# Carpathia Capital



**ANNUAL REPORT 2016** 



#### DRAWN UP UNDER ARTICLE 1121 OF THE ASF (FINANCIAL SUPERVISORY AUTHORITY) REGULATION NO. 1/2006

For the financial year 2016

28 April 2016 Date of the report

Carpathia Capital S.A. Name of the company

Web www.carpathiacapital.eu

Krasińskiego Street no. 16, 60-830 Poznań Registered office

+48 61 851 86 77 Telephone/Fax number

Unique Tax Reference Number 7811897074 Trade Register number 302762319

Regulated market on which the issued securities

The main characteristics of the securities issued

are traded

AeRO Market, administered by the Bucharest Stock Exchange

Registered share capital PLN 1.951.381,50

> 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

by the trading company

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#### LETTER FROM THE CEO OF CARPATHIA CAPITAL

Dear Shareholders,

Carpathia Capital end up 2016 with gain on investments of PLN 983 thousand, PLN 3 324 thousand in financial assets in other entities and PLN 5 416 thousand in cash. We are proud but not satisfied. The money raised at launch have not yet been fully deployed across a mix of quoted and unquoted securities for several reasons.

First, the jump-start of equity funding among prospect listed companies in Romania took more time than we expected. This refers both to the Main Market and Alternative Trading System. In our opinion, last year have been under influence of political issues including campaign and parliamentary election results.

However, there is a widening evidence that Bucharest Stock Exchange is on the right track to be among the leading markets in the Central and Eastern Europe in the years to come.



First, in 2016 we have seen several important changes in regulation environment of the Romanian capital market and operations its strategic institutional aimed at improving the overall market agility, competitiveness both for investors and issuers. We see Bucharest Stock Exchange and Depozitarul Central as leading agents of this change.

The vivid evidence is also oversubscription in retail tranche and successful listing of MedLife, that debuted on the Bucharest Stock Exchange in December 2016. The positive pattern continues with regard both market value and trading volume. We believe that successful examples provide the best incentive for the private companies to turn to listed profile.

In recent days, Digi Communications NV, the leading provider of telecommunication services in Romania and Hungary, has published prospectus covering offer of up to 21,744,108 Offer Shares with a nominal value of €0.01 each at an Offer Price expected to be between RON38 and RON56 per Offer Share and admission of the Offer Shares to trading on the Regulated Spot Market of the Bucharest Stock Exchange. The valuation range puts the deal to be the largest private IPO to be carried out on the Bucharest Stock Exchange.

In light of the progress being made, Carpathia Capital S.A along with INC S.A. remain active supporters of the process of attracting high-growth companies to the Bucharest Stock Exchange. We will develop more on that issue in section "Important events". I would like to draw your attention to "Made in Romania" project, one of many educational activities initiated by the Bucharest Stock Exchange to provide alternative ways of funding business development in Romania. Acting as Member of the Nomination Committee for "Made in Romania" as was very pleased and very encouraged to see response among the companies (166 nominations received, 50 companies shortlisted, 15 companies nominated to BVB Leagues) and possible future developments for Bucharest Stock Exchange. We are committed to remain an active partner in placing Romanian entrepreneurs from disadvantaged to advantaged position.

In 2016, we saw encouraging progress of several of our holdings and some businesses encountering problems.

Bittnet Systems S.A., our first holding in Romania, is providing solid operational progress (RON 1,827,823 EBITDA in 2016) and exploring all facilities of the Bucharest Stock Exchange (RON 4,186,000 successful bond placing on the bond market of BVB in September 2016 and capital increase). During Extraordinary Meeting of Shareholder that took place on 26 of April, 2017, we gave green light to the Management Board of the Company to start negotiations on takeover of GeCAD NET SRL. We believe that successful process of takeover and integration may substantially change the competitive edge of Bittnet Systems S.A.

Having established mortgage on the real estate of the Moto44 S.A. (the issuer of bonds) and its individual shareholder, we remain patient capital supporting solutions for the benefit of all parts of the transaction. If the Company is to overcome hurdles it may turn to initial plans of listing. We are ready to work through difficult periods.

As a long-term capital provider, we are optimistic about prospects for new companies considering listings with the support of 4Stock Programme run by Polish Agency of Enterprise Development in Poland.

I believe that Company's achievements will be reflected it its market valuation.

I look forward to encouraging operational progress coming from our portfolio companies and new potential holdings, currently under review. Both our investment hypothesis and investment strategy remain in place.

Yours faithfully,

Piotr Białowąs

CEO/President of the Management Board

#### ANALYSIS OF THE 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			

#### **IMPORTANT EVENTS**

#### Marketing activities

- 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 24 November 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.
- On 7 October 2016, representative of Carpathia Capital participated in a workshop "Barriers to listing for SMEs" organised by DG FISMA, European Commission.
- On 28 September 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 15 September 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 9 June 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 23 February 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 18 February 2016, representative of Carpathia Capital, participated in conference "Essential tools for unlocking value and building investors' confidence" organized by Bucharest Stock Exchange (BVB) partnering with PwC Romania. 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.

#### 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.

#### Violation of the terms of issue of bonds by Moto44 S.A.

On 22 December 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.

#### Registration of a share capital increase by the Court

On 31 October 2016 Carpathia Capital S.A. informed about 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.

#### Acquisition of shares in INC Brokerage House S.A.

On 14 July 2016 the Company entered an agreement to acquire shares of Dom Maklerski INC S.A. (INC Brokerage House). Under the said agreement the Company acquired 49 registered C series shares for an issue price of PLN 122,500, which will represent 9.98% in the share capital of INC Brokerage House after the registration of share capital increase.

INC Brokerage House with seat in Poznan (formerly PricewaterhouseCoopers Securities S.A. with seat in Warsaw) has been authorized on February 21, 2012 by the Polish Financial Supervisory Authority (PFSA) (decision DRK/WL/4020/36/14/102/1/2012) to conduct offerings of financial instruments (Art. 69 par. 2 point 6 of the Act of 29 July 2005 Trading in Financial Instruments, Journal of Laws 2005 No. 183, item. 1538, as amended).

INC Brokerage House offers comprehensive services in the area of primary and secondary public and private securities offerings (Initial Public Offering, Secondary Public Offering) on the regulated market of the Warsaw Stock Exchange, the NewConnect market and the Catalyst market. The range of services related to conducting offerings of financial instruments includes, among others, drafting transaction documents, including: prospectuses, information memoranda, information documents and offering documents.

#### General Shareholders' Meeting resolutions in the first six months of 2016

The main resolutions of shareholders at the June 30, 2016 GSM were the following:

- The approval of the financial statements of the Company for the financial year 2015.
- The approval of the Management Board's report on the Company's activity in the financial year 2015.
- Adoption of the resolution regarding coverage of the Company's losses for the financial year 2015.
- Adoption of the resolutions regarding acknowledgment of performance of duties by the Management Board Members in the financial year 2015.
- Adoption of the resolutions regarding acknowledgment of performance of duties by the Supervisory Board Members in the financial year 2015.

#### Changes in the composition of the Management Board and the Supervisory Board

On February 23, 2016 the Company informed about changes in the composition of the Management Board and the Supervisory Board. On 22 February 2016 Piotr Białowąs resigned from the position of a member of the Supervisory Board and was appointed as President of the Management Board on 23 February 2016.

On the same day Paweł Śliwiński resigned from the position of President of the Management Board and the Extraordinary General Meeting of Shareholders, acting pursuant to art. 385 § 1 of the Commercial Companies Code, appointed Paweł Śliwiński as a member of the Supervisory Board.

#### Acquisition of shares by INC S.A.

- On June 1, 2016, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 274 shares at an average price of 1.70 RON.

- On May 25, 2016, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 1000 shares at an average price of 1.90 RON.
- On May 24, 2016, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 455 shares at an average price of 1.70 RON.
- On February 23, 2016, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 4 162 shares at an average price of 1.52 RON.

#### Acquisition of own shares

On January 25, 2016 the Company acquired 172 602 of its own shares at a total value of RON 258 903 through a block trade. The aim of the acquisition is redemption of own shares or their further resale. The shares represent 4.56% of the share capital of the Company and 3.61% of the voting rights.

The Company owns in total 172 602 of its own shares representing 4.56% of the share capital of the Company and 3.61% of the voting rights.

#### Purchase of bonds with the right of conversion into shares

As provided in the current reports no 1/2016 (January 5, 2016) and 2/2016 (January 18, 2016) Carpathia Capital informed about another capital investment – acquisition of bonds of Moto44 Sp.z o.o:

- On January 5, 2016 the Company received information on the allocation of bonds of Moto44 Sp. z o.o. According to the agreement, the Company acquired 500 bonds with a total nominal value of PLN 500 000 (nominal value of 1 bond is PLN 1 000). The purchase price in cash for 500 bonds of Moto44 Sp. z o.o. amounted to PLN 500 000.
- On January 18, 2016 the Company received information on the allocation of bonds of Moto44 Sp. z o.o. According to the agreement, the Company acquired 550 bonds with a total nominal value of PLN 550 000 (nominal value of 1 bond is PLN 1 000.00). The purchase price in cash for 550 bonds of Moto44 Sp. z o.o. amounted to PLN 550 000.

The benefits resulting from the bonds include payment of interest in the amount of 7% per annum and the Bondholder's right to require payment of the Issuer's liabilities by converting them into shares representing 26.25% of the share capital of the Issuer. The redemption date was set at December 21, 2016.

The parties intend to list shares of a company created through conversion of Moto44 into a joint stock company in the alternative trading system on the NewConnect market in Poland at the turn of 2016 and 2017.

Moto44 Sp. z o.o. operates in the automotive sector in Poland and has been selling and servicing new and used motorcycles since 2013.

Moto44 is a dealer for the following brands: TRIUMPH, APRILIA, MV AGUSTA, HUSQVARNA, MOTO GUZZI for which it also provides authorized services. In total the Company has dozens of brands of motorcycles in its commercial offer. Moto44 also sells professional DAINESE motorcycle clothing as well as professional accessories that increase safety of the motorcyclists.

# DESCRIPTION OF ANY SIGNIFICANT MERGER OR REORGANIZATION OF THE COMPANY, ITS BRANCHES OR CONTROLLED COMPANIES, DURING THE FINANCIAL YEAR

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.

#### DESCRIPTION OF ASSET ACQUISITIONS AND/OR ALIENATION

In the financial year ended 31 December 2016 the Company focus was continuing investment activity.

As provided in the current reports no 1/2016 (January 5<sup>th</sup>, 2016) and 2/2016 (January 18<sup>th</sup>, 2016) Carpathia Capital informed about acquisition of bonds of Moto44 Sp.z o.o:

on January 5<sup>th</sup>, 2016 the Company received information on the allocation of bonds of Moto44 Sp. z o.o. According to the agreement, the Company acquired 500 bonds with a total nominal value of PLN 500 000 (nominal value of 1 bond is PLN 1 000). The purchase price in cash for 500 (bonds of Moto44 Sp. Z o.o. amounted to PLN 500,000.

On January 18<sup>th</sup>, 2016 the Company received information on the allocation of bonds of Moto44 Sp. z o.o.. According to the agreement, the Company acquired 550 bonds with a total nominal value of PLN 550 000 (nominal value of 1 bond is PLN 1 000.00). The purchase price in cash for 550 bonds of Moto44 Sp. z o.o. amounted to PLN 550 000.

As provided in the current reports no 14/2016 (July 14<sup>th</sup>, 2016) Carpathia Capital informed about another capital investment – acquisition of shares in INC Brokerage House S.A:

 On July 14, 2016 the Company entered an agreement to acquire shares of Dom Maklerski INC S.A. (INC Brokerage House). Under the said agreement the Company acquired 49 registered C series shares for an issue price of PLN 122,500,

which will represent 9.98% in the share capital of INC Brokerage House after the registration of share capital increase.

#### DESCRIPTION OF THE MAIN RESULTS OF THE COMPANY'S EVALUATION

PLN'000	31.12.2016	31.12.2015
Equity	8 650	7 945
Cash	5 416	6 527
Financial assets in other entities	3 234	2 463
Long-term liabilities	0	0
Short-term liabilities	18	1 045

PLN'000	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Gain (loss) on investments	983	-75
- profit from listing	0	0
- profit/loss on sales of securities	151	-134
- interest and dividend	86	47
- revaluation of investment portfolio	727	6
- other profits	19	6

In the twelve-month period ended 31 December 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 31 December 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:

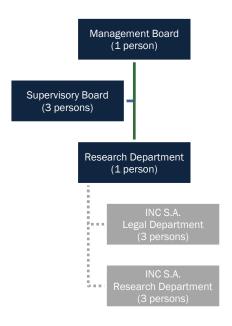
- a) different path of development of the AeRO ATS in Romania which is evolving under pressure from local circumstances (demand for education on the role of capital market among SMEs in Romania, slow supply of EU funds for SMEs in Romania, weak IPO market with regard to AeRO ATS),
- b) prudent investment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

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

#### **EVALUATION OF ISSUES RELATED TO THE COMPANY'S EMPLOYEES/STAFF**

	STAFF DECEMBER 31ST, 2016	STAFF DECEMBER 31ST, 2015
Total personnel, of which	5	5
Management Board	1	1
Supervisory Board	3	3
Research Department	1	1

The Company also cooperates with INC S.A Legal and Research Departments.



#### **EVALUATION OF THE COMPANY'S RISK MANAGEMENT ACTIVITY**

#### **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 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.

#### **Operating Deficits**

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.

#### Risk of portfolio companies' failure

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.

#### **Liquidity Risk**

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.

#### **Frontier Market Risks**

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.

#### **Development of the AeRO market**

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.

#### **ESTIMATES OF THE COMPANY'S FUTURE ACTIVITY**

The business development plan of Carpathia Capital S.A. assumes that Issuer will operate as a venture capital/private equity fund in the area of Romania and other CEE countries. Investment activities will be focused on innovative small and medium-sized enterprises which fall under the category of growth companies.

Due to the value of capital available the single value of investment made by the Company will be at the level of up to one million Romanian lei. Furthermore the portfolio companies will raise additional capital by conducting pre-IPO offers prior to the debut on an organized market.

The aim of Carpathia Capital is to build up an investment portfolio of several Romanian and Polish CEE entities. After making an investment Carpathia Capital will provide operational and financial support to portfolio companies.

Company's investment horizon is from one to five years long with preferable divestment route through listing the portfolio company on the AeRO – the market for shares operated by Bucharest Stock Exchange, Main Market of the Bucharest Stock Exchange or to the NewConnect market, an alternative trading system operated by Warsaw Stock Exchange and the Main Market of the Warsaw Stock Exchange.

The result from investment activity is strongly influenced by many factors that are beyond the control of the Company.

The company does not impose on itself any obligatory minimum investment to be made in 2017 as its number will depend on availability of attractive investment targets as well as on current economic conditions.

## THE MARKET FOR THE SECURITIES ISSUED BY THE COMPANY

THE MARKETS IN ROMANIA AND IN OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE TRADED.

The securities issued by the company are traded in AeRO market in Romania.

DESCRIPTION OF THE COMPANY'S DIVIDEND POLICY. MENTION OF THE DIVIDENDS OWED/PAID/ACCRUED WITHIN THE LAST 3 YEARS AND, IF NECESSARY, THE REASONS FOR A POSSIBLE REDUCTION IN DIVIDENDS DURING THE LAST 3 YEARS.

General Shareholders Meeting annually adopts the resolution regarding the allocation of profits. However, the Issuer intention is not to pay out the dividends in the next two financial years (from the profits for the 2017 and 2018).

