Mabion S.A.
Financial Statements
For the year ended
December 31, 2016

Konstantynów Łódzki, December 31, 2016

STATEMENTS OF COMPREHENSIVE INCOME

PLN thousand, except if otherwise stated	Note	2016	2015
Revenues from research and development services	24	-	2,733
Cost of services sold	9	-	(2,370)
Gross profit		**-**	**363**
Research and development costs	9, 10	(44,219)	(39,776)
General and administrative expenses	9	(13,938)	(5,373)
Other operating income	11	2,626	2,688
Operating loss		**(55,531)**	**(42,098)**
Finance income	12	44	29
Finance costs	12	(339)	(472)
Loss before tax		**(55,826)**	**(42,541)**
Income tax expense	13	-	-
NET LOSS		**(55,826)**	**(42,541)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(55,826)**	**(42,541)**
Basic and diluted loss per share (in PLN per share)	25	(4.78)	(3.91)

The Notes on pages 5 to 25 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

PLN thousand	Note	December 31, 2016	December 31, 2015	January 1, 2015
Property, plant and equipment	14	68,107	73,387	65,620
Long-term receivables		110	110	110
Total non-current assets		68,217	73,497	65,730
Inventory	15	4,232	1,171	-
Trade and other receivables	16	3,831	3,025	5,828
Prepaid expenses		141	282	229
Cash and cash equivalents	17	14,826	6,074	6,953
Total current assets		23,030	10,552	13,010
TOTAL ASSETS		91,247	84,049	78,740
Share capital		1,180	1,116	1,080
Share premium		140,805	115,386	103,414
Share capital issued but not yet registered		-	15,980	-
Accumulated losses		(138,256)	(87,027)	(48,947)
Total equity	18	3,729	45,455	55,547
Deferred income	19	14,012	15,997	11,961
Finance leases		48	155	64
Total non-current liabilities		14,060	16,152	12,025
Refundable prepayments for distribution rights	20	43,514	2,034	2,034
Trade and other payables	22	13,697	13,502	8,960
Borrowings	21	12,500	-	-
Deferred income	19	3,575	6,829	142
Finance leases		172	77	32
Total current liabilities		73,458	22,442	11,168
TOTAL LIABILITIES		87,518	38,594	23,193
TOTAL EQUITY AND LIABILITIES		91,247	84,049	78,740

The Notes on pages 5 to 25 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

PLN thousand	Note	2016	2015
Loss before income tax		(55,826)	(42,541)
Adjustments for:			
Depreciation	14	6,939	4,659
Interest income	12	(25)	(29)
Interest expense	12	217	235
Government grant income	19	(2,132)	(2,688)
Changes in assets and liabilities:			
(Increase) / decrease in inventory		(3,061)	(1,171)
(Increase) / decrease in trade and other receivables		(806)	2,399
(Increase) / decrease in prepaid expenses		141	(53)
Increase / (decrease) in trade and other payables		1,222	4,523
Increase / (decrease) in deferred income (prepayment for services)		-	1,591
Increase / (decrease) in refundable prepayments for distribution rights		105	-
Increase / (decrease) in Finance leases		(12)	136
Cash used in operating activities		(53,238)	(32,939)
Proceeds from government grants for research and development	19	-	3,345
Repayments of government grants for research and development	19	(3,107)	(2,687)
Received refundable prepayments for distribution rights	20	41,375	-
Interest received		25	29
Paid interest		(276)	(147)
Net cash used in operating activities		(15,221)	(32,399)
Purchase of property, plant and equipment	14	(2,491)	(12,022)
Proceeds from government grants for property, plant and equipment	19	-	11,163
Net cash flows used in investing activities		(2,491)	(859)
Proceeds from issuance of common shares	18	2,350	21,719
Proceeds from borrowings	21, 24	31,580	11,200
Repayments of shareholder loans	24	(7,330)	(500)
Repayments of the finance leases		(136)	(40)
Net cash flows from financing activities		26,464	32,379
Net increase / (decrease) in cash and cash equivalents		8,752	(879)
Cash and cash equivalents at the beginning of the period		6,074	6,953
Change in cash and cash equivalents due to exchange rate differences		-	-
Cash and cash equivalents at the end of the period		14,826	6,074

The Notes on pages 5 to 25 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

PLN thousand	Note	Share capital	Share premium	Share capital issued but not yet registered	Accumulated loss	Total equity
As of January 1, 2015	18	1,080	103,414	-	(48,947)	55,547
Net loss / Total comprehensive income					(42,541)	**(42,541)**
Transactions with owners						
Reduction of share premium to cover prior year net loss	18		(4,461)		4,461	-
Issue of Series M shares	18	36	16,433			**16,469**
Issue of Series N shares	18			15,980		**15,980**
As of December 31, 2015		1,116	115,386	15,980	(87,027)	45,455
Net loss / Total comprehensive income					(55,826)	**(55,826)**
Transactions with owners						
Registration of Series N shares	18	34	15,946	(15,980)		-
Reduction of share premium to cover prior year net loss	18		(4,597)		4,597	-
Issue of Series O shares	18	30	14,070			**14,100**
As of December 31, 2016		1,180	140,805	-	(138,256)	3,729

The Notes on pages 5 to 25 are an integral part of these financial statements.

NOTES

1. The Company

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

The Company was founded by several domestic pharmaceutical companies: Celon Pharma S.A, one of the leading manufacturers of drugs used in specialized (including ontological) therapies in Poland, Polfarmex S.A. a prescription drug market leader in Poland, IBSS Biomed, Poland's largest and Europe's leading manufacturer of vaccines, and Genexo which operates mostly in the area of diabetic drugs and medical products. Two other founding entities conducting scientific research in biotechnology were: BioCentrum Sp. z o.o. and Bio-Tech Consulting Sp. z o.o. The current shareholders' structure is presented in Note 18.

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

Mabion is the first Polish biotechnology company focused on developing and launching modern biotechnology drugs based on monoclonal antibody technology, which today forms the foundation for combatting against the most serious diseases due to two special characteristics – specificity and safety. The drugs developed by the Company are targeted treatments, characterized by the drug's ability to recognize the factor causing the cancer and interact with this factor only. Such targeted treatment requires the proper engineering of the structure of the drugs, making them resemble a molecule of the patient's body, therefore the patient's immune system treats the antibody as its own protein. This approach, as opposed to a chemical delivery, significantly reduces the toxicity of the therapy and is highly beneficial for the patient. In effect, the Company is creating the "generic" version of biotech based drugs (as opposed to chemically based drugs), it focuses on those drugs that have an existing market acceptance and are reasonably close to the expiry of their patent protection.

The Company is currently working on the development of its main priority drug, referred to as MabionCD20 drug. MabionCD20 is a biosimilar to MabThera (Rituximab), which is the existing reference drug already in the market. The therapeutic uses of MabionCD20 are for Non-Hodgkin's lymphoma ("NHL"), Leukemia and Rheumatoid Arthritis ("RA"). Currently, the Company has ongoing clinical trials for both the RA and NHL application.

In November 2016, the Company signed a strategic, long term collaborative agreement (the "Mylan Agreement") with Mylan Ireland Limited (a wholly-owned subsidiary of Mylan N.V., collectively referred to as "Mylan" hereafter), a global leader in drug development and distribution. Under the Mylan Agreement (see also Note 20), the Company received in November 2016 a USD 10 million pre-payment from Mylan for granting to Mylan the exclusive right and license to make, use, sell, offer for sale, import and otherwise commercialize MabionCD20 in 36 European countries. The Mylan Agreement gives Mylan the exclusive right to distribute MabioCD20 in selected territories. The parties have also agreed on the intention to execute a supply agreement (the "Supply Agreement") whereby the Company will provide Mylan with MabionCD20 to the agreed amount of volumes and quality. Mylan under the terms of the Mylan Agreement will also provide to the Company certain services in the future in related to the EMA registration process.

2. Basis of preparation

The financial statements of Mabion S.A. as of and for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards as issued by IASB ("IFRS"). These financial statements comply also with IFRS as adopted by the European Union ("IFRS UE") due to fact that there are no differences between IFRS as issued by IASB and IFRS as adopted by EU that are applicable to the Company.

These financial statements are the first financial statements of the Company prepared in accordance with IFRS. The financial statements were prepared pursuant to IFRS 1 *First-time adoption of International Financial Reporting Standards*. Accordingly, the date of the transition to IFRS is January 1, 2015, and the Company prepared the opening balances as of that date. The impact of adopting IFRS is presented in Note 6. All IFRS's and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") effective for the year ended December 31, 2016 have been consistently applied in the preparation of the opening balance sheet, as for all periods presented in these financial statements. The impact of the new or amended standards which have been issued but are not yet effective is presented in Note 5.

The financial statements of Mabion S.A. as of and for the year ended December 31, 2016 have been prepared on a going concern basis (further information on the going concern assumption is presented in Note 3).

The financial statements are prepared on the historical cost basis.

