle is not applied.

The Company's comment: The Company does not have remuneration policy, and remuneration of particular Members of the Management Board is determined each time by the Supervisory Board as a result of negotiations, and for the Supervisory Board – by the General Meeting.

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account the solutions necessary to avoid discrimination on whatever grounds.

This principle is not applied.

The Company's comment: The Company does not have any official remuneration policy, but avoiding discrimination is a binding rule, and the remuneration policy, in particular the level of remuneration, results from long- and short-term financial plans.

VI.Z.1. Incentive schemes should be constructed in a way necessary among other things to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

This principle is not applied.

The Company's comment: The Company does not have incentive schemes for its Management Board and key managers dependent on the long-term financial standing of the Company and long-term creation of shareholder value as well as the Company's stability.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

This principle does not apply to the Company.

The Company's comment: The Company does not have an incentive scheme for Members of its Management Board and key managers based on options or other share-linked instruments.

Furthermore, as regards the recommendation VI. R. 3. DPSN 2016 reading:

„ If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations."

In connection with the fact that on 28 July 2017 the Supervisory Board of Mabion S.A. appointed the Nomination and Remuneration Committee of the Supervisory Board, the above recommendation started applying to the Company, and therefore the Company adopted the aforementioned recommendation for use as of 28 July 2017.

6 INFORMATION ON SHARES AND THE SHAREHOLDING STRUCTURE OF MABION S.A.

6.1 The Company's share capital

As at 31 December 2017, the Company's amounted to PLN 1,180,000 and consisted of 11,800,000 shares with a par value of 0.10 PLN each, including:

- 450,000 A-series registered preferred shares;
- 450,000 B-series registered preferred shares;
- 450,000 C-series registered preferred shares;
- 450,000 D-series ordinary bearer shares;
- 100,000 E-series registered preferred shares;
- 100,000 F-series registered preferred shares;
- 20,000 G-series registered preferred shares;
- 2,980,000 H-series ordinary bearer shares;
- 1,900,000 I-series ordinary bearer shares;
- 2,600,000 J-series ordinary bearer shares;

- 790,000 K-series ordinary bearer shares;
- 510,000 L-series ordinary bearer shares;
- 360,000 M-series ordinary bearer shares;
- 340,000 N-series ordinary bearer shares;
- 300,000 O-series ordinary bearer shares.

A-, B-, C-, E-, F- and G-series shares are multiple-vote shares, giving the holder two votes at the General Meeting. The total number of votes resulting from all issues amounts to 13,070,000 votes.

On 18 April 2018 the Company's Extraordinary General Meeting adopted the resolution on an increase in the Company share capital from PLN 1,180,000 by PLN 192,077,20 to the amount of PLN 1,372,077.20 by means of issuing 1,920,772 P-series ordinary bearer shares with a par value PLN 0.10 PLN each („P-series shares"). The agreement on the acquisition of P-series shares was concluded with Twiti Investments Ltd. on 23 April 2018 by carrying out private placement in accordance with Article 431 par. 2 point 1 of the Code of Commercial Companies and Partnerships. By the date of publication of this report the increase in the share capital was not registered with the National Court Register.

6.2 The Company's shareholders possessing qualifying holdings

To the knowledge of the Management Board, as at the date of publication of this Report, i.e. as at 26 April 2018, the following shareholders hold at least 5% of the total votes at the Company's General Meeting of Shareholders (P-series share issue excluded as it was not registered with the NCR as t the publication of this report):

Table 16: Shareholding structure.

No.	Shareholder	Number of shares	Number of votes	% of share capital	% of votes held
1.	Maciej Wieczorek indirectly, including via*:	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%
2.	Polfarmex S.A.	1,437,983	1,920,833	12.19%	14.37%
3.	Funds managed by Generali PTE S.A.	1,396,035	1,396,035	11.83%	10.44%
4.	Funds managed by Nationale Nederlanden PTE S.A.	912,390	912,390	7.73%	6.82%
5.	Funds managed by Investors TFI S.A.	794,566	794,566,	6.73%	5.94%
6.	European Bank for Reconstruction and Development	675,000	675,000	5.72%	5.05%
7.	Twiti Investments Limited	599,300	1,193,600	5.08%	8.93%
8.	Other shareholders	4,359,850	4,359,850	36.95%	32.61%
	TOTAL	**11,800,000**	**13,370,000**	**100%**	**100%**

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

On 23 April 2018 the agreement on the acquisition of the newly issued P-series shares by Twiti Investments Ltd. was concluded. By the date of publication of this report the issue of P-series shares was not registered with the National Court Register. Following the registration of the increase in the share capital – provided that no other changes occur – the Company's shareholding structure will be as follows:

No.	Shareholder	Number of shares	Number of votes	% of share capital	% of votes held
1.	Twiti Investments Limited	2,520,072	3,114,372	18.37%	20.37%
2.	Maciej Wieczorek indirectly, including via*:	1,624,876	2,117,726	11.84%	13.85%
	Glatton Sp. z o.o.	1,004,526	1,004,526	7.32%	6.57%
	Celon Pharma S.A.	620,350	1,113,200	4.52%	7.28%
3.	Polfarmex S.A.	1,437,983	1,920,833	10.48%	12.56%
4.	Funds managed by Generali PTE S.A.	1,396,035	1,396,035	10.17%	9.13%
5.	Funds managed by Nationale Nederlanden PTE S.A.	912,390	912,390	6.65%	5.97%
6.	Funds managed by Investors TFI S.A.	794,566	794,566,	5.79%	5.20%
7.	European Bank for Reconstruction and Development	675,000	675,000	4.92%	4.41%
8.	Other shareholders	4,359,850	4,359,850	31.78%	28.51%
	TOTAL	**13,720,772**	**15,290,772**	**100%**	**100%**

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

6.3 Company's shares and interests in affiliates held by members of management and supervisory bodies

As at the date of publication of this report, i.e. as at 26 April 2018, the Members of the Management Board and of the Company's Supervisory Board hold the following shares in the Company:

Table 17: Shares held by managers and supervisors.

	Shares held as at the date of submission of the report for the year 2017 (26 April 2018)
Management Board	
Artur Chabowski	indirectly, via FL Real Investments Holding Limited based in Nicosia (Cyprus), in which Artur Chabowski holds 100% of the share capital, holds the total of 24,034 shares in the Company with a par value of PLN 0.10 each, accounting for 0.2 % of the Company share capital and 0.18% votes at the General Meeting.
Supervisory Board	
Robert Aleksandrowicz	directly holds 151,594 ordinary bearer shares with a par value of PLN 0.10 each, accounting for 1.28% of the Company share capital and 1.13% votes at the General Meeting;
	indirectly, via Twiti Investments Limited based in Nicosia (Cyprus), in which Robert Aleksandrowicz holds 50% of the share capital and 50% of votes at the general meeting of that company, is a shareholder in Mabion and holds the total of 599,300 shares in the Company with a par value of PLN 0.10 each, accounting for 5.08 % of the Company share capital and 8.93 % votes at the General Meeting. Furthermore, on 23 April 2018 Twiti Investments Limited acquired 1,920,772 of the O-series shares in Mabion S.A. with a par value of PLN 0.10 each. By the date of publication of this report the increase in the Company's share capital was not registered with the National Court Register.

	Shares held as at the date of submission of the report for the year 2017 (26 April 2018)
Maciej Wieczorek	indirectly, via Glatton Sp. z o.o. (in which he holds 100% of the share capital) and Celon Pharma S.A. (in which he holds, indirectly, via Glatton Sp. z o.o. 66.67% of the share capital) holds the total of 1,624,876 shares in the Company with a par value of PLN 0.10 each, accounting for 13.77% of the Company share capital and 15.84% votes at the General Meeting.

