LARQ
CAPITAL GROUP

LARQ SPÓŁKA AKCYJNA MANAGEMENT BOARD'S BUSINESS REVIEW REPORT

For the Period Ended on 31 December 2018

LARQ Spółka Akcyjna of Warsaw

Warsaw, 28 March 2019

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Management Board's 2018 LARQ S.A. Business Review Report

1. MANAGEMENT BOARD'S COMMENTS ON LARQ 2018 RESULTS

1.1. Management Board's Comments on Financial Performance

LARQ SA ("LARQ", the "Company") is qualified as an "investment entity" and measures its financial assets at fair value through profit or loss. The financial highlights of the Company for 2018 compared to the corresponding period of the preceding year are shown in table below.

(PLN '000)	**01.01-31.12.2018**	**01.01-31.12.2017 restated**
Revenue from sale of services	451	932
Result of sale and revaluation of financial assets measured at fair value through profit or loss	**(13,657)**	**50,442**
General and administrative expenses	(4,477)	(5,607)
Other operating income/(expense)	327	118
Operating profit/(loss)	(17,357)	45,885
Gross profit/(loss)	(15,886)	45,265
Profit/(loss) on discontinued operations	158	249
Net profit/(loss) for the period	**(13,176)**	**35,550**
Financial assets measured at fair value	**127,577**	**140,408**

Result of sale and revaluation of financial assets measured at fair value through profit or loss is the key factor affecting the financial results generated by the Company. In 2018, considering the drop in valuation of the certificates of LARQ Growth Fund I FIZ (the "Fund"), the value of financial assets that the Company measures through profit or loss fell by almost PLN 13 million down to PLN 127 million. The main reason behind the drop in certificates value was the declined value of shares in Nextbike Polska SA that are held by the Fund. The value of shares in Nextbike Polska SA fell by PLN 36 million. That fall was partially compensated by the growing value of shares in Brand24 SA and Synergic sp. z o.o. that are held by the Fund. The drop in valuation of financial assets owned by the Company contributed to net loss suffered by LARQ in 2018, namely PLN 13.2 million compared to net profit of PLN 35.6 million for 217 (restated figures).

General and administrative expenses for 2018 went down by PLN 1.1 million compared to 2017 mostly due to the reduced valuation of the incentive scheme for board members and key managers of LARQ. The valuation of the scheme for 2018 was PLN 0.2 million compared to PLN 1.1. million in 2017. After elimination of the effect of that incentive scheme valuation, general and administrative expenses went down by PLN 0.2 million on the preceding year.

Throughout 2018, the Company 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 has been transferred to a subsidiary). At LARQ's level, that business was finally discontinued in the 1st quarter of 2019.

The core business of LARQ is the long-term building of value of its holdings of financial assets that comprise companies with complementary business objectives:

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

The Management Board believes that the Company meets the definition to qualify as an "investment entity" as defined in paragraph 27 of IFRS 10.

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 assets are measured by the Company at fair value through profit or loss:

- **Subsidiaries:**
  - LARQ Fund Management sp. zo.o. (wholly-owned subsidiary of LARQ);
  - Adinnovation sp. zo.o. (wholly-owned subsidiary of LARQ);
  - CAM Media Creative Works sp. z.o.o. (wholly-owned subsidiary of LARQ);
  - Intelisoft sp. zo.o. (LARQ holds 51% of its capital);
  - Media Power sp. zo.o. (wholly-owned subsidiary of LARQ);
  - AWL VIII sp.z o.o. (wholly-owned subsidiary of LARQ);
- **LARQ shareholdings in listed companies:**
  - Nextbike Polska SA (LARQ holds 1% of its capital);
  - Brand 24 SA (LARQ holds 3% of its capital).

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

- Nextbike Polska SA (67% of the capital);
- Brand 24 SA (36% of the capital);
- Synergic sp. z.o.o. (100% of the capital;
- Youlead sp. z o.o. (51% of the capital);
- Triggo S.A. (2% of the capital).

1.2. Present and Forecast Financial Standing of LARQ

The strategic objective of LARQ is to generate value for its shareholders by means of increasing the value of financial assets held by the Company. The present and future results of the Company depend on the increase in value of those assets, and profits, if any, from their disposal. The Company's results in the subsequent periods will be mostly affected by the operating profit or loss of its subsidiaries and the FIZ Assets, and the developments on the capital market as they will directly affect the value of LARQ's assets. At the same time, LARQ will review its commitment to new projects.

1.3. Management Board's View on Meeting Performance Forecasts Published Earlier

On 18 October 2018, LARQ published its forecast (the "Forecast") concerning the results of LARQ, its subsidiaries and the FIZ Assets in 2018. That forecast was updated on 24 December 2018. The compliance with the Forecast for 2018 was as follows:

- Nextbike Polska S.A. –the largest supplier and operator of city bike sharing systems in Poland:
  - Number of bikes in operation is PLN 16,600 (compared to the Forecast of 17,800 according to the Forecast dated 18 October 2018); it grew by 36% from 12,200 at the end of 2017;
  - Revenue from sale of PLN 61.2 million (compared to PLN 70.5 million according to the Forecast dated 18 October 2018); it grew by 41% from PLN 43.5 million in 2017;
  - EBITDA of PLN 13.9 million (compared to PLN 16.4 million according to the Forecast dated 18 October 2018); it fell by 9% from PLN 15.2 million in 2017.
- Brand 24 SA – the owner of a proprietary tool to monitor online content, sold globally under the SaaS model (Software as a Service):
  - Number of active clients is 3,096 (compared to the Forecast of 2,935); it grew by 41% from 2,196 users at the end of 2017;
  - Revenue from sales of PLN 11.8 million (compared to the Forecast of PLN 10.8 million); it grew by 59% from PLN 7.6 million in 2017;
  - EBITDA profit of PLN 0.1 million (compared to EBITDA loss Forecast of PLN 0.9 million); the corresponding loss was PLN 1.6 million in 2017.
- Synergic sp. z o.o. – the leading operator and owner of non-standard outdoor advertising media in Poland:

- Its base of advertising media available for sale is 47,100 m2 (compared to the Forecast of 49,300 m2); it grew by 16% from 40,400 m2 in 2017;
- Revenue from sales of PLN 41.3 million (compared to the Forecast of PLN 38.0 million); it grew by 16% from PLN 35.5 million in 2017;
- EBITDA profit (net of intragroup transactions) of PLN 8.4 million (compared to the Forecast of PLN 8.2 million); it grew by 29% from PLN 6.5 million in 2017;

- Youlead sp. z o.o. (active as a company since November 2018; earlier, it was being spun off from Intelisoft sp. z o.o.) - the owner of extended sales & marketing automation class tool for supporting the generation and conversion of sales leads, sold under the SaaS model:
  - Number of active clients: 67 (compared to the Forecast of 70); it grew by 32% from 53 users at the end of 2017;
  - Revenue from sales of PLN 1.9 million (compared to the Forecast of PLN 1.8 million); it grew by 31% from PLN 1.4 million in 2017;
  - EBITDA loss of PLN 0.4 million (compared to the Forecast of EBITDA loss of PLN 0.4 million); compared to the profit of PLN 0.1 million in 2017;
- LARQ and other portfolio companies:
  - EBITDA loss of PLN 5.0 million (compared to EBITDA loss Forecast of PLN 4.9 million); the corresponding loss was PLN 6.4 million in 2017. Net of realised and expected costs of the incentive scheme, EBITDA loss was PLN 4.7 million (compared to the Forecast loss of PLN 4.5 million); the corresponding loss was PLN 5.3 million in 2017.

The key unaudited financial results of LARQ, its subsidiaries and the FIZ Assets for 2018 with comparison to 2017 are presented in table below:

PLN million	01.01-31.12.2018 proforma	01.01-31.12.2017 proforma
Revenue from sales		
Nextbike	61.2	43.5
Synergic*	41.3	35.5
Brand24	11.8	7.5
Youlead**	1.9	1.4
Other*	0.9	1.8
EBITDA		
Nextbike	13.9	15.2
Synergic	8.4	6.5
Brand24	0.1	(1.6)
Youlead	(0.3)	0.1
Other	(5.0)	(6.4)
Operating profit (loss)		
Nextbike	2.9	7.2
Synergic	6.9	4.3
Brand24	(1.9)	(2.9)
Youlead	(0.3)	0.1
Other	(4.8)	(6.7)
Net profit/(loss)		
Nextbike	(0.3)	4.4
Synergic	5.5	4.3
Brand24	(1.8)	(3.2)
Youlead	(0.4)	0.1
Other	(4.7)	(6.7)
Net deb (cash)		

Nextbike	51.6	24.5
Synergic	(0.9)	0.5
Brand24	(0.6)	(2.5)
Youlead	(0.1)	(0.1)
Other	(0.7)	(1.0)

*z Net of intragroup transactions.
**Figures separate from those of Intelisoft sp. z o.o.

