



Carpathia Capital

**QUARTERLY REPORT
FIRST QUARTER 2018**



For the financial period	Q1 2018 (January 1, 2018 – March 31, 2018), unaudited
Date of the report	May 15, 2018
Name of the company	Carpathia Capital S.A.
Website	www.carpathiacapital.eu
Registered office	Krasińskiego Street no. 16, 60-830 Poznań
Telephone/Fax number	+48 61 851 86 77
Unique Tax Reference Number	7811897074
LEI Code	259400U3U3EC9MW0FW10
Regulated market on which the issued securities are traded	AeRO Market, administered by the Bucharest Stock Exchange
Subscribed and paid-up share capital	PLN 1.951.381,50
The main characteristics of the securities issued by the trading company	<ul style="list-style-type: none"> • 1.000.000 series A shares with a nominal value of PLN 0,50 • 1.003.666 series B shares with a nominal value of PLN 0,50 • 275.000 series B2 shares with a nominal value of PLN 0,50 • 795.991 series C shares with a nominal value of PLN 0,50 • 711.439 series D shares with a nominal value of PLN 0,50 • 116.667 series B3 shares with a nominal value of PLN 0,50
Ticker	CRPC

SHAREHOLDERS STRUCTURE AS AT 31 MARCH 2018

Ownership structure of share capital at signing of financial statement	No of shares	Share of equity	Share of voting rights	Equity (ths of PLN)
INC S.A.	1 017 150	26,06%	41,14%	508
Own shares held by the Company	172 602	4,42%	3,52%	86
Other shareholders	2 713 011	69,52%	55,34%	1 357
Total	3 902 763	100,00%	100,00%	1 951

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I. ACTIVITY OF CARPATHIA CAPITAL

The Company's investment objective is to achieve long-term capital growth through investing in a diversified portfolio of financial instruments issued by SMEs operating in CEE, mainly listed and to be listed on the AeRO Market of the Bucharest Stock Exchange, the Main Market of the Bucharest Stock Exchange, NewConnect Alternative Trading System, the Main Market of Warsaw Stock Exchange and Catalyst Bond Market of the Warsaw Stock Exchange.

The Company's strategy is based on the following pillars:

- **Outstanding opportunity**

The Management Board believes that lack of patient capital for SMEs in CEE, where the demand for capital from SMEs is high and supply is substantially limited, provides an investment opportunity. Initiative of the Bucharest Stock Exchange to launch AeRO, alternative equity market for SMEs and start-ups in Romania creates additional market space for both entries and exits.

- **Unique portfolio**

The Company portfolio will represent a diversified mix of early-stage and early-growth companies with professional management teams and compelling prospects for development. The returns on capital deployed will not be the only economic benefit. We aim to support the development of knowledge based economy by championing growth of SMEs in CEE.

- **Founders**

INC S.A., a public company listed on the Main Market of the Warsaw Stock Exchange, is the founding shareholder of Carpathia Capital. INC S.A. has built reputation as an advisor and investor to early-growth companies in Poland, acting as WSE IPO Partner raising €255,8m, acting as WSE Authorized Adviser raising €87,5m and bringing tens of companies to listing. In February 2015 INC was designated as an Authorized Adviser for the AeRO market and since then has managed to list two companies in the above mentioned alternative trading system of BVB.

CHARACTERISTICS OF INVESTMENT ACTIVITY

Funds available for investments	Approx. RON 4 132 167
Investment limit for one company	From 200 000 RON to 1 000 000 RON
Company stage of development	Various (start-up, growth, mature)
Industry preferences	No assumed industry preferences
Investment horizon	One to five years
Preferred investment exit route	Listing of shares on the AeRO or the NewConnect market or other viable segment of the capital market

II. IMPORTANT EVENTS

- **Marketing activities**

In December, 2017 and in January and March 2018, the Management Board of Carpathia Capital held a meeting with investors in the USA. Mr. Paweł Śliwiński held business meetings in New York and Chicago. The purpose of the meeting with investors was to present the Company achievements.

- **Project sourcing**

Carpathia Capital investigated several projects (start-up, early-stage, early-growth) for its investment portfolio.

Before capital deployment the investment team is obliged to carry out a due diligence to assess the fundamental value of potential portfolio company.

The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and will not be structured on the basis of sector weightings. The Company's portfolio is expected to be diversified across a number of sectors and, while there are no specific limits placed on exposure to any sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading the investment risk.

