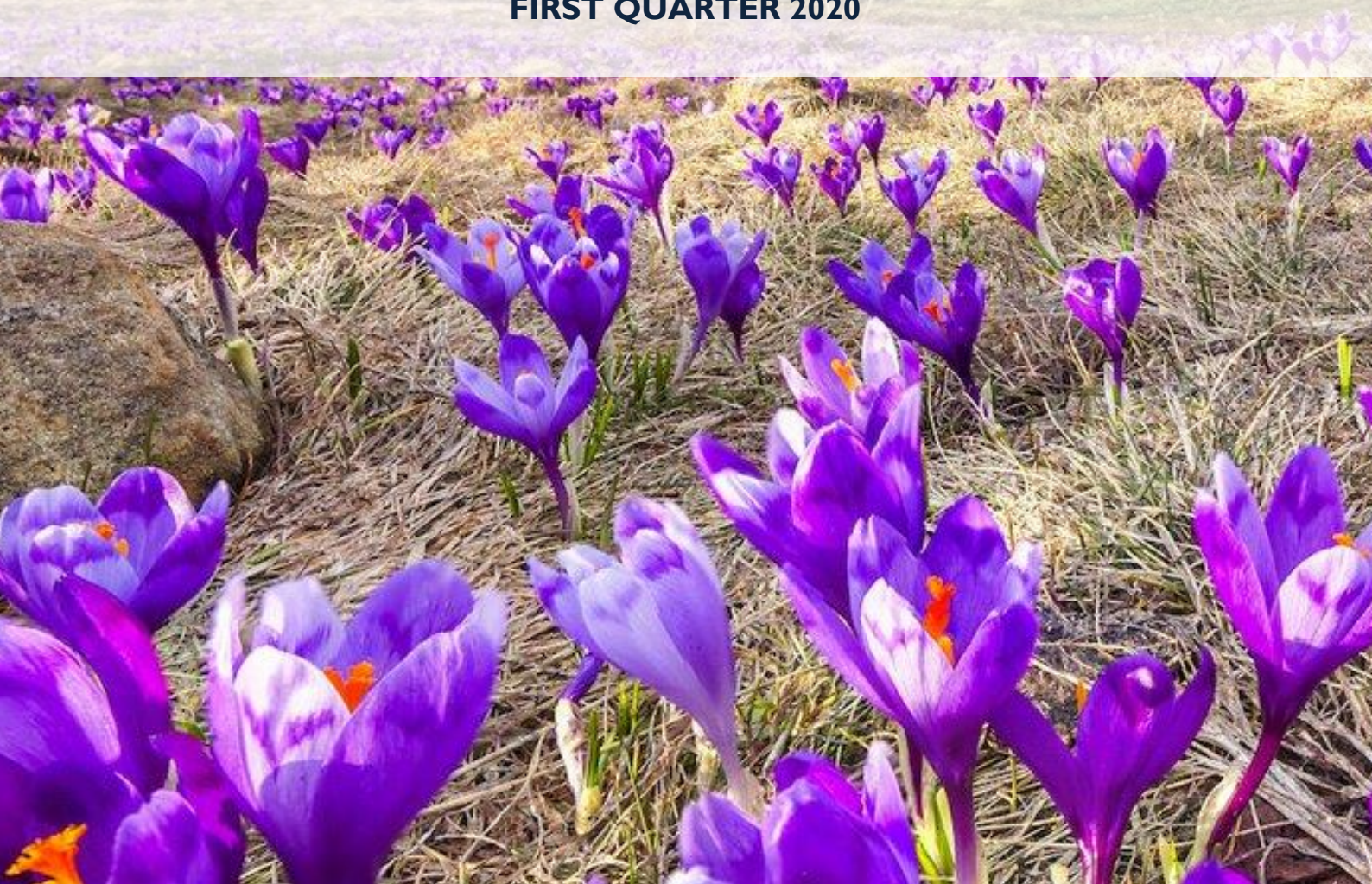




Quarterly Report

FIRST QUARTER 2020



Quarter Report	I Q 2020
Date	15 maja 2020
Name of the company	Carpathia Capital S.A.
Website	www.carpathiacapital.eu
Address	Krasińskiego 16, 60-830 Poznań
Tel./Fax	+48 61 851 86 778
NIP	7811897074
REGON	302762319
KRS	0000511985
Regulated market on which the issued securities are traded	AeRO Market, zorganizowany i prowadzony przez Giełdę Papierów Wartościowych w Bukareszcie Rynek NewConnect, Alternatywna platforma obrotu, zorganizowana i prowadzona przez Giełdę Papierów Wartościowych w Warszawie
Subscribed and paid-up share capital	PLN 2 101 381,50
The main characteristics of the securities issued by the trading company	1.000.000 akcji serii A o nominalnej wartości 0,50 PLN 1.003.666 akcji serii B o nominalnej wartości 0,50 PLN 275.000 akcji serii B2 o nominalnej wartości 0,50 PLN 795.991 akcji serii C o nominalnej wartości 0,50 PLN 711.439 akcji serii D o nominalnej wartości 0,50 PLN 116.667 akcji serii B3 o nominalnej wartości 0,50 PLN 300.000 akcji serii E o nominalnej wartości 0,50 PLN
Ticker	CRPC

TABLE OF CONTENTS

TABLE OF CONTENTS	2
I. BASIC INFORMARTION	3
II. QUARTERLY CONDENSED FINANCIAL STATEMENTS	4
III. INFORMATION ABOUT ACCOUNTING POLICY	12
IV. SHORT CHARACTERISTICS OF SIGNIFICANT ACHIEVEMENTS OR FAILURES OF THE ISSUER AFFECTING THE FINANCIAL RESULT	16
IMPORTANT EVENTS DURING THE REPORTING PERIOD	17
COMMENTS FORM THE MANAGEMENT BOARD	19
V. POSITION ON THE POSSIBILITY OF IMPLEMENTING PUBLISHED FORECASTS OF RESULTS FOR THE YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT	22
VI. DESCRIPTION OF THE STATUS OF IMPLEMENTATION OF THE ISSUER'S ACTIVITIES AND INVESTMENTS AND THE IMPLEMENTATION SCHEDULE	22
VII. DESCRIPTION OF ORGANIZATIONAL OF CAPITAL GROUP STRUCTURE	22
VIII. REPORTING CAUSES OF NON-PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	22
IX. SELECTED FINANCIAL DATA OF THE ISSUER'S SUBSIDIARIES NOT COVERED BY CONSOLIDATION	22