As at the date of publication of this Report, i.e. as at 26 April 2018, other managers and supervisors did not hold any shares in the Company. Members of the Management Board i of the Supervisory Board of Mabion S.A. do not hold any shares or interest in the Company's affiliates.

6.4 Employee share plan

Mabion does not run any employee share programs.

6.5 Purchase of treasury shares

In the year 2017 the Company did not purchase or sell its shares.

6.6 Holders of securities with special control rights

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. Shareholders holding registered shares are vested with pre-emptive rights and the right of first refusal in respect of registered shares held for sale. There are no securities in the Company which would give any special control rights.

Table 18: Registered shares.

Series	Number of shares	Shareholder	Number of shares per series held by the shareholder as at 26 April 2018
A	450,000	Celon Pharma S.A.	450,000
B	450,000	Polfarmex S.A.	450,000
C	450,000	Twiti Investments Limited	450,000
E	100,000	Celon Pharma S.A.	32,850
		Polfarmex S.A.	32,850
		Twiti Investments Limited	34,300
F	100,000	Celon Pharma S.A.	10,000
		Twiti Investments Limited	90,000
G	20,000	Twiti Investments Limited	20,000

6.7 Restrictions on the exercise of voting rights

The Company's Articles of Association do not stipulate any restrictions regarding exercising voting rights or provisions according to which, in cooperation with the Company, equity rights attached to securities would be separated from the securities. With reference to the Company, restrictions regarding voting rights may result only from generally binding legal regulations.

6.8 Restrictions on the transfer of title to securities

The Company's Articles of Association do not stipulate restrictions in trading in the Company's D-, H-, I-, J-, K-, L-, M-, N- and O-series shares. The Company's A-, B-, C-, E-, F- and G-series shares are registered shares. Shareholders holding registered shares are vested with pre-emptive rights and right of first refusal in respect of registered shares held for sale.
According to the Company's knowledge, the main shareholders of the Company, including Twiti Investments Ltd., Mr Maciej Wieczorek, Mr Robert Aleksandrowicz, Glatton sp. z o.o., Celon Pharma S.A. and Polfarmex S.A. made statements in which they undertook, subject to some standard exceptions, to refrain from – directly and indirectly – offering, selling, transferring, pledging or disposing of, in any way whatsoever, any shares or securities incorporating the right to the Company's shares, within 90 days from the date of sale by Twiti Investments Ltd. of the Company's 1,920,772 ordinary bearer shares made under private offering, i.e. from 23 March 2018, without the previous consent from Guggenheim Securities, LLC (placement agent in the aforementioned private offering). The Company and the President of the Management Board, Mr Artur Chabowski, agreed to similar provisions regarding the prohibition of selling the Company's shares.

6.9 Agreements which could result in future changes in the proportion of shares held by the current shareholders or bondholders

According to the Company's best knowledge, with the exception of the issue of P-series shares which was carried out but not registered with the National Court Register, there are no arrangements which could lead to a change in the Company's control in the future. The Company's Articles of Association do include provisions relating to the principles of selling registered preferred A-, B-, C-, E-, F- and G-series shares (pre-emptive rights and right of first refusal in respect of registered shares for other holders of the Company's registered shares), based on which a registered share may be sold to persons other than shareholders with the rights resulting from registered shares only on condition that those entitled to pre-emptive rights and right of first refusal do not exercise those rights.

7 THE COMPANY'S BODIES

7.1 Management Board

7.1.1 Composition, changes in composition and principles of appointing Members of the Management Board

In 2017 and by the date of publication of this report the Company's Management Board acted with the following composition:

Mr Artur Chabowski	-	President of the Management Board
Mr Sławomir Jaros	-	Member of the Management Board
Mr Jarosław Walczak	-	Member of the Management Board

On 10 March 2017 the Company's 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 the President of the Management Board and Mr Jarosław Walczak and Mr Sławomir Jaros the Members of the Management Board. The first joint term of office of Members of the Management Board ends on the date of the General Meeting of the Company approving the financial statements for the financial year 2021.

The passing of resolutions on removing and appointing Members of the Management Board is the result of amendments to Section 26 of the Company's Articles of Association passed by the General Meeting on 16 February 2017, i.e. introducing the

resolution on the joint term of office of the Management Board with the duration of 5 years. The previously binding provisions of the Company's Management Board set individual terms of office for individual Members of the Management Board.

The above-mentioned resolutions on removing and appointing Members of the Management Board became binding upon entering amendments to the Company's Articles of Association by the Registration Court in the Register of Entrepreneurs of the National Court Register on 23 March 2017, introduced by par. 10 of the Resolution of the Extraordinary General Meeting No. 7/II/2017 dated 16 February 2017, i.e. upon entering the amendments to Section 26 of the Company's Articles of Association

Members of the Management Board are appointed by the Supervisory Board for a five-year term of office. Each Member of the Management Board may be suspended or removed by the Supervisory Board or the General Meeting.

7.1.2 Rights of the Management Board and description of its operations

The Management Board exercises all rights relating to managing the Company with the exception of the rights reserved by the law or the Company's Articles of Association to the competencies of the General Meeting or the Supervisory Board (Section 26 of the Company's Articles of Association). The General Meeting has the right to take the decision on issuing or redeeming shares (Section 17 of the Company's Articles of Association). The President of the Management Board acting independently, subject to the provisions of Article 27, or two Members of the Management Board acting jointly, or one Member of the Management Board acting with the proxy are entitled to make declarations of intent and signing on behalf of the Company. In accordance with Section 27, two Members of the Management Board acting jointly, or one Member of the Management Board acting with the proxy are entitled to make declarations of intent and sign on behalf of the Company in respect of actions aimed at incurring liabilities or managing ownership rights with a value exceeding PLN 200,000.

7.1.3 Remuneration, bonuses and terms and conditions of employment contracts of Members of the Management Board

The table below shows the value of remuneration due and paid to the Members of the Management Board for performing functions on the Company's Management Board

Table 19: Remuneration of the Members of the Management Board.

Member of the Management Board	Remuneration due for the year 2017, gross	Remuneration paid in the year 2017, gross
Artur Chabowski	PLN 540,000.00	PLN 519,691.00
Jarosław Walczak	PLN 48,000.00	PLN 48,000.00
Sławomir Jaros*	PLN 48,000.00	PLN 48,000.00

* *In 2017 Mr Sławomir Jaros was entitled to further remuneration under his employment contract (basic salary plus other components) due in the amount of PLN 462,599.80 gross, including that paid in the amount of PLN 453,599.81 PLN gross. This amount was not recognized in the summary above.*

The Company does not have any subordinated entities, therefore, Members of the Management Board did not receive any remuneration from the Company's subordinated entities in 2017.

In 2017 no bonuses, benefits or remuneration were paid out to Members of the Management Board based on bonus schemes or participation in profits. Mr Artur Chabowski is entitled to an incentive bonus awarded by the Supervisory Board in respect of the initial public offering, comprising the amount corresponding to 0.4% of the total amount of each future share issue on a stock exchange outside the territory of the Republic of Poland. Rights to the payments are acquired as at the date of the respective public offering. The payments are to be made in cash. On 31 March 2017 the Supervisory Board amended the terms of the cash settled share-based payment bonus granted to the President of the Management Board. The bonus 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 bonus amounts to 0.44% of the total IPO value). Other terms remain unchanged.