The slow progress in building up the investment portfolio is a result of pace of development of the market as well as careful approach to valuation and assessing prospects of development for potential portfolio companies.

- **Submission of the Application to the Polish Financial Supervision Authority**

On 2 June 2017, Carpathia Capital S.A. submitted application to the Polish Financial Supervision Authority to enter into the Register of the Entities Managing Alternative Investment Companies subject to regulation of the Act on Investment Funds and Management of Alternative Investment Funds.

- **Adoption of dividend policy principles**

On 15 December 2017, the Management Board informed about adoption of the principles of the dividend policy of the company Carpathia Capital S.A.

The dividend policy assumes:

1. The Management Board will recommend an annual dividend payment from the company's profit.
2. The amount of the dividend will be set at such a level that the dividend rate is at least equal to the lombard rate of the National Bank of Poland (NBP) as of the date of publication of the annual report for the financial year.
3. If there is no dividend payment in a given year, in the following year the dividend rate should be set at the level of at least twice the NBP lombard rate as of the day of publication of the annual report for a given financial year.
4. All shares issued by the Company (excluding own shares) have equal rights regarding the payment of dividends (and accordingly advance dividends) and entitle to participate in the

profit of the Company, provided that the General Shareholders Meeting adopts a resolution on the distribution of profit.

5. The dividend policy will apply from the distribution of profit for 2017.
6. The Management Board will recommend approving this dividend policy by the Supervisory Board and the General Meeting of Shareholders.

- **Decision on the intention to increase the share capital**

On 15 December 2017, the Management Board informed that it has decided to increase the share capital in the company by issuing up to 4,000,000 shares at a price not lower than the book value per share according to data for the third quarter of 2017.

The issue will be conducted with the exclusion of pre-emptive rights, in a public or non-public offer.

The new issue shares will ultimately be the subject of applying for trading on the alternative NewConnect trading system operated by the Warsaw Stock Exchange. The purpose of obtaining funds will be to increase the possibility of making investments in new companies, operating in Poland or Romania. In particular, the Company's objective is to use synergy effects with INC S.A., which in 2017 was appointed as an advisor to 24 companies whose shares are to be introduced to stock exchange trading.

- **Decision on write-off**

On 19 December 2017, the Management Board of Carpathia Capital S.A informed about decision on write-off resulting from permanent impairment of assets.

The Management Board of the Company decided to write down an amount of PLN 106.720,55 resulting from permanent impairment of assets that refers to valuation of bonds of Moto44 S.A., of which the Company informed in current reports No. 1/2016, 2/2016 and 17/2016, which are components of the investment portfolio.

The impairment loss is related to non-repayment of liabilities of Moto44 S.A. resulting from the issue of bonds, inability to raise the share capital and filling an application for the declaration of bankruptcy of Moto44 S.A. by the Management Board of Carpathia Capital S.A. as of December 19,2017.

The revaluation write-down has been recognized in the Company's financial statements for the fourth quarter of 2017 and has been be charged to the Company's financial result for 2017.

The Company obtained a subsidy from the 4Stock program (in the amount of PLN 100.000) for the listing process on the NewConnect market. On April, 2018 we have signed an agreement with Polish Agency for Enterprise Development and an Authorized Adviser.

- **Changes in the compositions on Management Board, Supervisory Board and granting a join proxy**

In January, 2018, the Company informed about changes in the composition of the Management Board and the Supervisory Board. On 24 January, 2018 Paweł Śliwiński resigned from the position of a Chairman of the Supervisory Board and was appointed as President of the Management Board on January 26, 2018.

On January 25, Piotr Białowąs resigned from the position of President of the Management Board. At the same day Company informed about appointed Piotr Orłowski as a member of the Supervisory Board.

On March 1, 2018 Management Board of Carpathia Capital informed about grating joint proxy to Sebastian Huczek and Piotr Zygmanski.

- **The recommendation of management Board concerning paying dividend for 2017**

On February 28, 2018 Management Board guided by vested interest of shareholders and financial situation of Company intends to recommend to the General Meeting of Shareholders payment of dividend amounting to 335.714,49 PLN presenting 0,09 gr per share for 2017. 3.730.161 shares will be covered by dividend. This is the total number of shares less Company own shares. Concurrently, Management Board informed that the final decision regarding the payment dividend will be made by the General Shareholders Meeting.

