Mabion S.A.
Condensed Interim Financial Statements For the 3 months ended March 31, 2018

Konstantynów Łódzki, 30th May 2018

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

PLN thousands, except if otherwise stated	Note	January 1, 2018 – March 31, 2018 (unaudited)	January 1, 2017 – March 31, 2017 (unaudited)
Revenues from research and development services		-	-
Cost of services sold		-	-
Gross profit		-	-
Research and development costs	8, 9	(8 889)	(10 847)
General and administrative expenses	8	(5 719)	(4 075)
Other operating income, net	10	541	503
Operating loss		(14 067)	(14 419)
Finance income	11	775	1 746
Finance costs	11	(1 057)	(178)
Loss before tax		(14 349)	(12 851)
Income tax expense	20	-	-
NET LOSS		(14 349)	(12 851)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(14 349)	(12 851)
Basic and diluted profit / (loss) per share (in PLN per share)		(1.22)	(1.10)

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

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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

PLN thousands	Note	March 31, 2018 (unaudited)	December 31, 2017	March 31, 2017 (unaudited)
Property, plant and equipment	12	71 806	72 276	67 670
Other non-current assets		194	194	110
Total non-current assets		72 000	72 470	67 780
Inventory	13	8 769	7 159	6 221
Trade and other receivables		3 698	1 649	2 514
Prepaid expenses		3 397	129	249
Cash and cash equivalents		173 338	1 038	13 017
Total current assets		189 202	9 975	22 001
TOTAL ASSETS		261 202	82 445	89 781
Share capital		1 180	1 180	1 180
Share premium		2 549	2 549	140 805
Accumulated losses		(72 236)	(57 887)	(151 107)
Total equity	14	(68 507)	(54 158)	(9 122)
Deferred income	15	11 578	12 067	13 516
Borrowings	17	1 697	1 858	-
Finance leases	17	2 463	2 308	1 054
Total non-current liabilities		15 738	16 233	14 570
Trade and other payables	16	35 776	36 435	41 096
Deferred income	19	20 335	18 495	14 509
Refundable prepayments for distribution rights	17	253 314	60 910	25 000
Borrowings	15	3 575	3 575	3 575
Finance leases		971	955	153
Total current liabilities		313 971	120 370	84 333
TOTAL LIABILITIES		329 709	136 603	98 903
TOTAL EQUITY AND LIABILITIES		261 202	82 445	89 781

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CONDENSED INTERIM STATEMENTS OF CASH FLOWS

PLN thousands	January 1, 2018 – March 31, 2018 (unaudited)	January 1, 2017 – March 31, 2017 (unaudited)
Loss before income tax	(14 349)	(12 851)
Adjustments for:		
Depreciation	2 251	1 769
Interest income	(1)	(14)
Interest expense	831	178
Government grant income	(489)	-
Changes in assets and liabilities:		
(Increase) / decrease in inventory	(1 610)	(1 989)
(Increase) / decrease in trade and other receivables	(2 049)	1 317
(Increase) / decrease in prepaid expenses	(3 268)	(108)
(Increase) / decrease in deferred IPO cost	1 368	1 683
Increase / (decrease) in trade and other payables	-	(496)
Increase / (decrease) in Returnable prepayments for distribution rights	(659)	(2 418)
Increase / (decrease) in finance leases	-	987
Cash used in operating activities	(17 974)	(11 942)
Interest received	1	14
Paid interest	(831)	(178)
Net cash used in operating activities	(18 804)	(12 106)
Purchase of property, plant and equipment	(726)	(1 906)
Net cash flows used in investing activities	(726)	(1 906)
Proceeds from borrowings	177 490	
Proceeds from bank loans	14 903	12 500
Repayments of borrowings	(151)	-
Repayments of the finance leases	(282)	(297)
Net cash flows from financing activities	191 961	12 203
Net increase / (decrease) in cash and cash equivalents	172 300	(1 809)
Cash and cash equivalents at the beginning of the period	1 038	14 826
Change in cash and cash equivalents due to exchange rate differences	-	-
Cash and cash equivalents at the end of the period	173 338	13 017

