CARPATHIA CAPITAL

QUARTERLY REPORT
FIRST QUARTER 2016

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For the financial period	QI 2016 (January 1st, 2016 – March 31st, 2016)
Date of the report	May 16th, 2016
Name of the company	Carpathia Capital S.A.
Website	www.carpathiacapital.eu
Registered office	Krasińskiego Street no. 16, 60-830 Poznań
Telephone/Fax number	+48 61 851 86 77
Unique Tax Reference Number	7811897074
Trade Register number	302762319
Regulated market on which the issued securities are traded	AeRO Market, administered by the Bucharest Stock Exchange
Subscribed and paid-up share capital	PLN 1.893.048
The main characteristics of the securities issued by the trading company	• 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
Ticker	CRPC

I. Activity of Carpathia Capital

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

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

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

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

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

Characteristics of Investment Activity	
Funds available for investments	Approx. RON 6 140 000
Investment limit for one company	From 200 000 RON to 1 000 000 RON
Company stage of development	Various (start-up, growth, mature)
Industry preferences	No assumed industry preferences
Investment horizon	One to five years
Preferred investment exit route	Listing of shares on the AeRO or the NewConnect market or other viable segment of the capital market

II. Important Events

- **Marketing activities**
  - On February 18th 2016, Bucharest Stock Exchange (BVB) partnering with PwC Romania organized conference „Essential tools for unlocking value and building investors' confidence". Foreign and local experts discussed the best practices in Corporate Government and Investor Relations. The conference was a valuable opportunity to join the discussion on the new Bucharest Stock Exchange Corporate Governance Code and its implementation and to get familiar with the view of local institutional investors. The conference was attended by issuers listed on the main market of BVB, companies listed on AeRO and prospective issuers.

  - On February 23rd 2016, representative of Carpathia Capital participated in a conference call of Bittnet Systems S.A. on preliminary annual results of 2015. The event was held and recorded at Bucharest Stock Exchange.

- **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.

- **Purchase of bonds with the right of conversion into shares**

  As provided in the current reports no 1/2016 (January 5th, 2016) and 2/2016 (January 18th, 2016) Carpathia Capital informed about another capital investment – acquisition of bonds of Moto44 Sp.z o.o:
  - On January 5th, 2016 the Company received information on the allocation of bonds of Moto44 Sp. z o.o. According to the agreement, the Company acquired 500 bonds with a total nominal value of PLN 500 000 (nominal value of 1 bond is PLN 1 000). The purchase price in cash for 500 bonds of Moto44 Sp. z o.o. amounted to PLN 500 000.
  - On January 18th, 2016 the Company received information on the allocation of bonds of Moto44 Sp. z o.o. According to the agreement, the Company acquired 550 bonds with a total nominal value of PLN 550 000 (nominal value of 1 bond is PLN 1 000.00). The purchase price in cash for 550 bonds of Moto44 Sp. z o.o. amounted to PLN 550 000.

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

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

Moto44 Sp. z o.o. operates in the automotive sector in Poland and has been selling and servicing new and used motorcycles since 2013. In 2014, the first complete year of selling motorcycles, the Company reached PLN 4.18M in revenues, operating profit in the amount of PLN 0.20M and net profit of PLN 0.15M. According to the investment agreement in 2015 Moto44 expected to reach revenues of no less than PLN 8.0M, operating profit of no less than PLN 0.47M and net profit of no less than PLN 0.35M. Whereas in 2016 it expects to reach revenues of no less than PLN 12.0M, operating profit of no less than PLN 0.72M and net profit of no less than PLN 0.60M. If Moto44 does not fulfil the above described expectations, the Company will have the right to take up additional shares of the Issuer, regardless of the exercise of the right of conversion.

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

The funds raised through the issue will be used for the purchase of land property with the aim of building a modern showroom offering new and pre-owned motorcycles, along with an extensive service facilities and to increase the Issuer's working capital to expand its commercial offer of pre-owned motorcycles.