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

In 2017 no remuneration was paid to Members of the Management Board in the form of share options. The Company's corporate regulations do not provide for the Members of the Management Board to receive remuneration in the form of share options. In 2017 the Company did not grant any in-kind benefits to Members of its Management Board. In 2017 Members of the Management Board did not receive any remuneration for services provided in any other form than that described above. In 2017 Members of the Management Board were not entitled to any non-financial components of remuneration. Contracts concluded with Members of the Management Board do not include provisions relating to severance payments or any other payments to be made in the event of terminating an employment contract, short-term service contract or another similar legal relationship.

7.1.4 Contracts with management members

No contracts have been concluded with members of management which would provide for compensation in the event of their resignation or removal from the position held without a valid reason, or in the event that the removal or lay-off is the result of a merger by acquisition.

7.2 Supervisory Board

7.2.1 Composition, changes in composition and principles of appointing Members of the Supervisory Board

In the period from 1 January 2017 to 23 March 2017 the composition of the Supervisory Board was as follows:

» Robert Aleksandrowicz - Chairman of the Supervisory Board,
» Bogdan Manowski - Deputy Chairman of the Supervisory Board,
» Grzegorz Stefański - Member of the Supervisory Board,
» Tadeusz 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 Company's Extraordinary General Meeting passed resolutions on removing all the then-current members of the Supervisory Board and appointing the following persons to the first term joint of office on the Supervisory Board:

» Mr Robert Aleksandrowicz - Chairman of the Supervisory Board,
» Mr Maciej Wieczorek - Deputy Chairman of the Supervisory Board (as of 31.03.2017),
» Mr Grzegorz Stefański - Member of the Supervisory Board; as of 16.05.2017, Independent Member of the Supervisory Board,
» Mr Tadeusz Pietrucha - Independent Member of the Supervisory Board,
» Mr Jacek Nowak - Member of the Supervisory Board,
» Mr David John James - Independent Member of the Supervisory Board,
» Mr Artur Olech - Independent Member of the Supervisory Board.

The above-mentioned resolutions on removing and appointing Members of the Supervisory Board became binding upon entering amendments to the Company's Articles of Association by the Registration Court in the Register of Businesses of the National Court Register on 23 March 2017, introduced by section 7 of the Resolution of the Extraordinary General Meeting No. 7/II/2017 dated 16 February 2017, i.e. upon entering the amendments to Section 21 of the Company's Articles of Association.

On 14 June 2017 the Ordinary General Meeting of the Company passed a resolution on the appointment of Mr Robert Koński to the Member of the Company's Supervisory Board of the first joint term of office.

Therefore, as of 14 June 2017 until the date of publication of this report, the composition of the Supervisory Board has been as follows:

» Mr Robert Aleksandrowicz - Chairman of the Supervisory Board,
» Mr Maciej Wieczorek - Deputy Chairman of the Supervisory Board,
» Mr Grzegorz Stefański - Independent Member of the Supervisory Board,
» Mr Tadeusz Pietrucha - Independent Member of the Supervisory Board,
» Mr Jacek Nowak - Member of the Supervisory Board,
» Mr David John James - Independent Member of the Supervisory Board,
» Mr Artur Olech - Independent Member of the Supervisory Board,
» Mr Robert Koński- Independent Member of the Supervisory Board.

Members of the Supervisory Board are appointed for a three-year period. Members of the Supervisory Board are appointed and removed by the General Meeting. The Supervisory Board comprises five to ten members.

7.2.2 Rights of the Supervisory Board and description of its operations

In accordance with Section 22 of the Company's Articles of Association the Supervisory Board's competencies comprise actions reserved for it in the Code of Commercial Companies and Partnerships, and moreover:

a) passing resolutions on the purchase and sale of real estate, perpetual usufruct or share in real estate
b) appointing a statutory auditor to audit the Company's financial statements;
c) appointing and removing the Company's Management Board Members;
d) determining the amount of remuneration of Management Board Members;
e) assessing Management Board motions as to appropriation of profit or offset of loss;
f) approval of the Rules of the Management Board;
g) giving opinions on the Company's multi-year strategic plans;
h) passing the Rules which determine the mode of operation of the Supervisory Board;
i) granting consent for the sale of the Company's fixed assets the value of which exceeds 10% of the Company's equity;
j) granting consent to pledging or granting usufruct in respect of registered shares.

Apart from the activities specified above from the moment of introducing the Company's shares to trading on a regulated market, the Supervisory Board should:

a) grant consent to conclude by the Company a contract with the related entity referred to in Section 28.3 of the Articles of Association,
b) once a year prepare and present to the General Meeting a concise assessment of the internal control system and risk management system material to the Company;
c) examine and give opinions on issues that are to be the subject of the are to be on the General Meeting's resolutions

The Supervisory Board appoints the Audit Committee responsible for supervising the Company's financial affairs. The Audit Committee comprises three Members appointed by the Supervisory Board from among its Members. The majority of the Members of the Audit Committee, including its Chairman, should be independent from the Company in the meaning of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight. At least one member of the Audit Committee should have knowledge and skills in accounting or auditing of financial statements. At least one member of the Audit Committee should have the knowledge and skills in the industry in which the Company operates.

Moreover, the Supervisory Board may appoint the Nomination and Remuneration Committee responsible for preparing assessments of candidates for the Members of the Management Board and determining the remuneration principles and amounts of remuneration of Members of the Management Board. The Remuneration Committee comprises three Members appointed by the Supervisory Board from among its Members, where at least one of the Members of the Remuneration Committee should be an independent Member of the Supervisory Board within the meaning of the provisions of Section 21 of the Articles of Association.

7.2.3 Remuneration, bonuses and terms and conditions of employment contracts of Members of the Supervisory Board

The value of the remuneration due for performing functions on the Company's Supervisory Board and paid in respect of the year 2017 was as follows:

Table 20: Remuneration of the members of the Supervisory Board.

Member of the Supervisory Board	Remuneration due for the year 2017, gross	Remuneration paid for the year 2017, gross
Robert Aleksandrowicz	PLN 5,500.00	PLN 5,000.00
Grzegorz Stefański	PLN 24,000.00	PLN 19,500.00
Tomasz Jasny	PLN 1,866.66	PLN 2,866.66*
Bogdan Manowski	PLN 1,866.66	PLN 2,866.66*
Tadeusz Pietrucha	PLN 4,500.00	PLN 5,000.00*
Jacek Nowak	PLN 42,129.03	PLN 38,129.03
Małgorzata Badowska	-	-
Maciej Wieczorek	PLN 5,000.00	PLN 10,000.00**
David James	PLN 60,692.03	PLN 51,129.03
Artur Olech	PLN 40,129.03	PLN 35,129.03
Robert Koński	PLN 23,000.00	PLN 18,000.00

* *The amount stated above is inclusive of the remuneration due in respect of the year 2016 for performing the function of the Member of the Supervisory Board and paid in 2017.*

** *The amount stated above is inclusive of the remuneration due in respect of the year 2016 for performing the function of the President of the Management Board and paid in 2017.*

The Company does not have any subordinated entities, therefore, Members of the Supervisory Board did not receive any remuneration from the Company's subordinated entities in 2017.

In 2017 no bonuses, benefits or remuneration were paid out to Members of the Supervisory Board based on plans for bonus schemes or participation in profits. The Company's corporate regulations do not provide for the Members of the Supervisory Board to receive remuneration in the form of bonus schemes or participation in profits.

In 2017 no remuneration was paid to Members of the Supervisory Board in the form of share options. The Company's corporate regulations do not provide for the Members of the Supervisory Board to receive remuneration in the form of share options. In 2017 the Company did not grant any in-kind benefits to Members of its Supervisory Board.