X. INFORMATION ON THE STRUCTURE OF THE ISSUER'S SHAREHOLDERS, WITH THE INDICATION OF SHAREHOLDERS HAVING, AS AT THE DAY OF THE REPORT, AT LEAST 5% OF VOTES AT THE GENERAL MEETING	22
XI. INFORMATION CONCERNING THE NUMBER OF PEOPLE EMPLOYED BY THE ISSUER, CONCERNING FULL-TIME.....	23
XII. SIGNATURE.....	23

I. BASIC INFORMARTION

1. About CARPATHIA CAPITAL S.A.

CARPATHIA CAPITAL S.A. is an investment company. CARPATHIA CAPITAL S.A. in its core business, it focuses on the purchase of shares of both public and private companies for the purpose of their sale. 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 in order to provide that investor (including investors) with investment management services;
- undertakes to its investor (its investors) that its object is to invest funds only to obtain returns from an increase in the value of the investment, from investment income or from both sources; and
- evaluates and evaluates the results of operations in relation to substantially all of its investments at fair value.

Company Headquters

CARPATHIA CAPITAL Spółka Akcyjna ul. Krasieńskiego 16 60-830 Poznań, Poland

Registered Court

Sąd Rejonowy Poznań - Nowe Miasto i Wilda, Wydział VIII Gospodarczy Krajowego Rejestru Sądowego KRS nr 0000511985 Spółka została zawiązana na czas nieokreślony. Regon: 302762319 NIP: 781-189-70-74

Management Board

As at the date of submitting the report, the Supervisory Board is composed of:

Paweł Śliwiński – President of the Management Board
Sebastian Huczek – Vice-President of Management Board
Andrzej Szurek – Member of the Board

Proxy

Piotr Zygmanski – Prokurent

Supervisory Board

As at the date of submitting the report, the Supervisory Board is composed of:

Justyna Światowiec Szczepańska – Member of Supervisory Board
Rafał Śliwiński – Member of Supervisory Board
Piotr Orłowski – Member of Supervisory Board
Jacek Mrowicki – Member of Supervisory Board
Łukasz Puślecki – Member of Supervisory Board