IMPORTANT EVENTS AFTER REPORTING PERIOD

- **Acquisition of company shares by a person closely associated with persons discharging managerial responsibilities**

On 14 May 2018, the Management Board reported that the Company received from INC S.A. (a person closely associated with persons discharging managerial responsibilities) information on the basis of art. 19 section 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 of 16 April 2014 on market abuse (MAR Regulation), on the transaction of acquisition of Company's shares.

- On 11 May, 2018, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 10 000 shares at an average price of 2.00 RON.
- On 11 May, 2018, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 16 525 shares at an average price of 2.00 RON.

III. RISK FACTORS

RISK FACTOR	DESCRIPTION
SHORT OPERATING HISTORY	The Company has a short operating history upon which investors can evaluate future performance. There can be no assurance that the Company will achieve its investment objectives or that the strategy applied by the Company will be successful. The Management Board considers that track record of the INC S.A. as the funding shareholder and experience of the managing team with capital delivered by investors provide solid base for development of the investment activity.
MARKET AND ECONOMIC RISKS	The Company and its portfolio companies may be materially affected by market, economic and political conditions globally and in the jurisdictions and sectors in which they invest or operate, including factors affecting interest rates, the availability of credit, currency exchange rates and trade barriers. These factors are outside the Company's control and could adversely affect the liquidity and value of its investments and may reduce the ability of the Company to make attractive new investments.
CURRENCY EXCHANGE RATES RISK	The base currency of the Company is Polish zloty (PLN) and as such, the returns to investors will be impacted by currency movements between the Polish zloty (PLN) and other currencies in which the Company holds investments. These currency movements may be advantageous or disadvantageous to Polish zloty (PLN) returns. In addition, an investor

	<p>must consider its personal effective 'base' currency as any currency movements between the Polish zloty (PLN) and the individual's base currency could result in a loss of capital invested.</p>
OPERATING DEFICITS	<p>The expenses of operating the Company may exceed the Company's income, thereby requiring the difference to be paid out of the Company's capital, reducing the value of the Company's investments and potential for profitability.</p>
RISK OF PORTFOLIO COMPANIES' FAILURE	<p>The Company will generally seek to analyze a target company's historical performance and prospects with a view toward understanding the sustainable margins, strengths and weaknesses in a company's cost structure and analyzing the quality of cash flows of the underlying investment, including capital intensity needed to sustain its asset base, requirements for growth, degrees of flexibility to reduce its cost base if volumes or prices decline, and requirements for debt amortization or other external payments. The Company will also seek to define the market in which a company competes and, in particular, to assess what the company does, including what products and services it provides and to whom; to understand threats it may face for pricing or cost structure; and to identify drivers of market growth or decline, including changes in industry structure, technology or demographics. However any investment may not perform as well as forecast, either because of changes in the economic climate, management errors or otherwise, resulting in the partial or total loss of the Company's investment.</p>
LIQUIDITY RISK	<p>Company is exposed to liquidity risk. Liquidity risk may result from the lack of an active market, the reduced number of market participants, or the reduced capacity of market participants to make a transaction. Issuer with principal investment strategies that involve investments in securities of companies with smaller market capitalizations have the greatest exposure to liquidity risk. Exposure to liquidity risk may be heightened for these companies that are not widely traded, and that may be subject to purchase and sale restrictions. Such risks will include an increased risk of substantially smaller size and lower trading volume of securities for such smaller companies (as compared to equities in larger companies), which may result in a potential lack of liquidity and increased price volatility.</p> <p>The investment team will adopt flexible exit strategies on the markets which cannot be considered liquid due to insufficient number of transactions.</p>
FRONTIER MARKET RISKS	<p>Investment in securities issued by an entity domiciled in Romania will be exposed to a higher level of risk than in cases of developed markets. In particular each of the risks discussed above under the following headings will be specifically relevant to any such investments and may have a greater likelihood of impacting the Company: political and/or regulatory risk, currency risk, accounting, auditing and financial reporting standards and exchange rates risk.</p>
DEVELOPMENT OF THE AeRO MARKET	<p>Because AeRO market is a newly created alternative market there are several risks factors related to its further development. There is no certainty that the AeRO market will attract companies interested in going public and new investors. Lack of new issuers and investor may lead to the lack of possibilities for investment and divestment for the Issuer.</p> <p>Dynamic development of the AeRO market may lead to tightening of admission and trading regulations and indirectly to decline in investor's and potential issuer's interest.</p>