On 16 February 2017 the Company's Extraordinary General Meeting passed resolutions on determining remuneration for Members of the Supervisory Board. Pursuant to Resolution No. 26/II/2017:

» Members of the Supervisory Board are entitled to remuneration of PLN 1,000 gross, in respect of participating in Supervisory Board meetings;
» Members of the Supervisory Board appointed to the Audit Committee are entitled to monthly remuneration of PLN 4,000 gross.

The above-mentioned resolutions on remunerating Members of the Supervisory Board became binding upon entering amendments to the Company's Articles of Association by the Registration Court in the Register of Businesses of the National Court Register on 23 March 2017, introduced by section 10 of the Resolution of the Extraordinary General Meeting No. 7/II/2017 dated 16 February 2017.

In 2017, Members of the Supervisory Board did not receive any remuneration for services provided in any capacity except for additional remuneration for membership in the Audit Committee and the Nomination and Remuneration Committee, which was shown in the table above.

7.2.4 Appointed Committees

In the Company an Audit Committee and, starting from 28 July 2017, a Nomination and Remuneration Committee of the Supervisory Board operate.

1. Audit Committee

Until 23 March 2017 the composition of the Audit Committee was as follows:
» Mr Tomasz Jakub Jasny – Chairman of the Audit Committee,
» Mr Bogdan Manowski – Member of the Audit Committee,
» Mr Jacek Piotr Nowak – Member of the Audit Committee.

On 16 February 2017 the Company's Extraordinary General Meeting passed resolutions on removing all the then-current members of the Supervisory Board and appointing the following persons to the first joint term of office on the Supervisory Board. The above-mentioned resolutions on removing and appointing Members of the Supervisory Board became binding upon entering amendments to the Company's Articles of Association by the Registration Court in the Register of Businesses of the National Court Register on 23 March 2017, introduced by section 7 of the Resolution of the Extraordinary General Meeting No. 7/II/2017 dated 16 February 2017, i.e. upon entering the amendments to Article 21 of the Company's Articles of Association.

On 31 March 2017 the Company's Supervisory Board, acting on the basis of Section 25 par. 1 and 3 of the Company's Articles of Association appointed the following persons to the Audit Committee of the Supervisory Board:
» Mr David John James – Chairman of the Audit Committee,
» Mr Jacek Piotr Nowak – Member of the Audit Committee,
» Mr Artur Olech – Member of the Audit Committee.

As by the date of publication of this report, the composition of the Audit Committee did not change.

The independence criteria in the meaning of the Act of 11 May 2017 r on statutory auditors, audit firms and public oversight are met by Mr David John James and Mr Artur Olech. These persons also meet the independence criteria in the meaning of Best Practice of GPW Listed Companies 2016. As for members of the Audit Committee functioning up to 23 May 2017, the independence criteria in the meaning of Best Practice of GPW Listed Companies 2016 were met by Mr Tomasz Jakub Jasny.

The Audit Committee operates pursuant to the provisions of the Act of 11 May 2017 r on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089), and its organizational structure and operating principles are described in the Rules passed by the Supervisory Board.

2. Nomination and Remuneration Committee

On 28 July 2017 the Company's Supervisory Board, acting pursuant to Section 25 par. 2 and 3 of the Company's Articles of Association, appointed the Nomination and Remuneration Committee of the Supervisory Board with the following composition:
» Mr Robert Koński - Chairman of the Nomination and Remuneration Committee,
» Mr Grzegorz Stefański – Member of the Nomination and Remuneration Committee,
» Mr David John James – Member of the Nomination and Remuneration Committee.

As by the date of publication of this report, the composition of the Nomination and Remuneration Committee did not change.

On 22 September 2017 the Company's Supervisory Board, acting pursuant to Section 25 par. 5 of the Company's Articles of Association, adopted the Rules of the Nomination and Remuneration Committee. The Committee is an advisory body of the Supervisory Board, and its members perform their roles as set out in the adopted rules, pursuant to Article 390 of the Code of Commercial Companies and Partnerships.

7.3 General Meeting

7.3.1 Operating principles of the General Meeting

The General Meeting acts based on the Code of Commercial Companies and Partnerships and the Company's Articles of Association.

7.3.2 Essential powers of the General Meeting

The competencies of the General Meeting include issues reserved for it by the Code of Commercial Companies and Partnerships, while the purchase and sale of real estate, perpetual usufruct or share in real estate do not require the passing of a resolution by the General Meeting (Section 17 par. 2 of the Company's Articles of Association).

The following, in particular, require passing a resolution by the General Meeting:
» appointing and removing Members of the Supervisory Board;
» suspending or removing Members of the Management Board;
» method of appropriating the Company's net profit;
» determining the dividend date.

To be valid, a resolution on the merger or division of the Company requires a majority of 3/4 of the votes cast.

Subject to of the provisions below, to be valid, a resolution on removing issues from the General Meeting's agenda requires a majority of 3/4 of the votes cast in the presence of shareholders representing at least 50% of the Company's share capital, with the consent of the shareholders filing a justified motion to abandon investigating the issue on the agenda. In the event that a motion for removing an issue from the agenda is filed by the Management Board, the resolution of the General Meeting requires an absolute majority of votes cast.

Removing issues from the General Meeting's agenda on the motion filed, based on Article 401 of the Code of Commercial Companies and Partnerships, by a shareholder representing at least 1/20 of the Company's share capital requires the consent of the shareholder who made the motion.

7.3.3 Rights of shareholders and the manner of their execution

Rights and obligations related to the Company's shares are determined in the provisions of the Code of Commercial Companies and Partnerships, in the Articles of Association and in other legal regulations.

Property rights related to the Company's shares resulting from the Articles of Association

The Company's shareholders have the following property rights following from specific provisions of the Articles of Association:

1) Right of first refusal in the purchase of registered shares by the-then holders of registered shares in proportion to the shares held (Section 13 of the Company's Articles of Association)
2) Right to redeem the shares held (Section 12 of the Company's Articles of Association)

Corporate rights vested in the Company's shareholders in connection with participation in the Company:

1) Right to participate in the General Meeting (Article 412 of the KSH) and right to vote at the General Meeting (Article 411 par. 1 of the KSH).

Voting rights from the existing Company shares are as follows:

   a) two votes at the General Meeting are attached to each of the A-, B-, C-, D-,F-, G-series shares,
   b) one vote at the General Meeting is attached to each of the D-, H-, I-, J-, K-, L-, M-, N-, O-series shares,