II. QUARTERLY CONDENSED FINANCIAL STATEMENTS

Statement of comprehensive income

<i>continued operations</i> PLN'000	01.01.2020 31.03.2020	01.01.2019 31.12.2019	01.01.2019 31.03.2019
Revenue from sales of products and services	0	0	0
- from related parties	0	0	0
Cost of products, goods and materials sold, including	0	0	0
- to related parties	0	0	0
Selling and distribution expenses	0	0	0
Profit on sales	0	0	0
Other operating revenues	0	0	0
Other operating expenses	0	15	0
Gain (loss) on investments	573	1 025	530
- profit/loss on sales of securities	261	1 043	-18
- interest and dividend	15	117	30
- revaluation of investment portfolio	197	-631	518
- others	100	496	0
Administrative expenses	127	489	112
Operating profit	446	521	418
Financial expenses	-41	56	0
- for related parties	0	0	0
Share of profits of associates	0	0	0
Profit before tax	487	465	418
Income tax	-51	61	104
Net profit for the operating period	538	404	314

Statement of comprehensive income

PLN'000	01.01.2020 31.03.2020	01.01.2019 31.12.2019	01.01.2019 31.03.2019
Net profit for the operating period	538	404	314
	0	0	0
Other comprehensive income:	0	0	0
- valuation of financial assets available for sale	538	404	314

STATEMENT OF FINANCIAL POSITION

PLN'000	31.03.2020	31.12.2019	31.03.2019
A. Non-current assets	429	349	143
Intangible assets	0	0	0
- goodwill	0	0	0
Tangible fixed assets	0	0	0
Long-term financial assets	123	123	123
Deferred income tax assets	306	226	20
Long-term receivables	0	0	0
- from related parties	0	0	0
- from other entities	0	0	0
Other long-term assets	0	0	0
B. Current assets	11 361	9 818	10 547
Inventories	0	0	0
Receivables from related parties	252	252	1 192
Receivables from other entities	66	72	85
- income tax receivables	13	13	27
Financial assets in related parties	131	308	0
Financial assets in other entities	7 557	6 300	6 790
Cash and other monetary assets	3 351	2 882	2 479
Other short-term assets	4	4	1
Total assets	11 790	10 167	10 690

PLN'000	31.03.20120	31.12.2019	31.03.2019
A. EQUITY	10 611	10 073	10 409
Share capital	2 101	2 101	2 101
Treasury shares (negative value)	-255	-255	-255
Supplementary capital	7 123	7 123	7 166
Revaluation reserve	0	0	0
Other reserve capitals	700	700	700
Profits (losses) from previous years	404	0	384
Net profit (loss)	538	404	313
B. PROVISIONS	58	56	72
Provision for deferred income tax	58	56	72
Other provisions	0	0	0
C. Long-term liabilities	0	0	0
Loans and borrowings	0	0	0
Financial leasing liabilities	0	0	0
D. Short-term liabilities	1 115	32	209
Loans and borrowings	0	0	0
Trade payables	2	1	6
Tax, customs, insurance and other liabilities	9	7	9
- income tax liabilities	0	0	0
Liabilities related to wages and salaries	0	0	0
Financial leasing liabilities	0	0	0
Other liabilities	1 104	24	194
- from related parties	6	6	0
E. Accruals	11 790	10 167	10 690
TOTAL LIABILITIES	10 611	10 073	10 409

Changes in equity statement

PLN'000	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2020	2 101	-255	5 957	1 166	700	404	-	10 073
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2020 after changes	2 101	-255	5 957	1 166	700	404	-	10 073
Changes in equity: 01.01.2020 till 31.03.2020								
Issue of shares	-	-	-	-	-	-	-	-
Share buy-back scheme	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	538	538
Balance as at 31.03.2020	2 101	-255	5 957	1 166	700	404	538	10 611

PLN'000	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2020	2 101	-255	6 061	1 105	700	384	-	10 096
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2020 after changes	2 101	-255	6 061	1 105	700	384	-	10 096
Changes in equity: 01.01.2020 till 31.03.2020								
Issue of shares	-	-	-104	-	-	-	-	-104
Share buy-back scheme	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	61	-	-61	-	-
Dividend payments	-	-	-	-	-	-323	-	-323
Total comprehensive income	-	-	-	-	-	-	404	404
Balance as at 31.03.2020	2 101	-255	5 957	1 166	700	-	404	10 073