### DESCRIPTION OF ANY ACTIVITY INVOLVING THE COMPANY'S PURCHASING ITS OWN SHARES.

On January 25th, 2016, the Company acquired 172 602 of its own shares at a total value of RON 258 903 through a block trade. The aim of the acquisition is redemption of own shares or their further resale. The shares represented 4.56% of the share capital of the Company and 3.61% of the voting rights.

The Company owns in total 172 602 of its own shares representing 4.42% of the share capital of the Company and 3.52% of the voting rights.

WHERE THE COMPANY OWNS BRANCHES, MENTION OF THE NUMBER AND THE NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY AND HELD BY THE BRANCHES.

The Company has not got any branches.

WHERE THE COMPANY HAS ISSUED BONDS AND/OR OTHER DEBT SECURITIES, PRESENTATION OF THE WAY IN WHICH THE COMPANY FULFILS ITS OBLIGATIONS TOWARDS THE HOLDERS OF SUCH SECURITIES.

The Company has not issued bonds and/or other debt securities.

#### **COMPANY ADMINISTRATION**

### PRESENTATION OF THE COMPANY'S ADMINISTRATORS AND THE FOLLOWING INFORMATION FOR EACH ADMINISTRATOR

The management board of Carpathia Capital S.A. was appointed on the day of foundation on 4th of July 2014 (Authenticated deed from 04.04.2014 r., Repertory A no. 2533/2014). The members of the management board were appointed on common term of office, which lasts for five years. The mandates of the members of the management board expire on the date of the general shareholders meeting which approves the financial report for year 2018.

On February 22, 2016 Mr. Piotr Białowąs resigned from the position of a member of the Supervisory Board.

On February 23, 2016 Mr. Paweł Śliwiński resigned from the position of President of the Management Board and the Extraordinary General Meeting of Shareholders, acting pursuant to art. 385 § 1 of the Commercial Companies Code, appointed Mr. Paweł Śliwiński as a member of the Supervisory Board.

On February 23, 2016 Mr Piotr Białowąs was appointed by the Supervisory Board as President of the Management Board.

#### The composition of the Management Board at the date of the report:

- Piotr Białowąs - President of the Management Board

#### Piotr Białowąs - President of the Management Board

a) position or functions at the issuer, and term of office expiry date

President of the Supervisory Board, term of office expiry date: April 4th, 2019

b) description of qualifications and professional experience

Graduated from the faculty of Marketing and Management at Zielona Gora University of Technology and Post-Graduate Association of Managerial Initiatives, Consultant of European Funds. Member of Polish Association for Energy Certification. Member of the Association of Individual Investors. Academic teacher on courses for candidates for members of Supervisory Boards of Companies of the State Treasury. Worked in Brokerage House of Bank Staropolski and Polish Equity Fund.

c) information about activities performer by the person outside the issuer where such a activities are significant for the issuer

Member of the management of supervisory bodies of the following legal entities:

INC S.A with headquarters in Poznań, Poland – Vice-President of the Management Board IPO Doradztwo Kapitałowe S.A. with headquarters in Warsaw, Poland – Vice-President of the Management Board, Brokerage House INC S.A. with headquarters in Poznań, Poland – President of the Management Board, IPO Inwestycje sp. z o.o. with headquarters in Poznań, Poland

d) information about all commercial law companies and partnerships in which, within at least the last three years, the person was a member of managing or supervisory board or a partner, indicating whether the person still performs functions on such bodies or is still a partner

2015 – present Brokerage House INC S.A., President of the Supervisory Board

2015 – present	Carpathia Capital S.A., President of the Management Board
2010 - present	INC S.A., Vice-President of the Management Board
2013 - present	IPO Doradztwo Kapitałowe (previously IPO Doradztwo Strategiczne) S.A.,
	Vice- President of The Management Board
2015 - present	IPO Inwestycje Sp. z o.o., President of the Management Board
2003 - present	Centrum Leasingu i Finansów Clif S.A., Member of the Supervisory Board
2015- present	CPiBP Malpol Sp. z o.o.
2013 – 2015	Masala Squad TV Sp. z o.o., Member of the Supervisory Board
2013 – 2016	Tradebox S.A., Member of the Supervisory Board
2015 – 2016	Brand New Care Sp. z o.o., Member of the Supervisory Board
2015 - 2016	UNIPAD Sp. z o.o., Member of the Supervisory Board
2015 - 2016	E-concert Sp. z o.o., Member of the Supervisory Board
2015 – 2016	INC Rating Sp. z o.o., Member of the Supervisory Board

e) Information about legally valid court decisions condemning the person for the crime of fraud within at least the last five years and indicating whether the person has been prohibited by the court to act as a m ember of managing or supervisory bodies in commercial law companies and partnerships within at least the last five year

Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.

details of all cases of bankruptcy, compulsory administration or liquidation, within at least the last five years, for entities in which the person was a member of managing or supervisory bodies

Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies.

g) information whether the person performs activities competitive to the activities of the issuer or is a partner in a competitive civil partnership or commercial law company or partnership or a member of a body of a joint-stock company or a member of a body of any competitive legal person

Indicated person does not perform activities competitive to the activities of the issuers. Member of the management of supervisory bodies of the following legal entities: INC S.A. with headquarters in Poznań, Poland – Vice-President of the Management Board IPO Doradztwo Kapitałowe S.A. with headquarters in Warsaw, Poland – Vice-President of the Management Board

h) Percent of shares held in the Company

Indicated person does not own shares in the Company.

However, Piotr Białowąs is a Vice-President of the Management of the Board of INC S.A. with headquarters in Poznań, Poland. INC S.A. holds 1 015 891 shares (1 000 000 series A preferred shares; giving 2 votes per share) of Carpathia Capital S.A., which accounts for 26,03% share in the capital and 41,12% share in the total number of votes.

Simultaneously Piotr Białowąs holds 25 000 shares of INC S.A., which accounts for 0,30% share in the share capital and 0,25% share in the total number of votes.

#### The composition of the Supervisory Board at the date of the report:

- Paweł Śliwiński President of the Supervisory Board
- Rafał Piotr Śliwiński Member of the Supervisory Board
- Justyna Światowiec-Szczepańska Member of the Supervisory Board

#### Paweł Śliwiński - President of the Supervisory Board

a) position or functions at the issuer, and term of office expiry date

President of the Supervisory Board, term of office expiry date: April 4th, 2019

b) description of qualifications and professional experience

Paweł Śliwiński, Ph.D. in Economics, graduate of Poznań University of Economics, Faculty of International Business; Professor of International Finance at Department of International Finance at Poznań University of Economics. Further studies at Tilburg University, University of Antwerp. Certified investment advisor (license no. 111) and broker in securities (license no. 1094). President of the Management Board of INC S.A. listed on the Main Market of Warsaw Stock. Experience in the capital market field since 1993.

c) information about activities performer by the person outside the issuer where such a activities are significant for the issuer

Member of the management of supervisory bodies of the following legal entities: INC S.A with headquarters in Poznań, Poland – CEO/President of the Management Board Efix Brokerage House S.A. with headquarters in Poznań, Poland – Member of the Supervisory Board INVESTcon Fund Sp. z o.o. with headquarters in Poznań, Poland – CEO/President of the Management Board INC Sp. z o.o. Brokerage House with headquarters in Poznań, Poland – CEO/President of the Management Board, Brokerage House INC S.A. with headquarters in Poznań, Poland – CEO/President of the Management Board.

d) information about all commercial law companies and partnerships in which, within at least the last three years, the person was a member of managing or supervisory board or a partner, indicating whether the person still performs functions on such bodies or is still a partner

2016 - present	INC East&West Sp. z o.o./President of the Management Board
2015 - present	Brokerage House INC S.A., CEO/President of the Management Board
2014 – 2016	Carpathia Capital S.A., CEO/President of the Management Board
2014 – 2015	INC Brokerage House Sp. z o.o., CEO/President of the Management Board
2014 - present	Nationale Nederlanden TUnŻ S.A., Vice-president of the Supervisory Board
2013 - present	FZ GROUP S.A., Member of the Supervisory Board
2013 – 2015	Efix Brokerage House S.A., Member of the Supervisory Board
2011 – 2013	Podkarpacki Fundusz Kapitałowy S.A., Member of the Supervisory Board
2010 – 2015	INVESTcon Fund Sp. z o.o., CEO/President of the Management Board
2010 – 2013	Inwest Consulting S.A., Member of the Supervisory Board
2010 – 2013	Lambdafin Sp. z o.o., CEO/President of the Management Board

2008 – 2012	Sovereign TFI S.A., Member of the Supervisory Board
2008 - present	INC S.A., CEO/President of the Management Board
2007 - 2012	Aleksandria Spa & Wellness Sp. z o.o., Partner

e) Information about legally valid court decisions condemning the person for the crime of fraud within at least the last five years and indicating whether the person has been prohibited by the court to act as a m ember of managing or supervisory bodies in commercial law companies and partnerships within at least the last five year,

Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.

 details of all cases of bankruptcy, compulsory administration or liquidation, within at least the last five years, for entities in which the person was a member of managing or supervisory bodies

Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies.

g) information whether the person performs activities competitive to the activities of the issuer or is a partner in a competitive civil partnership or commercial law company or partnership or a member of a body of a joint-stock company or a member of a body of any competitive legal person

Indicated person does not perform activities competitive to the activities of the issuers.

Member of the management of supervisory bodies of the following legal entities:

INC S.A with headquarters in Poznań, Poland – CEO/President of the Management Board Efix Brokerage House S.A. with headquarters in Poznań, Poland – Member of the Supervisory Board INVESTcon Fund Sp. z o.o. with headquarters in Poznań, Poland – CEO/President of the Management Board INC Sp. z o.o. Brokerage House with headquarters in Poznań, Poland – CEO/President of the Management Board

h) Percent of shares held in the Company

Indicated person does not own shares in the Company.

However, Paweł Śliwiński is a CEO/President of the Management of the Board of INC S.A. with headquarters in Poznań, Poland. INC S.A. holds 1 015 891 shares (1 000 000 series A preferred shares; giving 2 votes per share) of Carpathia Capital S.A., which accounts for 26,03% share in the capital and 41,12% share in the total number of votes.

Simultaneously Paweł Śliwiński holds 1 737 999 shares of INC S.A., which accounts for 20,83% share in the share capital and 32,90% share in the total number of votes.

#### Rafał Piotr Śliwiński – Member of the Supervisory Board

a) position or functions at the issuer, and term of office expiry date

Member of the Supervisory Board, term of office expiry date: April 4th, 2019

b) description of qualifications and professional experience

Associate Professor at the University of Economics in Poznan. He specializes in topics related to internationalization and the international competitiveness of enterprises, enterprise strategies in international business, the expansion of Polish companies on international markets and competitiveness policy.

c) information about activities performer by the person outside the issuer where such a activities are significant for the issuer

Indicated person does not perform activities outside the issuers which are significant for the issuer.

d) information about all commercial law companies and partnerships in which, within at least the last three years, the person was a member of managing or supervisory board or a partner, indicating whether the person still performs functions on such bodies or is still a partner

2012 – present	Fuondation Wygraj Przyszłość, Vice President of the Management Board
2012 - present	Wintec Sp. z o.o., CEO/President of the Management Board, Partner
2008 - present	Flashgate Sp. z o.o., CEO/President of the Management Board, Partner

e) Information about legally valid court decisions condemning the person for the crime of fraud within at least the last five years and indicating whether the person has been prohibited by the court to act as a m ember of managing or supervisory bodies in commercial law companies and partnerships within at least the last five year

Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.

 details of all cases of bankruptcy, compulsory administration or liquidation, within at least the last five years, for entities in which the person was a member of managing or supervisory bodies

Within the last five years there have been no cases of bankruptcy, compulsory administration or liquidation for entities in which the person was a member of managing or supervisory bodies.

g) information whether the person performs activities competitive to the activities of the issuer or is a partner in a competitive civil partnership or commercial law company or partnership or a member of a body of a joint-stock company or a member of a body of any competitive legal person

Indicated person does not perform activities competitive to the activities of the issuers.

h) Percent of shares held in the Company

Indicated person does not own shares in the Company.

#### Justyna Światowiec-Szczepańska – Member of the Supervisory Board

a) position or functions at the issuer, and term of office expiry date

Member of the Supervisory Board, term of office expiry date: April 4th, 2019

b) description of qualifications and professional experience

Associate Professor at the University of Economics in Poznan in the Department of Strategic Management, Post-doctoral academic degree in economic sciences in the discipline of management sciences, a graduate of the Faculty of Economics at the Cracow University of Economics, majoring in International Economic Relations. She made an international practice under the auspices of the Association for International Practical Training in MELEX USA Inc. in the United States of America. She acted as a consultant for Polish companies, she conducted training for employees of marketing and commercial departments, among others in marketing or sales or art. She specializes in the issues of strategic management, strategic business cooperation, strategic business risk and corporate strategies. She is the author of more than 100 scientific papers, including three monographs. She is the author of papers presented at international conferences. She is an active member of international scientific societies: Strategic Management Society (SMS), Academy of International Business (AIB), Industrial Marketing and Purchasing Group (IMP) and Polish Economic Association (PTE). Until 2007 she was employed at the Cracow University of Economics in the Department of Trade and Market Institutions. She participated in more than a dozen research projects funded by the KBN, and later NCN and NCBiR.

c) information about activities performer by the person outside the issuer where such a activities are significant for the issuer

Indicated person does not perform activities outside the issuers which are significant for the issuer.

d) information about all commercial law companies and partnerships in which, within at least the last three years, the person was a member of managing or supervisory board or a partner, indicating whether the person still performs functions on such bodies or is still a partner

Within the last three years indicated person was not a member of managing or supervisory board or a partner in a commercial law companies and partnerships.

e) Information about legally valid court decisions condemning the person for the crime of fraud within at least the last five years and indicating whether the person has been prohibited by the court to act as a m ember of managing or supervisory bodies in commercial law companies and partnerships within at least the last five year

Within the last five years indicated person has not been prohibited by the court to act as a member of managing or supervisory bodies in commercial law companies and partnerships.

 details of all cases of bankruptcy, compulsory administration or liquidation, within at least the last five years, for entities in which the person was a member of managing or supervisory bodies

Within the last three years indicated person she has been a member of supervisory board in a commercial law companies INC Rating.

g) information whether the person performs activities competitive to the activities of the issuer or is a partner in a competitive civil partnership or commercial law company or partnership or a member of a body of a joint-stock company or a member of a body of any competitive legal person

Indicated person does not perform activities competitive to the activities of the issuers.

h) Percent of shares held in the Company

Indicated person does not own shares in the Company.

#### Information about remuneration of the Management Board:

In the year under review CEO/President of the Management Board has not received remuneration.