- **Acquisition of own shares**

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

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

- **Changes in the composition of the Management Board and the Supervisory Board**

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

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

- **Acquisition of shares by INC S.A.**

  On February 23rd, 2016, the Company received a notification of insider transactions from INC S.A. which informed about acquisition of 4 162 shares at an average price of 1.52 RON.

III. Risk Factors

Risk Factor	Description
Lack of operating history	The Company is a recently formed entity and has a very 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.

IV. Key Performance Indicators

PLN'000	31.03.2016	31.12.2015	31.03.2015	31.12.2014
Number of portfolio companies /including bonds with the right of conversion into shares/	2	2	1	0
Equity	8 031	7 945	8 224	4 237
Cash	6 063	6 527	7 428	4 071
Financial assets in other entities	2 560	2 463	639	0
Long-term liabilities	0	0	0	0
Short-term liabilities	584	1 045	9	17

PLN'000	01.01.2016 31.03.2016	01.01.2015 31.12.2015	01.01.2015 31.03.2015	04.04.2014 31.12.2014
Gain (loss) on investments	123	-75	0	6
- profit from listing	0	0	0	0
- profit/loss on sales of securities	33	-134	0	0
- interest and dividend	2	47	0	6
- revaluation of investment portfolio	75	6	0	0
- other profits	13	6	0	0

Comments from the Management Board

Despite increased volatility and mixed performance of the core markets, after the first quarter the Company reported PLN 123k gain on investments. The main contributors to gain on investments were:
- revaluation of investment portfolio (PLN 75k),
- profit on sales of securities (PLN 33k),
- other profits (PLN 13k),
- interest and dividend (PLN 2k).

Cash remains the Company's most significant asset with a share of 70.23% of total assets. Financial assets in other entities constituted the second most important position, representing 29.65% of total assets. Equity as of March 31st, 2016 amounted to PLN 8 031k, with share capital of PLN 1 893k.

The Company remained debt free. Provisions and long term liabilities were equal to zero and the reported value of short term liabilities (PLN 584k) comprised of significant value of other liabilities (PLN 574k) which are presented as a commitment to acquire financial assets equal to the carrying value of short term WIG20 futures presented as financial assets and negligible trade payables (PLN 3k) and income tax liabilities (PLN 7k).

In a quarter under review, Carpathia Capital recognized other operating revenues of PLN 89k (one-off), administrative costs of PLN 17k and reported operating profit of PLN 189k.

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 in 1Q2016),
b) prudent investment policy on volatile markets in 1Q2016.

We would like to reiterate that it is too short period to assess investment strategy however substantial changes have already been implemented to embrace investment opportunities emerging in Poland.
Taking into account strong pipeline of investment opportunities under review we remain confident that they provide value for Carpathia Capital in the coming months.

V. Financial statements

Statement of comprehensive income

continued operations	01.01.2016 31.03.2016	01.01.2015 31.12.2015	01.01.2015 31.03.2015	04.04.2014 31.12.2014
Revenue from sales of products and services	0	0	0	0
- from related parties	0	0	0	0
Cost of products, goods and materials sold, including	0	0	0	0
- to related parties	0	0	0	0
Selling and distribution expenses	0	0	0	0
Profit on sales	**0**	**0**	0	**0**
Other operating revenues	83	0	0	0
Other operating expenses	0	0	0	0
Gain (loss) on investments	123	-75	0	6
- profit from listing	0	0	0	0
- profit/loss on sales of securities	33	-134	0	0
- interest and dividend	2	47	0	6
- revaluation of investment portfolio	75	6	0	0
- other profits	13	6	0	0
Administrative expenses	17	46	17	26
Operating profit	**189**	**-121**	**-17**	**-20**
Financial expenses	1	0	0	0
- for related parties	0	0	0	0
Share of profits of associates	0	0	0	0
Profit before tax	**188**	**-121**	**-17**	**-20**
Income tax	21	0	0	0
Net profit for the operating period	**167**	**-121**	**-17**	**-20**