PLN'000	Share capital	Treasury shares	Supplementary capital		Other capitals	Profits from previous years	Result of current period	Total Equity
			Share premium account	Other				
Balance as at 01.01.2020	2 101	-255	6 061	1 105	700	384	-	10 096
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2020 after changes	2 101	-255	6 061	1 105	700	384	-	10 096
Changes in equity: 01.01.2020 till 31.03.2020								
Issue of shares	-	-	-	-	-	-	-	-
Share buy-back scheme	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	313	313
Balance as at 31.03.2020	2 101	-255	6 061	1 105	700	384	313	10 409

STATEMENT OF CASH FLOWS

[tys. PLN]	01.10.2019 31.12.2019	01.01.2019 31.12.2019	01.10.2018 31.12.2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Profit (loss) before tax	487	465	418
II. Total adjustments	-615	-1 019	-641
1. 1. Depreciation and amortisation	0	0	0
2. 2. Net foreign exchange differences	-141	33	0
3. 3. Interest and share of profit (dividends)	-14	-117	-30
4. 4. Gain (loss) on investment activity	-458	-885	-500
5. 5. Changes in provisions	0	0	-29
6. 6. Changes in prepayments and accruals	0	-3	-82
7. 7. Other adjustments	-2	-47	0
III. Changes in working capital	3	-31	-141
IV. Income tax paid	-21	-165	0
V. Net cash flows from operating activities	-146	-750	-364
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
I. Inflows	1 483	4 659	422
1. Inflows from sale of intangible assets	0	0	0
2. Inflows from sale of tangible fixed assets	0	0	0
3. Inflows from sale of investment properties	0	0	0
4. Net inflows from sale of subsidiaries	0	0	0
5. Inflows from repayment of borrowings granted	179	275	0
6. Inflows from sale of other financial assets	1 299	3 616	392
7. Inflows from sale of bonds	0	720	0
8. Inflows from interest received	5	48	30
9. Inflows from dividends received	0	0	0
II. Outflows	1 009	3 422	616
1. Outflows for acquisition of intangible assets	0	0	0
2. Outflows for acquisition of tangible fixed assets	0	0	0
3. Outflows for acquisition of investment properties	0	0	0
4. Net outflows for acquisition of subsidiaries	0	0	0
5. Outflows for loans granted	0	310	0

6. Outflows for acquisition of other financial assets	1 009	3 112	616
III. Net cash flows from investment activities	474	1 237	-194
C. CASH FLOWS FROM FINANCIAL ACTIVITIES			
I. Inflows	0	94	0
1. Net inflows from issuance of shares	0	0	0
2. Inflows from loans and borrowings	0	0	0
3. Inflows from issuance of debt securities	0	0	0
4. Other inflows from financial activities	0	94	0
II. Outflows	0	537	0
1. Outflows for acquisition of own shares	0	0	0
2. Redemption of debt securities	0	0	0
3. Repayment of loans and borrowings	0	0	0
4. Payment of liabilities arising from financial leases	0	0	0
5. Outflows for interest paid	0	0	0
6. Outflows for dividends paid	0	322	0
7. Other outflows for financial activities	0	215	0
III. Net cash flows from financial activities	0	-443	0
Balance sheet change in cash	328	44	-558
Cash opening balance	2 882	2 821	2 821
- change in cash due to exchange differences	141	17	0
Cash closing balance	3 351	2 882	2 263

III. INFORMATION ABOUT ACCOUNTING POLICY

1. Rules of presentation

THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The basis for preparation of the financial statements is IAS 34 'Interim financial reporting'. This report should be read together with the last annual financial statements for the period from 01/01/2019 to 31/12/2019. Financial statement of CARPATHIA CAPITAL S.A. have been prepared in accordance with the principles of International Financial Reporting Standards (IAS / IFRS). These financial statements have been prepared in accordance with the accounting standards adopted for use in the EU, issued and applicable as at the date of these financial statements. The financial statements have been prepared for the period from 01/01/2020 to 31/03/2020. Comparative data are presented for the period from 01/01/2019 to 31/03/2019. The financial statements have been prepared assuming the continuation of business activity by CARPATHIA CAPITAL S.A. in the foreseeable future and there are no circumstances indicating a threat to continuing operations.

2. CURRENCY IN WHICH A FINANCIAL STATEMENT HAS BEEN PREPARED AND THE SIZE OF THE ENTITIES WHICH ARE USED FOR THE PRESENTATION OF AMOUNTS IN THE FINANCIAL STATEMENTS

The attached financial statements are prepared in Polish zlotys, which are the reporting currency and the functional currency of the Company, and all amounts in the financial statements are presented in PLN thousand.

