magellan

BFF BANKING GROUP

Interim condensed consolidated financial report of the Magellan Group

prepared for the 6 months ended 30 June 2017

Finansując zwiększamy możliwości

CONTENTS

I. Introduction

The interim condensed consolidated financial report of the Magellan S.A. Group includes:

- the interim condensed consolidated financial statements of the Magellan Group as at 30 June 2017 for the 6 months ended 30 June 2017 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the interim condensed separate financial statements of Magellan S.A. as at 30 June 2017 for the 6 months ended 30 June 2017 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the notes to the interim condensed consolidated financial statements of the Group.

The consolidated and separate financial statements contain the comparatives for the 6 months ended 30 June 2016 and as at 31 December 2016 and as at 30 June 2016.
The data as at 30 June 2017 and for the 6 months ended 30 June 2017 were not reviewed or audited by the registered auditor.

Pursuant to § 11 item 3 of the Appendix no. 4 to the Rules and Regulations of the Alternative Trading System – Current and periodic information to be provided by issuers of debt financial instruments in the alternative trading system on the Catalyst market and § 11 item 3 of the Appendix no. 3 to the Rules and Regulations of the Alternative Trading System organized by BondSpot S.A. – Current and periodic information to be provided by issuers of debt financial instruments, Magellan S.A. does not prepare a stand-alone separate semi annual report; the semi annual condensed separate financial statements of Magellan S.A. supplement the semi annual consolidated report of the Magellan Group.

The interim condensed consolidated financial statements were approved for publication by the Management Board of Magellan S.A. on 2 August 2017.

The Group's parent – Magellan S.A. – prepared the interim condensed separate financial statements, which were approved for publication by the Management Board of Magellan S.A. on 2 August 2017.

Łódź, 2 August 2017

Signatures

Krzysztof Kawalec	Urban Kielichowski	Rafał Karnowski	Emanuele Bona	Radosław Moks
Chairman of the Board	Board Member	Board Member	Board Member	Board Member

II. Interim condensed consolidated financial statements of the Magellan Group

1. Selected financial data — interim condensed consolidated financial statements

Selected financial data	Amounts in PLN'000		Amounts in EUR'000	
	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 30/06/2016	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 30/06/2016
Sales revenue	87,895	72,885	20,694	16,639
Operating profit	32,806	15,418	7,724	3,520
Profit before tax	31,492	16,835	7,414	3,843
Net profit	24,297	13,520	5,720	3,086
Net cash from operating activities	(133,391)	(17,753)	(31,405)	(4,053)
Net cash from investing activities	3,785	(580)	891	(132)
Net cash from financing activities	128,493	63,143	30,252	14,415
Net increase/(decrease) in cash and cash equivalents	(1,113)	44,810	(262)	10,229
Total assets	2,204,467	1,842,921	521,582	416,432
Non-current liabilities	403,287	487,940	95,419	110,256
Current liabilities	1,387,905	1,003,222	328,382	226,691
Equity	413,275	351,759	97,782	79,485
Share capital	38,488	2,016	9,106	456
Average number of shares	128,291,677	6,720,037	128,291,677	6,720,037
Earnings per share (in PLN/EUR) (*)	0.19	2.01	0.04	0.46
Diluted per share (in PLN/EUR)	0.19	2.01	0.04	0.46
Book value per ordinary share (in PLN/EUR) (**)	3.22	52.34	0.76	11.83

(*)Earnings per ordinary share have been calculated by dividing the net profit attributable to equity holders of the parent by the number of shares.
(**)The book value per share has been calculated by dividing equity attributable to equity holders of the parent by the number of shares

The selected financial data presented in the financial statements has been translated into euros as follows:

- the items in the statement of comprehensive income and the statement of cash flows have been translated at the exchange rate being the arithmetic mean of the mid-exchange rates announced by the National Bank of Poland (NBP) and effective as at the last day of each month of a given period; for six months of 2017 the exchange rate was: EUR 1 = PLN 4.2474, for six months of 2016 – EUR 1 = PLN 4.3805;
- the items in the statement of financial position have been translated at the mid exchange rate announced by the NBP and effective as at the balance sheet date; the exchange rate as at 30 June 2017 was: EUR 1 = PLN 4,2265; as at 30 June 2016 – EUR 1 = PLN 4.4255.

Łódź, 2 August 2017

2. Interim consolidated statement of comprehensive income

	NOTE	6 months ended 30/06/2017	6 months ended 30/06/2016
		not reviewed	*unaudited*
		PLN'000	**PLN'000**
Continuing operations			
Sales revenue	4	87,895	72,885
Portfolio financing costs	5	(32,186)	(31,279)
Cost of goods for resale sold		(986)	(1,544)
Cost margin		**54,723**	**40,062**
Materials and supplies used		(365)	(401)
Costs of employee benefits	6	(7,852)	(10,649)
Amortization/depreciation		(580)	(601)
Costs of advisory services		(2,155)	(4,710)
Other expenses		(10,965)	(8,283)
Operating profit		**32,806**	**15,418**
Other operating income and expenses		715	548
Finance income and costs		(2,029)	869
Profit before tax		31,492	16,835
Income tax		(7,195)	(3,315)
Net profit from continuing operations		24,297	13,520
Net profit		**24,297**	**13,520**
Other comprehensive income to be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,143)	596
Other comprehensive income not to be reclassified to profit or loss		-	-
Other net comprehensive income		**(1,143)**	**596**
Comprehensive income for the reporting period		**23,154**	**14,116**
Average number of shares in the period		128,291,677	6,720,037
Basic earnings per share (PLN/share)	7	0.19	2.01
Diluted earnings per share (PLN/share)	7	0.19	2.01

During the reporting period or during the comparative period, the Group did not discontinue any operations.

Łódź, 2 August 2017

The accounting principles (policies) and the additional explanatory notes to the interim condensed consolidated financial statements on the following pages form an integral part hereof.

3. Interim consolidated statement of financial position as at 30 June 2017

Assets

	NOTE	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
		not reviewed	*audited*	*unaudited*
ASSETS		PLN'000	PLN'000	PLN'000
Non-current assets				
Property, plant and equipment		2,816	2,437	2,694
Intangible assets		1,865	1,549	1,513
Shares in associates	8	740	1,330	857
Deferred tax assets		3,614	2,432	1,970
Finance lease receivables	9	16,147	10,902	10,382
Originated loans and receivables	9	1,089,206	952,545	823,422
Other financial assets		5,180	15,000	15,000
Other receivables		1,158	-	-
Total non-current assets		**1,120,726**	**986,195**	**855,838**
Current assets				
Inventories		3,938	990	1,738
Trade and other receivables		3,093	6,185	8,395
Finance lease receivables	9	3,494	3,148	2,800
Originated loans and receivables	9	1,036,151	1,006,208	903,601
Current income tax receivables		270	181	1,812
Other tax receivables		1,178	2,825	1,076
Other assets		8,415	6,666	7,315
Derivative financial instruments		-	589	28
Cash and cash equivalents		27,202	28,315	60,318
Total current assets		**1,083,741**	**1,055,107**	**987,083**
Total assets		**2,204,467**	**2,041,302**	**1,842,921**

Łódź, 2 August 2017

The accounting principles (policies) and the additional explanatory notes to the interim condensed consolidated financial statements on the following pages form an integral part hereof.

Interim consolidated statement of financial position as at 30 June 2017

Equity and liabilities

	NOTE	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
		not reviewed	*audited*	*unaudited*
		PLN'000	PLN'000	PLN'000
Equity				
Issued share capital		38,488	38,488	2,016
Treasury shares		-	-	(3,665)
Supplementary capital		309,028	286,524	303,381
Reserve capital		6,054	6,054	6,335
Exchange differences on translation of subsidiaries		(326)	817	792
Retained earnings		60,031	59,216	42,900
Total equity		**413,275**	**391,099**	**351,759**
Non-current liabilities				
Bank and other loans	11	248,324	233,451	174,741
Bonds payable	12	149,874	151,137	305,493
Other financial liabilities	13	2,422	1,145	1,472
Deferred tax provision		2,479	2,751	6,234
Other liabilities		188	-	-
Total non-current liabilities		**403,287**	**388,484**	**487,940**
Current liabilities				
Trade payables		3,793	938	1,988
Bank and other loans	11	276,305	155,054	544,819
Bonds payable	12	107,140	272,020	322,717
Liabilities in respect of loans received from related entities	10	901,353	718,335	44,286
Other financial liabilities	13	75,315	59,806	72,273
Current income tax liabilities		3,000	3,635	-
Short-term provisions		4,769	1,925	2,448
Derivative financial instruments		4,921	3	722
Other liabilities		11,309	50,003	13,969
Total current liabilities		**1,387,905**	**1,261,719**	**1,003,222**
Total liabilities		**1,791,192**	**1,650,203**	**1,491,162**
Total equity and liabilities		**2,204,467**	**2,041,302**	**1,842,921**

Łódź, 2 August 2017

The accounting principles (policies) and the additional explanatory notes to the interim condensed consolidated financial statements on the following pages form an integral part hereof.

4. Interim consolidated statement of changes in equity

Equity attributable to equity holders of the parent	Share capital	Treasury shares	Supplementary capital	Reserve capital	Exchange differences on translation	Retained earnings	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 1 January 2017	**38,488**	**-**	**286,524**	**6,054**	**817**	**59,216**	**391,099**
Net profit/(loss) for the period	-	-		-	-	24,297	**24,297**
Other comprehensive income for the period	-	-		-	(1,143)	-	**(1,143)**
Unadjusted prior year differences	-	-		-	-	(938)	**(938)**
Result on sale of treasury shares	-	-	(40)	-	-	-	**(40)**
Profit appropriation	-	-	22,544	-	-	(22,544)	**-**
As at 30 June 2017 ***(not reviewed)***	**38,488**	**-**	**309,028**	**6,054**	**(326)**	**60,031**	**413,275**
As at 1 January 2016	**2,016**	**(3,665)**	**284,231**	**6,210**	**196**	**60,962**	**349,950**
Net profit/(loss) for the period	-	-	-	-	-	29,836	**29,836**
Other comprehensive income for the period	-	-	-	-	621	-	**621**
Share-based payments (redemption of warrants)	-	-	-	(281)	-	-	**(281)**
Registered share capital increase	36,472	-	419,289	-	-	-	**455,761**
Valuation of Treasury shares	-	-	(50)	-	-	-	**(50)**
Dividend	-	-	-	-	-	(12,307)	**(12,307)**
(Purchase)/Disposal of Treasury shares	-	3,665	(436,096)	-	-	-	**(432,431)**
Profit appropriation	-	-	19,150	125	-	(19,275)	**-**
As at 31 December 2016 (*audited*)	**38,488**	**-**	**286,524**	**6,054**	**817**	**59,216**	**391,099**

As at 1 January 2016	**2,016**	**(3,665)**	**284,231**	**6,210**	**196**	**60,962**	**349,950**
Net profit/(loss) for the period	-	-	-	-	-	13,520	**13,520**
Other comprehensive income for the period	-	-	-	-	596	-	**596**
Dividend	-	-	-	-	-	(12,307)	**(12,307)**
Profit appropriation	-	-	19,150	125	-	(19,275)	**-**
As at 30 June 2016 *(unaudited)*	**2,016**	**(3,665)**	**303,381**	**6,335**	**792**	**42,900**	**351,759**

Łódź, 2 August 2017

The accounting principles (policies) and the additional explanatory notes to the interim condensed consolidated financial statements on the following pages form an integral part hereof.

