Mabion S.A
Financial Statements For the year ended December 31, 2017

Konstantynów Łódzki, 26th April, 2018

STATEMENT OF COMPREHENSIVE INCOME

PLN thousand, except if otherwise stated	Note	2017	2016
Revenues from research and development services		-	-
Cost of services sold		-	-
Gross profit		**-**	**-**
Research and development costs	8, 9	(43,257)	(44,219)
General and administrative expenses	8	(21,322)	(13,938)
Other operating income	10	2,203	2,626
Operating loss		**(62,376)**	**(55,531)**
Finance income	11	6,432	44
Finance costs	11	(1,943)	(339)
Loss before tax		**(57,887)**	**(55,826)**
Income tax expense	12	-	-
NET LOSS		**(57,887)**	**(55,826)**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(57,887)**	**(55,826)**
Basic and diluted loss per share (in PLN per share)	25	**(4.91)**	**(4.84)**

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

STATEMENT OF FINANCIAL POSITION

PLN thousand	Note	December 31, 2017	December 31, 2016
Property, plant and equipment	13	72,276	68,107
Long-term receivables		194	110
Total non-current assets		**72,470**	**68,217**
Inventory	14	7,159	4,232
Trade and other receivables	15	1,649	3,831
Prepaid expenses		129	141
Cash and cash equivalents	16	1,038	14,826
Total current assets		**9,975**	**23,030**
TOTAL ASSETS		**82,445**	**91,247**
Share capital		1,180	1,180
Share premium		2,549	140,805
Share capital issued but not yet registered		-	-
Accumulated losses		(57,887)	(138,256)
Total equity	17	**(54,158)**	**3,729**
Deferred income	18	12,067	14,012
Borrowings	20	1,858	-
Finance leases	21	2,308	48
Total non-current liabilities		**16,233**	**14,060**
Refundable prepayments for distribution rights	19	36,435	43,514
Trade and other payables	22	18,495	13,697
Borrowings	20	60,910	12,500
Deferred income	18	3,575	3,575
Finance leases	21	955	172
Total current liabilities		**120,370**	**73,458**
TOTAL LIABILITIES		**136,603**	**87,518**
TOTAL EQUITY AND LIABILITIES		**82,445**	**91,247**

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STATEMENT OF CASH FLOWS

PLN thousand	Note	2017	2016
Loss before income tax		**(57,887)**	**(55,826)**
Adjustments for:			
Depreciation	13	8,045	6,939
Interest income	11	(31)	(25)
Interest expense	11	1,720	217
Government grant income	18	(1,945)	(2,132)
Government grant expense	18	258	-
Changes in assets and liabilities:			
(Increase) / decrease in inventory		(2,927)	(3,061)
(Increase) / decrease in trade and other receivables		2,182	(806)
(Increase) / decrease in prepaid expenses		12	141
Increase / (decrease) in trade and other payables		5,230	1,222
Increase / (decrease) in refundable prepayments for distribution rights		(7,079)	105
Increase / (decrease) in Finance leases		-	(12)
Cash used in operating activities		**(52,422)**	**(53,238)**
Repayments of government grants for research and development	18	(258)	(3,107)
Received refundable prepayments for distribution rights	19	-	41,375
Interest received		31	25
Paid interest		(1,478)	(276)
Net cash used in operating activities		**(54,127)**	**(15,221)**
Purchase of property, plant and equipment	13	(7,028)	(2,491)
Increase in other non-current assets		(84)	-
Net cash flows used in investing activities		**(7,111)**	**(2,491)**
Proceeds from issuance of common shares	17	-	2,350
Proceeds from borrowings	20, 24	7,309	31,580
Proceeds from bank loans	20	72,500	-
Repayments of borrowings	23	(4,783)	(7,330)
Repayment of bank loans		(25,000)	-
Repayments of the capital element of finance leases		(2,576)	(136)
Net cash flows from financing activities		**47,450**	**26,464**
Net increase / (decrease) in cash and cash equivalents		(13,788)	8,752
Cash and cash equivalents at the beginning of the period		**14,826**	**6,074**
Change in cash and cash equivalents due to exchange rate differences		-	-
Cash and cash equivalents at the end of the period		**1,038**	**14,826**

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

STATEMENT OF CHANGES IN EQUITY

PLN thousand	Note	Share capital	Share premium	Share capital issued but not yet registered	Accumulated loss	Total equity
As of December 31, 2015	17	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	17	34	15,946	(15,980)		-
Reduction of share premium to cover prior year net loss	17		(4,597)		4,597	-
Issue of Series O shares	17	30	14,070			**14,100**
As of December 31, 2016		1,180	140,805	-	(138,256)	3,729
Net loss / Total comprehensive income					(57,887)	(57,887)
Transactions with owners						
Reduction of share premium to cover prior year net loss	17		(138,256)		138,256	-
As of December 31, 2017		1,180	2,549	-	(57,887)	(534,158)

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 17.