IV. KEY PERFORMANCE INDICATORS

PLN'000	31.03.2018	31.12.2017	31.03.2017	31.12.2016
Equity	9 378	9 325	8 604	8 650
Cash	3 733	3 846	5 152	5 416
Financial assets in other entities	5 417	5 383	3 412	3 234
Long-term liabilities	0	0	0	0
Short-term liabilities	0	1	1	18

PLN'000	01.01.2018 31.03.2018	01.01.2017 31.12.2017	01.01.2017 31.03.2017	01.01.2016 31.12.2016
Gain (loss) on investments	103	895	-33	983
- profit from listing	0	0	0	0
- profit/loss on sales of securities	-61	18	0	151
- interest and dividend	1	91	2	86
- revaluation of investment portfolio	163	-389	-35	727
- other profits	0	1 175	0	19

COMMENTS FROM THE MANAGEMENT BOARD

In the first quarter of 2018, the Company reported PLN 103k gain on investments.

The main contributors to result on investments were:

- revaluation of investment portfolio (PLN 163k),
- interest and dividend (PLN 1k).

In a quarter under review, Carpathia Capital recognized administrative expenses of PLN 38k and reported operating loss of PLN 65k.

Financial assets in other entities is the Company's most significant asset with a share of 57,52% of total assets. Cash is the second most important position, representing 39,64% of total assets. Equity as of March 31, 2018 amounted to PLN 9 378k, with share capital of PLN 1 951k.

As stated in previous quarterly reports, we expect further deployment of cash in investment projects under review in the coming months, especially in Poland. Equity as of 31.01.2018 amounted to PLN 9 378k, with share capital of PLN 1 951k.

The Company remained debt free.

The company's investment objective is to provide long-term capital growth through investing in portfolio of early-stage and early-growth companies operating in Central and Eastern Europe with prospects to become quoted companies as well as already listed high-growth companies.

V. FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

<i>continued operations</i> PLN'000	01.01.2018 31.03.2018	01.01.2017 31.12.2017	01.01.2017 31.03.2017	01.01.2016 31.12.2016
Revenue from sales of products and services	0	0	0	0
- from related parties	0	0	0	0
Cost of products, goods and materials sold, including	0	0	0	0
- to related parties	0	0	0	0
Selling and distribution expenses	0	0	0	0
Profit on sales	0	0	0	0
Other operating revenues	0	2	0	83
Other operating expenses	0	1	1	0
Gain (loss) on investments	103	895	-33	983
- profit from listing	0	0	0	0
- profit/loss on sales of securities	-61	18	0	151
- interest and dividend	1	91	2	86
- revaluation of investment portfolio	163	-389	-35	727
- other	0	1 175	0	19
Administrative expenses	38	75	22	90
Operating profit	65	821	-56	976
Financial expenses	0	3	1	5
- for related parties	0	0	0	0
Share of profits of associates	0	0	0	0
Profit before tax	65	818	-57	971
Income tax	12	143	-11	185
Net profit for the operating period	53	675	-46	786

STATEMENT OF COMPREHENSIVE INCOME

PLN'000	01.01.2018 31.03.2018	01.01.2017 31.12.2017	01.01.2017 31.03.2017	01.01.2016 31.12.2016
Net profit for the operating period	53	675	-46	786
Other comprehensive income:	0	0	0	0
- valuation of financial assets available for sale	0	0	0	0
Total comprehensive income	53	675	-46	786

STATEMENT OF FINANCIAL POSITION

PLN'000	31.03.2018	31.12.2017	31.03.2017	31.12.2016
A. Non-current assets	90	103	39	28
Intangible assets	0	0	0	0
- goodwill	0	0	0	0
Tangible fixed assets	0	0	0	0
Long-term financial assets	0	0	0	0
Deferred income tax assets	90	103	39	28
Long-term receivables	0	0	0	0
- from related parties	0	0	0	0
- from other entities	0	0	0	0
Other long-term assets	0	0	0	0
B. Current assets	9 328	9 263	8 592	8 666
Inventories	0	0	0	0
Receivables from related parties	0	0	0	0
Receivables from other entities	178	32	20	16
- income tax receivables	0	0	0	0
Financial assets in related parties	123	123	123	0
Financial assets in other entities	5 294	5 260	3 289	3 234
Cash and other monetary assets	3 733	3 846	5 152	5 416
Other short-term assets	0	2	8	0
Total assets	9 418	9 366	8 631	9 001