Preparation of the financial statements in accordance with IFRS requires application of certain critical accounting estimates. It also requires management to make judgments regarding the application of accounting principles adopted by the Company. Critical accounting estimates and judgments of the management are presented in Note 7.

3. Going concern assumption

Since inception, the Company has been focused on performing research and development activities in order to develop and market its products commercially. As a result, the Company has incurred losses from operations and has been generating negative operating cash flows which are expected to continue for the foreseeable future. As of December 31, 2016, the Company had significant accumulated losses and negative working capital positions. So far the Company has been financing its operations with cash obtained from shareholder loans, equity raising and government grants. The Mylan Agreement concluded in 2016 provided additional cash flow to the Company. As part of the development of the Company, the shareholders have decided to also seek an additional issue and listing of equity shares outside Poland (i.e. in Europe or in the United States).

As of 31 December 2016, the Company has obtained letters of financial support from its shareholders (i.e. Twiti Investments Limited, Glatton Spółka z o.o., Celon Pharma S.A.) Indicating that even if the additional listing outside of Poland is not successful, the Company will be financed by these shareholders to support its operations in the foreseeable future, for a period not shorter than 12 months from the financial statement preparation date. Also, the Company's also has at its disposal additional undrawn and committed credit lines at 31 December 2016 in the amount of PLN 12,500 thousand - see further information in Note 21a.

In management's view with the continuing shareholders' support, both long term investors and local market participants, and the recent strategic agreement with Mylan (see also Note 20), the Company will have sufficient funding to complete its primary drug development.

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

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

4. Significant accounting policies

a) Functional currency and presentation currency

The Company's functional currency is PLN. The financial statements are presented in thousands of PLN as rounded to full thousands.

b) Transactions and balances in foreign currencies

Transactions expressed in foreign currencies as at the transaction date are recorded in PLN using the exchange rate applicable as of the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated as at the end of the reporting period using the National Bank of Poland ("NBP") exchange rate for a given currency applicable on that date.

Foreign exchange gains/losses arising from settlements of transactions denominated in foreign currencies as well as resulting from the periodic translation of monetary assets and liabilities are recognized in the profit or loss.

Foreign currency non-monetary items measured at historical cost are translated using the National Bank of Poland exchange rate applicable on the transaction date.

c) Revenue recognition

In the reporting periods covered by these financial statements, revenue is generated from research and development services rendered for among others the Company's shareholders, including new drugs development. The total consideration resulting from a contract is allocated to separately identifiable components of a single transaction. All separately identifiable components are accounted for separately. The revenue is recognized in the period when the performance resulting from each component takes place.

The Company does not generate any other revenue at this stage of its operation. As at the day hereof, whether revenue will be obtained from the sale of products depends on the outcome of the clinical research on the MabionCD20 drug currently in progress. According to the Management Board's estimations, the research will be completed by the end of 2018, while the product will be commercialized by the end of 2020. The Company has not yet determined the revenue recognition policy for these future revenue streams; the revenue from these future revenue streams will be determined in accordance with IFRS 15 (effective from 1 January 2018).

d) Government grants

The Company receives financial assistance from governmental agencies to facilitate the development and production of drugs. Subsidies are received in the form of transfers of cash in return for past and future compliance with certain conditions related to the operating activities of the Company. Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and that grants will be received.

If these conditions are not met, any cash received from governmental bodies is recognized as deferred income as long as the terms of the grant do not require repayment of the grant in the event of the occurrence or non-occurrence of uncertain future events which are beyond the control of the Company.

Typically, these grants come with audit related requirements from the local authorities; the experience of the Company is that the local governmental or quasi-governmental agencies that distribute the grants exercise these audit rights regularly. The Company generally defers recognition of the related grant until all aspects of the audit requirement have been met.

The Company obtains grants to both acquire assets and grants to fund research and development expenditures.

Grants related to research and development expenses are recognized in other operating income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grant is intended to compensate.

Government grants related to depreciable assets are initially recognized in the statement of financial position as deferred income. Subsequently these grants are recognized in profit or loss (in line item "other operating income") over the useful life of the related assets.

In the event a government grant becomes repayable, it is accounted for as a change in estimate and the repayment is recognized immediately first against any unamortized deferred income and any excess is recognized in profit or loss of the current period.

e) Research and development costs

Research costs are recognized as an expense when they are incurred.

Costs associated with the subsequent development phase are also expensed as incurred unless all of the following conditions are met in which case development costs are capitalized as intangible assets: (i) technical feasibility exists for completing the intangible asset in order to make it available for use or sale; (ii) there is an intention and ability to complete the intangible asset and use or sell it, (iii) evidence exists that the asset will generate probable future economic benefits; (iv) adequate technical, financial and other resources are available to complete the development and to use or sell it; (v) expenditures attributable to the intangible asset during its development can be reliably measured.

The Company treats the criterion of the technical feasibility not to be met until the Company receives approval for the drug from the relevant regulatory authority.

f) Refundable prepayments for distribution rights

The Company has entered into a number of strategic arrangements to commercialize its drugs by providing the counterparty with an exclusive right to sell the drug in the designated markets. Counterparties to those arrangements make advance payments to the Company in exchange for the rights and licenses to be granted when the drug is approved for commercialization. The Company classifies the prepayments as a financial liability because the Company does not have an unconditional right to avoid cash delivery to settle the obligation, as the repayment of these amounts may be triggered by occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of the Company. Such liabilities are measured initially at fair value and subsequently at amortized cost. Due to the fact that the event that may trigger the repayment could happen at any time, the amortized cost equals the amount due on demand. Once the uncertainty will be resolved, the respective amounts will be reclassified to deferred income and accounted for as an element of the consideration from the sale of the distribution rights in accordance with IAS 18/IFRS 15.

g) Income tax

Income tax expense comprises the current and deferred portion. Current and deferred income tax is recognized as profit or loss for the period, except for situations when it relates to items recognized directly in equity or as other comprehensive income.

The current tax is the expected amount of income tax liabilities or receivables on taxable income for a given year, determined using the tax rates enacted as of the reporting date.

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities and their value determined for tax purposes. Deferred tax is measured using the tax rates which are expected to apply when the asset is realized or liability is settled, and the adopted basis are the tax regulations enacted or substantively enacted by the end of the reporting date.

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

Deferred tax assets on tax loss carryforwards, unutilized tax credits and deductible temporary differences are recognized up to the amount of probable future taxable income that would enable their utilization.

h) Property, plant and equipment

Property, plant and equipment ("PPE") is measured at cost less accumulated depreciation and accumulated impairment losses.

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

Purchased software necessary for the proper functioning of the related device is capitalized as part of the device.

When a PPE item is composed of separate and significant components with different useful lives, these components are depreciated separately. When the components are replaced, the carrying amount of removed components of a property, plant and equipment item is derecognized and the new component is recognized in the cost of the asset.

Subsequent expenditures on PPE are capitalized when their cost can be reliably estimated and it is probable that economic benefits associated with the item will flow to the Company.

Expenses incurred in connection with the ongoing repair and maintenance are recognized as profit or loss when incurred.

The basis for depreciation ("depreciable amount") is the cost of a given asset, less its residual value. Depreciation is calculated using the straight-line method applying the depreciation rates which reflect the estimated useful lives of the assets.

The Company has adopted the following useful lives for the individual categories of PPE:

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

The Company depreciates the fixed assets used under finance lease contracts over the shorter of the lease term or the useful life.

The useful lives, depreciation methods and residual values of property, plant and equipment are verified at each balance sheet date and adjusted prospectively as appropriate.

i) Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is assessed at the end of each reporting period in order to determine whether there is objective evidence of their impairment. When such indications do occur, the Company estimates the recoverable amount of the individual assets or the cash generating unit if the asset does not generate cash inflows independently from other assets ("CGU"). The Company, as it is a single operating entity focused on the development and commercialization of MabionCD20, considers the entire Company to be one CGU at this stage of its operation.

The recoverable amount of the assets or CGU is defined as the higher of their fair value less cost to sell and value in use.

Impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment loss is allocated to each asset within the CGU on the pro-rate basis and is recognized in profit or loss for the period.

Impairment loss recognized in previous periods are assessed at the end of each reporting period to determine whether there are indications for its reversal. Impairment losses are reversed when the estimates applied to estimate recoverable amounts have changed. Impairment losses are reversed only up to the carrying amount of a given asset (less depreciation) that would have been determined had the impairment loss not been recognized. No impairments or reversals have been recorded in the accompanying financial statements.

j) Inventory

As the Company has not yet started manufacturing and selling its products, inventories are comprised only of materials and are used for research and development ("R&D") purposes. Materials are measured at the cost (i.e. purchase price and the transaction costs) which is assessed to be their net realizable value. The inventory purchased for the purpose of the research and development activities is not expensed when acquired but when used due to the fact that such inventory items are not specific only for the research and development activities and have an alternative use.