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"). Additional information on the current status of development of MabionCD20 is provided in section 2.8 of the Directors Report for the year ended December 31, 2017.

2. Basis of preparation

The financial statements of Mabion S.A. as of and for the year ended December 31, 2017 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.

The principal accounting policies applied in the preparation of these financial statements are set out in Note 4. These policies have been consistently applied to all years presented, unless otherwise stated. The impact of the new or amended standards which have been issued but are not yet effective and these which are applied from 1 January 2017 is presented in Note 5.

The financial statements of Mabion S.A. as of and for the year ended December 31, 2017 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 6.

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, 2017, the Company had significant accumulated losses and negative working capital positions. So far, the Company has been financing its operations with cash obtained from shareholder loans, equity issuances, bank borrowings, government grants and proceeds from future distribution partners.

As of 31 December 2017, the Company has obtained letters of financial support from its shareholders (i.e. Twiti Investments Limited, Glatton Sp. z o.o., Celon Pharma S.A.) indicating that the Company will be financed by these shareholders to support its operations in the foreseeable future, for a period not shorter than 12 months from the financial statement preparation date. Also, the Company's also has at its disposal additional undrawn and committed credit lines at 31 December 2017 in the amount of PLN 15,000 thousand - see further information in Note 20a.

As further discussed in Note 27, the Company has successfully raised in April 2018 PLN 174,790 thousand in private placement of equity.

In management's view with the continuing shareholders' support, both long term investors and local market participants, and the strategic agreements with future distribution partners (see also Note 19), 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, the Company has not generated any revenue. Before 2016, the Company has generated revenue 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 date 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 finance 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 the 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 technical feasibility to be not 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 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 asset 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 to 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 these 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 research and development activities is not expensed when acquired but when used because such inventory items are not specific only for the research and development activities and have an alternative use. Inventory that is close to its expiration date is reserved for and the associated cost charged to the statement of income.

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, as well as refundable deposits provided by the Company to its suppliers of materials and services in accordance with purchase agreements. These receivables are non-interest bearing, thus they are initially measured at fair value. In the case of lease agreement, 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 price 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 the applicable local law, any difference between the amount recognized as share capital and the carrying amount of the derecognized debt is recognized in equity.

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 "finance leases" in the statement of financial position. The interest on a lease liability is charged over the lease period 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 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 proceeds from IPO. 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, if it is probable that the IPO occurs. The liability is measured at the end of each reporting period considering 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 the line item "general and administrative expenses").

u) Cash flow statement

The Company classifies interest paid and received in the operating activity of the cash flow statement.

5. Impact of new or amended standards and interpretations on the financial statements of the Company

a) New or amended standards and interpretation effective from 1 January 2017

The Company assessed impact of the following amendments to the existing standards on its financial statements for the year ending December 31, 2017.

Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity must recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)

The amended IAS 7 requires disclosure of a reconciliation of movements in liabilities arising from financing activities.

Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

The amendment to IAS 7 requiring disclosure of reconciliation of debt is in the management's opinion the only amendment effective in 2017 that has impact on these financial statements. The table presenting the analysis of net debt for each of the period covered by these financial statements is presented below.

PLN thousand	2017	2016
Cash and cash equivalents	1,038	14,826
Borrowings – repayable within one year	(60,910)	(12,500)
Borrowings – repayable after one year	(1,858)	-
Net debt	**(61,730)**	**2,326**
Cash and cash equivalents	1,038	14,826
Gross debt - fixed interest rates	(292)	-
Gross debt – variable interest rates	(62,476)	(12,500)
Net debt	**(61,730)**	**2,326**

b) New or amended standards and interpretations issued but not yet effective

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 analysed impact of the following amendments to the existing standards endorsed in the EU and effective from 1 January 2018 or later, on its financial statements for the year ending December 31, 2017:

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 the following categories of financial assets: measured at amortized cost, measured at fair value through profit or loss and measured at fair value through other comprehensive income. The classification is performed as of the moment of the initial recognition, and it depends on the financial instrument business 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 are : (i) 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 and (ii) the requirement to recognize the effect of modification of the contractual terms of the debt which do not result in derecognition of the liability immediately in profit or loss..

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

The Company has performed an analysis of the impact of IFRS 9 and concluded that:

a) the measurement method of financial assets will remain unchanged i.e. the assets which are measured at amortized cost under IAS 39 will still be measured at amortized costs under IFRS 9 as they meet the criteria of being in a business model "held to collect" and the SPPI criteria;
b) Management does not expect any material impact connected with implementation of IFRS 9 in respect of the need to recognize impairment allowances based on the model of expected losses. The new impairment model applies mainly to trade receivables, other receivables and cash held at banks. The balance of trade receivables and trade receivables is not material thus the impact of the application of the expected credit losses model is immaterial. The cash at bank is assessed to be held in financial institution with the strong credit rating thus the expected credit loss was also assessed as not being material.

