



CARPATHIA CAPITAL

**QUARTERLY REPORT
FOURTH QUARTER 2015**



AeRO

BVB Market for Equities

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For the financial period	QIV 2015 (October 1, 2015 – December 31, 2015)
Date of the report	February 15, 2015
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	<ul style="list-style-type: none"> • 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 SMEs operating in CEE, listed and to be listed on the AeRO Market of the Bucharest Stock Exchange and 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 the 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 8 000 000
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

II. IMPORTANT EVENTS

- **Private placements**

The private placements for common shares of B2 and C series have been closed in February 2015 bringing PLN 3.2m (approx. RON 3.4m) in cash for the Company. The shares were registered by the Court in the Trade Register in May 2015.

The private placement of D series common shares has been closed in May 2015 bringing PLN 2.1m (approx. RON 2.2m) in cash for the Company. The shares were registered by the Court in the Trade Register in August 2015.

After the registration the Company's share capital amounts to PLN 1 893 048.00 (one million eight hundred ninety three thousand fourty eight zlotys) and is composed of:

- 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.

The share capital was fully paid in cash.

The Company's Extraordinary General Shareholders Meeting held on October 15, 2015 adopted a resolution to increase share capital by issuing series B3 shares by private subscription excluding the subscription rights of the existing shareholders and to introduce the shares and rights to series B3 shares to trading on the alternative trading system AeRO organized by the Bucharest Stock Exchange (Bursa de Valori Bucuresti) and to amend the Company's articles of association. The Company's share capital shall be increased by not more than PLN 75 000.00 by issuing not more than 150 000 series B3 ordinary bearer shares with a nominal per-share value of PLN 0.50 each, which shall be paid up in cash prior to registration of the share capital increase. The Management Board is authorized to determine the issue price for series B3 shares.

- **Changes in shareholders structure**

On May 20th, 2015 the Company received from its shareholder – INC S.A. an ownership disclosure of changes in holding of the Company votes below the threshold resulting from a registration of a share capital increase by the Court in the Trade Register. After the registration INC S.A. held 32.52% of share capital with 2 000 000 votes resulting from 1 000 000 A series preferred shares (giving two votes per share).

After the registration of D series common shares by the Court in the Trade Register in August 2015 INC S.A. holds 26.41% of share capital with 2 000 000 votes resulting from 1 000 000 series A preferred shares (giving two votes per share).

- **Start of AeRO market**

On 25th of February 2015 Bucharest Stock Exchange launched AeRO market for SMEs and start-ups in Romania. This strategic step opens the room for investment activity for Carpathia Capital, both in terms of potential entries and exits.

- **Listing of Carpathia Capital on AeRO market**

According to commitment as described in the Information Memorandum prepared for private offering of common series B shares, the Company undergone admission procedure to list 1 003 666 series B shares on the AeRO Market. The Company debuted on 25th of February 2015 during the opening of the AeRO Market, being the first foreign issuer on that market.

On October 14, 2015 the Company received information about registration of series B2, C and D shares by the Central Depository of Romania (Depozitarul Central S.A.) according to Registration Certificate issued by Financial Supervisory Authority of Romania (Autoritatea de Supraveghere Financiară, ASF) on October 7, 2015. The number of shares registered by the Central Depository increased by a total of 1 782 430 shares of nominal value 0.50 PLN per share, including: 275 000 of series B2 shares, 795 911 of series C shares and 711 439 of series D shares. Registration of shares by the Central Depository and Financial Supervisory Authority was a necessary condition for listing on the AeRO market, administered by the Bucharest Stock Exchange. As of the date of this report the number of shares registered by the Central Depository and Financial Supervisory Authority amounts to 2 786 096.