2) The right to convene the Extraordinary General Meeting by shareholders representing at least one-half of the share capital or at least one-half of the votes in the Company (Article 399 par. 3 of the KSH).
3) The right of shareholders with at least one-twentieth of the Company's share capital to request that the Extraordinary General Meeting be convened and to request that certain issues be put on the agenda (Article 400 par. 1 of the KSH). If within two weeks of the date of presenting the request to the Management Board the Extraordinary General Meeting is not convened, the Registration Court may authorize the shareholders who requested the Meeting to convene it (Article 400 par. 3 of the KSH).
4) The right of shareholders with at least one-twentieth of the Company's share capital to request that certain matters on the agenda be put on the agenda of the next General Meeting (Article 401 par. 1 of the KSH). The request should contain at least the justification or draft resolution relating to the proposed item on the agenda (Article 401 par. 1 of the KSH).
5) The right to appeal against General Meeting resolutions pursuant to the rules specified in Article 422-427 of the KSH.
6) The right to request appointing the Supervisory Board in separate groups, pursuant to Article 385 par. 3 of the KSH, on motions from shareholders representing at least one-fifth of the share capital. The Supervisory Board should be appointed by the next General Meeting by voting in separate groups.
7) The right to request that a specific issue related to the incorporation of a public company or running it be audited by a statutory auditor (an auditor for special issues). The respective resolution should be passed by the General Meeting upon a motion by a shareholder or shareholders holding at least 5% of the total voting rights at the General Meeting (Article 84 Act on Public Offering). For this purpose the shareholders may request that the Extraordinary General Meeting be convened or that the passing of such resolution be included in the agenda of the next General Meeting. If the General Meeting dismisses the motion for appointing an auditor for special issues, the motioners may request that such an auditor be appointed by the Registration Court within 14 days of passing the resolution (Article 85 Act on Public Offering).
8) The right to obtain information about the Company in the scope and manner specified by the law, in particular pursuant to Article 428 of the KSH. During the General Meeting, at the request of a shareholder the Management Board has to give information relating to the Company, if this is justified for assessing an issue on the agenda; a shareholder who is refused such information during the General Meeting and who reports his/her objection to the minutes of the Meeting may file a motion with the Registration Court to oblige the Management Board to provide such information (Article 429 of the KSH).
9) The right to a registered deposit certificate issued by the entity which maintains the securities account in accordance with the regulations governing trading in financial instruments (Article 328 par. 6 of the KSH).
10) The right to request copies of the Report of the Management Board of the Company, copies of the Company's financial statements, and of the statutory auditor's opinion fifteen days before the General Meeting at the latest (Article 395 par. 4 of the KSH).
11) The right to inspect, on the premises of the Management Board, the list of shareholders entitled to participate in the General Meeting and to request a copy of such list, subject to payment of the costs of its preparation (Article 407 par. 1 of the KSH).
12) The right to request copies of motions regarding issues on the agenda, within a week preceding the date of the General Meeting (Article 407 par. 2 of the KSH).
13) The right to file a motion for checking the list of attendees to the General Meeting by a specially appointed committee comprising at least three persons. The motion may be filed by the shareholders holding one-tenth of the share capital represented at such General Meeting. The motioners are entitled to appoint one of the members of the committee. (Article 410 par. 2 of the KSH).

14) The right to inspect the book of minutes and request that copies of resolutions certified by the Management Board be issued. (Article 421 par. 2 of the KSH).
15) The right to file a claim for repairing damage caused to the Company according to the principles specified in Article 486 and 487 of the KSH, f the Company does not file and action for damages within a year of the date of disclosing the action which caused the damage.
16) The right to inspect documents and request that the copies of documents referred to in Article 505 par. 1 of the KSH (in the event of a merger of the Company), in Article 540 par. 1 of the KSH (in the event of a division of the Company) and in Article 561 par. 1 of the KSH (in the event of the Company's transformation) be made available on the Company's premises free of charge.
17) The right to inspect the share register and to request a copy of the register, subject to payment of the costs of its preparation (Article 341 par. 7 of the KSH).
18) The right to request that the commercial company which is the Company's shareholder provide information whether it is the parent or subsidiary of a given commercial company or co-operative which is the Company's shareholder, or whether it ceased to be such a parent or subsidiary. A shareholder may also request that the number of shares or votes be disclosed, or the number of shares or votes that the commercial company holds, including as a pledgee, user or based on agreements with other persons. The demand for information should be filed in writing (Article 6 par. 4 i 6 of the KSH).

7.4 Principles for amending the Company's Articles of Association

The principles for amending the Company's Articles of Association are regulated by the Code of Commercial Companies and Partnerships. Amendments to the Articles of Association require a resolution of the General Shareholders' Meeting and entry into the register. Determining consolidated wording of the Company's Articles of Association lies within the competencies of the Supervisory Board.

7.5 Main features of internal control and risk management systems

The Company does not have a formalized internal control system or financial risk management system in respect of the process of preparing the financial statements. Data for the purpose of financial statements and the financial statements themselves are prepared by the Company's accounting function. A Management Board Member supervises the preparation of the financial statements. After the financial statements are approved, they are presented to the Company's Management Board.

8 SUPPLEMENTARY INFORMATION

8.1 Remuneration policy

The Company does not have a separate, formal remuneration policy and the remuneration of each member of the Management Board is each time negotiated by the Supervisory Board, and for the Supervisory Board, by the General Meeting of the Company.

The terms and conditions, and amounts of remuneration of Members of the Company's Management Board and non-financial elements of remuneration for which they are eligible are presented in section 7.1.3 of this Report. The key managers of the Company were not eligible for any non-financial elements of remuneration in 2017.

No major changes took place in 2017 as far as the lack of a remuneration policy and the Company's remuneration system in place are concerned. In the Company's opinion, the remuneration setting procedures and remuneration amounts make it possible for the Company to achieve its goals, including a long-term increase in the value for shareholders and stability of the Company's operation.

8.2 Liabilities from pensions and similar benefits

In 2017 the Company did not have any liabilities for pensions or similar benefits towards former members of its managing or supervisory bodies, or any liabilities incurred in connection with such pensions.

8.3 Proceedings

In the year 2017 the Company was not a party to any proceedings before a court, an arbitration authority or a public administration authority which in the opinion of the Management Board of the Company could have a material adverse effect on the financial situation, operations or cash flows of the Company.

8.4 Audit firm

The financial statements were audited by PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, at ul. Lecha Kaczyńskiego 14, entered on the list of audit firms kept by the National Council of Statutory Auditors („PwC"). The audit firm was selected by the Supervisory Board by its Resolution adopted on 2 November 2017 pursuant to the authorisation included in the Company's Articles of Association. The contract concluded on 12 February 2018 included the audit of the annual financial statements for the year 2017. The fee for the provision of above services amounted to PLN 280,000 net. The contract was concluded for the period of 1 year.

On 21 February 2017 the Company concluded a contract with PwC for the provision of services associated with the proposed issue of the Company's shares outside the territory of the Republic of Poland (in Europe or in the United States). The scope of services provided by PwC under that contract included:

- Support for the Company in the preparation for the transformation of the PAS financial statements for the years 2016 and 2015 into financial statements compliant with IFRS;
- Audit of the financial statements for the years 2016 and 2015, prepared by Mabion S.A. in compliance with IFRS;
- Drafting of the so called Comfort Letters in connection with the proposed listing of the Company's shares on a stock exchange referred to above;
- Support in the drafting of issue documents necessary for the issue of the Company's shares in the territory of Europe (other than Poland) or the United States

PwC's fee for the provision of services as above amounted to PLN 700 thousand net (of which PLN 500 thousand in respect of the audit of the financial statements for the years 2016 and 2015).

On 28 July 2017 the Company concluded with PwC a contract for reviewing the interim condensed financial statements for the period from 1 January 2017 to 30 June 2017 prepared by Mabion S.A. in accordance with IFRS, for a fee in the amount of PLN 180 thousand net

On 5 November 2017 the Company has commissioned PwC to provide additional services related to the preparation of issue documents necessary for the implementation of the issue of Mabion shares on the territory of Europe (outside the Republic of Poland) or the United States, for a fee in the amount of PLN 160 thousand net.

In the prior year, PwC audited Mabion's financial statements for the year 2016 (scope: an interim review for the period from 1 January 2016 to 30 June 2016 and an audit of the annual financial statements for 2016) pursuant to the contract concluded on 14 July 2016. The fee for auditing the financial statements for the year 2016 was PLN 40,000 net, and the fee for the review of the financial statements was PLN 25,000 net. The contract was concluded for the period of 1 year.

In addition, in accordance with the concluded contracts, PwC received the refund of expenses incurred in connection with service provision in the amount not exceeding four per cent of its fee (the limit is exclusive of the cost of the English translation of the financial statements).

Table 21: Fee payable to PwC for the provision of services in 2016 and 2017.