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 control over 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 will follow limited retrospective application of IFRS 15 (i.e. with the cumulative effect of initial application being recognized as at January 1, 2018 without restatement of comparatives). The Company has not yet generated significant revenue, therefore the new standard will not have an impact on the Company's financial statements as the date of initial application on January 1, 2018, except for any potential impact of the recognition of contract costs (as explained below). The Company believes that the above standard will also 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 the process of analyzing whether these costs would meet the definition of an asset, currently management's view is that the adoption effect on January 1, 2018 will not be significant.

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 obtaining 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 recognizes the lease in the financial statements. 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.

The Company plans to follow limited retrospective application of IFRS 16 (i.e. with the cumulative effect of initial application being recognized as at January 1, 2019 without restatement of comparatives). 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 the relevant assessment of how this standard will impact the Company. The minimum lease payments disclosed in Note 26a gives an approximation of the payments which will be the basis for the calculation of the minimum lease payments as at January 1, 2019.

6. 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 made by management that 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, 2017, 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, 2017, the Company has incurred capital expenditures amounting to PLN 1,766 thousand under this permit (as of December 31, 2016: no expenditures have been incurred yet).

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 three permits referred to above) amounts to PLN 46,408 thousand as of December 31, 2017 (PLN 45,632 thousand as of December 31, 2016). Tax credits will only be 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 the 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.

7. 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 years 2017 and 2016, the Company has not generated any revenue.

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

8. Expenses by nature

The following tables present different types of expenses by nature:

PLN thousand	2017	2016
Depreciation	-	-
Personnel expenses	-	-
Cost of materials	-	-
Other expenses	-	-
Costs of services sold by nature	**-**	**-**
Third-party services	22,316	17,291
Cost of materials	10,951	16,806
Personnel expenses	6,666	6,196
Depreciation	3,183	3,828
Other expenses	142	97
Research and development costs by nature	**43,257**	**44,219**
Office expenses	3,925	3,204
Personnel expenses	3,968	2,933
Depreciation	4,862	3,111
Advisory services in connection with distribution contracts	751	1,766
Share based payment expense (IPO incentive)	-	720
Rental, usage and maintenance of equipment and company car expenses	971	758
Taxes and fees	526	545
Audit and audit related services	1,031	66
Consulting and legal services	3,812	401
Other operating expenses	1,476	432
General and administrative expenses by nature	**21,322**	**13,938**

In the financial statements for the year ended December 31, 2016, the Company incorrectly presented certain office expenses and personnel expenses relating to general and administrative expenses, amounting to PLN 246 thousand and PLN 122 thousand, respectively, as other operating expenses. This incorrect classification has been corrected in these financial statements, the comparatives for 2016 are restated in the table above.

9. Research and development cost

PLN thousand	2017	2016
MabionCD20	42,757	43,792
Double cutting technology	2	19
MabionHER2	56	125
Other projects	442	283
Total Research and development costs	**43,257**	**44,219**

The Company has completed clinical trials for both the Non-Hodgkin's lymphoma ("NHL") and Rheumatoid Arthritis ("RA") applications of MabionCD20 and is working towards submitting a single marketing-authorization application for MabionCD20 to the European Medicines Agency ("EMA"). 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 18.

10. Other operating income

PLN thousand	2017	2016
Government grants (Note 18)	1,973	2,131
Other operating income	230	495
Total other operating income	**2,203**	**2,626**

11. Finance income and costs

PLN thousand	2017	2016
Interest income	31	25
Net foreign exchange gains	6,401	-
Other finance income	-	19
Total finance income	**6,432**	**44**
Interest expense	(1,720)	(217)
Net foreign exchange losses	-	(114)
Other finance costs	(223)	(8)
Total finance costs	**(1,943)**	**(339)**

12. Income tax

PLN thousand	2017	2016
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	2017	2016
Loss before tax	(57,887)	(55,826)
Tax (charge)/benefit at domestic tax rate of 19%	10,998	10,607
Expenses not deductible for tax purpose	(784)	(792)
Income not subject to tax	388	382
Taxable income not recognized as revenues	(221)	-
Deductible temporary difference on which the deferred tax assets was not recognized*	(8,845)	(9,055)
Temporary differences on which the deferred tax liability was not recognized	1,808	-
Tax losses on which the deferred tax asset was not recognized - outside special economic zone**	(574)	(156)
Tax losses which cannot be carried forward - special economic zone **	(2,770)	(986)
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.

There were no deferred tax assets recognized by the Company in the years ending December 31, 2016 and 2017.

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	2017	2016
Tax loss carry forward from 2017	end of 2022	574	-
Tax loss carry forward from 2016	end of 2021	156	156
Tax loss carry forward from 2015	end of 2020	102	102
Tax loss carry forward from 2012	end of 2017	-	23
Tax credit (Note 6)	end of 2026	46,408	45,632
Deductible temporary differences on which the deferred tax assets was not recognized	No expiry date	25,552	16,707
Total amount of items on which deferred asset was not recognized		**72,792**	**62,620**

Value of deductible temporary differences on which the deferred tax reserve was not recognized, at domestic tax rate 19%, amounted to PLN 1,808 thousand as of 31 December 2017 (PLN 0 as of 31 December 2016).

