LARQ
CAPITAL GROUP

# LARQ SPÓŁKA AKCYJNA
# FINANCIAL STATEMENTS

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For the Period Ended on 31 March 2017

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LARQ Spółka Akcyjna of Warsaw

Warsaw, 15 May 2017

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## 1. FINANCIAL HIGHLIGHTS

| FINANCIAL HIGHLIGHTS | PLN '000 | | EUR ' 000 | |
|---|---|---|---|---|
| | 01.01-31.03.2017 | 01.01-31.03.2016 | 01.01-31.03.2017 | 01.01-31.03.2016 |
| I. Net revenue from sale of finished products, merchandise and materials | 791 | 824 | 185 | 189 |
| II. Operating profit (loss) | 2,764 | 11,437 | 644 | 2,626 |
| III. Profit (loss) before taxation | 2,715 | 11,453 | 633 | 2,629 |
| IV. Net profit (loss) | 2,049 | 9,144 | 478 | 2,099 |
| V. Net cash flows from operating activities | 24 | 27 | 5 | 6 |
| VI. Net cash flows from investing activities | (112) | 170 | (26) | 39 |
| VII. Net cash flows from financing activities | (87) | (235) | (20) | (54) |
| VIII. Total net cash flows | (175) | (39) | (41) | (9) |
| | **Balance at 31.03.2017** | **Balance at 31.12.2016** | **Balance at 31.03.2017** | **Balance at 31.12.2016** |
| IX. Total assets | 104,164 | 101,454 | 24,685 | 22,933 |
| X. Liabilities and provisions for liabilities | 23,540 | 23,508 | 5,578 | 5,314 |
| XI. Non-current liabilities | 16,343 | 15,742 | 3,873 | 3,558 |
| XII. Current liabilities | 7,197 | 7,766 | 1,705 | 1,755 |
| XIII. Equity | 80,624 | 77,946 | 19,106 | 17,619 |
| XIV. Share capital | 733 | 733 | 174 | 166 |
| XV. Number of shares | 7,334,500 | 7,334,500 | 7,334,500 | 7,334,500 |
| XVI. Earnings per ordinary share (PLN/EUR) | 0.28 | 1.25 | 0.07 | 0.28 |
| XVII. Diluted earnings per ordinary share (PLN/EUR) | 0.28 | 1.25 | 0.07 | 0.28 |
| XVIII. Book value per share (PLN/EUR) | 10.99 | 10.63 | 2.60 | 2.40 |
| XIX. Diluted book value per share (PLN/EUR) | 10.99 | 10.63 | 2.60 | 2.40 |
| XX. Dividend declared or paid per share (PLN/EUR) | - | - | - | - |

The figures presented as "Financial Highlights" from the statements of profit or loss, other comprehensive income, financial position and cash flows were translated from PLN to EUR as follows:

- The items of assets, liabilities and equity in the statement of financial position were translated at the average rate as published by the National Bank of Poland for EUR, i.e., EUR 1 = PLN 4.2168 as prevailing on 31 March 2017 and EUR 1 = PLN 4.4240 as prevailing on 30 December 2016; and
- The items in the statements of comprehensive income and cash flows were translated at the rate equal to the arithmetic average of average rates as published by the National Bank of Poland for EUR and applicable on the last day of each month during the period concerned, i.e., EUR 1 = PLN 4.2891, and EUR 1 = PLN 4.3559 for the corresponding period of 2016.

## 2. STATEMENT OF FINANCIAL POSITION AT 31.03.2017

| ASSETS | 31.03.2017 | 31.12.2016 | 31.03.2016 restated | 31.03.2016 Published |
|---|---|---|---|---|
| **Non-current Assets** | **99,697,368.14** | **96,570,346.43** | **75,258,873.56** | **15,765,243.77** |
| Property, plant and equipment | 7,487,537.46 | 7,599,854.26 | 8,967,124.17 | 8,967,124.17 |
| Intangible assets | 318,409.83 | 354,024.93 | 468,785.64 | 468,785.64 |
| Interests in subsidiaries | - | - | - | 5,887,554.26 |
| Financial assets measured at fair value | 90,948,234.19 | 87,655,013.59 | 64,827,654.23 | - |
| Available-for-sale financial assets | - | - | - | - |
| Trade receivables and other receivables | 42,755.00 | 42,755.00 | 42,755.00 | 42,755.00 |
| Deferred tax assets | - | - | - | 399,024.70 |
| Other financial assets | 900,431.66 | 918,698.65 | 952,554.52 | - |
| **Current assets** | **4,466,665.14** | **4,883,488.27** | **4,739,824.81** | **5,692,379.33** |
| Inventories | - | - | - | - |
| Trade receivables and other receivables | 1,872,582.81 | 2,129,190.97 | 2,590,957.13 | 3,735,679.65 |
| Prepayments - long-term contracts | 360.56 | 159,175.57 | 34,158.23 | 34,158.23 |
| Income tax receivable | - | - | - | - |
| Cash and cash equivalents | 77,262.91 | 252,500.32 | 74,165.24 | 74,165.24 |
| Other financial assets | 2,516,458.86 | 2,342,621.41 | 2,040,544.21 | 1,848,376.21 |
| Non-current assets held for sale | - | - | - | - |
| **TOTAL ASSETS** | **104,164,033.28** | **101,453,834.70** | **79,998,698.37** | **21,457,623.10** |

| EQUITY AND LIABILITIES | 31.03.2017, | 31.12.2016 | 31.03.2016 restated | 31.03.2016 published |
|---|---|---|---|---|
| **Equity** | **80,624,251.36** | **77,945,736.52** | **61,331,558.99** | **13,590,078.01** |
| Share capital | 733,450.00 | 733,450.00 | 728,450.00 | 728,450.00 |
| Share premium account | 18,063,513.88 | 18,063,513.88 | 18,063,513.88 | 18,063,513.88 |
| Other reserves | 121,962.15 | 121,962.15 | 121,962.15 | 121,962.15 |
| Reserve on valuation of incentive scheme | 1,401,838.00 | 771,838.00 | 275,074.00 | 275,074.00 |
| Retained earnings | 60,303,487.33 | 58,254,972.49 | 42,142,558.96 | (5,598,922.02) |
| **Non-current liabilities** | **16,343,141.95** | **15,741,913.83** | **11,703,959.63** | **904,365.34** |
| Borrowings | 504,962.00 | 563,216.00 | 742,239.51 | 742,239.51 |
| Other financial liabilities | - | - | - | - |
| Deferred income tax liability | 15,713,671.71 | 15,046,845.23 | 10,799,594.29 | - |
| Provisions for pensions and similar benefits | - | - | 8,240.15 | 8,240.15 |
| Employee benefit obligation | - | - | - | - |
| Grants | 124,508.24 | 131,852.60 | 153,885.68 | 153,885.68 |
| **Current liabilities** | **7,196,639.97** | **7,766,184.35** | **6,963,179.75** | **6,963,179.75** |
| Borrowings | 4,063,982.58 | 4,028,254.95 | 311,243.35 | 311,243.35 |
| Other financial liabilities | - | - | 39,960.76 | 39,960.76 |
| Trade payables and other liabilities | 1,725,365.97 | 2,346,814.66 | 5,486,476.73 | 5,486,476.73 |
| Income tax liabilities | - | - | - | - |
| Accruals - deferred revenue | 300,000.00 | 300,000.00 | 3,919.64 | 3,919.64 |
| Provisions for pensions and similar benefits | 47,744.30 | 47,744.30 | 81,685.13 | 81,685.13 |
| Employee benefit obligation | - | - | - | - |
| Other provisions | 1,030,169.68 | 1,013,993.00 | 1,010,516.70 | 1,010,516.70 |
| Grants | 29,377.44 | 29,377.44 | 29,377.44 | 29,377.44 |
| **TOTAL EQUITY AND LIABILITIES** | **104,164,033.28** | **101,453,834.70** | **79,998,698.37** | **21,457,623.10** |

