



Carpathia Capital

**QUARTERLY REPORT  
FOURTH QUARTER 2016**



For the financial period	QIV 2016 (October 1, 2016 – December 31, 2016), <b>unaudited</b>
Date of the report	February 15, 2017
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
Trade Register number	302762319
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"> <li>• 1.000.000 series A shares with a nominal value of PLN 0,50</li> <li>• 1.003.666 series B shares with a nominal value of PLN 0,50</li> <li>• 275.000 series B2 shares with a nominal value of PLN 0,50</li> <li>• 795.991 series C shares with a nominal value of PLN 0,50</li> <li>• 711.439 series D shares with a nominal value of PLN 0,50</li> <li>• 116.667 series B3 shares with a nominal value of PLN 0,50</li> </ul>
Ticker	CRPC

## SHAREHOLDERS STRUCTURE AS AT FEBRUARY 15, 2017

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.	1 015 891	26,03%	41,12%	508
Own shares held by the Company	172 602	4,42%	3,52%	86
Other shareholders	2 714 270	69,55%	55,36%	1 357
<b>Total</b>	<b>3 902 763</b>	<b>100,00%</b>	<b>100,00%</b>	<b>1 951</b>

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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 5 416 000
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**

- On February 18<sup>th</sup> 2016, Bucharest Stock Exchange (BVB) partnering with PwC Romania organized conference „Essential tools for unlocking value and building investors’ confidence”. Foreign and local experts discussed the best practices in Corporate Government and Investor Relations. The conference was a valuable opportunity to join the discussion on the new Bucharest Stock Exchange Corporate Governance Code and its implementation and to get familiar with the view of local institutional investors. The conference was attended by issuers listed on the main market of BVB, companies listed on AeRO and prospective issuers.
- On February 23<sup>rd</sup> 2016, representative of Carpathia Capital participated in a conference call of Bittnet Systems S.A. on preliminary annual results of 2015. The event was held and recorded at Bucharest Stock Exchange.
- On June 9, 2016, Carpathia Capital S.A. became a founding member of the newly established Polish-Romanian Chamber of Commerce and Industry. Foreign Ministers Polish and Romanian - Witold Waszczykowski and Lazăr Comănescu, took part in the opening of the Polish-Romanian Bilateral Chamber of Commerce and Industry. It was also an opportunity to summarize the dynamically developing economic relations between the Polish and Romania. As stressed by Minister Waszczykowski "Economic relations between the Polish and Romania cover many areas. I hope created by our Chamber will strengthen the existing cooperation, particularly in the area of innovative technologies." The ceremony was also attended by representatives of more than 30 Polish and Romanian companies. Piotr Białowąs, CEO of Carpathia Capital has been appointed a Member of the Fellowship Court of the Chamber, while Paweł Śliwiński, Member of the Supervisory Board of Carpathia Capital has been appointed a Member of the Audit Committee of the Chamber.
- On September 15, 2016, at the second edition of the Central and Eastern Europe Capital Markets Awards, Bittnet Systems (portfolio company of Carpathia Capital S.A. ) won the award for "Listing of the year on a lightly-regulated exchange”.
- On September 28, 2016, bonds issued by the Bittnet Systems floated on the AeRO market. The company raised RON 4.186.000 in July,2016, by selling three-year maturity bonds at a fixed interest rate of 9% p.a., payable quarterly.
- On October 7, 2016, representative of Carpathia Capital participated in a workshop “Barriers to listing for SMEs” organised by DG FISMA, European Commission.
- As a result of co-operation with the Uniunea Nationala a Patronuli Roman (UNPR) a Founding Member of Polish-Romanian Chamber of Commerce and Industry, on November 24 2016, Carpathia Capital S.A. organized workshop for potential issuers “Get ready for capital market success” in Bucharest. UNPR is the most active and dynamic confederation of private employers in Romania.

- **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.