5. Interim consolidated statement of cash flows

	NOTE	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 30/06/2016
		not reviewed	*unaudited*
		PLN'000	PLN'000
Cash flows from operating activities			
Profit before tax in the financial period		31,492	16,835
Adjusted for			
Income tax paid		(7,764)	(6,676)
(Gains) on investing activities		(41)	(17)
Interest paid and dividends received		29	(320)
Share in the profits of associates		(286)	(457)
Amortization/depreciation of non-current assets		580	601
(Increase) in trade and other receivables		(3,657)	(4,060)
(Increase) in inventories		(2,948)	(171)
(Increase) in originated loans and receivables	9	(166,604)	(30,518)
Increase in other financial liabilities	11, 12, 13	20,413	1,201
Increase/(Decrease) in trade payables		2,855	(4,573)
Increase/(Decrease) in short-term provisions		(272)	457
(Increase) in other liabilities and other assets		(1,561)	(217)
Other — including exchange differences on translation		(5,627)	10,162
Net cash from operating activities		**(133,391)**	**(17,753)**
Cash flows from investing activities			
Dividend received from associates		-	354
Proceeds from sale of property, plant and equipment		163	39
Expenditure on purchase of property, plant and equipment		(1,247)	(943)
Other — payment towards a subsidiary's capital and shares in associates		4,869	(30)
Net cash from investing activities		**3,785**	**(580)**
Cash flows from financing activities			
Proceeds from loans and borrowings	11	751,352	385,624
Repayment of loans and borrowings	11	(455,345)	(344,565)
Proceeds from issues of bonds	12	-	176,235
Redemption of bonds issued	12	(167,134)	(141,432)
Payment of finance lease liabilities		(344)	(377)
Interest paid		(36)	(35)
Dividends paid		-	(12,307)
Net cash from financing activities		**128,493**	**63,143**
Net increase/(decrease) in cash and cash equivalents		**(1,113)**	**44,810**

Cash and cash equivalents at the beginning of the period	28,315	15,508
Cash and cash equivalents at the end of the period	27,202	60,318

Łódź, 2 August 2017

The accounting principles (policies) and the additional explanatory notes to the interim condensed consolidated financial statements on the following pages form an integral part hereof.

III. Interim condensed separate financial statements of Magellan S.A.

1. Selected financial data – interim condensed separate financial statements

Selected financial data	Amounts in PLN'000		Amounts in EUR'000	
	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 30/06/2016	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 30/06/2016
Sales revenue	49,911	54,900	11,751	12,533
Operating profit	11,545	10,210	2,718	2,331
Profit before tax	11,526	11,594	2,714	2,647
Net profit	8,207	9,337	1,932	2,131
Net cash from operating activities	(56,131)	8,277	(13,215)	1,890
Net cash from investing activities	(55,682)	(9,438)	(13,110)	(2,155)
Net cash from financing activities	105,133	42,784	24,752	9,767
Net increase/(decrease) in cash and cash equivalents	(6,680)	41,623	(1,573)	9,502
Total assets	1,471,090	1,397,437	348,063	315,769
Non-current liabilities	176,624	325,582	41,790	73,570
Current liabilities	938,340	754,070	222,013	170,392
Equity	356,126	317,785	84,260	71,808
Share capital	38,488	2,016	9,106	456
Average number of shares	128,291,677	6,720,037	128,291,677	6,720,037
Earnings per share (in PLN/EUR) (*)	0.06	1.39	0.02	0.32
Diluted earnings per share (in PLN/EUR)	0.06	1.39	0.02	0.32
Book value per ordinary share (in PLN/EUR) (**)	2.78	47.29	0.66	10.69

(*) Earnings per ordinary share have been calculated by dividing the net profit attributable to equity holders of the parent by the number of shares.
(**) The book value per share has been calculated by dividing equity attributable to equity holders of the parent by the number of shares

The selected financial data presented in the financial statements has been translated into euros as follows:

- the items in the statement of comprehensive income and the statement of cash flows have been translated at the exchange rate being the arithmetic mean of the mid-exchange rates announced by the National Bank of Poland (NBP) and effective as at the last day of each month of a given period; for the six months of 2017 the exchange rate was: EUR 1 = PLN 4.2474, for the six months of 2016 — EUR 1 = PLN 4.3805;
- the items in the statement of financial position have been translated at the mid exchange rate announced by the NBP and effective as at the balance sheet date; the exchange rate as at 30 June 2017 was: EUR 1 = PLN 4,2265; as at 30 June 2016 — EUR 1 = PLN 4.4255.

Łódź, 2 August 2017

2. Interim separate statement of comprehensive income

	6 months ended 30/06/2017	6 months ended 30/06/2016
	not reviewed	*unaudited*
	PLN'000	**PLN'000**
Continuing operations		
Sales of services	49,911	54,900
Portfolio financing costs	(23,204)	(24,514)
Cost margin	**26,707**	**30,386**
Materials and supplies used	(260)	(265)
Costs of employee benefits	(6,064)	(9,191)
Amortization/depreciation	(440)	(455)
Costs of advisory services	(2,031)	(4,599)
Other expenses	(6,367)	(5,666)
Operating profit	**11,545**	**10,210**
Other operating income and expenses	1,642	810
Finance income and costs	(1,661)	574
Profit before tax	11,526	11,594
Income tax	(3,319)	(2,257)
Net profit from continuing operations	8,207	9,337
Net profit	**8,207**	**9,337**
Other comprehensive income to be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(78)	23
Other comprehensive income not to be reclassified to profit or loss	-	-
Other net comprehensive income	**(78)**	**23**
Comprehensive income for the reporting period	**8,129**	**9,360**
Average number of shares in the period	128,291,677	6,720,037
Basic earnings per share (PLN/share)	0.06	1.39
Diluted earnings per share (PLN/share)	0.06	1.39

During the reporting period or during the comparative period, the Group did not discontinue any operations.

Łódź, 2 August 2017

3. Interim separate statement of financial position as at 30 June 2017

Assets

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	not reviewed	*audited*	*unaudited*
	PLN'000	**PLN'000**	**PLN'000**
ASSETS			
Non-current assets			
Property, plant and equipment	1,866	1,717	1,784
Intangible assets	1,783	1,544	1,508
Shares in subordinated entities	136,543	71,942	40,541
Deferred tax assets	-	441	344
Originated loans and receivables	711,722	546,554	484,480
Other financial assets	5,180	15,000	15,000
Other receivables	1,158	-	-
Total non-current assets	**858,252**	**637,198**	**543,657**
Current assets			
Trade and other receivables	5,839	7,792	8,782
Originated loans and receivables	592,015	680,123	792,174
Current income tax receivables	-	-	385
Other tax receivables	176	161	79
Other assets	6,638	5,125	5,122
Derivative financial instruments	-	589	28
Cash and cash equivalents	8,170	14,850	47,210
Total current assets	**612,838**	**708,640**	**853,780**
Total assets	**1,471,090**	**1,345,838**	**1,397,437**

Łódź, 2 August 2017

Interim separate statement of financial position as at 30 June 2017

Equity and liabilities

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	not reviewed	*audited*	*unaudited*
	PLN'000	**PLN'000**	**PLN'000**
Equity			
Issued share capital	38,488	38,488	2,016
Treasury shares	-	-	(3,665)
Supplementary capital	303,684	286,868	303,725
Reserve capital	6,054	6,054	6,335
Exchange differences on translation	(60)	18	37
Retained earnings	7,960	16,856	9,337
Total equity	**356,126**	**348,284**	**317,785**
Long-term liabilities			
Bank and other loans	23,916	9,126	14,279
Bonds payable	149,874	151,137	305,493
Other financial liabilities	316	247	371
Deferred tax provision	2,330	2,459	5,439
Other liabilities	188	-	-
Total non-current liabilities	**176,624**	**162,969**	**325,582**
Short-term liabilities			
Bank and other loans	274,839	128,598	361,118
Bonds payable	107,154	272,020	322,717
Liabilities in respect of loans received from related entities	511,875	400,233	44,286
Other financial liabilities	27,052	14,166	11,511
Current income tax liabilities	625	3,635	-
Short-term provisions	2,042	1,384	1,933
Derivative financial instruments	4,921	3	634
Other liabilities	9,832	14,546	11,871
Total current liabilities	**938,340**	**834,585**	**754,070**
Total liabilities	**1,114,964**	**997,554**	**1,079,652**
Total equity and liabilities	**1,471,090**	**1,345,838**	**1,397,437**

Łódź, 2 August 2017

4. Interim separate statement of changes in equity

	Share capital	Treasury shares	Supplementary capital	Reserve capital	Exchange differences on translation	Retained earnings	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 1 January 2017	**38,488**	**-**	**286,868**	**6,054**	**18**	**16,856**	**348,284**
Net profit/(loss) for the period	-	-	-	-	-	7,960	**7,960**
Other comprehensive income for the period	-	-	-	-	(78)	-	**(78)**
Result on sale of treasury shares	-	-	(40)	-	-	-	**(40)**
Profit appropriation	-	-	16,856	-	-	(16,856)	**-**
As at 30 June 2017 *(not reviewed)*	**38,488**	**-**	**303,684**	**6,054**	**(60)**	**7,960**	**356,126**
As at 1 January 2016	**2,016**	**(3,665)**	**284,575**	**6,210**	**14**	**31,582**	**320,732**
Net profit/(loss) for the period	-	-	-	-	-	16,856	**16,856**
Other comprehensive income for the period	-	-	-	-	4	-	**4**
Share-based payments (redemption of warrants)	-	-	-	(281)	-	-	**(281)**
Registered share capital increase	36,472	-	419,289	-	-	-	**455,761**
Valuation of Treasury shares	-	-	(50)	-	-	-	**(50)**
Dividends	-	-	-	-	-	(12,307)	**(12,307)**
(Purchase)/Disposal of Treasury shares	-	3,665	(436,096)	-	-	-	**(432,431)**
Profit appropriation	-	-	19,150	125	-	(19,275)	**-**
As at 31 December 2016 ***(audited)***	**38,488**	**-**	**286,868**	**6,054**	**18**	**16,856**	**348,284**
As at 1 January 2016	**2,016**	**(3,665)**	**284,575**	**6,210**	**14**	**31,582**	**320,732**
Net profit/(loss) for the period	-	-	-	-	-	9,337	**9,337**
Other comprehensive income for the period	-	-	-	-	23	-	**23**
Dividends	-	-	-	-	-	(12,307)	**(12,307)**
Profit appropriation	-	-	19,150	125	-	(19,275)	**-**
As at 30 June 2016 ***(unaudited)***	**2,016**	**(3,665)**	**303,725**	**6,335**	**37**	**9,337**	**317,785**

Łódź, 2 August 2017

5. Interim separate cash flow statement

	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 30/06/2016
	not reviewed	*unaudited*
	PLN'000	**PLN'000**
Cash flows from operating activities		
Profit before tax in the financial period	11,526	11,594
Adjusted for		
Income tax paid	(6,806)	(2,212)
(Gains)/Losses on investing activities	-	(17)
Interest paid and dividends received	29	(324)
Amortization/depreciation of non-current assets	440	455
(Increase)/Decrease in trade and other receivables	1,066	(1,075)
(Increase)/Decrease in originated loans and receivables	(76,470)	27,947
Increase/(Decrease) in other financial liabilities	18,969	(27,953)
Increase in short-term provisions	659	86
(Increase) in other liabilities and other assets	(6,039)	(317)
Other — including exchange differences on translation	495	93
Net cash from operating activities	**(56,131)**	**8,277**
Cash flows from investing activities		
Dividend received from associates	-	354
Proceeds from sale of property, plant and equipment	91	39
Proceeds from sale of shares in associates	-	380
Expenditure on purchase of property, plant and equipment	(1,041)	(679)
Expenditure on purchase of financial assets in related entities	(64,601)	-
Other — payment towards a subsidiary's capital and shares in associates	9,869	(9,532)
Net cash from investing activities	**(55,682)**	**(9,438)**
Cash flows from financing activities		
Proceeds from loans and borrowings	538,474	330,201
Repayment of loans and borrowings	(265,961)	(309,571)
Proceeds from issues of bonds	-	176,235
Redemption of bonds issued	(167,134)	(141,432)
Payment of finance lease liabilities	(217)	(312)
Interest paid	(29)	(30)
Dividends paid	-	(12,307)
Net cash from financing activities	**105,133**	**42,784**

Net increase/(decrease) in cash and cash equivalents	**(6,680)**	**41,623**
Cash and cash equivalents at the beginning of the period	14,850	5,587
Cash and cash equivalents at the end of the period	8,170	47,210

Łódź, 2 August 2017

IV. Additional notes and explanations to the interim condensed consolidated financial statements

1. General information

The Magellan Group (the "Group") comprises Magellan S.A. (the "parent") and its subsidiaries (see: Composition of the Magellan Group). The duration of the parent and of the individual group companies is unlimited.