## 3. STATEMENT OF COMPREHENSIVE INCOME

| | 01.01-31.03.2017 | 01.01-31.03.2016 restated | 01.01-31.03.2016 published |
|---|---|---|---|
| **Continuing operations** | | | |
| **Sales revenue** | **791,373.50** | **823,632.11** | **823,632.11** |
| Revenue from sale of finished products | 791,373.50 | 823,632.11 | 823,632.11 |
| Revenue from sale of merchandise and materials | - | - | - |
| **Cost of goods sold** | **(729,981.29)** | **(692,375.74)** | **(692,375.74)** |
| Production cost of goods sold | (729,981.29) | (692,375.74) | (692,375.74) |
| Value of merchandise and materials sold | - | - | - |
| **Gross profit (loss) on sales** | **61,392.21** | **131,256.37** | **131,256.37** |
| Selling expenses | (20,200.42) | (85,542.50) | (85,542.50) |
| General and administrative expenses | (1,649,758.65) | (1,141,499.68) | (1,141,499.68) |
| Result of disposal and revaluation of financial assets measured at fair value through profit or loss | 3,964,285.03 | 12,082,858.16 | - |
| Other operating income | 409,755.65 | 449,497.68 | 449,497.68 |
| Other operating expenses | (1,348.69) | - | - |
| **Operating profit (loss)** | **2,764,125.13** | **11,436,570.03** | **(646,288.13)** |
| Finance income | 28,082.86 | 25,761.23 | 25,761.23 |
| Finance cost | (76,866.67) | (9,005.18) | (9,005.18) |
| **Profit (loss) before taxation** | **2,715,341.32** | **11,453,326.08** | **(629,532.08)** |
| Current income tax | - | - | - |
| Deferred income tax | (666,826.48) | (2,309,396.23) | (13,653.18) |
| **Net profit/(loss) from continuing operations** | **2,048,514.84** | **9,143,929.85** | **(643,185.26)** |
| **Discontinued operations** | | | |
| Profit/(loss) for the period from discontinued operations | - | - | - |
| **Net profit /(loss) for the period** | **2,048,514.84** | **9,143,929.85** | **(643,185.26)** |
| **Net profit/(loss) per share in PLN** | | | |
| – Basic earnings from continuing operations | 0.28 | 1.26 | (0.09) |
| –Diluted earnings from continuing operations | 0.28 | 1.26 | (0.09) |
| **Other comprehensive income:** | | | |
| Other comprehensive income that will be reclassified to profit or loss in future periods | - | - | - |
| Other comprehensive income that will not be reclassified to profit or loss in future periods | - | - | - |
| **Other net comprehensive income** | **-** | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME FOR FINANCIAL YEAR** | **2,048,514.84** | **9,143,929.85** | **(643,185.26)** |

## 4. STATEMENT OF CASH FLOWS

| | 01.01-31.03.2017 | 01.01-31.03.2016 restated | 01.01-31.03.2016 published |
|---|---|---|---|
| **Operating activities** | | | |
| Net profit/(loss) | 2,048,514.84 | 9,143,929.85 | (643,185.26) |
| - including income tax expense | 666,826.48 | 2,309,396.23 | 13,653.18 |
| Adjustments for: | | | |
| Depreciation and amortisation | 146,801.90 | 269,212.62 | 269,212.62 |
| Interest and dividend, net | 48,783.81 | (5,994.72) | (5,994.72) |
| (Profit)/loss on investing activities | 24,073.25 | (34,573.94) | (34,573.94) |
| Result of disposal and revaluation of financial assets measured at fair value | (3,964,285.03) | (12,082,858.16) | - |
| Increase/decrease in receivables | 256,608.16 | 551,518.95 | 551,518.95 |
| Increase/decrease in inventories | - | - | - |
| Increase/decrease in liabilities | 49,615.74 | (32,644.49) | (32,644.49) |
| Increase/decrease in grants | - | - | - |
| Increase/decrease in provisions | 16,176.68 | (32,500.00) | (32,500.00) |
| Income tax paid | - | - | - |
| Increase/decrease in prepayments and accruals long-term contracts | 158,815.01 | (50,981.10) | (50,981.10) |
| Other | 571,618.52 | (8,000.00) | (8,000.00) |
| **Net cash from operating activities** | **23,549.36** | **26,505.24** | **26,505.24** |
| **Investing activities** | | , | |
| Disposal of property, plant and equipment and intangible assets | 25,203.25 | 275,787.44 | 275,787.44 |
| Acquisition of property, plant and equipment and intangible assets | - | - | - |
| Disposal of financial assets | - | - | - |
| Acquisition of financial assets | - | - | - |
| Dividend and interest received | 105.24 | 13.42 | 13.42 |
| Repayment of lending | 60,000.00 | 180,000.00 | 180,000.00 |
| Lending | (197,000.00) | (286,203.00) | (286,203.00) |
| Interest accrued on deposits | - | - | - |
| Other (grants received) | - | - | - |
| **Net cash from investing activities** | **(111,691.51)** | **169,597.86** | **169,597.86** |
| **Financing activities** | | | |
| Proceeds from share issue | - | - | - |
| Repayment of finance lease liabilities | - | (89,082.36) | (89,082.36) |
| Proceeds from borrowings | 220,000.00 | - | - |
| Repayment of borrowings | (286,802.00) | (137,530.85) | (137,530.85) |
| Dividend paid | , | - | - |
| Interest paid | (8,394.12) | (8,268.37) | (8,268.37) |
| Other | (11,900.00) | - | - |
| **Net cash from financing activities** | **(87,096.12)** | **(234,881.58)** | **(234,881.58)** |
| Net increase in cash and cash equivalents | (175,238.27) | (38,778.48) | (38,778.48) |
| Net FX differences | - | - | - |
| **Cash at the beginning of the period** | **252,500.32** | **112,943.72** | **112,943.72** |
| **Cash at the end of the period** | **77,262.05** | **74,165.24** | **74,165.24** |