	2017	2016
Audit of the annual financial statements	PLN 280,000	PLN 540,000 PLN*
Other assurance engagements, including the review of financial statements	PLN 180,000 PLN*	PLN 25,000
Tax consultancy services	PLN 0	PLN 0
Other services	PLN 360,000	PLN 0
Expense refund**	PLN 70,649	

* *Including payments to PwC in London and the United States for the verification of the transformation of financial statements prepared in accordance with PAS into financial statements compliant with IFRS.*

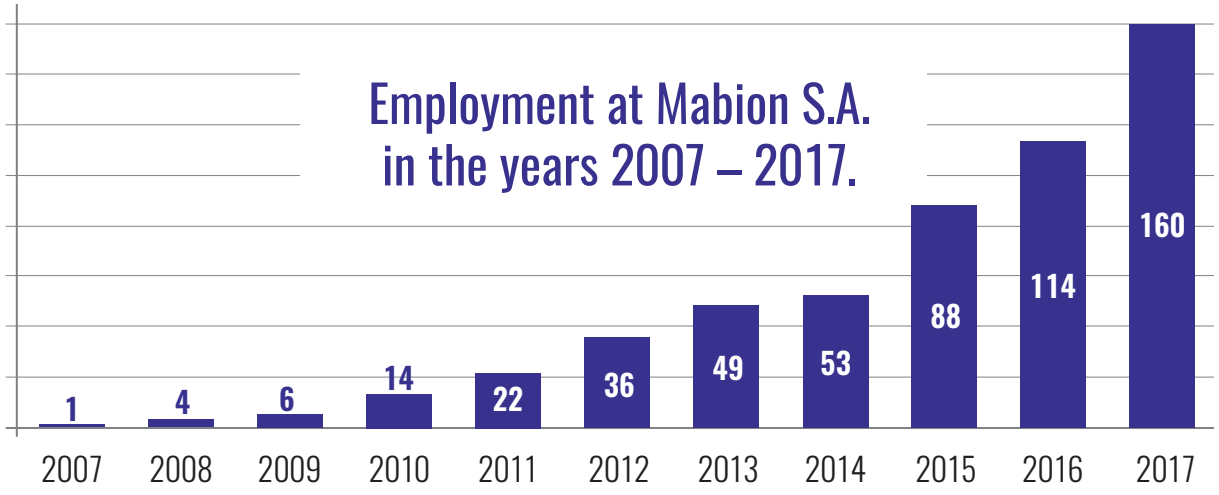
** *Including the English translation of the financial statements.*

In the years 2016 and 2017, PwC did not provide any services other than as discussed above.

8.5 Employment

As at 31 December 2017, the Company employed 160 people, whereas the average employment in full-time equivalent terms was 136.57 people in 2017.

Table 22: Employment at Mabion S.A. in the years 2007 – 2017.



8.6 Major research and development achievements

Mabion S.A. operations focus on research and development for the purpose of implementing new biotechnological and biosimilar medicines generated thanks to modern genetic engineering. The strategic goal of the Company is to develop, produce and sell medicines applied in the treatment of cancers, and autoimmune and metabolic diseases. In 2017 the Company conducted active research on the achievement of the key objectives of the main project of the Company – development of the medicine biosimilar to Mabthera. Moreover, it carried out works in the framework of the development of further products biosimilar to the original medicines available on the market (so-called reference medicines), applied in the treatment of cancer, metabolic and autoimmune diseases, including:

» MabionCD20 monoclonal antibody - an oncological medicine biosimilar to MabThera/Rituxan product (including rituximab as the active substance), produced by Roche. MabThera/Rituxan is widely used in the treatment of blood cancers (lymphomas, leukemias) and rheumatoid arthritis;

- » MabionVEGF_Fab monoclonal antibody - a medicine biosimilar to Lucentis (with Ranimizumab as the active substance). Lucentis (Novartis) is used in adult patients in the treatment of several conditions causing visual impairment [the project is implemented at the third party's order];
- » MabionEGFR monoclonal antibody - an oncological medicine biosimilar to Erbitux (including Cetuximab as the active substance). Erbitux is indicated for the treatment of colon cancer with metastases.

MabionCD20 is the highest priority medicine. It is at the same time in the most advanced stage of development of all the products being developed by the Company.

Table 23: Research projects conducted by Mabion S.A. in 2017.

Therapeutic proteins:		
Monoclonal antibodies:		
Project – therapeutic proteins	Indication	Project completion stage (December 2017)
Internal projects		
MabionCD20 (Rituximab)	non-Hodgkin lymphomas (NHL); chronic lymphoid leukaemia; rheumatoid arthritis	preclinical / Phase I / Phase III
MabionEGFR (Cetuximab)	colon cancer, squamous cell cancers of the head and neck	preclinical / Phase I / Phase III
External projects:		
MabionVEGF_Fab (Ranimizumab)	neovascular form of age-related macular degeneration (AMD); visual impairment caused by diabetic macular oedema (DME); visual impairment caused by macular oedema after retinal vein occlusion (RVO); visual impairment caused by choroidal neovascularization (CNV)	preclinical / Phase I / Phase III
anty-ANGPTL4	- decreasing the level of triglycerides	

Project stages: preclinical | Phase I | Phase III | In progress

Table 24: Other recombined proteins/ internal projects.

Project – other re-combined proteins	Indication/application	Project completion stage (December 2017)
Protease for the *double cutting* technology	- specific proteolysis of proteins and peptides (obtaining proteins from precursors, protein mapping)	

Completed | In progress

8.7 Natural environment issues

While carrying out its activity, the Company operates in compliance with the environmental protection laws and regulations. In the Company's opinion, there are no environmental protection requirements which could affect the Company's use of its property, plant and equipment.

The Company endeavour to ensure that the best practices and solutions be applied in the scope of the environmental policy in force at Mabion S.A. The primary goal of the Company is to raise environmental awareness in all employees of Mabion S.A., in order to ensure that they manage waste properly, reduce electricity consumption and take measures aiming at reducing the emission of hazardous and noxious substances.

The Company is committed to limiting water consumption by implementing optimal production processes. Our log-term goal is to decrease power consumption by choosing the appropriate lighting as well as air-conditioning and ventilation systems.

The Company gives priority to the issues of the prudent use of natural resources, reducing pollution and sustainable growth.

The Company has two locations where it conducts its operations. The Company's registered office address is Konstantynów Łódzki, ul. gen. Langiewicza 60, where the Company's Management Board is also located.

The Research and Development Centre for Biotechnological Medicinal Products in Łódź, at ul. Fabryczna 17, has a valid permit for waste generation as stated in Decision No. 65/Op./15 of 28 April 2015, issued by the Mayor of Łódź.

On 29 July 2016 the Scientific-Industrial Complex of Medical Biotechnology of Mabion S.A. in Konstantynów Łódzki, ul. gen. M. Langiewicza 60, was granted the decision No. RŚVI.7222.190.2015.KK issued by the Marshal of the Lodz Region concerning the integrated permit. The waste handling procedure, its removal, sorting and disposal are described in detail in the Company's system documents (Good Laboratory Practice and Good Manufacturing Practice procedures and instructions). Waste record sheets are regularly updated in the form envisaged by the applicable statutory provisions.

Strict records are kept of waste collected in designated places. Prior to disposal, bags and packaging are sorted, checked for agreement with the records, and transferred for disposal to an external company at least at the statutory intervals. Transfer of waste to its recipient is documented with a waste transfer sheet which is retained for five years after the end of the calendar year in which the document is drawn up. Waste is collected by authorized companies which hold a permit for the collection and transport of waste, issued by relevant authorities.