3. ACCOUNTING POLICY

The financial statements are prepared in accordance with the historical cost concept, except for the revaluation of financial instruments and investment properties based on the fair value model.

Goodwill

Goodwill in the financial statements is not amortized, however, it is subject to impairment tests.

Intangible assets

Expenses for purchased computer software and other intangible assets are activated and depreciated on a straight-line basis over the period of expected economic utility.

In the event of impairment of assets classified as intangible assets, an impairment loss is recognized. Intangible assets are disclosed as at the balance sheet date at the purchase price less accumulated amortization accrued to the balance sheet date and less any write-downs.

Property, plant and equipment

Fixed assets include those assets whose estimated period of use is longer than one year and which are intended for the needs of the Company's operations or transferred to use to other entities under a lease agreement or other similar agreements. Leased fixed assets are classified as fixed assets when substantially all the risks and rewards of ownership of the asset are transferred to the Company. Fixed assets are valued at purchase price, production cost and reduced by amortization and impairment write-offs. Fixed assets are depreciated in the period corresponding to the estimated period of their economic usefulness. Fixed assets with purchase price up to 3.5 thous. PLN are amortized once.

The exception is computer equipment, depreciated based on the estimated period of economic usability. Borrowing costs directly related to the acquisition or production of assets requiring a longer period of time to be fit for use or resale are capitalized as part of the acquisition cost of the qualifying asset until commissioning of these fixed assets. Depreciation is calculated for all fixed assets, except for land and fixed assets under construction using the straight-line method, using the following annual depreciation rates:

- Means of transport 20%;
- Computer equipment 30%;
- Other from 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 lower of the two values: carrying amount or fair value less costs related to sales. The company classifies an asset (or group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Financial assets

Financial assets are recognized according to the date of the transaction. Financial assets on the day of their acquisition or creation are classified into the following categories:

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

A financial asset at fair value through profit or loss is an asset or financial liability item that is held for trading and financial assets designated by the Company's Management Board as at fair value through profit or loss. Assets that have been classified as financial assets at fair value through profit or loss are valued in accordance with the fair value determination principles presented below. The effects of the valuation of these financial assets are recognized in the statement of performance.

Financial assets held to maturity are financial assets with specified or determinable payments and with a set maturity date, which the entity intends and has the ability to hold in possession until the maturity date.

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

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

Financial assets classified as available for sale are measured at fair value, with the effects of the valuation on the revaluation reserve.

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

Determination of fair value of financial assets

The fair value for financial assets is determined:

- if they are listed on the active market - at market value; an active market is a market where homogeneous items are traded, prices are publicly announced, buyers and sellers can be found on it at any time,
- if they are not listed on an active market - fair value is determined by applying an appropriate valuation model for a given financial instrument or by estimating a price based on a similar instrument listed on an active market, where:
 - if 12 months have not passed since the acquisition of a financial asset not listed on the active market until the balance sheet date, assuming the principle that the transaction price is the best reflection of the fair value of the financial asset - at the purchase price,
 - if more than 12 months have passed since the acquisition of a financial asset not listed on the active market until the balance sheet date and the value of the financial instrument obtained as a result of the valuation of the financial instrument does not differ by more than 15% from the purchase price, the fair value is the purchase price,
 - if no model can be used due to the excessive weight of the estimate - at the purchase price.

Classification and valuation of shares in other entities

According to the decision of the Management Board of CARPATHIA CAPITAL S.A. stocks and shares acquired or taken up by the Company in preparation for the IPO (stocks and shares of portfolio companies) are classified as financial assets at fair value through profit or loss. The value of shares in other entities is determined in accordance with the abovementioned principles of "Determining the fair value of financial assets". Shares classified as financial assets at fair value through profit or loss are measured as at the balance sheet date at fair value, with the effects of the measurement on the financial result.

Investment Estates

Real estate constituting a source of rental income and / or an increase in value over time is treated as investment property. Investment real properties are valued as at the balance sheet date at fair value. Gains and losses arising from changes in the fair value of investment property are recognized in the income statement in the period in which they arise. The company may decide to value investment property at purchase price or production cost.

Trade receivables

Receivables are disclosed at the amount of payment required less write-downs. Receivables revaluation write-offs increase other operating costs.

Inventories

Inventories are valued at actual purchase prices less any impairment losses. Expenditure is determined based on the FIFO method.