## 5. STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Share Premium Account | Other reserves | Reserve on Valuation of Incentive Scheme | Retained Earnings | Total Equity |
|---|---|---|---|---|---|---|
| **At 1 January 2017** | **733,450.00** | **18,063,513.88** | **121,962.15** | **771,838.00** | **58,254,972.49** | **77,945,736.52** |
| Corrections of errors | - | - | - | - | - | - |
| **At 1 January 2017** | **733,450.00** | **18,063,513.88** | **121,962.15** | **771,838.00** | **58,254,972.49** | **77,945,736.52** |
| Total comprehensive income | - | - | - | - | 2,048,514.84 | **2,048,514.84** |
| Share issue | - | - | - | - | - | **-** |
| Cost of share issue | - | - | - | - | - | **-** |
| Dividend payment | - | - | - | - | - | **-** |
| Change in revaluation reserve | - | - | - | 630,000.00 | - | **630,000.00** |
| **At 31 March 2017** | **728,450.00** | **18,063,513.88** | **121,962.15** | **1,401,838.00** | **60,303,487.33** | **80,624,251.36** |
| | | | | | | |
| **At 1 January 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **267,074.00** | **32,998,629.11** | **52,179,629.14** |
| Corrections of errors | - | - | - | - | - | **-** |
| **At 1 January 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **267,074.00** | **32,998,679.11** | **52,179,679.14** |
| Total comprehensive income | - | - | - | - | 25,256,343.38 | **25,256,343.38** |
| Share issue | 5,000.00 | - | - | - | - | **5,000.00** |
| Cost of share issue | - | - | - | - | - | **-** |
| Dividend payment | - | - | - | - | - | **-** |
| Change in revaluation reserve | - | - | - | 504,764.00 | - | **504,764.00** |
| **At 31 December 2016** | **733,450.00** | **18,063,513.88** | **121,962.15** | **771,838.00** | **58,254,972.49** | **77,945,736.52** |

| | Share Capital | Share Premium Account | Other reserves | Reserve on Valuation of Incentive Scheme | Retained Earnings | Total Equity |
|---|---|---|---|---|---|---|
| **At 1 January 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **267,074.00** | **32,998,629.11** | **52,179,629.14** |
| Corrections of errors | - | - | - | - | - | - |
| **At 1 January 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **267,074.00** | **32,998,629.11** | **52,179,629.14** |
| Total comprehensive income | - | - | - | - | 9,143,929.85 | **9,143,929.85** |
| Share issue | - | - | - | - | - | **-** |
| Cost of share issue | - | - | - | - | - | **-** |
| Dividend payment | - | - | - | - | - | **-** |
| Change in revaluation reserve | - | - | - | 8,000.00 | - | **8,000.00** |
| **At 31 March 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **275,074.00** | **42,142,558.96** | **61,331,558.99** |

# 6. BACKGROUND INFORMATION

## 6.1. Core Business

LARQ S.A. ("LARQ", the "Company") with its registered office in Warsaw, ul. Tamka 16 lok. U-4, has been listed on the Warsaw Stock Exchange since 8 May 2008.

The Company has been trading as LARQ since 15 October 2015 when the name change from CAM Media S.A. to LARQ S.A. was registered with the National Court Register. On the other hand, CAM Media S.A. was established through transformation of a private limited liability company styled CAM Media sp. z o.o. into a public limited company. It took place on 25 June 2007 by resolution of the Extraordinary Meeting of Shareholders. The transformation was registered on 1 October 2007 with the Register of Entrepreneurs of the National Court Register. The Articles of Association of CAM Media Sp. z o.o. of Warsaw were signed on 5 February 2004. On 1 February 2007, the National Court Register registered the merger between CAM Media sp. z o.o. and Goldfinger sp. z o.o. of Warsaw by means of transferring all assets of the acquiree company to CAM Media sp. z o.o. and, at the same time, increasing the share capital of the acquirer.

The core business of LARQ is the management of its portfolio of financial investments which comprises certain industry-specific subsidiaries:

- Public transportation (city bike sharing systems),
- Advertising (non-standard outdoor advertising media and full-service agencies),
- New technologies (SaaS and sales and marketing automation),

as well as seeking new investment opportunities in the above industries.

During the first quarter of 2017, the Company has additionally continued the fulfilment of contracts relating to the activities of a full-service advertising agency since the Company used to be a party to such contracts and the contracts continue to bind the Company (this business is being transferred to a subsidiary).

The Management Board believes that the Company meets the definition of an entity qualifying as an "investment entity" as defined in paragraph 27 of IFRS 10. The above definition is fulfilled based on the following:

- The Company maintains several investments in order to diversify its risks and to maximize its returns;
- The Company has relationships with many investors who are unrelated to the Company and who pool their funds in order to gain access to investment opportunities that would be unavailable to them while-alone;
- The Company does not intend to maintain its investment portfolio in perpetuity; i.e., it has the "exit strategy" from investments.

Following the adoption of the accounting principles in accordance with IAS 10, the Company as an "investment entity" does not prepare any consolidated financial statements and all its investments in subsidiaries are measured at fair value through profit or loss in its financial statements.

The following subsidiaries are measured by the Company at fair value through profit or loss:

- Larq Fund Management sp. z o.o. (formerly known as Kinglet 7 sp. z o.o.; wholly-owned subsidiary of LARQ; holder of all certificates in LARQ Growth Fund I FIZ)
- Adinnovation sp. z o.o. (wholly-owned subsidiary of LARQ)
- CAM Media Creative Works sp. z o.o. (wholly-owned subsidiary of LARQ)
- Intelisoft sp. z o.o. (subsidiary owned in 51% by LARQ)
- Media Power sp. z o.o. (wholly-owned subsidiary of LARQ)
- AWL VIII sp. z o.o. (wholly-owned subsidiary of LARQ).

The Company's subsidiary called Larq Fund Management sp. z o.o. holds all certificates in the investment fund called LARQ Growth Fund I FIZ; the assets of that fund comprise, among others, shareholdings in the following companies:

- Nextbike Polska SA (71% shares)
- Brand 24 SA (48% shares)
- Synergic sp. z o.o. (100% shares).

### 6.2. Members of the Company's Governing Bodies

At 31 March 2017, the Company was managed by the Management Board composed of three members:

Krzysztof Przybyłowski, Ph.D. – Chairman of the Management Board

Mikołaj Chruszczewski – Member of the Management Board

Małgorzata Dzięcioł – Member of the Management Board.

No changes in the Management Board of the Company were made up to the date of publication of these statements.

At 31 March 2017, the operations of the Company were supervised by the Supervisory Board consisting of:

Joanna Braulińska-Wójcik – Chairperson of the Supervisory Board

Bartosz Foroncewicz– Member of the Supervisory Board

Sergiusz Frąckowiak – Member of the Supervisory Board

Adam Kalkusiński – Member of the Supervisory Board

Piotr Krawczyński – Member of the Supervisory Board

No changes in the Supervisory Board of the Company were made up to the date of publication of these statements.

## 7. STATEMENTS

### 7.1. Statement of the Management Board

Pursuant to the Finance Minister's Regulation of 19 February 2009 on current and periodic information to be provided by issuers of securities, the Management Board of the Company hereby states that, according to its best knowledge, these financial statements and the comparative figures were prepared in accordance with the accounting principles applicable to the Company and they give a true, fair and clear view of the assets and financial position of the Company and its profit or loss.

These financial statements have been prepared in accordance with the accounting principles set out in the International Financial Reporting Standards as endorsed by the European Union and, to the extent required, the Finance Minister's Regulation of 19 February 2009 on current and periodic information to be provided by issuers of securities (uniform text in Journal of Laws 2014, Item. 133). The statements cover the period from 1 January to 31 March 2017 and the comparative period from 1 January to 31 March 2016.