13. Property, plant and equipment

PLN thousand	Land, buildings and structures	Machinery and equipment	Other	Construction in progress	Total
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**
Period ended December 31, 2017					
Purchases	-	-	-	12,213	**12,213**
Transfers	6	131	10,783	(10,920)	**-**
Depreciation for the period	(1,144)	(2,804)	(4,097)	-	**(8,044)**
Net value as of December 31, 2017	**42,302**	**11,743**	**16,887**	**1,343**	**72,276**
As of December 31, 2017					
Gross value	45,417	19,396	29,916	1,343	**96,072**
Accumulated depreciation	(3,115)	(7,653)	(13,029)	-	**(23,796)**
Net value as of December 31, 2017	**42,302**	**11,743**	**16,887**	**1,343**	**72,276**

Information about the fixed assets pledged as collateral for bank borrowings is disclosed in Note 20.

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 4 years. Currently property, plant and equipment are used in the production of limited batches of MabionCD20 for the purposes of drug development. Ultimately, these assets will be used for commercial production of MabionCD20. In management's view, production for commercial sale is expected to commence not later than 2020, thus no impairment indicators were identified in relation to these tangible fixed assets.

14. Inventory

Inventory is comprised only of materials which will be used for research and development purposes. Inventory recognized in research and development costs in 2017 amounted to PLN 10,951 thousand (2016: PLN 16,806 thousand).

15. Trade and other receivables

PLN thousand	December 31, 2017	December 31, 2016
VAT receivable	1,437	3,162
Trade receivables	8	7
Advances for materials and services	138	608
Other receivables	66	54
Trade and other receivables	**1,649**	**3,831**

There are no impairment losses recognized or reversed in 2017 and 2016. There is also no allowance for doubtful debts as of December 31, 2017 and 2016.

Further information regarding the credit risk is disclosed in Note 23.

16. Cash and cash equivalents

PLN thousand	December 31, 2017	December 31, 2016
Current bank account	845	21
Deposits at bank at call	194	14,805
Total cash and cash equivalents	**1,038**	**14,826**

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

17. 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 a return on capital for the shareholders as well as to keep an optimal capital structure to reduce the 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.

In 2017, pursuant to resolution of Ordinary General Shareholders Meetings and as permitted by the Polish Commercial Code, the Company has covered its prior years losses of PLN 138,256 thousand 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 December 31, 2015, the Company's equity consisted of 9,590,000 ordinary bearer shares (shares of series D and H through M) 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 in thousands, except number of shares	Number of shares issued and fully paid	Share capital (par value)	Share premium
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**
Reduction of share premium to cover 2016 net loss			(138,256)
As of December 31, 2017	**11,800,000**	**1,180**	**2,549**

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 in thousands, except number of shares

Share issuance date	Date of share registration	Share series	Shareholder*	Number of shares	Cash consideration	Loan conversion	Total consideration
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 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 when the creditor is also a direct or indirect shareholder and is acting in its capacity as shareholder, was accounted for by transferring the carrying amount of the loan liability to equity (share capital and share premium). The transfer to equity was recognized at the moment when the debt was extinguished according to the contractual terms. 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.

As of December 31, 2016 and December 31, 2017 , the Company's equity consisted of 10,230,000 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.

c) Shareholding structure

As of December 31, 2017, 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	2 520 072	21.36%	23,29%
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	1 396 035	11.83%	10,44%
Glatton Sp. z o.o. **	Łomianki, Poland	1 004 526	8.51%	7,51%
Funds managed by Investors TFI S.A.	Warsaw, Poland	794 566	6.73%	5,97%
Holders of less than 5% of equity	N/A	4 026 468	34.12%	30.12%
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
*** Shareholders controlling more than 5% of shares have been presented in separate lines

18. Deferred income

PLN thousand	December 31, 2017	December 31, 2016
Government grants related to property, plant and equipment	14,052	15,997
Prepayment from Celon Pharma for services (development of anti-body technology formula)	1,590	1,590
Deferred income – current and non-current	15,642	17,587

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 (NCBR).

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, which have been finished. During 2017, the Company signed new grant agreements to finance research and development and/or implementation of MabionCD20 as well as research and development of drug oriented against EGFR, however no proceeds were recognized during 2017, and as result those had no accounting impact on the Company.