Cost is determined using the first-in, first-out (FIFO) method.

k) Long term receivables

The long term receivables comprise the refundable deposits provided by the Company to its landlord in accordance with an operating lease agreement. These receivable are non-interest bearing, thus are initially measured at fair value; the difference between nominal amount of deposit transferred and the initial fair value is treated as an element of the operating lease payments, if that difference is material. Subsequently, these receivables are measured at amortized costs. If the impact of initial discounting is not material, the amortized cost equals the nominal amount of the deposit.

l) Trade and other receivables

The trade receivables and other receivables which are financial assets are measured initially at fair value. Subsequently, these assets are measured at amortized cost, less any impairment losses.

Trade and other receivables which are financial assets are classified to category "loan and receivables" in accordance with IAS 39.

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

At the end of each reporting period the Company assesses whether there is objective evidence of impairment of trade receivables and other receivables which are financial assets. Impairment with respect to financial assets measured at amortized cost is estimated as the difference between their carrying amounts and the present value of estimated future cash flows discounted using the original effective interest rate. Any losses are recognized in profit or loss for the period and they reduce the carrying amount of the receivables.

m) Prepaid expenses

Prepaid expenses are recognized as an asset at the nominal value upon payment. The costs are recognized in profit or loss over the period in which the economic benefits from the prepayment are consumed based on the contractual arrangements.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with an initial maturity date not exceeding three months. Cash and cash equivalents are measured at the nominal amount plus accrued interest.

o) Share capital

Ordinary shares are classified as equity. The share capital is recognized at the nominal amount of shares issued. The shares are presented as "share capital" only when registered in the Court Register. The excess of the consideration received or receivable for the shares over their nominal amount is presented as "share premium".

Shares issued but not yet registered are presented within equity in a separate line as "shares capital issued but not yet registered".

The issuance of the Company's equity instruments to a creditor to extinguish all or part of a financial liability when the creditor is also a direct or indirect shareholder and is acting in its capacity as shareholder, is accounted for by transferring the carrying amount of the extinguished debt to equity. The debt is derecognized when, and only when, it is extinguished in accordance with IAS 39 par. 39 (i.e. when the obligation is settled). No gain or loss is recognized on such transactions in profit or loss. The share capital is recognized at the amount resulting from applicable local law, any difference between the amount recognized as share capital and the carrying amount of the derecognized debt is recognized in the equity of the borrower.

p) Deferred income

Deferred income arises primarily from receipts of government grants (further policy is provided in Note 4d).

q) Trade and other payables

Trade and other payables which are financial liabilities are measured initially at fair value. Subsequently, these liabilities are measured at amortized cost.

Other payables which are not financial liabilities are measured at amount due.

r) Borrowings

Borrowings are measured initially at fair value less the transaction costs. Subsequently, this liability is measured at amortized cost.

s) Leases

The Company is a lessee in both finance and operating leases.

Lease contracts where substantially all risks and benefits are transferred to the lessee are classified as finance lease agreements. Property leased under a finance lease is recognized as an asset at the lease commencement date at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the line item "other financial liabilities". The interest on a lease liability is charged over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Each lease payment is allocated between the liability and finance charges. Leased assets are measured after initial recognition in accordance with the accounting policy applied for the same class of tangible fixed assets (further policy is stated in Note 4h).

Any other lease contracts are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

t) Share-based payments

The Company operates a cash settled share-based payments plan for its employees. Under this plan the Company receives services from the employees as consideration for a cash payment based on the value of its underlying equity instruments in the event of an IPO outside of Poland. The award vests on the date of receipt of share price. The Company measures the employees' services and the liability incurred at the fair value of the liability. The Company recognizes the costs of the employees' services and the liability to pay for these services as the employees renders the service. The liability is recognized over the vesting period, i.e. in the period from the service commencement date to the expected IPO date. The liability is measured at the end of each reporting period taking into account the expected value of shares to be issued in the IPO outside of Poland and the expected IPO date. Any changes in re-measurement of the liability are recognized in profit or loss for the period (in line item "general and administrative expenses").

u) Cash flow statement

The Company classifies the interest paid and received in the operating activity as allowed by IAS 7 par. 33.

5. New standards and interpretations not yet adopted

The Company did not early adopt any of the issued standards, or interpretations or amendments to the existing standards prior to their mandatory effective dates.

The Company has analyzed the impact of these issued standards with particular consideration given to the following new standards:

a) IFRS 9 *"Financial Instruments"*

IFRS 9 will replace IAS 39. The standard applies to annual periods beginning on or after January 1, 2018.

The standard introduces one model, providing for only two categories of financial asset classification: assets measured at fair value and at the amortized cost. The classification is effected as of the moment of the initial recognition (typically upon acquisition), and it depends on the financial instrument management model adopted by the entity and on the characteristics of the contractual cash flows from these instruments.

IFRS 9 introduces a new model of determining impairment losses – a model of expected credit losses.

The majority of requirements of IAS 39 in terms of classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged. The key change is the requirement to present in other comprehensive income the results of changes to an entity's own credit risk arising in relation to the financial liabilities measured at fair value through the profit or loss.

The Company will apply IFRS 9 as of January 1, 2018.

Management does not expect any material impact connected with implementation of IFRS 9 in respect of the need to create impairment allowances based on the model of expected losses due to the fact that the Company does not have significant amounts of the trade receivables or other receivables measured at amortized costs.

b) IFRS 15 *"Revenue from Contracts with Customers"*

IFRS 15 *Revenue from Contracts with Customers* applies to annual periods beginning on or after January 1, 2018.

The guidance provided in IFRS 15 will apply to all contracts that result in revenue. The fundamental principle of the new standard is recognition of revenue at the moment the goods or services are transferred to the customer, at the transaction price. Any good or services sold in bundles that meet the criteria of being distinct are treated as separate performance obligations with separate revenue streams; any discounts and rebates regarding a transaction price shall be in principle allocated to particular elements of the bundle which are distinct. If the revenue is variable, the new standard requires the variable amounts to be recognized as revenue, provided that the revenue recognized is highly unlikely to be reversed in the future.

Furthermore, according to IFRS 15, the costs incurred to obtain and secure a contract with a customer are capitalized and recognized as an expense throughout the period of receiving the benefits from this contract.

The Company will apply IFRS 15 as of January 1, 2018.

The Company believes that the above standard will not impact the Company's financial result in the near future. This is because the Company does not generate any revenue at this stage of its operation. As at the day hereof, whether revenue is obtained from the sale of products depends on the outcome of the clinical research on the MabionCD20 drug currently in progress. According to the Management Board's estimations, the research will be completed by the end of 2018, while the product will be commercialized by the end of 2020. The only expected impact of application IFRS 15 may result from the recognition of contract costs as an asset; the Company is in a process of analyzing whether these costs would meet the definition of an asset.

c) IFRS 16 *"Leases"*

IFRS 16 *Leases* was published by the International Accounting Standards Board on January 13, 2016 and will apply to the annual periods starting January 1, 2019 or later.

The new standard sets forth the guidance of recognition, measurement, presentation and disclosures regarding leases. All lease transactions result in the lessee gaining the right to use an asset and incurring a liability on account of the payment obligations. Thus IFRS 16 eliminates the operating lease and financial lease classification as per IAS 17, and introduces one model of how the lessee is to record the lease in the books. The lessee will be obligated to recognize: (a) assets and liabilities for all lease transactions entered into for a period over 12 months, except where the asset is of low value; (b) depreciation of the right to use the underlying leased assets; and (c) interest on the financial obligation to pay for the right of use.

IFRS 16 to a considerable extent repeats the regulations contained in IAS 17 in respect of how the lessor is to record the lease in the books. As a result, the lessor continues the classification of leases as either an operating lease or a financial lease.

Since the Company rents premises as a lessee (please refer to future minimum lease payments disclosed in note 26a), the Management Board expects the changes in the standard to impact the Company's financial statements. In 2018, the Management Board plans to carry out relevant analyses of how this standard will impact the Company.

6. Impact of adopting IFRS

Before transitioning to IFRS, the Company had prepared its financial statements in accordance with the Polish Accounting Act ("Polish GAAP", "PL GAAP").

With certain mandatory exceptions and optional exemptions, IFRS 1 requires retrospective application of standards and interpretations that are effective for the year ended December 31, 2016. The only mandatory exception, which is applicable to the Company, relates to estimates. The estimates recorded in accordance with IFRS as of January 1, 2015 and December 31, 2015, are in line with the estimates in accordance with PL GAAP on the same dates. None of the other mandatory exceptions are applicable to these financial statements. The Company also does not apply any optional exemption from the full retrospective application of IFRS.

Presented below is the impact of adjustments resulting from the adoption of IFRS on shareholders' equity as of January 1, 2015 (date of transition to IFRS) and December 31, 2015 (reporting date of the last financial statement prepared in accordance with Polish GAAP), as well as on net loss / total comprehensive income for the year 2015.