These financial statements were approved for publication by the Management Board on 15 May 2017.

### 7.2. Statement of Compliance and General Basis of Preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards accepted by the International Accounting Standards Board (IASB) and the Standing Interpretations Committee (SIC) insofar as they were endorsed by the European Union and already effective at 31 March 2017. The comparative figures have been prepared on the same basis of preparation of the financial statements.

These financial statements cover the reporting period from 1 January to 31 March 2017 and the comparative period from 1 January to 31 March 2016. As presented herein, the statements give a fair view of the assets and financial position of LARQ S.A. at 31 March 2017 with the comparative figures at 31 December 2016 and 31 March 2016, as well as the results of its operations and cash flows for the first quarter of 2017 and the comparative figures for the period of three months ended on 31 March 2016. By the date of these financial statements for the period ended on 31 March 2017, no events took place that were not, although they should have been, reported in the books of account for the reporting period. Due to changes in the accounting principles applied by the Company (as described in detail in Section 9) with respect to measurement of financial investments, comparative figures are presented in two versions. The presentation of "published figures" refers to data published in the financial statements for the period while "restated figures" have been restated retrospectively (as described in Section 10).

Due to the application of the changed principles of accounting in accordance with paragraph 27 of IFRS 10, the Company qualifies as an investment entity and does not prepare any consolidated financial statements and, in these financial statements, all is investments in subsidiaries are measured at fair value through profit or loss.

The financial statements have been prepared on the historical cost basis save for subsidiaries that are measured at fair value through profit or loss. The statements are based on the going concern principle, i.e., assuming that the Company will continue its operations in the foreseeable future. On the day of approval of these financial statements, there exist no circumstances indicating any threat to the going concern of the Company over the period of 12 months after the balance sheet date.

Items disclosed in the financial statements are measured in the currency of the principal business environment where the Company operates (the "functional currency"). The financial statements are presented in Polish Zloty (PLN) which is both the functional and presentation currency of the Company

The figures in the statement of financial position have been translated using the average rate published by the National Bank of Poland (NBP) for a given currency on the balance sheet date.

The rate used for translation of figures in the statements of comprehensive income and cash flows, was the arithmetic average of NBP's average rates from the period covered by the statements.

The following exchange rates were adopted for translation purposes:

| Exchange Rate at | 31.03.2017 | 31.12.2016 | 31.03.2016 |
|---|---|---|---|
| EURO | 4.2198 | 4.4240 | 4.2684 |

| Average Rate for the Period | 01.01-31.03.2017 | 01.01-31.03.2016 |
|---|---|---|
| EURO | 4.3559 | 4.3559 |

## 8. COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union on the basis of the IFRS Regulation (EC 1606/2002), hereinafter referred to as "IFRS-EU".

These financial statements have been prepared in accordance with the IFRSs as endorsed by the EU and effective for the reporting date of 31 March 2017.

## 9. CHANGE IN THE PRINCIPLES OF ACCOUNTING WITH RESPECT TO MEASUREMENT OF INVESTMENTS IN SUBSIDIARIES

Beginning with these financial statements for the period ended on 31 December 2016, the Company changed the way its financial statements are prepared. The Management Board believes that the Company meets the definition to qualify as an "investment entity" as defined in paragraph 27 of IFRS 10, namely:

- The Company maintains several investments in order to diversify its risks and to maximize its returns;
- The Company has relationships with many investors who are unrelated to the Company and who pool their funds in order to gain access to investment opportunities that would be unavailable to them while-alone;
- The Company does not intend to maintain its investment portfolio in perpetuity; i.e., it has the "exit strategy" from investments,

beginning with these financial statements, the Company measures all portfolio investments at fair value through profit or loss. Thus, certain adjustments were made to the Company's financial statements for the period ended on 31 March 2016 to make them comparable with these accounts. The adjustments are described in detail in Section 10.

## 10. RESTATEMENT OF COMPARATIVE FIGURES

As a result of the changes in accounting principles as described in Section 9, the Company made certain corrections to restate the financial statements for the period ended on 31 March 2016 in order to maintain its comparability to the statements for the period ended on 31 March 2017. Additional correction were made in the presentation by

reclassifying loan contracts from *trade receivables and other receivables* to non-current and current *other financial assets*. Those corrections and their amounts are described below:

a) Interest in Subsidiaries /Financial Assets Measured at Fair Value

The correction is intended to recognise the fair value of financial assets measured through profit or loss at 31.03.2016. Before the relevant change in its accounting principles, the Company used to present the value of its shareholdings in subsidiaries as *interest in subsidiaries* at cost less impairment loss, if any. To maintain the comparability, comparative figures of *interest in subsidiaries* were restated to PLN 0 since the Company will no longer measure them at cost less impairment loss, and they were reported as financial assets measured at fair value of PLN 64,827,654.23.

b) Retained Earnings

The correction is intended to disclose, in retained earnings, the result of disposal and revaluation of financial assets measured at fair value through profit or loss for the period until 31 March 2016. The amount of correction is PLN 47,741,480.98.

c) Deferred Tax Liability

The correction is intended to report the deferred income tax liability arising on valuation of financial assets measured at fair value at 31 March 2016. The correction amount is PLN 10,799,594.29 and, in the presentation, the amount of deferred tax liability reported in the restated balance sheet was reduced by the reclassified amount of deferred tax asset of PLN 399,024.70.

d) Result of Disposal and Revaluation of Financial Assets Measured at Fair Value

The correction is intended to report, in the statement of comprehensive income, the impact of changed valuation of assets measured at fair value through profit or loss for the period from 1 January 2016 to 31 March 2016. The amount of adjustment is PLN 12,082,858.16.

e) Other Financial Assets/Trade Receivables and Other Receivables

The presentation-related correction reclassifies the loans of PLN 1,144,722.52 from *trade receivables and other receivables* to, respectively, *other non-current financial assets of* PLN 952,554.52 and to *other non-current financial assets* of PLN 192,168.00.

The financial statements for the period ended on 31 March 2016 are presented below in the version published on 16 May 2017 and after restatement.

## STATEMENT OF FINANCIAL POSITION AT 31.03.2016 - RESTATEMENT

| ASSETS | Correction | 31.03.2016 published | restatement | 31.03.2016 restated |
|---|---|---|---|---|
| **Non-current Assets** | | **15,765,243.77** | **59,493,629.79** | **75,258,873.56** |
| Property, plant and equipment | | 8,967,124.17 | - | 8,967,124.17 |
| Intangible assets | | 468,785.64 | - | 468,785.64 |
| Interests in subsidiaries | A | 5,887,554.26 | (5,887,554.26) | - |
| Financial assets measured at fair value through profit or loss | a | - | 64,827,654.23 | 64,827,654.23 |
| Available-for-sale financial assets | | - | - | - |
| Trade receivables and other receivables | | 42,755.00 | - | 42,755.00 |
| Deferred tax assets | c | 399,024.70 | (399,024.70) | - |
| Other financial assets | e | - | 952,554.52 | 952,554.52 |
| **Current assets** | | **5,692,379.33** | **(952,554.52)** | **4,739,824.81** |
| Inventories | | - | - | - |
| Trade receivables and other receivables | e | 3,735,679.65 | (1,144,722.52) | 2,590,957.13 |
| Prepayments - long-term contracts | | 34,158.23 | - | 34,158.23 |
| Income tax receivable | | - | - | - |
| Cash and cash equivalents | | 74,165.24 | - | 74,165.24 |
| Other financial assets | e | 1,848,376.21 | 192,168.00 | 2,040,544.21 |
| Non-current assets held for sale | | - | - | - |
| **TOTAL ASSETS** | | **21,457,623.10** | **58,541,075.27** | **79,998,698.37** |