- **Registration of a share capital increase by the Court**

On October 31 2016 Carpathia Capital S.A. informed about a registration of a share capital increase from PLN 1 893 048,00 (one million eight hundred ninety-three thousand forty-eight zlotys) to PLN 1 951 381,50 (one million nine hundred fifty-one thousand three hundred eighty-one zlotys and fifty groszy) by the Court in the Trade Register. The increase was a result of the issue of 116 667 (one hundred sixteen thousand six hundred sixty-seven) series B3 common shares with nominal value of PLN 0,50 (fifty groszy) per share.

After the registration the Company's share capital amounts to PLN 1 951 381,50 (one million nine hundred fifty one thousand three hundred eighty one zlotys and fifty groszy) and is composed of 3 902 763 (three million nine hundred two thousand seven hundred sixty-three) shares:

a) 1 000 000 (one million) series A preferred shares (giving 2 votes per share) with nominal value of PLN 0,50 (fifty groszy) per share,

b) 1 003 666 (one million three thousand six hundred sixty six) series B common shares with nominal value of PLN 0,50 (fifty groszy) per share,

c) 275 000 (two hundred seventy five thousand) series B2 common shares with nominal value of PLN 0,50 (fifty groszy) per share,

d) 795 991 (seven hundred ninety five thousand nine hundred ninety one) series C common shares with nominal value of PLN 0,50 (fifty groszy) per share,

e) 711 439 (seven hundred eleven thousand four hundred thirty nine) series D common shares with nominal value of PLN 0,50 (fifty groszy) per share,

f) 116 667 (one hundred sixteen thousand six hundred sixty seven) series B3 common shares with nominal value of PLN 0,50 (fifty groszy) per share.

The share capital was fully paid in cash.

The amount of capital raised totaled PLN 173 833,83 (one hundred seventy-three thousand eight hundred thirty-three zlotys and eighty-three groszy), shares were fully paid in cash.

- **Violation of the terms of issue of bonds by Moto44 S.A.**

On December 22 2016, Carpathia Capital SA informed that Moto44 S.A. (hereinafter called "Moto44", the "Issuer of Bonds") did not make timely redemption of bonds for a total amount of 1,050,000 PLN. Due to the financial results achieved by the Moto44 SA in the first three quarters of 2016. Carpathia Capital SA has not exercised the option for conversion of liabilities of the Bonds Issuer into the shares of the transformed company. Carpathia Capital SA has not approved the proposal to extend the maturity of the bonds terms proposed by the

Issuer of bonds. Bonds of Moto44 are secured by real estate, the value of which, in the opinion of the Company, secures the repayment of liabilities resulting from the issuance of bonds with interest. The Company will inform about the further course of the transaction.

### III. RISK FACTORS

RISK FACTOR	DESCRIPTION
<b>SHORT OPERATING HISTORY</b>	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.
<b>MARKET AND ECONOMIC RISKS</b>	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.
<b>CURRENCY EXCHANGE RATES RISK</b>	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 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.
<b>OPERATING DEFICITS</b>	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.
<b>RISK OF PORTFOLIO COMPANIES' FAILURE</b>	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.
<b>LIQUIDITY RISK</b>	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. The investment team will adopt flexible exit strategies on the markets which cannot be considered liquid due to insufficient number of transactions.



<b>FRONTIER MARKET RISKS</b>	<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>
<b>DEVELOPMENT OF THE AERO MARKET</b>	<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. 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	31.12.2016	30.09.2016	31.12.2015	30.09.2015
Number of portfolio companies /including bonds with the right of conversion into shares/	3	3	2	1
Equity	8 650	8 594	7 945	8 109
Cash	5 416	5 516	6 527	7 596
Financial assets in other entities	3 234	4 108	2 463	1 211
Long-term liabilities	0	0	0	0
Short-term liabilities	18	1 053	1 045	703

PLN'000	01.10.2016 31.12.2016	01.01.2016 31.12.2016	01.10.2015 31.12.2015	01.01.2015 31.12.2015
Gain (loss) on investments	105	983	-153	-75
- profit from listing	0	0	0	0
- profit/loss on sales of securities	98	151	-111	-134
- interest and dividend	44	86	12	47
- revaluation of investment portfolio	-37	746	-54	12

### COMMENTS FROM THE MANAGEMENT BOARD

In the fourth quarter of 2016, the Company reported PLN 105k gain on investments.