#### **FINANCIAL STATEMENTS**

#### **S**TATEMENT OF COMPREHENSIVE INCOME

continued operations	Notes	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Revenue from sales of products and services		0	0
- from related parties		0	0
Cost of products, goods and materials sold, including		0	0
- to related parties		0	0
Selling and distribution expenses		0	0
Profit on sales		0	0
Other operating revenues	2	83	0
Other operating expenses		0	0
Gain (loss) on investments	3	983	-75
- profit from listing		0	0
- profit/loss on sales of securities		151	-134
- interest and dividend		86	47
- revaluation of investment portfolio		727	6
- other profits		19	6
Administrative expenses	1	90	46
Operating profit		976	-121
Financial expenses	4	5	0
- for related parties		0	0
Share of profits of associates		0	0
Profit before tax		971	-121
Income tax	5	185	0
Net profit for the operating period		786	-121

#### **S**TATEMENT OF COMPREHENSIVE INCOME

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Net profit for the operating period	786	-121
Other comprehensive income:	0	0
- valuation of financial assets available for sale	0	0
Total comprehensive income	786	-121

#### **S**TATEMENT OF FINANCIAL POSITION

	Notes	31.12.2016	31.12.2015
A. Non-current assets		28	0
Intangible assets		0	0
- goodwill		0	0
Tangible fixed assets		0	0
Non-current financial assets		0	0
Deferred tax assets	6	28	0
Long-term receivables		0	0
- from related parties		0	0
- from other entities		0	0
Other long-term assets		0	0
B. Current assets		8 666	9 001
Inventories		0	0
Receivables from related parties		0	0
Receivables from other entities	7	16	11
- income tax receivables		0	4
Financial assets in related parties		0	0
Financial assets in other entities	8	3 234	2 463
Cash and other monetary assets	8	5 416	6 527
Other short-term assets		0	0
Total assets		8 694	9 001

#### **S**TATEMENT OF FINANCIAL POSITION

	Notes	31.12.2016	31.12.2015
A. EQUITY		8 650	7 945
Share capital	9	1 951	1 893
Treasury shares (negative value)		-255	0
Supplementary capital	10	6 188	6 193
Revaluation reserve		0	0
Other reserve capitals		0	0
Profits (losses) from previous years		-20	-20
Net profit (loss)		786	-121
B. PROVISIONS	11	15	0
Provision for deferred income tax		15	0
Other provisions		0	0
C. Long-term liabilities		0	0
Loans and borrowings		0	0
Financial leasing liabilities		0	0
D. Short-term liabilities	12	18	1 045
Loans and borrowings		0	0
Trade payables		2	2
Tax, customs, insurance and other liabilities		16	0
- income tax liabilities		0	0
Liabilities related to wages and salaries		0	0
Financial leasing liabilities		0	0
Other liabilities		0	1 043
E. Accruals	13	11	11
TOTAL LIABILITIES		8 694	9 001

#### **STATEMENT OF CHANGES IN EQUITY**

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

	Share capital	Treasury shares	Supplement Share premium account	ary capital Other	Other capitals	Profits from previous years	Result of current period	Total Equity
Balance as at 01.01.2015	500		-	-	3 757	-20		4 237
Changes in accounting policies	-		-	-	-	-		-
Balance as at 01.01.2015 after changes	500	-	-	-	3 757	-20	-	4 237
Changes in equity since 01.01.2015 till 31.12.2015								
Issue of shares	1 393	-	6 193	1	-3 757	1	-	3 829
Transfer of financial result to equity	-		-	-	-	-		-
Total comprehensive income	-	-	-	-	-	-	-121	-121
Balance as at 31.12.2015	1 893	-	6 193	-	-	-20	-121	7 945

#### **STATEMENT OF CASH FLOWS**

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		
I. Profit (loss) before tax	971	-121
II. Total adjustments	-951	129
III. Changes in working capital	-9	24
IV. Income tax paid	-177	-4
V. Net cash flows from operating activities	-166	28
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
I. Inflows	697	239
Inflows from sale of intangible assets	0	0
2. Inflows from sale of tangible fixed assets	0	0
3. Inflows from sale of investment properties	0	0
4. Net inflows from sale of subsidiaries	0	0
5. Inflows from repayment of borrowings granted	0	0
6. Inflows from sale of other financial assets	347	239
7. Inflows from sale of bonds	350	0
8. Inflows from interest received	0	0
9. Inflows from dividends received	0	0
II. Outflows	1 556	1 786
Outflows for acquisition of intangible assets	0	0
2. Outflows for acquisition of tangible fixed assets	0	0
3. Outflows for acquisition of investment properties	0	0
4. Net outflows for acquisition of subsidiaries	0	0
5. Outflows for loans granted	0	0
6. Outflows for acquisition of other financial assets	1 556	1 786
III. Net cash flows from investment activities	-859	-1 547
C. CASH FLOWS FROM FINANCIAL ACTIVITIES		
I. Inflows	174	3 969
Net inflows from issuance of shares	174	3 969

2. Inflows from loans and borrowings	0	0
3. Inflows from issuance of debt securities	0	0
4. Other inflows from financial activities	0	0
II. Outflows	255	0
Outflows for acquisition of own shares	255	0
2. Redemption of debt securities	0	0
3. Repayment of loans and borrowings	0	0
Payment of liabilities arising from financial leases	0	0
5. Outflows for interest paid	0	0
6. Outflows for dividends paid	0	0
7. Other outflows for financial activities	0	0
III. Net cash flows from financial activities	-84	3 969
Balance sheet change in cash	-1 106	2 450
Cash opening balance	6 527	4 071
- change in cash due to exchange differences	-5	6
Cash closing balance	5 416	6 527

#### 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. Krasińskiego 16 Street 60-830 Poznań

#### **Registration court**

District Court Poznań - Nowe Miasto i Wilda, VIII Business Registry Divison 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:

Justyna Światowiec-Szczepańska – Member of the Supervisory Board Rafał Śliwiński – Member of the Supervisory Board Paweł 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 financial year started on the 1<sup>st</sup> January, 2016 and ended on the 31<sup>st</sup> 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

There was no objections in opinions of entities authorized to audit financial statements for the period for which financial statements are presented. 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%.

# 7. THE EFFECT OF THE APPLICATION OF NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

### New and amended standards and interpretations

While approving the financial statements. the Company applied has not the standard following standards. amendments and interpretations that have been published by the IASB and approved for the EU, use in which have not yet entered into force:

Standard	Description of amendments	Date of entry into force of the European Union
IFRS 9 Financial Instruments	Introduces a new approach to the classification of financial assets that depends on the cash flow characteristics and the business model associated with assets. Introduces a new model of impairment based on expected losses, which requires the current recognition of expected credit losses.	January 1, 2018
IFRS 15 Income from customer contracts	This standard specifies how and when revenue is recognized, as well as it needs more detailed disclosures. The fundamental principle of the new standard is revenue recognition to reflect the transfer of goods or services to customers and in amount, which reflects the amount of payment that the	January 1, 2018

company expects to obtain a right in exchange for goods or services.

IFRS in the form approved by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations, which, as at 31 December 2016, have not yet been adopted. Use in the EU (the following dates of entry apply to the full version standards:

Standard	Description of amendments	Date of release
IFRS 14 Deferred balances from regulated activities	This Standard is intended to enable first-time adopters of IFRSs and which currently recognize deferred balances in accordance with their previous generally adopted accounting policies, to continue recognizing these balances after transition to IFRSs	January 30, 2014
IFRS 16 Leasing	The lessee recognizes the right to use the asset and the lease liability. The right to use an asset is treated like other non-financial assets and amortized accordingly. For a lessor, leasing is classified as a finance leasing if there is a transfer of substantially all the risks and rewards of ownership of the assets. Otherwise, leasing is classified as operating leasing.	January 13, 2016
Amendments to IFRS 10 Consolidated Financial Statements  IAS 28 Investments in Associates and Joint Ventures	The amendments aim at removing the contradiction between the requirements of IAS 28 and IFRS 10 and explain that the recognition of profit or loss in transactions involving an associate or joint venture depends on whether the assets sold or contributed are projected.	September 11, 2014
Amendments to IAS 12 Income Taxes	Amendments to IAS 12 explain how deferred tax assets are recognized in relation to debt instruments measured at fair value.	January 19, 2016
Amendments to IAS 7 Statement of Cash Flows	The amendments clarifying IAS 7 are intended to improve the information provided to users of financial statements about the entity's financial activities. Changes require the entity to disclose to enable users of financial statements to assess changes in liabilities arising from financial activities, including both cash and non-cash movements.	January 29, 2016
Amendments to IFRS 2 Share Based Payments	Amendments introduce the recognition requirements for:  - the effects of vesting conditions and terms other than vesting conditions on the valuation of cash-settled share-based payments;  - share based payments that have a net settlement function with tax liabilities;  - modifications to the terms of payment on the basis of shares, which cause the classification of transactions from cash settled to equity settled.	June 20, 2016
Amendments to IFRS (cycle 2014-2016)	Changes have been made to various standards in the process of introducing annual amendments to Standards (IFRS 1, IFRS 12 and IAS 28), which are primarily aimed at resolving discrepancies and clarifying vocabulary	December 8, 2016
IFRIC Interpretation 22 Transactions in Foreign Currencies and Advance Payments	The Interpretation specifies that in order to determine the exchange rate, the date of the transaction is the date of the initial recognition of prepayment as a non-cash asset or deferred income liability. If there are multiple payments or advances,	December 8, 2016

	the date of the transaction is determined for each payment or receipt.	
Amendments to IAS 40 Investment Property	Changes indicate that an entity transfers a particular property to or from investment property only if there is evidence of a change in the way it is used.	December 8, 2016

According to the entity's estimates, the aforementioned standards, interpretations and changes to standards would not have a material effect on the financial statements if they were applied by the entity as at the balance sheet date.

### Changes in applied accounting principles

The accounting policies used to prepare the financial statements are consistent with those used in the preparation of the annual financial statements of the Company for the year ended 31 December 2015.

### Standards and interpretations applied for the first time in 2016

The following standards, changes to existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in 2016:

Standard	Description of amendments	Date of entry into force of the European Union
Amendments to various standards IFRS (period 2010-2012)	Changes have been made to various standards in the process of introducing annual amendments to Standards , which are primarily aimed at resolving discrepancies and clarifying vocabulary.	February 1, 2015
Amendments to IAS 19 Employee Benefits	The amendments concern the scope of application of the standard for contributions from employees or third parties paid for defined benefit plans. The purpose of the change is to simplify the settlement of contributions, which are independent of the number of years worked.	February 1, 2015
Amendments to IAS 16 Property, Plant and Equipment IAS 41 Agriculture	Changes include plant crops that are used exclusively to grow products within the scope of IAS 16 and are therefore accounted for in the same way as tangible fixed assets;	January 1, 2016
Amendments to IFRS 11 Common Contractual Arrangements	The amendments provide new guidance on the method of accounting for acquisitions of joint ventures in the form of ventures.	January 1, 2016
IAS 16 Property, plant and equipment  IAS 38 Intangible assets	The amendments state that the use of revenue- based methods for calculating fixed asset depreciation is not appropriate because revenue from operations that involves the use of assets generally reflects factors other than the consumption of the economic benefits of the assets.	January 1, 2016
Amendments to various standards IFRS (period 2012-2014)	Changes have been made to various standards in the process of introducing annual amendments to Standards, which are primarily aimed at resolving discrepancies and clarifying vocabulary.	January 1, 2016

Amendments to  IAS 1 Presentation of Financial Statements	Amendments to IAS 1 are intended to encourage individuals to use professional judgment to determine what information is disclosed in the entity's financial statements.	January 1, 2016
Amendments to IAS 27 Separate Financial Statements	The amendments aim at restoring the equity method as an additional option for the settlement of investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.	January 1, 2016
Amendments to <b>IFRS 10</b> Consolidated Financial Statements		
IFRS 12 Disclosures on Shares in Other Entities	Amendments to IFRS 10, IFRS 12 and IAS 28 clarify the settlement of investment units. Changes also provide, in certain circumstances, certain	January 1, 2016
IAS 28 Investments in Associates and Joint Ventures	exemptions in this respect.	

Standards, interpretations and changes to standards have not had a material impact on the entity's accounting policies.

# 8. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

# Note no 1

EXPENSES BY TYPE	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) Depreciation of property, plant and equipment and amortization of intangible assets	0	0
b) Materials and energy	0	0
c) External services	51	44
d) Taxes and charges	2	2
e) Wages and salaries	36	0
f) Social security costs	0	0
g) Other expenses by type	1	0
Expenses by type	90	46
Changes in inventories, products and accruals	0	0
Cost of production for internal purposes (negative value)	0	0
Selling and distribution expenses (negative value)	0	0
Administrative expenses (negative value)	-90	-46
Cost of products sold	0	0

OTHER OPERATING REVENUES	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) release of provisions	0	0

b) others, including:	83	0
- profit from disposal of the subsidiary	0	0
- profit from the sale of non-financial fixed assets	0	0
- rent	0	0
- income from the write-down on receivables	0	0
- compensation received	0	0
- revenues from written-down commitments	83	0
- other - invoices	0	0
Other operating revenues, total	0	0

FINANCE INCOME FROM DIVIDENDS AND SHARE IN PROFIT	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) from related parties	0	0
b) from other entities	0	0
Total finance income from dividends and share of profit	0	0

INTEREST INCOME	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) on loans granted	0	0
- to related parties	0	0
- to subsidiaries	0	0
- to co-dependent units	0	0
- to associates	0	0
- to significant investor	0	0
- to parent company	0	0
- to other entities	0	0
b) other interest income	86	47
- from related parties	0	0
- to subsidiaries	0	0
- to co-dependent units	0	0
- to associates	0	0
- to significant investor	0	0
- to parent company	0	0
- from other entities (bank interest, interest on receivables)	86	47

OTHER INVESTMENT INCOME	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) foreign exchange gains	19	6
- realized	19	0
- unrealized	0	6
b) reversed provisions	0	0
c) other, including:	878	6
- gain on disposal of investments	151	0
- revaluation of investments	727	6
Total other investment income	897	12

LOSSES ON INVESTMENTS	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Loss on disposal of investments	0	134
Losses on investments, total	0	134

FINANCIAL COST OF INTEREST	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) from credits and loans	0	0
- for related parties	0	0
- for other parties	0	0
b) other interest	0	0
- for related parties	0	0
- for other parties	0	0
Total interest expense	0	0

OTHER FINANCIAL COST	01.01.2016 31.12.2016	01.01.2015 31.12.2015
a) negative exchange rate differences	5	0
- realized	0	0
- unrealized	5	0
b) reserves created	0	0
c) others	0	0
Other financial expenses, total	5	0

CURRENT INCOME TAX	01.01.2016 31.12.2016	01.01.2015 31.12.2015
1. Profit before tax	971	-121
Differences between profit (loss) before tax and income tax base (by title)	140	-4
- expenses that are not deductible	79	3
- statistical revenues	0	0
- revenues that do not constitute income tax revenues	0	0
- statistical costs	0	0
- unrealized exchange differences	4	0
- revaluation of investments	215	7
3. Deducted losses from previous years	71	0
4. Income tax base	1 040	-125
5. Income tax at the 19% rate	198	0
6. Tax increases, omissions, exemptions, deductions and reductions	0	0
7. Income tax expense reported in the tax return for the period, including:	0	0
- reported in the income statement, including:	0	0
- flat-rate tax paid on dividends received	0	0
- relating to items that decreased or increased equity	0	0
<ul> <li>relating to items that decreased or increased goodwill or negative goodwill</li> </ul>	0	0

DEFERRED INCOME TAX, RECOGNIZED IN THE PROFIT AND LOSS STATEMENT	01.01.2016 31.12.2016	01.01.2015 31.12.2015
- change from originating and reversing of temporary differences	-13	0
- change due to change in tax rate	0	0
- change due to previously unrecognized tax loss, tax credit or temporary difference of previous period	0	0
- change due to write off of deferred tax assets or lack of use of the deferred income tax reserve	0	0
- other components of deferred tax	0	0
Deferred income tax, total	-13	0