Since June 2016 Magellan S.A. and its subsidiaries have been part of an Italian banking group, BFF Group (BFF). Magellan Group and BFF jointly form one of the largest and fastest-growing institutions providing financial solutions to the public and healthcare sectors in Europe.

Within the Magellan Group:
- the Group's parent – Magellan S.A. and its subsidiaries: MEDFinance S.A., DEBT-RNT Sp. z o.o., Komunalny FIZ and MEDICO NSFIZ operate **in Poland**;
- up until the end of 2016 the Corporate Branch of Magellan S.A. in Spain conducted operating activities **in Spain**. To ensure operational effectiveness of the Group to which Magellan S.A. belongs, in 2017, the Company's Management Board passed the resolution to close the branch in Spain;
- Magellan Central Europe s.r.o. (a subsidiary) operates **in Slovakia**;
- Magellan Česká republika s.r.o. (a subsidiary) operates **in the Czech Republic**.

Additionally, the following associates conducted operations on the territory of Poland in the reporting period:
- Kancelaria Prawnicza Karnowski i Wspólnik Spółka Komandytowa (law firm);
- Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa spółka komandytowa (law firm) (since 08/04/2016 the Law Firm has been operating as an entity associated indirectly through a subsidiary of Magellan S.A., DEBT-RNT Sp. z o.o.).

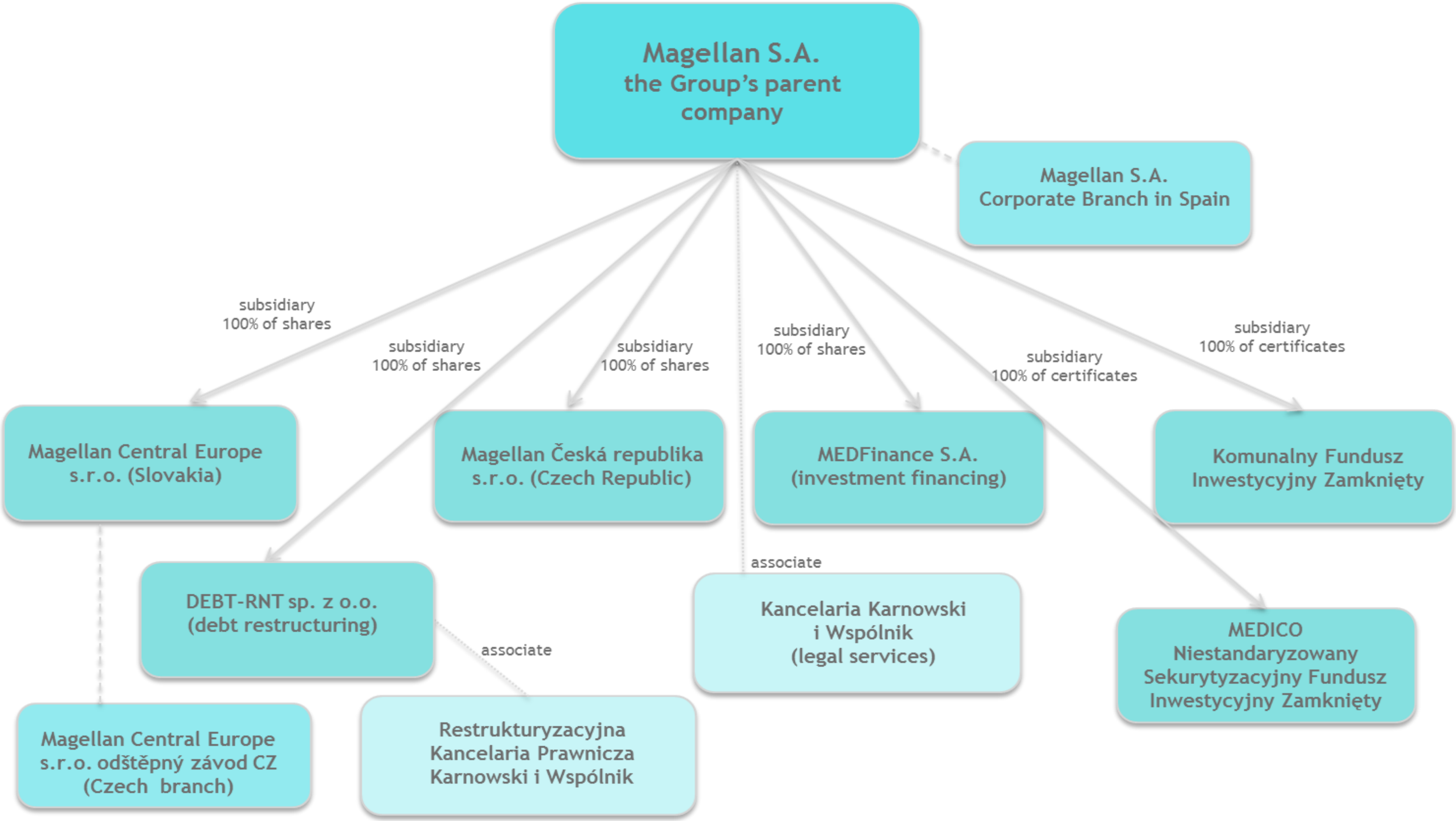
The Magellan Group (the Group), is an international financial institution which specializes in offering financial products and services to entities operating in the medical market and in the local government sector and factoring services to the wide market. The Group offers a wide range of services which consist of financing current and investing activities. The Group provides standard and tailored financial services which enable entities operating in the medical market and the local government market to manage their funds in an optimal and effective manner.

1.1. Composition of the Magellan Group

Composition of the Magellan Group as at 30 June 2017:
- Magellan S.A. – the parent;
- MEDFinance S.A. – a subsidiary in which Magellan S.A. holds 100% of shares;
- Magellan Česká republika, s.r.o. – a subsidiary in which Magellan S.A. holds 100% of shares;
- Magellan Central Europe, s.r.o. – a subsidiary in which Magellan S.A. holds 100% of shares;
- DEBT-RNT sp. z o.o. – a subsidiary in which Magellan S.A. holds 100% of shares;
- Komunalny Fundusz Inwestycyjny Zamknięty – an investment fund, in which Magellan S.A. holds 100% of certificates;
- MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty – an investment fund, in which Magellan S.A. holds 100% of certificates.

As at 30 June 2017, Magellan S.A. had the following associates:
- Kancelaria Prawnicza Karnowski i Wspólnik Spółka Komandytowa;
- Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa spółka komandytowa.

Composition of the Magellan Group and equity and organizational relationships as at the date of publication of the report



Changes in the composition of the Group which occurred in 2017

Up until the end of 2016 the **Corporate Branch of Magellan S.A. in Spain** conducted operating activities in Spain. In 2016, Magellan S.A. joined the BFF Banking Group (BFF) which has been present in the Spanish market since 2011, offering factoring without recourse to the public and healthcare sectors. In striving to achieve operating synergies, Magellan S.A. and its parent decided to merge their activities on the Spanish market. In 2016, Farmafactoring España S.A. took over the operating activities and financial asset portfolio of the Corporate Branch of Magellan S.A. in Spain. On 11 April 2017, the Company's Management Board passed a resolution to close down the Corporate Branch of Magellan S.A. in Spain with its registered office in Barcelona. The Company's Corporate Department in Spain was deleted from the National Court Register pursuant to the decision of the District Court for Łódź Śródmieście in Łódź, 20th Department of the National Court Register issued on 31 May 2017. Magellan S.A. the Corporate Branch in Spain will also be deleted from the Spanish register on the Spanish registration bodies issuing the appropriate decision.

On 4 April 2017, **MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty** ("MEDICO NSFIZ") was registered by the Regional Court in Warsaw, 7th Civil Registration Department under the number RFi 1.481. Magellan S.A. holds 100% of the investment certificates issued by the Fund. The Fund is managed and represented before third parties by AgioFunds TFI S.A. with its registered office in Warsaw, Plac Dąbrowskiego 1, 00-057 Warsaw. MEDICO NSFIZ is treated as a subsidiary of Magellan S.A.

On 10 May 2017, the Management Board of Magellan Central Europe, s.r.o. made a decision to close down the Company's branch in the Czech Republic (**Magellan Central Europe s.r.o. odštěpný závod CZ**). Magellan Central Europe s.r.o. odštěpný závod CZ is in the course of liquidation procedures.

1.2. The parent company

The parent of the Magellan Group — Magellan S.A. (the Company) was established on the basis of a Notarial Deed dated 5 January 1998. The Company is entered in the Register of Businesses maintained by the District Court, 20th Department of the National Court Register (KRS) in Łódź, with the reference number KRS 0000263422. The Company's registered office is in Łódź, at al. Piłsudskiego 76. The Company's duration is unlimited.

The parent and the sole subsidiary of Magellan S.A. holding 128,291,677 of the Company's shares is Banca Farmafactoring S.p.A.

In the years 2007—2016, the shares of Magellan S.A. were quoted on the main market of the Warsaw Stock Exchange.

In 2016, the Management Board of Magellan S.A. decided to introduce corporate bonds to an alternative trading system on the Catalyst market. The Company's corporate bonds, denominated both in PLN and in EUR, were introduced to the Catalyst market, to an alternative trading system operated by BondSpot S.A. and to an alternative trading system operated by the Warsaw Stock Exchange. The first series of bonds in the alternative trading system on the Catalyst market was introduced in December 2016 and was listed for the first time on 28 December 2016. The subsequent 16 series of the bonds were introduced in February 2017 and their first day of listing was 17 March 2017.

<u>Management Board of Magellan S.A.</u>

As at 30 December 2017, the following persons were on the Management Board of Magellan S.A.:

Krzysztof Kawalec — Chairman of the Management Board;
Grzegorz Grabowicz — Deputy Chairman of the Management Board;
Urban Kielichowski — Member of the Management Board;
Rafał Karnowski — Member of the Management Board;
Emanuele Bona — Member of the Management Board.

In the reporting period, there were no changes in the composition of the Management Board of Magellan S.A.
The composition of the company's Management Board changed after the balance sheet date.

