



ANNUAL REPORT 2017



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

For the financial year	2017
Date of the report	27 April 2018
Name of the company	Carpathia Capital S.A.
Web	www.carpathiacapital.eu
Registered office	Krasińskiego Street no. 16, 60-830 Poznań
Telephone/Fax number	+48 61 851 86 77
Unique Tax Reference Number	7811897074
Trade Register number	302762319
Regulated market on which the issued securities are traded	AeRO Market, administered by the Bucharest Stock Exchange
Registered share capital	PLN 1.951.381,50
The main characteristics of the securities issued by the trading company	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

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LETTER FROM THE CEO OF CARPATHIA CAPITAL

Dear Shareholders,

Carpathia Capital (CC) achieved another year of a strong financial performance in a fiscal year 2017, demonstrating the strength of our strategy and diversified investment portfolio. This is the second consecutive year in which we have generated such a strong organic growth. I have the pleasure of presenting the most important achievements concerning 2017 year and the new targets for Carpathia Capital.

In 2017 the Company generated operational profit and net income. Carpathia Capital has paid taxes for the completed investments and received dividends during on this period of time.



Due to positive operating cash flow (generated on investment activity) in the last two years, we are ready for dividend payment. On December, 2017 the Company adopted a dividend policy, where the dividend payout ratio in relation to CC book value, will not be less than NBP lombard rate (currently: 2.50%). According to this policy the Management Board intends to recommend to the General Meeting of Shareholders payment of dividend from a part of net profit generated in 2017 amounting to 335,714.49 PLN representing 0.09 PLN per share (which is 3,60% per book value as of the end of 2017).

As a result of profitable activity Company's equity capital after taxes increased by 10.5% in 2016 and by 7.8% in 2017.

On December 31, 2017 75% of assets (including cash and other monetary assets) were invested in Poland. The rest of asset were located in Romania.

At the end of 2017 the investment portfolio (public and non-public securities) was valued at 44.8% above the purchase price. This calculation considers only stock market valuations. Non-public assets were valued at purchase price.

The Company is currently in the process of registration on to the list of Alternative Investment Companies (ASI), register kept by Polish Financial Supervisory Authority (KNF).

On December, 2017 the Company's General Shareholder Meeting has adopted a resolution of issue of up to 4 million shares in amount of 10 million PLN. Company intends to raise capital for further investments. Company's management intends to list these shares as soon as possible (this year assumed) on the NewConnect market in Poland.

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

After listing of the new shares on the NewConnect market, we will begin the procedure of transferring of shares listed on AeRO to NewConnect for those investors who will respond to the announced call offer.

New shares issue is part of the investment plan of Carpathia Capital. In 2017 24 companies have chosen INC group as their Authorized Advisor in the process of making the company public within framework of the 4Stock program. We assume that Carpathia Capital will invest in 10-15 companies from the above-mentioned.

The latest investments made by the Company include:

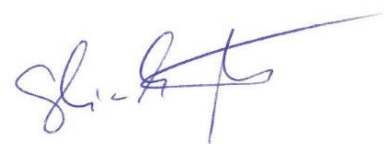
- DOOK S.A. (debuted on NewConnect, WSE, December 2017; it was the 50th debut organized by INC S.A. on NewConnect market),
- PASSUS (the company is going to debut in the next few weeks on NewConnect, WSE),
- EKOPARK (debut on NewConnect, WSE planned in second/third quarter of 2018),
- THE YACHTING CLUB (the company plans the debut on NewConnect, WSE in second half of the year).

We will inform about our further investments on a current basis. Carpathia Capital plans to give individual investors a unique opportunity to take part in these investments on preferential terms.

I am always proud when I can say that we have made tremendous progress over the last 3 years of our activity. But, like always, there is some place for further improvement and we will be working hard to make it happen. We will continue to strive to become an even stronger Company, and to create long-term value for our shareholders.

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

Yours faithfully,



Paweł Śliwiński
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 NewConnect Alternative Trading System, the Main Market of Warsaw Stock Exchange and Catalyst Bond Market of the Warsaw Stock Exchange, the AeRO Market of the Bucharest Stock Exchange or the Main Market of the Bucharest 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.

- **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.

CHARACTERISTICS OF INVESTMENT ACTIVITY

Funds available for investments	Approx. RON 4 296 000
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**

In 2017, the Company has been engaged in a number of events oriented towards increasing visibility and the profile of AeRO Market as well as promoting value offer of Carpathia Capital for Romanian SMEs.

The most important were the following:

- On 8 March 2017, Carpathia Capital in co-operation with Polish-Romanian Bilateral Chamber of Commerce and Industry organized meeting with the Minister of Business Environment, Trade and Entrepreneurship of Romania, Mr. Alexandru Petrescu. The meeting was addressed to entrepreneurs interested in developing trade relations and direct investments in Romania. The event was an opportunity for dialogue between the business community and representatives of the Romanian government and economic departments of the Romanian Embassy in Warsaw. During the opening presentation, Minister Petrescu underlined the strategic importance of the Polish-Romanian bilateral economic partnership, which trace Romania wants to follow searching for optimal solutions to improve their business environment. Mr. Petrescu said that as a newly nominated Minister of Economy, he is aware of the need of pragmatic solutions for the entrepreneurs and foreign investors, who contribute to the on-going improvement of the business environment in Romania.
- On 3 April 2017, Bucharest Stock Exchange awarded 15 companies that have been qualified to final stage of Bucharest Stock Exchange's Made in Romania a unique concept aimed at identifying, promoting as well as providing a special mentorship program to Romanian companies with the biggest growth potential. During the selection process 166 nominations have been received, 50 companies have been shortlisted and final 15 companies have entered BVB League. Bittnet Systems and Ropharma has been awarded with BVB Special Distinction Award and invited to provide expert advice in the project. Piotr Białowas was acting as a Member of the Nomination Committee for "Made in Romania". Nomination Committee consisted of local and foreign market experts. We believe that "Made in Romania" will bring several positive developments for entrepreneurs, investors and the ecosystem of Bucharest Stock Exchange.
- On 4 April 2017, Company participated in the first edition of the Bucharest Entrepreneurship Forum at The Ark, in Bucharest. Engaged in workshops, 1-to-1 meetings, networking opportunities and a start-up pitching session. Piotr Białowas delivered presentation on listing perspectives for start-ups and SMEs.
- On 8 August 2017, Company participated in the Summer workshop for entrepreneurs - obtaining financing for development through the Bucharest Stock Exchange. Piotr Białowas delivered presentation "AeRO market: a financing alternative for Romanian start-ups and SMEs".
- In December, 2017 and in January and March 2018, the Management Board of Carpathia Capital held a meeting with investors in the USA. Mr. Paweł Śliwiński held business meetings

in New York and Chicago. The purpose of the meeting with investors was to present the Company achievements.

- **Project sourcing**

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

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

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

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

- **Securities Registration Certificate**

On 17 March 2017, Carpathia Capital SA informed about submission of the Securities Registration Certificate no. AC-4132-3/01.03.2017 by the Financial Supervision Authority (ASF), certifying registration of the share capital increase of 116.667 B3 series new shares, issued upon the resolution no. 3 of the General Shareholders Meeting of 15th October 2015.

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

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

- **General Shareholders Meeting resolutions in the first six months of 2017**

The main resolutions of shareholders at the June 30, 2017 GSM were the following:

- The approval of the financial statements of the Company for the financial year 2016.
- The approval of regarding allocation of Company's net profit for the financial year 2016.
- The approval of the Company's Management Board's report on its activity in the financial year 2016.
- Adoption of the resolutions regarding acknowledgment of performance of duties by the Management Board Members in the financial year 2016.
- Adoption of the resolutions regarding acknowledgment of performance of duties by the Supervisory Board Members in the financial year 2016.
- Adoption of the resolution regarding approval for acquisition of own shares.

- **Allocation for reserve capital**

According to resolution of the Resolution No 13/2017 of the Ordinary General Meeting of CARPATHIA CAPITAL S.A. of June 30, 2017 regarding approval for acquisition of own shares, the reserve capital has been set at PLN 700 000. Reserve capital has been allocated for the purchase of own shares together with the costs of their acquisition in accordance with this resolution.

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

On 14 December 2017, the Management Board reported that the Company received from INC S.A. (a person closely associated with persons discharging managerial responsibilities) information on the basis of art. 19 section 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 of 16 April 2014 on market abuse (MAR Regulation), on the transaction of acquisition of Company's shares.

- On 14 December, 2017, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 110 shares at an average price of 2.00 RON.
- On 12 December, 2017, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 1000 shares at an average price of 2.50 RON.

- **Adoption of dividend policy principles**

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

The dividend policy assumes:

1. The Management Board will recommend an annual dividend payment from the company's profit.
2. The amount of the dividend will be set at such a level that the dividend rate is at least equal to the lombard rate of the National Bank of Poland (NBP) as of the date of publication of the annual report for the financial year.
3. If there is no dividend payment in a given year, in the following year the dividend rate should be set at the level of at least twice the NBP lombard rate as of the day of publication of the annual report for a given financial year.
4. All shares issued by the Company (excluding own shares) have equal rights regarding the payment of dividends (and accordingly advance dividends) and entitle to participate in the profit of the Company, provided that the General Shareholders Meeting adopts a resolution on the distribution of profit.
5. The dividend policy will apply from the distribution of profit for 2017.
6. The Management Board will recommend approving this dividend policy by the Supervisory Board and the General Meeting of Shareholders.