1.4. Material Developments and Contracts in 2018

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In April 2018, LARQ transacted the sale of 17,050 shares in Nextbike. The total sale price of those shares was PLN 2,131,267.50 or PLN 125.00 per share. On the other hand, in May 2018, LARQ acquired 8,489 shares in Nextbike for the total price of PLN 528,426.38 as the contractual repurchase of shares form the former CEO of Nextbike Polska, for the share price of PLN 62.25. Following those transactions, at 30 June 2018 and at the publication date of this report, the LARQ directly holds 0.8% shares in Nextbike. At the same time, the stake held in Nextbike by LARQ Growth Fund I FIZ remains unchanged and amounts to 717,261 shares that represent 67.0% of Nextbike's share capital and 70.3% of total votes at the General Meeting of Nextbike.

In June 2018, the Annual General Meeting of LARQ authorised the Management Board of LARQ to buy out own shares of the Company. The maximum number of shares that the Company may acquire must not exceed 1,553,566 and their purchase price must not be neither less than PLN 0.1 nor more than PLN 25. The aggregate value of the repurchase plan must not exceed PLN 3 million; the plan will be pursued for no more than three years. No buyout took place in 2018.

In August 2018, LARQ signed the investment agreement concerning YouLead. YouLead specialises in the development and commercialisation of proprietary software for automation of sales and marketing processes on web pages of customers. In August 2018, it was spun off Intelisoft sp. z o.o. At the publication date of this report, LARQ holds 51% shares in in both YouLead and Intelisoft. Under the investment agreement signed in August 2018, loans of PLN 0.6 million that had been granted to YouLead by LARQ will be converted into equity, and LARQ will provide further funding of PLN 0.6 million for YouLead; the company will also offer executive share options for YouLead's Management Board. Such additional funding raised by YouLead will be applied towards the enhancement of its software and for international expansion.

In September 2018, LARQ Growth Fund I FIZ sold 26,000 shares in Brand 24 SA representing 1.3% of the share capital. The aggregate share sale price was PLN 988,000 and the price per share was PLN 38.

In December 2018, the Meeting of Investors of LARQ Growth Fund I FIZ (the "Fund") resolved to dissolve and wind up the Fund with the commencement date set on 31 January 2019; later, the commencement date was postponed to 30 April 2019 by resolution dated 30 January 2019.

Key FIZ Assets

The material developments affecting he FIZ Assets during 2018 are narrated in Section 3 of this Report.

1.5. Material Post Balance Sheet Events

On 30 January 2019, the Meeting of Investors of LARQ Growth Fund I FIZ resolved to change the commencement date for the Fund's liquidation. The commencement date was changed from 31 January 2019 to 30 April 2019. The material developments affecting the key FIZ Assets after the date of this report are addressed in Section 3 hereof.

1.6. Expected Development of LARQ

LARQ focuses on efforts to increase the value of its financial assets. The growth in value of the Company's assets is directly affected by the operating results of the FIZ Assets as well as their development prospects and the developments on the capital market. As regards the business of key companies included in the FIZ Assets, the following is expected:

Nextbike – to win more tenders for supply and operation of city bike sharing systems in other Polish towns and cities, as well as outside Poland. and to continue services for the towns and cities already held in the Company's

portfolio; to increase its revenue derived from advertisers and private partners; to improve the efficiency of its operational processes and to grow the effects of scale;

Synergic – selective acquisition of new non-standard advertising media (including new product lines) situated in locations with high quality marketing communication which can guarantee above-the-average return on sales, as well as getting a foothold on the digital out of home (DOOH) market;
Brand 24 – to maintain the leadership in its product category in Poland and, at the same time, to continue the growth of its global customer base; to improve the effectiveness of its process of customer acquisition and retention; to continue efforts to perfect its product.
YouLead – to grow its clientele, also on international markets; to continue product improvements and team development; to improve the efficiency of operating processes and the growing effects of scale.

2. ADDITIONAL INFORMATION

2.1 Background Information

LARQ S.A. 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.

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 long-term building of value of its holdings of financial assets that comprise companies with complementary business objectives:

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

Throughout 2018, the Company 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 has been transferred to a subsidiary). At LARQ level, that business was finally discontinued in the 1st quarter of 2019.

At 31 December 2018, 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.

On 19 December 2018, the Supervisory Board, by its Resolution 3/12/2018, appointed Ms Anna Krawczyńska-Nowak to the Management Board of the Company to serve as the Board Member responsible for finance and administration, with effect as of 2 January 2019.

The terms of office of the aforesaid Board Members will expire at the latest on the day of holding the General Meeting of Shareholders approving the financial statements for 2018 being the last full financial year when those Board Members served in the office.

At 31 December 2018, 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 during 2018 or up to the date of publication of these statements.

The terms of office of the aforesaid Supervisory Board Members will expire at the latest on the day of holding the General Meeting of Shareholders approving the financial statements for 2018 being the last full financial year when those Supervisory Board Members served in the office.

2.2 Information about Products, Goods and Services on Offer

Following the successive transfer of its historic operations to portfolio companies, LARQ has gradually ceased to render advertising agency services. At present, the core business of LARQ is the long-term building of value of its holdings of financial assets.

2.3. Breakdown of Revenue by Operating Segments

Considering the successive transfer of the discontinued operations to the subsidiaries and the FIZ Assets, the Company focuses solely on the long-term building of value of its holdings of its assets and it does not present separate operational segments. The financial results and achievements of the major FIZ Assets during 2018 are discussed in Section 3 hereof.

2.4. Sales Markets

Considering the gradual transfer of operating activities, any analysis of sales markets does not apply to the Company.

2.5. Related Party Transactions

In 2018, the Company did not conclude any transactions with any related parties otherwise than on the arm's length basis. Related party transactions are discussed in detail in the financial statements of LARQ.

2.6. Issues, Redemption and Repayment of Debt and Equity Securities, and the Application of Issue Proceeds

Upon meeting the conditions set forth for the third year of implementation of the 2015 incentive scheme, Mr. Mikołaj Chruszczewski subscribed for 125,000 shares in the Company in August 2018. Upon meeting the conditions set forth for the second year of implementation of the 2016 incentive scheme, Ms Małgorzata Dzięcioł and Mr. Jakub Kurzynoga subscribed for, respectively, 25,000 and 75,000 shares in the Company in 2018. Accordingly, LARQ's share capital went up by PLN 22,500 and amounted to PLN 799,283.30 at 31 December 2018 and at the publication date of these statements.

2.7. Shareholders Holding at Least 5% of Total Votes at the General Meeting of LARQ S.A. as at the Submission Date of this Report

Shareholder	Number of Shares	% of Share Capital	% of Votes
HARBINGER CAPITAL Ltd.	3,000,000	37.53%	54.58%
QUERCUS TFI SA*	720,478	9.01%	6.55%
NATIONALE NEDERLANDEN OFE i DFE**	700,000	8.76%	6.37%
OTHERS	3,572,355	44.69%	32.50%

* Of record for the GM held by LARQ SA on 30 June 2017.

** Of record for the GM held by LARQ SA on 28 June 2018.

2.8. Statement of Movements in Holdings of Shares in the Company or Rights to Shares (Options) by Members of the Management and Supervisory Boards

Based on the information available to the Company as at 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 – President	223,215	2.79%	2.03%
Mikołaj Chruszczewski –Board Member	184,039	2.30%	1.67%
Małgorzata Dzięcioł – Board Member	28,333	0.35%	0.26%
Member of Supervisory Board	50,000	0.63%	0.45%
Member of Supervisory Board	10,000	0.13%	0.09%
Member of Supervisory Board	6,489	0.08%	0.06%

Throughout 2018, the following changes took place in the holdings of shares by the Members of the Management and Supervisory Boards: Krzysztof Przybyłowski acquired 9,215 shares, Mikołaj Chruszczewski and Małgorzata Dzięcioł, in fulfilment of the incentive scheme, increased their shareholdings by 125,000 and 25,000, respectively. The shareholdings of the Supervisory Board Member were reduced by 10,000.