On 11 July 2017, the company received a statement from Mr Grzegorz Grabowicz concerning his resignation from the function of Management Board Member — Deputy Chairman of the Management Board of Magellan S.A. as of 11 July 2017. On the same day, the company's Supervisory Board appointed Mr Radosław Moks a Member of the Management Board of Magellan S.A.

From 11 July 2017, the composition of the Management Board of Magellan S.A. was as follows:
Krzysztof Kawalec — Chairman of the Management Board;
Urban Kielichowski — Member of the Management Board;
Rafał Karnowski — Member of the Management Board;
Emanuele Bona — Member of the Management Board;
Radosław Moks — Member of the Management Board.

Supervisory Board of Magellan S.A.

As at 30 June 2017, the following persons were on the Supervisory Board of Magellan S.A.:
Massimiliano Belingheri — Chairman of the Supervisory Board;
Carlo Zanni — Vice-Chairman of the Supervisory Board;
Piotr Stępniak — Member of the Supervisory Board.

In 2017, there were changes in the composition of the Supervisory Board of Magellan S.A.

Up until 31 May 2017, the following persons were on the Supervisory Board of Magellan S.A.:
Massimiliano Belingheri — Chairman of the Supervisory Board;
Carlo Zanni — Vice-Chairman of the Supervisory Board;
Piergiorgio Bicci — Member of the Supervisory Board;
Jarosław Iwanicki — Member of the Supervisory Board;
Piotr Stępniak — Member of the Supervisory Board.

On 31 May 2017, the Company was informed that Mr Jarosław Iwanicki and Mr Piergiorgio Bicci resigned from the function of the Supervisory Board Members as of 31 May 2017.
In connection with the resignation of the two supervisory board members, the Company's Supervisory Board is composed of three members, which remains in compliance with the Articles of Association of Magellan S.A.

From 31 May 2017, the following persons have been on the Supervisory Board of Magellan S.A.:
Massimiliano Belingheri — Chairman of the Supervisory Board;
Carlo Zanni — Vice-Chairman of the Supervisory Board;
Piotr Stępniak — Member of the Supervisory Board.

1.3. Information about the parent of Magellan S.A.

Banca Farmafactoring S.p.A. (BFF) — the parent of Magellan S.A. — was established and operates under Italian law and is registered with the Commercial Chamber in Milan with the reference number 07960110158, with its registered office in Milan, Via Domenichino, 5, 20149 Milan, Italy. The Company is entered in the register of banks with the reference number 5751 and in the register of banking groups with the reference number 3435. The Company's Rules and Regulations provide that the duration of the company will end as from 31 December 2100 and that it may be extended by an extraordinary shareholders' meeting.

Farmafactoring S.p.A. obtained the consent of the Bank of Italy to conducting banking activities on 2 January 2013. The Company was transformed into a bank and was registered as Banca Farmafactoring.

Since 2011, the Company has been operating on the Spanish market, and since 2014 also on the Portuguese market.

Since 7 April 2017, the shares of Banca Farmafactoring S.p.A. have been listed on the Italian stock exchange in Milan.

1.4. Subsidiaries

MEDFinance S.A.

MEDFinance S.A., in which Magellan S.A. took up 100% of shares, was registered on 30 July 2010 by the District Court for Łódź-Śródmieście in Łódź, 20th Department of the National Court Register with the reference number KRS 0000361997:

- legal status – a joint stock company;
- share capital: PLN 8,500 thousand, fully paid up;
- registered office: Łódź, al. Piłsudskiego 76
- statistical business identification number (REGON): 100 907 116;
- tax identification number (NIP): 725 202 70 54;
- 100% of shares are held by Magellan S.A.

The core business activities of MEDFinance S.A. consist of end-to-end financing of investments carried out by entities operating in the medical market.

Composition of the Management Board of MEDFinance S.A. as at the balance sheet date:

Radosław Moks — Chairman of the Management Board.

Composition of the Supervisory Board of MEDFinance S.A. as at the balance sheet date:

Grzegorz Grabowicz — Chairman of the Supervisory Board;
Krzysztof Kawalec — Member of the Supervisory Board;
Tomasz Mrowczyk — Member of the Supervisory Board;
Piergiorgio Bicci — Member of the Supervisory Board.

After the balance sheet date, there were changes to the composition of the Supervisory Board of MEDFinance S.A. in connection with the resignation of Mr Grzegorz Grabowicz from the function of Supervisory Board Member as of 11 July 2017.

From 11 July 2017, the composition of the Supervisory Board of MEDFinance S.A. was as follows:

Krzysztof Kawalec – Member of the Supervisory Board;
Tomasz Mrowczyk – Member of the Supervisory Board;
Piergiorgio Bicci – Member of the Supervisory Board.

Magellan Česká republika, s.r.o.

Magellan Česká republika s.r.o. was registered on 25 April 2007 by the Municipal Court in Prague. Magellan S.A. took up a 100% of shares in the company:

- legal status – a limited liability company;
- share capital: CZK 700 thousand, fully paid up;
- registered office: Prague, Roztylská 1860/1
- statistical business identification number (REGON): 287 92 387;
- tax identification number (NIP): CZ28792387;
- entered in the Commercial Register maintained by the Municipal Court in Prague, Branch C, Ref. 124667;
- 100% of shares in the limited liability company are held by Magellan S.A.

The core business activities of Magellan Česká republika, s.r.o. consist of providing financial services to entities operating in the healthcare market in the Czech Republic.

Composition of the company's Management Board as at the balance sheet date:

Rafał Skiba – Member of the Management Board;
Ladislav Valabek – Member of the Management Board.

Composition of the Company's Supervisory Board as at the balance sheet date:
Emanuele Bona – Member of the Supervisory Board;
Krzysztof Kawalec – Member of the Supervisory Board;
Grzegorz Grabowicz – Member of the Supervisory Board.

After the balance sheet date, there were changes in the composition of the Supervisory Board of Magellan Česká republika, s.r.o. in connection with the resignation of Mr Grzegorz Grabowicz from the function of Supervisory Board Member as of 11 July 2017. Between 11 and 20 July 2017, Krzysztof Kawalec and Emanuele Bona were members of the company's Supervisory Board. On 20 July 2017, pursuant to the resolution of the company's Sole Shareholder, the composition of the Company's Supervisory Board was extended to three persons in connection with appointing Mr Rafał Karnowski a member of the Supervisory Board.

From 20 July 2017, the following persons were on the Supervisory Board of Magellan Česká republika, s.r.o.:
Emanuele Bona – Member of the Supervisory Board;
Krzysztof Kawalec – Member of the Supervisory Board;
Rafał Karnowski – Member of the Supervisory Board.

Magellan Central Europe, s.r.o.

On 4 November 2008, the Regional Court in Bratislava registered Magellan Central Europe s.r.o. in which Magellan S.A. took up 100% of shares:
- legal status – a limited liability company;
- share capital: EUR 6,500, fully paid up;
- registered office: Bratislava, Mostova 2;
- statistical business identification number (REGON): 44 414 315;
- tax identification number (NIP): SK2022706950;
- entered in the Commercial Register maintained by the Regional Court in Bratislava I, with the reference number 55250/B;
- 100% of shares in the limited liability company are held by Magellan S.A.

The core business activities of Magellan Central Europe s.r.o. consist of providing financial services to entities operating in the healthcare market in Slovakia.

Composition of the company's Management Board as at the balance sheet date:
Rafał Skiba – Member of the Management Board;
Ladislav Valabek – Member of the Management Board.
Composition of the company's Supervisory Board as at the balance sheet date:
Emanuele Bona – Member of the Supervisory Board;
Krzysztof Kawalec – Member of the Supervisory Board;
Grzegorz Grabowicz – Member of the Supervisory Board.

After the balance sheet date, there were changes to the composition of the Supervisory Board of Magellan Central Europe s.r.o. in connection with the resignation of Mr Grzegorz Grabowicz from the function of Supervisory Board Member as of 11 July 2017. Between 11 and 20 July 2017, Krzysztof Kawalec and Emanuele Bona were members of the Company's Supervisory Board. On 20 July 2017, pursuant to the resolution of the company's Sole Shareholder, the composition of the company's Supervisory Board was extended to three persons in connection with appointing Mr Rafał Karnowski a member of the Supervisory Board.

From 20 July 2017, the following persons were on the Supervisory Board of Magellan Central Europe s.r.o.:
Emanuele Bona – Member of the Supervisory Board;
Krzysztof Kawalec – Member of the Supervisory Board;
Rafał Karnowski – Member of the Supervisory Board.

Komunalny Fundusz Inwestycyjny Zamknięty (formerly: Municypalny Fundusz Inwestycyjny Zamknięty)

On 1 December 2015, Municypalny Fundusz Inwestycyjny Zamknięty, in which Magellan S.A. holds 100% of the investment certificates issued, was registered. On 1 March 2017, Municypalny FIZ changed its name to Komunalny Fundusz Inwestycyjny Zamknięty.

- legal status — a closed-end investment fund, whose activities are subject to the provisions of the Act on Investment Funds of 27 May 2007 (i.e. Journal of Laws of 2014, item 157, as amended) and supervised by the Polish Financial Supervision Authority;
- registered with the Regional Court in Warsaw, 7th Civil Registration Department, with the reference number RFi 1.261 on 1 December 2015;
- AgioFunds Towarzystwo Funduszy Inwestycyjnych S.A., with its registered office in Warsaw, Plac Dąbrowskiego 1, 00-057 Warsaw, is the managing body of the Fund, and it represents it before third parties;
- the registered office and address of the Investment Fund Company is also the registered office and address of the Fund;
- 100% of certificates are taken up by Magellan S.A.

DEBT-RNT Sp. z o.o.

On 31 March 2016, the District Court for Łódź-Śródmieście in Łódź, 20th Department of the National Court Register, issued a decision by virtue of which the subsidiary DEBT-RNT sp. z o.o. was entered in the National Court Register with the reference number KRS 0000609731.

- legal status — a limited liability company;
- share capital: PLN 400 thousand was taken up in full by Magellan S.A.;
- registered office: Łódź, al. Piłsudskiego 76
- statistical business identification number (REGON): 364 077 710;
- tax identification number (NIP): 728 280 72 71;
- 100% of shares are held by Magellan S.A.

The business activities of DEBT-RNT Sp. z o.o. consist of restructuring doubtful receivables.

Composition of the company’s Management Board as at the balance sheet date:
Janusz Burkot — Chairman of the Management Board.

Until 28 March 2017, Paweł Szefler was the Chairman of the Company’s Management Board. He was dismissed by resolution of the Shareholders’ Meeting on 28 March 2017. On the same date, Janusz Burkot was appointed Chairman of the Management Board.

MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty

On 4 April 2017, MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (“MEDICO NSFIZ”), in which Magellan S.A. holds 100% of the investment certificates issued, was registered.

- legal status: Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty, the operations of which are regulated by the provisions of the Act of 27 May 2004 on investment funds and managing alternative investment funds (Journal of Laws of 2004, No. 146, item 1546, as amended) and supervised by the Polish Financial Supervision Authority;
- registered with the Regional Court in Warsaw, 7th Civil Registration Department, with the reference number RFi 1.481 on 4 April 2017;
- AgioFunds Towarzystwo Funduszy Inwestycyjnych S.A., with its registered office in Warsaw, Plac Dąbrowskiego 1, 00-057 Warsaw, is the managing body of the Fund, and it represents it before third parties;
- the registered office and address of the Investment Fund Company is also the registered office and address of the Fund;
- 100% of certificates are taken up by Magellan S.A.