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2016 31.03.2016	01.01.2015 31.12.2015	01.01.2015 31.03.2015	04.04.2014 31.12.2014
Net profit for the operating period	167	-121	-17	-20
Other comprehensive income:	0	0	0	0
- valuation of financial assets available for sale	0	0	0	0
Total comprehensive income	**167**	**-121**	**-17**	**-20**

STATEMENT OF FINANCIAL POSITION

	31.03.2016	31.12.2015	31.03.2015	31.12.2014
A. Non-current assets	**0**	**0**	0	**0**
Intangible assets	0	0	0	0
- goodwill	0	0	0	0
Tangible fixed assets	0	0	0	0
Non-current financial assets	0	0	0	0
Deferred tax assets	0	0	0	0
Long-term receivables	0	0	0	0
- from related parties	0	0	0	0
- from other entities	0	0	0	0
Other long-term assets	0	0	0	0
B. Current assets	**8 632**	**9 001**	**8 236**	**4 257**
Inventories	0	0	0	0
Receivables from related parties	0	0	0	0
Receivables from other entities	9	11	144	186
- income tax receivables	0	4	0	3
Financial assets in related parties	0	0	0	0
Financial assets in other entities	2 560	2 463	639	0
Cash and other monetary assets	6 063	6 527	7 428	4 071
Other short-term assets	0	0	25	0
Total assets	**8 632**	**9 001**	**8 236**	**4 257**

STATEMENT OF FINANCIAL POSITION

	31.03.2016	31.12.2015	31.03.2015	31.12.2014
A. EQUITY	**8 031**	**7 945**	**8 224**	**4 237**
Share capital	1 893	1 893	1 002	500
Treasury shares (negative value)	-255	0	0	0
Supplementary capital	6 193	6 193	2 042	0
Revaluation reserve	0	0	0	0
Other reserve capitals	174	0	5 217	3 757
Profits (losses) from previous years	-141	-20	-20	0
Net profit (loss)	167	-121	-17	-20
B. PROVISIONS	**14**	**0**	**0**	**0**
Provision for deferred income tax	14	0	0	0
Other provisions	0	0	0	0
C. Long-term liabilities	**0**	**0**	**0**	**0**
Loans and borrowings	0	0	0	0
Financial leasing liabilities	0	0	0	0
D. Short-term liabilities	**584**	**1 045**	**9**	**17**
Loans and borrowings	0	0	0	0
Trade payables	3	2	9	17
Tax, customs, insurance and other liabilities	7	0	0	0
- income tax liabilities	7	0	0	0
Liabilities related to wages and salaries	0	0	0	0
Financial leasing liabilities	0	0	0	0
Other liabilities	574	1 043	0	0
E. Accruals	**3**	**11**	**3**	**3**
TOTAL LIABILITIES	**8 632**	**9 001**	**8 236**	**4 257**

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 31.03.2016	**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 31.03.2016								
Issue of shares	-	-255	-	-	174	-	-	-81
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	167	167
Balance as at 31.12.2015	**1 893**	**-255**	**6 193**	**-**	**174**	**-141**	**167**	**8 031**

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 01.01.2015	**500**	**-**	**-**	**-**	**3 757**	**-20**	**-**	**4 237**
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2015 after changes	**500**	**-**	**-**	**-**	**3 757**	**-20**	**-**	**4 237**
Changes in equity since 01.01.2015 till 31.12.2015								
Issue of shares	1 393	-	6 193	-	-3 757	-	-	3 829
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-121	-121
Balance as at 31.12.2015	**1 893**	**-**	**6 193**	**-**	**-**	**-20**	**-121**	**7 945**

Statement of 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 01.01.2015	**500**	**-**	**-**	**-**	**3 757**	**-20**	**-**	**4 237**
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.01.2015 after changes	**500**	**-**	**-**	**-**	**3 757**	**-20**	**-**	**4 237**
Changes in equity since 01.01.2015 till 31.03.2015								
Issue of shares	502	-	2 042	-	1 460	-	-	4 004
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-17	-17
Balance as at 31.12.2014	**1 002**	**-**	**2 042**	**-**	**5 217**	**-**	**-17**	**8 224**