| EQUITY AND LIABILITIES | Correction | 31.03.2016 published | restatement | 31.03.2016 restated |
|---|---|---|---|---|
| **Equity** | | **13,590,078.01** | **47,741,480.98** | **61,331,558.99** |
| Share capital | | 728,450.00 | - | 728,450.00 |
| Share premium account | | 18,063,513.88 | - | 18,063,513.88 |
| Other reserves | | 121,962.15 | - | 121,962.15 |
| Reserve on valuation of incentive scheme | | 275,074.00 | - | 275,074.00 |
| Retained earnings | b | (5,598,922.02) | 47,741,480.98 | 42,142,558.96 |
| **Non-current liabilities** | | **904,365.34** | **10,799,594.29** | **11,703,959.63** |
| Borrowings | | 742,239.51 | - | 742,239.51 |
| Other financial liabilities | | - | - | - |
| Deferred income tax liability | c | - | 10,799,594.29 | 10,799,594.29 |
| Provisions for pensions and similar benefits | | 8,240.15 | - | 8,240.15 |
| Employee benefit obligation | | - | - | - |
| Grants | | 153,885.68 | - | 153,885.68 |
| **Current liabilities** | | **6,963,179.75** | **-** | **6,963,179.75** |
| Borrowings | | 311,243.35 | - | 311,243.35 |
| Other financial liabilities | | 39,960.76 | - | 39,960.76 |
| Trade payables and other liabilities | | 5,486,476.73 | - | 5,486,476.73 |
| Income tax liabilities | | - | - | - |
| Accruals - deferred revenue | | 3,919.64 | - | 3,919.64 |
| Provisions for pensions and similar benefits | | 81,685.13 | - | 81,685.13 |
| Employee benefit obligation | | - | - | - |
| Other provisions | | 1,010,516.70 | - | 1,010,516.70 |
| Grants | | 29,377.44 | - | 29,377.44 |
| **TOTAL EQUITY AND LIABILITIES** | | **21,457,623.10** | **58,541,075.27** | **79,998,698.37** |

## STATEMENT OF COMPREHENSIVE INCOME - RESTATEMENT

| | Correction | 01.01-31.03.2016 published | restatement | 01.01-31.03.2016 restated |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| **Sales revenue** | | **823,632.11** | **-** | **823,632.11** |
| Revenue from sale of finished products | | 823,632.11 | - | 823,632.11 |
| Revenue from sale of merchandise and materials | | - | - | - |
| **Cost of goods sold** | | **(692,375.74)** | **-** | **(692,375.74)** |
| Production cost of goods sold | | (692,375.74) | - | (692,375.74) |
| Value of merchandise and materials sold | | - | - | - |
| **Gross profit (loss) on sales** | | **131,256.37** | **-** | **131,256.37** |
| Selling expenses | | (85,542.50) | - | (85,542.50) |
| General and administrative expenses | | (1,141,499.68) | - | (1,141,499.68) |
| Result of disposal and revaluation of financial assets measured at fair value | d | - | 12,082,858.16 | 12,082,858.16 |
| Other operating income | | 449,497.68 | - | 449,497.68 |
| Other operating expenses | | - | - | - |
| **Operating profit (loss)** | | **(646,288.13)** | **12,082,858.16** | **11,436,570.03** |
| Finance income | | 25,761.23 | - | 25,761.23 |
| Finance cost | | (9,005.18) | - | (9,005.18) |
| **Profit (loss) before taxation** | | **(629,532.08)** | **12,082,858.16** | **11,453,326.08** |
| Current income tax | | - | - | - |
| Deferred income tax | c | (13,653.18) | (2,295,743.05) | (2,309,396.23) |
| **Net profit/(loss) from continuing operations** | | **(643,185.26)** | **9,787,115.11** | **9,143,929.85** |
| **Discontinued operations** | | | | |
| Profit/(loss) for the period from discontinued operations | | - | - | - |
| **Net profit /(loss) for the period** | | **(643,185.26)** | **9,787,115.11** | **9,143,929.85** |
| **Net profit/(loss) per share in PLN** | | | | |
| – Basic earnings from continuing operations | | (0.09) | - | 1.26 |
| –Diluted earnings from continuing operations | | (0.09) | - | 1.26 |
| **Other comprehensive income:** | | | | |
| Other comprehensive income that will be reclassified to profit or loss in future periods | | - | - | - |
| Other comprehensive income that will not be reclassified to profit or loss in future periods | | - | - | - |
| **Other net comprehensive income** | | **-** | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME FOR FINANCIAL YEAR** | | **(643,185.26)** | **9,787,115.11** | **9,143,929.85** |

## STATEMENT OF CASH FLOWS - RESTATEMENT

| | 01.01-31.03.2016 published, | restatement, | 01.01-31.03.2016 restated |
|---|---|---|---|
| **Operating activities** | | | |
| Net profit/(loss) | (643,185.26) | 9,787,115.11 | 9,143,929.85 |
| - including income tax expense | 13,653.18 | 2,295,743.05 | 2,309,396.23 |
| Adjustments for: | | | |
| Depreciation and amortisation | 269,212.62 | - | 269,212.62 |
| Interest and dividend, net | (5,994.72) | - | (5,994.72) |
| (Profit)/loss on investing activities | (34,573.94) | - | (34,573.94) |
| Result of disposal and revaluation of financial assets measured at fair value | - | (12,082,858.16) | (12,082,858.16) |
| Increase/decrease in receivables | 551,518.95 | - | 551,518.95 |
| Increase/decrease in inventories | - | - | - |
| Increase/decrease in liabilities | (32,644.49) | - | (32,644.49) |
| Increase/decrease in grants | - | - | - |
| Increase/decrease in provisions | (32,500.00) | - | (32,500.00) |
| Income tax paid | - | - | - |
| Increase/decrease in prepayments and accruals long-term contracts | (50,981.10) | - | (50,981.10) |
| Other | (8,000.00) | - | (8,000.00) |
| **Net cash from operating activities** | **26,505.24** | - | **26,505.24** |
| **Investing activities** | | | |
| Disposal of property, plant and equipment and intangible assets | 275,787.44 | - | 275,787.44 |
| Acquisition of property, plant and equipment and intangible assets | - | - | - |
| Increase/decrease in financial assets | - | - | - |
| Acquisition of financial assets | - | - | - |
| Dividend and interest received | 13.42 | - | 13.42 |
| Repayment of lending | 180,000.00 | - | 180,000.00 |
| Lending | (286,203.00) | - | (286,203.00) |
| Interest accrued on deposits | - | - | - |
| Other (grants received) | - | - | - |
| **Net cash from investing activities** | **169,597.86** | - | **169,597.86** |
| **Financing activities** | | | |
| Proceeds from share issue | - | - | - |
| Repayment of finance lease liabilities | (89,082.36) | - | (89,082.36) |
| Proceeds from borrowings | - | - | - |
| Repayment of borrowings | (137,530.85) | - | (137,530.85) |
| Dividend paid | - | - | - |
| Interest paid | (8,268.37) | - | (8,268.37) |
| Other | - | - | - |
| **Net cash from financing activities** | **(234,881.58)** | - | **(234,881.58)** |
| Net increase in cash and cash equivalents | (38,778.48) | - | (38,778.48) |
| Net FX differences | **-** | - | **-** |
| **Cash at the beginning of the period** | **112,943.72** | - | **112,943.72** |
| **Cash at the end of the period** | **74,165.24** | - | **74,165.24** |