PLN thousand	Equity as of January 1, 2015	Net loss for 2015 / Total comprehensive income	Issuance of common shares	Equity as of December 31, 2015
In accordance with Polish GAAP	99,784	(4,597)	32,449	127,636
a) Recognition of capitalized development costs as expenses	(69,988)	(38,968)	-	(108,956)
b) Recognition of government grants as income	26,016	1,389	-	27,405
c) Accounting for depreciation of chromatographic equipment reclassified from inventory	(191)	(381)	-	(572)
d) Other	(74)	16	-	(58)
In accordance with IFRS	55,547	(42,541)	32,449	45,455

a) Recognition of capitalized development costs as expenses

According to Polish GAAP, the Company capitalized incurred development costs as assets and presented them as prepaid expenditures. Polish GAAP provides that once the development work is completed, the carrying amount of prepaid expenditures is transferred to intangible assets if the following criteria are met:

a) product or production technology is clearly determined, and related development costs can be reliably measured;
b) the technical usefulness of a product or technology has been determined and properly documented, and on that basis an entity has decided to manufacture these products or implement the technology;
c) it is expected that development costs will be covered with revenue from sales of these products or implementation of the technology.

Polish GAAP does not provide the criteria which should be met in order to start recognizing the incurred development costs as prepaid expenses. Under Polish GAAP, the Company has recognized development costs as a prepaid expense much earlier than the moment of obtaining the regulatory approval.

According to IAS 38, development costs are recognized as expenses because the criteria for capitalization set by IAS 38 are considered not to be met until the Company has received regulatory approval of the drug application. See also Note 4e related to Company's accounting policy of R&D costs under IFRS.

b) Recognition of government grants as income

According to Polish GAAP, the Company was deferring government grants related to development costs that were capitalized (see adjustment (a) above). Due to the fact that the development cost were expensed (as explained above in point (a)) the grants previously recognized under PL GAAP as deferred income are under IFRS, recognized in profit or loss. According to IAS 20 government grants related to costs are recognized as income when the grant is received or becomes receivable and there is reasonable assurance that the entity will comply with the conditions attached to the grant. See also accounting policy for government grants in Note 4d.

c) Accounting for depreciation of chromatographic equipment reclassified from inventory

For the purposes of drugs development and related production company uses a chromatographic equipment which under Polish GAAP has been classified as an inventory. This item meets the definition of property, plant and equipment under IAS 16 i.e. it is held for use in the production and is expected to be used during more than one period. Therefore when adopting IFRS the Company has classified this equipment as a tangible fixed asset and depreciates it over its expected useful life.

Impact on the statements of cash flows

There was no significant impact on the statements of cash flows other than the adjustments to the loss before income tax resulting from the adjustments disclosed above.

7. Critical accounting estimates and judgements

In applying the accounting principles described in Note 4, management makes estimates, judgements and assumptions regarding the recognition and valuation of the individual items of assets and liabilities. The estimates and the related assumptions are based on historical experience, management's expectations or other factors considered material. The actual results may differ from the recorded estimates. The estimates and the related assumptions require regular verification. Changes in accounting estimates are recognized prospectively, beginning from the period when the estimate changed. Presented below are also the critical estimates and judgements which were made by management, which have the most significant impact on the amounts recognized in the financial statements.

a) Deferred tax assets in relation to income tax credit

The Company carries out research and development and well as manufacturing activities mainly for the purpose of developing its primary drug, MabionCD20. The Company has built a fully equipped research and industrial center within the Łódź Special Economic Zone ("ŁSSE"), located in Poland. According to the Polish Special Economic Zone Act, business activities carried out within a special economic zone, within the permit obtained, are subject to corporate income tax incentive. The tax incentive is based on the amount of the eligible capital expenditures incurred (i.e. capital expenditures incurred on property, plant and equipment), which cannot exceed the eligible cost maximum value defined in the relevant permits issued by the Management Board of the ŁSSE. Mabion has the right to utilize the incentive until December 31, 2026, which represents the last year of the functioning of the ŁSSE under the applicable laws. In order to maintain the right to utilize the incentive, the Company has to fulfill the criterion of the sustainability of the investments made and meet the employment criterion (i.e. number of employee hired and retained over a specific period of time). As of December 31, 2016, the Company operated under three permits issued by the ŁSSE. In the case of the two permits issued in 2010 and 2012, the investments covered by these two permits have been completed, and the Company's compliance with the prerequisites for the tax credit received a positive verification during audits conducted by the ŁSSE.

At the end of 2016, the Company obtained the third permit, which pertains to a new investment in the development of the existing drug manufacturing facility. The maximum value of eligible capital expenditures under that permit is PLN 26,000 thousand. As of December 31, 2016 the Company has not yet incurred any eligible capital expenditures under this permit.

In 2010 The Company has utilized an amount of PLN 552 thousand from the available tax credit. In relation to the remaining amount of the tax credits, it is not probable that future tax profits will be generated before the expiry date for these tax credits (i.e. by December 31, 2026) and whether the Company will meet all the criteria for the level of capital expenditure and number of employees hired, therefore the Company has not recognized a deferred tax asset on these tax credits. The tax credits available which have not been recognized (resulting from the two permits referred to above) amounts to PLN 50,874 thousand as of December 31, 2016 (PLN 50,843 thousand as of December 31, 2015). Tax credits will be only available to offset against future tax liabilities.

b) Depreciation of tangible fixed assets

The depreciation rates are based on the expected useful life of property, plant and equipment. Every year, the Company verifies the adopted useful lives based on current estimations. The useful lives are established with reference to the estimated periods during which the Company intends to derive future economic benefits from the use of the assets. Where available, the Company also considers historical experience with similar assets. It also factors in the anticipation of future events which may impact life of assets, such as changes in technology.

c) Determining the moment when the criteria for capitalization of development costs are met

Capitalization criteria of development cost are disclosed in Note 4e. Due to the risks and uncertainties related to the legislative approval process for drug development, the Company does not currently meet the asset capitalization criteria and therefore all development costs are expensed as they are incurred. Generally, the Company expects to capitalize development costs from the moment when the regulatory authority provides approval for the

drug. At this point the criterion of the technical feasibility of completing the drug, which is the most difficult criterion to be demonstrated in drug development, is considered to be proven.

8. Operating segments

Mabion's activity concentrates on research and development activities for new biotechnology drugs and biosimilar drugs through utilizing contemporary genetic engineering. The activities undertaken by the Company include implementation of its own projects involving development, manufacture and sale of drugs used in the therapy of malignant diseases, as well as autoimmune and metabolic diseases. The Company is currently working on the development of several drugs biosimilar to the original drugs (so called reference drugs) used in the therapy of malignant diseases, as well as autoimmune and metabolic diseases. MabionCD20 is a top-priority drug, which is also in the most advanced development stage among all projects. The Company also conducts research and development works at the request of other entities.

In the period covered by these financial statements, the Company carried out business activities in Poland only.

In view of the above, one operating segment was identified. Financial information about this segment arises directly from the statement of comprehensive income and the statement of financial position.

In the year 2016, the Company has not generated any revenue. In the year 2015, 92% of the total revenue from the sales of the research and development services was generated from one customer (see further information in Note 24).

Chief operating decision-maker ("CODM") was identified as the Management Board of the Company.

9. Expenses by nature

The following tables present different types of expenses by nature:

PLN thousand	2016	2015
Depreciation	-	1,391
Personnel expenses	-	579
Cost of materials	-	185
Other expenses	-	215
Costs of services sold by nature	-	2,370
Third-party services	17,291	25,600
Cost of materials	16,806	8,785
Personnel expenses	6,196	3,047
Depreciation	3,828	2,280
Other expenses	97	64
Research and development costs by nature	44,219	39,776
Office expenses	2,958	2,177
Personnel expenses	2,811	542
Depreciation	3,111	988
Advisory services in connection with distribution contracts	1,766	-
Share based payment expense (IPO incentive)	720	14
Rental, usage and maintenance of equipment and company car expenses	758	42
Taxes and fees	545	193
Other operating expenses	1,417	1,418
General and administrative expenses by nature	13,938	5,373

10. Research and development cost

PLN thousand	Cumulative expenditures incurred up to 31 December 2016	2016	2015
MabionCD20	134,573	43,792	37,503
Double cutting technology	15,404	19	2,062
MabionHER2	3,503	125	-
Other projects	504	283	211
Total Research and development costs	153,984	44,219	39,776

The MabionCD20 project is in Phase III of the clinical trials while all other projects are in the pre-clinical stage except for Double-cutting which is a finished project before commercialization. For further description of individual projects see Note 19.

11. Other operating income

PLN thousand	2016	2015
Government grants (Note 19)	2,131	2,688
Other operating income	495	-
Total other operating income	2,626	2,688

Other operating income mainly relates to the cancellation of the collaborative agreement with Laboratorio LKM, whereby the Company retained amounts previously prepaid by the counterparty with no further performance obligations. See Note 20.