These projects are further described in the table below:

Project title / objective	Grant program name	Total amount granted (PLN thousand)	Total amount received by December 31, 2017 (PLN thousand)	Total amount expected to completion (PLN thousand)	Project term and status as at December 31, 2017
Innovative technology of manufacture of therapeutic monoclonal antibodies applied in the therapy of lymphoma (MabionCD20). The aim of the project was to create an innovative drug in the form of biosimilar humanized anti-CD20 monoclonal antibody, including establishing a dedicated biotechnological plant to manufacture drugs.	Operational Program Innovative Economy 2007-2013	39,655	35,896	-	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. 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.	Operational Program Innovative Economy 2007 – 2013	24,087	9,492	-	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). The project concerns research and development activities and completion of a clinical trial.	INNOMED	10,000	177	-	June 1, 2014 – November 15, 2018 **Status: Project finished**
Development and scaling of the innovative process for manufacturing the therapeutic recombined monoclonal antibody to enable industrial implementation of the first Polish biotechnological medicine for oncological and autoimmunological therapies (MabionCD20).	Operational Program Smart Growth 2014 – 2020	27,094	-	27,094	November 1, 2016 – December 31, 2019 **Status: Project in progress**
Development of biotechnological drug through development of an innovative monoclonal IgG1 subclass antibody with reduced contents of unfavorable glycoforms in relation to the referential drug – oriented against EGFR. The project concerns research and development activities.	Operational Program Smart Growth 2014 – 2020, sectoral program InnoNeuroPharm	28,354	-	28,354	August 1, 2017 – July 31, 2022 **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 December 31,2015	17,982	3,254	21,236
Proceeds	-	-	-
Repayments	-	(3,107)	(3,107)
Recognized as income	(1,985)	(147)	(2,132)
As of December 31, 2016	15,997	-	15,997
Proceeds	-	-	-
Repayments	-	(258)	(258)
Recognized as income or loss	(1,945)	258	(1,687)
As of December 31, 2017	14,052	-	14,052

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 are for the "double cutting" technology and MabionHER2 projects.

As of December 31, 2017, the Company had unfulfilled conditions and other contingencies attaching to government assistance that has been recognized with respect to the MabionCD20 project. The Company was 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 expired on April 14, 2018. In Management's assessment, the Company has met these criteria.

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.

On November 15, 2017, the Company terminated an agreement with NCBR for co-financing of MabionHER2 project due to the fact that continuation of this project was not financially viable due to activities of the Company's competitors. The Company applied for termination without the obligation to refund subsidies received in previous periods, which have been used in line with program objectives to finance research and development activities within the MabionHER2 project. There is no formal decision yet about the status of settlement, however, as of December 31, 2017, the Company has recognized a provision of PLN 221 thousand to recognize potential amount of subsidies to be paid back (including interest), which reflects potential maximum amount to be returned, based on what was spent in relation to the unfinished part of the project.

On November 15, 2017, in connection with the ongoing audit of the double cutting project performed by ŁARR, the Company applied to ŁARR to adjust expenses incurred within the project and decrease amount of subsidies due to errors in treatment of expenses incurred within the project reported previously. Total amount of subsidies received was ca. PLN 9.7 million. In December 2017, the Company has returned PLN 361 thousand of subsidies received in the double cutting project (including interest).

Except for the above, there were no other significant changes in the status of grants received by the Company.

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

a) portion of grants described above, received to finance the tangible fixed assets purchases, which will be recognized as income alongside the depreciation of underlying assets;
b) prepayment from Celon Pharma S.A. for services related to the development of a drug production process or drug prototypes for use by Celon Pharma S.A., which will be performed by the Company.

19. 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, 2017	December 31, 2016
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	34,813	41,792
FARMAK	the Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldavia, Tajikistan, Turkmenistan, Uzbekistan	1,043	1,106
ONKO	Turkey	459	487
Sothema Laboratories	Morocco, Algeria, Tunis	96	102
Lyfis	Iceland	25	27
VMG	Costa Rica, Salvador, Nicaragua, Panama, Honduras, Belize, Trinidad and Tobago, Dominican Republic	-	-
Total		**36,435**	**43,514**

All changes in value of refundable prepayments for distribution rights in 2017 are attributable to changes in exchange rates of Polish zloty vs. foreign currencies in which prepayments have been paid. There were no prepayments received or paid back in 2017.

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.

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. 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 the 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 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 and the American Food and Drug Administration ("FDA") respectively. The work carried out by Mabion S.A. to develop and launch the drugs complies with EMA's guidelines. FDA published certain regulations for biosimilar drugs thus far, however, there are 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.

20. Borrowings

The table below presents the structure of borrowings:

PLN thousand	December 31, 2017	December 31, 2016
Bank borrowing	60,000	12,500
Accrued interest and credit cards balances	291	-
Secured borrowings	2,477	-
Total borrowings	**62,768**	**12,500**

a) Bank borrowings

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

On June 8, 2017, the Company signed a revolving loan agreement for a loan of PLN 50,000 thousand with BZWBK. This loan was granted on market terms for a period of 12 months. The loan interest rate is payable monthly and is based on the WIBOR 3M increased by the bank's fixed margin of 2.5 p.p. The funds from the loan were used in the first instance to repay the outstanding loan from Alior Bank, together with accrued interest. The remaining funds are used to finance the Company's current operations with the focus on launching the production of MabionCD20. On December 4, 2018, loan from BZWBK was annexed to increase available funds up to PLN 75,000 thousand. Until December 31, 2017, five tranches of loan from BZWBK have been drawn, totaling PLN 60,000 thousand.