TOTAL DEFERRED TAX AMOUNT	01.01.2016 31.12.2016	01.01.2015 31.12.2015
- included in equity	0	0
- included in goodwill or negative goodwill	0	0

CHANGES IN STATE OF ASSETS ON DEFERRED INCOME TAX	31.12.2016	31.12.2015
Deferred tax assets at the beginning of the period, including:	0	0
a) charged to financial result	0	0
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0
2. Increases	28	0
a) charged to the financial result of the period in connection with negative temporary differences (due to)	28	0
- revaluation write-down on the value of the investment	27	0
- exchange rate differences from valuation	1	0
b) charged to the financial result of the period in connection with tax loss (due to)	0	0
c) charged to equity in connection with negative temporary differences (due to)	0	0
d) charged to equity in connection with tax loss (due to)	0	0
e) charged to goodwill or negative goodwill due to negative temporary differences (due to)	0	0
3. Decreases	0	0
a) charged to the financial result of the period in connection with negative temporary differences	0	0
b) odniesione na wynik finansowy okresu w związku ze stratą podatkową (z tytułu)	0	0
c) charged to equity in connection with negative temporary differences (as a result of)	0	0
d) charged to equity in connection with tax loss (due to)	0	0
e) charged to goodwill or negative goodwill due to negative temporary differences (due to)	0	0
4. Total deferred tax assets at the end of the period, including:	28	0
a) charged to the financial result	28	0
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0

CURRENT RECEIVABLES	31.12.2016	31.12.2015
a) from related parties	0	0
- trade receivables, with a repayment period:	0	0
- up to 12 months	0	0
- over 12 months	0	0
- other	0	0
- under litigation	0	0
b) from other entities	16	11

- trade receivables, with a repayment period:	0	0
- up to 12 months	0	0
- over 12 months	0	0
<ul> <li>related to taxes, subsidies, customs, social and health insurance and other benefits</li> </ul>	16	11
- other	0	0
- under litigation	0	0
Total net current receivables	16	11
c) impairment of receivables	0	0
Total gross current receivables	16	11

GROSS CURRENT RECEIVABLES (CURRENCY STRUCTURE)	31.12.2016	31.12.2015
a) in Polish currency	16	11
b) in foreign currencies (according to currencies and translated to PLN)	0	0
Total gross current receivables	16	11

CURRENT FINANCIAL ASSETS	31.12.2016	31.12.2015
a) in subsidiaries	0	0
- assets held for trading	0	0
<ul> <li>assets designated by the entity upon initial recognition as financial assets measured at fair value through profit or loss</li> </ul>	0	0
- debt securities	0	0
- financial assets held to maturity	0	0
- loans granted	0	0
- financial assets available for sale	0	0
b) in jointly controlled entities	0	0
- assets held for trading	0	0
<ul> <li>assets designated by the entity upon initial recognition as financial assets measured at fair value through profit or loss</li> </ul>	0	0
- debt securities	0	0
- financial assets held to maturity	0	0
- loans granted	0	0
- financial assets available for sale	0	0
c) in associates	0	0
- assets held for trading	0	0

assets designated by the entity upon initial recognition as financial assets measured at fair value through profit or loss	0	0
- debt securities	0	0
- financial assets held to maturity	0	0
- loans granted	0	0
- financial assets available for sale	0	0
d) in significant investor	0	0
- assets held for trading	0	0
- assets designated by the entity upon initial recognition as financial assets measured at fair value through profit or loss	0	0
- debt securities	0	0
- financial assets held to maturity	0	0
- loans granted	0	0
- financial assets available for sale	0	0
e) in the parent company	0	0
- assets held for trading	0	0
- assets designated by the entity upon initial recognition as financial assets measured at fair value through profit or loss	0	0
- debt securities	0	0
- financial assets held to maturity	0	0
- loans granted	0	0
- financial assets available for sale	0	0
f) in other entities	3 234	2 463
- assets held for trading	1 805	870
assets classified by the entity upon initial recognition as financial assets measured at fair value through profit or loss	0	543
- debt securities	0	0
- financial assets held to maturity	1 429	1 050
- loans granted	0	0
- financial assets available for sale	0	0
g) cash and other monetary assets	5 416	6 527
- cash in hand and at bank	5 416	6 527
- other cash equivalents	0	0
- other monetary assets	0	0
Total current financial assets	8 650	8 990

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	31.12.2016	31.12.2015
a) in polish currency	7 240	8 138
b) in foreign currencies (according to currencies and translated to PLN)	1 410	852
b1. Unit/currency in thous. RON	1 446	904
After conversion to thous.PLN	1 410	852
Other currencies in thous. PLN	0	0
Total securities, shares and sother short-term financial assets	8 650	8 990

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY TRANSFERABILITY)	31.12.2016	31.12.2015
A. With unlimited transferability, listed on the stock exchange (book value)	0	0
a) shares (book value):	1 682	870
- fair value	1 682	870
- market value	1 682	870
- purchase cost value	1 890	877
b) bonds (book value)	0	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
c) other – by type (book value):	0	0
c1) WIG short-term contracts	0	543
- fair value	0	543
- market value	0	543
- purchase cost value	0	543
B. With unlimited transferability listed on OTC markets (book value)	0	0
a) shares (book value):	0	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
b) bonds (book value):	0	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0

c) other – by type (book value):	0	0
c1)	0	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
C. With unlimited transferability listed on OTC markets (book value)	6 968	7 577
a) shares (book value):	123	0
- fair value	123	0
- market value	123	0
- purchase cost value	123	0
b) bonds (book value):	1 429	1 050
- fair value*	1 429	1 050
- market value*	1 429	1 050
- purchase cost value	1 350	1 050
c) Loans granted:	0	0
- fair value (including interests)	0	0
- purchase cost value	0	0
d) cash in hand and at bank	5 416	6 527
- fair value	5 416	6 527
- market value	5 416	6 527
- purchase cost value	5 416	6 527
D. With limited transferability book value)	0	0
a) shares (book value):	0	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
b) bonds (book value):	0	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
c) other – by type (book value):	0	0
c1)	0	0

Total book value	8 650	8 990
Valuation adjustments, total	-129	-122
Total value at beginning of period	8 990	4 071
Total purchase cost value	8 779	9 112
- purchase cost value	0	0
- market value	0	0
- fair value	0	0

<sup>\*</sup> the carrying value approximates the fair value/market value

CASH AND OTHER MONETARY ASSETS (CURRENCY STRUCTURE)	31.12.2016	31.12.2015
a) in Polish currency	5 386	6 185
b) in foreign currencies (according to currencies and translated to PLN)	30	342
b1. Unit/currency in thous. RON	31	363
After conversion to thous.PLN	30	342
Other currencies in thous. PLN	0	0
Total cash and other monetary assets	5 416	6 527

# Changes in the fair value of assets and provisions

	31.12	.2016	31.12.2015		
TYPE OF THE FINANCIAL INSTRUMENT	Fair value	Carrying value	Fair value	Carrying value	
Assets:	8 666	8 666	9 001	9 001	
Loans	0	0	0	0	
Trade receivables and other	16	16	11	11	
Derivative financial instruments	0	0	543	543	
Debt securities*	1 429	1 429	1 050	1 050	
Shares of listed companies	1 682	1 682	870	870	
Shres of privately held companies**	123	123	0	0	
Units of investment funds	0	0	0	0	
Other financial assets	0	0	0	0	
Cash and other monetary assets	5 416	5 416	6 527	6 527	
Provisions:	18	18	1 045	1 045	
Overdraft credit	0	0	0	0	
Credit in current account	0	0	0	0	

Loans	0	0	0	0
Debt securities	0	0	0	0
Financial leasing	0	0	0	0
Derivative financial instruments	0	0	543	543
Trade payables and other	18	18	502	502

<sup>\*\*</sup>does not include shares valued at acquisition cost due to the inability to reliably determine the fair value

### Levels of the fair value

TYPE OF THE FINANCIAL INSTRUMENT	Level 1	Level 2	Level 3	Total fair value
As at 31.12.2016				
Assets:				
Shares of listed companies	1 682	0	0	1 682
Shres of privately held companies*	0	123		123
Units of investment funds	0	0	0	0
Derivative instruments held for trading	0	0	0	0
Derivative instruments held for hedging	0	0	0	0
Debt securites valued at fair value	0	10	0	0
Other financial instruments	0	0	0	0
Total assets	1 682	123	0	1 805
Provisions:				
Derivative instruments held for trading	0	0	0	0
Derivative instruments held for hedging	0	0	0	0
Debt securites valued at fair value	0	0	0	0
Loans valued at fair value	0	0	0	0
Total provisions	0	0	0	0
Net fair value	1 682	123	0	1 805

<sup>\*</sup> does not include shares valued at acquisition cost due to the inability to reliably determine the fair value

There were no transfers of the financial instruments between the levels of their fair value

TYPE OF THE FINANCIAL INSTRUMENT	E FINANCIAL INSTRUMENT Level 1 Leve		Level 2 Level 3	
As at 31.12.2015				
Assets:				
Shares of listed companies	870	0	0	870
Shres of privately held companies*	0	0	0	0

<sup>\*\*</sup> the carrying value approximates the fair value/market value

Units of investment funds	0	0	0	0
Derivative instruments held for trading	543	0	0	543
Derivative instruments held for hedging	0	0	0	0
Debt securites valued at fair value	0	1 050	0	1 050
Other financial instruments	0	0	0	0
Total assets	1 413	1 050	0	2 463
Provisions:	•			
Derivative instruments held for trading	543	0	0	543
Derivative instruments held for hedging	0	0	0	0
Debt securites valued at fair value	0	0	0	0
Loans valued at fair value	0	0	0	0
Total provisions	543	0	0	543
Net fair value	870	1 050	0	1 920

<sup>\*</sup> does not include shares valued at acquisition cost due to the inability to reliably determine the fair value

SHARI	E CAPITAL :	(STRUCTUR	E) as at 31.12	.2016				
Share series	Share type	Type of preference	Restrictions on shares	Number of shares	Series/issue nominal value (PLN)	Coverage of capital (payment manner)	Date of registration	Right to dividend (since)
А	registered	2 voices per share	none	1 000 000	500 000	cash	26.06.2014	26.06.2014
В	bearer	none	none	1 003 666	501 833	cash	29.01.2015	29.01.2015
B2	bearer	none	none	275 000	137 500	cash	14.05.2015	14.05.2015
С	bearer	none	none	795 991	397 995,50	cash	14.05.2015	14.05.2015
D	bearer	none	none	711 439	355 719,50	cash	30.07.2015	30.07.2015
В3	bearer	none	none	116 667	58 333,50	cash	18.10.2016	01.01.2016
Total r	number of s	hares		3 902 763				
Total share capital PLN 1 951 381,50								
Share	Share nominal value = PLN 0,50							

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
Other shareholders	2 886 872	73,97%	58,88%	5 774
Total	3 902 763	100,000%	100,000%	1 951

RESERVE CAPITAL	31.12.2016	31.12.2015
a) from the sale of shares above their nominal value after decreasing costs of issue and covering the losses from previous years	6 188	6 193
b) statutory reserve	0	0
b) created in accordance with the statute / agreement	0	0
d) from additional payments of shareholders/partners	0	0
e) other (by type)	0	0
- divided result of previous years	0	0
Total reserve capital	6 188	6 193

CHANGES IN RESERVES FOR DEFERRED INCOME TAX	31.12.2016	31.12.2015
Deferred tax liability at the beginning of the period, including:	0	0
a) charged to financial result	0	0
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0
2. Increases	15	0
a) charged to the financial result of the period due to positive temporary differences (due to)	15	0
- investment valuation	0	0
- differences in depreciation rates	0	0
- loans and bonds valuation	15	0
- other	0	0
b) charged to equity in connection with positive temporary differences (due to)	0	0
- investment valuation	0	0
c) charged to goodwill or negative goodwill due to positive temporary differences (as a result of)	0	0
3. Decreases	0	0
a) charged to the financial result of the period in connection with positive temporary differences (due to)	0	0
- investment valuation	0	0
- loans and bonds valuation	0	0
- other	0	0
b) charged to equity in connection with positive temporary differences (due to)	0	0
- investment valuation	0	0

c) charged to goodwill or negative goodwill due to positive temporary differences	0	0
4. Balance of deferred tax assets at end of period, total	15	0
a) charged to financial result	15	0
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0

CURRENT LIABILITIES	31.12.2016	31.12.2015
a) to subsidiaries	0	0
b) to jointly controlled entities	0	0
c) to associates	0	0
d) to significant investor	0	0
e) to parent company	0	0
f) to other entities	18	2
- loans and borrowings, including:	0	0
- long-term during the repayment period	0	0
- related to issue of debt securities	0	0
- related to dividends	0	0
- other financial liabilities, including:	0	0
- trade payables, with a repayment period:	2	2
- up to 12 months	2	2
- over 12 months	0	0
- advances received for deliveries	0	0
- related to promissory notes	0	0
- related to taxes, customs, insurance and other benefits	16	0
- related to wages and salaries	0	0
- other (by type)	0	1 043
- including: liabilities to acquire financial assets	0	1 043
- including: finance lease liabilities	0	0
- including: advances on grants	0	0
- including: insurance liabilities	0	0
g) special funds (by title)	0	0
- social benefits fund	0	0

Total current liabilities	18	1 045
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CURRENT LIABILITIES (CURRENCY STRUCTURE)	31.12.2016	31.12.2015
a) in Polish currency	18	1 045
b) in foreign currencies (according to currencies and translated to PLN)	0	0
Total current liabilities	18	1 045

OTHER PREPAYMENTS AND ACCRUALS	31.12.2016	31.12.2015
a) accrued expenses	11	11
- non-current (by title)	0	0
- current (by title)	11	11
- provision for costs	11	11
Total other prepayments and accruals	11	11

CASH FLOWS FROM OPERATING ACTIVITIES	01.01.2016	01.01.2015
I. Profit before tax	31.12.2016 <b>971</b>	31.12.2015 -1 <b>2</b> 1
II. Adjustments to reconcile profit before tax to net cash flows:	-951	129
Depreciation and amortization	0	0
Net foreign exchange differences	5	-6
3. Interest and share of profit (dividends)	-79	0
4. Gain (loss) on investment activity	-877	128
5. Changes in provisions	0	0
6. Changes in prepayments and accruals	0	7
7. Other adjustments	0	0
III. Changes in working capital	-9	24
IV. Income tax paid	177	-4
V. Net cash flows from operating activities	-166	28

# **AUDITOR'S REPORT**

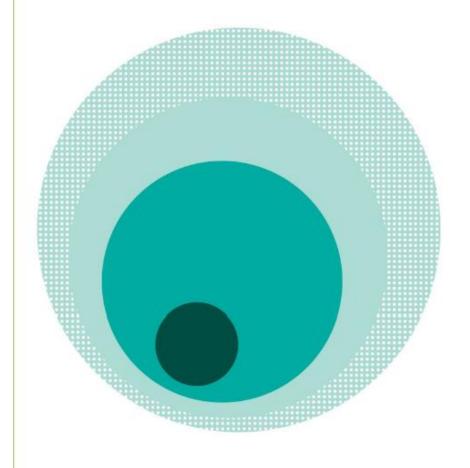


# CARPATHIA CAPITAL S.A.

**SPRAWOZDANIE** 

NIEZALEŽNEGO BIEGŁEGO REWIDENTA Z BADANIA SPRAWOZDANIA FINANSOWEGO NA DZIEŃ 31.12.2016 R.