The main contributors to result on investments were:

- profit on sales of securities (PLN 98 k),
- interest and dividend (PLN 44k).
- revaluation of investment portfolio (- PLN 37k),

In a quarter under review, Carpathia Capital S.A. recognized administrative expenses of PLN 32k and reported operating profit of PLN 73k.

In the twelve-month period ended December 31, 2016, the Company reported gain on investments of PLN 983k, operating profit of PLN 976k, net profit of PLN 786k and recognized administrative expenses of PLN 90k.

Cash remains the Company's most significant asset with a share of 62.30% of total assets. Financial assets in other entities constituted the second most important position, representing 37,20% of total assets. Equity as of December 30, 2016 amounted to PLN 8 650k, 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.

The slow deployment of collected capital is a result of two key factors:

- a) different path of development of the AeRO ATS in Romania which is evolving under pressure from local circumstances (demand for education on the role of capital market among SMEs in Romania, slow supply of EU funds for SMEs in Romania, weak IPO market in 4Q2016 with regard to AeRO ATS),
- b) prudent investment policy on volatile markets in 4Q2016.

Taking into account strong pipeline of investment opportunities under review we remain confident that they provide value for Carpathia Capital in the coming months.

## V. FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME

<i>continued operations</i>	01.10.2016 31.12.2016	01.01.2016 31.12.2016	01.10.2015 31.12.2015	01.01.2015 31.12.2015
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
<b>Profit on sales</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other operating revenues	0	83	0	0
Other operating expenses	0	0	0	0
Gain (loss) on investments	105	983	-153	-75
- profit from listing	0	0	0	0
- profit/loss on sales of securities	98	151	-111	-134
- interest and dividend	44	86	12	47
- revaluation of investment portfolio	-37	746	-54	12
Administrative expenses	32	90	16	46
<b>Operating profit</b>	<b>73</b>	<b>976</b>	<b>-169</b>	<b>-121</b>
Financial expenses	5	5	0	0
- for related parties	0	0	0	0
Share of profits of associates	0	0	0	0
<b>Profit before tax</b>	<b>68</b>	<b>971</b>	<b>-169</b>	<b>-121</b>
Income tax	12	185	-5	0
<b>Net profit for the operating period</b>	<b>56</b>	<b>786</b>	<b>-164</b>	<b>-121</b>

## STATEMENT OF COMPREHENSIVE INCOME

	01.10.2016 31.12.2016	01.01.2016 31.12.2016	01.10.2015 31.12.2015	01.01.2015 31.12.2015
Net profit for the operating period	56	786	-164	-121
Other comprehensive income:	0	0	0	0
- valuation of financial assets available for sale	0	0	0	0
<b>Total comprehensive income</b>	<b>56</b>	<b>786</b>	<b>-164</b>	<b>-121</b>

## STATEMENT OF FINANCIAL POSITION

	31.12.2016	30.09.2016	31.12.2015	30.09.2015
<b>A. Non-current assets</b>	<b>28</b>	<b>16</b>	<b>0</b>	<b>0</b>
Intangible assets	0	0	0	0
- goodwill	0	0	0	0
Tangible fixed assets	0	0	0	0
Non-current financial assets	0	0	0	0
Deferred tax assets	<b>28</b>	16	0	0
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>B. Current assets</b>	<b>8 666</b>	<b>9 638</b>	<b>9 001</b>	<b>8 812</b>
Inventories	0	0	0	0
Receivables from related parties	0	0	0	0
Receivables from other entities	16	14	11	5
- income tax receivables	0	0	3	0
Financial assets in related parties	0	0	0	0
Financial assets in other entities	3 234	4 108	2 463	1 211
Cash and other monetary assets	5 416	5 516	6 527	7 596
Other short-term assets	0	0	0	0
<b>Total assets</b>	<b>8 694</b>	<b>9 654</b>	<b>9 001</b>	<b>8 812</b>