Cash and equivalents

Cash is recognized at nominal value. Cash in a foreign currency is converted as at the balance sheet date at the closing rate as at the balance sheet date. Prepayments Prepayments are made in relation to costs incurred for future reporting periods that meet the definition of assets in accordance with IFRS. Write-offs of prepayments take place according to the passage of time. The time and method of settlement is justified by the nature of the costs charged. Equity Equity, except for own shares, is generally measured at their nominal value. Own shares are valued at purchase price. Provisions A provision is created when:

- an enterprise has a present obligation (legal or constructive) arising from past events,
- it is probable that the obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made duty.

If the above conditions are not met, no reserve is created.

Liabilities

Liabilities are disclosed at the amount requiring payment. Accrued expenses Accrued expenses are made in the amount of liabilities attributable to the current reporting period. The company refrains from estimating accrued expenses for employee benefits due to the small number of employees and the provision of benefits due to them in a given accounting period. Current and deferred income tax The obligatory charging of financial result consists of current tax and deferred tax. Current tax is calculated on the basis of tax income (tax base) in a given financial year. Deferred tax is calculated using the balance sheet method based on temporary differences between the value of assets and liabilities shown in the report and their tax value. Due to temporary differences, provisions and assets due to deferred income tax are created. The value of deferred tax assets is subject to analysis at each balance sheet date to determine whether the forecast future tax profit will be sufficient for their realization. Otherwise, a write-off is made. Assets and reserves due to deferred tax are calculated on the basis of tax rates which will be binding at the moment when the asset item is realized or the liability becomes due. Deferred tax is

recognized in the profit and loss account, except when it relates to items recognized directly in equity, when deferred tax is also recognized in equity.

Financial result

The net financial result consists of: result on sales, result on other operating activities, result on financial activities, result on extraordinary operations and mandatory charges on gross financial result. Revenue from the sale of products and services is the amount due from the recipient in this respect, less the tax due on goods and services, rebates and other taxes related to sales (e.g. excise duty). The moment of sale is the transfer of goods or services to the recipient and transfer of ownership to the recipient. In the case of the Company, revenues from the sale of products include revenues from the consultancy services provided by the Company. Other operating income and expenses are expenses and income related to the disposal of property, plant and equipment, the creation and release of provisions, and not directly related to the core business, but having an impact on the financial result. Financial revenues are due revenues from financial operations, while financial costs are incurred costs of financial operations. In the Company, financial income mainly includes interest earned on bank deposits, and financial costs mainly include interest on loans and borrowings. In the case of dividend income, recognition in the income statement occurs when the shareholders' right to receive payment is established. The result of extraordinary events is the difference between realized extraordinary profits and incurred losses resulting from random events.

Impairment

At each balance sheet date, the Company reviews the net value of fixed assets to determine whether there are any indications that they may be impaired. If any such indication exists, the recoverable amount of the asset (i.e. net selling price or value in use, depending on which one is higher) is estimated in order to determine the potential impairment charge.

4. Important Values based on professional judgement and estimates

Valuation of financial assets not listed on the active market

The fair value for assets not listed on the active market is determined:

- by applying an appropriate valuation model for a given financial instrument or by estimating a price based on a similar instrument listed on an active market, where:
- if 12 months have not passed since the acquisition of a financial asset not listed on the active market until the balance sheet date, assuming the principle that the transaction price is the best reflection of the fair value of the financial asset - at the purchase price,
- if more than 12 months have passed since the acquisition of a financial asset not listed on the active market until the balance sheet date and the value of the financial instrument obtained as a result of the valuation of the financial instrument does not differ by more than 15% from the purchase price, the fair value is the purchase price,
- if no model can be used due to the excessive weight of the estimate - at the purchase price

Reserves

A provision is created when:

- the enterprise has a present obligation (legal or constructive) as a result of past events,
- it is likely that the fulfillment of the obligation will result in the need for an outflow of funds embodying economic benefits, and
- a reliable estimate of the amount of this obligation can be made. If the above conditions are not met, no reserve is created

Impairment losses

At each balance sheet date, the Company reviews the net value of fixed assets and financial assets to determine whether there are any indications that they may be impaired. If any such indication exists, the recoverable amount of the asset (i.e. net selling price or value in use, depending on which one is higher) is estimated in order to determine the potential impairment charge.

Depreciation of tangible and intangible assets

Depreciation is calculated for all fixed assets and intangible assets, except for land and fixed assets under construction using the straight-line method, using the following annual depreciation rates:

- Means of transport 20%;
- Computer equipment 30%;
- Other from 18% to 100%.