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 04.04.2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 04.04.2014 after changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in equity since 04.04.2014 till 31.12.2014								
Issue of shares	500	-	-	-	3 757	-	-	4 257
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-20	-20
Balance as at 31.12.2014	**500**	**-**	**-**	**-**	**3 757**	**-**	**-20**	**4 237**

STATEMENT OF CASH FLOWS

	01.01.2016 31.03.2016	01.01.2015 31.12.2015	01.01.2015 31.03.2015	04.04.2014 31.12.2014
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Profit (loss) before tax	**188**	**-121**	**-17**	**-20**
II. Total adjustments	**-127**	**129**	**0**	**3**
1. Depreciation and amortisation	0	0	0	0
2. Net foreign exchange differences	-12	-6	0	0
3. Interest and share of profit (dividends)	0	0	0	0
4. Gain (loss) on investment activity	-108	128	0	0
5. Changes in provisions	0	0	0	0
6. Changes in prepayments and accruals	-7	7	-25	3
7. Other adjustments	0	0	0	0
III. Changes in working capital	**16**	**24**	**-58**	**-169**
IV. Income tax paid	**0**	**-4**	**0**	**0**
V. Net cash flows from operating activities	**77**	**28**	**-100**	**-186**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES				
I. Inflows	**42**	**239**	**0**	**0**
1. Inflows from sale of intangible assets	0	0	0	0
2. Inflows from sale of tangible fixed assets	0	0	0	0
3. Inflows from sale of investment properties	0	0	0	0
4. Net inflows from sale of subsidiaries	0	0	0	0
5. Inflows from repayment of borrowings granted	0	0	0	0
6. Inflows from sale of other financial assets	42	239	0	0
7. Inflows from sale of bonds	0	0	0	0
8. Inflows from interest received	0	0	0	0
9. Inflows from dividends received	0	0	0	0
II. Outflows	**500**	**1 786**	**639**	**0**
1. Outflows for acquisition of intangible assets	0	0	0	0
2. Outflows for acquisition of tangible fixed assets	0	0	0	0
3. Outflows for acquisition of investment properties	0	0	0	0

4. Net outflows for acquisition of subsidiaries	0	0	0	0
5. Outflows for loans granted	0	0	0	0
6. Outflows for acquisition of other financial assets	500	1 786	639	0
III. Net cash flows from investment activities	**-458**	**-1 547**	**-639**	**0**
C. CASH FLOWS FROM FINANCIAL ACTIVITIES				
I. Inflows	**174**	**3 969**	**4 096**	**4 257**
1. Net inflows from issuance of shares	174	3 969	4 096	4 257
2. Inflows from loans and borrowings	0	0	0	0
3. Inflows from issuance of debt securities	0	0	0	0
4. Other inflows from financial activities	0	0	0	0
II. Outflows	**255**	**0**	**0**	**0**
1. Outflows for acquisition of own shares	255	0	0	0
2. Redemption of debt securities	0	0	0	0
3. Repayment of loans and borrowings	0	0	0	0
4. Payment of liabilities arising from financial leases	0	0	0	0
5. Outflows for interest paid	0	0	0	0
6. Outflows for dividends paid	0	0	0	0
7. Other outflows for financial activities	0	0	0	0
III. Net cash flows from financial activities	**-81**	**3 969**	**4 096**	**4 257**
Balance sheet change in cash	**-462**	**2 450**	**3 357**	**4 071**
Cash opening balance	**6 527**	**4 071**	**4 071**	**0**
- change in cash due to exchange differences	-2	6	0	0
Cash closing balance	**6 063**	**6 527**	**7 428**	**4 071**

Additional information to Financial Statements

1. Information about CARPATHIA CAPITAL S.A.

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

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

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

Registered office

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

Registration court

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

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

Management Board

Composition of the Management Board at the date of the report:
Piotr Białowąs – President of the Management Board

Supervisory Board

Composition of the Supervisory Board at the date of the report:
Paweł Śliwiński – President of the Supervisory Board
Justyna Światowiec Szczepańska – Member of the Supervisory Board
Rafał Śliwiński – Member of the Supervisory Board

Parent Company

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

2. Presentation principles

Principles of preparation of the financial statements

The financial statements of the CARPATHIA CAPITAL S.A. have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS).
This financial statements has been prepared in accordance with accounting standards used and issued in EU at the date of this financial statements.
The financial statements prepared by the Company covers the period from 1st January, 2016 to 31th March, 2016.
This financial statements has been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of this financial statements for publication, there were no circumstances that would indicate a threat to the Company's ability to continue as a going concern.