The loan requires collateral, including a contractual mortgage up to PLN 112,500 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 Bank Zachodni WBK S.A., the Company's declaration on voluntary submission to enforcement, and other forms of protection provided by three of the main shareholders: Twiti Investments Ltd., Celon Pharma S.A. and Glatton Sp. z o.o. (including a comfort letter and a pledge on the shares held by the shareholders in Celon Pharma S.A.).

As of the date of these financial statements, one of the covenants in the loan agreement with BZBK is not satisfied. However, the Company believes that this situation will not have any adverse effect on the Company, for the Company has enough cash from P-series share issue (see Note 27) to repay this loan. At the balance sheet date all liabilities related to this loan are presented as short-term liabilities.

According to the loan agreement, this bank loan could be used to repay pre-existing shareholder loans up to a maximum amount of PLN 2,000 thousand.

b) Borrowings from shareholders

Loans from related parties are discussed in Note 24.

c) Secured borrowings

During 2017 the Company received PLN 3,054thousand through four sale-and-leaseback transactions to re-finance purchases of laboratory equipment.

These transactions are treated as borrowings since the underlying assets have been initially paid in full and lease agreements contain an irrevocable offer to buy back the assets at the maturity.

These agreements have maturity between 3 and 4 years and are secured by blank promissory notes. These notes promise in writing that the Company will pay to the owner of the note all amounts due but not paid under the respective leasing agreement, including lease instalments, compensation, contractual penalties and expenses together with interest, in case the Company would be in arrears with payments of any of the above-mentioned amounts.

21. Leases

a) Operating lease

The Company leases office space in Łódź under an operating lease expiring on August 17, 2020 with an option to cancel in 2018 without an early termination penalty. Total future minimum lease payments under the lease as of December 31, 2017 are PLN 600 thousand in 2018 and PLN 200 thousand in 2019. The lease expense recognized in 2017 and 2016 amounted to PLN 614 thousand and PLN 640 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) Finance lease

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

The Company concludes leasing agreements for a period of 3 to 5 years. These agreements are secured by blank promissory notes. These notes promise in writing that the Company will pay to the owner of the note all amounts due but not paid under the respective leasing agreement, including lease instalments, compensation, contractual penalties and expenses together with interest, in case the Company would be in arrears with payments of any of the above-mentioned amounts.

Change in the interest rate constituting an element of calculation of leasing instalments is a parameter which results in change in leasing instalments. All leasing agreements contain option to purchase leased assets at the end of the lease period.

In the current interim period, the Company has entered into the few new lease agreements resulting in the initial recognition of the fixed assets in the amount of PLN 5,605 thousand.

Total cost of assets subject to finance lease as of December 31, 2017 and December 31, 2016 amounts to PLN 5,980 thousand and PLN 375 thousand, respectively. The table below presents minimum lease payments and current value of lease payments as of December 31, 2017 and December 31, 2016.

PLN thousands	Minimum lease payments as of December 31, 2017	Current value of lease payments as of December 31, 2017	Minimum lease payments as of December 31,2016	Current value of lease payments as of December 31, 2016
Within 1 year	982	955	177	172
From 1 to 5 years	2 536	2308	49	48
Total	**3 518**	**3 263**	**226**	**220**

22. Trade and other payables

PLN thousand	December 31, 2017	December 31, 2016
Trade payables	14,005	9,915
Accrued expenses for clinical trials	2,123	1,780
Share-based payments (Note 24)	670	735
Social security and personal income tax on salaries	677	489
Accrued expenses for unused holidays	344	207
Other payables	675	571
Total trade and other payables	**18,495**	**13,697**

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, 2017	December 31, 2016
Loans and receivables		
Long-term receivables	194	110
Trade receivables	8	7
Cash and cash equivalents	1,038	14,826
Total financial assets	**1,240**	**14,943**
Liabilities measured at amortized cost		
Refundable prepayments for distribution rights	36,435	43,514
Trade payables	14,005	9,915
Accrued expenses for clinical trials	2,123	1,780
Borrowings	60,910	12,500
Finance leases	3,263	220
Total financial liabilities	**116,736**	**67,929**

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 December 31, 2016				
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)**
As of December 31, 2017				
Receivables	192	162	30	-
Cash and cash equivalents	575	369	206	-
Refundable prepayments for distribution rights	(36,435)	(1,622)	(34,813)	-
Trade payables	(2,283)	(1,643)	(530)	(110)
Net exposure asset/(liability)	**(37,951)**	**(2,734)**	**(35,107)**	**(110)**

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)							
	2017				2016			
	Total	EUR	USD	Other foreign currencies	Total	EUR	USD	Other foreign currencies
Rate increase by 5%	(1,898)	(137)	(1,755)	(6)	(1,643)	(204)	(1,432)	(7)
Rate decrease by 5%	1,898	137	1,755	6	1,643	204	1,432	7

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, 2017	December 31, 2016
Cash at bank	1,038	14,826
Borrowings	(60,910)	(12,500)
Finance leases	(3,261)	(220)
Net exposure asset/(liability)	(63,133)	2,106

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	2017	2016
increase in interest rates by 100 bps	(631)	21
decrease in interest rates by 100 bps	631	(21)

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 these balances as of each reporting date. This is due to the fact that the Company still has insignificant sales and are mostly transactions with related parties (see Note 24).