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

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

The issue will be conducted with the exclusion of pre-emptive rights, in a public or non-public offer. The new issue shares will ultimately be the subject of applying for trading on the alternative

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

- **Extraordinary General Meeting of Shareholders was held on January 25, 2018.**

The main resolutions of shareholders on January 25, 2018 Extraordinary General Meeting of Shareholders were the following:

1. Adoption of resolutions regarding share capital increase by issuing Series E shares by private subscription. The subscription excluding right of the existing shareholders and to introduce the shares and rights to Series E shares to trading on the alternative trading market NewConnect of the Warsaw Stock Exchange and to amend the Company's articles of association.
2. Adoption of the resolution to set the rules of the dividend policy.
3. Adoption of the resolutions regarding changes in the composition of the Supervisory Board.

- **Decision on write-off**

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

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

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

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

IMPORTANT EVENTS AFTER REPORTING PERIOD

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

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

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

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

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

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

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

During the financial year 2017 did not occur any significant merger or reorganization of the company, its branches or controlled companies.

Company's share capital over the last year remained on the same level and equal 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 2017 the Company focus was continuing the fund raising. As provided in the current reports no 6/2017 (December 19th, 2017) Carpathia Capital informed about write-off of bonds of Moto44 Sp. z o.o.:

- On December 19th, 2017 the Management Board informed decision on write-off resulting from permanent impairment of assets. Management Board of the Company decided to write down an amount of PLN 106.720,55 resulting from permanent impairment of assets that refers to valuation of bonds of Motto 44 S.A., of which the Company informed in current reports No. 1/2016, 2/2016 and 17/2016, which are components of the investment portfolio.

The impairment loss is related to non-repayment of liabilities of Moto 22 S.A. resulting from the issue of bonds, inability to raise the share capital and filling an application for the declaration of bankruptcy of Moto44 S.A. by the Management Board of Carpathia Capital S.A. as of December 19, 2017. The revaluation write-down was included in the Company's financial results for 2017.

DESCRIPTION OF THE MAIN RESULTS OF THE COMPANY'S EVALUATION

PLN'000	31.12.2017	31.12.2016
Equity	9 325	8 650
Cash	3 846	5 416
Financial assets in other entities	5 383	3 234
Long-term liabilities	0	0
Short-term liabilities	1	18

PLN'000	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Gain (loss) on investments	895	983
- profit/loss on sales of securities	18	151
- interest and dividend	91	86
- revaluation of investment portfolio	-389	727
- other profits	1 175	19

In the twelve-month period ended 31 December 2017, the Company reported gain on investments of PLN 895k, operating profit of PLN 821k, net profit of PLN 675k and recognized administrative expenses of PLN 75k.

In previous have changed structure of assets. On December 31, 2017 the most significant asset were financial assets in other entities with a share of 57.47 % of total assets. Cash the second most important position, representing 41.06% of total assets. Equity as of 31 December 2017 amounted to PLN 9 325k, with share capital of PLN 1 951k.

The tables below present the composition of the CC portfolio as at December 31, 2017

Shares	Price on 31.12.2016	Price on 31.12.2017	Absolute price change	Relative price change	Purchase Price	Difference between price at the end of 2017 and purchase price.	Relative rate of return reference to purchase price per share
Bittnet System S.A.	1,55 RON	1,17 RON	- 0,38 RON	-24,5%	0,22 RON	0,95 RON	436,7%
Medlife S.A.	26,30 RON	34,10 RON	7,80 RON	29,7%	22,63 RON	11,47 RON	50,7%
Pozbud T&R S.A.	2,91 zł	3,60 zł	0,69 PLN	23,7%	4,39 zł	-0,79 PLN	-18,0%
DOOK S.A.	x	2,95 zł	x	x	3,20 zł	- 0,25 PLN	-7,8%
Maxipizza S.A.	x	0,68 zł	x	x	0,46 zł	0,22 PLN	47,8%
Polman S.A.	x	0,30 zł	x	x	0,29 zł	0,01 PLN	3,4%
Prima Moda S.A.	x	5,32 zł	x	x	4,76 zł	0,56 PLN	11,8%
DM INC S.A.	2 500,00 zł	2 500,00 zł	- PLN	0,0%	2 500,00 zł	- PLN	0,0%

A very important factor reducing the average purchase price of Bittnet System was dividend payment for Carpathia Capital in the form of shares. In August, 2016 CC received in form of dividend 600 686 shares for free. The same situation was replayed in July, 2017 when CC received 958 820 shares from Bittnet System. Carpathia Capital also holds own shares which are not treated as an investment.

Debt Securities	Nominal value	Value of paid interest to the nominal value	Accrued interest to the nominal value	Interest Coupon
Moto44 Sp z o.o.	1 000,00 zł	- zł	140,21 zł	Fixed interest rate (7%)
Remedis S.A.	1,00 zł	0,045 zł	0,020 zł	Fixed interest rate (4,5%)

Motto44 did not make timely redemption of bonds. 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 bonds are secured at:

- mortgage for real estate located in Gorzewie, KW PO1B / 00043441/6, total area 7.5200 ha located 55 km from Poznan,
- mortgage for real estate located in Dąbrowie, KW PO1P / 00112575/3, total area 0.9632 ha located 15 km from Poznan.

On December 19, 2017, the Management Board of the Company decided to write down an amount of PLN 106.720,55 resulting from permanent impairment of assets that refers to valuation of bonds of Moto44 S.A. The impairment loss is related to non-repayment of liabilities of Moto44 S.A. resulting from the issue of bonds, inability to raise the share capital and filling an application for the declaration of bankruptcy of Moto44 S.A. by the Management Board of Carpathia Capital S.A..

Cash and other monetary assets	31.12.2016	31.12.2017
Total:	5 152 038,56 zł	3 845 493,32 zł

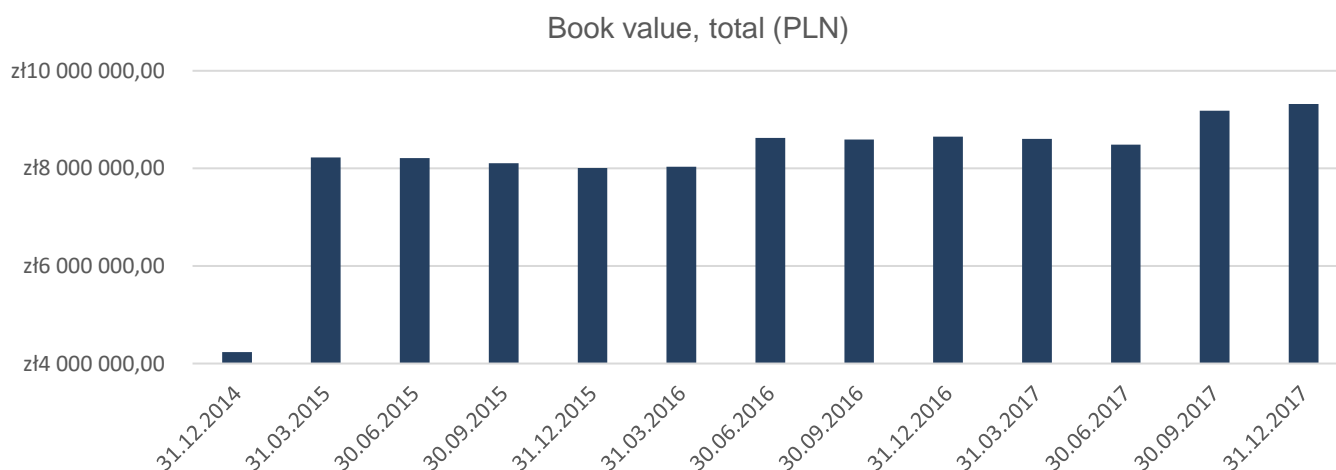
The tables below present the main distribution of assets due to different categories as at 31/12/2016 and 31/12/2017.