STATEMENT OF FINANCIAL POSITION

PLN'000	31.03.2018	31.12.2017	31.03.2017	31.12.2016
A. EQUITY	9 378	9 325	8 604	8 650
Share capital	1 951	1 951	1 951	1 951
Treasury shares (negative value)	-255	-255	-255	-255
Supplementary capital	6 254	6 254	6 188	6 188
Revaluation reserve	0	0	0	0
Other reserve capitals	700	700	0	0
Profits (losses) from previous years	675	0	766	-20
Net profit (loss)	53	675	-46	786
B. PROVISIONS	28	28	15	15
Provision for deferred income tax	28	28	15	15
Other provisions	0	0	0	0
C. Long-term liabilities	0	0	0	0
Loans and borrowings	0	0	0	0
Financial leasing liabilities	0	0	0	0
D. Short-term liabilities	0	1	1	18
Loans and borrowings	0	0	0	0
Trade payables	0	0	1	2
Tax, customs, insurance and other liabilities	0	1	0	16
- income tax liabilities	0	0	0	0
Liabilities related to wages and salaries	0	0	0	0
Financial leasing liabilities	0	0	0	0
Other liabilities	0	0	0	0
E. Accruals	12	12	11	11
TOTAL LIABILITIES	9 418	9 366	8 631	8 694

STATEMENT OF CHANGES IN EQUITY

PLN'000	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2018	1 951	-255	5 488	766	700	675	-	9 325
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2018 after changes	1 951	-255	5 488	766	700	675	-	9 325
Changes in equity since 01.01.2018 till 31.03.2018								
Issue of shares	-	-	-	-	-	-	-	-
Share buy-back scheme	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	53	53
Balance as at 31.03.2018	1 951	-255	5 488	766	700	675	53	9 378

STATEMENT OF CHANGES IN EQUITY

PLN'000	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2017	1 951	-255	6 188	-	-	766	-	8 650
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2017 after changes	1 951	-255	6 188	-	-	766	-	8 650
Changes in equity since 01.01.2017 till 31.12.2017								
Issue of shares	-	-	-	-	-	-	-	-
Share buy-back scheme	-	-	-700	-	700	-	-	-
Transfer of financial result to equity	-	-	-	766	-	-766	-	-
Total comprehensive income	-	-	-	-	-	-	675	675
Balance as at 31.12.2017	1 951	-255	5 488	766	700	-	675	9 325

STATEMENT OF CHANGES IN EQUITY

PLN'000	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2017	1 951	-255	6 188	-	-	766	-	8 650
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.10.2017 after changes	1 951	-255	6 188	-	-	766	-	8 650
Changes in equity since 01.01.2017 till 31.03.2017								
Issue of shares	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-46	-46
Balance as at 31.03.2017	1 951	-255	6 188	-	-	766	-46	8 604

STATEMENT OF CASH FLOWS

PLN'000	01.01.2018 31.03.2018	01.01.2017 31.12.2017	01.01.2017 31.03.2017	01.01.2016 31.12.2016
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Profit (loss) before tax	65	818	-57	971
II. Total adjustments	-101	-888	28	-951
1. Depreciation and amortisation	0	0	0	0
2. Net foreign exchange differences	-1	2	1	5
3. Interest and share of profit (dividends)	0	-85	0	-79
4. Gain (loss) on investment activity	-102	-804	35	-877
5. Changes in provisions	0	0	0	0
6. Changes in prepayments and accruals	2	-1	-8	0
7. Other adjustments	0	0	0	0
III. Changes in working capital	4	-18	-4	-9
IV. Income tax paid	-1	-219	-16	-177
V. Net cash flows from operating activities	-33	-307	-49	-166
B. Cash flows from investment activities				
I. Inflows	765	190	1	697
1. Inflows from sale of intangible assets	0	0	0	0
2. Inflows from sale of tangible fixed assets	0	0	0	0
3. Inflows from sale of investment properties	0	0	0	0
4. Net inflows from sale of subsidiaries	0	0	0	0
5. Inflows from repayment of borrowings granted	0	0	0	0
6. Inflows from sale of other financial assets	765	87	1	347
7. Inflows from sale of bonds	0	100	0	350
8. Inflows from interest received	0	3	0	0
9. Inflows from dividends received	0	0	0	0
II. Outflows	846	1 451	215	1 433
1. Outflows for acquisition of intangible assets	0	0	0	0
2. Outflows for acquisition of tangible fixed assets	0	0	0	0
3. Outflows for acquisition of investment properties	0	0	0	0
4. Net outflows for acquisition of subsidiaries	0	0	0	0