2.9. Limitations on Ownership of Shares in the Company

None.

2.10. Purchase of Own Shares

In June 2018, the Annual General Meeting of LARQ authorised the Management Board of LARQ to buy out own shares of the Company. The maximum number of shares that the Company may acquire must not exceed 1,553,566 and their purchase price must not be neither less than PLN 0.1 nor more than PLN 25. The aggregate value of the repurchase plan must not exceed PLN 3 million; the plan will be pursued for no more than three years. The Company has not attempted any purchases of own shares throughout 2018 or until the publication date of this report.

2.11. Dividend Paid or Declared

During the period covered by this report, LARQ has neither declared nor paid any dividend.

2.12. Probability of Execution of Investment Projects

The execution of the Company's future investment projects will depend on its current performance, growth in the value of assets owned by the Company and sale transactions, if any, as well as identification of attractive investment targets.

2.13. Information about Material Proceedings Before Court, Arbitration Tribunal or Administrative Authority

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

2.14. Information about Movements in Contingent Assets or Liabilities

Details of contingent liabilities are presented in LARQ's financial statements for the period ended on 31 December 2018.

2.15. Information about Loans Borrowed and Terminated During 2018

In the period from 1 January to 31 December 2018, the Company borrowed and repaid the following loans:

- Loan granted by Synergic sp. z o.o. – the loan of PLN 1,300,000 was borrowed in 2018; total repayments made in 2018 amounted to PLN 700,000;
- Loan granted by LARQ Fund Management sp. z o.o. – the loan of PLN 790,000 was borrowed in 2018; total repayments made in 2018 amounted to PLN 21,000.

2.16. Information about Lending During 2018

In the period from 1 January to 31 December 2018, the Company extended loans to the following subsidiaries:

- AdInnovation sp. z o.o. – the amount of loans granted in 2018: PLN 344,000; following the IFRS 9 correction, the outstanding loan and interest accrued as at 31 December 2018 amount to PLN 0;
- CAM Media Creative Works sp. z o.o. – the amount of loans granted in 2018: PLN 215,000; following the IFRS 9 correction, the outstanding loan and interest accrued as at 31 December 2018 amount to PLN 0;
- Youlead sp. z o.o. – the amount of loans granted in 2018: PLN 344,000; the outstanding loan and interest accrued as at 31 December 2018 amount to PLN 1,009,478.23.

2.17. Information about Guarantees and Sureties Given and Received in 2018

In the period from 1 January to 31 December 2018, no mortgage was created by LARQ.

2.18. Employee Share Plans

In 2018, the Company operated a single incentive scheme; its regulations were adopted by the Company's Supervisory Board on 31 May 2016. Under the incentive scheme, its participants are granted the right to acquire no more than 300,000 ordinary bearer shares of series G in the Company, to be issued under the conditional increase of its share capital. Those rights will be exercised with the use of subscription warrants. The scheme was operated for three financial years, starting in 2016. 2018 was the final year of the scheme.

In accordance with the regulations of the incentive scheme, for the right to acquire subscription warrants and, subsequently, for shares of the Company, to vest, the conditions specified in the regulations must be satisfied, namely:

- Average price of the Company's shares as listed on the Warsaw Stock Exchange during any 3-month period of a given scheme year, reaches a certain level;
- Participant of the incentive scheme must be employed by the Company until the date of approval, by the Company's General Meeting, of the Company's financial statements for a given year during which the incentive scheme was active;
- Participant of the incentive scheme must not engage in any activities in competition to LARQ until the day of subscription of shares for a given year during which the incentive scheme was active.

The regulations have been detailed in the Company's Current Report of 1 June 2016.

At 31 December 2018, Ms Małgorzata Dzięcioł, Member of the Company's Management Board, and Mr. Jakub Kurzynoga, Financial Director of LARQ S.A., are members of that scheme.

In fulfilment of the incentive schemes for 2018, the Company recognised the cost of the scheme of PLN 220,265 in the statement of profit or loss for the period ended on 31 December 2017, compared to PLN 1,105,500 in 2017 when the cost also included the 2015 scheme.

Upon meeting the conditions set forth for the third year of implementation of the 2015 incentive scheme, Mr. Mikołaj Chruszczewski subscribed for 125,000 shares in the Company in July 2018. Upon meeting the conditions set forth for the second year of implementation of the 2016 incentive scheme, Ms Małgorzata Dzięcioł and Mr. Jakub Kurzynoga subscribed for, respectively, 25,000 and 75,000 shares in the Company in July 2018.

The 2015 incentive scheme participated by Mr. Mikołaj Chruszczewski was terminated upon holding the Annual General Meeting of LARQ SA and upon adoption of the Company's 2017 financial statements.

2.19. Changes of Managers and Supervisors

At 31 December 2018, 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.

On 19 December 2018, the Supervisory Board, by its Resolution 3/12/2018, appointed Ms Anna Krawczyńska-Nowak to the Management Board of the Company to serve as the Board Member responsible for finance and administration, with effect as of 2 January 2019.

As at the date of this Report, the Management Board of the Company consists of

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

Mikołaj Chruszczewski – Member of the Management Board

Małgorzata Dzięcioł – Member of the Management Board

Anna Krawczyńska-Nowak– Member of the Management Board.

At 31 December 2018, 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 during 2018 or up to the date of approval of this Report.

2.20. Contracts Made Between the Company and Its Managers

In August 2018, Mr. Mikołaj Chruszczewski, Member of LARQ Management Board, signed new contracts with the Company. Since the incentive scheme benefiting Mr. Mikołaj Chruszczewski in 2015-2017 has expired, those new contracts regulate the form of regular relationship between that Member of the Management Board and the Company, including incentive elements such as a specified extra annual compensation that consists of three independent components: success fee for attainment of financial goals (linked to the growth in value of the Company's net financial assets), extra fee for fulfilment of quality goals and discretionary bonus to be awarded at the discretion of the Supervisory Board. Furthermore, Mr. Mikołaj Chruszczewski will have, in January of each year, the right to additional compensation to be paid out in fresh shares in LARQ; its amount will be based on the value of options to buy 50,000 shares in LARQ at the average (turnover-weighted) price from January of the previous year, however no less than the minimum price of PLN 19.73

2.21. Description of Material Risk Factors and Threats

At present, the core business of LARQ is to manage the financial assets owned by it; it involves the following risks:

- **Risk of change in valuation of financial assets –** a risk relating to any decline in valuation of financial assets triggered off by capital market downturn or current and forecast operating results of respective companies. The Company measures the fair value of its assets through profit or loss on a quarterly basis and if the aforementioned risks materialise, they may adversely affect the current results of the Company.
- **Risk associated with the development of companies and their financial results** – a risk of failure to attain the expected development could potentially lead to lower than expected rates of return on investments and, thus, adversely affect financial results generated by LARQ.
- **Risk of changes in the legal and tax systems** – amendments to laws or their interpretations that might produce negative effects or changes in the business environment for LARQ or its assets.

2.22. Contract for Audit of Financial Statements and Auditor's Fees

On 20 January 2018, the Company and PKF Consult sp. z o.o. sp. k. with its registered office in Warsaw, ul. Orzycka 6 lok. 1B, signed the contract for audit of the 2018 financial statements of the Company. The contract provides for the fee of PLN 33,402.84, net of VAT, for the audit of financial statements.PKF Consult sp. z o.o. sp. k. also performed the review of interim financial statements of the Company for the first six months of 2018 (for the fee of PLN 20,729).

2.23. Emoluments of the Members of the Management and Supervisory Boards

The amount of emoluments paid to the Members of the Management and Supervisory Boards is given in Note 38 to the financial statements. The cost of the incentive scheme participated by the Board Members and top executives of the Company is presented in this Report.

2.24. Other Material Information for Assessment of the Issuer

During the period covered by this Report and to the best knowledge of the Management Board:

- There have been no events other than described above which, in the opinion of the Management Board, are material for assessment of its employment situation, assets, financial standing, profit or loss and changes therein, or other events of importance in assessing the likelihood of fulfilment of obligations by the Company;
- There have been no changes, other than described above, in the key principles of governance of the Company.

3. THE FIZ ASSETS

Key FIZ Assets: GRUPA NEXTBIKE POLSKA

Scope of Business: Grupa Nextbike Polska S.A. ("Nextbike", the "Group") is the largest supplier and operator of city bike-sharing systems in Poland. At the end of 2018, the Company managed the fleet of 16,600 bicycles in almost 50 towns in Poland and Finland. Nextbike enjoys the 80% share of the Polish city bike-sharing market in terms of fleet size. The Company has been listed on NewConnect since 23 August 2017.