1.5. Associates

As at 30 June 2017, Magellan S.A. had the following associates:
- Kancelaria Prawnicza Karnowski i Wspólnik Spółka Komandytowa;
- Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa spółka komandytowa (law firm) (since 08/04/2016 the Law Firm has been operating as an entity associated indirectly through a subsidiary of Magellan S.A., DEBT-RNT Sp. z o.o.).

In the reporting period, Magellan S.A. remained a significant counterparty of both Law Firms and had a material effect on the operational and financial policies of these entities. These entities are treated as associates.

2. Description of the adopted accounting policies

Basis of preparation of the consolidated financial statements

These interim condensed consolidated financial statements of the Magellan Group have been prepared for the period ended 30 June 2017 in PLN'000, unless in specific situations the data provided is more precise. The Polish zloty (PLN) is the functional and presentation currency of the Group's financial statements.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months of the date of preparation of these financial statements, i.e. of 2 August 2017. As at the date of preparation of the financial statements and as at the date of their approval for publication, there were no circumstances indicating a risk to the Group's ability to continue as a going concern.

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and other financial assets, which are measured at fair value.

Statement of compliance

These interim condensed consolidated financial statements have been prepared in line with the International Accounting Standard 34 "Interim Financial Reporting". As at the date of approving these financial statements for publication, bearing in mind the IFRS endorsement process in the EU and the nature of activities conducted by the Group, there are no differences between the general IFRS standards and the IFRS standards as adopted by the European Union within the scope of the accounting policies adopted by the Group. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Changes in the adopted accounting policies

The accounting principles (policies) used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the full annual consolidated financial statements for the year 2016, except for the application of the following amendments to the standards and new interpretations effective for annual periods beginning on 1 January 2017.
These interim condensed consolidated financial statements do not comprise information and disclosures required with the full financial statements and should be read in conjunction with the annual consolidated financial statements for the financial year ended 31 December 2016.

New and amended standards and interpretations applied

In 2017, no new or amended standards and interpretations became effective.

Published Standards and Interpretations which are not yet effective and which have not been adopted earlier by the Group

In these consolidated financial statements the Group did not decide to apply early the following published standards, interpretations or improvements to the existing standards, before their effective dates.

a) **IFRS 9 "Financial Instruments"** — IFRS 9 replaces IAS 39. This standard is effective for annual periods beginning on or after 1 January 2018.
The standard introduces a single model which provides for only two categories of financial assets: measured at fair value and measured at amortized cost. Classification is performed on initial recognition and it depends on the model of financial instruments management adopted by the entity and on the characteristics of contractual cash flows from such instruments.
IFRS 9 introduces a new model for determining impairment losses — an expected credit loss model.
Most IAS 39 requirements concerning classification and measurement of financial liabilities were transferred to IFRS 9 unchanged. The key change is the requirement imposed on entities to the present, in other comprehensive income, the effects of changes in own credit risk in respect of financial liabilities designated at fair value through profit or loss.
With regards to hedge accounting, the amendments were aimed at aligning hedge accounting with risk management more closely.

Potential effect of the adoption of IFRS 9 on the Group's financial position
The new standard will introduce an amended model for classifying and measuring financial assets, a model for impairment of financial instruments based on the concept of an "expected loss", and a new approach to hedge accounting. Taking into consideration the Group's business model, the classification and measurement of financial instruments and an impairment model are the key areas.
Classification of financial assets under IFRS 9 is performed at initial recognition in the balance sheet and depends on:

- Business model for managing financial assets;
- Contractual cash flow characteristics.

The Group is working on the assessment of the effect of the new standard and plans to analyse the use of business models for individual financial categories and cash flow characteristics.

IFRS 9 introduces a new approach to estimating impairment losses on the portfolio of financial assets measured at amortized cost. This approach will be based on designating expected losses unlike under the currently applied IAS 39 which is based on the concept of incurred losses. Under IFRS 9, the manner of recognition of expected losses depends on the change in the level of risk which has occurred since the initial recognition of an asset. The standard introduces three basic stages (baskets) of recognition of expected losses:

- Basket 1 — assets that have not had a significant change in the risk level since initial recognition; for such assets, expected losses will be recognized over a period of 12 months;
- Basket 2 — assets that have had a significant increase in risk since initial recognition, but a default event is not yet probable; for such assets, expected losses will be recognized over the remaining life of the exposure;
- Basket 3 — assets for which a default event has materialized; for such assets, expected losses will be recognized over the remaining life of the exposure.

Stage of implementation
The Group is working on the assessment of the effect of the new standard and its implementation
Due to the ongoing work on the implementation of IFRS 9 and the related lack of a possibility to estimate the effect of the implementation of the standard in a reliable manner, the Group has not disclosed the potential quantitative effect of this implementation on its results of operations.

b) **IFRS 15 "Revenue from Contracts with Customers"** — IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after 1 January 2018
The principles provided in IFRS 15 will apply to all contracts that result in revenue. The fundamental principle of the new standard is to recognize revenue at the time of transfer of goods

or services to a customer, at the transaction price. All goods or services sold in bundles, which are separately identifiable within a bundle, should be accounted for separately. Moreover, all discounts and rebates on the transaction price should, in principle, be allocated to the individual components of a bundle. If the amount of revenue is variable, under the new standard variable amounts are recognized in revenue providing that it is highly probable that the recognition of the revenue will not be reversed in the future as a result of remeasurement. Moreover, under IFRS 15 the costs incurred to obtain and secure a contract with a customer should be recognized as an asset and deferred over the period of consumption of the benefits from this contract.
The Group will apply IFRS 15 as from 1 January 2018.

c) Clarifications to IFRS 15 "Revenue from Contracts with Customers" — The clarifications to IFRS 15 "Revenue from Contracts with Customers" were published on 12 April 2016 and are applicable to financial statements prepared after 1 January 2018.
The clarifications provide additional information and explanations with respect to the main assumptions made in IFRS 15, among other things, about the identification of separate obligations, determining whether an entity plays the role of an agent or is the main supplier of goods and services (a principal), and the manner of recording revenue from licensing.
Apart from the additional clarifications, exemptions and simplifications were also introduced for first-time adopters of the new standard.
The Group will apply the Clarifications to IFRS 15 as from 1 January 2018.
As at the date of preparation of these consolidated financial statements, Clarifications to IFRS 15 had not yet been adopted by the European Union.

d) IFRS 14 "Regulatory Deferral Accounts" – This standard permits entities which are first-time adopters of IFRS (as from or after 1 January 2016) to recognize the balances arising from rate-regulated activities in accordance with their previous accounting principles. However, to improve comparability with entities that already apply IFRS and do not recognize such amounts, IFRS 14 requires that the effect of rate regulation be presented separately from other items both in the statement of financial position and in the income statement and the statement of other comprehensive income.
By decision of the European Union, IFRS 14 will not be adopted.

e) IFRS 16 "Leases" – IFRS 16 "Leases" was published by the International Accounting Standards Board on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019.
The new standard establishes the principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee obtaining the right to use an asset and a liability in respect of the obligation to pay. Therefore, IFRS 16 eliminates the classification of leases into operating leases and finance leases in accordance with IAS 17 and introduces one model for the accounting treatment of leases by the lessee. The lessee will be obliged to recognize: (a) assets and liabilities for all lease transactions concluded for a period of more than 12 months, except for situations when a given asset is of low value; and (b) depreciation of the leased asset separately from interest on the lease liability in the statement of profit or loss.
IFRS 16 largely repeats the regulations of IAS 17 on the accounting treatment of leases by the lessor. In consequence, the lessor continues to classify leases into operating leases and finance leases and differentiates the accounting treatment accordingly.
The Group will apply IFRS 16 after it has been adopted by the European Union.
As at the date of preparing these consolidated financial statements, the amendment had not yet been adopted by the European Union.

f) IFRS 17 "Insurance Contracts" — IFRS 17 "Insurance Contracts" was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021.
The new IFRS 17 "Insurance Contracts" will replace the currently binding IFRS 4, which permits diverse practice as regards settlement of insurance contracts. IFRS 17 will substantially change the accounting of all entities dealing with insurance contracts and investment contracts.
The Group will apply IFRS 17 after it has been adopted by the European Union.

g) Amendments to IFRS 10 and IAS 28 for the sale or contributions of assets between an investor and its associate or joint venture – The amendments resolve the problem of the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or a joint venture constitute a business.
If the non-monetary assets constitute a "business", an investor will recognize a full gain or loss on the transaction. And if the assets do not meet the definition of a business, an investor will recognize a gain or loss excluding the portion attributable to the equity interests of other investors.
The amendments were published on 11 September 2014. The effective date of the amended regulations has not yet been decided by the International Accounting Standards Board.
The Group will apply the amendments as from the date of the effective date of the regulations, in line with the decisions of the International Accounting Standards Board.
As at the date of preparation of these consolidated financial statements, the adoption of this amendment had been deferred by the European Union.

h) Amendments to IAS 12 concerning the Recognition of Deferred Tax Assets for Unrealized Losses – The amendment to IAS 12 clarifies the requirements on recognition of deferred tax assets for unrealized losses on debt instruments. An entity will be obliged to recognize deferred tax assets for unrealized losses if they result from discounting the cash flows related to a debt instrument, using a market interest rate; also if it intends to hold given debt instruments to maturity, and at the time the nominal value is received there will be no obligation to pay tax. The economic benefits reflected in deferred tax assets arise from the possibility for the holder of the aforementioned instruments to obtain future gains (by reversing the effect of discounting) without having to pay tax.
This amendment is effective for annual periods beginning on or after 1 January 2017. As at the date of preparation of these financial statements, this amendment had not yet been adopted by the European Union.
The Group will apply the aforementioned amendments in line with the decisions of the European Union.

i) Amendments to IAS 7: Disclosure Initiative – The amendment to IAS 7 is effective for annual periods beginning on or after 1 January 2017. As at the date of preparation of these consolidated financial statements, this amendment had not yet been adopted by the European Union.
Entities will be obliged to disclose a reconciliation of movements in liabilities arising from financing activities.
The Group will apply the aforementioned amendments in line with the decisions of the European Union.

j) Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions – The amendment to IFRS 2 is effective for annual periods beginning on or after 1 January 2018. This amendment introduces, among other things, guidance on the fair value measurement of a liability in respect of share-based transactions that are settled in cash, guidance on the change in the classification of share-based payment transactions from cash-settled to equity-settled, as well as guidance on the recognition of an employee's tax liability in respect of share-based payment transactions.
The Group will apply the aforementioned amendments after they have been adopted by the European Union.
As at the date of preparation these consolidated financial statements, the amendment had not yet been adopted by the European Union.

k) Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" – The amendments to IFRS 4 "Insurance Contracts" address the issue of application of a new standard IFRS 9 "Financial Instruments". The published amendments to IFRS 4 complement the options which already exist within the standards and are aimed at preventing the temporary volatility in profits or losses of insurance sector entities in connection with the implementation of IFRS 9.
The Group will apply the aforementioned amendments after they have been adopted by the European Union.
As at the date of preparation these consolidated financial statements, the amendment had not yet been adopted by the European Union.

l) Annual amendments to IFRSs 2014 - 2016 — In December 2016, the IASB published "Annual Improvements to IFRS Standards 2014–2016 Cycle" which amend 3 standards: IFRS 12 "Disclosure of Interests in Other Entities", IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates".
The improvements contain clarifications and amendments regarding the scope of the standards, recognition and measurement, as well as changes in terminology and editorial corrections.
The Group will apply the aforementioned amendments in line with the decisions of the European Union.
As at the date of preparing these consolidated financial statements, these amendments have not yet been endorsed by the European Union.

m) Amendments to IAS 40: Transfers of investment property — The amendments to IAS 40 specify the requirements for transfers to, or from, investment properties. This amendment is effective for annual periods beginning on or after 1 January 2018.
The Group will apply the aforementioned amendments in line with the decisions of the European Union.
As at the date of preparation these consolidated financial statements, the amendment had not yet been adopted by the European Union.

n) IFRIC 22: Foreign Currency Transactions and Advance Consideration — IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The guidance is effective for annual periods beginning on or after 1 January 2018.
The Group will apply the aforementioned amendments in line with the decisions of the European Union.
As at the date of preparation these consolidated financial statements, the amendment had not yet been adopted by the European Union.

o) IFRIC 23: Uncertainty over Income Tax Treatments — IFRIC 23 explains the requirements concerning recognition and measurement contained in IAS 12 in an event of an uncertainty relating to recognition of income tax. The guidance is effective for annual periods beginning on or after 1 January 2019.
The Group will apply the aforementioned amendments in line with the decisions of the European Union.
As at the date of preparation these consolidated financial statements, the amendment had not yet been adopted by the European Union.