5. Outflows for loans granted	0	0	0	0
6. Outflows for acquisition of other financial assets	846	1 451	215	1 433
III. Net cash flows from investment activities	-81	-1 261	-214	-736
C. CASH FLOWS FROM FINANCIAL ACTIVITIES				
I. Inflows	0	0	0	174
1. Net inflows from issuance of shares	0	0	0	174
2. Inflows from loans and borrowings	0	0	0	0
3. Inflows from issuance of debt securities	0	0	0	0
4. Other inflows from financial activities	0	0	0	0
II. Outflows	0	0	0	378
1. Outflows for acquisition of own shares	0	0	0	378
2. Redemption of debt securities	0	0	0	0
3. Repayment of loans and borrowings	0	0	0	0
4. Payment of liabilities arising from financial leases	0	0	0	0
5. Outflows for interest paid	0	0	0	0
6. Outflows for dividends paid	0	0	0	0
7. Other outflows for financial activities	0	0	0	0
III. Net cash flows from financial activities	0	0	0	-204
Balance sheet change in cash	-114	-1 568	-263	-1 106
Cash opening balance	3 846	5 416	5 416	6 527
- change in cash due to exchange differences	1	-2	-1	-5
Cash closing balance	3 733	3 846	5 152	5 416

ADDITIONAL INFORMATION TO FINANCIAL STATEMENTS

I. INFORMATION ABOUT CARPATHIA CAPITAL S.A.

CARPATHIA CAPITAL S.A. is an investment joint-stock company. CARPATHIA CAPITAL S.A. concentrates its core activities on acquiring shares of the both public and private companies in order to dispose them.

The issuer is an investment entity within the meaning of IFRS 10 §27.

An investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Registered office

CARPATHIA CAPITAL S.A.
Kraśińskiego 16 Street
60-830 Poznań

Registration court

District Court Poznań - Nowe Miasto i Wilda, VIII Business Registry Division in Poznań
KRS number 0000511985

The company has been established for an unlimited period of time.

National Business Registry Number: 302762319

Tax Identification Number: 781-189-70-74

Management Board

Composition of the Management Board at the date of the report:

Paweł Śliwiński – President of the Management Board

Supervisory Board

Composition of the Supervisory Board at the date of the report:

Piotr Orłowski – Member of the Supervisory Board

Justyna Światowiec-Szczepańska – Member of the Supervisory Board

Rafał Śliwiński – Member of the Supervisory Board

Proxy

Sebastian Huczek – Proxy
Piotr Zygmanski – Proxy

Parent Company

INC S.A. is the parent company of CARPATHIA CAPITAL S.A.

2. PRESENTATION PRINCIPLES

Principles of preparation of the financial statements

The financial statements of the CARPATHIA CAPITAL S.A. have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS).

This financial statements have been prepared in accordance with accounting standards used and issued in EU at the date of this financial statements.

The financial statements prepared by the Company cover the period from 1 January 2018 to 31 March 2018.

This financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of this financial statements for publication, there were no circumstances that would indicate a threat to the Company's ability to continue as a going concern.

3. FINANCIAL STATEMENTS ADJUSTMENTS

Financial statements have not been audited. No adjustments were made in the financial statements for the period for which financial statements is presented.

4. CURRENCY IN WHICH FINANCIAL STATEMENTS HAS BEEN PREPARED AND THE SIZE OF THE UNITS THAT WERE USED FOR THE PRESENTATION OF AMOUNTS IN THE FINANCIAL STATEMENTS

This financial statements have been presented in the Polish zloty ("PLN") which is the reporting currency and the functional currency of the Company and all figures are in PLN thousand.

5. ACCOUNTING POLICIES

The financial statements has been prepared on a historical cost basis, except for the revaluation of financial instruments and investment properties on the basis of the fair value model.

Goodwill

Goodwill in the financial statements is not amortized but it is tested for impairment.

Intangible assets

Expenditures for purchased software and other intangible assets are capitalized and straight-line amortized over the projected useful life.

In the case of impairment of assets classified as intangible assets a revaluation write-down is made. Intangible assets are recognized at each balance sheet date at acquisition price less any accumulated amortization calculated to the balance sheet date and less any revaluation write-downs.

Tangible fixed assets

Fixed assets are those assets whose projected useful life is more than one year and which are assigned to the operations of the Company or transferred to other entities under lease agreements or other similar agreements. Fixed assets under leases are classified as non-current assets when substantially all the risks and rewards of ownership of the asset will be transferred to the Company. Fixed assets are measured at acquisition price and at cost of production less any depreciation calculated and less impairment losses.