3. Financial statements adjustments

There was no objections in opinions of entities authorized to audit financial statements for the period for which financial statements are presented. No adjustments were made in the financial statements for the period for which financial statements is presented.

4. Currency in which financial statements has been prepared and the size of the units that were used for the presentation of amounts in the financial statements

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

5. Accounting policies

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

Goodwill

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

Intangible assets

Expenditures for purchased software and other intangible assets are capitalized and straight-line amortized over the projected useful life.
In the case of impairment of assets classified as intangible assets a revaluation write-down is made.
Intangible assets are recognized at each balance sheet date at acquisition price less any accumulated amortization calculated to the balance sheet date and less any revaluation write-downs.

Tangible fixed assets

Fixed assets are those assets whose projected useful life is more than one year and which are assigned to the operations of the Company or transferred to other entities under lease agreements

or other similar agreements. Fixed assets under leases are classified as non-current assets when substantially all the risks and rewards of ownership of the asset will be transferred to the Company. Fixed assets are measured at acquisition price and at cost of production less any depreciation calculated and less impairment losses.
Fixed assets are depreciated over their projected useful life.
Fixed assets of the cost to 3.5 thousand PLN are subject to one-time depreciation. The exception is the computer equipment, depreciated on the basis of the projected useful life.
Borrowing costs directly attributable to the acquisition or production of assets which require a longer period of time to be available for use or sale are capitalized as part of the cost of qualified assets until putting those fixed assets into use.

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

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

Non-current assets held for sale

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

Financial assets

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

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

Financial asset measured at fair value through profit or loss is an asset or financial liability component, which is assigned for trading and financial assets designated by the Management Board of the Company as measured at fair value through profit or loss.
Assets that are classified as financial assets measured at fair value through profit or loss are measured in accordance with the principles set out below for determining fair value. The effects of the valuation of those financial assets are recognized in the statement of comprehensive income.
Financial assets held to maturity are financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity.
Financial assets that are classified as loans and receivables and financial assets held to maturity are measured at amortized cost.
Financial assets available for sale are non-derivative financial assets that are designated as available for sale and financial assets that are not classified in the other categories.
Financial assets classified as available for sale are measured at fair value. The effects of the valuation are recognized in the revaluation reserve.
At the end of the reporting period, the company assesses the need for revaluation write-downs in financial assets.

Determining the fair value of financial assets
Determining the fair value of financial assets is as follows:

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

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

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

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

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

Cash and cash equivalents

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

Prepaid expenses

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

Equity

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

Provisions

Provisions are recognized, when:

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

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

Liabilities

Liabilities are recognized at the amount due.

Accruals

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

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

Current and deferred income tax

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

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

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

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

The financial result

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

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

Other operating income and expenses are the expenses and revenues associated with the disposal of tangible fixed assets, creating and realizing provisions and not directly related to the core business but having an impact on the financial result.
Financial income includes income from financial operations while financial expenses include expenses incurred in financial operations. The Company’s financial income includes mainly interest earned on bank deposits while financial expenses primarily include interest on loans and borrowings.
In the case of dividend income in the income statement the recognition occurs at the time when the legal right to receive payment for shareholders is established.
Result of extraordinary events is the difference between the realized extraordinary profits and losses incurred as a result of random events.

Impairment

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

6. Significant values based on professional judgment and estimates

Valuation of the financial assets not listed on an active market

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

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

Provisions

Provisions are recognized, when:

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

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

Impairment

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

Depreciation of fixed assets and amortization of intangible assets

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

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

VI. SIGNATURES

Piotr Białowąs
CEO/President of the Management Board