	31.12.2016	% of total assets	31.12.2017	% of total assets
Shares	2 059 983,53 zł	23,4%	4 334 945,91 zł	45,2%
Debt Securities	1 327 813,70 zł	15,1%	1 410 498,14 zł	14,7%
Cash and other monetary assets	5 416 083,35 zł	61,5%	3 845 493,32 zł	40,1%
Financial assets, total	8 803 880,58 zł	100,0%	9 590 937,37 zł	100,0%

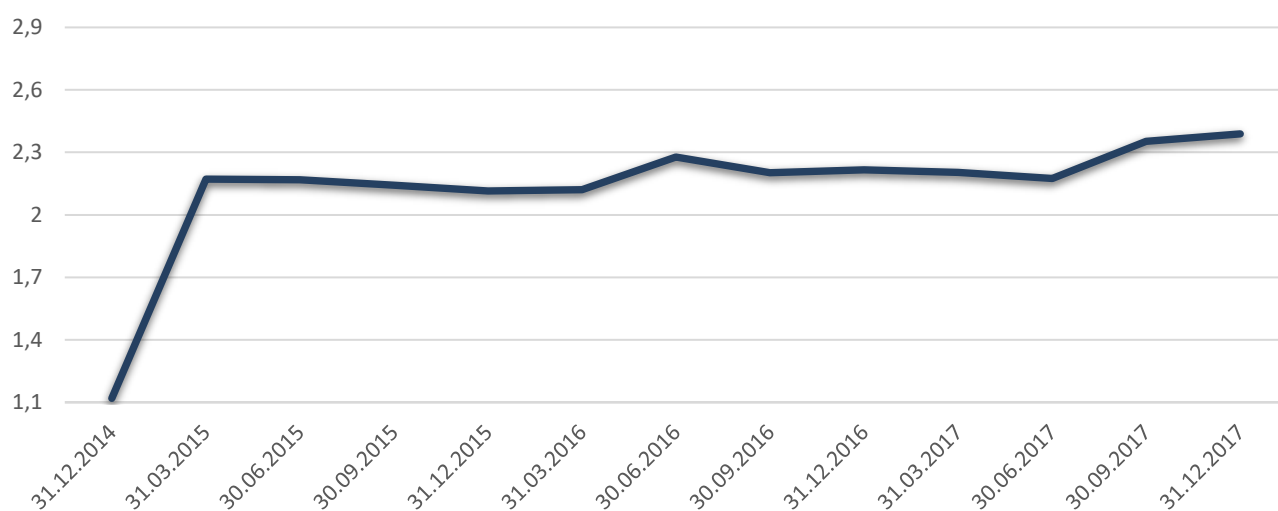
	31.12.2016	% of total assets	31.12.2017	% of total assets
Assets in Poland	7 054 072,26 zł	80,1%	7 174 873,48 zł	74,8%
Assets in Romania	1 749 808,31 zł	19,9%	2 416 063,89 zł	25,2%
Financial assets, total	8 803 880,58 zł	100,0%	9 590 937,37 zł	100,0%

	31.12.2016	% of total assets	31.12.2017	% of total assets
Public Assets	1 937 483,53 zł	22,0%	4 212 445,91 zł	43,9%
Non-public assets	1 450 313,70 zł	16,5%	1 532 998,14 zł	16,0%
Cash and other monetary assets	5 416 083,35 zł	61,5%	3 845 493,32 zł	40,1%
Financial assets, total	8 803 880,58 zł	100,0%	9 590 937,37 zł	100,0%

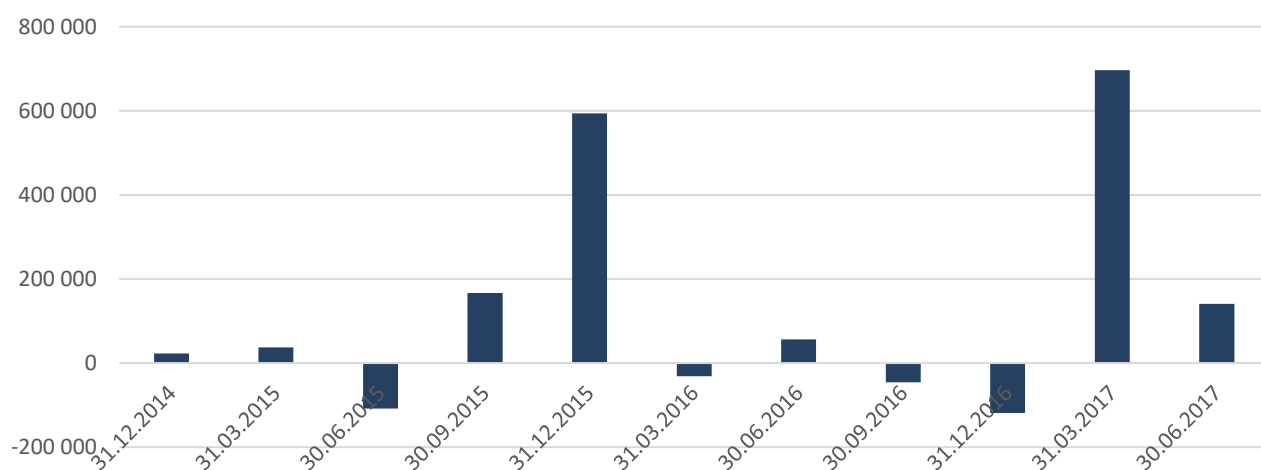
The selected financial positions have been presented on the following charts.



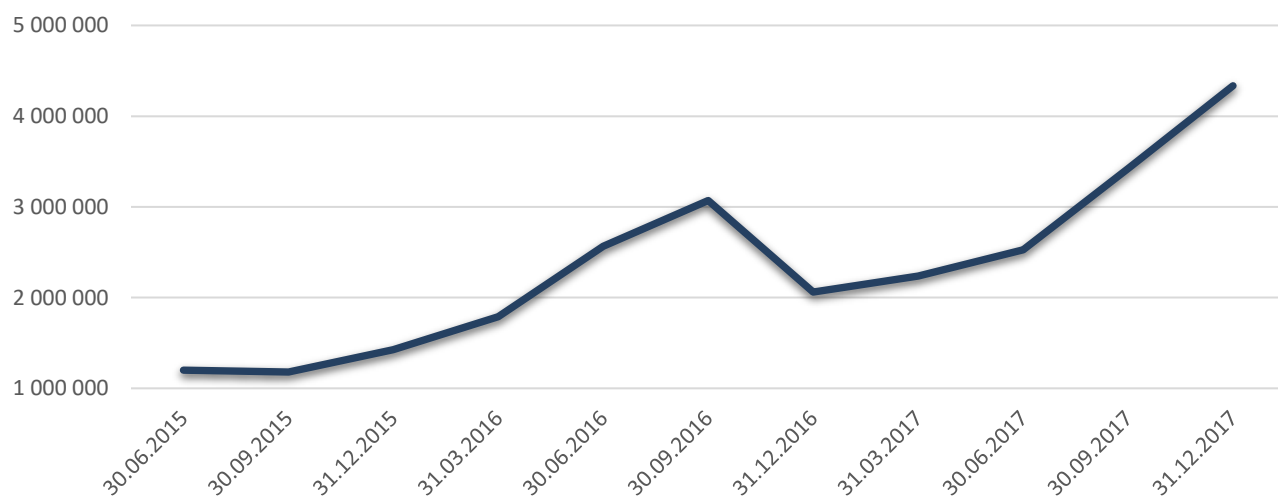
Book value, per share (PLN)



Net Income (PLN)



Total amount of assets located in shares (PLN)



The Company remained debt free.

Carpathia Capital 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:

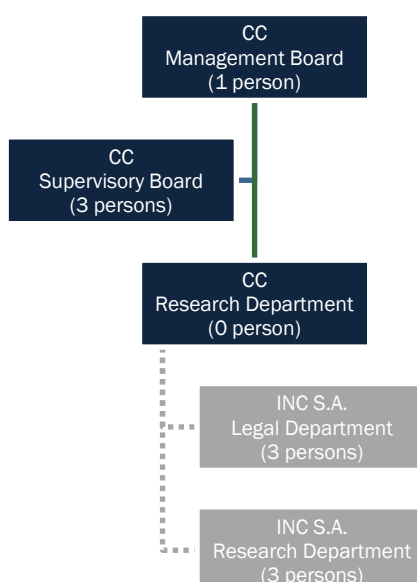
- a) different path of development of the AeRO ATS in Romania which is evolving under pressure from local circumstances (demand for education on the role of capital market among SMEs in Romania, slow supply of EU funds for SMEs in Romania, weak IPO market with regard to AeRO ATS),
- b) prudent investment policy on volatile markets in 2017.

Taking into account strong pipeline of investment opportunities under review we remain confident that they provide value for Carpathia Capital in the coming years. The company increases its investment portfolio each year and constantly controls the current portfolio.

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

	STAFF DECEMBER 31ST, 2017	STAFF DECEMBER 31ST, 2016
Total personnel, of which	4	5
Management Board	1	1
Supervisory Board	3	3
Research Department	0	1

The Company on daily basis 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.

Exposure to risk

The risk exposure of listed financial instruments held for trading, expressed at market value on December 31, 2017 amounted to 3,957 thousand PLN vs. 1,682 thousand PLN on December 31, 2016.

A 10% decrease or increase in the WIG stock index, the NCIndex stock market index and the AeRO market index would result in a change in the financial result by approx. 321 thousand PLN. The risk exposure of unlisted financial instruments held for trading expressed in fair value on December 31, 2017 amounted to 1,426 thousand PLN vs. on 31 December 2016 amounted to 1,552 thousand PLN.

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 mainly in the area of Poland and Romania. 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 between 0,5 million PLN to 2 million PLN. 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 Poland and other 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 NewConnect market an alternative trading system operated by Warsaw Stock Exchange and the Main Market of the Warsaw Stock Exchange or on the AeRO – the market for shares operated by Bucharest Stock Exchange and Main Market of the Bucharest 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 2018 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, POLAND AND IN OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE TRADED.