Nextbike Polska S.A. shares held by LARQ at the end of December 2018: 68% (blocks of shares held by LARQ S.A. and LARQ Growth Fund I FIZ).

Key financials: Throughout 2018, the fleet of bicycles managed by the Company grew by over 4,400, net, mostly after putting in operation the new regional system for the Łódź Agglomeration Railways (1,000 bikes), the new system in Turku, Finland, and in several towns across Poland (mainly Chorzów, Płock, Zielona Góra, Konin, Koszalin), as well as the expansion of the existing systems (mainly in Warsaw, Poznań and Katowice.) During 2018, Nextbike reported an increase in sales revenue by 41% up to PLN 61.2 million compared to PLN 43.5 million in 2017.

Nextbike's EBITDA for 2018 was PLN 13.9 million compared to PLN 15.2 million in 2017. The yoy decline in EBITDA was caused by: (i) costs incurred in the off-season were higher than in the preceding year; those costs involve winter maintenance, storage and re-start of the increased number of bicycles; (ii) increased costs to improve the system operation; and (iii) growing costs of administrative and operational structures mirroring the growth in scale of business.

Forecast: On 18 October 2018, LARQ published its forecast (the "Forecast") concerning the results of LARQ, its subsidiaries and the FIZ Assets in 2018, which was updated on 24 December 2018 regarding Nextbike's forecast performance. Nextbike's 2018 performance compared to the 18 October 2018 Forecast were as follows:

- Number of bikes in operation is PLN 16,600 (compared to the Forecast of 17,800 according to the Forecast); it grew by 36% from 12,200 at the end of 2017;
- Revenue from sale of PLN 61.2 million (compared to PLN 70.5 million according to the Forecast); it grew by 41% from PLN 43.5 million in 2017;
- EBITDA of PLN 13.9 million (compared to PLN 16.4 million according to the Forecast); it fell by 9% from PLN 15.2 million in 2017.

Material Developments at Nextbike:

- During 2018, Nextbike put into operation 16 new, permanent cycling systems for the total number of 3,200 bikes and managed six pilot systems.
- In May 2018, Nextbike launched the very first foreign system managed by it in Turku, Finland. The Turku system consists of 300 fourth generation bikes.
- On 25 June 2018, the Supervisory Board of Nextbike appointed Mr. Robert Lech to serve as President of Management Board; he replaced Mr. Tomasz Wojtkiewicz. Robert Lech has over ten years in managerial experience, he managed organisations both home and abroad. In the mid-term, the new President's mission is mostly to boost Nextbike's income derived from private sources, international expansion and improving the effectiveness of the organisation.
- In June 2018, NB Tricity sp. z o.o., a Group company, signed the contract for the delivery and services of the Metropolitan Bike System in the Tricity and neighbouring communes; the system will include 4,080 fourth generation electric bikes. The Tricity Bike System will be among the largest systems in the world that are fully based on electric bikes. The stage one of the system (ca. 1,200 bikes) became operational March 2019.
- In June 2018, NB Serwis sp. z o.o., a Group company, signed the contract for the delivery and service of the cycling system in selected towns alongside the Łódzka Agglomeration Railways for 1,000 bikes in the aggregate. That system is the very first project in Poland that combines two most environment-friendly means of public transport: bicycle (on a short distance) and train (on a longer distance).
- Throughout 2018, Nextbike continued the development of a private revenue stream by launching a dedicated system of bike stations for PKN Orlen and signing a new 3-year cooperation agreement with Benefit Systems.

Key Financials of GRUPA NEXTBIKE POLSKA

PLN million	FY 16	FY 17	FY 18	*17/16*	*18/17*
Number of bicycles (end of period) (in '000)	7.8	12.2	16.6	*57%*	*36%*
Revenue	31.8	43.5	61.2	*37%*	*41%*
EBITDA	10.1	15.2	13.9	*51%*	*-9%*
EBIT	5.6	7.2	2.9	*29%*	*-60%*
Net profit (loss)	3.9	4.4	(0.3)	*11%*	*-107%*
Net debt (cash)	18.4	24.5	51.6	*33%*	*110%*

Breakdown of 2017 Revenue

Breakdown of 2018 Revenue

Fleet Structure at End of December 2017

Fleet Structure at End of December 2018

Market Share by Number of Bicycles (December 2018)

Nextbike Shareholding Structure (December 2018)

Source: Nextbike own estimates

LARQ CAPITAL GROUP

Scope of Business: Grupa Brand24 ("Brand24", the "Group") is the owner of a proprietary tool for Internet content monitoring sold as SaaS (Software as a Service). The Group enjoys a dominant position on the Polish market in that product category. Since 2015, it has also been successful with the commercialisation of its software on the global market.

Brand24 S.A. shares held by LARQ at the end of December 2018: 39% (block of shares held by LARQ Growth Fund I FIZ and LARQ SA).

Key financials: At the end of 2018, Brand24 had 3,096 active users of its software (i.e., 41% more than at 31 December 2017), specifically 1,532 customers for its Polish version and 1,564 users of the global version which means the growth by 16% and 78%, respectively, compared to the end of 2017.

In 2018, Brand24 reported the growth in sales revenue by 59% up to PLN 11.8 million compared to PLN 7.5 million in 2017; more than 49% of revenue was generated from the sale of global version of the software.

In terms of IFRS's EBITDA, Brand24 reported a profit of PLN 69,000 for 2018 compared to the loss of PLN 1,591,000 in 2017. Compared to the preceding year, the costs of Brand24 incentive scheme for 2018 were reduced by PLN 1.7 million. In 2018, the company increased expenditures on customer acquisition, especially for the global version, and on the reinforcement of the IT team to support the enhancement of Brand24's software and on improving the effectiveness of automated sales and customer retention processes.

Forecast: On 18 October 2018, LARQ published its forecast (the "Forecast") concerning the results of LARQ, its subsidiaries and the FIZ Assets in 2018. Compared to that forecast, the results of Brand24 were as follows:

- Number of active clients is 3,096 (compared to the Forecast of 2,935); it grew by 41% from 2,196 users at the end of 2017;
- Revenue from sales of PLN 11.8 million (compared to the Forecast of PLN 10.8 million); it grew by 59% from PLN 7.6 million in 2017;
- IFRS EBITDA profit of PLN 0.1 million (compared to EBITDA loss of PLN 0.9 million in the Forecast); the corresponding loss was PLN 1.6 million in 2017.

Material Developments at Brand24 in 2018:

- On 30 January 2018, Brand24 shares debuted on NewConnect. All shares in Brand 24 SA were floated. The share price on the debut date was almost 80% above the price set for the private placement in November 2017. Compared to other issuers on the NewConnect market, Brand24 shares were vigorously traded during 2018.
- Brand24's solutions were integrated with new web services that allowed to add more content and attract new clients (such as Yelp, TripAdvisor).
- Launch of new functionalities: recurring payments were launched in the Polish version of the tool to facilitate payments made by customers for access to Brand24 tool; widget was launched and contains recommendations and mentions on any topic, ready to be implemented on web pages of Brand24 customers; launch of geographical analytics of mentions to facilitate identification of countries with the major impact on brand repute; new language detection algorithm was launched to improve results of the global version of Brand24.
- The threshold of 100 countries accessed by Brand24 was passed.
- In December 2018, the level of PLN 1.1 million MRR was exceeded (y/y growth by 60%).
- In September 2018, LARQ sold 26,000 shares in Brand24 for the price per share of PLN 38.

Key Financials of GRUPA BRAND24

PLN million	FY 16	FY 17	FY 18	*17/16*	*18/17*
Number of active customers (end of period)	1,275	2,196	3,096	*72%*	*41%*
Revenue	5.0	7.5	11.8	*49%*	*59%*
EBITDA	0.2	(1.6)	0.1	-	-
EBIT	(0.5)	(2.9)	(1.9)	-	-
Net profit (loss)	(0.7)	(3.2)	(1.8)	-	-
Net debt (cash)	(0.1)	(2.5)	(0.6)	-	-

Breakdown of 2017 Revenue

Breakdown of 2018 Revenue

Customer Structure at End of December 2017

Customer Structure at End of December 2018

Growth in Number of Active Customers (December 2018)

Brand24 Shareholding Structure (December 2018)

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Scope of Business: Synergic sp. z o.o. ("Synergic", the "Company") is the leading operator and owner of non-standard outdoor advertising media in Poland. The Company displays the advertisements of its customers at all Polish airports and key bus and railway stations. The Company is the exclusive operator of advertising space on city bikes and in underground passages in the major cities in Poland. In addition, since 2017, Synergic has commercialised the digital advertising space in selected ATM networks and on large-format media alongside highways.