Fixed assets are depreciated over their projected useful life.

Fixed assets of the cost to 3.5 thousand PLN are subject to one-time depreciation. The exception is the computer equipment, depreciated on the basis of the projected useful life.

Borrowing costs directly attributable to the acquisition or production of assets which require a longer period of time to be available for use or sale are capitalized as part of the cost of qualified assets until putting those fixed assets into use.

Depreciation is calculated for all fixed assets, other than land and assets under construction using the straight-line method at the following annual rates of amortization:

- Vehicles 20%;
- Computer equipment 30%;
- Others 18% to 100%.

Non-current assets held for sale

Non-current assets (and groups of net assets held for sale) classified as held for sale are measured at the carrying value or fair value less costs to sell, whichever is lower. The Company classifies an asset (or group) as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use.

Financial assets

Financial assets are recognized at the date of the transaction.

Financial assets at the date of acquisition or origination are classified into the following categories:

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- financial assets held to maturity,
- financial assets available for sale.

Financial asset measured at fair value through profit or loss is an asset or financial liability component, which is assigned for trading and financial assets designated by the Management Board of the Company as measured at fair value through profit or loss.

Assets that are classified as financial assets measured at fair value through profit or loss are measured in accordance with the principles set out below for determining fair value. The effects of the valuation of those financial assets are recognized in the statement of comprehensive income.

Financial assets held to maturity are financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity.

Financial assets that are classified as loans and receivables and financial assets held to maturity are measured at amortized cost.

Financial assets available for sale are non-derivative financial assets that are designated as available for sale and financial assets that are not classified in the other categories.

Financial assets classified as available for sale are measured at fair value. The effects of the valuation are recognized in the revaluation reserve.

At the end of the reporting period, the company assesses the need for revaluation write-downs in financial assets.

Determining the fair value of financial assets

Determining the fair value of financial assets is as follows:

- if they are listed on an active market – it is the market value; active market is a market where homogeneous items are traded, prices are publicly announced, at any time there is a possibility to meet buyers and sellers,
- if they are not listed on an active market - the fair value is determined by using a valuation model for a particular financial instrument or by estimation based on the price of a similar instrument listed on an active market, where:
 - if no more than 12 months have passed from the acquisition of financial assets not listed on an active market to the balance sheet date, than assuming the principle that the transaction price is the best reflection of the fair value of financial asset – at acquisition price,
 - if more than 12 months have passed from the acquisition of financial asset not listed on an active market to the balance sheet date, and the value received as a result of the financial instrument's valuation does not differ by more than 15% of the acquisition price, then the fair value is recognized as the acquisition price,
- if there is no possibility to apply any model because of too much importance of the estimation – at acquisition price.

Classification and valuation of shares and interests in other entities

According to the decision of the Management Board of CARPATHIA CAPITAL SA shares that are taken up or acquired by the Company in preparation for its listing (shares of portfolio companies) are classified as financial assets measured at fair value through profit or loss. The value of shares and interests in other entities is determined in accordance with the above-mentioned principles "Determining the fair value of financial assets"

Shares classified as financial assets measured at fair value through profit or loss are measured at the balance sheet date at fair value, referring valuation effects on the financial result.

Investment properties

As an investment properties are treated properties if they are treated as source of income from rent and/or increase in value over time. Investment properties are measured at the balance sheet date at fair value. Gains and losses arising from changes in fair value of investment properties are recognized in the income statement in the period in which they arise.

The Company may decide about the valuation of investment properties at acquisition price or production cost.

Trade receivables

Receivables are recognized at amount due less any revaluation write-downs. Revaluation write-downs increase other operating expenses.

Inventories

Inventories are measured at the real purchase prices less any impairment losses. Release of inventories is measured using the FIFO method.

Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value. Cash in foreign currencies are translated at the balance sheet date at the closing rate from the balance sheet date.

Prepaid expenses

Prepaid expenses are made in relation to the expenses relating to future reporting periods that meet the definitions of assets in accordance with IFRS. Revaluation write-downs of prepaid expenses are made on the basis of the elapsed time. The time and method of settlement are justified by the nature of the settled expenses.

Equity

Equity excluding treasury shares, are measured in principle at its nominal value. Treasury shares are measured at acquisition price.