The securities issued by the company on 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.

In 2017 the Company has adopted a dividend policy, where the dividend payout rate in relation to book value, will not be less than NBP lombard rate (currently: 2,50%). If there is no payment of a dividend in a given calendar year, the Company intends to pay twice the adopted dividend payout rate in the following year.

The Management Board of Carpathia Capital S.A. adopted a resolution regarding recommendation to the General Shareholders Meeting payment of dividend amounting to 335.714,49 PLN representing 0,09 PLN per share for 2017 year (implied dividend rate equals 3,6% in relation book value). The Company informed about recommendation in current reports no. 8/2018. Final decision of a dividend payment depends on results of financial statements audit and requires resolutions of GSM.

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

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 January 24, 2018 Mr. Paweł Śliwiński resigned from the position of a member of the Supervisory Board. On January 25, 2018 Mr. Piotr Białowas 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.

On January 26, 2018 Mr. Paweł Śliwiński was appointed by the Supervisory Board as President of the Management Board.

On March 1, 2018 The Management Board granted joint proxy to Mr. Sebastian Huczek and Mr. Piotr Zygmanski.

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

- Paweł Śliwiński – President of the Management Board

Paweł Śliwiński – President of the Management Board

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

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

- b) description of qualifications and professional experience

Paweł Śliwiński, Ph.D. in Economics, graduate of Poznan University of Economics, Faculty of International Business; Professor of International Finance at Department of International Finance at Poznan 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 performed by the person outside the issuer where such activities are significant for the issuer

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

INC S.A.	– CEO/President of the Management Board,
Brokerage House INC S.A.	– CEO/President of the Management Board,
INC East&West Sp. z o.o.	– CEO/President of the Management Board,
Capital Market Development Foundation	– CEO/President of the Management Board,
INC Wierzytelności S.A.	– Member of the Supervisory 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

INC S.A.	– CEO/President of the Management Board	– present
INC East&West Sp. z o.o.	– President of the Management Board	– present
Brokerage House INC S.A.	– CEO/President of the Management Board	– present
Carpathia Capital S.A.	– CEO/President of the Management Board	– present
INC Wierzytelności S.A.	– Member of the Supervisory Board	– present
Capital Market Development Foundation	– CEO/President of the Management Board	– present
Nationale Nederlanden TUnŻ S.A.	– Vice-president of the Supervisory Board	– present
Nationale Nederlanden TU S.A.	– Member of the Supervisory Board	– present
FZ GROUP S.A.	– Member of the Supervisory Board	– present
INC Brokerage House Sp. z o.o.	– CEO/President of the Management Board	– 2014 – 2015
Efix Brokerage House S.A.	– Member of the Supervisory Board	– 2013 – 2015
INVESTcon Fund Sp. z o.o.	– CEO/President of the Management Board	– 2010 – 2015

- 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 member of managing or supervisory bodies in commercial law companies and partnerships within at least the last five years,

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.

- f) 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.	– CEO/President of the Management Board,
INC East&West Sp. z o.o.	– CEO/President of the Management Board,
Brokerage House INC S.A.	– CEO/President of the Management Board,
Capital Market Development Foundation	– CEO/President of the Management Board,
INC Wierzytelności S.A.	– Member of the Supervisory 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.

The Management Board appointed two proxies:

- Sebastian Huczek – Proxy
- Piotr Zygmanski – Proxy

Sebastian Huczek – Proxy

- a) The power of attorney

Joint proxy

- b) Description of qualifications and professional experience

Graduated from the Faculty of Law at University of Adam Mickiewicz. Since 2000, he has been working at INC S.A. where he works as a vice president. He was a lecturer at the College of Banking in Poznan and the University of Economics in Poznan on post-graduate studies in the field of local government finances and capital market. Lecturer at courses for candidates for members of Supervisory Boards of State Treasury companies. In 2005, he was appointed by the Prime Minister as a member of the Regional Adjudicating Committee in cases concerning violation of the public finance discipline at the Regional Accounting Chamber in Poznan.

He has Advisor Certificate in the Alternative Trading System.

Member of the Council of Authorized Advisers at the Warsaw Stock Exchange S.A.

- c) Information about activities performer by the person outside the issuer where such a activities are significant for the Carpathia Capital S.A.

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

- INC S.A. – Vice-President of the Management Board,
 - INC S.A. Brokerage – Vice-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
- | | | |
|----------------------------|--|-----------|
| - INC S.A. | – Vice-President of the Management Board | – Present |
| - INC S.A. Brokerage | – Vice-President of the Management Board | – Present |
| - Unipad Sp. z o.o. | – member of the Supervisory Board | – Present |
| - Brand NewCare Sp. z o.o. | – member of the Supervisory Board | – Present |
| - E-Concerty Sp. z o.o. | – member of the Supervisory Board | – Present |
- 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 member 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.

- f) 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 Poznan, Poland – Vice-President of the Management Board
- INC S.A. Brokerage – Vice-President of the Management Board,

- h) Percent of shares held in the Company

Indicated person does not own shares in the Company

Piotr Zygmanski – Proxy

- a) The power of attorney

Joint proxy

- b) Description of qualifications and professional experience

Education:

Graduated from the University of Economics in Poznan with the title of doctor of economic sciences in the discipline of finance.

Certificates:

- Alternative Trading System Advisor Certificate No. 47/2012
- Securities Broker License No. 2964
- The Chartered Financial Analyst (CFA) Certificate No. 168225

Work Experience:

- | | | |
|----------------------|--|-----------|
| - INC S.A. | – Head of the Capital Markets Department | – present |
| - INC S.A. Brokerage | – Proxy and Chief Compliance Officer | – present |
| - Remedis S.A. | – Member of the Supervisory Board | – present |

- c) Information about activities performer by the person outside the issuer where such a activities are significant for the Carpathia Capital S.A.

Indicated person is employed in the following entities:

- INC S.A – Head of the Capital Markets Department
 - INC S.A. Brokerage – Proxy and Chief Compliance Officer
- 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
- Remedis S.A. – Member of the Supervisory Board – present
 - INC S.A. Brokerage – Proxy – present
- 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 member 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.

- f) 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.

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

- Rafał Piotr Śliwiński – Member of the Supervisory Board
- Justyna Światowiec-Szczepańska – Member of the Supervisory Board
- Piotr Orłowski – Member of the Supervisory Board

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 performed by the person outside the issuer where such 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 member of managing or supervisory bodies in commercial law companies and partnerships within at least the last five years

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.

- f) 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 Poznań 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 performed by the person outside the issuer where such 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 has been an independent Member of Supervisory Board in a commercial law company INC Rating Limited Liability Company.

- 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 member of managing or supervisory bodies in commercial law companies and partnerships within at least the last five years

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.

- f) 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

Indicated person was not a member managing or supervisory bodies in entities which were in bankrupt, compulsory administrated or liquidated.

- 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.

Piotr Orłowski – Member of Management Board

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

The members of the supervisory board were appointed on common term of office, which lasts for five years. The mandates of the members of the supervisory board expire on the date of the general shareholders meeting which approves the financial report for year 2018.

- b) description of qualifications and professional experience

Graduated from the Faculty of Law and Administration at University of Adam Mickiewicz in Poznan. Scholar of the Stefan Batory Foundation at University of Oxford. Solicitor and partner in Orłowski Matwójcio Kancelaria Radców Prawnych Sp.p Sp.p.

- c) information about activities performed by the person outside the issuer where such activities are significant for the Carpathia Capital S.A.

Indicated person does not perform activities outside the issuers which are significant for the Carpathia Capital S.A.

- 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

Orłowski Matwójcio Kancelaria Radców Prawnych Sp.p.	– Partner (present)
Kino Polska TV SA	– Member of Supervisory Board (present)
Stopklatka SA	– Member of Supervisory Board (present)
Remedis SA	– Member of Supervisory Board (present)
American Bikes Garage Maciej Wegner i Wspólnicy Sp. k.	– General partner (present)
PBO Anioła SA in declared bankruptcy and liquidation	– Former of 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 member of managing or supervisory bodies in commercial law companies and partnerships within at least the last five years

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.

- f) 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

Piotr Orłowski had been a member of Supervisory Board in PBO Anioła S.A. in declared bankruptcy and liquidation after the company announced liquidation.

- 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 Carpathia Capital S.A..

- h) percent of shares held in the Company

Indicated person does not own shares in the Carpathia Capital S.A..