28.04.2017 R.



An independent member of UHY international



# OPINIA NIEZALEŻNEGO BIEGŁEGO REWIDENTA

Dla Zgromadzenia Akcjonariuszy i Rady Nadzorczej

### Sprawozdanie z badania sprawozdania finansowego

Przeprowadziliśmy badanie załączonego sprawozdania finansowego Spółki Carpathia Capital S.A., z siedzibą w Poznaniu (zwaną dalej także Spółką), na które składa się sprawozdanie z sytuacji finansowej sporządzone na dzień 31.12.2016 r., sprawozdanie z wyników działalności, sprawozdanie z całkowitych dochodów, sprawozdanie ze zmian w kapitale własnym oraz sprawozdanie z przepływu środków pieniężnych za rok obrotowy kończący się tego dnia oraz opis znaczących zasad (polityki) rachunkowości, a także informacje dodatkowe i objaśniające.

### Odpowiedzialność Zarządu oraz Rady Nadzorczej

Zarząd Spółki jest odpowiedzialny za sporządzenie, na podstawie prawidłowo prowadzonych ksiąg rachunkowych, sprawozdania finansowego i za jego rzetelną prezentację zgodnie z Międzynarodowymi Standardami Rachunkowości, Międzynarodowymi Standardami Sprawozdawczości Finansowej oraz związanymi z nimi interpretacjami ogłoszonymi w formie rozporządzeń Komisji Europejskiej oraz innymi obowiązującymi przepisami prawa. Zarząd Spółki jest również odpowiedzialny za kontrolę wewnętrzną, którą uznaje za niezbędną dla sporządzenia sprawozdania finansowego niezawierającego istotnego zniekształcenia spowodowanego oszustwem lub błędem.

Zgodnie z ustawą z dnia 29 września 1994 r. o rachunkowości (Dz. U. z 2016 r., poz. 1047, z późn. zm.), zwaną dalej "ustawą o rachunkowości", Zarząd Spółki oraz członkowie Rady Nadzorczej są zobowiązani do zapewnienia, aby sprawozdanie finansowe spełniało wymagania przewidziane w ustawie o rachunkowości.

### Odpowiedzialność Biegłego Rewidenta

Jesteśmy odpowiedzialni za wyrażenie opinii o tym sprawozdaniu finansowym na podstawie przeprowadzonego przez nas badania.

Badanie przeprowadziliśmy stosownie do postanowień:

- 1. rozdziału 7 ustawy o rachunkowości;
- Krajowych Standardów Rewizji Finansowej w brzmieniu Międzynarodowych Standardów Badania przyjętych uchwałą nr 2783/52/2015 Krajowej Rady Biegłych Rewidentów z dnia 10 lutego 2015 r. z późn. zm.

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Standardy te wymagają przestrzegania wymogów etycznych oraz zaplanowania i przeprowadzenia badania w taki sposób, aby uzyskać wystarczającą pewność, że sprawozdanie finansowe nie zawiera istotnego zniekształcenia.

Badanie polegało na przeprowadzeniu procedur służących uzyskaniu dowodów badania kwot i ujawnień w sprawozdaniu finansowym. Dobór procedur badania zależy od naszego osądu, w tym od oceny ryzyka istotnego zniekształcenia sprawozdania finansowego spowodowanego oszustwem lub błędem. Dokonując oceny tego ryzyka, wzięliśmy pod uwagę działanie kontroli wewnętrznej, w zakresie dotyczącym sporządzania i rzetelnej prezentacji przez Spółkę sprawozdania finansowego, w celu zaprojektowania odpowiednich w danych okolicznościach procedur badania, nie zaś wyrażenia opinii o skuteczności kontroli wewnętrznej Spółki. Badanie obejmowało także ocenę odpowiedniości przyjętych zasad (polityki) rachunkowości, racjonalności ustalonych przez Zarząd wartości szacunkowych, jak również ocenę ogólnej prezentacji sprawozdania finansowego.

Wyrażamy przekonanie, że uzyskane przez nas dowody badania stanowią wystarczającą i odpowiednią podstawę do wyrażenia przez nas opinii z badania.

### Opinia

Naszym zdaniem załączone sprawozdanie finansowe:

- przekazuje jasny i rzetelny obraz sytuacji majątkowej i finansowej Spółki na dzień 31.12.2016 r., jak też jej wynik finansowy i przepływy pieniężne za rok obrotowy od 01.01.2016 r. do 31.12.2016 r. zgodnie z Międzynarodowymi Standardami Rachunkowości, Międzynarodowymi Standardami Sprawozdawczości Finansowej oraz związanymi z nimi interpretacjami ogłoszonymi w formie rozporządzeń Komisji Europejskiej i przyjętymi zasadami (polityką) rachunkowości;
- zostało sporządzone na podstawie prawidłowo prowadzonych ksiąg rachunkowych;
- jest zgodne co do formy i treści z obowiązującymi przepisami prawa oraz postanowieniami statutu Spółki.

### Sprawozdanie na temat innych wymogów prawa i regulacji

Opinia na temat sprawozdania z działalności

Nasza opinia z badania sprawozdania finansowego nie obejmuje sprawozdania z działalności.

Za sporządzenie sprawozdania z działalności zgodnie z ustawą o rachunkowości oraz innymi obowiązującymi przepisami prawa jest odpowiedzialny Zarząd Spółki. Ponadto Zarząd Spółki oraz członkowie Rady Nadzorczej są zobowiązani do zapewnienia, aby sprawozdanie z działalności spełniało wymagania przewidziane w ustawie o rachunkowości.

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Naszym obowiązkiem było, w związku z przeprowadzonym badaniem sprawozdania finansowego, zapoznanie się z treścią sprawozdania z działalności i wskazanie czy informacje w nim zawarte uwzględniają postanowienia art. 49 ustawy o rachunkowości i czy są one zgodne z informacjami zawartymi w załączonym sprawozdaniu finansowym. Naszym obowiązkiem było także złożenie oświadczenia, czy w świetle naszej wiedzy o jednostce i jej otoczeniu uzyskanej podczas badania sprawozdania finansowego stwierdziliśmy w sprawozdaniu z działalności istotne zniekształcenia.

Naszym zdaniem informacje zawarte w sprawozdaniu z działalności uwzględniają postanowienia art. 49 ustawy o rachunkowości i są zgodne z informacjami zawartymi w załączonym sprawozdaniu finansowym. Ponadto, w świetle wiedzy o jednostce i jej otoczeniu uzyskanej podczas badania sprawozdania finansowego nie stwierdziliśmy istotnych zniekształceń w sprawozdaniu z działalności.

W związku z przeprowadzonym badaniem sprawozdania finansowego, naszym obowiązkiem było również zapoznanie się z oświadczeniem Spółki o stosowaniu ładu korporacyjnego stanowiącym wyodrębnioną część sprawozdania z działalności. Naszym zdaniem w oświadczeniu tym jednostka zawarła informacje wymagane zgodnie z zakresem określonym w przepisach wykonawczych wydanych na podstawie art. 60 ust. 2 ustawy z dnia 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych (Dz.U. z 2016 r. poz. 1639, z późn.zm.) lub w regulaminach wydanych na podstawie art. 61 tej ustawy. Informacje te są zgodne z mającymi zastosowanie przepisami oraz z informacjami zawartymi w sprawozdaniu finansowym.

UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.



Woinish

Piotr Woźniak Kluczowy Biegły rewident Nr ewidencyjny 11625 przeprowadzający badanie w imieniu UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. Nr 3115

Poznań, 28.04.2017 r.



# RAPORT Z BADANIA ROCZNEGO SPRAWOZDANIA FINANSOWEGO



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# 1. CZĘŚĆ OGÓLNA

# 1.1 DANE IDENTYFIKUJĄCE SPÓŁKĘ

# 1.1.1 DANE REJESTROWE JEDNOSTKI

NAZWA SPÓŁKI	CARPATHIA CAPITAL S.A.
SIEDZIBA	UL. KRASIŃSKIEGO 16, 60-830 POZNAŃ
NUMER KRS	0000511985
SĄD REJESTROWY	SĄD REJONOWY POZNAŃ - NOWE MIASTO I WILDA W POZNANIU, VIII WYDZIAŁ GOSPODARCZY KRAJOWEGO REJESTRU SĄDOWEGO
DATA REJESTRACJI	26.06.2014
REGON	302762319
NIP	781-189-70-74

### 1.1.2 PRZEDMIOT DZIAŁALNOŚCI JEDNOSTKI

Zasadniczym przedmiotem działalności jednostki jest:

- nabywanie udziałów i akcji spółek zarówno publicznych, jak i prywatnych, w celu ich zbycia,
- doradztwo w zakresie prowadzenia działalności gospodarczej i zarządzania.

Rzeczywisty przedmiot działalności jest zgodny z zarejestrowanym przedmiotem działalności.

### 1.1.3 ROK OBROTOWY

Rokiem obrotowym jest rok kalendarzowy.

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#### 1.1.4 KAPITAŁ ZAKŁADOWY

Kapitał zakładowy Spółki uległ w badanym okresie zmianom i wynosi PLN 1.951.381,50. Składa się z 3.902.763 akcji o wartości nominalnej PLN 0,50 każda.

31 października 2016 Carpathia Capital S.A. poinformowała o rejestracji w KRS podwyższenia kapitału zakładowego Spółki z kwoty PLN 1.893.048,00 do kwoty PLN 1.951.381,50, będącego wynikiem emisji 116.667 akcji serii B3 o wartości nominalnej PLN 0,50 każda.

Akcje w Spółce posiadają:	ilość akcji	wartość nominalna akcji	%
INC S.A.	1 015 891	507 945,50	26,03
Pozostali	2 886 872	1 443 436,00	73,97
	3 902 763	1 951 381,50	100%

Po dniu bilansowym do dnia wydania opinii nie wystąpiły zmiany w strukturze Akcjonariuszy Spółki.

# 1.1.4 LISTA PODMIOTÓW POWIĄZANYCH

Spółka należy do Grupy Kapitałowej INC.

Na dzień bilansowy nie wystąpiły powiązania podlegające obowiązkowi sporządzenia skonsolidowanego sprawozdania finansowego.

### 1.2 ORGANY SPÓŁKI

### 1.2.1 ZARZĄD

W badanym okresie Zarząd sprawowali:

Pan Piotr Białowąs - Prezes Zarządu (od 23.02.2016 r.)
Pan Paweł Śliwiński - Prezes Zarządu (do 23.02.2016 r.)

Po dniu bilansowym do dnia wydania opinii nie wystąpiły zmiany w Zarządzie Spółki.

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#### 1.2.2 RADA NADZORCZA

W badanym okresie w Radzie Nadzorczej zasiadali:

Pani Justyna Światowiec-Szczepańska - Członek Rady Nadzorczej
Pan Rafał Śliwiński - Członek Rady Nadzorczej
Pan Paweł Śliwiński - Członek Rady Nadzorczej
(od 23.02.2016 r.)

Pan Piotr Białowąs - Członek Rady Nadzorczej

(do 22.02.2016 r.)

#### 1.2.3 PROKURA

W badanym okresie nie udzielono prokury.

### 1.3 SPRAWOZDANIE FINANSOWE ZA ROK POPRZEDNI

Sprawozdanie finansowe za rok 2015 zostało zbadane przez UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. O zbadanym sprawozdaniu wydano opinię bez zastrzeżeń.

Sprawozdanie finansowe zostało zatwierdzone uchwałą Zgromadzenia Akcjonariuszy z dnia 30.06.2016 r.

Zweryfikowane sprawozdanie finansowe złożono w Urzędzie Skarbowym dnia 11.07.2016 r. i Sądzie Rejonowym dnia 15.07.2016 r.

# 1.4 DANE IDENTYFIKUJĄCE PODMIOT UPRAWNIONY DO BADANIA SPRAWOZDANIA FINANSOWEGO

Badanie zostało przeprowadzone przez UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. z siedzibą w Krakowie, ul. Moniuszki 50, wpisaną na listę podmiotów uprawnionych do badania sprawozdań finansowych pod numerem 3115.

Podstawą przeprowadzenia badania jest umowa zawarta w dniu 10.02.2017 r. z Zarządem Carpathia Capital S.A. Biegły rewident został wybrany na audytora Carpathia Capital S.A. uchwałą Rady Nadzorczej z dnia 09.02.2017 r.

Biegłym rewidentem, reprezentującym podmiot uprawniony i kierującym badaniem jest Piotr Woźniak, numer ewidencyjny 11625.

Oświadczamy, iż zarówno podmiot uprawniony UHY ECA Audyt Spółka z ograniczoną odpowiedzialności Sp. k. jak i biegły rewident spełniają warunki do wyrażenia bezstronnej i niezależnej opinii o tym sprawozdaniu. Fakt bezstronności został potwierdzony pisemnie.

Badanie przeprowadzono w miesiącu lutym i kwietniu 2017 r. i zakończono w dniu 28.04.2017 r.

Wr.



# 1.5 DOSTĘPNOŚĆ DANYCH I OŚWIADCZENIA SPÓŁKI

Nie stwierdzono ograniczeń zakresu badania.

Badający uzyskali wszelkie żądane informacje i wyjaśnienia.

Dnia 28.04.2017 r. Zarząd Spółki potwierdził pisemnie kompletność sporządzonego sprawozdania finansowego oraz wykazanie wszelkich zobowiązań warunkowych oraz poinformował o istotnych zdarzeniach, które nastąpiły po dacie 31.12.2016 r. do dnia złożenia oświadczenia.







# 2. ANALIZA FINANSOWA

# 2.1 OGÓLNA ANALIZA SPRAWOZDANIA FINANSOWEGO

### 2.1.1 STRUKTURA SPRAWOZDANIA Z SYTUACJI FINANSOWEJ

Aktywa	31.12.2016 TPLN	%	31.12.2015 TPLN	%
Aktywa z tytułu odroczonego podatku dochodowego	28	0,3	0	0,0
Aktywa trwałe	28	0,3	0	0,0
Należności od pozostałych jednostek	16	0,2	11	0,1
Aktywa finansowe w pozostałych jednostkach	3 234	37,2	2 463	27,4
Środki pieniężne i inne aktywa pieniężne	5 416	62,3	6 527	72,5
Aktywa obrotowe	8 666	99,7	9 001	100,0
Aktywa	8 694	100,0	9 001	100,0







Pasywa	31.12.2016 TPLN	%	31.12.2015 TPLN	%
Kapitał podstawowy	1 951	22,4	1 893	21,0
Akcje własne (wielkość ujemna)	-255	-2,9	0	0,0
Kapitał zapasowy	6 188	71,2	6 193	68,8
Zysk (strata) z lat ubiegłych	-20	-0,2	-20	-0,2
Zysk (strata) netto	786	9,0	-121	-1,3
Kapitał własny	8 650	99,5	7 945	88,3
Rezerwy	15	0,2	0	0,0
Zobowiązania krótkoterminowe	18	0,2	1 045	11,6
Rozliczenia międzyokresowe	11	0,1	11	0,1
Zobowiązania i rezerwy na zobowiązania	44	0,5	1 056	11,7
Pasywa	8 694	100,0	9 001	100,0







# 2.1.2 DYNAMIKA SPRAWOZDANIA Z WYNIKÓW DZIAŁALNOŚCI

	2016 TPLN	2016/2015	2015 TPLN
Przychody ze sprzedaży	0	-	0
Koszty sprzedanych produktów, towarów i materiałów	0	-	0
Wynik ze sprzedaży	0	-	0
Pozostałe przychody operacyjne	83	-	0
Zyski (straty) z inwestycji	983	-1 410,7%	-75
Koszty ogólnego zarządu	90	95,7%	46
Wynik na działalności operacyjnej	976	-906,6%	-121
Koszty finansowe	5	-	0
Wynik brutto	971	-902,5%	-121
Podatek dochodowy	185	-	0
Wynik netto	786	-749,6%	-121







# 2.2 WYBRANE WSKAŹNIKI FINANSOWE

2.2.1 WSKAŹNIKI RENTOWNOŚCI		2016	2015
Rentowność majątku			
Wynik finansowy netto Suma aktywów	%	9,04	-1,34
Rentowność kapitału własnego			
Wynik finansowy netto Kapitał własny	%	9,09	-1,52
2.2.2 WSKAŹNIKI PŁYNNOŚCI			
Płynność I stopnia			
Aktywa obrotowe Zobowiązania krótkoterminowe		481,44	8,61
Płynność III stopnia			
Środki pieniężne i inne aktywa pieniężne Zobowiązania krótkoterminowe		300,89	6,25







2.2.3 WSKAŹNIKI ZADŁUŻENIA		2016	2015
Ogólny poziom zadłużenia			
Zobowiązania i rezerwy na zobowiązania Suma pasywów	%	0,51	11,73
Trwałość struktury finansowania			
Kapitał własny + Rezerwy i zobowiązania długoterminowe Suma pasywów	%	99,67	88,27
2.2.4 INNE WSKAŹNIKI			
Efektywna stopa podatku dochodowego			
Podatek dochodowy  Wynik brutto	%	19,05	-

### 2.3 INTERPRETACJA WYBRANYCH WSKAŹNIKÓW FINANSOWYCH

Analizie podlegały dane finansowe charakteryzujące Spółkę za dwa lata obrotowe. Porównywalność danych została zachowana.

