

LARQ S.A.

CURRENT REPORT 14/2018

Subject:

Execution of Investment Agreement

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:

The Management Board of LARQ S.A. of Warsaw (the “**Issuer**”) hereby reports that the Investment Agreement (the “**Investment Agreement**”) was signed by it on 22 August 2018 with respect to YouLead sp. z o.o. (“**YouLead**”). YouLead is a company that develops and commercialises the proprietary software for sales and marketing automation. At the day of the Investment Agreement, the Issuer holds 51.4% shares in YouLead.

The Investment Agreement contemplates, among others:

1. Conversion of the past loans granted to YouLead by the Issuer into YouLead's share capital;
2. Funding of the further development of YouLead software and its international commercialisation;
3. Designing the conditions of incentive scheme for YouLead key persons. (the “**Scheme**”).

Re. 1

The conversion of the past loans granted to the Company by the Issuer into YouLead's share capital will take place with YouLead's valuation of PLN 5.7 million. Following the conversion, the stake held by the Issuer in YouLead's share capital will go up to 53.5%.

Re. 2

The Issuer will grant certain interest-bearing loans to YouLead, in the aggregate amount of PLN 620,000, to fund its international expansion and software development efforts.

The loans will be disbursed in two tranches:

- (i) First tranche of no more than PLN 320,000 to be converted into YouLead's share capital in accordance with the Investment Agreement where the valuation of YouLead is to be PLN 6.3 million; and
- (ii) Second tranche of no more than PLN 300,000. Any loans from the second tranche will be repaid together with interest no later than on 31 December 2019. If the second tranche loans are not repaid, they will be converted into the share capital of YouLead, where YouLead's valuation will be calculated by multiplying 5.25 by YouLead's 2019 revenue less YouLead's net debt at 31 December 2019.

Re. 3

The parties to the Investment Agreement have agreed that the Scheme beneficiaries will be entitled to subscribe for new shares in YouLead at the par price provided that the Scheme conditions are met as defined in the Investment Agreement, namely if YouLead generates revenue of at least PLN 2.8 million in 2018 (the "**Target**"), beneficiaries will become entitled to subscribe for new shares representing jointly up to 1.1% of the share capital of YouLead.

In the event that YouLead's 2018 revenue is less than 88% of the Target, none of the beneficiaries will have the right to subscribed for new shares. If YouLead's 2018 revenue ranges from 88% to 100% of the Target, the beneficiaries will have the right subscribe for new share pro rata to the attainment of the Target.

Report Date:

22 August 2018