Provisions

Provisions are recognized, when:

- an entity has a present obligation (legal or constructive) as a result of past events;
- it is likely that the fulfillment of the obligation will cause an outflow of resources embodying economic benefits and
- the amount of the obligation can be reliably estimated.

If the above conditions are not met, the provisions are not recognized.

Liabilities

Liabilities are recognized at the amount due.

Accruals

Accruals are recognized in the amount of liabilities in the current reporting period.

The Company withdraws from estimating accruals for employee benefits due to the small number of employees and due to the fact that the employee benefits are given to them at the settlement period.

Current and deferred income tax

Compulsory charges on financial result consists of current tax and deferred tax.

Current tax burden is calculated on the basis of income (tax base) for the particular financial year.

Deferred tax is calculated using the balance method on the basis of existing temporary differences between the value of assets and liabilities recognized in the financial statements and their tax bases. In connection with the temporary differences, provisions and assets for deferred income tax are recognized.

The value of assets for deferred income tax is reviewed at each balance sheet date in order to determine whether the projected future taxable profit will be sufficient for their implementation. Otherwise, a revaluation write-down is made. Provisions and assets for deferred income tax are calculated on the basis of the tax rates that will apply in the period when the asset is realized or the liability is become due. Deferred tax is recognized in the income statement, except when it relates to items recognized directly in equity, in which case the deferred tax is also recognized in equity.

The financial result

The net profit (loss) includes: profit (loss) on sales, profit (loss) on other operating activities, profit (loss) on financial activities, profit (loss) on extraordinary operations and obligatory charges of profit before tax.

Revenue from sales of products and services is the amount due on this account from the customer less VAT payable, discounts and other sales-related taxes (eg. the excise duty). The moment of sale is to give the customer the goods or services and the transition of ownership to the customer.

In the case of the Company, its revenues from sales of products include revenues from the advisory services provided by the Company.

Other operating income and expenses are the expenses and revenues associated with the disposal of tangible fixed assets, creating and realizing provisions and not directly related to the core business but having an impact on the financial result.

Financial income includes income from financial operations while financial expenses include expenses incurred in financial operations. The Company's financial income includes mainly interest earned on bank deposits while financial expenses primarily include interest on loans and borrowings.

In the case of dividend income in the income statement the recognition occurs at the time when the legal right to receive payment for shareholders is established.

Result of extraordinary events is the difference between the realized extraordinary profits and losses incurred as a result of random events.

Impairment

At each balance sheet date, the Company reviews the net value of fixed assets in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated (The net selling price or value in use, depending on which one is higher) in order to determine the potential value of impairment loss.

6. SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

Valuation of the financial assets not listed on an active market

The fair value of assets not listed on an active market is determined:

- by using a valuation model for a particular financial instrument or by estimation based on the price of a similar instrument listed on an active market, where:
 - if no more than 12 months have passed from the acquisition of financial assets not listed on an active market to the balance sheet date, than assuming the principle that the transaction price is the best reflection of the fair value of financial asset – at acquisition price,
 - if more than 12 months have passed from the acquisition of financial asset not listed on an active market to the balance sheet date, and the value received as a result

- of the financial instrument's valuation does not differ by more than 15% of the acquisition price, then the fair value is recognized as the acquisition price,
- if there is no possibility to apply any model because of too much importance of the estimation – at acquisition price.

Provisions

Provisions are recognized, when:

- an entity has a present obligation (legal or constructive) as a result of past events;
- it is likely that the fulfillment of the obligation will cause an outflow of resources embodying economic benefits and
- the amount of the obligation can be reliably estimated.

If the above conditions are not met, the provisions are not recognized.

Impairment

At each balance sheet date, the Company reviews the net value of fixed assets in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated (The net selling price or value in use, depending on which one is higher) in order to determine the potential value of impairment loss.

Depreciation of fixed assets and amortization of intangible assets

Depreciation and amortization is calculated for all fixed assets and intangible assets, other than land and assets under construction using the straight-line method at the following annual rates:

- Vehicles 20%;
- Computer equipment 30%;
- Others 18% to 100%.

VI. SIGNATURES

The Management Board of Carpathia Capital S.A. hereby declares, that according to its best knowledge the financial statements covering the period from 1 January 2018 to 31 March 2018 and comparative data been prepared in compliance with the applicable accounting standards and provide true and fair view of the Company's assets, liabilities, financial result and financial position.



Paweł Śliwiński
CEO/President of the Management Board