The following waste collection, disposal or recovery contracts were in place in respect of waste management at Mabion S.A. in 2017:

1. A contract with EGOLIT Sp. z o.o. dated 20 April 2011. The contract applies to hazardous or non-hazardous chemical waste having the codes agreed by both parties. The scope is determined by reference to Mabion's activities and in accordance with a valid decision of the City of Lodz Office concerning a waste generation permit and a valid decision of the Kutno Starost concerning a permit for hazardous or non-hazardous waste transport activities for EGOLIT.
2. A contract with "EMKA" Handel – Usługi Krzysztof Rdest, in place since 29 October 2010. The contract applies to hazardous or non-hazardous medical waste having the codes agreed by both parties. The scope is determined by reference to Mabion's activities and in accordance with a valid decision of the City of Lodz Office concerning a waste generation permit and a valid decision of the Masovian Voivode concerning a permit for hazardous waste disposal, including transport, for EMKA.

On 21 November -15 December 2017, at the Scientific-Industrial Complex of Medical Biotechnology in Konstantynów Łódzki, an inspection of the Voivodship Inspectorate for Environmental Protection was carried out, verifying compliance with the conditions of the decision on the integrated permit No. RŚVI.7222.190.2015.KK.

On 9 April 2018 the Company, on the basis of a tender procedure, selected a new recipient of medical waste. The selection of the Tenderer is compliant with the Waste Act of 14.12.2012. The authorized recipient will forward shipments of waste, in

accordance with the "proximity principle", to a hazardous waste incineration plant located in the Łódź Voivodship. As at the submission of this report, the Company is at the stage of finalizing the contract with the recipient. For each location of business after each calendar year, no later than by 15 March, a collective summary of data on the types and quantities of generated waste is prepared using the current forms, templates of which are published by the Ministry of the Environment. The list is submitted to the Marshal's Office of the Lodz Region.

For hazardous waste (for 2016 and 2017) and waste other than hazardous (for 2017) generated in the Scientific-Industrial Complex of Medical Biotechnology at Mabion S.A. in Konstantynów Łódzki in accordance with the Regulation of the Minister of the Environment of 14 August 2009 on the report to create the National Pollutant Release and Transfer Register, annual information was sent to the Chief Inspectorate for Environmental Protection on the quantities of waste transferred.

In connection with the operations of the Company, emissions related to use of cars for business purposes occur. In order to present to the relevant authorities the Environmental Fee Settlement, according to the applicable regulations, a yearly listing of gas or dust emission to the air from fuel combustion processes in the car combustion engines is made. The responsible person stores / labels invoices for fuel issued for Mabion S.A. When preparing settlements, the type of fuel and the date of the car's production are taken into account (which allows to qualify the vehicle to the appropriate class). The summary list of information on the use of the environment and the amount of fees due is submitted to the Marshal's Office of the Lodz Region by 31 March of the following year.

Pursuant to Article 3 point 6 of Environmental Protection Law, when using only devices, which include means of transport, it is not required to create an account in the National Base on Greenhouse Gas Emissions and Other Substances (KOBIZE). This requirement only applies to entities that exercise control over the plant (the concept of the plant is taken from the Act of 27 April 2001.

8.8 Social responsibility policy

EQUAL OPPORTUNITIES POLICY

pursues a policy of equal opportunities for all employees, in terms of sex, race or age. Neither job descriptions nor remuneration levels are differentiated depending on any of the above factors. Employees are evaluated based on their competence by means of periodical performance appraisals. The Company actively pursues a policy of protection of pregnant women and women on maternity leave, granting them several special rights. Where necessary, female employees who are pregnant, have recently given birth to a child or who are breastfeeding are transferred to positions which do not pose risks to their health. We also draw attention to the fact that the Company respects parental rights of female and male employees alike, i.e. the right to additional childcare leave (Article 188 of the Labour Code).

The Company employs people of various ages. Religion does not affect employment, either, as religious issues are not discussed during the recruitment process or employment. Mabion has been pursuing an equal employment opportunity policy on the various dimensions of its operation since its incorporation. The Company's policy is rooted in the European Union's Directives (including, among other things, Council Regulation (EC) No. 1083/2006).

1. ETHICS

Each employee of the Company may learn about his/her rights and obligations and values embedded in our corporate culture, which translates into clarity and transparency of mutual expectations and rules of conduct in everyday work. Mabion S.A. aspires to creating a work environment based on respect and mutual trust. Each employee:

» knows his or her duties;
» may engage in an open and constructive dialogue about his or her performance;
» may count on professional development assistance;
» is recognized and rewarded based on merit (basic pay system, plus performance bonuses and motivational trips;
» may voice his or her opinion and contributes to improving his or her team's performance;

» is treated fairly and respectfully, and not discriminated against;
» feels supported in pursuing his or her personal priorities.

2. RECRUITMENT

Mabion S.A.'s recruitment policy ensures equal opportunities for all those interested in getting a job with the Company. In particular, the following rules apply to recruitment:
» recruitment period is sufficiently long for all interested persons to respond to a job offer;
» recruitment advertisements are published in various media (industry media, the Internet, the corporate website), which ensures that the advertisement reaches a wider audience of potentially interested persons;
» no preferred sex of applicants is stated in advertisements;
» the same criteria are laid down for all job applicants regardless of their sex or other legally protected status or general social opinions;
» no questions about marital status, family-starting or family-enlargement plans, and availability are asked.

3. PERSONAL AND PROFESSIONAL DEVELOPMENT

Mabion S.A. builds a culture based on values common to everybody. Key values supporting the vision, mission and strategy of the company include: orientation on quality and effect of work, work culture, responsibility, communication and cooperation. The performance management model takes into account not only the achievement of business goals, but also the development of competencies based on these values.

The summary of work results is a manifestation of caring for the smooth functioning of the organization, contributes to shaping good interpersonal relations. Mutual feedback serves to build the organisational culture and cooperation of all employees. The development summary and planning have a far-reaching influence on the personal and professional development of employees and on the functioning of the organization as a whole. The Company's activities in the aspect of human capital development are visible in the increasing values of training investments dedicated to our employees.

Mabion S.A. offers prestigious specialist trainings and a series of development trainings for the managerial staff under the name Akademia Mabion [Mabion Academy].

4. WORK-LIFE BALANCE

Mabion S.A. believes that acquisition and retention of good employees requires more than just competitive remuneration and a stimulating work environment. The Company also focuses on work-life balance aspects. Therefore, the Company promises to be fully open to employees' work-life balance initiatives. Projects will be managed in equal measure by men and women, depending on their qualifications and competition results.

While treating all of its employees equally, the Company promotes a culture of diversity, which should be understood as respect for values and religions, opinions, experiences and rights of each employee to his or her own opinion.

In order to ensure good relations and commitment in Mabion S.A., starting from 2018, the employee motivation survey will be conducted.

Motivated work and work-life balance of employees in a constantly evolving organization is one of the most important investments in the future. From September 2017, the team of Mabion S.A. benefits from support in the area of staff development. Professional development projects for all employees are implemented with the help of the Professional Development Specialist.

Continued efforts to train employees are yet another dimension. Relevant departments are the starting point for the training programme. Away training days and one on one training are managed by relevant business units. Each employee has equal access to the professional education programme and may decide about the type and pace of promotions on his or her own.

High appraisal scores and laboratory or process work experience level predispose employees to be included in the semi-annual promotion procedure. The promotion procedure envisages professional development in terms of scientific, process or functional positions. Process and quality control position exams are held in writing and it is on their basis that employees are promoted, while functional position exams are oral or written. The Company makes it possible for employees to continually improve their qualifications by supporting training initiatives and assisting employees in taking and completing PhD courses. This policy ensures that employees are fully committed to the Company and their jobs.