Information about remuneration of the Management Board:

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

FINANCIAL STATEMENTS

Statement of comprehensive income

<i>continued operations</i>	Notes	01.01.2017 31.12.2017	01.01.2016 31.12.2016
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	2	83
Other operating expenses	3	1	0
Gain (loss) on investments	4	895	983
- profit from listing		0	0
- profit/loss on sales of securities		18	151
- interest and dividend		91	86
- revaluation of investment portfolio		-389	727
- other profits		1 175	19
Administrative expenses	1	75	90
Operating profit		821	976
Financial expenses	5	3	5
- for related parties		0	0
Share of profits of associates		0	0
Profit before tax		818	971
Income tax	6	143	185
Net profit for the operating period		675	786

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Net profit for the operating period	675	786
Other comprehensive income:	0	0
- valuation of financial assets available for sale	0	0
Total comprehensive income	675	786

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2017	31.12.2016
A. Non-current assets		103	28
Intangible assets		0	0
- goodwill		0	0
Tangible fixed assets		0	0
Non-current financial assets		0	0
Deferred tax assets	7	103	28
Long-term receivables		0	0
- from related parties		0	0
- from other entities		0	0
Other long-term assets		0	0
B. Current assets		9 263	8 666
Inventories		0	0
Receivables from related parties		0	0
Receivables from other entities	8	32	16
- income tax receivables		0	0
Financial assets in related parties		0	0
Financial assets in other entities	9	5 383	3 234
Cash and other monetary assets	9	3 846	5 416
Other short-term assets	10	2	0
Total assets		9 366	8 694

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2017	31.12.2016
A. EQUITY		9 325	8 650
Share capital	11	1 951	1 951
Treasury shares (negative value)		-255	-255
Supplementary capital	12	6 254	6 188
Revaluation reserve		0	0
Other reserve capitals	13	700	0
Profits (losses) from previous years		0	-20
Net profit (loss)		675	786
B. PROVISIONS	14	28	15
Provision for deferred income tax		28	15
Other provisions		0	0
C. Long-term liabilities		0	0
Loans and borrowings		0	0
Financial leasing liabilities		0	0
D. Short-term liabilities	15	1	18
Loans and borrowings		0	0
Trade payables		0	2
Tax, customs, insurance and other liabilities		1	16
- income tax liabilities		0	0
Liabilities related to wages and salaries		0	0
Financial leasing liabilities		0	0
Other liabilities		0	0
E. Accruals	16	12	11
TOTAL LIABILITIES		9 366	8 694

STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2016	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

STATEMENT OF CASH FLOWS

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		
I. Profit (loss) before tax	818	971
II. Total adjustments	-888	-951
III. Changes in working capital	-18	-9
IV. Income tax paid	-219	-177
V. Net cash flows from operating activities	-307	-166
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
I. Inflows	190	697
1. 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	87	347
7. Inflows from sale of bonds	100	350
8. Inflows from interest received	3	0
9. Inflows from dividends received	0	0
II. Outflows	1 451	1 556
1. 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	1 451	1 556
III. Net cash flows from investment activities	- 1 261	- 859
C. CASH FLOWS FROM FINANCIAL ACTIVITIES		
I. Inflows	0	174
1. Net inflows from issuance of shares	0	174
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	0	255
1. Outflows for acquisition of own shares	0	255
2. Redemption of debt securities	0	0
3. Repayment of loans and borrowings	0	0
4. 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	0	- 84
Balance sheet change in cash	-1 568	-1 106
Cash opening balance	5 416	6 527
- change in cash due to exchange differences	-2	-5
Cash closing balance	3 846	5 416

I. INFORMATION ABOUT CARPATHIA CAPITAL S.A.

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

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

An investment entity is an entity that:

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

Registered office

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

Registration court

District Court Poznań - Nowe Miasto i Wilda, VIII Business Registry Division in Poznań
KRS number 0000511985
The company has been established for an unlimited period of time.

National Business Registry Number: 302762319
Tax Identification Number: 781-189-70-74

Management Board

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

Paweł Śliwiński	– President of the Management Board
Sebastian Huczek	– Proxy
Piotr Zygmanski	– Proxy

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
Piotr Orłowski	– 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 1st January, 2017 and ended on the 31st December, 2017

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 were 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 have 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 has not applied the following standards, standard amendments and interpretations that have been published by the IASB and approved for use in the EU, 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 company expects to obtain a right in exchange for goods or services.	January 1, 2018

According to the entity's estimates, approving the IFRS 9 „Financial Instrument” will haven`t impact on the Issuer's financial statements, financial result and other positions in the financial statements, including accounting principles (policy) for the valuation of financial instruments portfolio and changes estimates. According to the entity's estimates, approving the IFRS 15 „Revenues from contracts with clients” will have no impact on the Issuer's financial statements, financial result and other positions in the Company's financial statements.

The following standards, amendments to applicable standards and interpretations have not been adopted by the European Union or are not being in force on January 1, 2017:

Standard	Description of amendments	Date of release
IFRS 14 Deferred balances from regulated activities	Accounting and disclosure rules for regulatory deferred positions	Current version of the standard is not applying in the EU
Amendments to MSSF 10 and IAS 28	Provides guidelines for the sale or contribution of assets by the investor to an associated company or joint venture.	Work on the approval has been postponed
IFRS 16 Leasing	The standard abolish the distinction between operating leasing and financial leasing for the lessee. All contracts that meet the definition of a lease will be recognized in principle as current financial leasing.	January 1, 2019
IFRS 17 Insurance contracts	Defines a new approach to recognize revenue and profit / loss in the period of providing insurance services.	January 1, 2021
Amendments to IFRS 2 Share Based Payments	Classification and valuation of share-based payment transactions.	January 1, 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments, including IFRS 4 Insurance Contracts	January 1, 2018
Annual amendments to IFRS (cycle 2014-2016)	A set of amendments regarding: IFRS 1 - elimination of short-term layoffs for entities applying IFRS for the first time; IAS 28 - valuation of entities in which an investor made an investment, at fair value through profit or loss or an individual method.	January 1, 2018
Amendments to IAS 40 Investment Property	Amendments in the qualification of real estate, i.e. transfer from investment properties to other groups of assets.	January 1, 2018
IFRIC Interpretation 22 Transactions in Foreign Currencies and Advance Payments	Guidelines on how to determine the date of the transaction, and therefore the SPOT exchange rate, which should be used when an advance payment is made or received in a foreign currency	January 1, 2018
IFRIC 23 Interpretation regarding uncertainty regarding the methods of income tax recognition	The interpretation is used to determine taxable income, tax base, unused tax losses, unused tax credits and tax rates.	January 1, 2019
Amendments to IAS 28	Amendments concerns the valuation of long-term investments in associated company.	January 1, 2019
Annual amendments to IFRS (cycle 2015-2017)	A set of amendments regarding: IFRS 3 – Valuations of the previously held share in joint operations; IFRS 11 - No valuation of previously held interest in joint operations;	January 1, 2019

	IFRS 12 - Tax consequences in connection with the payment of dividends; IAS 23 - Financing costs if the component of asset was transferred for use.	
Amendments to IAS 19 Employee Benefits	Amendments relate to a defined benefit plan.	January 1, 2019

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 2016.

8. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Note no 1

EXPENSES BY TYPE	01.01.2017 31.12.2017	01.01.2016 31.12.2016
a) Depreciation of property, plant and equipment and amortization of intangible assets	0	0
b) Materials and energy	0	0
c) External services	65	51
d) Taxes and charges	1	2
e) Wages and salaries	8	36
f) Social security costs	0	0
g) Other expenses by type	1	1
Expenses by type	75	90
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)	-75	-90
Cost of products sold	0	0

Note no 2

OTHER OPERATING REVENUES	01.01.2017 31.12.2017	01.01.2016 31.12.2016
a) release of provisions	0	0
b) others, including:	2	83
- 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	2	83
- other – invoices	0	0
Other operating revenues, total	2	83

Note no 3

OTHER OPERATING EXPENSES	01.01.2017 31.12.2017	01.01.2016 31.12.2016
a) created provisions	0	0
b) other, including:	1	0
- written receivables	1	0
Other operating expenses, total	1	0

Note no 4

FINANCE INCOME FROM DIVIDENDS AND SHARE IN PROFIT	01.01.2017 31.12.2017	01.01.2016 31.12.2016
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	01.01.2017 31.12.2017	01.01.2016 31.12.2016
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	91	86
- 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)	91	86
Total interest income	91	86

OTHER INVESTMENT INCOME	01.01.2017 31.12.2017	01.01.2016 31.12.2016
a) foreign exchange gains	0	19
- realized	0	19
- unrealized	0	0
b) reversed provisions	0	0
c) other, including:	1 193	878
- gain on disposal of investments	18	151
- revaluation of investments	0	727
- fair value of received shares	1 175	0
Total other investment income	1 193	897

LOSSES ON INVESTMENTS	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Loss on disposal of investments	389	0
Losses on investments, total	389	0

Note no 5

FINANCIAL COST OF INTEREST	01.01.2017 31.12.2017	01.01.2016 31.12.2016
a) from credits and loans	0	0
- for related parties	0	0
- for other parties	0	0
b) other interest	1	0
- for related parties	0	0
- for other parties	1	0
Total interest expense	1	0

OTHER FINANCIAL COST	01.01.2017 31.12.2017	01.01.2016 31.12.2016
a) negative exchange rate differences	2	5
- realized	0	0

- unrealized	2	5
b) reserves created	0	0
c) others	0	0
Other financial expenses, total	2	5