- **First portfolio investment of Carpathia Capital**

According to current report no 1/2015 Carpathia Capital SA informed about its first capital investment. On March 9th, 2015 the Company signed a sales-purchase contract with Bittnet Systems SA headquartered in Bucharest, Romania. According to the contract the Company purchased 450 439 nominative shares, having a nominal value of RON 0.10 each and a total value of RON 45 043.90, representing 10% of SC Bittnet Systems SA share capital and 10% of the total number of votes at the General Shareholder Meeting. The purchase price for 450 439 shares of SC Bittnet Systems SA amounted to the total value of EUR 150 000 (approximately RON 665 000), that is EUR 0.33 (approximately RON 1.46) per share, and was fully paid with cash.

On 15th April 2015 Bittnet Systems SA debuted on AeRO market. According to the investment commitment described in the Information Memorandum of Bittnet Systems, Carpathia Capital has been gradually deploying shares of Bittnet Systems to provide adequate liquidity after the listing.

- **Marketing activities**

In the first half of 2015, 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:

- "The market AeRO - trading platform for SMEs and start-ups", took place on February 12th, 2015 in Bucharest, organized by the Bucharest Stock Exchange
- "Bucharest – new destination for financing European growth stories", took place on May 6th, 2015 at the European Parliament, Brussels, Belgium, organized by the Bucharest Stock Exchange in cooperation with the European People's Party in the European Parliament in Brussels

- „The Regional Finance and Investment Conference for SouthEast Europe”, took place on June 4th, 2015 in Bucharest, organized by the Euromoney Conferences
- “Discover your potential! Discussion on the possibility of raising capital”, took place on June 30th, 2015 in Constanța, organized by the Bucharest Stock Exchange and the Chamber of Commerce and Industry of Romania
- “The Cooperation Forum Poland – Romania – the Republic of Moldova” organized under patronage of Carpathia Capital, Maspex Wadowice Group (one of the most important Polish investor in Romania) and honorary patronage of Mr Marek Szczygieł – the Ambassador of Poland in Romania, Mr Artur Michalski – the Ambassador of Poland in Republic of Moldova, Mr Ovidiu Dranga – the Ambassador of Romania in Poland and Mr Iurie Bodrug – the Ambassador of the Republic of Moldova in Poland, held on September 17th in Wroclaw, Poland. The goal of the Forum was to show how important the partnership of Warsaw, Bucharest and Chișinău is for the Central and Eastern Europe. The Forum presented opportunities of cooperation among Poland, Romania and The Republic of Moldova on the levels of politics, business and culture. Among the guests who participated in the event were the representatives of Ministry of Energy, Small and Medium-Sized Enterprises and the Business Environment of Romania and the 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 one 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.

Initially our activity was focused towards building visibility of the AeRO market and promoting the idea of equity market solutions for SMEs in Romania. Not diminishing the great enthusiasm of the entrepreneurs we are obliged to choose from the best available alternatives, taking into account the value proposition for the shareholders of Carpathia Capital.

- **Termination of the earnings forecast**

As of November 13th, 2015 as provided in the current report no 9/2015, the Management Board of Carpathia Capital declared the termination of the financial forecast for 2015 due to limited availability of attractive investment targets in the pipeline for 2015.

According to the financial forecast for 2015 presented in the Information Memorandum, the main assumption behind the forecast was the number of companies (five companies) to be included in the Carpathia Capital’s portfolio.

After thorough assessment of investment projects under evaluation, the Management Board did not come to a decision on provision of capital to any new portfolio company. According to the Board the main reasons for delay in constructing the investment portfolio were differences in approach towards valuation and corporate governance issues.

- **Revision of the investment policy**

Facing insufficient supply of investment projects in Romania in 2015, the Company increased its analytical screening activities on SMEs listed on the Warsaw Stock Exchange and its alternative market as well as new potential entrants for those markets. The aim of the action was to provide acceleration in construction of the investment portfolio with on-going focus on project sourcing in Romania and Poland.

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

As provided in the current reports no 1/2015 (January 5th, 2015) 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 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 r.

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 expects 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.