## STATEMENT OF CHANGES IN EQUITY - RESTATEMENT

| | Share Capital | Share Premium Account | Other reserves | Reserve on Valuation of Incentive Scheme | Retained Earnings | Total Equity |
|---|---|---|---|---|---|---|
| **At 1 January 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **267,074.00** | **(4,955,736.76)** | **14,225,263.27** |
| Restatement | - | - | - | - | 37,954,365.87 | 37,954,365.87 |
| **At 1 January 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **267,074.00** | **32,998,629.11** | **52,179,629.14** |
| Total comprehensive income | - | - | - | - | (643,185.26) | (643,185.26) |
| Share issue | - | - | - | - | - | - |
| Cost of share issue | - | - | - | - | - | - |
| Dividend payment | - | - | - | - | - | - |
| Change in revaluation reserve | - | - | - | 8,000.00 | - | 8,000.00 |
| Restatement | - | - | - | - | 9,787,115.11 | 9,787,115.11 |
| **At 31 March 2016** | **728,450.00** | **18,063,513.88** | **121,962.15** | **275,074.00** | **42,142,558.96** | **61,331,558.99** |

# 11. ADDITIONAL INFORMATION

## 11.1. BRIEF DESCRIPTION OF SIGNIFICANT ACHIEVEMENTS OR FAILURES OF LARQ AND ITS PORTFOLIO COMPANIES DURING THE PERIOD COVERED BY THIS REPORT, AND RUNDOWN OF THEIR MOST IMPORTANT DEVELOPMENTS

Following the adoption of the new accounting principles whereunder LARQ has the status of an "investment entity" and beginning with its financial statements for 2016, the Company measures its portfolio investments at fair value through profit or loss. The changes in accounting principles necessitated certain adjustments and restatements of the Company's quarterly financial results for 2016 compared to the published figures in order to maintain their comparability to the results generated in consecutive quarters of 2017. The key financials of the Company for the first quarter of 2017 in comparison to the previous year are presented in table below:

| *(PLN '000)* | **01.01-31.03.2017** | **01.01-31.03.2016 restated** | **01.01-31.03.2016 published** |
|---|---|---|---|
| **Sales revenue** | **791** | **824** | **824** |
| Gross profit from sales | 61 | 131 | 131 |
| Selling and general administrative expenses | (1,670) | (1,227) | (1,227) |
| **Result of disposal and revaluation of financial assets measured at fair value through profit or loss** | **3,964** | **12,083** | **-** |
| Other operating income/(expenses) | 408 | 449 | 449 |
| **Operating profit (loss)** | **2,764** | **11,437** | **(646)** |
| Profit (loss) before taxation | 2,715 | 11,453 | (630) |
| **Net profit/(loss) for the period** | **2,049** | **9,144** | **(643)** |

As a result of changes in the accounting principles, the key factor affecting the financial performance of the Company is its *result on disposal and revaluation of financial assets measured at fair value through profit or loss*. In the first quarter of 2017, the value of the portfolio of investments measured through profit or loss by the Company grew by almost PLN 4 million, mostly thanks to a more realistic measurement of its assets based on the Pre-IPO deal, and exceeded PLN 90 million. The increased valuation of the portfolio of financial assets held by the Company was translated into the net profit generated by LARQ in the first quarter of 2017 which exceeded PLN 2 million compared to the net profit of more than PLN 9 million in the first quarter of 2016 (restated figure) when the valuation of that portfolio went up to exceed PLN 12 million.

The selling and general administrative expenses were higher in the first quarter of 2017 by PLN 443,000 as the costs of valuation of the incentive scheme went up by PLN 622,000. After adding the costs of valuation of the executive scheme, the selling and general administrative expenses were lower in the first quarter of 2017 by PLN 179,000 compared to the corresponding period of 2016.

At present, the core business of LARQ is the management of its portfolio of financial investments which comprises certain industry-specific subsidiaries:

- Public transportation (city bike sharing systems),
- Advertising (non-standard outdoor advertising media and full-service agencies),
- New technologies (SaaS and sales and marketing automation),

as well as seeking new investment opportunities in the above industries.

The Management Board believes that the Company meets the definition of an entity qualifying as an "investment entity" as defined in paragraph 27 of IFRS 10. The above definition is satisfied based on the following:

- The Company maintains several investments in order to diversify its risks and to maximize its returns;

- The Company has relationships with many investors who are unrelated to the Company and who pool their funds in order to gain access to investment opportunities that would be unavailable to them while-alone;
- The Company does not intend to maintain its investment portfolio in perpetuity; i.e., it has the "exit strategy" from investments,

Following the adoption of the accounting principles in accordance with IAS 10, the Company as an "investment entity" does not prepare any consolidated financial statements and all its investments in subsidiaries are measured at fair value through profit or loss in its financial statements.

During the period covered by these financial statements, the crucial achievements of LARQ's key portfolio companies and factors affecting the financial results reported by them were as follows:

- **Nextbike** launched the new bike sharing system in Warsaw in March 2017; it was expanded up to ca. 4,600 bikes, thus ranking among the largest bike sharing systems in Europe. In addition, Nextbike launched the new systems and Gliwice and Radom and the refreshed and expanded system in Białystok. During the first quarter of 2017, Nextbike also won tenders to launch new city bike sharing systems in Sosnowiec and Michałowice. Citi Handlowy became the new strategic partner of Nextbike in 2017, and its advertisements are displayed across the bicycle fleet managed by Nextbike. The results for the first quarter of 2016 included PLN 5.6 million in revenue and the margin for supply and activation of "Part Two" of the Lublin City Bike.
- **Brand24** continued its dynamic growing of the number of active clients during the first quarter of 2017; their number went up to 1,668 users or over 50% more than at the end of the first quarter of 2016; in addition, the number of users of the global version of its tool increased by over 150%.
- **Synergic** added two new business lines to its offer: advertising space along highways and at ATM displays; it also provided for the effective commercialisation of the increased space on city bikes and attracted a new advertising partner – Citi Handlowy – for the period of three years.