Note no 6

CURRENT INCOME TAX	01.01.2017 31.12.2017	01.01.2016 31.12.2016
1. Profit before tax	818	971
2. Differences between profit (loss) before tax and income tax base (by title)	396	140
- expenses that are not deductible	11	79
- statistical revenues	5	0
- revenues that do not constitute income tax revenues	0	0
- statistical costs	11	0
- unrealized exchange differences	2	4
- revaluation of investments	389	215
3. Deducted losses from previous years	71	71
4. Income tax base	1 072	1 040
5. Income tax at the 19% rate	204	198
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
- relating to items that decreased or increased goodwill or negative goodwill	0	0

DEFERRED INCOME TAX, RECOGNIZED IN THE PROFIT AND LOSS STATEMENT	01.01.2017 31.12.2017	01.01.2016 31.12.2016
- change from originating and reversing of temporary differences	-61	-13
- 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	-61	-13

TOTAL DEFERRED TAX AMOUNT	01.01.2017 31.12.2017	01.01.2016 31.12.2016
- included in equity	0	0
- included in goodwill or negative goodwill	0	0

Note no 7

CHANGES IN STATE OF ASSETS ON DEFERRED INCOME TAX	31.12.2017	31.12.2016
1. Deferred tax assets at the beginning of the period, including:	28	0
a) charged to financial result	28	0
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0
2. Increases	75	28
a) charged to the financial result of the period in connection with negative temporary differences (due to)	75	28
- revaluation write-down on the value of the investment	75	27
- exchange rate differences from valuation	0	1
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) charged to the financial result of the period in connection with tax loss (as a result of)	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:	103	28
a) charged to the financial result	103	28
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0

Note no 8

CURRENT RECEIVABLES	31.12.2017	31.12.2016
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	29	16
- trade receivables, with a repayment period:	0	0
- up to 12 months	0	0
- over 12 months	0	0
- related to taxes, subsidies, customs, social and health insurance and other benefits	29	16
- other	3	0
- under litigation	0	0
Total net current receivables	29	16
c) impairment of receivables	0	0
Total gross current receivables	32	16

GROSS CURRENT RECEIVABLES (CURRENCY STRUCTURE)	31.12.2017	31.12.2016
a) in Polish currency	32	16
b) in foreign currencies (according to currencies and translated to PLN)	0	0
Total gross current receivables	32	16

Note no 9

CURRENT FINANCIAL ASSETS	31.12.2017	31.12.2016
a) in subsidiaries	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
b) in jointly controlled entities	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
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	5 383	3 234
- assets held for trading	4 080	1 805
- assets classified by the entity upon initial recognition as financial assets measured at fair value through profit or loss	0	0
- debt securities	1 303	1 429
- financial assets held to maturity	0	0
- loans granted	0	0
- financial assets available for sale	0	0
g) cash and other monetary assets	3 846	5 416

- cash in hand and at bank	3 846	5 416
- other cash equivalents	0	0
- other monetary assets	0	0
Total current financial assets	9 229	8 650

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	31.12.2017	31.12.2016
a) in polish currency	7 068	7 240
b) in foreign currencies (according to currencies and translated to PLN)	2 161	1 410
b1. Unit/currency in thous. RON	2 413	1 446
After conversion to thous.PLN	2 161	1 410
Other currencies in thous. PLN	0	0
Total securities, shares and sother short-term financial assets	9 229	8 650

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY TRANSFERABILITY)	31.12.2017	31.12.2016
A. With unlimited transferability, listed on the stock exchange (book value)	3 957	1 682
a) shares (book value):	3 957	1 682
- fair value	3 957	1 682
- market value	3 957	1 682
- purchase cost value	4 446	1 890
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	0
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
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
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
C. With unlimited transferability listed on OTC markets (book value)	5 272	6 968
a) shares (book value):	123	123
- fair value	123	123
- market value	123	123
- purchase cost value	123	123
b) bonds (book value):	1 303	1 429
- fair value*	1 303	1 429
- market value*	1 303	1 429
- purchase cost value	1 259	1 350
c) Loans granted:	0	0
- fair value (including interests)	0	0
- purchase cost value	0	0
d) cash in hand and at bank	3 846	5 416
- fair value	3 846	5 416
- market value	3 846	5 416
- purchase cost value	3 846	5 416
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
- fair value	0	0
- market value	0	0
- purchase cost value	0	0
Total purchase cost value	5 105	8 779
Total value at beginning of period	8 650	8 990
Valuation adjustments, total	-596	-129
Total book value	9 229	8 650

* the carrying value approximates the fair value/market value

CASH AND OTHER MONETARY ASSETS (CURRENCY STRUCTURE)	31.12.2017	31.12.2016
a) in Polish currency	3 802	5 386
b) in foreign currencies (according to currencies and translated to PLN)	44	30
b1. Unit/currency in thous. RON	50	31
After conversion to thous.PLN	44	30
Other currencies in thous. PLN	0	0
Total cash and other monetary assets	3 846	5 416

Changes in the fair value of assets and provisions

TYPE OF THE FINANCIAL INSTRUMENT	31.12.2017		31.12.2016	
	Fair value	Carrying value	Fair value	Carrying value
Assets:	9 261	9 261	8 666	8 666
Loans	0	0	0	0
Trade receivables and other	32	32	16	16
Derivative financial instruments	0	0	0	0
Debt securities*	1 303	1 303	1 429	1 429
Shares of listed companies	3 957	3 957	1 682	1 682
Shares of privately held companies**	123	123	123	123
Units of investment funds	0	0	0	0
Other financial assets	0	0	0	0
Cash and other monetary assets	3 846	3 846	5 416	5 416
Provisions:	1	1	18	18

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	0	0
Trade payables and other	1	1	18	18

*does not include shares valued at acquisition cost due to the inability to reliably determine the fair value

** the carrying value approximates the fair value/market value

Levels of the fair value

TYPE OF THE FINANCIAL INSTRUMENT	Level 1	Level 2	Level 3	Total fair value
As at 31.12.2017				
Assets:				
Shares of listed companies	3 957	0	0	3 957
Shares of privately held companies*	0	123	0	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 securities valued at fair value	0	0	1 303	1 303
Other financial instruments	0	0	0	0
Total assets	3 957	123	1 303	5 383
Provisions:				
Derivative instruments held for trading	0	0	0	0
Derivative instruments held for hedging	0	0	0	0
Debt securities 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	3 957	123	1 303	5 383

* 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	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
Shares of privately held companies*	0	123	0	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 securities valued at fair value	0	0	1 429	1 429
Other financial instruments	0	0	0	0
Total assets	1 682	123	1 429	3 234
Provisions:				
Derivative instruments held for trading	0	0	0	0
Derivative instruments held for hedging	0	0	0	0
Debt securities 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	1 429	3 234

* does not include shares valued at acquisition cost due to the inability to reliably determine the fair value

Note no 10

OTHER SHORT-TERM ACCRUALS	31.12.2017	31.12.2016
a) Active accruals, including:	2	0
- Subscription	1	0
- Sage Symfonia Handel license	1	0
b) Other accruals	0	0
Short-term accruals, total:	2	0

Note no 11

SHARE CAPITAL (STRUCTURE) as at 31.12.2017								
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)
A	registered	2 voices per share	none	1 000 000	500 000	cash	26.06.2014	26.06.2014
B	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
C	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
B3	bearer	none	none	116 667	58 333,50	cash	18.10.2016	01.01.2016
Total number of shares				3 902 763				
Total share capital					PLN 1 951 381,50			
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 (thś of PLN)
INC S.A.	1 017 001	26,06%	41,14%	509
Other shareholders	2 886 872	73,94%	58,86%	5 774
Total	3 903 873	100,00%	100,00%	1 952

Note no 12

DISCLOSED RESERVE	31.12.2017	31.12.2016
a) from the sale of shares above their nominal value after decreasing costs of issue and covering the losses from previous years	5 488	6 188
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)	766	0
- divided result of previous years	766	0
Total reserve capital	6 254	6 188

Note no 13

RESERVE CAPITAL	31.12.2017	31.12.2016
a) created statutorily	0	0
b) created in accordance with the statute / contract	0	0
c) other (by type)	700	0
- share buyback program	700	0
Reserve capital, total:	700	0

Note no 14

CHANGES IN RESERVES FOR DEFERRED INCOME TAX	31.12.2017	31.12.2016
1. Deferred tax liability at the beginning of the period, including:	15	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	13	15
a) charged to the financial result of the period due to positive temporary differences (due to)	13	15
- investment valuation	0	0
- differences in depreciation rates	0	0
- loans and bonds valuation	13	15
- 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	28	15
a) charged to financial result	28	15
b) charged to equity	0	0
c) charged to goodwill or negative goodwill	0	0

Note no 15

CURRENT LIABILITIES	31.12.2017	31.12.2016
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	0	18
- 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:	0	2
- up to 12 months	0	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	1	16
- related to wages and salaries	0	0
- other (by type)	0	0
- including: liabilities to acquire financial assets	0	0
- 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	1	18

CURRENT LIABILITIES (CURRENCY STRUCTURE)	31.12.2017	31.12.2016
a) in Polish currency	1	18
b) in foreign currencies (according to currencies and translated to PLN)	0	0
Total current liabilities	1	18

Note no 13

OTHER PREPAYMENTS AND ACCRUALS	31.12.2017	31.12.2016
a) accrued expenses	12	11
- non-current (by title)	0	0
- current (by title)	12	11
- provision for costs	12	11
Total other prepayments and accruals	12	11