Synergic sp. z o.o. shares held by LARQ at the end of December 2018: 100% (block of shares held by LARQ Growth Fund I FIZ).

Key financials: In 2018, Synergic recognised revenue of PLN 41.3 million which means a 16% growth compared to PLN 35.5 million generated in 2017. That dynamic growth rate was underpinned by the growth in sale of advertising campaigns, mostly on carriers at airports and on digital carriers such as ATMs, ticket machines and LED carries at hotels and in selected locations. The sale results for 2018 means the continuation by Synergic of its dynamic growth in revenue as experienced by the Company in the previous periods.

Thanks to growing revenue, Synergic noted EBITDA of PLN 8.4 million for 2018 compared to PLN 6.5 for 2017. EBITDA margin generated by Synergic was 20% in 2018; it was higher than in 2017.

Forecast: On 18 October 2018, LARQ published its forecast (the "Forecast") concerning the results of LARQ, its subsidiaries and the FIZ Assets in 2018. Compared to that forecast, the results of Brand24 were as follows:

- Its base of advertising media available for sale is 47,100 m2 (compared to the Forecast of 49,300 m2); it grew by 16% from 40,400 m2 in 2017;
- Revenue from sales of PLN 41.3 million (compared to the Forecast of PLN 38.0 million); it grew by 16% from PLN 35.5 million in 2017;
- EBITDA profit (net of intragroup transactions) of PLN 8.4 million (compared to the Forecast of PLN 8.2 million); it grew by 29% from PLN 6.5 million in 2017.

Material Developments at Synergic in 2018:

- In 2018, the Company delivered over 700 advertising campaigns for reputable Polish and International brands with the use of both own and third party carriers.
- Multi-channel advertising campaign was continued for the Samsung brand, mostly with the use of media owned by Synergic and located at airports and in underground passages.
- Increased sales potential in the large-format channels upon acquisition of an attractive location in Warsaw; the medium with the area of almost 500 m2 nearby the Dolinka Służewiecka in Warsaw.
- It delivered the full rebranding campaign for BZ WBK into Santander using highway carriers; it is the biggest advertising campaign on that medium to date.
- Commercialisation of advertising space on displays of over 2,000 ticket machines in Warsaw, Kraków and Łódź. Campaigns are delivered for TV and telecom companies.
- Pilot emissions of Augmented Reality content; they were presented for the first time at the prestigious *Gault&Millau Guide* event.
- Building operational and investment structures to support the development and digitalisation of advertising carriers within the city space.

Key Financials of SYNERGIC SP. Z O.O. *(net of intragroup transactions)*

mln zł	FY 16	FY 17	FY 18	*17/16*	*18/17*
Number of advertising campaigns delivered	558	665	679	*19%*	*2%*
Revenue	26.4	35.5	41.3	*34%*	*16%*
EBITDA	5.2	6.5	8.4	*25%*	*29%*
EBIT	3.4	4.3	6.9	*26%*	*60%*
Net profit (loss)	3.4	4.3	5.5	*26%*	*28%*
Net debt (cash)	(0.3)	0.5	(0.9)	-	-

Breakdown of 2017 Revenue

Breakdown of 2018 Revenue

Number of Campaigns Delivered in 2017

Number of Campaigns Delivered in 2018

Market Share (December 2018)

Synergic Shareholding Structure (December 2018)

Source: Synergic own estimates

Key FIZ Assets: YOULEAD sp. z o.o.

Scope of business: Youlead sp. z o.o. ("Youlead") the owner of a proprietary sales & marketing automation class tool for supporting the generation and conversion of sales leads, sold under the SaaS model. Youlead's customers are Poland's leading housing developers, car dealers and e-commerce operators. Youlead became an autonomous company after being spun off Intelisoft sp. z o.o. in November 2018.

Youlead shares held by LARQ at the end of December 2018: 51% (block of shares held by LARQ Growth Fund I FIZ) + 3% being converted from loans granted in 2015-2018.

Key financials: At the end of December 2018, Youlead had 67 active users of its software or 26% more than on 31 December 2017. The average subscription ARPU was over PLN 2,300 for entire 2018, similarly to the 2017 level.

In 2018, Youlead noted growth in sales revenue by 33% up to PLN 1.9 million compared to PLN 1.4 million for 2017.

Youlead reported EBITDA loss of PLN 0.3 million for 2018 compared to the profit of PLN 1,000 for 2017. The loss was suffered due to the increased outlays on customer acquisition and enlargement of the IT team to support software enhancements in 2018.

Forecast: On 18 October 2018, LARQ published its forecast (the "Forecast") concerning the results of LARQ, its subsidiaries and the FIZ Assets in 2018. Compared to that forecast, the results of Youlead were as follows:

- Number of active clients: 67 (compared to the Forecast of 70); it grew by 26% from 53 users at the end of 2017;
- Revenue from sales of PLN 1.9 million (compared to the Forecast of PLN 1.8 million); it grew by 22% from PLN 1.4 million in 2017;
- EBITDA loss of PLN 0.3 million (compared to the Forecast of EBITDA loss of PLN 0.4 million); compared to the profit of PLN 0.1 million in 2017.

Material Developments at Youlead in 2018:

- It reached the MRR level above PLN 130,000.
- In June 2018, a new enhanced version of the software was released, including the English language version of the tool.
- It received support from the leading home-décor e-commerce store to "rescue" the purchase basket worth ca. PLN 12 million per year.
- The automated integration of the Youlead tool and the most popular e-commerce platform was allowed.
- The new functions of the software were perfected such as: web-pushe, editing of mass mail sent as drag&drop, enlargement of filters for advanced contract segmentation.
- In November 2018, Youlead sp. z o.o became an independent organisation after being spun off Intelisoft sp. z o.o.

Key Financials of YOULEAD

PLN million	FY 16	FY 17	FY 18	*17/16*	*18/17*
Number of active customers (at end of period)	26	53	67	*104%*	*26%*
Revenue	0.7	1.4	1.9	*101%*	*33%*
EBITDA	(0.2)	0.1	(0.3)	-	-
EBIT	(0.2)	0.1	(0,3)	-	-
Net profit (loss)	(0.2)	0.1	(0.4)	-	-
Net debt (cash)	(0.1)	(0.1)	(0.1)	-	-

Breakdown of 2017 Revenue

Breakdown of 2018 Revenue

Customer Structure at End of December 2017

Customer Structure at End of December 2018

Growth in Number of Active Customers (December 2018)

YouLead Shareholding Structure (December 2018)

LARQ CAPITAL GROUP

4. STATEMENT OF CORPORATE GOVERNANCE IN 2018 AT LARQ SA

Acting pursuant to § 70 (6) (5) of the Finance Minister's Regulation of 29 March 2018 on current and periodic information to be provided by issuers of securities, and conditions for recognising as equivalent information required under regulations of a non-member state (Journal of Laws 2018 Item 757) and subject to §29 (3) of the Regulations of the Warsaw Stock Exchange, the Management Board of LARQ S.A. of Warsaw hereby states as follows:

Identification of the set of corporate governance principles applicable to the issuer and the location where the text of that set of principles is available to the public.

LARQ SA (hereinafter: the Company") has applied the set of *The Best Practices of WSE-Listed Companies 2016* as implemented by Resolution No. 26/1413/2015 of the Exchange Council dated 13 October 2015 (hereinafter the "DPSN 2016"). The text of the set of principles has been published on the web site at www.corp-gov.gpw.pl.

The Company posted the status of the Company's application with the recommendations and principles set out in the Best Practices for WSE-Listed Companies 2016 at:

http://www.relacje.larq.pl/media/2608/pl_gpw_dobre_praktyki_larq_za%C5%82-do-ebi-2_2019.pdf.

The Company has not decided to comply voluntarily with any corporate governance principles listed in any set other than DPSN 2016.

Extent of the Issuer's deviation from compliance with the provisions of the set of corporate governance principles

In 2018, LARQ SA followed all principles of corporate governance included in the aforesaid set, excluding the following recommendations: IV.R.2, VI.R.1, VI.R.2, VI.R.3 and the principles I.Z.1.9, I.Z.1.16, III.Z.3, III.Z.4, III.Z.5, IV.Z.2, VI.Z.2, VI.Z.4; the following principle: I.Z.1.15 has been applied to a limited extent.