The Group decided not to apply the aforementioned standards, amendments to standards or interpretations early. According to the Management Board, some of the aforementioned standards, interpretations and amendments to standards will have an effect on the financial statements, however, as at the date of publication of this report the Group is not able to estimate this effect quantitatively.

The Group's parent Magellan S.A. has undertaken to implement individual standards and interpretations which are not yet applicable, at their respective implementation dates.

Some Group companies maintain their books of account in line with the local accounting policies. The consolidated financial statements comprise adjustments which are not contained in the books of account of the Group companies but have been introduced to bring the financial statements of these entities to compliance with the IFRS.

Key accounting judgements and basis for estimating uncertainties

In applying the accounting principles of the Group, the Management Board has to make judgements, estimates and assumptions with respect to the carrying amounts of assets and liabilities which cannot be determined using the available sources. The estimates and related assumptions are based on historical experience and other factors considered significant. The actual figures may differ from the adopted estimated values.

The main estimates made in the Group are related to the following:

Category of estimate	Type of disclosure subject to estimate
Impairment losses on the portfolio of financial assets	Amounts of impairment losses on the portfolio of financial assets
Fair value of financial instruments	Classes and categories of financial instruments, measurement methods
Loans and receivables originated by the entity, and receivables under finance lease agreements	Provision for potential and lost litigation

The estimates and the related assumptions are verified on an ongoing basis. A change in the estimated amounts is recognized in the period in which verification was performed if it only relates to that period, or in the current and future periods if the change relates to them equally as to the current period.
In the reporting period, the Group did not change the method for making estimates compared with that adopted in the annual financial statements for the period from 1 January to 31 December 2016.

Corrections of prior period errors

In the reporting period, there were no corrections of prior period errors.

3. Operating segments and seasonality

There is no seasonality in the Group's core operating activities.

For management purposes the Group is treated as one operating segment. No operating segments are distinguished within the Group for management purposes.

4. Sales revenue

The Group measures its revenue from the portfolio of financial assets at amortized cost, using the effective interest rate.

	6 months ended 30/06/2017	6 months ended 30/06/2016
	PLN'000	**PLN'000**
	not reviewed	*unaudited*
Revenue from the provision of services		
Revenue from the portfolio of receivables with an agreed repayment schedule (discount, commission)	5,970	8,438
Revenue from the portfolio of receivables with no agreed repayment schedule (discount, commission)	13,034	9,394
Revenue from loans granted (commission)	3,445	8,698
Interest income	64,421	44,727
Total revenue from sales of services	**86,870**	**71,257**
Revenue from sales of goods for resale	1,025	1,628
Total sales revenue	**87,895**	**72,885**

Given the nature of the Group's operations, the amounts describing the scale of its business activities, i.e. proceeds, commissions and their equivalents, are presented below.

Proceeds, commissions and their equivalents comprise:

- proceeds, offsets and deductions in respect of realization of the portfolio of financial assets -repayment of the principal of amounts receivable (excluding proceeds from loans and finance leases);
- commission income and income from discount realized on individual products;
- interest income on individual products classified as core business activities.

The cost of sales corresponding to proceeds earned is the value of realized financial assets, measured at cost.

Revenue earned:

	6 months ended 30/06/2017	6 months ended 30/06/2016
	PLN'000	**PLN'000**
	not reviewed	*unaudited*
Proceeds, commissions and their equivalents	451,936	537,239
Cost of sales corresponding to proceeds earned	(365,066)	(465,982)
Revenue earned from sales of services	**86,870**	**71,257**
Revenue earned from sales of goods for resale	1,025	1,628
Total sales revenue	**87,895**	**72,885**

In order to present the scale of the Groups' operations and the value of proceeds in the reporting period, presented below are proceeds including proceeds from repayment of the principal part of loans granted and finance lease agreements.

Proceeds earned:

	6 months ended 30/06/2017	6 months ended 30/06/2016
	PLN'000	PLN'000
	not reviewed	*unaudited*
Proceeds, commissions and their equivalents	451,936	537,239
Proceeds from repayment of loans granted and finance lease agreements	354,412	341,329
Revenue earned from sales of goods for resale	1,025	1,628
Proceeds earned	**807,373**	**880,196**

Out of the amount of proceeds presented for the first half of 2017 (PLN 807,373 thousand) 81% were realized in the form of cash inflows.

5. Portfolio financing costs

	6 months ended 30/06/2017	6 months ended 30/06/2016
	PLN'000	PLN'000
	not reviewed	*unaudited*
Interest and commissions on loans, borrowings and interest-bearing liabilities	13,417	15,520
Interest on loans from related entities	9,472	31
Interest and commissions on bond issues	9,294	15,754
Measurement and settlement of derivative instruments hedging interest rate risk	3	(26)
Total portfolio financing costs	**32,186**	**31,279**

The Group enters into IRS transactions which are derivative instruments enabling the entity to replace the floating interest rate of the financing obtained with a fixed rate. As at the balance sheet date, derivative instruments are measured at the fair value which could be obtained if the transaction had been settled in whole as at that date.

6. Costs of employee benefits

	6 months ended 30/06/2017	6 months ended 30/06/2016
	PLN'000	PLN'000
	not reviewed	*unaudited*
Wages and salaries	6,267	8,898
Costs of social insurance and other benefits	1,585	1,580
Executive share option scheme and other incentive schemes in the form of cash benefits	-	171
Total	**7,852**	**10,649**

Magellan S.A. offers an executive share option scheme introduced by means of the following resolutions: Resolution No. 11/2013 of the EGSM of Magellan S.A. dated 31/10/2013 and Resolution No. 28/2014 of the GSM of Magellan S.A. dated 23/04/2014. A detailed description of the scheme is presented in Note 40.3. to the annual consolidated financial statements for 2016. The Company did not recognize the expense related to the scheme either in the first half of 2017 or in the comparative period due to the fact that in the Company's opinion the probability of the scheme being executed is low.

A description of the measurement of the incentive scheme (other cash benefits) introduced by Resolution No. 1 of the Supervisory Board dated 12 August 2013 is presented in Note 40.4 (Other cash benefits) to the annual consolidated financial statements for 2016. The scheme was closed in 2016.

7. Earnings per share

	6 months ended 30/06/2017	6 months ended 30/06/2016
	not reviewed	*unaudited*
Weighted average number of shares	128,291,677	6,720,037
Net profit for the reporting period (in PLN'000)	24,297	13,520
Basic net earnings per share (in PLN)	**0.19**	**2.01**
Diluted net earnings per share (in PLN)	**0.19**	**2.01**

Basic earnings per share are calculated by dividing the net profit for the reporting period, attributable to ordinary equity holders of the entity, by the weighted average number of issued shares outstanding in the financial year.
The shares carry no voting or dividend preference.

Magellan S.A. offers an executive share option scheme introduced by means of the following resolutions: Resolution No. 11/2013 of the EGSM of 31/10/2013 and Resolution No. 28/2014 of the GSM of 23/04/2014. A detailed description of the scheme is presented in Note 40.3 to the annual consolidated financial statements for 2016. However, due to the failure to meet the required terms of the scheme in the first half of 2017 or in the comparative period, no subscription warrants were granted and therefore there was no dilutive effect.

No operations were discontinued either in the reporting period or in the comparative period, therefore, the Group did not present a calculation of earnings from discontinued operations per share.

8. Investments in associates measured under the equity accounting method

Associates	**As at 30/06/2017**	**As at 31/12/2016**	**As at 30/06/2016**
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Interest in associates	740	1,330	857
Total	**740**	**1,330**	**857**

Investments in associates measured under the equity method are recognized at historical cost adjusted for the share in the profits of those entities generated in the reporting period and attributable to the Group.

9. Originated loans and receivables and receivables under finance lease agreements

Due to the nature of the Group's operations, originated loans and receivables measured at amortized cost include the following classes of financial assets:

Current	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000 *not reviewed*	**PLN'000** *audited*	**PLN'000** *unaudited*
Originated loans and receivables measured at amortized cost			
Portfolio of receivables with an agreed repayment schedule (i)	235,731	318,444	291,092
Finance lease portfolio with an agreed repayment schedule (ii)	3,497	3,148	2,800
Portfolio of receivables with no agreed repayment schedule (iii)	561,865	429,415	415,999
Loans granted (iv)	238,552	258,349	196,510
Total	**1,039,645**	**1,009,356**	**906,401**

Non-current	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000 *not reviewed*	**PLN'000** *audited*	**PLN'000** *unaudited*
Originated loans and receivables measured at amortized cost			
Portfolio of receivables with an agreed repayment schedule (i)	238,588	276,672	304,417
Finance lease portfolio with an agreed repayment schedule (ii)	16,147	10,902	10,382
Portfolio of receivables with no agreed repayment schedule (iii)	136,263	173,453	130,236
Loans granted (iv)	714,355	502,420	388,769
Total	**1,105,353**	**963,447**	**833,804**

(i) The portfolio of receivables with an agreed repayment schedule includes financial assets arising from arrangements establishing a repayment schedule.
(ii) The Group provides finance lease services to healthcare institutions and on this account holds assets covered with an agreed repayment schedule.
(iii) The portfolio of receivables with no agreed repayment schedule includes financial assets arising from arrangements not establishing a repayment schedule.
(iv) The Group grants loans to third parties. Public hospitals represent the main group of borrowers.

In accordance with the adopted accounting policies, the Group recognizes impairment losses in respect of the portfolio of financial assets. Due to the nature of activities and credit risk, the Group recognized specific purpose impairment allowances in the current period and in the comparative periods.

