CARPATHIA CAPITAL

QUARTERLY REPORT
FIRST QUARTER 2015

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For the financial period	QI 2015 (January 1,2015 – March 31, 2015)
Date of the report	15 May 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 1.001.833
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
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 Romanian SMEs, listed and to be listed on the AeRO Market of the Bucharest Stock Exchange.

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

- **Outstanding opportunity**
  The Management Board believes that lack of patient capital for SMEs in CEE, where the demand for capital from SMEs is high and supply is substantially limited, provides an investment opportunity. 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 of development. The returns on capital deployed will not be the only economic benefits. We aim to support the development of knowledge based economy by championing growth of Romanian SMEs.

- **Founders**
  INC S.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 €242,5m, acting as WSE Authorized Adviser raising €87,5m and bringing tens of companies to listing.

Characteristics of Investment Activity	
Funds available for investments 2015 target capital base	Approx. RON 6 600 000 Approx. RON 9 000 000
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 3,16, in cash for the Company. The process of registration of the capital increase is executed in District Court Poznań - Nowe Miasto i Wilda, VIII Business Registry Division in Poznań.

- **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 shares series B the Company undergone admission procedure to list 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.

- **First portfolio investment of Carpathia Capital**
  According to current report no 1/2015 Carpathia Capital SA informed about its first capital investment. On the 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 to the Company.

- **Project sourcing**
  Carpathia Capital has been investigating several projects (start-up, early-stage, early-growth) for its investment portfolio.

- **Bittnet Systems debut on AeRO**
  On 15th April 2015 Bittnet Systems SA debuted on AeRO, market for equities launched by BVB.

III. Risk Factors

Risk Factor	Description
Lack of operating history	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.
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	31.03.2015	31.12.2014	31.03.2014
Number of portfolio companies	1	0	na
Equity	8 224	4 237	na
Cash	7 428	4 071	na
Financial assets in other entities	639	0	na
Long-term liabilities	0	0	na
Short-term liabilities	9	17	na

PLN'000	01.01.2015 31.03.2015	04.04.2014 31.12.2014	01.01.2014 31.03.2014
Gain (loss) on investments	0	6	na
- profit from listing	0	0	na
- profit/loss on sales of securities	0	0	na
- interest and dividend	0	6	na
- revaluation of investment portfolio	0	0	na

Comments from the Management Board

According to the business plan the Company is collecting funds for investments as reflected by the increase of cash resources from PLN 4.071k at the end of 2014 to PLN 7.428k as of 31 March 2015.

The first acquisition of shares in portfolio company (Bittnet Systems) is presented in position "Financial assets in other entities" at acquisition price.
We expect gradual deployment of capital into new portfolio companies.

V. Financial statements

Statement of comprehensive income

[PLN'000] continued operations	01.01.2015 31.03.2015	04.04.2014 31.12.2014
Revenue from sales of products and services	0	0
- from related parties	0	0
Cost of products, goods and materials sold, including	0	0
- to related parties	0	0
Selling and distribution expenses	0	0
Profit on sales	**0**	**0**
Other operating revenues	0	0
Other operating expenses	0	0
Gain (loss) on investments	0	6
- profit from listing	0	0
- profit/loss on sales of securities	0	0
- interest and dividend	0	6
- revaluation of investment portfolio	0	0
Administrative expenses	17	26
Operating profit	**-17**	**-20**
Financial expenses	0	0
- for related parties	0	0
Share of profits of associates	0	0
Profit before tax	**-17**	**-20**
Income tax	0	0
Net profit for the operating period	**-17**	**-20**

Statement of comprehensive income

[PLN'000] continued operations	01.01.2015 31.03.2015	04.04.2014 31.12.2014
Net profit for the operating period	-17	-20
Other comprehensive income:	0	0
- valuation of financial assets available for sale	0	0
Total comprehensive income	**-17**	**-20**