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

PLN thousands	Share capital	Share premium	Accumulated loss	Total equity
As of January 1, 2017	1 180	140 805	(138 256)	3 729
Net loss / Total comprehensive income	-	-	(12 851)	(12 851)
As of March 31, 2017	1 180	140 805	(151 107)	(9 122)
As of January 1, 2018	1 180	2 549	(57 887)	(54 158)
Net loss / Total comprehensive income	-	-	(14 349)	(14 349)
As of March 31, 2018	1 180	2 549	(72 236)	(68 507)

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

NOTES

1. The Company

Mabion S.A. ("Mabion" or the "Company") was established on May 30, 2007 as a limited liability company with its registered office in Kutno, Poland. The legal form of the Company was changed on October 29, 2009 as a result of the transformation of Mabion's limited liability legal status into a joint-stock company organized under the laws of the Republic of Poland. Mabion is currently entered in the Register of Enterprises of the National Court Register in Poland managed by the Łódź-Śródmieście District Court in 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.

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

2. Basis of preparation

These condensed interim financial statements of Mabion S.A. for the period of 3 months ended March 31, 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union (IAS 34), and with the IAS 34 as issued by IASB as for the Company there are no differences between IFRS as issued by IASB and as adopted by EU.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS") and should be read in conjunction with the Company's annual financial statements as of December 31, 2017.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017, except for the corporate income tax, which has been calculated using expected effective average tax rate. The new or revised standards and interpretations, effective starting from January 1, 2018, had no impact on these condensed interim financial statements.

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

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

The condensed interim financial statements of Mabion S.A. for the 3 months ended March 31, 2018 have been prepared on a going concern basis (further information on the going concern assumption is presented in Note 3).

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

Critical accounting estimates and judgments of the management are presented in Note 5.

These condensed interim financial statements were authorized for issue by the Company's Management Board on May 30, 2018.

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 March 31, 2018, the Company had significant accumulated losses and negative working capital positions.

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

In accordance with information presented in Note 14, in April 2018 the Company has obtained PLN 174,790 thousand from the private placement of shares.

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 Note 16), 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 condensed interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future. Accordingly, no adjustments have been made to the condensed interim financial statements that might be necessary should the entity not continue as a going concern.

4. Significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies used for the purpose of preparing recent annual financial statements for 2017, except for the corporate income tax, which has been calculated based on expected effective annual average tax rate and except for the changes described below in section "New standards and interpretations".

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

The financial statements are presented in thousands of PLN as rounded to full thousands, unless otherwise indicated.

New standards and interpretations

In the periods starting on or after January 1, 2018, some new standards, changes in standards and interpretations approved by the European Union enter into force. New or changed IFRS presented below have been applied in these condensed interim financial statements with effect from January 1, 2018:

a) IFRS 15 – Revenue from Contracts with Costumers – obligatory in the financial statements for the periods starting on or after January 1, 2018 with earlier adoption allowed
b) IFRS 9 - Financial Instruments from November 12, 2009, with the subsequent changes to IFRS 9 and IFRS 7 from December 16, 2011 - obligatory in the financial statements for the periods starting on or after January 1, 2018

The Company analyzed effects of adoption of the abovementioned new standards and interpretations on these condensed interim financial statements and concluded that they do not have any material impact on these condensed interim financial statements, since they do not have any material impact on financial information presented herein or they do not apply to the transactions that the Company enters into.

5. Critical accounting estimates and judgements

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

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

6. Operating segments

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

7. Seasonality of operations

The Company's activities are neither seasonal nor cyclical. In the first 3 months of 2018, the Company has not generated any revenue.