The table below presents the credit risk exposure:

PLN in thousands	December 31, 2017	December 31, 2016
Long-term receivables	194	110
Trade receivables	8	7
Cash at bank	1,038	14,826
Total exposure	1,240	14,943

Cash and cash equivalents are deposited with a financial institution with a BBB+ 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. usually 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, bank borrowings, 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 19). In 2016, a contract was also signed for a revolving bank borrowing, which was subsequently repaid in full from new revolving loan facility arranged with different bank (details of these contracts are described in Note 20). The Company's management monitors current forecasts of the Company's liquid assets and liabilities based on anticipated cash flows. As further described in Note 27, post December 31, 2017 the Company was successful in raising PLN 174,790 thousand in additional equity financing with international and institutional investors.

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 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**	**-**	**-**
As of December 31, 2017							
Refundable prepayments for distribution rights	36,435	36,435	36,435	-	-	-	-
Trade payables	14,005	14,005	14,005	-	-	-	-
Accrued expenses for clinical trials	2,123	2,123	2,123	-	-	-	-
Borrowings	60,910	60,910	60,910	-	-	-	-
Finance leases	3,263	3,519	513	470	857	1,679	-
Total	**116,736**	**116,991**	**113,985**	**470**	**857**	**1,679**	**0**

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, refundable prepayments for distribution rights, shareholders loan and secured borrowings.

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 bank borrowing is the current market interest rate of similar instruments of 3.72%. 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 17. There is no direct or ultimate controlling party. The investor holding more than 20% of the interest and voting rights is Twiti Investments Ltd., the 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 2.0 percent (1.5 percent in 2016) per annum and were repaid or converted to equity in the same year in which they were taken (see further information in Note 17b). 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
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**	**-**
May 29 through June 26, 2017	Twiti Investments, Ltd.		2,500	July 6 and August 31, 2017	2,500		-	-
November 9 through November 30, 2017	Glatton Sp. z o.o.	Various dates in 2017, latest due date on December 31, 2017	1,200	December 27, 2017	1,200	n/a	-	-
December 4 through December 7, 2017	Artur Chabowski, CEO		555	December 20, 2017	555		-	-
2017			**4,255**		**4,255**		**-**	**-**

Interest expense charged by Glatton Sp. z o.o. amounted to PLN 5 thousand in 2017 and PLN 35 thousand in 2016. Interest expense charged by Twiti Investments Ltd. amounted to PLN 11 thousand in 2017 and PLN 30 thousand in 2016. Interest expense charged by Artur Chabowski amounted to PLN 1 thousand in 2017

No collateral was required to secure the borrowings from shareholders.

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

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

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

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

According to management's estimates, the total cash expected to be obtained from the issuance of shares in an IPO amounts to PLN 410 million with the expected share sales price of USD equivalent of PLN 102.50. Such total IPO value and the shares sales price (new shares only) was used to calculate the amount of the award. The value of the cash settled award estimated to be paid upon completion of the IPO has been discounted using a 12% discount rate (the discount rate reflects the risk the that total value of the IPO value may differ from the amount expected by management). As of December 31, 2017, and 2016, the Company has recognized PLN 670 thousand (including incremental increase of PLN 12 thousand due to modification) and PLN 735 thousand as a liability. 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.

The IPO date is now postponed, subject to new shareholders' approval, whereas in previous periods the Company assumed that the IPO would be finalized by 31 October 2017. This change of assumptions was mainly due to successful private placement post December 31, 2017 with international and institutional investors, which resulted in capital injection of PLN 174,790 thousand. As a result, value of the liability relating to share-based payments decreased by PLN 64 thousand in 2017. Accordingly, the Company recognized PLN 64 thousand as other operating income in 2017 and PLN 721 thousand as costs in 2016, relating to share-based payments.

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

PLN thousand	2017	2016
Remuneration of the Supervisory Board Members	157	30
Remuneration of the Management Board Members	1,099	739
Total short-term compensation	**1,255**	**769**
Share-based payments	(64)	721
Total compensation of key management personnel and the Supervisory Board	**1,191**	**1,490**

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.