Note no 17

CASH FLOWS FROM OPERATING ACTIVITIES	01.01.2017 31.12.2017	01.01.2016 31.12.2016
I. Profit before tax	818	971
II. Adjustments to reconcile profit before tax to net cash flows:	-888	-951
1. Depreciation and amortization	0	0
2. Net foreign exchange differences	2	5
3. Interest and share of profit (dividends)	-85	-79
4. Gain (loss) on investment activity	-804	-877
5. Changes in provisions	0	0
6. Changes in prepayments and accruals	-1	0
7. Other adjustments	0	0
III. Changes in working capital	-18	-9
IV. Income tax paid	-219	177
V. Net cash flows from operating activities	-307	-166

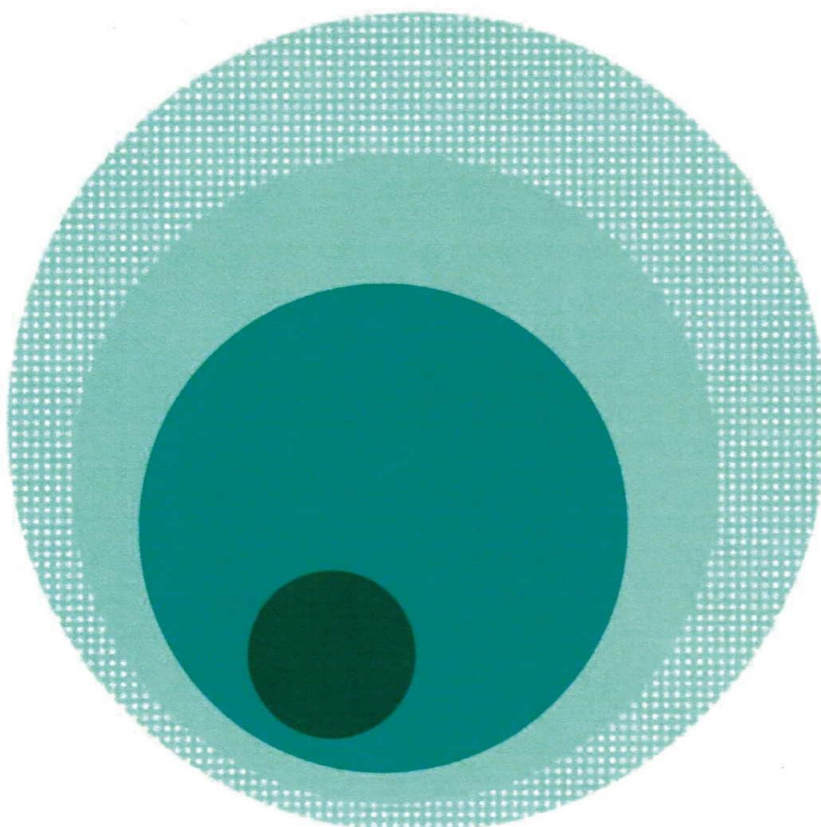
AUDITOR'S REPORT



CARPATHIA CAPITAL S.A.

SPRAWOZDANIE NIEZALEŻNEGO BIEGŁEGO REWIDENTA
Z BADANIA ROCZNEGO SPRAWOZDANIA FINANSOWEGO
NA DZIEŃ 31.12.2017 R.

27.04.2018 R.



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SPRAWOZDANIE NIEZALEŻNEGO BIEGŁEGO REWIDENTA

Dla Zgromadzenia Akcjonariuszy i Rady Nadzorczej Spółki

Sprawozdanie z badania sprawozdania finansowego

Przeprowadziliśmy badanie załączonego rocznego sprawozdania finansowego Spółki Carpathia Capital S.A., z siedzibą w Poznaniu (zwaną dalej także Spółką), na które składają się: sprawozdanie z wyników działalności, sprawozdanie z całkowitych dochodów, sprawozdanie z przepływu środków pieniężnych, sprawozdanie ze zmian w kapitale własnym za rok obrotowy od 01.01.2017 do 31.12.2017, sprawozdanie z sytuacji finansowej sporządzone na dzień 31.12.2017 oraz opis znaczących zasad (polityki) rachunkowości a także informacje dodatkowe i objaśniające.

Odpowiedzialność Zarządu oraz Rady Nadzorczej za sprawozdanie finansowe

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 a także statutem jednostki. 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 przepisami ustawy z dnia 29 września 1994 r. o rachunkowości (t.j. Dz. U. z 2018 r. poz. 398, z późn. zm.) zwanej 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

Naszym zadaniem było wyrażenie opinii o tym, czy sprawozdanie finansowe przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej oraz wyniku finansowego jednostki zgodnie z mającymi zastosowanie Międzynarodowymi Standardami Rachunkowości, Międzynarodowymi Standardami Sprawozdawczości Finansowej oraz związanymi z nimi interpretacjami ogłoszonymi w formie rozporządzeń Komisji Europejskiej i przyjętymi zasadami (polityką) rachunkowości.

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Badanie sprawozdania finansowego przeprowadziliśmy stosownie do postanowień:

1. ustawy z dnia 11 maja 2017 roku o biegłych rewidentach, firmach audytorskich oraz nadzorze publicznym (Dz. U. z 2017 roku poz. 1089), zwaną dalej „ustawą o biegłych rewidentach”;
2. 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. w związku z uchwałą nr 2041/37a/2018 z dnia 5 marca 2018 r. w sprawie krajowych standardów wykonywania zawodu.

Regulacje 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 osądu biegłego rewidenta, w tym od oceny ryzyka istotnego zniekształcenia sprawozdania finansowego spowodowanego oszustwem lub błędem. Dokonując oceny tego ryzyka biegły rewident bierze 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 na temat skuteczności kontroli wewnętrznej jednostki. Badanie obejmuje także ocenę odpowiedniości przyjętych zasad (polityki) rachunkowości, racjonalności ustalonych przez Zarząd Spółki wartości szacunkowych, jak również ocenę ogólnej prezentacji sprawozdania finansowego.

Zakres badania nie obejmuje zapewnienia co do przyszłej rentowności badanej jednostki ani efektywności lub skuteczności prowadzenia spraw jednostki przez Zarząd Spółki obecnie lub w przyszłości.

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

Opinia

Naszym zdaniem, załączone roczne sprawozdanie finansowe:

1. przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej jednostki na dzień 31.12.2017 r. oraz jej wyniku finansowego za rok obrotowy od 01.01.2017 do 31.12.2017, 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;
2. zostało sporządzone na podstawie prawidłowo, zgodnie z przepisami rozdziału 2 ustawy o rachunkowości, prowadzonych ksiąg rachunkowych;
3. jest zgodne co do formy i treści z obowiązującymi jednostkę przepisami prawa i statutem jednostki.

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Sprawozdanie na temat innych wymogów prawa i regulacji

Opinia na temat sprawozdania z działalności

Nasza opinia o sprawozdaniu finansowym nie obejmuje sprawozdania z działalności.

Zarząd Spółki oraz członkowie Rady Nadzorczej są odpowiedzialni za sporządzenie sprawozdania z działalności zgodnie z przepisami prawa.

Naszym obowiązkiem zgodnie z wymogami ustawy o biegłych rewidentach było wydanie opinii, czy sprawozdanie z działalności zostało sporządzone zgodnie z przepisami prawa oraz, że jest ono zgodne z informacjami zawartymi w rocznym 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 oraz wskazanie, na czym polega każde istotne zniekształcenie.

Naszym zdaniem sprawozdanie z działalności zostało sporządzone zgodnie z mającymi zastosowanie przepisami i jest zgodne z informacjami zawartymi w rocznym sprawozdaniu finansowym. Ponadto, oświadczamy, iż w świetle wiedzy o jednostce i jej otoczeniu uzyskanej podczas badania sprawozdania finansowego, nie stwierdziliśmy w sprawozdaniu z działalności istotnych zniekształceń.

Opinia na temat oświadczenia o stosowaniu ładu korporacyjnego

Zarząd Spółki oraz członkowie Rady Nadzorczej (lub innego organu nadzorującego) są odpowiedzialni za sporządzenie oświadczenia o stosowaniu ładu korporacyjnego zgodnie z przepisami prawa.

W związku z przeprowadzonym badaniem sprawozdania finansowego, naszym obowiązkiem zgodnie z wymogami ustawy o biegłych rewidentach było wydanie opinii, czy emitent obowiązany do złożenia oświadczenia o stosowaniu ładu korporacyjnego, stanowiącego wyodrębnioną część sprawozdania z działalności, zawarł w tym oświadczeniu informacje wymagane przepisami prawa oraz w odniesieniu do określonych informacji wskazanych w tych przepisach lub regulaminach stwierdzenie, czy są one zgodne z mającymi zastosowanie przepisami oraz informacjami zawartymi w rocznym sprawozdaniu finansowym.