IV. SHORT CHARACTERISTICS OF SIGNIFICANT ACHIEVEMENTS OR FAILURES OF THE ISSUER AFFECTING THE FINANCIAL RESULT

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

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

- **Outstanding opportunity**

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

- **Unique portfolio**

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

- **Founders**

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

CHARACTERISTICS OF INVESTMENT ACTIVITY

Funds available for investments	Approx. RON 2 603 500
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 DURING THE REPORTING PERIOD

Investment Ventures

Carpathia Capital has conducted research on several entities in order to acquire them for the investment portfolio. Before allocating capital to an entity, the investment team is required to perform a due diligence process to assess the value of a potential portfolio company. The Company's portfolio is built on the basis of an assessment of the fundamental value of individual securities and will not be based on sector indicators. Carpathia Capital aims to diversify its investment portfolio by investing in many sectors. The company has no specific exposure limits for any of the sectors. New investments and portfolio management will be made in accordance with the investment risk distribution assumed in the company's policy. The slow progress in building the investment portfolio is due to the pace of market development and a cautious approach to valuing and assessing development prospects for potential portfolio companies.

In the past quarter, the Company expanded its portfolio exposure to companies in the gaming sector, whose results are characterized by clear resistance to the current pandemic environment. The company took over. Taking advantage of the strong sell-off on the Romanian market, the involvement in Bittnet shares was also increased, which proved to be the right decision (the price has increased since the acquisition of subsequent shares by over 35%).

By identifying the scale of declines in the main indices as exaggerated (mainly due to liquidity rather than fundamental considerations), a decision was made to engage in the futures market as part of the purchase of WSE-listed contracts for the WIG20 index. Open positions were already closed in April, generating a profit of nearly 80,000. zlotys.

After the reporting period, the company subscribed to the private offer of GenXone S.A. and two companies from the gaming sector related to the Playway group.

Change of strategy regarding the purchase of shares within the INC group

On March 17, 2019, the Management Board of Carpathia Capital S.A. informed that due to the change in the strategy of the Capital Group, the strategy of Carpathia Capital S.A. is changing in the scope of purchasing shares or stocks from INC S.A. Carpathia Capital S.A. as an ASI operating a fund listed in Poland and Romania, it will invest its resources in projects listed or as part of conducted public issues or private subscriptions.

Carpathia Capital S.A. as a rule, it will not acquire shares or stocks from INC S.A. that were previously purchased at market price with a certain discount. As part of the INC Group, INC Private Equity ASI S.A. acquire or subscribe for shares or stocks due to the INC Group as part of the remuneration under the contract with the client. In order to avoid a potential conflict of interest, the Group's investment strategy assumes priority in divestments for Carpathia Capital S.A. in relation to INC PE ASI S.A. ..

Key Performance Indicators

PLN'000	31.03.2020	31.12.2019	31.03.2019
Equity	10 611	10 074	10 409
Cash	3 351	2 882	2 479
Financial assets in other entities	7 557	6 300	6 790
Long-term liabilities	0	0	0
Short-term liabilities	1 115	32	209

Name of the indicator	Calculation method	Result (31.03.2020)
Current liquidity indicator	Current assets/ Current liabilities	9 963
Cash ratio	Cash and other monetary assets/ Current liabilities	2 821
Indebtedness indicator	Loan Capital/ Equity x 100	0
	Loan Capital/ Employed Capital x 100	0
Clients' debts rotation speed	Loan Capital/ Employed Capital x 100	689
Non-current assets rotation	Clients' average balance/Turnover x 270 (for the 3rd quarter)	2,10

PLN'000	01.01.2020 31.03.2020	01.01.2019 31.12.2019	01.01.2019 31.03.2019
Gain (loss) on investments	573	1 025	530
- profit from listing	261	1 043	-18
- profit/loss on sales of securities	15	118	30
- interest and dividend	197	-632	518
- revaluation of investment portfolio	100	496	0

COMMENTS FROM THE MANAGEMENT BOARD

The first quarter, marked by the development of a pandemic and the related collapse of economic activity, was an unexpectedly successful period for Carpathia Capital. Given the record drop in the value of stock market indices in Poland and Romania (but also on a global scale) recorded in March, significant outflows of assets from investment funds and the collapse of forecasts of economic indicators, the Management Board clearly evaluates the positive investment result in terms of success. When looking for the reasons for this resistance of results to the situation of the environment, it is necessary to emphasize the appropriate sectoral structure of the maintained investment portfolio, within which dominating entities from. In addition, a thorough analysis of entities covered by the investment process means that the portfolio is dominated by shares of high-quality companies managed by management boards able to cope with difficult environments.