STATEMENT OF FINANCIAL POSITION - ASSETS

[PLN'000]	31.03.2015	31.12.2014
A. Non-current assets	**0**	**0**
Intangible assets	0	0
- goodwill	0	0
Tangible fixed assets	0	0
Non-current financial assets	0	0
Deferred tax assets	0	0
Long-term receivables	0	0
- from related parties	0	0
- from other entities	0	0
Other long-term assets	0	0
B. Current assets	**8 236**	**4 257**
Inventories	0	0
Receivables from related parties	0	0
Receivables from other entities	144	186
- income tax receivables	0	0
Financial assets in related parties	0	0
Financial assets in other entities	639	0
Cash and other monetary assets	7 428	4 071
Other short-term assets	25	0
Total assets	**8 236**	**4 257**

STATEMENT OF FINANCIAL POSITION - LIABILITIES

[PLN'000]	31.03.2015	31.12.2014
A. EQUITY	**8 224**	**4 237**
Share capital	1 002	500
Treasury shares (negative value)	0	0
Supplementary capital	2 042	0
Revaluation reserve	0	0
Other reserve capitals	5 217	3 757
Profits (losses) from previous years	-20	0
Net profit (loss)	-17	-20
B. PROVISIONS	**0**	**0**
Provision for deferred income tax	0	0
Other provisions	0	0
C. Long-term liabilities	**0**	**0**
Loans and borrowings	0	0
Financial leasing liabilities	0	0
D. Short-term liabilities	**9**	**17**
Loans and borrowings	0	0
Trade payables	9	17
Tax, customs, insurance and other liabilities	0	0
- income tax liabilities	0	0
Liabilities related to wages and salaries	0	0
Financial leasing liabilities	0	0
Other liabilities	0	0
E. Accruals	**3**	**3**
TOTAL LIABILITIES	**8 236**	**4 257**

STATEMENT OF CHANGES IN EQUITY AS AT 31.03.2015

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 31.03.2015								
Issue of shares	502	-	2 042	-	1 460	-	-	4 004
Transfer of financial result to equity	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-17	-17
Balance as at 31.03.2015	**1 002**	**-**	**2 042**	**-**	**5 217**	**-20**	**-17**	**8 224**

STATEMENT OF CHANGES IN EQUITY AS AT 31.12.2014

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 Flow

PLN'000	01.01.2015 31.03.2015	04.04.2014 31.12.2014
A. CASH FLOWS FROM OPERATING ACTIVITIES		
I. Profit (loss) before tax	**-17**	**-20**
II. Total adjustments	**0**	**3**
1. Depreciation and amortisation	0	0
2. Net foreign exchange differences	0	0
3. Interest and share of profit (dividends)	0	0
4. Gain (loss) on investment activity	0	0
5. Changes in provisions	0	0
6. Changes in prepayments and accruals	-25	3
7. Other adjustments	0	0
III. Changes in working capital	**-58**	**-169**
IV. Income tax paid	**0**	**0**
V. Net cash flows from operating activities	**-100**	**-186**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
I. Inflows	**0**	**0**
1. Inflows from sale of intangible assets	0	0
2. Inflows from sale of tangible fixed assets	0	0
3. Inflows from sale of investment properties	0	0
4. Net inflows from sale of subsidiaries	0	0
5. Inflows from repayment of borrowings granted	0	0
6. Inflows from sale of other financial assets	0	0
7. Inflows from sale of bonds	0	0
8. Inflows from interest received	0	0
9. Inflows from dividends received	0	0
II. Outflows	**639**	**0**
1. Outflows for acquisition of intangible assets	0	0
2. Outflows for acquisition of tangible fixed assets	0	0
3. Outflows for acquisition of investment properties	0	0

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

Presentation principles

Principles of preparation of the financial statements

The financial statements of the CARPATHIA CAPITAL S.A. have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS).
This financial statements has been prepared in accordance with accounting standards used and issued in EU at the date of this financial statements.

The financial statements prepared by the Company covers the financial year started on the 1st January 2015 and ended on the 31st March 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.

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.

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.

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.

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%.