Change in impairment losses:

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	PLN'000	PLN'000
	not reviewed	*audited*	*unaudited*
As at the beginning of the period	17,594	16,039	16,039
Increase in impairment losses recognized in the statement of comprehensive income, under “Other operating expenses”	3,160	7,867	1,419
Increase in impairment losses recognized in the statement of comprehensive income, reducing the item “Sales revenue”	19	2,049	2,003
Utilization of impairment losses	(407)	(8,437)	(7,972)
Reclassification of impairment loss categories	(1,064)	-	-
Net foreign exchange differences	-	76	82
As at the end of the period	**19,302**	**17,594**	**11,571**

The high value of the impairment losses utilized in 2016, compared with the comparative periods, resulted from Magellan S.A. contributing some of the assets previously covered with impairment allowances to an associate, Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa spółka komandytowa.
The value of the portfolio of financial assets (gross and less impairment losses)

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	PLN'000	PLN'000
	not reviewed	*audited*	*unaudited*
Gross value of the portfolio of financial assets	2,164,300	1,990,397	1,751,776
Impairment losses	(19,302)	(17,594)	(11,571)
Net value of the portfolio of financial assets	**2,144,998**	**1,972,803**	**1,740,205**

Ageing analysis of the portfolio of financial assets	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	PLN'000	PLN'000
	not reviewed	*audited*	*unaudited*
Originated loans and receivables (portfolio of financial assets)	**2,144,998**	**1,972,803**	**1,740,205**
Portfolio maturing within 1 year	**1,039,645**	**1,009,356**	**906,401**
maturing at the end of the period	77,915	54,654	73,999
maturing within 30 days	156,055	197,601	217,364
30 — 90 days	163,072	214,591	105,222
90 — 180	259,503	186,531	145,840
180 — 365	383,100	355,979	363,976
Portfolio maturing after more than 1 year	**1,105,353**	**963,447**	**833,804**
maturing within 1 to 2 years	334,160	373,629	301,131
2 — 3 years	227,534	238,345	189,997
3 — 5 years	254,671	197,241	216,214
over 5 years	288,988	154,232	126,462

Portfolio structure based on the legal status of the debtors

The table below presents the structure of the Group's portfolio of financial assets divided into entities with the capacity to go bankrupt and entities without such capacity:

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
Share in the structure of the portfolio of financial assets (in value terms)			
Public entities, *including:*	**81.01%**	**80.13%**	**79.80%**
Independent Public Healthcare Institutions	73.48%	73.31%	72.40%
Local Government Authorities	7.53%	6.82%	7.40%
Entities with the capacity to go bankrupt, *including:*	**18.99%**	**19.87%**	**20.20%**
Non-Public Healthcare Institutions	11.54%	12.16%	11.74%
Other	7.45%	7.71%	8.46%

Financial instruments carried at fair value

As at 30 June 2017 the Group had assets and liabilities measured at fair value:

- derivative instruments (Level 2) - liabilities in respect of derivative financial instruments for the amount of PLN 4,921 thousand,
- investment certificates (Level 3) - other financial assets for the amount of PLN 5,180 thousand.

The Group makes use of derivative instruments for the purpose of hedging its operations, and it does not apply formal hedge accounting.

10. Loans from related entities

As at 30 June 2017, the Group had liabilities in respect of loans granted by the parent Banca Farmafactoring S.p.A., which were used to finance its core operating activities.

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Loans from the parent, with theoretical interest	**910,875**	**722,865**	**44,906**
Maturing within:			
up to 30 days	*384,890*	*356,722*	*103*
30 — 90 days	*514,633*	*357,767*	*207*
90 — 180 days	*8,110*	*-*	*44,596*
180 — 365 days	*388*	*8,069*	*-*
1 — 2 years	*2,854*	*307*	*-*
Value of theoretical future interest payments	**9,522**	**4,530**	**620**
Carrying amount	**901,353**	**718,335**	**44,286**

11. Bank and other loans

	Current			Non-current		
	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000 *not reviewed*	PLN'000 *audited*	PLN'000 *unaudited*	PLN'000 *not reviewed*	PLN'000 *audited*	PLN'000 *unaudited*
Overdraft facilities	148,188	19,779	294,273	-	-	-
Other bank and other loans received	128,117	135,275	250,546	248,324	233,451	174,741
	276,305	**155,054**	**544,819**	**248,324**	**233,451**	**174,741**

The table below presents the ageing analysis of the Group's liabilities in respect of loans and borrowings received.
The loans and borrowings are presented at the nominal value plus interest estimated for the period from the balance sheet date to the maturity date. The interest rates on loans bearing floating interest rates are the interest rates as at the balance sheet date. Due to considerable volatility of the loan balance, overdraft facilities are presented net of potential interest payable.

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000 *not reviewed*	PLN'000 *audited*	PLN'000 *unaudited*
Loans and borrowings received, with theoretical interest	**557,129**	**418,450**	**740,646**
Maturing within:			
up to 30 days	*13,079*	*10,318*	*50,748*
30 – 90 days	*25,964*	*20,571*	*401,957*
90 – 180 days	*103,423*	*68,005*	*14,116*
180 – 365 days	*69,893*	*69,102*	*99,775*
1 – 2 years	*97,120*	*115,654*	*14,846*
2 – 3 years	*142,891*	*56,232*	*132,741*
3 – 4 years	*104,759*	*78,568*	*26,463*
Value of theoretical future interest payments	**31,635**	**28,762**	**18,845**
Nominal value	**525,494**	**389,688**	**721,801**
Amortized cost adjustment	(865)	(1,183)	(2,241)
Carrying amount	**524,629**	**388,505**	**719,560**

12. Bond liabilities

Within the Magellan Groupnonly the parent, Magellan S.A. has active bond issue schemes.

Bond liabilities	**As at 30/06/2017**	**As at 31/12/2016**	**As at 30/06/2016**
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Current			
Nominal value of bond liabilities	104,712	269,263	319,911
Total amortized cost adjustments	2,428	2,757	2,806
Carrying amount of bonds	**107,140**	**272,020**	**322,717**
Non-current			
Nominal value of bond liabilities	150,382	151,586	306,959
Total amortized cost adjustments	(508)	(449)	(1,466)
Carrying amount of bonds	**149,874**	**151,137**	**305,493**

As at 30 June 2017, Magellan S.A. had three active bond issue schemes:

- PLN 90 million — a scheme with Raiffeisen Bank S.A. – discount bonds maturing within 1 to 12 months;
- PLN 110 million — a scheme with Alior Bank S.A. – discount or coupon bonds maturing within 1 to 12 months;
- PLN 750 million — a scheme with mBank S.A. – coupon bonds maturing within 1 to 5 years.

The value of the bond issue schemes did not change compared with the value as at the end of the comparative periods, i.e. as at 31 December 2016 and 30 June 2016.
Magellan S.A. issues bonds depending on its current cash needs and the maturity of assets financed by the issue. The schemes are used to finance its core business activities.

Utilization of limits (nominal values):

	As at 30/06/2017	**As at 31/12/2016**	**As at 30/06/2016**
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Short-term bond issue scheme			
Limit held	**200,000**	**200,000**	**200,000**
Issued bonds	-	-	111,056
Outstanding limit	200,000	200,000	88,944
Medium-term bond issue scheme			
Limit held	**750,000**	**750,000**	**750,000**
Issued bonds	255,094	420,849	515,814
Outstanding limit	494,906	329,151	234,186

Bond issues and redemptions:

	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 31/12/2016	Period from 01/01/2016 to 30/06/2016
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Bond liabilities at the nominal value as at the beginning of the period	**420,849**	**591,496**	**591,496**
Bonds issued under a short-term bond issue scheme	-	80,080	80,080
Bonds issued under a medium-term bond issue scheme	-	220,389	76,919
Total increases due to issues	**-**	**300,469**	**156,999**
Redemption of bonds during the period	(165,272)	(474,982)	(126,601)
Foreign exchange differences	(483)	3,866	4,976
Bond liabilities at the nominal value	**255,094**	**420,849**	**626,870**

The table below shows the ageing structure of bond liabilities. The bonds are presented at the nominal value plus the value of future coupons.

	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Issued bonds at the nominal value plus the value of future coupons	**269,687**	**443,503**	**651,990**
Maturing within:			
up to 30 days	-	-	*24,888*
30 — 90 days	*17,330*	*46,699*	*59,599*
90 — 180 days	*21,375*	*124,367*	*47,282*
180 — 365 days	*101,591*	*113,926*	*205,337*
1 — 2 years	*115,614*	*108,049*	*200,909*
2 — 3 years	*13,483*	*50,462*	*102,653*
3 — 4 years	*294*	-	*11,322*
Value of theoretical future interest payments	**14,593**	**22,654**	**25,120**
Nominal value	**255,094**	**420,849**	**626,870**
Amortized cost adjustments	1,920	2,308	1,340
Carrying amount	**257,014**	**423,157**	**628,210**

The Company's corporate bonds, denominated both in PLN and in EUR, are quoted on the Catalyst market, in the alternative trading system operated by BondSpot S.A. and in the alternative trading system operated by the Warsaw Stock Exchange.

Summary of corporate bonds of Magellan S.A. admitted to trading on the Catalyst market

No.	Series	Date of issue	Maturity date	Amount	Currency	Unit nominal value	Total nominal value	Number in the National Depository of Securities	Catalyst number	Date of introducing to trading on the WSE	Date of introducing to trading on the BondSpot	Last day of trading
1	**6/2016**	21/10/2016	26/03/2018	187	EUR	25,000	**4,675,000**	PLMGLAN00034	MAG0318	14/12/2016	13/12/2016	
2	**11/2013**	30/10/2013	28/04/2017	364	PLN	100,000	**36,400,000**	PLMGLAN00042	MAG0417	13/02/2017	13/02/2017	18/04/2017
3	**9/2014**	26/06/2014	26/06/2017	255	PLN	100,000	**25,500,000**	PLMGLAN00059	MAG0617	13/02/2017	13/02/2017	13/06/2017
4	**10/2014**	25/07/2014	25/07/2018	201	PLN	100,000	**20,100,000**	PLMGLAN00067	MAG0718	13/02/2017	13/02/2017	
5	**13/2014**	25/09/2014	25/09/2018	205	PLN	100,000	**20,500,000**	PLMGLAN00075	MAG0918	13/02/2017	13/02/2017	
6	**14/2014**	25/09/2014	25/09/2019	100	PLN	100,000	**10,000,000**	PLMGLAN00083	MAG0919	13/02/2017	13/02/2017	
7	**2/2015**	21/05/2015	19/05/2017	170	PLN	100,000	**17,000,000**	PLMGLAN00091	MAG0517	13/02/2017	13/02/2017	09/05/2017
8	**3/2015**	10/08/2015	10/08/2017	153	EUR	25,000	**3,825,000**	PLMGLAN00109	MAG0817	13/02/2017	13/02/2017	31/07/2017
9	**4/2015**	20/11/2015	20/11/2017	179	EUR	25,000	**4,475,000**	PLMGLAN00117	MAG1117	13/02/2017	13/02/2017	
10	**5/2015**	22/12/2015	22/12/2017	200	EUR	25,000	**5,000,000**	PLMGLAN00125	MAG1217	13/02/2017	13/02/2017	
11	**4/2016**	22/04/2016	22/04/2018	57	EUR	25,000	**1,425,000**	PLMGLAN00141	MAG0418	13/02/2017	13/02/2017	
12	**5/2016**	21/04/2016	19/04/2019	240	PLN	100,000	**24,000,000**	PLMGLAN00190	MAG0419	13/02/2017	13/02/2017	
13	**2/2016**	31/03/2016	29/03/2019	150	PLN	100,000	**15,000,000**	PLMGLAN00133	MAG0319	-	28/02/2017	
14	**7/2016**	26/10/2016	18/12/2017	23,500	PLN	1,000	**23,500,000**	PLMGLAN00158	MA11217	28/02/2017	28/02/2017	
15	**8/2016**	27/10/2016	12/04/2017	40,000	PLN	1,000	**40,000,000**	PLMGLAN00166	MA10417	28/02/2017	28/02/2017	31/03/2017
16	**9/2016**	27/10/2016	05/06/2018	35,000	PLN	1,000	**35,000,000**	PLMGLAN00174	MAG0618	28/02/2017	28/02/2017	
17	**10/2016**	27/10/2016	18/12/2017	25,000	PLN	1,000	**25,000,000**	PLMGLAN00182	MA21217	28/02/2017	28/02/2017	

13. Other financial liabilities

Other financial liabilities include liabilities relating to: concluded acquisition agreements of assets classified as originated loans and receivables, finance leases, purchases of medical equipment as well as outstanding commissions.