	2017	2016
Net loss in PLN thousand	(57,887)	(55,826)
Weighted average number of ordinary shares in issue (thousands)	11,800	11,545
Basic loss per share (in PLN per share)	(4.91)	(4.84)

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) Contractual commitments

As of December 31, 2017, the Company did not have any contractual commitments for the acquisition of property, plant and equipment, intangible assets or development work.

b) 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 15 January 2018, 15 March 2018 and 28 March 2018, the Company utilized the sixth, seventh and eighth tranche of the loan from Bank Zachodni WBK, of PLN 5,500 thousand, PLN 2,500 thousand and PLN 7,500 thousand, respectively. Terms of loan are disclosed in Note 20a.

On March 23, 2018, the Company announced the successful pricing of a private placement by Twiti Investments Limited ("Twiti") (the "Placement") of 1,920,772 existing shares, with gross proceeds of PLN 174,790 thousand (or approximately USD$51.0 million). The shares were sold at a price of PLN 91.00 per share. The Placement included institutional investors specialized in healthcare and life sciences, including from the United States, which reinforced and diversified Mabion's shareholder base. The European Bank for Reconstruction and Development ("EBRD") and PFR Life Science sp. ("PFR Life Science"), part of the Polish Development Fund, contributed PLN 61.4 million and PLN 38.3 million, respectively, providing significant cornerstone investments in the Placement. The aggregate proceeds from sale of shares by Twiti have been immediately lent to the Company pursuant to a loan agreement between Twiti and the Company. The loan from Twiti was initially agreed to be repaid by June 30, 2018 by way of contractual set-off of mutual claims between: (i) the Company against Twiti for the subscription and payment for the same number of newly issued ordinary bearer shares as the number of shares sold in the Placement, which will be issued by the Company at the same issue price as the price obtained from the sale of shares in the Placement and (ii) Twiti against the Company regarding the repayment of the loan. Eventually, the loan was repaid by the Company in cash on April 23, 2018. The above information was announced in the Company's ad hoc report no. 26/2018. In connection with their investments, Mabion and Twiti have agreed that EBRD in consultation with PFR Life Science, for as long as each firm holds shares that represent more than 1% of the share capital of the Company, will have the right to nominate a candidate to the Mabion Supervisory Board who will meet the independence criteria set forth in the Annex II to the Commission's Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the supervisory board.

On March 23, 2018, the Company informed that on 23 March 2018, in connection with the lapse of one year period from the date of entry in the entrepreneurs' register of the changes to the Company's statute made by the resolution of the Extraordinary General Meeting No. 5/II/2017 of 16 February 2017, the authorization for the Management Board to increase the Company's share capital within the authorized capital referred to in § 9a of the Company's statute expired.

On April 4, 2018, the Company received information that the Company's application for co-funding of a project entitled "Expansion of the Research and Development Centre of Mabion S.A. - research on a new generation of drugs (the "Project") submitted in the course of competition 2.1/2/2017 to Measure 2.1: Support for investments in R&D infrastructure of enterprises of the Smart Growth Operational Program 2014-2020 has been selected for co-funding. The total cost of the Project is estimated at PLN 172.88 million and the recommended value of co-funding is equal to the amount specified in the application, i.e. PLN 63.25 million.

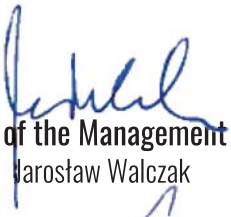
On April 18, 2018 the Company's Extraordinary General Meeting of Shareholders ("EGM") approved an increase in the Company's capital from PLN 1,180,000 to PLN 1,372,077.20 through the issue of 1,920,772 P-series ordinary bearer shares with PLN 0.10 par value per share. The new shares were to be offered to Twiti Investments Ltd. in the private placement according to Article 431 § 2 point 1 of the Companies Code. EGM excluded the pre-emptive rights of the existing shareholders to all P-series shares. Sale price was set at PLN 91 per share.

On April 23, 2018, the Company addressed to Twiti an offer to subscribe to all of 1,920,772 P-series ordinary bearer shares in the private placement according to Article 431 § 2 point 1 of the Companies Code. Twiti accepted an offer to subscribe to P-series shares and on April 23, 2018 the Share Subscription Agreement was concluded, under which Twiti subscribed to 1,920,772 P-series ordinary bearer shares with PLN 0.10 par value per share (total sale price of P-series shares equaled PLN 174.8 million). Twiti paid full price of PLN 174.8 million on the same day.

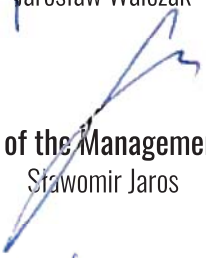
Mabion intends to use the net proceeds from the financing to cover the cost of the expansion of production capacity in Konstantynów Łódzki, Poland and costs and expenses related to the development and commercialization of Mabion CD20.

The Company's Management Board

President of the Management Board
Artur Chabowski



Member of the Management Board
Jarosław Walczak



Member of the Management Board
Sławomir Jaros

Chief Accountant
Jolanta Baranowska

Konstantynów Łódzki, 26th April, 2018