12. Finance income and costs

PLN thousand	2016	2015
Interest income	25	29
Other finance income	19	-
Total finance income	44	29
Interest expense	(217)	(235)
Net foreign exchange losses	(114)	(237)
Other finance costs	(8)	-
Total finance costs	(339)	(472)

13. Income tax

PLN thousand	2016	2015
Current tax	-	-
Adjustments related to previous years	-	-
Deferred income tax	-	-
Total income tax	-	-

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

PLN thousand	2016	2015
Loss before tax	(55,826)	(42,541)
Tax (charge)/benefit at domestic tax rate of 19%	10,607	8,083
Expenses not deductible for tax purpose	(792)	(61)
Income not subject to tax	382	247
Deductible temporary difference on which the deferred tax assets was not recognized*	(9,055)	(7,236)
Tax losses on which the deferred tax asset was not recognized - outside special economic zone**	(156)	(102)
Tax losses which cannot be carried forward - special economic zone **	(986)	(931)
Income tax expense	-	-

*Amount consist mainly of R&D expenditures that are not yet deductible for tax purposes.

**Tax losses generated by the Company from its operation within the special economic zone cannot be utilized in any future periods. Whereas the tax losses generated by the Company from the operation outside the special economic zone can be carried forward. The amounts of the tax losses which are carried forward and its expiry dates are presented in the table below.

The deferred tax assets, were recognized up to the amount of the taxable temporary differences that are expected to reverse in the same period as the expected reversal of the deductible temporary differences. For the excess amount of the deductible temporary differences, no deferred tax was recognized as it was not probable that taxable profit will be available against which deductible temporary differences could be utilized.

The balance of deferred tax assets comprises temporary differences attributable to:

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Accrual for employee benefits	-	21	8
Total deferred tax assets	-	21	8
Offsetting of deferred tax assets and liabilities	-	(21)	(8)
Net deferred tax assets	-	-	-

The balance of deferred tax liabilities comprises temporary differences attributable to:

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Foreign exchange differences	-	21	8
Total deferred tax liabilities	-	21	8
Offsetting of deferred tax assets and liabilities	-	(21)	(8)
Net deferred tax assets	-	-	-

The tax losses carry forward, tax credits, and deductible temporary difference on which the deferred tax assets was not recognized, amounts presented below are presented at domestic tax rate 19%.

PLN thousand	Expiry date	2016	2015
Tax loss carry forward from 2016	end of 2021	156	-
Tax loss carry forward from 2015	end of 2020	102	102
Tax loss carry forward from 2012	end of 2017	23	23
Tax credit (Note 7)	end of 2026	50,874	50,843
Deductible temporary differences	No expiry date	16,707	7,653
Total amount of items on which deferred asset was not recognized		67,862	58,621

14. Property, plant and equipment

PLN thousand	Land, buildings and structures	Machinery and equipment	Other	Construction in progress	Total
As of January 1, 2015					
Gross value	3,947	2,009	5,818	58,000	**69,774**
Accumulated depreciation	(136)	(267)	(3,751)	-	**(4,154)**
Net value as of January 1, 2015	3,811	1,742	2,067	58,000	65,620
Period ended December 31, 2015					
Purchases	-	-	-	12,426	**12,426**
Transfers	41,323	17,175	10,363	(68,862)	**-**
Depreciation for the period	(659)	(1,820)	(2,180)	-	**(4,659)**
Net value as of December 31, 2015	44,475	17,097	10,250	1,565	73,387
As of December 31, 2015					
Gross value	45,270	19,184	16,181	1,565	**82,200**
Accumulated depreciation	(795)	(2,087)	(5,931)	-	**(8,813)**
Net value as of December 31, 2015	44,475	17,097	10,250	1,565	73,387
Period ended December 31, 2016					
Purchases	-	-	40	1,619	**1,659**
Transfers	141	81	2,912	(3,134)	**-**
Depreciation for the period	(1,176)	(2,762)	(3,001)	-	**(6,939)**
Net value as of December 31, 2016	43,440	14,416	10,201	50	68,107
As of December 31, 2016					
Gross value	45,411	19,265	19,133	50	**83,859**
Accumulated depreciation	(1,971)	(4,849)	(8,932)	-	**(15,752)**
Net value as of December 31, 2016	43,440	14,416	10,201	50	68,107

Information about the fixed assets pledged as collateral for bank borrowings is disclosed in Note 21.

The Company has not identified impairment indicators in relation to property, plant and equipment at the balance sheet date or the prior periods. The majority of the Company's tangible fixed assets are relatively new i.e. were purchased over the past 3 years. Currently property, plant and equipment are used in the production of limited batches of MabionCD20 for use in clinical trials. Ultimately, these assets will be used for commercial production of MabionCD20. In management's view, the clinical trial will be successfully completed with production for commercial sale expected to commence not later than 2020, thus no impairment indicators were identified in relation to these tangible fixed assets.

15. Inventory

Inventory is comprised only of materials. Inventory recognized in research and development costs in 2016 amounted to PLN 16,806 thousand (2015: PLN 8,785 thousand). In addition, inventory amounting to PLN 185 thousand was recognized in cost of services sold in 2015.

16. Trade and other receivables

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
VAT receivable	3,162	2,904	2,634
Trade receivables	7	8	438
Advances for materials and services	608	107	2,660
Other receivables	54	6	96
Trade and other receivables	3,831	3,025	5,828

There are no impairment losses recognized or reversed in 2016 and 2015. There is also no allowance for doubtful debts as of December 31, 2016 and 2015 and as of January 1, 2015. In 2015, the Company wrote of PLN 50 thousand of other receivables. Further information regarding the credit risk is disclosed in Note 23.

17. Cash and cash equivalents

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Current bank account	21	74	3,040
Deposits at bank at call	14,805	6,000	3,913
Total cash and cash equivalents	14,826	6,074	6,953

The credit rating of banks at which cash deposits are held and the concentration of the credit risk is disclosed in Note 23.

18. Capital management and Equity

a) Capital management

The Company's capital management objective is to secure its ability to continue as a going concern in order to provide return on capital for the shareholders as well as to keep an optimal capital structure to reduce cost of capital.

The Company is bound by a legal capital requirement arising from the Polish Commercial Code, according to which the Company must create, for the purpose of absorbing net losses, a supplementary capital for which at least 8% of net profit for a particular financial year is to be allocated, until the supplementary capital equals at least one third of share capital. Since the Company has been generating losses, it has not yet been able to fulfil this obligation. Pursuant to resolutions of Ordinary General Shareholders Meetings and as permitted by the Polish Commercial Code, the Company has covered its 2015 and 2014 net loss (amounts resulting from the financial statements prepared in accordance with Polish GAAP) by reduction of the share premium.

To maintain the optimum structure of the capital, the Company may issue new shares, take out loans from the shareholders, convert these loans to capital or increase its debt.

b) Share capital and share premium

As of January 1, 2015, the Company's equity consisted of 9,230,000 ordinary bearer shares (shares of series D and H through O) and 1,570,000 registered shares with extra voting rights (shares of series A through C and E through G), i.e. each such registered share entitles the holder to cast two votes at the General Meeting of Shareholders; there are no other differences between these series of shares. All shares have par value of PLN 0.10 per share. The summary of changes in share capital and share premium is presented below:

PLN thousand, except number of shares	Number of shares issued and fully paid	Share capital (par value)	Share premium
As of January 1, 2015	10,800,000	1,080	103,414
Issue of Series M shares	360,000	36	16,884
Share issue costs			(451)
Reduction of share premium to cover 2014 net loss			(4,461)
As of December 31, 2015	11,160,000	1,116	115,386
Issue of Series N shares	340,000	34	15,946
Issue of Series O shares	300,000	30	14,070
Reduction of share premium to cover 2015 net loss			(4,597)
As of December 31, 2016	11,800,000	1,180	140,805

The table below presents details of share issuances in the periods covered by these financial statements all of which occurred through private placements of PLN 0.10 par value ordinary bearer shares issued for a consideration of PLN 47 per share:

PLN thousand, except number of shares

Share issuance date	Date of share registration	Share series	Shareholder*	Number of shares	Cash consideration	Loan conversion	Total consideration
October 22, 2015	November 10, 2015	M	Generali OFE	250,000	11,750	-	11,750
			Other investors	110,000	5,170	-	5,170
				360,000	16,920	-	16,920
December 22, 2015	April 21, 2016	N	Twiti Investments, Ltd.	150,000	550	6,500	7,050
December 22, 2015			Glatton Sp. z o.o.	90,000	-	4,230	4,230
December 23, 2015			Polfarmex S.A.	100,000	4,700	-	4,700
				340,000	5,250	10,730	15,980
May 24, 2016	July 4, 2016	O	Twiti Investments Ltd.	200,000	2,350	7,050	9,400
			Glatton Sp. z o.o.	100,000	-	4,700	4,700
				300,000	2,350	11,750	14,100

* shareholders with ownership share of more than 5% are listed individually

The contractual terms of the loans converted in the year 2015 and 2016 into equity didn't contain any conversion features (options or forwards). Subsequent conversion of such loans to equity was a modification of the original loan terms. The issue of the Company's equity instruments to a creditor to extinguish all or part of the financial liability was accounted for by transferring the carrying amount of the loan liability to equity (share capital and share premium). No gain or loss was recognized in profit or loss on such conversion due to the fact that the conversion was a transaction when the lender is also a shareholder acting in its capacity as shareholder. The terms of the loans are disclosed in Note 24.