III. RISK FACTORS

RISK FACTOR	DESCRIPTION
LACK OF OPERATING HISTORY	<p>The Company is a recently formed entity and has no 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.</p>
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. Dynamic development of the AeRO market may lead to tightening of admission and trading regulations and indirectly to decline in investor's and potential issuer's interest.</p>

IV. KEY PERFORMANCE INDICATORS

PLN'000	31.12.2015	30.09.2015	31.12.2014	30.09.2014
Number of portfolio companies	2	1	0	0
Equity	8 006	8 109	4 237	1 017
Cash	6 527	7 596	4 071	925
Financial assets in other entities	1 963	1 211	0	0
Long-term liabilities	0	0	0	0
Short-term liabilities	495	703	17	0

PLN'000	01.10.2015 31.12.2015	01.01.2015 31.12.2015	01.10.2014 31.12.2014	04.04.2014 31.12.2014
Gain (loss) on investments	-103	-26	0	1
- profit from listing	0	0	0	0
- profit/loss on sales of securities	-111	-135	0	0
- interest and dividend	11	47	0	1
- revaluation of investment portfolio	-3	62	0	0

COMMENTS FROM THE MANAGEMENT BOARD

Weak performance of the core markets resulted in loss on sales of securities in the fourth quarter of 2015. Increased volatility led by both economic and political turmoil resulted in underperformance of broad markets of Bucharest Stock Exchange and Warsaw Stock Exchange in particular.

Cash remains the Company's most significant asset with a share of 76.78% of its total assets. Financial assets in other entities constituted the second most important position, representing 16.62% of total assets. Equity as of December 31st, 2015 amounted to PLN 8 006k, 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 495k) comprised of negligible trade payables (PLN 2k) with significant value of other liabilities (PLN 493k) which are presented as a commitment to acquire financial assets (also 493k) equal to the carrying value of short term WIG futures presented as financial assets.

After the fourth quarter of 2015 Carpathia Capital reports a loss on investments equal to PLN -26k, which resulted from the revaluation of investment portfolio (PLN 62k), interest and dividend (PLN 47k) and was negatively influenced by loss on sales of securities (PLN -135k).

Taking PLN 34k of administrative costs into consideration, the Company reported operating loss of PLN 60k.

V. FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

<i>continued operations</i> PLN'000	01.10.2015 31.12.2015	01.01.2015 31.12.2015	01.10.2014 31.12.2014	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	0	0	0	0
Other operating expenses	0	0	0	0
Gain (loss) on investments	-103	-26	0	1
- profit from listing	0	0	0	0
- profit/loss on sales of securities	-111	-135	0	0
- interest and dividend	11	47	0	1
- revaluation of investment portfolio	-3	62	0	0
Administrative expenses	5	34	8	9
Operating profit	-108	-60	-8	-8
Financial expenses	0	0	0	0
- for related parties	0	0	0	0
Share of profits of associates	0	0	0	0
Profit before tax	-108	-60	-8	-8
Income tax	0	0	0	0
Net profit for the operating period	-108	-60	-8	-8

STATEMENT OF COMPREHENSIVE INCOME

PLN'000	01.10.2015 31.12.2015	01.01.2015 31.12.2015	01.10.2014 31.12.2014	04.04.2014 31.12.2014
Net profit for the operating period	-108	-60	-8	-8
Other comprehensive income:	0	0	0	0
- valuation of financial assets available for sale	0	0	0	0
Total comprehensive income	-108	-60	-8	-8

STATEMENT OF FINANCIAL POSITION

PLN'000	31.12.2015	30.09.2015	31.12.2014	30.09.2014
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	8 501	8 812	4 257	1 017
Inventories	0	0	0	0
Receivables from related parties	0	0	0	0
Receivables from other entities	11	5	186	92
- income tax receivables	0	0	3	0
Financial assets in related parties	0	0	0	0
Financial assets in other entities	1 963	1 211	0	0
Cash and other monetary assets	6 527	7 596	4 071	925
Other short-term assets	0	0	0	0
Total assets	8 501	8 812	4 257	1 017