Naszym zdaniem w oświadczeniu o stosowaniu ładu korporacyjnego jednostka zawarła informacje wymagane zgodnie z zakresem określonym w regulaminach, o których mowa w art. 61 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 oraz z 2017 r. poz. 452, 724, 791). Ponadto stwierdzamy, że informacje zawarte w oświadczeniu o stosowaniu ładu korporacyjnego są zgodne z mającymi zastosowanie przepisami oraz informacjami zawartymi w rocznym sprawozdaniu finansowym.

UHY ECA Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.



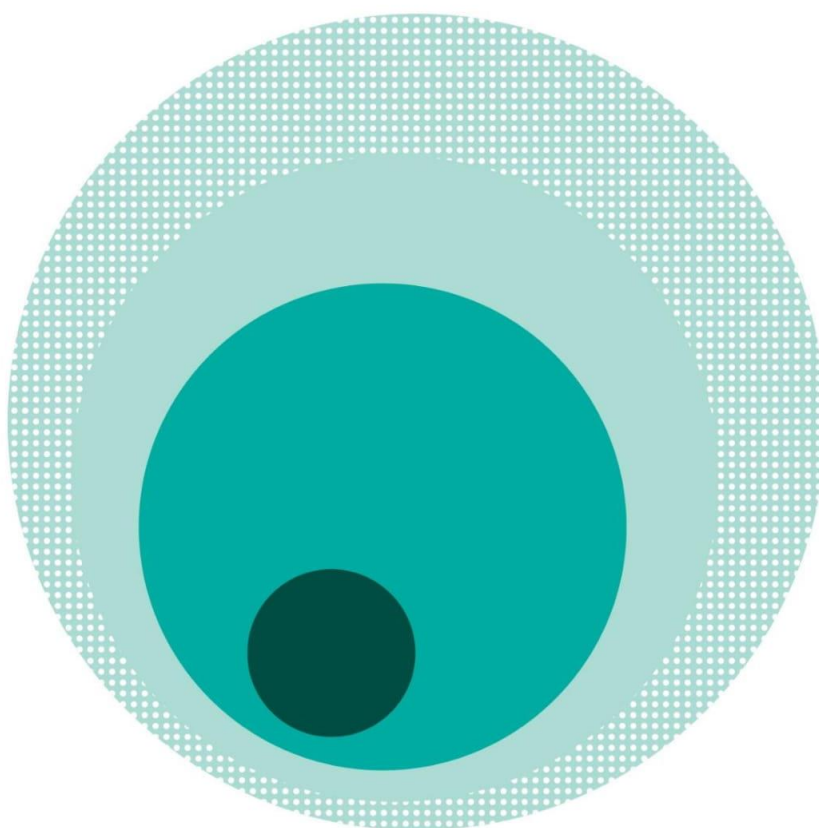
Piotr Woźniak
Kluczowy biegły rewident
Nr ewidencyjny 11625
przeprowadzający badanie w imieniu
UHY ECA Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.
Nr 3115

Poznań, 27.04.2018 r.

CARPATHIA CAPITAL S.A.

INDEPENDENT STATUTORY AUDITOR'S REPORT
ON THE AUDIT OF ANNUAL FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017

27 APRIL 2018



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INDEPENDENT STATUTORY AUDITOR'S REPORT

For the Meeting of Shareholders and the Supervisory Board of Carpathia Capital S.A.

Report on audit of financial statements

We have audited the attached annual financial statements of the Company Carpathia Capital S.A. with the registered office in Poznań (hereinafter referred also as the „Company”), composed of Company’s statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, as well as description of significant accounting principles (policy) and additional and explanatory notes.

Accountability of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for preparation and presentation of financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of implementing regulations of the European Commission, and in accordance with other applicable laws. The Company’s Management Board is also responsible for internal control that it recognizes necessary to prepare financial statements without material misstatements due to fraud or errors.

The Management Board of the Company and members of the Supervisory Board are obliged to ensure that the financial statements comply with the requirements stipulated in the (Polish) Accounting Act.

Accountability of the Statutory Auditor

Our responsibility was to issue our opinion on whether the financial statements reliably and clearly present information on property-related and financial position of the Company, as well as information on Company’s financial result, in accordance with applicable International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of implementing regulations of the European Commission, and with the adopted accounting principles (policy).

We have audited financial statements in accordance with:

1. the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089) (the „Act on statutory auditors“),
2. National Auditing Standards in the version of International Standards on Auditing as adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015 with subsequent amendments,

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting principles (policy) used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The scope of the audit does not include the assurance on the future viability of the audited Company nor the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached annual financial statements:

1. reliably and clearly present information on property-related and financial position of the Company as at 31 December 2017, as well as its financial result for the financial year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of implementing regulations of the European Commission, and with the adopted accounting principles (policy),
2. have been prepared on the basis of properly maintained accounting records in compliance with the provisions stipulated in Section 2 of the Accounting Act,
3. are compliant – as regards both the form and the content – with the provisions of law binding for the Company and provisions of Company's Articles of Association/Statutes.

Report on other legal and regulatory requirements

Opinion on the report on Company's operations

Our opinion on financial statements does not include the report on Company's operations.

The Management Board of the Company and members of the Supervisory Board are responsible for preparing the report on Company's operations in accordance with the law.

Our responsibility in connection with the audit of financial statements was to read the report on Company's operations and to ascertain whether or not the report has been prepared in accordance with the applicable law and whether it is consistent with the information in annual financial statements. Our obligation was also to make a statement as to whether – based of our knowledge of the Company and its environment obtained during the audit of financial statements – we have identified material misstatements in the report on Company's operations, and to indicate any such material misstatement.

In our opinion, the report on Company's operations has been prepared in accordance with the applicable law and is consistent with the information in annual financial statements. Furthermore, we represent that based of our knowledge of the Company and its environment obtained during the audit of financial statements, we have not identified material misstatements in the report on Company's operations.

Opinion on the corporate governance statement

The Management Board of the Company and members of the Supervisory Board are responsible for preparing the corporate governance statement in accordance with the law.

Our responsibility in connection with the audit of financial statements was to read the content of the corporate governance statement constituting a separate part of the report on Company's operations.



In our opinion, the statement provides all information required by the secondary legislation issued under Article 61 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 and Journal of Laws of 2017, item 452, 724, 791) 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 Statutory Auditor
Licence number 11625
on behalf of
UHY ECA Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.
Certified Auditor number 3115

Poznań, 27 April 2018.

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,
- 2) 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,
- 6) Other financial service activities, except insurance and pension funding not elsewhere classified – PKD 64.99.Z,
- 7) 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).
2. 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.
5. 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.

6. 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.
2. 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.
3. 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.
2. 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.
3. 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.
2. Remuneration of the Supervisory Board members for a given year shall be determined by the General Meeting of Shareholders.

§ 13.

1. 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.
2. 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.
3. 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.
7. 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.
3. 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.

1. 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.
3. Voting shall be an open ballot. A secret ballot shall be ordered upon request of at least one attendants entitled to vote.

§ 19.

1. 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 dividend 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 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 with the Authorized Consultant for the period in which this cooperation is imposed	The procedure regarding the cooperation include all the elements required by Authorized Consultant.

	by the Bucharest Stock Exchange will contain at least following:	
A.5.1.	The contact person with the Authorized Consultant:	The procedure regarding the cooperation include all the elements required by Authorized Consultant.
A.5.2.	Frequent meetings with the Authorized Consultant (which will be at least once a month or whenever events or new information involves transmitting current reports), so still Authorized Consultant can be consulted:	The procedure regarding the cooperation include all the elements required by Authorized Consultant.
A.5.3.	The obligation to inform the Authorized Consultant with all reports and any information that reasonably require to fulfill his responsibilities:	The procedure regarding the cooperation include all the elements required by Authorized Consultant.
A.5.4.	The obligation to inform Bucharest Stock Exchange regarding any dysfunctions in cooperation with Authorized Consultant or changing of the Authorized Consultant.	The procedure regarding the cooperation include all the elements required by Authorized Consultant.
Section B – Internal Control System		
B.1.	The Board should adopt a policy ensuring that any transaction of the Company with any of its subsidiaries that is equal to or more than 5% of the net assets of the Company as stated in the latest financial report should be approved by the Board.	The Company has no subsidiaries. During 2017 the Company has not signed contracts or transactions with subsidiaries.
B.2.	The internal audit should be carried out by a separate structural division (internal audit department) within the Company or through retaining an independent third-party entity which should report to the Board, while within the Company, it should report directly to the CEO.	The Company does not have a separate structural internal audit division. The internal audit is conducted by the CEO.
Section C – Fair rewards and motivation		
C.1.	The Company should publish in its annual report a remuneration report including the total revenues for the Board members and 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.	The Company is managed by a CEO, not by a Board of members. During 2017, the CEO did not receive remuneration.
Section D – Building value through Investors Relations		
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	The principle is partially applied. The corporate website have dedicated Investors Relation section in Polish and English. All relevant

	all relevant information of interest for investors, including:	information and reports are made both in Polish and English.
D.1.1.	Principal corporate regulations, in particular the articles of association and internal regulations of its governing bodies	Principal corporate regulations can be found 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.	Information related to general meetings of 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 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	The policy has been published on the website. The company does not publish forecasts.

	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 2017 in Poland and aims to organize investors' meeting in USA.



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