Information Policy and Communication with Investors

1. Principle I.Z.1.9.

This principle is not applied to the extent of posting any information about dividend planned on the Company's website.

Principle I.Z.1.15.

The Company has not formally adopted any diversity policy. The selection of members to the Supervisory Board and key managers of the Company is made by the duly authorised bodies of the Company. The participation of certain persons in exercise of directorships, supervisory and management functions within the Company's structures is based on their competencies, skills, professional experience, efficiency and professionalism. The Company believes that the foregoing criteria for assessment of candidates to the Company's authorities and its key managers are fully sufficient considering the needs of the Company.

2. Principle I.Z.1.16.

The Company does not comply with the above Principle as regards the publication of Information about a planned broadcast of its General Meetings on its website since the Company does not follow Principle IV.Z.2.

Internal Systems and Functions

1. Principle III.Z.3.

The Company does not have any separate internal audit unit nor a separate post for a person heading that function.

2. Principle III.Z.4.

The Company does not have any separate internal audit unit nor a separate post for a person heading that function. The Management Board of the Company fulfils the internal control, risk management, compliance and internal audit tasks as a part of its responsibilities, however, it does not submit any separate assessment of the efficiency of the a/m systems otherwise than in contacts with the Supervisory Board as a part of its daily management of the Company's affairs.

3. Principle III.Z.5.

The Company does not have any formalized procedures or units for internal control, risk management or compliance. Accordingly, the Supervisory Board and the Audit Committee monitor the efficiency of the a/m systems based on their regular contacts with the Management Board of the Company which is responsible for discharge of those tasks. The Supervisory Board drafts its separate assessment of the efficiency of operation of those systems and functions.

General Meetings and Shareholder Relations

1. Recommendation IV.R.2.

Considering the shareholding structure and no expectations in that respect on part of its shareholders, the Company does not broadcast its General Meetings, also considering the excessively high costs that the Company would need to incur; the Company believes that such costs would be disproportionate to any potential advantages for shareholders.

2. Principle IV.Z.2.

Considering the shareholding structure and no expectations in that respect on part of its shareholders, the Company does not broadcast its General Meetings, also considering the excessively high costs that the Company would need to incur; the Company believes that such costs would be disproportionate to any potential advantages for shareholders.

Remuneration

1. Recommendation VI.R.1.

The Company does not have a formal document setting forth the principles of remuneration policy. The Company presents the rates of emoluments of its officers in the annual reports. As regards the remuneration policy applicable to members of the Management and Supervisory Boards, and how their emoluments are fixed, the Company follows the following rules:

- Emoluments of members of its Supervisory Board are fixed by the General Meeting;
- Emoluments of members of the Management Board are fixed by the Supervisory Board;
- Emoluments of key managers are fixed by the Management Board.

The rate of pay is linked to the scope of duties of each individual and the areas of their responsibility as assigned to each member of those authorities, and to key managers.

2. Recommendation VI.R.2.

The Company has not adopted a remuneration policy. Nevertheless, the principles of remuneration applied by the Company satisfy the requirements set out in Recommendation VI.R.2.

3. Recommendation VI.R.3.

The Company does not have any remuneration committee.

4. Principle VI.Z.2.

The Company has one incentive scheme for the Company's executives, including its Board Members, that allow for exercise of other instruments tied to shares in the Company during a period of less than two years after their grant.

5. Principle VI.Z.4.

This rule is not fully followed by the Company since the Company has not adopted any remuneration policy. Emoluments of members of its Supervisory Board are fixed by the General Meeting, while emoluments of members of the Management Board are fixed by the Supervisory Board. The Management Board fixes the remuneration of key managers. The Company addresses the emoluments of members of its Management and Supervisory Boards in its financial statements.

Main features of the internal control and risk management systems in place at the issuer's business, with references to the process of preparation of financial statements.

The Company has in place the internal control and risk management systems to secure the accuracy, correctness and legal compliance of its financial data, and to ensure their high quality The proper operation of the internal control system is the responsibility of the Management Board's Member in charge of financing activities of the Company.

The financial data are registered in the IT system; the access to that system is restricted by granting relevant authorisations to authorised persons. The access control is maintained continuously during the preparation of financial statements, from the initial input of data until the completion of electronic files. Persons involved in the preparation of financial statements are subject to confidentiality contracts.

The principles of accuracy in keeping the books of account of the Company and for the generation of financial statements in compliance with the relevant standards are based on the following pillars approved by the Management Board:

- Accounting policy and chart of accounts that comply with the International Financial Reporting Standards;
- Corporate Procedures System to organise the flow of documents and to define the scope of accountability and powers of each chain of that system, as well as the principles of internal control;
- Several internal procedures that regulate the Company specific risk-exposed areas.

Financial statements made by the Company are verified from time to time by an independent auditor in a form of review (of interim statements) and audit (of annual statements).

Among the areas of risk to which the Company is exposed, the major risk is the market risk associated with the capital market and, thus, the valuation of the subsidiaries and the assets of LARQ Growth Fund I FIZ, as well as financial risks, the credit risk in particular. The Company's exposure to currency risk and interest rate risk is limited. In order to protect itself against the business risk, the Company monitors the business environment of its operations on a daily basis and responds in a flexible manner to any changes or negative trends that emerge.

Shareholders who hold, directly or indirectly, significant shareholdings and the number of shares held by them, their percentage share of the share capital and the number of votes carried by such shares and their percentage share of total votes at the General Meeting:

At 31 December 2018, the list of shareholders with significant shareholdings was as follows:

Shareholder	Number of Shares	% of Share Capital	% of Votes
HARBINGER CAPITAL Ltd.	3,000,000	37.53%	54.58%
QUERCUS TFI SA*	720,478	9.01%	6.55%
NATIONALE NEDERLANDEN OFE i DFE**	700,000	8.76%	6.37%

* Of record for the GM held by LARQ SA on 30 June 2017.
** Of record for the GM held by LARQ SA on 29 June 2018.

Holders of any securities that carry special control powers, and description of those powers.

The Company did not issue any shares that give any special control powers to their holders. The Company issued 500 registered shares of series C1, 500 registered shares of series C2, 500 registered shares of series C3, 500 registered shares of series C4, 500 registered shares of series C5 and 500 registered shares of series C6 that have such preferences that each share carries two votes at the General Meeting. All shares in the C1, C2, C3, C4, C5, C6 series are held by Harbinger Capital Ltd. The remaining shares in the Company are ordinary shares.

Restrictions on the exercise of voting rights such as limiting the exercise of voting rights by holders of a specified proportion or number of votes, temporal limitations of the exercise of voting rights or clauses whereunder, with the company's assistance, equity rights attaching to securities are separated from the ownership of such securities.

The Articles of Association of the Company do not provide for any restrictions on the exercise of voting rights by holders of a specified proportion or number of votes, or any temporal limitations of the exercise of voting rights, nor contain any articles whereunder, with the company's assistance, equity rights attaching to securities are separated from the ownership of such securities. Pursuant to § 18 (5) of the Articles of Association of the Company, no lienholder or beneficial owner of shares may be granted any voting rights from shares in the Company.

Restrictions on transfer of ownership of the issuer's securities

To the best knowledge of the Company's Management Board, no restrictions on transfer of ownership of the issuer's securities exist at the date of this Statement, other than laid down in the law.

Description of the rules for appointment and removal of managers and their powers, in particular the right to decide on the issue or redemption of shares.

In accordance with the Articles of Association of the Company, the Management Board consists of one to four members. The Members of the Management Board are appointed and removed by the Supervisory Board. The Supervisory Board may remove the President or Vice-President from the office and leave them on the Management Board, at the same time appointing another person to serve as President or Vice-President of the Management Board. The joint term of office of the Management Board is three years.

The Management Board manages affairs of the Company and represents the Company outside. Two Members of the Management Board acting jointly are authorised to represent the Company. The President of the Management Board manages the proceedings of the Management Board and, without limitation, s/he coordinates, supervises and organises the work of the Members of the Management Board and also convenes and chairs meetings of the Management Board.