STATEMENT OF FINANCIAL POSITION

PLN'000	31.12.2015	30.09.2015	31.12.2014	30.09.2014
A. EQUITY	8 006	8 109	4 237	1 017
Share capital	1 893	1 893	500	500
Treasury shares (negative value)	0	0	0	
Supplementary capital	6 193	6 193	0	0
Revaluation reserve	0	0	0	0
Other reserve capitals	0	0	3 757	525
Profits (losses) from previous years	-20	-20	0	0
Net profit (loss)	-60	43	-20	-8
B. PROVISIONS	0	0	0	0
Provision for deferred income tax	0	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	495	703	17	0
Loans and borrowings	0	0	0	0
Trade payables	2	3	17	0
Tax, customs, insurance and other liabilities	0	0	0	0
- income tax liabilities	0	0	0	0
Liabilities related to wages and salaries	0	0	0	0
Financial leasing liabilities	0	0	0	0
Other liabilities	493	700	0	0
E. Accruals	0	0	3	0
TOTAL LIABILITIES	8 501	8 812	4 257	1 017

STATEMENT OF CHANGES IN EQUITY

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 01.10.2015	1 893	-	6 193	-	-	28	-	4 237
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.10.2015 after changes	1 893	-	6 193	-	-	28	-	8 114
Changes in equity since 01.10.2015 till 31.12.2015								
Issue of shares	-	-	-	-	-	-	-	-
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-108	-108
Balance as at 31.12.2015	1 893	-	6 193	-	-	28	-108	8 006

STATEMENT OF CHANGES IN EQUITY

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 01.01.2015	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	-	-	-	-	-	-	-60	-60
Balance as at 31.12.2015	1 893	-	6 193	-	-	-20	-60	8 006

STATEMENT OF CHANGES IN EQUITY

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 01.10.2014	500	-	-	-	525	-	-8	1 017
Changes in accounting policies	-	-	-	-	-	-	-	-
Balance as at 01.10.2014 after changes	500	-	-	-	525	-	-8	1 017
Changes in equity since 01.10.2014 till 31.12.2014								
Issue of shares		-	-	-	3 232	-	-	3 232
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-12	-12
Balance as at 31.12.2014	500	-	-	-	3 757	-	-20	4 237

STATEMENT OF CHANGES IN EQUITY

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 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

PLN'000	01.10.2015 31.12.2015	01.01.2015 31.12.2015	01.10.2014 31.12.2014	04.04.2014 31.12.2014
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Profit (loss) before tax	-108	-60	-8	-8
II. Total adjustments	113	68	0	0
1. Depreciation and amortisation	0	0	0	0
2. Net foreign exchange differences	7	-6	0	0
3. Interest and share of profit (dividends)	0	0	0	0
4. Gain (loss) on investment activity	107	78	0	0
5. Changes in provisions	0	0	0	0
6. Changes in prepayments and accruals	-1	-4	0	0
7. Other adjustments	0	0	0	0
III. Changes in working capital	44	38	-92	-92
IV. Income tax paid	0	-4	0	0
V. Net cash flows from operating activities	49	42	-100	-100
B. CASH FLOWS FROM INVESTMENT ACTIVITIES				
I. Inflows	0	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	0	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	1 111	1 800	0	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	1 111	1 800	0	0
III. Net cash flows from investment activities	-1 111	-1 561	0	0
C. CASH FLOWS FROM FINANCIAL ACTIVITIES				
I. Inflows	0	3 969	525	1 025
1. Net inflows from issuance of shares	0	3 969	525	1 025
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	0	0	0	0
1. Outflows for acquisition of own shares	0	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	0	3 969	525	1 025
Balance sheet change in cash	-1 062	2 450	425	925
Cash opening balance	7 596	4 071	500	0
- change in cash due to exchange differences	-7	6	0	0
Cash closing balance	6 527	6 527	925	925

ADDITIONAL INFORMATION TO FINANCIAL STATEMENTS

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

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 Białowąs – 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, 2015 to 31th December, 2015.

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



Paweł Śliwiński
CEO/President of the Management Board