Największy udział w strukturze aktywów wykazują środki pieniężne i inne aktywa pieniężne, które stanowią 62,3% sumy bilansowej. Drugą najistotniejszą pozycją aktywów są aktywa finansowe w pozostałych jednostkach. Ich udział w majątku na koniec 2016 roku wyniósł 37,2%. Spółka finansuje swoją działalność w zdecydowanej większości kapitałem własnym. Jego udział w pasywach wyniósł na koniec 2016 roku 99,5%, co oznacza wzrost o 11,2 p.p. w stosunku do poprzedniego dnia bilansowego. Najistotniejszą pozycję pasywów stanowi kapitał zapasowy, którego wartość stanowi 71,2% sumy bilansowej.

W badanym roku wskaźniki rentowności przyjęły wartości dodatnie i ukształtowały się na poziomie wyższym niż w roku poprzednim. Wzrost wskaźników rentowności został spowodowany osiągnięciem zysku netto w badanym roku.

Ze względu na spadek zobowiązań krótkoterminowych o 98,3% wzrost odnotowały wskaźniki płynności. Wartości wskaźników płynności I i III stopnia wyniosły odpowiednio 481,44 i 300,89.







# 3. CZĘŚĆ SZCZEGÓŁOWA

### 3.1 KSIĘGI RACHUNKOWE

Spółka posiada opracowaną politykę rachunkowości zatwierdzoną przez Zarząd. Polityka rachunkowości uwzględnia charakter prowadzonej działalności i jest stosowana w sposób ciągły.

Zapisy w księgach dokonywane są w sposób trwały. Sposób ewidencji zdarzeń gospodarczych w księgach rachunkowych pozwala na identyfikację daty dokonania operacji gospodarczej, dokumentu źródłowego, a także kwoty oraz oznaczenia kont księgowych, na których dana operacja została ujęta. Zapisy w księgach rachunkowych są kompletne, prawidłowe i odpowiednio powiązane z fakturami bądź innymi dokumentami źródłowymi.

Księgi rachunkowe prowadzone są w sposób rzetelny, bezbłędny i sprawdzalny, przy zastosowaniu komputerowego systemu finansowo - księgowego Sage Symfonia ERP Finanse. Stosowane przez Spółkę metody zabezpieczenia dostępu do danych i system ich przetwarzania są wystarczające.

Księgi są prowadzone i przechowywane w siedzibie Spółki z zachowaniem przepisów rozdziału 8 ustawy o rachunkowości.

Księgi rachunkowe Spółki prowadzone są usługowo przez podmiot do tego uprawniony, Jadwiga Krajewska Kancelaria Biegłego Rewidenta z siedzibą w Poznaniu.

# 3.2 POZOSTAŁE ELEMENTY SPRAWOZDANIA FINANSOWEGO ORAZ SPRAWOZDANIE Z DZIAŁALNOŚCI JEDNOSTKI

### INFORMACJE DODATKOWE

Informacje dodatkowe o przyjętych zasadach (polityce) rachunkowości oraz inne informacje objaśniające stanowiące integralną składową część sprawozdania finansowego zostały opracowane zgodnie z postanowieniami Międzynarodowych Standardów Rachunkowości, Międzynarodowych Standardów Sprawozdawczości Finansowej oraz związanymi z nimi interpretacjami ogłoszonymi w formie rozporządzeń Komisji Europejskiej, a w zakresie nieuregulowanym w tych standardach stosownie do wymogów ustawy o rachunkowości.







#### SPRAWOZDANIE Z SYTUACJI FINANSOWEJ

Sprawozdanie z sytuacji finansowej zostało sporządzone prawidłowo, zgodnie z postanowieniami Międzynarodowych Standardów Sprawozdawczości Finansowej. Stwierdzono jego powiązanie z księgami rachunkowymi.

# SPRAWOZDANIE Z CAŁKOWITYCH DOCHODÓW

Sprawozdanie z całkowitych dochodów zostało sporządzone prawidłowo, zgodnie z postanowieniami Międzynarodowych Standardów Sprawozdawczości Finansowej. Stwierdzono jego powiązanie ze sprawozdaniem z sytuacji finansowej oraz księgami rachunkowymi.

### SPRAWOZDANIE ZE ZMIAN W KAPITALE WŁASNYM

Sprawozdanie ze zmian w kapitale własnym zostało sporządzone prawidłowo, zgodnie z postanowieniami Międzynarodowych Standardów Sprawozdawczości Finansowej. Stwierdzono jego powiązanie z innymi elementami sprawozdania finansowego oraz księgami rachunkowymi.

### SPRAWOZDANIE Z PRZEPŁYWÓW PIENIEŻNYCH

Sprawozdanie z przepływów pieniężnych zostało sporządzone prawidłowo, zgodnie z postanowieniami Międzynarodowych Standardów Sprawozdawczości Finansowej. Stwierdzono jego powiązanie z innymi elementami sprawozdania finansowego oraz księgami rachunkowymi.

### SPRAWOZDANIE Z DZIAŁALNOŚCI JEDNOSTKI.

Sprawozdanie z działalności jednostki jest kompletne w rozumieniu art. 49 ustawy o rachunkowości, a zawarte w nim informacje, pochodzące ze zbadanego sprawozdania finansowego, są z nim zgodne.

### 3.3 ZDARZENIU PO DNIU BILANSOWYM

Nie stwierdzono zdarzeń po dniu bilansowym mających istotny wpływ na sumę bilansową lub wysokość wyniku finansowego za rok badany.

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#### 3.4 WNIOSKI Z PRZEPROWADZONEGO BADANIA

Na podstawie przeprowadzonego badania ksiąg rachunkowych Spółki Carpathia Capital S.A., z siedzibą w Poznaniu stwierdza się, że:

- sprawozdanie finansowe za rok obrotowy 2016 zostało sporządzone prawidłowo, dane zawarte w sprawozdaniu finansowym są zgodne z odpowiednimi saldami i obrotami w księgach rachunkowych;
- została zachowana zasada ciągłości bilansowej;
- sprawozdanie finansowe zostało podpisane przez upoważnione osoby;
- nie wystąpiły zjawiska i zdarzenia wskazujące na naruszenie obowiązującego prawa.

Montuszki 50, 31-523 Krakb

Wynik badania sprawozdania finansowego Spółki Carpathia Capital S.A. za rok obrotowy 2016 biegły rewident przedstawił w swojej opinii.

UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

Woinish

Piotr Woźniak Kluczowy Biegły rewident Nr ewidencyjny 11625 przeprowadzający badanie w imieniu UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. Nr 3115

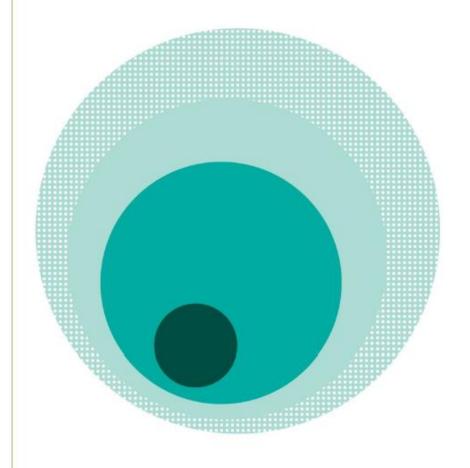
Poznań, 28.04.2017 r.



# CARPATHIA CAPITAL S.A.

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF THE FINANCIAL STATEMENTS AS OF 31.12.2016

28.04.2017



An independent member of UHY international



# INDEPENDENT AUDITOR'S OPINION

To the Shareholders and the Supervisory Board

#### Report on audit of the financial statements

We have audited the accompanying financial statements of Carpathia Capital S.A., having its registered office in Poznań (hereinafter referred to as the Company), these statements comprising statement of financial position as at 31.12.2016, statement of comprehensive income, statements of changes in equity and statement of cash flows for the year ended 31.12.2016 as well as description of the accounting policy and other explanatory information.

#### Responsibility of the Management Board and the Supervisory Board

The Company's Management Board is responsible for the preparation of financial statements, on the basis of properly maintained accounting books, and its fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Comission regulations and applicable laws. Management of the Company is also responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the (Polish) Accounting Act of 29 September 1994 (Journal of Laws of 2016, Item 1047, as amended), hereinafter referred to as "the (Polish) Accounting Act", the entity's Management Board and Supervisory Board members are obliged to ensure that the financial statements meet the requirements of the Accounting Act.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on the conducted audit.

The audit of the annual financial statements was conducted in compliance with:

- 1. Section 7 of the (Polish) Accounting Act;
- International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) as adopted as the National Standards on Audit and Assurance by the National Council of Certified Auditors.



The above regulations require meeting the ethical requirements as well as planning and conducting the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of procedures depends on our judgement, including the assessment of the risk of material misstatment in the financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

We hereby certify that the audit of the financial statements has provided sufficient basis for expressing an opinion.

#### Opinion

In our opinion the accompanying financial statements:

- give true and fair view of the financial position of the Company as of 31.12.2016 and of its financial performance and cash flows for the year ended 31.12.2016 in accordance the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Comission regulations as well as accounting policies adopted by the Company;
- 2. have been prepared on the basis of properly maintained accounting records;
- are compliant in form and content with current legal regulations and provisions of Company's articles of association.

#### Report on other legal requirements and regulations

Opinion on the Management Board's Report on the activities of the Company

Our opinion on the audit of the financial statement does not include report on Company's activities.

In accordance with provisions of the Accounting Act, the Management Board is responsible for the preparation of the report on Company's activities. Moreover, the Management Board and the Supervisory Board Members are obliged to ensure that the report on the Company's activities meets the requirements of the Accounting Act

Our responsibility, in relation to the audit of financial statement, was to get familiar with the contents of the report on the Company's activities and to indicate whether information contained therein complies with the provisions of Article 49 of the Accounting Act and whether it is consistent with the information contained in the





attached financial statement. Moreover, our responsibility was to declare whether, in the light of our knowledge of the Company and its environment obtained during the audit of the financial statements, we have identified any material misstatements in the report on Company's activities.

In our opinion information included in the report on Company's activities is consistent with the provisions of Article 49 of the Accounting Act and it complies with the information contained in the attached financial statement. Moreover, in the light of our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified any material misstatements in the report on Company's activities.

In relation to the audit of the financial statements, it was our responsibility to review the Company's statement of compliance with corporate governance principles, which is a separate part of the report on the activities of the Company. In our opinion, the statement provides all information required by the secondary legislation issued under Article 60.2 of the Act on public offering and conditions of introduction of financial instruments to organized trading and public companies of 29 July 2005 (Journal of Laws of 2016, item 1639, as amended) and regulations issued under Article 61 thereof. The information is compliant with the applicable laws and information presented in the financial statements.

UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

.....

Piotr Woźniak Key Certified Auditor Licence no. 11625 conducting the audit on behalf of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. Nr 3115

Poznań, 28.04.2017



# REPORT ON AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Helping you prosper

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## GENERAL INFORMATION

#### 1.1 GENERAL INFORMATION ON THE COMPANY

#### 1.1.1 UNIT'S REGISTRY DATA

BUSINESS NAME	CARPATHIA CAPITAL S.A.
REGISTERED OFFICE	KRASIŃSKIEGO 16, 60-830 POZNAŃ
REGISTERED NUMBER (KRS)	0000511985
DISTRICT COURT	DISTRICT COURT FOR POZNAŃ - NOWE MIASTO I WILDA IN POZNAŃ, VIII COMMERCIAL DIVISION OF THE NATIONAL COURT REGISTER
DATE OF REGISTRATION	26.06.2014
REGON	302762319
NIP	781-189-70-74

#### 1.1.2 BUSINESS ACTIVITY

The business activity consists of:

- purchasing shares of both public and non-public companies in order to sell them,
- advisory services with respect to management and conducting business activities.

The actual area of the Company's operations is consistent with the registered scope of operations.

#### 1.1.3 FINANCIAL YEAR

The financial year is a calendar year.





#### 1.1.4 SHARE CAPITAL

The Company's share capital changed in the audited period and equals PLN 1.951.381,50. It is divided into 3.902.763 shares with a nominal value of PLN 0,50 each.

On 31.10.2016 Carpathia Capital S.A. informed about registration of the increase in share capital of the Company from PLN 1.893.048,00 to PLN 1.951.381,50, which resulted from issuing of 116.667 B3 series shares with a nominal value of PLN 0,50 each.

The shares in the Company are held by:	Number of shares	Nominal value of shares	%
INC S.A.	1 015 891	507 945,50	26,03
Carpathia Capital S.A.	172 602	86 301,00	4,42
Others	2 714 270	1 357 135,00	69,55
	3 902 763	1 951 381,50	100%

After the balance sheet day till the day of opinion's issuance the shareholders of the Company did not change.

#### 1.1.5 LIST OF RELATED PARTIES

The Company belongs to the INC Group.

As of the balance sheet day no relations requiring preparation of consolidated financial statements have not occurred.

#### 1.2 COMPANY AUTHORITIES

#### 1.2.1 MANAGEMENT BOARD

During the audited period the Company was managed by:

Mr Piotr Białowąs - President of the Management Board (since 23.02.2016)

Mr Paweł Śliwiński - President of the Management Board (until 23.02.2016)

After the balance sheet day till the day of opinion's issuance there were no changes in the Company Management Board.





#### 1.2.2 SUPERVISORY BOARD

In the audited period, the Supervisory Board members were as follows:

Mrs Justyna Światowiec-Szczepańska - Supervisory Board Member
Mr Rafał Śliwiński - Supervisory Board Member
Mr Paweł Śliwiński - Supervisory Board Member

(since 23.02.2016)

Mr Piotr Białowąs - Supervisory Board Member

(until 22.02.2016)

#### 1.2.3 PROCURATION

In the audited period the procuration was not granted.