The key financial results of the portfolio companies in the 1Q 2017 are presented in table below:

| PLN million | 01.01-31.03.2017 proforma | 01.01-31.03.2016 proforma |
|---|---|---|
| **Sales Revenue** | | |
| Nextbike | 4.2 | 7.1 |
| Synergic* | 4.4 | 4.0 |
| Brand24 | 1.6 | 1.0 |
| Other* | 0.9 | 0.6 |
| **EBITDA** | | |
| Nextbike | 0.2 | 2.1 |
| Synergic* | 0.4 | 0.4 |
| Brand24 | (0.0) | (0.4) |
| Other | (1.6) | (1.4) |
| **Operating profit (loss)** | | |
| Nextbike | (0.8) | 0.8 |
| Synergic* | 0.2 | 0.1 |
| Brand24 | (0.1) | (0.4) |
| Other | (1.7) | (1.6) |
| **Net profit (loss)** | | |
| Nextbike | (0.9) | 0.5 |
| Synergic* | 0.1 | 0.0 |
| Brand24 | (0.1) | (0.4) |
| Other | (1.7) | (1.6) |
| **Net debt (cash)** | | |
| Nextbike | 28.0 | 16.2 |
| Synergic* | 0.4 | (0.5) |

| | | |
|---|---|---|
| Brand24 | (0.1) | (0.7) |
| Other | 0.4 | 0.9 |

* Net of intra-group transactions

## 11.2. DESCRIPTION OF FACTORS AND EVENTS, ESPECIALLY ATYPICAL IN NATURE, THAT SIGNIFICANTLY AFFECTED THE FINANCIAL PERFORMANCE

During the first quarter of 2017, LARQ pursued its activities and attained its business goals without interruption of any atypical developments.

## 11.3. INFORMATION ABOUT CYCLICAL OR SEASONAL NATURE OF BUSINESS OF THE LARQ GROUP COMPANIES DURING THE REPORTING PERIOD

The business of LARQ is not affected by seasons or cycles.

In the first calendar quarter of any year, business is relatively slow for two key portfolio companies of LARQ, namely Nextbike and Synergic. Nextbike, as the operator of city bike-sharing systems, does not generate any revenue from the service of bike-sharing system management during January and February due to winter. For Synergic, the operator of non-standard advertising media, the first quarter is the slowest business period of the year following the reduction of advertising spending after Christmas each year.

## 11.4. INFORMATION ABOUT IMPAIRMENT LOSSES ON INVENTORIES DOWN TO THEIR NET REALISABLE VALUE, AND REVERSAL OF IMPAIRMENT

No impairment loss was recognised on inventories during the period covered by these financial statements.

## 11.5. INFORMATION ABOUT IMPAIRMENT LOSSES ON FINANCIAL ASSETS, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS OR OTHER ASSETS, AND REVERSAL OF IMPAIRMENT

During the period covered by these financial statements, no impairment loss was recognised on financial assets, property, plant and equipment or intangible assets.

No impairment of LARQ assets was reversed.

## 11.6. INFORMATION ABOUT THE ESTABLISHMENT, INCREASE, USE OR RELEASE OF PROVISIONS

| | Termination Benefits on Retirement | Holiday Allowances | Other Provisions |
|---|---|---|---|
| **Balance at 01.01.2017** | **-** | **47,744.30** | **1,013,993.00** |
| Established | - | - | 125,169.68 |
| Released | - | - | - |
| Used | - | - | (108,993.00) |
| **Balance at 31.03.2017** | **-** | **47,744.30** | **1,030,169.68** |
| Long-term portion | - | - | - |
| Short-term portion | - | 47,744.30 | 1,030,169.68 |

The provisions established during the period covered by these condensed interim financial statements refer to provisions for outstanding invoices.

## 11.7. INFORMATION ABOUT DEFERRED INCOME TAX LIABILITY AND ASSETS

At 31 March 2017, the deferred tax asset was PLN 452,000 and the deferred tax liability was PLN 16,166,000. The Group presents its deferred tax asset and liability on a net basis.

## 11.8. INFORMATION ABOUT MATERIAL PURCHASES AND SALES OF PROPERTY, PLANT AND EQUIPMENT

During the period covered by these financial statements, LARQ did not purchase any property, plant and equipment or intangible assets.

There were no material transactions of selling property, plant and equipment.

### 11.9. INFORMATION ABOUT SIGNIFICANT COMMITMENT ASSUMED TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

During the period covered by these financial statements, no significant commitment was assumed in order to purchase any property, plant and equipment.

### 11.10. INFORMATION ABOUT SIGNIFICANT LITIGATION PAYMENTS

During the period covered by these financial statements, there were no significant payments with respect to any court cases.

### 11.11. CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS

During the period covered by these financial statements, there were no corrections of errors from previous periods.

As a result of change in the accounting principles as described in Section 9, the Company made corrections to the financial statements for the period ended on 31 March 2016 in order to provide for their comparability with the financial statements for the period ended on 31 March 2017. The corrections are described in Section 10.

### 11.12. INFORMATION ABOUT CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS THAT MATERIALLY AFFECT THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES OF THE ENTITY, WHETHER CARRIED AT FAIR VALUE OR AT ADJUSTED COST (AMORTISED COST)

During the period covered by these financial statements, no changes took place that would affect the fair value of financial assets or financial liabilities.

### 11.13. INFORMATION ABOUT OUTSTANDING BANK LOAN OR LOAN, OR ABOUT MATERIAL BREACH OF A BANK LOAN OR LOAN AGREEMENT IN MATTERS WHERE NO STEPS WERE TAKEN TO CURE THE BREACH BEFORE THE END OF THE REPORTING PERIOD

During the period covered by these financial statements, the bank loans borrowed by LARQ were repaid in compliance with the relevant repayment schedules.

### 11.14. INFORMATION ABOUT RELATED PARTY TRANSACTIONS IF SUCH TRANSACTIONS, SEPARATELY OR COMBINED, ARE SIGNIFICANT AND WERE MADE OTHERWISE THAN ON THE ARM'S LENGTH BASIS

During the period covered by these financial statements, all transactions between LARQ and its portfolio companies were made on the arm's length basis.

### 11.15. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE – INFORMATION ABOUT ANY CHANGE IN THE METHOD OF CALCULATION OF FAIR VALUE

During the period covered by these financial statements, no changes were made in the method of measurement of financial instruments.

### 11.16. INFORMATION ABOUT CHANGE IN THE CLASSIFICATION OF FINANCIAL ASSETS DUE TO THE MODIFICATION OF PURPOSE OR USE OF THOSE ASSETS

During the period covered by these financial statements, no changes were made in the classification of financial assets.

### 11.17. INFORMATION ABOUT THE ISSUANCE, REDEMPTION AND REPAYMENT OF NON-EQUITY AND EQUITY SECURITIES

During the period covered by these financial statements, there was no issuance, redemption or repayment of any non-equity or equity securities.

### 11.18. INFORMATION ABOUT DIVIDEND PAID (OR DECLARED), IN THE AGGREGATE AND PER SHARE, BROKEN BY ORDINARY AND PREFERENCE SHARES

During the period covered by these financial statements, no dividend was paid or declared by LARQ.