General Meeting of Shareholders in 2015 authorized the Management Board to issue new shares without extra voting rights with the total par value not to exceed PLN 100 thousand which represents 1,000,000 shares at PLN 0,10 per share. By the end of 2015, 360,000 shares have been issued. As of December 31, 2016 all authorized shares have been issued.

c) Shareholding structure

As of December 31, 2016, the shareholding structure of Mabion S.A. was as follows:

Entity	Registered Office	Number of shares	% of equity held	% of voting rights
Twiti Investments Limited*	Nicosia, Cyprus	2,509,457	21.27%	23.18%
Polfarmex S.A.	Kutno, Poland	1,437,983	12.19%	14.37%
Celon Pharma S.A. **	Łomianki, Poland	620,350	5.26%	8.33%
Generali OFE	Warsaw, Poland	1,094,707	9.28%	8.19%
Glatton Sp. z o.o. **	Łomianki, Poland	1,004,526	8.51%	7.51%
Funds managed by Amathus TFI S.A	Warsaw, Poland	988,042	8.37%	7.39%
Funds managed by Investors TFI S.A.	Warsaw, Poland	660,549	5.60%	4.94%
Holders of less than 5% of equity	N/A	3,484,386	29.52%	26.09%
Total		11,800,000	100.00%	100.00%

*Jointly Controlled by Mr. Robert Aleksandrowicz – Chairman of the Supervisory Board of Mabion S.A.
**Controlled directly or indirectly by Mr. Maciej Wieczorek – CEO of Mabion S.A. until December 14, 2016 and Member of the Supervisory Board of Mabion S.A. from February 16, 2017

19. Deferred income

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Government grants related to property, plant and equipment	15,997	17,982	8,086
Government grants related to research and development	-	3,254	4,017
Prepayment from Celon Pharma for services (development of anti-body technology formula)	1,590	1,590	-
Deferred income – current and non-current	17,587	22,826	12,103

Government grants

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

Project title	Grant program name	Total amount granted (PLN thousand)	Project description	Project term and status
Innovative technology of manufacture of therapeutic monoclonal antibodies applied in the therapy of lymphoma (MabionCD20)	Operational Program Innovative Economy 2007-2013	39,655	The aim of the project was to create an innovative drug in the form of biosimilar humanized anti-CD20 monoclonal antibody The therapeutic indications for the drug are for Non-Hodgkin's lymphoma, chronic lymphocytic leukemia and rheumatoid arthritis. The project also included establishing a dedicated biotechnological plant to manufacture drugs and to create new jobs for chemists, biologists and biotechnologists.	July 1, 2010 – May 29,2015 **Status: Project finished**
Innovative technology of "double cutting" in obtainment of modern analogs of the hormone of human insulin	Operational Program Innovative Economy 2007 – 2013	24,087	The aim of the project was to create an innovative, universal technology "double cutting" leading to obtaining insulin and its analogs and to their manufacture.	May 1, 2011 – December 31, 2015 **Status: Project finished**
Clinical development and registration of humanized monoclonal antibody binding with HER2 receptor applied in the therapy of breast cancer (MabionHER2)	INNOMED	10,000	The project concerns research and development activities and completion of a clinical trial regarding oncology drug Mabion HER2.	June 1, 2014 – May 31, 2019 **Status: Project in progress**

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and that grants will be received. The table below presents movements in government grants over the years covered by these financial statements:

PLN thousand	Government grants related to assets	Government grants related to research and development	Total
As of January 1, 2015	8,086	4,017	12,103
Proceeds	11,163	3,345	14,508
Repayments	-	(2,687)	(2,687)
Recognized in profit or loss	(1,267)	(1,421)	(2,688)
As of December 31,2015	17,982	3,254	21,236
Proceeds	-	-	-
Repayments	-	(3,107)	(3,107)
Recognized in profit or loss	(1,985)	(147)	(2,132)
As of December 31, 2016	15,997	-	15,997

Government grants related to assets pertain to the MabionCD20 project (i.e. grants for the building of the factory for the production of MabionCD20) while government grants related to research and development to the "double cutting" technology and MabionHER2 projects.

In 2015 the Company repaid PLN 2,684 thousand 2015 related to the "double cutting" technology project. The repayments resulted from challenges that the Company encountered in completing R&D activities during one of the last stages of the project. As the challenges could not be overcome, the Company submitted on November 5, 2015 an application to the governmental agency for an early termination of the project. Due to the fact that Mabion took all required actions to achieve the target project results, the governmental agency concurred with the application and relieved the Company from the obligation to implement all planned milestones. As a result, the portion of the grant related to abandoned milestones was repaid while amounts granted for the completed and approved project stages were retained by the Company and are not subject to any further significant unfulfilled conditions or contingencies.

Repayments of PLN 5 thousand in 2015 and PLN 3,107 thousand in 2016 related to MabionHER2 project due to the fact that the activities for which the grant was provided were not performed by the Company in accordance with the required schedule. The Company recognized in other operating income PLN 147 thousand in 2016 and PLN 31 thousand in 2015 with respect to MabionHER2 grants which on the basis of the agreement with grantor, the Company was allowed to retain without any further conditions attached. The repayment of the grant has no other impact on profit or loss.

As of December 31, 2016, the Company had unfulfilled conditions and other contingencies attaching to government assistance that has been recognized with respect to the MabionCD20 project. The Company is required to maintain a sustainability criterion for three years from project completion whereby it has to continue with the subsidized activity without substantial modifications and within original geographical boundaries. This contingency expires on April 14, 2018. The fixed assets in relation to which the grant was obtained became available for use in 2015 at which point the depreciation of these assets also began; the respective portion of the deferred income (grant) was also recognized in profit or loss as well.

20. Refundable prepayments for distribution rights

The table below presents the list of all signed collaborative agreements along with the amounts of the received prepayments and the target markets covered by particular contracts:

PLN thousand

Partner	Market	December 31, 2016	December 31, 2015	January 1, 2015
Mylan	Albania, Austria, Belgium, Bulgaria, Bosnia and Herzegovina, Croatia Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Malta, Montenegro, the Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, the UK Switzerland, Norway and Liechtenstein	41,792	-	-
FARMAK	the Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldavia, Tajikistan, Turkmenistan, Uzbekistan	1,106	1,044	1,044
ONKO	Turkey	487	461	461
Sothema Laboratories	Morocco, Algeria, Tunis	102	95	95
Lyfis	Iceland	27	25	25
Laboratorio LKM (contract terminated in 2016)	Argentina, Venezuela, Chile, Uruguay, Ecuador, Columbia, Bolivia, Paraguay	-	409	409
VMG	Costa Rica, Salvador, Nicaragua, Panama, Honduras, Belize, Trinity and Tobago, Dominican Republic	-	-	-
Total		43,514	2,034	2,034

The prepayments received by the Company are refundable upon certain events that are outside of the control of the Company will occur(e.g., clinical trial conducted for a drug is not completed, and/or regulatory approval for a given market is not provided). As the timing of the occurrence or non-occurrence of this event is also out of control of the Company, the liability is measured at the amount payable on demand and is classified as a liability.

On November 8, 2016, the Company signed the Mylan Agreement. According to the contract, the Company received from Mylan USD 10 million, to be allocated for further development work on MabionCD20. Moreover, in the event of successful filing of Marketing Authorization Application to EMA, receipt of Marketing Authorization from EMA and receipt of the Marketing Authorization for MabionCD20 in EU major market countries, , the contract requires Mylan to subsequently pay the Company a total of USD 35 million. The Mylan Agreement, which encompasses also a major terms of the MabionCD20 production and supply agreement, foresees the royalties based on annual net sales of MabionCD20.In the event, the conditions precedent are not met by Mabion, there is a risk that the prepayments received by the Company will need to be returned.

Furthermore, from 2012 to 2015 the Company signed a number of distribution agreements under which particular contractors will gain the right to exclusive distribution of MabionCD20 in designated target markets. Under these contracts, the Company received prepayments against the performance thereof, to be returned if the outcome of the drug registration process in a particular market is negative. All such amounts have been recognized as liabilities.

Mabion's primary objective is to launch the developed biosimilar drugs in global markets, mainly the markets of the European Union countries and the United States, which entails the obligation to have these drugs registered by the competent offices – the European Medicines Agency (“EMA”) and the American Food and Drug Administration (“FDA”) respectively. The works carried out by Mabion S.A. to develop and launch the drugs comply with EMA's guidelines. FDA published certain regulations for biosimilar drugs thus far, however, there is a few biosimilar drugs registered in the USA so far and it is impossible to verify how these regulations will be adopted.