## STATEMENT OF FINANCIAL POSITION

	31.12.2016	30.09.2016	31.12.2015	30.09.2015
<b>A. EQUITY</b>	<b>8 650</b>	<b>8 594</b>	<b>7 945</b>	<b>8 109</b>
Share capital	1 951	1 893	1 893	1 893
Treasury shares (negative value)	-255	-255	0	
Supplementary capital	6 188	6 072	6 193	6 193
Revaluation reserve	0	0	0	0
Other reserve capitals	0	174	0	0
Profits (losses) from previous years	-20	-20	-20	-20
Net profit (loss)	786	730	-121	43
<b>B. PROVISIONS</b>	<b>15</b>	<b>7</b>	<b>0</b>	<b>0</b>
Provision for deferred income tax	15	7	0	0
Other provisions	0	0	0	0
<b>C. Long-term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Loans and borrowings	0	0	0	0
Financial leasing liabilities	0	0	0	0
<b>D. Short-term liabilities</b>	<b>18</b>	<b>1 053</b>	<b>1 045</b>	<b>703</b>
Loans and borrowings	0	0	0	0
Trade payables	2	0	2	3
Tax, customs, insurance and other liabilities	16	13	0	0
- income tax liabilities	0	0	0	0
Liabilities related to wages and salaries	0	0	0	0
Financial leasing liabilities	0	1	0	0
Other liabilities	0	1 039	1 043	0
<b>E. Accruals</b>	<b>11</b>	<b>0</b>	<b>11</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>8 694</b>	<b>9 654</b>	<b>9 001</b>	<b>8 812</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
<b>Balance as at 01.01.2016</b>	<b>1 893</b>	-	<b>6 193</b>	-	-	<b>-141</b>	-	<b>7 945</b>
Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance as at 01.01.2016 after changes</b>	<b>1 893</b>	-	<b>6 193</b>	-	-	<b>-141</b>	-	<b>7 945</b>
<b>Changes in equity since 01.01.2016 till 31.12.2016</b>								
Issue of shares	58	-255	116	-	-	-	-	-81
Transfer of financial result to equity	-	-	-121	-	-	121	-	-
Total comprehensive income	-	-	-	-	-	-	786	786
<b>Balance as at 31.12.2016</b>	<b>1 951</b>	<b>-255</b>	<b>6 188</b>	-	-	<b>-20</b>	<b>786</b>	<b>8 650</b>



## STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
<b>Balance as at 01.10.2016</b>	<b>1 893</b>	<b>-255</b>	<b>6 072</b>	-	<b>174</b>	<b>710</b>	-	<b>8 594</b>
Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance as at 01.10.2016 after changes</b>	<b>1 893</b>	<b>-255</b>	<b>6 072</b>	-	<b>174</b>	<b>710</b>	-	<b>8 594</b>
<b>Changes in equity since 01.10.2016 till 31.12.2016</b>								
Issue of shares	58	-	116	-	-174	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	56	56
<b>Balance as at 31.12.2016</b>								
	<b>1 951</b>	<b>-255</b>	<b>6 188</b>	-	-	<b>710</b>	<b>56</b>	<b>8 650</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
<b>Balance as at 01.01.2015</b>	<b>500</b>	-	-	-	<b>3 757</b>	<b>-20</b>	-	<b>4 237</b>
Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance as at 01.01.2015 after changes</b>	<b>500</b>	-	-	-	<b>3 757</b>	<b>-20</b>	-	<b>4 237</b>
<b>Changes in equity since 01.01.2015 till 31.12.2015</b>								
Issue of shares	<b>500</b>	-	-	-	<b>3 757</b>	<b>-20</b>	-	<b>4 237</b>
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	<b>500</b>	-	-	-	<b>3 757</b>	<b>-20</b>	-	<b>4 237</b>
<b>Balance as at 31.12.2015</b>								
	<b>1 500</b>	-	-	-	<b>11 271</b>	<b>-60</b>	-	<b>12 711</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
<b>Balance as at 01.10.2015</b>	<b>1 893</b>	-	<b>6 193</b>	-	-	<b>23</b>	-	<b>4 237</b>
Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance as at 01.10.2015 after changes</b>	<b>1 893</b>	-	<b>6 193</b>	-	-	<b>23</b>	-	<b>8 109</b>
<b>Changes in equity since 01.10.2015 till 31.12.2015</b>								
Issue of shares	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-164	-164
<b>Balance as at 31.12.2015</b>	<b>1 893</b>	-	<b>6 193</b>	-	-	<b>23</b>	<b>-164</b>	<b>7 945</b>

