

CURRENT REPORT 39/2017

Subject:

Amendments to the Existing Incentive Scheme Resolved by Brand 24 S.A. and Adoption of New Incentive Scheme

General Legal Basis:

Article 17 (1) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC

Text of Report:

With reference to the Current Report 42/2016 of 7 November 2016, the Management Board of LARQ S.A. of Warsaw (the “**Issuer**”) hereby informs that, on 18 October 2017, the Extraordinary General Meeting of BRAND 24 S.A. of Wrocław (“**Brand24**”) (the Issuer’s indirect subsidiary) (the “**EGM**”) adopted the Resolution 3/17 to amend the Resolution 3/16 of the Extraordinary General Meeting of BRAND 24 S.A. of 25 October 2016 regarding the adoption of the incentive scheme in Brand24 for members of management board of the company, and its key employees and associates (the “**Existing Scheme**”).

Pursuant to the amendment adopted thereby, the implementation period of the Existing Scheme was extended for the additional financial period from 1 July to 31 December 2017. During that additional period, the participants of the Existing Scheme will be have the right to subscribe for 87,104 shares subject to fulfilment of the relevant conditions.

At the same time, by its Resolution 4/17, the EGM authorised the Supervisory Board of Brand24 to make amendments to the rules of the Existing Scheme as adopted by the Supervisory Board of Brand24 through its Resolution 2/10/16 dated 31 October 2016.

The EGM also passed the Resolution 5/17 to adopt a new incentive scheme in Brand24 for the key employees and associates of Brand24 (the “**New Scheme**”).

The New Scheme will be implemented from 2018 to 2020 and will involve awarding its participants with the right to purchase no more than 102,143 ordinary bearer shares of series H to be issued within the conditional increase of share capital of Brand24 (the “**Shares**”).

The condition for awarding the right to purchase the maximum number of Shares to the participants of the New Scheme, is the fulfilment of the Operating Condition (as defined below) and the loyalty condition understood as the continued employment of each New Scheme participant with Brand24 and no competition between the New Scheme participant and Brand24.

In accordance with the resolution passed by the EGM, the Operating Condition consists of three operating sub-conditions that refer to: (i) number of Brand24 customers with active account status in Brand24 system at the end of a given period; (ii) consolidated revenue of the Brand24 Group; and (iii) consolidated net profit/loss of the Brand24 Group.

The following operating sub-condition have been set for the New Scheme:

(i) For 2018:

- Number of customers at end of period: 2,935
- Consolidated revenue: PLN 10.8 million
- Consolidated net loss: PLN 1.1 million

(ii) For 2019:

- Number of customers at end of period: 4,364
- Consolidated revenue: PLN 16.0 million
- Consolidated net profit: PLN 0.6 million

(iii) For 2020:

- Number of customers at end of period: 6,213
- Consolidated revenue: PLN 23.7 million
- Consolidated net profit: PLN 4.7 million.

Those operating sub-conditions will be verified each year after approval of financial statements by the GM of Brand24. When the degree of fulfilment of the operating sub-condition is less than 90%, there will be no allotment of Shares for fulfilment of that operating sub-condition. If the operating sub-condition is fulfilled in 90%-100%, the New Scheme participant will be awarded the number of Shares corresponding to the degree of fulfilment of that operating sub-condition. If the operating sub-condition is fulfilled in 100% and beyond, the New Scheme participant will be awarded the maximum number of Shares set for fulfilment of that operating sub-condition.

In addition, the Supervisory Board of Brand24 will be authorised to award the rights to purchase Shares to selected participants of the New Scheme in exchange for fulfilment of the loyalty condition during at least one of the financial periods (the "**Loyalty Shares Pool**"). The sum of Shares to be awarded to any New Scheme Participant from the Loyalty Shares Pool cannot exceed the maximum number of Shares capable of being subscribed by the New Scheme Participant in fulfilment of the Operating Condition.

Within the maximum number of shares under the New Scheme (102,143 Shares), the EGM has authorised the Management Board of Brand24 to award rights to purchase 7,666 Shares, at the discretion of the Management Board of Brand24.

The detailed terms for implementation of the New Scheme are to be set forth in relevant rules to be adopted by the Supervisory Board of Brand24.

In connection with the New Scheme, the EGM passed the Resolution 7/17 regarding the conditional increase of the share capital by maximum PLN 10,214.30 through issuance of 102,143 ordinary bearer shares of series H, dis-application of the subscription right to the series H shares of the existing shareholders, and amendments to the Articles of Association of Brand24. The issue price per share to be subscribed under the New Scheme will be PLN 010.

Report Date:

18 October 2017