#### 1.3 PRIOR YEAR FINANCIAL STATEMENTS

The financial statements for the year 2015 were audited by UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. The audited financial statements were given an unqualified opinion. The financial statements were approved by a resolution adopted at the Shareholders' Meeting on 30.06.2016.

The verified financial statements were submitted to the Tax Office on 11.07.2016 and to the District Court on 15.07.2016.

# 1.4 INDENTIFICATION DATA OF THE ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS

The audit was conducted by UHY ECA Audyt Spółka z ograniczoną odpwiedzialnością Sp.k., with its registered office in Cracow, Moniuszki 50, entered onto the list of certified auditors under the number 3115.

The basis for our performing the audit is an audit contract signed on 10.02.2017 with the Management Board of Carpathia Capital S.A. The auditor was chosen by the resolution of Supervisory Board on 09.02.2017.

The certified auditor representing the entity entitled to audit financial statements and managing the audit is Piotr Woźniak, licence No. 11625.

Both the entity and the auditor meet the conditions necessary for issuance of an impartial and independent opinion on these financial statements. The impartiallity has been confirmed in writing.

The audit was conducted in February and April 2017 and was completed on 28.04.2017.





#### 1.5 AVAILABILITY OF DATA AND COMPANY DECLARATIONS

There were no restrictions as to the scope of the audit.

The auditors were provided with all required information and explanations.

On 28.04.2017 r. the Management Board of the Company confirmed in writing the completeness of the prepared financial statements as well as accounted for all contingent liabilities and post balance sheet day events occurring up to the date of the confirmation.





#### 2.1 GENERAL ANALYSIS OF THE FINANCIAL STATEMENT

#### 2.1.1 STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION

A	31.12.2016	%	31.12.2015	%	
Assets	TPLN		TPLN		
Deferred tax assets	28	0,3	0	0,0	
Non-current assets	28	0,3	0	0,0	
Receivables from other entities	16	0,2	11	0,1	
Financial assets in other entities	3 234	37,2	2 463	27,4	
Cash and other monetary assets	5 416	62,3	6 527	72,5	
Current assets	8 666	99,7	9 001	100,0	
Assets	8 694	100	9 001	100	





Liabilities	31.12.2016 TPLN	%	31.12.2015 TPLN	%
Share capital	1 951	22,4	1 893	21,0
Treasury shares (negative value)	-255	-2,9	0	0,0
Supplementary capital	6 188	71,2	6 193	68,8
Profits (losses) from previous years	-20	-0,2	-20	-0,2
Net profit (loss)	786	9,0	-121	-1,3
Equity	8 650	99,5	7 945	88,3
Provisions	15	0,2	0	0,0
Short-term liabilities	18	0,2	1 045	11,6
Accruals	11	0,1	11	0,1
Liabilities and provisions for liabilities	44	0,5	1 056	11,7
Liabilities	8 694	100,0	9 001	100,0





2.1.2 RELATIVE CHANGES COMPREHENSIVE INCOME	IN	THE	STATEMENT	OF
COM RETENSIVE INCOME		2016	2016/2015	2015
		TPLN	%	TPLN
Sales revenue			0 -	0
Cost of products, goods and materials sold			0 -	0
Profit on sales			0 -	0
Other operating revenues		8	33 -	0
Gain (loss) on investments		98	33 -1410,7%	-75
Administrative expenses		9	95,7%	46
Operating profit		97	76 -906,6%	-121
Character & Control				
Financial expenses		<del></del>	5 -	0
Profit before tax		97	71 -902,5%	-121
Income tax		18	35 -	0
Net profit		78	36 -749,6%	-121





#### 2.2 SELECTED FINANCIAL RATIOS

2.2.1 PROFITABILITY RATIOS		2016	2015
Return on assets			
Net profit Total assets	%	9,04	-1,34
Return on equity			
Net profit Equity	%	9,09	-1,52
2.2.2 LIQUIDITY RATIOS			
Current ratio			
Current assets Short-term liabilities	_	481,44	8,61
Cash ratio			
Cash and other monetary assets Short-term liabilities		300,89	6,25





2.2.3 INDEBTEDNESS RATIOS		2016	2015
General level of indebtedness			
Liabilities and provisions for liabilities  Total liabilities	%	0,51	11,73
Stability of the capital structure			
Equity + Provision and long-term liabilities Total liabilities	%	99,67	88,27
2.2.4 OTHER RATIOS			
Effective tax rate			
Income tax Profit before tax	%	19,05	-

#### 2.3 INTERPRETATION OF SELECTED FINANCIAL RATIOS

The analysis has been made based on financial data for two consecutive financial years. Comparability of data has been maintained.

Cash and other monetary items have the biggest share in total assets, amounting to 62,3% of the balance sheet total. The second most significant part of assets are financial assets in other entities. Their share in total assets as at 31.12.2016 was 37,2%. The Company finances its activities mostly by owners' equity. The share of equity in total assets rose by 11,2 p.p. in 2016 and amounted to 99,5% and the year-end. The most significant element of liabilities is supplementary capital, the value of which equals 71,2% of total liabilities.

Profitability ratios for the audited year were positive and their values were larger than in the previous year. This was caused by the Company achieving net profit in the audited period.

Due to decrease in short-term liabilities by 98,3%, the value of liquidity ratios increased. The value of current ratio and cash ratio was 481,44 and 300,89 respectively.





## 3. EXPLANATORY PART

#### 3.1 ACCOUNTING BOOKS

The Company has applied accounting policy approved by the Management Board Accounting policy takes into account the nature of the Company's operations and must be applied consistently.

Accounting records are made in a permanent form. The manner of registering economic events in accounting books allows to identify the date of carrying out a particular business operation, reference document and a particular amount as well as designation of ledger accounts, to which particular business operations have been credited. Accounting records are complete, correct and appropriately linked to particular invoices or other reference documents.

Accounting books are kept in a reliable, error-free and verifiable manner, with the use of financial-accounting computer system Sage Symfonia ERP Finanse. The methods applied by the Company for securing access to data and the system for processing them are adequate.

The books are kept and stored at the registered office of the Company in compliance with the provisions stipulated in Section 8 of the Accounting Act.

Bookkeeping services are provided to the Company by the authorised entity, Jadwiga Krajewska Kancelaria Biegłego Rewidenta with its registered office in Poznań.

# 3.2 OTHER COMPONENTS OF THE FINANCIAL STATEMENTS AS WELL AS THE MANAGEMENT REPORT ON THE BUSINESS ACTIVITY

#### OTHER EXPLANATORY INFORMATION

Other explanatory information being an integral part of these statements was prepared in compliance with the provisions of the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Comission regulations, and to the extent not regulated in these standards - in accordance with the requirements stipulated in the (Polish) Accounting Act.





#### STATEMENT OF FINANCIAL POSITION

The statement of financial position was prepared in compliance with the provisions of the International Financial Reporting Standards. Its relation to the accounting records has been confirmed.

#### STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income was prepared in compliance with the provisions of the International Financial Reporting Standards. Its relation to the statement of financial position and the accounting records has been confirmed.

#### STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity was prepared in compliance with the provisions of the International Financial Reporting Standards. Its relation to other elements of financial statements and the accounting records has been confirmed.

#### STATEMENT OF CASH FLOWS

The statement of cash flows was prepared in compliance with the provisions of the International Financial Reporting Standards. Its relation to other elements of financial statements and the accounting records has been confirmed.

#### MANAGEMENT REPORT ON BUSINESS ACTIVITY

Management report on business activity is complete in the meaning of Art. 49 of the Accounting Act. The information featured in the report, coming from the audited financial statements, are consistent with those financial statements.

#### 3.3 POST-BALANCE SHEET EVENTS

After the balance sheet date there were no events that materially affected the balance sheet totals or the financial result for the audited year.





#### 3.4 CONCLUSIONS UPON THE PERFORMED AUDIT

Having audited the accounting books of Carpathia Capital S.A., with its registered office in Poznań we hereby confirm that:

- The financial statements for the year ended 31.12.2016 were prepared properly, information disclosed in the financial statements corresponds with the respective balances and turnovers recorded in the accounting books;
- The principle of continuity and sequence in the balance sheet was complied with;
- 3. The financial statements were signed by entitled person;
- 4. No events indicating violation of the binding law occurred.

The result of auditing of the financial statements of Carpathia Capital S.A. for the financial year 2016 is enclosed in the auditor's opinion.

UHY ECA Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.

Piotr Woźniak Key Certified Auditor Licence no. 11625 conducting the audit on behalf of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. Nr 3115

Poznań, 28.04.2017



## **ARTICLES OF ASSOCIATION OF THE COMPANY**

# ARTICLES OF ASSOCIATION OF CARPATHIA CAPITAL SPÓŁKA AKCYJNA WITH REGISTERED OFFICE IN POZNAŃ

#### **GENERAL PROVISIONS**

#### § 1.

- 1. The business name of the Company shall be: CARPATHIA CAPITAL Spółka Akcyjna.
- 2. The Company may use the abbreviated name: CARPATHIA CAPITAL S.A.
- 3. The Company's registered office is in Poznań.
- 4. The Company shall run its business in the Republic of Poland and abroad.
- 5. The Company may create divisions, branches, and offices in the Republic of Poland and abroad.
- 6. The Company is formed for an indefinite period of time.
- 7. The Company is founded by the Company under the business name of: INC S.A. with its registered office in Poznań.

#### **OBJECTS OF THE COMPANY**

#### § 2.

The Company's objects are as follows:

- 1) Business and management consultancy activities PKD 70.22.Z.
- Activities of head office and holding companies, excluding financial holding companies – PKD 70.10.Z,
- 3) Activities of holding companies PKD 64.20.Z,
- 4) Trusts, funds and similar financial entities PKD 64.30.Z,
- 5) Other credit granting PKD 64.92.Z,
- Other financial service activities, except insurance and pension funding not elsewhere classified – PKD 64.99.Z.
- Buying and selling of own real estate PKD 68.10.Z,
- 8) Renting and operating of own or leased real estate PKD 68.20.Z.

#### SHARE CAPITAL AND SHARES

§ 3.

1. The share capital of the Company amounts to PLN 1,951,381.50 and is divided into:

- a) 1,000,000 (one million) of series A registered preference shares with one share carrying two votes, with a nominal per-share value of PLN 0.50 (50/100 zlotys), paid up in cash.
- b) 1,003,666 (one million three thousand six hundred and sixty six) of series B ordinary bearer shares with a nominal per-share value of PLN 0.50 (50/100 zlotys), paid up in cash.
- c) 275,000 (two hundred five hundred) of series B2 ordinary bearer shares with a nominal per share value of PLN 0.50 (50/100 zlotys), paid up in cash.
- d) 116,667 (one hundred sixteen thousand six hundred sixty-seven zlotys) of series B3 ordinary bearer shares with a nominal per-share value of PLN 0.50 (50/100 zlotys), paid up in cash.
- e) 795,991 (seven hundred ninety five thousand nine hundred ninety one) of series C ordinary bearer shares with a nominal per-share value of PLN 0.50 (50/100 zlotys), paid up in cash.
- f) 711,439 (seven hundred eleven thousand four hundred thirty nine) of series D ordinary bearer shares with a nominal per-share value of PLN 0.50 (50/100 zlotys), paid up in cash.
- 2. A series registered shares are preference shares in terms of voting rights; each share carries two votes.
- 3. A series registered shares may be converted into bearer shares, however not earlier than after 01-01-2016 (the first of January twenty sixteen). If they are converted to bearer shares. they lose their preference. Conversion of registered shares to bearer shares must be approved by the Supervisory Board, and the shareholder demanding conversion of registered shares to bearer shares shall pay the Company the amount being the difference between the issue price at which he had taken up A series shares and the issue price of another series if such has been issued by the Company.

- 4. The Company may increase share capital through issue of new shares (registered or bearer shares) issued for cash or non-cash contributions or through increase of nominal value of all the previously issued shares. On terms stipulated in the Code of Commercial Companies, the share capital may be increased from the Company's funds. Shares issued for cash contribution should be paid up in full before the share capital increase is registered.
- 5. Shares may be redeemed with the shareholder's consent, through acquisition thereof by the Company (voluntary redemption).
- 6. The Company may issue convertible bonds or bonds with a priority right.

#### § 4.

- 1. By 31-03-2017 (the thirty first of March twenty seventeen), the Management Board shall be authorised to increase the Company's share capital by up to PLN 375,000.00 (three hundred seventy five thousand zlotys) (authorised capital).
- Within the authorised capital, the Management Board shall be authorised to further increase the Company's share capital through further issues of shares, in private or public offering.
- 3. The Management Board may issue shares only in return for contributions in cash.
- 4. The issue price for shares in authorised capital must not be lower than arithmetic mean weighted with the volume of the price of shares in public trading for the period of 6 (six) months preceding the resolution to issue shares within the authorised capital, however never lower than the highest issue prices of shares in any private or public offering preceding the resolution to issue shares within the authorised capital. If the Company's shares are not publicly traded, the issue price must not be lower than the highest issue prices of shares in any private or public offering preceding the resolution to issue shares within the authorised capital. and in the lack of other issues of shares than the nominal value.
- Resolution of the Management Board to issue shares within the authorised capital shall require a prior resolution of the

- Supervisory Board to approve this issue and the issue price of shares.
- Upon consent of the Supervisory Board, the Management Board may exclude entirely or partly the subscription right for each increase of the share capital within the authorised capital.

#### § 5.

- 2. The Shareholder a Company under the business name of: INC S.A. with registered office in Poznań ("Authorised Shareholder"), as long as it holds at least one share in the Company, shall be authorised to personally appoint and dismiss more than half of the members of the Supervisory Board, that is in particular:
- b. 2 (two) members of the Supervisory Board in a Supervisory Board consisting of three members.
- c. 3 (three) members of the Supervisory Board in a Supervisory Board consisting of four or five members, and to appoint the Chairperson of the Supervisory Board from among the appointed members of the Supervisory Board.
- Appointment or dismissal of a member of the Supervisory Board as well as appointment of its Chairperson shall be made in writing with a signature confirmed by a notary. The right to dismiss a member of the Supervisory Board shall only apply to a member of the Supervisory Board previously appointed in the manner indicated above.
- 3. Members can be appointed or dismissed any number of times during one term of office.
- 4. If in a given term of office there are no persons appointed by the Authorised Shareholder in the number defined in item 1 of this section, this term of office of the Supervisory Board shall end on the date when the Authorised Shareholder exercises their right.
- 5. The Shareholder a Company under the business name of: INC S.A. with registered office in Poznań ("Authorised Shareholder"), as long as it holds at least one share in the Company, shall also be authorised to personally appoint and dismiss the President of the Management Board. The manner of appointment and dismissal shall be subject to the above provisions.

#### THE COMPANY'S CORPORATE BODIES

§ 6.

The Company's corporate bodies shall include:

- the Management Board,
- the Supervisory Board,
- the General Meeting of Shareholders.

#### A. The Management Board

§ 7.

- 1. The Company's Management Board shall be composed of one to three members.
- 2. Members of the Management Board shall be appointed and dismissed by the Supervisory Board, subject to section 5.5 hereof. Appointing the Management Board, the Supervisory Board shall determine the number and functions of the members.
- In relations with members of the Management Board, including conclusion of agreements, the Company shall be represented by the Chairperson of the Supervisory Board or another member of the Supervisory Board indicated by the Supervisory Board.
- 4. The Management Board's term of office shall be 5 (five) years. In the case of a Management Board comprising more than one member, the members shall share the term of office.
- 5. The mandates of the Management Board members shall expire on the day of the General Meeting of Shareholders approving the Management Board's report on the Company's operations and financial statement for the last year in their term of office.
- 6. Members of the Management Board may be re-elected for further terms.