## STATEMENT OF CASH FLOWS

	01.10.2016 31.12.2016	01.01.2016 31.12.2016	01.10.2015 31.12.2015	01.01.2015 31.12.2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>I. Profit (loss) before tax</b>	<b>68</b>	<b>971</b>	<b>-169</b>	<b>-121</b>
<b>II. Total adjustments</b>	<b>-82</b>	<b>-951</b>	<b>175</b>	<b>129</b>
1. Depreciation and amortisation	0	0	0	0
2. Net foreign exchange differences	5	5	7	-6
3. Interest and share of profit (dividends)	-42	-79	0	0
4. Gain (loss) on investment activity	-56	-877	158	128
5. Changes in provisions	0	0	0	0
6. Changes in prepayments and accruals	11	0	10	7
7. Other adjustments	0	0	0	0
<b>III. Changes in working capital</b>	<b>-1</b>	<b>-9</b>	<b>30</b>	<b>24</b>
<b>IV. Income tax paid</b>	<b>-12</b>	<b>-177</b>	<b>0</b>	<b>-4</b>
<b>V. Net cash flows from operating activities</b>	<b>-27</b>	<b>-166</b>	<b>36</b>	<b>28</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
<b>I. Inflows</b>	<b>444</b>	<b>697</b>	<b>0</b>	<b>239</b>
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	94	347	0	239
7. Inflows from sale of bonds	350	350	0	0
8. Inflows from interest received	0	0	0	0
9. Inflows from dividends received	0	0	0	0
<b>II. Outflows</b>	<b>389</b>	<b>1 433</b>	<b>1 098</b>	<b>1 786</b>
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	389	1 433	1 098	1 786
<b>III. Net cash flows from investment activities</b>	<b>55</b>	<b>-736</b>	<b>-1 098</b>	<b>-1 547</b>
<b>C. CASH FLOWS FROM FINANCIAL ACTIVITIES</b>				
<b>I. Inflows</b>	<b>0</b>	<b>174</b>	<b>0</b>	<b>3 969</b>
1. Net inflows from issuance of shares	0	174	0	3 969
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
<b>II. Outflows</b>	<b>123</b>	<b>378</b>	<b>0</b>	<b>0</b>
1. Outflows for acquisition of own shares	123	378	0	0
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
<b>III. Net cash flows from financial activities</b>	<b>-123</b>	<b>-204</b>	<b>0</b>	<b>3 969</b>
<b>Balance sheet change in cash</b>	<b>-95</b>	<b>-1 106</b>	<b>-1 062</b>	<b>2 450</b>
<b>Cash opening balance</b>	<b>5 516</b>	<b>6 527</b>	<b>7 596</b>	<b>4 071</b>
- change in cash due to exchange differences	-5	-5	-7	6
<b>Cash closing balance</b>	<b>5 416</b>	<b>5 416</b>	<b>6 527</b>	<b>6 527</b>

## ADDITIONAL INFORMATION TO FINANCIAL STATEMENTS

### 1. 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:

Piotr Białowąs – President of the Management Board

#### Supervisory Board

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

Paweł Śliwiński – President of the Supervisory Board

Justyna Światowicz Szczepańska – Member of the Supervisory Board

Rafał Śliwiński – Member of the Supervisory Board

#### 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 has 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 covers the period from 1st January, 2016 to 31st December, 2016.

This financial statements has 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**



Piotr Białowąs  
*CEO/President of the Management Board*