The Management Board is authorised to increase the share capital of the Company through issuance of new shares up to the aggregate par value up to PLN 577,837.50 (five hundred seventy seven thousand, eight hundred thirty seven and 50/100 zlotys), in single or several increases of the share capital up to the above limit (authorised capital). The Management Board may issue authorised shares in exchange for contributions in cash or in kind. The Management Board's power to increase the share capital and to issue authorised shares will expire after three years of the registration of amendments to the Articles of Association as amended by Resolution 17/17 of the General Meeting held on 30 June 2017.

The Management Board is authorised to dis-apply the pre-emption right of the existing shareholders, fully or partially.

Decisions of the Management Board on all aspects relating to the increase of share capital up to the authorised capital require approval of the Supervisory Board. The issue price of authorised shares cannot be below the average market price for the last six months immediately preceding the date of adopting a resolution in that matter.

The Management Board is further authorised to decide whether to buy back shares of the Company in the cases and on the terms and conditions as prescribed in the Commercial Companies Code.

Amendments to the Articles of Association.

Any amendment to the Articles of Association requires a resolution to be passed by the General Meeting in accordance with the principles set out in the Commercial Companies Code and must be registered with the Business Registry of the National Court Register.

Proceedings of the General Meeting and its key powers, and description of shareholders' rights and how they are exercised, without limitation, the principles contemplated in the Rules of Procedure of the General Meeting, if adopted, unless relevant information arises directly from the laws

General Meetings are held on the premises of the registered office of the Company and if the Company's registered office is relocated out of Warsaw, also in Warsaw. A General Meeting is convened as provided for in the laws. The General Meeting may be cancelled if it cannot be held due to extraordinary obstacles (Force Majeure) or when it is clearly pointless. It is cancelled in the same way as convened, at the latest three weeks prior to the originally scheduled date. The cancellation of the General Meeting with agenda including specified business put there upon request of authorised entities, or convened upon such request, is only possible with the consent of the requisitionists. The date of the Meeting is rescheduled in the same way as its cancellation, even if the proposed agenda remains unchanged. Resolutions to delete certain issues from the agenda, or resolutions to refrain from consideration of specific matters included in the agenda, shall require a detailed justification and consent of all present shareholders who requested a specific matter to be included in the agenda. Resolutions on the matters mentioned in the previous sentence shall be passed by the majority of 3/4 (three fourths) votes.

The General Meeting is opened by the Chairperson of the Supervisory Board or a person appointed by him/her. If the Chairperson of the Supervisory Board is not present at the General Meeting or fails to appoint a person responsible for the opening, the General Meeting will be opened by the President of the Management Board or by a person appointed by him/her, and in case of absence of the abovementioned persons – by the Shareholder or by a person representing the Shareholder holding the greatest percentage of votes out of total votes held by those present at the General Meeting.

In addition to other matters as provided for in the laws and in these Articles, the responsibilities of the General Meeting include adoption of resolutions on the following matters:

- Distribution of profit or payment of loss;
- Establishment and release of capital reserves, special funds and determining their purpose;
- Appointment and removal of the members of the Supervisory Board;
- Appointment and removal of liquidators;
- Fixing the remuneration of the members of the Supervisory Board; and
- Adoption of the rules of procedure of the General Meeting.

No purchase or sale of real estate, perpetual usufruct or interest in real estate or perpetual usufruct by the Company shall require a resolution of the General Meeting.

Resolutions of the General Meeting are passed by the absolute majority of votes, unless provided otherwise in the laws or these Articles of Association.

The detailed proceedings of the General Meeting are laid down in the Rules of Procedure of the General Meetings in place at the Company.

Members and changes made during the last financial year, and description of activities pursued by the managing, supervisory or administrative bodies of the issuer, and their committees.

From 1 January 2018 to 31 December 2018, 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.

At the same time, please note that Ms Anna Krawczyńska-Nowal was appointed to the Management Board on 19 December 2018 by the Supervisory Board to serve as Board Member as of 2 January 2019.

The terms of office of the aforesaid Board Members will expire at the latest on the day of holding the General Meeting of Shareholders approving the financial statements for 2018 being the last full financial year when those Board Members served in the office.

The Management Board manages affairs of the Company and represents the Company outside. Two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with the procuration holder are authorised to represent the Company. The Chairman of the Management Board manages the proceedings of the Management Board and, without limitation, s/he coordinates, supervises and organises the work of the Members of the Management Board and also convenes and chairs meetings of the Management Board. In case of a tie vote during voting at any meeting of the Management Board, the Chairman of the Management Board has the casting vote. The proceedings of the Management Board are laid down in the Rules of Procedure of the Management Board that have been adopted by the Management Board and approved by the Supervisory Board.

From 1 January 2018 to 31 December 2018, the Supervisory Board consisted of the following members:

- 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

The Supervisory Board has five or seven members, including its Chairperson, who are appointed and removed by the General Meeting for the joint term of office of four years. The terms of office of the aforesaid Supervisory Board

Members will expire at the latest on the day of holding the General Meeting of Shareholders approving the financial statements for 2018 being the last full financial year when those Supervisory Board Members served in the office.

The Supervisory Board's role is oversight over the Company's operations.

The number of members of the Supervisory Board will be determined by the General Meeting, separately for each term of office. The General Meeting may change the number of members of the incumbent Supervisory Board, however only in connection with relevant changes made in the composition of the Supervisory Board.

The Supervisory Board elects Chairperson, Deputy Chairperson of the Supervisory Board and Secretary of the Supervisory Board, out of their midst, at the first meeting during a new term of office. During its term of office, the Supervisory Board may change persons serving as Chairperson, Deputy Chairperson of the Supervisory Board and Secretary of the Supervisory Board. Every member of the Supervisory Board may be re-elected for another term of office.

Meetings of the Supervisory Board are convened when needed, however at least once every three months. The Management Board or a member of the Supervisory Board may request a meeting of the Supervisory Board to be convened by tabling a proposed agenda. The Chairperson of the Supervisory Board shall convene the meeting within two weeks since the day of receiving the request.

Resolutions of the Supervisory Board are passed by the absolute majority of votes in the presence of at least one half of the members of the Supervisory Board. In case of a tie vote, the Chairperson of the Supervisory Board has a casting vote.

The Supervisory Board proceeds on the basis of the rules of procedure that are adopted by it and specify in detail the proceedings of the Supervisory Board.

The Company had the Audit Committee since 18 September 2017. As of its appointment, i.e. from 18 September 2017 until 31 December 2018, the Audit Committee included of the following members:

- Mr. Piotr Krawczyński – Chairperson of the Audit Committee (Deputy Chairperson of the Company's Supervisory Board);
- Ms Joanna Braulińska-Wójcik – Member of the Audit Committee (Chairperson of the Company's Supervisory Board);
- Mr. Adam Kalkusiński - Member of the Audit Committee (Member of the Company's Supervisory Board);
- Mr. Sergiusz Frąckowiak – Member of the Audit Committee (Member of the Company's Supervisory Board).

The statutory independence criteria are satisfied by the Chairperson of the Audit Committee, Mr. Piotr Krawczyński, and the following members of the Audit Committee: Ms Joanna Braulińska-Wójcik and Mr. Sergiusz Frąckowiak.

Mr. Adam Kalkusiński and Mr. Sergiusz Frąckowiak have the expertise and skills in the area of accounting and audit of financial statements.

Adam Kalkusiński is a graduate of the Warsaw School of Economics, Faculty of Foreign Trade, majoring in Management with specialisation in financial management and capital markets. He is also MBA graduate from the University of Minnesota in 1993. He has completed numerous management training courses at the Institut Francais de Gestion and specialized training in the techniques of auditing and audit of financial statements organized by KPMG and the Association of Accountants in Poland in 1994-1995. In his professional practice, Mr. Adam Kalkusiński relies on his practical knowledge of accounting, economy and finance.

Mr. Sergiusz Frąckowiak holds MA in Finance and Banking from the Warsaw School of Economics (2003). He also holds the investment advisor licence no. 239 dated 2006. In his professional career, Mr. Sergiusz Frąckowiak has gained skills and knowledge in analysing financial statement. In his professional practice, Mr. Adam Kalkusiński relies on his practical knowledge of accounting, economy and finance.

All members of the Audit Committee have knowledge and skills in the Company's line of business. Their practical knowledge acquired by education and work as well as holding offices in companies with similar profile of business allows them to effortlessly handle the business areas represented by the Company's assets, namely public transport,

advertising and new technologies. Furthermore, all members of the have transactional and investment skills and expertise as needed for the long-term building of value of the financial assets held being the core business of the Company.