Assessing the current environment as an opportunity to increase involvement in the equity segment with attractive valuations, the Management Board and the investment team are considering capital involvement in a number of investment projects regarding shares from the primary and primary market. Moving to the level of financial results, the most important item for the Company is the result on investment activities. In the first three months of this year it amounted to 573 thousand. PLN, which is more than half of the total investment return for the previous year. Importantly, 261,000 PLN came from the sale of securities at a profit, and therefore constituted a cash flow to the Issuer.

Due to revaluation of the investment portfolio, Carpathia Capital recognized a profit of 197 thousand. zlotys. From the point of view of the financial result, it is worth mentioning the quite clear appreciation of the Romanian funnel against the Polish zloty, which brought profit from exchange rate differences of PLN 114 thousand. zlotys. General and administrative expenses in the first quarter were at a level similar to the same period last year and amounted to 127 thousand zlotys.

Due to divestments caused by profit taking, at the end of the first quarter the Company increased the value of cash assets to PLN 3,351 thousand. PLN, which translates into 28.45% of the total assets. Cash has been accumulated for their effective involvement in investment projects in both Poland and Romania. The current level of valuations in selected sectors of the stock market (especially in Poland) is assessed by the Management Board as attractive, however, due to the uncertainty about the future state of the economy, it maintains a cautious approach to investment in the secondary market. It is worth emphasizing at this point that the increase in the value of cash held took place despite the initiation of two investments on the private market.

The company is indebted.

Summing up the financial results for the first quarter they should be assessed positively. Moreover, the Management Board expects their results to be maintained in the second quarter of 2020, which is based on clear increases in valuations of companies maintained on the Romanian market (especially Bittnet Systems), increases in share prices of important items in the portfolio maintained on the Polish market (Polman, DOOK , Plantwear), as well as announced debuts of portfolio companies from the private market, for which the share price after the debut may be significantly above the acquisition price by Carpathia Capital.

Risk factors

RISK FACTOR	DESCRIPTION
SHORT OPERATING HISTORY	The Company has a short operating history upon which investors can evaluate future performance. There can be no assurance that the Company will achieve its investment objectives or that the strategy applied by the Company will be successful. The Management Board considers that track record of the INC S.A. as the funding shareholder and experience of the managing team with capital delivered by investors provide solid base for development of the investment activity.

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

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.

V. POSITION ON THE POSSIBILITY OF IMPLEMENTING PUBLISHED FORECASTS OF RESULTS FOR THE YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT

Not apply.

VI. DESCRIPTION OF THE STATUS OF IMPLEMENTATION OF THE ISSUER'S ACTIVITIES AND INVESTMENTS AND THE IMPLEMENTATION SCHEDULE

In the period covered by the report, the Issuer did not take initiatives aimed at introducing innovative solutions in the enterprise.

VII. DESCRIPTION OF ORGANIZATIONAL OF CAPITAL GROUP STRUCTURE

Company has not

VIII. REPORTING CAUSES OF NON-PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Not apply

IX. SELECTED FINANCIAL DATA OF THE ISSUER'S SUBSIDIARIES NOT COVERED BY CONSOLIDATION

Not apply.

X. INFORMATION ON THE STRUCTURE OF THE ISSUER'S SHAREHOLDERS, WITH THE INDICATION OF SHAREHOLDERS HAVING, AS AT THE DAY OF THE REPORT, AT LEAST 5% OF VOTES AT THE GENERAL MEETING

SHAREHOLDERS STRUCTURE AS AT 15 MAY 2020

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.	1 053 708	25,07%	39,47%	527
Own shares held by the Company	172 602	4,11%	3,32%	86
Other shareholders	2 976 453	70,82%	57,21%	1 488
Total	4 202 763	100%	100%	2 101

XI. INFORMATION CONCERNING THE NUMBER OF PEOPLE EMPLOYED BY THE ISSUER, CONCERNING FULL-TIME

XII. SIGNATURE

Management Board of Carpathia Capital S.A. declares that, to the best of his knowledge, the financial statements covering the period from January 1, 2020 to March 31, 2020, and comparative data have been prepared in accordance with applicable accounting standards and provide a true and reliable picture of assets, liabilities, financial result and financial position Company.



Paweł Śliwiński
CEO/Prezes Zarządu Carpathia Capital S.A.