## 11.19. EVENTS THAT OCCURRED AFTER THE DATE OF THESE CONDENSED QUARTERLY FINANCIAL STATEMENTS AND NOT REPORTED HEREIN, THAT MIGHT SIGNIFICANTLY AFFECT THE FUTURE FINANCIAL PERFORMANCE OF LARQ

- On 15 May 2017, the Annual General Meeting of Nextbike resolved to increase the share capital of Nextbike, and to dis-apply the subscription right, through issue of series C shares and authorised the Management Board of Nextbike to apply for introduction of the shares of series B and C to trading in the alternative trading system – NewConnect operated by the Warsaw Stock Exchange.
- Nextbike, LARQ's key portfolio company, won tenders to launch bike sharing systems in subsequent towns in Poland: Stalowa Wola, Pszczyna, Legnica, Kalisz, Kołobrzeg (new systems) and Konstancin-Jeziorna (refurbishment). Upon fulfilment of those contracts, Nextbike's bicycle fleet will grow to exceed 400,000.

## 11.20. INFORMATION ABOUT CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS THAT TOOK PLACE AFTER THE END OF THE LAST FINANCIAL YEAR

In the period after the end of the last financial year until the publication of these statements, LARQ reported no changes in any contingent liabilities or contingent assets.

## 11.21. OTHER INFORMATION THAT MIGHT MATERIALLY AFFECT THE ASSESSMENT OF THE ASSETS AND FINANCIAL POSITION, AND PROFIT OF LOSS OF LARQ

The Management Board of LARQ believes that, apart from the information disclosed above, there exist no other factors that might materially affect the assessment of the assets and financial position and profit or loss of LARQ.

## 11.22. MANAGEMENT BOARD'S VIEW ON THE ABILITY TO MEET FORECASTS PUBLISHED EARLIER FOR A GIVEN YEAR IN LIGHT OF PERFORMANCE PRESENTED IN THE QUARTERLY REPORT COMPARED TO FORECAST PERFORMANCE

On 28 March 2017, the Management Board of LARQ published its forecast of 2017 results of LARQ's portfolio companies:

- Nextbike Polska S.A. - the largest supplier and operator of city bike-sharing systems in Poland:
  - Number of bikes in operation will grow by 66% up to 13,000 from 7,800 at the end of 2016, mostly thanks to tenders already (as far as we are aware at the publication date of this report) awarded for delivery and service of city bike sharing systems in 2017;
  - Revenue from sales of PLN 40.1 million; growth by 16% from PLN 34.6 million in 2016;
  - EBITDA of PLN 15.5 million; growth by 21% from PLN 12,8 million in 2016;
- Brand 24 S.A. - owner of a proprietary tool to monitor online content, sold globally under the SaaS model (Software as a Service):
  - Number of active clients will increase by 37% up to 2,069 users from 1,507 at the end of 2016, mostly building on the continued growth of its global customer base;
  - Revenue from sales of PLN 7.4 million; growth by 47% from PLN 5 million in 2016;
  - EBITDA loss of PLN 0.3 million compared to the loss of PLN 0.2 million in 2016;
- Synergic Sp. z o.o. - leading operator and owner of a non-standard outdoor advertising media in Poland:
  - Its base of advertising media available for sale will grow by 69% from 22,100 $m^2$ up to 37,300 $m^2$ thanks to the acquisition of new advertising space on city bikes and two new business lines added to its offer (advertising space alongside highways and at ATMs);
  - Revenue from sales of PLN 32.4 million; growth by 19% from PLN 27.2 million in 2016;
  - EBITDA profit (net of intercompany transactions) of PLN 6.3 million; growth by 21% from PLN 5.2 million in 2016.

Furthermore, LARQ and other portfolio companies (except for Nextbike Polska S.A., Brand24 S.A. and Synergic Sp. z o.o.) are expected to generate EBITDA loss in 2017 (excluding the impact of a change in measurement of financial assets at fair value) of approx. PLN 7.1 million compared to EBITDA loss of PLN 6.2 million in 2016. LARQ's costs forecast for 2017 include the costs of its incentive scheme equal to PLN 1.4 million compared to PLN 0.5 million in 2016.

In view of the performance during the first quarter of 2017, the Management Board of LARQ upholds the above financial projections.

## 11.23. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY, AT LEAST 5% OF TOTAL VOTES AT THE GENERAL MEETING OF LARQ S.A.

| Shareholder | Number of Shares | % of Share Capital | % of Votes |
|---|---|---|---|
| HARBINGER CAPITAL Ltd. | 3,000,000 | 40.90% | 58.06% |
| QUERCUS TFI S.A. | 522,756 | 7.13% | 5.06% |

## 11.24. STATEMENT OF HOLDINGS OF SHARES IN LARQ S.A. OR RIGHTS TO SHARES BY THE PERSONS WHO MANAGE AND SUPERVISE LARQ S.A.

Based on the information available to the Company as of the date of submission of this report, the following members of the Management and Supervisory Boards hold shares in LARQ:

| Shareholder | Number of Shares | % of Share Capital | % of Votes |
|---|---|---|---|
| Krzysztof Przybyłowski – Chairman of Management Board | 324,000 | 4.42% | 3.14% |
| Mikołaj Chruszczewski – Member of Management Board | 69,039 | 0.94% | 0.67% |
| Member of the Supervisory Board | 50,000 | 0.69% | 0.49% |
| Member of the Supervisory Board | 20,000 | 0.27% | 0.19% |
| Member of the Supervisory Board | 6,489 | 0.09% | 0.06% |

During the period after submission of the previous quarterly report, i.e., since 20 March 2017, Mr. Mikołaj Chruszczewski reduced his holdings by 8,670 shares.

## 11.25. INFORMATION ABOUT MATERIAL PROCEEDINGS BEFORE COURT, ARBITRATION TRIBUNAL OR PUBLIC ADMINISTRATION AUTHORITY

At the publication date of this report, LARQ is not a party to any litigation where the cause of action would exceed 10% of LARQ's equity.

## 11.26. INFORMATION ABOUT THE GRANT OF SURETIES FOR ANY LOAN, OR THE GRANT OF GUARANTEE BY LARQ – IN THE AGGREGATE TO A SINGLE ENTITY, OR TO A SUBSIDIARY OF THAT ENTITY IF THE AGGREGATE VALUE OF EXISTING SURETIES OR GUARANTEES IS EQUAL TO AT LEAST 10% OF THE EQUITY OF LARQ S.A.

In the period after the end of the last financial year until the publication of these statements, LARQ gave no guarantees or loan surety.

## 11.27. OTHER INFORMATION CONSIDERED MATERIAL BY LARQ S.A. FOR ASSESSMENT OF ITS HUMAN RESOURCES, ASSETS AND FINANCIAL POSITION, PROFIT OR LOSS AND CHANGES THEREIN, AND INFORMATION OF IMPORTANCE FOR ASSESSMENT OF THE ABILITY OF LARQ S.A. TO MEET ITS OBLIGATIONS

It is the opinion of the Management Board of LARQ, these financial statements disclose all information of material importance for assessment of LARQ's situation.

## 11.28. FACTORS THAT ARE BELIEVED BY LARQ S.A. TO AFFECT ITS PERFORMANCE AT LEAST DURING THE NEXT QUARTER

During the second and following quarters of 2017, it is the opinion of the Management Board of LARQ that the following are the most important factors affecting LARQ's performance:

- Introduction of Nextbike's shares to trading in the alternative trading system – NewConnect operated by the Warsaw Stock Exchange;
- Achievement of the forecast financial results by LARQ portfolio companies that will translate into their growth in value and, thus, better performance of LARQ; and

- Developments on the financial markets.

**Warsaw, 15 May 2017**