Current	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	PLN'000	PLN'000
	not reviewed	*audited*	*unaudited*
Acquisition of assets classified as “Originated loans and receivables”	64,296	47,113	63,737
Purchases of medical equipment	10,101	12,076	7,841
Finance lease liabilities	915	571	605
Outstanding initial commissions under guarantee agreements	3	46	90
Total	**75,315**	**59,806**	**72,273**

Non-current	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	PLN'000	PLN'000
	not reviewed	*audited*	*unaudited*
Acquisition of assets classified as “Originated loans and receivables”	25	34	42
Purchases of medical equipment	1,860	722	987
Finance lease liabilities	537	389	443
Total	**2,422**	**1,145**	**1,472**

Liabilities in respect of acquisition of assets classified as “Originated loans and receivables” include liabilities arising from acquiring financial assets as part of financing the receivables of suppliers to hospitals and local government units. Under the agreements, the Group acquires receivables with deferred payment deadlines the maturity of which depends on the nature of the transaction and on the risk related to financing a given debtor.

Ageing analysis of liabilities
The table below presents the ageing analysis of contractual liabilities:

Ageing analysis of contractual liabilities	**As at 30/06/2017**	**As at 31/12/2016**	**As at 30/06/2016**
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Contractual liabilities	**64,321**	**47,147**	**63,779**
Including:			
liabilities not yet due	**63,304**	**43,916**	**56,000**
maturing within up to 30 days	*40,419*	18,110	*23,844*
30 – 90 days	*11,147*	10,782	*27,543*
90 – 180 days	*11,309*	12,222	*4,613*
180 – 365 days	*404*	2,768	-
1 – 2 years	*16*	*34*	-
2 – 3 years	*9*	-	-
liabilities due:	**1,017**	**3,231**	**7,779**
within up to 30 days	*83*	2,241	*674*
after more than 30 days	*934*	990	*7,105*

	As at 30/06/2017	**As at 31/12/2016**	**As at 30/06/2016**
	PLN'000	**PLN'000**	**PLN'000**
	not reviewed	*audited*	*unaudited*
Liabilities in respect of purchase of medical equipment	**11,961**	**12,798**	**8,828**
including:			
liabilities not yet due:	**11,961**	**12,798**	**7,422**
maturing within up to 30 days	*6,215*	*4,072*	*3,521*
30 – 90 days	*3,265*	*558*	*88*
90 – 180 days	*132*	*7,182*	*132*
180 – 365 days	*489*	*264*	*2,694*
1 – 2 years	*1,793*	*460*	*516*
2 – 3 years	*67*	*262*	*471*
liabilities due:	**-**	**-**	**1,406**
within up to 30 days	-	-	*1,406*

14. Dividends paid and declared and other profit-sharing payments

On 9 March 2017, the Annual General Shareholders' Meeting of Magellan S.A. passed the resolution on appropriation of profit for 2016 (Resolution no. 10/2017). Pursuant to the Resolution, net profit of PLN 16,855,559.37 generated by the Company in 2016 was earmarked in the full amount to the Company's supplementary capital.

15. Transactions with related entities

Trading transactions with related companies

In the reporting period, Magellan S.A. — the Group's parent — was a significant investor for Kancelaria Karnowski i Wspólnik Spółka Komandytowa and Restrukturyzacyjna Kancelaria Prawnicza Karnowski I Wspólnik sp.k. sp. k. (an indirect associate).

	Sale			Purchase		
	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 31/12/2016	Period from 01/01/2016 to 30/06/2016	Period from 01/01/2017 to 30/06/2017	Period from 01/01/2016 to 31/12/2016	Period from 01/01/2016 to 30/06/2016
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Kancelaria Karnowski i Wspólnik Sp. Komandytowa	162	201	79	1 308	2,839	1,364
Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik sp. kom. sp. kom.	5	9	4	-	-	-
Total	**167**	**210**	**83**	**1 308**	**2,839**	**1,364**

	Receivables from related parties			Liabilities to related parties		
	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016	As at 30/06/2017	As at 31/12/2016	As at 30/06/2016
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Kancelaria Karnowski i Wspólnik Spółka Komandytowa	366	940	4 531	235	300	280
Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik sp. kom. sp. kom.	1	10	5	-	-	-
Total	**367**	**950**	**4,536**	**235**	**300**	**280**

Loans received from related company — Banca Farmafactoring S.p.A.

Banca Farmafactoring S.p.A. with its registered office in Milan, Italy (the Company's parent) was the related entity of Magellan S.A. and its subsidiaries.

As at 30 June 2017, Magellan S.A. had liabilities with the carrying value of PLN 509,075 thousand in respect of loans granted by the Company's parent – Banca Farmafactoring S.p.A. As at the end of the comparative periods, the balance of liabilities in respect of loans granted to the Company by the related company was PLN 365,687 thousand as at 31 December 2016 and PLN 44,286 thousand as at 30 June 2016.

Apart from Magellan S.A., its also subsidiaries had loans from Banca Farmafactoring S.p.A. The carrying value of the respective liabilities as at 30 June 2017 was PLN 392,278 thousand. As at the end of the comparative period, 30 June 2016, the subsidiaries did not use loans from the related company and the balance of liabilities in respect of loans received as at 31 December 2016 was PLN 352,648 thousand.

Purchase of bonds issued by Magellan S.A. by representatives of the Group's governing bodies

Pursuant to Resolution No. 2 of 24 November 2006 of the EGSM of Magellan S.A., amended by Resolution No. 39/2009 of the EGSM of 6 May 2009, the members of the Supervisory Board and the members of the Management Board of Magellan S.A. may purchase bonds issued by the Company under the terms and conditions set out in the Regulations on the purchase of securities issued by the Company, up to the total limit of PLN 3 million.
As at 30 June 2017 and as at 31 December 2016, members of the Company's managing and supervising bodies did not hold any of the Company's bonds, compared with bonds of PLN 1,600 thousand (nominal values) as at 30 June 2016.

16. Contingent liabilities and contingent assets

The table below presents a breakdown of off-balance sheet liabilities and assets as at 30 June 2017, as at 31 December 2016 and as at 30 June 2016.

Off-balance sheet liabilities (in PLN'000)	**As at 30/06/2017**	**As at 31/12/2016**	**As at 30/06/2016**
	not reviewed	*audited*	*unaudited*
Liabilities under conditional agreements (i)	852	4,115	159
Liabilities under agreements to disburse loan tranches and refinance debt, concluded but not performed	31,005	31,130	30,812
Liabilities under loan commitments (ii)	4,000	-	34,703
Active limits in respect of guarantees granted (iii)	52,386	75,973	104,351
Active limits in respect of framework loan, factoring, cession and debt refinancing agreements (iv)	565,684	499,127	432,576
Liabilities under agreements to finance future receivables (v)	-	1,784	-
Liabilities under agreements to sell financed equipment and lease agreements, where equipment has not yet been supplied	16,577	7,451	9,451
Potential contingent liabilities arising from claims specified in the terms and conditions of operating agreements (vi)	-	-	545
Total off-balance sheet liabilities	**670,504**	**619,580**	**612,597**

Off-balance sheet assets (in PLN'000)	**As at 30/06/2017**	**As at 31/12/2016**	**As at 30/06/2016**
	not reviewed	*audited*	*unaudited*
Assets under conditional agreements (i)	852	4,115	159
Assets under agreements to disburse loan tranches and refinance debt, concluded but not performed	31,005	31,130	30,812
Assets under loan commitments (ii)	4,000	-	34,703
Active limits in respect of guarantees granted (iii)	52,386	75,973	104,351
Active limits in respect of framework loan, factoring, cession and debt refinancing agreements (iv)	565,684	499,127	432,576
Assets under agreements to finance future receivables (v)	-	1,784	-
Assets under agreements to sell financed equipment and lease agreements, where equipment has not yet been supplied	16,577	7,451	9,451
Total off-balance sheet assets	**670,504**	**619,580**	**612,052**

i. As part of its operations, the Group enters into conditional agreements which constitute off-balance sheet financial assets until the condition has been met.
ii. As part of its services, the Group commits to providing direct funding in the future. In the majority of cases, this is an obligation to take part in a tender for a financial loan in connection with a specified, planned investment.
iii. In previous years, Magellan S.A. provided a service which consisted of providing a supplier with a limit up to which it is authorized to call on the Company to provide a guarantee and make payment. Following the decision of the Supreme Court of January 2015, the Group is phasing out the product, and the presented limits arising from guarantee-based agreements concern mainly framework agreements concluded in the previous periods.
iv. The Group offers a service which consists of providing its counterparties with a limit up to which they are authorized to call on the Company to grant a loan, purchase invoiced receivables not yet due or pay specified liabilities which are due and payable. The potential amounts of the assets to be recognized in the statement of financial position in respect of the framework limit-granting agreements are equal to the amount of related off-balance sheet liabilities.
v. The Group offers a service which consists of providing a counterparty with financing for receivables which will arise in the future in connection with the performance of an agreement concluded by and between the counterparty and its future debtor.
vi. As at 30 June 2016, the Group's parent, Magellan S.A., was a party to court proceedings concerning a default on the obligations set out in the terms and conditions of an operating agreement. The potential claim in this respect expired in September 2016.

17. Post balance sheet events

After 30 June 2017, i.e. the balance sheet date of these interim condensed consolidated financial statements, the following events occurred, which could have a significant effect on the future results of operations.

1. Changes in the management and supervisory bodies

In July 2017, there were changes in the composition of the management and supervisory bodies of the Group in connection with the resignation of Mr Grzegorz Grabowicz from the function of the Management Board Member — Deputy Chairman of the Management Board of Magellan S.A. and Member of the Supervisory Boards of MEDFinance S.A., Magellan Česká republika, s.r.o. and Magellan Central Europe s.r.o. as of 11 July 2017.
The changes were also related to appointing Mr Rafał Karnowski as member of the Supervisory Board of Magellan Central Europe s.r.o. and member of the Supervisory Board of Magellan Česká republika, s.r.o. as of 20 July 2017.

The composition of the management and supervisory boards and its changes in the above-mentioned companies are presented in Notes 1.2 and 1.4 of the interim consolidated financial statements.

2. Annex to an agreement with bank

On 31 July 2017 the Company signed the annex to the credit agreement with ING Bank Śląski S.A. located in Katowice dated 29 September 2016 for the amount of PLN 200 million. Under the annex the total amount of the available credit line was raised up to the limit of PLN 300 million. The increase regards the value of revolving loan (a part of the credit line), which is currently in the amount of PLN 200 million and, starting from the date of the annex, period of crediting for withdrawing of tranches is 1.5 year.

After 30 June 2017, i.e. the balance sheet date of these interim condensed consolidated financial statements, there were no other significant events which could have a significant effect on the Group's future results of operations.

Łódź, 2 August 2017

Signatures

Krzysztof Kawalec	Urban Kielichowski	Rafał Karnowski	Emanuele Bona	Radosław Moks
Chairman of the Board	Board Member	Board Member	Board Member	Board Member