Information about Audit Committee Meetings

In 2018, the Audit Committee exercised its powers and proceeded as provided for in the Company's Articles of Association and in the Audit Committee Rules. In 2018, the Audit Committee met twice to sum up the first half of the Company's operations in 2018, i.e. on 29 May 2018, and for the second half of 2018 – on 19 December 2018. In addition, the members of the Audit Committee addressed matters as needed, in writing and using the means of long-distance communication (tele-conference) and discussed both scheduled matters and as their daily cooperation with the Management Board of the Company. Furthermore, during the period covered by this report, the current performance of the Company was discussed by the members of the Audit Committee on the meetings arranged cyclically by the Supervisory Board of the Company.

Responsibilities of the Audit Committee

The Audit Committee acts in compliance with the generally applicable legislation, in particular based on the provisions of the Act on Statutory Auditors and the Audit Committee Rules as adopted by the Company's Supervisory Board, and by reliance on the following policies adopted by the Audit Committee:

- *Policy for selection of audit firm for LARQ S.A. to carry out statutory and voluntary audits of separate annual financial statements;*
- *Procedure for selection of audit firm for LARQ S.A. to carry out audit and to perform other services for LARQ S.A.;*
- *Policy for provision of other services by the audit firm authorised to audit separate annual financial statements* (hereinafter jointly: the "**Policies and Procedures**").

During the reporting period, the tasks of the Audit Committee were as assigned in the Audit Committee Rules adopted by the Company's Supervisory Board by its Resolution 2/09/17 dated 18 September 2017. On the same day, the Supervisory Board of the Company, upon initiative of the Audit Committee, resolved to adopt the aforesaid Policies and Procedures.

In accordance with the Audit Committee Rules, the Audit Committee is supposed to support the Supervisory in fulfilment of its statutory control and supervisory responsibilities, in particular as regards:

1) Monitoring of the financial reporting process;
2) Monitoring of the efficiency of internal control systems, risk management systems and internal audit, also to the extent affecting the financial reporting;
3) Monitoring the exercise of financial audit activities, in particular an audit carried out by the audit firm;
4) Control and monitoring of the independence of statutory auditor and audit firm, especially when non-audit services are provided for the Company by the audit firm;
5) Informing the Supervisory Board of the Company of audit results with explanations how that audit furthered the accuracy of the Company's financial reporting and the role played by the Audit Committee during auditing;
6) Assessing the independence of statutory auditor and granting permission for his provision of permitted non-audit services for the Company;
7) Designing the policy for selection of audit firm to carry out audits;
8) Designing the policy for provision of permitted non-audit services by the audit firm which carries out audits, its associates and by any member of the audit firm's network;
9) Establishing the procedure for selection of audit firm by the Company;

10) Issuance of its recommendation to the Supervisory Board regarding the appointment of statutory auditors or audit firms in line with the policies designed by the Audit Committee; and

11) Issuance of recommendations intended to ensure the accuracy of the Company's financial reporting process.

Selection of Statutory auditor to Audit the Financial Statements for the 2018 Financial Year

On 19 December 2018, the Audit Committee, acting in compliance with the applicable legislation, in particular based on the provisions of the Act on Statutory Auditors and the Audit Committee Rules and the Rules of Procedure of the Company's Supervisory Board, and by reliance on the following: *Policy for selection of audit firm for LARQ S.A. to carry out statutory and voluntary audits of separate annual financial statements,* in compliance with the *Procedure for selection of audit firm for LARQ S.A. to carry out audit and to perform other services for LARQ S.A.*, passed its Resolution 3/12/18 on its recommendation for selection of an audit firm to carry out the Company's separate financial statements for the 2018 financial year, as presented to the Supervisory Board of the Company, where it:

- Made the recommendation of retaining PKF Consult Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw for auditing the Company's separate financial statements for the 2018 financial year;
- Declared that the recommendation was free of any third party influences;
- Noted that the Company has not signed any contracts that would contain clauses referred to in Article 66 (5a) of the Accounting Act of 29 September 1994, namely contracts with contractual clauses that would restrict the freedom of selection of an audit firm by the authority selecting the audit firm as needed to carry out statutory audits of the Company's financial statements to specified categories or lists of audit firms;
- Decided to submit the recommendation in question to the Supervisory Board of the Company.

The recommendation of the Audit Committee for selection of the a/m audit firm satisfied the applicable conditions and was made according to the procedure arranged by the Company as aforesaid.

Based on the above recommendation, the Supervisory Board of the Company, acting in compliance with the applicable legislation, the Articles of Association of the Company and the Rules of Procedure of the Supervisory Board, in accordance with the Policies and Procedures in place, and based on the above recommendations, resolved, by its Resolution 5/12/18 of 19 December 2018, to retain PKF Consult Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw to carry out the audit of the 2018 financial statements.

The purpose of the *Policy for selection of audit firm for LARQ S.A. to carry out statutory and voluntary audits of separate annual financial statements* and the *Policy for provision of other services by the audit firm authorised to audit separate annual financial statements* is to reinforce the independence, objectivity, accountability, transparency and credibility of audit firm which carries out statutory audits of the Company's financial statements.

The *Policy for selection of audit firm for LARQ S.A. to carry out statutory and voluntary audits of separate annual financial statements* defines the clear-cut and non-discriminatory selection criteria such as audit firm's approach to its business and its audit approach, reputation, ethical conduct, audit quality, audit date and date for issuance of audit report, composition of audit firm's team that is to carry out the audit, insurance taken out for statutory auditor/audit firm, prices (the assessment of prices should be based on: (i) availability of key team members that will actually carry out the audit, as well as resources at disposal of statutory auditor/audit firm, (ii) specialist knowledge and qualifications of staff, (iii) number of hours expected to be worked by experts from respective categories, and (iv) risk approach and audit methodology). The criteria to be relied on by the Audit Committee should be established before commencing the assessment of audit firms. The criteria should be assigned values towards materiality of each criterion for the evaluation of proposals. Based on the foregoing, the Audit Committee should design its evaluation model and apply it accordingly to evaluate proposals of all audit firms.

The selection should be guided by the approach where all audit firms included in the selection process were provided with the same information that should describe in detail what the Company needs from services proposed, and specify clearly the scope and type of information to be provided in the reply to proposal. The change of audit firm must be planned in advance. All important divisions in the organisational structure of the Company, including the financial and accounting departments, must be ready to cooperate with the selected audit firm.

Furthermore, the *Policy for Selection* assumes that since the maximum term of uninterrupted award of statutory audits carried out by the same audit firm or any audit firm associated with the audit firm, or any member of the network to which the audit firm belongs, cannot exceed 5 (five) years. The Company will select its audit firm for 3 (three) consecutive financial years, with an option of extension for another two years. At the same time, in line with the *Policy for Selection*, the Company will make sure that the key statutory auditor cannot carry out statutory audits for a period longer than 5 (five) years, and, if selected again, for a period shorter than 3 (three) years after the end of the last statutory audit.

The *Policy for provision of other services by the audit firm authorised to audit separate annual financial statements* mostly attempts to eliminate the risk of non-independence of audit firm by laying down the rules for provision of permitted services through definition of prohibited services and permitted services. The provision of permitted services is possible only to the extent unrelated to the Company's tax policy.

Control over Non-Audit Services Provided by Statutory Auditor

During the 2018 financial year, the audit firm, PKF Consult Sp. z o.o. Sp. k. of Warsaw, provided the Company with permitted non-audit services, namely the service of reviewing the condensed semi-annual financial statements of LARQ S.A. for the period from 1 January 2018 to 30 June 2018. The Audit Committee has assessed the independence of the statutory auditor from PKF Consult Sp. z o.o. Sp. k. of Warsaw and authorised the provision of permitted services by that statutory auditor by Resolution 1/8/18 adopted on 9 August 2018 with the use of means of long-distance communication (tele-conference). The conclusions from that assessment were forwarded to the Company's Management and Supervisory Boards alongside the decision authorising the provision of services other than statutory audit by the statutory auditor from PKF Consult Sp. z o.o. Sp. k. of Warsaw.

Information about Diversity Policy

The Company has not drafted any formal document describing the diversity incorporated by the Company with reference to the authorities of the Company and its key manager. The selection of members to the Supervisory Board and key managers of the Company is made by the duly authorised bodies of the Company. The participation of certain persons in exercise of directorships, supervisory and management functions within the Company's structures is based on their competencies, skills, professional experience, efficiency and professionalism. The Company believes that the foregoing criteria for assessment of candidates to the Company's authorities and its key managers are fully sufficient considering the needs of the Company.