Since the commencement of work on its biosimilar drugs, Mabion S.A. has been working with EMA in terms of compliance with the relevant guidelines and procedures connected with the registration process in the European Union, and has been monitoring the development of the FDA's guidelines on registration of biosimilar drugs in the United States.

In the nearest future, the Company will continue to search for other distribution partners, in particular for Asia and Oceania's markets. In connection with the signing of other contracts, the Company expects to obtain additional payments from distribution partners.

21. Borrowings

a) Bank borrowings

On October 12, 2016, the Company signed a revolving loan agreement for a loan of PLN 25,000 thousand with Alior Bank S.A. The loan was granted on market terms for a period ending on September 28, 2017. The loan interest rate is payable monthly and is based on the WIBOR 3M increased by the bank's fixed margin of 2 percent per annum. The funds from the loan are used to finance the Company's current operations with the focus on launching the production of MabionCD20. By December 31, 2016, the Company used the first tranche of the loan of PLN 12,500 thousand and incurred interest expense of PLN 102 thousand, of which PLN 42 thousand was payable at the end of the year. In March 2017, the Company used the second tranche of PLN 12,500 thousand. The loan requires collateral, including a contractual mortgage up to PLN 37,500 thousand on the title to the real property in Konstantynów Łódzki along with assignment of the amounts due under the insurance policy, a power of attorney for the Company's bank accounts with Alior Bank S.A., the Company's declaration on voluntary submission to enforcement, and other forms of protection provided by two of the main shareholders: Twiti Investments Ltd. and Glatton Sp. z o.o. (including a comfort letter and a pledge on the shares held by the shareholders in Celon Pharma S.A.). Each of the two tranches of the loan limit the use proceeds for the repayment of shareholder loans to a maximum of PLN 1,500 thousand per tranche, whereby the first tranche could only be used against pre-existing shareholder loans.

b) Borrowings from shareholders

Loans from related parties are discussed in Note 24.

22. Trade and other payables

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Trade payables	9,915	11,880	8,539
Accrued expenses for clinical trials	1,780	1,046	-
Share-based payments (Note 24)	735	14	-
Social security and personal income tax on salaries	489	279	108
Accrued expenses for unused holidays	207	135	153
Other payables	571	148	160
Total trade and other payables	13,697	13,502	8,960

23. Financial risk management

The Company's activity is exposed to a number of financial risks, such as: market risk (in particular the risk of changes to the exchange rates and the risk of changes to cash flows as a result of interest rate changes), credit risk and liquidity risk.

The supervision and management of particular risks is the responsibility of Company's management. The Company does not have a formalized financial risk management system in place. The Company's management carries out the risk management process continuously in all major areas of the Company's activity. Due to the dynamic situation in the pharmaceutical market, the Company's management manages the process of monitoring, auditing and revising potential risks on an ongoing basis, which consists of several stages:

- anticipating and identifying the potential risk groups, examining the risk in depth to actively prevent it;
- continuously monitoring and controlling the existing risk;
- avoiding the risk – refraining from certain high-risk activities;
- taking preventive actions – developing action plans and relevant procedures to be implemented immediately if a potential risk arises;
- keeping the risk within the predetermined limits or implementing risk minimization plans;
- reporting the identified risk and its nature;
- adhering to Good Practices for companies listed on the Warsaw Stock Exchange.

This note presents information about the Company's exposure to individual risks relating to financial instruments only, as well as the objectives, policy and processes used to measure and manage the risk.

The table below presents the financial instruments owned by the Company and their classification in accordance with IAS 39 categories;

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Loans and receivables			
Long-term receivables	110	110	110
Trade receivables	7	8	438
Cash and cash equivalents	14,826	6,074	6,953
Total financial assets	14,943	6,192	7,501
Liabilities measured at amortized cost			
Refundable prepayments for distribution rights	43,514	2,034	2,034
Trade payables	9,915	11,880	8,539
Accrued expenses for clinical trials	1,780	1,046	-
Borrowings	12,500	-	-
Finance leases	220	232	96
Total financial liabilities	67,929	15,192	10,669

a) Foreign exchange risk

Refundable prepayments for distribution rights (funds received from distribution partners) are denominated in foreign currencies which creates a foreign exchange risk exposure until funds are utilized (i.e. returned or transferred to deferred income depending on the outcome of uncertain future events).

The majority of laboratory equipment and reagents for research and development is purchased by the Company in foreign currencies, mostly in euros and US dollars. Adverse currency exchange rate changes (weakening of the PLN against foreign currencies) may affect the level of the Company's investment outlays and increase the cost of research and development which may have a negative impact on the Company's financial results. Since the Company intends to sell its drugs in international markets (mostly in euros and US dollars), the risk connected with exchange rate fluctuations is expected to be limited in the future once the drugs are commercialized.

The Company analyses the level of foreign exchange risk and the potential impact of the above changes on the results of the period on an ongoing basis. The Company's management did not deem it necessary to purchase any instruments limiting the impact of the changes arising from temporary exchange rate fluctuations on the financial results and equity.

The table below presents the Company's position in foreign currencies (translated into PLN) which is indicative of the exposure to the risk of currency exchange rate changes:

PLN thousand	Denominated in the following foreign currencies (translated into PLN)			
	Total	EUR	USD	Other foreign currencies
As of January 1, 2015				
Trade receivables	284	276	8	-
Cash and cash equivalents	383	354	18	11
Refundable prepayments for distribution rights	(2,034)	(2,034)	-	-
Trade payables	(3,374)	(3,328)	(31)	(15)
Net exposure asset/(liability)	(4,741)	(4,732)	(5)	(4)
As of December 31, 2015				
Trade receivables	-	-	-	-
Cash and cash equivalents	41	31	1	9
Refundable prepayments for distribution rights	(2,034)	(2,034)	-	-
Trade payables	(4,197)	(4,100)	(81)	(16)
Net exposure asset/(liability)	(6,190)	(6,103)	(80)	(7)
As of December 31, 2016				
Trade receivables	-	-	-	-
Cash and cash equivalents	13,328	60	13,259	9
Refundable prepayments for distribution rights	(43,514)	(1,721)	(41,793)	-
Trade payables	(2,661)	(2,411)	(104)	(146)
Net exposure asset/(liability)	(32,848)	(4,072)	(28,638)	(137)

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

PLN thousand	Denominated in the following foreign currencies (translated into PLN)							
	2016				2015			
	Total	EUR	USD	Other foreign currencies	Total	EUR	USD	Other foreign currencies
Rate increase by 5%	(1,643)	(204)	(1,432)	(7)	(309)	(305)	(4)	-
Rate decrease by 5%	1,643	204	1,432	7	309	305	4	-

b) Risk of cash flow changes as a result of interest rate changes

The Company has exposure to the risk of interest rate changes with respect to borrowings at variable interest rates and finance leases at variable interest rates. The risk is partially compensated by cash deposits with variable interest rates. The Company regularly analyses the level of the risk of interest rate changes in order to estimate the impact of specific interest rate changes on the financial results. The Company does not have any instruments limiting the impact of changes in interest rates on its cash flows and financial results.

The table below presents exposure to the risk of changes to cash flows as a result of interest rate changes:

PLN thousand	December 31, 2016	December 31, 2015	January 1, 2015
Cash at bank	14,826	6,074	6,953
Borrowings	(12,500)	-	-
Finance leases	(220)	(232)	(96)
Net exposure asset/(liability)	2,106	5,842	6,857

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

PLN thousand		
Increase/(decrease) in net profit or loss and equity resulting from	2016	2015
increase in interest rates by 100 bps	21	58
decrease in interest rates by 100 bps	(21)	(58)

c) Credit risk

Credit risk is the risk of the Company suffering financial losses because of a failure on the part of a customer or supplier who is a party to a financial instrument to fulfil their contractual obligations. The Company's credit risk mostly results from cash and cash equivalents on bank accounts. The Company's management assessed that the credit risk connected with the portfolio of trade receivables and other receivables, both being financial assets, is marginal due to the relatively low level of the these balances as of each reporting date. This is due to the fact that the Company still has insignificant sales are mostly transactions with related parties (see Note 24).

The table below presents the credit risk exposure:

PLN in thousands	December 31, 2016	December 31, 2015	January 1, 2015
Long-term receivables	110	110	110
Trade receivables	7	8	438
Cash at bank	14,826	6,074	6,953
Total exposure	14,943	6,192	7,501

Cash and cash equivalents are deposited with a financial institution with a BB Long-term Issuer Default Rating ("IDR") by Fitch Ratings with a stable outlook. The Company has considerable concentration of credit risk for cash and cash equivalents, i.e. 100% of the balance is held in one financial institution. However, the Company's management believes that depositing cash at banks with a stable rating considerably limits the exposure to credit risk.

d) Liquidity risk

The Company does not generate current revenues and its activity to date has been financed from funds obtained from share issues, shareholder loans and equity placements, government grants and, to a certain degree, from sales of research & development services. Furthermore, the Company obtained funds to finance its future activities by selling the distribution rights to MabionCD20 (Note 20). In 2016, a contract was also signed for a revolving bank borrowing (details of this contract are described in Note 21). The Company's management monitors current forecasts of the Company's liquid assets and liabilities based on anticipated cash flows.