8. Expenses by nature

The following tables present different types of expenses by nature:

PLN thousands	January 1, 2018 – March 31, 2018 (unaudited)	January 1, 2017 – March 31, 2017 (unaudited)
Third-party services	5 184	5 425
Cost of materials	720	2 289
Personnel expenses	1 158	2 067
Depreciation	1 066	1 031
Other expenses	761	35
Total Research and development costs	8 889	10 847
Office expenses	884	810
Personnel expenses	1 986	975
Depreciation	1 185	738
Advisory services in connection with distribution contracts	-	181
Share based payment expense (IPO incentive)	371	423
Rental, usage and maintenance of equipment and company car expenses	202	178
Taxes and fees	153	120
Audit and professional services	345	-
Other operating expenses	593	649
Total General and administrative expenses	5 719	4 075

Other operating expenses in the period of 3 months ended March 31, 2018 include an impairment loss of PLN 119 thousand recognized in relation to the inventory of raw materials which has been liquidated.

9. Research and development cost

PLN thousands	January 1, 2018 – March 31, 2018 (unaudited)	January 1, 2017 – March 31, 2017 (unaudited)
MabionCD20	8 637	10 797
MabionEGFR	214	1
Other projects	38	49
Total Research and development costs	8 889	10 847

In the period covered by these condensed interim financial statements the only research and development projects that received subsidies were MabionCD20 and MabionEGFR. The Company is currently working towards submitting a single marketing-authorization application for MabionCD20 to European Medicines Agency.

10. Other operating income

PLN thousands	January 1, 2018 – March 31, 2018 (unaudited)	January 1, 2017 – March 31, 2017 (unaudited)
Government grants	496	496
Other operating income	45	7
Total other operating income	541	503

11. Finance income and costs

PLN thousands	January 1, 2018 – March 31, 2018 (unaudited)	January 1, 2017 – March 31, 2017 (unaudited)
Interest income	1	14
Net foreign exchange gains	774	1 732
Total finance income	775	1 746
Interest expense	831	175
Other finance costs	226	3
Total finance costs	1 057	178

Majority of net foreign exchange gains in the first 3 months of 2018 represent unrealized foreign currency exchange gains on translation of refundable prepayments for distribution rights denominated in foreign currencies at the balance sheet date, which are presented in Note 17.

12. Property, plant and equipment

In the period covered by these condensed interim financial statements the Company has invested PLN 726 thousand in tangible and intangible assets (including construction-in-progress).

Substantial part of investments in tangible fixed assets in the first 3 months of 2018 was financed through lease contracts, which are described in Note 18.

The Company has not identified any impairment indicators in relation to property, plant and equipment as of March 31, 2018.

13. Inventory

Increase in value of inventories in first 3 months of 2018 is due to purchases of raw materials necessary for production of trial series of MabionCD20 in Konstantynów plant.

The Company has recorded PLN 119 thousand as other expenses to recognize cost of the inventory of raw materials which has been liquidated (see Note 8).

14. Equity

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 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.

15. Deferred Income

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

The fixed assets in relation to which the grant was obtained became available for use in 2015 at which point the depreciation of these assets also began; the respective portion of the deferred income (grant) was also recognized in profit or loss as well (PLN 496 thousand in the first 3 months of 2018 and PLN 496 thousand in the first 3 months of 2017 - see also Note 10).

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.

16. Refundable prepayments for distribution rights

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

PLN thousands	March 31, 2018 (unaudited)	December 31, 2017
Mylan	34 139	34 813
FARMAK	1 052	1 043
ONKO	463	459
Sothema Laboratories	97	96
Lyfis	25	25
Total Refundable prepayments for distribution rights	35 776	36 435

Change in value of the refundable prepayments for distribution rights in the first 3 months of 2018 equal to PLN (659) thousand is due only to changes in foreign exchange rates, since all of these prepayments were denominated in foreign currencies (EUR or USD in the case of Mylan). As stated in the annual financial statements for the year ended December 31, 2017, these liabilities are payable on demand and are classified as current liabilities. In the current interim period, there were no changes in the terms of these distribution agreements.

17. Borrowings

a) Bank borrowings

On January 15, March 15 and March 28, 2018 the Company utilized the sixth, seventh and eighth tranche of the loan received from Bank Zachodni WBK, amounting to PLN 5,000 thousand, PLN 2,500 thousand and PLN 7,500 thousand, respectively. As a result, the whole credit limit of PLN 75 million has been utilized by the Company.