§ 8.

- 1. The Management Board manages the Company's affairs and represents the Company.
- Works of the Management Board shall be managed by the President of the Management Board
- 3. Working arrangements of the Company's Management Board and remuneration policy applicable to members of the Management Board are defined in the By-laws adopted by the Supervisory Board.

§ 9.

Each member of the Management Board shall be authorised for sole representation of the Company.

§ 10.

Members of the Management Board may not, without the consent of the Supervisory Board deal in competitive businesses or participate in a competitive company as a partner in a civil partnership, partnership or as a member of authorities of a capital company, or participate in any another competitive legal entity as a member of its authorities. This non-competition clause shall apply also to holding shares in a competitive capital company if the member of the Management Board holds at least 10% of shares in such a company or the right to appoint at least one member of the Management Board.

#### **B. Supervisory Board**

§ 11.

- 1. The task of the Supervisory Board is to supervise the business of the joint-stock company on an on-going basis.
- 2. The Supervisory Board operates pursuant to the Code of Commercial Companies and the Articles of Association which stipulate in particular its composition and competences, and pursuant to the By-Laws adopted by the General Meeting of Shareholders, stipulating the organisation and manner of operation of the Supervisory Board.
- The Supervisory Board shall be composed of 3 (three) to 5 (five) members appointed by the General Meeting of Shareholders, subject to section 5.1 of the Articles of Association.
- 4. The Supervisory Board's term of office shall be 5 (five) years
- 5. Members of the Supervisory Board shall be appointed for the common term of office.
- 6. The mandates of the Supervisory Board members expire on the day of the General Meeting approving financial statements of the last financial year covered by the Supervisory Board's term of office and in other circumstances defined in the Code of Commercial Companies.
- 7. Members of the Supervisory Board may be re-elected for further terms.

§ 12.

- 1. Members of the Supervisory Board shall execute their rights and carry out their duties in person and jointly.
- Remuneration of the Supervisory Board members for a given year shall be determined by the General Meeting of Shareholders.

#### § 13.

- The Supervisory Board shall exercise permanent supervision over the company operations in all aspects of its activity. First and foremost, each member of the Supervisory Board should bear in mind the interests of the Company.
- 2. Competences of the Supervisory Board include:
  - consenting to acquisition or sale of real property, perpetual usufruct rights or interest in real property by the Company;
  - appointing an auditor to review the Company's financial statements; when choosing the auditor, the Supervisory Board should take into account any circumstances limiting his/her impartiality in performance of the tasks; the auditor should be replaced at least every 5 (five) years, and replacement of the auditor shall be understood also as replacement of the person performing the audit; moreover, over a longer period, the Company should not use the services of the same auditing entity;
  - appointment and dismissal of the Company's Management Board;
  - concluding agreements with members of the Management Board;
  - representing the Company in disputes with members of the Management Board;
  - determination of remuneration for the Management Board members;
  - suspension, for valid reasons, individual or all members of the Company's Management Board;
  - delegating members of the Supervisory Board to perform duties of the Management Board members on a temporary basis, where a member of the Management Board is unable to perform his/her duties;
  - approving by-laws of the Company's Management Board;

- requesting the Company's Management Board to convene the General Meeting of Shareholders:
- convening the Annual General Meeting of Shareholders where it is not convened by the Management Board within the prescribed period;
- convening the Extraordinary General Meeting of Shareholders if they deem it advisable.

#### § 14.

- 1. Meeting of the Supervisory Board shall be convened as appropriate but at least 3 (three) times a year.
- Meetings of the Supervisory Board shall be held at the Company's registered office, unless other venue is specified in the notice convening the meeting.
- A Supervisory Board meeting may be held without a formal notice referred to above if all Supervisory Board members give their consent thereto and none of them objects to the meeting agenda.
- 4. Meetings are presided over by the Chairperson of the Supervisory Board or, in his/her absence, by the Deputy Chairperson. Where both the Chairperson and Deputy Chairperson are absent, the Chairperson shall be elected by the Supervisory Board.
- 5. The Supervisory Board shall be capable of making resolutions if at least half of the members are present and all the members have been invited. Resolutions shall be passed by an absolute majority of votes, unless the Company's Articles or the By-Laws of the Supervisory Board stipulate otherwise.
- 6. The Supervisory Board may adopt resolutions in writing or using means of direct telecommunication. The resolution shall be valid if all Supervisory Board members have been notified about the contents of the draft resolution and were able to vote on it.
- Members of the Supervisory Board may participate in the process of adopting resolutions by casting their votes in writing through the agency of another member of the Supervisory Board.

#### **C.** General Meeting of Shareholders

§ 15.

- 1. A General Meeting of Shareholders may be either Annual or Extraordinary.
- 2. Extraordinary General Meeting shall be convened by the Company's Management Board of its own initiative or upon a request of shareholders representing at least 1/20 (one twentieth) of the share capital. Extraordinary General Meeting may also be convened by the Supervisory Board or shareholders representing at least 1/2 (one-second) of the share capital or at least 1/2 (half) of all the votes in the Company.
- Extraordinary General Meeting of Shareholders shall be convened within 2 (two) weeks after the said request is submitted.

#### § 16.

Meetings shall be held at the Company's registered office or in another location within the territory of the Republic of Poland indicated by the Management Board.

#### § 17.

Each bearer share carries one vote at the General Meeting of Shareholders. A series registered shares carry two votes at the General Meeting of Shareholders.

#### § 18.

- Resolutions of the General Meeting of Shareholders shall be passed by a ordinary majority of votes cast, unless provisions of the Code of Commercial Companies or the Articles of Association stipulate otherwise.
- 2. In the case referred to in Art. 397 of the Code of Commercial Companies, a resolution to dissolve the Company requires the majority of 3/4 (three-quarters) of votes cast.
- Voting shall be an open ballot. A secret ballot shall be ordered upon request of at least one attendants entitled to vote.

#### § 19.

 The General Meeting of Shareholders shall be opened by the Chairperson of the Supervisory Board, in the event of his/her absence, by another member of the Supervisory Board, after which the Chairperson shall be elected from among the persons entitled to vote. If these persons are absent, the General Meeting of Shareholders shall be opened by the President of the Management Board or a person appointed by the Management Board. 2. The General Meeting shall adopt its own rules specifying in detail its procedure.

#### § 20.

- 1. The General Meeting of Shareholders shall take decisions on the following matters:
  - examination and approval of the Management Board's report on the Company's operations and the financial statements for the previous financial year;
  - adoption of a resolution on the distribution of profit or offset of losses
  - granting a vote of acceptance to members of corporate bodies confirming the discharge of their duties,
  - all decisions in respect of claims for repairing damage suffered through the formation of the Company or exercise of management or supervision,
  - disposal or lease of the enterprise and establishment of a right of use thereon,
  - issue of convertible bonds or bonds with priority right, and issue of subscription warrants referred to in Article 453 § 2 of the Code of Commercial Companies, as well as decrease or redemption of the share capital,
  - dissolution of the Company,
  - adoption of the by-laws of the General Meeting of Shareholders ,
  - appointment and dismissal of members of the Supervisory Board and determination of their remuneration,
  - adoption of the by-laws of the Supervisory Board.
  - examination and resolution of requests submitted by the Supervisory Board or the Management Board,
  - other matters stipulated in the Code of Commercial Companies or in these Articles.
- 2. Purchase or sale of real property, perpetual usufruct rights or interest in real property shall not require a resolution of the General Meeting of Shareholders.

#### THE COMPANY'S ACCOUNTS

#### § 21.

The Company's financial year shall be a calendar year.

§ 22.

The Company shall create:

- share capital;
- supplementary capital;
- other funds or capital permitted or required by the law.

§ 23.

- 1. At least eight per cent of profit for the financial year shall be transferred to supplementary capital.
- 2. Write-off for supplementary capital can be omitted when the capital reaches the value of 1/3 (one-third) of share capital.
- 3. The General Meeting of Shareholders shall decide on allocation of the supplementary capital; however, that part of the supplementary capital which equals 1/3 (one-third) of the share capital may be used only to cover balance sheet losses.

§ 24.

The profit left after obligatory write-offs shall be allocated to:

- offset of losses from previous years,
- dividend for shareholders, in the amount determined every year by the General Meeting of Shareholders,

 other purposes determined by resolutions of the General Meeting of Shareholders.

§ 25.

- 1. Payment of dividend shall be made in times determined by the General Meeting of Shareholders.
- 2. The General Meeting of Shareholders shall define the date as of which the list of shareholders entitled to receive a dividend for a given financial year is determined.
- 3. The Management Board may make advance payments towards the divided to the extent defined in the Code of Commercial Companies.

#### FINAL PROVISIONS

§ 26.

The Company shall place its announcements in the Court and Commercial Gazette published by the Ministry of Justice.

## **CORPORATE GOVERNANCE PRINCIPLES**

Carpathia Capital became a public company listed on the AeRO Market administered by the Bucharest Stock Exchange on 25th February 2015.

The intention of the Management Board is to gradually implement all recommendations set out in Corporate Governance Principles for the companies admitted to trading on the AeRO – BVB Market for Equities.

Substantial part of the principles of the principles has been adopted since 25th February 2015

	Board of Directors F	Responsibilities	
	Section A – mandatory provision	Section B – fulfilment model	
A	The role of the Board of Directors (Board) must be clearly defined and based on articles of association of the Company, in the internal regulations and/or other similar documents.	The role and duties of the Management Board are defined in the incorporation paper of the Company. In a year under review, the Company has be managed by President of The Management Board (CEO).	
A.1.	The Company should have an internal regulation of the Board which includes terms of reference for the Board and the key management functions of the Company. The conflict of interests at the Board level should also be presented in the Board's regulation.	The Company is managed by a CEO, not by a Board of members. All interests of the CEO can be found in the chapter Company Management from the Annual Report and on the Company's website.	
A.2.	A Board member's other professional commitments, including executive and non-executive Board positions in companies (excluding the Company's subsidiaries) and non-profit institutions, should be disclosed to the Board before appointment and during his/her mandate.	Both in the Annual Report in the chapter on Company Management and on the company's website can be found the information about all interests of the CEO.	
A.3.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly shares representing not less than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Both in the Annual Report in the chapter of Company Management and on the company's website can be found the information about all interests of the CEO.	
A.4.	The annual report should inform on whether an evaluation of the Board has taken place under the leadership of the chairman. It should also include the number of the Board.	Principle is partially applied. Evaluation of the Board and the Company's performance will be done before Annual Shareholders Meeting.	

A.5.	The procedure regarding the cooperation	The procedure regarding the cooperation
	with the Authorized Consultant for the	include all the elements required by
	period in which this cooperation is	Authorized Consultant.
	imposed by the Bucharest Stock	
	Exchange will contain at least following:	
A.5.1.		The procedure regarding the cooperation
	Consultant:	include all the elements required by
		Authorized Consultant.
A.5.2.	Frequent meetings with the Authorized	The procedure regarding the cooperation
7	Consultant (which will be at least once a	include all the elements required by
	month or whenever events or new	Authorized Consultant.
	information involves transmitting current	, tamonizou denounani
	reports), so still Authorized Consultant can	
	be consulted:	
A.5.3.		The procedure regarding the cooperation
	Consultant with all reports and any	include all the elements required by
	information that reasonably require to fulfill	Authorized Consultant.
	his responsibilities:	
A.5.4.	•	The procedure regarding the cooperation
	Exchange regarding any dysfunctions in	include all the elements required by
	cooperation with Authorized Consultant or	Authorized Consultant.
	changing of the Authorized Consultant.	
Sectio	n B – Internal Control System	
B.1.	The Board should adopt a policy ensuring	The Company has no subsidiaries. During
	that any transaction of the Company with	2016 the Company has not signed contracts
	any of its subsidiaries that is equal to or	or transactions with subsidiaries.
	more than 5% of the net assets of the	
	Company as stated in the latest financial	
	report should be approved by the Board.	
B.2.	The internal audit should be carried out by	The Company does not have a separate
	a separate structural division (internal	structural internal audit division. The internal
	audit department) within the Company or	audit is conducted by the CEO.
	through retaining an independent third-	
	party entity which should report to the	
	Board, while within the Company, it should	
	report directly to the CEO.	
	n C – Fair rewards and motivation	
C.1.	The Company should publish in its annual	The Company is managed by a CEO, not by a
	report a remuneration report including the	Board of members. During 2016, the CEO did
	total revenues for the Board members and	not receive remuneration.
	the CEO for the past financial year and the	
	total value of any bonus payments or other	
	variable compensations and also the key	
	assumptions and guidelines for calculating	
	the above revenues.  n D – Building value through Investors R	

D.1.	In addition to information required by legal provisions, the corporate website should have a dedicated Investors Relation section, both in Romanian and English, with all relevant information of interest for investors, including:  Principal corporate regulations, in	The principle is partially applied. The corporate website have dedicated Investors Relation section in Polish and English. All relevant information and reports are made both in Polish and English.  Principal corporate regulations can be found
D.1.1.	particular the articles of association and internal regulations of its governing bodies	on the website.
D.1.2.	Professional CVs of the members of its governing bodies	CVs of the members of governing bodies are published on the website.
D.1.3.	Current reports and also periodic reports	All reports in Polish and English can be found on the website after they are published on the Bucharest Stock Exchange.
D.1.4.	shareholders: agenda and the materials sustaining the agenda of the meeting: the resolutions and general meetings	Information about the General Meeting of Shareholders will be available on the website.
D.1.5.	Information on corporate events, such as payment of the dividends or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles as such operations	Information will be available on the website when necessary.
D.1.6.	Other extraordinary information that should to be provided: the break down/change/start of cooperation with an Authorized Adviser (AA): the signing/renewal/termination of agreement with a Market Maker.	Information will be available on the website when necessary.
D.1.7.	The Company should have an investors relations function (IR) and will include on the IR section of the company's website the name and contact data of a person who should be able to provide knowledgeable information on request.	The Company does not have an separate investors relations function. Investors can obtain all the necessary information by contacting with the Company's office. The contact data is provided on the Company's website.
D.2.	A company should have adopted a dividend policy of the company, as a set of directions related to the distribution of net profit that the company declares to follow. The dividend policy principles should be published on the corporate website.	Information are published on the website and in the Annual Report.
D.3.	A company should have adopted a policy with respect to forecasts, whether it would be distributed or not. Forecast means the quantified conclusions of studies aimed at	The policy has been published on the website. The company does not publish forecasts.

	determining the total impact of a list of factors related to a future period (so called, assumptions). The policy should provide for the frequency, the period envisaged and content of forecasts. Forecasts, if published, may only be part of annual, half-yearly or quarterly reports. The forecast policy should be published on the corporate website.	
D.4.	A company should set the date and place of a general meeting so as to enable the participation of the highest possible number of shareholders.	The company will organize the General Meeting of Shareholders at the company's headquarters, during working days.
D.5.	The financial reports should include information in both Romanian and English as regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators.	The principle is partially applied. All Company's financial reports are published in Polish and English.
D.6	The company should organize at least one meeting/conference call with analysts and investors each year. The information presented on these occasions should be published in the IR section of the website of the company at the time of the meeting/conference call.	The Company has organized two meetings with analyst/investors in 2016 in Poland and aims to organize investors' meeting in Romania in 2017.



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