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

PLN thousand		Contractual undiscounted cash flows					
	Carrying amount	Total	Less than 6 months	6 -12 months	1 – 2 years	2 – 5 years	Over 5 years
As of January 1, 2015							
Refundable prepayments for distribution rights	2,034	2,034	2,034	-	-	-	-
Trade payables	8,539	8,539	8,539	-	-	-	-
Accrued expenses for clinical trials	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Finance leases	96	106	29	16	33	28	-
Total	10,669	10,679	10,602	16	33	28	-
As of December 31, 2015							
Refundable prepayments for distribution rights	2,034	2,034	2,034	-	-	-	-
Trade payables	11,880	11,880	11,880	-	-	-	-
Accrued expenses for clinical trials	1,046	1,046	1,046	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Finance leases	232	244	62	46	88	48	-
Total	15,192	15,204	15,072	46	88	48	-
As of December 31, 2016							
Refundable prepayments for distribution rights	43,514	43,514	43,514	-	-	-	-
Trade payables	9,915	9,915	9,915	-	-	-	-
Accrued expenses for clinical trials	1,780	1,780	1,780	-	-	-	-
Borrowings	12,500	12,885	270	12,615	-	-	-
Finance leases	220	222	83	58	81	-	-
Total	67,929	68,316	55,562	12,673	81	-	-

e) Fair value of financial instruments measured at amortized cost

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

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

The Company's management assessed that the fair value of these items approximates or equals their carrying values. The fair value measurements are classified into the level 2 fair value hierarchy (i.e. inputs other than quoted prices that are observable either directly or indirectly). The main input used to determine fair value of the short term bank borrowing is the current market interest rate of similar instruments of 3.73%. The fair value of the liability resulting from the refundable prepayments for distribution equal the carrying amount which is an amount payable on demand.

24. Related party transactions

The shareholders' structure is disclosed in Note 18. There is no direct or ultimate controlling party. The investor holding more than 20% of the interest and voting rights is Twitti Investments Ltd., investor holding over 10% of the interest and voting rights but no more than 20% is Mr. Maciej Wieczorek (interest hold indirectly through Celon Pharma S.A. and Glatton Sp. z o.o.).

The Company sourced funding for its ongoing operations through a number of related party loans from two of its shareholders: Twiti Investments Ltd., controlled 50% by the Chairman of the Company's Supervisory Board, Mr. Robert Aleksandrowicz and Glatton Sp. z o.o., controlled 100% by the then President of the Company's Management Board, Mr. Maciej Wieczorek. All loans carried an interest rate of WIBOR 3M plus 1.5 percent per annum and were repaid or converted to equity in the same year in which they were taken (see further information in Note 18b). All loans, when converted to equity, resulted in the shareholder waiving their right to additional repayments in the future.

PLN thousand				Cash repayment		Loan to equity conversion		
Dates loans taken	Lender	Maturity dates	Total borrowed	Date	Amount	Date	Principal	Accrued interest
April 23 through May 29, 2015	Glatton Sp. z o.o.	Various dates in 2015, latest due date on December 31, 2015	4,700	September 25, 2015	500	December 22, 2015	4,200	30
July 8 through September 3, 2015	Twiti Investments, Ltd.		6,500	-	-		6,500	-
2015			11,200		500		10,700	30
February 26 through October 4, 2016	Glatton Sp. z o.o.	Various dates in 2016, latest due date on December 31, 2016	6,730	October 24 and November 22, 2016	2,030	May 24, 2016	4,700	-
February 22 through October 4, 2016	Twiti Investments, Ltd.		12,350	November 22, 2016	5,300		7,050	-
2016			19,080		7,330		11,750	-

Interest expense charged by Glatton Sp. z o.o. amounted to PLN 35 thousand in 2016 and PLN 89 thousand in 2015 of which PLN 52 thousand remained payable as of December 31, 2015. Interest expense charged by Twiti Investments Ltd. amounted to PLN 30 thousand in 2016 and PLN 77 thousand in 2015 of which PLN 7 thousand remained payable as of December 31, 2015.

In 2015, the Company earned PLN 2,550 thousand of revenues from research and development services provided to its shareholder, Celon Pharma S.A., controlled 100% by the then President of the Company's Management Board, Mr. Maciej Wieczorek. The services related to the development of a drug production process or drug prototypes for use by Celon Pharma S.A. are still to be performed. The related prepayment from Celon Pharma S.A. amounting to PLN 1,590 thousand remained in deferred income as of December 31, 2016 and 2015.

In 2015, the Company wrote of PLN 50 thousand of reimbursable costs that were accumulated by a previous CEO, these costs related to travel and other general business expenses.

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

On December 14, 2015, the Supervisory Board granted an IPO incentive to its current Chief Executive Officer. The incentive provides an award to the CEO in the amount of 0.4% of the total value of each future share issuance outside of Poland. The incentive vests at the share issuance date and is to be settled in cash. The incentive was accounted for as a cash-settled share-based payment liability and is being recognized over the vesting period from the date of grant (which is the same as the service commencement date) to the expected IPO date of October 31, 2017. According to management's estimates, the total cash expected to be obtained from the issuance of shares in an IPO amounts to USD 100 million. Such total IPO value (new shares only) was used to calculate the amount of the award (0,4% of total IPO value). The value of the cash settled award estimated to be paid upon completion of the IPO amounts to USD 400 thousand and has been discounted using a 12% discount rate (the discount rate reflects the risk the that total value of the IPO Value may differ from the amount expected by management). As of and for the years ended December 31, 2016 and 2015, the Company has recognized PLN 735 thousand and PLN 14 thousand as a liability and PLN 721 thousand and PLN 14 thousand as costs, respectively. The liability is re-measured at each reporting period taking into account the updated expectation of the total value of shares to be issued at the expected IPO date. As disclosed in Note 27, the award was modified after the balance sheet date based on the Supervisory Board decision. The modification after the balance sheet date does not impact the amounts recognized as of December 31, 2016.

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

PLN thousand	2016	2015
Remuneration of the Supervisory Board Members	30	31
Remuneration of the Management Board Members	739	359
Total short-term compensation	769	390
Share-based payments	721	14
Total compensation of key management personnel and the Supervisory Board	1,490	404

25. Earnings / (Loss) per share

Basic earnings per share is calculated by dividing the loss of the Company by the weighted average number of ordinary shares in issue during the year, including shares issued but not yet registered.

	2016	2015
Net loss in PLN thousand	(55,826)	(42,541)
Weighted average number of ordinary shares in issue (thousands)	11,682	10,878
Basic loss per share (in PLN per share)	(4.78)	(3.91)

The weighted average number of shares for diluted loss per share is the same as for basic loss per share, as there are no dilutive shares.

26. Commitments and contingent liabilities

a) Operating lease

The Company leases office space in Łódź under an operating lease expiring on August 17, 2020 with an option to cancel in 2018 without an early termination penalty. Total future minimum lease payments under the lease as of December 31, 2016 are PLN 600 thousand in 2017 and PLN 375 thousand in 2018. The lease expense recognized in 2016 and 2015 amounted to PLN 640 thousand and PLN 614 thousand, respectively.

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

b) Contractual commitments

As of December 31, 2016, the Company did not have any contractual commitments for the acquisition of property, plant and equipment, intangible assets or development work.

c) Contingent liabilities

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

27. Events after the balance sheet date

On January 24, 2017, the Supervisory Board granted an IPO incentive to Sławomir Jaros, member of the Management Board. The incentive provides an award in the amount of 0.075% of the total value of each future IPO outside of Poland. This incentive is a cash-settled share-based payment, which will be recognized as a liability starting from January 24, 2017 until the expected IPO date, the same way as the incentive granted to the President of the Management Board (for more information see Note 24)

On February 16, 2017, the General Meeting of Shareholders authorized the Management Board to issue up to 4,500,000 ordinary bearer shares with PLN 0.10 par value per share, including up to 4,000,000 shares through a public offering outside of Poland and up to 500,000 shares through a private placement. Shares can be issued in exchange of cash.

On March 17, 2017, Company decided to utilize the second tranche of the loan of PLN 12,500 thousand from Alior Bank (terms disclosed in Note 24a).

On March 31, 2017, the Supervisory Board amended the terms of the cash settled share based payment award granted to its current Chief Executive Officer (the terms of the award as of December 31, 2016 are disclosed in Note 24). The award was increased by 1% for each 1 PLN of the shares sales price above 100 PLN per share (for example, if the price per share is 110 PLN, the incentive award amounts to 0,44% of the total IPO value). Other terms remain unchanged.

Management Board

Konstantynów Łódzki, December 31, 2016

Board President
Artur Chabowski

Board Member
Jarosław Walczak

Board Member
Sławomir Jaros