This loan has been subsequently repaid in full on April 23, 2018, from the proceeds from sale of P-series shares

b) Borrowings from shareholders and related parties

The Company sourced funding for its ongoing operations through several loans received between January 5, 2018 and March 9, 2018 from its shareholders and related parties. Mr. Artur Chabowski (President of the Management Board), Mr. Robert Aleksandrowicz (Chairman of the Supervisory Board) and Glatton Sp. z o.o. (controlled by Mr. Maciej Wieczorek, Member of the Supervisory Board) have lent to the Company PLN 200 thousand, PLN 1,500 thousand and PLN 1,000 thousand, respectively. The above-mentioned loans were due to be repaid at various dates and they were all repaid after March 31, 2018, before their respective maturity dates and before the date of these financial statements. All loans carried an interest rate of WIBOR 3M plus 2.0 p.p. Total amount borrowed was PLN 2,700 thousand.

On 27 March 2018, the Company received a loan of PLN 174,790 thousand from Twiti Investments Limited, a company controlled in 50% by Mr. Robert Aleksandrowicz, Chairman of the Supervisory Board. The loan was to be repaid by June 30, 2018 and carried an interest rate of WIBOR 1M plus 3.0 p.p. The Company paid also fees and expenses of the lender relating to loan. Loan from Twiti was repaid on April 23, 2018 together with accrued interest.

No collateral was required to secure the borrowings from shareholders.

c) Sale-and-leaseback transactions

The Company is a party to several 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.

In the first 3 months of 2018, the Company has not entered into any new sale-and-leaseback transactions.

In January 2018, the Company used loan granted by Idea Getin Leasing S.A. in the amount of PLN 208 thousand to pay for hardware, which will be used by the Company in connection with new IT system being currently implemented in the Company. The loan is granted for 2-year period and is secured by blank promissory note, pledge and registered pledge on assets financed from loan. The note promises in writing that the Company will pay to the owner of the note all amounts due but not paid under this loan agreement, in case the Company would be in arrears with payments of any of the above-mentioned amounts.

18. Leases

a) Operating lease

The Company leases office space in Łódź under an operating lease expiring on August 17, 2020 with an option to cancel in 2018 without an early termination penalty. Total future minimum lease payments under the lease as of March 31, 2018 amount to PLN 450 thousand in 2018 and PLN 200 thousand in 2019. The lease expense recognized in the first 3 months of 2018 amounted to PLN 150 thousand.

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

b) Finance lease

The Company uses 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 325 thousand and the lease liability of PLN 325 thousand.

Total cost of assets subject to finance lease as of March 31, 2018 and December 31, 2017 amounts to PLN 6,305 thousand and PLN 5,980 thousand, respectively. The table below presents minimum lease payments and current value of lease payments as of March 31, 2018 and December 31, 2017.

PLN thousands	Minimum lease payments as of March 31, 2018 (unaudited)	Current value of lease payments as of March 31, 2018 (unaudited)	Minimum lease payments as of December 31,2017	Current value of lease payments as of December 31, 2017
Within 1 year	1 008	956	982	955
From 1 to 5 years	2 742	2 463	2 536	2 308
Total	3 750	3 419	3 518	3 263

19. Trade and other payables

PLN thousands	March 31, 2018 (unaudited)	December 31, 2017
Trade payables	15 168	14 005
Accrued expenses for clinical trials	2 198	2 123
Share-based payments (Note 23)	1 042	670
Social security and personal income tax on salaries	753	677
Accrued expenses for unused holidays	496	344
Other payables	678	675
Total trade and other payables	20 335	18 495

20. Effective income tax rate

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

As of March 31, 2018, the Company operated under three permits issued by the Łódź Special Economic Zone, located in Poland. There were no significant changes in 2018 in respect of the amounts and conditions of utilizing the tax credits available to the Company, i.e. tax credits will be available by December 31, 2026 to offset against future corporate income tax profits.

In the period of 3 months ended March 31, 2018, the Company has generated the tax loss of PLN 4,155 thousand, on which deferred tax asset was not recognized as IAS 12 criteria concerning probable future taxable income that would enable their utilization were not met. The tax losses carried forward from previous years are disclosed in the financial statements for the year ended 31 December 2017.