The above corporate policy is being continually developed as the Management Board of Mabion S.A. uses its best efforts for Mabion to remain an attractive and competitive employer.

8.9 Promotional activities

In 2017 the Company implemented its PR policy in many different dimensions, thus ensuring the broad channel for reaching recipients.

The following activities of Mabion S.A. should be mentioned here:
- participation in national and international fairs and conferences;
- audio or video feeds of investor meetings;
- meetings with analysts, institutional or individual investors;
- educational activities among investors;
- information and press materials for the media, analysts and shareholders;
- experts' materials, published in leading industry media, intended for the pharmaceutical, medical, and biotechnological communities;
- expert statements and comments of the Company's officials in Polish and international media, online interviews and teleconferences involving the Company's Management Board;

On 17-18 May 2017 the Company participated in the Bioforum Central Europe. This is one of the most important events in the pharmaceutical and biotechnological industries in Poland. The Company's officials took part in conferences and meetings with pharmaceutical and biotechnological companies and with patent spokespersons from Central and Eastern Europe at the fair.

In addition to presenting the Company at fairs and conferences, the Company's officials were regularly updating the Polish and international press on the clinical trial progress, the progress of work taking place in Konstantynów Łódzki, the plans for the expansion of the plant in Konstantynów Łódzki, or the progress of talks with potential distributors. The Company drew the attention of industry and business media, which followed the Company's accomplishments in the context of its competitors.

Mabion S.A.'s name more and more often came up in comments made by analysts in the context of increasing exchange quotations (in the period from 01 January 2017 to 31 December 2017 – change by 51.96%). In 2017 the price of one share of the Company reached an unprecedented record level of PLN 117.90 (30 March 2017). The Company was mentioned as one of the companies with the highest profits for investors.

Mabion S.A. actively participated in consultations on substantive assumptions of the Polish Biotechnology Development Program - one of the flagship programs specified in the Strategy for Responsible Development - organized by the Ministry of Development and the Polish Development Fund. The company's representatives participated in meetings of working groups focused on legal solutions in the field of clinical and regulatory research, cooperation of business and science and promotion of the biotechnology industry in Poland and in the world.

The Company's activities aimed at improving the quality and availability of treatment for Polish patients are also noticeable for the medical community. An expression of this is OTIS 2017 in the field of pharmacy awarded to the Company for the development of the first Polish biosimilar drug containing rituximab. The OTIS awards are granted by a jury made up of leading authorities in medicine, pharmacy and healthcare for companies, patient organizations, as well as journalists and physicians who change the face of the Polish medicine.

8.10 Investor relations

The purpose of Mabion S.A. investor relations activities is to create value for the Company's Shareholders. The key objective is to have an effective, two-way communication channel with the Company's stakeholders, in the first instance Shareholders and prospective investors, and to ensure the Company's transparency through full compliance with disclosure obligations and corporate governance principles.

In 2017 the Company made every effort in order to intensify investor relations, enriching them with new forms of contact.

The Company held two meetings with individual and institutional investors (19 May 2017 and 22 September 2017) and participated in many individual meetings with market analysts. In 2017 the following analytic reports were prepared concerning Mabion:

» In March 2017, the experts from BZ WBK valued Mabion's shares at the target price of PLN 142
» At the same time, PKO Investment Banking issued a recommendation for Mabion S.A., including a buy rating and a target price of PLN 153.38
» Analysts of Dom Maklerski BZ WBK, in their report of 22 September this year, reiterated a buy rating on the Mabion's stock and at the same time increased the target price to PLN 156.5 from PLN 142

Moreover, the Company regularly held online conferences (19 January 2017, 31 March 2017, 1 September 2017 and 6 December 2017), and the Company's Management Board representatives attended various national and international conferences, for instance, on 28-29 June 2017 at the invitation of the Warsaw Stock Exchange, the Company presented itself at the Spring European Midcap Conference in Paris, at which the companies listed at GPW were promoted.

The Company also organized, in cooperation with Pekao Investment Banking, an educational meeting for representatives of the capital market in the field of pre-clinical and clinical development of biotechnological drugs.

Furthermore, the Company communicates also with investors via its website which contains a separate section for investors, with the materials available in Polish and English.

The following is available, among other things, on the website:

» Information about the Company and its authorities,
» Timeline of key events in the Company's history,
» Corporate documents,
» Current and periodic reports,
» Company's stock price details,
» Investor relations contact form,
» Q&A,
» Materials for investors.

The Company regularly reported key events by means of ESPI system of current reports and press releases in key dailies, on financial and business portals. The Company's Management Board representatives gave interviews to key biotechnological and financial media and answered media enquiries on an ongoing basis.

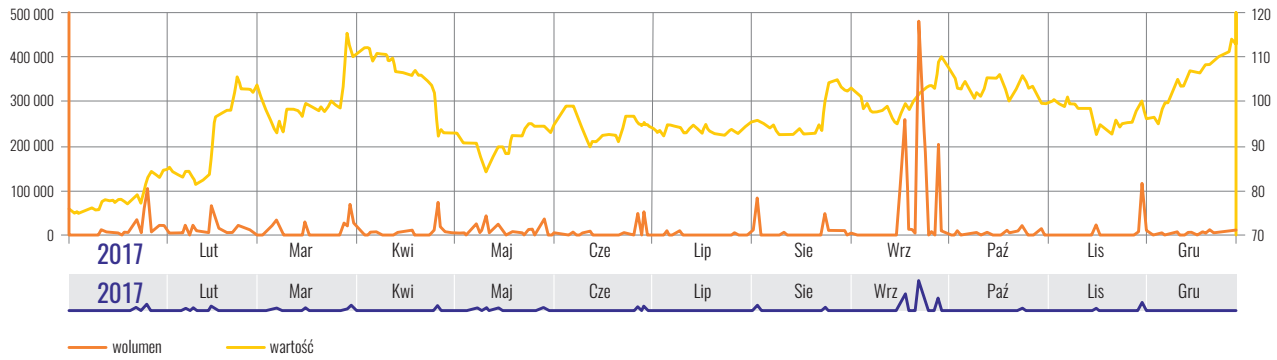
The information policy mainly involved the following areas:

» MabionCD20 medicine clinical trial process,
» preparation for submitting applications for registration of MabionCD20 to EMA and FDA,
» preparation for concluding agreements with subsequent distributors of MabionCD20,
» plans related to the possible foreign issue of the Company,
» the Company's growth plans.

Contact for investors: relacjeinwestorskie@mabion.eu

8.11 The Company's stock performance on the Warsaw Stock Exchange

Table 25: Mabion S.A. stock quotes at GPW (02.01.2017 – 29.12.2017) – chart.



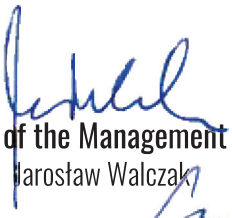
Source: https://www.gpw.pl/spolka?isin=PLMBION00016#indicatorsTab

Table 26: Mabion S.A. stock quotes at GPW (02.01.2017 – 29.12.2017) – summary.

Reference price:	PLN 74.23 (16-12-30)
Start date:	2017-01-02
End date:	2017-12-29
Change:	51.96%
Change:	PLN 38.57
Low:	PLN 72.90 (17-01-09)
High:	PLN 117.90 (17-03-30)
Average:	PLN 96.32
Volume:	3,125,335 pcs
Average volume:	12,501 pcs
Turnover:	303,099 million
Average turnover:	1,212 million

Management Board

President of the Management Board
Artur Chabowski



Member of the Management Board
Jarosław Walczak

Member of the Management Board
Sławomir Jaros

Konstantynów Łódzki, 26 April 2018