21. Financial risk management

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

22. Fair value of financial instruments measured at amortized cost

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

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

23. Related party transactions

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

In the period covered by these condensed interim financial statements the Company has not recorded neither sales to nor purchases from the related parties.

Services contracted previously with Celon Pharma S.A. related to the development of a drug production process or drug prototypes for use by Celon Pharma S.A. has been deferred by mutual consent into future periods due to extraordinary workload relating to completion of research and development of MabionCD20. More information is presented in Note 15.

The Company sourced funding for its ongoing operations from four of its shareholders and related parties: Twiti Investments Ltd. and Glatton Sp. z o.o., Mr. Artur Chabowski and Mr. Robert Aleksandrowicz. Details of these transactions are presented in Note 17.

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

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

The above-mentioned incentives were accounted for as a cash-settled share-based payment liability and is being recognized over the vesting period from the date of grant (which is the same as the service commencement date) to the expected IPO date of February 28, 2018. The amendment made on March 31, 2017 to the terms of the award of Mr. Artur Chabowski is accounted for as modification i.e. incremental fair value of the additional award is spread over the vesting period of this additional award – from April 1, 2017 to expected IPO date.

According to management's estimates, the total cash expected to be obtained from the issuance of shares in an IPO amounts to PLN 213,1 million with the expected share sales price of USD equivalent of PLN 102.50.

The expected date of IPO outside of Poland 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 of P-series shares, which resulted in capital injection of PLN 174.8 million in April 2018 from the sales of 1,920,772 P-series shares at the price per share equal to PLN 91.00. Details of this transaction are presented in Note 26. On 23 May 2018 the Company's Supervisory Board granted to Mr. Artur Chabowski and Mr. Sławomir Jaros awards in connection with placement of P-series shares in the same amount as it was provided for in case of IPO outside of Poland. The awards have not been paid out by the date of these financial statements.

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). The liability is re-measured at each reporting period taking into account the updated expectation of the total value of shares to be issued at the expected IPO date. As of March 31, 2018, and December 31, 2017, the Company has recognized PLN 1,041 thousand and PLN 670 thousand as a liability. Accordingly, the Company recognized PLN 371 thousand and PLN 423 thousand in the first quarter of 2018 and in the first quarter 2017, respectively, as other operating costs relating to share-based payments.

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

PLN thousands	January 1, 2018 – March 31, 2018	January 1, 2017 – March 31, 2017
Remuneration of the Supervisory Board Members	72	11
Remuneration of the Management Board Members	159	159
Total short-term compensation	231	170
Share-based payments	371	462
Total compensation of key management personnel and the Supervisory Board	602	532

24. Contractual commitments

As of March 31, 2018, the Company did not have any contractual commitments for the acquisition of property, plant and equipment, intangible assets or development work.

25. Contingent liabilities

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

26. Events after the balance sheet date

On 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 Programme 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. On 30 April 2018 the National Court Register registered the increase in the Company's share capital.

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.

In connection with the postponed IPO outside of Poland, the Company incurred costs of legal advisory in the amount of PLN 2,731 thousand, which have been recognized in the Company's profits in 2017 and in the first 3 months of 2018 in full.

As of 31 March 2018, the Company has not accounted for any provision for transaction costs relating to issue of P-series shares (comprising costs of legal advisory and other professional advisors), due to the fact, that the EGM resolution necessary to issue new shares has been made after 31 March 2018 and all transaction costs were of a contingent nature and would have been avoided if the share issue was not made. The actual costs of issue of P-series shares incurred in the second quarter of 2018 will be accounted for to reduce the reserve capital created from the share premium (surplus of the issue price over the par value of shares).

Management Board

Konstantynów Łódzki, 30th May 2018

Artur Chabowski
President of the Management Board

Sławomir Jaros
Member of the Management Board

Jarosław Walczak
Member of the Management Board

Jolanta Baranowska.

Jolanta Baranowska
Chief Accountant